

**CHARLESTON COUNTY LIBRARY,  
A COMPONENT UNIT OF CHARLESTON COUNTY,  
SOUTH CAROLINA**

---

**BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

---

**YEAR ENDED JUNE 30, 2017**

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**YEAR ENDED JUNE 30, 2017**  
**Charleston, South Carolina**

CONTENTS

---

<b>INDEPENDENT AUDITORS' REPORT</b>	<b>1 – 3</b>
-------------------------------------	--------------

---

<b>REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)</b>	
Management's Discussion and Analysis	4 – 14
<b>BASIC FINANCIAL STATEMENTS</b>	
Government-wide Financial Statements	
Statement of Net Position	15
Statement of Activities	16
Non-Governmental Discretely Presented Component Unit	
Statement of Financial Position (December 31, 2016)	17
Statement of Activities (Year Ended December 31, 2016)	18
Fund Financial Statements	
Balance Sheet – Governmental Funds	19
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Position	20
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	21
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds to the Statement of Activities	22
Notes to Financial Statements	23 – 48
<b>REQUIRED SUPPLEMENTARY INFORMATION OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS (UNAUDITED)</b>	
Budgetary Comparison Schedule – General Fund (Budgetary Basis)	49
Notes to Budgetary Comparison Schedule – General Fund (Budgetary Basis)	50
Schedule of the Library's Proportionate Share of the Net Pension Liability South Carolina Retirement System – Last Four Years	51
Schedule of the Library's Contributions – South Carolina Retirement System – Last Ten Years	52
<b>GOVERNMENT AUDITING STANDARDS REPORT</b>	
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>	53 – 54
Schedule of Findings and Responses	55

---

***Independent Auditors' Report***

Board of Trustees  
**Charleston County Library,  
a Component Unit of Charleston County**  
Charleston, South Carolina

**Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of the **Charleston County Library, a Component Unit of Charleston County, South Carolina**, (the Library) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the basic financial statements of the Library's primary government as listed in the table of contents.

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

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

***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of Friends of the Charleston County Library, which represents 100% of the assets, net assets, and revenues of the discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Friends of the Charleston County Library, is based solely on the report of the other auditors. 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 from material misstatement. The financial statements of Friends of the Charleston County Library, the discretely presented component unit, were not audited in accordance with *Government Auditing Standards*.

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

**Members**

SC Association of Certified Public Accountants  
NC Association of Certified Public Accountants

**Members**

Division for CPA Firms, AICPA

An independently owned member  
**RSM US Alliance**



100 S. Main Street, Suite J  
PO Box 1588 (29484)  
Summerville, SC 29483  
843-873-4400 Fax 843-873-7227  
www.websterrogers.com

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

**Summary of Opinions**

Opinion Unit	Type of Opinion
Governmental Activities	Unmodified
Discretely Presented Component Unit	Unmodified
Governmental Fund – General	Unmodified
Aggregate Remaining Fund Information	Unmodified

**Opinions**

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information, of the Charleston County Library, a Component Unit of Charleston County, South Carolina, as of June 30, 2017, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Other Matters**

*Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis, Budgetary Comparison Schedule, Notes to the Budgetary Comparison Schedule, Schedule of the Library's Proportionate Share of the Net Pension Liability, and the Schedule of the Library's Contributions* on pages 4-14, 48-49, and 50-51 respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Board of Trustees  
**Charleston County Library,**  
**a Component Unit of Charleston County**  
Charleston, South Carolina

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 8, 2017, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.



Summerville, South Carolina  
November 8, 2017

**REQUIRED SUPPLEMENTARY INFORMATION  
(UNAUDITED)**

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

---

Management of the Charleston County Library, a Component Unit of Charleston County, South Carolina, (the Library) presents the following narrative overview of the financial activities of the Library for the fiscal year ended June 30, 2017. This information should be considered in conjunction with the Library's financial statements which follow this section.

**FINANCIAL HIGHLIGHTS**

- The liabilities and deferred inflows of resources of the Library exceeded its assets and deferred outflows of resources at the close of the most recent fiscal year by \$9,772,818 (*deficit net position*). Of this amount, \$13,137,211 represents *negative unrestricted net position*.
- The Library implemented Governmental Accounting Standards Board (GASB) Standard No. 68, *Accounting and Financial Reporting for Pensions*, during fiscal year 2015. GASB No. 68 required the Library to record its proportionate share of the state retirement system's net pension liability. The net pension liability at June 30, 2017, of \$15,920,780 created negative net position for the Library.
- The Library's total net position decreased by \$178,791. This is due primarily to additional pension expense of \$358,390 related to application of GASB No. 68 offset by savings related to personnel vacancies.
- At the close of the current fiscal year, the Library's governmental funds reported combined fund balances of \$2,408,084, an increase of \$244,675 in comparison with the prior year. Approximately 69 percent of the fund balance amount (\$1,669,688) is available for spending at the Library's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$1,774,688, or approximately 11 percent of total general fund expenditures. Total general fund balance of \$2,302,609 was approximately 14 percent of expenditures.
- Governmental funds operating expenditures were \$555,137 less than budgeted. This was primarily due to timing of information resource acquisitions and significant personnel vacancies.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements consist of three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains additional required supplementary information intended to support the basic financial statements themselves. These components are described below:

**Government – Wide Financial Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the Library's finances in a manner similar to a private-sector business. The statements provide both short-term and long-term information about the Library's financial position which assists in assessing the Library's economic condition at the end of the fiscal year. These are prepared using the flow of economic resources measurement focus and the accrual basis of accounting. This basically means they follow methods that are similar to those used by most businesses. They take into account all revenues and expenses connected with the fiscal year, even if cash involved has not been received or paid.

The *statement of net position* presents financial information on all of the Library's assets, liabilities, and deferred inflows/outflows of resources with the difference reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

---

The *statement of activities* presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as earned but unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for the Library.

Both of the government-wide financial statements distinguish functions of the Library that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). All of the operations of the Library are considered *governmental activities* and are supported primarily by intergovernmental revenues. The Library does not have any business-type activities.

The government-wide financial statements include not only the Library itself (known as the *primary government*), but also a legally separate non-profit organization that is financially significant to the Library since it provides funding only to the Library. Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

Because of the nature and significance of the relationship between the Library and the Friends of the Charleston County Library (the Friends), the Friends is determined to be a discretely presented component unit within the financial statements of the Library for 2017.

The government-wide financial statements can be found immediately following this discussion and analysis.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The fund financial statements focus on individual parts of the Library government, reporting the Library's operations in more detail than the government-wide statements. All of the funds of the Library are governmental funds.

**Governmental funds** – *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, the governmental fund financial statements focus on *near-term inflows and outflows of spendable resources* as well as on the *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements. This approach is known as using the flow of current financial resources measurement focus and the modified accrual basis of accounting. These statements provide a detailed short-term view of the Library's finances that assists in determining whether there will be adequate financial resources available to meet the current needs of the Library.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*. These reconciliations are presented on the face of the governmental fund financial statements.

The Library maintains four individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the general fund and the other nonmajor funds.



**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

The Library adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided as Required Supplementary Information to demonstrate compliance with this budget.

The governmental funds financial statements can be found immediately following the government-wide statements.

**Notes to the Financial Statements**

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found immediately following the fund financial statements.

**Required Supplementary Information**

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule which includes both the original and final budget of the Library along with actual results of operations. It also includes a schedule of the Library's proportionate share of the net pension liability of the South Carolina Retirement System as well as a schedule of the Library's contributions to the South Carolina Retirement System for the last ten years.

**GOVERNMENT – WIDE OVERALL FINANCIAL ANALYSIS**

**Net Position**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, liabilities and deferred inflows of resources exceeded assets and deferred outflows by \$9,772,818 (net position) at the close of the most recent fiscal year.

**CHARLESTON COUNTY LIBRARY'S NET POSITION**

	<u><b>2017</b></u>	<u><b>2016</b></u>
Current and other assets	\$ 3,159,957	\$ 2,964,855
Capital assets	<u>3,547,421</u>	<u>3,463,143</u>
Total assets	<u>6,707,378</u>	<u>6,427,998</u>
Deferred outflows of resources	<u>2,578,876</u>	<u>1,489,037</u>
Other Liabilities	751,873	801,446
Long-term liabilities outstanding	1,437,728	1,288,374
Net pension liability	<u>15,920,780</u>	<u>15,393,713</u>
Total liabilities	<u>18,110,381</u>	<u>17,483,533</u>
Deferred inflows of resources	<u>948,691</u>	<u>27,529</u>
Net position:		
Net investment in capital assets	3,258,918	3,328,375
Restricted	105,475	108,017
Unrestricted	<u>(13,137,211)</u>	<u>(13,030,419)</u>
Total net position	<u>\$ (9,772,818)</u>	<u>\$ (9,594,027)</u>

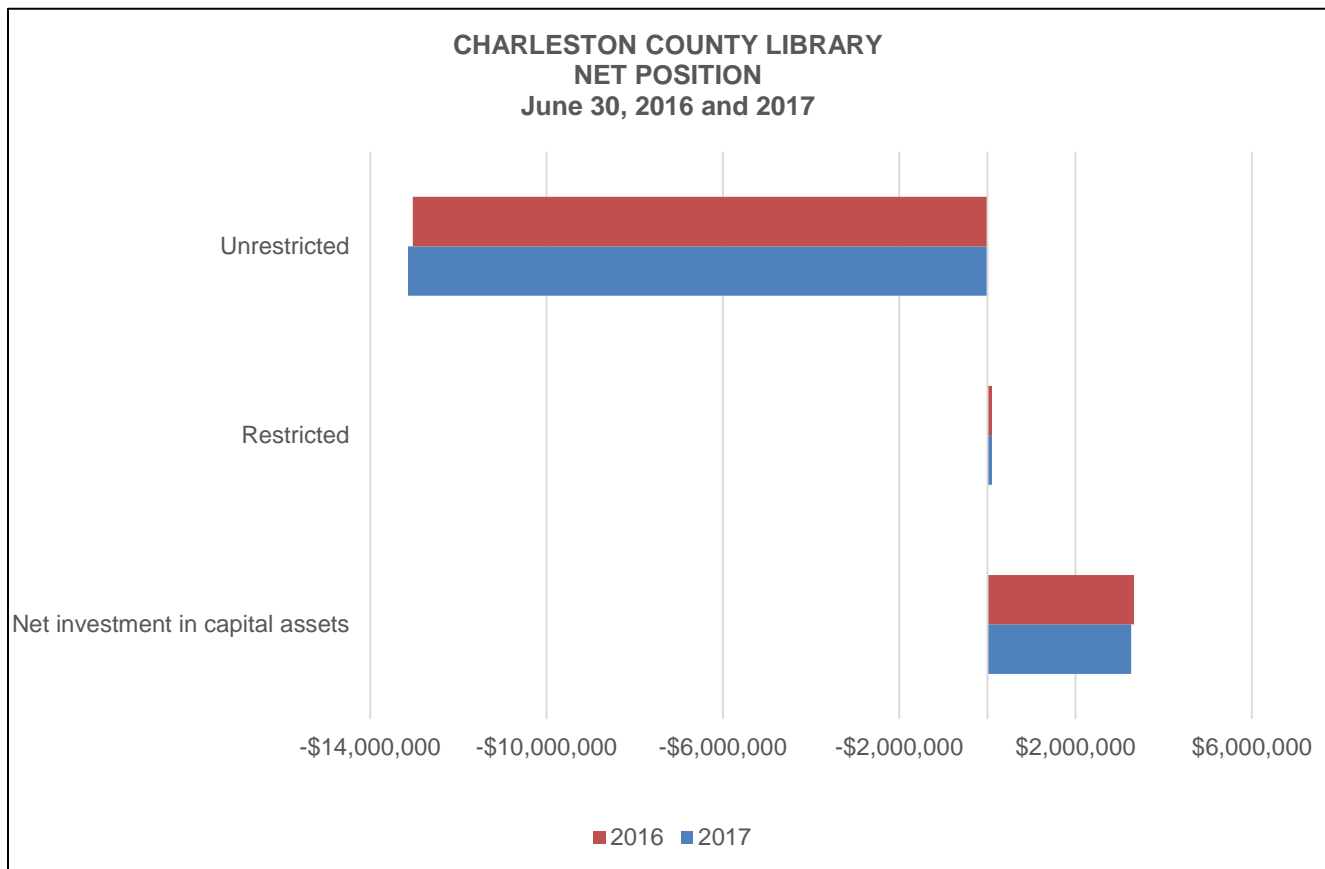
By far, the largest portion of the Library's net position (134 percent) reflects negative unrestricted net position due to the Library's proportionate share of the net pension liability of the South Carolina Retirement System.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

Net investment in capital assets (e.g., library materials, furniture, fixtures, and equipment), less any related outstanding debt that was used to acquire those assets, is included in net position. The Library uses these capital assets to provide services to citizens. Accordingly, these assets are *not* available for future spending. Although the Library's investment in capital assets is reported net of related debt, it should be noted that the resources used to repay this debt must be provided from other sources since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion, \$105,475, of the Library's net position represents resources that are subject to external restrictions on how they may be used (*restricted net position*).

At the end of the current fiscal year, the Library is unable to report positive balances in all reported categories of net position. This was due to the Library's proportionate share of the South Carolina Retirement Systems net pension liability.



The Library's overall net position decreased \$178,791 from the prior fiscal year. The reasons for this overall increase are discussed in the following section.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

**Changes in Net Position**

During the current fiscal year, net position of the Library decreased \$178,791 from the prior fiscal year. This decrease is equivalent to the excess of expenditures over revenues for the current fiscal year. Key elements of this decrease are as follows:

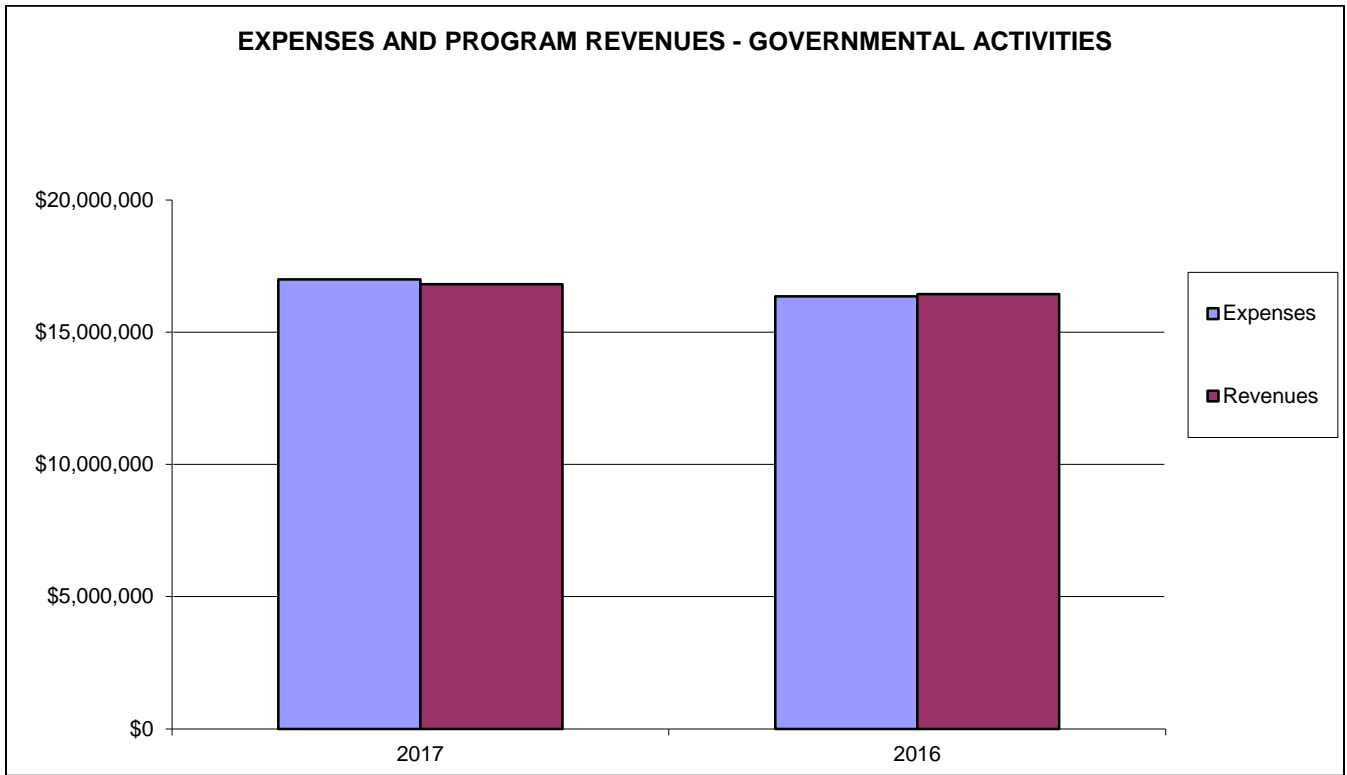
- Personnel costs increased by \$276,695 primarily due to pension expense related to the Library's proportionate share of the South Carolina Retirement Systems net pension liability offset by savings related to personnel vacancies.
- Information technology spending increased \$164,401 due primarily to software licensing, increased maintenance contract costs, and beginning work on a project to provide for continuity of operations for technology services after a disaster.
- Building repairs and maintenance increased \$108,234 due to costs and repairs related to aging facilities.
- Notable changes in program revenues were an increase of \$488,244 in county appropriation and receipt of \$36,957 in unexpected Education Lottery funds from the State of South Carolina.

For the most part, increases in expenses closely paralleled inflation and growth in demand for services.

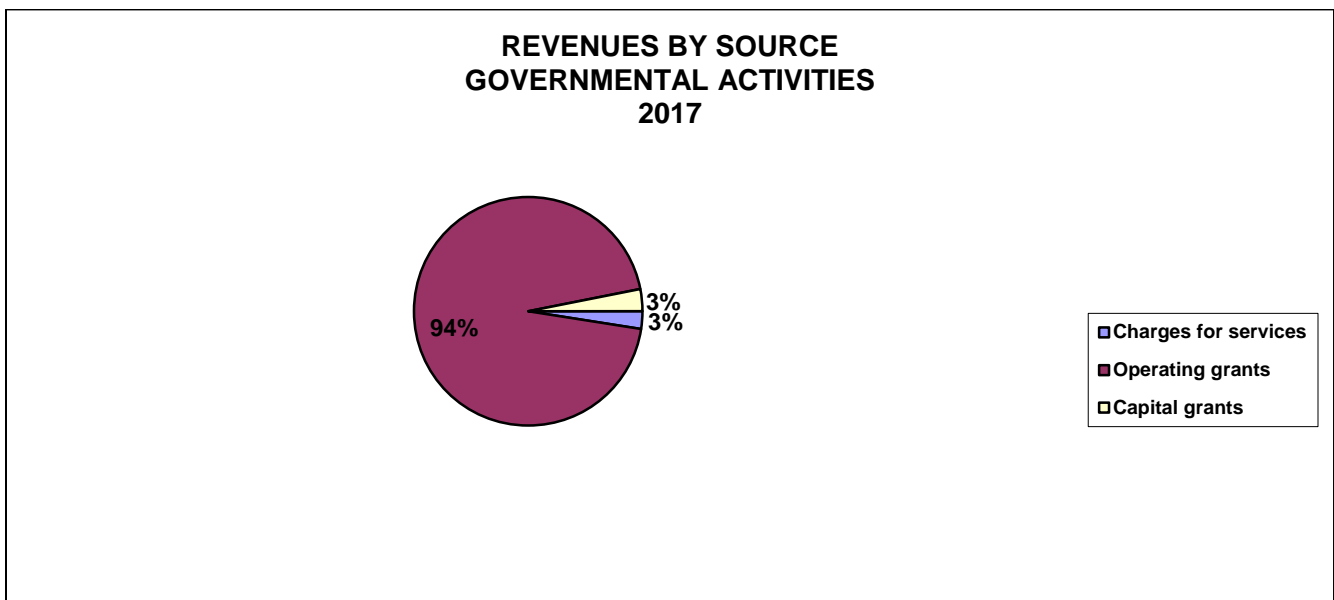
**CHARLESTON COUNTY LIBRARY'S CHANGES IN NET POSITION**

	<u>2017</u>	<u>2016</u>
Revenues:		
Program revenues		
Charges for services	\$ 417,722	\$ 479,201
Operating grants and contributions	15,873,264	15,403,716
Capital grants and contributions	525,314	558,971
Total revenues	<u>16,816,300</u>	<u>16,441,888</u>
Expenses:		
Personnel services	11,242,098	10,965,403
Purchased services and materials	4,025,906	3,669,415
Depreciation	1,727,087	1,724,242
Total expenses	<u>16,995,091</u>	<u>16,359,060</u>
Increase (decrease) in net position	(178,791)	82,828
Net position - beginning of year (restated)	<u>(9,594,027)</u>	<u>(9,676,855)</u>
Net position - end of year	<u>\$ (9,772,818)</u>	<u>\$ (9,594,027)</u>

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**



The majority of the Library's revenues is made up of operating grants from Charleston County and the State of South Carolina through the State Library. The share of revenue sources has remained consistent from year to year.



**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

**REVENUES BY SOURCE**  
**GOVERNMENTAL ACTIVITIES**  
**2016**



Personnel costs represent the largest share of the Library's expenses. This has remained consistent from year to year.

**EXPENSES BY TYPE**  
**GOVERNMENTAL ACTIVITIES**  
**2017**



**EXPENSES BY TYPE**  
**GOVERNMENTAL ACTIVITIES**  
**2016**



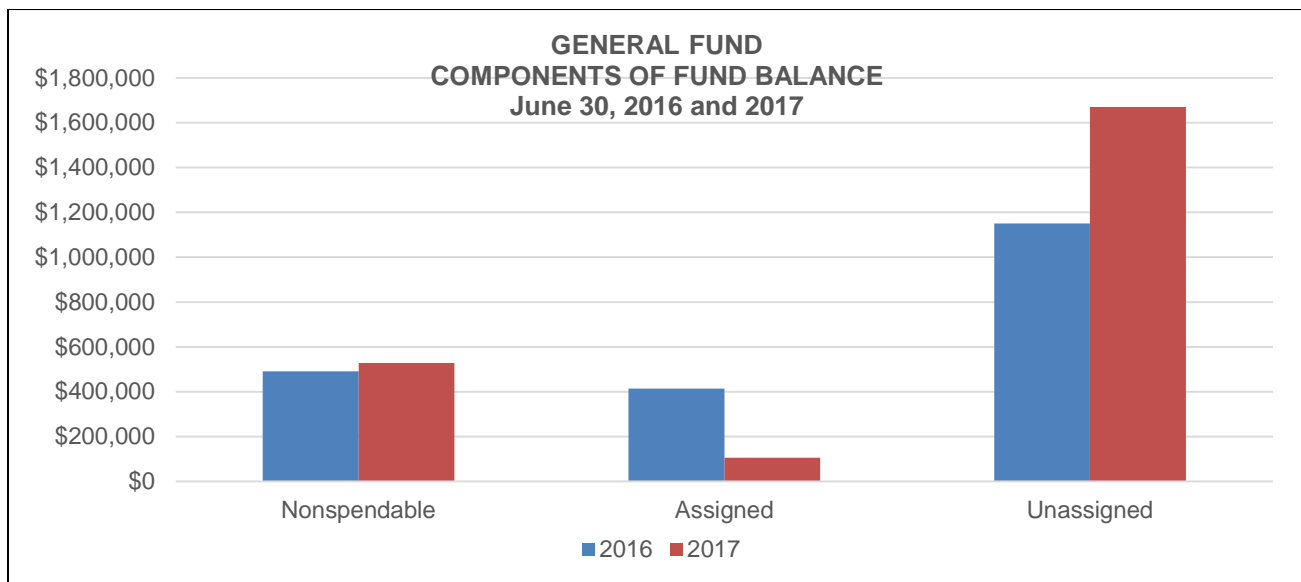
**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

**FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS**

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The focus of the Library's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for discretionary use as they represent the portion of fund balance which has not yet been limited to use for a particular purpose by either an external party, the Library itself, or a group or individual that has been delegated authority to assign resources for particular purposes by the Charleston County Library Board of Trustees.

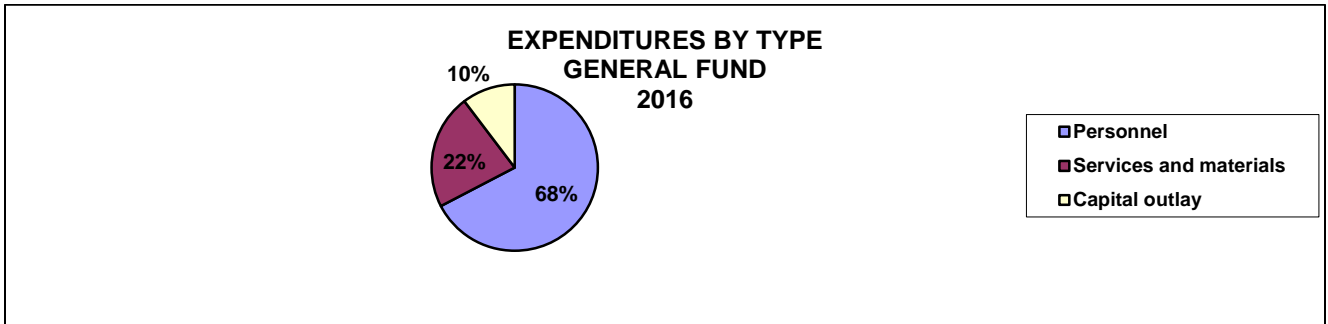
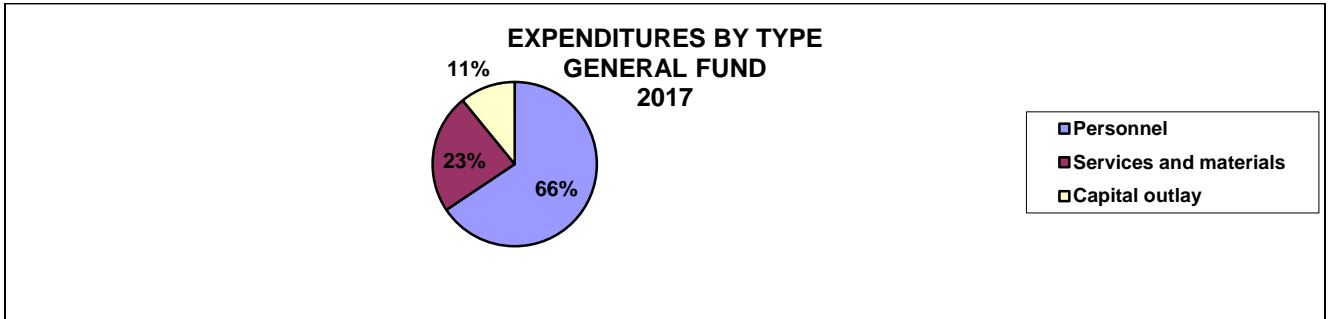
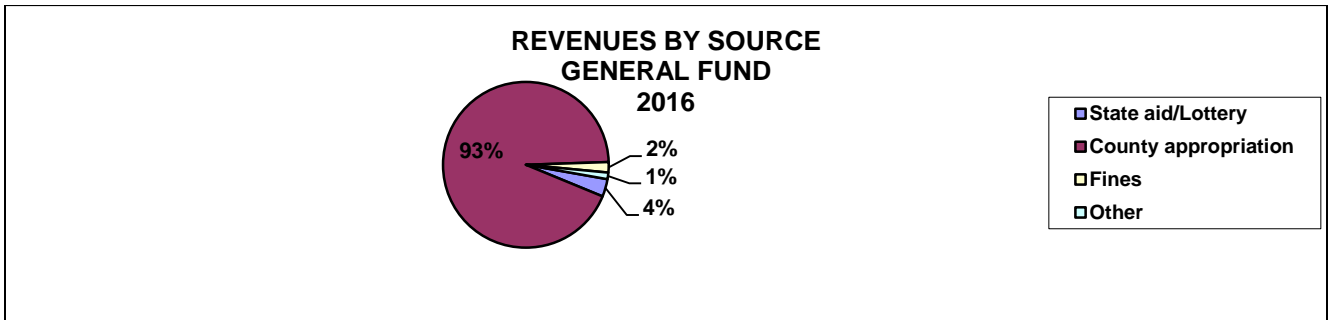
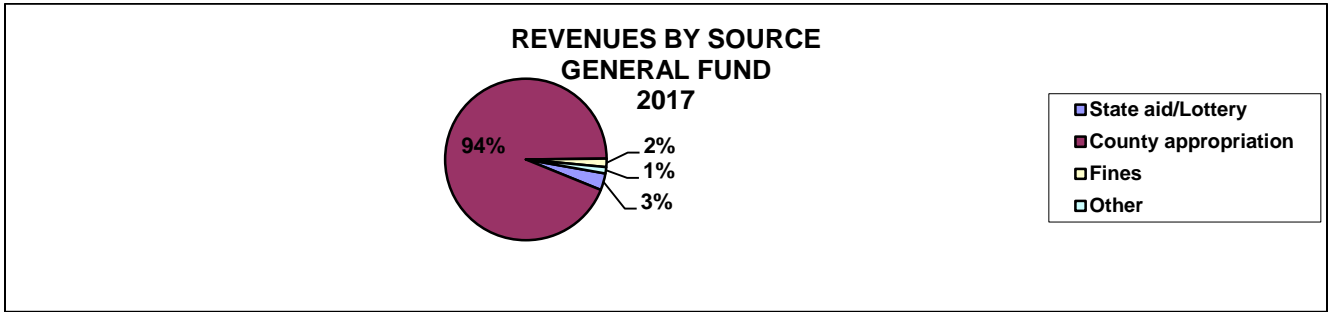
At June 30, 2017, the Library's governmental funds reported combined fund balances of \$2,408,084, an increase of \$244,675 in comparison with the prior year. Approximately 69 percent of total fund balance (\$1,669,688) constitutes *unassigned fund balance* which is available for spending at the Library Board's discretion. *Assigned fund balance* of \$105,000 represents 4 percent of the total. This is assigned to finance a portion of the fiscal year 2018 budget. *Restricted fund balance* of \$105,475 has limitations imposed by contributors and can only be used for specific purposes. The remainder of fund balance is *nonspendable* to indicate that it is not available for new spending because it has already been spent for inventory of supplies and prepaid items.



The general fund is the chief operating fund of the Library. At the end of the current fiscal year, unassigned fund balance of the general fund was \$1,669,688, and assigned fund balance was \$105,000, while the total fund balance was \$2,302,609. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and assigned fund balances and total fund balance to total fund expenditures. Unassigned and assigned fund balance represents 10.7 percent, (up from 10.0 percent in 2016), of total general fund expenditures, while total fund balance represents 13.9 percent, (up from 13.1 percent in 2016), of that same amount. Unassigned and assigned fund balances are combined for this analysis because 100 percent of the assigned fund balance is designated to finance fiscal year 2018 expenditures.

The Library's general fund balance increased \$247,217 during the current fiscal year. The increase was primarily due to an increase in County appropriations and State Aid, along with unexpected receipt of Education Lottery funds, and savings from significant personnel vacancies.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**



**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

**GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS**

**Original Budget Compared to Final Budget**

Over the course of the year, the Library Board of Trustees did not amend the Library budget.

**Final Budget Compared to Actual Results**

Actual revenues were \$106,552, or 0.6 percent, greater than estimated revenues. The most significant difference was the unexpected receipt of \$36,957 in funding from the State's Education Lottery Unclaimed Funds program.

Total actual expenditures were \$555,137, or 3.3 percent, less than the final budget. Personnel costs were \$250,701 under budget due to significant vacancies. Information resources were \$191,428 under budget primarily due to timing of planned new services. Several other expenditure categories had spending levels less than forecasted.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Library's investment in capital assets as of June 30, 2017, amounts to \$3,547,421 (net of accumulated depreciation). This investment in capital assets includes equipment, furnishings, and library materials. The total increase in the Library's investment in capital assets for the current fiscal year was 2.4 percent.

**CHARLESTON COUNTY LIBRARY'S CAPITAL ASSETS**  
(Net of depreciation)

	<u>2017</u>	<u>2016</u>
Equipment and furnishings	\$ 373,755	\$ 152,896
Library materials	3,162,666	3,299,247
Artwork (not subject to depreciation)	11,000	11,000
Total	<u>\$ 3,547,421</u>	<u>\$ 3,463,143</u>

Major capital asset events during the current fiscal year included the following:

- Additional library materials were acquired for \$1,523,812, while materials totaling \$2,306,550 with accumulated depreciation of \$2,306,550 were removed.
- Voice over internet protocol telephone equipment was acquired for \$206,560.
- Depreciation expense of \$1,727,087 was recognized in the government-wide financial statements.

Additional information on the Library's capital assets can be found in the notes immediately following the fund financial statements.



**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2017**

**Long-Term Obligations**

At the end of the fiscal year, the Library had total long-term obligations of \$17,358,508. These obligations consisted of compensated absences, capital leases, and net pension liability as shown below.

**CHARLESTON COUNTY LIBRARY'S OUTSTANDING OBLIGATIONS**

	<u><b>2017</b></u>	<u><b>2016</b></u>
Compensated absences	\$ 1,149,225	\$ 1,153,606
Capital leases	288,503	134,768
Net pension liability	<u>15,920,780</u>	<u>15,393,713</u>
Total	<u><u>\$ 17,358,508</u></u>	<u><u>\$ 16,682,087</u></u>

**ECONOMIC FACTORS AND NEXT YEAR'S BUDGET**

The following economic factors currently affect the Library and were considered in developing the 2017-2018 fiscal year budget.

- The county appropriation is expected to be 2.1 percent, or \$327,063, greater than fiscal year 2017.
- State aid was budgeted for fiscal year 2018 at per capita or \$1.50, or \$525,313. Legislation passed after approval of the Library's budget increased State aid to \$1.75 per capita, or \$612,866.
- Education Lottery funding is not expected.
- Total budgeted expenditures are 0.2 percent less than 2017. Increases in personnel costs due to implementation of the findings of a salary market study was offset by removal of building maintenance costs. Maintenance of county owned library buildings will be assumed by the County Facilities department in 2018.
- A referendum passed in November 2014 for an expansion and renovation of Library facilities. Four new positions are funded for the fiscal year 2018. Significant increases are anticipated for the fiscal year 2019 budget.

At June 30, 2017, the unrestricted fund balance in the general fund was \$1,774,688. The Board of Trustees has assigned \$105,000 of the fund balance of the general fund to maintain the Library's current level of service for fiscal year 2018.

**REQUESTS FOR INFORMATION**

This financial report is designed to provide a general overview of the Library's finances and demonstrate the Library's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Department, *Charleston County Library*, 68 Calhoun Street, Charleston, SC 29401.

## **BASIC FINANCIAL STATEMENTS**

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,496,379
Receivables	135,657
Inventory of supplies	28,258
Prepaid expenditures	499,663
Capital assets	
Artwork and other non-depreciable assets	11,000
Other capital assets, net of accumulated depreciation	3,536,421
Total assets	6,707,378
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension contributions made subsequent to measurement date	858,128
Differences between actual and expected experience	165,038
Changes in proportion and differences between Library's contributions and proportionate share of contributions	216,261
Net differences between projected and actual earnings on pension plan investments	1,339,449
Total deferred outflows of resources	2,578,876
<b>LIABILITIES</b>	
Accounts payable	513,052
Accrued payroll, benefits, and payroll taxes payable	229,367
Unearned revenues	9,454
Long-term liabilities	
Due within one year	75,412
Due in more than one year	1,362,316
Net pension liability	15,920,780
Total liabilities	18,110,381
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Differences between actual and expected experience	17,290
Changes in proportion and differences between Library's contributions and proportionate share of contributions	931,401
Total deferred inflows of resources	948,691
<b>NET POSITION</b>	
Net investment in capital assets	3,258,918
Restricted for special programs	105,475
Unrestricted	(13,137,211)
TOTAL NET POSITION	\$ (9,772,818)

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017**

	Governmental Activities
<b>EXPENSES</b>	
Personnel services - salaries, wages, and employee benefits	\$ 11,242,098
Purchased services and materials	4,025,906
Depreciation	1,727,087
Total expenses	16,995,091
<b>PROGRAM REVENUES</b>	
Charges for services	417,722
Operating grants and contributions	15,873,264
Capital grants and contributions	525,314
Total program revenues	16,816,300
Net program expense	178,791
Change in net position	(178,791)
<b>NET POSITION</b>	
Beginning of year	(9,594,027)
End of year	\$ (9,772,818)

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NON-GOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT**  
**STATEMENT OF FINANCIAL POSITION**  
**DECEMBER 31, 2016**

---

	<u>Friends of the Charleston County Library</u>
ASSETS	
Cash and cash equivalents	\$ 163,888
Inventory of supplies	<u>5,956</u>
TOTAL ASSETS	<u><u>\$ 169,844</u></u>
LIABILITIES AND NET ASSETS	
LIABILITIES	
Deferred membership dues	\$ 7,292
Accrued expenses	<u>2,186</u>
TOTAL LIABILITIES	<u>9,478</u>
NET ASSETS	
Unrestricted	
Undesignated	<u>160,366</u>
Total unrestricted	<u>160,366</u>
TOTAL NET ASSETS	<u>160,366</u>
TOTAL LIABILITIES AND NET ASSETS	<u><u>\$ 169,844</u></u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NON-GOVERNMENTAL DISCRETELY PRESENTED COMPONENT UNIT**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED DECEMBER 31, 2016**

	<u>Friends of the Charleston County Library</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>	
Support and revenue	
Book and merchandise sales	\$ 149,485
Donated facilities	41,449
Membership dues	25,819
Contributions	21,224
Special events	2,058
Other	<u>325</u>
<b>TOTAL UNRESTRICTED SUPPORT AND REVENUE</b>	<u>240,360</u>
<b>EXPENSES</b>	
Program services	121,230
Management and general	37,788
Fundraising	<u>85,622</u>
<b>TOTAL EXPENSES</b>	<u>244,640</u>
<b>CHANGE IN UNRESTRICTED NET ASSETS</b>	(4,280)
<b>NET ASSETS</b>	
Beginning of year	<u>164,646</u>
End of year	<u><u>\$ 160,366</u></u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**BALANCE SHEET – GOVERNMENTAL FUNDS**  
**JUNE 30, 2017**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,496,379	\$ -	\$ 2,496,379
Receivables	77,227	58,430	135,657
Due from other funds	-	113,929	113,929
Inventory of supplies, at cost	28,258	-	28,258
Prepaid expenditures	499,663	-	499,663
<b>TOTAL ASSETS</b>	<b><u>\$ 3,101,527</u></b>	<b><u>\$ 172,359</u></b>	<b><u>\$ 3,273,886</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 513,052	\$ -	\$ 513,052
Accrued payroll, benefits, and payroll taxes payable	229,367	-	229,367
Due to other funds	56,499	57,430	113,929
Unearned revenues	-	9,454	9,454
<b>Total liabilities</b>	<b><u>798,918</u></b>	<b><u>66,884</u></b>	<b><u>865,802</u></b>
<b>Fund balances</b>			
Nonspendable	527,921	-	527,921
Restricted	-	105,475	105,475
Assigned	105,000	-	105,000
Unassigned	1,669,688	-	1,669,688
<b>Total fund balances</b>	<b><u>2,302,609</u></b>	<b><u>105,475</u></b>	<b><u>2,408,084</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 3,101,527</u></b>	<b><u>\$ 172,359</u></b>	<b><u>\$ 3,273,886</u></b>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**RECONCILIATION OF THE BALANCE SHEET – GOVERNMENTAL FUNDS**  
**TO THE STATEMENT OF NET POSITION**  
**JUNE 30, 2017**

---

Total governmental fund balances		\$ 2,408,084
<p>Amounts reported for governmental activities in the statement of net position are different because of the following:</p>		
<p>Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds:</p>		
Cost of capital assets	\$ 15,711,016	
Accumulated depreciation	<u>(12,163,595)</u>	3,547,421
<p>Deferred outflows of resources related to pension expense are not available to pay for current expenditures and are, therefore, not reported or are deferred in the funds.</p>		
		2,578,876
<p>Long-term liabilities, including capital leases payable, accrued annual leave, and net pension liabilities, are not due and payable in the current period and, therefore, are not reported in the funds:</p>		
Accrued annual leave	\$ (1,149,225)	
Capital leases	(288,503)	
Net pension liabilities	<u>(15,920,780)</u>	(17,358,508)
<p>Deferred inflows of resources, related to pension expense, do not consume current financial resources and are, therefore, not reported in the funds.</p>		
		<u>(948,691)</u>
Net position of governmental activities		<u>\$ (9,772,818)</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.



**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2017**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Intergovernmental revenues			
Lottery funds	\$ 36,957	\$ -	\$ 36,957
State aid income	525,314	-	525,314
County appropriation	15,583,130	-	15,583,130
Federal pass-thru grants	-	21,511	21,511
Fines	279,548	-	279,548
Miscellaneous income			
E-Rate reimbursement	74,006	-	74,006
Copy machine charges	108,579	-	108,579
Private grants	-	6,732	6,732
Other revenues	27,769	-	27,769
Restricted contribution from component unit	-	102,613	102,613
Restricted donations	-	48,315	48,315
Restricted other revenue	-	1,826	1,826
<b>TOTAL REVENUES</b>	<u>16,635,303</u>	<u>180,997</u>	<u>16,816,300</u>
<b>EXPENDITURES</b>			
Current			
Personnel services - salaries, wages, and employee benefits	10,888,089	-	10,888,089
Purchased services and materials	3,835,963	181,211	4,017,174
Debt service			
Principal	52,825	-	52,825
Interest	8,732	-	8,732
Capital outlay	1,809,037	2,328	1,811,365
<b>TOTAL EXPENDITURES</b>	<u>16,594,646</u>	<u>183,539</u>	<u>16,778,185</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<u>40,657</u>	<u>(2,542)</u>	<u>38,115</u>
<b>OTHER FINANCING SOURCES</b>			
Capital Lease Proceeds	206,560	-	206,560
<b>TOTAL OTHER FINANCING SOURCES</b>	<u>206,560</u>	<u>-</u>	<u>206,560</u>
<b>NET CHANGE IN FUND BALANCES</b>	247,217	(2,542)	244,675
<b>FUND BALANCE</b>			
Beginning of year	<u>2,055,392</u>	<u>108,017</u>	<u>2,163,409</u>
End of year	<u>\$ 2,302,609</u>	<u>\$ 105,475</u>	<u>\$ 2,408,084</u>

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES,**  
**AND CHANGES IN FUND BALANCES – GOVERNMENTAL FUNDS TO**  
**THE STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2017**

Net change in fund balances - total governmental funds \$ 244,675

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$1,811,365) exceeded depreciation (\$1,727,087) in the current period. 84,278

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. The effect of the difference in the treatment of capital leases is as follows:

Issuance of capital lease	(206,560)
Repayment of principal	52,825

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. The details are as follows:

The increase in annual leave payable decreases net position. Annual leave payable is not due and payable in the current period and, therefore, not reported in the funds. 4,381

Pension expense that is related to net pension liability as recorded in the statement of activities is based on the Library's proportionate share of pension expense of the retirement system as a whole, whereas pension expense recorded in the funds are based on the use of financial resources (e.g. required contributions). Thus the change in net position differs from the change in fund balance by the amount by which the Library's proportionate share of pension expense exceeds actual contributions. (358,390)

Change in net position of governmental activities \$ (178,791)

The accompanying Notes to Financial Statements are an integral part of this financial statement.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. Organization**

The Charleston County Library System was established by the South Carolina Legislature in 1979 as part of the Charleston County Government and subsequently was named the **Charleston County Library, Charleston, South Carolina** (the Library). The Library is a continuation of the original library system which was established in 1930. Its primary purpose is to provide public library services to the citizens of Charleston County (the County) through the operation of branch libraries located throughout the County and a bookmobile service operated throughout rural Charleston County, South Carolina. The Library is governed by a ten member Board of Trustees as appointed by Charleston County Council. The Library operates a headquarters, five regional branches, and ten other smaller branches.

Mr. Andy Brack – Chairperson	December 2020
Mr. Steven E. Clem – Vice Chair	December 2018
Ms. Susan Strunk – Treasurer	December 2017
Mr. Troy Strother – Secretary	December 2020
Ms. Maya Hollinshead	December 2017
Ms. Leah Crosby	December 2020
Ms. Mary Nesbitt	December 2020
Mr. Ed Fava	December 2018
Ms. Margaret Reider	December 2017
Mr. Brian Norris	December 2017

**B. Reporting Entity**

The financial statements of the Library include all of the integral parts of the Library operations. The Library adopted GASB Statement No. 61, *The Financial Reporting Entity* (GASB 61), and applied that criterion to determine whether any organization should be included in the Library's reporting entity. Based on the criteria of GASB 61, management has determined that the Friends of the Charleston County Library (the Friends) meets the criteria to be included in the Library's financial statements as a discretely presented component unit. The Friends is a legally separate entity, and the Library does not appoint the board of directors. The Library is not financially responsible for the Friends. There is no legal obligation for the Library to provide any funding, nor to pay any debts. Therefore, the Friends does not meet the financial benefit or burden relationship. However, the Library believes it would be misleading to exclude the Friends from the statements of the Library since the Friends provides funding directly to the Library and no one else and, therefore, has included the Friends as a discretely presented component unit.

The Friends is a nonprofit corporation that was incorporated in September 1982 under the laws of the State of South Carolina to provide financial support for the Charleston County Library. The Friends reports its financial results on a calendar year basis. Copies of the Friends separately issued financial statements can be obtained by sending a request to the following address: Friends of the Charleston County Library, 68 Calhoun Street, Charleston, South Carolina.

The Friends reports under Financial Accounting Standards Board (FASB) standards. Because the Friends is deemed not to be a governmental entity and uses a different reporting model, its balances and transactions are reported on separate financial statements (pages 17 and 18). As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition criteria and presentation features. No modifications have been made to the Friends' financial information in the Library's financial reporting entity for these differences.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**B. Reporting Entity (Continued)**

The Library is considered to be a component unit of the Charleston County Government because of the significance of its operational and financial relationship with the County. The County appoints the Board of Trustees, can significantly influence operations, and provides substantial financial support to the Library. Additionally, County Council approves the Library's budget and bonded indebtedness for the benefit of the Library. Therefore, the Library is included in the financial statements of the County.

Resource flows (except those that affect the statement of net position/balance sheet only, such as loans and repayments) between a primary government and its discretely presented component units are reported as external transactions—that is, as revenues and expenses.

**C. Funding Sources**

The Library receives an appropriation from the County for general operations as well as payment by the County of certain overhead costs for items such as rent-free use of space and vehicles and issuance of bonded indebtedness.

The Library receives funds from the State of South Carolina through an Annual State Aid Agreement and various supplemental funds and grants. The State also acts as a flow-through organization for various federal funds.

The Library generates relatively small amounts of revenue from library operations such as gifts, memorials, copies, fines, and other small user fees.

The Library receives funds from private donations, fundraising, and grants from various not-for-profit entities.

**D. Basis of Presentations**

*Government-wide Statements:*

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of a primary government and its component units. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities which rely to a significant extent on fees and charges for support. Likewise, the primary government is reported separately from certain legally separate component units for which a primary government is financially accountable or that is financially significant to the primary government. As of June 30, 2017, the Library has no business-type activities.

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

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**D. Basis of Presentations (Continued)**

*Fund Financial Statements:*

The accounts of the Library are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Fund accounting segregates funds according to their intended purposes and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds is maintained consistent with legal and managerial requirements. When applicable, separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds even though the latter are excluded from government-wide financial statements. Major individual governmental funds and major individual proprietary funds are reported as separate columns in fund financial statements when applicable. As of June 30, 2017, the Library has no proprietary or fiduciary funds.

The Library reports the following major governmental funds:

The General Fund is the government's primary operating fund. It accounts for all financial resources of the Library except those required to be accounted for in another fund.

Additionally, the Library reports the following nonmajor funds:

The special revenue funds account for the revenue sources that are legally restricted to expenditures for specific purposes. Certain federal and state grant proceeds and private foundation restricted donations are accounted for in special revenue funds.

During the course of operations, the government has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements.

**E. Measurement Focus and Basis of Accounting**

The basic financial statements of the Library have been prepared in conformity with generally accepted accounting principles as applied to governmental agencies. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles.

*Government-wide financial statements* are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned, and expenses are recorded when a liability is incurred regardless of the timing of related cash flows. Nonexchange transactions, in which the Library gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

*Governmental fund financial statements* are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both 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 government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. The Library's e-rate reimbursement, reported as miscellaneous revenue, is susceptible to accrual under this policy. Expenditures generally are recorded when a liability is incurred as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**E. Measurement Focus and Basis of Accounting (Continued)**

General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

**F. Assets, Liabilities, and Net Position/Fund Balance**

***Deposits and investments***

The Library considers cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition to be cash and cash equivalents.

***Inventory of supplies***

Inventory consists of various supplies used in the operation of the Library. Inventory is valued at the lower of cost or market using the first-in – first-out method. The Library uses the consumption method of accounting to record inventory under which the cost of inventory is recorded as an expenditure when consumed rather than when purchased.

***Prepays***

Expenditures for maintenance contracts and periodical subscriptions which reflect costs attributable to future accounting periods are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

***Receivables***

Accounts receivable in the amount of \$135,657 is reported. Of this amount, \$57,430 consists of amounts due from the Friends of the Charleston County Library, a component unit, for contributions in support of incurred program expenditures. The remaining \$78,227 consists of amounts due from state and local governments. Receivables are shown net of an allowance for doubtful accounts, which is estimated based on professional judgment and historical information. Management determined that an allowance was not necessary at June 30, 2017.

***Capital assets***

Capital assets, which include artwork, other non-depreciable assets, library materials, equipment, and furnishings, are reported in the government-wide financial statements. With the exception of library materials, capital assets are defined by the Library as assets with an initial individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value at the date of donation. Collections of library materials, such as books, video tapes, compact discs, digital video discs, and audio books, are capitalized and included with equipment in the financial statements. The fees incurred to ready the library materials to be placed in circulation are included in the cost of the materials. Annual periodical subscriptions are not capitalized. Electronic resources (E-Books, downloadable audio, etc.) are not capitalized because the Library does not own these resources.

The costs of normal maintenance and repairs that are exhaustible or that do not add to the value of the asset or materially extend assets lives are not capitalized. Because periodicals do not have a useful life beyond the year of purchase, the Library has not capitalized them.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Assets, Liabilities, and Net Position/Fund Balance (Continued)**

Capital assets of the Library, with the exception of artwork and other non-depreciable assets, are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Computer software and equipment	2-4
Library materials	5
Equipment and furnishings	5-10

***Compensated absences***

It is the Library's policy to permit employees to accumulate earned but unused vacation and sick pay benefits. There is no liability for unpaid accumulated sick leave since the Library does not have a policy to pay any amounts when employees separate from service with the Library. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured; for example, as a result of employee resignations and retirements.

***Long-term obligations***

In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable governmental activities.

***Post-employment benefits***

Post-employment benefits for the employees of the Charleston County Library are the liability of Charleston County. As a component unit of the County, the Library's employees were included in the actuary's study as required by GASB 45 "Accounting and Financial Reporting by Employers for Post-employment Benefits other than Pensions." A separate study was not performed for the Library's employees. As such, the County requires the Library to fund the Library's estimated portion of the County's liability at 4.25% of eligible budgeted salaries.

Descriptive information of the plan and the County's expense and liability can be obtained from the Charleston County Finance office at the Lonnie Hamilton, III Public Service Building, 4045 Bridge View Drive, North Charleston, South Carolina 29405 or at (843) 958-4600.

***Contributed facilities***

The Library occupies, without charge, certain buildings owned by the County, Trinity Episcopal Church, and the Towns of Mt. Pleasant, Folly Beach, and Hollywood. The estimated fair rental value of these contributed facilities is not readily determinable and, accordingly, is not recorded as revenue and expenditure.

***Contributed services***

A substantial number of unpaid volunteers have made significant contributions of their time to assist in the Library's operations. The value of this contributed time (approximately 8,500 hours) is not reflected in these statements since it is not susceptible to objective measurement or valuation.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Assets, Liabilities, and Net Position/Fund Balance (Continued)**

***Gifts received***

In the normal course of operations, the Library receives gifts from individuals and non-profit organizations. These gifts may take the form of cash, donated equipment or library materials, and financial support for special projects and staff development. Gifts received in cash are reflected in the Statement of Revenues and Expenditures and Changes in Fund Balances. The value of equipment and library materials donated to the Library is included in the Statement of Activities as capital grants and contributions. The value of such gifts is determined by fair value at the date of donation. Fair value is generally actual cost to the donor if the gifts are made to the Library immediately after acquisition.

***Interfund activity***

Activities between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

***Deferred Outflows/Inflows of Resources and Unearned Revenue***

***Deferred Outflows of Resources***

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then. The Library may have four items that qualify for reporting in this category, as follows:

1. Pension contributions made subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the subsequent year.
2. The net difference between the projected and actual earnings on pension plan investments which is deferred and amortized over a closed five-year period.
3. The differences between expected and actual experience which is amortized into pension expense beginning in the year the deferral occurs over a closed period equal to the average remaining service lives of all plan participants.
4. The changes in proportion and differences between employer contribution and proportionate share of contributions, which will be deferred and amortized over the remaining service lives of all plan participants.

***Deferred Inflows of Resources***

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The Library may have the following items that qualify for reporting in this category:

1. The differences between expected and actual experience which is amortized into pension expense beginning in the year the deferral occurs over a closed period equal to the average remaining service lives of all plan participants.
2. The changes in proportion and differences between employer contribution and proportionate share of contributions, which will be deferred and amortized over the remaining service lives of all plan participants.



**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Assets, Liabilities, and Net Position/Fund Balance (Continued)**

*Unearned Revenue*

The Library also defers revenue recognition in connection with resources received prior to meeting eligibility requirements (other than time requirements) such as certain grants that have been received but not yet earned.

***Pensions***

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the South Carolina Retirement System (SCRS) and additions to/deductions from the SCRS's fiduciary net position have been determined on the same basis as they are reported by SCRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

***Net Position/Fund balance***

*Government-wide statements*

Equity is classified as net position and displayed in three components:

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

*Net Position Flow Assumption*

Sometimes the government will fund outlays for a particular purpose from both restricted (e.g., restricted bond or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted – net position and unrestricted – net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the government's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

*Fund statements*

Fund balance classifications are hierarchical and are based primarily on the extent to which the Library is bound to honor constraints on the specific purposes for which amounts in the funds may be spent. The Library classifies and reports amounts in the appropriate fund balance classifications based on this criteria. The Library's accounting and finance policies are used to interpret the nature and/or requirements of the funds and their corresponding assignment of nonspendable, restricted, committed, assigned, or unassigned. Fund balances are classified as follows:

Nonspendable - Amounts that cannot be spent either because they are not in a spendable form, such as inventory or prepaid insurance, or because they are legally or contractually required to be maintained intact.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**F. Assets, Liabilities, and Net Position/Fund Balance (Continued)**

***Net Position/Fund Balance (continued)***

Restricted - Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors.

Committed - Amounts constrained to specific purposes pursuant to constraints imposed by formal action (ordinance or resolution) by the Board of Trustees itself. These amounts cannot be used for any other purpose unless the Board removes or changes the specified use by taking the same formal action (ordinance or resolution) that was employed when the funds were originally committed.

Assigned – Amounts the Library intends to use for a specific purpose but do not meet the criteria to be classified as committed. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority. The Board has not delegated such authority as of June 30, 2017. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned - All amounts not included in other spendable classifications.

***Fund Balance Flow Assumption***

In the governmental funds, the Library's policy is to first apply the expenditure toward restricted fund balance and then to other less restricted classifications – committed and then assigned fund balances before using unassigned fund balance.

***Accounting estimates***

The preparation of financial statements in accordance with generally accepted accounting principles requires the Library's management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates. Estimates include depreciation expense and library materials.

***Income taxes***

The Friends of Charleston County Library is a not-for-profit organization described in Internal Revenue Code Section 501(c)(3) and is exempt from federal income tax under Code Section 501(a). The Friends are classified as an organization other than a private foundation. In addition, donations to the Friends qualify for the charitable contribution deduction.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

---

**II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS**

**A. Deposits and Investments**

A reconciliation of cash and investments to the amount shown on the Balance Sheet follows:

Cash on hand	\$ 922
Carrying amount of deposits	<u>2,495,457</u>
Total cash and cash equivalents - per Balance Sheet	<u>\$ 2,496,379</u>

***Interest Rate Risk***

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates.

The Library does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

***Credit Risk***

Credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization.

State statutes authorize the Library to invest in the following:

1. Obligations of the United States and agencies thereof;
2. General obligations of the State of South Carolina or any of its political units;
3. Savings and loan association deposits to the extent insured by the Federal Depository Insurance Corporation;
4. Certificates of deposit and repurchase agreements collateralized by securities of the type described in (1) and (2) above held by a third party as escrow agent or custodian, of a market value not less than the amount of certificates of deposit and repurchase agreements so secured, including interest; and
5. No-load open or closed-end management type investment companies or investment trusts registered under the Investment Company Act of 1940, as amended, where the investment is made by a bank or trust company or savings and loan association or other financial institution when acting as trustee or agent for a bond or other debt issue of that local government unit.

In addition, South Carolina State statutes authorize the Library to invest in the South Carolina Local Government Investment Pool (SCLGIP). The SCLGIP is an investment trust fund, created by state legislation, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The SCLGIP is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation within the United States if such obligations bear any of the three highest ratings of at least two nationally recognized rating services. The SCLGIP is not registered with the SEC. It is similar to a money market fund in that it is offered at a stable price and is guided by risk control principles such as significant overnight Repurchase Agreements for liquidity; attention to credit quality, portfolio diversification and maintenance of a short average maturity of fixed and floating rate investments.

Funds may be deposited at any time and may be withdrawn upon 24 hours' notice. Monthly investment income is distributed to participants in the form of additional units in the pool and is calculated on the accrual basis of accounting, including accrued interest and amortization of premium or discount. Unrealized gains and losses on investments are not distributed to participants until realized. The Pool does not carry any legally binding guarantees to protect participants against potential loss of investment value.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

---

**II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**A. Deposits and Investments (Continued)**

***Credit Risk (continued)***

In accordance with governmental accounting principles, investments are carried at fair value based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned. The fair value of the Library's position in the Pool is the same as the value of the pool shares. The total fair value of the SCLGIP is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00.

***Concentration of Credit Risk***

This is the risk of loss attributed to the magnitude of the Library's investment in a single issue. The Library places no limit on the amount the Library may invest in any one issuer.

***Custodial Credit Risk – Deposits***

In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a policy for custodial credit risk. However, South Carolina state statutes provide that banks accepting deposits of funds from local government units must furnish an indemnity bond or pledge as collateral obligations of the United States, South Carolina, political subdivisions of South Carolina, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation. On June 30, 2017, the Library's bank balance was \$2,703,206. The financial institution represents that \$750,000 of the balance was covered by the Federal Deposit Insurance Corporation (FDIC). In addition, the bank balance was collateralized by investments held by the pledging financial institution's trust department or agent in the Library's name. Such investments were valued at \$2,212,846 at June 30, 2017.

***Custodial Credit Risk – Investments***

For an investment, this is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of June 30, 2017, the Library did not have any investments.

**Non-Governmental Discretely Presented Component Unit**

The Friends maintains cash and cash equivalent balances in one financial institution. The FDIC insures accounts at each institution up to \$250,000 per account owner. At December 31, 2016, the Friends had no uninsured cash and cash equivalent balances.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**B. Changes in Capital Assets**

Capital asset activity for the year ended June 30, 2017, follows:

	Balance 6/30/2016	Increases	Decreases	Balance 6/30/2017
<b>Capital assets</b>				
<b>not being depreciated</b>				
Artwork	\$ 11,000	\$ -	\$ -	\$ 11,000
Total capital assets not being depreciated	<u>11,000</u>	<u>-</u>	<u>-</u>	<u>11,000</u>
<b>Capital assets</b>				
<b>being depreciated</b>				
Equipment and furnishings	2,090,254	287,553	(255,317)	2,122,490
Library materials				
Books	10,899,983	1,076,244	(1,724,068)	10,252,159
Microfilm	473,205	17,532	(4)	490,733
Video tapes	5,611	-	(2,180)	3,431
Compact discs	79,824	-	(25,427)	54,397
Cassettes	591	-	(111)	480
Digital video discs	1,783,571	326,598	(375,587)	1,734,582
Audio books on CD Rom	1,117,479	103,438	(179,173)	1,041,744
Subtotal - library materials	<u>14,360,264</u>	<u>1,523,812</u>	<u>(2,306,550)</u>	<u>13,577,526</u>
Total capital assets being depreciated	<u>16,450,518</u>	<u>1,811,365</u>	<u>(2,561,867)</u>	<u>15,700,016</u>
<b>Less accumulated depreciation</b>				
Equipment and furnishings	(1,937,358)	(66,694)	255,317	(1,748,735)
Library materials				
Books	(8,495,435)	(1,199,659)	1,724,068	(7,971,026)
Microfilm	(425,963)	(26,890)	4	(452,849)
Video tapes	(5,611)	-	2,180	(3,431)
Compact discs	(79,824)	-	25,427	(54,397)
Cassettes	(591)	-	111	(480)
Digital video discs	(1,139,845)	(337,136)	375,587	(1,101,394)
Audio books on CD Rom	(913,748)	(96,708)	179,173	(831,283)
Subtotal - library materials	<u>(11,061,017)</u>	<u>(1,660,393)</u>	<u>2,306,550</u>	<u>(10,414,860)</u>
Total accumulated depreciation	<u>(12,998,375)</u>	<u>(1,727,087)</u>	<u>2,561,867</u>	<u>(12,163,595)</u>
Total capital assets being depreciated, net	<u>3,452,143</u>	<u>84,278</u>	<u>-</u>	<u>3,536,421</u>
Total capital assets, net	<u>\$ 3,463,143</u>	<u>\$ 84,278</u>	<u>\$ -</u>	<u>\$ 3,547,421</u>

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**C. Long-Term Liabilities**

***Lease obligations***

In 2015, the Library entered into a capital lease agreement as lessee for financing the acquisition of computer network equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. Repayment is budgeted in the general fund.

In 2017, the Library entered into a capital lease agreement as lessee for financing the acquisition of telephone equipment. This lease agreement qualifies as a capital lease for accounting purposes and, therefore, has been recorded at the present value of their future minimum lease payments as of the inception date. Repayment is budgeted in the general fund.

The carrying value of the assets acquired through capital leases is as follows:

	Governmental Activities
Computer network and telephone equipment	\$ 373,343
Less accumulated depreciation	(85,380)
Total	\$ 287,963

Amortization expense for equipment under capital leases is included in depreciation expense. Interest of \$8,732 was paid on the capital leases for the year ended June 30, 2017.

The future minimum lease obligation and the net present value of these minimum lease payments as of June 30, 2017, was as follows:

Year ending June 30,	Governmental Activities
2018	\$ 84,671
2019	84,671
2020	75,063
2021	46,228
2022	23,113
	313,746
Less amount representing interest	(25,243)
Present value of minimum lease payments	288,503
Less current portion	(73,971)
Long-term portion of lease	\$ 214,532

***Compensated absences***

The obligations represent the accumulation of annual leave benefits which are not funded by the current period or prior years' revenue resources. These obligations are funded by the general fund.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**C. Long-Term Liabilities (Continued)**

***Change in Long-term liabilities***

Long-term liability activity for the year ended June 30, 2017, is as follows:

	<u>Balance</u> <u>July 1, 2016</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>June 30, 2017</u>	<u>Due Within</u> <u>One Year</u>
Capital lease obligations	\$ 134,768	\$ 206,560	\$ 52,825	\$ 288,503	\$ 73,971
Compensated absences	1,153,606	603,509	607,890	1,149,225	1,441
Total long-term liabilities	<u>\$ 1,288,374</u>	<u>\$ 810,069</u>	<u>\$ 660,715</u>	<u>\$ 1,437,728</u>	<u>\$ 75,412</u>

**D. Operating leases**

In 2012, the Library entered into a lease agreement for non-public use computers. The original lease agreement was for a 36-month period commencing January 2013 with a minimum monthly charge of \$8,468. In February 2014, this lease was extended another 12 months to a total of 48 months ending in January 2017, with a new monthly charge of \$6,866 with payments beginning in March 2014. The total minimum commitment over the term of the lease is \$358,862.

In April 2014, the Library entered into a lease agreement for public use computers. The lease agreement is for a 48-month period commencing in May 2014, ending April 2018, with a minimum monthly charge of \$7,142 for a total minimum commitment of \$342,816 over the lease term.

In September 2015, the Library entered into a lease agreement for computers to be used in the technology labs. The lease agreement is for a 48-month period commencing in December 2015, ending August 2019, with a minimum monthly charge of \$2,224 for a total minimum commitment of \$106,752 over the lease term.

In January 2017, the Library entered into an additional lease agreement for computers to be used by staff members. The lease agreement is for a 48-month period commencing in February 2017, ending January 2021, with a minimum monthly charge of \$6,960 for a total minimum commitment of \$334,080 over the lease term.

Total rent expense associated with the computer leases for the year ended June 30, 2017, is \$195,246. The future minimum lease payments for the leases are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2018	\$ 181,628
2019	110,208
2020	94,640
2021	<u>48,720</u>
	<u>\$ 435,196</u>

In addition to these leases, the Library holds other verbal agreements with various parties for the rental of Library branches and equipment. These leases run on a month-to-month basis and are cancelable by either party; one such lease is for copiers and related services. Minimum monthly rental expense for the copier rental and related service agreements is \$10,348. Total rental expense associated with the copier leases for the year ended June 30, 2017, is \$175,255.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**II. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (CONTINUED)**

**E. Equity**

The Library has a nonspendable fund balance for inventory and prepaid expenditures, an assigned fund balance for expenditures related to remaining costs for subsequent year expenditures, and a restricted fund balance for grantor/donor related restrictions. Grantor/donor related restrictions are typically restricted for specific uses and do not lapse. The remaining fund balance is unassigned. Changes in the components of governmental funds fund balances for the year are as follows:

The statement of net position reports \$105,475 of net position restricted by donors for special programs.

	<u>Nonspendable</u> Inventory & Prepaid Items	<u>Restricted</u> By donors	<u>Assigned</u> Subsequent Years Expenditures	<u>Unassigned</u>
Fund balances, July 1, 2016	\$ 490,893	\$ 108,017	\$ 414,472	\$ 1,150,027
Increase (decrease) in asset	37,028	-	-	(37,028)
Receipt of restricted donations and other revenue	-	50,142	-	(50,142)
Expenditure of restricted donations and other revenue	-	(52,684)	-	52,684
Receipt of restricted contribution the Friends	-	102,613	-	(102,613)
Expenditure of restricted contribution from the Friends	-	(102,613)	-	102,613
Increase (decrease) in assignment by board	-	-	(309,472)	309,472
Excess of revenues over (under) expenditures for the year	-	-	-	244,675
Fund balances, June 30, 2017	<u>\$ 527,921</u>	<u>\$ 105,475</u>	<u>\$ 105,000</u>	<u>\$ 1,669,688</u>



**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**III. OTHER INFORMATION**

**A. Related-Party Transactions**

During the year, there were several transactions between the Library and Charleston County (primary government). These transactions were as follows:

	Amount
Amounts received from the County by the Library:	
Appropriation (including \$22,112 supplemental appropriation)	\$ 15,583,130
	\$ 15,583,130
Amounts paid to the County by the Library:	
Janitorial services	\$ 122,446
Carpet cleaning	53,128
Workers' compensation	315,945
OPEB expenditures	321,571
Wellness expenditures	35,544
Insurance coverage - building and contents, liability, fidelity bond, theft	88,591
Motor vehicle repairs	17,463
Motor vehicle fuel charges	11,732
Other general services	172,122
Solid waste user fee	12,814
Health, life, and dental insurance (Library employees covered through County plan)	961,273
Other minor charges	928
	\$ 2,113,557
Other transactions:	
Rent-free use of County-owned Library buildings and County-owned vehicles	\$ - *

\* Not determined

Also during the year, there were several transactions between the Library and the Friends of the Charleston County Library (a component unit). These transactions were as follows:

	Amount
Amounts received from the Friends by the Library:	
Contributions	\$ 102,613
Contributions from the Friends were used for the following expenses:	
Programming supplies	\$ 30,179
Performers	28,195
Training and staff development	16,295
Printing and publicity	10,838
Film licensing fees	6,592
Special projects	7,002
Friends of the Library operating supplies	3,512
	\$ 102,613
Other transactions:	
Rent-free use of County-owned Library buildings	\$ 40,624 †

† This amount is not reflected in the financial statements of the Library. This amount is an estimate arrived at by management. The Charleston Regional Development Alliance has comparable rental space for approximately \$40 per square foot per year. The Friends of the Charleston County Library occupy and use approximately 1,007 square feet of space rent free. This amount does not reflect any utilities.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

---

**III. OTHER INFORMATION (CONTINUED)**

**B. 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 and natural disasters. For all of these risks, the Library is insured through the County's participation as a member in the State of South Carolina Insurance Reserve Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The State Insurance Reserve Fund is self-sustaining through member premiums and reinsures through commercial companies for certain claims.

The Library is also subject to risks of loss from providing health, life, accident, dental, and other medical benefits to employees and their dependents. The Library has enrolled substantially all of its eligible employees in the State's health insurance plans through the County's participation in the plans administered by the South Carolina Department of Administration. The State reinsures through commercial companies for these risks. The Library pays contributions to the County Employee Benefits Trust Internal Service Fund which remits the premiums to the State.

In addition, the Library insures against the risk of job-related injury or illness to its employees through the County's workers' compensation internal service fund. The County is self-insured for the first \$100,000 per claim with any excess covered by an insurance policy. Claims processing is administered by the South Carolina Counties Workers' Compensation Trust. The Library contributes to the County's internal service fund at a rate of 4.0% of its budgeted payroll for workers' compensation.

For all of the above risk management programs, the Library has not significantly reduced insurance coverages from the previous year, and settled claims in excess of insurance coverage for the last three years were immaterial. For each of the insurance programs and public entity risk pools in which they participate, the Library has effectively transferred all risks with no liability for unfunded claims.

**C. Defined Benefit Pension Plan**

The South Carolina Public Employee Benefit Authority ("PEBA"), which was created July 1, 2012, administers the various retirement systems and retirement programs managed by its Retirement Division. PEBA has an 11-member Board of Directors, appointed by the Governor and General Assembly leadership, which serves as co-trustee and co-fiduciary of the systems and the trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of five elected officials, also reviews certain PEBA Board decisions regarding the funding of the South Carolina Retirement Systems ("Systems") and serves as a co-trustee of the Systems in conducting that review.

PEBA issues a Comprehensive Annual Financial Report ("CAFR") containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is publicly available through the Retirement Benefits' link on PEBA's website at [www.peba.sc.gov](http://www.peba.sc.gov), or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, SC 29223. PEBA is considered a division of the primary government of the state of South Carolina, and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

***Plan Description***

The South Carolina Retirement System ("SCRS"), a cost-sharing multiple-employer defined benefit pension plan, was established effective July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement allowances and other benefits for employees of the state, its public school districts, and political subdivisions.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

---

**III. OTHER INFORMATION (CONTINUED)**

**C. Defined Benefit Pension Plan (Continued)**

***Membership***

Membership requirements are prescribed in Title 9 of the South Carolina Code of Laws. A brief summary of the requirements under the system is presented below.

SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

***Benefits***

Benefit terms are prescribed in Title 9 of the South Carolina Code of Laws. PEBA does not have the authority to establish or amend benefit terms without a legislative change in the code of laws. Key elements of the benefit calculation include the benefit multiplier, years of service, and average final compensation. A brief summary of the benefit terms for the system is presented below.

SCRS - A Class Two member who has separated from service with at least five or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least eight or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the five or eight year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

The annual retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase. Members who retire under the early retirement provisions at age 55 with 25 years of service are not eligible for the benefit adjustment until the second July 1 after reaching age 60 or the second July 1 after the date they would have had 28 years of service credit had they not retired.

***Contributions***

Contributions are prescribed in Title 9 of the South Carolina Code of Laws. Upon recommendation by the actuary in the annual actuarial valuation, the PEBA Board may adopt and present to the SFAA for approval an increase in the SCRS employer and employee contribution rates, but any such increase may not result in a differential between the employee and total employer contribution rate that exceeds 2.9 percent of earnable compensation. An increase in the contribution rates adopted by the Board may not provide for an increase of more than one-half of one percent in any one year. If the scheduled employee and employer contributions provided in statute or the rates last adopted by the Board are insufficient to maintain a thirty year amortization schedule of the unfunded liabilities of the plans, the Board shall increase the contribution rates in equal percentage amounts for the employer and employee as necessary to maintain the thirty-year amortization period; and this increase is not limited to one half of one percent per year.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**III. OTHER INFORMATION (CONTINUED)**

**C. Defined Benefit Pension Plan (Continued)**

Required <u>employee</u> contribution rates for fiscal year end 2016-2017 are as follows:	
Employee Class Two	8.66% of earnable compensation
Employee Class Three	8.66% of earnable compensation
Required <u>employer</u> contribution rates for fiscal year end 2016-2017 are as follows:	
Employer Class Two	11.41% of earnable compensation
Employer Class Three	11.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation

The Library's actual contributions to SCRS for the year ended June 30, 2017, was \$858,128, which equaled the required contributions.

***Actuarial Assumptions and Methods***

Actuarial valuations involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Actuarial assumptions and methods used during the annual valuation process are subject to periodic revision, typically with an experience study, as actual results over an extended period of time are compared with past expectations, and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each five-year period. An experience report on the Systems was most recently issued as of July 1, 2015.

The June 30, 2016, total pension liability, net pension liability, and sensitivity information were determined by the System's consulting actuary, Gabriel, Roeder, Smith and Company (GRS) and are based on the July 1, 2015, actuarial valuations, as adopted by the PEBA Board and SFAA, which utilized membership data as of July 1, 2015. The total pension liability was rolled-forward from the valuation date to the System's fiscal year ended June 30, 2016, using generally accepted actuarial principles. Information included in the following schedules is based on the certification provided by GRS.

The following provides a summary of the actuarial assumptions and methods used in the July 1, 2015, valuations for SCRS.

	<b>SCRS</b>
Actuarial cost method	Entry age normal
Actuarial assumptions:	
Investment rate of return	7.50%
Projected salary increases	3.5% to 12.5% (varies by service)
Benefit adjustments	lesser of 1% or \$500

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**III. OTHER INFORMATION (CONTINUED)**

**C. Defined Benefit Pension Plan (Continued)**

The post-retiree mortality assumption is dependent upon the member's job category and gender. This assumption includes base rates which are automatically adjusted for future improvement in mortality using published Scale AA projected from the year 2000. Assumptions used in the July 1, 2015, valuations for SCRS are as follows:

Former Job Class	Males	Females
Educators	RP-2000 Males (with White Collar adjustment) multiplied by 110%	RP-2000 Females (with White Collar adjustment) multiplied by 95%
General Employees and Members of the General Assembly	RP-2000 Males multiplied by 100%	RP-2000 Females multiplied by 90%
Public Safety and Firefighters	RP-2000 Males (with Blue Collar adjustment) multiplied by 115%	RP-2000 Females (with Blue Collar adjustment) multiplied by 115%

***Net Pension Liability***

The net pension liability (NPL) represents the system's total pension liability determined in accordance with GASB Statement No. 67 less that System's fiduciary net position. The Library's proportional share of the NPL amounts for SCRS is presented below:

Measurement Period Ended June 30,	Fiscal Year Ended June 30,	SCRS
2015	2016	\$ 15,393,713
2016	2017	\$ 15,920,780

The total pension liability is calculated by the Systems' actuary, and the plan's fiduciary net position is reported in the Systems' financial statements. The Library's proportionate share of the net pension liability was calculated on the basis of historical employer contributions. Although GASB 68 encourages the use of the employer's projected long-term contribution effort to the retirement plan, allocating on the basis of historical employer contributions is considered acceptable. For the measurement period ended June 30, 2016, the Library's percentage of the SCRS net pension liability was 0.074536%.

***Discount Rate***

The discount rate used to measure the total pension liability was 7.50 percent. The projection of cash flows used to determine the discount rate assumed that the funding policy specified in the South Carolina State Code of Laws will remain unchanged in future years. Based on those assumptions, the System's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**III. OTHER INFORMATION (CONTINUED)**

**C. Defined Benefit Pension Plan (Continued)**

***Long-Term Expected Rate of Return***

The long-term expected rate of return on pension plan investments as used in the July 1, 2015, actuarial valuations was based upon the 30-year capital markets outlook at the end of the third quarter 2015. The long-term expected rate of returns represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

The expected returns, along with the expected inflation rate, form the basis for the revised target asset allocation adopted beginning January 1, 2016. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.5% assumed annual investment rate of return used in the calculation of the total pension liability includes a 4.75% real rate of return and a 2.75% inflation component.

<b>Asset Class</b>	<b>Target Asset Allocation</b>	<b>Expected Arithmetic Real Rate of Return</b>	<b>Long-Term Expected Portfolio Real Rate of Return</b>
<b>Global Equity</b>	<b>43.00%</b>		
Global Public Equity	34.00%	6.52%	2.22%
Private Equity	9.00%	9.30%	0.84%
<b>Real Assets</b>	<b>8.00%</b>		
Real Estate	5.00%	4.32%	0.22%
Commodities	3.00%	4.53%	0.13%
<b>Opportunistic</b>	<b>20.00%</b>		
GTAA/Risk Parity	10.00%	3.90%	0.39%
HF (Low Beta)	10.00%	3.87%	0.39%
<b>Diversified Credit</b>	<b>17.00%</b>		
Mixed Credit	5.00%	3.52%	0.17%
Emerging Markets Debt	5.00%	4.91%	0.25%
Private Debt	7.00%	4.47%	0.31%
<b>Conservative Fixed Income</b>	<b>12.00%</b>		
Core Fixed Income	10.00%	1.72%	0.17%
Cash and Short Duration (net)	2.00%	0.71%	0.01%
Total Expected Real Return	<u>100.00%</u>		5.10%
Inflation for Actuarial Purposes			<u>2.75%</u>
Total Expected Nominal Return			<u><u>7.85%</u></u>

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**III. OTHER INFORMATION (CONTINUED)**

**C. Defined Benefit Pension Plan (Continued)**

***Sensitivity Analysis***

The following table presents the proportional net pension liability of the Library calculated using the discount rate of 7.50%, as well as what the Library's net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.50%) or 1.00% higher (8.50%) than the current rate.

<b>Sensitivity of the Library's Proportional Share of Net Pension Liability to Changes in the Discount Rate</b>				
<b>System</b>	<b>1.00% Decrease (6.50%)</b>	<b>Current Discount Rate (7.50%)</b>	<b>1.00% Increase (8.50%)</b>	
SCRS	\$ 19,860,737	\$ 15,920,780	\$ 12,640,914	

***Plan Fiduciary Net Position***

Detailed information about the Plan's fiduciary net position is available in PEBA's separately issued financial report.

***Deferred Outflows (Inflows) of Resources***

For the year ended June 30, 2017, the Library recognized pension expense of \$1,216,518. At June 30, 2017, the Library reported deferred outflows (inflows) of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Pension contributions made subsequent to measurement date	\$ 858,128	\$ -
Differences in actual and expected experience	165,038	17,290
Changes in proportion and differences between Library's contributions and proportionate share of contributions	216,261	931,401
Net differences between projected and actual earnings on plan investments	<u>1,339,449</u>	<u>-</u>
	<u>\$ 2,578,876</u>	<u>\$ 948,691</u>

The Library reported \$858,128 as deferred outflows of resources related to contributions subsequent to the measurement date which will be recognized as a reduction of the net pension liability in the year ending June 30, 2018. The difference between projected and actual earnings on pension plan investments are reported as deferred outflows (inflows) of resources and will be amortized over a closed five-year period and recognized in pension expense in future years. The differences between expected and actual experience and the change in proportionate share of contributions are reported as deferred outflows (inflows) of resources and will be amortized over the average remaining service lives of all plan participants. Average remaining service lives of all employees provided with pensions through the pension plans at the June 30, 2016, measurement date was 4.116 years.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

**III. OTHER INFORMATION (CONTINUED)**

**C. Defined Benefit Pension Plan (Continued)**

The following schedule reflects the amortization of the Library's proportional share of the net balance of remaining deferred outflows (inflows) of resources at June 30, 2017.

<u>Measurement Period Ending June 30,</u>	<u>Fiscal Year Ending June 30,</u>	<u>SCRS</u>
2017	2018	\$ 170,223
2018	2019	83,956
2019	2020	251,354
2020	2021	<u>266,524</u>
Net Balance of Deferred Outflows / (Inflows) of Resources		<u>\$ 772,057</u>

***Payables to the pension plan***

At June 30, 2017, the Library reported a payable of \$176,703 for the outstanding amount of contributions to SCRS. The liability will be paid in the normal course of paying year-end obligations.

**D. Defined Contribution Pension Plans**

***Internal Revenue Code Section 457 Plan***

The Library offers its employees a deferred compensation plan, offered through the State of South Carolina, created in accordance with Internal Revenue Code Section 457. The plan, available to all regular full-time and part-time employees, permits participants to defer a portion of their salaries until future years. The Library does not provide matching contributions. The deferred compensation is not available to the employee or his beneficiaries until termination, retirement, death, disability, or an approved hardship. All amounts of compensation deferred under the plan are held in trust for the contributing employee and are not subject to claims of the employer's general creditors. The plan is administered by the State of South Carolina.

Employee contributions to the 457 plan for the year were \$7,110.

***Internal Revenue Code Section 401(k) Plan***

The Library also offers its employees participation in a deferred compensation plan offered through the State of South Carolina, created in accordance with Internal Revenue Code Section 401(k). The 401(k) plan has the same eligibility requirements as the 457 plan, although the withdrawal provisions are more lenient under the 401(k) plan. The Library does not provide matching contributions. All amounts of compensation deferred under the plan are held in trust for the contributing employee and are not subject to claims of the employer's general creditors. The funds are administered by the State of South Carolina.

Employee contributions to the 401(k) plan for the year were \$176,440.

**E. Other Post-employment Benefits**

Per the requirements of a local ordinance, the County provides post-retirement health, life, and dental care benefits for certain retirees and their dependents. This plan is a single employer defined benefit plan. The County's regular insurance providers underwrite the retirees' policies. Retirees may not convert the benefit into an in-lieu payment to secure coverage under independent plans. This program is administered and funded by Charleston County. Prior to July 1, 2008, substantially all employees who retired under the state retirement plans were eligible to continue their coverage with the County paying 50% of health insurance premiums, and the retiree paying 100% of life and dental insurance premiums and the remaining 50% of health insurance premiums.



**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

---

**III. OTHER INFORMATION (CONTINUED)**

**E. Other Post-employment Benefits (Continued)**

Effective July 1, 2008, the County modified its post-employment benefits policy to establish minimum years of service requirements with the County or its participating component units as follows:

1. 25 years of service with the County for a 50% of health premium benefit
2. 15 years of service with the County for a 25% of health premium benefit.

The plan was further modified to reduce the surviving spouse benefit to one year for future retirees who start work with the County January 1, 2009, and later.

Effective July 1, 2016, the County modified its post-employment benefits policy to discontinue the subsidy for retiree health insurance for new hires.

The County estimated post-employment expense for the year ended June 30, 2017, to be \$321,571 or 4.25% of eligible budgeted salaries of \$7,566,386. This amount was withheld from the monthly appropriation from the County to the Library.

**F. Funds Held by Coastal Community Foundation**

As of June 30, 2017, the Coastal Community Foundation held \$506,382 in the Charleston County Library Fund. The fund was established in November 1983 for the purpose of providing support from earnings on the funds for unusual or innovative programs and services at the Library not normally funded by government appropriation. During the year, \$18,399 was awarded as grants to the Library and recorded as restricted donations. At year-end, there were no funds available for grants to the Library.

As of June 30, 2017, the Coastal Community Foundation held \$108,685 in the Roper Foundation Community Wellness Endowment for the Charleston County Library. The endowment was established for the purpose of updating the health education information collection from earnings on the funds. During the year, no amounts were awarded as grants to the Library. At year-end, \$3,692 is available for grants to the Library.

These amounts are not reflected in the Library's financial statements until grants are received by the Library from the Foundation.

**G. Commitments and Contingent Liabilities**

**Grants**

The Library receives a substantial amount of support from federal, state, and local governments. A significant reduction in the level of this support, if this were to occur, may have an effect on the Library's programs, activities, and collection materials.

The Library must apply for annual renewal of contracts and grants with the South Carolina State Library. Funding is subject to both increases and decreases at the discretion of the State Library, and some agreements also may be terminated by either party contingent upon certain conditions.

Amounts received or receivable from grantor agencies in previous years are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, could become a liability of the general fund. The amount of program expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the Library expects such amounts, if any, to be immaterial.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

---

**III. OTHER INFORMATION (CONTINUED)**

**H. Pending GASB Pronouncements**

GASB Statement No. 75, *Accounting and Financial Reporting for Post-employment Benefits Other Than Pensions*, intends to improve the usefulness of information about post-employment benefits other than pensions by improving the information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This statement replaces the requirements of Statement No. 45, *Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions*, as amended by No. 57, *OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans*. The statement is effective for financial statements for periods beginning after June 15, 2017. The Library will implement the new guidance with the 2018 financial statements.

GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, provides recognition and measurement guidance to improve accounting and financial reporting for governments which are beneficiaries of irrevocable split-interest agreements. Split-interest agreements are a type of giving agreement used by donors to provide resources to two or more beneficiaries using trusts or other legally enforceable agreements in which a donor transfers resources to an intermediary to hold and administer for the benefit of a government and at least one other beneficiary. Examples of these types of agreements include charitable lead trusts, charitable remainder trusts, and life-interests in real estate. The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. The Library will implement the new guidance with the 2018 financial statements.

GASB Statement No. 83, *Certain Asset Retirement Obligations*, addresses accounting and financial reporting for certain asset retirement obligations (AROs). An ARO is a legally enforceable liability associated with the retirement of a tangible capital asset. A government that has legal obligations to perform future asset retirement activities related to its tangible capital assets should recognize a liability based on the guidance in this Statement. The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. The Library will implement the new guidance with the 2019 financial statements.

GASB Statement No. 84, *Fiduciary Activities*, addresses the criteria for identifying fiduciary activities of all state and local governments. The focus of the criteria is generally on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The Library will implement the new guidance with the 2020 financial statements.

GASB Statement No. 85, *Omnibus 2017*, addresses practice issues that have been identified during implementation and application of certain GASB statements. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and post-employment benefits (pensions and other post-employment benefits (OPEB)). The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Library will implement the new guidance with the 2018 financial statements.

GASB Statement No. 86, *Certain Debt Extinguishment Issues*, addresses consistency in accounting and financial reporting for in-substance defeasance of debt by providing guidance for transactions in which cash and other monetary assets acquired with only existing resources – resources other than the proceeds of refunding debt – are placed in an irrevocable trust for the sole purpose of extinguishing debt. This Statement also improves accounting and financial reporting for prepaid insurance on debt that is extinguished and notes to financial statements for debt that is defeased in substance. The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. The Library will implement the new guidance with the 2018 financial statements.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2017**

---

**III. OTHER INFORMATION (CONTINUED)**

**H. Pending GASB Pronouncements (Continued)**

GASB Statement No. 87, *Leases*. The objective of this Statement is to better meet the information needs of financial statement users by improving accounting and financial reporting for leases by governments. This Statement increases the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use an underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. The Library will implement the new guidance with the 2021 financial statements.

Management has not yet determined the impact implementation of these standards will have on the Library's financial statements, if any.

**I. Subsequent Events**

Management has assessed subsequent events through November 8, 2017, the date the financial statements were available to be issued.

**REQUIRED SUPPLEMENTARY INFORMATION  
OTHER THAN MANAGEMENT'S DISCUSSION AND ANALYSIS  
(UNAUDITED)**

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**BUDGETARY COMPARISON SCHEDULE –**  
**GENERAL FUND (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2017**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>
<b>REVENUES</b>			
Intergovernmental revenues			
State aid income	\$ 525,313	\$ 525,313	\$ 525,314
Lottery funds	-	-	36,957
County appropriation	15,495,938	15,495,938	15,561,018
Supplemental Appropriation - Summer Youth	-	-	22,112
Fines	325,500	325,500	279,548
Miscellaneous income			
Copy machine charges	102,000	102,000	108,579
E-Rate reimbursement	60,000	60,000	74,006
Other	20,000	20,000	27,769
<b>TOTAL REVENUES</b>	<u>16,528,751</u>	<u>16,528,751</u>	<u>16,635,303</u>
<b>EXPENDITURES</b>			
Personnel costs	11,138,790	11,138,790	10,888,089
Information resources	2,581,850	2,581,850	2,390,422
Utilities	976,354	976,354	954,704
Building repairs and maintenance	699,006	699,006	737,501
Information technology	836,400	836,400	753,884
Other expenditures	161,428	161,428	143,258
Copiers and printers	186,450	186,450	185,249
Supplies	112,450	112,450	108,565
County insurance and risk management	88,591	88,591	88,591
Motor vehicle expenses	52,000	52,000	32,330
Equipment repairs and maintenance	54,904	54,904	45,307
Printing	24,000	24,000	13,231
Miscellaneous	31,000	31,000	46,955
<b>TOTAL EXPENDITURES</b>	<u>16,943,223</u>	<u>16,943,223</u>	<u>16,388,086</u>
<b>EXCESS OF REVENUES OVER (UNDER)</b>			
<b>EXPENDITURES</b>	<u>\$ (414,472)</u>	<u>\$ (414,472)</u>	247,217
<b>FUND BALANCE</b>			
Beginning of year			<u>2,055,392</u>
End of year			<u>\$ 2,302,609</u>

The accompanying Notes to Budgetary Comparison Schedule are an integral part of this schedule.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**NOTES TO BUDGETARY COMPARISON SCHEDULE –**  
**GENERAL FUND (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2017**

Annually, at a time designated by the Charleston County Council, the Library prepares a proposed budget for the General Fund. This budget is what the Board anticipates will be available for the operation of the library system, and is adequate to fund the operation and programs of the library system. Based upon this proposed budget, the funding level for the annual "county appropriation" is approved by County Council. The annual appropriation from Charleston County is only subject to change by County Council. All appropriations lapse at year end.

The legal level of budgetary control is determined by the Board at the entity level. Expenditures by major category, i.e. personnel, purchased services and materials, are further defined in the budget document. Management of the Library is authorized to make transfers between major expenditure categories. The budget ordinance must be amended by the Board to affect changes in total appropriations.

When the Library adopts its budget no distinction is made in regards to the capitalizable portion of library materials purchased, and no distinction is made between operating versus capital leases. On the Statement of Revenues, Expenditures, and Changes in Fund Balances, items that are capitalized are presented as "Capital outlay" and the principal and interest paid on capital leases are presented under the heading "Debt Service." In addition to these differences, capital outlay for assets purchased from lease proceeds and the related financing sources from capital lease proceeds are not presented on the budgetary comparison schedule. Below is a summary of such differences:

	<u>Statement of Revenues, Expenditures, and Changes in Fund Balances</u>	<u>Budgetary Comparison Schedule</u>	<u>Differences</u>
Total revenue - general fund	<u>\$ 16,635,303</u>	<u>\$ 16,635,303</u>	<u>\$ -</u>
Expenditures			
Current			
Personnel costs	10,888,089	10,888,089	-
Purchased services and materials	3,835,963	5,499,997	(1,664,034)
Debt service			
Principal	52,825	-	52,825
Interest	8,732	-	8,732
Capital outlay	<u>1,809,037</u>	<u>-</u>	<u>1,809,037</u>
Total expenditures	<u>16,594,646</u>	<u>16,388,086</u>	<u>206,560</u>
Excess of revenues over expenditures	40,657	247,217	(206,560)
Other financing sources-capital lease	<u>206,560</u>	<u>-</u>	<u>206,560</u>
Net change in fund balance	247,217	247,217	-
Fund Balance			
Beginning of year	<u>2,055,392</u>	<u>2,055,392</u>	<u>-</u>
End of year	<u>\$ 2,302,609</u>	<u>\$ 2,302,609</u>	<u>\$ -</u>

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**SCHEDULE OF THE LIBRARY'S PROPORTIONATE SHARE OF THE**  
**NET PENSION LIABILITY - SOUTH CAROLINA RETIREMENT SYSTEM**  
**LAST FOUR YEARS**

Measure- ment Year Ended June 30	Year Ended June 30	Library's proportion of the net pension liability	Library's proportionate share of the net pension liability (asset)	Library's covered payroll	Library's share of the net pension liability (asset) as a percentage of its covered employee payroll	Plan fiduciary net position as a percentage of the total pension liability
2016	2017	0.0745%	\$ 15,920,780	\$ 7,199,888	221%	52.90%
2015	2016	0.0812%	\$ 15,393,713	\$ 7,600,121	203%	57.00%
2014	2015	0.0789%	\$ 13,579,832	\$ 7,161,389	190%	59.92%
2013	2014	0.0789%	\$ 14,147,541	\$ 6,884,164	206%	56.39%

Note: The Library implemented GASB 68 during fiscal year 2015, as such only the last 4 years of data are available. Each year, the Library will add an additional year of data until a total of ten years is presented.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**SCHEDULE OF THE LIBRARY'S CONTRIBUTIONS -**  
**SOUTH CAROLINA RETIREMENT SYSTEM**  
**LAST TEN YEARS**

Year Ended June 30	Actuarially required contribution	Contributions relative to actuarially required contributions	Contribution deficiency (excess)	Library's covered payroll	Contributions as a percentage of covered employee payroll
2017	\$ 858,128	\$ 858,128	\$ -	\$ 7,423,257	11.56%
2016	\$ 796,308	\$ 796,308	\$ -	\$ 7,199,888	11.06%
2015	\$ 828,413	\$ 828,413	\$ -	\$ 7,600,121	10.90%
2014	\$ 759,107	\$ 759,107	\$ -	\$ 7,161,389	10.60%
2013	\$ 729,721	\$ 729,721	\$ -	\$ 6,884,164	10.60%
2012	\$ 679,873	\$ 679,873	\$ -	\$ 7,130,293	9.53%
2011	\$ 653,680	\$ 653,680	\$ -	\$ 6,961,443	9.39%
2010	\$ 652,306	\$ 652,306	\$ -	\$ 6,946,820	9.39%
2009	\$ 681,277	\$ 681,277	\$ -	\$ 7,255,348	9.39%
2008	\$ 696,167	\$ 696,167	\$ -	\$ 7,588,819	9.17%



**GOVERNMENT AUDITING STANDARDS REPORT**

***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***

Board of Trustees  
**Charleston County Library,  
a Component Unit of Charleston County**  
Charleston, South Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, the discretely presented component unit, the major fund, and the aggregate remaining fund information of Charleston County Library, a Component Unit of Charleston County, South Carolina, (the Library) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Library's basic financial statements, and have issued our report thereon dated November 8, 2017. Our report includes a reference to other auditors who audited the financial statements of Friends of the Charleston County Library, the discretely presented component unit, as described in our report on the Library's financial statements. The financial statements of Friends of the Charleston County Library were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with Friends of the Charleston County Library.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies, and therefore, material weaknesses or significant deficiencies may exist that have not been identified. Given these limitations, during our audit, we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses, that we consider to be significant deficiencies: 2017-001.

**Members**

SC Association of Certified Public Accountants

NC Association of Certified Public Accountants

**Members**

Division for CPA Firms, AICPA

An independently owned member  
**RSM US Alliance**



100 S. Main Street, Suite J  
PO Box 1588 (29484)  
Summerville, SC 29483  
843-873-4400 Fax 843-873-7227  
[www.websterrogers.com](http://www.websterrogers.com)

### **Compliance and Other Matters**

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

### **The Library's Response to Findings**

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

### **Purpose of this Report**

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

*Webster Rogers LLP*

Summerville, South Carolina

November 8, 2017

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2017**

---

<u>Ref #</u>	<u>Department Program/Grant</u>	<u>Finding/Noncompliance</u>
2017-001	Finance	<p><u>Criteria:</u> Segregation of duties, especially as it pertains to the recording and reconciling of transactions, is necessary to ensure proper safeguarding of assets of the Library.</p> <p><u>Condition:</u> While progress has been made by the addition of an assistant finance director, for eight months of the year posting activity to the ledgers was not sufficiently segregated to provide proper internal control. Furthermore, a detailed review of such postings was not performed by management.</p> <p><u>Cause:</u> During the eight-month period before the addition of the assistant finance director position, the Library had a limited number of personnel to whom accounting tasks could be assigned. A detailed review of journal entries was not performed by management.</p> <p><u>Effect:</u> The Library had insufficient internal controls to monitor the risk of material misstatements whether due to fraud or error that could result from erroneous or fraudulent journal entries.</p> <p><u>Recommendation:</u> Management should continue to assess the risk of material misstatement due to error or fraud, and respond accordingly by assigning duties to maximize segregation of duties.</p> <p><u>Management's Response:</u> While management believed the controls already in place were sufficient to ensure the proper safeguarding of assets within an acceptable level of risk, the addition of the assistant finance director has allowed the Library to further strengthen the controls and increase segregation of finance duties.</p>