

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

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**BASIC FINANCIAL STATEMENTS AND  
REQUIRED SUPPLEMENTARY INFORMATION**

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**YEAR ENDED JUNE 30, 2013**

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**YEAR ENDED JUNE 30, 2013**  
**Charleston, South Carolina**

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### ***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, each 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, 2013, 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 represent 100 percent 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.

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

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, each 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, 2013, 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, and the Notes to the Budgetary Comparison Schedule* on pages 3-8 and 34-36, 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.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated October 22, 2013, 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  
October 22, 2013

**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, 2013**

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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, 2013. This information should be considered in conjunction with the Library's financial statements, which follow this section.

### **FINANCIAL HIGHLIGHTS**

- The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by \$3,620,663 (*net position*). Of this amount, \$3,111,098 was invested in capital assets leaving \$478,561 in *unrestricted net position* and \$31,004 in *restricted net position*.
- The Library's total net position decreased by \$328,425. This is due primarily to an operational deficit in the general fund. Despite an increase in County appropriations, net position decreased due to increased personnel costs, library material purchasing, and technology expenditures.
- Governmental funds operating expenditures were \$950,446 less than budgeted. This was primarily due to personnel vacancies and other cost cutting measures.
- At the end of the fiscal year, assigned and unassigned fund balance for the general fund was \$1,459,190, or 9.7 percent of total general fund expenditures.

### **OVERVIEW OF THE FINANCIAL STATEMENTS**

This discussion and analysis are intended to serve as an introduction to the Library's basic financial statements. The basic financial statements include three components: government-wide financial statements, fund financial statements, and notes to the financial statements. This report also contains additional required supplementary information (budgetary comparison schedule) in addition to 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 information on all of the Library's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in the Library's net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

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 unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for the Library.

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.

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 with the financial statements of the Library for 2013. The Library adopted GASB 61 "*The Financial Reporting Entity*" for the year ended June 30, 2013.

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

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2013**

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### **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. The Library adopts an entity-wide annual appropriated budget for all activities except restricted gifts and related expenditures. A budgetary comparison schedule has been provided 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 essential to 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.

## **GOVERNMENT – WIDE 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, assets exceeded liabilities by \$3,620,663 (net position), at the close of the most recent fiscal year (See Table A-1).

By far the largest portion of the Library's net position (85.9 percent) reflects its net investment in capital assets (e.g., library materials, furniture, fixtures, and equipment), which is net of any related debt used to acquire those assets that is still outstanding. The Library uses these capital assets to provide services to citizens;



**CHARLESTON COUNTY LIBRARY**  
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**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2013**

consequently, these assets are *not* available for future spending. An additional portion (\$31,004) of the Library's net position (0.86 percent) represents resources that are subject to external restrictions on how they may be used (*restricted net position*). The remaining balance of *unrestricted net position* (\$478,561) may be used to meet the Library's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

At the end of the current fiscal year, the Library was able to report positive balances in all categories of net position.

**Table A-1**  
**CHARLESTON COUNTY LIBRARY'S NET POSITION**

	<u>2013</u>	<u>2012</u>
Current and other assets	\$ 2,512,537	\$ 2,575,302
Capital assets	<u>3,111,098</u>	<u>3,156,683</u>
Total assets	<u>5,623,635</u>	<u>5,731,985</u>
Long-term liabilities outstanding	1,153,629	1,142,014
Other liabilities	<u>849,343</u>	<u>640,883</u>
Total liabilities	<u>2,002,972</u>	<u>1,782,897</u>
Net position:		
Net investment in capital assets	3,111,098	3,156,663
Restricted	31,004	36,710
Unrestricted	<u>478,561</u>	<u>755,695</u>
Total net position	<u>\$ 3,620,663</u>	<u>\$ 3,949,088</u>

**Changes in Net Position**

The net position of the Library decreased \$328,425 during the current fiscal year (See Table A-2). This decrease is equivalent to the excess of expenses over revenues for the current fiscal year. Key elements of this decrease are as follows:

- Capital assets decreased by \$45,585 due to current depreciation expense, net of costs of acquisitions.
- Personnel costs increased by \$177,321 primarily due to a cost of living one-time payment.
- Library materials spending increased \$246,968.
- Notable increases in program revenues were \$659,712 in county appropriation and \$93,540 in state aid.

**Table A-2**  
**CHARLESTON COUNTY LIBRARY'S CHANGES IN NET POSITION**

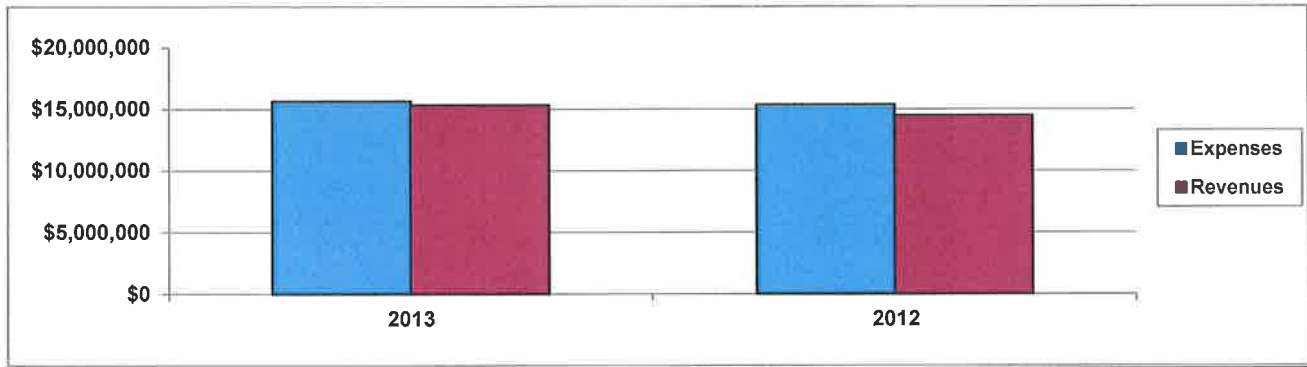
	<u>2013</u>	<u>2012</u>
Revenues:		
Program revenues:		
Charges for services	\$ 495,566	\$ 509,294
Operating grants and contributions	14,434,123	13,672,252
Capital grants and contributions	398,052	299,716
General revenues:		
Interest	<u>18</u>	<u>31</u>
Total revenues	<u>15,327,759</u>	<u>14,481,293</u>
Expenses:		
Personnel services – salaries, wages and employee benefits	10,482,372	10,305,051
Purchased services and materials	3,538,137	3,358,696
Depreciation	<u>1,635,675</u>	<u>1,698,652</u>
Total expenses	<u>15,656,184</u>	<u>15,362,399</u>
Increase (decrease) in net position	(328,425)	(881,106)
Net position – beginning of year	<u>3,949,088</u>	<u>4,830,194</u>
Net position – end of year	<u>\$ 3,620,663</u>	<u>\$ 3,949,088</u>



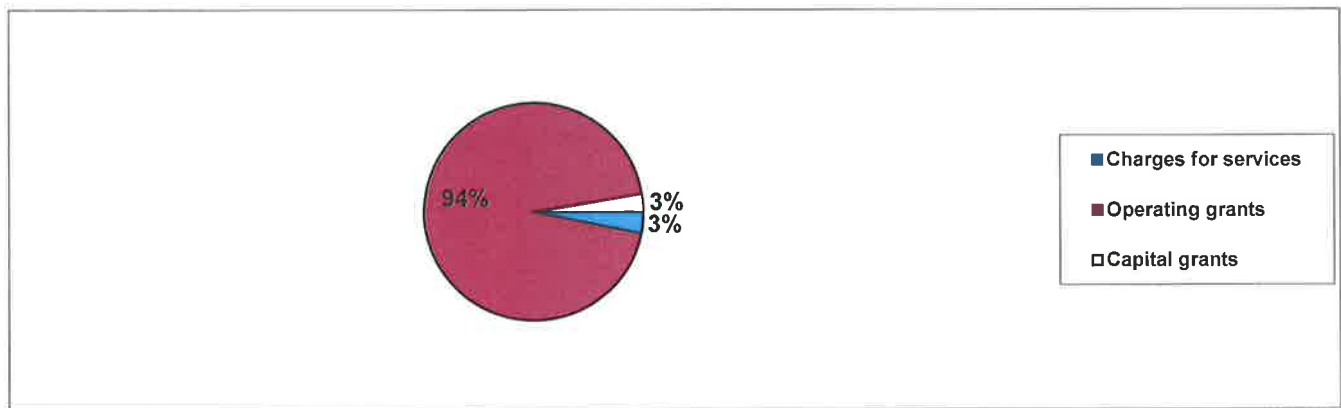
**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2013**

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

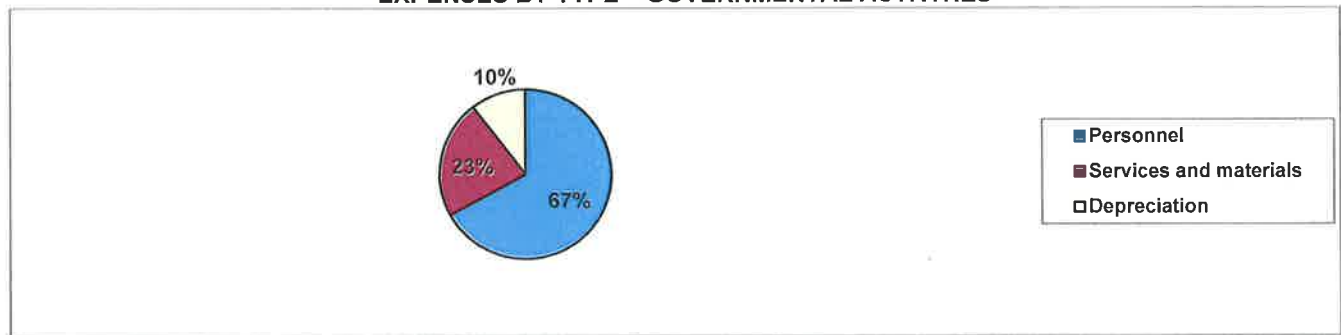
**Figure A-1**  
**EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES**



**Figure A-2**  
**REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES**



**Figure A-3**  
**EXPENSES BY TYPE – GOVERNMENTAL ACTIVITIES**



**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**YEAR ENDED JUNE 30, 2013**

**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.

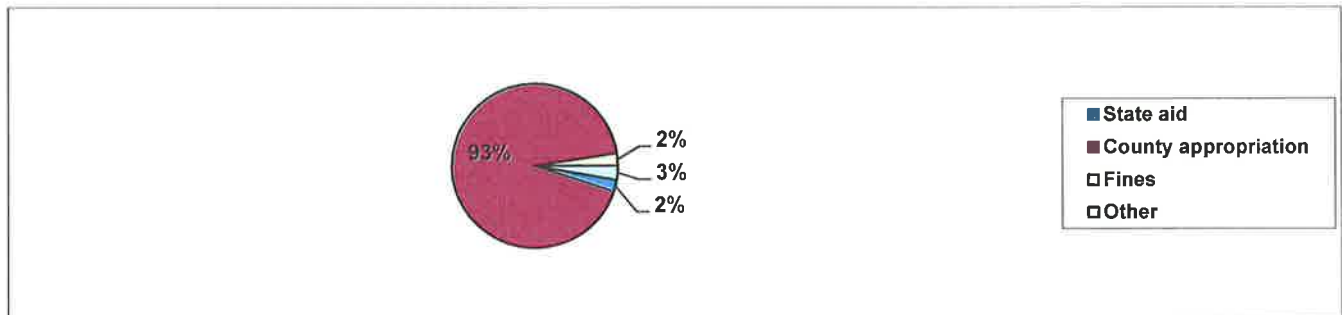
The focus of the Library's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Library's governmental funds reported combined ending fund balances of \$1,663,194, a decrease of \$271,225 in comparison with the prior year. Approximately 30 percent of total fund balance (\$500,998) constitutes *unassigned fund balance*, which is available for spending at the Library Board's discretion. *Assigned fund balance* of \$958,365 represents 58 percent of the total. The majority of this (\$958,192) is assigned to finance a portion of the fiscal year 2014 budget. *Restricted fund balance* of \$31,004 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.

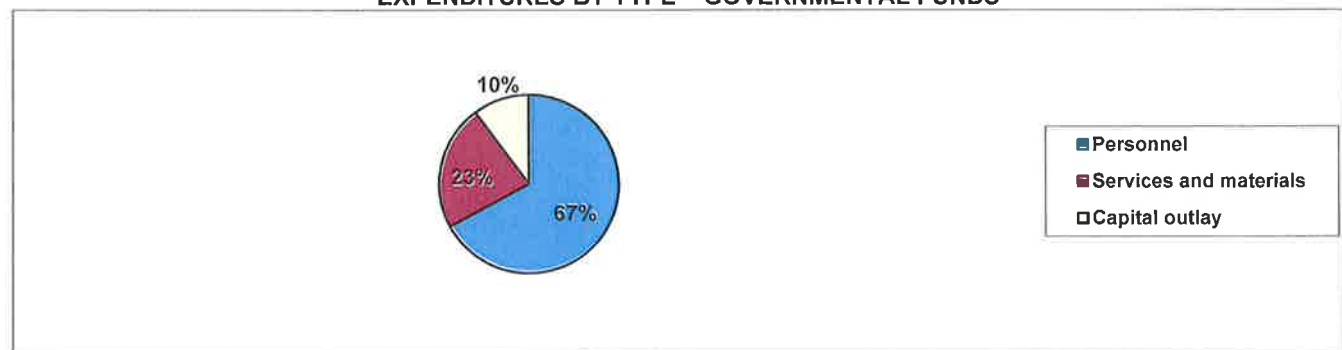
The general fund is the chief operating fund of the Library. At the end of the current fiscal year, unassigned fund balance of the general fund was \$500,998 and assigned fund balance was \$958,192, while the total fund balance was \$1,632,017. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and assigned fund balances and total fund balance to total fund expenditures. Unassigned and assigned fund balance represents 9.7 percent, (down from 12.2% in 2012), of total general fund expenditures, while total fund balance represents 10.9 percent, (down from 13.1 percent in 2012), of that same amount.

The Library's general fund balance decreased \$264,371 during the current fiscal year. Key factors for this decrease were an increase in personnel costs and library materials, and a decrease in fine revenues.

**Figure A-4**  
**REVENUES BY SOURCE – GOVERNMENTAL FUNDS**



**Figure A-5**  
**EXPENDITURES BY TYPE – GOVERNMENTAL 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, 2013**

**GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS**

Over the course of the year, the Library Board of Trustees did not amend the Library budget. Actual expenditures were \$950,446 below budget amounts. The most significant contribution to this variance was expenditures for personnel costs being \$557,997 less than budget.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

The Library's investment in capital assets as of year-end amounts to \$3,111,098 (net of accumulated depreciation). This investment in capital assets includes equipment, furnishings and library materials. The total decrease in the Library's investment in capital assets for the current fiscal year was 1.4 percent (See Table A-3).

**Table A-3**  
**CHARLESTON COUNTY LIBRARY'S CAPITAL ASSETS**  
(net of depreciation)

	<u>2013</u>	<u>2012</u>
Equipment and furnishings	\$ 38,208	\$ 73,196
Vehicles	41,123	-
Library materials	3,020,767	3,072,487
Artwork (not subject to depreciation)	<u>11,000</u>	<u>11,000</u>
Total	<u>\$ 3,111,098</u>	<u>\$ 3,156,683</u>

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

- Additional library materials were acquired for \$1,506,141 while materials totaling \$2,667,742 with accumulated depreciation of \$2,667,742 were removed.
- Equipment with costs and accumulated depreciation of \$28,966 was removed.
- Two vehicles were acquired at a cost of \$51,404.
- Depreciation expense of \$1,635,675 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.

**Debt Administration**

The only long-term debt the Library has at this time is \$1,153,629 for annual leave payable, which increased by \$11,615 from the prior year.

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

State aid will increase by at least \$87,552 for fiscal year 2014; however, no state lottery funds are anticipated to be available. The Charleston County annual appropriation is budgeted \$366,723 more than received in fiscal year 2013. The Board of Trustees has assigned \$958,192 of the fund balance of the general fund to maintain the Library's current level of service for fiscal year 2014.

**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. Any questions about this report or requests for information may be addressed to the Finance Manager, *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, 2013**

	Governmental Activities
<b>ASSETS</b>	
Cash and cash equivalents	\$ 2,271,871
Receivables	67,839
Inventory of supplies	36,638
Prepaid expenditures	136,189
Capital assets	
Artwork and other non-depreciable assets	11,000
Other capital assets, net of accumulated depreciation	3,100,098
<b>TOTAL ASSETS</b>	<b>5,623,635</b>
<b>LIABILITIES</b>	
Accounts payable	454,041
Accrued payroll, benefits and payroll taxes payable	376,812
Unearned revenues	18,490
Long-term liabilities - compensated absences	
Due within one year	68,401
Due in more than one year	1,085,228
<b>TOTAL LIABILITIES</b>	<b>2,002,972</b>
<b>NET POSITION</b>	
Net investment in capital assets	3,111,098
Restricted by donors	31,004
Unrestricted	478,561
<b>TOTAL NET POSITION</b>	<b>\$ 3,620,663</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)**  
**STATEMENT OF ACTIVITIES**  
**YEAR ENDED JUNE 30, 2013**

	Governmental Activities
<b>EXPENSES</b>	
Personnel services - salaries, wages, and employee benefits	\$ 10,482,372
Purchased services and materials	3,538,137
Depreciation	1,635,675
Total expenses	15,656,184
<b>PROGRAM REVENUES</b>	
Charges for services	495,566
Operating grants and contributions	14,434,123
Capital grants and contributions	398,052
Total program revenues	15,327,741
Net program expense	328,443
<b>GENERAL REVENUES</b>	
Interest income on cash and cash equivalents	18
Total general revenues	18
Change in net position	(328,425)
<b>NET POSITION</b>	
Beginning of year	3,949,088
End of year	\$ 3,620,663

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, 2012**

	<u>Friends of the Charleston County Library</u>
<b>ASSETS</b>	
Cash and cash equivalents	\$ 204,043
Inventory of supplies	<u>4,814</u>
<b>TOTAL ASSETS</b>	<u><u>\$ 208,857</u></u>
<b>LIABILITIES AND NET ASSETS</b>	
<b>LIABILITIES</b>	
Accrued expenses	\$ 2,181
Deferred membership dues	<u>6,260</u>
<b>TOTAL LIABILITIES</b>	<u>8,441</u>
<b>NET ASSETS</b>	
Unrestricted	
Board designated	1,000
Undesignated	<u>197,066</u>
Total unrestricted	198,066
Temporarily restricted	<u>2,350</u>
<b>TOTAL NET ASSETS</b>	<u>200,416</u>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<u><u>\$ 208,857</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, 2012**

	<u>Friends of the Charleston County Library</u>
<b>CHANGES IN UNRESTRICTED NET ASSETS</b>	
Support and revenue	
Book and merchandise sales	\$ 215,545
Donated facilities	29,189
Membership dues	19,063
Contributions	2,780
Special events	1,880
Other	884
Total unrestricted support and revenue	<u>269,341</u>
Net assets released from restrictions	<u>800</u>
TOTAL UNRESTRICTED SUPPORT, REVENUE AND RECLASSIFICATION	<u>270,141</u>
<b>EXPENSES</b>	
Program services	109,394
Management and general	34,179
Fundraising	123,742
	<u>267,315</u>
CHANGE IN UNRESTRICTED NET ASSETS	<u>2,826</u>
<b>CHANGE IN TEMPORARILY RESTRICTED NET ASSETS</b>	
Net assets released from restrictions	<u>(800)</u>
CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	<u>(800)</u>
CHANGE IN NET ASSETS	2,026
<b>NET ASSETS</b>	
Beginning of year	<u>198,390</u>
End of year	<u><u>\$ 200,416</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, 2013**

	General	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 2,235,800	\$ 36,071	\$ 2,271,871
Receivables	-	67,839	67,839
Due from other funds	54,243	-	54,243
Inventory of supplies, at cost	36,638	-	36,638
Prepaid expenditures	136,189	-	136,189
<b>TOTAL ASSETS</b>	<b><u>\$ 2,462,870</u></b>	<b><u>\$ 103,910</u></b>	<b><u>\$ 2,566,780</u></b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ 454,041	\$ -	\$ 454,041
Accrued payroll, benefits, and payroll taxes payable	376,812	-	376,812
Due to other funds	-	54,243	54,243
Unearned revenues	-	18,490	18,490
<b>Total liabilities</b>	<b><u>830,853</u></b>	<b><u>72,733</u></b>	<b><u>903,586</u></b>
<b>Fund balances</b>			
Nonspendable	172,827	-	172,827
Restricted	-	31,004	31,004
Assigned	958,192	173	958,365
Unassigned	500,998	-	500,998
<b>Total fund balances</b>	<b><u>1,632,017</u></b>	<b><u>31,177</u></b>	<b><u>1,663,194</u></b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b><u>\$ 2,462,870</u></b>	<b><u>\$ 103,910</u></b>	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,111,098
Long-term liabilities - annual leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,153,629)</u>
<b>Net position of governmental activities</b>	<b><u>\$ 3,620,663</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)**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES**  
**IN FUND BALANCES – GOVERNMENTAL FUNDS**  
**YEAR ENDED JUNE 30, 2013**

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
<b>REVENUES</b>			
Intergovernmental revenues			
Lottery funds	\$ -	\$ 47,843	\$ 47,843
State aid income	-	350,209	350,209
County appropriation	14,180,611	-	14,180,611
Federal pass-thru grants	-	20,011	20,011
Fines	367,439	-	367,439
Miscellaneous income			
E-Rate reimbursement	96,000	-	96,000
Copy machine charges	89,033	-	89,033
Interest	18	-	18
Unrestricted gifts	-	348	348
Unrestricted donations	-	4,567	4,567
Unrestricted other revenue	29,547	-	29,547
Restricted contribution from component unit	-	88,893	88,893
Restricted donations	-	43,693	43,693
Restricted other revenue	-	9,547	9,547
<b>TOTAL REVENUES</b>	<u>14,762,648</u>	<u>565,111</u>	<u>15,327,759</u>
<b>EXPENDITURES</b>			
Current			
Personnel services - salaries, wages, and employee benefits	10,470,757	-	10,470,757
Purchased services and materials	3,342,257	195,880	3,538,137
Capital outlay	1,214,005	376,085	1,590,090
<b>TOTAL EXPENDITURES</b>	<u>15,027,019</u>	<u>571,965</u>	<u>15,598,984</u>
<b>EXCESS OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(264,371)</b>	<b>(6,854)</b>	<b>(271,225)</b>
<b>FUND BALANCE</b>			
Beginning of year	1,896,388	38,031	1,934,419
End of year	<u>\$ 1,632,017</u>	<u>\$ 31,177</u>	<u>\$ 1,663,194</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, 2013**

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Net change in fund balances - total governmental funds \$(271,225)

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 depreciation (\$1,635,675) exceeded capital outlays (\$1,590,090) in the current period. (45,585)

The increase in annual leave payable decreases net position. Annual leave payable is not due and payable in the current period and therefore is not reported in the funds. (11,615)

Change in net position of governmental activities \$ (328,425)

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, 2013**

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**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 the 1930s. 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 an eleven member Board of Trustees, as appointed by Charleston County Council. The Library operates a headquarters, five regional branches, and ten other smaller branches.

Ms. Janet Segal – Chairperson	December 2016
Mr. Harlan Greene – Vice Chair	December 2013
Ms. Maya Hollinshead – Secretary	December 2013
Mr. Steven E. Clem – Treasurer	December 2014
Ms. Bettye Anne Chambers	December 2013
Ms. Margaret Reider	December 2013
Mr. Ed Fava	December 2014
Mr. Peter A. McKellar, III	December 2014
Mr. Clarence Tolly, III	December 2016
Ms. Rosemary Manigault	December 2016
Ms. Maria Neal	December 2016

**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 of the Charleston County Library 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 is a private not-for-profit organization that 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 14 and 15). 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, 2013**

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**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. As of June 30, 2013, 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, 2013**

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**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. 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, 2013, 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 fund type:

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, 2013**

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**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.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed. The Board permits unrestricted funds to be expended in the following order: Committed, Assigned, and Unassigned.

**F. Assets, Liabilities, and Net Position or Equity**

***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 \$67,839 is reported. Of this amount, \$54,243 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 \$13,596 consists of amounts due from state and local governments for grant reimbursements.

***Capital assets***

Capital assets, which include artwork, other non-depreciable assets, library materials, vehicles, 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 estimated fair value at the date of donation. Collections of library materials, such as books, videotapes, films, and audio tapes, are capitalized and included with equipment in the financial statements. Annual periodical subscriptions are not capitalized. Electronic resources (E-Books, downloadable audio, etc) are not capitalized because the Library does not own these resources. Non-depreciable assets are technology projects that are ongoing, that will be depreciated once completed and operational.

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, 2013**

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

**F. Assets, Liabilities, and Net Position or Equity (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:

Assets	Years
Library materials	5
Vehicles	5
Equipment and furnishings	4-10

***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 government does not have a policy to pay any amounts when employees separate from service with the government. 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.

***Postemployment benefits***

Postemployment 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 study as required by GASB 45 "Accounting and Financial Reporting by Employers for Postemployment 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 5.25% of 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, SC 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 8,600 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, 2013**

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

**F. Assets, Liabilities, and Net Position or Equity (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."

***Net position/Fund Equity***

***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."

***Fund statements***

Governmental fund equity can be classified as nonspendable, restricted, committed, assigned and unassigned.

Nonspendable fund balance represents portions of fund balances which are inherently nonspendable because of their form or because they must remain intact. Restricted fund balance represents externally imposed restrictions on use by grantors, contributors, laws or regulations of other governments or imposed by law through enabling legislation. Committed fund balances are self-imposed limitations imposed at the highest level of decision making through formal action. Assigned fund balances represent tentative plans by the Library for financial resource utilization in a future period. Such plans are subject to change from original authorizations and may never result in expenditures. Intent can be expressed by the Board of Trustees or by an official or body to which the Board delegates authority. The Board has not delegated such authority as of June 30, 2013.



**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**F. Assets, Liabilities, and Net Position or Equity (Continued)**

***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. The Friends is no longer subject to income tax examinations by the U.S. federal, state, or local authorities for years before 2009.

**II. DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

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

Cash on hand	\$ 922
Carrying amount of deposits	<u>2,270,949</u>
Total cash and cash equivalents - per Balance Sheet	<u>\$ 2,271,871</u>

Additional disclosure regarding the Library's deposits and investments is located at Note I.F.

***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 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.



**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

***Credit Risk***

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 pursuant to Section 6-6-10 of the South Carolina Code of Laws, and administered by the State Treasurer, 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 a 2a7-like pool, which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. The reported value of the Library's position in the pool, if any, is the same as the fair value of the pool shares.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are carried at fair value determined annually 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, 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. As of June 30, 2013, the Library's bank balance of \$2,561,553 was fully insured or collateralized by investments held by the pledging financial institution's trust department or agent in the Library's name.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

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

***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, 2013, 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 Federal Deposit Insurance Corporation insures accounts at each institution up to \$250,000 for interest-bearing accounts and provides unlimited insurance for non-interest bearing accounts through December 31, 2012. At December 31, 2012, 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, 2013**

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

**B. Changes in Capital Assets**

Capital asset activity for the year ended June 30, 2013, follows:

	Balance 6/30/2012	Increases	Decreases	Balance 6/30/2013
<b>Capital assets not being depreciated</b>				
Artwork	\$ 11,000	\$ -	\$ -	\$ 11,000
Total capital assets not being depreciated	11,000	-	-	11,000
<b>Capital assets being depreciated</b>				
Equipment and furnishings	2,237,999	32,545	(28,966)	2,241,578
Vehicles	-	51,404	-	51,404
Subtotal - equipment and furnishings	2,237,999	83,949	(28,966)	2,292,982
Library materials				
Books	15,558,199	1,068,495	(2,297,137)	14,329,557
Films, 8mm and 16 mm	-	-	-	-
Microfilm	356,285	49,510	-	405,795
Framed pictures	13,614	-	(801)	12,813
Video tapes	292,284	-	(79,650)	212,634
Compact discs	180,235	-	(17,556)	162,679
Cassettes	121,201	-	(25,039)	96,162
Digital video discs	2,080,724	328,642	(156,719)	2,252,647
Audio books on CD Rom	1,204,829	59,494	(90,840)	1,173,483
Subtotal - library materials	19,807,371	1,506,141	(2,667,742)	18,645,770
Total capital assets being depreciated	22,045,370	1,590,090	(2,696,708)	20,938,752
<b>Less accumulated depreciation</b>				
Equipment and furnishings	(2,164,803)	(67,533)	28,966	(2,203,370)
Vehicles	-	(10,281)	-	(10,281)
Subtotal – equipment and furnishings	(2,164,803)	(77,814)	28,966	(2,213,651)
Library materials				
Books	(13,293,557)	(1,140,692)	2,297,137	(12,137,112)
Films, 8mm and 16 mm	-	-	-	-
Microfilm	(326,795)	(22,279)	-	(349,074)
Framed pictures	(13,614)	-	801	(12,813)
Video tapes	(292,284)	-	79,650	(212,634)
Compact discs	(177,429)	(2,806)	17,556	(162,679)
Cassettes	(121,148)	(53)	25,039	(96,162)
Digital video discs	(1,503,780)	(292,409)	156,719	(1,639,470)
Audio books on CD Rom	(1,006,277)	(99,622)	90,840	(1,015,059)
Subtotal - library materials	(16,734,884)	(1,557,861)	2,667,742	(15,625,003)
Total accumulated depreciation	(18,899,687)	(1,635,675)	2,696,708	(17,838,654)
Total capital assets being depreciated, net	3,145,683	(45,585)	-	3,100,098
Total capital assets, net	\$ 3,156,683	\$ (45,585)	\$ -	\$ 3,111,098

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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

**B. Changes in Capital Assets (Continued)**

The current year additions of \$1,590,090 were funded as follows:

	Library Materials
Library general fund – operations	\$ 1,214,005
State aid & federal pass through grants	376,085
Capital outlay per statement of revenues and expenditures	\$ 1,590,090

**C. Long-Term Liabilities**

**Compensated absences**

The following is a summary of changes in long-term liabilities by the Library for the year ended June 30, 2013. Long-term liabilities of the Library are liquidated by the General Fund.

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013	Due Within One Year
Compensated absences	\$1,142,014	\$ 501,282	\$ 489,667	\$ 1,153,629	\$ 68,401

**D. Operating lease**

In December 2012, the Library entered into a new lease agreement for computers. The lease agreement is for a thirty-six month period commencing January 2013 with a minimum monthly charge of \$8,468 for a total minimum commitment of \$304,848 over the term of the lease. Total rent expense associated with the computer lease for the year ended June 30, 2013 is \$50,807. The future minimum lease payments for the lease are as follows:

Year Ending June 30,	Amount
2014	\$ 101,616
2015	101,616
2016	50,808
	\$ 254,040

In addition to this lease 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, 2013, is \$185,260.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**II. DETAILED NOTES ON ALL 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:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>	
	Inventory & Prepaid Items	By donors	Subsequent Years Expenditures	Unassigned
Fund balances, July 1, 2012	\$ 129,838	\$ 36,710	\$ 1,470,063	\$ 297,808
Increase (decrease) in asset balance	42,989	-	-	(42,989)
Receipt of restricted donations and other revenue	-	53,240	-	(53,240)
Expenditure of restricted donations and other revenue	-	(58,946)	-	58,946
Receipt of restricted contribution from the Friends	-	88,893	-	88,893
Expenditure of restricted contribution from the Friends	-	(88,893)	-	(88,893)
Increase (decrease) in assignment by board	-	-	(511,698)	511,698
Excess of revenues over (under) expenditures for the year	-	-	-	(271,225)
Fund balances, June 30, 2013	<u>\$ 172,827</u>	<u>\$ 31,004</u>	<u>\$ 958,365</u>	<u>\$ 500,998</u>

The statement of net position reports \$31,004 of net position restricted by donors.

**III. OTHER INFORMATION**

**A. 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 insured through the County's coverage at a cost to the Library of \$92,299.

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 employees in the State's health insurance plans through the County's participation in the plans administered by the South Carolina Budget and Control Board. 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.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**III. OTHER INFORMATION (CONTINUED)**

**A. Risk Management (Continued)**

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 5.1% 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.

**B. 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 supplemental appropriation)	\$ 14,180,611
Amounts paid to the County by the Library:	
Janitorial services	\$ 102,831
Carpet cleaning	24,209
Workers' compensation	400,720
OPEB expenditures	410,060
Insurance coverage - building and contents, liability, fidelity bond, theft	92,299
Motor vehicle repairs	20,650
Motor vehicle fuel charges	24,556
Other general services	116,245
Solid Waste User Fee	11,806
Health, life, and dental insurance (Library employees covered through County plan)	845,092
Other minor charges	1,037
	\$ 2,049,505
Other transactions:	
Rent-free use of County-owned Library buildings and County-owned vehicles	\$ - *

\* Not determined



**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

**III. OTHER INFORMATION (CONTINUED)**

**B. Related Party Transactions (Continued)**

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

	Amount
Amounts received from the Friends by the Library:	
Contributions	\$ 88,893
Amounts paid for the Friends by the Library:	
Supplies	\$ 33,427
Performers	22,790
Training and staff development	17,575
Printing	6,919
Special projects	7,775
Miscellaneous	407
	\$ 88,893
Other transactions:	
Rent-free use of County-owned Library buildings	\$ 29,189 †

† 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 \$29 per square foot per year. The Friends of the Charleston County Library occupy and use approximately 1,007 square feet of space rent free.

**C. Employee Retirement System and Plans**

***South Carolina Retirement System***

*Plan Description.* The Library contributes to the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the South Carolina Public Employee Benefit Authority (PEBA), a public employee retirement system. The SCRS provides a lifetime monthly retirement annuity benefit to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members. Annual cost of living adjustment (COLA) is funded under SCRS, and is granted on an ad hoc basis, subject to approval by the State Budget and Control Board. The Plan's provisions are established under Title 9 of the SC Code of Laws. The South Carolina Retirement System issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the SCRS. That report is publicly available on their website at [www.retirement.sc.gov](http://www.retirement.sc.gov), or a copy may be obtained by writing to the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

Under the SCRS, Class II members are eligible for a full service retirement annuity upon reaching age 65 or completion of 28 years of credited service regardless of age. Employees who first became members of the System after June 30, 2012 are considered Class III members and are eligible for a full service retirement annuity upon reaching age 65 or upon meeting the rule of 90 requirement (i.e., the members age plus the years of service add up to a total of at least 90). The benefit formula for full benefits effective since July 1, 1989 for the SCRS is 1.82 percent of an employee's average final compensation (AFC) multiplied by the number of years of credited service.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**III. OTHER INFORMATION**

**C. Employee Retirement System and Plans (Continued)**

***South Carolina Retirement System (continued)***

For Class II members, AFC is the average annual earnable compensation during 12 consecutive quarters and includes an amount for up to 45 days termination pay at retirement for unused annual leave. For Class III members, AFC is the average annual earnable compensation during 20 consecutive quarters and termination pay for unused annual leave at retirement is not included. Early retirement options with reduced benefits are available as early as age 55 for Class II members and age 60 for Class III members. Class II members are vested for a deferred annuity after five years of earned service. Class III members are vested for a deferred annuity after eight years of earned service. Members qualify for a survivor's benefit upon completion of 15 years of credited service (five years effective January 1, 2002). As of June 30, 2013 the Library did not have any Class III members.

Disability annuity benefits are payable to Class II members if they have permanent incapacity to perform regular duties of the member's job and they have at least 5 years of earned service (this requirement does not apply if the disability is a result of a job related injury). Class III members qualify for disability annuity benefits provided they have a minimum of eight years of credited service. An incidental death benefit equal to an employee's annual rate of compensation is payable upon the death of an active employee with a minimum of one year of credited service or to a working retired contributing member. There is no service requirement for death resulting from actual performance of duties for an active member. For eligible retired members, a lump-sum payment is made to the retiree's beneficiary of up to \$6,000 based on years of service at retirement. TERI participants and retired contributing members are eligible for the increased death benefit equal to their annual salary in lieu of the standard retired member benefit.

Effective January 1, 2001, Section 9-1-2210 of the South Carolina Code of Laws allows employees eligible for service retirement to participate in the Teacher and Employee Retention Incentive (TERI) Program. TERI participants may retire and begin accumulating retirement benefits on a deferred basis without terminating employment for up to five years.

Upon termination of employment or at the end of the TERI period, whichever is earlier, participants will begin receiving monthly service retirement benefits which will include any cost of living adjustments granted during the TERI period. Because participants are considered retired during the TERI period, they do not earn service credit, and are ineligible to receive group life insurance benefits or disability retirement benefits. The TERI program will end effective June 30, 2018.

*Funding Policy.* Plan members are required to contribute 7% of their annual covered salary, and the Library is required to contribute at an actuarially determined rate. The current rate is 10.45% of annual covered payroll. Additionally, participating employers of the SCRS contribute .15% of payroll to provide a group life insurance benefit for their participants. The Library's contributions to SCRS for the years ended June 30, 2013, 2012, and 2011, were \$729,721, \$679,873, and \$653,680, respectively, equal to the required contributions for each year.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**III. OTHER INFORMATION (CONTINUED)**

**C. Employee Retirement System and Plans (Continued)**

***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 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 \$14,429.

***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. 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 \$172,633.

**D. 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. Substantially all employees who retire under the state retirement plans are eligible to continue their coverage with the County paying 50 percent of health insurance premiums and the retiree paying 100 percent of life and dental insurance premiums and the remaining 50 percent of the health insurance premiums. 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.

The projected post-employment expense is \$410,060 or 5.25% of budgeted salaries of \$7,810,662 for the fiscal year ended June 30, 2013. This amount was withheld from the monthly appropriation from the County to the Library.

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

As of June 30, 2013, the Coastal Community Foundation held \$448,834 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 no amounts were awarded as grants to the Library. At year-end, \$15,594 is available for grants to the Library.

As of June 30, 2013, the Coastal Community Foundation held \$88,379 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, \$3,007 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.

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**III. OTHER INFORMATION (CONTINUED)**

**F. 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.

**G. Pending GASB Pronouncements**

GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, intends to improve financial reporting by clarifying the appropriate use of the financial statement elements "deferred outflows of resources" and "deferred inflows of resources" to ensure consistency in financial reporting. The statement is effective for financial statements for periods beginning after December 15, 2012. The Library will implement the new guidance with the 2014 financial statements.

GASB Statement No. 66, *Technical Corrections – 2012 – an amendment of GASB Statements No. 10 and No. 62*, intends to improve financial reporting by resolving conflicting guidance in previous pronouncements regarding the accounting and presentation of risk financing activities, operating leases and certain loan transactions. The statement is effective for financial statements for periods beginning after December 15, 2012. The Library will implement the new guidance with the 2014 financial statements.

GASB Statement No. 68, *Accounting and Financial Reporting for Pensions*, intends to improve financial reporting for most governments that provide their employees with pension benefits. The statement is effective for financial statements for periods beginning after June 15, 2014. The Library will implement the new guidance with the 2015 financial statements.

GASB Statement No. 69, *Government Combinations and Disposals of Government Operations*, intends to improve accounting and financial reporting of combinations and disposals of government operations of U.S. state and local governments. The statement is effective for financial statements for periods beginning after December 15, 2013. The Library will implement the new guidance with the 2015 financial statements.

GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, intends to enhance comparability of financial statements among governments by requiring consistent reporting and enhance information disclosed about a government's obligations and risk exposure extending from nonexchange financial guarantees. The statement is effective for financial statements for periods beginning after June 15, 2013. The Library will implement the new guidance with the 2014 financial statements.

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

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**NOTES TO FINANCIAL STATEMENTS**  
**JUNE 30, 2013**

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**III. OTHER INFORMATION (CONTINUED)**

**H. Subsequent Events**

Management has assessed subsequent events through October 22, 2013, 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 –**  
**GOVERNMENTAL FUNDS (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2013**

	Original and Final Budget	Actual
<b>REVENUES</b>		
Intergovernmental revenues		
Lottery funds	\$ 15,935	\$ 47,843
State aid income	350,209	350,209
County appropriation	13,921,188	14,180,611
Miscellaneous federal pass-thru grants	-	20,011
Fines	535,000	367,439
Miscellaneous income		
Copy machine charges	81,600	89,033
E-Rate reimbursement	-	96,000
Interest	100	18
Restricted donations	-	4,567
Other	26,000	29,547
<b>TOTAL REVENUES</b>	<b>14,930,032</b>	<b>15,185,278</b>
<b>EXPENDITURES</b>		
Personnel costs		
Salaries	7,609,018	7,459,674
Temporary wages	46,600	37,249
Payroll taxes and fringe benefits	3,373,136	2,973,834
Library materials	2,373,540	2,269,343
Electricity and gas	732,470	709,980
Information technology	590,865	479,337
Janitorial service	252,680	252,581
Copier leases	207,700	182,260
Material recovery services	60,000	55,580
Other general services	116,245	116,245
Security service	103,500	89,928
County insurance/risk management	92,299	92,299
Telephone	81,550	77,987
Water and sewer	76,536	75,220
Technical supplies	114,175	41,365
Building repairs and maintenance	105,900	105,634
Professional services	25,500	23,568
Postage	60,000	65,229
Automotive expenses	64,386	46,401
Equipment repairs and maintenance	44,908	45,141
Capital outlay expenditures - vehicles	60,000	51,404
Office supplies	46,300	45,061
Minor equipment supplies	32,500	20,368

(continued)



**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)**  
**BUDGETARY COMPARISON SCHEDULE –**  
**GOVERNMENTAL FUNDS (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2013**

	Original and Final Budget	Actual
EXPENDITURES (CONTINUED)	<u>                    </u>	<u>                    </u>
Library supplies	\$ 22,400	\$ 17,077
Printing	23,250	17,714
Data processing supplies	31,600	24,604
Audit fees	16,000	15,960
Copier supplies	11,400	10,850
Training and travel	7,000	6,875
Advertising	3,000	243
Dues	5,000	5,534
Rent on buildings	2,400	2,400
Bank fees	5,000	3,912
Messenger service	1,037	1,037
Microform supplies	1,200	2,094
Inter-library loans	1,000	926
Board Contingency	-	157
Donor restricted expenditures		
City Spoleto	-	900
Boeing Grant	-	3,200
Ezra Jack Keats Foundation	-	467
Federal pass-thru grant expenditures		
LSTA Early Literacy (Babygarten)	-	5,815
LSTA Conference Attendance	-	1,200
LSTA Pro-Literacy Play Panels	-	12,696
THC LTAI: Banned Book Series	-	300
TOTAL EXPENDITURES	<u>16,400,095</u>	<u>15,449,649</u>
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 <u>\$ (1,470,063)</u>	 (264,371)
 FUND BALANCE		
Beginning of year		<u>1,896,388</u>
End of year		<u>\$ 1,632,017</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 –**  
**GOVERNMENTAL FUNDS (BUDGETARY BASIS)**  
**YEAR ENDED JUNE 30, 2013**

Annually, at a time designated by the Charleston County Council, the Library prepares a proposed budget adequate to fund the operation and programs of the library system, detailing all funds which the Board anticipates will be available for the operation 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 the County Administrator or 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.

The Budgetary Comparison Schedule is presented on a basis other than GAAP because management elects to exclude donor restricted gifts to Friends of the Library and related expenditures due to their unpredictable nature.

A reconciliation of the actual revenues and expenditures as presented in the Budgetary Comparison Schedule to the revenues and expenditures presented in the Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds, is as follows:

	<u>Revenue</u>	<u>Expenditures</u>	<u>Ending Fund Balance</u>
General Fund	\$ 14,762,648	\$ 15,027,019	\$ 1,632,017
Special Revenue Fund	565,111	571,965	31,177
<b>Total per Statement of Revenues, Expenditures, and Changes in Fund Balances</b>	<b>15,327,759</b>	<b>15,598,984</b>	<b>1,663,194</b>
Less unbudgeted activities excluded from Budgetary Comparison Schedule			
Donor restricted gift activity	53,588	60,442	31,177
Friends of the Library Contributions	88,893	88,893	-
<b>Actual totals presented in Budgetary Comparison Schedule</b>	<b><u>\$ 15,185,278</u></b>	<b><u>\$ 15,449,649</u></b>	<b><u>\$ 1,632,017</u></b>

**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, each 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, 2013, and the related notes to the financial statements, which collectively comprise Library's basic financial statements, and have issued our report thereon dated October 22, 2013. 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 were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 2013-1.

## **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.

A handwritten signature in blue ink that reads "Webster Fogus LLP". The signature is written in a cursive, flowing style.

Summerville, South Carolina  
October 22, 2013

**CHARLESTON COUNTY LIBRARY**  
**(A Component Unit of Charleston County, South Carolina)**  
**SCHEDULE OF FINDINGS AND RESPONSES**  
**YEAR ENDED JUNE 30, 2013**

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<u>Ref #</u>	<u>Department Program/Grant</u>	<u>Finding/Noncompliance</u>
2013-1	Finance	<p><u>Criteria:</u> As noted in the prior year, 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> Posting activity to the ledgers are not sufficiently segregated to provide proper internal control. Furthermore, a detailed review of such postings is not being performed by management.</p> <p><u>Cause:</u> The Library has a limited number of personnel to whom accounting tasks can be assigned. A detailed review of journal entries is not being performed by management.</p> <p><u>Effect:</u> The Library has 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> There are internal controls that when effectively designed and implemented can mitigate certain segregation of duty issues. While Library's management has increased their level of detailed review of cash disbursements, payroll journals, and bank reconciliations, there are still improvements that can be made with regard to detailed review of journal entries.</p> <p><u>Management's Response:</u> Management will continue to review finance department internal controls for any cost-effective improvements necessary to ensure the proper safeguarding of assets. While management believes that current controls are sufficient to ensure the proper safeguarding of assets within acceptable levels of risk considering the resources available, funding will be sought for additional staff to increase segregation of finance duties.</p>