

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

**BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2014

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
YEAR ENDED JUNE 30, 2014
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, 2014, 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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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, 2014, 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 3-11 and 38-39, 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 September 23, 2014, 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
 September 23, 2014

**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, 2014

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, 2014. 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 \$3,349,362 (*net position*). Of this amount, \$178,316 represents *unrestricted net position*, which may be used to meet the Library's ongoing obligations to citizens and creditors.
- The Library's total net position decreased by \$271,301. This is due primarily to an operational deficit in the general operations. Despite an increase in County appropriations, net position decreased due to increased personnel costs, library material purchasing, and technology expenditures.
- At the close of the current fiscal year, the Library's governmental funds reported combined fund balances of \$1,363,313, a decrease of \$299,881 in comparison with the prior year. Approximately 47% of the fund balance amount (\$646,747) is available for spending at the Library's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$1,136,017, or approximately 7.2% of total general fund expenditures.
- Governmental funds operating expenditures were \$622,490 less than budgeted. This was primarily due to personnel vacancies, delay of some technology projects, and other cost cutting measures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government – Wide Financial Statements

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

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

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.

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

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

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

Because of the nature and significance of the relationship between the Library and the Friends of the Charleston County Library (the Friends), the Friends is determined to be a discretely presented component with the financial statements of the Library for 2014. 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.

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 its general fund. A budgetary comparison schedule has been provided as Required Supplementary Information to demonstrate compliance with this budget.

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

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

Notes to the Financial Statements

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

Required Supplementary Information

The basic financial statements are followed by a section of required supplementary information. This section includes a budgetary comparison schedule, which includes both the original and final budget of the Library along with actual results of operations.

GOVERNMENT – WIDE OVERALL FINANCIAL ANALYSIS

Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets exceeded liabilities by \$3,349,362 (net position), at the close of the most recent fiscal year.

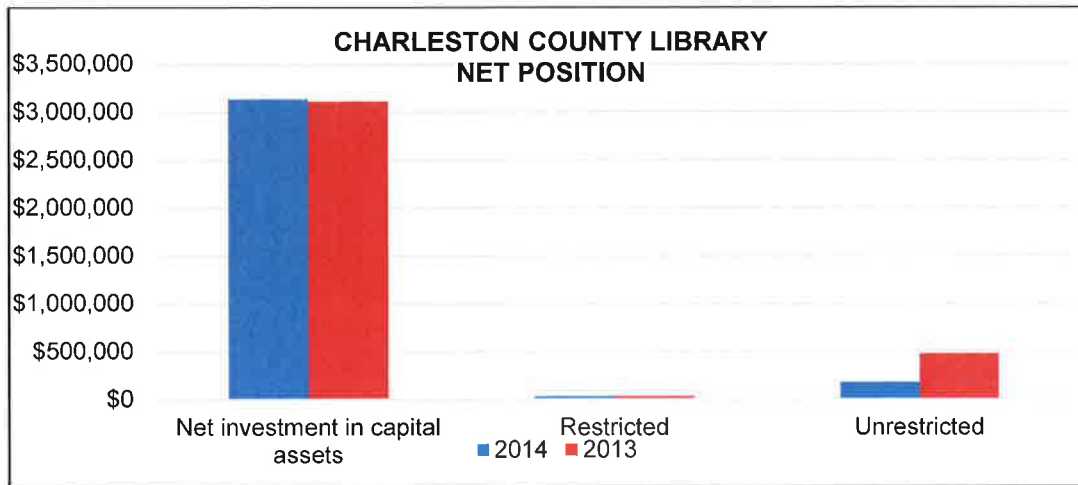
CHARLESTON COUNTY LIBRARY'S NET POSITION

	2014	2013
Current and other assets	\$ 2,266,168	\$ 2,512,537
Capital assets	<u>3,137,739</u>	<u>3,111,098</u>
Total assets	<u>5,403,907</u>	<u>5,623,635</u>
Long-term liabilities outstanding	1,151,690	1,153,629
Other liabilities	<u>902,855</u>	<u>849,343</u>
Total liabilities	<u>2,054,545</u>	<u>2,002,972</u>
Net position:		
Net investment in capital assets	3,137,739	3,111,098
Restricted	33,307	31,004
Unrestricted	<u>178,316</u>	<u>478,561</u>
Total net position	<u>\$ 3,349,362</u>	<u>\$ 3,620,663</u>

By far the largest portion of the Library's net position (93.7%) reflects its net investment in capital assets (e.g., library materials, furniture, fixtures, and equipment), less any related outstanding debt that was used to acquire those assets. There was no outstanding capital related debt at year end. The Library uses these capital assets to provide services to citizens. Accordingly, these assets are *not* available for future spending.

An additional portion (\$33,307) of the Library's net position (0.99%) represents resources that are subject to external restrictions on how they may be used (*restricted net position*). The remaining balance of \$178,316 is unrestricted and may be used to meet the Library's ongoing obligations to its citizens and creditors. Internally imposed designations of resources are not presented as restricted net position.

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014



At the end of the current fiscal year, the Library is able to report positive balances in all reported categories of net position. The same situation held true for the prior year fiscal year.

However, the Library's overall net position decreased \$271,301 from the prior fiscal year. The reasons for this overall decrease are discussed in the following section.

Changes in Net Position

During the current fiscal year, net position of the Library decreased \$271,301 from the prior fiscal year. This decrease is equivalent to the excess of expenses over revenues for the current fiscal year. Key elements of this decrease are as follows:

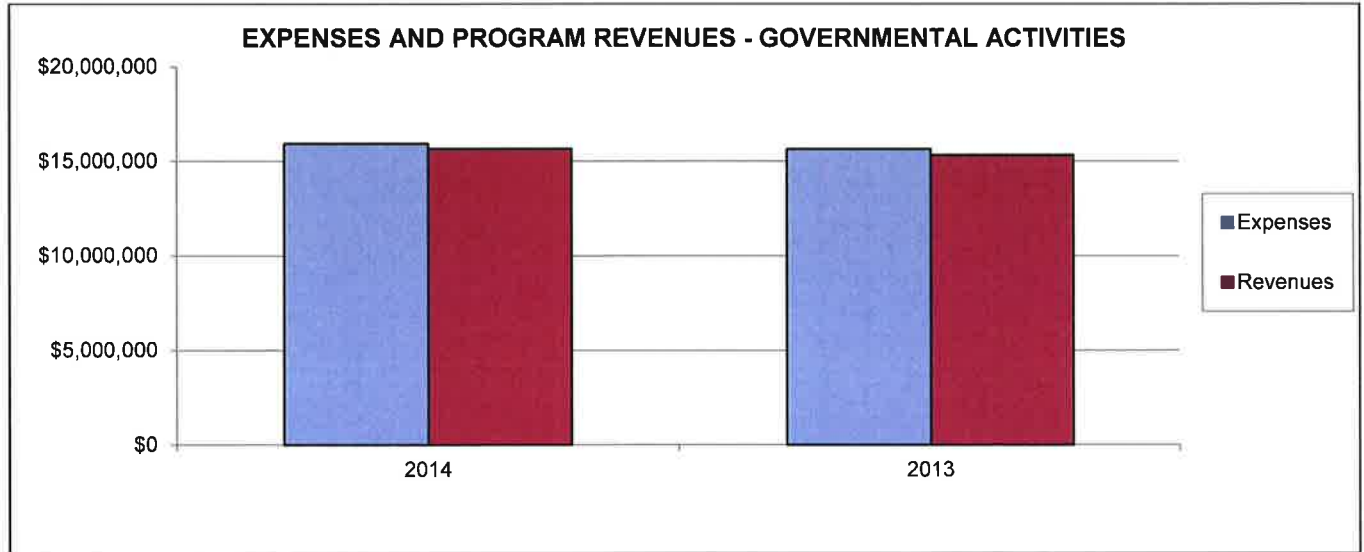
- Personnel costs increased by \$212,122 primarily due to a one-time cost of living payment.
- Library materials spending increased \$85,272.
- Information technology spending increased \$94,192 due to one-time costs associated with conversion of the integrated library system and additional computer lease payments.
- Notable increases in program revenues were \$355,568 in county appropriation and \$87,552 in state aid.

CHARLESTON COUNTY LIBRARY'S CHANGES IN NET POSITION

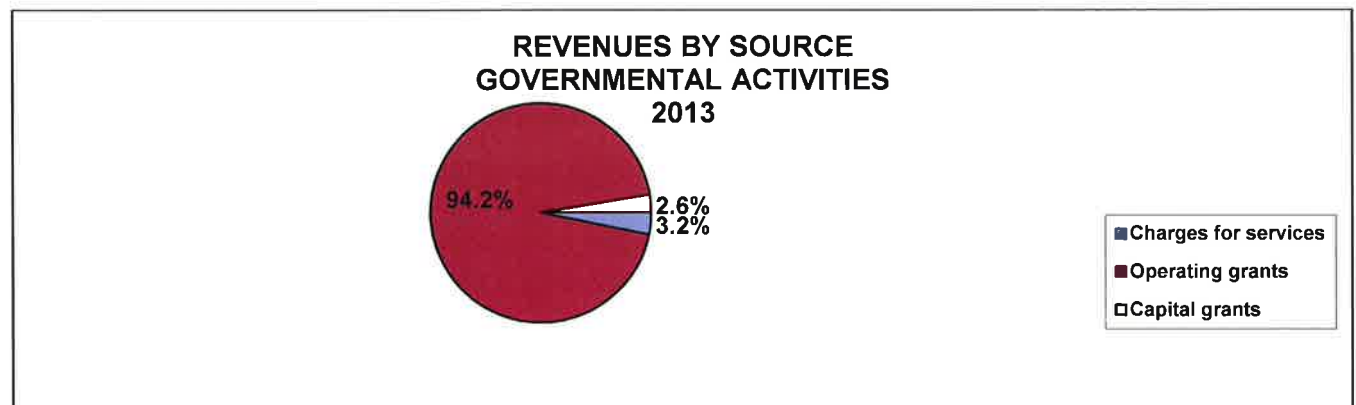
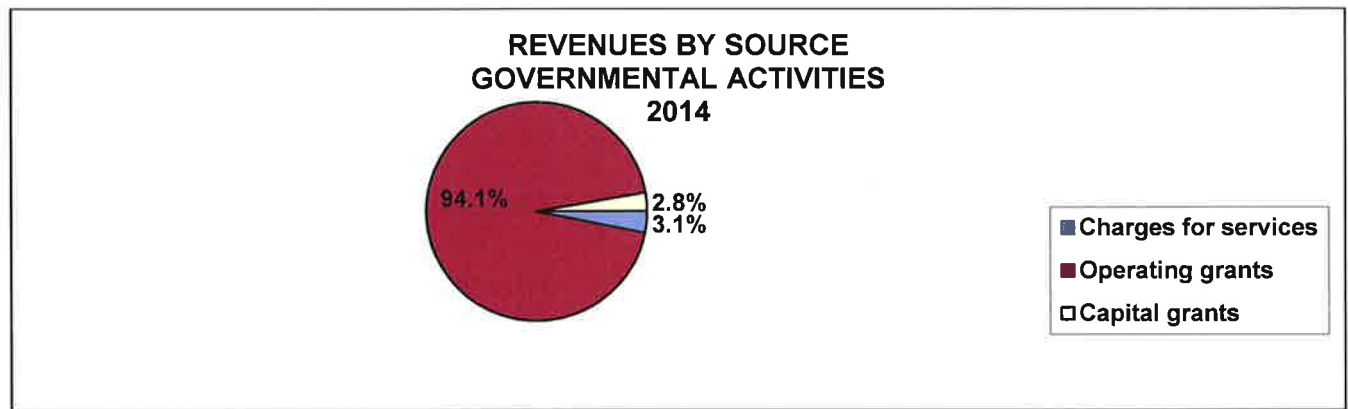
	<u>2014</u>	<u>2013</u>
Revenues:		
Program revenues:		
Charges for services	\$ 494,454	\$ 495,566
Operating grants and contributions	14,736,004	14,434,123
Capital grants and contributions	437,761	398,052
General revenues:		
Interest	-	18
Total revenues	<u>15,668,219</u>	<u>15,327,759</u>
Expenses:		
Personnel services – salaries, wages and employee benefits	10,680,933	10,482,372
Purchased services and materials	3,709,132	3,538,137
Depreciation	<u>1,549,455</u>	<u>1,635,675</u>
Total expenses	<u>15,939,520</u>	<u>15,656,184</u>
Increase (decrease) in net position	(271,301)	(328,425)
Net position – beginning of year	<u>3,620,663</u>	<u>3,949,088</u>
Net position – end of year	<u>\$ 3,349,362</u>	<u>\$ 3,620,663</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, 2014

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

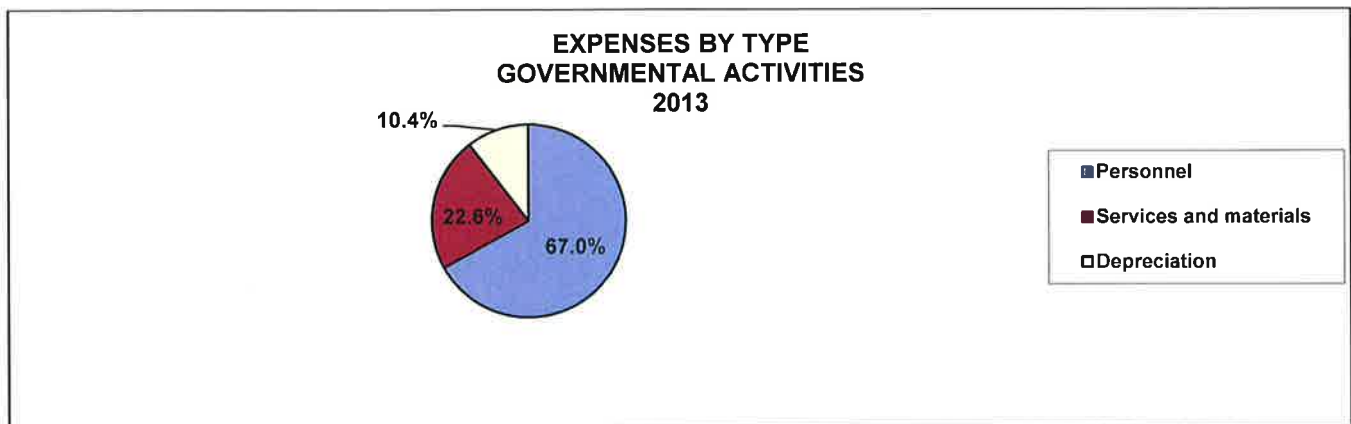
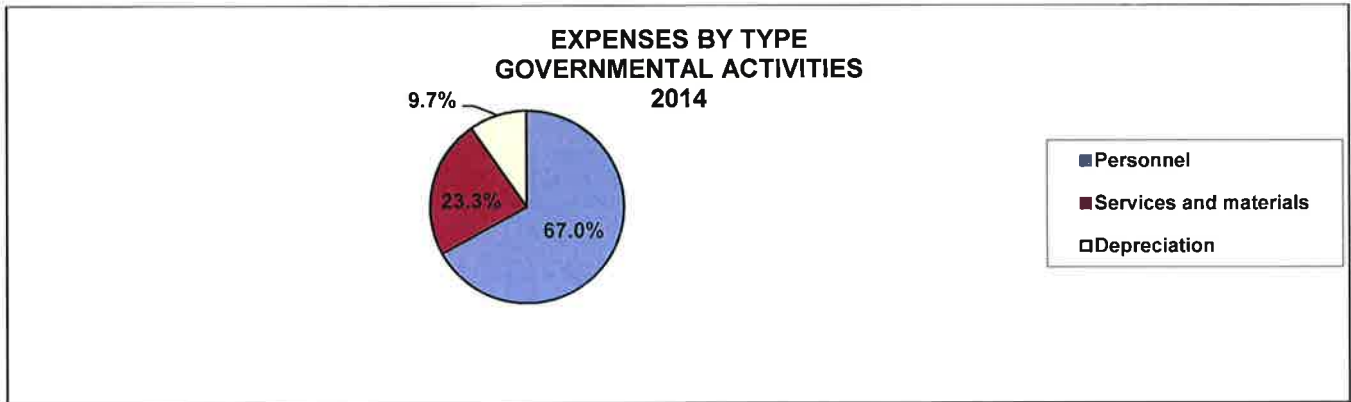


The majority of the Library's revenues is made up of operating grants from Charleston County and the State of South Carolina through the State Library. The share of revenue sources has remained consistent from year to year.



CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

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



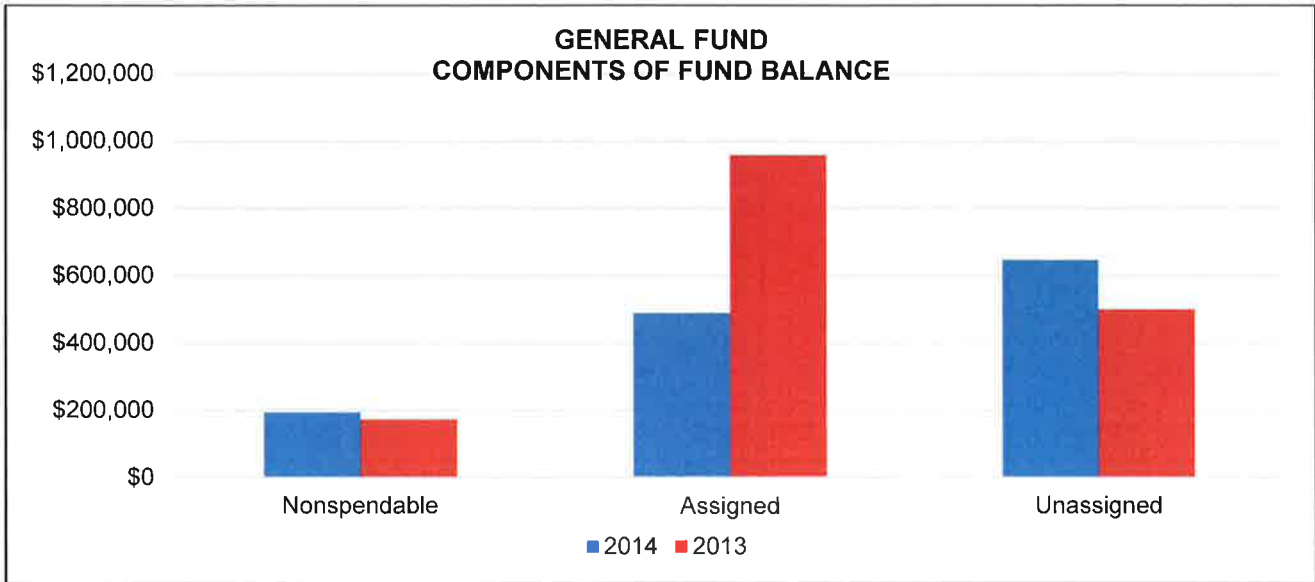
FINANCIAL ANALYSIS OF THE LIBRARY'S FUNDS

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

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

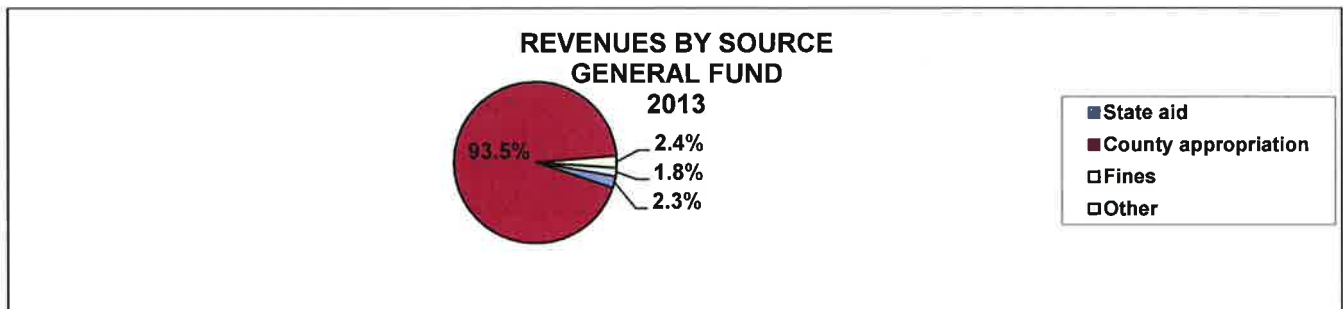
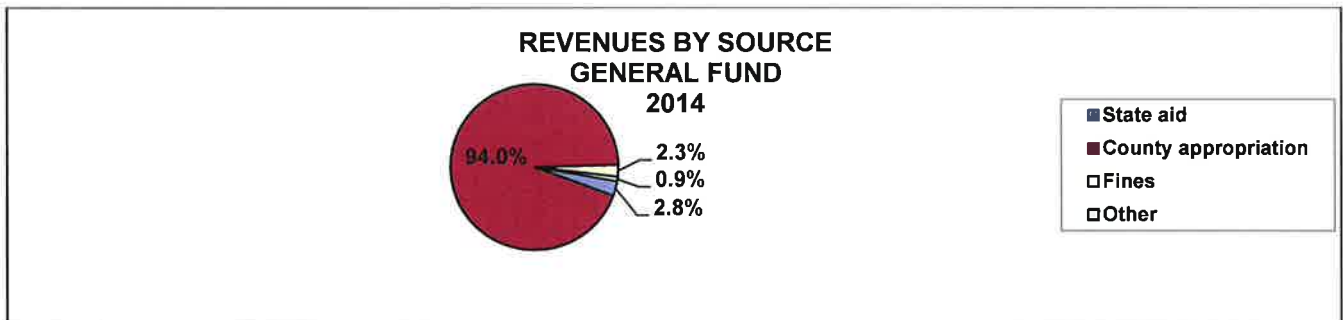
At June 30, 2014, the Library's governmental funds reported combined fund balances of \$1,363,313, a decrease of \$299,881 in comparison with the prior year. Approximately 47.4% of total fund balance (\$646,747) constitutes *unassigned fund balance*, which is available for spending at the Library Board's discretion. *Assigned fund balance* of \$489,270 represents 35.9% of the total. This is assigned to finance a portion of the fiscal year 2015 budget. *Restricted fund balance* of \$33,307 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.

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

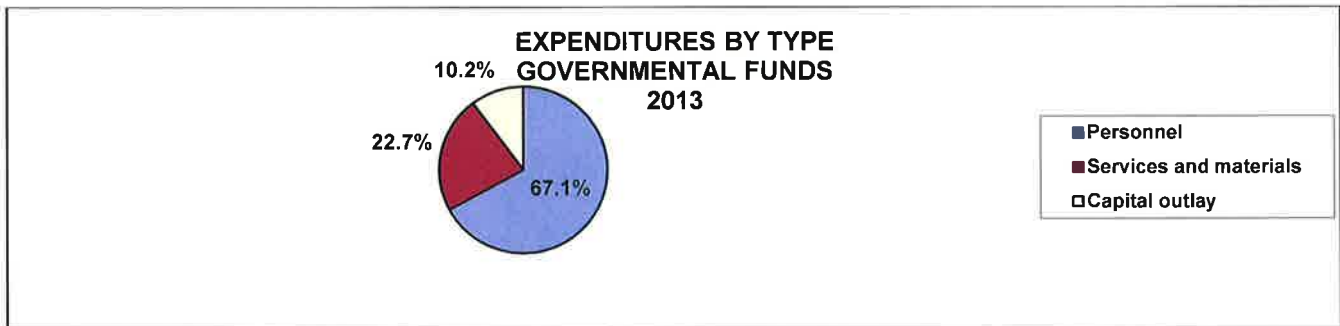
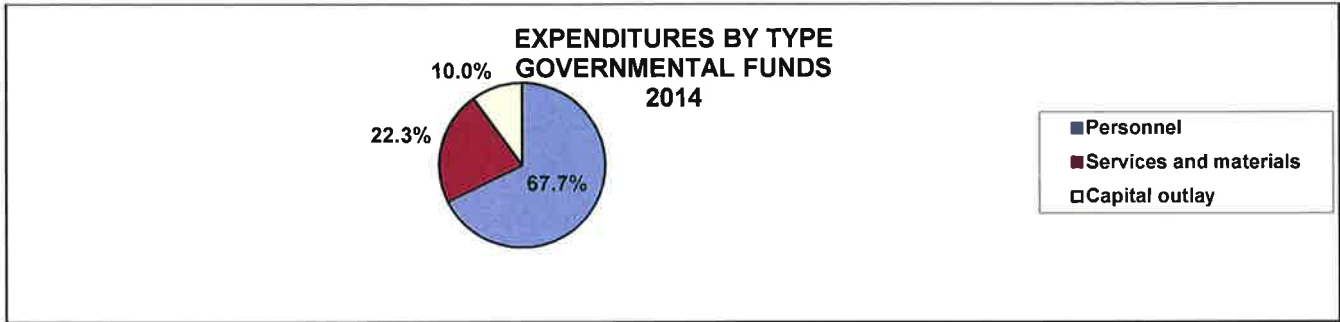


The general fund is the chief operating fund of the Library. At the end of the current fiscal year, unassigned fund balance of the general fund was \$646,747 and assigned fund balance was \$489,270, while the total fund balance was \$1,330,006. As a measure of the general fund's liquidity, it may be useful to compare both unassigned and assigned fund balances and total fund balance to total fund expenditures. Unassigned and assigned fund balance represents 7.2 percent, (down from 9.7% in 2013), of total general fund expenditures, while total fund balance represents 8.4 percent, (down from 10.9 percent in 2013), of that same amount. Unassigned and assigned fund balances are combined for this analysis because 100% of the assigned fund balance is designated to finance fiscal year 2015 expenditures.

The Library's general fund balance decreased \$302,011 during the current fiscal year. As discussed earlier in connection with governmental activities, the decrease was due to an increase in personnel costs, library materials, and information technology.



CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014



GOVERNMENTAL FUNDS BUDGETARY HIGHLIGHTS

Original Budget Compared to Final Budget

During the year, the Library Board of Trustees amended the Library budget. Budgeted personnel costs were increased \$226,065 to account for a one-time cost of living payment to employees approved by Charleston County Council. County budgeted appropriation was also increased by the same amount.

Final Budget Compared to Actual Results

Actual revenues were 0.2% greater than estimated revenues with no significant differences. Total actual expenditures were 3.8% less than the final budget. Several expenditure categories were significantly below budget. Personnel costs were 3.7% under budget despite rising health insurance costs primarily due to vacant positions. Information technology expenditures were 18.4% under budget due to delay of special projects in order to reduce overall costs.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Library's net investment in capital assets as of June 30, 2014, amounts to \$3,137,739 (net of accumulated depreciation). This investment in capital assets includes equipment, furnishings and library materials. The total increase in the Library's investment in capital assets for the current fiscal year was 1.4 percent.

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2014

CHARLESTON COUNTY LIBRARY'S CAPITAL ASSETS
(net of depreciation)

	<u>2014</u>	<u>2013</u>
Equipment and furnishings	\$ 41,267	\$ 38,208
Vehicles	80,239	41,123
Library materials	3,005,233	3,020,767
Artwork (not subject to depreciation)	<u>11,000</u>	<u>11,000</u>
Total	<u>\$ 3,137,739</u>	<u>\$ 3,111,098</u>

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

- Additional library materials were acquired for \$1,512,506 while materials totaling \$2,074,711 with accumulated depreciation of \$2,074,711 were removed.
- Equipment with costs and accumulated depreciation of \$339,494 was removed.
- Two vehicles were acquired at a cost of \$49,397.
- Depreciation expense of \$1,549,455 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 \$1,151,690 for annual leave payable, which decreased by \$1,939 from the prior year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

The following economic factors currently affect the Library and were considered in developing the 2014-2015 fiscal year budget.

- The county appropriation is expected to be 1.3%, or \$188,254, greater than fiscal year 2014.
- State aid will remain at the fiscal year 2014 level of \$1.25 per capita, or \$437,761.
- Personnel costs will include a 1.8% cost of living adjustment to be implemented in October 2014.
- Increases are also expected in health insurance and other employee costs.
- A referendum is on the ballot in November 2014 for an expansion and renovation of Library facilities. If successful, no financial effect is expected for the Library's fiscal year 2015 budget.

At June 30, 2014, the unrestricted fund balance in the general fund was \$1,136,017. The Board of Trustees has assigned \$489,270 of the fund balance of the general fund to maintain the Library's current level of service for fiscal year 2015.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Library's finances and demonstrate the Library's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, **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, 2014

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,016,615
Receivables	55,564
Inventory of supplies	34,362
Prepaid expenditures	159,627
Capital assets	
Artwork and other non-depreciable assets	11,000
Other capital assets, net of accumulated depreciation	3,126,739
TOTAL ASSETS	5,403,907
LIABILITIES	
Accounts payable	483,922
Accrued payroll, benefits and payroll taxes payable	413,175
Unearned revenues	5,758
Long-term liabilities - compensated absences	
Due within one year	50,816
Due in more than one year	1,100,874
TOTAL LIABILITIES	2,054,545
NET POSITION	
Net investment in capital assets	3,137,739
Restricted by donors	33,307
Unrestricted	178,316
TOTAL NET POSITION	\$ 3,349,362

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, 2014

	Governmental Activities
EXPENSES	
Personnel services - salaries, wages, and employee benefits	\$ 10,680,933
Purchased services and materials	3,709,132
Depreciation	1,549,455
Total expenses	15,939,520
PROGRAM REVENUES	
Charges for services	494,454
Operating grants and contributions	14,736,004
Capital grants and contributions	437,761
Total program revenues	15,668,219
Net program expense	271,301
Change in net position	(271,301)
NET POSITION	
Beginning of year	3,620,663
End of year	\$ 3,349,362

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, 2013

	Friends of the Charleston County Library
ASSETS	
Cash and cash equivalents	\$ 213,872
Inventory of supplies	895
Accounts receivable	14,516
TOTAL ASSETS	\$ 229,283
LIABILITIES AND NET ASSETS	
LIABILITIES	
Accounts payable	\$ 10,591
Deferred membership dues	10,145
Accrued expenses	2,491
TOTAL LIABILITIES	23,227
NET ASSETS	
Unrestricted	
Board designated	1,000
Undesignated	205,056
Total unrestricted	206,056
TOTAL NET ASSETS	206,056
TOTAL LIABILITIES AND NET ASSETS	\$ 229,283

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, 2013

	<u>Friends of the Charleston County Library</u>
CHANGES IN UNRESTRICTED NET ASSETS	
Support and revenue	
Book and merchandise sales	\$ 203,949
Donated facilities	29,189
Membership dues	21,592
Contributions	4,623
Special events	1,394
Other	748
Total unrestricted support and revenue	<u>261,495</u>
Net assets released from restrictions	<u>2,350</u>
 TOTAL UNRESTRICTED SUPPORT, REVENUE AND RECLASSIFICATION	 <u>263,845</u>
 EXPENSES	
Program services	112,000
Management and general	32,334
Fundraising	<u>111,521</u>
 TOTAL EXPENSES	 <u>255,855</u>
 CHANGE IN UNRESTRICTED NET ASSETS	 <u>7,990</u>
 CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	
Net assets released from restrictions	<u>(2,350)</u>
 CHANGE IN TEMPORARILY RESTRICTED NET ASSETS	 <u>(2,350)</u>
 CHANGE IN NET ASSETS	 5,640
 NET ASSETS	
Beginning of year	<u>200,416</u>
 End of year	 <u>\$ 206,056</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, 2014

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,983,308	\$ 33,307	\$ 2,016,615
Receivables	-	55,564	55,564
Due from other funds	49,806	-	49,806
Inventory of supplies, at cost	34,362	-	34,362
Prepaid expenditures	159,627	-	159,627
TOTAL ASSETS	\$ 2,227,103	\$ 88,871	\$ 2,315,974
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 483,922	\$ -	\$ 483,922
Accrued payroll, benefits, and payroll taxes payable	413,175	-	413,175
Due to other funds	-	49,806	49,806
Unearned revenues	-	5,758	5,758
Total liabilities	897,097	55,564	952,661
Fund balances			
Nonspendable	193,989	-	193,989
Restricted	-	33,307	33,307
Assigned	489,270	-	489,270
Unassigned	646,747	-	646,747
Total fund balances	1,330,006	33,307	1,363,313
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,227,103	\$ 88,871	

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.	3,137,739
Long-term liabilities - annual leave payable, are not due and payable in the current period and therefore are not reported in the funds.	<u>(1,151,690)</u>
Net position of governmental activities	<u>\$ 3,349,362</u>

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

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES – GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2014

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
REVENUES			
Intergovernmental revenues			
State aid income	\$ 437,761	\$ -	\$ 437,761
County appropriation	14,536,176	-	14,536,176
Federal pass-thru grants	-	20,751	20,751
Fines	357,368	-	357,368
Miscellaneous income			
E-Rate reimbursement	11,931	-	11,931
Copy machine charges	94,660	-	94,660
Unrestricted gifts	-	435	435
Unrestricted donations	-	572	572
Unrestricted other revenue	34,241	-	34,241
Restricted contribution from component unit	-	105,382	105,382
Restricted donations	-	60,757	60,757
Restricted other revenue	-	8,185	8,185
TOTAL REVENUES	<u>15,472,137</u>	<u>196,082</u>	<u>15,668,219</u>
EXPENDITURES			
Current			
Personnel services - salaries, wages, and employee benefits	10,682,872	-	10,682,872
Purchased services and materials	3,519,909	189,223	3,709,132
Capital outlay	1,571,367	4,729	1,576,096
TOTAL EXPENDITURES	<u>15,774,148</u>	<u>193,952</u>	<u>15,968,100</u>
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	(302,011)	2,130	(299,881)
FUND BALANCE			
Beginning of year	1,632,017	31,177	1,663,194
End of year	<u>\$ 1,330,006</u>	<u>\$ 33,307</u>	<u>\$ 1,363,313</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, 2014

Net change in fund balances - total governmental funds \$ (299,881)

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 (\$1,549,455) exceeded capital outlays (\$1,576,096) in the current period. 26,641

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. 1,939

Change in net position of governmental activities \$ (271,301)

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, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

The Charleston County Library System was established by the South Carolina Legislature in 1979 as part of the Charleston County Government, and subsequently was named the **Charleston County Library, Charleston, South Carolina** (the Library). The Library is a continuation of the original library system which was established in 1930. Its primary purpose is to provide public library services to the citizens of Charleston County (the County) through the operation of branch libraries located throughout the County and a bookmobile service operated throughout rural Charleston County, South Carolina. The Library is governed by 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
Ms. Barbara Burgess – Vice Chair	December 2017
Ms. Maya Hollinshead – Secretary	December 2017
Mr. Steven E. Clem – Treasurer	December 2014
Ms. Margaret Reider	December 2017
Mr. W. Christopher Swett	December 2017*
Mr. Clarence Tolly, III	December 2016*
Ms. Rosemary Manigault	December 2016
Ms. Maria Neal	December 2016
Mr. Ed Fava	December 2014
Mr. Peter A. McKellar, III	December 2014

* Board members resigned before June 30, 2014

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, 2014

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, 2014, 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, 2014

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, 2014, 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, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

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

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

Deposits and investments

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

Inventory of supplies

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

Prepays

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

Receivables

Accounts receivable in the amount of \$55,564 is reported. Of this amount, \$42,524 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 \$13,040 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, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

<u>Assets</u>	<u>Years</u>
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% 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 7,700 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, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Gifts received

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

Interfund activity

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

Deferred Outflows / Inflows of Resources and Unearned Revenue

Deferred Outflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/ expenditure) until then.

Deferred Inflows of Resources

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The government has inflows which arise under modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue, is reported only in the governmental funds balance sheet.

Unearned Revenue

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

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Net position/Fund balance

Government-wide statements

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

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

Net Position Flow Assumption

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

Fund statements

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

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

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

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

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Net position/Fund Balance (Continued)

Assigned – Amounts the Library intends to use for a specific purpose but do not meet the criteria to be classified as committed. Intent can be expressed by the Board or by an official or body to which the Board delegates the authority. The Board has not delegated such authority as of June 30, 2014. The Board may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not normally have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

Unassigned - All amounts not included in other spendable classifications.

Fund Balance Flow Assumption

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

Accounting estimates

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

Income taxes

The Friends of Charleston County Library is a not-for-profit organization described in Internal Revenue Code Section 501(c) (3) and is exempt from federal income tax under Code Section 501 (a). The Friends are classified as an organization other than a private foundation. In addition, donations to the Friends qualify for the charitable contribution deduction. The Friends is no longer subject to income tax examinations by the U.S. federal, state, or local authorities for years before 2010.

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

II. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

Cash on hand	\$ 922
Carrying amount of deposits	<u>2,015,693</u>
Total cash and cash equivalents - per Balance Sheet	<u>\$ 2,016,615</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.

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.

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

II. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

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, 2014, the Library's bank balance of \$2,197,897 was fully insured or collateralized by investments held by the pledging financial institution's trust department or agent in the Library's name.

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, 2014, 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, 2013. At December 31, 2013, 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, 2014

II. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Changes in Capital Assets

Capital asset activity for the year ended June 30, 2014, follows:

	Balance 6/30/2013	Increases	Decreases	Balance 6/30/2014
Capital assets not being depreciated				
Artwork	\$ 11,000	\$ -	\$ -	\$ 11,000
Total capital assets not being depreciated	11,000	-	-	11,000
Capital assets being depreciated				
Equipment and furnishings	2,241,578	14,193	(339,494)	1,916,277
Vehicles	51,404	49,397	-	100,801
Subtotal - equipment and furnishings	2,292,982	63,590	(339,494)	2,017,078
Library materials				
Books	14,329,557	1,058,956	(1,725,572)	13,662,941
Microfilm	405,795	30,858	-	436,653
Framed pictures	12,813	-	(616)	12,197
Video tapes	212,634	-	(55,284)	157,350
Compact discs	162,679	-	(8,995)	153,684
Cassettes	96,162	-	(23,669)	72,493
Digital video discs	2,252,647	327,470	(183,302)	2,396,815
Audio books on CD Rom	1,173,483	95,222	(77,273)	1,191,432
Subtotal - library materials	18,645,770	1,512,506	(2,074,711)	18,083,565
Total capital assets being depreciated	20,938,752	1,576,096	(2,414,205)	20,100,643
Less accumulated depreciation				
Equipment and furnishings	(2,203,370)	(11,134)	339,494	(1,875,010)
Vehicles	(10,281)	(10,281)	-	(20,562)
Subtotal – equipment and furnishings	(2,213,651)	(21,415)	339,494	(1,895,572)
Library materials				
Books	(12,137,112)	(1,110,192)	1,725,572	(11,521,732)
Microfilm	(349,074)	(24,901)	-	(373,975)
Framed pictures	(12,813)	-	616	(12,197)
Video tapes	(212,634)	-	55,284	(157,350)
Compact discs	(162,679)	-	8,995	(153,684)
Cassettes	(96,162)	-	23,669	(72,493)
Digital video discs	(1,639,470)	(303,582)	183,302	(1,759,750)
Audio books on CD Rom	(1,015,059)	(89,365)	77,273	(1,027,151)
Subtotal - library materials	(15,625,003)	(1,528,040)	2,074,711	(15,078,332)
Total accumulated depreciation	(17,838,654)	(1,549,455)	2,414,205	(16,973,904)
Total capital assets being depreciated, net	3,100,098	26,641	-	3,126,739
Total capital assets, net	\$ 3,111,098	\$ 26,641	\$ -	\$ 3,137,739

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

II. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Changes in Capital Assets (Continued)

The current year additions of \$1,576,096 were funded as follows:

	Library Materials
Library general fund – operations	\$ 1,138,335
State aid & federal pass through grants	437,761
Capital outlay per statement of revenues and expenditures	\$ 1,576,096

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, 2014. Long-term liabilities of the Library are liquidated by the General Fund.

	Balance July 1, 2013	Additions	Deductions	Balance June 30, 2014	Due Within One Year
Compensated absences	\$1,153,629	\$ 579,376	\$ 581,315	\$ 1,151,690	\$ 50,816

D. Operating lease

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

In April 2014, the Library entered into an additional lease agreement for public computers. The lease agreement is for a forty-eight month period commencing May 2014 with a minimum monthly charge of \$7,142 for a total minimum commitment of \$342,794 over the lease term.

Total rent expense associated with the computer leases for the year ended June 30, 2014 is \$109,490. The future minimum lease payments for the leases are as follows:

Year Ending June 30,	Amount
2015	\$ 168,091
2016	168,091
2017	133,761
2018	71,416
	\$ 541,359

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, 2014, is \$174,079.

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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>	
	<u>Inventory &</u>	<u>By donors</u>	<u>Subsequent</u>	<u>Unassigned</u>
	<u>Prepaid Items</u>	<u>Expenditures</u>	<u>Years</u>	
Fund balances, July 1, 2013	\$ 172,827	\$ 31,004	\$ 958,365	\$ 500,998
Increase (decrease) in asset balance	21,162	-	-	(21,162)
Receipt of restricted donations and other revenue	-	68,942	-	(68,942)
Expenditure of restricted donations and other revenue	-	(66,639)	-	66,639
Receipt of restricted contribution from the Friends	-	105,382	-	105,382
Expenditure of restricted contribution from the Friends	-	(105,382)	-	(105,382)
Increase (decrease) in assignment by board	-	-	(469,095)	469,095
Excess of revenues over (under) expenditures for the year	-	-	-	(299,881)
Fund balances, June 30, 2014	<u>\$ 193,989</u>	<u>\$ 33,307</u>	<u>\$ 489,270</u>	<u>\$ 646,747</u>

The statement of net position reports \$33,307 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 \$94,150.

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, 2014

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 5.4% 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)	\$ 14,536,176
Amounts paid to the County by the Library:	
Janitorial services	\$ 101,641
Carpet cleaning	24,209
Workers' compensation	419,042
OPEB expenditures	370,665
Insurance coverage - building and contents, liability, fidelity bond, theft	94,150
Motor vehicle repairs	20,928
Motor vehicle fuel charges	22,599
Other general services	109,858
Solid Waste User Fee	12,970
Health, life, and dental insurance (Library employees covered through County plan)	891,036
Other minor charges	1,616
	\$ 2,068,714
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, 2014

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	\$ 105,382
Contributions from the Friends were used for the following expenses:	
Supplies	\$ 40,570
Performers	23,380
Training and staff development	17,227
Printing	9,698
Special projects	6,905
Film licensing fees	5,541
Miscellaneous	2,061
	\$ 105,382
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. This amount does not reflect any utilities.

C. Employee Retirement System and Plans

South Carolina Retirement System – Plan Description

The majority of employees of the Library are covered by a retirement plan through 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. Generally, all full-time or part-time equivalent Library employees in a permanent position are required to participate in and contribute to the SCRS as a condition of employment unless exempted by law as provided in Section 9-1-480 of the South Carolina Code of Laws, as amended, or are eligible and elect to participate in the State Optional Retirement Program (ORP). The SCRS plan provides life-time monthly retirement annuity benefits to members as well as disability, survivor options, annual benefit adjustments, death benefits, and incidental benefits to eligible employees and retired members.

The Retirement Division maintains five independent defined benefit plans and issues its own publicly available Comprehensive Annual Financial Report (CAFR) which includes financial statements and required supplementary information. A copy of the separately issued CAFR may be obtained by writing to the South Carolina Public Employee Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960. Furthermore, the Division and the five pension plans are included in the State of South Carolina's CAFR.

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

III. OTHER INFORMATION (CONTINUED)

C. Employee Retirement System and Plans (Continued)

South Carolina Retirement System – Plan Description (Continued)

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. 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).

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.

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

III. OTHER INFORMATION (CONTINUED)

C. Employee Retirement System and Plans (Continued)

South Carolina Retirement System – Funding Policy

Effective July 1, 2013, employees participating in the SCRS were required to contribute 7.50% of all earnable compensation. The employer contribution rate for SCRS was 10.60%. Included in the total SCRS employer contribution rate is a base retirement contribution of 10.45% and .15% for the incidental death. The Library's actual contributions to the SCRS were:

Fiscal Year Ended June 30,	Retirement		Incidental Death	
	Rate	Contribution	Rate	Contribution
2014	10.450%	\$ 748,365	0.15%	\$ 10,742
2013	10.450%	\$ 719,395	0.15%	\$ 10,326
2012	9.385%	\$ 669,178	0.15%	\$ 10,695

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 \$37,527.

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 \$200,425.

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 \$370,665 or 5% of budgeted salaries of \$7,413,297 for the fiscal year ended June 30, 2014. This amount was withheld from the monthly appropriation from the County to the Library.

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

III. OTHER INFORMATION (CONTINUED)

E. Funds Held by Coastal Community Foundation

As of June 30, 2014, the Coastal Community Foundation held \$504,205 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, \$17,084 is available for grants to the Library.

As of June 30, 2014, the Coastal Community Foundation held \$99,235 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, \$3,362 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.

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. 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. The implementation of this statement is expected to have a significant impact on the government-wide financial statements. The liability is estimated by the South Carolina Public Employee Benefit Authority to be between \$11,300,000 and \$18,400,000.

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. Management has not yet determined the impact implementation of this standard 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, 2014

III. OTHER INFORMATION (CONTINUED)

G. Pending GASB Pronouncements (Continued)

GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date an amendment to GASB Statement No. 68*, addresses an issue regarding application of the transition provisions in Statement No. 68 *Accounting and Financial Reporting for Pensions*. This statement intends to improve financial reporting by eliminating the source of a potentially significant understatement of restated beginning net position and expense in the first year of implementation of Statement No. 68 in the accrual basis financial statements of employers and non-employer contributing entities. 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. Management has not yet determined the impact implementation of this standard will have on the Library's financial statements, if any.

H. Subsequent Events

In July 2014, Charleston County appointed two new Board of Trustee members to replace the two who resigned in June 2014. Ms. Amy Brunson and Mr. Brian Norris were named to replace Mr. Clarence Tolly, III and Mr. W. Christopher Swett.

Management has assessed subsequent events through September 23, 2014, the date the financial statements were available to be issued.

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

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual
REVENUES			
Intergovernmental revenues			
State aid income	\$ 437,761	\$ 437,761	\$ 437,761
County appropriation	14,287,911	14,287,911	14,287,911
Supplemental Appropriation - COLA	-	226,065	226,065
Supplemental Appropriation - Summer Youth	-	-	22,200
Fines	379,100	379,100	357,368
Miscellaneous income			
Copy machine charges	83,600	83,600	94,660
E-Rate reimbursement	-	-	11,931
Other	24,000	24,000	34,241
TOTAL REVENUES	15,212,372	15,438,437	15,472,137
EXPENDITURES			
Personnel costs	10,869,418	11,095,483	10,682,872
Library materials	2,438,540	2,438,540	2,359,039
Information technology	650,452	650,452	530,832
Copier leases and supplies	198,275	198,275	183,608
Supplies	169,900	169,900	150,829
Printing	22,100	22,100	21,077
Equipment repairs and maintenance	45,819	45,819	38,204
Building repairs and maintenance	521,458	521,458	551,252
Utilities	891,660	891,660	878,822
Other expenditures	201,637	201,637	186,057
Motor vehicles	67,164	67,164	45,572
Insurance	94,150	94,150	94,150
Miscellaneous expenditures	-	-	2,437
Capital expenditures	-	-	49,397
TOTAL EXPENDITURES	16,170,573	16,396,638	15,774,148
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	\$ (958,201)	\$ (958,201)	(302,011)
FUND BALANCE			
Beginning of year			1,632,017
End of year			\$ 1,330,006

The accompanying notes to budgetary comparison schedule are an integral part of this schedule.

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
NOTES TO BUDGETARY COMPARISON SCHEDULE –
GENERAL FUND (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2014

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

During the year the budget was amended for a supplemental appropriation from the County in the amount of \$226,065 to provide for a one-time cost of living adjustment to Library personnel. Budgeted personnel costs were increased by the same amount.

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, 2014, and the related notes to the financial statements, which collectively comprise Library's basic financial statements, and have issued our report thereon dated September 23, 2014. 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: 2014-1.

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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.



Summerville, South Carolina
September 23, 2014

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2014

<u>Ref #</u>	<u>Department Program/Grant</u>	<u>Finding/Noncompliance</u>
2014-1	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 is 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>