

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

**BASIC FINANCIAL STATEMENTS AND
REQUIRED SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2010

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
YEAR ENDED JUNE 30, 2010
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

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the ***Charleston County Library, a Component Unit of Charleston County, South Carolina***, as of and for the year ended June 30, 2010, which collectively comprise the basic financial statements of the Library as listed in the table of contents. These financial statements are the responsibility of the Charleston County Library's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Charleston County Library, a Component Unit of Charleston County, South Carolina, as of June 30, 2010, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 28, 2010, on our consideration of the Charleston County Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in assessing the results of our audit.

The Management's Discussion and Analysis and the Budgetary Comparison Schedule on pages 2 through 7 and 26 through 28, respectively, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.



Summerville, South Carolina
September 28, 2010

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**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, 2010

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, 2010. 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 \$4,639,221 (*net assets*). Of this amount, \$3,316,910 was invested in capital assets leaving \$1,322,311 in *unrestricted net assets*.
- The Library's total net assets increased by \$332,304. This is due primarily to a decrease in personnel costs related to vacant positions.
- The Library's program revenues decreased by \$338,050 from last year. The appropriation received from Charleston County was \$408,185 less than the prior year.
- Expenditures were \$1,155,833 less than budgeted. This was due to cost cutting measures implemented during the year, including a hiring freeze.
- At the end of the fiscal year, unreserved fund balance for the general fund was \$2,134,295, or 15.4 percent of total general fund expenditures.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government – Wide Financial Statements

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

The *statement of net assets* presents information on all of the Library's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in the Library's net assets 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 assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will not result in cash flows until future fiscal periods (such as unused vacation leave). This statement also presents a comparison between direct expenses and program revenues for the Library.

The operations of the Library are considered *governmental activities* and are supported primarily by intergovernmental revenues. The Library does not have any business-type activities.

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

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

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 two 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 special revenue fund, both of which are considered to be major funds. The Library adopts an annual appropriated budget for its governmental funds. A budgetary comparison schedule has been provided for the governmental funds to demonstrate compliance with this budget.

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

Notes to the Financial Statements

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

Required Supplementary Information

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

GOVERNMENT – WIDE FINANCIAL ANALYSIS

Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the Library, assets exceeded liabilities by \$4,639,221, at the close of the most recent fiscal year (See Table A-1).

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

By far the largest portion of the Library's net assets (71.5 percent) reflects its investment in capital assets (e.g., library materials, furniture, fixtures, and equipment), less any related debt used to acquire those assets that is still outstanding. The Library uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. At June 30, 2010, the Library had a balance of *unrestricted net assets* (\$1,322,311) that may be used to meet the Library's ongoing obligations to citizens and creditors. Internally imposed designations of resources are not presented as restricted net assets.

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

Table A-1
CHARLESTON COUNTY LIBRARY'S NET ASSETS

	<u>2010</u>	<u>2009</u>
ASSETS:		
Current and other assets	\$ 2,982,932	\$ 2,197,096
Capital assets	<u>3,316,910</u>	<u>3,632,090</u>
Total assets	<u>6,299,842</u>	<u>5,829,186</u>
Long-term liabilities outstanding	948,431	945,463
Other liabilities	<u>712,190</u>	<u>576,806</u>
Total liabilities	<u>1,660,621</u>	<u>1,522,269</u>
Net assets:		
Invested in capital assets, net of related debt	3,316,910	3,632,090
Unrestricted	<u>1,322,311</u>	<u>674,827</u>
Total net assets	<u>\$ 4,639,221</u>	<u>\$ 4,306,917</u>

Changes in Net Assets

The net assets of the Library increased \$332,304 during the current fiscal year (See Table A-2). This increase is equivalent to the excess of revenues over expenses for the current fiscal year. Key elements of this increase are as follows:

- Capital assets decreased by \$315,180 due to an excess of depreciation expense over the costs of current year acquisitions.
- The County appropriation decreased by \$408,185 over the prior year while expenses decreased \$955,541.
- State Aid decreased by \$61,993 from the prior year.
- The increase in annual leave payable expensed in the current year was \$2,968.

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

	<u>2010</u>	<u>2009</u>
Revenues:		
Program revenues:		
Charges for services	\$ 611,784	\$ 599,925
Operating grants and contributions	13,980,404	14,398,507
Capital grants and contributions	539,347	471,153
General revenues:		
Interest	<u>2,708</u>	<u>7,156</u>
Total revenues	<u>15,134,243</u>	<u>15,476,741</u>
Expenses:		
Personnel services – salaries, wages and employee benefits	9,923,673	10,531,191
Purchased services and material	2,936,178	3,118,800
Depreciation	<u>1,942,088</u>	<u>2,107,489</u>
Total expenses	<u>14,801,939</u>	<u>15,757,480</u>
Increase (decrease) in net assets	332,304	(280,739)
Net assets – beginning of year	<u>4,306,917</u>	<u>4,587,656</u>
Net assets – end of year	<u>\$ 4,639,221</u>	<u>\$ 4,306,917</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, 2010

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

Figure A-1
EXPENSES AND PROGRAM REVENUES – GOVERNMENTAL ACTIVITIES

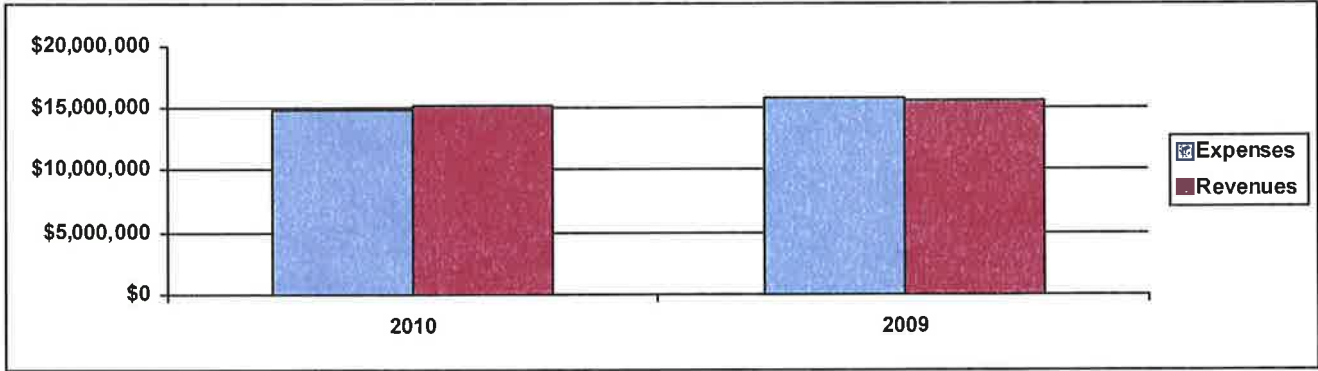


Figure A-2
REVENUES BY SOURCE – GOVERNMENTAL ACTIVITIES

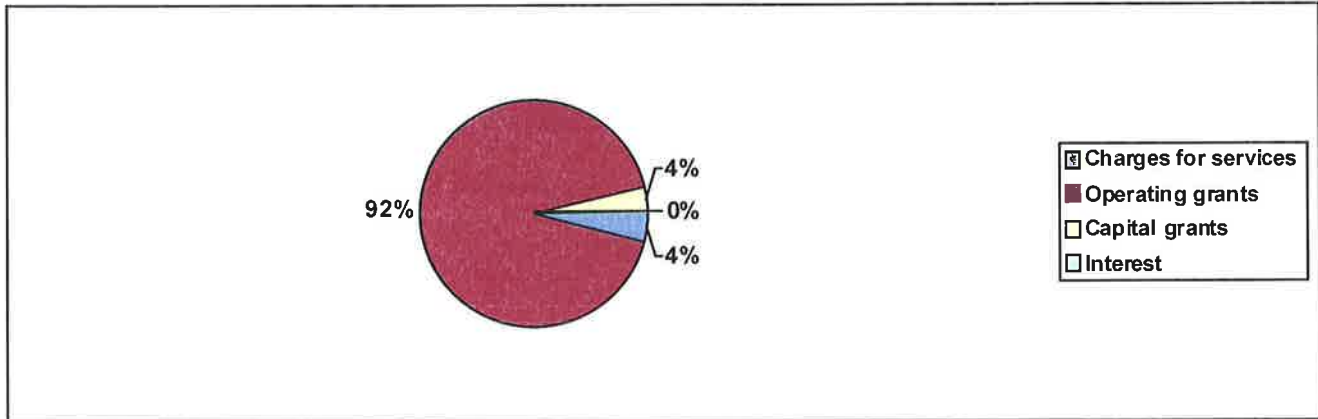
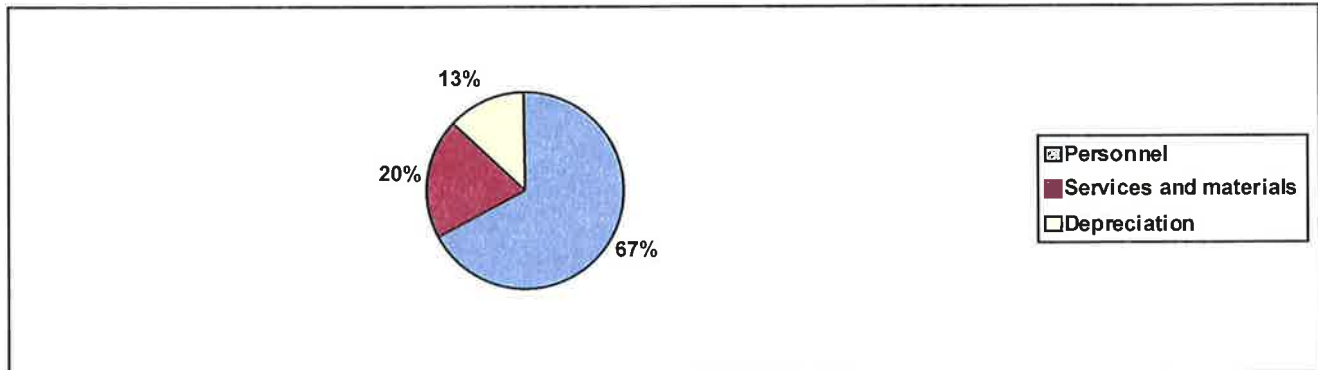


Figure A-3
EXPENSES BY TYPE – GOVERNMENTAL ACTIVITIES



CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

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, *unreserved fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Library's governmental funds reported combined ending fund balances of \$2,270,742, an increase of \$650,452 in comparison with the prior year. Approximately 94 percent of this total amount (\$2,134,295) constitutes *unreserved fund balance*, which is available for spending at the Library Board's discretion. The remainder of fund balance is *reserved* to indicate that it is not available for new spending because it has already been spent for inventory of supplies and prepaid items.

The general fund is the chief operating fund of the Library. At the end of the current fiscal year, unreserved fund balance of the general fund was \$2,134,295, while the total fund balance was \$2,270,742. As a measure of the general fund's liquidity, it may be useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 15.4 percent of total general fund expenditures, while total fund balance represents 16.4 percent of that same amount.

The Library's general fund balance increased \$650,452 during the current fiscal year. The key factor for this increase was cost cutting measures implemented during the current year, including a hiring freeze.

Figure A-4
REVENUES BY SOURCE – GOVERNMENTAL FUNDS

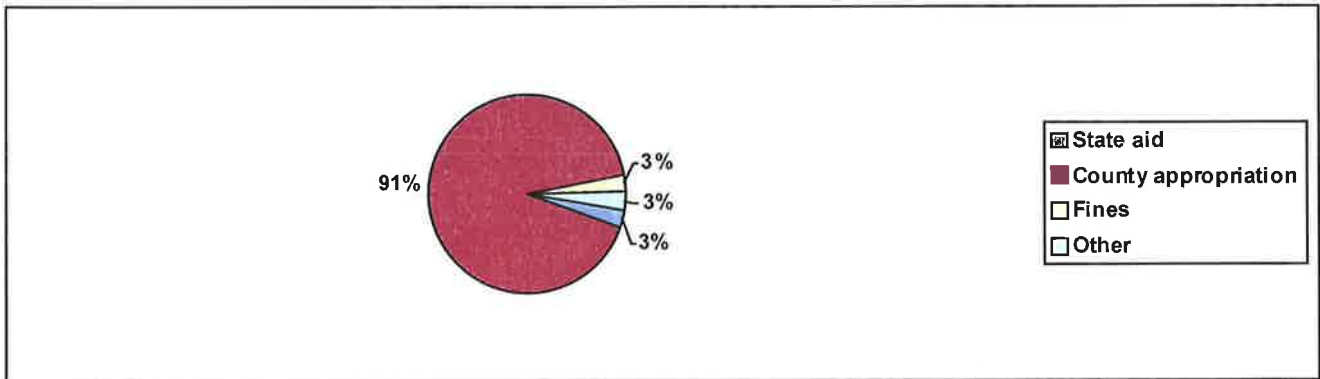
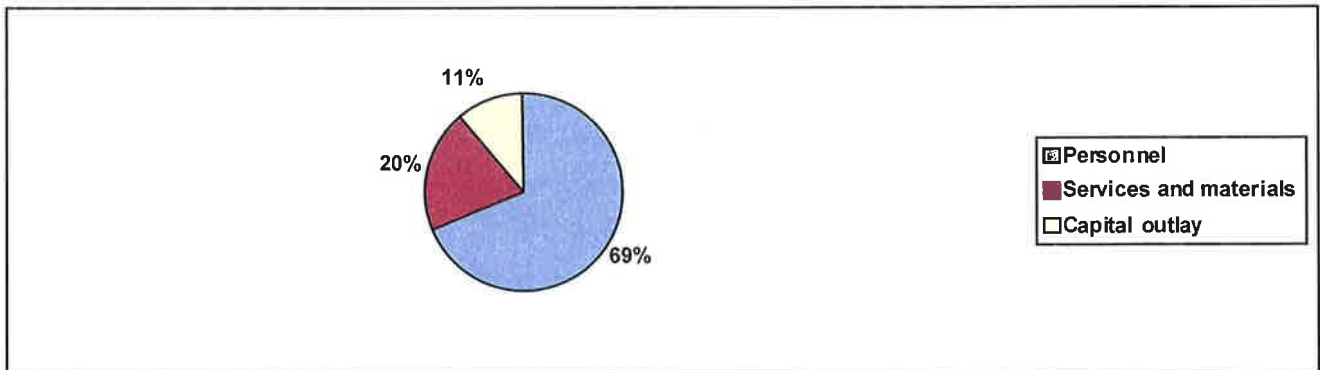


Figure A-5
EXPENDITURES BY TYPE – GOVERNMENTAL FUNDS



CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2010

GENERAL FUND BUDGETARY HIGHLIGHTS

Over the course of the year, the Library Board of Trustees did not revise the Library budget. Actual expenditures were \$1,155,833 below budget amounts. The most significant contributions to this variance were expenditures for personnel costs being \$791,490 less than budget and expenditures for library materials being \$344,903 less than budget. Other cost cutting measures implemented by the Board resulted in expenditures being less than budget for other various categories.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The Library's investment in capital assets as of year-end amounts to \$3,316,910 (net of accumulated depreciation). This investment in capital assets includes equipment, furnishings and library materials. The total decrease in the Library's investment in capital assets for the current fiscal year was 8.7 percent (See Table A-3).

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

	<u>2010</u>	<u>2009</u>
Equipment and furnishings	\$ 21,277	\$ 26,904
Library materials	3,208,268	3,594,186
Artwork and other non-depreciable assets	87,365	11,000
Total	<u>\$ 3,316,910</u>	<u>\$ 3,632,090</u>

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

- Additional library materials were acquired for \$1,550,543 while materials totaling \$1,376,269 with accumulated depreciation of \$1,376,269 were removed.
- Depreciation expense of \$1,942,088 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 \$948,431 for annual leave payable, which increased by \$2,968 from the prior year.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET

State aid will decrease by at least \$110,611 for fiscal year 2011. The Charleston County annual appropriation will be \$150,000 less than received in fiscal year 2010. The Board of Trustees has designated \$1,119,870 of fund balance to maintain the Library's current level of service for fiscal year 2011.

REQUESTS FOR INFORMATION

This financial report is designed to provide a general overview of the Library's finances and demonstrate the Library's accountability for the money it receives. Any questions about this report or requests for information may be addressed to the Business Manager, *Charleston County Library*, 68 Calhoun Street, Charleston, SC 29401.

BASIC FINANCIAL STATEMENTS

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Governmental Activities
ASSETS	
Cash and cash equivalents	\$ 2,772,094
Receivables	74,391
Inventory of supplies	36,057
Prepaid expenditures	100,390
Capital assets	
Artwork and other non-depreciable assets	87,365
Other capital assets, net of accumulated depreciation	3,229,545
TOTAL ASSETS	6,299,842
LIABILITIES	
Accounts payable	509,082
Accrued payroll, benefits and payroll taxes payable	171,294
Deferred revenues	31,814
Long-term liabilities - compensated absences	
Due within one year	28,843
Due in more than one year	919,588
TOTAL LIABILITIES	1,660,621
NET ASSETS	
Invested in capital assets	3,316,910
Unrestricted	1,322,311
TOTAL NET ASSETS	\$ 4,639,221

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, 2010

	Governmental Activities
EXPENSES	
Personnel services - salaries, wages, and employee benefits	\$ 9,923,673
Purchased services and materials	2,936,178
Depreciation	1,942,088
Total expenses	14,801,939
PROGRAM REVENUES	
Charges for services	611,784
Operating grants and contributions	13,980,404
Capital grants and contributions	539,347
Total program revenues	15,131,535
Net program expense	(329,596)
GENERAL REVENUES	
Interest income on cash and cash equivalents	2,708
Total general revenues	2,708
Change in net assets	332,304
NET ASSETS	
Beginning of year	4,306,917
End of year	\$ 4,639,221

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, 2010

	General	Other Governmental Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 2,754,906	\$ 17,188	\$ 2,772,094
Receivables	73,874	517	74,391
Inventory of supplies, at cost	36,057	-	36,057
Prepaid expenditures	100,390	-	100,390
TOTAL ASSETS	\$ 2,965,227	\$ 17,705	\$ 2,982,932
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 509,082	\$ -	\$ 509,082
Accrued payroll, benefits, and payroll taxes payable	171,294	-	171,294
Deferred revenues	14,109	17,705	31,814
Total liabilities	694,485	17,705	712,190
Fund balances			
Reserved for inventory and prepaids	136,447	-	136,447
Unreserved, designated	1,119,870	-	1,119,870
Unreserved, undesignated	1,014,425	-	1,014,425
Total fund balances	2,270,742	-	2,270,742
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,965,227	\$ 17,705	

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

Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	3,316,910
Long-term liabilities - annual leave payable, are not due and payable in the current period and therefore are not reported in the funds.	(948,431)
Net assets of governmental activities	\$ 4,639,221

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, 2010

	General	Other Governmental Funds	Total Governmental Funds
REVENUES			
Intergovernmental revenues			
State aid income	\$ -	\$ 409,160	\$ 409,160
County appropriation	13,824,355	-	13,824,355
Federal pass-thru grants	-	131,955	131,955
Fines	490,924	-	490,924
Miscellaneous income			
E-Rate reimbursement	46,784	-	46,784
Copy machine charges	81,957	-	81,957
Interest	2,708	-	2,708
Gifts and unrestricted donations	17,863	-	17,863
Restricted donations	-	92,394	92,394
Other	38,903	-	38,903
TOTAL REVENUES	14,503,494	633,509	15,137,003
EXPENDITURES			
Current			
Personnel services - salaries, wages, and employee benefits	9,920,705	-	9,920,705
Purchased services and materials	2,790,954	147,984	2,938,938
Capital outlay	1,141,383	485,525	1,626,908
TOTAL EXPENDITURES	13,853,042	633,509	14,486,551
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	650,452	-	650,452
FUND BALANCE			
Beginning of year	1,620,290	-	1,620,290
End of year	<u>\$ 2,270,742</u>	<u>\$ -</u>	<u>\$ 2,270,742</u>

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

Net change in fund balances - total governmental funds	\$ 650,452
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 exceeded capital outlays, net of deposits on acquisitions, in the current period.	(315,180)
The increase in annual leave payable decreases net assets. Annual leave payable is not due and payable in the current period and therefore is not reported in the funds.	(2,968)
Change in net assets of governmental activities	<u>\$ 332,304</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)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Organization

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

Ms. Loella C. Smalls – Chairperson	December 2010
Mr. Harlan Greene – Vice Chair	December 2013
Mrs. Bettye A. Chambers – Secretary	December 2014
Mrs. Jane S. Edler – Treasurer	December 2010
Mrs. Judith D. Epps	December 2012
Ms. Jeanne T. Holladay	December 2012
Mrs. Ellen C. Vaughan	December 2012
Ms. Maya Hollinshead	December 2014
Ms. Janet Segal	December 2012
Ms. Margaret Reider	December 2013
Mr. R. Patrick Flynn	December 2010

B. Reporting Entity

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. The Library has no component units.

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.

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Basis of Presentations

Government-wide Statements:

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the 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 the primary government is financially accountable. As of June 30, 2010, 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 not properly included among program revenues are reported instead as general revenues.

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, 2010, 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 Fund accounts 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 the Special Revenue Fund.

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.

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

E. Measurement Focus and Basis of Accounting (Continued)

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 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. 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.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Amounts reported as *general revenues* include interest income and gain/loss on disposition of capital assets.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

F. Assets, Liabilities, and Net Assets or Equity

Deposits and investments

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

Inventory of supplies

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

Prepays

Expenditures for maintenance contracts and periodical subscriptions which reflect costs attributable to future accounting periods are recorded as prepaid items.

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Capital assets

Capital assets, which include artwork, other non-depreciable assets, library materials, equipment, and furnishings, are reported in the government-wide financial statements. With the exception of library materials, capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at 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. Non-depreciable assets are technology projects that are ongoing, and 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.

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
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.

Post-employment benefits

Post-employment benefits for the employees of the Charleston County Public 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. A separate study was not performed for the library's employees. As such, the County requires the Library to fund the County's liability at 4% 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.

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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 9,229 hours) is not reflected in these statements since it is not susceptible to objective measurement or valuation.

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."

Fund equity

Government-wide statements

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

1. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, 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.
2. Restricted net assets – Consists of net assets 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 assets – All other net assets that do not meet the definition of "invested in capital assets, net of related debt" or "restricted."

Fund statements

Governmental fund equity is classified as reserved and unreserved, with unreserved further split between designated and undesignated.

Reservations represent portions of fund balances which are not appropriable for expenditures or have been segregated for specific future uses by legal mandate. Designations represent tentative plans by the Library for financial resource utilization in a future period. Such plans are subject to change from original authorizations and may never result in expenditures.

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

Accounting estimates

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

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Explanation of certain differences between the governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the government-wide Statement of Activities

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balances includes reconciliation between net changes in fund balances – total governmental funds, and changes in net assets of governmental activities as reported in the government-wide Statement of Activities. One element of that reconciliation explains that "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." The details of this difference are as follows:

Capital outlay	\$ 1,626,908
Depreciation expense	<u>(1,942,088)</u>
Net adjustment to decrease net changes in fund balances – total governmental funds to arrive at changes in net assets of governmental activities	<u>\$ (315,180)</u>

III. DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

	<u>Library</u>
Cash on hand	\$ 722
Carrying amount of deposits	<u>2,771,372</u>
Total cash and cash equivalents - per Balance Sheet	<u>\$ 2,772,094</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.

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Credit Risk

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

State statutes authorize the Library to invest in the following:

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

In addition, South Carolina State statutes authorize the Library to invest in the South Carolina Local Government Investment Pool (SCLGIP). The SCLGIP is an investment trust fund created pursuant to Section 6-6-10 of the South Carolina Code of Laws, and administered by the State Treasurer, in which public monies under the custody of any political subdivision in excess of current needs may be deposited. The SCLGIP is permitted to purchase obligations of the United States, its agencies and instrumentalities, and any corporation within the United States, if such obligations bear any of the three highest ratings of at least two nationally recognized rating services. The SCLGIP is a 2a7-like pool, which is not registered with the Securities and Exchange Commission (SEC) as an investment company, but has a policy that it will operate in a manner consistent with the SEC's rule 2a7 of the Investment Company Act of 1940. The reported value of the Library's position in the pool, if any, is the same as the fair value of the pool shares.

In accordance with Governmental Accounting Standards Board (GASB) Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools*, investments are carried at fair value determined annually based upon quoted market prices. The total fair value of the Pool is apportioned to the entities with funds invested on an equal basis for each share owned, which are acquired at a cost of \$1.00.

Concentration of Credit Risk

This is the risk of loss attributed to the magnitude of the Library's investment in a single issue.

The Library places no limit on the amount the Library may invest in any one issuer.

Custodial Credit Risk – Deposits

In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. The Library does not have a policy for custodial credit risk. However, South Carolina state statutes provide that banks accepting deposits of funds from local government units must furnish an indemnity bond or pledge as collateral obligations of the United States, South Carolina, political subdivisions of South Carolina, the Federal National Mortgage Association, the Federal Home Loan Bank, the Federal Farm Credit Bank, or the Federal Home Loan Mortgage Corporation. As of June 30, 2010, the Library's bank balance of \$3,006,816 was fully insured or collateralized by government investments held by the pledging financial institution's trust department or agent in the Library's name.

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Deposits and Investments (Continued)

Custodial Credit Risk – Investments

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

Investments are categorized into these three categories of credit risk:

- (1) Insured or registered, or securities held by the Library or its agent in the Library's name.
- (2) Uninsured and unregistered, with securities held by the counterparty's trust department or agent in the Library's name.
- (3) Uninsured and unregistered, with securities held by the counterparty, or by its trust department or agent but not in the Library's name.

As of June 30, 2010, the Library did not have any investments.

B. Changes in Capital Assets

Capital asset activity for the year ended June 30, 2010, follows:

	Balance July 1, 2009, as restated	Increases	Decreases	Balance June 30, 2010
Capital assets not being depreciated				
Artwork	\$ 11,000	\$ -	\$ -	\$ 11,000
Other non-depreciable assets	-	76,365	-	76,365
Total capital assets not being depreciated	11,000	76,365	-	87,365
Capital assets being depreciated				
Equipment and furnishings	2,682,524	-	(96,774)	2,585,750
Subtotal - equipment and furnishings	2,682,524	-	(96,774)	2,585,750
Library materials				
Books	17,954,055	1,172,957	(1,207,323)	17,919,689
Films, 8mm and 16 mm	30,934	-	-	30,934
Microfilm	569,620	16,569	(1,065)	585,124
Framed pictures	30,493	-	(7,947)	22,546
Video tapes	534,967	-	(57,230)	477,737
Compact discs	209,522	-	(2,425)	207,097
Cassettes	418,550	-	(40,881)	377,669
CD Rom Databases-Reference	147,006	-	-	147,006
Digital video discs	1,495,628	254,205	(48,693)	1,701,140
Audio books on CD Rom	1,087,408	106,812	(10,705)	1,183,515
Subtotal - library materials	22,478,183	1,550,543	(1,376,269)	22,652,457
Total capital assets being depreciated	25,160,707	1,550,543	(1,473,043)	25,238,207
Total capital assets	25,171,707	1,626,908	(1,473,043)	25,325,572
Less accumulated depreciation				
Equipment and furnishings	(2,655,620)	(5,627)	96,774	(2,564,473)
Subtotal – equipment and furnishings	(2,655,620)	(5,627)	96,774	(2,564,473)
Library materials				
Books	(15,268,748)	(1,336,605)	1,207,323	(15,398,030)
Films, 8mm and 16 mm	(30,934)	-	-	(30,934)
Microfilm	(535,469)	(30,224)	1,065	(564,628)
Framed pictures	(30,493)	-	7,947	(22,546)
Video tapes	(532,509)	(16,726)	57,230	(492,005)
Compact discs	(171,589)	(22,768)	2,425	(191,932)
Cassettes	(398,125)	(23,128)	40,881	(380,372)
CD Rom Databases-Reference	(147,005)	-	-	(147,005)
Digital video discs	(1,005,941)	(302,535)	48,693	(1,259,783)
Audio books on CD Rom	(763,184)	(204,475)	10,705	(956,954)
Subtotal - library materials	(18,883,997)	(1,936,461)	1,376,269	(19,444,189)
Total accumulated depreciation	(21,539,617)	(1,942,088)	1,473,043	(22,008,662)
Total capital assets being depreciated, net	3,621,090	(391,545)	-	3,229,545
Total capital assets, net	\$ 3,632,090	\$ (315,180)	\$ -	\$ 3,316,910

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Changes in Capital Assets (Continued)

During 2009 Library materials and accumulated depreciation were understated by \$77,486 and \$(77,486), respectively. The overstatement was the result of a library materials spreadsheet that was not updated with the proper additions and deletions for the year. The restatement had no effect on net investment in library materials. The summary of changes in library materials at June 30, 2009 is shown below.

Library materials (books) as previously reported June 30, 2009	\$ 17,876,569
Adjustment for material not recorded	77,486
Library materials as restated July 1, 2009	\$ 17,954,055
Accumulated depreciation on library materials (books) as reported June 30, 2009	\$ (15,191,262)
Adjust for fully depreciated materials	(77,486)
Accumulated depreciation on library materials as restated July 1, 2009	\$ (15,268,748)
Net investment in library materials (books) as reported June 30, 2009	\$ 2,685,307
Adjustment (net) for book materials not recorded	-
Net investment in library materials (books) as restated July 1, 2009	\$ 2,685,307

The current year additions were funded as follows:

	Non-Depreciable Assets	Equipment and Furnishings	Library Materials	Total
Library general fund – operations	\$ -	\$ -	\$ 1,141,383	\$ 1,141,383
General fund capital outlay	-	-	1,141,383	1,141,383
State aid & federal pass through grants	76,365	-	409,160	485,525
Library special revenue funds capital outlay	76,365	-	409,160	485,525
Capital outlay per statement of revenues and expenditures	\$ 76,365	\$ -	\$ 1,550,543	\$ 1,626,908
Total current year additions	\$ 76,365	\$ -	\$ 1,550,543	\$ 1,626,908

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

III. DETAILED NOTES ON ALL FUNDS (CONTINUED)

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, 2010. Long-term liabilities of the Library are liquidated by the General Fund.

	Balance July 1, 2009	Additions	Deductions	Balance June 30, 2010	Due Within One Year
Compensated absences	\$ 945,463	\$ 490,113	\$ 487,145	\$ 948,431	\$ 28,843
Total long-term liabilities	\$ 945,463	\$ 490,113	\$ 487,145	\$ 948,431	\$ 28,843

Operating lease

In March 2008, the Library entered into a new lease agreement for copiers. The lease agreement is for a sixty month period commencing January 2008 with a minimum monthly charge of \$12,450 for a total minimum commitment of \$747,000 over the term of the lease. As of June 30, 2010, there are thirty months left in the lease term.

Future minimum lease payments for the lease for each of the succeeding fiscal years are as follows:

<u>Year Ending June 30</u>	<u>Amount</u>
2011	\$ 149,400
2012	149,400
2013	<u>74,700</u>
Total	<u>\$ 373,500</u>

In addition to this lease the Library holds other verbal agreements with various parties for the rental of Library branches. These leases run on a month-to-month basis and are cancelable by either party. Rental expense associated with the copier and facilities leases for the year ended June 30, 2010, is \$184,670.

D. Equity

The Library has reserved fund balance for inventory and has unreserved, designated fund balance for expenditures related to remaining costs for Board projects and subsequent year expenditures.

Changes in the components of General Fund fund balance for the year are as follows:

	<u>Reserved</u>		<u>Designated</u>		<u>Unreserved Undesignated</u>	<u>Total</u>
	<u>Inventory</u>	<u>Prepaid Items</u>	<u>Board Projects</u>	<u>Subsequent Year Expenditures</u>		
Balance, July 1, 2009	\$ 44,975	\$ 120,876	\$ 600,000	\$ 544,532	\$ 309,907	\$ 1,620,290
Increase (decrease) in asset balance	(8,918)	(20,486)	-	-	29,404	-
Increase (decrease) in designation by board	-	-	(525,602)	575,338	(49,736)	-
Expenditures of designated funds	-	-	(74,398)	-	74,398	-
Excess of revenues over (under) expenditures for the year ended June 30, 2010	-	-	-	-	<u>650,452</u>	<u>650,452</u>
Balance, June 30, 2010	<u>\$ 36,057</u>	<u>\$ 100,390</u>	<u>\$ -</u>	<u>\$ 1,119,870</u>	<u>\$ 1,014,425</u>	<u>\$ 2,270,742</u>

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

IV. 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 \$104,137.

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.

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 3.35% 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:

	<u>Amount</u>
Amounts received from the County by the Library:	
Appropriation (including supplemental appropriation)	<u>\$ 13,824,355</u>
Amounts paid to the County by the Library:	
Janitorial services	\$ 174,320
Workers' compensation	279,253
OPEB expenditures	331,572
Insurance coverage - building and contents, liability, fidelity bond, theft	104,137
Motor vehicle repairs	37,881
Other general services	129,391
Solid Waste User Fee	26,750
Health, life, and dental insurance (Library employees covered through County plan)	959,185
Other minor charges	<u>950</u>
	<u>\$ 2,043,439</u>
Other transactions:	
Rent-free use of County-owned Library buildings and County-owned vehicles	<u>\$ - *</u>

* Not determined

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

IV. OTHER INFORMATION

C. Employee Retirement System and Plans

South Carolina Retirement System

Plan Description. The Library contributes to the South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan administered by the Retirement Division of the State Budget and Control Board. The SCRS provides retirement and disability benefits, life insurance, and survivor benefits to plan members and beneficiaries. Annual cost of living adjustment (COLA) is funded under SCRS, and is granted on an ad hoc basis, subject to approval by the State Budget and Control Board. The Plan's provisions are established under Title 9 of the SC Code of Laws. The South Carolina Retirement System issues a publicly available Comprehensive Annual Financial Report that includes financial statements and required supplementary information for the SCRS. That report is publicly available on their website at www.retirement.sc.gov, or a copy may be obtained by writing to the South Carolina Retirement System, P.O. Box 11960, Columbia, SC 29211-1960.

Funding Policy. Plan members are required to contribute 6.5% of their annual covered salary, and the Library is required to contribute at an actuarially determined rate. The current rate is 9.24% of annual covered payroll. The Library's contributions to SCRS for the years ended June 30, 2010, 2009, and 2008, were \$641,886, \$670,394, and \$684,830, respectively, equal to the required contributions for each year.

Additionally, participating employers of the SCRS contribute .15% of payroll to provide a group life insurance benefit for their participants.

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.

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 \$206,447.

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

IV. OTHER INFORMATION

D. Other Post-employment Benefits

The County provides post-retirement health, life, and dental care benefits to Library retirees, as per the requirement of a local ordinance, 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.

Beginning the fiscal year ended June 30, 2010, the projected post-employment expense is \$331,572 or 4% of budgeted salaries of \$8,289,310. This amount will be withheld from the monthly appropriation from the County to the Library.

E. Funds Held by Coastal Community Foundation

As of June 30, 2010, the Coastal Community Foundation was holding \$354,342 in the Charleston County Library Fund. The fund was established in November 1983 as a capital fund for the purpose of providing support for unusual or innovative programs and services at the Library not normally funded by government appropriation. Of the balance, \$14,467 is available for grants to the Library.

As of June 30, 2010, the Coastal Community Foundation was holding \$67,328 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. At year-end, \$2,780 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.

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

IV. OTHER INFORMATION

G. Pending GASB Pronouncements

The GASB has issued Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement enhances the usefulness of fund balance information by establishing fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in the governmental funds. The definitions of the governmental fund types are clarified by the provisions of this Statement. The requirements of the Statement are effective for financial statements for the period beginning after June 15, 2010 (i.e. the Library's fiscal year ending June 30, 2011). Fund balance reclassifications made to conform to the provisions of this statement are required to be applied retroactively by restating beginning fund balance. The library will implement

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

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
BUDGETARY COMPARISON SCHEDULE -
GOVERNMENTAL FUNDS (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2010

Page 1 of 2

	Original & Final Budget	Actual
REVENUES		
Intergovernmental revenues		
State aid income	\$ 488,197	\$ 409,160
County appropriation	13,824,355	13,824,355
Federal pass-thru grant: State Stabilization Grant	-	130,187
Miscellaneous federal pass-thru grants	-	1,768
Fines	543,000	490,924
Miscellaneous income		
Copy machine charges	72,300	81,957
Interest	10,000	2,708
Gifts and unrestricted donations	-	17,863
Restricted donations	-	92,394
Other	30,000	85,687
TOTAL REVENUES	14,967,852	15,137,003
EXPENDITURES		
Personnel costs		
Salaries	8,289,310	7,101,761
Temporary wages	36,600	14,934
Sunday wages	10,000	11,851
Payroll taxes and fringe benefits	2,376,283	2,792,159
Library materials	2,401,475	2,056,572
Access to networks	236,000	232,637
Inter-library loans	1,500	716
Copier leases	197,130	184,670
Copier supplies	12,715	10,370
Microform supplies	1,500	1,008
Data processing supplies	31,000	21,564
Library supplies	31,575	17,754
Office supplies	46,400	36,229
Technical supplies	60,400	30,390
Minor equipment supplies	14,950	16,310
Equipment repairs and maintenance	57,495	44,272
Automotive expenses	51,383	39,124
Advertising	3,000	1,836
Audit fees	15,000	14,775
Building repairs and maintenance	57,200	45,207
County insurance/risk management	104,137	104,137
Dues	5,000	2,320
Electricity and gas	635,110	637,812

(continued)

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
BUDGETARY COMPARISON SCHEDULE -
GOVERNMENTAL FUNDS (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2010

Page 2 of 2

	Original & Final Budget	Actual
EXPENDITURES (CONTINUED)		
Janitorial service	\$ 295,320	\$ 295,016
Security service	103,500	102,686
Other general services	129,401	129,401
Rent on buildings	720	-
Messenger service	950	950
Postage	90,000	49,188
Printing	27,400	18,384
Professional services	22,500	16,353
Telephone	80,870	76,346
Training and travel	5,000	4,245
Water and sewer	81,460	76,760
Bank fees	100	67
Technology development		
Designated funds - noncapital expenditures	130,000	74,398
Donor restricted expenditures		
Coastal Community Foundation	-	992
Friends of the Library	-	91,402
Federal pass-thru grant expenditures		
State Stabilization Funds	-	130,187
AAAS Skin Deep Library Project	-	450
LSTA Conference Attendance	-	518
THC LTAI Carolina on My Mind	-	500
THC American Revolution	-	300
TOTAL EXPENDITURES	15,642,384	14,486,551
 EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	 \$ (674,532)	 650,452
 FUND BALANCE		
Beginning of year		1,620,290
End of year		\$ 2,270,742

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

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
REQUIRED SUPPLEMENTARY INFORMATION (UNAUDITED)
NOTES TO BUDGETARY COMPARISON SCHEDULE –
GOVERNMENTAL FUNDS (BUDGETARY BASIS)
YEAR ENDED JUNE 30, 2010

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

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

Budgets are prepared on the modified accrual basis of accounting although the budgetary presentation of capital outlay and expenditures of designated funds is not consistent with presentations under GAAP. Excess of revenues over (under) expenditures, and fund balance do not differ between presentations.

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

	Revenue	Expenditures
Budgeted funds		
General Fund	\$ 14,503,494	\$ 13,853,042
Special Revenue Fund	633,509	633,509
Total per Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	\$ 15,137,003	\$ 14,486,551
Total per Budgetary Comparison Schedule	\$ 15,137,003	\$ 14,486,551

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 the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of **Charleston County Library, a Component Unit of Charleston County, South Carolina**, as of and for the year ended June 30, 2010, which collectively comprise the Library's basic financial statements and have issued our report thereon dated September 28, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be a significant deficiency in internal control over financial reporting: 2010-1. 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.

Compliance and Other Matters

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

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

This report is intended solely for the information and use of management, Charleston County officials, others within the entity, and those so noted by Charleston County Library, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script, appearing to read "Webster Rogers" followed by a stylized monogram or initials.

Summerville, South Carolina
September 28, 2010

CHARLESTON COUNTY LIBRARY
(A Component Unit of Charleston County, South Carolina)
SCHEDULE OF FINDINGS AND RESPONSES
YEAR ENDED JUNE 30, 2010

<u>Ref #</u>	<u>Department Program/Grant</u>	<u>Finding/Noncompliance</u>
2010-1	Finance	<p><u>Criteria:</u> Segregation of duties, especially as it pertains to the recording and reconciling of transactions is necessary to ensure proper safeguarding of assets of the Library.</p> <p><u>Condition:</u> Although it is difficult to maintain proper segregation of duties in a small office, there are several duties that should be performed by different personnel to ensure proper recording and reconciling of transactions. The duties of reconciling bank accounts, signing checks, making changes to approved invoice and payroll journals, and posting activity to the ledgers are not sufficiently segregated to provide proper internal control.</p> <p><u>Effect:</u> The Library has insufficient internal controls to ensure the proper safeguarding of assets.</p> <p><u>Cause:</u> The Library has a limited number of personnel to whom accounting tasks can be assigned.</p> <p><u>Recommendation:</u> Management should review these duties and the responsible person assigned to them in order to make improvements to the extent possible to ensure that proper controls are in place.</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. However, management believes that current controls are sufficient to ensure the proper safeguarding of assets within acceptable levels of risk considering the resources available.</p>