

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

AUDITED FINANCIAL STATEMENTS

YEAR ENDED JUNE 30, 2014

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

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Independent Auditor's Report

To the Board of Trustees
Greenville County Library System
Greenville, South Carolina

We have audited the accompanying financial statements of the governmental activities and each major fund of the Greenville County Library System (the "Library"), a component unit of the County of Greenville, South Carolina, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements 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.

Auditor's Responsibility

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 from material misstatement.

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



To the Board of Trustees
Greenville County Library System
September 4, 2014

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.

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Library, as of June 30, 2014, and the respective changes in financial position and the respective budgetary comparison for the General Fund 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 and the Required Supplementary Information, Other Postemployment Benefits – Defined Benefit Health Care Plan Schedules of Funding Progress and Employer Contributions, as listed in the table of contents, 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 Information

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Library's basic financial statements. The Supplemental Schedule of Revenues and Expenditures by Source is presented for purposes of additional analysis and is not a required part of the basic financial statements.

To the Board of Trustees
Greenville County Library System
September 4, 2014

The Supplemental Schedule of Revenues and Expenditures by Source is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplemental Schedule of Revenues and Expenses by Source is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated September 4, 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 Library's internal control over financial reporting and compliance.

McKinley, Cooper & Co., LLC

Greenville, South Carolina
September 4, 2014

Management's Discussion and Analysis

The following discussion and analysis of the Greenville County Library System (the "Library") financial statements provides an overview of the Library's financial activities for the fiscal year ended June 30, 2014. This analysis is designed to assist the reader of the financial statements in focusing on the significant financial issues and activities and to identify any significant changes in the Library's financial position. The information presented here should be considered in conjunction with the financial statements taken as a whole.

Financial Highlights

- The assets of the Library exceeded its liabilities at the close of the most recent fiscal year by \$48,954,936 (*net position*). Of this amount, \$17,504,645 represents unrestricted net position, which may be used to meet the government's ongoing obligations to citizens and creditors.
- At the close of the current fiscal year, the Library's governmental funds reported combined fund balances of \$17,464,021, a decrease of \$278,028 from the prior year. Approximately 21% of this amount (\$3,581,221) is available for spending at the government's discretion (*unassigned fund balance*).
- At the end of the current fiscal year, unrestricted fund balance (the total of the *assigned* and *unassigned* components of *fund balance*) for the general fund was \$6,375,095, or approximately 43.8% of total general fund expenditures.

Overview of the Financial Statements

The Library's financial statements are comprised of the following three components:

1. Government-wide financial statements
2. Fund financial statements
3. Notes to the financial statements

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Library's finances taken as a whole, in a manner similar to a business.

The statement of net position presents information on all of the library's assets, liabilities and deferred inflows/outflows of resources, with the difference between the two 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. Assets and liabilities are reported in this statement based on the accrual method of accounting, which is used by most businesses.

The statement of activities presents information showing how the Library's net position changed during the 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 for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

The government-wide financial statements are located on pages 10-11 of this report.

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. Like other local governments, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the Library's funds can be categorized as governmental.

Governmental funds are used to account for the same library activities reported in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on how money flows in and out of the funds and the balances left at year-end that are available for spending. These funds are reported based on the modified accrual method of accounting, which measures cash and all other financial assets that can readily be converted to cash. Governmental fund statements provide a short-term view of the Library's financial operations.

Because the focus of governmental funds is narrower than that of government-wide financial statements, it may be useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. Both the governmental fund balance and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison.

The Library's governmental funds consist of the General Fund and Capital Projects Fund, which are reported as major funds. Information is presented separately in the governmental balance sheet and statement of revenues, expenditures, and changes in fund balances for each of these funds. The governmental fund financial statements can be found on pages 12-16 of this report.

Prior to the end of the current fiscal year, the Library's management submits a proposed General Fund Operating Budget to the Finance Committee of the Library's Board of Trustees (the "Board"). Following their consideration, the Finance Committee recommends the budget to the Board. The Board approved budget is submitted to the County Finance Committee who refers it to County Council.

No annual budget is prepared for the Capital Projects Fund as its expenditures are budgeted on a project basis.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to a full understanding of the data provided in the government-wide and governmental fund financial statements. The notes to the financial statements can be found on pages 17-31 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information* concerning the Library's progress in funding its obligation to provide OPEB benefits to its employees. Required supplementary information can be found on page 32 of this report.

This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves and is presented immediately following the required supplementary information on OPEB on page 33 of this report.

Government-wide Financial Analysis

The following summarizes the Library's net position at June 30, 2014 compared to June 30, 2013:

	<u>2014</u>	<u>2013</u>
Assets		
Current and other assets	\$ 18,787,508	\$ 19,211,968
Capital assets	31,071,815	30,945,224
Total assets	<u>\$ 49,859,323</u>	<u>\$ 50,157,192</u>
Liabilities		
Current liabilities	\$ 455,268	\$ 540,961
Long-term liabilities	449,119	448,446
Total liabilities	<u>\$ 904,387</u>	<u>\$ 989,407</u>
Net position		
Invested in capital assets	\$ 31,071,815	\$ 30,945,224
Restricted	378,476	429,830
Unrestricted	17,504,645	17,792,731
Total net position	<u>\$ 48,954,936</u>	<u>\$ 49,167,785</u>

While total net position should reflect the financial position of the Library, it does not include debt associated with the acquisition and/or construction of capital facilities. Greenville County issues debt for the Library's capital purposes. The Library does not record the long-term liabilities for debt issued by the County, as it is not the obligor on the debt. The County holds the obligation on the debt associated with the acquisition and/or construction of capital facilities. The Library reimburses the County yearly for principal and interest charges on this debt from annual appropriations from the County.

During the year ended June 30, 2014, the Library's net position decreased by \$212,849 and assets exceeded liabilities by \$48,954,936 as of the end of the fiscal year.

Current and other assets decreased by \$297,869, primarily due to an increase in expenses. Capital assets increased by \$126,591 due to capital expenditures exceeding depreciation expense.

The first and largest category of the Library's net position is its investment in capital assets (land, land improvements, buildings, equipment and furniture, library materials, art collections and signs). The Library uses capital assets to provide services.

The second category of net position is referred to as restricted. In compliance with Governmental Accounting Standards Board ("GASB") Statement No. 33 "Accounting and Financial Reporting for Nonexchange Transactions", all community donations are recognized as revenue in the year they are received. For the year ended June 30, 2014, restricted assets, which include community funds, decreased by \$51,354 as a result of approved expenditures for branch library materials.

The third category of net position is referred to as unrestricted and may be used to meet the Library's ongoing obligations to citizens and creditors. Unrestricted assets decreased by \$288,086 for the year ended June 30, 2014 to a balance of \$17,504,645.

The following summarizes the Library's governmental activities for the years ended June 30, 2014 and 2013:

	<u>2014</u>	<u>2013</u>
General revenues		
Property taxes	\$ 15,000,001	\$ 14,831,826
Other taxes	192,998	205,223
Grants and contributions not restricted to specific programs	666,182	612,563
Interest	72,151	85,173
Miscellaneous	31,584	20,915
Program revenues	<u>469,214</u>	<u>440,225</u>
Total revenues	<u>16,432,130</u>	<u>16,195,925</u>
Expenses		
Boards, commissions and other	15,331,853	14,642,944
Principal payment to County	1,116,842	850,000
Interest on long-term debt	<u>196,284</u>	<u>587,477</u>
Total expenses	<u>16,644,979</u>	<u>16,080,421</u>
Change in net position	(212,849)	115,504
Net position, beginning	<u>49,167,785</u>	<u>49,052,281</u>
Net position, ending	<u>\$ 48,954,936</u>	<u>\$ 49,167,785</u>

- Total revenues increased \$236,205, primarily due to an increase in property tax collections and grants and contributions.
- Total expenses increased in part due to salaries and employee benefits. This is attributable to more consistent full staffing along with correlating benefit costs. In addition, the Library purchased and implemented a radio-frequency identification system for collection materials. Related expenses not meeting the Library's capitalization policy amounted to \$219,500.

Fund Financial Analysis

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. The Library's governmental funds provide information on near-term inflows, outflows, and balances of available resources. Unassigned fund balance may serve as a useful measure of net resources available at the end of the fiscal year to meet the Library's ongoing obligations.

The General Fund is used to account for all revenues and expenditures applicable to the general operations of the Library, which are not accounted for in another fund. In the General Fund, expenditures exceeded revenues by \$700,928 during the fiscal year resulting in an ending fund balance of \$6,843,834. The Capital Projects Fund increased by \$422,900, leaving a remaining fund balance of \$10,620,187. The increase was the result of revenues exceeding payments against the General Obligation Bonds during the year ended June 30, 2014.

General Fund Budgetary Highlights

The Library adopted a budget for its General Fund prior to the start of the fiscal year and no amendments were made.

The following summarizes significant variations between the amounts budgeted and the actual amounts for the General Fund:

Property and Other Local Taxes -The Library budgeted taxes based on information provided by the County. The Library experienced an increase in the collection of taxes.

Expenditures -Total actual expenditures from the General Fund were within the approved budget. The Library expended \$14,535,088 against a budget of \$15,241,808.

Capital Assets

The Library's capital assets, net of accumulated depreciation, consisted of the following at June 30, 2014 and 2013:

	2014	2013
Land	\$ 3,432,294	\$ 2,521,278
Land improvements	100,083	122,385
Buildings	23,425,616	24,204,349
Equipment	636,531	569,222
Library materials	3,245,949	3,296,648
Art collections	231,342	231,342
Total Capital Assets	\$ 31,071,815	\$ 30,945,224

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

- Purchase of additional library materials meeting capital asset criteria at a cost of \$1,004,318.
- Purchase of 9.9 acres of land in Greenville County at a cost of \$911,016.

Long-term Obligations

The Library's long-term obligation is made up of the following at June 30, 2014:

Accrued General Leave	
Balance - July 1, 2013	\$ 282,737
Increase to general leave (net)	<u>166,382</u>
	449,119
Less: current portion	<u>(169,691)</u>
Balance - June 30, 2014	<u>\$ 279,428</u>

Plans Affecting the Library’s Financial Condition

The Library has a Board-approved Technology Plan that is updated every three years and a long-range Capital Improvement Plan. These plans provide for large capital projects, including:

- Expansion of library service in unserved or underserved areas of Greenville County.
- Replacement of obsolete and outdated technology equipment.

The construction or expansion of branch facilities will be financed through a combination of existing reserves in the Capital Projects Fund and future Capital Fund property taxes, approved by County Council, in excess of the Bond payments. The projected cost of technology equipment will be primarily financed with existing reserves in the General Fund.

In keeping with the Library’s Capital Improvement Plan, on July 16, 2013, County Council approved the purchase and construction of a new branch library at the intersection of Sunnydale Drive and Woodruff Road. The property was purchased on August 27, 2013 and construction is anticipated to begin within two years. Existing resources in the Capital Fund should be adequate to cover construction costs. Individual or corporate gifts may provide additional funding, if necessary.

Requests for Financial Information

This report is designed to provide a general overview of the Library's finances and to show accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be directed to:

Beverly A. James, Executive Director
or Don W. Allen, Accounting Manager
Greenville County Library System
25 Heritage Green Place
Greenville, SC 29601-2034

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Statement of Net Position
June 30, 2014

	Governmental Activities	Total Primary Government
Assets		
Cash and investments	\$ 17,311,416	\$ 17,311,416
Due from Greenville County	196,652	196,652
Property taxes, net of allowance for uncollectible amounts	873,008	873,008
Accrued interest receivable	18,853	18,853
Other receivables	2,000	2,000
Accrued fines receivable	295,316	295,316
Prepaid expenses	90,263	90,263
Capital assets		
Land and art collections	3,663,636	3,663,636
Other capital assets, net of accumulated depreciation	27,408,179	27,408,179
	49,859,323	49,859,323
Total Assets		
Liabilities		
Accounts payable	80,033	80,033
Accrued payroll	182,226	182,226
Other accrued expenditures	74,121	74,121
Net OPEB obligation	118,888	118,888
Noncurrent liabilities		
Due within one year	169,691	169,691
Due in more than one year	279,428	279,428
	904,387	904,387
Total Liabilities		
Net Position		
Investment in capital assets	31,071,815	31,071,815
Restricted	378,476	378,476
Unrestricted	17,504,645	17,504,645
	48,954,936	48,954,936
Total Net Position		
	\$ 48,954,936	\$ 48,954,936

The notes to the financial statements are an integral part of this statement.

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Statement of Activities
Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net (Expense) Revenue and Changes in Net Position</u>	
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Total</u>
Primary government:						
Governmental activities:						
Boards, commissions and others	\$ 15,331,853	\$ 434,977	\$ 34,237	\$ -	\$ (14,862,639)	\$ (14,862,639)
Principal payment to County	1,116,842	-	-	-	(1,116,842)	(1,116,842)
Interest on long-term debt	196,284	-	-	-	(196,284)	(196,284)
Total Governmental Activities	16,644,979	434,977	34,237	-	(16,175,765)	(16,175,765)
Total Primary Government	\$ 16,644,979	\$ 434,977	\$ 34,237	\$ -	(16,175,765)	(16,175,765)
General Revenues:						
Property taxes					15,000,001	15,000,001
Other taxes					192,998	192,998
Grants and contributions not restricted to specific programs					666,182	666,182
Interest revenue					72,151	72,151
Miscellaneous					31,584	31,584
Total General Revenues					15,962,916	15,962,916
Change in Net Position					(212,849)	(212,849)
Net Position, beginning					49,167,785	49,167,785
Net Position, ending					\$ 48,954,936	\$ 48,954,936

The notes to the financial statements are an integral part of this statement.

FUND FINANCIAL STATEMENTS

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Balance Sheet
Governmental Funds
June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Assets			
Cash and investments	\$ 6,789,508	\$ 10,521,908	\$ 17,311,416
Receivables			
Due from Greenville County	162,226	34,426	196,652
Property taxes, net	719,642	153,366	873,008
Accrued interest receivable	-	18,853	18,853
Other receivables	2,000	-	2,000
Prepaid expenses	90,263	-	90,263
Total Assets	<u>\$ 7,763,639</u>	<u>\$ 10,728,553</u>	<u>\$ 18,492,192</u>
Liabilities and Fund Balances			
Liabilities			
Accounts payable	\$ 80,033	\$ -	\$ 80,033
Accrued payroll	182,226	-	182,226
Other accrued expenditures	13,407	-	13,407
Accrued compensated absences	169,691	-	169,691
Deferred revenue	474,448	108,366	582,814
Total Liabilities	<u>919,805</u>	<u>108,366</u>	<u>1,028,171</u>
Fund Balances			
Nonspendable			
Prepaid items	90,263	-	90,263
Restricted			
Branch expenditures	378,476	-	378,476
Assigned			
Budget stabilization	1,693,874	-	1,693,874
Materials/capital projects	1,100,000	10,620,187	11,720,187
Unassigned	3,581,221	-	3,581,221
Total Fund Balances	<u>6,843,834</u>	<u>10,620,187</u>	<u>17,464,021</u>
Total Liabilities and Fund Balances	<u>\$ 7,763,639</u>	<u>\$ 10,728,553</u>	<u>\$ 18,492,192</u>

The notes to the financial statements are an integral part of this statement.

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

**Reconciliation of the Balance Sheet of Governmental Funds to the
Statement of Net Position
June 30, 2014**

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

Ending fund balance - governmental funds	\$ 17,464,021
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	31,071,815
Other long-term assets are not available to pay for current-period expenditures and, therefore, are reported as unavailable revenue (deferred) in the funds.	878,130
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds.	<u>(459,030)</u>
Net position of governmental activities	<u><u>\$ 48,954,936</u></u>

The notes to the financial statements are an integral part of this statement.

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended June 30, 2014

	<u>General</u>	<u>Capital Projects</u>	<u>Total Governmental Funds</u>
Revenues			
Greenville County			
Property tax/merchant's inventory tax	\$ 12,522,391	\$ 2,633,401	\$ 15,155,792
Other local taxes	160,731	31,198	191,929
Grants and aid			
State aid	564,031	-	564,031
Other grants and aid	56,600	-	56,600
Fines and fees	323,476	-	323,476
Interest	10,200	61,951	72,151
Contributions and other	196,731	1,069	197,800
Total Revenues	<u>13,834,160</u>	<u>2,727,619</u>	<u>16,561,779</u>
Expenditures			
Boards, commissions and others			
Salaries and employee benefits	9,318,562	-	9,318,562
Library materials			
Local funding and gifts	1,575,835	-	1,575,835
State aid	451,225	-	451,225
Facilities	1,252,299	-	1,252,299
Transportation and equipment maintenance	48,384	-	48,384
Professional services	432,259	-	432,259
Supplies	844,976	-	844,976
Other	320,715	-	320,715
Capital outlay	290,833	911,016	1,201,849
Debt service			
Principal payments	-	1,116,842	1,116,842
Interest payments	-	276,861	276,861
Total Expenditures	<u>14,535,088</u>	<u>2,304,719</u>	<u>16,839,807</u>
Excess (Deficiency) of Revenues Over Expenditures	(700,928)	422,900	(278,028)
Fund Balances, beginning	<u>7,544,762</u>	<u>10,197,287</u>	<u>17,742,049</u>
Fund Balances, ending	<u>\$ 6,843,834</u>	<u>\$ 10,620,187</u>	<u>\$ 17,464,021</u>

The notes to the financial statements are an integral part of this statement.

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

**Reconciliation of the Statement of Revenues, Expenditures and
Changes in Fund Balances of Governmental Funds to the
Statement of Activities
Year Ended June 30, 2014**

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

Net change in fund balances - total governmental funds	\$ (278,028)
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlay exceeded depreciation in the current period.	126,591
Expenditures in the statement of activities that do not require current financial resources are not reported as expenditures in the funds.	68,237
Some revenues reported in the statement of activities are not available as current financial resources and, therefore, are not reported as revenues in governmental funds.	<u>(129,649)</u>
Change in net position of governmental activities	<u><u>\$ (212,849)</u></u>

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual
General Fund
Year Ended June 30, 3014

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance With Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Revenues				
Greenville County				
Property tax/merchant's inventory tax	\$ 12,006,316	\$ 12,006,316	\$ 12,522,391	\$ 516,075
Other local taxes	166,100	166,100	160,731	(5,369)
Grants and aid				
State aid	451,225	451,225	564,031	112,806
Other grants and aid	-	-	56,600	56,600
Fines and fees	302,700	302,700	323,476	20,776
Interest	8,850	8,850	10,200	1,350
Contributions and other	155,448	155,448	196,731	41,283
Total Revenues	<u>13,090,639</u>	<u>13,090,639</u>	<u>13,834,160</u>	<u>743,521</u>
Expenditures				
Boards, commissions and others				
Salaries and employee benefits	9,633,995	9,633,995	9,318,562	315,433
Library materials				
Local funding and gifts	1,633,554	1,633,554	1,575,835	57,719
State aid	451,225	451,225	451,225	-
Facilities	1,329,953	1,329,953	1,252,299	77,654
Transportation and equipment maintenance	51,400	51,400	48,384	3,016
Professional services	460,560	460,560	432,259	28,301
Supplies	843,960	843,960	844,976	(1,016)
Other	493,661	493,661	320,715	172,946
Capital outlay	343,500	343,500	290,833	52,667
Total Expenditures	<u>15,241,808</u>	<u>15,241,808</u>	<u>14,535,088</u>	<u>706,720</u>
Deficiency of Revenues Over Expenditures	(2,151,169)	(2,151,169)	(700,928)	1,450,241
Fund Balances, beginning	<u>7,544,762</u>	<u>7,544,762</u>	<u>7,544,762</u>	<u>-</u>
Fund Balances, ending	<u>\$ 5,393,593</u>	<u>\$ 5,393,593</u>	<u>\$ 6,843,834</u>	<u>\$ 1,450,241</u>

The notes to the financial statements are an integral part of this statement.

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Notes to the Financial Statements
Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies

The Greenville County Library System (the "Library") is an independent body, created by the County of Greenville, South Carolina (the "County"). The Library is governed by a Board of Trustees appointed by the Greenville County Council and, for financial reporting purposes, is considered to be a component unit of the County.

The accounting policies of the Library conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Governmental Accounting Standards Board ("GASB") is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the significant accounting policies.

Basis of Presentation

Government-wide Statements

The statement of net position and the statement of activities display information about the governmental activities of the Library. Eliminations have been made, if necessary, to minimize the double counting of internal activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange transactions.

The statement of activities presents a comparison between direct expenses and program revenues for each function of the Library's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the statement of activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

Fund Financial Statements

The fund financial statements provide information about the Library's funds.

The Library reports the following major governmental funds:

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

Capital Projects Fund - This fund accounts for the construction of the Library facilities.

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Notes to the Financial Statements
Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies, continued

Measurement Focus, Basis of Accounting

Government-wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the Library gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Governmental Fund Financial Statements

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of long-term debt and acquisitions under capital leases are reported as other financing sources.

Property tax revenue is recognized in compliance with the National Council on Governmental Accounting (NCGA) Interpretation 3, "Revenue Recognition – Property Taxes". This interpretation states that property tax revenue is recorded when it becomes available. "Available" means when due or past due and receivable within the current period or expected to be collected soon enough thereafter, not to exceed 60 days, to be used to pay liabilities of the current period. Net receivables estimated to be collectible in more than 60 days subsequent to June 30, 2014 are reported as deferred revenues.

Investments

The Library's investment policy is designed to operate within existing statutes (which are identical for all funds, fund types and component units within the State of South Carolina) that authorize the Library to invest in the following:

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Notes to the Financial Statements
Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies, continued

- (a) Savings and loan associations to the extent that the same are insured by an agency of the federal government;
- (b) Certificates of deposit and funds in deposit accounts with banking institutions provided that such certificates and funds in deposit accounts are collaterally secured by securities of the type described in (a) or (b) above, held by a third party as escrow agent or custodian, of a market value not less than the amount of the certificates or funds in deposit accounts so secured, including interest; provided, however, such collateral shall not be required to the extent the same are insured by an agency of the federal government;
- (c) Collateralized repurchase agreements when collateralized by securities as set forth in and above and held by the Library or a third party as escrow agent or custodian; and
- (d) South Carolina Pooled Investment Fund established and maintained by the State Treasurer.

Investments are stated at fair value which approximates cost.

Due from Greenville County

Amounts receivable from Greenville County represent taxes collected on behalf of the Library and held in a joint trust account by the County.

Capital Assets

Purchased or constructed capital assets are reported at cost or estimated historical cost. Donated capital assets are recorded at their estimated fair value on the date of donation. Minimum capitalization costs are \$5,000 for all asset categories. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the Library are depreciated on a straight-line basis over the following estimated useful lives:

	<u>Years</u>
Buildings	30-50
Land improvements	15-30
Furniture, equipment and vehicles	2-10
Library materials	5
Signs	7

Long-term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental fund type statement of net position.

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Notes to the Financial Statements
Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies, continued

Transactions Between Funds

Transactions that would be treated as revenues, expenditures, or expenses if they involved organizations external to the governmental unit are accounted for as revenues, expenditures, or expenses in the funds involved. Transactions which constitute reimbursements of a fund for expenditures or expenses initially made from that fund which are properly applicable to another fund are recorded as expenditures or expenses in the reimbursing fund and as reductions of the expenditure or expense in the fund that is reimbursed.

These transactions are treated as transfers and are included in the results of operations of the governmental funds.

Accrued Compensated Absences

Library employees earn vacation in varying amounts. In the event of resignation or retirement, an employee is reimbursed for accumulated vacation up to 225 hours. All vacation pay is accrued when earned in the government-wide 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.

Net Position

Classifications of net position in government-wide statements are net investment in capital assets, restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, laws or regulations of other governments or imposed by law through state statute. Restricted net position consists of third-party gifts and donations that are reserved for branch expenditures.

Fund Balances

Fund balances are classified as follows:

Nonspendable – Amounts that cannot be spent either because they are not in a spendable form 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 that can be used only for specific purposes determined by a formal action by resolution of the Library's Board of Trustees.

Assigned – Amounts that are designated by the Library for specific purposes but are not spendable until appropriated by the Board of Trustees.

Unassigned – All amounts not included in other spendable classifications.

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Notes to the Financial Statements
Year Ended June 30, 2014

Note 1 – Summary of Significant Accounting Policies, continued

The details of the fund balances are included in the Governmental Fund Balance Sheet. Restricted funds are first used as appropriate, followed by committed funds as appropriate, and then assigned funds to the extent that expenditure authority has been appropriated or budgeted by the Library's Board of Trustees.

Use of Estimates

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

Note 2 – Reconciliation of Government-wide and Fund Financial Statements

Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-wide Statement of Net Position

The governmental fund balance sheet includes reconciliation between fund balance - total governmental funds and net position - governmental activities as reported in the government-wide statement of net position.

The net adjustment of \$31,490,915 consists of several elements as follows:

Capital assets used in governmental activities are not financial resources and are, therefore, not reported in the funds (total capital assets in governmental activities column).	\$ 46,913,955
Less accumulated depreciation	<u>(15,842,140)</u>
Net capital assets	<u>31,071,815</u>
Accrued fines receivable less the amount claimed as a reserve in the government-wide statements not recorded in the fund statements.	295,316
Receivables for earned but deferred tax revenues recorded in the fund statements.	<u>582,814</u>
	<u>878,130</u>
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are, therefore, not recorded in the fund statements:	
Compensated absences	(279,428)
Net OPEB obligation	(118,888)
Accrued interest payable	<u>(60,714)</u>
	<u>(459,030)</u>
Total adjustments	<u><u>\$ 31,490,915</u></u>

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Notes to the Financial Statements
Year Ended June 30, 2014

Note 2 – Reconciliation of Government-wide and Fund Financial Statements, continued

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 position of governmental activities as reported in the government-wide statement of activities. Elements of that total adjustment of \$65,179 are as follows:

Capital outlay expenditures recorded in the fund statements but capitalized as assets in the statement of activities.	\$ 2,250,598
Depreciation expense, the allocation of those assets over their useful lives, that is recorded on the statement of activities but not in the fund statements.	<u>(2,124,007)</u>
Expenses reported in the statement of activities that do not require the use of current resources to pay are not recorded as expenditures in the fund statements.	<u>126,591</u>
Difference in long-term compensated absences.	3,309
Difference in net OPEB obligation.	(15,649)
Difference in interest expense between fund statements (modified accrual) and government-wide statements (full accrual).	<u>80,577</u>
	<u>68,237</u>
Revenues reported in the statement of activities that do not provide current resources are not recorded as revenues in the fund statements:	
Increase in accrued fines receivable for year ended 6/30/14	26,142
Decrease in accrued taxes receivable for year ended 6/30/14	<u>(155,791)</u>
	<u>(129,649)</u>
	<u>\$ 65,179</u>

Note 3 – Budgetary Procedures and Budgetary Accounting

Prior to the end of the current fiscal year, the Library's management submits a proposed General Fund budget to the Library's Board of Trustees (the "Board"). The Library prepares its budget on a basis in conformity with accounting principles generally accepted in the United States of America. The budget is prepared at the fund and function level and is adopted at the fund level. The budget includes proposed expenditures and the means of financing the expenditures. After modifications are made that result from discussions between the Library Board's Finance Committee and the Library's management, the Finance Committee recommends the budget to the full Board. Once the Board approves the budget, it is then sent to Greenville County Council for approval. The Library does not require the use of encumbrance accounting.

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Notes to the Financial Statements
Year Ended June 30, 2014

Note 3 – Budgetary Procedures and Budgetary Accounting, continued

The Statement of Revenues and Expenditures - Budget and Actual - General Fund reflects amendments approved by the Board. All appropriations lapse at yearend.

No annual budget is prepared for the Capital Projects Fund as its revenues and expenditures are budgeted on a project basis.

Note 4 – Cash and Investments

At June 30, 2014, the Library's deposits have a carrying value of \$17,310,281 and a bank balance of \$17,647,206. Of the Library's bank balance, \$250,000 was covered by federal depository insurance while the remainder of Library deposits were covered by collateral held by the Library's or County's agents in the Library's or County's name. As of June 30, 2014, cash on hand was \$1,135.

Certain cash balances are donor-restricted and at June 30, 2014, these restrictions totaled \$378,476.

As of June 30, 2014, the Library had the following investments and maturities included in the deposits above:

Instrument Type	Fair Value	Less than 6 months	6-12 months	1-3 years
Money Market	\$ 6,253,659	\$ 6,253,659	\$ -	\$ -
Total	\$ 6,253,659	\$ 6,253,659	\$ -	\$ -

Interest Rate Risk: As a means of limiting its exposure to fair value losses arising from rising interest rates, the Library maintains short-term securities with maturities of six months or less.

Credit Risk: All investment instruments used are those authorized by the current State statute, or any permissible investment as redefined by the State legislature. The credit quality of the money market fund is Unrated.

Custodial Credit Risk: For an investment, custodial credit risk 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 investment or collateral that is in the possession of an outside party. All of the Library's investments are uninsured and unregistered investments for which the securities were held by the counterparty's trust department or agent in the Library's name.

Concentration of Credit Risk: The investment policy of the Library places no limit on the amount that the Library may invest in anyone issuer. All of the Library's investments are in Money Markets, which are collaterally secured, at one financial institution.

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Notes to the Financial Statements
Year Ended June 30, 2014

Note 4 – Cash and Investments, continued

A reconciliation of cash and investments as shown on the statement of net position follows:

Carrying amount of deposits	\$	11,056,622
Cash on hand		1,135
Fair value of investments		6,253,659
Cash and investments	\$	17,311,416

Note 5 – Property Taxes

Property taxes are levied each September (except automobiles which are annually assessed on the first day of the month the automobiles were registered) by Greenville County on behalf of the Library on the assessed value as of the prior December 31 for all real and personal property located in the County. Taxes are due in one payment on or before January 15. A three percent penalty is added on January 16. If taxes remain unpaid on February 2, a seven percent penalty is added to the total of taxes plus penalties. If taxes remain unpaid on the March 17 lien date, an additional five percent penalty is added to the total of taxes and penalties plus a \$15 delinquent execution charge. If taxes are not paid prior to the first Monday in October, the property will be sold, at public auction, for taxes due. Assessed values are established by the County Assessor and the South Carolina Department of Revenue at various rates of 4 to 10.5 percent of the estimated market value.

The County is permitted under the Home Rule Act to levy taxes. The combined tax rate to finance general services and principal and interest on long-term debt for the Library for the year ended June 30, 2014 was 7.4 mills per \$1,000 of assessed valuation.

Property tax revenue is recorded when it becomes available. Available means when due, or past due and receivable within the current period or expected to be collected soon enough thereafter, not to exceed 60 days, to be used to pay liabilities of the current period. Receivables, net of allowance, estimated to be collectible in more than 60 days subsequent to June 30, 2014 are shown as deferred revenue in the accompanying government fund balance sheet.

Receivables at the government-wide level at June 30, 2014 were as follows:

	Due from County	Property Taxes	Accrued Fines	Other	Total
Government activities					
General	\$ 162,226	\$ 734,328	\$ 1,138,898	\$ 2,000	\$ 2,037,452
Capital projects	34,426	156,496	-	18,853	209,775
Total receivable	196,652	890,824	1,138,898	20,853	2,247,227
Allowance for doubtful accounts	-	(17,816)	(843,582)	-	(861,398)
Total government activities	\$ 196,652	\$ 873,008	\$ 295,316	\$ 20,853	\$ 1,385,829

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Notes to the Financial Statements
Year Ended June 30, 2014

Note 6 – Capital Assets

The following is a summary of changes in capital assets:

Governmental activities:

	July 1, 2013	Additions	Disposals	Transfers/ Adjustments	June 30, 2014
Capital assets not being depreciated:					
Land	\$ 2,521,278	\$ 911,016	\$ -	\$ -	\$ 3,432,294
Art collections	231,342	-	-	-	231,342
Total capital assets not being depreciated	<u>2,752,620</u>	<u>911,016</u>	<u>-</u>	<u>-</u>	<u>3,663,636</u>
Capital assets being depreciated:					
Land improvements	516,867	-	-	-	516,867
Buildings	33,156,141	-	-	-	33,156,141
Furniture, equipment and vehicles	1,736,928	335,264	(121,127)	-	1,951,065
Library materials	7,624,506	1,004,318	(1,174,374)	-	7,454,450
Signs	171,796	-	-	-	171,796
Total capital assets being depreciated	<u>43,206,238</u>	<u>1,339,582</u>	<u>(1,295,501)</u>	<u>-</u>	<u>43,250,319</u>
Less accumulated depreciation for:					
Land improvements	394,482	22,302	-	-	416,784
Buildings	8,951,792	778,733	-	-	9,730,525
Furniture, equipment and vehicles	1,167,706	267,955	(121,127)	-	1,314,534
Library materials	4,327,858	1,055,017	(1,174,374)	-	4,208,501
Signs	171,796	-	-	-	171,796
Total accumulated depreciation	<u>15,013,634</u>	<u>\$ 2,124,007</u>	<u>\$ (1,295,501)</u>	<u>\$ -</u>	<u>15,842,140</u>
Total capital assets being depreciated, net	<u>28,192,604</u>				<u>27,408,179</u>
Total capital assets, net	<u>\$ 30,945,224</u>				<u>\$ 31,071,815</u>

Depreciation expense for the year ended June 30, 2014 was \$2,124,007.

Reconciliation of Capital Outlay Expenditures to Increase in Capital Assets follows:

Governmental activities

Capital outlay	
General fund	\$ 290,833
Capital projects	911,016
Total capital expenditures	<u>1,201,849</u>
Additional expenditures meeting criteria for capitalization into capital assets	1,048,749
Total increase in capital assets	<u>\$ 2,250,598</u>

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Notes to the Financial Statements
Year Ended June 30, 2014

Note 6 – Capital Assets, continued

Art Collections: The non-depreciable collections of the Library are made up of rare and historic documents and donated art. The Library has capitalized its collections since its inception. If purchased, items accessioned into the collection are capitalized at cost, and if donated, they are capitalized at their appraised or fair value as of the dates on which the items are accepted by the Library. These items have indefinite lives and are not diminished in value upon display. Therefore these items are not depreciated.

Note 7 – Long-term Obligations

The following is a summary of changes in long-term obligations at the government-wide level for the year ended June 30, 2014:

General Long-term Obligations	Accrued General Leave
Balance, July 01, 2013	\$ 282,737
Additions to general leave	449,119
Retirements	(282,737)
	449,119
Less: current portion	(169,691)
Balance, June 30, 2014	\$ 279,428

Note 8 – Deferred/Unearned Revenues

The balance of deferred revenues in the fund financial statements and unearned revenues in the government-wide financial statements at yearend is composed of the following elements:

	Deferred Revenue	Unearned Revenue
Property taxes - General fund	\$ 469,642	\$ -
Grant revenue - General fund	4,806	-
Property taxes - Capital projects fund	108,366	-
	\$ 582,814	\$ -

Note 9 – Pension Funds

South Carolina Retirement System: All full-time Greenville County Library employees participate in the South Carolina Retirement System "SCRS" or the South Carolina Police Officers Retirement System "PORS", both of which are cost-sharing multiple employer public employee retirement systems. Both retirement systems offer retirement and disability benefits, cost of living adjustments on an ad-hoc basis, life insurance benefits and survivor benefits. The Plan's provisions are established under Title 9 of the SC Code of Laws. Total employee salaries for the Library for the period ended June 30, 2014 were \$6,688,995 of which \$6,649,061 was for employees covered by the SCRS.

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Notes to the Financial Statements
Year Ended June 30, 2014

Note 9 – Pension Funds, continued

Both employees and the Library are required to contribute to the Plan at rates established under authority of Title 9 of the South Carolina Code of Laws. The Library's contributions are actuarially determined, but are communicated to and paid by the Library as a percentage of the employees' annual earnings.

The Library's contributions to the SCRS for employer and employee portions expressed as a dollar amount and as a percentage of covered payrolls in 2014 were \$691,741 and 10.45% and \$496,465 and 7.5%, respectively.

The Library's contributions to PORS for employer and employee portions expressed as a dollar amount and as a percentage of covered payrolls in 2014 were \$3,673 and 12.44% and \$2,315 and 7.84%, respectively.

The required contributions for the three latest available years follow:

Year ended	Employer		Employee	
	SCRS	PORS	SCRS	PORS
June 30, 2014	\$ 691,741	\$ 3,673	\$ 496,465	\$ 2,315
June 30, 2013	668,622	3,393	447,881	1,996
June 30, 2012	583,464	3,104	404,104	1,776

The Library's contributions to the SCRS provide a group life insurance benefit for their participants. The contribution expressed as a dollar amount and as a percentage of covered payroll was \$9,929 and 0.15% of annual earnings.

The Library's contributions to the PORS provide an accidental death benefit and a group life insurance benefit for their participants. The accidental death benefit contribution expressed as a dollar amount and as a percentage of covered payroll was \$59 and 0.20% of annual earnings. The group life insurance benefit contribution expressed as a dollar amount and as a percentage of covered payroll was \$59 and 0.20% of annual earnings.

The State of South Carolina also provides an optional retirement plan "State ORP". It is a governmental plan administered as a qualified plan pursuant to Section 401(a) of the IRC. The State ORP is a defined contribution plan that provides retirement and survivor benefits for certain administrative positions which allows them to participate. As an alternative to the South Carolina Retirement System, employees eligible for the State ORP may choose between the State ORP or the SCRS.

A comprehensive annual financial report containing financial statements and required supplementary information for the SCRS is issued and publicly available by writing the South Carolina Public Employment Benefit Authority, P.O. Box 11960, Columbia, South Carolina 29211-1960.

GREENVILLE COUNTY LIBRARY SYSTEM
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Notes to the Financial Statements
Year Ended June 30, 2014

Note 9 – Pension Funds, continued

New Pronouncements

The GASB (Government Accounting Standards Board) issued Statement No. 68, “*Accounting and Financial Reporting for Pensions*” in June, 2012. The primary objective of this Statement is to improve accounting and financial reporting by state and local governmental entities for pensions. It also improves information provided by state and local governmental employers about financial support for pensions that is provided by other entities.

For those member employers participating in the South Carolina Retirement System or Police Officers Retirement System, financial reporting will require determining each member’s proportionate share of the SCRS/PORS pension liability. The liability will be determined and reported to participating members of SCRS/PORS.

Statement No. 68 is effective for the Library for fiscal years beginning after June 15, 2014.

The reporting and disclosure requirements of GASB Statement No. 68 are a significant departure from the current accounting standards of GASB Statement No. 27, as each member’s liability will be reported directly in the financial statements of the member. The potential impact to financial accounting and reporting of the Library cannot be determined at this time. Also, no assurance can be made that state law applicable to funding of the Plans will not be amended in the future.

Note 10 – Post Employment Benefits Other Than Pensions

Medical/Prescription Drug: Eligible retirees of the Library receive health care coverage through one of three medical PPO plans: Standard, Plus and Premium. Employees who retired prior to January 1, 2004 are eligible to enroll in any of the three plans, while employees who retired on or after January 1, 2004 are only eligible to enroll in the Standard plan. Employees who retired prior to January 1, 2004 are eligible to remain on the Library's plan upon reaching Medicare eligibility. Employees who retired on or after January 1, 2004 are eligible for a fully-insured Medicare supplement plan.

Dental: Eligible retired employees have the option to remain on the Library’s dental insurance plan. The Library provides a subsidy to offset some of the cost for this benefit.

Life Insurance: Retiree life insurance is available to retirees until age 65 on a contributory basis. Retirees who choose this benefit receive \$40,000 worth of coverage.

Required Annual Contributions: Contributions are required for both retiree and dependent coverage. Depending on the plan selected, date of retirement and years of service, the Library provides a subsidy to offset the full cost of coverage. The Library contribution (subsidy) will remain constant in the future and is summarized in the following chart.

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Notes to the Financial Statements
Year Ended June 30, 2014

Note 10 – Post Employment Benefits Other Than Pensions, continued

Retired Date	Years of Service	Medical Benefit		Dental
		<65	65+	
Prior to 2004	<20	\$ 483	\$ 408	\$ 22.50
Prior to 2004	20+	N/A	333	22.50
2004 or after	<20	483	N/A	22.50
2004 or after	20+	408	N/A	22.50

Plan Descriptions: The Library postemployment benefit plan is a single employer defined benefit plan that is self-funded for medical/prescription drug and fully insured for life insurance to eligible retirees and their dependents.

Funding Policy: The required contribution is based on pay-as-you-go financing requirements.

Annual OPEB Cost and Net OPEB Obligation: The Library's annual other postemployment benefit "OPEB" cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover the normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the Library's annual OPEB cost for the year, the amount actually contributed to the plan, and the changes on the Library's net OPEB obligation to the Retiree Health Plan:

	2014
Annual required contribution	\$ 111,630
Interest on net OPEB obligation	5,162
Adjustment to annual required contribution	107
Annual OPEB cost (expense)	116,899
Contribution and payments made	(101,250)
Increase in net OPEB obligation	15,649
Net OPEB obligation - July 01, 2013	103,239
Net OPEB obligation - June 30, 2014	\$ 118,888

The Library's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for fiscal year 2014 and the two preceding years are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
June 30, 2012	\$ 88,029	78%	\$ 88,174
June 30, 2013	\$ 111,838	87%	\$ 103,239
June 30, 2014	\$ 116,899	87%	\$ 118,888

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Notes to the Financial Statements
Year Ended June 30, 2014

Note 10 – Post Employment Benefits Other Than Pensions, continued

Funded Status and Funding Progress: As of July 1, 2012, the most recent valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$988,014, and the actuarial value of assets is zero resulting in an unfunded actuarial accrued liability (UAAL) of \$1,296,301.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information about whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions: Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and included the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the July 1, 2012 actuarial valuation (the most recent valuation), projected unit credit method was used. The actuarial assumptions included a 5.0% investment rate of return which is based on the expected long term investment return of the employer's own investments used to pay plan benefits and an annual healthcare cost trend rate of 9.5% reduced by decrements of .5% to an ultimate rate of 5%. The UAAL is being amortized as a level percentage of projected payroll on an open basis. The amortization of UAAL is done over a period of thirty years and the underlying inflation rate is 2.5%.

Note 11 – Risk Management

The Library participates in the County's health insurance program to provide medical and dental coverage to its full-time employees. Payments are remitted to the County on a monthly basis based on the number of employees participating. In 2014, \$1,340,182 was remitted to the County. The Library also has a purchased workers' compensation policy which is handled by a third-party administrator for a fee based on the salaries of employees employed during the year.

Note 12 – Commitments

Debt incurred for the acquisition and construction of capital facilities of the Library is issued and held by the County of Greenville. The liability for the debt is reported by the County, as the County is the obligor on the debt. Greenville County Bonds are general obligation bonds backed by the full faith credit and

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Notes to the Financial Statements
Year Ended June 30, 2014

Note 12 – Commitments, continued

taxing authority of the County. The yearly principal and interest on debt used for Library capital projects is covered by the Library’s current millage. At June 30, 2014, the commitment for future debt service payments to the County is as follows:

Year Ending June 30	Principal	Interest	Total
2015	\$ 1,068,458	\$ 242,856	\$ 1,311,314
2016	1,062,569	232,178	1,294,747
2017	1,067,603	221,578	1,289,181
2018	1,075,181	210,938	1,286,119
2019	1,102,949	189,548	1,292,497
2020	1,115,000	167,498	1,282,498
2021	1,135,000	145,230	1,280,230
2022	1,153,758	122,578	1,276,336
2023	1,178,754	96,628	1,275,382
2024	1,222,547	67,772	1,290,319
2025	1,265,000	35,420	1,300,420
	<u>\$ 12,446,819</u>	<u>\$ 1,732,224</u>	<u>\$ 14,179,043</u>

Note 13 – Subsequent Events

Subsequent events have been evaluated through September 4, 2014, which is the date the financial statements were available to be issued.

REQUIRED SUPPLEMENTARY INFORMATION

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Required Supplementary Information
Other Postemployment Benefits – Defined Benefit Health Care Plan
Schedules of Funding Progress and Employer Contributions
Year Ended June 30, 2014

Schedule of Funding Progress

Fiscal Year Ended	Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) (b)	Unfunded AAL (UAAL) (b-a)	Funded Payroll (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
June 30, 2012	July 1, 2010	\$ -	\$ 988,014	\$ 988,014	0.0%	\$ 5,453,131	18.1%
June 30, 2013	July 1, 2012	\$ -	\$ 1,296,301	\$ 1,296,301	0.0%	\$ 5,621,947	23.1%
June 30, 2014	July 1, 2012	\$ -	\$ 1,296,301	\$ 1,296,301	0.0%	\$ 5,807,506	22.3%

Schedule of Employer Contributions

Fiscal Year Ended	Annual Required Contribution (ARC)	Actual Contributions	Percent Funded
June 30, 2012	\$ 87,850	\$ 68,345	78%
June 30, 2013	\$ 111,608	\$ 96,773	87%
June 30, 2014	\$ 111,630	\$ 101,250	91%

GREENVILLE COUNTY LIBRARY SYSTEM
(A Component Unit of Greenville County)

Supplemental Schedule of Revenues and Expenditures by Source
Year Ended June 30, 2014

<u>Source of Funds</u>	Operating Fund Only			
	Beginning Balances	Revenues	Expenditures	Ending Balance
Local Sources:				
County or Tax Appropriation	\$ 7,545,131	\$ 12,522,391	\$ 13,223,688	\$ 6,843,834
Fees & Fines	-	407,035	407,035	-
Gifts & Donations	-	79,419	79,419	-
Other Local	-	204,315	204,315	-
Total Local Sources	<u>7,545,131</u>	<u>13,213,160</u>	<u>13,914,457</u>	<u>6,843,834</u>
State Sources:				
*State Aid	-	564,031	564,031	-
Total State Sources	<u>-</u>	<u>564,031</u>	<u>564,031</u>	<u>-</u>
Federal Sources:				
*Library Services & Technology Act (CFDA 45.310)				
Grant - LSTA Family Fridays	(369)	369	-	-
Grant - LSTA Summer Reading Resource	-	1,000	1,000	-
Grant - LSTA Conference Attendance	-	1,000	1,000	-
Grant - LSTA Bookmobile	-	250	250	-
FINRA Grant	-	31,988	31,988	-
Universal Service Funds	-	22,362	22,362	-
Total Federal Sources	<u>(369)</u>	<u>56,969</u>	<u>56,600</u>	<u>-</u>
Total All Sources of Funds	<u>\$ 7,544,762</u>	<u>\$ 13,834,160</u>	<u>\$ 14,535,088</u>	<u>\$ 6,843,834</u>

*Indicates funds administered through the South Carolina State Library

Independent Auditor's 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*

To the Board of Trustees
Greenville County Library System

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 and each major fund, of the Greenville County Library System (the "Library"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated September 4, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered 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 Library's internal control. Accordingly, we do not express an opinion on the effectiveness of 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.

Members
American Institute of Certified Public Accountants
S.C. Association of Certified Public Accountants



To the Board of Trustees
Greenville County Library System
September 4, 2014

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. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

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.

McKinley, Cooper & Co., LLC

Greenville, South Carolina
September 4, 2014