

**RICHLAND COUNTY PUBLIC LIBRARY
COLUMBIA, SOUTH CAROLINA**

Annual Financial Report
Year Ended June 30, 2020
and
Independent Auditor's Report





**RICHLAND COUNTY PUBLIC LIBRARY
COLUMBIA, SOUTH CAROLINA**

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J. W. Hunt and Company

Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Richland County Public Library
Columbia, South Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of Richland County Public Library, Columbia, South Carolina (Library), a component unit of Richland County, South Carolina, as of and for the year ended June 30, 2020, 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 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 opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the Library, as of June 30, 2020, and the respective changes in financial position thereof 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 required supplementary information 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.

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The other information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The other information 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 other information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by *Governmental Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "J. W. Hunt and Company". The signature is written in a cursive, flowing style.

December 18, 2020

**RICHLAND COUNTY PUBLIC LIBRARY
COLUMBIA, SOUTH CAROLINA**

STATEMENT OF NET POSITION
JUNE 30, 2020

	<u>Component Unit</u>	
	<u>Governmental</u> <u>Activities</u>	<u>Richland Library</u> <u>Friends and</u> <u>Foundation</u>
ASSETS:		
Cash	\$ 15,332,113	\$ 238,824
Restricted cash	-	25,000
Investments	3,490,802	732,959
Receivables:		
Property taxes, net of allowance for uncollectible taxes of \$447,177	1,149,883	-
Due from Richland County	609,018	-
Other	24,539	-
Contributions receivable	-	43,800
Due from component unit	72,358	-
Other assets	83,032	581
Inventory	26,572	17,820
Capital assets not being depreciated	6,464,104	-
Capital assets being depreciated, net of depreciation	64,602,739	-
Total assets	<u>91,855,160</u>	<u>1,058,984</u>
DEFERRED OUTFLOWS OF RESOURCES:		
Deferred pension charges	4,678,629	-
Deferred other post-employment benefit charges	363,322	-
Total deferred outflows of resources	<u>5,041,951</u>	<u>-</u>
LIABILITIES:		
Accounts payable	1,278,861	21,305
Accrued expenses	668,140	-
Accrued benefits	1,654,157	-
Due to primary government	-	72,358
Net other post-employment benefit obligation	6,533,945	-
Net pension liability	29,037,256	-
Total liabilities	<u>39,172,359</u>	<u>93,663</u>
DEFERRED INFLOWS OF RESOURCES:		
Deferred pension credits	1,023,805	-
Deferred other post-employment benefit credits	5,083,754	-
Total deferred inflows of resources	<u>6,107,559</u>	<u>-</u>
NET POSITION:		
Investment in capital assets	71,066,843	-
Unrestricted	(19,449,650)	656,351
With donor restrictions:		
Time or purpose	-	283,970
Perpetual	-	25,000
Total net position	<u>\$ 51,617,193</u>	<u>\$ 965,321</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**RICHLAND COUNTY PUBLIC LIBRARY
COLUMBIA, SOUTH CAROLINA**

STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

	Governmental Activities	Component Unit Richland Library Friends and Foundation
EXPENSES:		
Personnel	\$ 22,289,341	\$ -
Materials and resources	2,593,640	61,549
Supplies	215,566	-
General operations	510,279	56,400
Vehicle operations	42,374	-
Contractual services	956,394	-
Facilities and maintenance	2,559,626	-
Depreciation	7,344,725	-
Library support	-	189,345
Fundraising	-	30,503
Total expenses	36,511,945	337,797
PROGRAM REVENUES:		
Charges for services	134,610	-
Operating grants and contributions	1,086,491	-
Capital grants and contributions	69,308	-
Event revenues, net	-	18,734
Donations	-	166,109
Net program revenue (expense)	(35,221,536)	(152,954)
GENERAL REVENUES:		
Property taxes	29,572,944	-
Investment earnings	261,642	20,658
County capital revenue	3,211,617	-
Miscellaneous	22,317	17
Total general revenues	33,068,520	20,675
Change in net position	(2,153,016)	(132,279)
NET POSITION, BEGINNING OF YEAR	53,770,209	1,097,600
NET POSITION, END OF YEAR	\$ 51,617,193	\$ 965,321

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**RICHLAND COUNTY PUBLIC LIBRARY
COLUMBIA, SOUTH CAROLINA**

**BALANCE SHEET – GOVERNMENTAL FUNDS
JUNE 30, 2020**

	General	Other Governmental Funds	Total Governmental Funds
ASSETS:			
Cash	\$ 15,332,113	\$ -	\$ 15,332,113
Investments	3,490,802	-	3,490,802
Receivables:			
Property taxes	279,126	-	279,126
Due from Richland County	609,018	-	609,018
Other	21,218	3,321	24,539
Due from component unit	47,358	25,000	72,358
Due from other funds	3,936	2,193,260	2,197,196
Inventory	26,572	-	26,572
Other assets	83,032	-	83,032
	<u>\$ 19,893,175</u>	<u>\$ 2,221,581</u>	<u>\$ 22,114,756</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES:			
Liabilities:			
Accounts payable	\$ 969,427	\$ 309,434	\$ 1,278,861
Due to other funds	2,193,260	3,936	2,197,196
Accrued expenses	668,140	-	668,140
Total liabilities	<u>3,830,827</u>	<u>313,370</u>	<u>4,144,197</u>
Deferred inflows of resources:			
Unavailable property tax revenue	279,126	-	279,126
Total deferred inflows of resources	<u>279,126</u>	<u>-</u>	<u>279,126</u>
Fund Balances:			
Nonspendable	109,604	-	109,604
Restricted	61,667	102,577	164,244
Committed	218,061	-	218,061
Assigned	7,390,305	595,909	7,986,214
Unassigned	8,003,585	1,209,725	9,213,310
Total fund balances	<u>15,783,222</u>	<u>1,908,211</u>	<u>17,691,433</u>
	<u>\$ 19,893,175</u>	<u>\$ 2,221,581</u>	<u>\$ 22,114,756</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 19,893,175</u>	<u>\$ 2,221,581</u>	<u>\$ 22,114,756</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**RICHLAND COUNTY PUBLIC LIBRARY
COLUMBIA, SOUTH CAROLINA**

RECONCILIATION OF FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF NET POSITION
JUNE 30, 2020

FUND BALANCES OF GOVERNMENTAL FUNDS	\$ 17,691,433
Amounts reported for governmental activities on the statement of net position are different because:	
Property tax receivables and related deferred revenues in governmental activities are not financial inflows and therefore are not reported in the funds	1,149,883
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	71,066,843
Report deferred outflows of resources and deferred inflows of resources related to pensions and other post-employment benefits	(1,065,608)
Accrued benefits in governmental activities are not financial resources and therefore are not reported in the funds	<u>(37,225,358)</u>
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 51,617,193</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**RICHLAND COUNTY PUBLIC LIBRARY
COLUMBIA, SOUTH CAROLINA**

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES –
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020

	General	Other Governmental Funds	Total Governmental Funds
REVENUES:			
Property taxes	\$ 29,391,734	\$ -	\$ 29,391,734
Fees and fines	68,772	-	68,772
Charges for services	65,838	-	65,838
Investment earnings	261,642	-	261,642
County capital revenue	-	3,211,617	3,211,617
Donated capital revenue	-	69,308	69,308
Miscellaneous	113,179	995,629	1,108,808
Total revenues	<u>29,901,165</u>	<u>4,276,554</u>	<u>34,177,719</u>
EXPENDITURES:			
Current:			
General government:			
Personnel	20,436,630	797,576	21,234,206
Materials and resources	2,588,652	4,988	2,593,640
Supplies	215,566	-	215,566
General operations	409,538	100,741	510,279
Vehicle operations	42,374	-	42,374
Contractual services	951,622	4,772	956,394
Facilities and maintenance	2,483,005	76,621	2,559,626
Capital outlay	1,091,580	1,889,665	2,981,245
Total expenditures	<u>28,218,967</u>	<u>2,874,363</u>	<u>31,093,330</u>
Net change in fund balances	1,682,198	1,402,191	3,084,389
FUND BALANCES, BEGINNING OF YEAR	<u>14,101,024</u>	<u>506,020</u>	<u>14,607,044</u>
FUND BALANCES, END OF YEAR	<u>\$ 15,783,222</u>	<u>\$ 1,908,211</u>	<u>\$ 17,691,433</u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**RICHLAND COUNTY PUBLIC LIBRARY
COLUMBIA, SOUTH CAROLINA**

RECONCILIATION OF THE GOVERNMENTAL FUNDS STATEMENT OF
REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES TO
THE GOVERNMENTAL ACTIVITIES IN THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020

NET CHANGE IN FUND BALANCES - TOTAL GOVERNMENTAL FUNDS	\$ 3,084,389
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which depreciation (\$7,344,725) exceeded capital outlays (\$2,981,245) in the current period	(4,363,480)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	181,210
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.	<u>(1,055,135)</u>
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (2,153,016)</u></u>

SEE ACCOMPANYING NOTES TO FINANCIAL STATEMENTS

**RICHLAND COUNTY PUBLIC LIBRARY
COLUMBIA, SOUTH CAROLINA**

NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

Reporting Entity:

Richland County Public Library (Library) provides the services of a public library, including circulation of books and periodicals, informational services, and educational programs, to the residents of Richland County, South Carolina (County). The Library is considered a component unit of the County for financial reporting purposes and it places substantial reliance upon the County to fund its daily operations.

The basic financial statements include all funds, organizations, agencies, boards, commissions and institutions that are not legally separate from the Library. The Library has also considered all potential component units for which it is financially accountable as well as other organizations for which the nature and/or significance of their relationship with the Library are such that their exclusion would cause the Library's basic financial statements to be misleading or incomplete. The following organization is considered a component unit of the Library and has been discretely presented in the accompanying financial statements:

Richland Library Friends and Foundation (Foundation) exclusively supports the Library system to increase financial support and to broaden and diversify its ability to serve the citizens of the County beyond the public funding it receives. The board of the Foundation is self-perpetuating and consists of trustees that have been elected by the then-serving trustees.

The Foundation is legally separate from the Library, and the Library is not financially accountable for this entity. The Foundation has been included in the Library's financial statements because of the nature and significance of its relationship with the Library. Complete financial statements for the Foundation can be obtained from the Development Office, 1431 Assembly Street, Columbia, South Carolina 29201.

Financial Statement Presentation:

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

The Foundation is a private nonprofit organization that reports under the Financial Accounting Standards Board (FASB) standards. As such, certain revenue recognition criteria and presentation features are different from GASB revenue recognition and presentation features. No modifications have been made to the Foundation's financial information in the Library's financial statements for these differences.

RICHLAND COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

Government-wide financial statements – the statement of net position and related statement of activities report information on all the non-fiduciary activities of the Library and its component units. The effect of interfund activity has been eliminated from the government-wide financial statements. Governmental activities, which generally are financed through taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include charges paid by the recipients of the goods or services offered by the programs and grants and contributions that are restricted to meeting the operational requirements of a particular program. Revenues not classified as program revenues are presented as general revenues. This comparison of program revenues and expenses identifies the extent to which each program is self-financing or draws from the general revenues of the Library.

Governmental fund financial statements – The accounts of the Library are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. There are a minimum number of funds maintained to keep the accounts consistent with legal and managerial requirements. Fund financial statements report detailed information about the Library. The reporting focus of governmental fund financial statements is on major funds rather than reporting funds by type. Each major fund is presented in a separate column. Nonmajor funds are aggregated and presented in a single column.

The Library reports the following major governmental fund:

The General Fund is the Library's primary operating fund and is used to account for all financial resources applicable to the general operation of the Library, except those required to be accounted for in another fund. Revenues are derived primarily from appropriations from the County.

The Library reports the following nonmajor governmental funds:

The Capital Projects Fund is used to account for all financial resources restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The Special Revenue Fund is used to account for the proceeds of specific revenue sources (other than major capital projects) requiring separate accounting due to legal or regulatory provisions or due to being restricted or committed to expenditure for specific purposes.

Basis of Accounting:

Government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred inflows of resources. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Unbilled receivables are recorded as revenues when services are provided.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized when they become both measurable and available. Revenues are considered to be measurable if the amount is known or can be reasonably estimated. 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 Library considers revenues, except grant related revenues, to be available if they are collected within 60 days of the end of the current fiscal period. Grant related revenues are considered to be available if they are collected within one year of the end of the current fiscal period. Expenditures are generally recognized in the accounting period in which the fund liability is incurred, if measurable. However, expenditures related to claims and judgments are recorded only when payment is due.

Cash and Investments:

Cash consists of cash on hand and demand deposits at various financial institutions. South Carolina statutes also authorize the Library to invest in obligations of the United States or any of its agencies, general obligations of the State of South Carolina or any of its political units, savings and loan associations to the extent they are secured by federal deposit insurance, certificates of deposit where the certificates are collateralized by federal or state obligations noted above, and repurchase agreements when collateralized by securities noted above.

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation to the Library. The investments held by the Library include mutual funds invested in U.S. government agency securities, which receive ratings from organizations such as Moody's Investors Service and Standard & Poor's. These rating agencies assign ratings to the securities by assessing the likelihood of issuer default; however, government obligations typically are not considered as having significant credit risk. It is the policy of the State to invest in only the highest investment grade securities.

Custodial credit risk for investments is the risk that, in the event of a failure of the counterparty, the Library will not be able to recover the value of the investments or collateral securities that are in the possession of an outside party. Investments held by a trustee are not registered in the name of the Library.

RICHLAND COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

Concentration of credit risk is the risk of loss attributed to the magnitude of the Library's investments in a single issuer. The Library has individual investments that represent 5% or more of total investments. The Library has no investment policy that would limit its investment choices other than those that are mandated by state law. The Library also places no limit on the amount it may invest in any one issuer.

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investments. The Library minimizes its interest rate risk by investing in short-term securities. 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.

Receivables:

Property taxes, though measurable, are generally not available soon enough in the subsequent year to finance current period obligations. Therefore, property taxes are recorded as receivables and the portion that will not be available is reported as a deferred inflow of resources.

Property taxes are collected for the Library by the County treasurer. Taxes are levied generally in November of each year and attached as an enforceable lien on property on April 15 of the following year if unpaid at that time. It is the practice of the County treasurer to carry forward to the succeeding fiscal year the portion of local property taxes collected which exceeds the Library's appropriation.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

Budgets and Budgetary Accounting:

The Library follows the procedures noted below in establishing the budgetary data reflected in the financial statements:

1. Prior to May 1 of each year, the Library Director submits to Richland County a proposed general operating budget for the upcoming fiscal year. The general operating budget includes proposed expenditures and the means of financing them.
2. Taxpayers are given the opportunity to comment on the proposed budget in a public hearing meeting of the Richland County Council.
3. The budget is legally adopted prior to June 30.
4. Any budget revisions are approved by the Board of Trustees. The budget, as last amended, is reflected in these financial statements.

RICHLAND COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

5. Budgets are adopted for Special Revenue Fund grants through the submission of a grant application and the subsequent approval of the application by the appropriate authorizing agency.
6. Formal budgetary integration is employed as a management control device during the year for the General Fund and Special Revenue Funds.
7. Budgets for the General and Special Revenue Funds are adopted on a basis consistent with generally accepted accounting principles.

Inventories:

Inventories consist of books, novelty items, and various supplies and are valued using the first-in, first-out method. Book inventory is valued at average cost while novelty items and supplies are valued at the lower of cost or market.

Capital Assets:

Capital assets, including library materials, purchased or acquired with an original cost of \$5,000 or more are reported at historical cost or estimated historical cost in the government-wide financial statements. Contributed assets are reported at estimated fair value as of the date received. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. The cost of normal maintenance and repairs that do not add to the value or service capacity of the asset or materially extend asset lives are not capitalized. Depreciation is provided on the straight-line basis over the following estimated useful lives:

Buildings	20-40 years
Improvements	10-15 years
Contractual and other services	2-5 years
Vehicles	8 years
Furniture	20 years
Equipment	3-15 years
Library materials, books and periodicals	7 years
Library materials, audio visual	2 years

The Library has works of art by Maurice Sendak, author and illustrator of *Where the Wild Things Are*, presented for public exhibition and education that are being preserved for future generations.

The Library maintains accountability for all capital assets used in its operations. While state law provides that such assets be held in the name of the County, the law simultaneously restricts their use exclusively for Library purposes. Since Library management has assumed accountability for all such assets, they have been included in the capital assets in the financial statements.

RICHLAND COUNTY PUBLIC LIBRARY
NOTES TO FINANCIAL STATEMENTS

Included in library materials are books which consist of the current year acquisitions plus the six prior years' acquisitions. Since books become outdated, lost, and materially and physically worn out, the current year's acquisitions are capitalized and the oldest year's acquisitions are removed from the accounts. Other library materials include bound and microfilmed periodicals, recordings, sculpture, art prints and films.

Deferred Outflows of Resources:

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time. Contributions made to the Library's defined benefit pension and other post-employment benefit plans between the measurement date of the related liabilities from those plans and the end of the Library's fiscal year, a difference between expected and actual experience, and changes in actuarial assumptions are reported as deferred outflows of resources in the government-wide financial statements.

Compensated Absences:

Accumulated unpaid paid time off (PTO) benefits are not accrued in governmental funds as the Library intends to fund such costs from future operations; i.e., from assets not representing expendable available resources at June 30, 2020.

Library employees are entitled to accrue and carry forward a maximum of 135 days of PTO leave. Upon termination of employment, up to 45 days of accumulated PTO leave is paid to the employee; however, rights to PTO leave benefits over 45 days do not vest and are forfeited upon termination, except that 25% of the total accumulated PTO leave over 45 days is paid upon resignation if the employee has a balance of 65 days or more.

Deferred Inflows of Resources:

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time. Deferred inflows of resources are reported in the Library's statement of net position for actual pension plan investment earnings in excess of the expected amounts included in determining pension expense along with a difference between expected and actual experience and changes in actuarial assumptions related to the Library's other post-employment benefit plan. In its governmental funds, the only deferred inflow of resources is for revenues that are not considered available. The Library will not recognize the related revenues until they are available (collected not later than 60 days after the end of the Library's fiscal year) under the modified accrual basis of accounting. Accordingly, unavailable revenues from property taxes and grants are reported in the governmental funds balance sheet.

Fund Balance:

In the governmental fund financial statements, fund balances are classified as follows:

Nonspendable – Includes fund balance amounts that cannot be spent either because they are not in spendable form or because they are legally or contractually required to be maintained intact.

Restricted – Includes fund balances that can be spent only for specific purposes because of limitations imposed by creditors, grantors, or contributors or by enabling legislation or constitutional provisions.

Committed – Includes fund balances that can be used only for the specific purposes determined by a formal action of the Library's Board of Trustees (Board).

Assigned – Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balances may be assigned through an official action of the Board.

Unassigned – Includes residual fund balance in the general fund that has not been classified within the other above-mentioned categories.

Included in committed fund balance is a Board approved reserve to cover the annual required contribution to the other post-employment liability.

When an expense is incurred that can be paid using either restricted or unrestricted resources (net position), the Library's policy is to first apply the expense toward restricted resources and then toward unrestricted resources. In governmental funds, the Library applies committed amounts, followed by assigned amounts, and then unassigned amounts when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Income Taxes:

The Library is exempt from federal income taxes under Section 501(c)(3) of the Internal Revenue Code.

Use of Estimates:

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affected the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. A material estimate that is particularly susceptible to significant change in the near term relates to the determination of the accrued liability for the post-employment benefits other than pensions and the accumulated net pension liability.

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Uncertainties:

In March 2020, the World Health Organization declared COVID-19 a global pandemic, and governmental authorities around the world have implemented measures to reduce the spread of COVID-19 including restrictions on business operations, public gatherings and travel, as well as stay-at-home orders, social distancing, and quarantines. COVID-19 is having a significant effect on overall economic conditions in nearly all regions around the world and has caused volatility in financial markets, which may continue to affect the market price of the Library's investments. While this is expected to be temporary, the current circumstances are dynamic and the impacts of COVID-19 cannot be reasonably estimated at this time.

Subsequent Events:

The Library has evaluated events subsequent to the balance sheet date through December 18, 2020, which is the date the financial statements were available to be issued.

NOTE 2 - DEPOSITS AND INVESTMENTS:

Deposits consist of the following at June 30, 2020:

	Carrying Amount	Bank Balance
General fund	\$ 15,327,566	\$ 18,704,434

The Library's bank deposits are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000 per institution. At June 30, 2020, the above bank balance exceeded the FDIC insurance limit by approximately \$18,204,000. However, the bank balance in excess of FDIC insurance limits is covered by securities held by the pledging institution, or agent, in the Library's name.

At June 30, 2020, The Library had the following investments:

	Maturity				Fair Value
	< 1 Year	1-3 Years	3-5 Years	> 5 Years	
U.S. Treasury notes	\$ -	\$ 208,796	\$ -	\$ -	\$ 208,796
Government-sponsored Enterprises (GSE)	2,505,000	-	-	777,006	3,282,006
	<u>\$ 2,505,000</u>	<u>\$ 208,796</u>	<u>\$ -</u>	<u>\$ 777,006</u>	<u>\$ 3,490,802</u>

Investments in U.S. Treasury notes and GSEs have a AAA credit rating.

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Investments held by the Library are carried at their estimated fair market value. The Library uses valuation techniques for which sufficient data are available to measure fair value. The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1) and the lowest priority to unobservable inputs (level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1: Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets.
- Level 2: Inputs to the valuation methodology include quoted prices for similar assets or liabilities in active markets; quoted prices for identical or similar assets or liabilities in inactive markets; inputs other than quoted prices that are observable for the asset or liability; inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3: Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

Debt securities classified in Level 1 of the fair value hierarchy are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are subject to pricing by an alternative pricing source due to lack of information available by the primary vendor. There are no investments classified in Level 3.

The following table provides the hierarchy information about the Library's financial assets measured at fair value on a recurring basis at June 30, 2020:

	Level 1	Level 2	Level 3	Fair Value
U.S. Treasury notes	\$ 208,796	\$ -	\$ -	\$ 208,796
GSE	-	3,282,006	-	3,282,006
	<u>\$ 208,796</u>	<u>\$ 3,282,006</u>	<u>\$ -</u>	<u>\$ 3,490,802</u>

Investment expenses for the year ended June 30, 2020 totaled \$16,107 and are included in general operations expense.

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NOTE 3 - INVENTORY:

Inventory consists of the following at June 30, 2020:

	Library	Component Unit
Office supplies	\$ 17,593	\$ -
Operational supplies	8,979	-
Books	-	17,820
	<u>\$ 26,572</u>	<u>\$ 17,820</u>

NOTE 4 - CAPITAL ASSETS:

Capital asset activity for the year ended June 30, 2020, was as follows:

	Beginning Balance	Additions	Deletions/ Transfers	Ending Balance
Capital assets not being depreciated:				
Land	\$ 6,121,509	\$ -	\$ -	\$ 6,121,509
Works of art	201,066	-	-	201,066
Construction in progress	124,418	600,966	(583,855)	141,529
Total capital assets not being depreciated	<u>6,446,993</u>	<u>600,966</u>	<u>(583,855)</u>	<u>6,464,104</u>
Other capital assets:				
Buildings and improvements	76,401,370	1,053,617	346,459	77,801,446
Contractual and other services	56,462	-	-	56,462
Vehicles	683,317	-	-	683,317
Furniture	6,863,194	82,394	111,100	7,056,688
Equipment	7,936,873	326,310	66,761	8,329,944
Library materials	12,096,486	977,496	(2,044,096)	11,029,886
Total other capital assets	<u>104,037,702</u>	<u>2,439,817</u>	<u>(1,519,776)</u>	<u>104,957,743</u>
Less accumulated depreciation for:				
Buildings and improvements	(19,739,597)	(3,323,274)	-	(23,062,871)
Contractual and other services	(56,462)	-	-	(56,462)
Vehicles	(516,633)	(87,898)	-	(604,531)
Furniture	(2,469,123)	(1,275,542)	-	(3,744,665)
Equipment	(5,086,296)	(920,885)	-	(6,007,181)
Library materials	(7,186,264)	(1,737,126)	2,044,096	(6,879,294)
Total accumulated depreciation	<u>(35,054,375)</u>	<u>(7,344,725)</u>	<u>2,044,096</u>	<u>(40,355,004)</u>
Capital assets, net	<u>\$ 75,430,320</u>	<u>\$ (4,303,942)</u>	<u>\$ (59,535)</u>	<u>\$ 71,066,843</u>

NOTE 5 - LEASE OBLIGATIONS:

The Library leases office equipment under operating leases. In addition, the Library began leasing a building in September 2018 under an operating lease. Operating leases do not give rise to property rights or lease obligations, and therefore the results of the lease agreements are not reflected in the Library's account groups. The operating leases have scheduled rent increases throughout the term. The following is a schedule of future minimum rental payments required under operating leases that have initial or remaining noncancelable lease terms in excess of one year as of June 30, 2020:

<u>Year Ending June 30,</u>	
2021	\$ 54,432
2022	54,432
2023	54,432
2024	<u>20,088</u>
Total minimum payments	<u>\$ 183,384</u>

The minimum rental expenditures were \$154,313 for the year ended June 30, 2020 for all operating leases, except those with terms of a month or less that were not renewed.

NOTE 6 - PENSION PLAN:

Description of the Entity:

The South Carolina Public Employee Benefit Authority (PEBA), created July 1, 2012, is the state agency responsible for the administration and management of the various retirement systems and retirement programs of the state of South Carolina. As such PEBA is responsible for administering the South Carolina Retirement Systems' 5 defined benefit pension plans (Systems). PEBA has an 11-member board of directors, appointed by the Governor and General Assembly leadership, which serves as custodian, co-trustee and co-fiduciary of the Systems and the assets of the retirement trust funds. The Retirement System Investment Commission (Commission as the governing body, RSIC as the agency), created by the General Assembly in 2005, has exclusive authority to invest and manage the retirement trust funds' assets. The Commission, an 8-member board, serves as co-trustee and co-fiduciary for the assets of the retirement trust funds. By law, the State Fiscal Accountability Authority (SFAA), which consists of 5 elected officials, also reviews certain PEBA Board decisions regarding the actuary of the Systems.

For purposes of measuring the net pension liability, deferred outflows and inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Systems and additions to/deductions from the Systems' fiduciary net position have been determined on the accrual basis of accounting as they are reported by the Systems in accordance with GAAP. For this purpose, revenues are recognized when earned and expenses are recognized when incurred. Benefit and refund expenses are recognized when due and payable in accordance with the terms of the plan. Investments are reported at fair value.

PEBA issues a Comprehensive Annual Financial Report (CAFR) containing financial statements and required supplementary information for the Systems' Pension Trust Funds. The CAFR is

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publicly available through the Retirement Benefits' link on PEBA's website at www.peba.sc.gov, or a copy may be obtained by submitting a request to PEBA, 202 Arbor Lake Drive, Columbia, South Carolina 29223. PEBA is considered a division of the primary government of the state of South Carolina and therefore, retirement trust fund financial information is also included in the comprehensive annual financial report of the state.

Plan Description:

The South Carolina Retirement System (SCRS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1945, pursuant to the provisions of Section 9-1-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits for teachers and employees of the state and its political subdivisions. SCRS covers employees of state agencies, public school districts, higher education institutions, other participating local subdivisions of government and individuals newly elected to the South Carolina General Assembly at or after the 2012 general election.

The State Optional Retirement Program (State ORP) is a defined contribution plan that is offered as an alternative to SCRS to certain newly hired employees of state agencies, institutions of higher education, public school districts and individuals first elected to the General Assembly at or after the general election in November 2012. State ORP participants direct the investment of their funds into an account administered by 1 of 4 third party service providers. PEBA assumes no liability for State ORP benefits. Rather, the benefits are the liability of the third party service providers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes.

The South Carolina Police Officers Retirement System (PORS), a cost-sharing multiple-employer defined benefit pension plan, was established July 1, 1962, pursuant to the provisions of Section 9-11-20 of the South Carolina Code of Laws for the purpose of providing retirement and other benefits to police officers and firefighters. PORS also covers peace officers, coroners, probate judges, and magistrates.

Membership:

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

- SCRS - Generally, all employees of covered employers are required to participate in and contribute to the system as a condition of employment. This plan covers general employees and teachers and individuals newly elected to the South Carolina General Assembly beginning with the November 2012 general election. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.
- State ORP – As an alternative to membership in SCRS, newly hired state, public school, and higher education employees and individuals newly elected to the S.C. General Assembly beginning with the November 2012 general election have the option to participate in State ORP. PEBA assumes no liability for State ORP benefits. Rather, the

benefits are the liability of the 4 third party record keepers. For this reason, State ORP assets are not part of the retirement systems' trust funds for financial statement purposes. Contributions to State ORP are at the same rates as SCRS. A direct remittance is required from the employer to the member's account with the ORP vendor for the employee contribution and a portion of the employer contribution (5%). A direct remittance is also required to SCRS for the remaining portion of the employer contribution and an incidental death benefit contribution, if applicable, which is retained by SCRS.

- PORS - To be eligible for PORS membership, an employee must be required by the terms of his employment, by election or appointment, to preserve public order, protect life and property, and detect crimes in the state; to prevent and control property destruction by fire; or to serve as a peace officer employed by the Department of Corrections, the Department of Juvenile Justice, or the Department of Mental Health. Probate judges and coroners may elect membership in PORS. Magistrates are required to participate in PORS for service as a magistrate. PORS members, other than magistrates and probate judges, must also earn at least \$2,000 per year and devote at least 1,600 hours per year to this work, unless exempted by statute. An employee member of the system with an effective date of membership prior to July 1, 2012, is a Class Two member. An employee member of the system with an effective date of membership on or after July 1, 2012, is a Class Three member.

Benefits:

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

- SCRS - A Class Two member who has separated from service with at least 5 or more years of earned service is eligible for a monthly pension at age 65 or with 28 years credited service regardless of age. A member may elect early retirement with reduced pension benefits payable at age 55 with 25 years of service credit. A Class Three member who has separated from service with at least 8 or more years of earned service is eligible for a monthly pension upon satisfying the Rule of 90 requirement that the total of the member's age and the member's creditable service equals at least 90 years. Both Class Two and Class Three members are eligible to receive a reduced deferred annuity at age 60 if they satisfy the 5 or 8 year earned service requirement, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program.

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

the second July 1 after the date they would have had 28 years of service credit had they not retired.

- PORS - A Class Two member who has separated from service with at least 5 or more years of earned service is eligible for a monthly pension at age 55 or with 25 years of service regardless of age. A Class Three member who has separated from service with at least 8 or more years of earned service is eligible for a monthly pension at age 55 or with 27 years of service regardless of age. Both Class Two and Class Three members are eligible to receive a deferred annuity at age 55 with 5 or 8 years of earned service, respectively. An incidental death benefit is also available to beneficiaries of active and retired members of employers who participate in the death benefit program. Accidental death benefits are also provided upon the death of an active member working for a covered employer whose death was a natural and proximate result of an injury incurred while in the performance of duty.

The retirement allowance of eligible retirees or their surviving annuitants is increased by the lesser of 1% or \$500 every July 1. Only those annuitants in receipt of a benefit on July 1 of the preceding year are eligible to receive the increase.

Contributions:

Actuarial valuations are performed annually by an external consulting actuary to ensure applicable contribution rates satisfy the funding parameters specified in Title 9 of the South Carolina Code of Laws. Under these provisions, SCRS and PORS contribution requirements must be sufficient to maintain an amortization period for the financing of the unfunded actuarial accrued liability (UAAL) over a period that does not exceed the number of years scheduled in state statute. Legislation in 2017 increased, but also established a ceiling for SCRS and PORS employee contribution rates. Effective July 1, 2017, employee rates were increased to a capped rate of 9.00% for SCRS and 9.75% for PORS. The legislation also increased employer contribution rates beginning July 1, 2017 for both SCRS and PORS by 2% and further scheduled employer contribution rates to increase by a minimum of 1% each year through July 1, 2022. If the scheduled contributions are not sufficient to meet the funding periods set in state statute, the PEBA board shall increase the employer contribution rates as necessary to meet the funding periods set for the applicable year. The maximum funding period of SCRS and PORS is scheduled to be reduced over a 10-year schedule from 30 years beginning in fiscal year 2018 to 20 years by fiscal year 2028.

Additionally, the PEBA board is prohibited from decreasing the SCRS and PORS contribution rates until the funded ratio is at least 85%. If the most recent annual actuarial valuation of the Systems for funding purposes shows a ratio of the actuarial value of system assets to the actuarial accrued liability of the system (the funded ratio) that is equal to or greater than 85%, then the PEBA board, effective on the following July 1, may decrease the then current contribution rates upon making a finding that the decrease will not result in a funded ratio of less than 85%. If contribution rates are decreased pursuant to this provision, and the most recent annual actuarial valuation of the system shows a funded ratio of less than 85%, then effective on the following July 1, and annually thereafter as necessary, the PEBA board shall increase the then current contribution rates until a subsequent annual actuarial valuation of the system shows a funded ratio that is equal to or greater than 85%.

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Required employee contribution rates¹ for fiscal year June 30, 2020 are as follows:

SCRS	
Employee Class Two	9.00% of earnable compensation
Employee Class Three	9.00% of earnable compensation
PORS	
Employee Class Two	9.75% of earnable compensation
Employee Class Three	9.75% of earnable compensation

Required employer contribution rates¹ for fiscal year June 30, 2020 are as follows:

SCRS	
Employer Class Two	15.41% of earnable compensation
Employer Class Three	15.41% of earnable compensation
Employer Incidental Death Benefit	0.15% of earnable compensation
PORS	
Employer Class Two	17.84% of earnable compensation
Employer Class Three	17.84% of earnable compensation
Employer Incidental Death Benefit	0.20% of earnable compensation
Employer Accidental Death Program	0.20% of earnable compensation

¹Calculated on earnable compensation as defined in Title 9 of South Carolina Code of Laws

²Of this employer contribution, 5% of earnable compensation must be remitted by the employer directly to the ORP vendor to be allocated to the member's account with the remainder of the employer contribution remitted to SCRS.

The Library's contributions to the Plan for the year ended June 30, 2020 were \$2,240,649. Plan members' contributions to the Plan for the year ended June 30, 2020 were \$1,295,882.

For the year ended June 30, 2020, the Library's total payroll for all employees was \$14,618,117. Total covered payroll was \$14,168,960. Covered payroll refers to all compensation paid by the Library to active employees covered by the Plan.

Actuarial Assumptions and Methods:

Actuarial valuations of the plan involve estimates of the reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and future salary increases. Amounts determined regarding the net pension liability are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. South Carolina state statute requires that an actuarial experience study be completed at least once in each 5-year period. An experience report on the Systems was most recently issued for the period ending June 30, 2015.

The June 30, 2019, total pension liability, net pension liability, and sensitivity information shown in this report were determined by Systems' consulting actuary, Gabriel, Roeder, Smith and

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Company (GRS) and are based on an actuarial valuation performed as of July 1, 2018. The total pension liability was rolled-forward from the valuation date to the Systems' fiscal year end, June 30, 2019, using generally accepted actuarial principles.

The following table provides a summary of the actuarial assumptions and methods used to calculate the total pension liability as of June 30, 2019.

	SCRS	PORS
Actuarial cost method	Entry age normal	Entry age normal
Investment rate of return	7.25%	7.25%
Projected salary increases	3.0% to 12.5% (varies by service)	3.5% to 9.5% (varies by service)
Includes inflation at	2.25%	2.25%
Benefit adjustments	Lesser of 1% or \$500 annually	Lesser of 1% or \$500 annually

The post-retiree mortality assumption is dependent upon the member's job category and gender. The base mortality assumptions, the 2016 Public Retirees of South Carolina Mortality table (2016 PRSC), was developed using the Systems' mortality experience. These base rates are adjusted for future improvement in mortality using published Scale AA projected from the year 2016.

Assumptions used in the determination of the June 30, 2019, total pension liability are as follows.

Former Job Class	Males	Females
Educators	2016 PRSC Males multiplied by 92%	2016 PRSC Females multiplied by 98%
General Employees and Members of the General Assembly	2016 PRSC Males multiplied by 100%	2016 PRSC Females multiplied by 111%
Public Safety and Firefighters	2016 PRSC Males multiplied by 125%	2016 PRSC Females multiplied by 111%

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Pension Liabilities, Pension Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to Pensions:

Net pension liability is calculated separately for each system and represents that particular system's total pension liability in accordance with GASB No. 67 less that system's fiduciary net position. Net pension liability totals, as of June 30, 2019, for SCRS and PORS are presented below.

<u>System</u>	<u>Total Pension Liability</u>	<u>Plan Fiduciary Net Position</u>	<u>Employer's Net Pension Liability (Asset)</u>	<u>Plan Fiduciary Net Position as a Percentage of the Total Pension Liability</u>
SCRS	\$ 50,073,060,256	\$ 27,238,916,138	\$ 22,834,144,118	54.4%
PORS	7,681,749,768	4,815,808,554	2,865,941,214	62.7%

Total pension liability is calculated by the Systems' actuary, and each plan's fiduciary net position is reported in the Systems' financial statements. Liability calculations performed by the Systems' actuary for the purpose of satisfying the requirements of GASB Nos. 67 and 68 are not applicable for other purposes, such as determining the plans' funding requirements.

At June 30, 2020, the Library reported a liability of \$29,037,256 for its proportionate share of the net pension liabilities of SCRS and PORS. The net pension liabilities of SCRS and PORS were determined based on the July 1, 2018 actuarial valuations, using membership data as of July 1, 2018, projected forward to June 30, 2019, and financial information of the pension trust funds as of June 30, 2019, using generally accepted actuarial procedures. The Library's portion of the net pension liability was based on the Library's share of contributions to the pension plans relative to the contributions of all participating entities. At the June 30, 2019 measurement date, the Library's proportion of SCRS was 0.127003% and the Library's proportion of PORS was 0.001300%.

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For the year ended June 30, 2020, the Library recognized pension expense of \$1,292,874. At June 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual results	\$ 20,702	\$ 208,607
Net difference between projected and actual earnings on Plan investments	910,540	653,320
Change in proportionate share	920,870	161,878
Change in assumptions	585,869	-
Contributions subsequent to the measurement date	<u>2,240,648</u>	<u>-</u>
Total	<u>\$ 4,678,629</u>	<u>\$ 1,023,805</u>

Contributions submitted subsequent to the measurement date resulted in a deferred outflow of resources and will be recognized as a reduction of the net pension liability in the next fiscal year. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in pension expense as follows:

<u>Year ending June 30,</u>	<u>SCRS</u>	<u>PORS</u>
2021	\$ 1,252,374	\$ (24,681)
2022	(82,578)	(22,111)
2023	201,978	(12,192)
2024	<u>103,346</u>	<u>(1,960)</u>
Net balance of deferred outflows of resources	<u>\$ 1,475,120</u>	<u>\$ (60,944)</u>

Long-term Expected Rate of Return:

The long-term expected rate of return on pension plan investments is based upon 20-year capital market assumptions. The long-term expected rates of return represent assumptions developed using an arithmetic building block approach primarily based on consensus expectations and market based inputs. Expected returns are net of investment fees.

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The expected returns, along with the expected inflation rate, form the basis for the target asset allocation adopted at the beginning of the 2019 fiscal year. The long-term expected rate of return is produced by weighting the expected future real rates of return by the target allocation percentage and adding expected inflation and is summarized in the table below. For actuarial purposes, the 7.25% assumed annual investment rate of return used in the calculation of the total pension liability includes a 5.00% real rate of return and a 2.25% inflation component.

Asset Class	Target Asset Allocation	Expected Arithmetic Real Rate of Return	Long Term Expected Portfolio Real Rate of Return
Global Equity	51.0%		
Global Public Equity	35.0%	7.29%	2.55%
Private Equity	9.0%	7.67%	0.69%
Equity Options Strategies	7.0%	5.23%	0.37%
Real Assets	12.0%		
Real Estate (Private)	8.0%	5.59%	0.45%
Real Estate (REITs)	1.0%	8.16%	0.08%
Infrastructure (Private)	2.0%	5.03%	0.10%
Infrastructure (Public)	1.0%	6.12%	0.06%
Opportunistic	8.0%		
GTAA/Risk Parity	7.0%	3.09%	0.22%
Other Opportunistic Strategies	1.0%	3.85%	0.04%
Diversified Credit	15.0%		
High Yield Bonds/ Bank Loans	4.0%	3.14%	0.13%
Emerging Markets Debt	4.0%	3.31%	0.13%
Private Debt	7.0%	5.49%	0.38%
Rate Sensitive	14.0%		
Core Fixed Income	13.0%	1.62%	0.21%
Cash and Short Duration (Net)	1.0%	0.31%	0.00%
Total Expected Real Return	100.0%		5.41%
Inflation for Actuarial Purposes			2.25%
Total Expected Nominal Return			7.66%

Discount Rate:

The discount rate used to measure total pension liability was 7.25%. The projection of cash flows used to determine the discount rate assumed that contributions from participating employers in SCRS and PORS will be made based on the actuarially determined rates based on provisions in the South Carolina Code of Laws. Based on those assumptions, the System's fiduciary net position was projected to be available to make all the projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine total pension liability.

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Sensitivity Analysis:

The following table presents the Library's proportionate share of net pension liability calculated using the discount rate of 7.25% as well as what the Library's proportionate share of net pension liability would be if it were calculated using a discount rate that is 1.00% lower (6.25%) or 1.00% higher (8.25%) than the current rate:

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
System	1.00% Decrease (6.25%)	Current Discount Rate (7.25%)	1.00% Increase (8.25%)
SCRS	\$ 36,533,992	\$ 28,999,976	\$ 22,712,535
PORS	50,492	37,280	26,414

NOTE 7 - OTHER POST-EMPLOYMENT BENEFITS (OPEB):

Plan Description:

The Library administers a single-employer defined benefit OPEB plan (Plan) that provides OPEB for all active employees who retire from the Library under either the SCRS or PORS and have completed at least 15 years of salaried service with the Library immediately prior to retirement. The Library has the ability to amend the benefit terms and financing requirements of the Plan at any time. No assets are accumulated in a trust that meets the criteria of paragraph 4 of GASB No. 75.

Benefits Provided:

The Plan provides health, dental, and vision coverage for eligible retirees at no cost until the retiree becomes eligible for Medicare. Once the retiree becomes eligible for Medicare, the retiree is provided reimbursement of individual Medicare Supplement premiums up to \$350 per month. The retiree may continue dependent coverage and pay the full premium for this coverage. Spouse coverage ceases when the spouse reaches Medicare eligibility.

Employees Covered by Benefit Terms:

At June 30, 2020, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	61
Active plan members	<u>275</u>
Total	<u><u>336</u></u>

RICHLAND COUNTY PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS

Actuarial Assumptions and Other Inputs:

The total OPEB liability was determined by an actuarial valuation as of June 30, 2020, using the following significant actuarial assumptions and other inputs:

Discount rate	3.13%
Inflation rate	2.50%
Mortality	From the July 1, 2019 SCRS actuarial valuation, mortality rates for active employees were based on the RP-2014 mortality tables multiplied by 0.95 and, for retirees, the 2016 Public Retirees of South Carolina Mortality Table, multiplied by 1.00 for males and 1.11 for females, and projected with scale AA.
Health care cost trend rate	6.40% for year ended June 30, 2020, gradually decreasing over several decades to an ultimate rate of 4.00% in 2076 and later years.

The discount rate used to measure the total OPEB liability was based on the index rate for 20-year tax-exempt municipal bonds.

Total OPEB Liability:

At June 30, 2020, the Library's total OPEB liability was \$6,533,945, and was determined based on the June 30, 2019 valuation. Changes in total OPEB liability for the year ended June 30, 2020 consist of the following:

Total OPEB liability, June 30, 2019	<u>\$ 10,670,386</u>
Changes for the year:	
Service cost	423,939
Interest	422,127
Difference between expected and actual experience	(4,624,972)
Changes in assumptions or other inputs	92,113
Changes in benefit terms	(76,362)
Benefit payments	<u>(373,286)</u>
Net changes	<u>(4,136,441)</u>
Total OPEB liability, June 30, 2020	<u><u>\$ 6,533,945</u></u>

Changes of assumptions and other inputs reflect a change in the municipal bond index rate from 3.87% to 3.13%.

RICHLAND COUNTY PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS

Sensitivity of Total OPEB liability to Changes in the Discount Rate:

The following presents total OPEB liability of the Library, as well as what the Library's total OPEB liability would be if it were calculated using a discount rate that is 1.00% lower (2.13%) or 1.00% higher (4.13%) than the current discount rate:

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate			
	1.00% Decrease (2.13%)	Current Discount Rate (3.13%)	1.00% Increase (4.13%)
Total OPEB Liability	\$ 7,388,078	\$ 6,533,945	\$ 5,811,808

Sensitivity of Total OPEB liability to Changes in the Healthcare Cost Trend Rates:

The following presents total OPEB liability of the Library, as well as what the Library's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1.00% lower (5.40% decreasing to 3.00%) or 1.00% higher (7.40% decreasing to 5.00%) than the current healthcare cost trend rates:

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rate			
	1.00% Decrease (5.40% decreasing to 3.00%)	Current (6.40% decreasing to 4.00%)	1.00% Increase (7.40% decreasing to 5.00%)
Total OPEB Liability	\$ 6,259,830	\$ 6,533,945	\$ 6,831,702

OPEB Expense, Deferred Outflows of Resources, and Deferred Inflows of Resources Related to OPEB:

For the year ended June 30, 2020, the Library recognized OPEB expense of \$32,375. At June 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual results	\$ -	\$ 4,255,073
Change in assumptions and other inputs	81,657	828,681
Contributions subsequent to the measurement date	281,665	-
Total	<u>\$ 363,322</u>	<u>\$ 5,083,754</u>

RICHLAND COUNTY PUBLIC LIBRARY
 NOTES TO FINANCIAL STATEMENTS

Contributed submitted subsequent to the measurement date resulted in a deferred outflow of resources and will be recognized as a reduction of the total OPEB liability in the next fiscal year. Other amounts reported as deferred outflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ending June 30,</u>	
2021	\$ 667,229
2022	667,229
2023	667,229
2024	667,229
2025	667,229
Thereafter	<u>1,665,952</u>
Net balance of deferred inflows of resources	<u>\$ 5,002,097</u>

NOTE 8 - DEFERRED COMPENSATION AGREEMENT:

The Library offers its employees two voluntary deferred compensation plans structured and operated in accordance with provisions of Internal Revenue Code Section 401(k). The plans are administered by outside agencies and the Library makes no contributions on behalf of the participants. The Library's liability is limited to remitting amounts deferred and withheld from the employees' wages to the plan administrators.

NOTE 9 - COMMITMENTS AND CONTINGENCIES:

The Library is involved in certain legal proceedings arising in the normal course of business. Losses, if any, arising from such proceedings are not determinable at this time and are not likely to have a material adverse impact on the affected funds of the Library.

The Library has entered into numerous agreements in regards to the renovations and additions to Library branches. The outstanding commitment regarding these projects is approximately \$528,000 as of June 30, 2020.

NOTE 10 - 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; injuries to employees; and natural disasters. The Library has purchased insurance from commercial insurers and feels the coverage provided is adequate.

NOTE 11 - TAX ABATEMENT:

Richland County, South Carolina (County) has two tax abatement programs, which abate Library property tax revenues from certain taxpayers. Those programs are the Fee-in-Lieu of Ad Valorem Property Tax (FILOT) program and the Special Source Revenue Credit (SSRC) program. The purpose of the FILOT program is to reduce the disparately higher property tax rates applied to manufacturing and certain commercial properties in South Carolina, which have previously impeded new and expanding business from locating in South Carolina. The purpose of the SSRC program is to enhance economic development by reducing property taxes for taxpayers that use the credit provided under the SSRC program to pay the cost of designing, acquiring, constructing, improving, or expanding (a) infrastructure serving the local government or the taxpayer's property, or (b) improved or unimproved real estate and personal property, including machinery and equipment used in the operation of a manufacturing or commercial enterprise.

Additionally, the County uses multi-county industrial or business parks (MCIP) in connection with the FILOT and SSRC programs, which further abate the Library's property tax revenues from certain taxpayers.

For tax year 2019, the gross dollar amount by which the Library's property tax revenues were abated pursuant to tax abatement agreements entered into by the County under each of the programs described above is as follows:

FILOT	\$ 423,402
SSRC	133,817
MCIP	<u>53,944</u>
	<u>\$ 611,163</u>

For tax year 2019, the gross dollar amount of property tax revenues the Library received pursuant to the tax abatement agreements entered into by the County under each of the programs described above is as follows:

FILOT	\$ 639,254
SSRC	172,302
MCIP	<u>531,246</u>
	<u>\$ 1,342,802</u>

REQUIRED SUPPLEMENTARY INFORMATION

**RICHLAND COUNTY PUBLIC LIBRARY
COLUMBIA, SOUTH CAROLINA**

**BUDGETARY COMPARISON SCHEDULE - GENERAL FUND
YEAR ENDED JUNE 30, 2020**

	Budgeted Amounts		Actual Amounts (Budgetary Basis) (See Note)	Variance with Final Budget Positive (Negative)
	Original	Final		
Resources (inflows):				
Property taxes	\$ 29,391,734	\$ 29,391,734	\$ 29,391,734	\$ -
Fees and fines	64,500	64,500	68,772	4,272
Charges for services	82,450	82,450	65,838	(16,612)
Investment earnings	215,000	215,000	261,642	46,642
Miscellaneous	90,625	108,024	113,179	5,155
Amounts available for appropriation	<u>29,844,309</u>	<u>29,861,708</u>	<u>29,901,165</u>	<u>39,457</u>
Charges to appropriations (outflows):				
General government:				
Personnel	20,859,395	20,715,387	20,436,630	278,757
Materials and resources	3,800,862	3,853,870	3,565,055	288,815
Supplies	320,000	320,000	215,566	104,434
General operations	478,668	591,927	409,538	182,389
Vehicle operations	65,500	65,500	42,374	23,126
Contractual services	1,139,773	1,410,373	998,215	412,158
Facilities and maintenance	3,180,111	3,261,111	2,551,589	709,522
Capital outlay*	-	-	-	-
Total charges to appropriations	<u>29,844,309</u>	<u>30,218,168</u>	<u>28,218,967</u>	<u>1,999,201</u>
Net change in fund balances	-	(356,460)	1,682,198	2,038,658
Fund balances - beginning	-	-	14,101,024	-
Fund balances - ending	<u>\$ -</u>	<u>\$ (356,460)</u>	<u>\$ 15,783,222</u>	<u>\$ -</u>

*The Library budgets capital outlay by function and has included \$976,403 in materials and resources, \$68,584 in facilities and maintenance and \$46,593 in contractual services

**RICHLAND COUNTY PUBLIC LIBRARY
COLUMBIA, SOUTH CAROLINA**

**SCHEDULE OF THE LIBRARY'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
YEAR ENDED JUNE 30, 2020**

	Year Ended June 30,						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
SOUTH CAROLINA RETIREMENT SYSTEM (SCRS):							
Library's proportion of the net pension liability	0.126878%	0.123465%	0.124327%	0.117249%	0.119191%	0.119191%	0.123976%
Library's proportionate share of the net pension liability	\$ 28,999,976	\$ 27,669,667	\$ 27,988,007	\$ 25,044,000	\$ 22,605,148	\$ 21,344,557	\$ 22,236,872
Library's covered payroll	\$ 14,381,980	\$ 13,411,135	\$ 12,796,761	\$ 12,544,099	\$ 11,354,051	\$ 11,175,559	\$ 11,255,288
Library's proportionate share of the net pension liability as a percentage of its covered payroll	201.64%	206.32%	218.71%	199.65%	199.09%	190.99%	197.57%
Plan fiduciary net position as a percentage of total pension liability	54.40%	54.10%	53.30%	52.90%	57.00%	59.92%	56.39%
POLICE OFFICERS RETIREMENT SYSTEM (PORS):							
Library's proportion of the net pension liability	0.001300%	0.002945%	0.004306%	0.006319%	0.006148%	0.006148%	0.005003%
Library's proportionate share of the net pension liability	\$ 37,280	\$ 83,421	\$ 117,965	\$ 160,305	\$ 133,995	\$ 95,779	\$ 103,711
Library's covered payroll	\$ 15,418	\$ 18,867	\$ 40,750	\$ 57,984	\$ 80,550	\$ 76,163	\$ 60,168
Library's proportionate share of the net pension liability as a percentage of its covered payroll	241.80%	442.15%	289.49%	276.46%	166.35%	125.76%	172.37%
Plan fiduciary net position as a percentage of total pension liability	62.70%	61.70%	60.90%	60.40%	64.60%	67.55%	62.98%

NOTE TO SCHEDULE: The Library implemented GASB No. 68 during the year ended June 30, 2015. Thus, data is only available for the last 7 years. The above schedule will present 10 years of information once it is accumulated. The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

**RICHLAND COUNTY PUBLIC LIBRARY
COLUMBIA, SOUTH CAROLINA**

**SCHEDULE OF THE LIBRARY'S PENSION PLAN CONTRIBUTIONS
YEAR ENDED JUNE 30, 2020**

	Year Ended June 30,						
	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
SOUTH CAROLINA RETIREMENT SYSTEM:							
Contractually required contributions	\$ 2,237,836	\$ 1,952,662	\$ 1,735,241	\$ 1,450,098	\$ 1,255,758	\$ 1,218,136	\$ 1,193,061
Contributions in relation to the contractually required contribution	<u>2,237,836</u>	<u>1,952,662</u>	<u>1,735,241</u>	<u>1,450,098</u>	<u>1,255,758</u>	<u>1,218,136</u>	<u>1,193,061</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 14,381,980	\$ 13,411,135	\$ 12,796,761	\$ 12,544,099	\$ 11,354,051	\$ 11,175,559	\$ 11,255,288
Contributions as a percentage of covered payroll	15.56%	14.56%	13.56%	11.56%	11.06%	10.90%	10.60%
POLICE OFFICERS RETIREMENT SYSTEM:							
Contractually required contributions	\$ 2,813	\$ 3,253	\$ 6,619	\$ 8,257	\$ 11,067	\$ 10,214	\$ 7,725
Contributions in relation to the contractually required contribution	<u>2,813</u>	<u>3,253</u>	<u>6,619</u>	<u>8,257</u>	<u>11,067</u>	<u>10,214</u>	<u>7,725</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	\$ 15,418	\$ 18,867	\$ 40,750	\$ 57,984	\$ 80,550	\$ 76,163	\$ 60,168
Contributions as a percentage of covered payroll	18.24%	17.24%	16.24%	14.24%	13.74%	13.41%	12.84%

NOTE TO SCHEDULE: The Library implemented GASB No. 68 during the year ended June 30, 2015. Thus, data is only available for the last 7 years. The above schedule will present 10 years of information once it is accumulated. The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

**RICHLAND COUNTY PUBLIC LIBRARY
COLUMBIA, SOUTH CAROLINA**

SCHEDULE OF CHANGES IN THE LIBRARY'S TOTAL OPEB LIABILITY AND
RELATED RATIOS
YEAR ENDED JUNE 30, 2020

	Year Ended June 30,		
	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB Liability:			
Service cost	\$ 423,939	\$ 403,123	\$ 443,662
Interest	422,127	376,962	331,404
Differences between expected and actual experience	(4,624,972)	(118,490)	(93,791)
Changes of assumptions or other inputs	92,113	(409,471)	(761,876)
Changes in benefit terms	(76,362)	-	-
Benefit payments	(373,286)	(338,164)	(343,589)
Net change in total OPEB liability	(4,136,441)	(86,040)	(424,190)
Total OPEB liability, beginning of year	10,670,386	10,756,426	11,180,616
Total OPEB liability, end of year	\$ 6,533,945	\$ 10,670,386	\$ 10,756,426
Covered-employee payroll	\$ 10,747,716	\$ 13,124,363	\$ 11,651,444
Total OPEB liability as a percentage of covered payroll	60.79%	81.30%	92.32%

NOTE TO SCHEDULE: The Library implemented GASB No. 75 during the year ended June 30, 2018. Thus, data is only available for 3 years. The above schedule will present 10 years of information once it is accumulated. The amounts presented for each fiscal year were determined as of June 30th of the preceding year.

OTHER INFORMATION

**RICHLAND COUNTY PUBLIC LIBRARY
COLUMBIA, SOUTH CAROLINA**

SCHEDULE OF REVENUES AND EXPENDITURES BY SOURCE
YEAR ENDED JUNE 30, 2020

	<u>Beginning Balance</u>	<u>Revenues</u>	<u>Expenditures</u>	<u>Ending Balance</u>
SOURCE OF FUNDS:				
Local Sources:				
County or tax appropriation	\$ 13,389,312	\$ 29,391,734	\$ 26,617,610	\$ 16,163,436
Fees and fines	418,789	68,772	62,280	425,281
Gifts and donations	416,213	165,170	107,784	473,599
Other local	382,730	3,743,614	3,521,180	605,164
Total local sources	<u>14,607,044</u>	<u>33,369,290</u>	<u>30,308,854</u>	<u>17,667,480</u>
State Sources:				
State aid	-	769,008	769,008	-
Other state	-	1,000	-	1,000
Total state sources	<u>-</u>	<u>770,008</u>	<u>769,008</u>	<u>1,000</u>
Federal Sources:				
Library services and technology act	-	38,421	15,468	22,953
Total federal sources	<u>-</u>	<u>38,421</u>	<u>15,468</u>	<u>22,953</u>
Total all sources of funds	<u>\$ 14,607,044</u>	<u>\$ 34,177,719</u>	<u>\$ 31,093,330</u>	<u>\$ 17,691,433</u>



J. W. Hunt and Company

Certified Public Accountants

**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
Richland County Public Library
Columbia, South Carolina

We have audited, 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, the financial statements of the governmental activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of Richland County Public Library, Columbia, South Carolina (Library), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated December 18, 2020.

Internal Control Over Financial Reporting

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. 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 the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 any 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.

J. W. Hunt and Company

December 18, 2020