

**ST. MARY'S COUNTY LIBRARY**

**Financial Statements Together with  
Reports of Independent Public Accountants**

**For the Year Ended June 30, 2020**



**S B & COMPANY, LLC**  
KNOWLEDGE • QUALITY • CLIENT SERVICE

**JUNE 30, 2020**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS**

To the Board of Trustees of  
St. Mary's County Library  
Chestertown, Maryland

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities and the major funds of the St. Mary's County Library (the Library), a component unit of St. Mary's County, Maryland, 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***

The Library's 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 of America. 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 opinion.



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### ***Opinions***

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the St. Mary's County Library, as of June 30, 2020, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and required supplementary information, as individually listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required 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 opinions on the financial statements that collectively comprise the Library's basic financial statements. The combining schedule of expenditures and schedule of expenditures – gifts and grants fund, are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining schedule of expenditures and schedule of expenditures – gifts and grants fund are the responsibility of management and were derived from and relate 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 accompanying combining schedule of expenditures and schedule of expenditures – gifts and grants fund are fairly stated in all material respects in relation to the basic financial statements as a whole.



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### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have issued our report dated December 1, 2020, on our consideration of the Library's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

Owings Mills, Maryland  
December 1, 2020

*SB & Company, LLC*

## **ST. MARY'S COUNTY LIBRARY**

### **Management's Discussion and Analysis As of June 30, 2020**

Our Discussion and Analysis of the St. Mary's County Library's financial performance provides an overview of our financial activities for the fiscal year ended June 30, 2020. Please read it in conjunction with the Library's financial statements, which follow this section.

The Library's net position declined significantly during this fiscal year when compared to the previous year, by \$701,959. This is primarily a result of depreciation and OPEB expense for the year ended June 30, 2020.

Overall, our revenues increased by 15.32%, with a 2.99% increase in county funding, a 1.24% increase in state funding, 84.02% increase in donated facilities, and an 18.58% increase in grants. Some of our change in net position is due to depreciation of \$457,578. The Library remains in a sound position as a wise steward of public funds.

In FY 2020, the actual expenses exceed the projected budget by \$63,304.

This Management's Discussion and Analysis section includes the following parts:

- I. Overview of Our Financial Statements
- II. Condensed Comparative Financial Information
- III. Analysis of Library's Overall Financial Position
- IV. The Library's Funds
- V. Operating Fund Budgetary Highlights
- VI. Capital Assets and Debt Administration
- VII. The Future: Currently Known Facts, Decisions or Conditions

#### **I. OVERVIEW OF THE FINANCIAL STATEMENTS**

Condensed Comparative Financial Information: Summary Statements of Net Position and Summary Statements of Activities

The Summary Statements of Net Position and Summary Statements of Activities include all assets and liabilities using the accrual basis of accounting, which is similar to the accounting used by most private-sector companies. All of the current year's revenue and expenses are taken into account with regard for when funds are received or paid.

These two statements report the Library's net position in FY 2020 and also any changes in its net position since FY 2019. In our Net Position, increases or decreases in the Library's assets and liabilities are one indicator of its financial health. Other factors, however, such as changes in the St. Mary's County's population, tax base, and capital assets and the State of Maryland's finances, are important for assessing the overall financial health of the Library, as these entities provide nearly all of our funding.

# **ST. MARY'S COUNTY LIBRARY**

## **Management's Discussion and Analysis As of June 30, 2020**

### **I. OVERVIEW OF THE FINANCIAL STATEMENTS (continued)**

In our Activities, all of the Library's basic funds, revenues, salaries and benefits, depreciation, and expenses are included. The revenues fund all of our activities: general administration, our library collection, and public services, which include services in our branches and outreach services to special populations. County and State funding, federal grants and nominal user fees finance most of these activities. In FY 2020, the Library had no business revenue: activities in which fees from customers cover all of the cost of services provided.

- **Analysis of Library's Overall Financial Position**

The Analysis of Library's Overall Financial Position provides a comparison of our FY 2020 total costs in comparison to FY 2019 and a breakdown of the percentages of those costs by funding and by expenditures.

- **Library Funds**

The Library's Funds financial statement provides details about the most significant external funding sources and the Library's unexpended fund balance. Some funds are required to be established by State law. However, the Board of Library Trustees establishes other funds to help it manage and control assets for particular purposes or to show that it is meeting legal responsibilities for using certain grants and other money. All of the Library's funds are considered governmental funds. The focus is on how money flows into and out of those funds and the balances left at year end that are available for spending. These funds are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the Library's general government operations.

Governmental fund information helps determine whether there are more or less financial resources that can be spent in the near future to finance the Library's programs and to meet operating costs.

The Library has no proprietary funds wherein customers are charged for the cost of services provided.

- **Operating Fund Budgetary Highlights**

This section lists some notable events in our FY 2019 funding.

- **Capital Assets and Debt Administration**

This section details our capital assets and debt administration

- **The Future: Currently Known Facts, Decisions or Conditions**

Contains information and possible contingencies that might affect library operations in FY 2021 or the long-term.

## ST. MARY'S COUNTY LIBRARY

### Management's Discussion and Analysis As of June 30, 2020

#### II. CONDENSED COMPARATIVE FINANCIAL INFORMATION

For the years ended June 30, 2020 and 2019, net position consisted of the following:

##### Summary Statements of Net Position

	2020	2019	% Change
Current and other assets	\$ 801,977	\$ 1,322,972	-39.38%
Capital assets, net	558,191	968,463	-42.36%
Total assets	1,360,167	2,291,435	-40.64%
Deferred outflows - OPEB	1,633,772	38,417	4152.73%
Total Assets and Deferred Outflows	2,993,939	2,329,852	28.50%
Current liabilities	307,435	772,319	-60.19%
Other liabilities	3,172,317	1,282,323	147.39%
Total Liabilities	3,479,752	2,054,642	69.36%
Deferred inflows - OPEB	162,520	221,585	-26.66%
Total Liabilities and Deferred Inflows	3,642,272	2,276,227	60.01%
Net Position:			
Net invested in capital assets	558,191	968,463	-42.36%
Restricted	97,595	96,945	0.67%
Unrestricted	(1,304,119)	(1,011,782)	28.89%
Total Net Position	\$ (648,333)	\$ 53,626	-1309.00%

The Library's net position decrease 1,309% during the fiscal year ended June 30, 2020. This is primarily attributable to the changes in net OPEB liability, related deferred outflows and inflows, and a result of the loss of \$702k in FY20.

#### III. ANALYSIS OF LIBRARY'S OVERALL FINANCIAL POSITION

##### Summary Statements of Activities

	2020	2019	% Change
County funds	\$ 2,964,146	\$ 2,878,050	2.99%
County funds – donated facilities	1,559,112	847,272	84.02%
State aid	806,694	796,832	1.24%
Grant revenues	862,531	727,353	18.58%
Other revenues	528,011	578,109	-8.67%
Total Revenues	6,720,495	5,827,616	15.32%
Salaries and employee benefits	2,987,237	2,874,974	3.90%
Rent expense	1,559,112	847,272	84.02%
Depreciation	457,578	449,245	1.85%
Gift and grant expenses	851,105	841,752	1.11%
Other expenses	1,567,421	1,663,949	-5.80%
Total Expenses	7,422,454	6,677,191	11.16%
Change in Net Position	\$ (701,959)	\$ (849,575)	



## **ST. MARY'S COUNTY LIBRARY**

### **Management's Discussion and Analysis As of June 30, 2020**

#### **IV. THE LIBRARY'S FUNDS**

As of June 30, 2020 and 2019, the Library had a total governmental fund balance of \$494,541 and \$550,654 respectively. During the year ended June 30, 2020, governmental fund balances decreased by \$56,113, primarily as a result of expenditures over revenue in the Operating fund of \$77,339.

#### **V. OPERATING FUND BUDGETARY HIGHLIGHTS**

- In fiscal year 2020, the county allocation for annual operating expenses was \$2,964,146 an increase of 2.99%. This amount is what the Library actually receives, not including rent amounts, which are assessed and paid but for which no funds change hands.
- In fiscal year 2020, the Library received \$806,694, from the State of Maryland, an increase of \$9,862 or 1.23%. The amount given is based on a complicated formula, but demographics are a factor. The amount reflected expected gains in St. Mary's County population for the year.
- Eligible employees received a 2.5% salary increase on the anniversaries of their employment.
- Funding for materials was decreased to \$360,000, but the budget line was supplemented with a \$20,000 from the Friends of the Library to keep pace with prior years. St. Mary's spends more on its collection than our affiliated libraries in Calvert and Charles counties and circulates 30% more materials than Calvert and 70% more than Charles. Unfortunately, the COVID-19 pandemic slowed down publishing of new titles and closed operations in our processor, the Sothern Maryland Regional Library Association. Accordingly, we were not able to spend the full amount this year
- The library received \$78,000 grants from the Maryland State Library: \$12,000 for staff development (which funds education and training) and \$66,000 to deploy the Library Simplified app for libraries across the state. We draw upon these funds as we complete projects or training rather than having these grants as operating funds to spend at our discretion.
- Due to the library being closed or having limited operations from March 13 onwards due to the COVID-19 Pandemic, revenues from fines and services were down.
- Actual operating expenses were \$77,339 more than operating revenues.

## ST. MARY'S COUNTY LIBRARY

### Management's Discussion and Analysis As of June 30, 2020

#### VI. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets as of June 30, 2020 and 2019 and their respective changes are as follows:

##### Capital Assets, Net of Depreciation

	2020	2019	% Change
Furnishing and equipment	\$ 84,157	\$ 80,373	4.71%
Leasehold improvements	70,188	71,942	-2.44%
Books	403,846	816,148	-50.52%
Total	\$ 558,191	\$ 968,463	-42.36%

#### VII. THE FUTURE: CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS

State Funding: The Laws of Maryland pertaining to libraries list the following amounts:

Expenses per resident: Each county public library system that participates in the minimum library program shall be provided for each resident of the county, to be used for operating and capital expenses:

- a) For each of fiscal years 2011 through 2015 — \$14.00;
- b) For fiscal year 2016 — \$14.27;
- c) For fiscal year 2017 — \$14.54.
- d) For fiscal year 2018 — \$15.00;
- e) For fiscal year 2019 — \$15.50;
- f) For fiscal year 2020 — \$16.00;
- g) For fiscal year 2021 — \$16.43; and
- h) For fiscal year 2022 and each fiscal year thereafter — \$16.70.

While some funding increases are expected for the coming fiscal years, the amounts in fiscal year 2021 and fiscal year 2022 are less than in previous years. No funding increases are currently in statute beyond those years. St. Mary's County Library should expect and budget for less in state funding in the future, especially as St. Mary's population growth may be less than in the last decade. The COVID-19 pandemic's effect on revenues may mean that libraries in the state may not see an increase in Fiscal Year 2022 and may even see funding cuts.

County Funding: County funding appears to be on par with the past, but an economic downturn could reduce resources. Currently, there is some concern that if the state enacts the recommendations of the Kirwan Commission to increase educational funding (vetoed in the 2020 legislative session but possibly coming back in the 2021 session), county resources may become strapped without revenue enhancements. The COVID-19 Pandemic's economic effects may also lessen local revenue, meaning the library may see no funding increase for FY22 from the county.

## **ST. MARY'S COUNTY LIBRARY**

### **Management's Discussion and Analysis As of June 30, 2020**

#### **CONTACTING THE LIBRARY'S FINANCIAL MANAGEMENT**

This financial report is designed to provide citizens, taxpayers, customers, and creditors with a general overview of the Library's finances and to show the Library's accountability for the money it receives. If you have questions about the report or need additional financial information, contact the Library Director's office at 23250 Hollywood Road, Leonardtown, Maryland 20650.

# ST. MARY'S COUNTY LIBRARY

## Statement of Net Position and Governmental Funds Balance Sheet As of June 30, 2020

	ASSETS				
	Governmental Funds			Adjustments (Note 3)	Statement of Net Position
	Operating Fund	Gifts and grants Fund	Total		
Cash	\$ 246,054	\$ 710	\$ 246,764	\$ -	\$ 246,764
Investments	457,618	-	457,618	-	457,618
Restricted cash and investments	-	97,595	97,595	-	97,595
Due from operating fund	-	73,343	73,343	(73,343)	-
Due from fiduciary fund	-	-	-	-	-
Capital assets, net	-	-	-	558,191	558,191
Total Assets	<u>\$ 703,671</u>	<u>\$ 171,648</u>	<u>\$ 875,320</u>	484,848	1,360,167
Deferred outflows - OPEB				1,633,772	1,633,772
Total Assets and Deferred Outflows				<u>\$ 2,118,620</u>	<u>\$ 2,993,939</u>
LIABILITIES AND FUND BALANCE/NET POSITION					
LIABILITIES					
Accounts payable and accrued expenses	\$ 237,031	\$ -	\$ 237,031	\$ -	\$ 237,031
Accrued salaries and benefits	70,404	-	70,404	-	70,404
Due to operating fund	-	-	-	-	-
Due to gift & grant funds	73,343	-	73,343	(73,343)	-
Net OPEB liability	-	-	-	3,047,327	3,047,327
Accrued leave	-	-	-	124,990	124,990
Total Liabilities	<u>380,778</u>	<u>-</u>	<u>380,778</u>	3,098,974	3,479,752
Deferred inflows - OPEB				162,520	162,520
Total Liabilities and Deferred Inflows				<u>3,261,494</u>	<u>3,642,272</u>
FUND BALANCES / NET POSITION					
Fund balances:					
Nonspendable	-	70,452	70,452	(70,452)	-
Restricted	-	27,143	27,143	(27,143)	-
Committed	-	-	-	-	-
Assigned	-	74,053	74,053	(74,053)	-
Unassigned	322,893	-	322,893	(322,893)	-
Total fund balance	<u>322,893</u>	<u>171,648</u>	<u>494,541</u>	<u>(494,541)</u>	<u>-</u>
Total Liabilities and Fund Balance	<u>\$ 703,671</u>	<u>\$ 171,648</u>	<u>\$ 875,320</u>		
Net Position :					
Net investment in capital assets				558,191	558,191
Restricted				97,595	97,595
Unrestricted				(1,304,119)	(1,304,119)
Total Net Position				<u>\$ (648,333)</u>	<u>\$ (648,333)</u>

The accompany notes are an integral part of this financial statement.

## ST. MARY'S COUNTY LIBRARY

### Reconciliation of the Governmental Fund Balance to the Statement of Net Position As of June 30, 2020

Total fund balances - governmental funds	\$ 494,541
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds:	
Capital assets, net	558,191
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(124,990)
Net OPEB Liability	(3,047,327)
Deferred outflows and inflows - OPEB	<u>1,471,252</u>
Net Position of Governmental Activities	<u>\$ (648,333)</u>

The accompany notes are an integral part of this financial statement.

# ST. MARY'S COUNTY LIBRARY

## Statement of Activities and Governmental Fund Revenues, Expenditures and Changes in Fund Balance For the Year Ended June 30, 2020

	Governmental Funds			Adjustments (Note 3)	Statement of Activities
	Operating Fund	Gifts and Grants Fund	Total		
Revenues					
County appropriations	\$ 2,964,146	\$ -	\$ 2,964,146	\$ -	\$ 2,964,146
Other County Appropriations	1,559,112		1,559,112		1,559,112
State Aid	806,694	-	806,694	-	806,694
Grant	-	862,531	862,531	-	862,531
State of Maryland - retirement benefit	371,084	-	371,084	-	371,084
Services income	53,079	-	53,079	-	53,079
Fines and damages	42,307	-	42,307	-	42,307
Contributions and donations	-	9,800	9,800	-	9,800
Miscellaneous	1,944	-	1,944	-	1,944
Investment income	49,798	-	49,798	-	49,798
Total Revenues	<u>5,848,163</u>	<u>872,331</u>	<u>6,720,494</u>	<u>-</u>	<u>6,720,494</u>
Expenditures/expenses:					
Lexington Park Branch	1,522,941	-	1,522,941	-	1,522,941
Leonardtown Branch	1,422,334	-	1,422,334	-	1,422,334
Charlotte Hall Branch	915,439	-	915,439	-	915,439
General Operating	1,693,705	-	1,693,705	188,268	1,881,972
Other grants	-	726,222	726,222	-	726,222
Friends of Library	-	124,883	124,883	-	124,883
Depreciation	-	-	-	457,578	457,578
State of Maryland - retirement benefit	371,084	-	371,084	-	371,084
Total expenditures/expenses	<u>5,925,503</u>	<u>851,105</u>	<u>6,776,608</u>	<u>645,846</u>	<u>7,422,454</u>
Excess of revenues over (under) expenditures/expenses	(77,339)	21,226	(56,113)	56,113	-
Change in net position	-	-	-	(701,959)	(701,959)
Fund balances/net position:					
Beginning of year	<u>400,232</u>	<u>150,422</u>	<u>550,654</u>	<u>765,501</u>	<u>53,626</u>
End of year	<u>\$ 322,893</u>	<u>\$ 171,648</u>	<u>\$ 494,541</u>	<u>\$ 119,655</u>	<u>\$ (648,333)</u>

The accompany notes are an integral part of this financial statement.

## ST. MARY'S COUNTY LIBRARY

### Reconciliation of the Statement of Activities and Governmental Fund Revenue, Expenditures and Change in Fund Balance to the Statement of Activities For the Year Ended June 30, 2020

Net change in fund balances - total governmental funds \$ (56,113)

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

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets are allocated over their estimated useful lives and reported as depreciation expense.

Capital asset purchases capitalized	\$ 43,956	
Depreciation expense	<u>(457,578)</u>	(413,622)

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.

Accrued compensated absences	(9,307)
Change in net OPEB liability and related deferred outflows and inflows	<u>(222,917)</u>

Change in Net Position of Governmental Activities	<u>\$ (701,959)</u>
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The accompany notes are an integral part of this financial statement.

**ST. MARY'S COUNTY LIBRARY**

**Statement of Fiduciary Net Position  
For the Year Ended June 30, 2020**

ASSETS

Restricted Cash and investments	<u>\$ 1,057,687</u>
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NET POSITION

Net position held in trust for other postemployment benefits	<u>\$ 1,057,687</u>
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The accompany notes are an integral part of this financial statement.



## ST. MARY'S COUNTY LIBRARY

### Statement of Changes in Fiduciary Net Position June 30, 2020

#### ADDITIONS

Contributions	\$ 103,907
Interest and dividends	37,295
Net (depreciation)/appreciation in fair value of plan investments	<u>(24,373)</u>
Total additions	<u>116,829</u>

#### DECDUCTIONS

Benefits paid	<u>103,907</u>
Total deductions	<u>103,907</u>

Change in net position	12,922
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#### NET POSITION

Beginning of year	<u>1,044,765</u>
End of Year	<u>\$ 1,057,687</u>

The accompany notes are an integral part of this financial statement.

# **ST. MARY'S COUNTY LIBRARY**

## **Notes to the Financial Statements**

**June 30, 2020**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The St. Mary's County Library (the "Library") operates a main library in Leonardtown and branch libraries in Lexington Park and Charlotte Hall. The two branch libraries began operations during 1951 and 1983, respectively. For financial statement reporting, the financial activities of the main library and two branches are combined. The St. Mary's County Library is a component unit of the St. Mary's County Government.

The Library's financial statements are prepared in accordance with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the Library are discussed below.

#### **Reporting entity**

The Library, for financial statement purposes, is treated as a component unit of the St. Mary's County, Maryland Government, the primary government, in accordance with GASB Statement No. 61.

GASB Statement No. 61 defines a component unit as a unit for which the primary government is financially accountable and has a financial benefit. The Library meets this criterion because the County Commissioners appoint members to the Library's Board of Trustees and provide financial support to the Library.

The financial statements presented herein include only the funds relevant to the operations of the Library.

#### **Basis of presentation**

The Library's basic financial statements include both government-wide and fund financial statements. The Library is engaged in one governmental activity. Consequently, the government-wide financial statements and the fund financial statements are presented as a combined statement.

Government-wide financial statements:

The Statement of Net Position and the Statement of Activities present information on all of the non-fiduciary activities of the Library. They include all funds of the reporting entity. The Library has one governmental activity.

Governmental activities are generally financed through taxes, intergovernmental revenues, and other non-exchange revenues.

# **ST. MARY'S COUNTY LIBRARY**

## **Notes to the Financial Statements June 30, 2020**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Basis of Presentation (continued)**

Fund financial statements:

The financial transactions of the Library are reported in individual funds in the fund financial statements. Each fund is accounted for by providing a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues, and expenditures. Government resources are allocated to, and accounted for, in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled. The governmental funds are grouped, in the financial statements, by the Library as follows:

Operating Fund - This fund is the Library's primary operating fund. It is used to account for and report all financial resources except those required to be accounted for in another fund.

Gift and Grant Fund - This fund is used to account for various gifts and donations received from civic groups, individuals and charitable organizations. Occasionally, the donor places restrictions on the use of these funds. This fund is also used to account for all federal grants received and expended by the Library.

#### **Measurement Focus**

The focus of the governmental funds' measurement is based upon determination of financial position and changes in financial position rather than upon net income.

The government-wide financial statements are presented using the economic resources measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net position, financial position and cash flows. All assets and liabilities, whether current or noncurrent, associated with their activities are reported.

The fund financial statements are presented using the current financial resources measurement focus. Under this focus, only current financial assets and liabilities are included on the Statement of Net Position. The Statement of Activities presents sources and uses of available spendable financial resources during a given period.

#### **Basis of Accounting**

Basis of accounting refers to the point at which revenues or expenditures are recognized in the accounts and reported in the financial statements. It relates to the timing of the measurements made regardless of the measurement focus applied.

# **ST. MARY'S COUNTY LIBRARY**

## **Notes to the Financial Statements**

**June 30, 2020**

### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

#### **Basis of Accounting (continued)**

The government-wide financial statements and fiduciary fund financial statements are presented on the accrual basis of accounting. Under the accrual basis of accounting, non-exchange revenues, including intergovernmental revenues and grants, are reported when all eligibility requirements have been met. Fees and charges and other exchange revenues are recognized when earned and expenses are recognized when incurred.

The governmental fund financial statements are presented on the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recorded when susceptible to accrual; i.e., both measurable and available. Available means collectible within the current period or within 60 days after year end. Intergovernmental revenues and grants are recognized when all eligibility requirements are met, and the revenues are available. Expenditures are recognized when the related liability is incurred. Exceptions to this general rule include principle and interest on general obligation long-term debt and employee vacation and sick leave, which are recognized when due and payable.

#### **Cash and Investments**

For purposes of the government-wide financial statements, cash includes all cash on hand, demand deposits, savings accounts, and certificates of deposit or short-term investments with an original maturity of three months or less.

Investments are carried at fair value except for short-term U.S. Treasury obligations with a remaining maturity at the time of purchase of one year or less. Those investments are reported at amortized cost. Fair value is based on quoted market price.

#### **Receivables**

In the government-wide financial statements, receivables consist of all revenues earned at year end and not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and periodic aging of accounts receivable. Major receivables, in addition to those in the fund financial statements, include fines and fees receivable.

In the fund financial statements, material receivables include grants and other intergovernmental revenues since they are usually both measurable and available.

#### **Fixed Assets**

In the government-wide financial statements, fixed assets are accounted for as capital assets. All fixed assets are valued at historical cost, or estimated historical cost if actual cost is unavailable, except for donated fixed assets, which are recorded at their estimated fair value at the date of donation.

# ST. MARY'S COUNTY LIBRARY

## Notes to the Financial Statements

June 30, 2020

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

#### Fixed Assets (continued)

Depreciation of all exhaustible fixed assets is recorded in the Statement of Activities, with accumulated depreciation reflected in the Statement of Net Position. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Leasehold improvements	50 years
Furnishings and equipment	5 years
Vehicles	5 years
Books	7 years

The Library only records assets with an individual cost in excess of \$1,000.

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

#### Compensated Absences

The Library accrues accumulated unpaid vacation when earned (or estimated to be earned) by the employee. The noncurrent portion (the amount estimated to be used in subsequent fiscal years) for governmental funds is reported only as a general long-term obligation in the government-wide statement of net position and represents a reconciling item between the fund and government-wide presentations.

#### Equity Classifications

In the government-wide financial statements, equity is classified as net position and displayed in three components:

- 1) Net investment in capital assets – Consists of capital assets net of accumulated depreciation.
- 2) Restricted – Consists of funds with constraints placed on their use by grantors and contributors.
- 3) Unrestricted – All other net position that does not meet the definition of “restricted” or “net invested in capital assets.”

## **ST. MARY'S COUNTY LIBRARY**

### **Notes to the Financial Statements June 30, 2020**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Equity Classifications (continued)**

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

- 1) Nonspendable – Amounts that cannot be spent either because they are a nonspendable form or because they are legally or contractually required to be maintained intact.
- 2) Restricted – Amounts that can be spent only for specific purposes because of state or federal laws, or externally imposed conditions by grantors or creditors
- 3) Committed – Amounts that can be used only for specific purposes determined by a formal action by the Board of Library Trustees. This includes the budget reserve account.
- 4) Assigned – Amounts that are designated by the Board of Library Trustees for a particular purpose but are not spendable until a budget ordinance is passed.
- 5) Unassigned – All amounts not included in other spendable classifications

##### **Revenues**

In the fund financial statements, federal grants are accrued as revenue at the time the related expenditures are made.

In the government-wide financial statements, fines and fees receivable are accrued. They are not accrued in the fund financial statements because they are not considered available. All of the revenues are related to provision of Library services.

##### **Expenditures**

In the government-wide and fund financial statements, expenses/expenditures are classified by function.

##### **Fund Balances**

The Library adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions for the year ended June 30, 2011. The categories of fund balance presented in the Library's financial statements have changed as a result of implementing this Statement; see Note 13 for further details. The Board of Library Trustees must approve a motion in order to establish a fund balance commitment or assignment. The Library first considers restricted amounts to have been spent when an expenditure is incurred for purposes for which both restricted and unrestricted fund balance is available. When unrestricted amounts are considered to have been spent, the Library considers committed amounts first,

## **ST. MARY'S COUNTY LIBRARY**

### **Notes to the Financial Statements June 30, 2020**

#### **1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

##### **Fund Balances (continued)**

then assigned, and finally unassigned when an expenditure is incurred for which amounts in any of those unrestricted fund balance classifications could be used.

#### **2. COMPLIANCE AND ACCOUNTABILITY**

##### **Budget Requirements, Accounting and Reporting**

The Library follows these procedures in establishing the budgetary data for the Operating Fund:

- a. The Director submits to the Board of Trustees a proposed operating budget for the fiscal year commencing July 1. The operating budget includes proposed expenditures and the means of financing them.
- b. Prior to July 1, the budget is approved by the Board of Trustees and the County Commissioners.
- c. Any revisions that alter the total revenues or expenditures of the Operating Fund must be approved by the Board of Trustees.
- d. For management control, expenditures plus encumbrances may not exceed the budget. The Director may transfer unencumbered appropriations within the Operating Fund.
- e. Budgets for the Operating Fund are adopted on a basis consistent with GAAP except for exclusion of on-behalf payments by the State.
- f. Budgetary comparison schedules are presented in the Supplemental Section as Required Supplemental Information. The budgetary basis is the modified accrual basis of accounting with encumbrances included as actual.

# ST. MARY'S COUNTY LIBRARY

## Notes to the Financial Statements

June 30, 2020

### 3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

#### A. Explanation of certain differences between the governmental fund balance sheet and the government-wide statement of net position

“Total fund balances” of the governmental fund differs from “net position” of governmental activities in the Statement of Net Position and Governmental Funds Balance Sheet on page 11 because:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds:

Capital assets, net	\$ 558,191
---------------------	------------

Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Compensated absences	(124,990)
Net OPEB Liability	(3,047,327)
Deferred outflows and inflows-OPEB	1,471,252
Total fund balances - governmental funds	494,541
Net Position of Governmental Activities	<u>\$ (648,333)</u>

#### B. Explanation of differences between the governmental fund statement of revenues, expenditures, and changes in fund balances and the government-wide statement of activities

The net change in fund balances differs from the change in net position in the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances on page 12 because:

Capital asset purchases capitalized	\$ 43,956
Depreciation expense	(457,578)
Accrued compensated absences	(9,307)
Change in net OPEB liability and related deferred outflows and inflows	(222,917)
Net change in fund balances - total governmental funds	<u>(56,113)</u>
Change in Net Position of Governmental Activities	<u>\$ (701,959)</u>



## ST. MARY'S COUNTY LIBRARY

### Notes to the Financial Statements

June 30, 2020

#### 4. CASH DEPOSITS AND INVESTMENTS

Statutes authorize secured time deposits in Maryland banks and require uninsured deposits to be fully collateralized.

As of June 30, 2020, the carrying amount of the Library's cash was \$246,754, and the bank balances totaled \$282,451. The Library's bank balance is insured by the Federal Deposit Insurance Corporation up to \$250,000. As of June 30, 2020, there was no uninsured or uncollateralized bank balance.

Investments in the Maryland Local Government Investment Pool (MLGIP), an external investment pool, are not evidenced by securities. The investment pool, not the participating governments, faces the custodial credit risk. The separately issued financial statement of the MLGIP may be obtained by contacting the contractor.

Cash deposit and Investment	<u>Carrying Amount</u>	<u>Market Value</u>
Unrestricted:		
Investment in Maryland Local Government Investment Pool	<u>\$ 457,618</u>	<u>\$ 457,618</u>
Restricted:		
The Vanguard Group	<u>\$ 97,595</u>	<u>\$ 97,595</u>

None of the Library's deposits or investments are subject to concentration of credit risk, interest rate risk or foreign currency risk.

Statutes authorize the Library to invest in obligations of the United States government, federal government agency obligations, repurchase agreements secured by direct government or agency obligations, certificates of deposit, banks' acceptances, commercial paper, pooled investments and municipal bonds and municipal mutual funds.

#### 5. RETIREMENT AND PENSION PLAN

All qualified career employees of the Library are required to join the Maryland State Teachers' Pension Plan or the Maryland State Employees' Pension Plan. Some employees hired before January 1, 1980 have retained membership in the Maryland State Teachers' or Employees' Retirement Systems. The State Retirement Agency (the "Agency") is the administrator of the Maryland State Retirement and Pension System (the "System"). The System was established to provide provisions for retirement, death and disability benefits. The Plan is a cost-sharing multiple-employer public employee retirement system.

The Plan issues a stand-alone financial report that may be obtained at the following website:  
[www.sra.state.md.us/Agency/Downloads/CAFR/Default.aspx](http://www.sra.state.md.us/Agency/Downloads/CAFR/Default.aspx).

## ST. MARY'S COUNTY LIBRARY

### Notes to the Financial Statements June 30, 2020

#### 5. RETIREMENT AND PENSION PLAN (continued)

##### Maryland State Retirement and Pension System

###### *Summary of Significant Accounting Policies*

*Pensions.* Virtually all employees of the County (other than those covered by the Sheriff's Office Retirement Plan) are members of the Maryland State Retirement and Pension System (the System). The System is considered a single multiple employer cost sharing plan.

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the System and additions to/deductions from the System's fiduciary net position have been determined on the same basis as they are reported by the System. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

###### **General Information about the Pension Plan**

*Plan Description.* Certain employees of the Library are provided with pensions through the System—a cost-sharing multiple-employer defined benefit pension plan administered by the Maryland State Retirement and Pension System (MSRPS). The State Personnel and Pensions Article of the Annotated Code of Maryland (the Article) grants the authority to establish and amend the benefit terms of the System to the MSRPS Board of Trustees.

MSRPS issues a publicly available financial report that can be obtained at [www.sra.state.md.us/Agency/Downloads/CAFR/](http://www.sra.state.md.us/Agency/Downloads/CAFR/).

*Benefits Provided.* A member of the System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. Members of the Pension System may retire with full benefits after attaining the age of 62 with five years of service, or after completing 30 years of service, regardless of age.

*Early Service Retirement.* A member of the System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for the System member is 30%.

*Disability and Death Benefits.* Generally, a member covered under retirement plan provisions who is permanently disabled after 5 years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's average final compensation (AFC). A member covered under pension plan provisions who is permanently disabled after accumulating 5 years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

## ST. MARY'S COUNTY LIBRARY

### Notes to the Financial Statements June 30, 2020

#### 5. RETIREMENT AND PENSION PLAN (continued)

##### General Information about the Pension Plan (continued)

Information included in the MSRPS financial statements. Actuarial assumptions, long-term expected rate of return on pension plan investments, discount rate, and pension plan fiduciary net position are available at [www.sra.state.md.us/Agency/Downloads/CAFR/](http://www.sra.state.md.us/Agency/Downloads/CAFR/).

The Library provides pension contributions for normal cost and accrued actuarial liability. For the year ended June 30, 2020, the Library's total payroll and payroll for covered employees was \$2,399,165. No contributions were made by the Library for the year ended June 30, 2020.

For fiscal year 2020, the State contributed \$371,084 to the State Retirement and Pension System on behalf of the Library. In accordance with GASB Statement No. 24, the State's contribution amount has been shown as State aid revenue and pension expenditure. The State's contribution amounted to approximately 15% of covered payroll.

#### 6. CAPITAL ASSETS AND DEPRECIATION

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

	Balance June 30, 2019	Additions	Deletions	Balance June 30, 2020
Capital assets:				
Furnishings and equipment	\$ 1,108,310	\$ 43,956	\$ 5,835	\$ 1,146,431
Leasehold improvements	87,735	-	-	87,735
Books	4,295,042	-	-	4,295,042
	<u>5,491,087</u>	<u>43,956</u>	<u>5,835</u>	<u>5,529,208</u>
Accumulated depreciation:				
Furnishings and equipment	1,024,587	43,522	5,835	1,062,274
Leasehold improvements	15,793	1,754	-	17,547
Books	3,478,894	412,302	-	3,891,196
	<u>4,519,274</u>	<u>457,578</u>	<u>5,835</u>	<u>4,971,017</u>
Net Capital assets	<u>\$ 968,463</u>	<u>\$ (413,622)</u>	<u>\$ -</u>	<u>\$ 558,191</u>

## ST. MARY'S COUNTY LIBRARY

### Notes to the Financial Statements June 30, 2020

#### 7. COMPENSATED ABSENCES

Changes in compensated absences for the year ended June 30, 2020 were as follows:

<u>Balance</u> <u>June 30, 2019</u>	<u>Increase</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Amount due</u> <u>within one year</u>
<u>\$ 115,683</u>	<u>\$ 9,307</u>	<u>\$ 124,990</u>	<u>\$ 5,600</u>

#### 8. COMMITMENTS AND CONTINGENCIES

##### Grant audit

The Library receives Federal funds, which are passed through the State of Maryland to the Library for specific purposes. The grants are subject to review and audit by the Maryland State Department of Education. Such audits could result in a request for reimbursement by the State for expenditures disallowed under the terms and conditions of the granting agency. In the opinion of the Library's management, such disallowances, if any, will not be significant.

##### Support

The Library receives a substantial amount of its support from intergovernmental sources. A significant reduction in the level of this support, were this to occur, might have an effect on the Library's programs and activities.

#### 9. 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; and it also provides certain employee health benefits. Since the County Commissioners of St. Mary's County own the Library's buildings, the County insures the buildings and their contents under its policy. The Library is insured for workers' compensation, public liability and employee dishonesty coverage with State Auto Insurance Company. Settled claims resulting from these risks have not exceeded the insurance coverage in the past three fiscal years.

## ST. MARY'S COUNTY LIBRARY

### Notes to the Financial Statements June 30, 2020

#### 10. OPERATING LEASE

The Library leases a copier under an operating lease. Monthly payments are \$1,286. Future minimum payments on this operating lease are as follows:

<u>Year Ending June 30,</u>	<u>Amount</u>
2021	\$ 15,436
2022	15,436
2023	5,145
Total	<u>\$ 36,016</u>

#### 11. CONTRIBUTED FACILITIES

On September 16, 2014, the St. Mary's County Commissioners signed lease agreements with the Library for use of the facilities (branches) located in Leonardtown, Lexington Park, and Charlotte Hall. The amount of revenue and expenditure is recognized annually for the estimated value of leasing the facilities. For the year ended June 30, 2020, the estimated fair value of these facilities is approximately \$1,559,412, which is included in County appropriations and reported as rent expense in the statement of revenues, expenditures, and changes in fund balance.

#### 12. OTHER POST-EMPLOYMENT BENEFITS

##### Plan Description

The Library provides health, prescription and vision care insurance benefits to eligible retirees, retirees' family members and the family members of deceased employees. Eligible persons include employees with a minimum of five years of eligible Library service entering an immediate retirement, family members of retirees and family members of deceased employees. The Library pays a percentage of premiums based on the date of hire and number of years of service. For employees retiring prior to July 1, 2010, or hired before July 1, 1991, regardless of retirement date, the percentage ranges from 26.6% with five years of service to 85% with 16 or more years of service. The percentages for employees retiring on or after July 1, 2010, range from 21.25% with 10 years of service to 85% with 25 years of service. There is no statutory or contractual requirement to provide these benefits, and they may be changed or modified by The Library Board of Trustees.

## ST. MARY'S COUNTY LIBRARY

### Notes to the Financial Statements

June 30, 2020

#### 12. OTHER POST-EMPLOYMENT BENEFITS (continued)

##### Plan Description (continued)

The Library's OPEB plan is administered through the single-employer Retiree Benefit Trust of St. Mary's County Library as an irrevocable trust. Assets of the trust are dedicated to providing post-retirement health, prescription, dental and vision coverage to current and eligible future retirees. The Trust's financial statements are prepared using the accrual basis of accounting. Contributions are recognized in the period in which the contributions are due. Benefits are recognized when due and payable. The Trust assets are invested with the Maryland Association of Counties (MACo) OPEB Trust. The OPEB Trust does not issue a stand-alone financial report.

Membership of the OPEB Plan enrolled in coverage at June 30 consisted of:

Retirees and beneficiaries currently receiving benefits	8
Active employees	<u>25</u>
Total	<u>33</u>

The Library's Board of Trustees determines how much is contributed to the OPEB Trust as part of the budget process. It is the Library's intention to contribute at least the funded expense each year. The FY 2019 Operating Budget included fully funding the OPEB cost. The Library's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual determined contribution of the employer (ADC), an amount actuarially determined in accordance with the parameters of the GASB Codification. The ADC represents a level of funding that if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The current ADC is \$105,000. The Library contributed \$103,907 to the Trust in fiscal year 2020.

##### Investments

The Library's investment authority is established in the Retiree Benefit Trust of St. Mary's County Library. For the year ended June 30, 2020, the annual money weighted rate of return of the OPEB Trust was 1.2%.

The components of the net OPEB liability of the Library at June 30, 2020 was:

Total OPEB liability	\$ 4,105,014
Plan fiduciary net position	<u>(1,057,687)</u>
Net OPEB liability	<u>\$ 3,047,327</u>
Plan fiduciary net position as a percentage of the total OPEB liability	25.77%

## ST. MARY'S COUNTY LIBRARY

### Notes to the Financial Statements June 30, 2020

#### 12. OTHER POST-EMPLOYMENT BENEFITS (continued)

##### Actuarial Assumptions

The total OPEB liability as determined by an actuarial valuation as of June 30, 2019, rolled forward to June 30, 2020, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Entry age normal
Inflation	2.20%
Investment rate of return	6.00%
Healthcare cost trend rate	3.9% trending to 3.8%
Discount Rate	2.78%

The long-term nominal expected rate of return on OPEB plan investments of 6% was determined using a building block method where return expectations are established for each asset class. The building block approach uses the current underlying fundamentals, not historical returns. Spread and the risk-free rate are used for fixed income; and dividends, earnings growth and valuation are used for equity. These return expectations are weighted based on asset/target amounts.

The discount rate used to measure the total OPEB liability was 2.78% as of June 30, 2020. The projection of cash flow used to determine the discount rate assumed that the Library's contributions will be made at rates equal to current contributions levels.

The sensitivity of the net OPEB liability to a 1% change in the projected healthcare cost trend rate and discount rate is as follows:

	1% Decrease	Medical Trend	1% Increase
Ultimate Trend	3.00%	4.00%	5.00%
Net OPEB Liability	\$ 2,204,291	\$ 3,047,327	\$ 4,212,583
	1% Decrease	Discount Rate	1% Increase
Discount Rate	1.78%	2.78%	3.78%
Net OPEB Liability	\$ 3,952,171	\$ 3,047,327	\$ 2,340,709

# ST. MARY'S COUNTY LIBRARY

## Notes to the Financial Statements

June 30, 2020

### 12. OTHER POST-EMPLOYMENT BENEFITS (continued)

#### Actuarial Assumptions (continued)

For the year ended June 30, 2020, the Library recognized OPEB expense of \$330,174. As of June 30, 2020, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between expected and actual experience	\$ 425,254	\$ 108,063
Changes of assumptions	1,190,583	54,457
Net Difference between projected and actual earnings on OPEB plan Investments	17,935	-
	<u>\$ 1,633,772</u>	<u>\$ 162,520</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to the OPEB plan will be recognized in expense as follows:

Year Ending June 30,	Amount
2021	\$ 196,544
2022	203,804
2023	206,539
2024	207,496
2025	199,117
Thereafter	457,752
Total	<u>\$ 1,471,252</u>



## ST. MARY'S COUNTY LIBRARY

### Notes to the Financial Statements June 30, 2020

#### 13. GOVERNMENTAL FUND BALANCES

Governmental fund balances at June 30, 2020, are summarized as follows:

	<u>Operating Fund</u>	<u>Gift and Grant Funds</u>	<u>Totals</u>
Nonspendable:			
Endowments required to maintain intact	<u>\$ -</u>	<u>\$ 70,452</u>	<u>\$ 70,452</u>
Restricted for:			
Library services and technology	<u>-</u>	<u>27,143</u>	<u>27,143</u>
Assigned to:			
Fund balance usage	<u>-</u>	<u>74,053</u>	<u>74,053</u>
Unassigned	<u>322,893</u>	<u>-</u>	<u>322,893</u>
Total fund balances	<u>\$ 322,893</u>	<u>\$ 171,648</u>	<u>\$ 494,541</u>

## **REQUIRED SUPPLEMENTAL INFORMATION**

# ST. MARY'S COUNTY LIBRARY

## Schedule of Expenditures (Actual and Budget) For the Year Ended June 30, 2020

	Actual	Budget (Unaudited)	Favorable (Unfavorable)
Lexington Park Branch:			
Salaries	\$ 664,344	\$ 716,839	\$ 52,495
Employee benefits	117,585	118,536	951
Other costs	3,908	-	(3,908)
Electric	76,190	79,800	3,610
Fuel and oil	22,622	15,000	(7,622)
Water and sewer	13,658	13,200	(458)
Telephone	4,794	5,300	506
	<u>903,102</u>	<u>948,675</u>	<u>45,573</u>
Leonardtown Branch:			
Salaries	624,808	692,650	67,842
Employee benefits	130,807	138,555	7,748
Electric	17,380	25,000	7,620
Fuel and oil	7,240	9,100	1,860
Water and sewer	4,264	3,800	(464)
Telephone	8,482	9,000	518
	<u>792,981</u>	<u>878,105</u>	<u>85,124</u>
Charlotte Hall Branch:			
Salaries	432,597	480,655	48,058
Employee benefits	140,150	148,190	8,040
Other costs	19	-	(19)
Electric	23,575	28,000	4,425
Water and sewer	5,649	8,000	2,351
Telephone	3,528	4,000	472
	<u>605,519</u>	<u>668,845</u>	<u>63,326</u>
General Operating:			
Salaries	750,950	569,583	(181,367)
Employee benefits	125,996	121,294	(4,702)
Fuel and oil	604	1,000	396
Books and publications	279,151	360,000	80,849
Office supplies	31,153	37,500	6,347
Advertising	5,405	7,000	1,595
Maintenance	30,752	23,000	(7,752)
Insurance	20,688	17,500	(3,188)
Staff development	16,174	20,000	3,826
Accounting and audit	17,240	20,000	2,760
Legal	800	5,000	4,200
Bank service fees	3,059	4,500	1,441
Memberships	1,878	3,000	1,122
Mileage reimbursements	175	500	325
Equipment and furniture	40,603	40,000	(603)
Other costs	198,707	1,000	(197,707)
Other contract services	26,896	59,500	32,604
Photocopy	23,160	25,000	1,840
Postage	482	1,000	518
Processing supplies	-	5,000	5,000
Program services	15,924	16,000	76
Retirees' health costs	103,907	99,000	(4,907)
	<u>1,693,705</u>	<u>1,436,377</u>	<u>(257,328)</u>
Total Operating Fund	\$ 3,995,306	\$ 3,932,002	\$ (63,304)

# ST. MARY'S COUNTY LIBRARY

## Schedule of Changes in Net OPEB Liability and Related Ratios For the Year Ended June 30, 2020

	2020	2019	2018	2017
Total OPEB liability:				
Service cost	\$ 73,673	\$ 70,908	\$ 74,081	\$ 70,348
Interest	114,806	107,943	114,548	108,111
Differences between expected and actual experience	448,371	43,905	(172,902)	-
Changes of assumptions	1,360,666	-	(87,133)	-
Benefit payments, including refunds of member contributions	(103,907)	(90,897)	(56,422)	(60,666)
Net change in total OPEB liability	1,893,609	131,859	(127,828)	117,793
Total OPEB liability – beginning	2,211,405	2,079,546	2,207,374	2,089,581
Total OPEB liability – ending (a)	\$ 4,105,014	\$ 2,211,405	\$ 2,079,546	\$ 2,207,374
Plan fiduciary net position:				
Contributions – employer	\$ 103,907	\$ 115,897	\$ 92,451	\$ 66,592
Net investment income	12,922	56,046	60,171	77,754
Benefit payments	(103,907)	(90,897)	(56,422)	(60,666)
Administrative expense	-	-	-	5,926
Net change in plan fiduciary net position	12,922	81,046	96,200	89,606
Plan fiduciary net position – beginning	1,044,765	963,719	867,519	789,765
Plan fiduciary net position – ending (b)	\$ 1,057,687	\$ 1,044,765	\$ 963,719	\$ 879,371
Net OPEB Liability – ending (a) – (b)	3,047,327	1,166,640	1,115,827	1,139,855
Plan fiduciary net position as a percentage of the total OPEB liability	25.77%	47.24%	46.34%	39.84%
Covered employee payroll	N/A	N/A	N/A	N/A
Net OPEB liability as a percentage of covered employee payroll	N/A	N/A	N/A	N/A
Annual money weighted rate of return, net of investment expenses	1.23%	5.58%	6.57%	9.32%

## ST. MARY'S COUNTY LIBRARY

### Schedule of Contributions to Net OPEB and Related Ratios For the Year Ended June 30, 2020

	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 105,000	\$ 119,000	\$ 115,000	\$ 99,000	\$ 94,000	\$ 112,000
Contributions related to the actuarially determined contribution	103,907	115,897	92,451	66,592	44,768	91,361
Contribution deficiency (excess)	\$ 1,093	\$ 3,103	\$ 22,549	\$ 32,408	\$ 49,232	\$ 20,639
Covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A
Contributions as a percentage of covered employee payroll	N/A	N/A	N/A	N/A	N/A	N/A

#### Methods and assumptions used to determine contribution rates:

Actuarial cost method	Projected Unit Credit
Amortization method	Level percentage of payroll
Remaining amortization period	20 years
Asset valuation method	Market values
Inflation	2.30 percent
Salary increases	3.50 percent
Investment rate of return	5.25 percent
Healthcare cost trend rate	3.90 percent

## **OTHER SUPPLEMENTAL INFORMATION**

# ST. MARY'S COUNTY LIBRARY

## Combining Schedule of Expenditures For the Year Ended June 30, 2020

	Lexington Park Branch	Leonardtown Branch	Charlotte Hall Branch	General Operating	Grants	Friends of Library	State of Maryland Retirement	Totals
Salaries	\$ 664,344	\$ 624,808	\$ 432,597	\$ 750,950	\$ -	\$ -	\$ -	\$ 2,472,699
Employee benefits	117,585	130,807	140,150	125,996	-	-	-	514,538
Rent	619,840	629,352	309,920	-	-	-	-	1,559,112
Electric	76,190	17,380	23,575	-	-	-	-	117,144
Fuel and oil	22,622	7,240	-	604	-	-	-	30,466
Water and sewer	13,658	4,264	5,649	-	-	-	-	23,571
Telephone	4,794	8,482	3,528	-	-	-	-	16,805
Books and publications	-	-	-	279,151	54,254	103,682	-	437,086
Office supplies	-	-	-	31,153	-	-	-	31,153
Advertising	-	-	-	5,405	-	-	-	5,405
Maintenance	-	-	-	30,752	-	-	-	30,752
Insurance	-	-	-	20,688	-	-	-	20,688
Staff development	-	-	-	16,174	10,000	-	-	26,174
Accounting and audit	-	-	-	17,240	-	-	-	17,240
Legal	-	-	-	800	-	-	-	800
Bank service fees	-	-	-	3,059	-	-	-	3,059
Memberships	-	-	-	1,878	-	-	-	1,878
Mileage reimbursements	-	-	-	175	-	-	-	175
Equipment and furniture	-	-	-	40,603	644,883	-	-	685,486
Other costs	3,908	-	19	198,707	-	-	-	202,635
Other contract services	-	-	-	26,896	-	-	-	26,896
Photocopy	-	-	-	23,160	-	-	-	23,160
Postage	-	-	-	482	-	-	-	482
Processing supplies	-	-	-	-	-	-	-	-
Program services	-	-	-	15,924	17,085	21,201	-	54,211
Retirees' health costs	-	-	-	103,907	-	-	-	103,907
Retirement benefits	-	-	-	-	-	-	371,084	371,084
	<u>\$ 1,522,941</u>	<u>\$ 1,422,333</u>	<u>\$ 915,439</u>	<u>\$ 1,693,705</u>	<u>\$ 726,222</u>	<u>\$ 124,883</u>	<u>\$ 371,084</u>	<u>\$ 6,776,608</u>

## ST. MARY'S COUNTY LIBRARY

### Schedule of Expenditures – Gift and Grant Funds For the Year Ended June 30, 2020

General Operating:	
Staff development	<u>\$ -</u>
Friends of Library:	
Books and publications	103,682
Supplies and materials	-
Staff development	-
Program services	<u>21,202</u>
	<u>124,883</u>
Grants:	
EBook grant	52,799
KnowBe4 grant	17,069
Longest table grant	1,455
Staff development grant	10,000
J Grant	17
Capital grant	<u>644,883</u>
	<u>726,222</u>
Total Gift and Grant Fund	<u>\$ 851,105</u>





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**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 of  
St. Mary's County Library  
Chestertown, Maryland

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 St. Mary's County Library (the 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 1, 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 a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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### ***Compliance and Other Matters***

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

### **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.

Owings Mills, Maryland  
December 1, 2020

*SB & Company, LLC*