

**ST. MARY'S COUNTY LIBRARY**

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

**For the Year Ended June 30, 2023**

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

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

**JUNE 30, 2023**

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## **REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON THE AUDIT OF THE FINANCIAL STATEMENTS**

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

### ***Opinions***

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, 2023, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

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 funds of the Library, as of June 30, 2023, 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.

### ***Basis for Opinions***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are required to be independent of the Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Emphasis of Matter***

During the fiscal year ended June 30, 2023, the Library reported a restatement (See Note 1). Our opinion was not modified with respect to the restatement.

### ***Responsibilities of Management 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.



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In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.



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

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, schedule of expenditures (actual and budget), schedule of changes in net OPEB liability and related ratios, and schedule of contributions to net OPEB and related ratios 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.

### ***Supplementary 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 October 13, 2023, 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  
October 13, 2023

*SB & Company, LLC*

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

### **Management's Discussion and Analysis As of June 30, 2023**

Our Management's Discussion and Analysis of the St. Mary's County Library's (the Library) financial performance provides an overview of our financial activities for the fiscal year ended June 30, 2023. Please read it in conjunction with the Library's financial statements, which follow this section.

The Library's net position increased during this fiscal year when compared to the previous year, by \$348,622. This is primarily a result of paying for the addition of capital assets for the year ended June 30, 2023, specifically the Mobile Library that will actually be delivered in Fiscal Year 2024.

Overall, our revenues increased by 0.79%, with a 7.53% increase in St. Mary's County (the County) funding, a 1.68% increase in state funding, offset by a 55.80% decrease in grant revenues and 1.92% decrease in other revenues. Some of our change in net position is due to depreciation of \$171,395 and the increase in the OPEB liability and related deferred inflows and outflows of \$79,571 on the entity-wide financial statements, which includes long-term assets and long-term liabilities. The general fund had a positive change in fund balance of \$66,998 during fiscal year 2023 and an unassigned fund balance of \$846,875. The Library remains in a sound position as a wise steward of public funds.

In FY 2023, the actual expenses were less than the projected budget by \$74,478.

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

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

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

##### **Condensed Comparative Financial Information**

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 2023 and also any changes in its net position since FY 2022. 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, 2023**

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

##### **Condensed Comparative Financial Information (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 2023, the Library had no business revenue: activities in which fees from customers cover all of the cost of services provided.

##### **The Library's 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 2023 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 the Library's operations in FY 2023 or the long-term.



# ST. MARY'S COUNTY LIBRARY

## Management's Discussion and Analysis As of June 30, 2023

### II. CONDENSED COMPARATIVE FINANCIAL INFORMATION

For the years ended June 30, 2023 and 2022, net position consisted of the following:

#### Summary Statements of Net Position

	2023	2022	% Change
Current and other assets	\$ 1,070,087	\$ 983,963	8.75%
Capital assets, net	1,199,760	824,552	45.50%
Total assets	2,269,847	1,808,515	25.51%
Deferred outflows - OPEB	1,224,351	1,535,162	-20.25%
<b>Total Assets and Deferred Outflows</b>	<b>\$ 3,494,198</b>	<b>\$ 3,343,677</b>	4.50%
Current liabilities	\$ 142,320	\$ 309,569	-54.03%
Other liabilities	1,971,459	1,977,964	-0.33%
Total Liabilities	2,113,779	2,287,533	-7.60%
Deferred inflows - OPEB	1,548,864	1,741,851	-11.08%
<b>Total Liabilities and Deferred Inflows</b>	<b>3,662,643</b>	<b>4,029,384</b>	-9.10%
Net position			
Net invested in capital assets	1,199,760	824,552	45.50%
Restricted	80,892	81,900	-1.23%
Unrestricted	(1,449,097)	(1,592,159)	8.99%
<b>Total Net Position</b>	<b>\$ (168,445)</b>	<b>\$ (685,707)</b>	75.43%

The Library's net position increased 75% during the fiscal year ended June 30, 2023. This is primarily attributable to the addition of capital assets in FY 2023.

#### Summary Statements of Activities

	2023	2022	% Change
County appropriations	\$ 3,310,050	\$ 3,078,258	7.53%
County appropriations – donated facilities	1,559,112	1,559,112	0.00%
State aid	881,180	866,625	1.68%
Grant revenues	146,265	330,940	-55.80%
Other revenues	553,733	564,566	-1.92%
<b>Total Revenues</b>	<b>6,450,340</b>	<b>6,399,501</b>	0.79%
Salaries and employee benefits	3,139,276	2,910,268	7.87%
Rent expense	1,559,112	1,559,112	0.00%
Depreciation	171,395	113,082	51.57%
Gift and grant expenses	262,675	546,329	-51.92%
Other expenses	969,260	935,063	3.66%
<b>Total Expenses</b>	<b>6,101,718</b>	<b>6,063,854</b>	0.62%
<b>Change in Net Position</b>	<b>\$ 348,622</b>	<b>\$ 335,647</b>	-3.87%

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

### **Management's Discussion and Analysis As of June 30, 2023**

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

As of June 30, 2023 and 2022, the Library had a total governmental fund balance of \$927,767 and \$843,034 (as restated), respectively. During the year ended June 30, 2023, governmental fund balances increased by \$84,733, primarily as a result of revenue over expenditures in the operating fund of \$66,998.

#### **IV. OPERATING FUND BUDGETARY HIGHLIGHTS**

- In fiscal year 2023, the County allocation for annual operating expenses was \$3,310,050, an increase of \$231,792 or 7.53%. 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 2023, the Library received \$881,180 from the State of Maryland, an increase of \$14,555, or 1.68%. 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 and a 2% COLA on July 1, 2022.
- Funding for materials was \$345,734 for books and materials and \$19,144 for digital materials. Our collections remain healthy for a library of our size.
- The Library received \$146,265 in grants from the Maryland State Library and other sources: \$20,000 was for staff development (which funds education and training). We draw upon these funds as we complete projects or training rather than having these grants as operating funds to spend at our discretion. It should be noted that \$33,750 of this amount is a pass-through: St. Mary's County Library oversees the state-wide development of the Palace Digital Content application, for which that sum pays. The Early Childhood Advisory Council (ECAC) grant of \$25,000 was also a passthrough to develop local services for improving literacy.
- Due to a lessening in the effects of the COVID-19 pandemic especially late in the fiscal year, revenues from fines and services were slightly higher than forecast.
- Actual operating expenses were \$66,998 less than operating revenues. This amount is complicated by the addition of Friends of the Library funding of \$60,000 late in June of the fiscal year, a fund which has some restrictions placed how it may be spent. The library is working with the Friends to receive donations at the start of future fiscal years to ensure full spending.

## ST. MARY'S COUNTY LIBRARY

### Management's Discussion and Analysis As of June 30, 2023

#### V. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets as of June 30, 2023 and 2022, and their respective changes are as follows:

	<b>Capital Assets, Net of Depreciation</b>		
	<b>2023</b>	<b>2022</b>	<b>% Change</b>
Furnishing and equipment	\$ 18,229	\$ 17,149	6.30%
Leasehold improvements	66,083	67,838	-2.59%
Books	1,115,448	739,565	50.82%
<b>Total</b>	<b>\$ 1,199,760</b>	<b>\$ 824,552</b>	<b>45.50%</b>

#### VI. 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 fiscal year 2024 – \$9.39;
- b) For fiscal year 2025 – \$9.59;
- c) For fiscal year 2026 – \$9.79; and
- d) For fiscal year 2027 and each fiscal year thereafter – \$9.99.

Because of the complexity of the formula, which weighs factors other than population, proportionate funding increases cannot be guaranteed. The Library should plan on no more than modest increases to possible flat funding. Maryland may also be facing structural deficiencies in its economy, possibly leading to funding cuts.

County Funding: County funding appears to be on par with the past, but an economic downturn could reduce resources. The Library should plan on modest increases to possible flat funding.

#### 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 23630 Hayden Farm Lane, Leonardtown, Maryland 20650.

# ST. MARY'S COUNTY LIBRARY

## Statement of Net Position and Governmental Funds Balance Sheet As of June 30, 2023

	Governmental Funds			Adjustments (Note 3)	Statement of Net Position
	Operating Fund	Gifts and Grants Fund	Total		
ASSETS					
Cash	\$ 282,733	\$ -	\$ 282,733	\$ -	\$ 282,733
Investments	706,462	-	706,462	-	706,462
Restricted investments	-	80,892	80,892	-	80,892
Other receivables	-	-	-	-	-
Capital assets, net	-	-	-	1,199,760	1,199,760
<b>Total Assets</b>	<b>\$ 989,195</b>	<b>\$ 80,892</b>	<b>\$ 1,070,087</b>	<b>1,199,760</b>	<b>2,269,847</b>
Deferred outflows - OPEB				1,224,351	1,224,351
<b>Total Assets and Deferred Outflows</b>				<b>\$ 2,424,111</b>	<b>\$ 3,494,198</b>
LIABILITIES AND FUND BALANCE/NET POSITION					
LIABILITIES					
Accounts payable and accrued expenses	\$ 30,719	\$ -	\$ 30,719	\$ -	\$ 30,719
Accrued salaries and benefits	111,601	-	111,601	-	111,601
Net OPEB liability	-	-	-	1,777,440	1,777,440
Accrued leave	-	-	-	194,019	194,019
<b>Total Liabilities</b>	<b>142,320</b>	<b>-</b>	<b>142,320</b>	<b>1,971,459</b>	<b>2,113,779</b>
Deferred inflows - OPEB				1,548,864	1,548,864
<b>Total Liabilities and Deferred Inflows</b>				<b>3,520,323</b>	<b>3,662,643</b>
FUND BALANCES / NET POSITION					
Fund balances:					
Nonspendable	-	54,615	54,615	(54,615)	-
Restricted	-	26,277	26,277	(26,277)	-
Unassigned	846,875	-	846,875	(846,875)	-
Total fund balance	846,875	80,892	927,767	(927,767)	-
<b>Total Liabilities and Fund Balance</b>	<b>\$ 989,195</b>	<b>\$ 80,892</b>	<b>\$ 1,070,087</b>		
Net position:					
Net investment in capital assets				1,199,760	1,199,760
Restricted				80,892	80,892
Unrestricted				(1,449,097)	(1,449,097)
<b>Total Net Position</b>				<b>\$ (168,445)</b>	<b>\$ (168,445)</b>

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, 2023

Total fund balances - governmental funds	\$ 927,767
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	1,199,760
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(194,019)
Net OPEB Liability	(1,777,440)
Deferred outflows and inflows - OPEB	<u>(324,513)</u>
<b>Net Position of Governmental Activities</b>	<b><u>\$ (168,445)</u></b>

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, 2023

	Governmental Funds			Adjustments (Note 3)	Statement of Activities
	Operating Fund	Gifts and Grants Fund	Total		
REVENUES					
County appropriations	\$ 3,310,050	\$ -	\$ 3,310,050	\$ -	\$ 3,310,050
Other County appropriations	1,559,112	-	1,559,112	-	1,559,112
State aid	881,180	-	881,180	-	881,180
Grants	-	146,265	146,265	-	146,265
State of Maryland - retirement benefit	339,148	-	339,148	-	339,148
Services income	45,950	-	45,950	-	45,950
Fines and damages	32,753	-	32,753	-	32,753
Contributions and donations	-	115,402	115,402	-	115,402
Investment income	20,480	-	20,480	-	20,480
<b>Total Revenues</b>	<b>6,188,673</b>	<b>261,667</b>	<b>6,450,340</b>	<b>-</b>	<b>6,450,340</b>
EXPENDITURES/EXPENSES					
Lexington Park Branch	1,713,172	-	1,713,172	-	1,713,172
Leonardtown Branch	1,496,378	-	1,496,378	-	1,496,378
Charlotte Hall Branch	896,883	-	896,883	-	896,883
General operating	1,657,351	62,247	1,719,598	(435,284)	1,284,314
Other grants	-	145,670	145,670	-	145,670
Friends of Library	-	54,758	54,758	-	54,758
Depreciation	-	-	-	171,395	171,395
State of Maryland - retirement benefit	339,148	-	339,148	-	339,148
<b>Total Expenditures/Expenses</b>	<b>6,102,932</b>	<b>262,675</b>	<b>6,365,607</b>	<b>(263,889)</b>	<b>6,101,718</b>
Excess of revenues over (under) expenditures/expenses	85,741	(1,008)	84,733	(84,733)	-
Change in net position	-	-	-	348,622	348,622
Fund balances/net position:					
Beginning of year, as restated	761,134	81,900	843,034	(517,067)	(517,067)
<b>End of Year</b>	<b>\$ 846,875</b>	<b>\$ 80,892</b>	<b>\$ 927,767</b>	<b>\$ (253,178)</b>	<b>\$ (168,445)</b>

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, 2023

Net change in fund balances - total governmental funds	\$	84,733
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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	\$	546,603	
Depreciation expense		<u>(171,395)</u>	
			375,208

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	(31,748)
Change in net OPEB liability and related deferred outflows and inflows	<u>(79,571)</u>

<b>Change in Net Position of Governmental Activities</b>	<b>\$</b>	<b><u>348,622</u></b>
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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  
As of June 30, 2023**

**ASSETS**

Restricted cash and investments	<u>\$ 1,312,540</u>
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**NET POSITION**

Restricted for other postemployment benefits	<u>\$ 1,312,540</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 For the Year Ended June 30, 2023

#### ADDITIONS

Contributions	\$ 92,966
Interest and dividends	32,925
Net appreciation in fair value of plan investments	<u>75,594</u>
Total additions	<u>201,485</u>

#### DEDUCTIONS

Benefits paid	<u>92,966</u>
Total deductions	<u>92,966</u>

Change in net position	108,519
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#### NET POSITION

Beginning of year	<u>1,204,021</u>
End of Year	<u>\$ 1,312,540</u>

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

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

## **Notes to the Financial Statements**

**June 30, 2023**

### **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 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, 2023

### 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.

#### Restatement

The Library restated the prior year fund balance and net position. Below are the restatements to reflect this change:

##### Statement of Activities

Net position, beginning, as previously reported	\$ (685,707)
Removal of health insurance escrow	168,640
Net position, beginning, as restated	<u>\$ (517,067)</u>

##### Statement of Governmental Fund Revenues, Expenditures and Changes in Fund Balance

Fund balances, beginning, as previously reported	\$ 674,394
Removal of health insurance escrow	168,640
Fund balances, beginning, as restated	<u>\$ 843,034</u>

#### 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.

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

## **Notes to the Financial Statements June 30, 2023**

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

#### **Measurement Focus (continued)**

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**

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 principal 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 as of June 30, 2023.

# ST. MARY'S COUNTY LIBRARY

## Notes to the Financial Statements

June 30, 2023

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

#### 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.

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.

# ST. MARY'S COUNTY LIBRARY

## Notes to the Financial Statements June 30, 2023

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

#### Deferred Outflows of Resources

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. The Library has three items that meet this criterion as of June 30 2023: the difference between expected and actual experience in OPEB plan activity, changes in actuarial assumptions for the OPEB plan, and the net difference between projected and actual earnings on OPEB plan investments.

#### Deferred Inflows of Resources

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as a revenue until that time. The Library has two items that meet this criterion as of June 30 2023: the difference between expected and actual experience in OPEB plan activity and changes in actuarial assumptions for the OPEB plan.

#### 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.”

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

- 1) Nonspendable – Amounts that cannot be spent either because they are in 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.

# ST. MARY'S COUNTY LIBRARY

## Notes to the Financial Statements

June 30, 2023

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

#### Equity Classifications (continued)

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

# ST. MARY'S COUNTY LIBRARY

## Notes to the Financial Statements June 30, 2023

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

#### Recent Accounting Pronouncements

The GASB has issued several pronouncements prior to the year ended June 30, 2023 that have effective dates that may impact future financial presentations. Management will be analyzing the effects of these pronouncements and plans to adopt them as applicable by their effective date.

#### Statement No. 101, *Compensated Absences*

This Statement aligns recognition and measurement guidance for all types of compensated absences under a unified model which will result in governments recognizing a liability that more appropriately reflects when they incur an obligation for compensated absences. The model also will lead to greater consistency in application and improved comparability across governments. The requirements of this Statement are effective for periods beginning after December 15, 2023 (FY 2024).

### 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 reported to 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.
- 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, 2023

### 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 10 because:

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

Capital assets, net	\$ 1,199,760
---------------------	--------------

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

Compensated absences	(194,019)
Net OPEB Liability	(1,777,440)
Deferred outflows and inflows-OPEB	(324,513)
Total fund balances - governmental funds	927,767
<b>Net Position of Governmental Activities</b>	<b>\$ (168,445)</b>

#### 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 13 because:

Capital asset purchases capitalized	\$ 546,603
Depreciation expense	(171,395)
Accrued compensated absences	(31,748)
Change in net OPEB liability and related deferred outflows and inflows	(79,571)
Net change in fund balances - total governmental funds	84,733
<b>Change in Net Position of Governmental Activities</b>	<b>\$ 348,622</b>

### 4. CASH AND INVESTMENTS

As of June 30, 2023, the carrying amount of the Library's cash was \$282,733 and the bank balances totaled \$288,362. As a government entity, the Library's bank balance is fully insured. As of June 30, 2023, there was no uninsured or uncollateralized bank balance.

## ST. MARY'S COUNTY LIBRARY

### Notes to the Financial Statements

June 30, 2023

#### 4. CASH AND INVESTMENTS (continued)

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>\$ 706,462</u>	<u>\$ 706,462</u>
Restricted:		
The Vanguard Group (GNMA Fund Admiral)	<u>\$ 80,892</u>	<u>\$ 80,892</u>

None of the Library's deposits or investments are subject to concentration of credit risk, interest rate risk or foreign currency risk. The investments are not subject to custodial credit risk.

Statutes authorize the Library to invest its operating fund investments 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/ACFR/Default.aspx](http://www.sra.state.md.us/Agency/Downloads/ACFR/Default.aspx).

#### **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 System. The System is considered a single multiple employer cost sharing plan.

## ST. MARY'S COUNTY LIBRARY

### Notes to the Financial Statements

June 30, 2023

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

##### *Summary of Significant Accounting Policies* (continued)

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.

*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.

*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/ACFR/](http://www.sra.state.md.us/Agency/Downloads/ACFR/).

## ST. MARY'S COUNTY LIBRARY

### Notes to the Financial Statements June 30, 2023

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

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

The Library provides pension contributions for normal cost and accrued actuarial liability. For the year ended June 30, 2023, the Library's total payroll and payroll for covered employees was \$2,445,539.

For fiscal year 2023, the state contributed \$339,148 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 14% of covered payroll.

#### 6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2023 was as follows:

	Balance June 30, 2022	Additions	Deletions	Balance June 30, 2023
Capital assets:				
Furnishings and equipment	\$ 1,146,431	\$ 10,230	\$ -	\$ 1,156,661
Leasehold improvements	87,735	-	-	87,735
Books	5,150,356	536,373	540,809	5,145,920
	<u>6,384,522</u>	<u>546,603</u>	<u>540,809</u>	<u>6,390,316</u>
Accumulated depreciation:				
Furnishings and equipment	1,129,282	9,150	-	1,138,432
Leasehold improvements	19,897	1,755	-	21,652
Books	4,410,791	160,490	540,809	4,030,472
	<u>5,559,970</u>	<u>171,395</u>	<u>540,809</u>	<u>5,190,556</u>
<b>Capital Assets, Net</b>	<u>\$ 824,552</u>	<u>\$ 375,208</u>	<u>\$ -</u>	<u>\$ 1,199,760</u>

#### 7. COMPENSATED ABSENCES

Changes in compensated absences for the year ended June 30, 2023 were as follows:

Balance June 30, 2022	Increase	Decrease	Balance June 30, 2023	Amount due within one year
<u>\$ 162,271</u>	<u>\$ 250,043</u>	<u>\$ 218,295</u>	<u>\$ 194,019</u>	<u>\$ 25,425</u>

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

### **Notes to the Financial Statements June 30, 2023**

#### **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.

#### **10. 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, 2023, the estimated fair value of these facilities is approximately \$1,559,112, which is included in County appropriations and reported as rent expense in the statement of revenues, expenditures, and changes in fund balance.

# ST. MARY'S COUNTY LIBRARY

## Notes to the Financial Statements

June 30, 2023

### 11. 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.

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. The Library Board of Trustees receive quarterly and annual reports from the firm Asset Strategy to monitor the performance of investments.

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

Retirees and beneficiaries currently receiving benefits	10
Active employees	<u>33</u>
Total	<u>43</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 2023 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 \$157,000. The Library contributed \$92,966 to the Trust in fiscal year 2023.

## ST. MARY'S COUNTY LIBRARY

### Notes to the Financial Statements June 30, 2023

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

##### 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, 2023, the annual money weighted rate of return of the OPEB Trust was 8.62%.

The components of the net OPEB liability of the Library as of June 30, 2023 was:

Total OPEB liability	\$ 3,089,980
Plan fiduciary net position	<u>(1,312,540)</u>
Net OPEB liability	<u>\$ 1,777,440</u>
Plan fiduciary net position as a percentage of the total OPEB liability	42.48%

##### Actuarial Assumptions

The total OPEB liability as determined by an actuarial valuation as of June 30, 2020, rolled forward to June 30, 2023, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Projected unit credit
Inflation	2.20%
Investment rate of return	6.00%
Healthcare cost trend rate	5.20% trending to 4.00%
Discount Rate	4.01%

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 4.01% as of June 30, 2023. 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.

# ST. MARY'S COUNTY LIBRARY

## Notes to the Financial Statements June 30, 2023

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

#### Actuarial Assumptions (continued)

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	<u>\$ 1,192,916</u>	<u>\$ 1,777,440</u>	<u>\$ 2,570,135</u>
	1% Decrease	Discount Rate	1% Increase
Discount Rate	3.01%	4.01%	5.01%
Net OPEB Liability	<u>\$ 2,408,316</u>	<u>\$ 1,777,440</u>	<u>\$ 1,282,244</u>

For the year ended June 30, 2023, the Library recognized OPEB expense of \$172,537. As of June 30, 2023, 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	\$ 260,343	\$ 405,710
Changes of assumptions	917,416	1,143,154
Net Difference between projected and actual earnings on OPEB plan investments	46,592	-
	<u>\$ 1,224,351</u>	<u>\$ 1,548,864</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:

Years Ending June 30,	Amount
2023	\$ 12,113
2024	3,736
2025	83,400
2026	22,416
2027	(195,224)
Thereafter	(250,954)
Total	<u>\$ (324,513)</u>



## ST. MARY'S COUNTY LIBRARY

### Notes to the Financial Statements June 30, 2023

#### 12. GOVERNMENTAL FUND BALANCES

Governmental fund balances as of June 30, 2023 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>\$ 54,615</u>	<u>\$ 54,615</u>
Restricted for:			
Library services and technology	<u>-</u>	<u>26,277</u>	<u>26,277</u>
Unassigned	<u>846,875</u>	<u>-</u>	<u>846,875</u>
Total fund balances	<u>\$ 846,875</u>	<u>\$ 80,892</u>	<u>\$ 927,767</u>

## **REQUIRED SUPPLEMENTARY INFORMATION**

# ST. MARY'S COUNTY LIBRARY

## Schedule of Expenditures (Actual and Budget) For the Year Ended June 30, 2023

	<b>Budget (Unaudited)</b>	<b>Actual</b>	<b>Favorable (Unfavorable)</b>
Lexington Park Branch:			
Salaries	\$ 829,778	\$ 816,131	\$ 13,647
Employee benefits	143,478	132,643	10,835
Telephone	3,600	3,790	(190)
Electric	75,000	81,796	(6,796)
Fuel and oil	23,000	22,424	576
Water and sewer	16,000	19,638	(3,638)
Landscaping	4,000	4,685	(685)
Equipment and furniture	2,500	-	2,500
Office supplies	5,000	3,683	1,317
Program services	-	8,542	(8,542)
	<u>1,102,356</u>	<u>1,093,332</u>	<u>9,024</u>
Leonardtowntown Branch:			
Salaries	655,731	663,677	(7,946)
Employee benefits	120,163	115,732	4,431
Telephone	1,850	1,895	(45)
Electric	39,000	46,148	(7,148)
Fuel and oil	34,000	25,564	8,436
Water and sewer	5,000	5,027	(27)
Equipment and furniture	2,500	2,497	3
Office supplies	5,000	5,060	(60)
Program services	-	1,426	(1,426)
	<u>863,244</u>	<u>867,026</u>	<u>(3,782)</u>
Charlotte Hall Branch:			
Salaries	493,410	433,483	59,927
Employee benefits	125,747	96,891	28,856
Telephone	5,900	5,572	328
Electric	28,000	29,811	(1,811)
Water and sewer	8,000	10,583	(2,583)
Landscaping	2,500	3,470	(970)
Equipment and furniture	2,500	2,792	(292)
Office supplies	3,500	3,249	251
Program services	-	1,112	(1,112)
	<u>669,557</u>	<u>586,963</u>	<u>82,594</u>

# ST. MARY'S COUNTY LIBRARY

## Schedule of Expenditures (Actual and Budget) For the Year Ended June 30, 2023

General Operating:			
Salaries	760,850	719,153	41,697
Employee benefits	177,440	161,566	15,874
Books and publications	350,000	345,803	4,197
Digital collection	19,000	19,144	(144)
Telephone	11,200	11,997	(797)
Fuel and oil	500	500	-
Office supplies	15,000	12,009	2,991
Advertising	7,000	7,000	-
Maintenance	4,750	3,620	1,130
Insurance	17,000	17,071	(71)
Staff development	20,000	25,826	(5,826)
Virtual services	20,000	19,856	144
Accounting and audit	31,000	33,010	(2,010)
Legal	2,000	240	1,760
Security	2,000	1,662	338
Bank service fees	4,000	5,030	(1,030)
Memberships	3,400	2,607	793
Mileage reimbursements	500	500	-
Equipment and furniture	42,500	67,477	(24,977)
Mobile library	15,000	96,235	(81,235)
Other costs	400	15,285	(14,885)
Other contract services	57,200	64,530	(7,330)
Photocopy	26,000	24,725	1,275
Postage	500	353	147
Processing supplies	3,000	771	2,229
Program services	16,000	15,779	221
Retirees' health costs	100,000	47,849	52,151
	<u>1,706,240</u>	<u>1,719,598</u>	<u>(13,358)</u>
Total Operating Fund	<u>\$ 4,341,397</u>	<u>\$ 4,266,919</u>	<u>\$ 74,478</u>

# ST. MARY'S COUNTY LIBRARY

## Schedule of Changes in Net OPEB Liability and Related Ratios For the Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:							
Service cost	\$ 112,384	\$ 212,675	\$ 174,825	\$ 73,673	\$ 70,908	\$ 74,081	\$ 70,348
Interest	115,053	109,213	112,989	114,806	107,943	114,548	108,111
Differences between expected and actual experience	20,851	(483,314)	2,312	448,371	43,905	(172,902)	-
Changes of assumptions	(85,056)	(1,395,933)	379,330	1,360,666	-	(87,133)	-
Benefit payments, including refunds of member contributions	(92,966)	(113,777)	(83,620)	(103,907)	(90,897)	(56,422)	(60,666)
Net change in total OPEB liability	70,266	(1,671,136)	585,836	1,893,609	131,859	(127,828)	117,793
Total OPEB liability – beginning	3,019,714	4,690,850	4,105,014	2,211,405	2,079,546	2,207,374	2,089,581
Total OPEB liability – ending (a)	\$ 3,089,980	\$ 3,019,714	\$ 4,690,850	\$ 4,105,014	\$ 2,211,405	\$ 2,079,546	\$ 2,207,374
Plan fiduciary net position:							
Contributions – employer	\$ 92,966	\$ 143,777	\$ 103,620	\$ 103,907	\$ 115,897	\$ 92,451	\$ 66,592
Net investment income/(losses)	108,519	(198,206)	294,540	12,922	56,046	60,171	77,754
Benefit payments	(92,966)	(113,777)	(83,620)	(103,907)	(90,897)	(56,422)	(60,666)
Administrative expense	-	-	-	-	-	-	5,926
Net change in plan fiduciary net position	108,519	(168,206)	314,540	12,922	81,046	96,200	89,606
Plan fiduciary net position – beginning	1,204,021	1,372,227	1,057,687	1,044,765	963,719	867,519	789,765
Plan fiduciary net position – ending (b)	\$ 1,312,540	\$ 1,204,021	\$ 1,372,227	\$ 1,057,687	\$ 1,044,765	\$ 963,719	\$ 879,371
Net OPEB Liability – ending (a) – (b)	\$ 1,777,440	\$ 1,815,693	\$ 3,318,623	\$ 3,047,327	\$ 1,166,640	\$ 1,115,827	\$ 1,328,003
Plan fiduciary net position as a percentage of the total OPEB liability	42.48%	39.87%	29.25%	25.77%	47.24%	46.34%	39.84%
Covered employee payroll	N/A	N/A	N/A	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	N/A	N/A	N/A
Annual money weighted rate of return, net of investment expenses	8.62%	-15.39%	24.24%	1.23%	5.58%	6.57%	9.32%

Notes to schedule: Information prior to 2017 is not available.

## ST. MARY'S COUNTY LIBRARY

### Schedule of Contributions to Net OPEB and Related Ratios For the Year Ended June 30, 2023

	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 157,000	\$ 146,000	\$ 109,000	\$ 105,000	\$ 119,000	\$ 115,000	\$ 99,000	\$ 94,000	\$ 112,000
Contributions related to the actuarially determined contribution	92,966	143,777	103,620	103,907	115,897	92,451	66,592	44,768	91,361
Contribution deficiency (excess)	<u>\$ 64,034</u>	<u>\$ 2,223</u>	<u>\$ 5,380</u>	<u>\$ 1,093</u>	<u>\$ 3,103</u>	<u>\$ 22,549</u>	<u>\$ 32,408</u>	<u>\$ 49,232</u>	<u>\$ 20,639</u>
Covered employee payroll	N/A	N/A	N/A	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	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, closed
Remaining amortization period	15 years
Asset valuation method	Market value of assets
Inflation	2.20%
Salary increases	3.50%
Investment rate of return	6.00%
Healthcare cost trend rate	The trend for 2022 is 5.20% The ultimate trend is 4.00%

## **OTHER SUPPLEMENTARY INFORMATION**

# ST. MARY'S COUNTY LIBRARY

## Combining Schedule of Expenditures For the Year Ended June 30, 2023

	Lexington Park Branch	Leonardtown Branch	Charlotte Hall Branch	General Operating	Grants	Friends of Library	State of Maryland Retirement	Totals
Salaries	\$ 816,131	\$ 663,677	\$ 433,483	\$ 719,153	\$ -	\$ -	\$ -	\$ 2,632,444
Employee benefits	132,643	115,732	96,891	161,566	-	-	-	506,832
Rent	619,840	629,352	309,920	-	-	-	-	1,559,112
Electric	81,796	46,148	29,811	-	-	-	-	157,755
Fuel and oil	22,424	25,564	-	500	-	-	-	48,488
Water and sewer	19,638	5,027	10,583	-	-	-	-	35,248
Landscaping	4,685	-	3,470	-	-	-	-	8,155
Telephone	3,790	1,895	5,572	11,997	-	-	-	23,254
Books and publications	-	-	-	345,803	-	24,900	-	370,703
Digital collection	-	-	-	19,144	-	-	-	19,144
Office supplies	3,683	5,060	3,249	12,009	-	-	-	24,001
Advertising	-	-	-	7,000	-	-	-	7,000
Maintenance	-	-	-	3,620	-	-	-	3,620
Insurance	-	-	-	17,071	-	-	-	17,071
Staff development	-	-	-	25,826	20,000	-	-	45,826
Virtual services	-	-	-	19,856	-	-	-	19,856
Accounting and audit	-	-	-	33,010	-	-	-	33,010
Legal	-	-	-	240	-	-	-	240
Security	-	-	-	1,662	-	-	-	1,662
Bank service fees	-	-	-	5,030	-	-	-	5,030
Memberships	-	-	-	2,607	-	-	-	2,607
Mileage reimbursements	-	-	-	500	-	-	-	500
Equipment and furniture	-	2,497	2,792	67,477	-	-	-	72,766
Mobile library	-	-	-	96,235	-	-	-	96,235
Other costs	-	-	-	15,285	-	-	-	15,285
Other contract services	-	-	-	64,530	-	-	-	64,530
Photocopy	-	-	-	24,725	-	-	-	24,725
Postage	-	-	-	353	-	-	-	353
Processing supplies	-	-	-	771	-	-	-	771
Program services	8,542	1,426	1,112	15,779	125,670	29,858	-	182,387
Retirees' health costs	-	-	-	47,849	-	-	-	47,849
Retirement benefits	-	-	-	-	-	-	339,148	339,148
	<u>\$ 1,713,172</u>	<u>\$ 1,496,378</u>	<u>\$ 896,883</u>	<u>\$ 1,719,598</u>	<u>\$ 145,670</u>	<u>\$ 54,758</u>	<u>\$ 339,148</u>	<u>\$ 6,365,607</u>



## ST. MARY'S COUNTY LIBRARY

### Schedule of Expenditures – Gift and Grant Funds For the Year Ended June 30, 2023

#### General operating:

Donation	25,154
Staff development	23,778
Office supplies	8,814
Miscellaneous Board	175
Contracted service	4,326
	<hr/>
	62,247

#### Friends of Library:

Books and publications	24,900
Program services	29,858
	<hr/>
	54,758

#### Grants:

EBook grant	33,750
Library Van	67,518
Staff development grant	20,000
ECAC grant	24,402
	<hr/>
	145,670

#### Total Gift and Grant Fund

\$ 262,675



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS 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  
Leonardtown, 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, 2023, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated October 13, 2023.

***Report on 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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### ***Report on 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  
October 13, 2023

*SB & Company, LLC*