

ST. MARY'S COUNTY LIBRARY

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

For the Year Ended June 30, 2024

ST. MARY'S COUNTY LIBRARY

Financial Statements Together with Reports of Independent Public Accountants

JUNE 30, 2024

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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, 2024, 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, 2024, 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.

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.

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.

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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated November 15, 2024 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
November 15, 2024



ST. MARY'S COUNTY LIBRARY

Management's Discussion and Analysis As of June 30, 2024

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, 2024. Please read it in conjunction with the Library's financial statements, which follow this section.

The Library's net position decreased during this fiscal year when compared to the previous year, by \$91,271. This is primarily a result of \$243,691 of depreciation expense (please refer to page 6 to review the summary statements of activities).

Overall, our revenues increased by 7.30%, with a 15.65% increase in St. Mary's County (the County) funding, a 4.50% increase in state funding, offset by a 17.56% decrease in grant revenues and 11.03% decrease in other revenues. Some of our change in net position is due to depreciation of \$243,691 and the increase in the OPEB liability and related deferred inflows and outflows of \$180,746 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 \$10,715 during fiscal year 2024 and an unassigned fund balance of \$857,590. The Library remains in a sound position as a wise steward of public funds.

In FY 2024, the actual expenses were less than the projected budget by \$34,550. The projected budget included \$75,600 to be drawn from the fund balance. Due to expenses being less than projected budget, that fund balance amount was not used. Operational income minus operational expenses show a slight increase of \$10,715.

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.

ST. MARY'S COUNTY LIBRARY

Management's Discussion and Analysis As of June 30, 2024

I. OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

Condensed Comparative Financial Information (continued)

These two statements report the Library's net position in FY 2024 and also any changes in its net position since FY 2023. 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 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.

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 2024, 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 2024 funding.

ST. MARY'S COUNTY LIBRARY

Management's Discussion and Analysis As of June 30, 2024

I. OVERVIEW OF THE FINANCIAL STATEMENTS (continued)

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 2025 or the long-term.

II. CONDENSED COMPARATIVE FINANCIAL INFORMATION

For the years ended June 30, 2024 and 2023, net position consisted of the following:

Summary Statements of Net Position

	2024	2023	% Change
Current and other assets	\$ 1,120,215	\$ 1,070,087	4.68%
Capital assets, net	1,396,797	1,199,760	16.42%
Total assets	2,517,012	2,269,847	10.89%
Deferred outflows - OPEB	1,828,162	1,224,351	49.32%
Total Assets and Deferred Outflows	\$ 4,345,174	\$ 3,494,198	24.35%
Current liabilities	\$ 182,541	\$ 142,320	28.26%
Other liabilities	3,035,776	1,971,459	53.99%
Total liabilities	3,218,317	2,113,779	52.25%
Deferred inflows - OPEB	1,386,573	1,548,864	-10.48%
Total Liabilities and Deferred Inflows	4,604,890	3,662,643	25.73%
Net position			
Net invested in capital assets	1,396,797	1,199,760	16.42%
Restricted	80,084	80,892	-1.00%
Unrestricted	(1,736,597)	(1,449,097)	-19.84%
Total Net Position	\$ (259,716)	\$ (168,445)	-54.18%

The Library's net position decreased 54.18% during the fiscal year ended June 30, 2024. This is primarily attributable to the increases related to the net OPEB liability.

ST. MARY'S COUNTY LIBRARY

Management's Discussion and Analysis As of June 30, 2024

II. CONDENSED COMPARATIVE FINANCIAL INFORMATION

Summary Statements of Activities

	2024	2023	% Change
County appropriations	\$ 3,828,048	\$ 3,310,050	15.65%
County appropriations – donated facilities	1,559,112	1,559,112	0.00%
State aid	920,797	881,180	4.50%
Grant revenues	120,582	146,265	-17.56%
Other revenues	492,651	553,733	-11.03%
Total Revenues	6,921,190	6,450,340	7.30%
Salaries and employee benefits	3,792,832	3,139,276	20.82%
Rent expense	1,559,112	1,559,112	0.00%
Depreciation	243,691	171,395	42.18%
Gift and grant expenses	148,855	262,675	-43.33%
Other expenses	1,267,971	969,260	30.82%
Total Expenses	7,012,461	6,101,718	14.93%
Change in Net Position	\$ (91,271)	\$ 348,622	126.18%

III. THE LIBRARY'S FUNDS

As of June 30, 2024 and 2023, the Library had a total governmental fund balance of \$937,674 and \$927,767, respectively. During the year ended June 30, 2024, the governmental funds balances increased by \$9,907, primarily as a result of revenue over expenditures in the operating fund of \$10,715 offset by the expenditures over revenue in the gifts and grant fund of \$808. The total governmental fund balance is the sum of all cash assets, including restricted funds (such as donations) and the Library Board of Trustees Vanguard Funds, but not the OPEB liability. It should be noted that this amount is a snapshot on June 30, 2024, when the Library had lately received state and county funding. It may be reduced by the need to cover July and August of 2024 expenses. This amount is not the same as what be termed a "rainy day fund:" the amount that the Library has in reserve beyond expected expenses.

IV. OPERATING FUND BUDGETARY HIGHLIGHTS

- In fiscal year 2024, the County allocation for annual operating expenses was \$3,828,048, an increase of \$517,998 or 15.65%. 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 2024, the Library received \$920,797 from the State of Maryland, an increase of \$39,617, or 4.50%. The amount given is based on a complicated formula, but demographics are a factor. The amount reflected expected gains in the County population for the year.

ST. MARY'S COUNTY LIBRARY

Management's Discussion and Analysis As of June 30, 2024

V. OPERATING FUND BUDGETARY HIGHLIGHTS (continued)

- Eligible employees received a 2.5% salary increase on the anniversaries of their employment and a 2% COLA on July 1, 2023.
- Funding for materials was \$296,803 for books and materials and \$27,863 for digital materials. Our collections remain healthy for a library of our size.
- The Library received \$133,913 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: the 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 \$3,044 was also a passthrough to develop local services for improving literacy.
- Actual operating expenses were \$10,985 less than operating revenues.

VI. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets as of June 30, 2024 and 2023, and their respective changes are as follows:

	Capital Assets, Net of Depreciation		
	2024	2023	% Change
Furnishing and equipment	\$ 15,663	\$ 18,229	-14.08%
Leasehold improvements	64,328	66,083	-2.66%
Books	1,316,806	1,115,448	18.05%
Total	\$ 1,396,797	\$ 1,199,760	16.42%

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

ST. MARY'S COUNTY LIBRARY

Management's Discussion and Analysis As of June 30, 2024

VIII. THE FUTURE: CURRENTLY KNOWN FACTS, DECISIONS OR CONDITIONS (continued)

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, 2024

	Governmental Funds			Adjustments (Note 3)	Statement of Net Position
	Operating Fund	Gifts and Grants Fund	Total		
ASSETS					
Cash	\$ 443,690	\$ 180	\$ 443,870	\$ -	\$ 443,870
Investments	590,994	-	590,994	-	590,994
Restricted investments	-	79,904	79,904	-	79,904
Other receivables	5,447	-	5,447	-	5,447
Capital assets, net	-	-	-	1,396,797	1,396,797
Total Assets	\$ 1,040,131	\$ 80,084	\$ 1,120,215	1,396,797	2,517,012
Deferred outflows - OPEB				1,828,162	1,828,162
Total Assets and Deferred Outflows				\$ 3,224,959	\$ 4,345,174
LIABILITIES AND FUND BALANCE/NET POSITION					
LIABILITIES					
Accounts payable and accrued expenses	\$ 42,034	\$ -	\$ 42,034	\$ -	\$ 42,034
Accrued salaries and benefits	140,507	-	140,507	-	140,507
Net OPEB liability	-	-	-	2,724,288	2,724,288
Accrued leave	-	-	-	311,488	311,488
Total Liabilities	182,541	-	182,541	3,035,776	3,218,317
Deferred inflows - OPEB				1,386,573	1,386,573
Total Liabilities and Deferred Inflows				4,422,349	4,604,890
FUND BALANCES / NET POSITION					
Fund balances:					
Nonspendable	-	55,000	55,000	(55,000)	-
Restricted	-	25,084	25,084	(25,084)	-
Unassigned	857,590	-	857,590	(857,590)	-
Total fund balance	857,590	80,084	937,674	(937,674)	-
Total Liabilities and Fund Balance	\$ 1,040,131	\$ 80,084	\$ 1,120,215		
Net position:					
Net investment in capital assets				1,396,797	1,396,797
Restricted				80,084	80,084
Unrestricted				(1,736,597)	(1,736,597)
Total Net Position				\$ (259,716)	\$ (259,716)

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, 2024

Total fund balances - governmental funds	\$ 937,674
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	1,396,797
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(311,488)
Net OPEB Liability	(2,724,288)
Deferred outflows and inflows - OPEB	<u>441,589</u>
Net Position of Governmental Activities	<u>\$ (259,716)</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, 2024

	Governmental Funds			Adjustments (Note 3)	Statement of Activities
	Operating Fund	Gifts and Grants Fund	Total		
REVENUES					
County appropriations	\$ 3,828,048	\$ -	\$ 3,828,048	\$ -	\$ 3,828,048
Other County appropriations	1,559,112	-	1,559,112	-	1,559,112
State aid	920,797	-	920,797	-	920,797
Grants	-	120,582	120,582	-	120,582
State of Maryland - retirement benefit	348,591	-	348,591	-	348,591
Services income	50,207	-	50,207	-	50,207
Fines and damages	32,233	-	32,233	-	32,233
Contributions and donations	-	25,670	25,670	-	25,670
Miscellaneous	54	-	54	-	54
Investment income	34,101	1,795	35,896	-	35,896
Total Revenues	6,773,143	148,047	6,921,190	-	6,921,190
EXPENDITURES/EXPENSES					
Lexington Park Branch	1,904,193	2,783	1,906,976	-	1,906,976
Leonardtown Branch	1,628,263	-	1,628,263	-	1,628,263
Charlotte Hall Branch	1,014,950	-	1,014,950	-	1,014,950
General operating	1,803,884	5,670	1,809,554	(142,513)	1,667,041
Other grants	-	120,402	120,402	-	120,402
Friends of Library	62,547	20,000	82,547	-	82,547
Depreciation	-	-	-	243,691	243,691
State of Maryland - retirement benefit	348,591	-	348,591	-	348,591
Total Expenditures/Expenses	6,762,428	148,855	6,911,283	101,178	7,012,461
Excess of revenues over (under) expenditures/expenses	10,715	(808)	9,907	(9,907)	-
Change in net position	-	-	-	(91,271)	(91,271)
Fund balances/net position:					
Beginning of year	846,875	80,892	927,767	(168,445)	(168,445)
End of Year	\$ 857,590	\$ 80,084	\$ 937,674	\$ (269,623)	\$ (259,716)

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, 2024

Net change in fund balances - total governmental funds	\$	9,907
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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	\$	440,728	
Depreciation expense		<u>(243,691)</u>	
			197,037

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	(117,469)
Change in net OPEB liability and related deferred outflows and inflows	<u>(180,746)</u>

Change in Net Position of Governmental Activities	\$	<u>(91,271)</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
As of June 30, 2024**

ASSETS

Restricted cash and investments	\$ 1,463,235
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NET POSITION

Restricted for other postemployment benefits	\$ 1,463,235
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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, 2024

ADDITIONS

Contributions	\$ 97,158
Interest and dividends	54,855
Net appreciation in fair value of plan investments	95,840
Total additions	<u>247,853</u>

DEDUCTIONS

Benefits paid	<u>97,158</u>
Total deductions	<u>97,158</u>

Change in net position	150,695
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NET POSITION

Beginning of year	<u>1,312,540</u>
End of Year	<u>\$ 1,463,235</u>

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

ST. MARY'S COUNTY LIBRARY

Notes to the Financial Statements

June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The St. Mary's County Library (the Library) operates a main library in Leonardtown, two branch libraries in Lexington Park and Charlotte Hall, and a new Mobile Library added in 2024. The two branch libraries began operations during 1951 and 1983, respectively. For financial statement reporting, the financial activities of the main library, two branches, and Mobile Library are combined. The Library is a component unit of the St. Mary's County Government (the County).

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 County, 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, 2024

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

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.

ST. MARY'S COUNTY LIBRARY

Notes to the Financial Statements

June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Accounting (continued)

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, 2024.

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, 2024

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.

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 2024: 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.

ST. MARY'S COUNTY LIBRARY

Notes to the Financial Statements

June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2024: 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.
- 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.

ST. MARY'S COUNTY LIBRARY

Notes to the Financial Statements

June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Recent Accounting Pronouncements

The GASB has issued several pronouncements prior to the year ended June 30, 2024 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 2025).

ST. MARY'S COUNTY LIBRARY

Notes to the Financial Statements June 30, 2024

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Recent Accounting Pronouncements (continued)

Statement No. 102, *Certain Risk Disclosures*

This Statement requires a government to assess whether a concentration or constraint makes the primary government reporting unit or other reporting units that report a liability for revenue debt vulnerable to the risk of a substantial impact. Additionally, this Statement requires a government to assess whether an event or events associated with a concentration or constraint that could cause the substantial impact have occurred, have begun to occur, or are more likely than not to begin to occur within 12 months of the date the financial statements are issued. The requirements of this Statement are effective for periods beginning after June 15, 2024 (FY 2025).

Statement No. 103, *Financial Reporting Model Improvements*

The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability. The requirements of this Statement are effective for periods beginning after June 15, 2025 (FY 2026)

Statement No. 104, *Disclosure of Certain Capital Assets*

This Statement requires certain types of capital assets to be disclosed separately in the capital assets note disclosures required by Statement 34. Lease assets recognized in accordance with Statement No. 87, *Leases*, and intangible right-to-use assets recognized in accordance with Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, should be disclosed separately by major class of underlying asset in the capital as-sets note disclosures. Subscription assets recognized in accordance with Statement No. 96, *Subscription-Based Information Technology Arrangements*, also should be separately disclosed. In addition, this Statement requires intangible assets other than those three types to be disclosed separately by major class. This Statement also requires additional disclosures for capital assets held for sale. The requirements of this Statement are effective for periods beginning after June 15, 2025 (FY 2026).

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.

ST. MARY'S COUNTY LIBRARY

Notes to the Financial Statements June 30, 2024

2. COMPLIANCE AND ACCOUNTABILITY (continued)

Budget Requirements, Accounting and Reporting (continued)

- 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.

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	\$ 1,396,797
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Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Compensated absences	(311,488)
Net OPEB Liability	(2,724,288)
Deferred outflows and inflows-OPEB	441,589
Total fund balances - governmental funds	937,674
Net Position of Governmental Activities	<u>\$ (259,716)</u>

ST. MARY'S COUNTY LIBRARY

Notes to the Financial Statements

June 30, 2024

3. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (continued)

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	\$ 440,728
Depreciation expense	(243,691)
Accrued compensated absences	(117,469)
Change in net OPEB liability and related deferred outflows and inflows	(180,746)
Net change in fund balances - total governmental funds	9,907
Change in Net Position of Governmental Activities	<u>\$ (91,271)</u>

4. CASH AND INVESTMENTS

As of June 30, 2024, the carrying amount of the Library's cash was \$443,870 and the bank balances totaled \$446,715. As a government entity, the Library's bank balance is fully insured. As of June 30, 2024, 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>\$ 590,994</u>	<u>\$ 590,994</u>
Restricted:		
The Vanguard Group (GNMA Fund Admiral)	<u>\$ 79,904</u>	<u>\$ 79,904</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.

ST. MARY'S COUNTY LIBRARY

Notes to the Financial Statements

June 30, 2024

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.

Summary of Significant Accounting Policies

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%.

ST. MARY'S COUNTY LIBRARY

Notes to the Financial Statements June 30, 2024

5. RETIREMENT AND PENSION PLAN (continued)

General Information About the Pension Plan (continued)

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/.

The Library provides pension contributions for normal cost and accrued actuarial liability. For the year ended June 30, 2024, the Library's total payroll and payroll for covered employees was \$2,987,506.

For fiscal year 2024, the state contributed \$348,591 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 11.91% of covered payroll.

6. CAPITAL ASSETS AND DEPRECIATION

Capital asset activity for the year ended June 30, 2024 was as follows:

	Balance June 30, 2023	Additions	Deletions	Balance June 30, 2024
Capital assets:				
Furnishings and equipment	\$ 1,156,661	\$ 9,798	\$ 3,978	\$ 1,162,481
Leasehold improvements	87,735	-	-	87,735
Books	5,145,920	430,930	562,515	5,014,335
	<u>6,390,316</u>	<u>440,728</u>	<u>566,493</u>	<u>6,264,551</u>
Accumulated depreciation:				
Furnishings and equipment	1,138,432	12,364	3,978	1,146,818
Leasehold improvements	21,652	1,755	-	23,407
Books	4,030,472	229,572	562,515	3,697,529
	<u>5,190,556</u>	<u>243,691</u>	<u>566,493</u>	<u>4,867,754</u>
Capital Assets, Net	<u>\$ 1,199,760</u>	<u>\$ 197,037</u>	<u>\$ -</u>	<u>\$ 1,396,797</u>

ST. MARY'S COUNTY LIBRARY

Notes to the Financial Statements June 30, 2024

7. COMPENSATED ABSENCES

Changes in compensated absences for the year ended June 30, 2024 were as follows:

<u>Balance</u> <u>June 30, 2023</u>	<u>Increase</u>	<u>Decrease</u>	<u>Balance</u> <u>June 30, 2024</u>	<u>Amount due</u> <u>within one year</u>
<u>\$ 194,019</u>	<u>\$ 284,981</u>	<u>\$ 167,512</u>	<u>\$ 311,488</u>	<u>\$ 73,695</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.

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, 2024, 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, 2024

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, 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>44</u>
Total	<u>54</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 2024 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 \$103,000. The Library contributed \$97,158 to the Trust in fiscal year 2024.

ST. MARY'S COUNTY LIBRARY

Notes to the Financial Statements

June 30, 2024

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, 2024, the annual money weighted rate of return of the OPEB Trust was 10.86%.

The components of the net OPEB liability of the Library as of June 30, 2024 was:

Total OPEB liability	\$ 4,187,523
Plan fiduciary net position	<u>(1,463,235)</u>
Net OPEB liability	<u>\$ 2,724,288</u>
Plan fiduciary net position as a percentage of the total OPEB liability	34.94%

Actuarial Assumptions

The total OPEB liability as determined by an actuarial valuation as of July 1, 2022, rolled forward to June 30, 2024, using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial cost method	Projected unit credit
Inflation	2.50%
Investment rate of return	6.00%
Healthcare cost trend rate	5.60% trending to 3.94%
Discount Rate	4.51%

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 4.51% as of June 30, 2024. 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, 2024

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	2.92%	3.92%	4.92%
Net OPEB Liability	<u>\$ 2,002,605</u>	<u>\$ 2,724,288</u>	<u>\$ 2,063,529</u>
	1% Decrease	Discount Rate	1% Increase
Discount Rate	3.51%	4.51%	5.51%
Net OPEB Liability	<u>\$ 3,574,745</u>	<u>\$ 2,724,288</u>	<u>\$ 2,063,529</u>

For the year ended June 30, 2024, the Library recognized OPEB expense of \$277,904. As of June 30, 2024, 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	\$ 1,128,245	\$ 323,683
Changes of assumptions	699,917	1,035,917
Net Difference between projected and actual earnings on OPEB plan investments	-	26,973
	<u>\$ 1,828,162</u>	<u>\$ 1,386,573</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:

<u>Years Ending June 30,</u>	<u>Amount</u>
2025	\$ 107,909
2026	187,573
2027	126,589
2028	(91,052)
2029	(122,424)
Thereafter	232,994
Total	<u>\$ 441,589</u>

ST. MARY'S COUNTY LIBRARY

Notes to the Financial Statements June 30, 2024

12. GOVERNMENTAL FUND BALANCES

Governmental fund balances as of June 30, 2024 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>\$ 55,000</u>	<u>\$ 55,000</u>
Restricted for:			
Library services and technology	<u>-</u>	<u>24,904</u>	<u>24,904</u>
Unassigned	<u>857,770</u>	<u>-</u>	<u>857,770</u>
Total fund balances	<u>\$ 857,770</u>	<u>\$ 79,904</u>	<u>\$ 937,674</u>

REQUIRED SUPPLEMENTARY INFORMATION

ST. MARY'S COUNTY LIBRARY

Schedule of Expenditures (Actual and Budget) For the Year Ended June 30, 2024

	Budget (Unaudited)	Actual	Favorable (Unfavorable)
Lexington Park Branch:			
Salaries	\$ 1,003,037	\$ 983,793	\$ 19,244
Employee benefits	166,732	173,146	(6,414)
Telephone	3,980	3,972	8
Electric	83,000	67,805	15,195
Fuel and oil	24,000	18,851	5,149
Water and sewer	24,000	18,024	5,976
Landscaping	6,641	5,555	1,086
Equipment and furniture	4,000	4,000	-
Office supplies	4,500	5,250	(750)
Program services	-	3,957	(3,957)
	<u>1,319,890</u>	<u>1,284,353</u>	<u>35,537</u>
Leonardtown Branch:			
Salaries	789,761	789,817	(56)
Employee benefits	138,417	123,372	15,045
Telephone	1,990	1,986	4
Electric	48,000	42,273	5,727
Fuel and oil	27,000	22,914	4,086
Water and sewer	7,000	6,301	699
Equipment and furniture	4,000	4,000	-
Office supplies	4,500	5,250	(750)
Program services	-	2,998	(2,998)
	<u>1,020,668</u>	<u>998,911</u>	<u>21,757</u>
Charlotte Hall Branch:			
Salaries	545,042	538,421	6,621
Employee benefits	138,697	114,393	24,304
Telephone	5,600	5,739	(139)
Electric	34,000	25,040	8,960
Water and sewer	13,500	12,116	1,384
Landscaping	5,000	1,288	3,712
Equipment and furniture	4,000	3,757	243
Office supplies	3,000	3,000	-
Program services	-	1,276	(1,276)
	<u>748,839</u>	<u>705,030</u>	<u>43,809</u>

ST. MARY'S COUNTY LIBRARY

Schedule of Expenditures (Actual and Budget) For the Year Ended June 30, 2024

General Operating:						
Salaries	\$	858,728	\$	897,831	\$	(39,103)
Employee benefits		169,310		169,276		34
Books and publications		325,000		296,803		28,197
Friends of Library		-		62,547		(62,547)
Digital collection		27,900		27,863		37
Telephone		15,000		13,813		1,187
Fuel and oil		500		917		(417)
Office supplies		6,500		6,146		354
Advertising		8,000		8,000		-
Maintenance		2,500		981		1,519
Insurance		27,000		26,131		869
Staff development		20,000		19,983		17
Virtual services		19,110		19,110		-
Accounting and audit		29,000		35,371		(6,371)
Legal		2,000		1,209		791
Security		2,000		37		1,963
Bank service fees		5,000		4,879		121
Memberships		3,000		2,771		229
Mileage reimbursements		500		500		-
Equipment and furniture		34,000		38,954		(4,954)
Mobile library		28,000		12,440		15,560
Other costs		-		3,884		(3,884)
Other contract services		76,000		76,030		(30)
Photocopy		28,000		30,937		(2,937)
Postage		500		332		168
Processing supplies		1,000		759		241
Program services		20,000		11,769		8,231
Retirees' health costs		97,000		97,158		(158)
		<u>1,805,548</u>		<u>1,866,431</u>		<u>(60,883)</u>
Total Operating Fund	\$	<u>4,894,945</u>	\$	<u>4,854,725</u>	\$	<u>40,220</u>

ST. MARY'S COUNTY LIBRARY

Schedule of Changes in Net OPEB Liability and Related Ratios For the Year Ended June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017
Total OPEB liability:								
Service cost	\$ 108,335	\$ 112,384	\$ 212,675	\$ 174,825	\$ 73,673	\$ 70,908	\$ 74,081	\$ 70,348
Interest	122,307	115,053	109,213	112,989	114,806	107,943	114,548	108,111
Differences between expected and actual experience	1,065,521	20,851	(483,314)	2,312	448,371	43,905	(172,902)	-
Changes of assumptions	(101,462)	(85,056)	(1,395,933)	379,330	1,360,666	-	(87,133)	-
Benefit payments, including refunds of member contributions	(97,158)	(92,966)	(113,777)	(83,620)	(103,907)	(90,897)	(56,422)	(60,666)
Net change in total OPEB liability	1,097,543	70,266	(1,671,136)	585,836	1,893,609	131,859	(127,828)	117,793
Total OPEB liability – beginning	3,089,980	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)	\$ 4,187,523	\$ 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	\$ 97,158	\$ 92,966	\$ 143,777	\$ 103,620	\$ 103,907	\$ 115,897	\$ 92,451	\$ 66,592
Net investment income/(losses)	150,695	108,519	(198,206)	294,540	12,922	56,046	60,171	77,754
Benefit payments	(97,158)	(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	150,695	108,519	(168,206)	314,540	12,922	81,046	96,200	89,606
Plan fiduciary net position – beginning	1,312,540	1,204,021	1,372,227	1,057,687	1,044,765	963,719	867,519	789,765
Plan fiduciary net position – ending (b)	\$ 1,463,235	\$ 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)	\$ 2,724,288	\$ 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	34.94%	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	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	N/A
Annual money weighted rate of return, net of investment expenses	10.86%	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, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
Actuarially determined contribution	\$ 103,000	\$ 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	97,158	92,966	143,777	103,620	103,907	115,897	92,451	66,592	44,768	91,361
Contribution deficiency (excess)	<u>\$ 5,842</u>	<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	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	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	2.50%									
Salary increases	3.50%									
Investment rate of return	6.00%									
Healthcare cost trend rate	The trend for 2024 is 5.60%. The ultimate trend is 3.94%.									

OTHER SUPPLEMENTARY INFORMATION

ST. MARY'S COUNTY LIBRARY

Combining Schedule of Expenditures For the Year Ended June 30, 2024

	Lexington Park Branch	Leonardtown Branch	Charlotte Hall Branch	General Operating	Grants	Friends of Library	State of Maryland Retirement	Totals
Salaries	\$ 983,793	\$ 789,817	\$ 538,421	\$ 897,831	\$ 2,783	\$ -	\$ -	\$ 3,212,645
Employee benefits	173,146	123,372	114,393	169,276	-	-	-	580,187
Rent	619,840	629,352	309,920	-	-	-	-	1,559,112
Electric	67,805	42,273	25,040	-	-	-	-	135,118
Fuel and oil	18,851	22,914	-	917	-	-	-	42,682
Water and sewer	18,024	6,301	12,116	-	-	-	-	36,441
Landscaping	5,555	-	1,288	-	-	-	-	6,843
Telephone	3,972	1,986	5,739	13,813	-	-	-	25,510
Books and publications	-	-	-	296,803	33,750	-	-	330,553
Digital collection	-	-	-	27,863	-	-	-	27,863
Office supplies	5,250	5,250	3,000	6,146	-	-	-	19,646
Advertising	-	-	-	8,000	-	-	-	8,000
Maintenance	-	-	-	981	-	-	-	981
Insurance	-	-	-	26,131	-	-	-	26,131
Staff development	-	-	-	19,983	20,000	-	-	39,983
Virtual services	-	-	-	19,110	-	-	-	19,110
Accounting and audit	-	-	-	35,371	-	-	-	35,371
Legal	-	-	-	1,209	-	-	-	1,209
Security	-	-	-	37	-	-	-	37
Bank service fees	-	-	-	4,879	-	-	-	4,879
Memberships	-	-	-	2,771	-	-	-	2,771
Mileage reimbursements	-	-	-	500	-	-	-	500
Equipment and furniture	4,000	4,000	3,757	38,954	-	-	-	50,711
Mobile library	-	-	-	12,440	29,445	-	-	41,885
Other costs	-	-	-	3,884	5,670	-	-	9,554
Other contract services	-	-	-	76,030	-	-	-	76,030
Photocopy	-	-	-	30,937	-	-	-	30,937
Postage	-	-	-	332	-	-	-	332
Processing supplies	-	-	-	759	-	-	-	759
FOL operating expenses	-	-	-	-	-	62,547	-	62,547
Program services	3,957	2,998	1,276	11,769	37,207	20,000	-	77,207
Retirees' health costs	-	-	-	97,158	-	-	-	97,158
Retirement benefits	-	-	-	-	-	-	348,591	348,591
	<u>\$ 1,904,193</u>	<u>\$ 1,628,263</u>	<u>\$ 1,014,950</u>	<u>\$ 1,803,884</u>	<u>\$ 128,855</u>	<u>\$ 82,547</u>	<u>\$ 348,591</u>	<u>\$ 6,911,283</u>

ST. MARY'S COUNTY LIBRARY

Schedule of Expenditures – Gift and Grant Funds For the Year Ended June 30, 2024

General operating:

Intern grant	\$ 2,783
Donation	5,670
	<u>8,453</u>

Friends of Library:

Books and publications	<u>20,000</u>
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Grants:

EBook grant	33,750
Library Van	29,445
Strategic plan grant	20,000
Staff development grant	20,000
Art council	11,591
ECAC grant	3,044
State rotating grant	2,572
	<u>120,402</u>

Total Gift and Grant Fund

\$ 148,855



**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, 2024, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated November 15, 2024.

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.

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
November 15, 2024

SB + Company, LLC