

**ST. MARY'S COUNTY LIBRARY**

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

**For the Year Ended June 30, 2022**



**JUNE 30, 2022**

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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, 2022, 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 St. Mary's County Library, as of June 30, 2022, 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 and required supplementary information, as individually listed in the table of contents, be presented to supplement the basic financial statements. Such information, although not a required part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***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 November 21, 2022, 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 21, 2022

*S B & Company, LLC*

# ST. MARY'S COUNTY LIBRARY

## Management's Discussion and Analysis As of June 30, 2022

Our Management's Discussion and Analysis of the St. Mary's County Library's financial performance provides an overview of our financial activities for the fiscal year ended June 30, 2022. 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 \$375,647. This is primarily a result of depreciation expense, OPEB liability increase and increase in grant revenue for the year ended June 30, 2022.

Overall, our revenues increased by 8.19%, with a 3.77% increase in County funding, a 2.41% increase in state funding, and a 144.87% increase in grants. Some of our change in net position is due to depreciation of \$113,082 and the increase in the OPEB liability and related deferred inflows and outflows of \$123,750 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 \$161,267 during fiscal year 2022 and an unassigned fund balance of \$632,494. The Library remains in a sound position as a wise steward of public funds.

In FY 2022, the actual expenses were less than the projected budget by \$33,482.

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

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

### I. OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

These two statements report the Library's net position in FY 2022 and also any changes in its net position since FY 2021. 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, 2022

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

In our Activities, all of the Library's basic funds, revenues, salaries and benefits, depreciation, and expenses are included. The revenues fund all of our activities: general administration, our library collection, and public services, which include services in our branches and outreach services to special populations. County and State funding, federal grants and nominal user fees finance most of these activities. In FY 2022, the Library had no business revenue: activities in which fees from customers cover all of the cost of services provided.

- Analysis of Library's Overall Financial Position

The Analysis of Library's Overall Financial Position provides a comparison of our FY 2022 total costs in comparison to FY 2021 and a breakdown of the percentages of those costs by funding and by expenditures.

- Library Funds

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

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

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

- Operating Fund Budgetary Highlights

This section lists some notable events in our FY 2022 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 2022 or the long-term.



## ST. MARY'S COUNTY LIBRARY

### Management's Discussion and Analysis As of June 30, 2022

#### II. CONDENSED COMPARATIVE FINANCIAL INFORMATION

For the years ended June 30, 2022 and 2021, net position consisted of the following:

##### Summary Statements of Net Position

	<u>2022</u>	<u>2021</u>	<u>% Change</u>
Current and other assets	\$ 983,963	\$ 846,584	16.23%
Capital assets, net	824,552	464,906	77.36%
Total assets	1,808,515	1,311,490	37.90%
Deferred outflows - OPEB	1,535,162	1,718,158	-10.65%
Total Assets and Deferred Outflows	<u>\$ 3,343,677</u>	<u>\$ 3,029,648</u>	10.37%
Current liabilities	\$ 309,569	\$ 271,329	14.09%
Other liabilities	1,977,964	3,481,506	-43.19%
Total Liabilities	2,287,533	3,752,835	-39.05%
Deferred inflows - OPEB	1,741,851	298,167	484.19%
Total Liabilities and Deferred Inflows	<u>4,029,384</u>	<u>4,051,002</u>	-0.53%
Net Position:			
Net invested in capital assets	824,552	464,906	77.36%
Restricted	81,900	94,455	-13.29%
Unrestricted	(1,592,159)	(1,580,715)	-0.72%
Total Net Position	<u>\$ (685,707)</u>	<u>\$ (1,021,354)</u>	32.86%

The Library's net position increased 36.78% during the fiscal year ended June 30, 2022. This is primarily attributable to the increase in OPEB liabilities in FY 2022.

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

##### Summary Statements of Activities

	<u>2022</u>	<u>2021</u>	<u>% Change</u>
County appropriations	\$ 3,078,258	\$ 2,966,364	3.77%
County appropriations – donated facilities	1,559,112	1,559,112	0.00%
State aid	866,625	846,257	2.41%
Grant revenues	330,940	135,148	144.87%
Other revenues	564,566	408,024	38.37%
Total Revenues	<u>6,399,501</u>	<u>5,914,905</u>	8.19%
Salaries and employee benefits	2,910,268	2,861,246	1.71%
Rent expense	1,559,112	1,559,112	0.00%
Depreciation	113,082	475,871	-76.24%
Gift and grant expenses	546,329	239,944	127.69%
Other expenses	935,063	1,160,753	-19.44%
Total Expenses	<u>6,063,854</u>	<u>6,296,926</u>	-3.70%
Change in Net Position	<u>\$ 335,647</u>	<u>\$ (382,021)</u>	187.86%

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

### **Management's Discussion and Analysis As of June 30, 2022**

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

As of June 30, 2022 and 2021, the Library had a total governmental fund balance of \$714,394, and \$575,255 respectively. During the year ended June 30, 2022, governmental fund balances increased by \$139,139, primarily as a result of revenue over expenditures in the Operating fund of \$161,267.

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

- In fiscal year 2022, the County allocation for annual operating expenses was \$3,078,258, an increase of \$111,894 or 3.77%. 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 2022, the Library received \$866,625, from the State of Maryland, an increase of \$20,368, or 2.41%. 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, 2021.
- Funding for materials was \$335,103 for books and materials and \$58,662 for digital materials. Our collections remain healthy for a library of our size.
- The Library received \$506,329, grants from the Maryland State Library: \$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.
- Due to a lessening in the effects of the COVID-19 pandemic especially late in the fiscal year, revenues from fines and services were higher than forecast.
- Actual operating expenses were \$161,267 less than operating revenues.

# ST. MARY'S COUNTY LIBRARY

## Management's Discussion and Analysis As of June 30, 2022

### VI. CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets as of June 30, 2022 and 2021 and their respective changes are as follows:

	<u>2022</u>	<u>2021</u>	<u>% Change</u>
Furnishing and equipment	\$ 17,149	\$ 40,635	-57.80%
Leasehold improvements	67,838	69,013	-1.70%
Books	739,565	355,258	108.18%
Total	<u>\$ 824,552</u>	<u>\$ 464,906</u>	77.36%

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

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

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

- a) For fiscal year 2023 — \$9.19;
- b) For fiscal year 2024 — \$9.39.
- c) For fiscal year 2025 — \$9.59;
- d) For fiscal year 2026 — \$9.79;
- e) 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 modest increases to possible flat funding.

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 23256 Hayden Farm Lane, Leonardtown, Maryland 20650.

**ST. MARY'S COUNTY LIBRARY**

**Statement of Net Position and Governmental Funds Balance Sheet  
As of June 30, 2022**

ASSETS					
Governmental Funds					
	Operating Fund	Gifts and grants Fund	Total	Adjustments (Note 3)	Statement of Net Position
Cash	\$ 301,808	\$ -	\$ 301,808	\$ -	\$ 301,808
Investments	575,986	-	575,986	-	575,986
Restricted investments	-	81,900	81,900	-	81,900
Other receivables	24,269	-	24,269	-	24,269
Capital assets, net	-	-	-	824,552	824,552
<b>Total Assets</b>	<b>\$ 902,063</b>	<b>\$ 81,900</b>	<b>\$ 983,963</b>	824,552	1,808,515
Deferred outflows - OPEB				1,535,162	1,535,162
<b>Total Assets and Deferred Outflows</b>				<b>\$ 2,359,714</b>	<b>\$ 3,343,677</b>
LIABILITIES AND FUND BALANCE/NET POSITION					
<b>LIABILITIES</b>					
Accounts payable and accrued expenses	\$ 217,830	\$ -	\$ 217,830	\$ -	\$ 217,830
Accrued salaries and benefits	91,739	-	91,739	-	91,739
Net OPEB liability	-	-	-	1,815,693	1,815,693
Accrued leave	-	-	-	162,271	162,271
<b>Total Liabilities</b>	<b>309,569</b>	<b>-</b>	<b>309,569</b>	1,977,964	2,287,533
Deferred inflows - OPEB				1,741,851	1,741,851
<b>Total Liabilities and Deferred Inflows</b>				<b>3,719,815</b>	<b>4,029,384</b>
<b>FUND BALANCES / NET POSITION</b>					
Fund balances:					
Nonspendable	-	70,452	70,452	(70,452)	-
Restricted	-	11,448	11,448	(11,448)	-
Unassigned	592,494	-	592,494	(592,494)	-
<b>Total fund balance</b>	<b>592,494</b>	<b>81,900</b>	<b>674,394</b>	<b>(674,394)</b>	<b>-</b>
<b>Total Liabilities and Fund Balance</b>	<b>\$ 902,063</b>	<b>\$ 81,900</b>	<b>\$ 983,963</b>		
<b>Net Position :</b>					
Net investment in capital assets				824,552	824,552
Restricted				81,900	81,900
Unrestricted				(1,592,159)	(1,592,159)
<b>Total Net Position</b>				<b>\$ (685,707)</b>	<b>\$ (685,707)</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, 2022

Total fund balances - governmental funds	\$ 674,394
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	824,552
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:	
Compensated absences	(162,271)
Net OPEB Liability	(1,815,693)
Deferred outflows and inflows - OPEB	<u>(206,689)</u>
Net Position of Governmental Activities	<u>\$ (685,707)</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, 2022**

	Governmental Funds			Adjustments (Note 3)	Statement of Activities
	Operating Fund	Gifts and Grants Fund	Total		
Revenues					
County appropriations	\$ 3,078,258	\$ -	\$ 3,078,258	\$ -	\$ 3,078,258
Other County appropriations	1,559,112	-	1,559,112	-	1,559,112
State aid	866,625	-	866,625	-	866,625
Grants	-	330,940	330,940	-	330,940
State of Maryland - retirement benefit	340,270	-	340,270	-	340,270
Services income	41,732	-	41,732	-	41,732
Fines and damages	33,557	-	33,557	-	33,557
Contributions and donations	-	153,261	153,261	-	153,261
Miscellaneous	2,161	-	2,161	-	2,161
Investment (loss)/income	(6,415)	-	(6,415)	-	(6,415)
Total Revenues	<u>5,915,300</u>	<u>484,201</u>	<u>6,399,501</u>	<u>-</u>	<u>6,399,501</u>
Expenditures/expenses:					
Lexington Park Branch	1,626,191	-	1,626,191	-	1,626,191
Leonardtown Branch	1,415,516	-	1,415,516	-	1,415,516
Charlotte Hall Branch	892,930	-	892,930	-	892,930
General Operating	1,479,126	43,348	1,522,474	(349,590)	1,172,884
Other grants	-	371,348	371,348	-	371,348
Friends of Library	-	131,633	131,633	-	131,633
Depreciation	-	-	-	113,082	113,082
State of Maryland - retirement benefit	340,270	-	340,270	-	340,270
Total expenditures/expenses	<u>5,754,033</u>	<u>546,329</u>	<u>6,300,362</u>	<u>(236,508)</u>	<u>6,063,854</u>
Excess of revenues over (under) expenditures/expenses	161,267	(62,128)	99,139	(99,139)	-
Change in net position	-	-	-	335,647	335,647
Fund balances/net position:					
Beginning of year	<u>471,227</u>	<u>104,028</u>	<u>575,255</u>	<u>(334,080)</u>	<u>(1,021,354)</u>
End of year	<u>\$ 632,494</u>	<u>\$ 41,900</u>	<u>\$ 674,394</u>	<u>\$ (97,572)</u>	<u>\$ (685,707)</u>

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

**ST. MARY'S COUNTY LIBRARY**

**Reconciliation of the Statement of Activities and Governmental Fund Revenue, Expenditures and Change in Fund Balance to the Statement of Activities  
For the Year Ended June 30, 2022**

Net change in fund balances - total governmental funds \$ 99,139

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	\$ 472,728	
Depreciation expense	<u>(113,082)</u>	359,646

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	612
Change in net OPEB liability and related deferred outflows and inflows	<u>(123,750)</u>

Change in Net Position of Governmental Activities	<u>\$ 335,647</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, 2022**

**ASSETS**

Restricted cash and investments	<u>\$ 1,204,021</u>
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**NET POSITION**

Restricted for other postemployment benefits	<u>\$ 1,204,021</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, 2022**

**ADDITIONS**

Contributions	\$ 143,777
Interest and dividends	33,424
Net (depreciation)/appreciation in fair value of plan investments	<u>(228,628)</u>
Total additions	<u>(51,427)</u>

**DEDUCTIONS**

Benefits paid	<u>113,777</u>
Total deductions	<u>113,777</u>

Change in net position (165,204)

**NET POSITION**

Beginning of year	<u>1,372,227</u>
End of Year	<u>\$ 1,207,023</u>

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

# ST. MARY'S COUNTY LIBRARY

## Notes to the Financial Statements

June 30, 2022

### 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, 2022

### 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, 2022

### 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, 2022.

#### **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:

# ST. MARY'S COUNTY LIBRARY

## Notes to the Financial Statements

June 30, 2022

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

#### Fixed Assets (continued)

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 2022: 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 2022: 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:

# ST. MARY'S COUNTY LIBRARY

## Notes to the Financial Statements

June 30, 2022

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

#### Equity Classifications(continued)

- 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.

#### 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.

# ST. MARY'S COUNTY LIBRARY

## Notes to the Financial Statements

June 30, 2022

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

#### 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.

#### Implemented Accounting Pronouncements

##### Statement No. 87, Leases

The objective of this Statement is to better meet the informational needs of financial statement users by improving accounting and financial reporting for leases by governments. The Library adopted this standard in FY 2022, and it did not have a material effect on the financial statements.

##### Statement No. 97, Certain Component Unit Criteria and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans – An Amendment of GASB Statements No. 14 and No. 84, and a Supersession of GASB Statement No. 32.

This Statement provides guidance regarding the financial reporting of defined contribution pension plans, defined contribution OPEB plans, and other employee benefit plans. Paragraphs 4 and 5 of the Statement were effective immediately whereas the remaining requirements of this Statement are effective for period beginning after June 15, 2021 (FY 2022). The Library adopted this standard in FY 2022, and it did not have a material effect on the financial statements.

#### Recent Accounting Pronouncements

The Governmental Accounting Standards Board (GASB) has issued several pronouncements prior to the year ended June 30, 2022, 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. 96, Subscription-Based Information Technology Arrangements

This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements. The requirements of this Statement are effective for periods beginning after June 15, 2022 (FY 2023).

# ST. MARY'S COUNTY LIBRARY

## Notes to the Financial Statements June 30, 2022

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

#### Recent Accounting Pronouncements (continued)

##### 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 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 11 because:



# ST. MARY'S COUNTY LIBRARY

## Notes to the Financial Statements June 30, 2022

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

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

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

Capital assets, net	\$ 824,552
---------------------	------------

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

Compensated absences	(162,271)
Net OPEB Liability	(1,815,693)
Deferred outflows and inflows-OPEB	(206,689)
Total fund balances - governmental funds	674,394
Net Position of Governmental Activities	<u>\$ (685,707)</u>

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

The net change in fund balances differs from the change in net position in the Statement of Activities and Governmental Fund Revenues, Expenditures, and Changes in Fund Balances on page 13 because:

Capital asset purchases capitalized	\$ 472,728
Depreciation expense	(113,082)
Accrued compensated absences	612
Change in net OPEB liability and related deferred outflows and inflows	(123,750)
Net change in fund balances - total governmental funds	99,139
Change in Net Position of Governmental Activities	<u>\$ 335,647</u>

### 4. CASH DEPOSITS AND INVESTMENTS

As of June 30, 2022, the carrying amount of the Library's cash was \$301,808, and the bank balances totaled \$305,428. As a government entity, the Library's bank balance is fully insured. As of June 30, 2022, 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.

# ST. MARY'S COUNTY LIBRARY

## Notes to the Financial Statements June 30, 2022

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

	<u>Carrying Amount</u>	<u>Market Value</u>
Cash deposit and Investment		
Unrestricted:		
Investment in Maryland Local Government Investment Pool	\$ 575,986	\$ 575,986
Restricted:		
The Vanguard Group (GNMA Fund Admiral)	\$ 81,900	\$ 81,900

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.

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.

## ST. MARY'S COUNTY LIBRARY

### Notes to the Financial Statements June 30, 2022

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

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

*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/).

The Library provides pension contributions for normal cost and accrued actuarial liability. For the year ended June 30, 2022, the Library's total payroll and payroll for covered employees was \$2,225,215.

For fiscal year 2022, the State contributed \$340,270 to the State Retirement and Pension System on behalf of the Library. In accordance with GASB Statement No. 24, the State's contribution amount has been shown as State aid revenue and pension expenditure. The State's contribution amounted to approximately 15% of covered payroll.

**ST. MARY'S COUNTY LIBRARY**

**Notes to the Financial Statements  
June 30, 2022**

**6. CAPITAL ASSETS AND DEPRECIATION**

Capital asset activity for the year ended June 30, 2022, was as follows:

	Balance 6/30/2021	Additions	Deletions	Balance 6/30/2022
Capital assets:				
Furnishings and equipment	\$ 1,146,431	\$ -	\$ -	\$ 1,146,431
Leasehold improvements	87,735	-	-	87,735
Books	4,677,628	472,728	-	5,150,356
	<u>5,911,794</u>	<u>472,728</u>	<u>-</u>	<u>6,384,522</u>
Accumulated depreciation:				
Furnishings and equipment	1,105,796	23,486	-	1,129,282
Leasehold improvements	18,722	1,175	-	19,897
Books	4,322,370	88,421	-	4,410,791
	<u>5,446,888</u>	<u>113,082</u>	<u>-</u>	<u>5,559,970</u>
Net Capital Assets	<u>\$ 464,906</u>	<u>\$ 359,646</u>	<u>\$ -</u>	<u>\$ 824,552</u>

**7. COMPENSATED ABSENCES**

Changes in compensated absences for the year ended June 30, 2022 were as follows:

Balance June 30, 2021	Increase	Decrease	Balance June 30, 2022	Amount due within one year
<u>\$ 162,883</u>	<u>\$ 197,494</u>	<u>\$ 198,106</u>	<u>\$ 162,271</u>	<u>\$ 22,396</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.

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

### **Notes to the Financial Statements**

**June 30, 2022**

#### **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, 2022, 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.

#### **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.

# ST. MARY'S COUNTY LIBRARY

## Notes to the Financial Statements June 30, 2022

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

#### Plan Description (continued)

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 2022 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 \$146,000. The Library contributed \$143,777 to the Trust in fiscal year 2022.

#### 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, 2022, the annual money weighted rate of return of the OPEB Trust was -15.64%.

The components of the net OPEB liability of the Library as of June 30, 2022 was:

Total OPEB liability	\$ 3,019,714
Plan fiduciary net position	<u>(1,204,021)</u>
Net OPEB liability	<u>\$ 1,815,693</u>
Plan fiduciary net position as a percentage of the total OPEB liability	39.87%

#### Actuarial Assumptions

The total OPEB liability as determined by an actuarial valuation as of June 30, 2022, rolled forward to June 30, 2022, 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	5.10% trending to 4.00%
Discount Rate	3.86%

**ST. MARY'S COUNTY LIBRARY**

**Notes to the Financial Statements  
June 30, 2022**

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

**Actuarial Assumptions (continued)**

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 3.86% as of June 30, 2022. The projection of cash flow used to determine the discount rate assumed that the Library's contributions will be made at rates equal to current contributions levels.

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

	1% Decrease	Medical Trend	1% Increase
Ultimate Trend	2.94%	3.94%	4.94%
Net OPEB Liability	\$ 1,262,248	\$ 1,815,693	\$ 2,564,677
	1% Decrease	Discount Rate	1% Increase
Discount Rate	2.86%	3.86%	4.86%
Net OPEB Liability	\$ 2,438,940	\$ 1,815,693	\$ 1,327,305

For the year ended June 30, 2022, the Library recognized OPEB expense of \$267,527. As of June 30, 2022, 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	\$ 303,921	\$ 487,737
Changes of assumptions	1,134,915	1,254,114
Net Difference between projected and actual earnings on OPEB plan investments	96,326	-
	\$ 1,535,162	\$ 1,741,851

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

**ST. MARY'S COUNTY LIBRARY**

**Notes to the Financial Statements  
June 30, 2022**

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

**Actuarial Assumptions (continued)**

<u>Year Ending June 30,</u>	<u>Amount</u>
2023	\$ 27,675
2024	28,632
2025	20,255
2026	99,919
2027	38,933
Thereafter	<u>(422,103)</u>
Total	<u>\$ (206,689)</u>

**13. GOVERNMENTAL FUND BALANCES**

Governmental fund balances as of June 30, 2022, are summarized as follows:

	<u>Operating Fund</u>	<u>Gift and Grant Funds</u>	<u>Totals</u>
Nonspendable:			
Endowments required to maintain intact	<u>\$ -</u>	<u>\$ 70,452</u>	<u>\$ 70,452</u>
Restricted for:			
Library services and technology	<u>-</u>	<u>11,448</u>	<u>11,448</u>
Unassigned	<u>592,494</u>	<u>-</u>	<u>592,494</u>
Total fund balances	<u>\$ 592,494</u>	<u>\$ 81,900</u>	<u>\$ 674,394</u>



**REQUIRED SUPPLEMENTARY INFORMATION**

# ST. MARY'S COUNTY LIBRARY

## Schedule of Expenditures (Actual and Budget) For the Year Ended June 30, 2022

	Actual	Budget (Unaudited)	Favorable (Unfavorable)
Lexington Park Branch:			
Salaries	\$ 741,887	\$ 760,194	\$ 18,307
Employee benefits	134,666	140,155	5,489
Other costs	7,111	-	(7,111)
Electric	69,028	87,700	18,672
Fuel and oil	20,869	23,000	2,131
Water and sewer	15,994	16,000	6
Landscaping	3,035	4,000	965
Equipment and furniture	-	2,500	2,500
Program services	2,674	-	(2,674)
Office supplies	7,475	5,000	(2,475)
Telephone	3,612	5,300	1,688
	<u>1,006,351</u>	<u>1,043,849</u>	<u>37,498</u>
Leonardtwn Branch:			
Salaries	597,169	632,921	35,752
Employee benefits	106,374	126,418	20,044
Other costs	191	-	(191)
Electric	23,027	44,000	20,973
Fuel and oil	32,376	30,000	(2,376)
Water and sewer	4,663	6,000	1,337
Equipment and furniture	-	2,500	2,500
Program services	1,762	-	(1,762)
Office supplies	8,289	5,000	(3,289)
Telephone	12,313	3,000	(9,313)
	<u>786,164</u>	<u>849,839</u>	<u>63,675</u>
Charlotte Hall Branch:			
Salaries	434,124	459,422	25,298
Employee benefits	101,664	110,700	9,036
Other costs	1,084	-	(1,084)
Electric	26,216	28,000	1,784
Fuel and oil	-	-	-
Water and sewer	7,903	8,000	97
Landscaping	2,135	2,500	365
Equipment and furniture	-	2,500	2,500
Program services	1,053	-	(1,053)
Office supplies	3,106	5,000	1,894
Telephone	5,725	4,300	(1,425)
	<u>583,010</u>	<u>620,422</u>	<u>37,412</u>
General Operating:			
Salaries	654,571	623,930	(30,641)
Employee benefits	139,813	152,730	12,917
Fuel and oil	225	700	475
Books and publications	335,103	348,000	12,897
Office supplies	10,289	13,000	2,711
Telephone	11,464	10,000	(1,464)
Advertising	7,336	7,000	(336)
Maintenance	4,790	5,500	710
Insurance	16,110	17,247	1,137
Staff development	-	10,000	10,000
Virtual services	21,753	24,000	2,247
Accounting and audit	27,884	28,000	116
Legal	-	2,000	2,000
Security	-	2,000	2,000
Bank service fees	3,234	4,000	766
Memberships	2,620	3,000	380
Mileage reimbursements	500	500	-
Equipment and furniture	41,306	42,500	1,194
Other costs	35,682	800	(34,882)
Other contract services	16,065	51,000	34,935
Photocopy	25,195	25,000	(195)
Postage	406	700	294
Processing supplies	-	2,000	2,000
Program services	11,003	16,000	4,997
Retirees' health costs	113,777	123,000	9,223
	<u>1,479,126</u>	<u>1,512,607</u>	<u>33,481</u>
Total Operating Fund	<u>\$ 3,854,651</u>	<u>\$ 4,026,717</u>	<u>\$ 172,066</u>

# ST. MARY'S COUNTY LIBRARY

## Schedule of Changes in Net OPEB Liability and Related Ratios For the Year Ended June 30, 2022

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

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially determined contribution	\$ 146,000	\$ 109,000	\$ 105,000	\$ 119,000	\$ 115,000	\$ 99,000	\$ 94,000	\$ 112,000
Contributions related to the actuarially determined contribution	143,777	103,620	103,907	115,897	92,451	66,592	44,768	91,361
Contribution deficiency (excess)	<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
Contributions as a percentage of covered employee payroll	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	16 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 5.10%. The ultimate trend is 4.00%.

**OTHER SUPPLEMENTARY INFORMATION**

**ST. MARY'S COUNTY LIBRARY**

**Combining Schedule of Expenditures  
For the Year Ended June 30, 2022**

	Lexington Park Branch	Leonardtown Branch	Charlotte Hall Branch	General Operating	Grants	Friends of Library	State of Maryland Retirement	Totals
Salaries	\$ 741,887	\$ 597,169	\$ 434,124	\$ 654,571	\$ -	\$ -	\$ -	\$ 2,427,751
Employee benefits	134,666	106,374	101,664	139,813	-	-	-	482,517
Rent	619,840	629,352	309,920	-	-	-	-	1,559,112
Electric	69,028	23,027	26,216	-	-	-	-	118,271
Fuel and oil	20,869	32,376	-	225	-	-	-	53,470
Water and sewer	15,994	4,663	7,903	-	-	-	-	28,560
Landscaping	3,035	-	2,135	-	-	-	-	5,170
Telephone	3,612	12,313	5,725	11,464	-	-	-	33,114
Books and publications	-	-	-	335,103	-	40,000	-	375,103
Office supplies	7,475	8,289	3,106	15,200	-	-	-	34,070
Advertising	-	-	-	7,336	-	-	-	7,336
Maintenance	-	-	-	4,790	-	-	-	4,790
Insurance	-	-	-	16,110	-	-	-	16,110
Staff development	-	-	-	22,478	20,000	-	-	42,478
Virtual services	-	-	-	21,753	-	-	-	21,753
Accounting and audit	-	-	-	27,884	-	-	-	27,884
Legal	-	-	-	-	-	-	-	-
Bank service fees	-	-	-	3,234	-	-	-	3,234
Memberships	-	-	-	2,620	-	-	-	2,620
Mileage reimbursements	-	-	-	500	-	-	-	500
Equipment and furniture	-	-	-	41,306	-	-	-	41,306
Other costs	7,111	191	1,084	46,041	-	-	-	54,427
Other contract services	-	-	-	21,665	-	-	-	21,665
Photocopy	-	-	-	25,195	-	-	-	25,195
Postage	-	-	-	406	-	-	-	406
Processing supplies	-	-	-	-	-	-	-	-
Program services	2,674	1,762	1,053	11,003	351,348	91,633	-	459,473
Retirees' health costs	-	-	-	113,777	-	-	-	113,777
Retirement benefits	-	-	-	-	-	-	340,270	340,270
	<u>\$ 1,626,191</u>	<u>\$ 1,415,516</u>	<u>\$ 892,930</u>	<u>\$ 1,522,474</u>	<u>\$ 371,348</u>	<u>\$ 131,633</u>	<u>\$ 340,270</u>	<u>\$ 6,300,362</u>

**ST. MARY'S COUNTY LIBRARY**

**Schedule of Expenditures – Gift and Grant Funds  
For the Year Ended June 30, 2022**

General Operating:

Donation	\$ 6,432
Staff development	22,478
Office Supplies	4,911
Miscellaneous Board	3,927
Contracted Service	5,600
	<u>43,348</u>

Friends of Library:

Books and publications	40,000
Program services	91,633
	<u>131,633</u>

Grants:

EBook grant	35,750
Library Van	240,956
SMCL Foundation	50,000
Staff development grant	20,000
ECAC grant	24,642
	<u>371,348</u>

Total Gift and Grant Fund	<u>\$ 546,329</u>
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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, 2022, 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 21, 2022.

***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  
November 21, 2022

*S B & Company, LLC*