

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

**FINANCIAL STATEMENTS
AND
SUPPLEMENTAL INFORMATION
WITH
INDEPENDENT AUDITOR'S REPORT**

YEAR ENDED JUNE 30, 2016



Murphy & Murphy, CPA, LLC

CONTENTS

	<u>PAGE</u>
Independent auditor's report on component unit financial statements	1-3
Management's discussion and analysis	4-12
Basic financial statements:	
Statement of net position	13
Statement of activities	14
Balance sheet – governmental funds	15
Reconciliation of governmental funds balance sheet with the statement of net position	16
Statement of revenues, expenditures, and changes in fund balance – governmental funds	17
Reconciliation of governmental funds statement of revenues, expenditures and changes in fund balance with the statement of activities	18
Notes to financial statements	19-33
Required supplemental information section:	
Statement of revenues and expenditures – budget and actual – general fund	34-36
Other post-employment benefit plan funding progress and schedule of employer contributions	37
Other supplemental information:	
Statement of revenues and expenditures – general fund	38-40
Independent Auditor's report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	41-42



Murphy & Murphy, CPA, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT
ON COMPONENT UNIT FINANCIAL STATEMENTS

To the Board of Library Trustees for Charles County
La Plata, Maryland

We have audited the accompanying financial statements of the governmental activities and the major fund of the Board of Library Trustees for Charles County (the "Library"), a component unit of the County Commissioners of Charles County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board of Library Trustees for Charles County's basic financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major fund of the Board of Library Trustees for Charles County as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison and OPEB funding progress information on pages 4 – 12 and 34 – 37, respectively, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Board of Library Trustees for Charles County's basic financial statements. The other supplemental information on pages 38 – 40 is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is 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 also issued our report dated September 29, 2016, on our consideration of the Board of Library Trustees for Charles County's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Board of Library Trustees for Charles County's internal control over financial reporting and compliance.

Murphy & Murphy, CPA, LLC

La Plata, Maryland
September 29, 2016

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2016

It is the mission of the Charles County Public Library is to create opportunities for the community to engage, discover, and learn. Our vision is to be the trusted source for connecting everyone to endless possibilities.

The Library is governed by a seven member Board of Trustees who are appointed by the County Commissioners. Two new Board members were appointed in February to fill the remaining Board vacancies.

The Library system is comprised of four buildings and an Outreach van. The Outreach van visits the homebound, day care centers, day care homes and senior centers. The newest and largest building, Waldorf West, is located in Waldorf as is P. D. Brown Memorial Library. The headquarters library is the La Plata Library, the oldest and smallest of the buildings. The western side of the county is served by the Potomac Branch located in Ruth B. Swann Park. The square footage of the library system totals 67,300 square feet.

During FY2016, the Library showed growth in many areas. Over 800,000 items were borrowed, representing a 9% increase. The number of people visiting the libraries remained the same at around 612,000. Requests for information and assistance using computers and technology increased 19%. The biggest increase in usage was in the number of programs offered and the number of people who attended programs. The library offered 2,025 programs, an increase of 7% over FY2015, with program attendance increasing by 22%. The library collection consists of 283,099 books, DVDs, books on CD and other items. Ninety thousand people have library cards.

FY2016 presented several major challenges and opportunities. On the advice of our auditors, the library converted the part-time bookkeeper position to a full-time position, midway through the fiscal year, eliminating the need for contractual accounting services. After starting the fiscal year with contractual services for our human resources needs, a full-time Human Resources Manager was hired in the fourth quarter, eliminating the need for contractual services. The biggest changes and opportunities came with the retirement of the Interim Director and the hiring of the new, permanent Executive Director. With the new director in place, many of the vacant positions were able to be filled. The Library experienced several months of constant change in positions as many vacant positions were filled with current employees, which caused a flurry of backfilling positions.

The Library received an extension of the \$20,000 capital grant from the Division of Library Development and Services, Maryland State Department of Education. This grant was extended into FY2016. The grant was used to complete Phase II of the renovation of P.D. Brown. This grant, along with matching funds from the Citizens for Charles County Public Library, Inc., resulted in the renovation of the information desk area, adding much needed areas for customers to plug in their electronic devices. Several comfortable seating areas were created with the open space.

In addition to the capital grant, the Library received several other grants. The Charles County Arts Alliance awarded the Library a grant of \$5,500 to be used for programs emphasizing the arts, literature and music. \$6,021 was awarded to the Library from the Division of Library Development and Services, Maryland State Department of Education, for staff development, training and conference attendance for library staff. The Southern Maryland Regional Library Association, Inc. (SMRLA) continued its support of staff development by allocating \$5,000 towards staff pursuing their MLS (Masters of Library Science) degree.

The Library wishes to thank the Charles County Commissioners for their budgetary support, the Trustees for their oversight, the Citizens for Charles County Public Library for their financial and volunteer support, and the generous support of our community partners and the Division of Library Development and Services. Last, but not least, appreciation goes to the hard-working staff whose commitment to quality customer service never waivers.

Overview of the Financial Statements

This annual report consists of three parts: Management's discussions and analysis (this section), the basic financial statements, and required supplementary information.

The basic financial statements include two kinds of statements that present different views of the Library:

- The first two statements are government-wide statements that provide both long-term and short-term information about the Library's overall financial status.
- The remaining statements are fund financial statements. The governmental funds statements tell how general governmental services of the Library were financed in the short-term as well as what remains for future spending.

The financial statements also include notes that provide more detailed data about some of the information in the financial statements. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. Figure A-1 shows how the required parts of this annual report are arranged and relate to each other.

Figure A-1
Required Components of the Board of Library Trustees for Charles County's Annual Financial Report

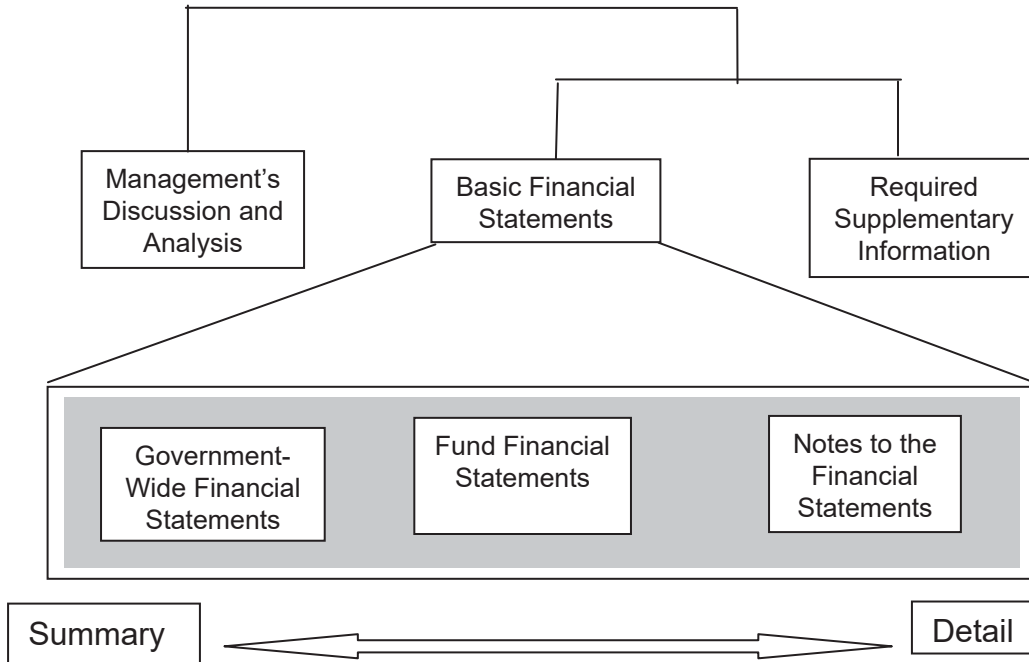


Figure A-2
Major Features of the Board of Library Trustees for Charles County, Maryland Government-Wide and Fund Financial Statements

	Government-Wide Statements	Fund Statements
		Governmental Funds
Scope	Entire Library government	The activities of the Library that are not proprietary or fiduciary
Required financial statements	Statement of Net Position and Statement of Activities	Balance Sheet and Statement of Revenues, Expenditures, and Changes in Fund Balance
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus
Type of asset/liability information	All assets and liabilities both financial and capital, and short-term and long-term	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and payment is due

Figure A-2 summarizes the major features of the Library's financial statements, including the portion of the Library's government they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

Government-Wide Statements

The government-wide statements report information about the Library as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the Library's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the Library's net position and how they have changed. Net position (the difference between the Library's assets and liabilities) is one way to measure the Library's financial health or position.

- Over time, increases or decreases in the Library's net position is an indicator of whether its financial health is improving or deteriorating, respectively.

Fund Financial Statements

The fund financial statements provide more detailed information about the Library's general fund. The Library has only one governmental fund, the general fund, which includes all the services the Library offers.

- Governmental funds – All of the Library's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether or not there are more or fewer financial resources that can be spent in the near future to finance the Library's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information to reconcile the differences between them.

Financial Analysis of the Library

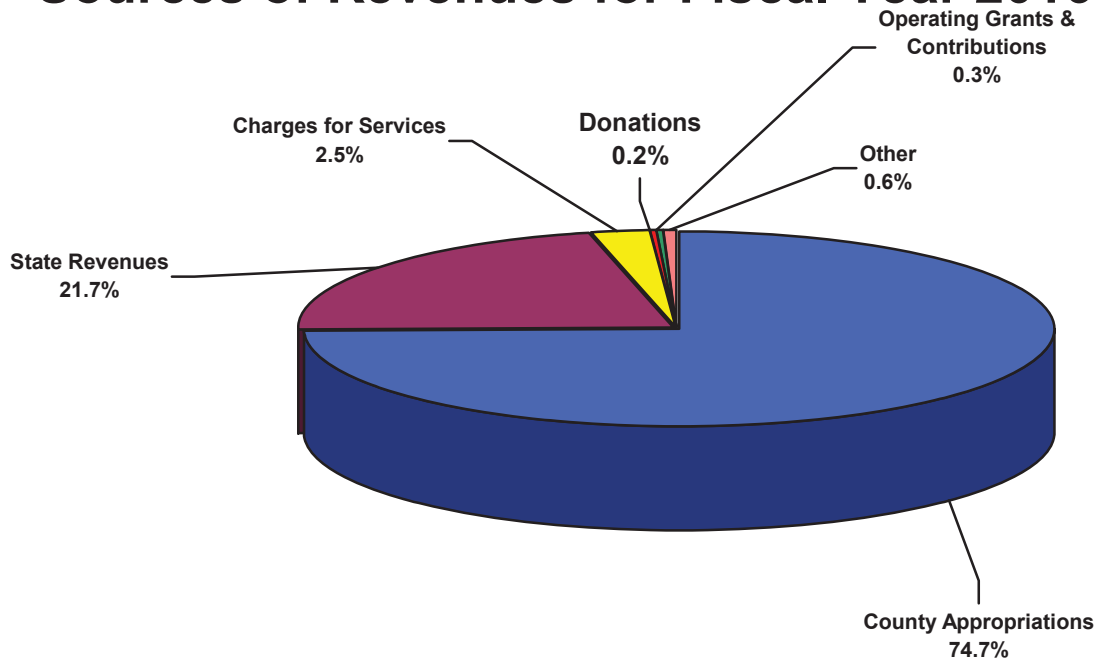
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, liabilities exceeded assets by \$1,569,374 at the close of the most recent fiscal year.

The largest portion of the Library's total assets is capital assets (50.1%). The Library uses these capital assets to provide services to the citizens. Consequently, these assets are not available for future spending. The Library does not hold any long-term debt other than vacation payable. Unrestricted net position may be used to meet the Library's ongoing obligations to the citizens and creditors.

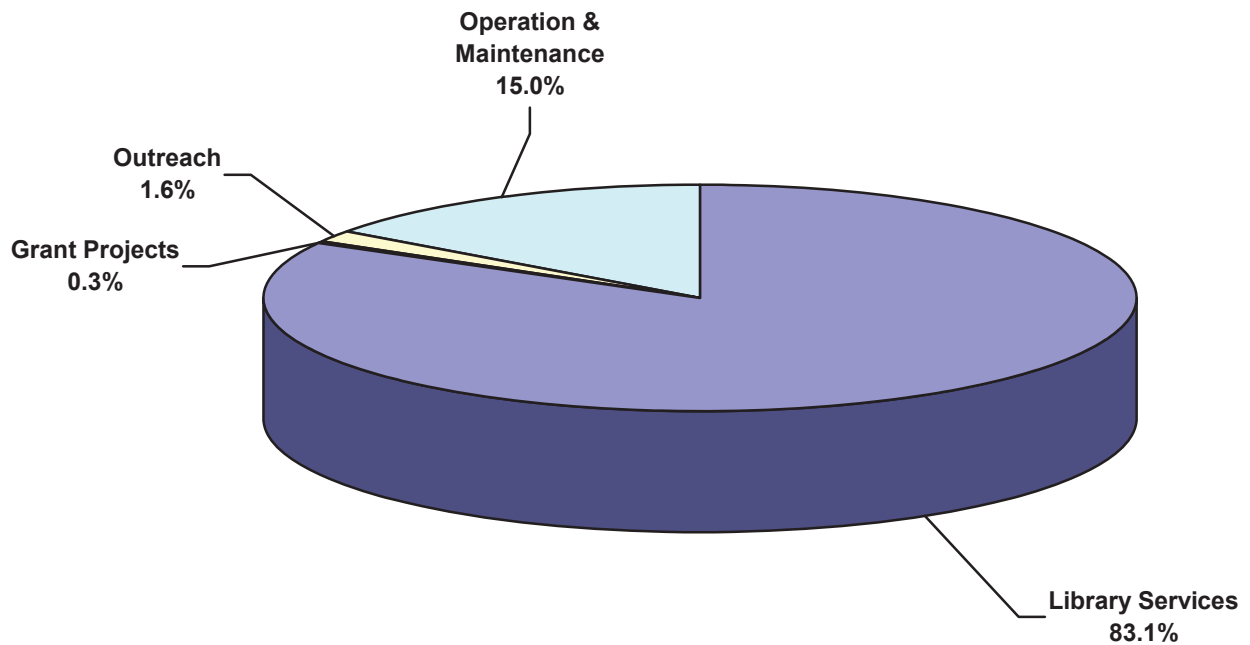
The Library's net position as of June 30 was:

	<u>Governmental</u>		
	<u>2016</u>	<u>2015</u>	<u>Percentage Change</u>
Current and other assets	\$ 1,100,018	\$ 1,139,252	(3.4)%
Capital assets	<u>1,104,639</u>	<u>1,243,797</u>	(11.2)%
Total assets	<u>\$ 2,204,657</u>	<u>\$ 2,383,049</u>	(7.5)%
Other liabilities	\$ 165,213	\$ 313,608	(47.3)%
Long-term liabilities	<u>3,608,818</u>	<u>3,089,261</u>	16.8%
Total liabilities	<u>\$ 3,774,031</u>	<u>\$ 3,402,869</u>	10.9%
Net position:			
Net Investment in capital assets	\$ 1,104,639	\$ 1,243,797	(11.2)%
Unrestricted (deficit)	<u>(2,674,013)</u>	<u>(2,263,617)</u>	(18.1)%
Total net position (deficit)	<u>\$ (1,569,374)</u>	<u>\$ (1,019,820)</u>	(53.9)%

Sources of Revenues for Fiscal Year 2016



Functional Expenses for Fiscal Year 2016



Governmental activities decreased the Library's net position by \$549,554 in FY2016. The Library's revenues for the year ended June 30, 2016 totaled \$6,354,356; a decrease from \$6,387,018 in FY2015. County and state funding accounted for 96.4% of the Library's revenues. Another 2.5% came from fees and charges for services.

The total costs for the year ended June 30, 2016 were \$6,903,910. The Library's expenses were predominantly related to providing Library services to the residents of Charles County (83.1%). This includes print and non-print materials.

The Library also provides and spends 1.6% of its costs on outreach services for day care centers, day care homes, homebound, deposit sites, and senior centers.

The following statement shows how the changes in net position occurred.

<u>Summary of Changes in Net Position</u>			
	<u>2016</u>	<u>2015</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 161,316	\$ 178,494	(9.6)%
Operating grants and contributions	20,184	31,675	(36.3)%
Capital grant	20,000	15,437	29.6%
General revenues:			
County appropriations	4,746,970	4,761,408	(0.3)%
State revenues	1,375,902	1,379,921	(0.3)%
Donations	14,692	14,877	(1.2)%
Earnings on investments	2,091	428	388.6%
Miscellaneous	<u>13,201</u>	<u>4,778</u>	176.3%
Total revenues	<u>6,354,356</u>	<u>6,387,018</u>	(0.5)%
Expenses:			
Library services	5,736,116	5,551,258	3.3%
Grant projects	20,184	32,318	(37.5)%
Operation and maintenance	1,035,701	1,066,025	(2.8)%
Outreach	<u>111,909</u>	<u>106,156</u>	5.4%
Total expenses	<u>6,903,910</u>	<u>6,755,757</u>	2.2%
(Decrease) Increase in net position	(549,554)	(368,739)	(49.0)%
Net position (deficit) as of beginning of year	<u>(1,019,820)</u>	<u>(651,081)</u>	(56.6)%
Net position (deficit) as of end of year	<u>\$ (1,569,374)</u>	<u>\$ (1,019,820)</u>	(53.9)%

Budgetary Highlights

After a 10% budget cut from the State in FY2009, a 6% cut from the County in the same year, and several years of flat funding from FY2010 through FY2012, the Library's budget in FY2013 reflected an increase in funding to operate the new Waldorf West branch from November, 2012 to June, 2013. With the economy on a slow recovery, the Library has enjoyed a steady increase in our budget in FY2014, FY2015 and FY2016.

Capital Assets

The Library's additions to capital assets in fiscal year 2016, amounted to \$502,897. This investment in capital assets consists of a \$337,326 increase in books and audiovisual materials and a \$165,571 increase in furniture, computers and equipment.

Currently we have four locations: La Plata, P.D. Brown Memorial, Potomac and Waldorf West. These first three locations have a combined service area of 36,300 square feet. The fourth branch, Waldorf West, opened in November 2012, increasing the total square footage to 67,300 square feet.

The Library maintains a mobile Outreach van that serves over 120 sites throughout the county with browsing collections of materials. Homebound persons, day care homes, day care centers, and senior centers, as well as neighborhoods, benefit from this cost-efficient way to serve population segments that do not have access to a library building. We also incorporate community events into our programming schedule.

According to the Maryland State Department of Budget and Management planning guidelines for public library systems, the universal recommended minimum floor space is one square foot library floor space per capita. With a population of 154,747, the Library's square footage is less than half of the universal minimum standard. The same document also provides guidelines for the minimum number of items for public libraries. For library systems with populations between 150,000 and 500,000, the minimum standard is three items per capita. As of June 30, 2016, we had 283,412 items in service, which is 1.8 items per capita. The State average is 2.9 items per capita.

Charles County Public Library participates with Calvert and St. Mary's Counties in the tri-county consortium of the Southern Maryland Regional Library Association, Inc. An integrated circulation system, delivery, and training are shared in the Southern Maryland area. In FY2013, a study was completed to choose an integrated circulation system that meets the needs of the tri-county area. Through a statewide cooperative borrowing agreement, our customers have access to over 400 libraries throughout the state that offer a wider variety of materials than would be possible as a totally separate and independent county library system. The Maryland Library Association and the Division of Library Development and Services of the Maryland State Department of Education also provide a forum to share best practices for public library service.

Long-Term Debt

At year end, the Library had \$218,884 in vacation payable to the Library employees. This was an increase of \$42,867 from June 30, 2015.

At year end, the Library had accrued \$3,389,934 in net other post-employment benefits obligations, in accordance with Governmental Accounting Standards Board Statement Number 45. The annual required contribution of \$476,690 is included as related expense for the year ended June 30, 2016. This amount is net of contributions made and payments to retirees during the year.

Economic Factors and Next Year's Budget

The Library Board of Trustees submitted a fiscally conservative budget to the Charles County Commissioners, requesting \$63,722 more than was requested in the FY2015 budget. Although the budget did not initially include any cost of living adjustments or merit increases for library employees, the County approved a 2% cost of living adjustment for County employees in December, 2015. The Board of Trustees also approved the increase for library employees, funding the increase with funds from prior years' reserves. A merit increase was also approved and funds made available for FY2017. Priorities for the coming year include filling the vacant budgeted positions for a Marketing and Development Manager, and Outreach Associate-Mobile Library, and implementation of a new mobile library. In order to plan for current and future library space needs, the Library will be contracting with a company to produce a Facilities Master Plan. Management will continue to look at cost saving measures, including the review of contracts, promotional and programming costs and staffing. Partnerships and grants will supplement the budget. The priority remains to provide the best services to the taxpayers of Charles County with available funding.

Contacting the Library's Financial Management

This financial report is designed to provide the Library system's citizens, taxpayers, and customers with a general overview of the Library system's finances and to demonstrate the Library system's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Director of the Charles County Public Library, 2 Garrett Avenue, La Plata, Maryland 20646.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

STATEMENT OF NET POSITION

JUNE 30, 2016

	<u>Governmental</u> <u>Activities</u>
ASSETS:	
Cash and investments	\$ 1,060,873
Receivables	4,391
Other assets	34,754
Capital assets, net of depreciation	<u>1,104,639</u>
Total assets	<u>2,204,657</u>
LIABILITIES:	
Accounts payable and accrued expenses	3,663
Accrued salaries and fringe benefits	161,550
Accrued compensated absences	218,884
Accrued net OPEB obligation	<u>3,389,934</u>
Total liabilities	<u>3,774,031</u>
NET POSITION:	
Net investment in capital assets	1,104,639
Unrestricted (deficit)	<u>(2,674,013)</u>
Total net position (deficit)	<u>\$ (1,569,374)</u>

See accompanying notes.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		<u>Capital Grants and Contributions</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>		
Governmental Activities					
Library Services	\$ 5,736,116	\$ 161,316	\$ -	\$ -	\$ (5,574,800)
Grant Projects	20,184	-	20,184	20,000	20,000
Operation and Maintenance	1,035,701	-	-	-	(1,035,701)
Outreach	<u>111,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(111,909)</u>
Total governmental activities	<u>\$ 6,903,910</u>	<u>\$ 161,316</u>	<u>\$ 20,184</u>	<u>\$ 20,000</u>	<u>(6,702,410)</u>
General revenues:					
County appropriations					4,746,970
State revenues					1,375,902
Donations					14,692
Unrestricted investment earnings					2,091
Miscellaneous					13,201
Special Item - Loss on disposition of capital assets					<u>-</u>
Total general revenues					<u>6,152,856</u>
Change in net position					(549,554)
Net position (deficit) - beginning					<u>(1,019,820)</u>
Net position (deficit) - ending					<u>\$ (1,569,374)</u>

See accompanying notes.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2016

	<u>General Fund</u>
ASSETS:	
Cash and investments	\$ 1,060,873
Accounts receivable	4,391
Prepaid expenses	<u>34,754</u>
Total assets	<u>\$ 1,100,018</u>
LIABILITIES AND FUND BALANCES:	
Liabilities:	
Accounts payable	\$ 3,663
Other accrued expenses	<u>161,550</u>
Total liabilities	<u>165,213</u>
Fund balances:	
Nonspendable	34,754
Assigned	164,695
Unassigned	<u>735,356</u>
Total fund balances	<u>934,805</u>
Total liabilities and fund balances	<u>\$ 1,100,018</u>

See accompanying notes.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY
RECONCILIATION OF GOVERNMENTAL FUNDS BALANCE SHEET
WITH THE STATEMENT OF NET POSITION

JUNE 30, 2016

Total fund balance, governmental funds	\$ 934,805
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	1,104,639
Some liabilities, including Compensated Absences, are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	
Accrued compensated absences	(218,884)
Net OPEB obligation	<u>(3,389,934)</u>
Net Position (Deficit) of Governmental Activities in the Statement of Net Position	<u>\$ (1,569,374)</u>

See accompanying notes.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
GOVERNMENTAL FUNDS

YEAR ENDED JUNE 30, 2016

	<u>General Fund</u>
REVENUES:	
State of Maryland	\$ 1,395,902
County appropriations	4,746,970
Operating grants and contributions	20,184
Donations	14,692
Charges for services	161,316
Investment earnings	2,091
Miscellaneous	<u>13,201</u>
Total revenues	<u>6,354,356</u>
EXPENDITURES:	
Current:	
Library services	5,077,401
Grants projects	20,184
Operation and maintenance	1,035,701
Outreach	<u>111,909</u>
Total expenditures	<u>6,245,195</u>
Excess of revenues over expenditures	109,161
Fund balances - beginning	<u>825,644</u>
Fund balances - ending	<u>\$ 934,805</u>

See accompanying notes.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

RECONCILIATION OF GOVERNMENTAL FUNDS STATEMENT OF REVENUES,
EXPENDITURES, AND CHANGES IN FUND BALANCE
WITH THE STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds \$ 109,161

Amounts reported for Governmental Activities in the
Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

This is the amount by which depreciation \$642,055 exceeded capital outlays \$502,897 in the current period. (139,158)

Accrued compensated absences (vacations) not reflected in governmental funds (42,867)

Net OPEB obligation not reflected in governmental funds (476,690)

Change in net position of governmental activities \$ (549,554)

See accompanying notes.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. Summary of significant accounting policies

The financial statements of the Board of Library Trustees for Charles County, Maryland (the "Library") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to local governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standards-setting body for establishing governmental accounting and financial reporting principles.

The Board of Library Trustees for Charles County, Maryland ("Library") is a component unit of the County Commissioners of Charles County, Maryland. The Library's financial statements are an integral part of the financial statements of the County Commissioners of Charles County, Maryland. This conclusion has been reached based on the following criteria: (1) The County Commissioners are responsible for approving the Library's budget and establishing spending limitations; (2) The County Commissioners are responsible for levying taxes and collecting and distributing the funds to the Library; (3) The Library cannot issue bonded debt, but the County can and does issue bonds to finance Library operations; (4) The County Commissioners are obligated to provide financial support to the Library. The accounting policies of the Library conform to generally accepted accounting principles ("GAAP") applicable to state and local governments.

All amounts appearing in the component unit financial statements and the tabular presentations within the notes to the financial statements are stated in U.S. dollars.

The following is a summary of the more significant accounting policies of the Library:

Reporting entity – The main criterion used in determining the entity for financial reporting purposes is whether the Board of Library Trustees for Charles County, Maryland is financially accountable for any governmental department, agency, institution, commission, public authority, or other governmental organization. As part of that criterion, the following factors were considered:

- Financial benefit or burden
- Appoints a voting majority of the component unit board
- Designation of management
- Ability to impose its will
- Fiscally dependent

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. Summary of significant accounting policies (continued)
Reporting entity (continued)

Based on these factors, no governmental organizations exist that should be included in these financial statements.

Government-wide and fund financial statements – The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Library.

The statement of activities demonstrates the degree to which the direct expense of a given program is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: 1) charges to Library customers who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants and contributions that are restricted to meeting the operation or capital requirements of a particular function.

Revenues and other items not properly included among program revenues are reported instead as general revenues.

The fund financial statements report information about the Library. Their focus is on major funds rather than reporting by fund type. The Library's major fund and only fund is the general fund.

Measurement focus, basis of accounting, and financial statement presentation – The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Revenues are recognized in the year for which they are earned. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the Library considers revenues to be available if they are collected within 60

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. Summary of significant accounting policies (continued)
Measurement focus, basis of accounting, and financial statement presentation
(continued)

days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences are recorded only when payment is due.

The Library reports the following major governmental fund:

- General fund – The general fund is the Library’s primary operating fund. It accounts for all financial resources of the Library.

Amounts reported as program revenues include: 1) charges to Library customers for books, fines or fees, materials, supplies, or services provided; and 2) operating grants and contributions. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all other revenues.

When both restricted and unrestricted resources are available for use, it is the Library’s policy to use restricted resources first, then unrestricted resources as needed.

Budget – A budget is prepared and approved by the Board of Trustees and the County Commissioners of Charles County. The budget, as presented, includes amendments.

Compensated absences – The Library’s annual leave policy limits the vacation time employees may accumulate. The policy states that staff members can only carry over a certain amount of accumulated leave based on their professional/nonprofessional status and years of employment. The Library may approve carryovers greater than the policies allow.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. Summary of significant accounting policies (continued)

Deposits and investments – The Library’s cash and cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition, including investments in the Maryland Local Government Investment Pool (MLGIP).

Investments are reported at fair value. Changes in the fair value of investments are recorded as investment income. The MLGIP’s reported value is basically the same as the fair value of the Fund’s shares.

Capital assets – Capital assets, which include leasehold improvements, vehicles, and furniture and equipment, are reported in the government-wide financial statements. The Library defines capital assets as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

<u>Assets</u>	<u>Years</u>
Leasehold improvements	15 - 39
Furniture and equipment	7
Vehicles	5
Computer equipment	5
Books and audiovisual materials	3

Long-term obligations – In the government-wide financial statements, long-term obligations are reported as liabilities in the applicable statement of net position. The Library’s long-term obligations include vacation payable and net other post-employment benefits obligation.

Equity classifications –In the fund financial statements, governmental funds report fund balance in the following classifications: nonspendable, restricted, committed, assigned, and unassigned. Classifications of fund balance are subject to change.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

1. Summary of significant accounting policies (continued)

Equity classifications (continued) – In the government-wide financial statements, equity is classified as net position and displayed in three components: Net investment in capital assets, restricted, and unrestricted.

Estimates – The preparation of financial statements in accordance with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash and investments

The investment policy of the Board of Library Trustees for Charles County, Maryland is required to comply with the investment policy of the Charles County Government. This policy authorizes the Board to invest in short-term United States Government Securities, repurchase agreements, the Local Government Investment Pool, and certificates of deposits.

Deposits – At year end, the carrying amount of the Library's deposits was \$409,476 and the bank balance was \$453,398. The bank balance was covered by federal depository insurance, up to statutory limits and collateralized by securities held by the pledging financial institution, for the excess. The amount of cash on hand was \$2,196.

Investments – The Library's investments are pooled in the State-created Maryland Local Government Investment Pool (MLGIP), a money market fund. These funds are part of collateralized investment pools. The MLGIP, under the administrative control of the State Treasurer, has been managed by a single Baltimore-based financial institution, PNC Investments. An MLGIP Advisory Committee of current participants was formed to review, on a quarterly basis, the activities of the Fund and to provide suggestions to enhance the Pool. Current participants include cities and towns, counties, Boards of Education, community colleges, libraries, Registers of Wills, and volunteer fire companies. At June 30, 2016, the fair value of the Library's position in the Pool is equal to its number of pool shares.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

2. Cash and investments (continued)

<u>Government Funds</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash on hand	\$ 2,196	\$ -
Deposits:		
Insured – Federal Deposit Insurance Corporation	250,000	250,000
Uninsured – collateralized by securities	159,476	203,398
	<u>Carrying Amount</u>	<u>Fair Market Value</u>
Investments:		
Local government investment pool	<u>649,201</u>	<u>649,201</u>
Total cash and investments	<u>\$ 1,060,873</u>	<u>\$ 1,102,599</u>

Credit risk – The Maryland Local Government Investment Pool is duly chartered, administered and subject to regulatory oversight by the State of Maryland. This pool is managed in a “Rule 2(a)-7 like” manner and has an S&P rating of AAAM.

Interest rate risk – The Library limits its interest rate risk by primarily investing in securities with maturity dates under one year.

3. Capital assets

Capital asset activity for the year ended June 30, 2016 is as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government activities				
Capital assets being depreciated:				
Furniture and equipment	\$ 1,957,757	\$ 165,571	\$ -	\$ 2,123,328
Library books and AV material	<u>1,757,596</u>	<u>337,326</u>	<u>572,820</u>	<u>1,522,102</u>
	3,715,353	502,897	572,820	3,645,430
Accumulated depreciation	<u>2,471,556</u>	<u>642,055</u>	<u>572,820</u>	<u>2,540,791</u>
	<u>\$ 1,243,797</u>	<u>\$ (139,158)</u>	<u>\$ -</u>	<u>\$ 1,104,639</u>

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

3. Capital assets (continued)

Depreciation expense for the year in the amount of \$642,055 was charged to the Library Service function.

4. Fund balance

The Library was required to adopt 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. The Board of Library Trustees must approve a motion in order to establish a fund balance commitment. 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.

Fund balance classified as nonspendable includes assets to be used in the subsequent year for prepaids. Fund balance classified as assigned includes assets set aside for encumbrances and as designated by the Trustees, reduced by the excess of fund balance components over total fund balance, in accordance with GASB Statement No. 54.

5. Compensated absences

Accumulated unpaid vacation pay of Library employees is recorded as a liability and amounted to \$218,884 at June 30, 2016.

The following is an analysis of the change in vacation payable as of June 30, 2016:

	<u>Beginning Balance</u>	<u>Net Change</u>	<u>Ending Balance</u>
Vacation payable	<u>\$ 176,017</u>	<u>\$ 42,867</u>	<u>\$ 218,884</u>

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

6. Leases

The Library leases copier equipment from Great America Leasing Corporation under operating leases with 60-month maturities and monthly lease payments totaling \$1,530. Rental expense for those leases totaled \$20,064 for the year ended June 30, 2016, which included amounts for contingent lease payments, personal property tax relative to the leased equipment and administrative fees.

Future minimum lease payments for all operating leases are as follows:

<u>Fiscal year ending June 30,</u>	
2017	\$ 16,005
2018	\$ 4,704

7. Retirement systems – State of Maryland plan description

Description

The employees of the reporting entity are covered by the following cost-sharing, multiple-employee pension systems:

- Employees' Retirement System
- Employees' Pension System

The System provides pension and death and disability benefits to plan members and beneficiaries. The Plan is administered by the State Retirement Agency ("Agency"). Responsibility for the administration and operation of the System is vested in a 15-member Board of Trustees. The System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Maryland State Retirement and Pension System issues a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the Systems. That report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 E. Baltimore Street, Baltimore, Maryland 21202-1600 or calling (800) 492-5909.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

7. Retirement systems – State of Maryland plan description (continued)

Funding policy

The State Personnel and Pensions Article requires active members to contribute to the System at the rate of 5% to 7% of their covered salary, depending on the retirement option selected. Contribution rates for employer and other “non-employer” contributing entities are established by annual actuarial valuations using the Individual Entry Age Normal Cost method with projection and other actuarial assumptions. These contribution rates have been established as the rates necessary to fully fund normal costs and amortize the unfunded actuarial accrued liability. The unfunded actuarial liability was being amortized in distinct layers. The unfunded actuarial accrued liability which existed as of the June 30, 2013 actuarial valuation is being amortized over a single closed 25-year period.

The State makes 100% of the Library’s annual required contributions on behalf of the Library. The State contribution on behalf of the Library for the year ended June 30, 2016 was \$409,318. In accordance with GASB Statement Number 24, the State’s contribution amount has been included as both a revenue and expenditure in the general fund.

Actuarial assumptions

Actuarial	Entry Age Normal
Amortization Method	Level Percentage of Payroll, Closed
Remaining Amortization Period	In the 2013 actuarial valuation: 25 years for State systems. 25 years from each subsequent valuation date for each year's additional UAAL
Asset Valuation Method	5-year smoothed market; 20% collar
Inflation	2.95% general, 3.45% wage
Salary Increases	3.45% to 10.70% including inflation
Discount Rate	7.55%
Investment Rate of Return	7.55%
Retirement Age	Experienced-based table of rates that are specific to the type of eligibility condition. Last updated for the 2015 valuation pursuant to an experience study of the period 2010-2014
Mortality	RP-2014 Mortality Table with generational mortality projections using scale MP-2014, calibrated to MSRPS experience.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

7. Retirement systems – State of Maryland plan description (continued)

Actuarial assumptions (continued)

Assets are valued for funding purposes by recognizing investment gains and losses over a five-year period. Each year's investment gain or loss is amortized on a straight-line basis over five years. The final actuarial value is limited to not more than 120% nor less than 80% of the market value of assets.

8. 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.

Litigation and other matters

The Library has been a defendant in litigation and other legal matters from time to time. There are currently no legal matters pending and all previous claims against the Library have been settled with no adverse effect on the Library's financial position.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

8. Contingencies (continued)

Support

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

9. Risk management

The Library is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library carries commercial insurance for workers' compensation, property, liability, extra expense, crime, automobile, and computer floater coverage. Settlement claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

10. Other post-employment benefits

Effective July 1, 1999, the Library became part of the Charles County Government's benefit program. This program provides employees retiring on or after July 1, 1999 post-employment healthcare benefits. The County withholds funds from the annual appropriations paid to the Library to cover these costs. For the year ended June 30, 2016, the cost of the post-employment benefits was \$31,108.

The County Commissioners of Charles County issue a publicly available comprehensive annual financial report that includes financial statements and required supplementary information for the other post-employment benefits plan. That report may be obtained by writing to the Department of Fiscal & Administrative Services, P.O. Box 2150, La Plata, Maryland 20646 or calling (301) 645-0570.

The Library adopted the requirements of GASB Statement No. 45 during the year ended June 30, 2008. Prior to the new standard, these benefits were accounted for on a pay as you go basis. In adopting GASB 45, the Library recognizes the cost of post-employment health care in the year when the employee services are rendered, reports the accumulated liability from the prior years and provides information useful in assessing potential demands on the Library's future cash flows. Recognition of the liability accumulated from prior years will be phased in over 30 years, and commenced with the 2008 liability.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

10. Other post-employment benefits (continued)

Plan description

The Library provides health, prescription, dental, 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 number of years of service. The percentages for employees range from 10.00% with 5 years of service to 66.67% with 20 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.

Membership

At June 30, membership consisted of:

	<u>2016</u>
Retirees and beneficiaries currently receiving benefits	21
Active employees	<u>50</u>
Total	<u>71</u>

Annual OPEB costs and net OPEB obligation

The Library's annual other post-employment benefit (OPEB) cost is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC 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 of thirty years.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

10. Other post-employment benefits (continued)

Annual OPEB costs and net OPEB obligation (continued)

The net OPEB obligation (NOPEBO) as of June 30, 2016, was calculated as follows:

Annual required contribution	\$ 549,222
Annual OPEB cost	\$ 549,222
Contributions made	(41,424)
Payments to retirees	(31,108)
Net OPEB obligation, beginning of year	<u>2,913,244</u>
Net OPEB obligation, end of year	<u>\$ 3,389,934</u>

The funded status of the plan as of June 30, 2016, was as follows:

Actuarial Accrued Liability (AAL)	\$ 6,514,768
Actuarial value of plan assets	<u>-</u>
Unfunded Actuarial Accrued Liability	<u>\$ 6,514,768</u>
Funded ratio (value of plan assets/AAL)	0.00%
Covered Payroll (active plan members)	\$ 2,764,128
UAAL as a percentage of covered payroll	235.69%

Actuarial methods and assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan member to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

10. Other post-employment benefits (continued)

Actuarial methods and assumptions (continued)

In the July 01, 2015 actuarial valuation, the valuation used the projected unit credit method, with linear proration to assumed benefit commencement. The actuarial assumptions included a 4.50% discount rate and 4% annual payroll increase. Based on the Society of Actuaries Long Term Medical Trend Model, the initial medical cost trend rate was 8.00%, decreasing gradually to a rate of 3.90% in 2077. The UAAL is being amortized as a level percentage of projected payroll over a 30-year closed amortization period, which started in the fiscal year ended June 30, 2008.

11. Appropriations

The Charles County Commissioners pay the Library's share of the health care benefits directly to the health care providers. The amount paid on the Library's behalf for the year ended June 30, 2016, is \$231,439 for both active and retired employees.

The Charles County Commissioners also pay an amount for utilities for the Library. The amount is recorded as a revenue and expenditure for the Library. The amount paid on behalf of the Library for the year ended June 30, 2016 is \$151,176.

An amount of revenue and expenditure has been recognized annually for the estimated value of contributed facilities. The County owns and leases the Library facilities to the Library. The estimated fair rental value of these facilities is \$852,555, which is reported as rent expense in the statement of revenues, expenditures, and changes in fund balance.

Below is a summary of appropriations from the County:

Annual appropriations	\$ 3,511,800
Health care benefits	231,439
Utilities	151,176
Capital investment	<u> -</u>
	3,894,415
Contributed facilities	<u>852,555</u>
	<u>\$ 4,746,970</u>

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2016

12. Subsequent events

Subsequent events were evaluated through September 29, 2016, which is the date the financial statements were available to be issued.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

REQUIRED SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2016

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget -</u> <u>Favorable</u> <u>(Unfavorable)</u>
REVENUES:				
State of Maryland	\$ 986,584	\$ 986,584	\$ 986,584	\$ -
County appropriations	3,989,100	3,989,100	3,894,415	(94,685)
Operating grants and contributions	17,000	17,000	20,184	3,184
Donations	10,000	10,000	14,692	4,692
Charges for services	174,000	174,000	161,316	(12,684)
Investment earnings	500	500	2,091	1,591
Miscellaneous	-	-	13,201	13,201
Transfer from prior years' reserves	<u>131,985</u>	<u>132,985</u>	<u>-</u>	<u>(132,985)</u>
Total revenues	<u>5,309,169</u>	<u>5,310,169</u>	<u>5,092,483</u>	<u>(217,686)</u>
EXPENDITURES:				
Salaries and wages	3,347,328	3,347,328	3,182,527	164,801
Employee health insurance benefits	246,800	246,800	231,439	15,361
Payroll taxes	257,071	257,071	232,602	24,469
Audiovisual	75,000	75,000	77,898	(2,898)
Books	257,560	257,560	248,975	8,585
Books - continuation	40,000	40,000	10,453	29,547
Contracted services	300,000	300,000	274,938	25,062
Computer automation	9,000	9,000	10,401	(1,401)
Supplies	40,000	40,000	31,155	8,845
Dues and memberships	18,860	18,860	33,085	(14,225)
Capital outlay	190,000	190,000	190,136	(136)
Repairs and maintenance	4,500	4,500	2,515	1,985
Leasing	30,500	30,500	20,064	10,436
Periodicals	11,500	12,500	14,648	(2,148)
Promotion and advertising	15,000	15,000	16,148	(1,148)

See independent auditor's report.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND
(CONTINUED)

YEAR ENDED JUNE 30, 2016

	<u>Budgeted Amounts</u>		<u>Actual Amounts,</u>	<u>Variance with</u>
	<u>Original</u>	<u>Final</u>	<u>Budgetary Basis</u>	<u>Final Budget - Favorable (Unfavorable)</u>
Insurance	\$ 48,000	\$ 48,000	\$ 38,653	\$ 9,347
Employee benefits	2,000	2,000	10,766	(8,766)
Bank charges	7,000	7,000	8,529	(1,529)
Telephone	37,000	37,000	33,344	3,656
Postage	1,000	1,000	1,035	(35)
Miscellaneous	750	750	90	660
Staff development and training	10,000	10,000	16,412	(6,412)
Travel	10,000	10,000	12,310	(2,310)
Programs	50,000	50,000	54,388	(4,388)
Processing materials	15,000	15,000	14,063	937
Trustee expense	13,300	13,300	13,418	(118)
Grant - Arts Alliance	-	-	5,500	(5,500)
Grant - Staff Development	12,000	12,000	8,184	3,816
Grant - SMRLA Continuing Ed.	5,000	5,000	5,000	-
Grant - SMRLA Constant Contact	-	-	1,500	(1,500)
Grant - Race to the Top	-	-	-	-
Heat/light/power	225,000	225,000	151,176	73,824
Maintenance agreements	<u>30,000</u>	<u>30,000</u>	<u>31,970</u>	<u>(1,970)</u>
Total expenditures	<u>5,309,169</u>	<u>5,310,169</u>	<u>4,983,322</u>	<u>326,847</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,161</u>	<u>\$ 109,161</u>

See independent auditor's report.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND
(CONTINUED)

YEAR ENDED JUNE 30, 2016

Budgetary basis of accounting

While the Library reports financial position, changes in financial position, and changes in fund balance on the basis of generally accepted accounting principles (GAAP), the budgetary basis as provided by law is based upon accounting for certain transactions on a non-GAAP basis. The Statement of Revenues and Expenditures – Budget and Actual presented as Required Supplementary Information for the general fund is presented on the budgetary basis to provide a meaningful comparison of actual results with the budget. The major differences between the budget basis and GAAP basis are as follows:

Actual revenues (non-GAAP budgetary basis)	\$ 5,092,483
Pension contribution by the State on behalf of the Library	409,318
Contributed facilities	<u>852,555</u>
Total revenue as reported on the statement of revenues, expenditures, and changes in fund balance	<u>\$ 6,354,356</u>
Actual expenditures (non-GAAP budgetary basis)	\$ 4,983,322
Pension contribution by the State on behalf of the Library	409,318
Rent expense for contributed facilities	<u>852,555</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balance	<u>\$ 6,245,195</u>

See independent auditor's report.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY
OTHER POST-EMPLOYMENT BENEFIT PLAN FUNDING PROGRESS AND
SCHEDULE OF EMPLOYER CONTRIBUTIONS

YEAR ENDED JUNE 30, 2016

Other Post-employment Benefit Plan

Schedule of Funding Progress

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a% of Covered Payroll ((b-a)/c)
07/01/15	\$ -	\$ 6,514,768	\$ 6,514,768	0.00%	\$ 2,764,128	235.69%
07/01/14	\$ -	\$ 5,186,882	\$ 5,186,882	0.00%	\$ 2,555,295	202.99%
07/01/13	\$ -	\$ 6,280,200	\$ 6,280,200	0.00%	\$ 2,738,012	229.37%

Schedule of Employer Contributions

Fiscal Year Ended	Employer Contribution	Annual Required Contribution	Percentage Contributed
06/30/16	\$ 72,532	\$ 549,222	13.21%
06/30/15	\$ 60,559	\$ 438,610	13.81%
06/30/14	\$ 61,633	\$ 526,948	11.70%

See independent auditor's report.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

OTHER SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2016

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

STATEMENT OF REVENUES AND EXPENDITURES
GENERAL FUND

YEAR ENDED JUNE 30, 2016

REVENUES:

State of Maryland:	
Appropriations	\$ 966,584
Capital grant	20,000
Pension contribution	<u>409,318</u>
	<u>1,395,902</u>
Charles County:	
Appropriations	3,894,415
Contributed facilities	<u>852,555</u>
	<u>4,746,970</u>
Charges for services:	
Fines, damages, and lost books	108,664
Photocopy income	38,214
Book sales	3,935
Fax sales	8,794
Sales - t-shirts	243
Sales - ear buds and headsets	612
Sales - tote bags	394
Sales - flash drives and lanyards	<u>460</u>
	<u>161,316</u>
Investment earnings	<u>2,091</u>
Donations	<u>14,692</u>
Operating grants and contributions	<u>20,184</u>
Miscellaneous	<u>13,201</u>
Total revenues	<u>6,354,356</u>

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

STATEMENT OF REVENUES AND EXPENDITURES
GENERAL FUND
(CONTINUED)

YEAR ENDED JUNE 30, 2016

EXPENDITURES:

Current:

Library services:

Salaries	\$ 3,071,253
Employee health insurance benefits	231,439
Payroll taxes	232,602
Pension	409,318
Audiovisual	77,898
Books	248,975
Books - continuation	10,453
Contracted services	274,938
Computer automation	10,401
Supplies	31,155
Dues and memberships	33,085
Capital outlay	190,136
Repairs and maintenance	1,880
Leasing	20,064
Periodicals	14,648
Promotion and advertising	16,148
Insurance	38,653
Employee benefits	10,766
Bank charges	8,529
Telephone	33,344
Postage	1,035
Miscellaneous	90
Staff development and training	16,412
Travel	12,310
Trustee expense	13,418
Programs	54,388
Processing materials	14,063
	<hr/>
	5,077,401

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

STATEMENT OF REVENUES AND EXPENDITURES
GENERAL FUND
(CONTINUED)

YEAR ENDED JUNE 30, 2016

Grants projects:	
Arts Alliance	\$ 5,500
Staff Development	8,184
SMRLA Constant Contact	1,500
SMRLA Continuing Ed Grant	<u>5,000</u>
	<u>20,184</u>
Operation and maintenance:	
Heat/light/power	151,176
Maintenance agreements	31,970
Contributed facilities	<u>852,555</u>
	<u>1,035,701</u>
Outreach:	
Repairs and maintenance	635
Salaries	102,383
Wages - Subs/Outreach	<u>8,891</u>
	<u>111,909</u>
Total expenditures	<u>6,245,195</u>
Excess of revenues over expenditures	<u>\$ 109,161</u>



Murphy & Murphy, CPA, LLC
Certified Public Accountants

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Board of Library Trustees for Charles County
La Plata, Maryland

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities and the major fund of the Board of Library Trustees for Charles County (the Library), a component unit of the County Commissioners of Charles County, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Board of Library Trustees for Charles County's basic financial statements, and have issued our report thereon dated September 29, 2016.

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 Board of Library Trustees for Charles County's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board of Library Trustees for Charles County'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 was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Board of Library Trustees for Charles County'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.

Murphy & Murphy, CPA, LLC

La Plata, Maryland
September 29, 2016