

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

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

YEAR ENDED JUNE 30, 2020



Murphy & Murphy, CPA, LLC

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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, 2020, 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, 2020, 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 Schedule of Changes in the Net OPEB Liability and Related Ratios on pages 4 – 12 and 35 – 38, 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 39 – 41 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 November 30, 2020, 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 solely 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 effectiveness of the Board of Library Trustees for Charles County's 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 ^{CPA}; Murphy, CPA, LLC

La Plata, Maryland
November 30, 2020

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

MANAGEMENT'S DISCUSSION AND ANALYSIS

JUNE 30, 2020

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. The Board is responsible for the administrative policy making in areas such as budget, personnel and as stated by state law and local ordinances. A trustee serves for a term of four years and may be reappointed by the Charles County Commissioners for a second term but may not serve more than two consecutive terms. This year, two new members were appointed to the Board.

The Charles County Public Library comprises four buildings, a Mobile Library and an Outreach Van. The Mobile Library and Outreach Van provide homebound services, diverse programming, school, day care and senior center visits and specialized workshops. The Mobile Library holds up to 2,000 books, public computer stations with free WiFi, online resources and databases. The Van is also equipped with free WiFi. The Waldorf West branch and the P. D. Brown Memorial Library are located in Waldorf, Maryland. The La Plata Library serves as our headquarters library and is the oldest of the four locations. Our Potomac Library branch is located on the western side of the county in Ruth B. Swann Park. Currently, there are over 70,000 county residents who have library cards and that number grows every day.

In March 2020, the Library temporarily closed its doors due to the pandemic. Although our physical doors were closed, our dedicated staff continued to work remotely, delivered virtual programs, expanded our digital resources, waived all fees and fines, extended due dates on materials, connected with our community via live chat, telephone and email reference, provided free 24/7 WiFi in all of our building parking lots with no password required, and introduced curbside pickup.

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 several sections: the Independent Auditor's Report, Management's discussions and analysis (this section), the basic financial statements, required supplementary information, and supplemental 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, and are in greater detail than the government-wide statements.

The financial statements also include notes that help explain and 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

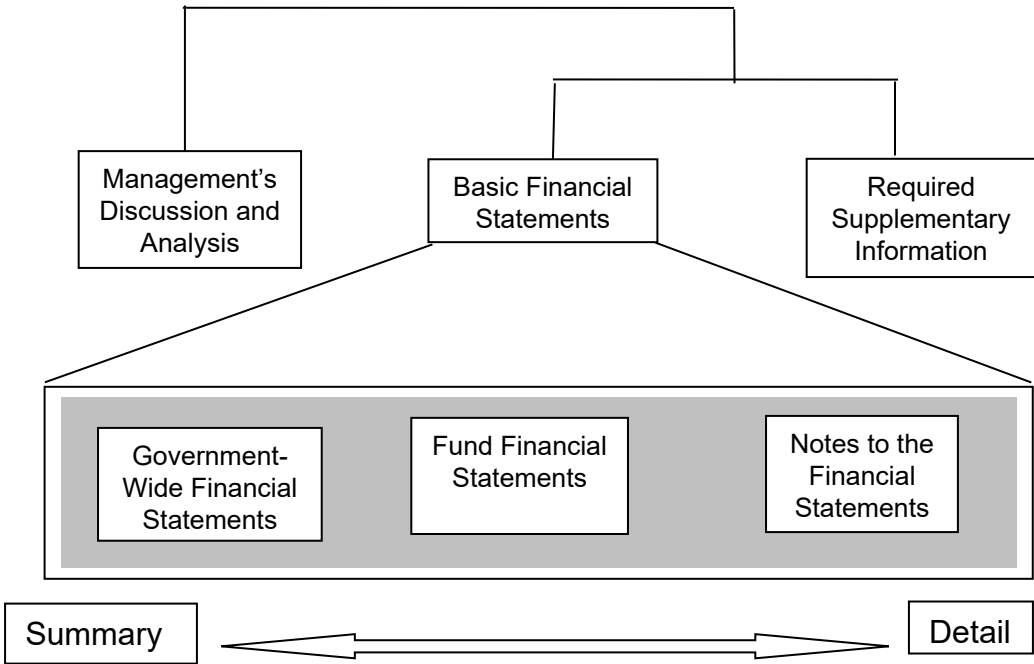


Figure A-2
Major Features of the Board of Library Trustees for Charles County, Maryland Government-Wide and Fund Financial Statements

	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 the 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 activities 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, deferred outflows of resources, liabilities, and deferred inflows of resources) is one way to measure the Library's financial health or position.

- Over time, increases or decreases in the Library's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the Library's overall health, one needs to consider additional non-financial factors, such as changes to the county's property tax base and the condition of the Library's buildings and facilities.

Fund Financial Statements

The fund financial statements provide more detailed information about the Library's general fund – not the Library as a whole. 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 a governmental fund, which focuses on (1) how cash and other financial assets 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 one 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

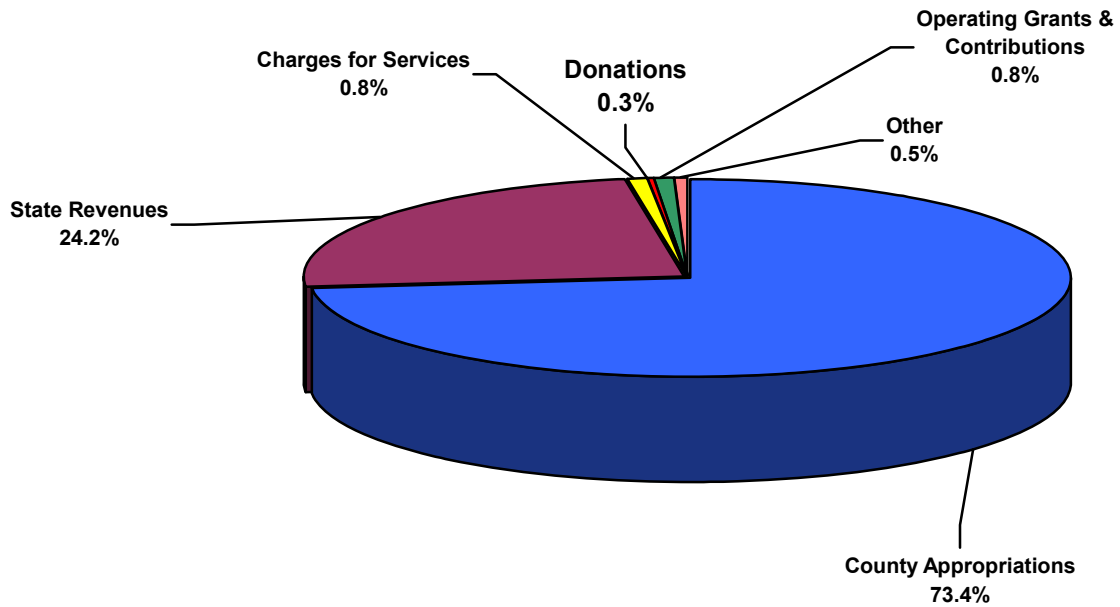
As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the Library, liabilities exceeded assets by \$2,067,857 at the close of the most recent fiscal year.

At the close of FY2020, the largest portion of the Library's total assets was cash and investments (65.7%). The next largest portion of the Library's total assets was capital assets (31.7%). 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 accrued leave payable, and its share of the net OPEB liability. Unrestricted net position may be used to meet the Library's ongoing obligations to the citizens and creditors.

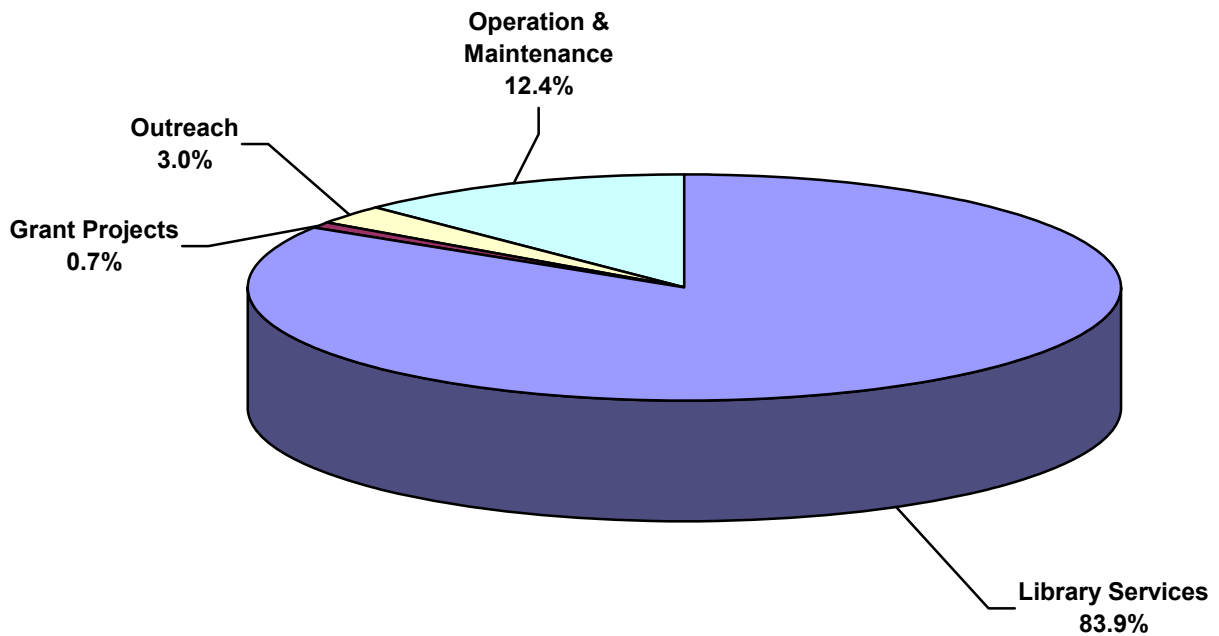
The Library's net position as of June 30 was:

	<u>Governmental</u>		
	<u>2020</u>	<u>2019</u>	<u>Percentage Change</u>
Current and other assets	\$ 1,725,712	\$ 1,170,667	47.4%
Capital assets	<u>801,241</u>	<u>848,638</u>	(5.6)%
Total assets	<u>2,526,953</u>	<u>2,019,305</u>	25.1%
Deferred outflows of resources	<u>29,838</u>	<u>4,670</u>	538.9%
Other liabilities	398,468	271,198	46.9%
Long-term liabilities	<u>1,403,628</u>	<u>1,469,323</u>	(4.8)%
Total liabilities	<u>1,802,096</u>	<u>1,740,521</u>	3.5%
Deferred inflows of resources	<u>2,822,552</u>	<u>1,178,983</u>	139.4%
Net position:			
Net investment in capital assets	801,241	848,638	(5.6)%
Unrestricted (deficit)	<u>(2,869,098)</u>	<u>(1,744,167)</u>	(64.5)%
Total net position (deficit)	<u>\$ (2,067,857)</u>	<u>\$ (895,529)</u>	(130.9)%

Sources of Revenues for Fiscal Year 2020



Functional Expenses for Fiscal Year 2020



Governmental activities decreased the Library's net position by \$1,172,328 in FY2020. The Library's revenues for the year ended June 30, 2020 totaled \$7,101,114; an increase from \$6,921,968 in FY2019. County and state funding accounted for almost 98% of the Library's revenues. Another 0.8% came from fees and charges for services.

The total expenses for the year ended June 30, 2020 were \$8,273,442. The Library's expenses were predominantly related to providing Library services to the residents of Charles County (83.9%). This includes print and non-print materials.

The Library also provides and spends 3% 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>2020</u>	<u>2019</u>	<u>Percentage Change</u>
Revenues:			
Program revenues:			
Charges for services	\$ 59,161	\$ 90,665	(34.7)%
Operating grants and contributions	60,022	48,275	24.3%
General revenues:			
County appropriations	5,208,205	5,046,793	3.2%
State revenues	1,717,467	1,646,855	4.3%
Donations	19,518	41,185	(52.6)%
Earnings on investments	21,148	27,774	(23.9)%
Miscellaneous	<u>15,593</u>	<u>20,421</u>	(23.6)%
Total revenues	<u>7,101,114</u>	<u>6,921,968</u>	2.6%
Expenses:			
Library services	6,943,823	5,574,959	24.6%
Grant projects	60,022	48,275	24.3%
Operation and maintenance	1,023,382	1,021,698	0.2%
Outreach	<u>246,215</u>	<u>237,076</u>	3.9%
Total expenses	<u>8,273,442</u>	<u>6,882,008</u>	20.2%
(Decrease) increase in net position	(1,172,328)	39,960	3033.8%
Net position (deficit) as of beginning of year (as restated in 2018)	<u>(895,529)</u>	<u>(935,489)</u>	4.3%
Net position (deficit) as of end of year	<u>\$ (2,067,857)</u>	<u>\$ (895,529)</u>	(130.9)%

Budgetary Highlights

The Library has enjoyed a steady increase in funding since FY2016. In FY2020, the Library enjoyed an increase in County funding of 3.2% and State funding of 4.3%. An increase in support from both the County and the State has allowed the Library to move forward with the goals set out in the 2016-2019 strategic plan.

The Library received several grants in FY2020. The Charles County Arts Alliance awarded the Library with a grant of \$7,800 (some of which was returned, due to the cancellation of some scheduled programming due to the pandemic) to be used for programs emphasizing the arts, literature and music. A grant of \$12,000 was awarded to the Library from the Maryland State Library (MSL) 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 \$10,000 towards staff pursuing their Masters of Library Science (MLS) degree. SMRLA also provided flow-through funding from the federal government's CARES Act for pandemic related expenses for cleaning and PPE. A \$1,116 grant was awarded by the Preschool Development Grant program and emergency funding of \$20,466 was provided by the State to provide expanded broadband access.

Capital Assets

The Library's additions to capital assets in FY2020, amounted to \$381,120. This investment in capital assets consisted of \$313,994 in books and audiovisual materials and another \$67,126 in furniture, computers and equipment purchases.

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 0.6 square feet per capita being the state average. With an estimated population of 157,705, 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, 2020, we had approximately 203,716 physical items in service, which is 1.2 items per capita. The State average is 2.9 items per capita.

Although per capita physical holdings are less than the state average, the 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. 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 Library also participates in the Overdrive Consortium, which gives our customers access to electronic books and audio books, increasing the number of resources available to them. The Maryland Library Association and the Maryland Library also provide a forum to share best practices for public library service.

Long-Term Debt

At year end of FY2020, the Library had \$189,067 in vacation payable to the Library employees. This was a decrease of \$10,744 from June 30, 2019.

At year end of FY2020, the Library had accrued \$1,403,628 in net other postemployment benefits obligations, in accordance with Governmental Accounting Standards Board Statement Number 75. This is a decrease of \$65,695.

Economic Factors and Next Year's Budget

The Library Board of Trustees submitted a balanced budget to the Charles County Commissioners for FY2021, and received an increase in County funding of approximately 1.75%. Priorities for the coming year include filling the vacant positions and supporting the priorities in our strategic plan. In order to plan for current and future library space needs, the Library will begin implementing recommendations made in the Facilities Master Plan. Relocation of the La Plata/main branch remains a top priority of the Board. 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, Maryland 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, 2020

	<u>Governmental</u> <u>Activities</u>
ASSETS:	
Cash and investments	\$ 1,659,744
Receivables	31,990
Prepaid expenses	33,978
Capital assets, net of depreciation	<u>801,241</u>
Total assets	<u>2,526,953</u>
DEFERRED OUTFLOWS:	
Deferred outflows related to OPEB	<u>29,838</u>
LIABILITIES:	
Accounts payable and accrued expenses	10,785
Accrued salaries and fringe benefits	198,616
Accrued compensated absences	189,067
Net OPEB liability	<u>1,403,628</u>
Total liabilities	<u>1,802,096</u>
DEFERRED INFLOWS	
Deferred inflows related to OPEB	<u>2,822,552</u>
NET POSITION:	
Net investment in capital assets	801,241
Unrestricted (deficit)	<u>(2,869,098)</u>
Total net position (deficit)	<u>\$ (2,067,857)</u>

See accompanying notes.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

STATEMENT OF ACTIVITIES

YEAR ENDED JUNE 30, 2020

<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	\$ 6,943,823	\$ 59,161	\$ -	\$ -	\$ (6,884,662)
Grant Projects	60,022	-	60,022	-	-
Operation and Maintenance	1,023,382	-	-	-	(1,023,382)
Outreach	<u>246,215</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(246,215)</u>
Total governmental activities	<u>\$ 8,273,442</u>	<u>\$ 59,161</u>	<u>\$ 60,022</u>	<u>\$ -</u>	<u>(8,154,259)</u>
General revenues:					
County appropriations					5,208,205
State revenues					1,717,467
Donations					19,518
Unrestricted investment earnings					21,148
Miscellaneous					<u>15,593</u>
Total general revenues					<u>6,981,931</u>
Change in net position					(1,172,328)
Net position (deficit) - beginning					<u>(895,529)</u>
Net position (deficit) - ending					<u>\$ (2,067,857)</u>

See accompanying notes.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

BALANCE SHEET
GOVERNMENTAL FUNDS

JUNE 30, 2020

	<u>General Fund</u>
ASSETS:	
Cash and investments	\$ 1,659,744
Accounts receivable	31,990
Prepaid expenses	<u>33,978</u>
Total assets	<u>\$ 1,725,712</u>
LIABILITIES AND FUND BALANCES:	
Liabilities:	
Accounts payable	\$ 10,785
Other accrued expenses	<u>198,616</u>
Total liabilities	<u>209,401</u>
Fund balances:	
Nonspendable	33,978
Assigned	453,041
Unassigned	<u>1,029,292</u>
Total fund balances	<u>1,516,311</u>
Total liabilities and fund balances	<u>\$ 1,725,712</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, 2020

Total fund balance, governmental funds	\$ 1,516,311
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>	
<p>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.</p>	801,241
<p>Some liabilities, including compensated absences and the OPEB liability, 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.</p>	
Accrued compensated absences	(189,067)
Net OPEB obligation	(1,403,628)
Deferred outflows/inflows - related to OPEB	<u>(2,792,714)</u>
Net Position (Deficit) of Governmental Activities in the Statement of Net Position	<u>\$ (2,067,857)</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, 2020

	<u>General Fund</u>
REVENUES:	
State of Maryland	\$ 1,717,467
County appropriations	5,208,205
Operating grants and contributions	60,022
Donations	19,518
Charges for services	59,161
Investment earnings	21,148
Miscellaneous	<u>15,593</u>
Total revenues	<u>7,101,114</u>
EXPENDITURES:	
Current:	
Library services	5,354,464
Grants projects	60,022
Operation and maintenance	1,023,382
Outreach	<u>246,215</u>
Total expenditures	<u>6,684,083</u>
Excess of revenues over expenditures	417,031
Fund balances - beginning	<u>1,099,280</u>
Fund balances - ending	<u>\$ 1,516,311</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, 2020

Net change in fund balances - total governmental funds \$ 417,031

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 \$428,517 exceeded capital outlays \$381,120 in the current period. (47,397)

Accrued compensated absences (vacations) not reflected in governmental funds 10,744

Net OPEB obligation not reflected in governmental funds 65,695

Deferred outflows and inflows of resources related to OPEB (1,618,401)

Change in net position of governmental activities \$ (1,172,328)

See accompanying notes.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

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, 2020

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, 2020

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, Maryland. 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.

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, 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 two items that meet this criterion at June 30, 2020: the net difference in actual and expected experience in OPEB plan activity and the net difference between projected and actual earnings on OPEB plan investments.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

1. Summary of significant accounting policies (continued)

Deferred inflows of resources- In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. The Library has two items that meet this criterion at June 30, 2020: changes in actuarial assumptions for the OPEB plan, and the net difference in actual and expected experience in OPEB plan activity.

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 \$1,500 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 postemployment benefits obligation.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

1. Summary of significant accounting policies (continued)

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. 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 deposit.

Deposits – At the end of FY2020, the carrying amount of the Library's deposits was \$354,076 and the bank balance was \$448,478. 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 \$2,114.

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, 2020, 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, 2020

2. Cash and investments (continued)

<u>Government Funds</u>	<u>Carrying Amount</u>	<u>Bank Balance</u>
Cash on hand	\$ 2,114	\$ -
Deposits:		
Insured – Federal Deposit Insurance Corporation	354,076	250,000
Uninsured – collateralized by securities	-	198,478
	<u>Carrying Amount</u>	<u>Fair Market Value</u>
Investments:		
Local government investment pool	<u>1,303,554</u>	<u>1,303,554</u>
Total cash and investments	<u>\$ 1,659,744</u>	<u>\$ 1,752,032</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, 2020 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	\$ 2,467,387	\$ 67,126	\$ -	\$ 2,534,513
Library books and AV material	<u>1,307,669</u>	<u>313,994</u>	<u>337,326</u>	<u>1,284,337</u>
	3,775,056	381,120	337,326	3,818,850
Accumulated depreciation	<u>2,926,418</u>	<u>428,517</u>	<u>337,326</u>	<u>3,017,609</u>
	<u>\$ 848,638</u>	<u>\$ (47,397)</u>	<u>\$ -</u>	<u>\$ 801,241</u>

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

3. Capital assets (continued)

Depreciation expense for the year in the amount of \$428,517 was charged to the Library Service function.

4. Fund balance

The Library has adopted GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. 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 annual leave of Library employees is recorded as a liability and amounted to \$189,067 at June 30, 2020.

The following is an analysis of the change in annual leave payable as of June 30, 2020:

	<u>Beginning Balance</u>	<u>Net Increase</u>	<u>Net Decrease</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Accrued leave payable	\$ 199,811	\$ 42,551	\$ (53,295)	\$ 189,067	\$ 189,067

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

6. Leases

The Library leases copier and terminal equipment from two leasing companies under operating leases with 48 to 63-month maturities and monthly lease payments totaling \$1,856. Rental expense for those leases totaled \$17,989 for the year ended June 30, 2020, 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>	
2021	\$ 17,180
2022	\$ 22,277
2023	\$ 22,277
2024	\$ 21,174
2025	\$ 20,387
2026	\$ 5,097

7. Retirement and pension plan

Description

All qualified career employees of the Library are required to join the Maryland State Teachers' Pension 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 plans have provisions for early retirement, death and disability benefits and are agent multiple-employer plans administered by the Board of Trustees of the Maryland State Retirement and Pension System. The System was established and benefits are provided by the State Personnel and Pensions Article of the Annotated Code of Maryland. The separately issued financial statements of the System may be obtained by writing to the Maryland State Retirement Agency, 120 East Baltimore Street, Baltimore, Maryland 21202-1600 or calling (800) 492-5909.

Maryland State Pension Systems

The Maryland State Pension System is a retirement program for employees hired after January 1, 1980, and prior employees who elected to transfer from the Retirement System. The System provides retirement, death, and disability benefits in accordance with State statutes. A member terminating employment before attaining retirement age, but after five years of service becomes eligible for a vested retirement allowance

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

7. Retirement and pension plan (continued)

Maryland State Pension Systems (continued)

provided the member does not withdraw his or her accumulated contributions. Members of the Pension Systems 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.

A member of the Pension System enrolled prior to July 1, 2011, will generally receive, upon retirement, an annual service retirement allowance equal to 1.2% of the members' highest three-consecutive year average final salary multiplied by the number of years of service credit on or before June 30, 1998, plus 1.8% of the highest three-consecutive year average final salary multiplied by the number of years of service credit after June 30, 1998. The annual benefit for a Pension System member who is employed by a participating governmental unit that does not provide enhanced pension benefits is equal to 0.8% of the member's highest three-consecutive year average final salary multiplied by the number of years of service credit, with a provision for additional benefits for compensation earned in excess of the Social Security Integration Level base. A member of either type of pension system enrolled prior to July 1, 2011, may retire with reduced benefits after attaining age 55 and completing 15 years of service.

For new Pension System members hired on or after July 1, 2011, benefit reforms enacted during the 2011 Legislative Session establish the pension benefit multiplier at 1.5% rather than 1.8%, calculate average final compensation based on the five highest consecutive years of service rather than the three highest, and allow vesting after ten years of eligible service rather than five years.

Maryland State Retirement Systems

The Maryland State Retirement System is a retirement program for substantially all state employees who are not members of the State Pension System. Members of the Retirement System may retire with full benefits after attaining the age of 60, or completing 30 years of service credit, regardless of age. The annual benefit for Retirement System members is equal to 1/55th (1.81%) of the member's highest three-year average final salary multiplied by the number of years of service credit. A member may retire with reduced benefits after completing 25 years of service, regardless of age. A member enrolled prior to July 1, 2011, may retire with reduced benefits after attaining age 55 and completing 15 years of service.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

7. Retirement and pension plan (continued)

Funding policy

The State Personnel and Pensions Article requires both active members and their respective employers to make contributions to the System. Rates for required contributions by active members are established by law. Members of the Teachers' and Employees' Retirement Systems are required to contribute 7% or 5% of compensation, 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 adopted by the Board of Trustees. 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 accrued liability (UAAL) was being amortized in distinct layers. The UAAL which existed as of the June 30, 2000 actuarial valuation was being amortized over a 40-year period (as provided by law) from July 1, 1980 and as provided by law, any new unfunded liabilities or surpluses arising during the fiscal year ended June 30, 2001, or any fiscal year thereafter, was being amortized over a 25-year period from the end of the fiscal year in which the liability or surplus arose. However, in the 2014 legislative session, the Legislature changed the method used to fund the system. The unfunded liability as of June 30, 2014 for each System is being amortized over a single closed 25-year period.

The State of Maryland, the Maryland Automobile Insurance Fund, the Injured Workers' Insurance Fund and more than 150 participating governmental units make all of the employer and other contributions to the System.

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, 2020 was \$554,724. 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

Significant actuarial assumptions used in the valuation include: (a) 7.4% rate of return on investments, compounded annually, (b) projected salary increases of 3.1%, compounded annually, attributable to wage inflation, (c) additional projected salary

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

7. Retirement and pension plan (continued)

Actuarial assumptions (continued)

increases ranging from 0.0% to 8.5% per year attributable to seniority and merit (d) postemployment benefit increases ranging from 2.19% to 3.1% per year for service prior to July 1, 2011, with certain exceptions, and 1.42% to 3.1%, for service after June 30, 2011 per year, depending on the system, (e) rates of mortality, termination of service, disablement and retirement based on actual experience during the period from June 30, 2014 through June 30, 2018, and (f) an increase in the aggregate active member payroll of 3.10% annually.

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. Other postemployment benefits (OPEB)

Plan description

In addition to providing the pension benefits described in Note 7, the Library provides postemployment medical, dental and vision insurance benefits (OPEB Plan) to employees, former employees, or beneficiaries who meet retirement eligibility requirements of the pension plans. 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 postemployment healthcare benefits. The County pays the current costs of the retiree benefits. The plan was closed to new hires after December 31, 2016. The OPEB Plan provides health, prescription, dental and vision care insurance benefits to eligible retirees, eligible retirees' family members and the family members of deceased employees as a single-employer plan. 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 OPEB Plan pays a percentage of premiums based on number of years of service. The percentages for employees range from 10.0% 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 County's Board of Commissioners.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

8. Other postemployment benefits (OPEB) (continued)

Plan description (continued)

The County's OPEB Plan is administered through the single-employer OPEB Trust of Charles County, Maryland as an irrevocable trust. Assets of the trust are dedicated to providing postretirement 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 does not issue a stand-alone financial report but is included in the Comprehensive Annual Financial Report (CAFR) of the County.

Membership of the OPEB Plan enrolled in coverage at June 30, 2020 consisted of:

Retirees and beneficiaries currently receiving benefits	23
Active employees	<u>39</u>
Total	<u>62</u>

The Board of County Commissioners determines how much is contributed to the OPEB Trust as part of the budget process each year. The County contributed \$3,002,300 to the Trust in FY2020.

Net OPEB liability

The components of the Library's portion of the total net OPEB liability for the County at June 30, 2020 were:

Total OPEB liability	\$ 1,635,171
Plan fiduciary net position	<u>(231,543)</u>
Net OPEB liability	<u>\$ 1,403,628</u>
Plan fiduciary net position as a percentage of the total OPEB liability	10.05%

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

8. Other postemployment benefits (OPEB) (continued)

Net OPEB liability (continued)

The total OPEB liability was determined by an actuarial valuation as of July 1, 2018 with data rolled forward to June 30, 2020. In the actuarial valuation dated February 7, 2019, the liabilities were computed using the Entry Age Normal (EAN) cost method as required by GASB 74 and GASB 75. The EAN actuarial cost method requires a salary scale assumption; the State of Maryland salary scale assumption was used.

The discount rate used to measure the total OPEB liability was 7.5%.

The following table presents the Library's share of Total and Net OPEB liability, along with the Total and Net OPEB liability if it is calculated using a health care cost trend rate that is 1 percentage point lower or 1 percentage point higher.

	1% Decrease	Trend Rate (4.0%)	1% Increase
Total OPEB Liability	\$1,385,624	\$1,635,171	\$2,004,429
Net OPEB Liability/(Asset)	\$1,162,807	\$1,403,628	\$1,759,802

The following table presents the Library's share of Total and Net OPEB liability, along with the Total and Net OPEB liability if it is calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher, than the 7.5% discount rate.

	1% Decrease 6.5%	Discount Rate 7.5%	1% Increase 8.5%
Total OPEB Liability	\$1,943,875	\$1,635,171	\$1,428,524
Net OPEB Liability/(Asset)	\$1,695,341	\$1,403,628	\$1,203,721

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

8. Other postemployment benefits (OPEB) (continued)

Net OPEB liability (continued)

For the year ended June 30, 2020, The Library recognized OPEB expense of \$(164,800), and reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Changes in assumptions	\$ -	\$ 2,601,072
Net difference between projected and actual investment earnings	15,226	-
Difference between actual and expected experience	14,612	221,480
Contributions subsequent to measurement date	<u>-</u>	<u>-</u>
Total	<u>\$ 29,838</u>	<u>\$ 2,822,552</u>

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

<u>Year ending June 30,</u>	<u>Amortized amount</u>
2021	\$ (549,648)
2022	\$ (549,648)
2023	\$ (551,115)
2024	\$ (552,302)
2025	\$ (554,485)
Thereafter	\$ (35,516)

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

9. 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.

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.

10. 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.

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, 2020, is \$344,431 for both active and retired employees.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2020

11. Appropriations (continued)

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, 2020 is \$157,114.

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	\$ 3,861,300
Health care benefits	344,431
Utilities	149,919
Capital investment	<u>-</u>
	4,355,650
Contributed facilities	<u>852,555</u>
	<u>\$ 5,208,205</u>

12. Subsequent events

Subsequent events were evaluated through November 30, 2020, 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, 2020

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

STATEMENT OF REVENUES AND EXPENDITURES
BUDGET AND ACTUAL
GENERAL FUND

YEAR ENDED JUNE 30, 2020

	Budgeted Amounts		Actual Amounts, Budgetary Basis	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
REVENUES:				
State of Maryland	\$ 1,162,743	\$ 1,162,743	\$ 1,162,743	\$ -
County appropriations	4,381,900	4,381,900	4,355,650	(26,250)
Operating grants and contributions	22,000	22,000	60,022	38,022
Donations	30,000	30,000	19,518	(10,482)
Charges for services	51,000	51,000	59,161	8,161
Investment earnings	15,000	15,000	21,148	6,148
Miscellaneous	10,000	10,000	15,593	5,593
Transfer from prior years' reserves	453,041	453,041	-	(453,041)
Total revenues	6,125,684	6,125,684	5,693,835	(431,849)
EXPENDITURES:				
Salaries and wages	4,091,662	4,091,662	3,532,715	558,947
Employee health insurance benefits	340,800	340,800	344,431	(3,631)
Payroll taxes	333,852	333,852	259,073	74,779
Audiovisual	76,850	76,850	81,108	(4,258)
Books	254,540	254,540	222,465	32,075
Books - continuation	12,000	12,000	10,421	1,579
Continuing Education	5,000	5,000	5,000	-
Contracted services	180,000	180,000	134,734	45,266
Computer automation	25,000	25,000	25,553	(553)
Digital collections	62,000	62,000	16,535	45,465
Supplies	35,000	35,000	17,822	17,178
Dues and memberships	38,000	38,000	34,912	3,088
Capital outlay	114,730	114,730	108,999	5,731
Repairs and maintenance	14,000	14,000	-	14,000
Leasing	20,000	20,000	17,989	2,011
Periodicals	12,000	12,000	11,530	470
Promotion and advertising	30,000	30,000	23,767	6,233

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, 2020

	<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	\$ 60,000	\$ 60,000	\$ 50,599	\$ 9,401
Employee benefits	2,000	2,000	2,669	(669)
Bank charges	5,000	5,000	4,304	696
Telephone	45,600	45,600	47,214	(1,614)
Postage	1,100	1,100	568	532
Miscellaneous	750	750	282	468
Staff development and training	25,000	25,000	17,352	7,648
Travel	15,000	15,000	13,024	1,976
Programs	50,000	50,000	32,661	17,339
Processing materials	14,000	14,000	5,486	8,514
Trustee expense	7,000	7,000	5,427	1,573
Mobile Library	-	-	-	-
Grant - Arts Alliance	-	-	5,422	(5,422)
Grant - Staff Development	12,000	12,000	12,000	-
Grant - SMRLA Continuing Ed.	10,000	10,000	10,000	-
Grant - CARES Act	-	-	11,017	(11,017)
Grant - Kindergarten Readiness	-	-	1,117	(1,117)
Grant - Others	-	-	20,466	(20,466)
Innovation fund	5,000	5,000	1,529	3,471
Human resources	23,000	23,000	17,786	5,214
Heat/light/power	179,800	179,800	149,919	29,881
Maintenance agreements	<u>25,000</u>	<u>25,000</u>	<u>20,908</u>	<u>4,092</u>
Total expenditures	<u>6,125,684</u>	<u>6,125,684</u>	<u>5,276,804</u>	<u>848,880</u>
Excess (deficiency) of revenues over expenditures	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 417,031</u>	<u>\$ 417,031</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, 2020

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)	\$ 5,693,835
Pension contribution by the State on behalf of the Library	554,724
Contributed facilities	<u>852,555</u>
Total revenue as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ 7,101,114</u>
Actual expenditures (non-GAAP budgetary basis)	\$ 5,276,804
Pension contribution by the State on behalf of the Library	554,724
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>\$ 6,684,083</u>

See independent auditor's report.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

SCHEDULE OF CHANGES IN THE LIBRARY'S NET OPEB
LIABILITY AND RELATED RATIOS

YEAR ENDED JUNE 30, 2020

Other Postemployment Benefit Plan

	2020	2019	2018	2017
Total OPEB Liability				
Service Cost	\$ 99,147	\$ 99,172	\$ 102,548	\$ 98,564
Interest Cost	311,100	114,311	104,939	94,016
Changes in Benefit Terms	-	(12,095)	-	-
Differences Between Expected and Actual Experience	13,940	(117,282)	1,594	28,981
Changes of Assumptions	(262,549)	(1,097,759)	(146,644)	(447,939)
Benefit Payments	(114,412)	(39,536)	(36,042)	(32,781)
Net Change in Total OPEB Liability	47,226	(1,053,189)	26,395	(259,159)
Total OPEB Liability - Beginning of Year	1,587,945	2,641,134	2,614,739	2,873,898
Total OPEB Liability - End of Year	<u>\$ 1,635,171</u>	<u>\$ 1,587,945</u>	<u>\$ 2,641,134</u>	<u>\$ 2,614,739</u>

Plan Fiduciary Net Position

	2020	2019	2018	2017
Contributions - Employer	\$ 212,848	\$ 63,979	\$ 54,431	\$ 48,105
Net Investment Income	14,485	6,354	2,930	37
Benefit Payments	(114,412)	(39,536)	(36,042)	(32,781)
Administrative Expense	-	-	-	-
Net Change in Fiduciary Net Position	112,921	30,797	21,319	15,361
Fiduciary Net Position - Beginning of Year	118,622	87,825	66,506	51,145
Fiduciary Net Position - End of Year	231,543	118,622	87,825	66,506
Net OPEB Liability	1,403,628	1,469,323	2,553,308	2,548,245
Fiduciary Net Position as a % of Total OPEB Liability	<u>14.16%</u>	<u>7.47%</u>	<u>3.33%</u>	<u>2.54%</u>
Covered-Employee Payroll ¹				
Net OPEB Liability as a % of Payroll ¹				
Expected Average Remaining Service Years of All Participants	7	7	8	8

Notes to Schedule:

Benefit changes: Effective January 1, 2017, the plan was closed to new hires.

Changes of assumptions: Medical trend was updated. The discount rate was changed as follows:

Discount rate:

06/30/17	4.04%
06/30/18	4.31%
06/30/19	7.50%
06/30/20	7.50%

¹ Because the OPEB plan does not depend on salary, this data was not provided by the actuary.

See independent auditor's report.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

OTHER SUPPLEMENTAL INFORMATION

YEAR ENDED JUNE 30, 2020

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

STATEMENT OF REVENUES AND EXPENDITURES
GENERAL FUND

YEAR ENDED JUNE 30, 2020

REVENUES:

State of Maryland:

Appropriations	\$ 1,162,743
Pension contribution	<u>554,724</u>
	<u>1,717,467</u>

Charles County:

Appropriations	4,355,650
Contributed facilities	<u>852,555</u>
	<u>5,208,205</u>

Charges for services:

Fines, damages, and lost books	21,392
Photocopy income	32,642
Book sales	3,317
Fax sales	415
Passport processing fees	1,120
Sales - ear buds and headsets	36
Sales - tote bags	83
Sales - flash drives and lanyards	156
Program/brochure advertising	<u>-</u>
	<u>59,161</u>

Investment earnings	<u>21,148</u>
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Donations	<u>19,518</u>
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Operating grants and contributions	<u>60,022</u>
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Miscellaneous	<u>15,593</u>
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Total revenues	<u>7,101,114</u>
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BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

STATEMENT OF REVENUES AND EXPENDITURES
GENERAL FUND
(CONTINUED)

YEAR ENDED JUNE 30, 2020

EXPENDITURES:

Current:

Library services:

Salaries	\$ 3,286,500
Employee health insurance benefits	344,431
Payroll taxes	259,073
Pension	554,724
Audiovisual	81,108
Books	222,465
Books - continuation	10,421
Continuing education	5,000
Contracted services	134,734
Computer automation	25,553
Digital collections	16,535
Supplies	17,822
Dues and memberships	34,912
Capital outlay	108,999
Leasing	17,989
Periodicals	11,530
Promotion and advertising	23,767
Insurance	50,599
Employee benefits	2,669
Bank charges	4,304
Telephone	47,214
Postage	568
Miscellaneous	282
Staff development and training	17,352
Travel	13,024
Trustee expense	5,427
Innovation fund	1,529
Human resources	17,786
Programs	32,661
Processing materials	5,486

5,354,464

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

STATEMENT OF REVENUES AND EXPENDITURES
GENERAL FUND
(CONTINUED)

YEAR ENDED JUNE 30, 2020

Grants projects:	
Arts Alliance	\$ 5,422
Staff Development	12,000
SMRLA Continuing Ed Grant	10,000
CARES Act Grant	11,017
Kingergarten Readiness Grant	1,117
Other grants	<u>20,466</u>
	<u>60,022</u>
Operation and maintenance:	
Heat/light/power	149,919
Maintenance agreements	20,908
Contributed facilities	<u>852,555</u>
	<u>1,023,382</u>
Outreach:	
Salaries	224,252
Wages - Subs/Outreach	<u>21,963</u>
	<u>246,215</u>
Total expenditures	<u>6,684,083</u>
Excess of revenues over expenditures	<u><u>\$ 417,031</u></u>



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, 2020, 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 November 30, 2020.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the 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
November 30, 2020