

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

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

For the Year Ended June 30, 2023



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JUNE 30, 2023

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REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

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

Report on the Audit of the Financial Statements

Opinions

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, Maryland, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and the major funds of the Library, as of June 30, 2023, and the respective changes in its financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinions

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

Responsibilities of Management for the Financial Statements

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

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



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Auditor's Responsibility for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Library's ability to continue as a going concern for a reasonable period of time.

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



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Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Library's basic financial statements. The statement of revenues and expenditures – general fund is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The statement of revenues and expenditures – general fund is the responsibility of management and was derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying statement of revenues and expenditures – general fund is fairly stated in all material respects in relation to the basic financial statements as a whole.



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Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have issued our report dated October 24, 2023 on our consideration of the Library's internal controls over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal controls over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal controls over financial reporting and compliance.

Owings Mills, Maryland
October 24, 2023

SB & Company, LLC

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Management's Discussion and Analysis

As of June 30, 2023

The mission of the Board of Library Trustees for Charles County (the 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, one new member was 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 66,181 county residents who have library cards and that number grows every day.

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 Maryland State Library. Last, but not least, appreciation goes to the hard-working staff whose commitment to quality customer service never waivers.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

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

Overview of the Financial Statements

This annual report consists of several sections: the report of independent public accountants, management's discussions and analysis (this section), the basic financial statements, required supplementary information, and other 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, 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.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Management's Discussion and Analysis

As of June 30, 2023

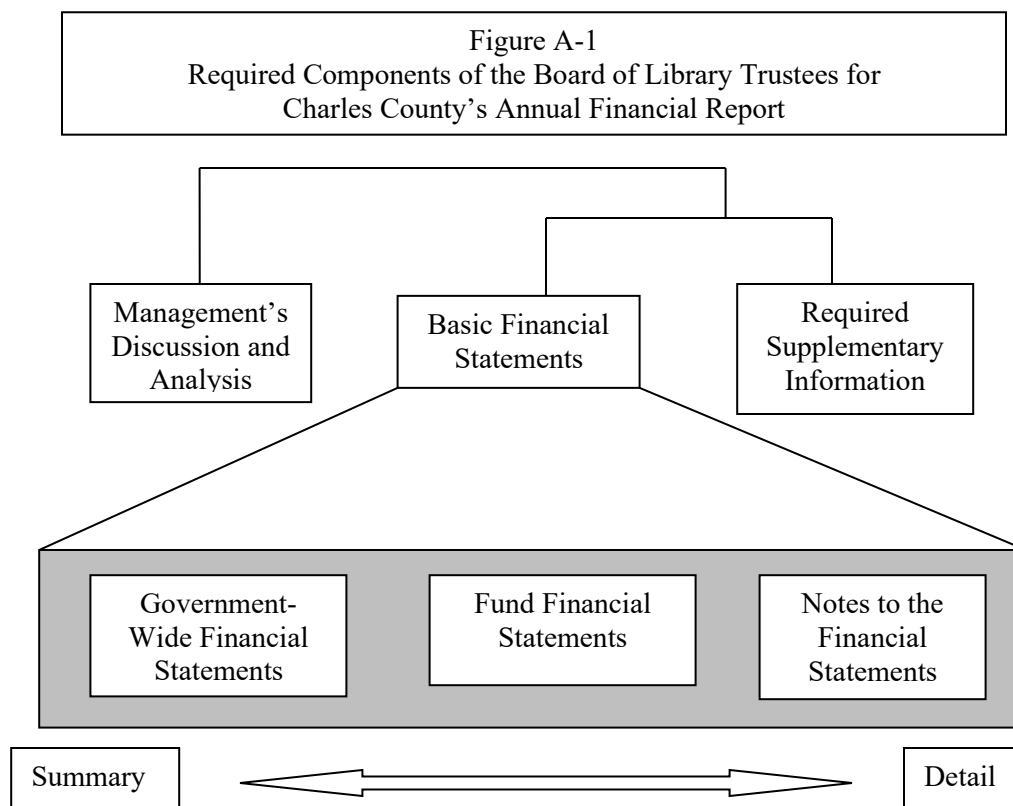


Figure A-2		
Major Features of the Board of Library Trustees for Charles County, Maryland Government-Wide and Fund Financial Statements		
	Government-Wide Statements	Fund Statement Governmental Funds
Scope	Entire Library government	The activities of the Library that are not proprietary or fiduciary
Required 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

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Management's Discussion and Analysis

As of June 30, 2023

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.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Management's Discussion and Analysis

As of June 30, 2023

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 and deferred inflows exceeded assets and deferred outflows by \$1,115,859 at the close of the most recent fiscal year.

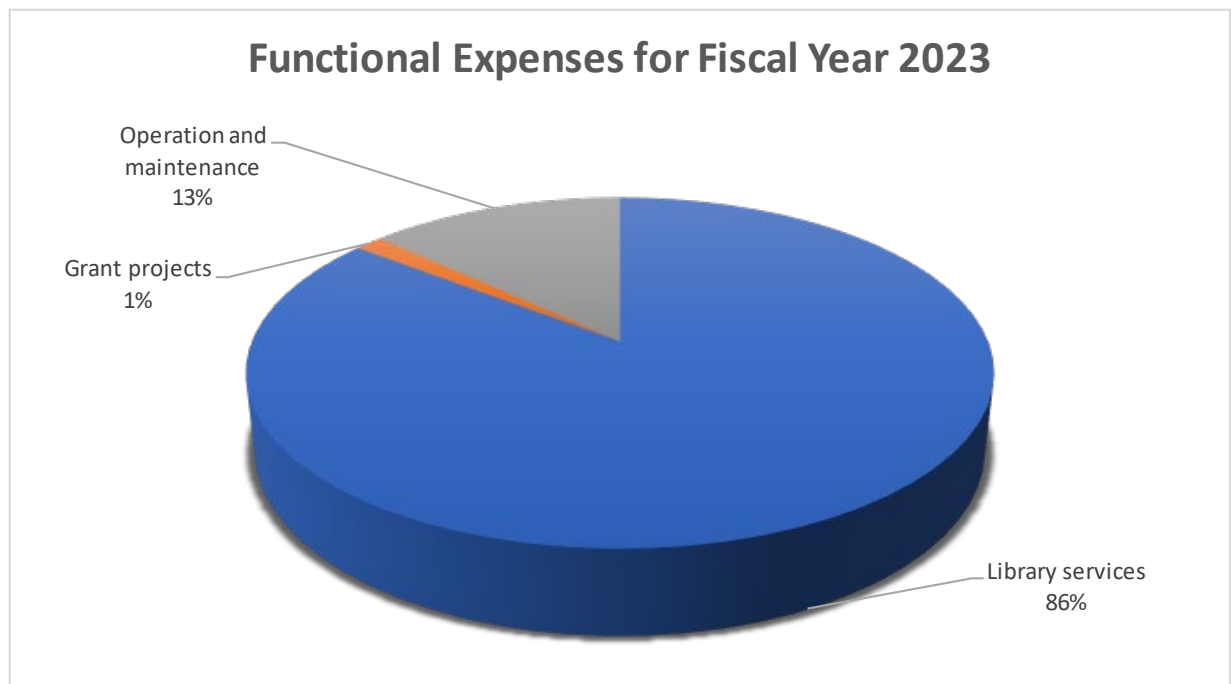
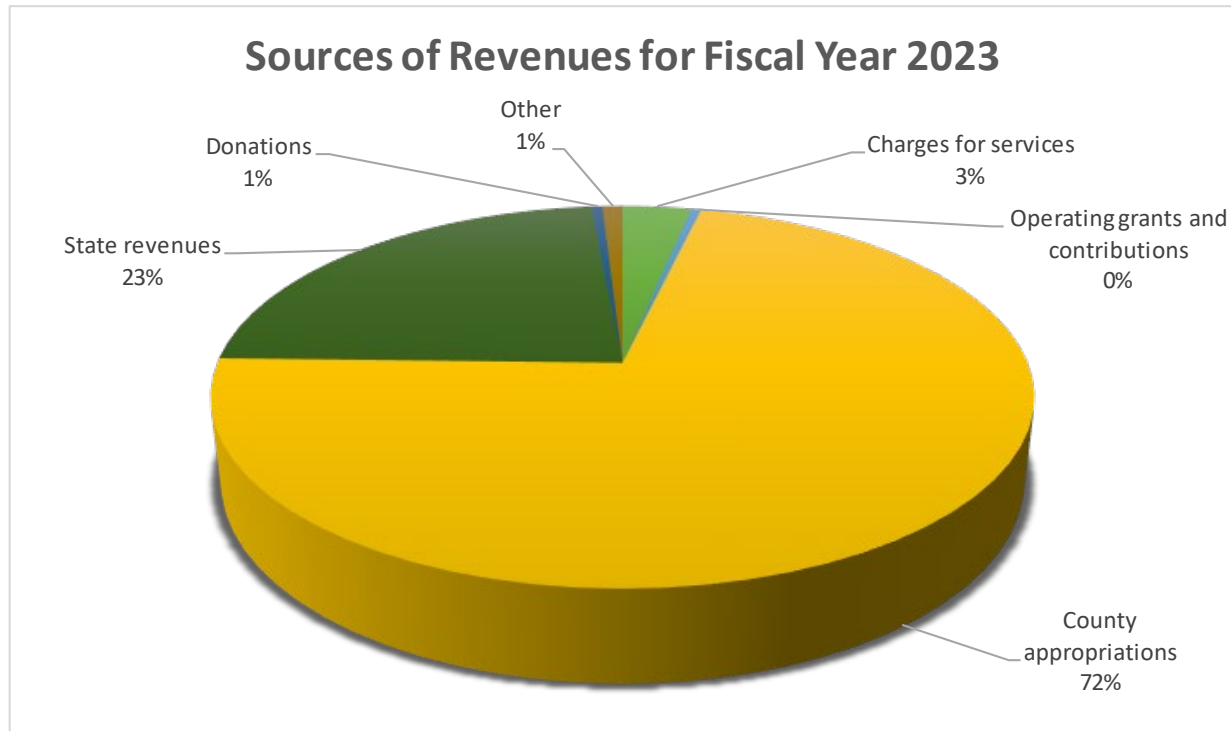
At the close of FY 2023, the largest portion of the Library's total assets was cash and investments (71%). The next largest portion of the Library's total assets was capital assets (26%). The Library uses these capital assets to provide services to the citizens. Consequently, these assets are not available 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, 2023 and 2022, was:

	<u>Governmental</u>		<u>Percentage Change</u>
	<u>2023</u>	<u>2022</u>	
Current and other assets	\$ 1,832,994	\$ 1,722,533	6.41%
Capital assets	649,574	786,158	-17.37%
Total assets	<u>2,482,568</u>	<u>2,508,691</u>	-1.04%
Deferred outflows of resources	<u>165,311</u>	<u>253,153</u>	-34.70%
Current liabilities	305,042	309,079	-1.31%
Net OPEB liability	<u>1,152,337</u>	<u>1,913,963</u>	-39.79%
Total liabilities	<u>1,457,379</u>	<u>2,223,042</u>	-34.44%
Deferred inflows of resources	<u>2,306,359</u>	<u>1,708,534</u>	34.99%
Net position:			
Net investment in capital assets	649,574	786,158	-17.37%
Unrestricted (deficit)	<u>(1,765,433)</u>	<u>(1,955,890)</u>	9.74%
Total net position (deficit)	<u>\$ (1,115,859)</u>	<u>\$ (1,169,732)</u>	4.61%

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

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



BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Management's Discussion and Analysis

As of June 30, 2023

Governmental activities increased the Library's net position by \$53,873 in FY 2023. The Library's revenues for the year ended June 30, 2023 totaled \$8,160,826; an increase from \$7,431,640 in FY 2022. County and state funding accounted for approximately 95% of the Library's revenues.

The total expenses for the year ended June 30, 2023 were \$8,106,953. The Library's expenses were predominantly related to providing Library services to the residents of Charles County (85%). This includes print and non-print materials.

The Library also provides and spends almost 13% of its costs on operating and maintaining its facilities.

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

Summary of Changes in Net Position			
	2023	2022	Percentage Change
Revenues:			
Program revenues:			
Charges for services	\$ 263,380	\$ 59,141	345.34%
Operating grants and contributions	36,003	109,727	-67.19%
General revenues:			
County appropriations	5,853,555	5,429,955	7.80%
State revenues	1,891,285	1,784,306	6.00%
Donations	39,886	31,487	26.67%
Earnings on investments	67,139	2,472	2615.98%
Miscellaneous	9,578	14,552	-34.18%
Total revenues	<u>8,160,826</u>	<u>7,431,640</u>	9.81%
Expenses:			
Library services	6,928,266	5,995,785	15.55%
Grant projects	115,791	104,076	11.26%
Operation and maintenance	1,062,896	1,073,280	-0.97%
Total expenses	<u>8,106,953</u>	<u>7,173,141</u>	13.02%
(Decrease) increase in net position	53,873	258,499	-79.16%
Net position (deficit) as of beginning of year	<u>(1,169,732)</u>	<u>(1,428,231)</u>	18.10%
Net position (deficit) as of end of year	<u>\$ (1,115,859)</u>	<u>\$ (1,169,732)</u>	4.61%

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Management's Discussion and Analysis

As of June 30, 2023

Budgetary Highlights

The Library has enjoyed a steady increase in funding since FY 2016. In FY 2023, the Library enjoyed an increase in County funding of 2.9% and State funding of 4.7%. 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 2020-2023 strategic plan.

The Library received several operating grants in FY 2023. A grant of \$16,700 was awarded to the Library from the Maryland State Library (MSL) for staff development, training and conference attendance for library staff. MSL also awarded a Wi-fi community access grant of \$18,740 to the Library in order to improve patrons' access to the internet. 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. The Charles County Arts Alliance awarded the Library with a grant of \$6,500 to be used for programs emphasizing the arts, literature, and music.

Capital Assets

The Library's additions to capital assets in FY 2023 amounted to \$310,669. This investment in capital assets consisted of \$238,632 in books and audiovisual materials and another \$72,037 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 161,503, 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, 2023, we had approximately 191,089 physical items in service, which is 1.18 items per capita. The State average is 2.9 items per capita.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Management's Discussion and Analysis

As of June 30, 2023

Although per capita physical holdings are less than the state average, the 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.

Economic Factors and Next Year's Budget

The Library Board of Trustees submitted a balanced budget to the Charles County Commissioners for FY2023 and received an increase in County funding of approximately 2.9%. Priorities for the coming year include the expansion of outreach efforts that include the purchase of hotspots and Chromebooks for circulation; providing every child from birth to age 5 in the community with free new books through the Imagination Library of Charles County; and construction of the new La Plata branch library. 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

As of June 30, 2023

	Governmental Activities
ASSETS	
Cash and investments	\$ 1,760,915
Receivables	11,252
Prepaid expenses	60,827
Capital assets, net of depreciation	649,574
Total Assets	<u>2,482,568</u>
DEFERRED OUTFLOWS OF RESOURCES	
Deferred outflows related to OPEB	<u>165,311</u>
LIABILITIES	
Accounts payable and accrued salaries and fringe benefits	81,370
Accrued compensated absences	223,672
Long-term liabilities - Net OPEB liability	1,152,337
Total Liabilities	<u>1,457,379</u>
DEFERRED INFLOWS OF RESOURCES	
Deferred inflows related to OPEB	<u>2,306,359</u>
NET POSITION	
Net investment in capital assets	649,574
Unrestricted (deficit)	(1,765,433)
Total Net Position	<u>\$ (1,115,859)</u>

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

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Statement of Activities

For the Year Ended June 30, 2023

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities
Governmental Activities:					
Library services	\$ 6,928,266	\$ 263,380	\$ -	\$ -	\$ (6,664,886)
Grant projects	115,791	-	36,003	-	(79,788)
Operation and maintenance	1,062,896	-	-	-	(1,062,896)
Total Governmental Activities	<u>\$ 8,106,953</u>	<u>\$ 263,380</u>	<u>\$ 36,003</u>	<u>\$ -</u>	<u>(7,807,570)</u>
General Revenues:					
County appropriations					5,853,555
State of Maryland appropriations					1,891,285
Donations					39,886
Unrestricted investment earnings					67,139
Miscellaneous					9,578
Total General Revenues					<u>7,861,443</u>
Change in Net Position					<u>53,873</u>
Net position, beginning of year					<u>(1,169,732)</u>
Net position, End of Year					<u>\$ (1,115,859)</u>

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

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Balance Sheet Governmental Fund As of June 30, 2023

	<u>General Fund</u>
ASSETS	
Cash and investments	\$ 1,760,915
Accounts receivable	11,252
Prepaid expenses	60,827
TOTAL ASSETS	<u>\$ 1,832,994</u>
LIABILITIES	
Liabilities:	
Accounts payable and accrued salaries and fringe benefits	\$ 81,370
TOTAL LIABILITIES	<u>81,370</u>
FUND BALANCES	
Nonspendable	60,827
Assigned	708,006
Unassigned	982,791
TOTAL FUND BALANCES	<u>1,751,624</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,832,994</u>

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

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Reconciliation of Governmental Funds Balance Sheet With the Statement of Net Position As of June 30, 2023

Total Governmental Fund Balance	\$ 1,751,624
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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.	649,574
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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.

Accrued compensated absences	(223,672)
Net OPEB liability	(1,152,337)
Deferred outflows and inflows related to OPEB	<u>(2,141,048)</u>

Net Position of Governmental Activities	<u><u>\$ (1,115,859)</u></u>
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The accompanying notes are an integral part of this financial statement.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Statement of Revenues, Expenses and Changes in Fund Balance Governmental Fund For the Year Ended June 30, 2023

	<u>General Fund</u>
REVENUE	
County appropriations	\$ 5,853,555
State of Maryland appropriations	1,891,285
Operating grants and contributions	36,003
Donations	39,886
Charges for services	263,380
Investment earnings	67,139
Miscellaneous	9,578
Total Revenues	<u>8,160,826</u>
EXPENDITURES	
Current:	
Library services	6,851,968
Grants projects	115,791
Operation and maintenance	1,062,896
Total Expenditures	<u>8,030,655</u>
Change in fund balance	130,171
Fund balance, beginning of year	<u>1,621,453</u>
Fund balance, End of Year	<u>\$ 1,751,624</u>

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

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 For the Year Ended June 30, 2023

Net Change in Fund Balances - Total Governmental Fund	\$ 130,171
Governmental fund 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 of \$447,253 exceeded capital outlays of \$310,669 in the current period.	(136,584)
Change in accrued compensated absences (vacations) not reflected in governmental funds.	(15,673)
Change in net OPEB liability and related inflows and outflows not reflected in governmental funds.	<u>75,959</u>
Change in net position of governmental activities	<u><u>\$ 53,873</u></u>

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

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Notes to the Financial Statements

June 30, 2023

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 Library is a component unit of the County Commissioners of Charles County, Maryland (the County). The Library's financial statements are an integral part of the financial statements of the County. 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; and (4) The County Commissioners are obligated to provide financial support to the Library. The accounting policies of the Library conform to 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 Library 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

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

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Notes to the Financial Statements

June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 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.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Notes to the Financial Statements

June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting, and Financial Statement Presentation (continued)

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. 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 as of June 30, 2023: 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.

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, 2023: 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).

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Notes to the Financial Statements

June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Deposits and Investments (continued)

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.

Assets	Years
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 liabilities include vacation payable and net other postemployment 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. 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.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Notes to the Financial Statements

June 30, 2023

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 as of 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.

Recent Accounting Pronouncements

The GASB has also issued Statement No. 101, *Compensated Absences*, which will require adoption in the future. The Library will be analyzing the effects of this pronouncement and plans to adopt it by its effective date.

2. CASH AND INVESTMENTS

The investment policy of the Library is required to comply with the investment policy of the County Government. This policy authorizes the Library 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 FY 2023, the carrying amount of the Library's deposits was \$332,875 and the bank balance was \$448,570. 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 \$1,712.

Investments

The Library's investments are pooled in the 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 MLGIP. Current participants include cities and towns, counties, Boards of Education, community colleges, libraries, Registers of Wills, and volunteer fire companies. As of June 30, 2023, 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 the Financial Statements

June 30, 2023

2. CASH AND INVESTMENTS (continued)

Investments (continued)

Below reconciles the cash and investments from the statement of net position to the footnotes.

Governmental Funds	Carrying Amount	Bank Balance
Cash on hand	\$ 1,712	\$ -
Deposits:		
Insured - Federal Deposit Insurance Corporation	332,875	448,570
Investments:		
Local government investment pool	1,426,328	1,426,328
Total cash and investments	<u>\$ 1,760,915</u>	<u>\$ 1,874,898</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, 2023 is as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Government Activities				
Capital assets being depreciated:				
Furniture and equipment	\$ 2,742,805	\$ 72,037	\$ -	\$ 2,814,842
Library books and AV material	2,010,533	238,632	-	2,249,165
Total capital assets	4,753,338	310,669	-	5,064,007
Less: Accumulated depreciation	3,967,180	447,253	-	4,414,433
Total Capital Assets, Net	<u>\$ 786,158</u>	<u>\$ (136,584)</u>	<u>\$ -</u>	<u>\$ 649,574</u>

Depreciation expense for the year ended June 30, 2023 of \$447,253 was charged to the Library Service function.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Notes to the Financial Statements

June 30, 2023

4. FUND BALANCE

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.

5. COMPENSATED ABSENCES

Accumulated unpaid annual leave of Library employees is recorded as a liability and amounted to \$233,672 as of June 30, 2023.

The following is an analysis of the change in annual leave payable as of June 30, 2023:

	Beginning Balance	Increase	Decrease	Ending Balance	Due within One Year
Accrued leave payable	\$207,999	\$ 15,673	\$ -	\$ 223,672	\$223,672

6. 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). 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.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Notes to the Financial Statements

June 30, 2023

6. RETIREMENT AND PENSION PLAN (continued)

Maryland State Pension System

The Maryland State Pension System (the 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 Pension 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 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 established the pension benefit multiplier at 1.5% rather than 1.8%, calculated average final compensation based on the five highest consecutive years of service rather than the three highest, and allowed vesting after ten years of eligible service rather than five years.

The Maryland State Retirement System (the 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 the Financial Statements

June 30, 2023

6. 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) is 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, will be 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 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, 2023 was \$563,233. The State's contribution amount has been included as both a revenue and expenditure in the general fund.

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.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Notes to the Financial Statements

June 30, 2023

6. RETIREMENT AND PENSION PLAN (continued)

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 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.

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB)

Plan Description

In addition to providing the pension benefits described in Note 6, 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.

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 Annual Comprehensive Financial Report (ACFR) of the County.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Notes to the Financial Statements

June 30, 2023

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Plan Description (continued)

Membership of the OPEB Plan enrolled in coverage as of June 30, 2023 consisted of:

Retirees and beneficiaries currently receiving benefits	22
Active employees	45
Total	67

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 \$10,757,970 to the OPEB Trust in FY 2023.

Net OPEB Liability

As of June 30, 2023, the Library reported a liability of \$1,152,337 of the total County liability of \$108,012,371. As of June 30, 2023, the Library's proportionate share of the net OPEB liability was 1.07%, compared to 1.46% in the previous year.

The total OPEB liability was determined by an actuarial valuation as of July 1, 2021 with data rolled forward to June 30, 2023. In the actuarial valuation dated August 30, 2022, the liabilities were computed using the Projected Unit Credit method, with linear pro-rata to assumed benefit commencement.

The discount rate used to measure the total OPEB liability was 7.25%.

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 2.94%	Current Trend Rate 3.94%	1% Increase 4.94%
Library's proportionate share of the net OPEB liability	\$ 931,765	\$ 1,152,337	\$ 1,432,028

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Notes to the Financial Statements

June 30, 2023

7. OTHER POSTEMPLOYMENT BENEFITS (OPEB) (continued)

Net OPEB Liability (continued)

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 7.4% discount rate.

	1% Decrease 6.25%	Discount Rate 7.25%	1% Increase 8.25%
Library's proportionate share of the net OPEB liability	\$ 1,398,455	\$ 1,152,337	\$ 955,250

As of June 30, 2023, the Library's share of deferred outflows of resources and deferred inflows of resources related to OPEB are from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in assumptions	\$ 24,129	\$ 1,222,216
Net difference between projected and actual investment earnings	42,657	-
Difference between actual and expected experience	98,525	570,525
Change in proportionate share	-	513,618
Total	\$ 165,311	\$ 2,306,359

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

Years ending June 30,	Amortized Amount
2024	\$ (772,420)
2025	(774,601)
2026	(230,908)
2027	(237,477)
2028	(125,642)
Total	\$ (2,141,048)

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Notes to the Financial Statements

June 30, 2023

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 Federal agencies and 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.

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. 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, 2023 is \$408,800 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, 2023 is \$174,500.

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Notes to the Financial Statements June 30, 2023

10. APPROPRIATIONS (continued)

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	\$ 4,417,700
Health care benefits	408,800
Utilities	<u>174,500</u>
	5,001,000
Contributed facilities	<u>852,555</u>
County appropriation	<u><u>\$ 5,853,555</u></u>

REQUIRED SUPPLEMENTARY INFORMATION

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual General Fund For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Budgetary Basis	
REVENUES:				
State of Maryland	\$ 1,328,052	\$ 1,328,052	\$ 1,328,052	\$ -
County appropriations	5,001,000	5,001,000	5,001,000	-
Operating grants and contributions	24,600	24,600	36,003	(11,403)
Donations	50,000	50,000	39,886	10,114
Charges for services	416,000	416,000	263,380	152,620
Investment earnings	5,000	5,000	67,139	(62,139)
Miscellaneous	-	-	9,578	(9,578)
Transfer from prior years' reserves	708,006	708,006	-	708,006
Total revenues	7,532,658	7,532,658	6,745,038	787,620
EXPENDITURES:				
Salaries and wages	4,612,963	4,612,963	4,281,362	331,601
Employee health insurance benefits	462,700	462,700	462,300	400
Payroll taxes	352,845	352,845	308,137	44,708
Audiovisual	80,000	80,000	51,422	28,578
Books	250,000	250,000	188,050	61,950
Books - continuation	12,000	12,000	5,736	6,264
Continuing education	15,000	15,000	5,000	10,000
Contracted services	120,000	120,000	168,414	(48,414)
Computer automation	50,000	50,000	71,021	(21,021)
Development department	30,000	30,000	5,868	24,132
Digital collections	130,000	130,000	46,178	83,822
Supplies	35,000	35,000	18,310	16,690
Dues and membership	50,000	50,000	42,431	7,569
Capital outlay	456,000	456,000	72,037	383,963
Repairs and maintenance	5,500	5,500	-	5,500
Leasing	25,000	25,000	23,512	1,488
Periodicals	17,500	17,500	1,103	16,397
Promotion and advertising	100,000	100,000	48,615	51,385

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual General Fund (continued) For the Year Ended June 30, 2023

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final	Budgetary Basis	
Insurance	\$ 65,000	\$ 65,000	\$ 58,861	\$ 6,139
Employee benefits	11,300	11,300	7,402	3,898
Bank charges	5,000	5,000	6,921	(1,921)
Telephone	55,000	55,000	61,514	(6,514)
Postage	4,000	4,000	2,080	1,920
Miscellaneous	750	750	4,956	(4,206)
Staff development and training	43,000	43,000	30,778	12,222
Travel	15,000	15,000	14,152	848
Trash	4,500	4,500	-	4,500
Programs	100,000	100,000	63,251	36,749
Processing materials	12,000	12,000	2,078	9,922
Nanjemoy Library Kiosk Expense	-	-	207,663	(207,663)
Grant - Arts Alliance	-	-	1,195	(1,195)
Grant - Staff Development	15,100	15,100	16,715	(1,615)
Grant - SMRLA Continuing Ed. Grant	10,000	10,000	10,000	-
Grant - Dolly Parton Imagination Library	70,000	70,000	47,891	22,109
Grant - Bookmobile Grant	-	-	1,969	(1,969)
Grant - Leadership Grant for Libraries	-	-	43	(43)
Grant - Others	-	-	37,978	(37,978)
Innovation fund	10,000	10,000	3,220	6,780
Hotspot Purchases and Replacement	50,000	50,000	8,338	41,662
Human resources	33,000	33,000	18,025	14,975
Heat/light/power	174,500	174,500	174,400	100
Maintenance agreements	50,000	50,000	35,941	14,059
Total expenditures	7,532,658	7,532,658	6,614,867	917,791
Deficiency of revenues over expenditures	\$ -	\$ -	\$ 130,171	\$ (130,171)

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Statement of Revenues, Expenditures and Changes in Fund Balance Budget and Actual General Fund (continued) For the Year Ended June 30, 2023

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)	\$ 6,745,038
Pension contribution by the State on behalf of the Library	563,233
Contributed facilities	<u>852,555</u>
Total revenue as reported on the Statement of Revenues, Expenditures, and Changes in Fund Balance	<u>\$ 8,160,826</u>
Actual expenditures (non-GAAP budgetary basis)	\$ 6,614,867
Pension contribution by the State on behalf of the Library	563,233
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>\$ 8,030,655</u>

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Schedule of Proportionate Share of Net Pension Liability For the Year Ended June 30, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>
Library's Proportion of the MSRPS Net Pension Liability	0%	0%	0%	0%	0%	0%	0%	0%
Library's proportionate share of the MSRPS Net Pension Liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State's Proportionate Share of the MSRPS Net Pension Liability Associated with the Library	<u>\$ 4,937,760</u>	<u>\$ 3,515,635</u>	<u>\$ 5,547,490</u>	<u>\$ 5,571,720</u>	<u>\$ 5,683,619</u>	<u>\$ 5,623,568</u>	<u>\$ 6,168,861</u>	<u>\$ 4,035,777</u>
Library's covered-employee payroll	\$ 3,519,386	\$ 3,519,386	\$ 2,744,887	\$ 3,448,638	\$ 3,485,677	\$ 3,238,549	\$ 3,229,661	\$ 2,596,468
Fund's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	0%	0%	0%	0%	0%	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	81.84%	81.84%	70.72%	72.34%	71.18%	69.38%	65.79%	68.78%

OTHER SUPPLEMENTARY INFORMATION

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Statement of Revenues and Expenditures

General Fund

For the Year Ended June 30, 2023

REVENUES:

State of Maryland:

Appropriations	\$ 1,328,052
Pension contribution	563,233
	<hr/> 1,891,285

Charles County:

Appropriations	5,001,000
Contributed facilities	852,555
	<hr/> 5,853,555

Charges for services:

Fines, damages, and lost books	6,580
Photocopy and fax income	33,570
Passport processing fees	16,975
Nanjemoy Library Kiosk Reimbursement	193,465
Book sales	3,131
Sales - other	9,659
	<hr/> 263,380

Investment earnings	67,139
Donations	39,886
Operating grants and contributions	36,003
Miscellaneous	9,578

Total revenues	<hr/> 8,160,826
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BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Statement of Revenues and Expenditures

General Fund (continued)

For the Year Ended June 30, 2023

EXPENDITURES:

Current

Library services:

Salaries	\$ 4,281,362
Employee Unemployment Expense	6,012
Employee health insurance benefits	462,300
Payroll taxes	308,137
Pension	563,233
Audiovisual	51,422
Books	188,050
Books - continuation	5,736
Development Department Expense	5,868
Continuing education	5,000
Contracted services	168,414
Computer automation	71,021
Digital collections	46,178
Supplies	18,310
Dues and memberships	42,431
Capital outlay	72,037
Leasing	23,512
Periodicals	1,103
Promotion and advertising	48,615
Insurance	58,861
Employee benefits	1,390
Bank charges	6,921
Telephone	61,514
Postage	2,080
Miscellaneous	4,956
Staff development and training	30,778
Travel	14,152
Innovation fund	3,220
Hotspot Purchases and Replacement	8,338
Nanjemoy Library Kiosk Expense	207,663
Human resources	18,025
Programs	63,251
Processing materials	2,078
	<hr/>
	6,851,968

BOARD OF LIBRARY TRUSTEES FOR CHARLES COUNTY

Statement of Revenues and Expenditures

General Fund (continued)

For the Year Ended June 30, 2023

Grants projects:

Bookmobile Grant	\$ 1,969
Charles County Arts Alliance	1,195
Leadership Grant for Libraries	43
Continuing education	10,000
Staff development	16,715
Dolly Parton Imagination Library	47,891
Other grants / donations	37,978
	<hr/> 115,791

Operation and maintenance:

Heat/light/power	174,400
Maintenance agreements	35,941
Contributed facilities	852,555
	<hr/> 1,062,896

Total expenditures

8,030,655

Excess of revenues over expenditures

\$ 130,171



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**REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS ON INTERNAL CONTROLS
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, 2023, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated October 24, 2023.

Internal Controls Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal controls over financial reporting (internal controls) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Library's internal controls.

A deficiency in internal controls 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 controls, 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 controls that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal controls was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.



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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. 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 controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal controls 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 controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland
October 24, 2023

SB & Company, LLC