

Harford County Public Library
Component Basic Financial Statements
(With Supplementary Information)
and Independent Auditor's Report
June 30, 2022

Harford County Public Library

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Independent Auditor's Report

Board of Trustees
Harford County Public Library

Report on the Audit of the Financial Statements

Opinions

We have audited the financial statements of the governmental activities, the discretely presented component unit, the general fund, and the aggregate remaining fund information of Harford County Public Library, a component unit of Harford County, Maryland as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise Harford County Public Library's basic financial statements as listed in the table of contents.

In our opinion, based on our audit and the report of the other auditors, the accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, the discretely presented component unit, the general fund, and the aggregate remaining fund information of Harford County Public Library, as of June 30, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

We did not audit the financial statements of Harford County Public Library Foundation, Inc., which represent 100 percent of the assets, net position and revenues of the Harford County Public Library Foundation, Inc. Those financial statements were audited by other auditors whose report thereon has been furnished to us, and our opinion, insofar as it relates to the amounts included for the Foundation, is based solely on the report of the other auditors.

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 audit contained in *Government Auditing Standards*, issued by the Comptroller general of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of Harford County Public 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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of Harford County Public 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 Harford County Public Library's ability to continue as a going concern for a reasonable period of time.

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

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on page 5 to 10, the schedule of required OPEB-related supplementary information on pages 49 to 51, the schedule of required pension-related supplementary information on pages 52 and 53, and the notes to the required pension-related supplementary information on page 54 be presented to supplement the basic financial statements. Such information is the responsibility of management and, 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 Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated September 30, 2022 on our consideration of Harford County Public Library'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 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 Harford County Public Library's internal control over financial reporting and compliance.



Baltimore, Maryland
September 30, 2022

Harford County Public Library
Management's Discussion and Analysis
June 30, 2022

Harford County Public Library's (the "Library") Management's Discussion and Analysis provides an overview of the Library's financial activities for the year ended June 30, 2021. Please read this Management's Discussion and Analysis in conjunction with the Independent Auditor's Report on pages 2 to 4 and the Library's financial statements, beginning on page 12.

Financial Highlights

- Total Assets and Deferred Outflows decreased by \$863,514 (3%).
- Total Liabilities and Deferred Inflows decreased by \$4,289,659 (12%).
- The Library's Net Position increased by \$3,426,145 (43%).
- General Fund Balance increased by \$534,063 (5%).

Using this Annual Report

This annual report consists of two primary financial statements: The Statement of Net Assets, simultaneously presented with the Governmental Funds Balance Sheet, and the Statement of Activities, concurrently presented with the Governmental Funds Revenues, Expenditures/Expenses, and Changes in Fund Balance. The Statement of Net Assets discloses the Library's net assets. Over time, increases and decreases in net assets are one indicator of the Library's financial health. The Statement of Activities discloses the Library's revenues and expenses. These statements contain adjustments made to the fund statements to convert to the accrual basis of accounting - similar to the accounting used by most public-sector companies. Under the accrual basis of accounting, all of the current year's revenues and expenses are considered, regardless of when the cash is received or paid. The governmental funds statements provide a detailed view of the Library's basic services. The Library has the following funds: General, Restricted Grant, and Restricted Memorial and Endowment. The latter two funds are combined as Non-Major Other Funds. These funds are reported on a modified accrual basis of accounting, which measures cash and all other financial assets that can easily be converted to cash.

The relationship between governmental *activities* (reported in the Statement of Net Assets and the Statement of Activities) and governmental *funds* is addressed in the reconciliations included within the financial statements.

The Library as Trustee

The Library is the trustee for its employees' 457(b) deferred compensation plan and excludes these activities from its financial statements because the assets cannot be used to finance Library operations. The Library's deferred compensation plan coincides with Harford County Government's plan. As such, Harford County Government is the primary administrator of the Library's plan and oversees the related investment functions.

Harford County Public Library

Management's Discussion and Analysis June 30, 2022

Net Position of the Library

	Year Ended June 30		Variance	
	2022	2021	Inc (Dec)	%
Current and Other Assets	\$ 12,856,072	\$ 12,144,483	\$ 711,589	6%
Capital Assets and Circulating Materials	4,492,667	4,643,501	(150,834)	-3%
Total Assets	\$ 17,348,739	\$ 16,787,984	\$ 560,755	3%
Deferred Outflows	\$ 8,276,722	\$ 9,700,991	\$ (1,424,269)	-15%
Payables and Accruals	\$ 750,545	\$ 573,192	\$ 177,353	31%
Other Liabilities	3,159,136	5,424,513	(2,265,377)	-42%
Total Liabilities	\$ 3,909,681	\$ 5,997,705	\$ (2,088,024)	-35%
Deferred Inflows	\$ 26,285,840	\$ 28,487,475	\$ (2,201,635)	-8%
Net Position				
Net Investment in Capital Assets	\$ 4,462,373	\$ 4,612,594	\$ (150,221)	-3%
Restricted	91,537	91,364	173	0%
Unrestricted	(9,123,970)	(12,700,163)	3,576,193	-28%
Total Net Position	\$ (4,570,060)	\$ (7,996,205)	\$ 3,426,145	-43%

The Library's total assets and deferred outflows decreased by \$863,514 (3%). Deferred Outflows relating to Other Post-Employment Benefits decreased by \$1,692,000 as a result of benefit eligible staff moving out of the OPEB Library. This large decrease was offset by an increase in the Investments balance of \$806,619. The Library participates in a healthcare consortium with Harford County Government and other Harford County Government component agencies to minimize the cost of healthcare for its employees. As a result of this agreement, for fiscal year 2022, the Library dispersed less in healthcare claims than was paid to cover healthcare premiums. The net increase in premium paid increased the healthcare consortium funds balance by \$55,910 as of June 30, 2022. Capital Assets decreased by \$150,834 as depreciation expense charged outpaced new acquisitions.

Total liabilities and deferred inflows decreased by \$4,289,659 (12%) as of the end of the fiscal year. The decrease is mostly the result of the decrease in the Library's other post-employment benefits ("OPEB") liability of \$1,858,000 and a decrease in net pension liability of \$403,938. The Library offered benefit eligible employees an incentive of \$1,000 for each service year up to a maximum of \$10,000 to leave the OPEB plan to participate in the defined contribution PEHP plan. 64 employees took the option to move. Current benefit costs for PEHP increased by \$666,839 including the Library's monthly contribution for employees that made the transition.

Harford County Public Library

Management's Discussion and Analysis June 30, 2022

	Year Ended June 30		Variance	
	2022	2021	Inc (Dec)	%
Program Revenues				
Charges for Services	\$ 249,672	\$ 83,619	\$ 166,053	199%
County Appropriations	18,890,693	18,339,690	551,003	3%
State Appropriations	1,883,657	1,820,139	63,518	3%
Federal and Local Grants	370,256	345,362	24,894	7%
Pension Contribution from the State on behalf of Harford County Public Library	1,066,734	1,122,616	(55,882)	-5%
Contributions	50,392	19,635	30,757	157%
Interest	18,886	6,542	12,344	189%
Total Revenues	22,530,290	21,737,603	792,687	4%
Program Expenses				
Salaries, Wages, and Temporary Employees	10,645,230	9,515,110	1,130,120	12%
Employee Benefits	3,616,628	2,332,322	1,284,306	55%
Payroll Taxes	786,496	701,303	85,193	12%
Other Post-Employment Benefits, Net	(2,940,000)	(1,247,680)	(1,692,320)	136%
Pension Contribution from the State on behalf of Harford County Public Library	1,066,734	1,122,616	(55,882)	-5%
Books	83,163	84,879	(1,716)	-2%
Non-books	982,573	1,009,567	(26,994)	-3%
Supplies	673,583	557,478	116,105	21%
Capital Outlay	-	-	-	0%
Automated Services	410,850	395,859	14,991	4%
Technical Services	298,549	287,894	10,655	4%
Contract Services	319,614	254,188	65,426	26%
Continuing Education	99,786	41,195	58,591	142%
Equipment Maintenance	11,711	15,821	(4,110)	-26%
Motor Vehicles Maintenance	52,775	57,999	(5,224)	-9%
Utilities	585,207	586,858	(1,651)	0%
Interest	1,743	2,355	(612)	-26%
Depreciation	1,996,883	2,088,565	(91,682)	-4%
Loss on Disposal of Assets	-	20,592	(20,592)	-100%
Other	132,286	67,448	64,838	96%
Total Expenses	18,823,811	17,894,369	929,442	5%
Other Financing Use - Transfer to OPEB Trust Fund	280,334	280,334	-	0%
Increase (Decrease) in Net Position	\$ 3,426,145	\$ 3,562,900	\$ (136,755)	4%

The Library's fiscal year 2022 revenue increased by \$792,687 (4%) from the prior year to \$22,530,290. The expenses for fiscal year 2022 increased by \$929,442 (5%) from the prior year to \$18,823,811.

The Library receives revenue from five main sources. The largest portion, \$18,890,693 (84%) is received from Harford County Government, with the State of Maryland providing the second largest portion of \$2,950,391 (13%), comprised of \$1,883,657 of per capita funding and \$1,066,734 of pension contributions on behalf of the Library. The various revenue collected by the Library for fees was \$249,672 (1%). Interest from invested funds and direct contributions to the Library provided \$69,278 (<1%) of total revenues, and federal and local grants, which vary from year-to-year, provided \$370,256 (>1%) of the total funding.

Harford County Public Library

Management's Discussion and Analysis June 30, 2022

As a service organization, the Library's most significant operating expenses are related to staffing. Salaries, benefits, and taxes comprise \$13,175,088 (73%) of total expenses. In fiscal year 2022, the Library experienced an overall increase of these expenses totaling \$751,417 (6%) over last fiscal year. The Library provided raises for eligible staff of a 3% increase, a \$1.54 per hour merit increase and a \$1,000 bonus. Employee Benefits increased by \$1,284,306 (10%) due to several benefit eligible positions being filled and OPEB expense decreased by \$1,692,320 (14%) based on the previously discussed incentive.

As we return from the COVID-19 pandemic, the Library is experiencing the same supply chain cost increases. Funding spent on Supplies has increased by \$116,105 (21%) over last year. The cost to purchase all types of supplies, especially those needed to prepare the circulating items for the public have increased. The Library has expanded the types of programming offered to the public and the costs associated with this programming have also added to the overall increase in Supplies.

Contracted Services encompasses a variety of expenses. These costs increased by \$65,426 (26%). Allowing customers to come back into the buildings lead to reinstating security coverage at an additional cost of \$29,400 - a cost that was not incurred when the buildings themselves were closed to the public in the prior year. The Library is required to have a consultant prepare a full analysis of the OPEB every other year. In FY2022, the cost for this service increased by \$12,100.

The Library applied for and was awarded several grants from the Maryland State Library Agency. The Library used this grant to provide professional development opportunities for staff. The Library also offers a tuition reimbursement plan to assist staff who which to return to college for a degree. Spending increased in FY2022 by \$6,000 for staff who are working on degrees. These events lead to the increased spending of \$58,591, (142%) for overall staff development.

In FY2021, the Library expanded the Wi-Fi network beyond the walls of the library providing access to the internet for our surrounding communities. In order to do this, we incurred additional cost for the required cabling and hardware in Equipment Maintenance. The FY2022 cost is lower as the expansion occurred in FY2021.

With life returning to a new normal, the Library activities returned as well. Summer Reading Adventure - the Library's Summer Reading Program that encourages kids of all ages to read over the summer - was back in full swing. The Library continues to be engaged in the community. As local organizations began to hold events, the Library provided sponsorships to support the community. Bank fees increased as customer activity increased. The Library's Other Expenses increased by \$64,718 (96%) as a result of returning to the "new" normal.

The Harford County Public Library Foundation (the "Foundation") was created in 1999. Since then, most private contributions to the Library come through the Foundation.

Financial Analysis of the Library's Governmental Funds

Fund Balance for the general fund increased \$534,063 (5%) from \$11,479,927 in FY2021 to \$12,013,990 in FY2022. The increase was due primarily to continued cost-saving measures related to COVID throughout fiscal year 2022.

Non-Major Other Funds balance increased \$173 from \$91,364 in fiscal year FY2021 to \$91,537 in FY2022.

Circulating Materials

The library collection includes physical materials such as: books, audio books, musical instruments, Wi-Fi Hotspots, educational regalia, games and more. It also includes products such as eBooks, eMusic,

Harford County Public Library

Management's Discussion and Analysis June 30, 2022

databases and a variety of downloadable content. The decrease from the previous year of \$33,378 (-2%) may be attributed to the supply chain issues with publishing. Physical materials are capitalized whereas the eContent is expensed. The following table illustrates circulating materials and related accumulated depreciation:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Circulating Materials	\$ 4,494,295	\$ 1,427,750	\$ 1,649,726	\$ 4,272,319
Accumulated Depreciation	2,317,048	1,461,128	1,649,726	2,128,450
Total assets	<u>\$ 2,177,247</u>	<u>\$ (33,378)</u>	<u>\$ -</u>	<u>\$ 2,143,869</u>

Capital Assets

As of June 30, 2022, the Library had \$2,348,798 invested in capital assets. This amount represents a net decrease of \$117,456 (-5%). The following table illustrates the major categories of capital assets, net of depreciation:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Capital Assets, Being Depreciated				
Improvements to Buildings	\$ 3,412,192	\$ 1,789	\$ -	\$ 3,413,981
Furniture and Equipment	3,282,646	125,936	7,886	3,400,696
Computer Equipment	2,358,221	112,053	53,767	2,416,507
Vehicles	414,105	168,742	-	582,847
Copier Equipment	162,737	9,802	-	172,539
	<u>9,629,901</u>	<u>418,322</u>	<u>61,653</u>	<u>9,986,570</u>
Accumulated Depreciation				
Improvements to Buildings	1,756,405	261,654	-	2,018,059
Furniture and Equipment	2,707,067	156,960	7,886	2,856,141
Computer Equipment	2,266,309	60,702	53,767	2,273,244
Vehicles	302,397	44,005	-	346,402
Copier Equipment	131,469	12,457	-	143,926
	<u>7,163,647</u>	<u>535,778</u>	<u>61,653</u>	<u>7,637,772</u>
Total	<u>\$ 2,466,254</u>	<u>\$ (117,456)</u>	<u>\$ -</u>	<u>\$ 2,348,798</u>

Depreciation expense for the Library decreased \$91,682 (-4%) to \$1,996,883. Of this amount, \$1,461,128 is related to the Library's collection of circulating materials and \$535,755 is related to capital assets.

Harford County Public Library

Management's Discussion and Analysis June 30, 2022

Healthcare Consortium

The Library has been part of a healthcare consortium with Harford County Government and other Harford County Government component agencies to minimize the cost of healthcare for its employees. The contract requires the component units to reimburse the insurer for amounts that exceed the contract's cap. The cap is limited to an additional 8.50% of the monthly premiums paid to the insurer for the year. The Library has \$3,019,481 (the excess of accumulated premiums, net of claims paid) on deposit with Harford County Government to fund future liabilities.

Buildings

The Library is a component unit of Harford County Government. In fiscal year 2022, the Library received 84% of its total funding from Harford County Government. As a part of this relationship, Harford County Government owns all of the buildings the Library uses for its activities. There are no infrastructure assets held by the Library.

Budgetary Analysis

The Library's budget is not legally adopted by category of expenditure and, therefore, is not presented herein.

Financial Contact

The Library's financial statements are designed to present users with a general overview of the Library's finances and to demonstrate management's accountability. If you have any questions about the report or need additional financial information, contact the Chief Financial Officer for Harford County Public Library at 1221-A Brass Mill Road, Belcamp, Maryland 21017.

Basic Financial Statements

Harford County Public Library

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

	General	Non-Major Other Funds	Total Governmental Funds	Adjustments	Statement of Net Position - Primary Government	Component Unit - Harford County Public Library Foundation, Inc.
Assets						
Cash and Cash Equivalents	\$ 354,602	\$ -	\$ 354,602	\$ -	\$ 354,602	\$ 419,829
Investments	8,990,504	90,362	9,080,866	-	9,080,866	-
Contributions Receivable	-	-	-	-	-	8,000
Accounts Receivable - County	35,531	-	35,531	-	35,531	-
Miscellaneous Receivables	154,460	-	154,460	-	154,460	-
Internal Receivables	-	1,175	1,175	(1,175)	-	-
Prepaid Expenses	211,132	-	211,132	-	211,132	100
Consortium Funds	3,019,481	-	3,019,481	-	3,019,481	-
Circulating Materials, Net	-	-	-	2,143,869	2,143,869	-
Capital Assets, Net	-	-	-	2,348,798	2,348,798	-
Total Assets	12,765,710	91,537	12,857,247	4,491,492	17,348,739	\$ 427,929
Deferred Outflow - State Pension Plan	-	-	-	792,722	792,722	-
Deferred Outflow - Other Post-Employment Benefits	-	-	-	7,484,000	7,484,000	-
Total Assets and Deferred Outflows	\$ 12,765,710	\$ 91,537	\$ 12,857,247	\$ 12,768,214	\$ 25,625,461	
Liabilities						
Accounts Payable and Accrued Expenses	\$ 39,656	\$ -	\$ 39,656	\$ -	\$ 39,656	\$ 143,329
Other Accrued Liabilities	81,209	-	81,209	-	81,209	-
Accrued Wages	629,680	-	629,680	-	629,680	-
Unearned Revenue	-	-	-	-	-	12,500
Internal Payables	1,175	-	1,175	(1,175)	-	-
Long-term Liabilities						
Due Within One Year	-	-	-	13,186	13,186	-
Due in More Than One Year	-	-	-	3,145,950	3,145,950	-
Total Liabilities	751,720	-	751,720	3,157,961	3,909,681	155,829
Deferred Inflow - State Pension Plan	-	-	-	798,840	798,840	-
Deferred Inflow - Other Post-Employment Benefits	-	-	-	25,487,000	25,487,000	-
Fund Balances/Net Assets						
Non-Spendable - Prepaids	211,132	-	211,132	(211,132)	-	-
Non-Spendable - Permanent	-	51,360	51,360	(51,360)	-	-
Restricted	-	1,082	1,082	(1,082)	-	-
Assigned	11,482,328	37,920	11,520,248	(11,520,248)	-	-
Unassigned	320,530	1,175	321,705	(321,705)	-	-
Total Fund Balances	12,013,990	91,537	12,105,527	(12,105,527)	-	
Total Liabilities and Fund Balances	\$ 12,765,710	\$ 91,537	\$ 12,857,247			
Net Position						
Net Investment in Capital Assets				4,462,373	4,462,373	-
Restricted for Non-Expendable Endowments				91,537	91,537	-
With Donor Restrictions				-	-	346,713
Unrestricted				(9,123,970)	(9,123,970)	(74,613)
Total Net Position				(4,570,060)	(4,570,060)	272,100
Total Liabilities, Deferred Inflows and Net Position				\$ 12,768,214	\$ 25,625,461	\$ 427,929

See Notes to Basic Financial Statements.

Harford County Public Library

Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position June 30, 2022

Total fund balances - governmental funds	\$ 12,105,527
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Amounts reported for governmental activities in the Statement of Net Position are different because:

Circulating materials and capital assets used in governmental activities are not financial resources and, therefore, are not reported as assets in governmental funds. The cost of the assets is \$14,258,889, and the accumulated depreciation is \$9,766,222.

4,492,667

Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds.

(479,638)

Capital lease liabilities are not due and payable in the current period and, therefore, are not reported in the funds.

(30,294)

Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds.

(6,118)

Deferred outflows and inflows of resources related to other post-employment benefits are applicable to future periods and, therefore, are not reported in the funds.

(18,003,000)

Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds.

(1,299,252)

Other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds.

(1,349,952)

Total Net Position - Governmental Activities

\$ (4,570,060)

See Notes to Basic Financial Statements.

Harford County Public Library

Statement of Activities and Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances Year Ended June 30, 2022

	General	Non-Major Other Funds	Total Government Funds	Adjustments	Statement of Activities
Revenues					
Charges for Services					
Fines	\$ 7,611	\$ -	\$ 7,611	\$ -	\$ 7,611
Copying	30,589	-	30,589	-	30,589
Circulating Materials Sold	2,404	-	2,404	-	2,404
Reimbursements from Harford					
Community College	31,795	-	31,795	-	31,795
Other	177,273	-	177,273	-	177,273
Total Charges for Services	249,672	-	249,672	-	249,672
Operating Grants and Contributions					
County Appropriations	18,890,693	-	18,890,693	-	18,890,693
State Appropriations	1,883,657	-	1,883,657	-	1,883,657
Federal and Local Grants	-	370,256	370,256	-	370,256
Pension Contributions from the State on behalf of Harford County Public Library	1,066,734	-	1,066,734	-	1,066,734
Contributions	50,392	-	50,392	-	50,392
Interest	18,706	180	18,886	-	18,886
Total Revenues	22,159,854	370,436	22,530,290	-	22,530,290
Expenditures/Expenses					
Salaries, Wages, and Temporary Employees	10,648,056	-	10,648,056	(2,826)	10,645,230
Employee Benefits	3,715,932	-	3,715,932	(99,304)	3,616,628
Payroll Taxes	786,496	-	786,496	-	786,496
Other Post-Employment Benefits, Net	-	-	-	(2,940,000)	(2,940,000)
Pension Contributions from the State on behalf of Harford County Public Library	1,066,734	-	1,066,734	-	1,066,734
Books	1,214,907	7	1,214,914	(1,131,751)	83,163
Non-Books	1,267,327	16,073	1,283,400	(300,827)	982,573
Supplies	496,024	177,559	673,583	-	673,583
Capital Outlay	294,764	104,994	399,758	(399,758)	-
Automated Services	401,539	9,311	410,850	-	410,850
Technical Services	298,549	-	298,549	-	298,549
Contract Services	313,916	5,698	319,614	-	319,614
Continuing Education	44,119	55,667	99,786	-	99,786
Equipment Maintenance	11,711	-	11,711	-	11,711
Motor Vehicles Maintenance	52,759	16	52,775	-	52,775
Utilities	585,207	-	585,207	-	585,207
Principal Payments on Capital Lease	14,326	-	14,326	(14,326)	-
Interest	1,743	-	1,743	-	1,743
Depreciation and Amortization	-	-	-	1,996,883	1,996,883
Other	131,348	938	132,286	-	132,286
Total Expenditures/Expenses	21,345,457	370,263	21,715,720	(2,891,909)	18,823,811
Other Financing Use - Transfer to OPEB Trust Fund	280,334	-	280,334	-	280,334
Net Change in Fund Balances/Net Position	534,063	173	534,236	2,891,909	3,426,145
Fund Balance/Net Position, Beginning of Year	11,479,927	91,364	11,571,291	(18,328,598)	(7,996,205)
Fund Balance/Net Position, End of Year	<u>\$ 12,013,990</u>	<u>\$ 91,537</u>	<u>\$ 12,105,527</u>	<u>\$ (15,436,689)</u>	<u>\$ (4,570,060)</u>

See Notes to Basic Financial Statements.

Harford County Public Library

Reconciliation of the Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities Year Ended June 30, 2022

Total net change in fund balances - governmental funds	\$	534,236
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays for capital assets and circulating materials are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlays of \$1,832,336 is less than depreciation expense of \$1,996,748 in the period.	(164,547)
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Governmental funds report the additions and payments of long-term liabilities in the period that current resources are provided or used. However, in the Statement of Activities, new debt is recorded as a liability and payments of principal are charged against that liability. In addition, interest payable must be accrued from the date of the last interest payment to the end of the fiscal year. Debt related differences are as follows:

Principal payments on equipment issued under capital lease	14,326
Change in accrual for long-term compensated absences	2,826

Governmental funds report Board pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense.	99,304
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Governmental funds do not recognize other post-employment benefits. However, in the Statement of Activities, the net change in the liability is recorded as an additional current period expense.	<u>2,940,000</u>
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Change in Net Position of Governmental Activities	<u><u>\$ 3,426,145</u></u>
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See Notes to Basic Financial Statements.

Harford County Public Library

Component Unit - Harford County Public Library Foundation, Inc. Statement of Activities Year Ended June 30, 2022

	Net Assets Without Donor Restrictions	Net Assets With Donor Restrictions	Total
Revenues, Gains, and Other Support			
Contributions	\$ 28,209	\$ 43,691	\$ 71,900
Gala Event Loss, Net of Expenditures of \$162,369	(35,132)	-	(35,132)
Other Event Revenue, Net of Expenditures of \$19,163	(10,468)	-	(10,468)
Interest Income	58	-	58
Net Assets Released from Restrictions	41,961	(41,961)	-
Total Revenues, Gains, and Other Support	24,628	1,730	26,358
Expenses			
Program Expenses			
Donations to the Harford County Public Library	43,143	-	43,143
Supporting Services			
Fundraising Expenses	2,190	-	2,190
Other	54,895	-	54,895
Total Expenses	100,228	-	100,228
Change in Net Assets	(75,600)	1,730	(73,870)
Net Assets, Beginning of Year	987	344,983	345,970
Net Assets, End of Year	\$ (74,613)	\$ 346,713	\$ 272,100

See Notes to Basic Financial Statements.

Fiduciary Fund Financial Statements

Harford County Public Library
Statement of Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2022

	Other Post-Employment Benefits Trust Fund
Assets	
Cash and Cash Equivalents	\$ 280,334
Investments	<u>4,372,445</u>
Total Assets	<u><u>\$ 4,652,779</u></u>
Net Position	
Held in Trust for Other Post-Employment Benefits	<u><u>\$ 4,652,779</u></u>

See Notes to Basic Financial Statements.

Harford County Public Library

Statement of Changes in Fiduciary Net Position
Fiduciary Fund
Year Ended June 30, 2022

	Other Post-Employment Benefits Trust Fund
Additions	
Contributions	<u>\$ 484,357</u>
Investment Income	
Interest	209,388
Net Depreciation in Fair Value of Investments	<u>(921,433)</u>
Net Investment Loss	<u>(712,045)</u>
Net Reduction	<u>(227,688)</u>
Deductions	
Benefits	(204,023)
Administrative expenses	<u>(24,230)</u>
Total Deductions	<u>(228,253)</u>
Change in Net Position	(455,941)
Net Position Held in Trust for Other Post-Employment Benefits, Beginning of Year	<u>5,108,720</u>
Net Position Held in Trust for Other Post-Employment Benefits, End of Year	<u><u>\$ 4,652,779</u></u>

See Notes to Basic Financial Statements.

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

Note 1 - Summary of Significant Accounting Policies

Reporting Entity

The Harford County Public Library (the "Library") is a component unit of the Harford County Government (the "County") by virtue of the Library's fiscal dependency on the County. The Library was established in June 1945. The Library is governed by a nine-member Board of Trustees (the "Library Board") appointed by the County Executive and confirmed by the County Council from nominees submitted by the Library's Board. The Library operates 11 Library branches and one administrative headquarters in Harford County, Maryland.

Harford County Public Library Foundation, Inc. (the "Foundation") has a separate Board of Directors (the "Foundation Board") that works closely with the Library. The Foundation Board does not report to the Library's Board.

Although the Library does not control the timing or amount of receipts from the Foundation, all of the resources or income thereon that the Foundation holds and invests is restricted to the activities of the Library by the donors. Because these restricted resources held by the Foundation can only be used by or for the benefit of the Library, the Foundation is considered a component unit of the Library and is discretely presented in the Library's financial statements.

The Foundation is a private, non-profit organization that reports under Financial Accounting Standards Board ("FASB") standards, including *FASB Accounting Standards Codification ("ASC") 958-205, Financial Reporting for Not-for-Profit Organizations*. As such, certain revenue recognition criteria and presentation features are different from Governmental Accounting Standards Board ("GASB") revenue recognition criteria and presentation features. No modifications have been made to the Foundation's financial information in the Library's financial reporting entity for these differences.

Complete financial statements for the Foundation can be obtained by contacting the Chief Financial Officer for the Library at 1221-A Brass Mill Road, Belcamp, Maryland 21017. During the year ended June 30, 2022, the Foundation distributed \$43,143 to the Library for both restricted and unrestricted purposes.

Use of Estimates in Preparing Financial Statements

The preparation of basic financial statements in conformity 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 basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

Basis of Presentation, Measurement Focus, and Basis of Accounting

The basic financial statements of the Library are prepared in conformity with accounting principles generally accepted in the United States of America as applied to local governmental units. The GASB is the accepted standard-setting body for establishing governmental accounting and financial reporting. The following is a summary of such significant policies.

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

Basis of Presentation

The Library's basic financial statements consist of government-wide statements, including a statement of net position and a statement of activities, and fund basic financial statements, which provide a more detailed level of financial information.

Government-Wide Financial Statements

The statement of net position and the statement of activities display information about the Library as a whole. These statements include the financial activities of the Library, all of which are classified as governmental.

The statement of net position presents the financial condition of the Library as of year-end. All expenses relate to the operations of the Library. Fines and other revenues include charges paid by the recipient of the goods or services offered by the program, and grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. All other revenues relate to appropriations received from the County and the State of Maryland.

Fund Financial Statements - Governmental Funds

The governmental accounts of the Library are organized on the basis of funds and consist of the general and other funds. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations. Resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

The Library provides a section 457(b) deferred compensation plan for its employees. The deferred compensation plan is not included as a fiduciary fund following the guidance provided by GASB Statement No. 32, *Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans*. The Library's deferred compensation plan coincides with the County's plan. As such, the County is the primary administrator of the Library's plan and oversees the related investment functions.

Fund Financial Statements - Fiduciary Funds

Fiduciary funds account for assets held by the Library in a trustee capacity for others and, therefore, are not available to support Library programs.

The Library has one fiduciary fund, the Other Post-Employment Benefit ("OPEB") Trust Fund, which is used to account for other post-employment liability assets held by the Library in a trustee capacity.

Measurement Focus

Government-Wide Financial Statements

The government-wide basic financial statements are prepared using the "economic resources" measurement focus. With this measurement focus, all assets, deferred inflows/outflows, and liabilities associated with the operation of the Library are included on the government-wide statement of net position. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

Fund Financial Statements - Governmental Funds

All governmental funds are accounted for using a "flow of current financial resources" measurement focus. With this measurement focus, only current assets and current liabilities, generally, are included on the balance sheet. The statement of revenues, expenditures and changes in fund balances reports on the sources (e.g., revenues) and uses (e.g., expenditures) of current financial resources. This approach differs from the manner in which the governmental activities of the government-wide statements are prepared. Therefore, governmental fund basic financial statements include reconciliations with brief explanations to better identify the relationship between the government-wide statements and the statements for the governmental funds.

Basis of Accounting

Government-wide basic financial statements are prepared using the accrual basis of accounting.

General Fund

The General Fund is the general operating fund of the Library. It is used to account for all financial resources except those required to be accounted for in the other funds.

The Library reports the following non-major special revenue funds:

Restricted Grant Fund - The Restricted Grant Fund accounts for grant monies whose use is restricted by the grantor agency.

Restricted Memorial and Endowment Fund - The Restricted Memorial and Endowment Fund accounts for restricted memorial and endowment funds given to the Library by members of the community or established by the Library in honor of outstanding citizens in the community.

The governmental funds are accounted for using the modified accrual basis of accounting. Its revenues are recognized when they become measurable and available as net current assets. Available is defined as resources that will be collected within the current fiscal year or are expected to be collected soon enough thereafter to pay liabilities of the current fiscal year. For the Library, available means expected to be received within 60 days of year-end. Intergovernmental revenues are susceptible to accrual. Revenue resulting from exchange transactions, in which each party gives and receives essentially equal value, is recorded on the accrual basis when the exchange takes place. Expenditures are generally recognized under the modified accrual basis of accounting when the related liability is incurred. The exception to this general rule is that principal and interest on general obligation and capital lease long-term debt, if any, is recognized when due.

Budgets and Budgetary Accounting

The Library's budget is not legally adopted by line item; therefore, a budgetary comparison statement is not presented.

Cash, Cash Equivalents and Investments

The Library participates in the Maryland Local Government Investment Pool (the "MLGIP"). The Library's portion of the investment pool is included on the statement of net position and governmental funds balance sheet as part of "Investments." In addition, the Library maintains non-pooled cash.

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

Investments are reported at fair value, which is determined using selected bases. Short-term investments are reported at cost, which approximates fair value. Cash deposits are reported at fair value.

The OPEB Trust Fund investments are invested in the Maryland Association of Counties Pooled OPEB Trust ("MACO Trust"). The MACO Trust is administered by Davenport & Company LLC, and is a wholly-owned instrumentality of its members.

The Library considers cash equivalents to be short-term investments maturing within three months of the statement of net position.

Circulating Materials

The Library's collection of circulating materials is recorded as an expenditure in the governmental funds. In the government-wide statements, these items are capitalized at cost or estimated historical cost annually as a group, without regard to individual cost.

Depreciation of circulating materials is computed and recorded by the group method using the straight-line method over the estimated useful life of three years.

Capital Assets

The Library's capital assets are recorded as expenditures in the governmental funds. These items are capitalized at historical cost in the government-wide statements.

Depreciation of capital assets is computed and recorded using the straight-line method over their estimated lives. Assets with initial individual costs that equal or exceed \$300 and useful lives over one year are recorded as capital assets. Estimated useful lives of the various classes of depreciable capital assets are as follows:

Assets	Years
Improvements to Buildings	10 - 20
Furniture and Equipment	5 - 7
Computer Equipment	3
Vehicles	3 - 10
Copier Equipment	3 - 5

Deferred Outflows/Inflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources ("expenditure") until the future period. A deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources ("revenue") until the future period. The Library recognizes deferred outflows and inflows related to pensions and other post-employment benefits for changes in actuarial assumptions, differences in actual and expected experience, the net difference in the projected and actual investment earnings, changes in proportion, and contributions subsequent to the measurement date.

Compensated Absences

The Library has an accrued liability for vacation pay, which has been earned but not taken by Library employees. The amount of the liability is accrued when incurred in the government-wide financial statements. Employees are not reimbursed for accumulated sick leave. A liability for

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

vacation pay is reported in governmental funds only as a result of employee resignations and retirements.

Fund Balance

The Library follows the requirements of GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*. This statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds.

This statement requires that fund balance be reported within one of the fund balance categories listed below.

Non-Spendable - Includes fund balance amounts that cannot be spent because they are either (1) not in spendable form or (2) legally or contractually required to be maintained intact, such as a permanent fund. Not in spendable form includes items that are not expected to be converted to cash, such as inventories and prepaid expenses.

Restricted - Includes amounts that are restricted to specific purposes when constraints are placed on the use of resources by constitution, external resource providers, or through enabling legislation.

Committed - Includes fund balance amounts that can be used only for the specific purposes determined by formal action (Board resolution) of the Board of Library Trustees (the Library's highest level of decision-making authority). Similar action of the Board is required to modify or rescind such commitments.

Assigned - Includes fund balance amounts that are intended to be used by the Library for specific purposes as determined by the Library Chief Executive Officer ("CEO"). The authority to assign funds has been granted to the Library CEO by the Board of Trustees. Constraints imposed on the use of assigned amounts do not rise to the level required to be classified as either restricted or committed.

Unassigned - Represents the residual classification for the Library's General Fund and includes all spendable amounts not contained in the four classifications described above.

Order of Fund Balance Spending Policy

The Library has established a fund balance spending policy for those instances where an expenditure is incurred for a purpose for which amounts in any of the restricted or unrestricted fund balance classifications (committed, assigned, or unassigned) could be used. The Library's policy is to apply expenditures against committed amounts first, followed by assigned amounts, and then unassigned amounts.

Pensions

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the pension plans and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the pension plans. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

Other Post-Employment Benefits

For purposes of measuring the other post-employment benefits ("OPEB") liability, deferred outflows of resources and deferred inflows of resources related the OPEB, and OPEB expense, information about the fiduciary net position of the OPEB plan and additions to/deductions from the fiduciary net position have been determined on the same basis as they are reported by the OPEB plan. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Change in Accounting Principle

During the year ended June 30, 2022 the Library implemented Governmental Accounting Standards Board (GASB) Statement No. 87 - Leases. GASB Statement No. 87 enhances the relevance and consistency of information for the Library's leasing activities. It established requirements for lease accounting based on the principle that leases are financings of the right to use an underlying asset. A lessee is required to recognize a lease liability and an intangible right to use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources. The adoption of GASB Statement No. 87 had no significant impact on the Library's financial statements.

Note 2 - Deposits

The combined carrying amount of the Library's net deposits with financial institutions as of June 30, 2022 was \$353,462 and the combined bank balance was \$552,363. Custodial credit risk is the risk that, in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2022, the Library's bank balance was not exposed to any custodial credit risk since all deposits were either covered by the Federal Deposit Insurance Corporation ("FDIC") or fully collateralized with the collateral held by a third party in the Library's name in the amount of \$843,869.

Note 3 - Investments

The Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles, as follows:

- Level 1 - Valuations based on unadjusted quoted prices for identical assets or liabilities in active markets;
- Level 2 - Valuations based on quoted prices for similar assets or liabilities in active markets or identical assets or liabilities in less active markets, such as dealer or broker markets; and
- Level 3 - Valuations derived from valuation techniques in which one or more significant inputs or significant value drivers are unobservable, such as pricing models, discounted cash flow models, and similar techniques not based on market, exchange, dealer, or broker-traded transactions.

The Library's investments consist of the following:

The MLGIP in the amount of \$9,080,866. The MLGIP provides all local government units of the state a safe investment vehicle for the short-term investment of funds. The MLGIP was established under the Annotated Code of Maryland and is rated "AAAm" by Standard and Poor's, its highest rating for money market funds. Unit value is computed using the amortized cost method. In addition, the net asset value of the pool, marked-to-market, is calculated and maintained on a weekly basis to ensure a \$1.00 per unit constant value. The fund's investments have a weighted average maturity of no more than 60 days.

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

The MACO Trust, which is managed by a Board of Trustees, consists of U.S. Treasury obligations, U.S. government agencies, corporate and foreign bonds, municipal obligations, taxable fixed income securities, mutual funds, global funds, and international equity securities.

Transactions are recorded on the trade date. Realized gains and losses are determined using the identified cost method. Any change in net unrealized gain or loss from the preceding period is reported in the statement of changes in fiduciary net position of the MACO trust. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis.

Interest rate risk is the risk that changes in market interest rates that will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Trust's investment policy states that the duration of the portfolio should be within six months of the Barclays Capital Aggregate Bond Index.

Credit risk is the exposure to both market risk, the risk arising from changes in fair value, and credit risk, the risk of failure by another party to perform according to the terms of a contract. The Trust bears the risk of loss only to the extent of the fair value of the respective investments.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, the Trust will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The Trust's investment policy does not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments.

The Trust has all of its assets on deposit with Wilmington Trust Company in connection with its investing and cash management activities. In the event of a financial institution's insolvency, recovery of Trust assets on deposit may be limited to account insurance or other protection afforded such deposits.

Equity securities and money market funds classified in Level 1 are valued using prices quoted in active markets for those securities. Debt securities classified in Level 2 of the fair value hierarchy are valued using a matrix pricing technique. Matrix pricing is used to value securities based on the securities' relationship to benchmark quoted prices.

	Level 1	Level 2	Level 3	Balance
MACO OPEB Trust Holdings				
Investments by Fair Value Level				
MD Assoc Counties Master Trust	\$ -	\$ 4,372,445	\$ -	\$ 4,372,445
Investments Carried at Fair Value				
Money Market Funds	280,334	-	-	280,334
	<u>\$ 280,334</u>	<u>\$ 4,372,445</u>	<u>\$ -</u>	<u>\$ 4,652,779</u>

Note 4 - Healthcare Consortium

The Library entered into a healthcare consortium with the County and other County component agencies to minimize the cost of healthcare for its employees. The contract requires the component units to reimburse the insurer for amounts that exceed the contract's cap. The cap is limited to an additional 8.50% of the monthly premiums paid to the insurer for the year. The Library has \$3,019,481 (the excess of accumulated premiums net of claims paid) on deposit with the County to fund future liabilities as of June 30, 2022.

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

Note 5 - Circulating Materials

Circulating materials activity for the year ended June 30, 2022 is as follows:

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Circulating Materials	\$ 4,494,295	\$ 1,427,750	\$ 1,649,726	\$ 4,272,319
Accumulated Depreciation	2,317,048	1,461,128	1,649,726	2,128,450
Total Assets	<u>\$ 2,177,247</u>	<u>\$ (33,378)</u>	<u>\$ -</u>	<u>\$ 2,143,869</u>

Note 6 - Capital Assets

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

	Balance July 1, 2021	Additions	Retirements	Balance June 30, 2022
Capital Assets				
Improvements to Buildings	\$ 3,412,192	\$ 1,789	\$ -	\$ 3,413,981
Furniture and Equipment	3,282,646	125,936	7,886	3,400,696
Computer Equipment	2,358,221	112,053	53,767	2,416,507
Vehicles	414,105	168,742	-	582,847
Leased Assets - Equipment	162,737	9,802	-	172,539
	<u>9,629,901</u>	<u>418,322</u>	<u>61,653</u>	<u>9,986,570</u>
Accumulated Depreciation				
Improvements to Buildings	1,756,405	261,654	-	2,018,059
Furniture and Equipment	2,707,067	156,960	7,886	2,856,141
Computer Equipment	2,266,309	60,702	53,767	2,273,244
Vehicles	302,397	44,005	-	346,402
Accumulated Amortization				
Leased Assets - Equipment	131,469	12,457	-	143,926
	<u>7,163,647</u>	<u>535,778</u>	<u>61,653</u>	<u>7,637,772</u>
Total	<u>\$ 2,466,254</u>	<u>\$ (117,456)</u>	<u>\$ -</u>	<u>\$ 2,348,798</u>

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

Note 7 - Long-Term Obligations

The following is an analysis of the changes in the long-term obligations of the Library:

	Balance July 1, 2021	Additions	Reductions	Balance June 30, 2022	Due within one year
Financing Leases	\$ 30,907	\$ 9,462	\$ 10,075	\$ 30,294	\$ 13,186
Net Pension Liability	1,703,190	-	403,938	1,299,252	-
Other Post-Employment Benefits ("OPEB")	3,207,952	-	1,858,000	1,349,952	-
Compensated Absences	482,464	-	2,826	479,638	-
Total	<u>\$ 5,424,513</u>	<u>\$ 9,462</u>	<u>\$ 2,274,839</u>	<u>\$ 3,159,136</u>	<u>\$ 13,186</u>

Lease Obligations

The Library is the lessee of equipment under lease agreements expiring through 2027. The assets and liabilities under these leases are recorded at the lower of the minimum lease payments or the fair value of the assets and amortized over the life of the lease term. Included in capital assets are assets under these leases with a cost of \$172,539 as of June 30, 2022. Amortization expense relating to the leases was \$12,457 for the year ended June 30, 2022. Accumulated amortization relating to the leases was \$143,926 at June 30, 2022.

Future minimum lease payments under the leases are as follows:

Fiscal Year Ending June 30,	
2023	\$ 14,326
2024	12,578
2025	2,508
2026	2,068
2027	496
	<hr/>
Total Minimum Lease Payments	31,976
Less: Amount Representing Interest	<u>(1,682)</u>
	<hr/>
	<u>\$ 30,294</u>

Compensated Absences

All eligible employees are granted vacation benefits in varying amounts to specified maximums depending on years of service with the Library. The Library's policy requires time earned to be used within the next fiscal period. Sick leave accrues to benefit eligible employees to termination or retirement. Generally, employees are entitled to accrued vacation leave upon termination.

Note 8 - Fund Balances

Amounts reported as encumbrances may be classified as restricted, committed, or assigned depending on the constraints and approval in place at year-end. Encumbrances outstanding at year-end are reported as assignments of fund balance in the General Fund and do not constitute expenditures or liabilities because the obligation will be honored during the subsequent year.

Harford County Public Library

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

Significant encumbrances as of June 30, 2022 consist of the following:

Encumbrances	
Books, Contractual Services, Maintenance and	
Miscellaneous	<u>\$ 1,206,948</u>
Other Assigned Amounts	
Books and Audio Visual Materials	484,271
Improvements to Buildings	5,440,000
Consortium Funding	3,019,481
Other	<u>1,331,628</u>
	<u>10,275,380</u>
Total Assigned Balance	<u><u>\$ 11,482,328</u></u>

Note 9 - Memorial and Endowment Funds

Generally, the restricted memorial and endowment funds were established with the intention that approximately 50% of the interest earned is to be spent on categories of books specified by the originator of the fund, and the other 50% is to be reinvested. The Havre de Grace Friends Endowment also allows the first \$300 of contributions to be used for the purchase of materials on water-related subjects.

The activity in each fund since inception is summarized below:

	Receipts	Interest Income	Disbursements	Balance June 30, 2022
Nevin Memorial	\$ 4,838	\$ 19,997	\$ 9,946	\$ 14,889
Laird Memorial	2,015	3,630	1,809	3,836
HCPL Memorial Endowment	2,503	2,769	1,643	3,629
Hutchins - Hatem Memorial	2,685	3,331	1,657	4,359
Drumm Memorial	400	555	281	674
Havre de Grace Friends Endowment	3,300	4,428	2,497	5,231
40th Anniversary Commemorative	2,365	2,958	1,443	3,880
Staff Welfare Fund	10,000	7,844	3,018	14,826
Barnhart Fund	750	701	334	1,117
Keithley Memorial	<u>37,463</u>	<u>458</u>	<u>-</u>	<u>37,921</u>
Total	<u><u>\$ 66,319</u></u>	<u><u>\$ 46,671</u></u>	<u><u>\$ 22,628</u></u>	<u><u>\$ 90,362</u></u>

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

The activity in each fund for the year ended June 30, 2022 is summarized below:

	Balance July 1, 2021	Receipts	Interest Income	Disbursements	Balance June 30, 2022
Nevin Memorial	\$ 14,866	\$ -	\$ 30	\$ 7	\$ 14,889
Laird Memorial	3,828	-	8	-	3,836
HCPL Memorial Endowment	3,622	-	7	-	3,629
Hutchins - Hatem Memorial	4,350	-	9	-	4,359
Drumm Memorial	674	-	1	-	675
Havre de Grace Friends Endowment	5,221	-	10	-	5,231
40th Anniversary Commemorative	3,872	-	8	-	3,880
Staff Welfare Fund	14,796	-	30	-	14,826
Barnhart Fund	1,115	-	2	-	1,117
Keithley Memorial	37,845	-	75	-	37,920
	<u>\$ 90,189</u>	<u>\$ -</u>	<u>\$ 180</u>	<u>\$ 7</u>	<u>\$ 90,362</u>
Total	\$ 90,189	\$ -	\$ 180	\$ 7	\$ 90,362

For fund balance classification purposes, \$51,360 of the Memorial and Endowment Funds have been reported in non-spendable as the amounts are permanently restricted by the donor. Memorial and Endowment Funds in the amount of \$39,002 have been reported as restricted and assigned and can be utilized for the specific purpose defined by the donors.

Note 10 - Pension Plans

Summary

The Library has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* ("GASB 68"). The Library participates in the Maryland State Retirement and Pension System ("State Retirement and Pension System") and qualifies as a Participating Governmental Unit ("PGU"). The State Retirement Agency is the plan administrator and fiduciary. GASB 68 requires that a PGU recognize its proportionate share of the State Retirement and Pension System's net pension liability (i.e., unfunded pension liability) and pension expense. The Library's proportionate share is based on total State Retirement and Pension System contributions and was 0.0086604% as of the measurement date of June 30, 2021.

The Library has adopted GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date* ("GASB 71"). GASB 71, which is only applicable during the year GASB 68 was adopted, requires that contributions to the pension plan subsequent to the beginning measurement date be recognized as the beginning deferred outflow of resources.

The Library's employees contributed 7% of their compensation during fiscal year 2021 as stipulated by the State Retirement and Pension System. The Library contributed \$212,221 to the State Retirement and Pension System for fiscal year 2022, which was actuarially determined based on statutory provisions. The Library has also recognized in pension expense its proportionate share of the State Retirement and Pension System's deferred inflows of resources (an increase in pension expense) attributable to changes in assumptions, the difference between actual and expected experience, and change in proportion, and its proportionate share of the State Retirement and Pension System's deferred outflows of resources (a decrease in pension expense) attributable to changes in assumptions, the net difference between projected and actual earnings on pension plan investments, change in proportion and contributions subsequent to the measurement date.

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

Basis of Presentation and Basis of Accounting

1. Employers participating in the State Retirement and Pension System's cost-sharing multiple-employer defined benefit plans are required to report pension information in their financial statements for fiscal periods beginning on or after June 15, 2014 in accordance with GASB 68. The Schedule of Employer Allocations and Schedule of Pension Amounts by Employer (pension allocation schedules) provide employers with the required information for financial reporting. The State Retirement and Pension System's financial statements are prepared on the accrual basis of accounting and are prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") that apply to governmental accounting for fiduciary funds.
2. Actual employer contributions billed to participating governmental units for the year ended June 30, 2021 are used as the basis for determining each employer's proportionate share of the collective pension amounts reported in the Schedule of Employer Allocations. Because the State of Maryland contributed 100% of the actuarial determined contributions, there were no adjustments for the year ended June 30, 2021.
3. The components of the calculation of the net pension liability for the State Retirement and Pension System as of the measurement date of June 30, 2021, calculated in accordance with GASB 67, are shown in the following table:

Total Pension Liability	\$ 82,606,805,000
Plan Fiduciary Net Position	<u>67,604,500,000</u>
Net Pension Liability	<u><u>\$ 15,002,305,000</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	<u><u>81.84%</u></u>

Actuarial Assumptions

Valuation Date	June 30, 2021
Contribution Fiscal Year Ended	June 30, 2022
Actuarial Cost Method	Entry Age Normal
Amortization Method for Unfunded Actuarial Accrued Liabilities	Level Percentage of Payroll, Closed
Amortization Period	25-year closed schedule ending June 30, 2039; 17 years remaining.
Asset Valuation Method	5-year smoothed market (max. 120% and min 80% of the market value)
Actuarial Assumptions	
Investment Rate of Return	6.80%
Inflation	2.25% general, 2.75% wage
Projected Salary Increases	2.75% to 9.25%, including inflation
Retirement age	Experience-based table of rates that are specific to the type of eligibility condition. Last updated for the 2019 valuation pursuant to the 2018 experience study for the period July 1, 2014 to June 30, 2018.
Mortality	Various versions of the Pub-2010 Mortality Tables for males and females with projected generational mortality improvements based on the MP-2018 fully generational mortality Improvements scale for males and females.

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

Investments

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of geometric real rates of return were adopted by the Library after considering input from the State Retirement and Pension System's investment consultant(s) and actuary(s). For each major asset class that is included in the State Retirement and Pension System's target asset allocation, these best estimates are summarized in the following table:

Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Public Equity	37%	4.7%
Private Equity	13%	6.5%
Rate Sensitive	19%	-0.4%
Credit Opportunity	9%	2.6%
Real Assets	14%	4.2%
Absolute Return	8%	2.0%
Total	100%	

The above was the asset allocation policy adopted by the State Retirement and Pension System's Board of Trustees and best estimate of geometric real rates of return for each major asset class as of the measurement date of June 30, 2021.

Discount Rate

A discount rate of 6.8% was used to measure the total pension liability as of June 30, 2021. The discount rate was based on the expected rate of return on pension plan investments of 6.8%. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

Sensitivity of the Net Pension Liability

The following presents the sensitivity of the State Retirement and Pension System's net pension liability to changes in the discount rates and the Library's proportionate share of the State Retirement and Pension System's net pension liability (expressed in thousands), calculated using a discount rate of 6.8%, a discount rate that is 1 percentage point lower (i.e., 5.8%), and a discount rate that is 1 percentage point higher (i.e., 7.80%).

	1% Decrease (5.80%)	Current Discount Rate (6.80%)	1% Increase (7.80%)
The System's Net Pension Liability	\$ 25,551,028,000	\$ 15,002,305,000	\$ 6,252,209,000
The Library's Proportionate Share of the Net Pension Liability for the Employers' Retirement and Pension System	\$ 2,212,821	\$ 1,299,252	\$ 541,466
The Library's Proportionate Share of the Net Pension Liability for the Teachers' Retirement and Pension System	\$ -	\$ -	\$ -

Pension Plan Description Organization

The State Retirement Agency is the administrator of the State Retirement and Pension System. The State Retirement and Pension System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland to provide retirement allowances and other benefits to State employees, teachers, police, judges, legislators, and employees of participating governmental units. Responsibility for the State Retirement and Pension System's administration and operation is vested in a 15-member Board of Trustees. The State Retirement and Pension System is made up of two cost-sharing employer pools: the "State Pool" and the "Municipal Pool." The State Pool consists of the state agencies, boards of education, community colleges, and libraries. The Municipal Pool consists of the participating governmental units that elected to join the State Retirement and Pension System. Neither pool shares in each other's actuarial liabilities, thus, participating governmental units that elect to join the State Retirement and Pension System (the "Municipal Pool") share in the liabilities of the Municipal Pool only. The State of Maryland is the statutory guarantor for the payment of all pensions, annuities, retirement allowances, refunds, reserves, and other benefits of the State Retirement and Pension System. The State Retirement Agency is legally authorized to use all assets accumulated for the payment of benefits to pay such obligations to any plan member or beneficiary as defined by the terms of the plan. Consequently, the State Retirement and Pension System is accounted for as a single plan as defined in GASB Statement No. 67, *Financial Reporting for Pension Plans - An Amendment of GASB Statement No. 25* ("GASB 67"). Additionally, the State Retirement and Pension System is fiscally dependent on the state by virtue of the legislative and executive controls exercised with respect to its operations, policies, and administrative budget. Accordingly, the State Retirement and Pension System is included in the state's reporting entity and disclosed in its financial statements as a pension trust fund. The State Retirement and Pension System is comprised of the Teachers' Retirement and Pension Systems, Employees' Retirement and Pension Systems, State Police Retirement System,

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Notes to Basic Financial Statements June 30, 2022

Judges' Retirement System, and the Law Enforcement Officers' Pension System. The Library's employees participate in either the Teachers' Retirement and Pension Systems or the Employees' Retirement and Pension Systems.

Covered Members

On August 1, 1927, the Teachers' Retirement System was established to provide retirement allowances and other benefits to teachers of the state. Effective January 1, 1980, the Teachers' Retirement System was closed to new members and the Teachers' Pension System was established. As a result, teachers hired after December 31, 1979 became members of the Teachers' Pension System as a condition of employment. On or after January 1, 2005, an individual who is a member of the Teachers' Retirement System may not transfer membership to the Teachers' Pension System.

On October 1, 1941, the Employees' Retirement System was established to provide retirement allowances and other benefits to state employees, elected and appointed officials, and the employees of participating governmental units. Effective January 1, 1980, the Employees' Retirement System was essentially closed to new members and the Employees' Pension System was established. As a result, state employees (other than correctional officers) and employees of participating governmental units hired after December 31, 1979 became members of the Employees' Pension System as a condition of employment, while all state correctional officers and members of the Maryland General Assembly continue to be enrolled as members of the Employees' Retirement System. On or after January 1, 2005, an individual who is a member of the Employees' Retirement System may not transfer membership to the Employees' Pension System. Currently, more than 150 governmental units participate in the Employees' Retirement System.

Summary of Significant Plan Provisions

All plan benefits are specified by the State Personnel and Pensions Article of the Annotated Code of Maryland. For all individuals who were members of the State Retirement and Pension System on or before June 30, 2011, pension allowances are computed using both the highest three consecutive years' Average Final Compensation ("AFC") and the actual number of years of accumulated creditable service. For any individual who becomes a member of one of the pension systems on or after July 1, 2011, pension allowances are computed using both the highest five consecutive years' AFC and the actual number of years of accumulated creditable service. Various retirement options are available under each system, which ultimately determines how a retiree's benefit allowance will be computed. Some of these options require actuarial reductions based on the retiree's and designated beneficiary's attained age and similar actuarial factors. On July 1, 2011, the member contribution rate was increased for members of the Teachers' Pension System and Employees' Pension System from 5% to 7%. In addition, the benefit attributable to service on or after July 1, 2011 in many of the pension systems now will be subject to different cost-of-living adjustments ("COLAs") that are based on the increase in the Consumer Price Index ("CPI") and capped at 2.5% or 1.0% based on whether the market value investment return for the preceding calendar year was higher or lower than the investment return assumption used in the valuation. A brief summary of the retirement eligibility requirements of and the benefits available under the various systems in effect during fiscal year 2021 is as follows:

Service Retirement Allowances

A member of either the Teachers' or Employees' Retirement System is generally eligible for full retirement benefits upon the earlier of attaining age 60 or accumulating 30 years of creditable service regardless of age. The annual retirement allowance equals $1/55$ (1.81%) of the member's AFC multiplied by the number of years of accumulated creditable service. An individual who was a member of either the Teachers' or Employees' Pension System on or

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Notes to Basic Financial Statements June 30, 2022

before June 30, 2011 is eligible for full retirement benefits upon the earlier of attaining age 62, with specified years of eligibility service, or accumulating 30 years of eligibility service regardless of age. An individual who became or becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011 is eligible for full retirement benefits if the member's combined age and eligibility service equals at least 90 years or if the member is at least age 65 and has accrued at least 10 years of eligibility service. For most individuals who retired from either the Teachers' or Employees' Pension System on or before June 30, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.4% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. With certain exceptions, for individuals who are members of either the Teachers' or Employees' Pension System on or after July 1, 2006, the annual pension allowance equals 1.2% of the member's AFC, multiplied by the number of years of creditable service accumulated prior to July 1, 1998, plus 1.8% of the member's AFC, multiplied by the number of years of creditable service accumulated subsequent to June 30, 1998. Beginning July 1, 2011, any new member of either the Teachers' or Employees' Pension System shall earn an annual pension allowance equal to 1.50% of the member's AFC multiplied by the number of years of creditable service accumulated as a member of either the Teachers' or Employees' Pension System. Exceptions to these benefit formulas apply to members of either the Teachers' or Employees' Pension System who are employed by a participating governmental unit that does not provide the 1998 or 2006 enhanced pension benefits or the 2011 reformed pension benefits. The pension allowance for these members equals 0.8% of the member's AFC up to the Social Security Integration Level ("SSIL"), plus 1.5% of the member's AFC in excess of the SSIL, multiplied by the number of years of accumulated creditable service. For the purpose of computing pension allowances, the SSIL is the average of the Social Security wage bases for the past 35 calendar years ending with the year the retiree separated from service.

Vested Allowances

Any individual who is a member of the State Retirement and Pension System on or before June 30, 2011 (other than a judge or legislator) and who terminates employment before attaining retirement age but after accumulating five years of eligibility service is eligible for a vested retirement allowance. Any individual who joins the State Retirement and Pension System on or after July 1, 2011 (other than a judge or legislator) and who terminates employment before attaining retirement age but after accumulating 10 years of eligibility service is eligible for a vested retirement allowance. A member who terminates employment prior to attaining retirement age and before vesting receives a refund of all member contributions and interest.

Early Service Retirement

A member of either the Teachers' or Employees' Retirement System may retire with reduced benefits after completing 25 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree either attains age 60 or would have accumulated 30 years of creditable service, whichever is less. The maximum reduction for a Teachers' or Employees' Retirement System member is 30%. An individual who was a member of either the Teachers' or Employees' Pension System on or before June 30, 2011 may retire with reduced benefits upon attaining age 55 with at least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 62. The maximum reduction for these members of either the Teachers' or Employees' Pension System is 42%. An individual who became or becomes a member of either the Teachers' or Employees' Pension System on or after July 1, 2011 may retire with reduced benefits upon attaining age 60 with at

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Notes to Basic Financial Statements June 30, 2022

least 15 years of eligibility service. Benefits are reduced by 0.5% per month for each month remaining until the retiree attains age 65. The maximum reduction for these members of the Teachers' or Employees' Pension System is 30%.

Disability and Death Benefits

Generally, a member covered under retirement plan provisions who is permanently disabled after five years of service receives a service allowance based on a minimum percentage (usually 25%) of the member's AFC. A member covered under pension plan provisions who is permanently disabled after accumulating five years of eligibility service receives a service allowance computed as if service had continued with no change in salary until the retiree attained age 62. A member (other than a member of the Maryland General Assembly or a judge, both of whom are ineligible for accidental disability benefits) who is permanently and totally disabled as the result of an accident occurring in the line of duty receives 2/3 (66.7%) of the member's AFC plus an annuity based on all member contributions and interest. Death benefits are equal to a member's annual salary as of the date of death plus all member contributions and interest.

Adjusted Retirement Allowances (as applicable)

The annual increases to pension allowances for Employees' Pension System retirees who were employed by a participating governmental unit that does not provide enhanced pension benefits are limited to 3% of the initial allowance. However, beginning July 1, 2011, for benefits attributable to service earned on or after July 1, 2011, in all of the systems except the judges' and legislators' systems, the adjustment is capped at the lesser of 2.5% or the increase in CPI if the most recent calendar year market value rate of return was greater than or equal to the assumed rate. The adjustment is capped at the lesser of 1% or the increase in CPI if the market value return was less than the assumed rate of return. In years in which COLAs would be less than zero due to a decline in the CPI, retirement allowances will not be adjusted. COLAs in succeeding years are adjusted until the difference between the negative COLA that would have applied and the zero COLA is fully recovered.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2022, the Library reported a liability of \$1,299,252 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date. The Library's proportion of the net pension liability was based on a projection of the Library's long-term share of contributions to the pension plan relative to the projected contributions of all participating governmental units, actuarially determined. At June 30, 2021, the Library's proportion was approximately 0.0086604%.

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

For the year ended June 30, 2022, the Library recognized net pension expense of (\$99,304). At the measurement date of June 30, 2021, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in Assumptions	\$ 250,546	\$ (25,719)
Difference between Actual and Expected Experience	-	(92,143)
Net Difference between Projected and Actual Earnings on Pension Plan Investments	-	(608,205)
Change in Proportion	329,955	(72,773)
Contributions Subsequent to the Measurement Date	212,221	-
Total	<u>\$ 792,722</u>	<u>\$ (798,840)</u>

The deferred outflow of resources of \$212,221 relating to contributions subsequent to the measurement date of June 30, 2021 will be recognized as a reduction of the Library's net pension liability during the year ending June 30, 2023. The deferred outflows and inflows of resources due to changes in assumptions, differences between actual and expected experience, differences between projected and actual investment earnings, and change in proportion represent the Library's proportionate share of the unamortized portions of the State Retirement and Pension System's original amounts.

The deferred outflows and inflows related to non-investment activity for 2021, 2020, 2019, 2018, 2017 and 2016 are being amortized over the remaining service lives ranging from 5.50 to 5.87 years. The deferred outflows and inflows related to net differences in investment earnings for 2021, 2020, 2019, 2018, 2017 and 2016 are being amortized over a closed five-year period. These unamortized amounts will be ratably recognized in pension expense over these service lives and closed five-year period.

The following table shows the aggregate amortization of these deferred outflow and inflow balances:

Fiscal Year Ending June 30,	Net
2022	\$ (46,626)
2023	(34,949)
2024	(78,056)
2025	(102,921)
2026	44,213
	<u>\$ (218,339)</u>

Harford County Public Library

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

Net Pension Liability

The components of the Library's proportionate share of the State Retirement and Pension System's net pension liability as of the measurement date of June 30, 2021 were as follows:

	<u>In Relation to Employees Participating in the Employees' Retirement and Pension System</u>
Total Pension Liability	\$ 7,154,072
Less: Plan Fiduciary Net Position	<u>5,854,820</u>
Net Pension Liability	<u><u>\$ 1,299,252</u></u>
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	<u><u>81.84%</u></u>

The Pension Plan Fiduciary

Plan information as well as the CAFR of the Maryland State Retirement and Pension System for the year ended June 30, 2021 is available from:

State Retirement and Pension System of Maryland
120 East Baltimore Street
Baltimore, MD 21202
<https://sra.maryland.gov/>

Note 11 - Other Post-Employment Benefits

Plan Description

The Library provides a portion of medical insurance benefits to eligible employees not participating in the PEHP that were hired prior to July 1, 2019 when they retire from employment with the Library.

The Library established the OPEB Trust Fund to act solely as a funding mechanism for the benefits provided by this OPEB plan. The OPEB Trust Fund is used to pay medical premiums.

Employees Covered by Benefit Terms

Eligible participants are employees, retirees and/or their spouses who had health coverage as an active employee and chose not to participate in the PEHP. Eligible employees must retire from employment with the Library to receive OPEB benefits. To be considered a retiree for healthcare benefits an employee must file the necessary paperwork at the state retirement agency.

At July 1, 2021, the following employees were covered by the benefit terms:

Retirees Currently Receiving Benefits	83
Active Employees Participating in the OPEB	<u>76</u>
Total Plan Members	<u><u>159</u></u>

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

Benefits Provided

Pre-Medicare retirees may choose between three medical plans, which include prescription coverage. Once a retiree is Medicare-eligible, there is only one plan available. Medicare eligible retirees must also be enrolled in both Part A and Part B of Medicare in order to enroll in this plan. Retirees only have one dental plan.

Retirees and their families pay 50% of the published rates. Surviving spouses receive the same subsidy percent as the participant. There is one retiree who is grandfathered at a subsidy rate of 80%. The Library offers the same subsidy schedule for dental as it does for healthcare.

Contributions

The contribution requirements of plan members and the Library are established by the Board of Trustees and may be periodically amended. The required contribution is based on projected pay-as-you-go financing requirements, with an additional amount to prefund benefits as determined annually during the budget process. Additional contributions may be identified during the year by the Board of Trustees. There are no contractual terms requiring a specific funding level.

For FY2022, the Library contributed \$280,334 to the OPEB plan. Active employees are not required to contribute to the OPEB plan. There are no statutory or other legally required contribution levels.

Net OPEB Liability

The Library's net OPEB liability was measured as of June 30, 2022 and the total OPEB liability used to calculate the net OPEB liability was measured by an actuarial valuation as of June 30, 2022.

Discount Rate

The discount rate used to measure the total OPEB liability is 6.86%. The projection of cash flows used to determine the discount rate assumed plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the actuarially determined contribution rates. For this purpose, only employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs of future plan members and their beneficiaries, as well as projected contributions from future plan members, are not included. Based on these assumptions, the OPEB Fund's fiduciary net position was projected to be available to make all projected future benefit payments for current plan members. Therefore, the long-term expected rate of return on the OPEB Plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

Actuarial Methods and Assumptions

The total OPEB liability on June 30, 2022 was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Discount Rate	5.90%, beginning of measurement period 6.86%, end of measurement period
20-Year Municipal Bond Rate	2.16, beginning of measurement period 3.54%, end of measurement period
Municipal Bond Rate Basis	Bond Buyer GO 20-Bond Municipal Bond Index
Expected Return on Assets	5.90%, beginning and end of measurement period 6.86% End of the measurement period
Salary Increases	2.75% to 6.50%
General inflation	2.40%
Retirement Age	
Active Participants	Age 45 and above
Mortality Rates	
Healthy and Disabled	Pub 2010, "General" Classification; projected using Scale MP-2018
Withdrawal Rates	2.5% to 19%
Disability Rates	0.01720% to 0.81230%
Decrement Timing	Middle of year decrements.
Health Care Participation Rate	
Future Retirees	The actuary assumed that 80% of all current actives will elect coverage.
Current Retirees	All current retirees are assumed to continue coverage.
Spouse Coverage Election Rate	Actuary assumed that 55% of all future retirees will cover a spouse in retirement.
Future Retirees	Male spouses are assumed to be 3 years older than females.
Current Retirees	For current retirees, actual family status was used. Male spouses are assumed to be 3 years older than females.
Projected Retiree Health Care Contributions	\$169 to \$13,027
Administrative expenses	Actual administrative expenses during the measurement period are recognized in expense
Asset Method	Fair market value
Actuarial Cost Method	Entry Age Normal cost method
Measurement Date	June 30, 2022
Measurement Period	June 30, 2021 to June 30, 2022
Valuation Date	July 1, 2021
Census Data	* As of July 1, 2021 for June 30, 2021 measurement date * As of July 1, 2021, adjusted for the removal of participants that transferred to the RHS plan, for the June 30, 2022 measurement date * June 30, 2022 results were rolled from the valuation date to the measurement date using standard methodology

There were no financial accounting method changes during FY 2022. The financial accounting valuation reflects the following assumption changes:

- Claims and trend assumptions were updated to reflect more recent plan experience.
- The discount rate was increased from 5.90% as of June 30, 2021 to 6.86% as of June 30, 2022.

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

Asset Allocation

Estimates of arithmetic real rates of return for each major asset class included in the OPEB Trust Fund's asset allocation as of June 30, 2022 are as follows:

Asset Class	Expected Real Rate of Return	Allocation
Domestic Equity (Large Cap)	4.79%	28.88%
Domestic Equity (Small Cap)	5.27%	6.51%
Global Equities - Developed & Emerging	5.27%	7.35%
International Equity	5.08%	7.43%
Emerging Markets Equity	5.66%	8.89%
U.S. Fixed Income	1.27%	18.96%
Long Duration Bonds	1.86%	12.56%
High-Yield Bonds	3.32%	5.03%
U.S. REITs	3.91%	4.94%

OPEB Plan's Fiduciary Net Position

The elements of the OPEB plan's basic financial statements are included within the Statement of Fiduciary Net Position - Fiduciary Fund and Statement of Changes in Fiduciary Net Position - Fiduciary Fund, in the accompanying financial statements.

	(\$'000s omitted)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Beginning Balance - July 1, 2021	\$ 8,317	\$ 5,109	\$ 3,208
Changes Recognized for the Fiscal Year			
Service Cost	222	N/A	222
Interest on the Total OPEB Liability	498	N/A	498
Changes in Benefit Terms	-	N/A	-
Differences Between Expected and Actual Experience	(2,084)	N/A	(2,084)
Changes of Assumptions	(746)	N/A	(746)
Benefit Payments	(204)	(204)	-
Contributions from the Employer	N/A	484	(484)
Contributions from the Employee	N/A	-	-
Net Investment Income	N/A	(717)	717
Administrative Expense	N/A	(19)	19
Net Changes	(2,314)	(456)	(1,858)
Ending Balance - June 30, 2022	\$ 6,003	\$ 4,653	\$ 1,350
Funded Status		77.51%	

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

Sensitivity of the Net OPEB Liability to Changes in the Discount Rate

The following presents the net OPEB liability of the Library, as well as what the Library's net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower (5.86%) or 1 percentage point higher (7.86%) than the current discount rate:

	(\$'000s omitted)		
	1% Decrease 5.86%	Discount Rate 6.86%	1% Increase 7.86%
Net OPEB Liability	\$ 2,166	\$ 1,350	\$ 676

Sensitivity of the Net OPEB Liability to Changes in the Healthcare Cost Trend Rate

The following represents the net OPEB liability of the Library, as well as what the Library's net OPEB liability would be if it were calculated using the healthcare cost trend rates that are 1 percentage point lower (3.50%) or 1 percentage point higher (5.50%) than the current healthcare cost trend rate:

	(\$'000s omitted)		
	1% Decrease 3.50%	Healthcare Cost Trend Rate 4.50%	1% Increase 5.50%
Net OPEB Liability	\$ 578	\$ 1,350	\$ 2,299

Deferred Outflows and Deferred Inflows of Resources Related to OPEB

At June 30, 2022, the Library reported deferred outflows and inflows of resources related to OPEB from the following sources:

	(\$'000s omitted)	
	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between Actual and Expected Experience	\$ 491	\$ (16,279)
Net Difference between Expected and Actual Earnings on OPEB Plan Investments	454	-
Assumption Changes	6,539	(9,208)
Total	<u>\$ 7,484</u>	<u>\$ (25,487)</u>

Harford County Public Library

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

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

Fiscal Year Ending June 30,	(\$'000s omitted)	
	Total	
2023	\$	(2,886)
2024		(2,895)
2025		(2,932)
2026		(4,310)
2027		(4,409)
Thereafter		(571)
Total	\$	<u>(18,003)</u>

Note 12 - Post Employment Health Plan

On July 1, 2019, the Library signed an Employer Participation Agreement for the Post Employment Health Plan for Non-Collectively Bargained Public Employees. This agreement states that any employee hired after July 1, 2019 will be placed in a Post Employment Health Plan ("PEHP") in lieu of the retiree health care subsidy offered by the Library. Benefit eligible employees hired prior to July 1, 2019 were offered a one-time election for the fiscal year 2022 to move from the retiree healthcare subsidy to the PEHP. The Library may contribute to the participant's account the amount that the Library appropriates based on the formula designated in the agreement. The formula to be utilized will be the average of all the benefit eligible employee's salaries as of June 30 calculated by 8% of those aggregate salaries which will constitute the funds to be contributed to the PEHP by the Library. This plan will be administered by a third party in individual accounts which will grow tax-free for health care expenses after an employee leaves the Library. There was a total of \$707,372 contributed to this plan and a total of 93 employees are currently enrolled as of June 30, 2022.

Note 13 - Commitments and Contingencies

The Library is closely related to the County and the State of Maryland and is dependent on these sources for the major portion of its operating revenues. The amounts received during the year are disclosed within the basic financial statements. A significant reduction in the level of support received by the County or the State of Maryland could have an adverse effect on the Library's programs and activities.

Federal, state, and local funding is subject to review and audit by the respective agencies. Such audits could result in a request for reimbursement by a respective agency for expenditures disallowed under the terms and conditions of the appropriate agency. In the opinion of the Library management, such disallowances, if any, would be immaterial.

The Library occupies, without charge, certain premises located in buildings owned by the County. The estimated fair rental value of the premises has not been determined and is not reflected in the basic financial statements.

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

In early 2020, an outbreak of a novel strain of coronavirus (COVID-19) emerged globally. As a result, events occurred including mandates from federal, state and local authorities leading to an overall decline in economic activity. This could have a negative impact on the Library's financial position, results of operations and cash flows. The Library is not able to reliably estimate the length or severity of this outbreak and the related financial impact.

Note 14 - Related Parties

The Library is closely related to the Foundation. The Foundation was created by the Library's Board of Trustees for the purpose of creating a conduit for charitable contributions and fundraising activities intended to finance various Library projects. The Foundation's Board of Directors is comprised of 19 members. All members were elected by the Foundation's Board. The Library's CEO serves as a member of the Foundation's Board.

The Library also has a staff member who serves as the Foundation Director. Three members of the Library's Board of Trustees are appointed annually to the Foundation Board. The Foundation is a 501(c)(3) organization and reports independently from the Library.

The Foundation is reported as a component unit of the Library as the amount of assets and contributions from the Foundation to the Library are material to the financial statements as a whole. For the year ended June 30, 2022, contributions to the Library from the Foundation totaled \$43,143 and there is also a \$136,861 receivable which is included in miscellaneous receivables on the statement of net position and governmental funds balance sheet.

Note 15 - Risk Management

The Library is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The County purchases commercial insurance to cover the Library's buildings. Other claims are covered by the County's Self Insurance Fund. As a condition to this participation, the Library must provide, at the County's request, a physical inventory of all building contents, which the risk management department of the County appraises for insurance purposes. In addition, the County performs an inspection of all Library buildings annually. There have been no significant reductions in insurance coverage from the prior year. In addition, the amount of settlements has not exceeded insurance coverage for each of the past three fiscal years.

Note 16 - Component Unit

Summary of Significant Accounting Policies

Nature of Operations

The Foundation was established on November 2, 1998 and began operations in 1999. The Foundation serves to augment the financial resources of the Library, promote awareness of its services, and facilitate its development as a creative environment within the County that encourages the acquisition of knowledge and the love of reading. The Foundation is a not-for-profit organization exempt from income taxes under Section 501(c)(3) of the Internal Revenue Code.

Accounting Standards Codification

All references in the financial statements to the Codification refer to the Accounting Standards Codification and the Hierarchy of GAAP issued by FASB. The Codification is the single source of authoritative GAAP in the United States.

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

Use of Estimates

The preparation of financial statements in conformity with GAAP 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 revenue and expenses during the reporting period. Actual results could differ from those estimates.

Cash and Cash Equivalents

At times, the Foundation may have bank deposits that exceed the federally insured limits. The Foundation believes it is not exposed to any significant credit risk on cash and cash equivalents.

The Foundation considers all highly-liquid investments with original maturities of less than three months to be cash equivalents.

Basis of Accounting and Presentation

The financial statements have been prepared on the accrual basis of accounting in accordance with GAAP. Under the accrual basis of accounting, support and revenue are recorded when earned and expenses are recorded when incurred. Net assets, revenues, and expenses are classified based on the existence or absence of donor-imposed restrictions. Net assets with donor restrictions consist of assets whose use is limited by donor-imposed, time, and/or purpose restrictions.

Contributions

Contributions received and unconditional promises to give are measured at their fair values and reported as an increase in net assets with or without donor restrictions depending on the existence and nature of any donor restrictions. The Foundation reports gifts of cash and other assets as restricted support if they are received with donor stipulations that limit the use of the donated assets or designated as support for future periods. When a donor restriction expires, that is, when a stipulated time restriction ends or purpose restriction is accomplished, net assets with donor restrictions are reclassified to net assets without donor restrictions and reported in the Statement of Activities as Net Assets Released from Restrictions.

Net assets without donor restrictions represent economic resources of the Foundation which are expendable for any purpose in performing the primary objectives of the Foundation under the discretionary control of the Board of Directors.

Net assets with donor restrictions include all contributions restricted for specific purposes by the donors. Restrictions typically require expenditures for specific branches of the Library.

Donated Services and Facilities

Personnel from the Library have donated their services to the Foundation. Additionally, the Library has donated the use of certain facilities. These donated services and facilities have not been reflected in the financial statements since the services do not require specialized skills, and there is no practical basis to value the use of the facilities.

Income Taxes

The Foundation is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code. In addition, the Internal Revenue Service has determined the Foundation is not a private foundation within the meaning of Section 509(a) of the Internal Revenue Code.

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

The Foundation follows the provisions of *Accounting for Uncertainty in Income Taxes* under the Income Taxes Topic of the Codification. The Codification requires the evaluation of tax positions, which include maintaining its tax-exempt status and the taxability of any unrelated business income, and does not allow recognition of tax positions which do not meet a "more-likely-than-not" threshold of being sustained by the applicable tax authority. Management does not believe it has taken any tax positions that would not meet this threshold.

In-Kind Contributions

The Foundation receives contributions of various goods, services, and facilities from third-party donors. These contributions and their related expenses are reported at their estimated fair value in the period received. There were no in-kind contributions during the year ended June 30, 2022. A significant portion of the Foundation's in-kind contributions are received from vendors to support the Foundation's annual fundraising gala. Gala event revenue and expenditures included \$29,128 of donated goods, services, and facilities for the year ended June 30, 2022.

Net Assets

Net assets with donor restrictions at June 30, 2022 are restricted for the following purposes:

Subject to Expenditure for Specified Purposes	
Aberdeen Campaign	\$ 75,426
Aberdeen Materials	150
Aberdeen Campaign	361
Bel Air Campaign	35,861
Bel Air Children's Campaign	31,945
Bel Air Materials	959
Countywide Mail Campaign	200
Darlington Campaign	40,250
Edgewood Campaign	12,813
Fallston Campaign	1,786
General - Restricted	1,541
Havre de Grace Building Campaign	37,080
Havre de Grace Campaign	4,530
Innovation Initiatives	2,030
Innovation Lab	9,416
Jarrettsville Campaign	14,293
Joppa Campaign	526
Just Write	368
Leap Program	4,018
Little Leapers	21
Materials Purchases	20
Norrisville Campaign	1,200
Partners in Reading	855
Rolling Reader	443
Silver Reader	2,578
Summer Reading Program	23,940
Whiteford Campaign	44,103
	<hr/>
Total Net Assets with Donor Restrictions	<u><u>\$ 346,713</u></u>

Harford County Public Library

Notes to Basic Financial Statements June 30, 2022

Liquidity and Availability of Financial Assets

The Foundation's financial assets available to meet cash needs for general expenditures within one year of the statement of financial position date are as follows:

Cash and Cash Equivalents	\$ 419,829
Contributions Receivable	<u>8,000</u>
Total Financial Assets	427,829
Donor-Imposed Restrictions	
Donor Contributions Restricted to Specific Purposes	<u>(346,713)</u>
Financial Assets Available to Meet Cash Needs for General Expenditures Within One Year	<u><u>\$ 81,116</u></u>

As part of the Foundation's liquidity management, it has a policy to structure its financial assets to be available as its general expenditures, liabilities, and other obligations come due.

Functional Expenses

The Foundation's expenses by functional classification for the year ended June 30, 2022 are as follows:

	Program	Management and General	Fundraising	Total
Donations to Library	\$ 43,143	\$ -	\$ -	\$ 43,143
Accounting and Auditing	-	30,459	-	30,459
Bank Fees	-	1,002	-	1,002
Bad Debt	-	6,500	-	6,500
Board	-	2,915	-	2,915
Insurance	-	1,281	-	1,281
Marketing and Promotion	-	2,735	2,190	4,925
Office Supplies	-	9,613	-	9,613
Postage	-	390	-	390
Total Expenses	<u><u>\$ 43,143</u></u>	<u><u>\$ 54,895</u></u>	<u><u>\$ 2,190</u></u>	<u><u>\$ 100,228</u></u>

Note 17 - Subsequent Events

Events that occur after the statement of net position date, but before the financial statements were available to be issued, must be evaluated for recognition or disclosure. The effects of subsequent events that provide evidence about conditions that existed at the statement of net position date are recognized in the accompanying financial statements. Subsequent events which provide evidence about conditions that existed after the statement of net position date require disclosure in the accompanying notes. Management evaluated the activity of the Library through September 30, 2022 (the date the financial statements were available to be issued) and concluded that no subsequent events have occurred that would require recognition in the financial statements or disclosure in the notes to the financial statements.

Required Supplementary Information

Harford County Public Library

Schedule of Required OPEB-Related Supplementary Information June 30, 2022

Changes in Employer's Net OPEB Liability and Related Ratios	<u>(\$'000s omitted)</u>
Total OPEB Liability	
Service Cost	\$ 222
Interest	498
Differences between Expected and Actual Experience	(2,084)
Changes of Assumptions	(746)
Benefit Payments	<u>(204)</u>
Net Change in Total OPEB Liability	(2,314)
Beginning Total OPEB Liability	<u>8,317</u>
Ending Total OPEB Liability	<u><u>\$ 6,003</u></u>
Plan Fiduciary Net Position	
Employer Contributions	\$ 484
Net Investment Income	(717)
Benefit Payments	(204)
Administrative Expense	<u>(19)</u>
Net Change in Fiduciary Net Position	(456)
Beginning Fiduciary Net Position	<u>5,109</u>
Ending Fiduciary Net Position	<u><u>\$ 4,653</u></u>
Library's Net OPEB Liability - Ending	\$ 1,350
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	77.51%
Covered-Employee Payroll	\$ 3,861
Library's Net OPEB Liability as a Percentage of Covered-Employee Payroll	34.97%

Schedule of Contributions

Actuarially Determined Contribution	\$ 204
Contributions in Relation to the Actuarially Determined Contribution	<u>484</u>
Contribution Deficiency (Excess)	<u><u>\$ (280)</u></u>

Changes in assumptions reflect the effect of changes in the discount rate each period. The discount rate was increased from 5.90% as of June 30, 2021 to 6.86% as of June 30, 2022.

Valuation Date: Because the contribution policy of the Library prior to establishment of the OPEB Trust Fund at the end of the fiscal year was to contribute amounts as they became due, the actuarially determined contribution shown above has been set to equal to the benefit payments that were paid during the applicable measurement period.

Harford County Public Library

Schedule of Required OPEB-Related Supplementary Information June 30, 2022

Schedule of the Library's Proportionate Share of the Net OPEB Liability (\$000's omitted)

	2022	2021	2020	2019
Beginning Total OPEB Liability	\$ 8,317	\$ 28,194	\$ 32,223	\$ 35,472
Net Change in Total OPEB Liability	(2,314)	(19,877)	(4,029)	(3,249)
Ending Total OPEB Liability	<u>\$ 6,003</u>	<u>\$ 8,317</u>	<u>\$ 28,194</u>	<u>\$ 32,223</u>
Beginning Fiduciary Net Position	\$ 5,109	\$ 3,819	\$ 3,534	\$ 3,084
Net Change in Fiduciary Net Position	(456)	1,290	285	450
Ending Total Fiduciary Net Position	<u>\$ 4,653</u>	<u>\$ 5,109</u>	<u>\$ 3,819</u>	<u>\$ 3,534</u>
Net OPEB Liability	<u>\$ 1,350</u>	<u>\$ 3,208</u>	<u>\$ 24,375</u>	<u>\$ 28,689</u>
Library's Proportion of the Net OPEB liability	100.00%	100.00%	100.00%	100.00%
Library's Covered Payroll	3,861	\$ 8,527	\$ 8,185	\$ 7,844
Library's Proportionate Share of the Net OPEB Liability as a Percentage of its Covered Payroll	35%	38%	298%	366%
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	77.51%	61.43%	13.55%	10.97%
Actuarially Determined Contribution	\$ 204	\$ 173	\$ 111	\$ 222
Contributions in Relation to the Actuarially Determined Contribution	<u>484</u>	<u>453</u>	<u>341</u>	<u>502</u>
Contribution Deficiency (Excess)	<u>\$ (280)</u>	<u>\$ (280)</u>	<u>\$ (230)</u>	<u>\$ (280)</u>
Contributions as a Percentage of Covered Payroll	5.28%	2.03%	1.36%	2.83%

Harford County Public Library

Schedule of Required OPEB-Related Supplementary Information June 30, 2022

Actuarial Assumptions

Discount Rate	5.90%, beginning of measurement period 6.86%, end of measurement period
20-Year Municipal Bond Rate	2.16, beginning of measurement period 3.54%, end of measurement period
Municipal Bond Rate Basis	Bond Buyer GO 20-Bond Municipal Bond Index
Expected Return on Assets	5.90%, beginning and end of measurement period 6.86% End of the measurement period
Salary Increases	2.75% to 6.50%
General inflation	2.40%
Retirement Age	
Active Participants	Age 45 and above
Mortality Rates	
Healthy and Disabled	Pub 2010, "General" Classification; projected using Scale MP-2018
Withdrawal Rates	2.5% to 19%
Disability Rates	0.01720% to 0.81230%
Decrement Timing	Middle of year decrements.
Health Care Participation Rate	
Future Retirees	The actuary assumed that 80% of all current actives will elect coverage.
Current Retirees	All current retirees are assumed to continue coverage.
Spouse Coverage Election Rate	Actuary assumed that 55% of all future retirees will cover a spouse in retirement.
Future Retirees	Male spouses are assumed to be 3 years older than females.
Current Retirees	For current retirees, actual family status was used. Male spouses are assumed to be 3 years older than females.
Projected Retiree Health Care Contributions	\$169 to \$13,027
Administrative expenses	Actual administrative expenses during the measurement period are recognized in expense
Asset Method	Fair market value
Actuarial Cost Method	Entry Age Normal cost method
Measurement Date	June 30, 2022
Measurement Period	June 30, 2021 to June 30, 2022
Valuation Date	July 1, 2021
Census Data	* As of July 1, 2021 for June 30, 2021 measurement date * As of July 1, 2021, adjusted for the removal of participants that transferred to the RHS plan, for the June 30, 2022 measurement date * June 30, 2022 results were rolled from the valuation date to the measurement date using standard methodology

Changes in Assumptions

	2022	2021	2020	2019	2108	2017
Valuation Date - June 30,	7/1/21; rolled forward to June 30, 2022 using standard methodology	7/1/2021	7/1/19; rolled forward to June 30, 2020 using standard methodology	7/1/2019	7/1/18; rolled forward to June 30, 2019 using standard methodology	7/1/2016
Actuarial cost method	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Entry Age Normal	Projected Unit credit
Asset Valuation Method	Fair Market Value	Fair Market Value	Fair Market Value	Fair Market Value	Fair Market Value	Market Value of Assets
Expected Return on Assets	5.90% - 6.86%	7.00%	7.00%	7.00%	6.50%	-
Discount rate	5.90% - 6.86%	4.40% - 5.90%	4.37% - 4.40%	3.87% - 4.37%	3.58%	3.50%
General Inflation	2.40%	2.10%	2.50%	2.50%	2.50%	2.40%
Pay growth rate	2.75% - 6.50%	-	3.10% - 6.85%	3.15% - 6.15%	4.25%	3.00%

Harford County Public Library

Schedule of Required Pension-Related Supplementary Information June 30, 2022

	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
Schedule of the Library's Proportionate Share of the Net Pension Liability for the Employees' Retirement and Pension System:							
Library's proportion (%) of the collective net pension liability	0.0086604%	0.0075358%	0.0079987%	0.0075556%	0.0062576%	0.0066359%	0.0077199%
Library's proportionate share (\$) of the collective net pension liability	\$ 1,299,252	\$ 1,703,190	\$ 1,649,770	\$ 1,585,269	\$ 1,353,117	\$ 1,565,686	\$ 1,604,327
Library's covered payroll (\$)	\$ 2,158,623	\$ 1,954,204	\$ 1,793,669	\$ 1,794,052	\$ 1,882,204	\$ 1,543,072	\$ 1,569,830
Library's proportionate share of the collective net pension liability as a percentage of its covered payroll	60.19%	87.16%	91.98%	88.36%	71.89%	101.47%	102.20%
Plan fiduciary net position as a percentage of the total pension liability	81.84%	70.72%	72.34%	71.18%	69.38%	65.79%	68.78%

	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018	FY 2017	FY 2016
Schedule of the Library's Proportionate Share of the Net Pension Liability for the Teachers' Retirement and Pension System:							
Library's proportion (%) of the collective net pension liability	0%	0%	0%	0%	0%	0%	0%
Library's proportionate share (\$) of the collective net pension liability	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Portion of the State of Maryland's total proportionate share (\$) of the collective net pension liability that is associated with the Library	\$ 7,643,134	\$ 12,955,986	\$ 12,326,327	\$ 12,726,328	\$ 13,731,491	\$ 15,377,503	\$ 12,518,650
Sum of the Library's and portion of the State of Maryland's total proportionate share (\$) of the collective net pension liability that is associated with the Library	\$ 7,643,134	\$ 12,955,986	\$ 12,326,327	\$ 12,726,328	\$ 13,731,491	\$ 15,377,503	\$ 12,518,650
Library's covered payroll	\$ 8,100,285	\$ 7,393,766	\$ 7,359,343	\$ 7,685,992	\$ 7,258,936	\$ 8,986,432	\$ 7,376,130
Library's proportionate share of the collective net pension liability as a percentage of its covered payroll	0%	0%	0%	0%	0%	0%	0%
Plan fiduciary net position as a percentage of the total pension liability	81.84%	70.72%	72.34%	71.18%	69.38%	65.79%	70.76%

The above schedules are presented to illustrate the requirement for specified information for 10 years. However, until a full 10-year trend is compiled, information is only presented for those years for which information is available.

See Notes to Required Pension-Related Supplementary Information.

Harford County Public Library

Schedule of Required Pension-Related Supplementary Information June 30, 2022

Employees' retirement and pension system

	2022	2021	2020	2019	2018	2017	2016	2015	2014	2013
Contractually required contribution	\$ 212,221	\$ 190,833	\$ 161,572	\$ 164,253	\$ 150,663	\$ 127,364	\$ 129,274	\$ 162,716	\$ 166,245	\$ 144,609
Contributions in relation to the contractually required contribution	(212,221)	(190,833)	(161,572)	(164,253)	(150,663)	(127,364)	(129,274)	(162,716)	(166,245)	(144,609)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Library's covered payroll *	\$ 2,158,623	\$ 1,954,204	\$ 1,793,669	\$ 1,794,052	\$ 1,882,204	\$ 1,543,072	\$ 1,569,830	\$ 1,664,205	*	*
Contributions as a percentage of covered payroll	10%	10%	9%	9%	8%	8%	8%	10%	*	*

* Information is unavailable

See Notes to Required Pension-Related Supplementary Information.

Harford County Public Library

Notes to Required Pension-Related Supplementary Information June 30, 2022

Note 1 - Changes in Benefit Terms

There were no benefit changes during the year.

Note 2 - Changes in Assumptions

	Change from Fiscal Year 2017 to 2018	Change from Fiscal Year 2018 to 2019	Change from Fiscal Year 2019 to 2020	Change from Fiscal Year 2020 to 2021
Inflation general	2.65% to 2.60%	2.60% to 2.65%	2.65% to 2.60%	2.60% to 2.25%
Investment return	7.5% to 7.45%	7.45% to 7.40%	No change	7.40% to 6.80%
Salary increases	3.15% to 3.10%	No change	No change	3.10% to 2.75%
Discount rate	7.5% to 7.45%	7.45% to 7.40%	No change	7.40% to 6.80%

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*

Board of Trustees
Harford County Public Library

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, the discretely presented component unit, the general fund, and the aggregate remaining fund information of Harford County Public Library, a component unit of Harford County, Maryland, as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the Harford County Public Library's basic financial statements, and have issued our report thereon dated September 30, 2022. The financial statements of the Harford County Public Library Foundation, Inc. were not audited in accordance with *Government Auditing Standards*, and accordingly, this report does not include reporting on internal control over financial reporting or instances of reportable noncompliance associated with the Harford County Public Library Foundation, Inc.

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Harford County Public Library's internal control over financial reporting ("internal control") 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 Harford County Public Library's internal control. Accordingly, we do not express an opinion on the effectiveness of the Harford County Public Library's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control 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 Harford County Public 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 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.

A stylized, handwritten-style signature of the firm name "CohnReznick LLP" in black ink.

Baltimore, Maryland
September 30, 2022



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