

HARFORD COUNTY PUBLIC LIBRARY

**Financial Statements and Supplementary Information
For the Year Ended June 30, 2024
With Independent Auditor's Report**



MITCHELL TITUS
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HARFORD COUNTY PUBLIC LIBRARY
Financial Statements and Supplementary Information
For the Year Ended June 30, 2024

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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, 2024, 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, 2024, 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. (the Foundation), which represent 100% of the assets, net position and revenues of the Foundation. 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 audits contained in *Government Auditing Standards* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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.

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Responsibilities of Management for the Financial Statements

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 12 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 GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal 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 GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal 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.



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- 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 pages 4 to 10, the schedule of required OPEB-related supplementary information on pages 53 to 54, the schedule of required pension-related supplementary information on pages 55 and 56, and the notes to the required pension-related supplementary information on page 57 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 GAAS, 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 17, 2024, 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.

Mitchell Titus, LLP

September 17, 2024

MANAGEMENT'S DISCUSSION AND ANALYSIS

**HARFORD COUNTY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS**
As of and for the Year Ended June 30, 2024

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, 2024. Please read this Management's Discussion and Analysis in conjunction with the Independent Auditor's Report on pages 1 to 3 and the Library's financial statements, beginning on page 11.

FINANCIAL HIGHLIGHTS

- Total assets increased by \$1,822,542 (9%).
- Total deferred outflows decreased by \$2,894,215 (40%).
- Total liabilities decreased by \$919,734 (19%).
- Total deferred inflows decreased by \$5,109,500 (24%).
- The Library's net position increased by \$4,957,561 (1,537%).
- General Fund balance increased by \$1,059,158 (8%).

USING THIS ANNUAL REPORT

This annual report consists of two primary financial statements: The statement of net position, concurrently presented with the Governmental Funds balance sheet, and the statement of activities, concurrently presented with the Governmental Funds statement of revenue, expenditures and changes in fund balances. The Statement of Net Position discloses the Library's net position. Over time, increases and decreases in net position are one indicator of the Library's financial health. The statement of activities discloses the Library's revenue 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 governmental 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 position and the statement of activities) and governmental funds is addressed in the reconciliations included within the financial statements.

The financial statements also include statements for the Library's discretely presented component unit, Harford County Public Library Foundation, Inc. and the Library's Other Post Employment Benefits Trust Fund.

Notes to the Financial Statements and Required Supplementary Information are presented to provide additional information relative to the financial statements.

HARFORD COUNTY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*
As of and for the Year Ended June 30, 2024

THE LIBRARY'S 457(b) PLAN

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.

NET POSITION OF THE LIBRARY

| | June 30 | | Variance | |
|--|----------------------|----------------------|-----------------------|---------------|
| | 2024 | 2023 | Inc (Dec) | % |
| ASSETS | | | | |
| Current and other assets | \$ 16,503,731 | \$ 14,232,499 | \$ 2,271,232 | 16 % |
| Capital assets and circulating materials | 4,904,282 | 5,352,972 | (448,690) | (8)% |
| Total assets | \$ 21,408,013 | \$ 19,585,471 | \$ 1,822,542 | 9 % |
| DEFERRED OUTFLOWS | \$ 4,389,948 | \$ 7,284,163 | \$ (2,894,215) | (40)% |
| LIABILITIES | | | | |
| Payables and accruals | \$ 1,096,143 | \$ 1,262,753 | \$ (166,610) | (13)% |
| Other liabilities | 2,816,988 | 3,570,112 | (753,124) | (21)% |
| Total liabilities | \$ 3,913,131 | \$ 4,832,865 | \$ (919,734) | (19)% |
| DEFERRED INFLOWS | \$ 16,604,680 | \$ 21,714,180 | \$ (5,109,500) | (24)% |
| NET POSITION | | | | |
| Net investment in capital assets | \$ 4,805,235 | \$ 5,271,881 | \$ (466,646) | (9)% |
| Restricted | 98,973 | 93,789 | 5,184 | 6 % |
| Unrestricted | 375,942 | (5,043,081) | 5,419,023 | (107)% |
| Total net position | \$ 5,280,150 | \$ 322,589 | \$ 4,957,561 | 1537 % |

The Library's total assets increased by \$1,822,542, mainly as a result of the following: an increase in cash and investments, a decrease in consortium funds, a decrease in capital assets and circulation materials and recording of a net Other Post-Employment Benefits (OPEB) asset.

Cash and investments increased due to the return of excess funds the County was holding in the healthcare consortium (see below) and an increase in interest earned during the year.

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 arrangement, the healthcare consortium asset account balance decreased by \$2,942,587 from June 30, 2023, to 2024, based on a return of excess funds held by the County as well as the premiums paid relative to the claims incurred.

Capital assets and circulation materials decreased by \$448,690 because depreciation expense exceeded related asset acquisitions.

HARFORD COUNTY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*
As of and for the Year Ended June 30, 2024

NET POSITION OF THE LIBRARY *(continued)*

An OPEB asset was created by the value of OPEB trust assets exceeding the related OPEB liability at June 30, 2024. At June 30, 2023, the liability exceeded the related assets, resulting in a net liability that was included in long-term liabilities at that date.

Deferred outflows decreased by \$2,894,215 due to changes in actual vs. expected experience and actuarial assumptions used in actuarial calculations for pensions and OPEBs.

Total liabilities decreased by \$919,734 as of the end of the fiscal year. The net decrease is mostly the result of a decrease in the Library's OPEB liability of \$1,149,604, as noted above, and an increase in net pension liability of \$395,465 due to actuarial accruals.

Deferred inflows decreased by \$5,109,500 due to changes in actual vs. expected experience and actuarial assumptions used in actuarial calculations for pensions and OPEBs.

HARFORD COUNTY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*
As of and for the Year Ended June 30, 2024

NET POSITION OF THE LIBRARY *(continued)*

| | <u>Year Ended June 30</u> | | <u>Variance</u> | |
|--|---------------------------|---------------------|------------------|------------|
| | <u>2024</u> | <u>2023</u> | <u>Inc (Dec)</u> | <u>%</u> |
| PROGRAM REVENUE | | | | |
| Charges for services | \$ 383,293 | \$ 344,875 | \$ 38,418 | 11 % |
| County appropriations | 20,885,407 | 20,886,654 | (1,247) | 0 % |
| State appropriations | 2,121,051 | 2,029,523 | 91,528 | 5 % |
| Federal and local grants | 255,363 | 248,122 | 7,241 | 3 % |
| Pension contribution from the state on behalf of Harford County Public Library | 1,249,687 | 1,096,751 | 152,936 | 14 % |
| Contributions | 102,995 | 62,570 | 40,425 | 65 % |
| Interest | 649,922 | 377,650 | 272,272 | 72 % |
| Total revenue | <u>25,647,718</u> | <u>25,046,145</u> | <u>601,573</u> | <u>2 %</u> |
| PROGRAM EXPENSES | | | | |
| Salaries, wages, and temporary employees | 11,846,962 | 11,553,838 | 293,124 | 3 % |
| Employee benefits | 3,603,600 | 3,193,154 | 410,446 | 13 % |
| Payroll taxes | 893,797 | 855,393 | 38,404 | 4 % |
| Other post-employment benefits, net | (3,325,527) | (2,903,358) | (422,169) | 15 % |
| Pension contribution from the state on behalf of Harford County Public Library | 1,249,687 | 1,096,751 | 152,936 | 14 % |
| Books | 44,005 | 86,223 | (42,218) | (49)% |
| Non-books | 968,366 | 1,153,756 | (185,390) | (16)% |
| Supplies | 667,096 | 718,024 | (50,928) | (7)% |
| Automated services | 508,501 | 438,977 | 69,524 | 16 % |
| Technical services | 316,945 | 335,516 | (18,571) | (6)% |
| Contract services | 555,467 | 433,068 | 122,399 | 28 % |
| Continuing education | 137,880 | 109,073 | 28,807 | 26 % |
| Equipment maintenance | 6,631 | 21,048 | (14,417) | (68)% |
| Motor vehicles maintenance | 71,696 | 111,505 | (39,809) | (36)% |
| Utilities | 667,188 | 613,395 | 53,793 | 9 % |
| Interest | 743 | 1,158 | (415) | (36)% |
| Depreciation | 2,310,566 | 2,177,975 | 132,591 | 6 % |
| Other | 166,554 | 158,000 | 8,554 | 5 % |
| Total expenses | <u>20,690,157</u> | <u>20,153,496</u> | <u>536,661</u> | <u>3 %</u> |
| Increase in net position | <u>\$ 4,957,561</u> | <u>\$ 4,892,649</u> | <u>\$ 64,912</u> | <u>1 %</u> |

The Library's fiscal year 2024 revenues increased by \$601,573 (2%) from the prior year to \$25,647,718. The expenses for fiscal year 2024 increased by \$536,661 (3%) from the prior year to \$20,690,157.

The Library receives revenue from five main sources. The largest portion is \$20,885,407 (82%) received from Harford County Government, with the State of Maryland providing the second-largest portion of \$3,370,738 (13%), comprised of \$2,121,051 of per capita funding and \$1,249,687 of pension contributions on behalf of the Library. The various revenues collected by the Library for fees was \$383,293 (1%). Interest from invested funds and direct contributions to the Library provided \$752,917 (3%) of total revenue, and federal and local grants provided \$255,363 (1%) of the total funding.

HARFORD COUNTY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*
As of and for the Year Ended June 30, 2024

NET POSITION OF THE LIBRARY *(continued)*

As a service-based organization, the Library's largest operating expenses are related to staffing. Salaries, benefits, and taxes account for \$16,344,359, or 79%, of total expenses. In fiscal year 2024, these expenses increased by \$741,974 (5%) compared to the previous fiscal year. The Library provided eligible staff with a 3.5% raise, while costs for the Post-Employment Health Plan (PEHP) rose by 16%, largely due to several benefit-eligible positions being filled during FY 2024.

Library users continue to benefit from electronic services. Downloadable and streaming media usage grew by 12.6%, while the overall cost of these services decreased. This was due to the Library's participation in a state consortium, which reduced fees. The Library also purchased fewer physical items such as DVDs, audiobooks, and periodicals, as publishers are producing fewer items to purchase, leading to decreases in spending of \$17,236, \$9,370, and \$8,527, respectively.

Contract services saw a significant increase of \$122,399 (28%). Recruiting custodial staff remains a challenge, and as a result, the Library outsourced custodial cleaning for several smaller branches during the third and fourth quarters of FY 2023. This outsourcing led to an increase in cleaning costs of \$55,198 for the full year. Additionally, the Library increased its spending on marketing, advocacy, and communications by \$51,475 to better promote the value of library resources and services to our customers. A grant allowed the Library to hire a consultant to develop a strategic plan, and we supplemented these grant funds with \$21,000 from operating funds to create a roadmap for the Library's next five years.

The Library operates several vehicles, including five outreach vehicles, two delivery vehicles, and two maintenance vehicles, which are essential for transporting collections and maintaining branches. Two of the outreach vehicles, which are nearly 25 years old, have become increasingly costly to maintain. As the Library phases them out of service, maintenance and replacement part costs have decreased by \$28,189. Additionally, fuel costs for the entire fleet were reduced by \$4,187. To further support staff development and certification efforts, in-person training and meetings have resumed, leading to an 18% increase in mileage expenses, or \$4,852, compared to last year.

The Library is committed to delivering excellent customer service and enriching experiences for our users. We value our employees and recognize their achievements through various initiatives, including milestone awards and special recognitions throughout the year.

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 by \$1,059,158 (8%) for FY 2024 compared to \$861,967 for FY 2023. The increase was due primarily to higher interest earnings on investments and state appropriations.

Non-Major Other Funds fund balances increased by \$5,184 in FY 2024 compared to \$2,252 in FY 2023 due to higher investment earnings.

HARFORD COUNTY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*
As of and for the Year Ended June 30, 2024

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, databases and a variety of downloadable content. The net increase from the previous year of \$25,459 (1%) is comprised of normal additions, less retirements and annual depreciation. Physical materials are capitalized whereas the eContent is expensed. The following table shows circulating materials and related accumulated depreciation:

| | <u>Balance</u> <u>July 1, 2023</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>June 30, 2024</u> |
|--------------------------|---------------------------------------|------------------|--------------------|--|
| Circulating materials | \$ 4,511,921 | \$ 1,547,329 | \$ 1,439,953 | \$ 4,619,297 |
| Accumulated depreciation | <u>2,187,872</u> | <u>1,521,870</u> | <u>1,439,953</u> | <u>2,269,789</u> |
| Total assets | <u>\$ 2,324,049</u> | <u>\$ 25,459</u> | <u>\$ -</u> | <u>\$ 2,349,508</u> |

CAPITAL ASSETS

As of June 30, 2024, the Library had \$2,554,774 invested in capital assets. This amount represents a net decrease of \$474,149 (16%) caused primarily by depreciation in excess of additions. The following table shows the major categories of capital assets, net of depreciation:

| | <u>Balance</u> <u>July 1, 2023</u> | <u>Additions</u> | <u>Retirements</u> | <u>Balance</u> <u>June 30, 2024</u> |
|--|---------------------------------------|---------------------|--------------------|--|
| <i>Capital assets, being depreciated</i> | | | | |
| Improvements to buildings | \$ 3,414,270 | \$ 158,867 | \$ - | \$ 3,573,137 |
| Furniture and equipment | 4,088,487 | 98,178 | 7,929 | 4,178,736 |
| Computer equipment | 2,649,574 | 9,412 | 16,964 | 2,642,022 |
| Vehicles | 653,851 | - | - | 653,851 |
| Leased assets - equipment | <u>240,309</u> | <u>48,090</u> | <u>-</u> | <u>288,399</u> |
| | <u>11,046,491</u> | <u>314,547</u> | <u>24,893</u> | <u>11,336,145</u> |
| <i>Accumulated depreciation</i> | | | | |
| Improvements to buildings | 2,194,636 | 245,816 | - | 2,440,452 |
| Furniture and equipment | 3,040,457 | 226,523 | 7,929 | 3,259,051 |
| Computer equipment | 2,220,805 | 195,782 | 16,964 | 2,399,623 |
| Vehicles | 421,014 | 70,323 | - | 491,337 |
| Leased assets - equipment | <u>140,656</u> | <u>50,252</u> | <u>-</u> | <u>190,908</u> |
| | <u>8,017,568</u> | <u>788,696</u> | <u>24,893</u> | <u>8,781,371</u> |
| Total | <u>\$ 3,028,923</u> | <u>\$ (474,149)</u> | <u>\$ -</u> | <u>\$ 2,554,774</u> |

Depreciation expense for the Library increased \$132,591 (6%) to \$2,310,566. Of this amount, \$1,521,870 is related to the Library's collection of circulating materials and \$788,696 is related to capital assets.

HARFORD COUNTY PUBLIC LIBRARY
MANAGEMENT'S DISCUSSION AND ANALYSIS *(continued)*
As of and for the Year Ended June 30, 2024

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 \$317,646 (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 2024, the Library received 82% 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
As of June 30, 2024

| | 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 | \$ 401,660 | \$ - | \$ 401,660 | \$ - | \$ 401,660 | \$ 1,443,942 |
| Investments | 14,056,841 | 98,973 | 14,155,814 | - | 14,155,814 | - |
| Contributions receivable | - | - | - | - | - | 23,160 |
| Accounts receivable - county | 7,318 | - | 7,318 | - | 7,318 | - |
| Miscellaneous receivables | 143,590 | - | 143,590 | - | 143,590 | - |
| Prepaid expenses | 104,203 | - | 104,203 | - | 104,203 | 31,258 |
| Consortium funds | 317,646 | - | 317,646 | - | 317,646 | - |
| Circulating materials, net | - | - | - | 2,349,508 | 2,349,508 | - |
| Capital assets, net | - | - | - | 2,554,774 | 2,554,774 | - |
| Other post-employment benefits asset | - | - | - | 1,373,500 | 1,373,500 | - |
| Total assets | <u>15,031,258</u> | <u>98,973</u> | <u>15,130,231</u> | <u>6,277,782</u> | <u>21,408,013</u> | <u>\$ 1,498,360</u> |
| Deferred outflows - state pension plan | - | - | - | 974,086 | 974,086 | - |
| Deferred outflows - other post-employment benefits | - | - | - | 3,415,862 | 3,415,862 | - |
| Total assets and deferred outflows | <u>\$ 15,031,258</u> | <u>\$ 98,973</u> | <u>\$ 15,130,231</u> | <u>\$ 10,667,730</u> | <u>\$ 25,797,961</u> | - |
| LIABILITIES | | | | | | |
| Accounts payable and accrued expenses | \$ 35,601 | \$ - | \$ 35,601 | \$ - | \$ 35,601 | \$ 109,833 |
| Other accrued liabilities | 275,094 | - | 275,094 | - | 275,094 | - |
| Accrued wages | 785,448 | - | 785,448 | - | 785,448 | - |
| Unearned revenue | - | - | - | - | - | 8,190 |
| Long-term liabilities | - | - | - | - | - | - |
| Due within one year | - | - | - | 29,744 | 29,744 | - |
| Due in more than one year | - | - | - | 2,787,244 | 2,787,244 | - |
| Total liabilities | <u>1,096,143</u> | <u>-</u> | <u>1,096,143</u> | <u>2,816,988</u> | <u>3,913,131</u> | <u>118,023</u> |
| Deferred inflows - state pension plan | - | - | - | 121,645 | 121,645 | - |
| Deferred inflows - other post-employment benefits | - | - | - | 16,483,035 | 16,483,035 | - |
| FUND BALANCES/NET ASSETS | | | | | | |
| Non-spendable - prepaids | 104,203 | - | 104,203 | (104,203) | - | - |
| Non-spendable - permanent | - | 53,891 | 53,891 | (53,891) | - | - |
| Restricted | - | 3,548 | 3,548 | (3,548) | - | - |
| Assigned | 13,478,731 | 41,534 | 13,520,265 | (13,520,265) | - | - |
| Unassigned | 352,181 | - | 352,181 | (352,181) | - | - |
| Total fund balances | <u>13,935,115</u> | <u>98,973</u> | <u>14,034,088</u> | <u>(14,034,088)</u> | <u>-</u> | <u>-</u> |
| Total liabilities and fund balances | <u>\$ 15,031,258</u> | <u>\$ 98,973</u> | <u>\$ 15,130,231</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| NET POSITION | | | | | | |
| Net investment in capital assets | - | - | - | 4,805,235 | 4,805,235 | - |
| Restricted for non-expendable endowments | - | - | - | 98,973 | 98,973 | - |
| With donor restrictions | - | - | - | - | - | 169,501 |
| Unrestricted | - | - | - | 375,942 | 375,942 | 1,210,836 |
| Total net position | <u>-</u> | <u>-</u> | <u>-</u> | <u>5,280,150</u> | <u>5,280,150</u> | <u>1,380,337</u> |
| Total liabilities, deferred inflows and net position | <u>\$ 10,667,730</u> | <u>\$ 25,797,961</u> | <u>\$ 1,498,360</u> | <u>-</u> | <u>-</u> | <u>-</u> |

The accompanying notes are an integral part of these financial statements.

HARFORD COUNTY PUBLIC LIBRARY
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Position
 As of June 30, 2024

| | |
|---|----------------------------|
| Total fund balances - governmental funds | \$ 14,034,088 |
| <i>Amounts reported for governmental activities in the Statement of Net Position are different because:</i> | |
| 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 \$15,955,442 and the accumulated depreciation is \$11,051,160. | 4,904,282 |
| Compensated absences are not due and payable in the current period and, therefore, are not reported in the funds. | (461,970) |
| Capital lease liabilities are not due and payable in the current period and, therefore, are not reported in the funds. | (99,047) |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds. | 852,441 |
| 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. | (13,067,173) |
| Net pension obligations are not due and payable in the current period and, therefore, are not reported in the funds. | (2,255,971) |
| Other post-employment benefits are not due and payable in the current period and, therefore, are not reported in the funds. | <u>1,373,500</u> |
| Total net position - governmental activities | <u>\$ 5,280,150</u> |

The accompanying notes are an integral part of these financial statements.

HARFORD COUNTY PUBLIC LIBRARY
Statement of Activities and Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2024

| | <u>General</u> | <u>Non-Major Other Funds</u> | <u>Total Governmental Funds</u> | <u>Adjustments</u> | <u>Statement of Activities</u> |
|--|----------------------|----------------------------------|---|-----------------------|------------------------------------|
| REVENUES | | | | | |
| <i>Charges for services</i> | | | | | |
| Copying | \$ 41,396 | \$ - | \$ 41,396 | \$ - | \$ 41,396 |
| Circulating materials sold | 2,891 | - | 2,891 | - | 2,891 |
| Reimbursements from Harford Community College | 32,242 | - | 32,242 | - | 32,242 |
| Other | 306,764 | - | 306,764 | - | 306,764 |
| Total charges for services | 383,293 | - | 383,293 | - | 383,293 |
| <i>Operating grants and contributions</i> | | | | | |
| County Appropriations | 20,885,407 | - | 20,885,407 | - | 20,885,407 |
| State Appropriations | 2,121,051 | - | 2,121,051 | - | 2,121,051 |
| Federal and local grants | - | 255,363 | 255,363 | - | 255,363 |
| Pension Contributions from the State on behalf of Harford County Public Library | 1,249,687 | - | 1,249,687 | - | 1,249,687 |
| Contributions | 102,995 | - | 102,995 | - | 102,995 |
| Interest | 644,738 | 5,184 | 649,922 | - | 649,922 |
| Total revenues | 25,387,171 | 260,547 | 25,647,718 | - | 25,647,718 |
| EXPENDITURES/EXPENSES | | | | | |
| Salaries, wages, and temporary employees | 11,863,903 | - | 11,863,903 | (16,941) | 11,846,962 |
| Employee benefits | 3,470,996 | - | 3,470,996 | 132,604 | 3,603,600 |
| Payroll taxes | 893,797 | - | 893,797 | - | 893,797 |
| Other post-employment benefits, net | 1,150,000 | - | 1,150,000 | (4,475,527) | (3,325,527) |
| Pension contributions from the State on behalf of Harford County Public Library | 1,249,687 | - | 1,249,687 | - | 1,249,687 |
| Books | 1,239,608 | 372 | 1,239,980 | (1,195,975) | 44,005 |
| Non-books | 1,319,472 | 248 | 1,319,720 | (351,354) | 968,366 |
| Supplies | 489,041 | 178,055 | 667,096 | - | 667,096 |
| Capital outlay | 265,797 | 660 | 266,457 | (266,457) | - |
| Automated services | 499,736 | 8,765 | 508,501 | - | 508,501 |
| Technical services | 316,945 | - | 316,945 | - | 316,945 |
| Contract services | 526,570 | 28,897 | 555,467 | - | 555,467 |
| Continuing education | 101,860 | 36,020 | 137,880 | - | 137,880 |
| Equipment maintenance | 6,631 | - | 6,631 | - | 6,631 |
| Motor vehicles maintenance | 70,168 | 1,528 | 71,696 | - | 71,696 |
| Utilities | 667,188 | - | 667,188 | - | 667,188 |
| Principal payments on capital lease | 30,878 | - | 30,878 | (30,878) | - |
| Interest | - | - | - | 743 | 743 |
| Depreciation and amortization | - | - | - | 2,310,566 | 2,310,566 |
| Other | 165,736 | 818 | 166,554 | - | 166,554 |
| Total expenditures/expenses | 24,328,013 | 255,363 | 24,583,376 | (3,893,219) | 20,690,157 |
| Net change in fund balances/net position | 1,059,158 | 5,184 | 1,064,342 | 3,893,219 | 4,957,561 |
| Fund balance/net position, beginning of year | 12,875,957 | 93,789 | 12,969,746 | (11,408,259) | 322,589 |
| Fund balance/net position, end of year | \$ 13,935,115 | \$ 98,973 | \$ 14,034,088 | \$ (7,515,040) | \$ 5,280,150 |

The accompanying notes are an integral part of these 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
For the Year Ended June 30, 2024

Total net change in fund balances - governmental funds \$ 1,064,342

*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 \$1,813,786 is more than depreciation expense of \$2,310,566 in the period. (496,780)

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 lease obligations | 30,878 |
| Interest on lease obligations | (743) |
| Change in accrual for long-term compensated absences | 16,941 |

Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the net increase in the liability is reported as an additional current period expense. (132,664)

Governmental funds report OPEB contributions as expenditures. However, in the Statement of Activities, the net reduction in the liability is recorded as a reduction of current period expense. 4,475,587

Change in net position of governmental activities \$ 4,957,561

The accompanying notes are an integral part of these financial statements.

HARFORD COUNTY PUBLIC LIBRARY

Component Unit - Harford County Public Library Foundation, Inc.

Statement of Activities

For the Year Ended June 30, 2024

| | <u>Net Assets Without Donor Restrictions</u> | <u>Net Assets With Donor Restrictions</u> | <u>Total</u> |
|---|--|---|---------------------|
| REVENUES, GAINS, AND OTHER SUPPORT | | | |
| Contributions | \$ 20,378 | \$ 108,594 | \$ 128,972 |
| Gala event revenue, net of expenditures of \$205,643 | 93,780 | - | 93,780 |
| Other event revenue, net of expenditures of \$43,565 | 16,982 | - | 16,982 |
| Interest income | 45,429 | - | 45,429 |
| Net assets released from restrictions | <u>171,878</u> | <u>(171,878)</u> | <u>-</u> |
| Total revenues, gains, and other support | <u>348,447</u> | <u>(63,284)</u> | <u>285,163</u> |
| EXPENSES | | | |
| <i>Program expenses</i> | | | |
| Donations to the Harford County Public Library | 54,540 | - | 54,540 |
| <i>Supporting services</i> | | | |
| Fundraising expenses | 2,820 | - | 2,820 |
| Other | <u>53,637</u> | <u>-</u> | <u>53,637</u> |
| Total expenses | <u>110,997</u> | <u>-</u> | <u>110,997</u> |
| Change in net assets | 237,450 | (63,284) | 174,166 |
| Net assets, beginning of year | <u>(67,949)</u> | <u>1,274,120</u> | <u>1,206,171</u> |
| Net assets, end of year | <u>\$ 169,501</u> | <u>\$ 1,210,836</u> | <u>\$ 1,380,337</u> |

The accompanying notes are an integral part of these financial statements.

FIDUCIARY FUND FINANCIAL STATEMENTS

HARFORD COUNTY PUBLIC LIBRARY
Statement of Fiduciary Net Position
Fiduciary Fund
As of June 30, 2024

| | Other Post-Employment Benefits Trust Fund |
|--|--|
| | <u> </u> |
| ASSETS | |
| Cash and cash equivalents | \$ 573,567 |
| Investments | <u>6,586,687</u> |
| Total assets | <u><u>\$ 7,160,254</u></u> |
| NET POSITION | |
| Held in Trust for Other Post-Employment Benefits | <u><u>\$ 7,160,254</u></u> |

The accompanying notes are an integral part of these financial statements.

HARFORD COUNTY PUBLIC LIBRARY
Statement of Changes in Fiduciary Net Position
Fiduciary Fund
For the Year Ended June 30, 2024

| | Other Post-Employment Benefits Trust Fund |
|--|--|
| ADDITIONS | |
| Contributions | <u>\$ 1,440,312</u> |
| INVESTMENT INCOME | |
| Interest | 160,891 |
| Net appreciation in fair value of investments | <u>455,647</u> |
| Net investment income | <u>616,538</u> |
| Total additions | <u>2,056,850</u> |
| DEDUCTIONS | |
| Benefits | 290,312 |
| Administrative expenses | <u>25,294</u> |
| Total deductions | <u>315,606</u> |
| Change in net position | 1,741,244 |
| NET POSITION HELD IN TRUST FOR OTHER POST-EMPLOYMENT BENEFITS | |
| Beginning of year | <u>5,419,010</u> |
| End of year | <u><u>\$ 7,160,254</u></u> |

The accompanying notes are an integral part of these financial statements.

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements

For the Year Ended June 30, 2024

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, 2024, the Foundation distributed \$53,050 to the Library for both restricted and unrestricted purposes and provided other support of \$1,490.

Use of Estimates in Preparing Financial Statements

The preparation of basic financial statements in conformity with accounting principles generally accepted in the United States of America (U.S. 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 basic financial statements, and the reported amounts of revenues and expenditures during the reporting period. Actual results could differ from those estimates.

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements

For the Year Ended June 30, 2024

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES REPORTING ENTITY** *(continued)*

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.

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. Funds 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.

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements

For the Year Ended June 30, 2024

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES REPORTING ENTITY** *(continued)*

Basis of Presentation *(continued)*

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. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows.

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.*, revenue) 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.

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements

For the Year Ended June 30, 2024

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES REPORTING ENTITY** *(continued)*

Basis of Accounting *(continued)*

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.

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.

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements

For the Year Ended June 30, 2024

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES REPORTING ENTITY
(continued)

Cash, Cash Equivalents and Investments *(continued)*

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:

| <u>Assets</u> | <u>Years</u> |
|---------------------------|--------------|
| Improvements to buildings | 10 - 20 |
| Furniture and equipment | 5 - 7 |
| Computer equipment | 3 |
| Vehicles | 3 - 10 |
| Copier equipment | 3 - 5 |

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements

For the Year Ended June 30, 2024

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES REPORTING ENTITY** *(continued)*

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 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.

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements

For the Year Ended June 30, 2024

NOTE 1 **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES REPORTING ENTITY** *(continued)*

Fund Balance *(continued)*

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.

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.

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements

For the Year Ended June 30, 2024

NOTE 2 DEPOSITS

The combined carrying amount of the Library's net deposits with financial institutions as of June 30, 2024 was \$400,520 and the combined bank balance was \$653,350. 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, 2024, 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 or fully collateralized with the collateral held by a third party in the Library's name.

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 \$14,155,814. 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 & 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.

The MACO Trust (the 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. Dividends are recorded on the ex-dividend date. Interest is recorded on the accrual basis.

HARFORD COUNTY PUBLIC LIBRARY
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 3 INVESTMENTS *(continued)*

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.

| | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Balance</u> |
|-----------------------------------|-------------------|---------------------|----------------|---------------------|
| <i>MACO OPEB Trust Holdings</i> | | | | |
| Investments by Fair Value Level | | | | |
| MD Assoc Counties Master Trust | \$ - | \$ 6,586,687 | \$ - | \$ 6,586,687 |
| Investments Carried at Fair Value | | | | |
| Money Market Funds | <u>573,567</u> | <u>-</u> | <u>-</u> | <u>573,567</u> |
| | <u>\$ 573,567</u> | <u>\$ 6,586,687</u> | <u>\$ -</u> | <u>\$ 7,160,254</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 \$317,646 (the excess of accumulated premiums net of claims paid) on deposit with the County to fund future liabilities as of June 30, 2024.

HARFORD COUNTY PUBLIC LIBRARY
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 5 CIRCULATING MATERIALS

Circulating materials activity for the year ended June 30, 2024 is as follows:

| | Balance July 30, 2023 | Additions | Retirements | Balance June 30, 2024 |
|--------------------------|----------------------------------|------------------|--------------------|----------------------------------|
| Circulating materials | \$ 4,511,921 | \$ 1,547,329 | \$ 1,439,953 | \$ 4,619,297 |
| Accumulated depreciation | 2,187,872 | 1,521,870 | 1,439,953 | 2,269,789 |
| Total assets | \$ 2,324,049 | \$ 25,459 | \$ - | \$ 2,349,508 |

NOTE 6 CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2024 is as follows:

| | Balance July 30, 2023 | Additions | Retirements | Balance June 30, 2024 |
|---------------------------------|----------------------------------|---------------------|--------------------|----------------------------------|
| CAPITAL ASSETS | | | | |
| Improvements to buildings | \$ 3,414,270 | \$ 158,867 | \$ - | \$ 3,573,137 |
| Furniture and equipment | 4,088,487 | 98,178 | 7,929 | 4,178,736 |
| Computer equipment | 2,649,574 | 9,412 | 16,964 | 2,642,022 |
| Vehicles | 653,851 | - | - | 653,851 |
| Leased assets - equipment | 240,309 | 48,090 | - | 288,399 |
| | <u>11,046,491</u> | <u>314,547</u> | <u>24,893</u> | <u>11,336,145</u> |
| ACCUMULATED DEPRECIATION | | | | |
| Improvements to buildings | 2,194,636 | 245,816 | - | 2,440,452 |
| Furniture and equipment | 3,040,457 | 226,523 | 7,929 | 3,259,051 |
| Computer equipment | 2,220,805 | 195,782 | 16,964 | 2,399,623 |
| Vehicles | 421,014 | 70,323 | - | 491,337 |
| ACCUMULATED AMORTIZATION | | | | |
| Leased assets - equipment | 140,656 | 50,252 | - | 190,908 |
| | <u>8,017,568</u> | <u>788,696</u> | <u>24,893</u> | <u>8,781,371</u> |
| Total | \$ 3,028,923 | \$ (474,149) | \$ - | \$ 2,554,774 |

NOTE 7 LONG-TERM OBLIGATIONS

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

| | Balance June 30, 2023 | Additions | Deductions | Balance June 30, 2024 | Due Within One Year |
|---------------------------------------|----------------------------------|-------------------|---------------------|----------------------------------|--------------------------------|
| Lease obligations | \$ 81,091 | \$ 48,090 | \$ 30,134 | \$ 99,047 | \$ 29,744 |
| Net pension liability | 1,860,506 | 395,465 | - | 2,255,971 | - |
| Other post-employment benefits (OPEB) | 1,149,604 | - | 1,149,604 | - | - |
| Compensated absences | 478,911 | - | 16,941 | 461,970 | - |
| Total | \$ 3,570,112 | \$ 443,555 | \$ 1,196,679 | \$ 2,816,988 | \$ 29,744 |

HARFORD COUNTY PUBLIC LIBRARY
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 7 LONG-TERM OBLIGATIONS *(continued)*

Lease Obligations

The Library is the lessee of equipment under lease agreements expiring through 2028. As a lessee, the Library recognizes a lease liability at the present value of the payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. Lease assets are initially recorded as the sum of 1) the amount of the initial measurement of the lease liability, 2) lease payments made at or before the commencement of the lease term, less any lease incentives received from the lessor at or before the commencement of the lease term, 3) initial direct costs that are ancillary charges necessary to place the asset into service. Lease assets are amortized on a straight-line basis over the shorter of the lease term or useful life of the underlying assets. Included in capital assets are assets under these leases with a cost of \$288,399 as of June 30, 2024. Amortization expense relating to the leases was \$50,252 for the year ended June 30, 2024. Accumulated amortization relating to the leased assets was \$190,908 at June 30, 2024.

Future payments under the leases are as follows:

| Fiscal Year Ending June 30, | Amount |
|--|------------------|
| 2025 | \$ 30,214 |
| 2026 | 29,774 |
| 2027 | 28,109 |
| 2028 | <u>11,875</u> |
| Total lease payments | 99,972 |
| Less: Amount representing interest | <u>925</u> |
| | <u>\$ 99,047</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.

HARFORD COUNTY PUBLIC LIBRARY
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

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.

Significant encumbrances as of June 30, 2024, consist of the following:

Encumbrances

| | |
|--|------------|
| Books, contractual services, maintenance and miscellaneous | \$ 334,196 |
|--|------------|

Other assigned amounts

| | |
|----------------------------------|-------------------|
| Books and audio visual materials | 696,076 |
| Improvements to buildings | 10,531,602 |
| Consortium funding | 317,646 |
| Other | 1,599,211 |
| | <u>13,144,535</u> |

| | |
|-------------------------------|----------------------|
| Total assigned balance | \$ 13,478,731 |
|-------------------------------|----------------------|

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:

| | <u>Receipts</u> | <u>Interest Income</u> | <u>Disbursements</u> | <u>Balance June 30, 2024</u> |
|----------------------------------|------------------|----------------------------|----------------------|----------------------------------|
| Nevin Memorial | \$ 4,838 | \$ 21,416 | \$ 9,946 | \$ 16,308 |
| Laird Memorial | 2,015 | 3,996 | 1,809 | 4,202 |
| HCPL Memorial Endowment | 2,503 | 3,115 | 1,643 | 3,975 |
| Hutchins - Harlem Memorial | 2,685 | 3,746 | 1,656 | 4,775 |
| Drumm Memorial | 400 | 620 | 281 | 739 |
| Havre de Grace Friends Endowment | 3,300 | 4,926 | 2,498 | 5,728 |
| 40th Anniversary Commemorative | 2,365 | 3,327 | 1,443 | 4,249 |
| Staff Welfare Fund | 10,000 | 9,257 | 3,018 | 16,239 |
| Barnhart Fund | 750 | 808 | 334 | 1,224 |
| Keithley Memorial | 37,463 | 4,071 | - | 41,534 |
| Total | <u>\$ 66,319</u> | <u>\$ 55,282</u> | <u>\$ 22,628</u> | <u>\$ 98,973</u> |

HARFORD COUNTY PUBLIC LIBRARY
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 9 MEMORIAL AND ENDOWMENT FUNDS *(continued)*

The activity in each fund for the year ended June 30, 2024, is summarized below:

| | <u>Balance</u> <u>June 30, 2023</u> | <u>Receipts</u> | <u>Interest</u> <u>Income</u> | <u>Disbursements</u> | <u>Balance</u> <u>June 30, 2024</u> |
|----------------------------------|--|-----------------|----------------------------------|----------------------|--|
| Nevin Memorial | \$ 15,454 | \$ 854 | \$ - | \$ - | \$ 16,308 |
| Laird Memorial | 3,982 | 220 | - | - | 4,202 |
| HCPL Memorial Endowment | 3,767 | 208 | - | - | 3,975 |
| Hutchins - Harlem Memorial | 4,523 | 252 | - | - | 4,775 |
| Drumm Memorial | 701 | 38 | - | - | 739 |
| Havre de Grace Friends Endowment | 5,429 | 299 | - | - | 5,728 |
| 40th Anniversary Commemorative | 4,026 | 223 | - | - | 4,249 |
| Staff Welfare Fund | 15,389 | 850 | - | - | 16,239 |
| Barnhart Fund | 1,160 | 64 | - | - | 1,224 |
| Keithley Memorial | 39,358 | 2,176 | - | - | 41,534 |
| Total | <u>\$ 93,789</u> | <u>\$ 5,184</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 98,973</u> |

For fund balance classification purposes, \$53,891 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 \$45,082 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 0.0097957% as of the measurement date of June 30, 2023.

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.

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements

For the Year Ended June 30, 2024

NOTE 10 PENSION PLANS SUMMARY *(continued)*

The Library's employees contributed 7% of their compensation during fiscal year 2023 as stipulated by the State Retirement and Pension System. The Library contributed \$269,852 to the State Retirement and Pension System for fiscal year 2024, 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.

Basis of Presentation and Basis of Accounting

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 U.S. GAAP that apply to governmental accounting for fiduciary funds.

Actual employer contributions billed to participating governmental units for the year ended June 30, 2023 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, 2023.

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, 2023, calculated in accordance with GASB 67, are shown in the following table:

| | |
|--|-----------------------------------|
| Total pension liability | \$ 8,612,701 |
| Plan fiduciary net position | <u>6,356,730</u> |
| Net pension liability | <u><u>\$ 2,255,971</u></u> |
| | |
| Plan fiduciary net position as a percentage of the total pension liability | <u>73.81%</u> |

HARFORD COUNTY PUBLIC LIBRARY
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 10 PENSION PLANS SUMMARY *(continued)*

Actuarial Assumptions

| | |
|--|--|
| Valuation Date | June 30, 2023 |
| Contribution Fiscal Year Ended | June 30, 2024 |
| 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; 15 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 11.25%, 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. |

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:

HARFORD COUNTY PUBLIC LIBRARY
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 10 PENSION PLANS SUMMARY *(continued)*

Investments *(continued)*

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|--------------------|--------------------------|---|
| Public equity | 34% | 6.90% |
| Private equity | 16% | 8.60% |
| Rate sensitive | 20% | 2.60% |
| Credit opportunity | 9% | 5.60% |
| Real assets | 15% | 5.40% |
| Absolute return | 6% | 4.40% |
| Total | <u>100%</u> | |

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, 2023.

Discount Rate

A discount rate of 6.80% was used to measure the total pension liability as of June 30, 2023. The discount rate was based on the expected rate of return on pension plan investments of 6.80%. 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.

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, calculated using a discount rate of 6.80%, a discount rate that is 1 percentage point lower (*i.e.*, 5.80%), and a discount rate that is 1 percentage point higher (*i.e.*, 7.80%).

HARFORD COUNTY PUBLIC LIBRARY
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 10 PENSION PLANS SUMMARY *(continued)*

Sensitivity of the Net Pension Liability *(continued)*

| | 1% Decrease (5.80)% | Current Discount Rate (6.80)% | 1% Increase (7.80)% |
|--|---------------------------|-------------------------------------|---------------------------|
| The System's net pension liability | \$ 34,149,290,000 | \$ 23,030,311,000 | \$ 13,803,485,000 |
| The Library's proportionate share of the net pension liability | \$ 3,345,148 | \$ 2,255,971 | \$ 1,352,143 |

Pension Plan Description

Organization

The State Retirement Agency (the Agency) is the administrator of the Maryland State Retirement and Pension System (the 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 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 System. The State is obligated to annually pay into the accumulation fund of each State system at least an amount that, when combined with the System's accumulation funds, is sufficient to provide benefits payable under each plan during that fiscal year.

The 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 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 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, 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.

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements

For the Year Ended June 30, 2024

NOTE 10 PENSION PLANS SUMMARY *(continued)*

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

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements

For the Year Ended June 30, 2024

NOTE 10 PENSION PLANS SUMMARY *(continued)*

Summary of Significant Plan Provisions *(continued)*

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 FY 2023 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 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.

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements

For the Year Ended June 30, 2024

NOTE 10 PENSION PLANS SUMMARY *(continued)*

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 15 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 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 67%) 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.

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements

For the Year Ended June 30, 2024

NOTE 10 PENSION PLANS SUMMARY *(continued)*

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, 2024, the Library reported a liability of \$2,255,971 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2023, 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, 2023, the Library's proportion was approximately 0.0097957%.

HARFORD COUNTY PUBLIC LIBRARY
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 10 PENSION PLANS SUMMARY *(continued)*

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions *(continued)*

For the year ended June 30, 2024, the Library recognized net pension expense of \$132,604. At the measurement date of June 30, 2023, 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 | \$ 137,075 | \$ (6,539) |
| Difference between actual and expected experience | 79,291 | (88,570) |
| Net difference between projected and actual earnings on pension plan investments | 219,906 | (26,536) |
| Change in proportion | 267,963 | - |
| Contributions subsequent to the measurement date | 269,851 | - |
| Total | \$ 974,086 | \$ (121,645) |

The deferred outflow of resources of \$269,851 relating to contributions subsequent to the measurement date of June 30, 2023 will be recognized as a reduction of the Library's net pension liability during the year ending June 30, 2025. 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 2023, 2022, 2021, 2020, 2019 and 2018 are being amortized over the remaining service lives ranging from 5.44 to 5.72 years. The deferred outflows and inflows related to net differences in investment earnings for 2023, 2022, 2021, 2020, 2019 and 2018 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.

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements

For the Year Ended June 30, 2024

NOTE 10 PENSION PLANS SUMMARY *(continued)*

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions *(continued)*

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

| Fiscal Year Ending June 30, | Amount |
|--|-------------------|
| 2025 | \$ 129,207 |
| 2026 | 104,340 |
| 2027 | 251,374 |
| 2028 | 82,711 |
| 2029 | 14,958 |
| | <u>\$ 582,590</u> |

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, 2023 were as follows:

| | In Relation to Employees Participating in the Employees' Retirement and Pension System |
|-----------------------------------|---|
| Total pension liability | \$ 87,923,284,000 |
| Less: Plan fiduciary net position | <u>64,892,973,000</u> |
| Net pension liability | <u>\$ 23,030,311,000</u> |

The Pension Plan Fiduciary

Plan information, as well as the ACFR of the Maryland State Retirement and Pension System for the year ended June 30, 2023, is available from:

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

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements

For the Year Ended June 30, 2024

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, see Note 12, 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, a single employer, defined benefit plan. The OPEB Trust Fund is used to pay medical and dental 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 June 30, 2024, the following employees were covered by the benefit terms:

| | |
|--|--------------------------|
| Retirees currently receiving benefits | 93 |
| Active employees participating in the OPEB | <u>57</u> |
| Total plan members | <u><u>150</u></u> |

Benefits Provided

The Plan's benefit provisions are established by the Board of Trustees and may be periodically amended by the Board. Pre-Medicare retirees may choose between two medical plans, both of which include prescription coverage. Medicare-eligible retirees are covered under a Medicare Advantage plan. Medicare eligible retirees must also be enrolled in both Part A and Part B of Medicare in order to enroll in this plan. Retirees may choose between two dental plans.

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 by the Board. The required contribution is based on projected pay-as-you-go financing

HARFORD COUNTY PUBLIC LIBRARY
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS *(continued)*

Contributions *(continued)*

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 FY 2024, the Library contributed \$1,440,312 to the OPEB plan, including \$290,312 in benefits paid directly by the Library. 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, 2024 and the total OPEB liability used to calculate the net OPEB liability was measured by an actuarial valuation as of June 30, 2024.

Discount Rate

The discount rate used to measure the total OPEB liability is 7.00%. 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.

Actuarial Methods and Assumptions

The total OPEB liability on June 30, 2024 was determined using the following significant actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

| | |
|---------------------------|---|
| Discount Rate | 6.81%, beginning of measurement period 7.0%, end of measurement period |
| Expected Return on Assets | 6.81%, beginning of measurement period 7.0%, end of the measurement period |

HARFORD COUNTY PUBLIC LIBRARY
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS *(continued)*

Actuarial Methods and Assumptions *(continued)*

| | |
|----------------------------|---|
| Salary Increases | 0.25% to 4.0% |
| General Inflation | 2.30% (2023); 2.50% (2024) |
| <i>Retirement Age</i> | |
| Active Participants | Age 55 and above |
| <i>Mortality Rates</i> | |
| Healthy and Disabled | Pub 2010, "General" Classification; projected using Scale MP-2021 |
| Healthcare Cost Trend Rate | Society of Actuaries (SOA) Long-Run Medical Cost Trend Model, 2024 version. Baseline trend rate for 2024 set at 7.5%. |
| Asset Method | Fair market value |
| Actuarial Cost Method | Entry Age Normal cost method |
| Measurement Date | June 30, 2024 |
| Measurement Period | June 30, 2023 to June 30, 2024 |
| Valuation Date | July 1, 2024 |
| Census Data | As of July 1, 2024 for June 30, 2024 measurement date |

There were no financial accounting method changes during FY 2024. The financial accounting valuation reflects the following assumption changes:

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements

For the Year Ended June 30, 2024

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS *(continued)*

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, 2024, are as follows:

| Asset Class | Expected Real Rate of Return | Allocation |
|--|---|-------------------|
| Domestic Equity (Large Cap) | 4.40% | 29.90% |
| Domestic Equity (Small Cap) | 4.89% | 6.42% |
| Global Equities - Developed & Emerging | 4.99% | 7.59% |
| International Equity | 4.89% | 7.55% |
| Emerging Markets Equity | 5.28% | 9.04% |
| Cash | 0.98% | 0.13% |
| U.S. Fixed Income | 1.76% | 14.81% |
| Long Duration Bonds | 2.35% | 14.65% |
| High-Yield Bonds | 3.52% | 4.98% |
| U.S. REITs | 4.40% | 4.93% |

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 (Asset) |
| Beginning balance - July 1, 2023 | \$ 6,569 | \$ 5,419 | \$ 1,150 |
| <i>Changes recognized for the fiscal year</i> | | | |
| Service cost | 115 | - | 115 |
| Interest on the total OPEB liability | 437 | - | 437 |
| Changes in benefit terms | - | - | - |
| Differences between expected and actual experience | (243) | - | (243) |
| Changes of assumptions | (801) | - | (801) |
| Benefit payments | (290) | (290) | - |
| Contributions from the employer | - | 1,440 | (1,440) |
| Contributions from the employee | - | - | - |
| Net investment income | - | 591 | (591) |
| Administrative expense | - | - | - |
| Net changes | (782) | 1,741 | (2,523) |
| Ending balance - June 30, 2024 | \$ 5,787 | \$ 7,160 | \$ (1,373) |
| Funded status | | <u>123.74%</u> | |

HARFORD COUNTY PUBLIC LIBRARY
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS *(continued)*

Sensitivity of the Net OPEB Liability (Asset) to Changes in the Discount Rate

The following presents the net OPEB liability (asset) of the Library, as well as what the Library's net OPEB liability (asset) would be if it were calculated using a discount rate that is 1 percentage point lower (6.00%) or 1 percentage point higher (8.00%) than the current discount rate:

| | (\$000s omitted) | | |
|----------------------------|------------------------|--------------------------|------------------------|
| | 1% Decrease (6.00)% | Discount Rate (7.00)% | 1% Increase (8.00)% |
| Net OPEB Liability (Asset) | \$ (804) | \$ (1,373) | \$ (1,868) |

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

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

| | (\$000s omitted) | | |
|----------------------------|------------------|-------------------------------|-------------|
| | 1% Decrease | Healthcare Cost Trend Rate | 1% Increase |
| Net OPEB Liability (Asset) | \$ (2,056) | \$ (1,373) | \$ (579) |

Deferred Outflows and Deferred Inflows of Resources Related to OPEB

At June 30, 2024, 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 | \$ 243 | \$ (10,594) |
| Net difference between expected and actual earnings on OPEB plan investments | 16 | - |
| Assumption changes | 3,157 | (5,889) |
| Total | <u>\$ 3,416</u> | <u>\$ (16,483)</u> |

HARFORD COUNTY PUBLIC LIBRARY
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 11 OTHER POST-EMPLOYMENT BENEFITS *(continued)*

Deferred Outflows and Deferred Inflows of Resources Related to OPEB
(continued)

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

| Fiscal Year | (\$000s omitted) |
|-------------------------------|-------------------------|
| <u>Ending June 30,</u> | <u>Total</u> |
| 2025 | \$ (3,205) |
| 2026 | (4,583) |
| 2027 | (4,682) |
| 2028 | (597) |
| 2029 | - |
| Total | \$ (13,067) |

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 in FY 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 healthcare expenses after an employee leaves the Library. There was a total of \$513,120 contributed to this plan and a total of 111 employees are currently enrolled as of June 30, 2024.

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.

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements

For the Year Ended June 30, 2024

NOTE 13 COMMITMENTS AND CONTINGENCIES *(continued)*

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 responsible 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.

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 15 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 Section 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, 2024, the Foundation provided contributions of \$53,050, plus other support amounting to \$1,490, and there is also a \$105,307 receivable from the Foundation 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.

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements

For the Year Ended June 30, 2024

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 U.S. GAAP issued by the FASB. The Codification is the single source of authoritative GAAP in the United States for non-government organizations.

Use of Estimates

The preparation of financial statements in conformity with U.S. 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 U.S. GAAP. Under the accrual basis of accounting, support and revenue are recorded when earned and expenses are recorded when incurred. Net assets, revenue, 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.

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements

For the Year Ended June 30, 2024

NOTE 16 COMPONENT UNIT *(continued)*

Summary of Significant Accounting Policies *(continued)*

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.

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 that 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.

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements

For the Year Ended June 30, 2024

NOTE 16 COMPONENT UNIT *(continued)*

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. In-kind contributions during the year ended June 30, 2024 were \$106,412. A significant portion of the Foundation's in-kind contributions is received from vendors to support the Foundation's annual fundraising gala. Gala event revenue and expenditures included \$78,500 of donated goods, services, and facilities for the year ended June 30, 2024.

Net Assets

Net assets with donor restrictions at June 30, 2024 are restricted for the following purposes:

Subject to expenditure for specified purposes

| | | |
|---|-----------|------------------|
| Aberdeen Campaign | \$ | 76,801 |
| Aberdeen Materials | | 150 |
| Aberdeen Campaign | | 1,186 |
| Bel Air Campaign | | 38,240 |
| Bel Air Children's Campaign | | 31,945 |
| Bel Air Genealogy Research | | 883,946 |
| Bel Air Materials | | 1,009 |
| Edgewood Campaign | | 12,813 |
| Fallston Campaign | | 1,936 |
| General Restricted | | 41,641 |
| Havre de Grace Building Campaign | | 37,080 |
| Havre de Grace Campaign | | 6,830 |
| Innovation Initiatives | | 2,030 |
| Innovation Lab | | 9,416 |
| Jarrettsville Campaign | | 4,698 |
| Joppa Campaign | | 651 |
| Leap Program | | 4,018 |
| Little Leapers | | 21 |
| Materials Purchases | | 20 |
| Norrisville Campaign | | 1,200 |
| Partners in Reading | | 855 |
| Rolling Reader | | 743 |
| Silver Reader | | 3,328 |
| Summer Reading Program | | 6,026 |
| Whiteford Campaign | | 44,253 |
| Total net assets with donor restrictions | \$ | 1,210,836 |

HARFORD COUNTY PUBLIC LIBRARY
Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 16 COMPONENT UNIT *(continued)*

Net Assets *(continued)*

During the year ended June 30, 2024, the Library received \$32,106 from an estate for the Bel Air Public Library to supplement and increase resources related to genealogy research. The Library donated the amount to the Foundation, carrying the same stipulations as stated in the donor's will.

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 | \$ 1,443,942 |
| Contributions receivable | <u>23,160</u> |
| Total financial assets | 1,467,102 |
| <i>Donor-imposed restrictions</i> | |
| Donor contributions restricted to specific purposes | <u>(1,210,836)</u> |
| Financial assets available to meet cash needs for general expenditures within one year | <u>\$ 256,266</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, 2024 are as follows:

| | <u>Program</u> | <u>Management and General</u> | <u>Fundraising</u> | <u>Total</u> |
|-------------------------|-------------------------|-----------------------------------|------------------------|--------------------------|
| Donations to library | \$ 54,540 | \$ - | \$ - | \$ 54,540 |
| Accounting and auditing | - | 42,990 | - | 42,990 |
| Bank fees | - | 674 | - | 674 |
| Board | - | 2,942 | - | 2,942 |
| Insurance | - | 1,853 | - | 1,853 |
| Marketing and promotion | - | 1,568 | 2,820 | 4,388 |
| Office supplies | - | 2,241 | - | 2,241 |
| Postage | - | 1,369 | - | 1,369 |
| Total expenses | <u>\$ 54,540</u> | <u>\$ 53,637</u> | <u>\$ 2,820</u> | <u>\$ 110,997</u> |

HARFORD COUNTY PUBLIC LIBRARY

Notes to Basic Financial Statements
For the Year Ended June 30, 2024

NOTE 16 **COMPONENT UNIT** *(continued)*

Functional Expenses *(continued)*

The Foundation evaluated subsequent events and transactions for potential recognition or disclosure in the financial statements through September 17, 2024, the date the financial statements were available to be issued.

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 that 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 17, 2024, which is 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
As of June 30, 2024

| Changes in Employer's Net OPEB Liability (Asset) and Related Ratios | (\$000s omitted) | | | | | | |
|--|-------------------------|-----------------|-----------------|-----------------|------------------|------------------|------------------|
| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
| <i>Total OPEB liability (asset)</i> | | | | | | | |
| Service cost | \$ 116 | \$ 108 | \$ 222 | \$ 865 | \$ 1,077 | \$ 1,375 | \$ 691 |
| Interest | 437 | 411 | 498 | 1,275 | 1,453 | 1,422 | 651 |
| Differences between expected and actual experience | (243) | (748) | (2,084) | (19,826) | (443) | 805 | 206 |
| Changes of assumptions | (801) | 1,046 | (746) | (2,018) | (6,006) | (6,628) | 16,599 |
| Benefit payments | (290) | (251) | (204) | (173) | (111) | (222) | (345) |
| Net change in total OPEB liability (asset) | (781) | 566 | (2,314) | (19,877) | (4,030) | (3,248) | 17,802 |
| Beginning total OPEB liability | 6,568 | 6,002 | 8,316 | 28,193 | 32,223 | 35,471 | 17,669 |
| Ending total OPEB liability (asset) | 5,787 | 6,568 | 6,002 | 8,316 | 28,193 | 32,223 | 35,471 |
| <i>Plan fiduciary net position</i> | | | | | | | |
| Employer contributions | 1,440 | 531 | 484 | 453 | 342 | 503 | 3,429 |
| Net investment income | 591 | 506 | (717) | 1,026 | 71 | 176 | - |
| Benefit payments | (290) | (251) | (204) | (173) | (111) | (222) | (345) |
| Administrative expense | - | (19) | (19) | (17) | (17) | (7) | - |
| Net change in fiduciary net position | 1,741 | 767 | (456) | 1,289 | 285 | 450 | 3,084 |
| Beginning fiduciary net position | 5,419 | 4,652 | 5,108 | 3,819 | 3,534 | 3,084 | - |
| Ending fiduciary net position | 7,160 | 5,419 | 4,652 | 5,108 | 3,819 | 3,534 | 3,084 |
| Library's net OPEB liability (asset) - ending | \$ (1,373) | \$ 1,149 | \$ 1,350 | \$ 3,208 | \$ 24,374 | \$ 28,689 | \$ 32,387 |
| Plan fiduciary net position as a percentage of the total OPEB liability | 123.74% | 82.51% | 77.51% | 61.42% | 13.55% | 10.97% | 8.69% |
| Covered-employee payroll * | \$ 3,779 | \$ 4,599 | \$ 4,292 | \$ 8,527 | \$ 8,185 | \$ 7,844 | NA |
| Library's net OPEB liability (asset) as a percentage of covered-employee payroll | (36.33)% | 24.98% | 31.45% | 37.62% | 297.79% | 365.74% | NA |
| *In fiscal year 2022, the Library provided an incentive for staff who were part of the OPEB Trust Fund to transfer to the PEHP. Sixty four (64) staff members took that option resulting in a significant decrease in covered payroll. | | | | | | | |
| Annual investment return | 6.50% | 5.70% | (4.69%) | 10.81% | 1.74% | 7.70% | 6.60% |

HARFORD COUNTY PUBLIC LIBRARY

Schedule of Required OPEB-Related
Supplementary Information (*continued*)
As of June 30, 2024

Changes in Benefit Terms

There were no benefit changes during the year.

Changes in Assumptions

| | 2024 | 2023 | 2022 | 2021 | 2020 | 2019 | 2018 |
|---------------------------|-------------------|-------------------|--|-------------------|--|-------------------|--|
| Valuation date - June 30, | 7/1/2024 | 7/1/2023 | 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 |
| Actuarial cost method | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal | Entry Age Normal |
| Asset valuation method | Fair Market Value | Fair Market Value | Fair Market Value | Fair Market Value | Fair Market Value | Fair Market Value | Fair Market Value |
| Expected return on assets | 7.00% | 6.81% | 6.86% | 7.00% | 7.00% | 7.00% | 6.50% |
| Discount rate | 7.00% | 6.81% | 6.86% | 4.40% -5.90% | 4.37% - 4.40% | 3.87%-4.37% | 3.58% |
| General inflation | 2.50% | 2.30% | 2.40% | 2.10% | 2.50% | 2.50% | 2.50% |

See Notes to Required Pension-Related Supplementary Information

HARFORD COUNTY PUBLIC LIBRARY
Schedule of Required Pension-Related
Supplementary Information
For the Year Ended June 30, 2024

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> |
|--|--------------|--------------|--------------|---------------|---------------|---------------|---------------|---------------|---------------|
| <i>Schedule of the Library's Proportionate Share of the Net Pension Liability for the Employees' Retirement and Pension System</i> | | | | | | | | | |
| Library's proportion (%) of the collective net pension liability | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% | 0.01% |
| Library's proportionate share (\$) of the collective net pension liability | \$ 2,255,971 | \$ 1,860,506 | \$ 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 (\$) | \$ 2,614,676 | \$ 2,158,623 | \$ 1,954,204 | \$ 1,793,669 | \$ 1,794,052 | \$ 1,882,204 | \$ 1,543,072 | \$ 1,569,830 | \$ 1,664,205 |
| Library's proportionate share of the collective net pension liability as a percentage of its covered payroll | 86.28% | 86.19% | 66.48% | 94.96% | 91.96% | 84.22% | 87.69% | 99.74% | 96.40% |
| Plan fiduciary net position as a percentage of the total pension liability | 73.81% | 76.27% | 81.84% | 70.72% | 72.34% | 71.18% | 69.38% | 65.79% | 68.78% |
| <i>Schedule of the Library's Proportionate Share of the Net Pension Liability for the Teachers' Retirement and Pension System</i> | | | | | | | | | |
| Library's proportion (%) of the collective net pension liability | 0% | 0% | 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 | \$ 8,612,701 | \$ 9,616,100 | \$ 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 | \$ 8,612,701 | \$ 9,616,100 | \$ 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 | \$ 9,918,346 | \$ 8,100,285 | \$ 7,393,766 | \$ 7,359,343 | \$ 7,685,992 | \$ 7,258,936 | \$ 8,986,432 | \$ 7,376,130 | NA |
| Library's proportionate share of the collective net pension liability as a percentage of its covered payroll | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% | 0% |
| Plan fiduciary net position as a percentage of the total pension liability | 73.81% | 76.27% | 81.84% | 70.72% | 72.34% | 71.18% | 69.38% | 65.79% | NA |

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 (*continued*)
For the Year Ended June 30, 2024

Employees' Retirement and Pension System

| | <u>2024</u> | <u>2023</u> | <u>2022</u> | <u>2021</u> | <u>2020</u> | <u>2019</u> | <u>2018</u> | <u>2017</u> | <u>2016</u> | <u>2015</u> |
|--|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Contractually required contribution | \$ 269,852 | \$ 238,907 | \$ 212,221 | \$ 190,833 | \$ 161,572 | \$ 164,253 | \$ 150,663 | \$ 127,364 | \$ 129,274 | \$ 162,716 |
| Contributions in relation to the contractually required contribution | (269,852) | (238,907) | (212,221) | (190,833) | (161,572) | (164,253) | (150,663) | (127,364) | (129,274) | (162,716) |
| Contribution deficiency (excess) | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| Library's covered payroll | \$ 2,235,594 | \$ 2,614,676 | \$ 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 | 12% | 9% | 10% | 10% | 9% | 9% | 8% | 8% | 8% | 10% |

See Notes to Required Pension-Related Supplementary Information

HARFORD COUNTY PUBLIC LIBRARY
Notes to Required Pension-Related
Supplementary Information
For the Year Ended June 30, 2024

Changes in Benefit Terms

There were no benefit changes during the year.

Changes in Assumptions

| | <u>Change from Fiscal Year 2017 to 2018</u> | <u>Change from Fiscal Year 2018 to 2019</u> | <u>Change from Fiscal Year 2019 to 2020</u> | <u>Change from Fiscal Year 2020 to 2021</u> | <u>Change from Fiscal Year 2021 to 2022</u> | <u>Change from Fiscal Year 2022 to 2023</u> |
|-------------------|---|---|---|---|---|---|
| Inflation general | 2.65% to 2.60% | 2.60% to 2.65% | 2.65% to 2.60% | 2.60% to 2.25% | No change | No change |
| Investment return | 7.5% to 7.45% | 7.45% to 7.40% | No change | 7.40% to 6.80% | No change | No change |
| Salary increases | 3.15% to 3.10% | No change | No change | 3.10% to 2.75% | No change | No change |
| Discount rate | 7.5% to 7.45% | 7.45% to 7.40% | No change | 7.40% to 6.80% | No change | No change |



**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, 2024, 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 17, 2024. 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.

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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.

Mitchell Titus, LLP

September 17, 2024

