

KENT DISTRICT LIBRARY

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

YEAR ENDED DECEMBER 31, 2020

TABLE OF CONTENTS

	<u>Page</u>
INDEPENDENT AUDITOR'S REPORT.....	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-10
BASIC FINANCIAL STATEMENTS.....	11
Government-Wide Financial Statements	
Statement of Net Position.....	12
Statement of Activities.....	13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14-15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	17
Proprietary Fund	
Statement of Revenues, Expenses, and Changes in Net Position	18
Statement of Cash Flows.....	19
Fiduciary Fund	
Statement of Fiduciary Net Position.....	20
Statement of Changes in Fiduciary Net Position	21
Notes to Financial Statements	22-41
REQUIRED SUPPLEMENTARY INFORMATION	42
Budgetary Comparison Schedule - General Fund	43
Schedule of Changes in the Employer's Pension Liability and Related Ratios	44
Schedule of Employer Pension Contributions	45
Notes to the Required Supplementary Information	46

INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Kent District Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the major fund, and the aggregate remaining fund information of the Kent District Library as of and for the year ended December 31, 2020, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the major fund, and the aggregate remaining fund information as of December 31, 2020, and the respective changes in financial position and, where applicable, cash flow thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Maney Costain PC

June 18, 2021

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the Kent District Library (the Library), we offer readers of the Kent District Library's financial statements this narrative overview and analysis of the financial activities of the Kent District Library for the fiscal year ended December 31, 2020.

FINANCIAL HIGHLIGHTS

Governmental-Wide

- The assets and deferred outflows of the Library exceeded its liabilities and deferred inflows at the close of the most recent fiscal year by \$30,739,820 (net position). Of this amount, \$12,680,469 (unrestricted net position) may be used to meet the Library's ongoing obligations to citizens and creditors.
- The Library's total net position increased by \$1,681,177.

Fund-Level

Governmental Funds

- As of the close of the 2020 fiscal year, the Library's governmental funds reported ending fund balance of \$13,775,757, an increase of \$188,897 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$6,811,702 or 27% of total general fund expenditures, exceeding the Kent District Library Board's fund balance minimum of 15% to 20% of expenditures.

Proprietary Fund

- The Library's enterprise fund was closed in the current year, with the remaining fund balance of \$2,894 transferred to the general fund.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the Library's basic financial statements. The Library's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the Library's finances, in a manner similar to a private-sector business.

The *statement of net position* presents information on all of the Library's assets, deferred outflows of resources, liabilities, and deferred inflows of resources with the difference between the four reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the Library is improving or deteriorating.

The *statement of activities* presents information showing how the Library's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused compensated absences).

Both of the government-wide financial statements distinguish functions of the Library that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the Library include culture and recreation. The business-type activities of the Library relate to consulting activity.

The government-wide financial statements can be found on pages 12 and 13 of this report.

Fund Financial Statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the Library can be divided into two categories: governmental funds or fiduciary funds.

Governmental Funds. *Governmental funds* are used to account for essentially the same functions reported as *governmental activities* in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows of spendable resources*, as well as on *balances of spendable resources* available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide information to facilitate this comparison between *governmental funds* and *governmental activities*.

The Library maintains two individual governmental funds. Information is presented in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund which is considered a major fund and the capital projects fund which is considered a nonmajor fund.

The Library adopts an annual appropriated budget for its general fund. A budgetary comparison schedule has been provided for the general fund in the required supplementary information.

The basic governmental fund financial statements can be found on pages 14 through 16 of this report.

Proprietary Funds. The Library maintains one type of proprietary fund. Enterprise funds are used to report the same functions as business-type activities in the government-wide financial statements. The Library uses the enterprise fund to account for its consulting activity. This fund was closed during the current year

Proprietary funds provided the same type of information as the government-wide financial statements, only in more detail.

The basic proprietary fund financial statements can be found on pages 18 through 19 of this report.

Fiduciary Funds. Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are *not* reflected in the government-wide financial statements because the resources of those funds are *not* available to support the Library's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The fiduciary fund financial statements can be found on pages 20 and 21 of this report.

Notes to the Financial Statements. The notes provide supplementary information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 22 through 42 of this report.

Other Information. In addition to the basic financial statements and accompanying notes, this report also presents certain *required supplementary information* concerning the Library's progress in funding its obligation to provide retirement benefits to its employees and the general fund budget on pages 44 through 47.

Government-Wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government's financial position. In the case of the Library, assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by \$30,739,820 at the close of the most recent fiscal year.

\$8,906,131 of the Library's net position (29%) reflects its investment in capital assets (e.g., library books, furniture and equipment), less any related debt, none at year end, used to acquire those assets that is still outstanding. The Library uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Kent District Library's Net Position

	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
ASSETS						
Current assets	\$ 39,651,290	\$ 38,033,374	\$ -	\$ 2,984	\$ 39,651,290	\$ 38,036,358
Pension assets	14,266,429	10,694,591	-	-	14,266,429	10,694,591
Capital assets	8,906,131	8,923,316	-	-	8,906,131	8,923,316
TOTAL ASSETS	62,823,850	57,651,281	-	2,984	62,823,850	57,654,265
Deferred outflows of resources	258,046	131,422	-	-	258,046	131,422
LIABILITIES						
Long-term liabilities	713,677	474,095	-	-	713,677	474,095
Other liabilities	1,261,431	1,000,519	-	-	1,261,431	1,000,519
TOTAL LIABILITIES	1,975,108	1,474,614	-	-	1,975,108	1,474,614
DEFERRED INFLOW OF RESOURCES	30,366,968	27,252,430	-	-	30,366,968	27,252,430
NET POSITION						
Investment in capital assets	8,906,131	8,923,316	-	-	8,906,131	8,923,316
Restricted contributions	381,611	355,381	-	-	381,611	355,381
Restricted for pension	8,771,609	7,019,578	-	-	8,771,609	7,019,578
Unrestricted	12,680,469	12,757,384	-	2,984	12,680,469	12,760,368
TOTAL NET POSITION	\$ 30,739,820	\$ 29,055,659	\$ -	\$ 2,984	\$ 30,739,820	\$ 29,058,643

The unrestricted net position of \$12,680,469 may be used to meet the Library's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the Library is able to report positive balances in all categories of net position for its governmental activities.

The Library's net position increased by \$1,681,177 during the current fiscal year. The majority of the increase can be attributed to increased property tax revenue.

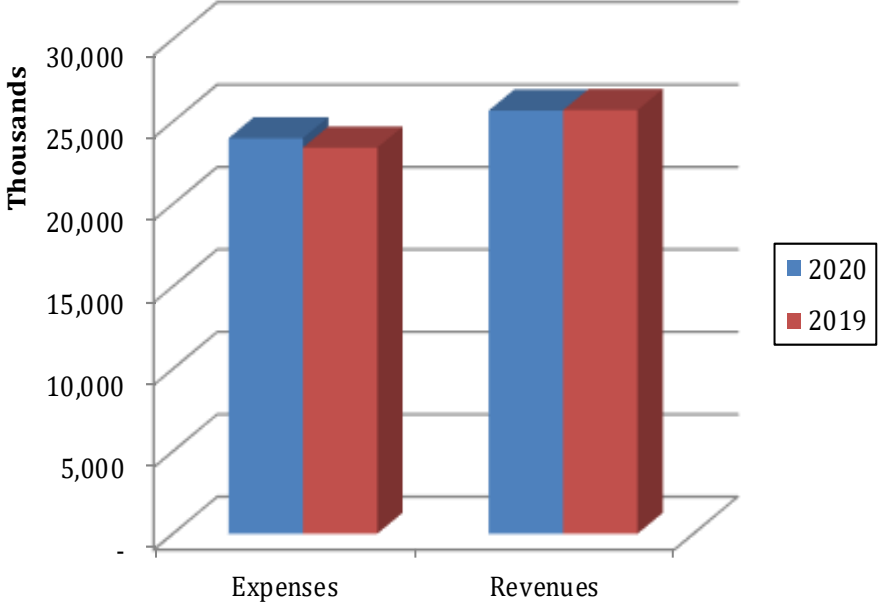
Governmental Activities. Governmental activities increased the Library's net position by \$1,684,161 and the business-type activities decreased net position by \$2,984. Key elements are as follows:

Kent District Library's Changes in Net Position

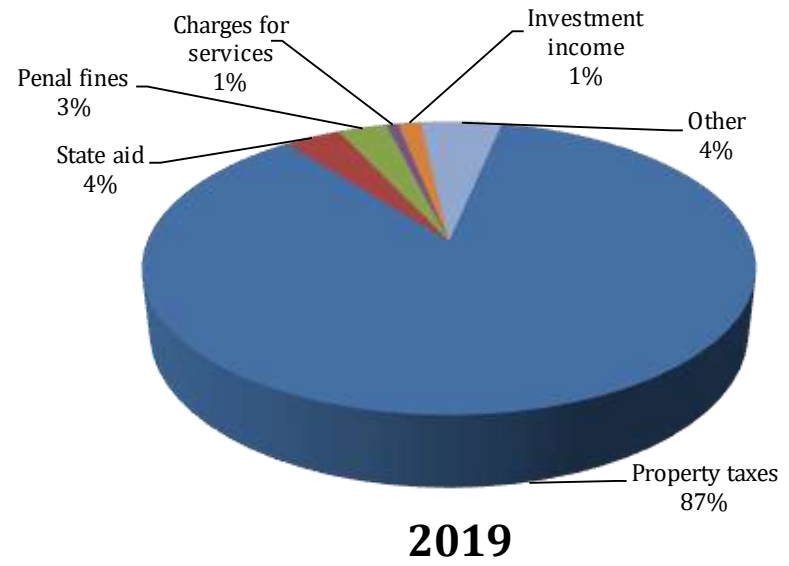
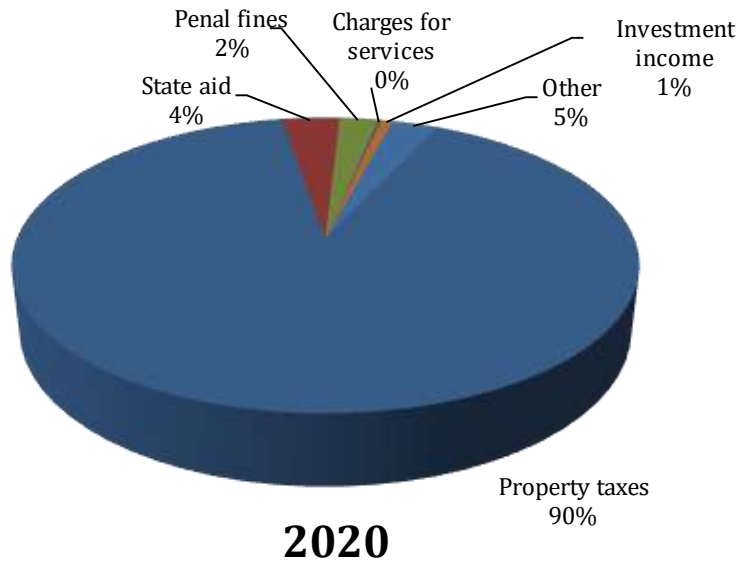
	Governmental Activities		Business-type Activities		Total	
	2020	2019	2020	2019	2020	2019
REVENUES						
Program revenues						
Charges for services	\$ 42,072	\$ 192,717	\$ -	\$ 21,573	\$ 42,072	\$ 214,290
General revenues						
Property taxes	23,204,356	22,130,099	-	-	23,204,356	22,130,099
Penal fines	619,366	787,989	-	-	619,366	787,989
State aid	907,195	905,003	-	-	907,195	905,003
Investment income	177,821	369,488	-	-	177,821	369,488
Other	723,107	1,313,343	-	-	723,107	1,313,343
TOTAL REVENUES	25,673,917	25,698,639	-	21,573	25,673,917	25,720,212
EXPENSES						
Library services	23,992,740	23,421,734	-	-	23,992,740	23,421,734
Consulting	-	-	-	20,642	-	20,642
TOTAL EXPENSES	23,992,740	23,421,734	-	20,642	23,992,740	23,442,376
OTHER FINANCING SOURCES AND USES						
Transfers in	2,984	-	-	-	2,984	-
Transfers out	-	-	(2,984)	-	(2,984)	-
TOTAL OTHER FINANCING SOURCES AND USES	2,984	-	(2,984)	-	-	-
Increase (Decrease) in net position	1,684,161	2,276,905	(2,984)	931	1,681,177	2,277,836
Net position, beginning of year	29,055,659	26,778,754	2,984	2,053	29,058,643	26,780,807
Net position, end of year	<u>\$ 30,739,820</u>	<u>\$ 29,055,659</u>	<u>\$ -</u>	<u>\$ 2,984</u>	<u>\$ 30,739,820</u>	<u>\$ 29,058,643</u>

- Overall government activities revenue is down \$24,722 from the prior year. The majority of the decrease is due to reduced penal fines and decreased e-rate funding.
- Business-type activity revenue decreased \$21,573 from the prior year. The decrease can be attributed to the closing of the fund during the current year.
- Governmental expenses increased \$571,006. The decrease can primarily be attributed to an increase in spending on digital materials.
- Business-type expenses decreased \$20,642. The decrease can be attributed to the closing of the fund during the current year.
- Business-type other financing uses increased \$2,984, with the transfer of the remaining fund balance to close the fund in the current year, with a similar increase in governmental other financing sources.

Kent District Library
EXPENSES AND REVENUES - GOVERNMENTAL ACTIVITIES
DECEMBER 31,



**Kent District Library
REVENUES BY SOURCE - GOVERNMENTAL ACTIVITIES
DECEMBER 31,**



Financial Analysis of the Government's Funds

As noted earlier, the Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of the Library's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *spendable* resources. Such information is useful in assessing the Library's financing requirements. In particular, unassigned fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the Library's governmental funds reported combined ending fund balance of \$13,775,757, an increase of \$188,897 in comparison with the prior year. Approximately 49% of this total amount (\$6,811,702) constitutes *unassigned*, which is available for spending at the Library's discretion. The remainder of fund balance is restricted, non-spendable, committed, or assigned to indicate that it is not available for new spending because it has already been committed to 1) donations (\$381,611), 2) capital projects (\$2,135,600), 3) subsequent year expenditures (\$3,309,146) or 4) prepaid expenses (\$1,137,698).

The general fund is the chief operating fund of the Library. At the end of the current fiscal year, unassigned fund balance of the general fund was \$6,811,702 while total fund balance was \$13,711,555. As a measure of the general fund's liquidity, it may be useful to compare both unassigned fund balance and total fund balance to total fund expenditures. Unassigned fund balance represents 27% of total general fund expenditures, while total fund balance represents 49% of that same amount.

The fund balance of the Library's general fund increased by \$188,897 during fiscal year 2020. A key factor in this increase is as follows:

- Increase in property tax revenue

Proprietary Funds. The Library's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail.

Unrestricted net position at the end of the year amounted to \$0, as the fund was closed in the current year.

Capital Asset and Debt Administration

Capital Assets. The Library's investment in capital assets for its governmental activities as of December 31, 2020, amounts to \$8,906,131 (net of accumulated depreciation). This investment in capital assets includes library books and materials, furniture and equipment, and building and building improvements.

Major capital asset events during the current fiscal year included the following:

- New library books and materials
- New computers and technology

Kent District Library's Assets
(Net of Depreciation)

	Governmental Activities	
	2020	2019
Buildings	\$ 379,602	\$ 463,958
Building improvements	1,730,010	846,192
Land improvements	336,190	357,966
Library books and materials	5,451,121	5,240,817
Vehicles	256,521	306,522
Furniture and equipment	41,397	71,468
Land	440,000	440,000
Information technology	231,675	425,531
Construction in progress	39,615	770,862
	\$ 8,906,131	\$ 8,923,316

Additional information on the Library's capital assets can be found in the notes of this report.

Long-Term Debt. At the end of the current fiscal year, the Library had total debt outstanding of \$713,677. This represents compensated absences earned but not used as of year-end.

Kent District Library's Outstanding Debt

	Governmental Activities	
	2020	2019
Compensated absences	\$ 713,677	\$ 474,095

The Library's total debt increased by \$239,582 (50.5%) during the current fiscal year.

Additional information on the Library's long-term debt can be found in the notes of this report.

Economic Factors and Next Year's Budgets and Rates

Kent District Library's goal is to maintain and enhance the services that are provided to the public utilizing the most efficient and effective methods. The Library has projected expenditures to exceed revenues in 2021 by \$3,309,146. The Library has a conservative and fiscally responsible budget for the fiscal year 2021 that will support the Library's activities and programs.

Requests for Information

This financial report is designed to provide a general overview of the Library's finances for all those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to Kent District Library, 814 W. River Center NE, Comstock Park, MI 49321.

BASIC FINANCIAL STATEMENTS

**KENT DISTRICT LIBRARY
STATEMENT OF NET POSITION
DECEMBER 31, 2020**

	Governmental Activities
ASSETS	
Cash	\$ 5,570,094
Investments	11,968,687
Receivables	
Accounts	353,761
Taxes	20,621,050
Prepaid expenses	1,137,698
Net pension asset	14,266,429
Capital assets, not being depreciated	479,615
Capital assets, net of accumulated depreciation	8,426,516
TOTAL ASSETS	62,823,850
DEFERRED OUTFLOW OF RESOURCES	
Pension related items	258,046
LIABILITIES	
Accounts payable	852,194
Accrued payroll, taxes and withholding	409,237
Noncurrent liabilities	
Due within one year	285,471
Due in more than one year	428,206
TOTAL LIABILITIES	1,975,108
DEFERRED INFLOWS OF RESOURCES	
Unavailable revenue	24,614,102
Pension related items	5,752,866
TOTAL DEFERRED INFLOWS OF RESOURCES	30,366,968
NET POSITION	
Investment in capital assets	8,906,131
Restricted - contributions	381,611
Restricted - pension benefits	8,771,609
Unrestricted	12,680,469
TOTAL NET POSITION	\$ 30,739,820

See notes to financial statements.

**KENT DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>	<u>Net (Expense) Revenue and Changes in Net Position</u>		
		<u>Charges for Services</u>	<u>Governmental Activities</u>	<u>Business-type Activity</u>	<u>Total</u>
Governmental activities					
Recreation and culture					
Library	\$ 23,992,740	\$ 42,072	\$ (23,950,668)	\$ -	\$ (23,950,668)
Business-type activity					
Consulting	-	-	-	-	-
Total	<u>\$ 23,992,740</u>	<u>\$ 42,072</u>	<u>(23,950,668)</u>	<u>-</u>	<u>(23,950,668)</u>
General revenues					
Taxes					
Property taxes, levied for general purposes			23,204,356	-	23,204,356
Penal fines			619,366	-	619,366
State sources			907,195	-	907,195
Investment income			177,821	-	177,821
Other			723,107	-	723,107
Transfers			2,984	(2,984)	-
Total general revenues and transfers			<u>25,634,829</u>	<u>(2,984)</u>	<u>25,631,845</u>
Change in net position			1,684,161	(2,984)	1,681,177
Net position, beginning of year			<u>29,055,659</u>	<u>2,984</u>	<u>29,058,643</u>
Net position, end of year			<u>\$ 30,739,820</u>	<u>\$ -</u>	<u>\$ 30,739,820</u>

See notes to financial statements.

**KENT DISTRICT LIBRARY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2020**

	General	Nonmajor Capital Projects	Total Governmental Funds
ASSETS			
Cash	\$ 5,570,094	\$ -	\$ 5,570,094
Investments	11,968,687	-	11,968,687
Due from other funds	-	64,202	64,202
Receivables			
Accounts	353,761	-	353,761
Taxes	20,621,050	-	20,621,050
Prepaid expenses	1,137,698	-	1,137,698
TOTAL ASSETS	\$ 39,651,290	\$ 64,202	\$ 39,715,492
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 852,194	\$ -	\$ 852,194
Accrued payroll, taxes and withholding	409,237	-	409,237
Due to other funds	64,202	-	64,202
TOTAL LIABILITIES	1,325,633	-	1,325,633
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - USF funds	341,894	-	341,894
Unavailable revenue - property taxes	24,272,208	-	24,272,208
TOTAL DEFERRED INFLOWS	24,614,102	-	24,614,102

See notes to financial statements.

	<u>General</u>	<u>Nonmajor Capital Projects</u>	<u>Total Governmental Funds</u>
FUND BALANCE			
Non-spendable - prepaid expenditures	\$ 1,137,698	\$ -	\$ 1,137,698
Restricted - donations	381,611	-	381,611
Committed - capital projects	2,071,398	-	2,071,398
Assigned - capital projects	-	64,202	64,202
Assigned - subsequent year expenditures	3,309,146	-	3,309,146
Unassigned	6,811,702	-	6,811,702
	<u>13,711,555</u>	<u>64,202</u>	<u>13,775,757</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u><u>\$ 39,651,290</u></u>	<u><u>\$ 64,202</u></u>	<u><u>\$ 39,715,492</u></u>
Total governmental fund balances			\$ 13,775,757
Amounts reported for governmental activities in the statement of net position are different because:			
Deferred outflows of resources - related to pension			258,046
Deferred inflows of resources - related to pension			(5,752,866)
Net pension asset			14,266,429
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets not being depreciated		\$ 479,615	
Capital assets being depreciated, net		<u>8,426,516</u>	8,906,131
Long-term liabilities, such as compensated absences, are not due and payable in the current period and are therefore not reported in the funds.			
Compensated absences payable			<u>(713,677)</u>
Net position of governmental activities			<u><u>\$ 30,739,820</u></u>

See notes to financial statements.

**KENT DISTRICT LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2020**

	<u>General</u>	<u>Nonmajor Capital Projects</u>	<u>Total Governmental Funds</u>
REVENUES			
Local sources			
Property taxes	\$ 23,204,356	\$ -	\$ 23,204,356
Penal fines	619,366	-	619,366
Charges for services	42,072	-	42,072
Interest income	177,821	-	177,821
Public donations	306,145	-	306,145
Other	416,962	-	416,962
	<u>24,766,722</u>	<u>-</u>	<u>24,766,722</u>
	24,766,722	-	24,766,722
State sources			
	<u>907,195</u>	<u>-</u>	<u>907,195</u>
	907,195	-	907,195
TOTAL REVENUES			
	<u>25,673,917</u>	<u>-</u>	<u>25,673,917</u>
	25,673,917	-	25,673,917
EXPENDITURES			
Current			
Recreation and culture			
Salaries and wages	12,387,934	-	12,387,934
Employee benefits	3,285,355	-	3,285,355
Collections			
Digital	2,104,908	-	2,104,908
Physical	2,247,242	-	2,247,242
Supplies	808,992	-	808,992
Contractual services	1,180,848	-	1,180,848
Programming and outreach	217,078	-	217,078
Maintenance and utilities	1,622,972	-	1,622,972
Staff and board development	117,844	-	117,844
Other	706,935	-	706,935
Capital outlay	807,896	-	807,896
	<u>25,488,004</u>	<u>-</u>	<u>25,488,004</u>
	25,488,004	-	25,488,004
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES			
	<u>185,913</u>	<u>-</u>	<u>185,913</u>
	185,913	-	185,913
OTHER FINANCING SOURCE			
Transfers in	<u>2,984</u>	<u>-</u>	<u>2,984</u>
	2,984	-	2,984
Net change in fund balance			
	188,897	-	188,897
FUND BALANCE, beginning of year			
	<u>13,522,658</u>	<u>64,202</u>	<u>13,586,860</u>
	13,522,658	64,202	13,586,860
FUND BALANCE, end of year			
	<u>\$ 13,711,555</u>	<u>\$ 64,202</u>	<u>\$ 13,775,757</u>
	\$ 13,711,555	\$ 64,202	\$ 13,775,757

See notes to financial statements.

**KENT DISTRICT LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2020**

Net Change in Fund Balances - Total Governmental Funds \$ 188,897

Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:

Depreciation expense	(2,601,721)
Gain/loss on disposal of capital assets	(11,990)
Capital outlay	2,596,526

Compensated absences are reported on the accrual method in the statement of activities, and reported as an expenditure when financial resources are used in the governmental funds:

Accrued compensated absences beginning of the year	474,095
Accrued compensated absences end of the year	(713,677)

Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds:

Pension related items	1,752,031
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Change in Net Position of Governmental Activities \$ 1,684,161

**KENT DISTRICT LIBRARY
 PROPRIETARY FUND
 STATEMENT REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 YEAR ENDED DECEMBER 31, 2020**

	<u>Consulting</u>
OTHER FINANCING USE	
Transfers out	\$ 2,984
Net change in net position	<u>(2,984)</u>
NET POSITION, beginning of year	<u>2,984</u>
NET POSITION, end of year	<u>\$ -</u>

**KENT DISTRICT LIBRARY
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2020**

	<u>Consulting</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Payment to suppliers and other	\$ (14,434)
Net cash provided in operating activities	(14,434)
 CASH	
Beginning of year	-
End of year	\$ -
 RECONCILIATION OF NET OPERATING REVENUES (EXPENSE) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating loss	\$ (2,984)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
(Increase) decrease in assets	
Prepaid expenditures	19
Transfer to other funds	2,984
Increase (decrease) in liability	
Due to/from other funds	(14,453)
Net cash provided by operating activities	\$ (14,434)

**KENT DISTRICT LIBRARY
STATEMENT OF FIDUCIARY NET POSITION
DECEMBER 31, 2020**

	<u>Pension Trust Fund</u>
ASSETS	
Investments	\$ 60,026,580
Receivables	
Due from broker	800,000
Interest and dividends	<u>60,544</u>
TOTAL ASSETS	<u>60,887,124</u>
LIABILITIES	
Overdraft position	<u>800,000</u>
NET POSITION	
Restricted for pension	<u><u>\$ 60,087,124</u></u>

**KENT DISTRICT LIBRARY
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2020**

	Pension Trust Fund
ADDITIONS	
Contributions	
Non-employer	\$ 146,468
Other income	8,729
	155,197
Total contributions	
Investment income	
Net appreciation	6,629,195
Interest and dividends	1,000,833
	7,630,028
Total investment income	
Less investment expense	(77,718)
	7,552,310
Total investment income	
Total additions	7,707,507
DEDUCTIONS	
Benefits paid to members	2,296,761
Administrative expense	100,588
	2,397,349
TOTAL DEDUCTIONS	
CHANGE IN NET POSITION	5,310,158
NET POSITION	
Beginning of year	54,776,966
End of year	\$ 60,087,124

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-Wide Financial Statements

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from the *business-type* activity, which rely to a significant extent on fees and charges for support.

Reporting Entity

Kent District Library commenced official operations pursuant to Act No. 24 of the Public Acts of 1989 on July 1, 1994, and is governed by a Board of Trustees (the "Board") consisting of eight members, each appointed by the Kent County Board of Commissioners, according to geographic regions. The Board has the authority to levy property taxes, the power to designate management, and the accountability for all fiscal matters, including budget adoption. The Library provides services to the residents of its district and may enter into contracts to provide library services to municipalities outside of its district.

The Library has determined that no entities should be consolidated into its financial statements as component units as defined by Governmental Accounting Standards Board (GASB). Therefore, the reporting entity consists of the primary government financial statements only. The criteria for including a component unit include significant operational or financial relationships with the Library. The Library does have a fiduciary component unit, as detailed below.

Fiduciary Component Unit

The government reports, as a fiduciary component unit, the *pension trust fund*, which accounts for the activities of the Kent District Library Employees' Retirement Plan, which accumulates resources for pension benefit payments to qualified employees. The primary purpose of the Trust is to provide the necessary funding for the retirement benefits provided to eligible Library employees during retirement. The assets of the Trust are for the exclusive benefit of the participants and their beneficiaries, and the assets shall not be diverted to any other purchase prior to the satisfaction of all liabilities. The assets are protected from any of the Library's creditors. Members of the Board of Directors of the Trust include members of the Library Board of Trustees, as well as Library employees. The Library Board has the ability to exercise oversight responsibility, specifically in the area of designation of management.

Basis of Presentation - Government-Wide Financial Statements

While separate government-wide and fund financial statements are presented, they are interrelated. The governmental activities column incorporates data from the governmental funds, while business-type activity incorporate data from the Library's enterprise fund. Separate financial statements are provided for the governmental funds, proprietary fund and fiduciary fund, even though the latter are excluded from the government-wide financial statements.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements

The fund financial statements provide information about the Library's funds, including its fiduciary fund. Separate statements for each fund category - governmental, proprietary and fiduciary - are presented. The emphasis of fund financial statements is on major governmental funds. The remaining governmental fund is reported as a nonmajor fund. The major individual governmental fund is reported as a separate column in the fund financial statements.

The Library reports the following major governmental fund:

The *general fund* is the Library's primary operating fund. It accounts for all financial resources of the general government. There are no resources required to be accounted for in another fund.

Additionally, the government reports the following nonmajor proprietary fund:

The *consulting fund* accounts for the revenue and expenses related to consulting on management of libraries to third parties. This fund was closed during the current year.

Additionally, the government reports the following nonmajor fund type:

Capital Project Fund - The *capital project fund* accounts for the receipt of proceeds and transfers from the general fund for the purchase of capital assets or construction of major capital projects.

Additionally, the government reports, as a fiduciary fund, the *pension trust fund*, which accounts for the activities of the Kent District Library Employees' Retirement Plan, which accumulates resources for pension benefit payments to qualified employees.

During the course of operations the Library has activity between funds for various purposes. Any residual balances outstanding at year end are reported as due from/to other funds and advances to/from other funds. While these balances are reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Balances between the funds included in governmental activities are eliminated so that only the net amount is included as internal balances in the governmental activities column. Similarly, balances between the funds included in business-type activities (i.e., the enterprise funds) are eliminated so that only the net amount is included as internal balances in the business-type activities column.

Further, certain activity occurs during the year involving transfers of resources between funds. In fund financial statements these amounts are reported at gross amounts as transfers in/out. While reported in fund financial statements, certain eliminations are made in the preparation of the government-wide financial statements. Transfers between the funds included in governmental activities are eliminated so that only the net amount is included as transfers in the governmental activities column.

The accounting and financial reporting treatment is determined by the applicable measurement focus and basis of accounting. Measurement focus indicates the type of resources being measured such as *current financial resources* or *economic resources*. The basis of accounting indicates the timing of transactions or events for recognition in the financial statements.

KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting

The government-wide financial statements (the statement of net position and statement of activities) are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements (the balance sheet and statement of revenue, expenditures, and changes in fund balances) are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, expenditures related to compensated absences, claims, and judgments are recorded only when payment is due. General capital assets acquisitions are reported as expenditures in governmental funds.

Interest associated with the current fiscal period is considered to be susceptible to accrual and so has been recognized as revenue of the current fiscal year. All other revenue items are considered to be measurable and available only when cash is received by the government.

The proprietary and fiduciary funds are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. The fiduciary fund has no measurement focus but utilizes the accrual basis of accounting for reporting its assets and liabilities.

Budgetary Information

Budgetary basis of accounting:

Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the general fund.

The appropriate budget is prepared by fund and function. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the function level.

Appropriations in the budgeted fund lapse at the end of the fiscal year even if they have related encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods or services (i.e., purchase orders, contracts, and commitments). The Library does not utilize encumbrance accounting.

The budget was amended during the year with supplemental appropriations. The budget was amended prior to December 31, 2020. The Library does not consider the amendments to be significant. Violations, if any, are noted in the required supplementary information sections.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

Cash and Cash Equivalents

The Library's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of 3 months or less from the date of acquisition.

Investments

In accordance with Michigan Compiled Laws, the Library is authorized to invest in the following investment vehicles:

- a. Bonds, securities, and other obligations of the United States or an agency or instrumentality of the United States.
- b. Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank which is a member of the Federal Deposit Insurance Corporation (FDIC) or a savings and loan association which is a member of the Federal Savings and Loan Insurance Corporation (FSLIC) or a credit union which is insured by the National Credit Union Administration (NCUA), but only if the bank, savings and loan association, or credit union is eligible to be a depository of surplus funds belonging to the State under section 5 or 6 of Act No. 105 of the Public Acts of 1855, as amended, being Section 21.145 and 21.146 of the Michigan Compiled Laws.
- c. Commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

Michigan Compiled Laws allow for collateralization of government deposits, if the assets for pledging are acceptable to the State Treasurer under Section 3 of 1855 PA 105, MCL 21.143, to secure deposits of State surplus funds, securities issued by the Federal Loan Mortgage Corporation, Federal National Mortgage Association, or Government National Mortgage Association.

Prepaid Expenses

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Capital Assets

Capital assets, which include furniture, equipment, and library books, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. The total of books purchased during the year are capitalized and are depreciated over five years. The Library has elected not to capitalize rare books. Fully depreciated books are removed from the asset schedule. Such assets are recorded at historical cost or estimated historical cost if purchased. Donated capital assets are recorded at estimated acquisition at the date of donation.

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

Capital assets of the Library, are depreciated using the straight-line method over the following estimated useful lives.

Assets	Years
Building	25
Building improvements	10 - 15
Land improvements	15
Vehicles	5
Library books and materials	5
Information technology	5
Furniture and equipment	5

Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future period(s) and so will *not* be recognized as an outflow of resources (expense/ expenditure) until then. The Library only has one item that qualifies for reporting in this category. It is the pension related items reported in the government-wide statement of net position. A deferred outflow is recognized for pension related items and is expensed in the plan year in which it applies.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Deferred Outflows/Inflows of Resources (continued)

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to a future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The Library has three items that qualify for reporting in this category. The first relates to property taxes. The governmental funds and the governmental-wide report unavailable revenues from property taxes. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The second item is the future resources yet to be recognized in relation to the pension accrual calculation. These future resources arise from differences in the estimates used by the actuary to calculate the pension liability and the actual results. The amounts are amortized over a period determined by the actuary. The third relates to USF funds that are received more than 60 days after year-end. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pension

For purposes of measuring the net pension asset, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Kent District Library Employees' Retirement Plan and additions to/deductions from the Kent District Library Employees' Retirement Plan's fiduciary net position have been determined on the same basis as they are reported. 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.

Net Position Flow Assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted (e.g., restricted contributions or grant proceeds) and unrestricted resources. In order to calculate the amounts to report as restricted - net position and unrestricted - net position in the government-wide financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund Balance Policies

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The Library itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The committed fund balance classification includes amounts that can be used only for the specific purposes determined by a formal action of the Library's highest level of decision-making authority. The Board of Trustees is the highest level of decision-making authority for the Library that can, by adoption of a Board action prior to the end of the fiscal year, commit fund balance. Once adopted, the limitation imposed by the Board action remains in place until a similar action is taken (the adoption of another Board action) to remove or revise the limitation.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

Fund Balance Policies

Amounts in the assigned fund balance classification are intended to be used by the Library for specific purposes but do not meet the criteria to be classified as committed. The Board of Trustees has by resolution authorized the Director of Finance to assign fund balance. The Board of Trustees may also assign fund balance as it does when appropriating fund balance to cover a gap between estimated revenue and appropriations in the subsequent year's appropriated budget. Unlike commitments, assignments generally only exist temporarily. In other words, an additional action does not have to be taken for the removal of an assignment. Conversely, as discussed above, an additional action is essential to either remove or revise a commitment.

The Library has adopted a minimum unassigned fund balance policy, which states that the Library will maintain a minimum unassigned fund balance of 15% of subsequent year's budgeted operational expenses. This minimum fund balance is to protect against cash flow shortfalls related to timing of projected revenue receipts and to maintain a budget stabilization commitment. If the fund balance falls below the minimum 15% level, Library management will replenish shortages/deficiencies by reducing recurring expenditures to eliminate any structural deficit, increase taxes in accordance with law, fees for services, pursue other funding sources, or some combination of the two options.

Use of Estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

Revenues and Expenditures/Expenses

Property Taxes

Property taxes become an enforceable lien on the property as of December 1. Taxes are levied on December 1 and are due in February of the following year. The Library engages other municipalities to bill and collect its own property taxes. Library tax revenues are recognized in the fiscal year following the December 1 levy date. Property taxes levied for the ensuing year's revenue are included in taxes receivable and deferred inflows. Property tax receivables related to delinquent taxes are also deferred unless collected within 60 days of year-end.

Property taxes are levied on each December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The Library's 2019 tax is levied and collectible on December 1, 2019 and is recognized as revenue in the year ended December 31, 2020 financial statements, when the proceeds of the levy are budgeted and available for the financing operations. The 2019 taxable value of the district totaled \$18,426,752,240 (a portion of which is not captured from all jurisdictions), on which taxes of 1.2661 mills are levied for operating purposes.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Compensated Absences

It is the Library's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. There is no liability for unpaid accumulated sick leave since the Library does not have a policy to pay any amounts when employees separate from service with the Library. All vacation pay is accrued when earned in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

NOTE 2 - DEPOSITS AND INVESTMENTS

As of December 31, 2020, the Library had deposits and investments subject to the following risk.

The Library participates in the Kent County Pooled Investment Fund for the Nelson and DuMond Trusts. The Pool is a local government investment pool established under Michigan state statutes for participating Michigan municipalities. The Pool, which is a non-risk categorized qualifying investment, is carried at fair market value. The Pool is not subject to regulatory oversight, is not registered with the SEC. The Pool issues a separate report. The Library's portion of Fund is determined by the percentage held. The Library holds 0.0015% of the Pooled Investment Fund. Per the most recent Financial Overview of Kent County, the Pool's value is \$379,393,465. The Library's portion of this, therefore, is \$56,506. The County investment pool is not rated. Additional information regarding credit risk of the investments held in the County Investment pool can be found in the notes to the financial statements of the County's Comprehensive Annual Financial report.

Custodial Credit Risk - Deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of December 31, 2020, \$5,847,828 of the Library's bank balance of \$6,347,831 was exposed to custodial credit risk because it was uninsured and uncollateralized. The carrying value on the books for deposits at the end of the year was \$5,621,632, which includes the Library's portion of the Kent County Pooled Investment Fund. The Library also had \$4,971 in cash on hand.

Custodial Credit Risk - Investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State law does not require, and the Library does not have, a policy for investment custodial credit risk. The deposit risk of the Kent County Investment Pool is consistent with CDs invested in the pool.

The Library will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the Library will do business.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investment type	Fair Value	Weighted average maturity (years)
U.S. Treasury bills, notes, and bonds	\$ 1,298,963	0.83
Mortgage backed securities	2,927,730	7.25
Collateralized mortgage obligations	7,471,477	9.29
Federated Government Obligation money market fund	214,011	0.0027
Total fair value	\$ 11,912,181	
Portfolio weighted average maturity		7.70

1 day maturity equals approximately 0.0027 years.

Credit Risk. State law limits investments in commercial paper and corporate bonds to a prime or better rating issued by nationally recognized statistical rating organizations (NRSROs). Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality. All investments held by KDL are either obligations of or obligations explicitly guaranteed by the U.S. government. There is therefore no required disclosure of credit quality.

Concentration of Credit Risk. The Library will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Library's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized.

Foreign Currency Risk. The Library is not authorized to invest in investments which have this type of risk.

Fair Value Measurement. The Library is required to disclose amounts within a framework established for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements). The three levels of the fair value hierarchy are described as follows:

Level 1: Quoted prices in active markets for identical securities.

Level 2: Prices determined using other significant observable inputs. Observable inputs are inputs that other market participants may use in pricing a security. These may include prices for similar securities, interest rates, prepayment speeds, credit risk and others.

Level 3: Prices determined using significant unobservable inputs. In situations where quoted prices or observable inputs are unavailable or deemed less relevant, unobservable inputs may be used. Unobservable inputs reflect the Township's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. Investments that are measured at fair value using net asset per value per share (or its equivalent) as a practical expedient are not classified in the fair value hierarchy.

	Level 2
Investments by fair value level	
U.S. Treasury bills, notes, and bonds	\$ 1,298,963
Mortgage backed securities	2,927,730
Collateralized mortgage obligations	7,471,477
Total investments by fair value level	11,698,170
Investments at net asset value (NAV):	
Federated Government Obligation money market fund	214,011
Total investments	\$ 11,912,181

Investments in Entities that Calculate Net Asset Value Per Share. The Library holds funds in the Federated Government Obligation money market fund, where the fair value of the investments is measured on a recurring basis using net asset value per share (or its equivalent) of the investment companies as a practical expedient. At the year ended December 31, 2020, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	Fair Value	Unfunded Commitments	Redemption Frequency, if Eligible	Redemption Notice Period
Federated Government Obligation money market fund	\$ 214,011	\$ -	No restrictions	None

The cash and investments referred to above have been reported in either the cash or investments captions on the financial statements, based upon criteria disclosed in Note 2.

Cash	\$ 5,570,094
Investments - Kent County Pool	56,506
Investments	11,912,181
Total cash and investments	\$ 17,538,781

Pension

The Kent District Library's Employees' Retirement Plan (the "Plan") investments are maintained separately from the Library's cash and investments and are subject to separate investment policies and state statutes. Accordingly, the required disclosure for the Plan's deposits and investments are presented separately.

Deposits. The Plan does not maintain any checking or other demand/time deposit accounts.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Investments. The Michigan Public Employees Retirement Systems' Investment Act, Public Act 314 of 1985, as amended, authorizes the Plan to invest in stocks, government and corporate securities, mortgages, real estate, and various other investment instruments, subject to certain limitations. The Plan has the responsibility and authority to oversee the investment portfolio. The Pension Board of Trustees manages the Plan's assets. All investment decisions are subject to Michigan law and the investment policy established by the Plan.

Interest Rate Risk. In accordance with its investment policy, the Plan will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by; structuring the investment portfolio so that securities mature to meet cash requirements for ongoing obligations, thereby avoiding the need to sell securities in the open market; and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market mutual funds, or similar investment pools and limiting the average maturity in accordance with the Plan's cash requirements.

Investment type	Fair Value	Weighted average maturity (years)
U.S. Treasury bills, notes, and bonds	\$ 3,939,805	11.38
Corporate bonds, debentures and notes	4,439,096	11.20
Foreign obligations	593,180	8.02
Municipal obligations	81,600	38.56
Mortgage backed securities	66,882	27.31
Collateralized mortgage obligations	139,315	11.96
Asset backed securities	622,062	2.94
Private placements	37,436	5.66
	<u>\$ 9,919,376</u>	
Total fair value		
		<u>11.36</u>
Portfolio weighted average maturity		<u>11.36</u>

1 day maturity equals approximately 0.0027 years.

Concentration of Credit Risk. The Plan will minimize concentration of credit risk, which is the risk of loss attributed to the magnitude of the Plan's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. Obligations of the U.S. government or obligations explicitly guaranteed by the U.S. government are not considered to have credit risk and do not require disclosure of credit quality.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

At December 31, the Plan's investments had the following Standard & Poor's credit ratings:

Investment type	Fair Value	Rating				
		AAA	AA1-3	A1-3	Baa1 and Below	Unrated
U.S. Treasury bills, notes, and bonds	\$ 3,939,805	\$ 2,612,962	\$ -	\$ -	\$ -	\$ 1,326,843
Corporate bonds, debentures and notes	4,439,096	60,874	246,402	1,764,566	2,226,849	140,405
Foreign obligations	593,180	43,947	126,131	198,370	194,398	30,334
Municipal obligations	81,600	-	59,373	22,227	-	-
Mortgage backed securities	66,882	-	-	-	-	66,882
Collateralized mortgage obligations	139,315	59,606	-	-	-	79,709
Asset backed securities	622,062	420,188	-	-	-	201,874
Private placements	37,436	-	-	16,680	20,756	-
	<u>\$ 9,919,376</u>	<u>\$ 3,197,577</u>	<u>\$ 431,906</u>	<u>\$ 2,001,843</u>	<u>\$ 2,442,003</u>	<u>\$ 1,846,047</u>

The Plan's investments are held in a financial institution administered trust fund. Following is a summary of the Plan's investments as of December 31, 2020:

	Fair Value		
	Level 1	Level 2	Total
U.S. Treasury bills, notes, and bonds	\$ -	\$ 3,939,805	\$ 3,939,805
Corporate bonds, debentures and notes	-	4,439,096	4,439,096
Foreign obligations	-	593,180	593,180
Municipal obligations	-	81,600	81,600
Mortgage backed securities	-	66,882	66,882
Collateralized mortgage obligations	-	139,315	139,315
Asset backed securities	-	622,062	622,062
Private placements	-	37,436	37,436
Money Market mutual funds	1,004,678	-	1,004,678
Fixed income mutual funds	5,664,083	-	5,664,083
Domestic equity funds	5,872,658	22,149,670	28,022,328
Global fixed income fund	-	5,851,692	5,851,692
Foreign equity mutual funds	9,564,423	-	9,564,423
Total assets at fair value	<u>\$ 22,105,842</u>	<u>\$ 37,920,738</u>	<u>\$ 60,026,580</u>

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2020 is as follows:

Receivable Fund	Amount	Payable Fund	Amount
Capital projects fund	\$ 64,202	General fund	\$ 64,202

The outstanding balances between funds result mainly from cash payments and receipts being made from and received by the general fund. The funds expect to collect or pay out, as applicable, in the subsequent year.

NOTE 4 - CAPITAL ASSETS

The capital assets for the year ended December 31, 2020 were as follows:

	Balance January 1, 2020	Additions/ Reclassifications	Deletions/ Reclassifications	Balance December 31, 2020
Primary government				
Governmental activities				
Capital assets not being depreciated				
Land	\$ 440,000	\$ -	\$ -	\$ 440,000
Construction in progress	770,862	13,420	744,667	39,615
Total capital assets, not being depreciated	1,210,862	13,420	744,667	479,615
Capital assets being depreciated				
Buildings	2,108,900	-	-	2,108,900
Building improvements	1,638,650	1,068,078	11,990	2,694,738
Land improvements	423,704	7,756	-	431,460
Library books and materials	12,399,484	2,241,739	1,110,502	13,530,721
Vehicles	412,066	-	-	412,066
Information technology	3,826,544	10,200	-	3,836,744
Furniture and equipment	2,022,619	-	2,029	2,020,590
Total capital assets, being depreciated	22,831,967	3,327,773	1,124,521	25,035,219
Less accumulated depreciation for				
Buildings	1,644,942	84,356	-	1,729,298
Building improvements	792,458	172,270	-	964,728
Land improvements	65,738	29,532	-	95,270
Library books and materials	7,158,667	2,031,435	1,110,502	8,079,600
Vehicles	105,544	50,001	-	155,545
Information technology	3,401,013	204,056	-	3,605,069
Furniture and equipment	1,951,151	30,071	2,029	1,979,193
Total accumulated depreciation	15,119,513	2,601,721	1,112,531	16,608,703
Total capital assets, being depreciated, net	7,712,454	726,052	11,990	8,426,516
Total governmental activities, capital assets, net	\$ 8,923,316	\$ 739,472	\$ 756,657	\$ 8,906,131

Depreciation expense amounted to \$2,601,721.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - LONG-TERM OBLIGATIONS

Changes in Long-Term Liabilities

Long-term liability activity for the year ended December 31, 2020 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance</u>	<u>Due within One Year</u>
Governmental activities:					
Compensated absences	\$ 474,095	\$ 998,862	\$ 759,280	\$ 713,677	\$ 285,471

NOTE 6 - PENSION PLANS

Defined Contribution Retirement Plan

The Library's defined benefit retirement plan closed to new employees on December 31, 2009. Following the closure of the defined benefit plan, the Kent District Library Deferred Compensation Plan (the "Plan") was created in accordance with the Internal Revenue Code, Section 457 and was offered to employees hired after December 31, 2009. The Library will match 100% of an employee's contribution up to 7.5% of the employee's wages, and the difference between 7.5% and 11.5% will be matched at 50%. The Library contributed \$469,544 to the plan for the year ended December 31, 2020.

Defined Benefit Retirement Plan

Plan Description

The Kent District Library Employees' Retirement Plan (the "Plan") is a single-employer defined benefit pension plan covering approximately 40% of the employees of the Library. The Plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The Plan was established and may be amended by the Library Board of Trustees and is administered by the Library Plan Pension Board. The Pension Board consists of five members, three of whom are appointed by the Library Board and two of whom are elected by fully vested participants. The Plan was closed to new entrants on December 31, 2009.

The Plan issues publicly available financial report that includes financial statements and required supplementary information for the Plan. The financial report may be obtained by contacting the Library.

Benefits Provided

Upon retirement, each vested member receives a benefit equal to 2.25% of the member's final average salary multiplied by years credited service, not to exceed 75% of the member's final average salary. The normal retirement age is 62 and the benefit amount is adjusted for early retirement. The Plan provides for annual post-retirement cost of living adjustments the beginning of each Plan year equal to 1% of the original benefit provided that a corresponding increase occurs in the Consumer Price Index. Retirees begin receiving this adjustment on the first day of the Plan year following 36 months of retirement.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION PLANS (continued)

Benefits Provided (continued)

Employees Covered by Benefit Terms. At the December 31, 2020, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	183
Inactive employees entitled to but not yet receiving benefits	39
Active employees	87
	309

Contributions. The Library’s funding policy provides for periodic employer contributions at actuarially determined rates that, expressed as percentages of covered payroll, are designed to accumulate sufficient assets to pay benefits when due. The normal cost and actuarial accrued liability are determined using an entry-age actuarial cost method. Unfunded actuarial accrued liability is being amortized as a level dollar over a period of 10 years.

During the year ended December 31, 2020, contributions totaling \$155,197, consisting of \$8,729 of other contributions and \$146,468 employee contributions, were made in accordance with contribution requirements determined by an actuarial valuation of the Plan. Union members’ required contribution rate was 3.5% of their covered payroll for plan year 2020. The Library is required to contribute at actuarially determined rates expressed as a percentage of covered payroll. The Library’s contribution rate was 0% of annual covered payroll in 2020. Administrative costs of the Plan are financed through investment earnings.

At year end, the Library is current on all required pension plan payments. Amounts accrued at year end for accounting purposes are separately stated in the financial statements as a liability titled accrued retirement. These amounts represent current payments for December paid in January.

Net Pension Asset. The employer’s net pension asset was measured as of December 31, 2020, and the total pension asset used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial Assumptions. The total pension liability in the December 31, 2020, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.5% to 10.1% including inflation

Investment rate of return: 6.75%, net of investment expense, including inflation

Although no specific price inflation assumptions are needed for the valuation, the 2.5% long-term wage inflation assumption would be consistent with a price inflation of 3% - 4%.

Mortality rates used were based on the RP-2014 Mortality Table with 2-dimensional fully generational improvements using MP-2018 projection scale.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION PLANS (continued)

Benefits Provided (continued)

The long-term expected rate of return on pension plan investments was determined using a model method in which the best-estimate ranges of expected future real rates of return (expected returns, net of investment and administrative expenses 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Gross Rate of Return</u>	<u>Inflation Assumption</u>	<u>Long-term Expected Real Rate of Return</u>
Core Bonds	30%	5.33%	2.75%	2.58%
Mutli-Sector Bonds	10%	6.17%	2.75%	3.42%
US Large Cap Equity	35%	9.90%	2.75%	7.15%
US Small Cap Equity	10%	11.19%	2.75%	8.44%
International Developed Equity	15%	10.90%	2.75%	8.15%
Total	<u>100%</u>			

Discount Rate. The discount rate used to measure the total pension liability is 6.75%. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. 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.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION PLANS (continued)

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Asset
	(a)	(b)	(a) - (b)
Balances at 12/31/2019	\$ 44,082,375	\$ 54,776,966	\$ (10,694,591)
Changes for the year			
Service cost	729,379	-	729,379
Interest on total pension liability	2,922,661	-	2,922,661
Difference between expected and actual experience	383,041	-	383,041
Changes of assumptions	-	-	-
Other income	-	8,729	(8,729)
Employee contributions	-	146,468	(146,468)
Net investment income	-	7,552,310	(7,552,310)
Benefit payments including employee refunds	(2,296,761)	(2,296,761)	-
Administrative expense	-	(100,588)	100,588
Net changes	1,738,320	5,310,158	(3,571,838)
Balances as of 12/31/2020	\$ 45,820,695	\$ 60,087,124	\$ (14,266,429)

Sensitivity of the Net Pension Asset to Changes in the Discount Rate. The following presents the net pension liability (asset) of the employer, calculated using the discount rate of 6.75%, as well as what the employer's net pension liability would be using a discount rate that is 1% lower (5.75%) or 1% higher (7.75%) than the current rate.

	1% Decrease	Current Discount	1% Increase
Net pension asset at 12/31/2020	\$ -	\$ (14,266,429)	\$ -
Change in net pension asset	5,519,335	-	(4,665,657)
Calculated net pension asset	\$ (8,747,094)	\$ (14,266,429)	\$ (18,932,086)

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION PLANS (continued)

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

For the year ended December 31, 2020 the employer recognized a reduction of pension expense of \$1,752,031 on the governmental-wide financial statements. The employer reported deferred outflows and inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 238,731	\$ 101,867
Differences in assumptions	19,315	-
Net difference between projected and actual earnings on pension plan investments	-	5,650,999
	\$ 258,046	\$ 5,752,866

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

December 31,	
2021	\$ (1,778,915)
2022	(800,176)
2023	(2,113,552)
2024	(802,177)
	\$ (5,494,820)

NOTE 7 - COMMITMENTS AND CONTINGENCIES

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 Library carries commercial insurance to cover any losses that may result from the above described activities. No settlements have incurred in excess of coverage in 2020 or any of the prior three years.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OPERATING LEASE

The Library had entered into multiple operating lease for branch locations and equipment. The scheduled future minimum lease payments under these agreements as of December 31, 2020, are summarized as follows:

<u>Year Ending December 31,</u>	
2021	\$ 386,580
2022	<u>384,756</u>
	<u><u>\$ 771,336</u></u>

NOTE 9 - TAX ABATEMENTS

Industrial Facilities Exemption

Municipalities within the Library boundaries entered into property tax abatement agreements with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended. An Industrial Facilities Tax Exemption (IFT) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term of 1 - 12 years as determined by the local unit of government. The IFT on new plant and new industrial property is computed at 50% of the taxes levied. The municipalities can elect to freeze the taxable values for rehabilitation properties.

For the year ended December 31, 2020, the Library's property tax revenue for general operations were reduced by \$164,227 under this program. The abatements issued by other governmental units is as follows:

<u>Governmental Unit</u>	<u>Amount</u>
Ada Township	\$ 17,351
Algoma Township	1,014
Alpine Township	14,092
Byron Township	3,908
Caledonia Township	3,898
Cascade Township	17,205
Gaines Township	3,763
Plainfield Township	1,130
Tyrone Township	6
Vergennes Township	1,205
City of Grandville	4,427
City of Kentwood	31,337
City of Lowell	2,573
City of Rockford	941
City of Walker	22,000
City of Wyoming	<u>39,377</u>
Total	<u><u>\$ 164,227</u></u>

There are no abatements made by the Library.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 10- UNCERTAINTIES

The extent of the impact of COVID-19 on our operational and financial performance will depend on certain developments, including the duration and spread of the outbreak, impact on our customers, employees and vendors all of which are uncertain and cannot be predicted. At this point, the extent to which COVID-19 may impact our financial condition and results of operations is uncertain.

NOTE 11 - NEW ACCOUNTING STANDARD

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position. The Kent District Library has no funds that meets the criteria. The pension trust fund, previously reported as a fiduciary fund meets the revised criteria of a fiduciary fund and is therefore reported consistently.

NOTE 12 - UPCOMING ACCOUNTING PRONOUNCEMENTS

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017 and will be effective for the Library's 2022 year end. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities.

In May 2020, the GASB issued Statement No. 96, *Subscription-based Information Technology Arrangements*. This Statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements (SBITAs) for government end users (governments). This Statement (1) defines a SBITA; (2) establishes that a SBITA results in a right-to-use subscription asset - an intangible asset - and a corresponding subscription liability; (3) provides the capitalization criteria for outlays other than subscription payments, including implementation costs of a SBITA; and (4) requires note disclosures regarding a SBITA. To the extent relevant, the standards for SBITAs are based on the standards established in Statement No. 87, *Leases*, as amended. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2022-2023 fiscal year.

REQUIRED SUPPLEMENTARY INFORMATION

**KENT DISTRICT LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2020**

	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Local sources				
Property taxes	\$ 23,331,338	\$ 23,331,338	\$ 23,204,356	\$ (126,982)
Penal fines	795,000	795,000	619,366	(175,634)
Charges for services	138,000	138,000	42,072	(95,928)
Interest income and rentals	302,500	302,500	177,821	(124,679)
Donations	437,020	437,020	306,145	(130,875)
Other	549,700	549,700	416,962	(132,738)
Total local sources	25,553,558	25,553,558	24,766,722	(786,836)
State sources	894,140	894,140	907,195	13,055
TOTAL REVENUES	26,447,698	26,447,698	25,673,917	(773,781)
EXPENDITURES				
Current				
Recreation and culture				
Salaries and wages	12,666,513	12,666,513	12,387,934	278,579
Employee benefits	3,927,954	3,802,954	3,285,355	517,599
Collections - digital	1,849,223	2,174,223	2,104,908	69,315
Collections - physical	2,173,390	2,923,390	2,247,242	676,148
Supplies	970,578	970,578	808,992	161,586
Contractual and professional services	1,495,083	1,320,083	1,180,848	139,235
Programming and outreach	327,453	327,453	217,078	110,375
Maintenance and utilities	1,929,906	1,948,906	1,622,972	325,934
Staff development	371,025	171,025	117,119	53,906
Board development	25,280	25,280	725	24,555
Other services and charges	873,296	963,296	706,935	256,361
Capital outlay	723,851	1,084,851	807,896	276,955
TOTAL EXPENDITURES	27,333,552	28,378,552	25,488,004	2,890,548
EXCESS OF REVENUES OVER EXPENDITURES	(885,854)	(1,930,854)	185,913	2,116,767
OTHER FINANCING SOURCES (USES):				
Transfers in	-	-	2,984	(2,984)
NET CHANGE IN FUND BALANCE	\$ (885,854)	\$ (1,930,854)	188,897	\$ 2,119,751
FUND BALANCE				
Beginning of year			13,522,658	
End of year			\$ 13,711,555	

**KENT DISTRICT LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CHANGES IN EMPLOYER'S NET PENSION LIABILITY
AND RELATED RATIOS
LAST 10 FISCAL YEARS**

	2020	2019	2018	2017	2016	2015	2014
Total pension liability							
Service cost	\$ 729,379	\$ 711,765	\$ 744,402	\$ 842,900	\$ 873,137	\$ 654,695	\$ 662,374
Interest	2,922,661	2,849,092	2,854,033	2,747,634	2,696,884	2,496,342	2,417,794
Changes of benefit terms	-	-	-	-	-	-	50,877
Difference between expected and actual experience	383,041	(249,701)	(455,101)	(122,509)	(1,043,296)	1,259,648	(468,054)
Assumption changes	-	-	355,636	-	-	-	-
Benefit payments including employee refunds	<u>(2,296,761)</u>	<u>(2,163,327)</u>	<u>(1,928,245)</u>	<u>(1,869,329)</u>	<u>(1,707,766)</u>	<u>(1,598,411)</u>	<u>(1,475,674)</u>
Net change in total pension liability	1,738,320	1,147,829	1,570,725	1,598,696	818,959	2,812,274	1,187,317
Total pension liability beginning	<u>44,082,375</u>	<u>42,934,546</u>	<u>41,363,821</u>	<u>39,765,125</u>	<u>38,946,166</u>	<u>36,133,892</u>	<u>34,946,575</u>
Total pension liability ending	<u>\$ 45,820,695</u>	<u>\$ 44,082,375</u>	<u>\$ 42,934,546</u>	<u>\$ 41,363,821</u>	<u>\$ 39,765,125</u>	<u>\$ 38,946,166</u>	<u>\$ 36,133,892</u>
Plan fiduciary net position							
Contributions-employer	\$ -	\$ 535,203	\$ 92,147	\$ 45,485	\$ 52,169	\$ 57,424	\$ 54,888
Contributions-employee	146,468	155,932	167,920	160,947	185,207	193,544	249,681
Net investment income	7,552,310	9,656,071	(2,582,796)	7,820,036	2,318,926	410,599	3,581,104
Benefit payments including employee refunds	(2,296,761)	(2,163,327)	(1,928,245)	(1,869,329)	(1,707,766)	(1,598,411)	(1,475,674)
Administrative expense	(100,588)	(110,664)	(50,000)	(36,850)	(74,473)	(47,962)	(44,671)
Other	<u>8,729</u>	<u>(2,957)</u>	<u>(45,326)</u>	<u>(122,502)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	5,310,158	8,070,258	(4,346,300)	5,997,787	774,063	(984,806)	2,365,328
Plan fiduciary net position beginning	<u>54,776,966</u>	<u>46,706,708</u>	<u>51,053,008</u>	<u>45,055,221</u>	<u>44,281,158</u>	<u>45,265,964</u>	<u>42,900,636</u>
Plan fiduciary net position ending	<u>\$ 60,087,124</u>	<u>\$ 54,776,966</u>	<u>\$ 46,706,708</u>	<u>\$ 51,053,008</u>	<u>\$ 45,055,221</u>	<u>\$ 44,281,158</u>	<u>\$ 45,265,964</u>
Employer net pension asset	<u>\$ 14,266,429</u>	<u>\$ 10,694,591</u>	<u>\$ 3,772,162</u>	<u>\$ 9,689,187</u>	<u>\$ 5,290,096</u>	<u>\$ 5,334,992</u>	<u>\$ 9,132,072</u>
Plan fiduciary net position as a percentage of the total pension liability	131.14%	124.26%	108.79%	123.42%	113.30%	113.70%	125.27%
Covered employee payroll	\$ 4,283,815	\$ 4,346,715	\$ 4,627,864	\$ 4,765,699	\$ 5,093,052	\$ 5,450,295	\$ 5,220,856
Employer's net pension asset as a percentage of covered employee payroll	333.03%	246.04%	81.51%	203.31%	103.87%	97.88%	174.92%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

**KENT DISTRICT LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF EMPLOYER PENSION CONTRIBUTIONS
LAST 10 FISCAL YEARS**

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarial determined contributions	\$ -	\$ 535,203	\$ 88,608	\$ 48,169	\$ 52,169	\$ 57,424	\$ 55,071
Contributions in relation to the actuarially determined contribution	<u>-</u>	<u>535,203</u>	<u>88,608</u>	<u>48,169</u>	<u>52,169</u>	<u>57,424</u>	<u>55,071</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$ 4,283,815	\$ 4,346,715	\$ 4,627,864	\$ 4,765,699	\$ 5,093,052	\$ 5,450,295	\$ 5,220,856
Contributions as a percentage of covered employee payroll	0.00%	12.31%	1.99%	0.95%	1.02%	1.05%	1.05%

This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10 year trend is compiled, reporting units should present information for those years for which information is available.

**KENT DISTRICT LIBRARY
NOTES TO THE REQUIRED
SUPPLEMENTARY INFORMATION**

Notes to the Schedule of Changes in Employer's Net Pension Liability

Benefit Changes - there were no changes in benefits in 2020.

Changes in Assumptions - there were no changes in assumptions in 2020.

Notes to Schedule of Employer Contributions

Actuarial cost method	Entry age
Amortization method	Level percentage of payroll, open
Remaining amortization period	10 years
Asset valuation method	4 year smoothed
Inflation	2.50%
Salary increases	3.5% to 10.1%, including inflation
Investment rate of return	6.75%
Retirement age	Experience based table of rates that are specific to the type of eligibility condition
Mortality	RP-2014 Mortality Table with 2-dimensional full improvements using MP-2018 projection scale