

**KENT DISTRICT LIBRARY**

**REPORT ON FINANCIAL STATEMENTS**  
**(with required supplementary information)**

**YEAR ENDED DECEMBER 31, 2022**

## 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 Fund .....	14-15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Fund.....	16
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Fund to the Statement of Activities .....	17
Fiduciary Fund	
Statement of Fiduciary Net Position.....	18
Statement of Changes in Fiduciary Net Position .....	19
Notes to Financial Statements.....	20-42
REQUIRED SUPPLEMENTARY INFORMATION .....	43
Budgetary Comparison Schedule - General Fund .....	44
Schedule of Changes in the Employer's Net Pension Asset (Liability) and Related Ratios .....	45
Schedule of Employer Pension Contributions .....	46
Schedule of Investment Returns.....	47
Notes to the Required Supplementary Information .....	48



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## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees of  
Kent District Library

### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Kent District Library as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information as of December 31, 2022, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Basis for Opinions***

We have conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). 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 Kent District 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.

### ***Change in Accounting Principle***

As discussed in Note 9 to the financial statements, in 2022 the Library adopted new accounting guidance, GASB Statement No. 87, *Leases*. Our opinions are not modified with respect to this matter.

### ***Responsibilities of Management 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.

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 Kent District Library's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

## ***Auditor's Responsibility for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS 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 judgement made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we

- Exercise professional judgement and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, 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 Kent District Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgement, there are conditions or events, considered in the aggregate, that raise substantial doubt about Kent District 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 and the other 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 Costeiran PC*

June 14, 2023

## 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, 2022.

### 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 \$30,504,838 (net position). Of this amount, \$11,418,477 (unrestricted net position) may be used to meet the Library's ongoing obligations to citizens and creditors.
- The Library's total net position decreased by \$3,024,786.

#### Fund-Level

##### *Governmental Fund*

- As of the close of the 2022 fiscal year, the Library's governmental funds reported ending fund balance of \$12,348,832, a decrease of \$584,750 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$8,138,345 or 28% of total general fund expenditures, exceeding the Kent District Library Board's fund balance minimum of 15% to 20% of expenditures.

### 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).

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

## MANAGEMENT'S DISCUSSION AND ANALYSIS

**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 one individual governmental fund. 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.

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 17 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 18 and 19 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 20 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 43 through 48.

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 \$30,504,838 at the close of the most recent fiscal year.

\$8,942,231 of the Library's net position (29%) reflects its investment in capital assets (e.g., library books, furniture and equipment), less any related debt 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	
	2022	2021
<b>ASSETS</b>		
Current assets	\$ 40,067,406	\$ 39,503,072
Pension assets	1,518,680	18,109,925
Capital assets	9,226,041	9,298,141
TOTAL ASSETS	50,812,127	66,911,138
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
	8,320,150	94,421
<b>LIABILITIES</b>		
Long-term liabilities	1,008,283	738,619
Other liabilities	986,503	1,161,002
TOTAL LIABILITIES	1,994,786	1,899,621
<b>DEFERRED INFLOW OF RESOURCES</b>		
	26,632,653	31,576,314
<b>NET POSITION</b>		
Investment in capital assets	8,942,231	9,298,141
Restricted contributions	454,638	358,204
Restricted for pension	9,689,492	11,671,915
Unrestricted	11,418,477	12,201,364
TOTAL NET POSITION	\$ 30,504,838	\$ 33,529,624

The unrestricted net position of \$11,418,477 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 decreased by \$3,024,786 during the current fiscal year. The majority of the decrease can be attributed to investment losses and a significant increase in pension expense.

**MANAGEMENT’S DISCUSSION AND ANALYSIS**

**Governmental Activities.** Governmental activities decreased the Library’s net position by \$3,024,786. Key elements are as follows:

**Kent District Library’s Changes in Net Position**

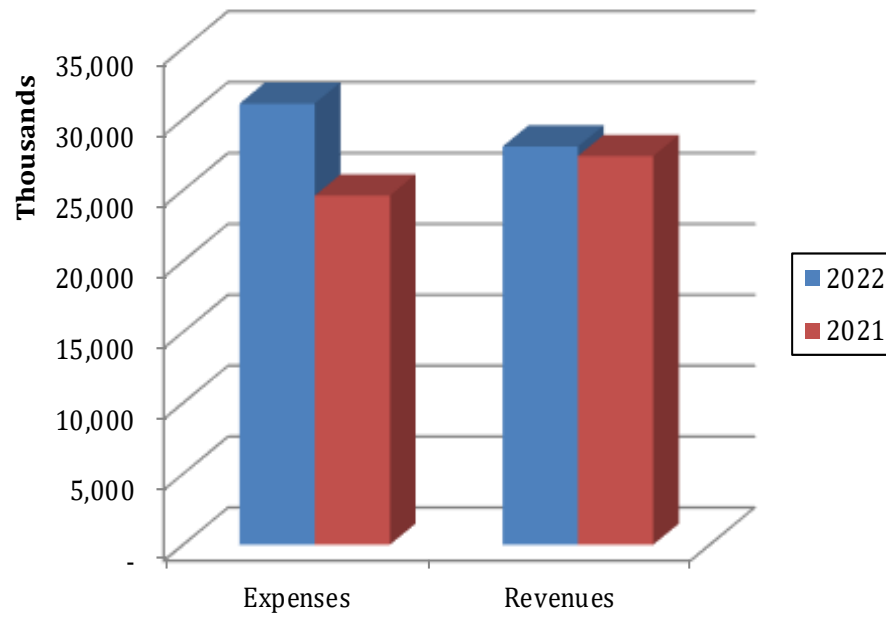
	Governmental Activities	
	2022	2021
REVENUES		
Program revenues		
Charges for services	\$ 43,895	\$ 45,925
General revenues		
Property taxes	25,014,472	24,202,638
Penal fines	631,033	591,227
State aid	1,072,173	929,189
Investment earnings (loss)	(340,400)	(9,126)
Other	1,657,630	1,648,078
TOTAL REVENUES	28,078,803	27,407,931
EXPENSES		
Library services	31,103,589	24,618,127
Increase (decrease) in net position	(3,024,786)	2,789,804
Net position, beginning of year	33,529,624	30,739,820
Net position, end of year	\$ 30,504,838	\$ 33,529,624

- Overall government activities revenue increased \$670,872 from the prior year. The majority of the increase is due to increased property taxes.
- Governmental expenses increased \$6,485,462. The increase can primarily be attributed to an increase in pension expense.



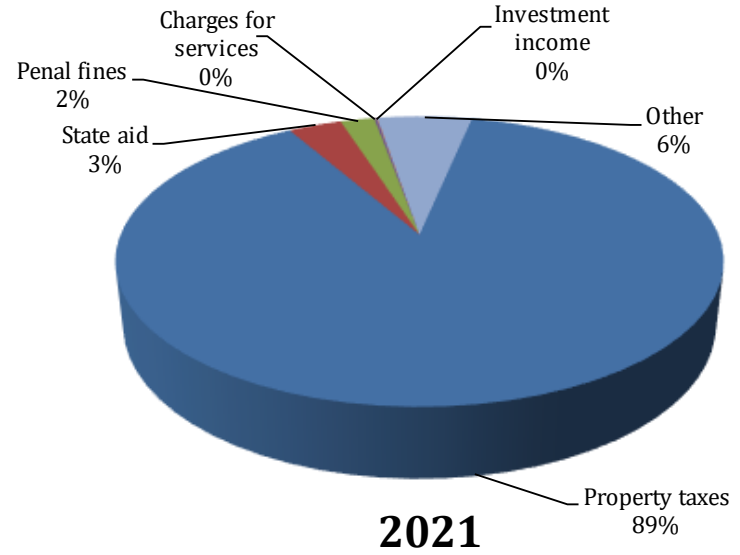
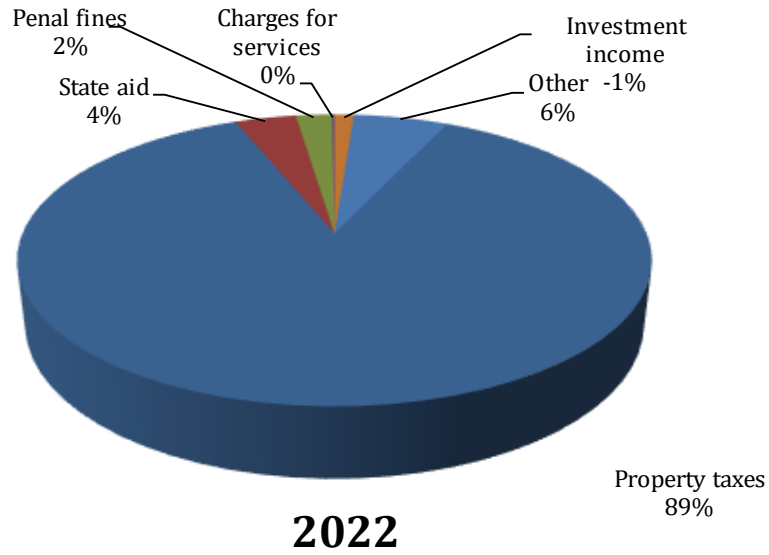
**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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



MANAGEMENT'S DISCUSSION AND ANALYSIS

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



## MANAGEMENT'S DISCUSSION AND ANALYSIS

### 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 fund reported an ending fund balance of \$12,348,832 a decrease of \$584,750 in comparison with the prior year. Approximately 66% of this total amount (\$8,138,345) 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 (\$454,638), 2) subsequent year expenditures (\$2,393,061) or 3) prepaid expenses (\$1,362,788).

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 \$8,138,345, while total fund balance was \$12,348,832. 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 28% of total general fund expenditures, while total fund balance represents 43% of that same amount.

The fund balance of the Library's general fund decreased by \$584,750 during fiscal year 2022. The key factors in this decrease is as follows:

- Increased salaries and wages, staff development, and negative investment earnings which was offset by an increase in property tax revenue.

### Capital Asset and Debt Administration

**Capital Assets.** The Library's investment in capital assets for its governmental activities as of December 31, 2022, amounts to \$9,226,041 (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
- Building improvements and parking lot replacement
- Implementation of right of use assets

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Kent District Library's Assets (Net of Depreciation)

	Governmental Activities	
	2022	2021
Buildings	\$ 210,890	\$ 295,246
Building improvements	2,061,128	2,206,365
Land improvements	472,711	306,443
Library books and materials	5,362,186	5,584,970
Vehicles	168,570	212,546
Furniture and equipment	92,377	49,055
Land	440,000	440,000
Information technology	139,721	203,516
Right to use - furniture and equipment	278,458	-
	\$ 9,226,041	\$ 9,298,141

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 \$1,008,283. This represents compensated absences earned but not used as of year-end and lease payable.

### Kent District Library's Outstanding Debt

	Governmental Activities	
	2022	2021
Compensated absences	\$ 724,473	\$ 738,619
Lease payable	283,810	-
	\$ 1,008,283	\$ 738,619

The Library's total debt increased by \$269,664 (37%) 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 2023 by \$2,393,061. The Library has a conservative and fiscally responsible budget for the fiscal year 2023 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, 2022**

	Governmental Activities
<b>ASSETS</b>	
Cash	\$ 1,425,782
Investments	11,596,025
Receivables	
Accounts	860,330
Taxes	24,822,481
Prepaid expenses	1,362,788
Net pension asset	1,518,680
Capital assets, not being depreciated/amortized	440,000
Capital assets, net of accumulated depreciation/amortization	8,786,041
<b>TOTAL ASSETS</b>	<b>50,812,127</b>
<b>DEFERRED OUTFLOW OF RESOURCES</b>	
Pension related items	8,320,150
<b>LIABILITIES</b>	
Accounts payable	494,500
Accrued payroll, taxes and withholding	492,003
Noncurrent liabilities	
Due within one year	488,043
Due in more than one year	520,240
<b>TOTAL LIABILITIES</b>	<b>1,994,786</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue	26,483,315
Pension related items	149,338
<b>TOTAL DEFERRED INFLOWS OF RESOURCES</b>	<b>26,632,653</b>
<b>NET POSITION</b>	
Investment in capital assets	8,942,231
Restricted - contributions	454,638
Restricted - pension benefits	9,689,492
Unrestricted	11,418,477
<b>TOTAL NET POSITION</b>	<b>\$ 30,504,838</b>

See notes to financial statements.

**KENT DISTRICT LIBRARY  
STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> Charges for Services	<u>Net (Expense) Revenue and Changes in Net Position</u>
Governmental activities			
Recreation and culture			
Library	\$ 31,103,589	\$ 43,895	\$ (31,059,694)
General revenues			
Taxes			
Property taxes, levied for general purposes			25,014,472
Penal fines			631,033
State sources			1,072,173
Investment earnings (loss)			(340,400)
Other			1,657,630
Total general revenues			<u>28,034,908</u>
Change in net position			(3,024,786)
Net position, beginning of year			<u>33,529,624</u>
Net position, end of year			<u>\$ 30,504,838</u>

See notes to financial statements.

**KENT DISTRICT LIBRARY  
BALANCE SHEET  
GOVERNMENTAL FUND  
DECEMBER 31, 2022**

	General
<b>ASSETS</b>	
Cash	\$ 1,425,782
Investments	11,596,025
Receivables	
Accounts	860,330
Taxes	24,822,481
Prepaid expenses	1,362,788
<b>TOTAL ASSETS</b>	<b>\$ 40,067,406</b>
 <b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE</b>	
<b>LIABILITIES</b>	
Accounts payable	\$ 494,500
Accrued payroll, taxes and withholding	492,003
<b>TOTAL LIABILITIES</b>	<b>986,503</b>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Unavailable revenue - USF funds	248,756
Unavailable revenue - property taxes	26,483,315
<b>TOTAL DEFERRED INFLOWS</b>	<b>26,732,071</b>

See notes to financial statements.



	<u>General</u>
FUND BALANCE	
Non-spendable - prepaid expenditures	\$ 1,362,788
Restricted - donations	454,638
Assigned - subsequent year expenditures	2,393,061
Unassigned	<u>8,138,345</u>
TOTAL FUND BALANCE	<u>12,348,832</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 40,067,406</u>
Total governmental fund balances	<u>\$ 12,348,832</u>
Amounts reported for governmental activities in the statement of net position are different because:	
Deferred outflows of resources - related to pension	8,320,150
Deferred inflows of resources - related to pension	(149,338)
Net pension asset	1,518,680
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets not being depreciated/amortized	440,000
Capital assets being depreciated/amortization, net	<u>8,786,041</u>
	<u>9,226,041</u>
Other long-term assets that are not available to pay for current period expenditures and, therefore, are unavailable in the funds:	
USF funds	<u>248,756</u>
Long-term liabilities are not due and payable in the current period and are therefore not reported in the funds.	
Compensated absences payable	(724,473)
Direct borrowing and direct placement - lease payable	<u>(283,810)</u>
	<u>(1,008,283)</u>
Net position of governmental activities	<u>\$ 30,504,838</u>

**KENT DISTRICT LIBRARY  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - GOVERNMENTAL FUND  
YEAR ENDED DECEMBER 31, 2022**

	General
<b>REVENUES</b>	
Local sources	
Property taxes	\$ 25,014,472
Penal fines	631,033
Charges for services	43,895
Investment earnings (loss)	(340,400)
Public donations	358,001
Other	1,415,478
Total local sources	27,122,479
State sources	1,072,173
<b>TOTAL REVENUES</b>	<b>28,194,652</b>
<b>EXPENDITURES</b>	
Current	
Recreation and culture	
Salaries and wages	13,567,611
Employee benefits	3,384,784
Collections	
Digital	2,364,684
Physical	2,185,472
Supplies	596,125
Contractual services	1,697,077
Programming and outreach	307,372
Maintenance and utilities	2,506,707
Staff and board development	257,778
Other	726,313
Capital outlay	975,773
Debt service	
Principal	190,725
Interest	18,981
<b>TOTAL EXPENDITURES</b>	<b>28,779,402</b>
<b>EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES</b>	<b>(584,750)</b>
<b>FUND BALANCE, beginning of year</b>	<b>12,933,582</b>
<b>FUND BALANCE, end of year</b>	<b>\$ 12,348,832</b>

See notes to financial statements.

**KENT DISTRICT LIBRARY  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND  
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUND  
TO THE STATEMENT OF ACTIVITIES  
YEAR ENDED DECEMBER 31, 2022**

**Net Change in Fund Balances - Total Governmental Funds** \$ (584,750)

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/amortization:

Depreciation/amortization expense	(3,098,479)
Capital outlay	2,551,844

The issuance of long-term debt provides current financial resources to the governmental funds, while the repayment of principal of long-term debt consumes the current financial resources of the governmental fund. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. The effect on these differences is the treatment of long-term debt and related items and are as follows:

Payments on notes from direct borrowings and direct placement - leases	190,725
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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	738,619
Accrued compensated absences, end of the year	(724,473)

Revenue is recorded on the accrual method in the statement of activities; in the governmental funds it is recorded on the modified accrual method and not considered available:

Accrued revenue - USF funds	(115,849)
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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	<u>(1,982,423)</u>
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**Change in Net Position of Governmental Activities** \$ (3,024,786)

**KENT DISTRICT LIBRARY  
STATEMENT OF FIDUCIARY NET POSITION  
DECEMBER 31, 2022**

	Pension Trust Fund
ASSETS	
Investments	\$ 52,308,253
Receivables	
Interest and dividends	66,172
TOTAL ASSETS	52,374,425
LIABILITIES	-
NET POSITION	
Restricted for pension	\$ 52,374,425

**KENT DISTRICT LIBRARY  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
YEAR ENDED DECEMBER 31, 2022**

	Pension Trust Fund
<b>ADDITIONS</b>	
Contributions	
Employer	\$ 79,781
Non-employer	139,454
Other income	1,129
Total contributions	220,364
Investment income	
Net appreciation	(11,013,052)
Interest and dividends	1,191,333
Total investment income	(9,821,719)
Less investment expense	(77,570)
Total investment income	(9,899,289)
<b>TOTAL ADDITIONS</b>	<b>(9,678,925)</b>
<b>DEDUCTIONS</b>	
Benefits paid to members	2,678,360
Administrative expense	139,947
<b>TOTAL DEDUCTIONS</b>	<b>2,818,307</b>
<b>CHANGE IN NET POSITION</b>	<b>(12,497,232)</b>
<b>NET POSITION</b>	
Beginning of year	64,871,657
End of year	\$ 52,374,425

See notes to financial statements.

**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. Kent District Library (the "Library") has no business-type activities.

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. Separate financial statements are provided for the governmental funds 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 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, 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.

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.

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 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.

**KENT DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus and Basis of Accounting (continued)

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 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, 2022. The Library does not consider the amendments to be significant. Violations, if any, are noted in the required supplementary information sections.

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.



**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)

*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.

*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 cost at the date of donation. Right to use assets of the Library are amortized using the straight-line method over the shorter of the lease period or the estimated useful lives.

**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 (continued)*

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/amortized 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
Right to use assets - equipment	2 - 3

*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.

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.

**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)

*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.

*Leases*

Lessee: The Library is a lessee for a noncancelable lease of equipment. The Library recognizes a lease liability and an intangible right-to-use lease asset in the government-wide financial statements.

At the commencement of a lease, the Library initially measures the lease liability at the present value of payments expected to be made during the lease term. Subsequently, the lease liability is reduced by the principal portion of lease payments made. The lease asset is initially measured as the initial amount of the least liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the lease asset is amortized on a straight-line basis over its useful life.

Key estimates and judgements related to leases include how the Library determines (1) the discount rate it uses to discount the expected lease payments to present value, (2) lease term, and (3) lease payments.

- The Library uses the interest rate charged by the lessor as the discount rate. When the interest rate charged by the lessor is not provided, the Library generally uses its estimated incremental borrowing rate as the discount rate for leases.
- The lease term includes the noncancelable period of the lease. Lease payments included in the measurement of the lease liability are composed of fixed payments and purchase option price that the Library is reasonably certain to exercise.

The Library monitors changes in circumstances that would require a remeasurement of its leases and will remeasure the lease asset and liability if certain changes occur that are expected to significantly affect the amount of the lease liability.

Lease assets are reported with other capital assets and lease liabilities are reported with long-term obligations on the statement of net position.

*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.

**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*

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.

*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.

**KENT DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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 2021 tax is levied and collectible on December 1, 2021 and is recognized as revenue in the year ended December 31, 2022 financial statements, when the proceeds of the levy are budgeted and available for the financing operations. The 2021 taxable value of the Library totaled \$20,156,466,993 (a portion of which is not captured from all jurisdictions), on which taxes of 1.2484 mills are levied for operating purposes.

*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, 2022, 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 0.0011% of the Pooled Investment Fund. Per the most recent Financial Overview of Kent County, the Pool's value is \$513,604,810. The Library's portion of this, therefore, is \$56,367. 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 Annual Comprehensive Financial report.

**KENT DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

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, 2022, \$1,724,600 of the Library's bank balance of \$1,974,600 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 \$1,478,152, which includes the Library's portion of the Kent County Pooled Investment Fund. The Library also had \$3,997 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.

Investment type	Fair Value	Weighted Average Maturity (Years)
U.S. Treasury bills, notes, and bonds	\$ 988,524	0.23
Mortgage backed securities	2,153,666	2.26
Collateralized mortgage obligations	8,245,521	5.22
Federated Government Obligation money market fund	<u>151,947</u>	0.0027
Total fair value	<u>\$ 11,539,658</u>	
Portfolio weighted average maturity		<u>4.17</u>

One 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.

**KENT DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

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 Library’s own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

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.

	<u>Level 2</u>
Investments by fair value level	
U.S. Treasury bills, notes, and bonds	\$ 988,524
Mortgage backed securities	2,153,666
Collateralized mortgage obligations	8,245,521
Total investments by fair value level	11,387,711
Investments at net asset value (NAV)	
Federated Government Obligation money market fund	151,947
Total investments	\$ 11,539,658

**KENT DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

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, 2022, the fair value, unfunded commitments, and redemption rules of those investments are as follows:

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency, if Eligible</u>	<u>Redemption Notice Period</u>
Federated Government Obligation money market fund	<u>\$ 151,947</u>	<u>\$ -</u>	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	\$ 1,425,782
Investments - Kent County Pool	56,367
Investments	<u>11,539,658</u>
Total cash and investments	<u>\$ 13,021,807</u>

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.

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.



**KENT DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 2 - DEPOSITS AND INVESTMENTS (continued)**

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	\$ 3,474,047	9.07
Corporate bonds, debentures and notes	2,972,262	10.41
Foreign obligations	272,298	8.70
Municipal obligations	56,376	33.80
Mortgage backed securities	30,415	25.33
Collateralized mortgage obligations	49,286	10.73
Asset backed securities	437,784	3.56
Private placements	25,785	10.65
	<u>\$ 7,318,253</u>	
Total fair value		
		<u>9.56</u>
Portfolio weighted average maturity		

One 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)**

Concentration of Credit Risk (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	\$ 3,474,047	\$ 2,316,326	\$ -	\$ -	\$ -	\$ 1,157,721
Corporate bonds, debentures and notes	2,972,262	75,810	133,054	1,157,211	1,489,085	117,102
Foreign obligations	272,298	32,728	42,596	78,277	110,970	7,727
Municipal obligations	56,376	-	40,503	15,873	-	-
Mortgage backed securities	30,415	-	-	-	-	30,415
Collateralized mortgage obligations	49,286	10,525	-	-	-	38,761
Asset backed securities	437,784	264,111	-	-	-	173,673
Private placements	25,785	-	-	14,328	11,457	-
	<u>\$ 7,318,253</u>	<u>\$ 2,699,500</u>	<u>\$ 216,153</u>	<u>\$ 1,265,689</u>	<u>\$ 1,611,512</u>	<u>\$ 1,525,399</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, 2022:

	Fair Value		
	Level 1	Level 2	Total
U.S. Treasury bills, notes, and bonds	\$ -	\$ 3,474,047	\$ 3,474,047
Corporate bonds, debentures and notes	-	2,972,262	2,972,262
Foreign obligations	-	272,298	272,298
Municipal obligations	-	56,376	56,376
Mortgage backed securities	-	30,415	30,415
Collateralized mortgage obligations	-	49,286	49,286
Asset backed securities	-	437,784	437,784
Private placements	-	25,785	25,785
Money Market mutual funds	659,246	-	659,246
Fixed income mutual funds	5,298,905	-	5,298,905
Domestic equity funds	5,762,327	20,665,212	26,427,539
Global fixed income fund	-	4,646,802	4,646,802
Foreign equity mutual funds	7,957,508	-	7,957,508
Total assets at fair value	<u>\$ 19,677,986</u>	<u>\$ 32,630,267</u>	<u>\$ 52,308,253</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 - CAPITAL ASSETS**

The capital assets for the year ended December 31, 2022 were as follows:

	Balance January 1, 2022	Additions/ Reclassifications	Deletions/ Reclassifications	Balance December 31, 2022
Primary government				
Governmental activities				
Capital assets not being depreciated/amortized				
Land	\$ 440,000	\$ -	\$ -	\$ 440,000
Capital assets being depreciated/amortized				
Buildings	2,108,900	-	-	2,108,900
Building improvements	3,384,379	93,290	16,100	3,461,569
Land improvements	431,460	203,060	-	634,520
Library books and materials	12,562,935	2,185,804	1,892,027	12,856,712
Vehicles	412,066	-	-	412,066
Information technology	3,885,948	-	930,257	2,955,691
Furniture and equipment	2,040,123	69,690	465,773	1,644,040
Right to use assets - equipment	474,535	-	-	474,535
Total capital assets, being depreciated/amortized	<u>25,300,346</u>	<u>2,551,844</u>	<u>3,304,157</u>	<u>24,548,033</u>
Less accumulated depreciation/amortization for				
Buildings	1,813,654	84,356	-	1,898,010
Building improvements	1,178,014	238,527	16,100	1,400,441
Land improvements	125,017	36,792	-	161,809
Library books and materials	6,977,965	2,408,588	1,892,027	7,494,526
Vehicles	199,520	43,976	-	243,496
Information technology	3,682,432	63,795	930,257	2,815,970
Furniture and equipment	1,991,068	26,368	465,773	1,551,663
Right to use assets - equipment	-	196,077	-	196,077
Total accumulated depreciation/amortization	<u>15,967,670</u>	<u>3,098,479</u>	<u>3,304,157</u>	<u>15,761,992</u>
Total capital assets, being depreciated/amortized, net	<u>9,332,676</u>	<u>(546,635)</u>	<u>-</u>	<u>8,786,041</u>
Total governmental activities, capital assets, net	<u>\$ 9,772,676</u>	<u>\$ (546,635)</u>	<u>\$ -</u>	<u>\$ 9,226,041</u>

Depreciation/amortization expense amounted to \$3,098,479.

**KENT DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - LONG-TERM OBLIGATIONS**

Changes in Long-Term Liabilities

The following is a summary of governmental long-term obligations for the Library for the year ended December 31, 2022:

	Notes from Direct Borrowings and Direct Placements	Compensated Absences	Total
Balance, January 1, 2022, as restated	\$ 474,535	\$ 738,619	\$ 1,213,154
Additions	-	999,584	999,584
Deletions	<u>(190,725)</u>	<u>(1,013,730)</u>	<u>(1,204,455)</u>
Balance, December 31, 2022	283,810	724,473	1,008,283
Due within one year	<u>(198,254)</u>	<u>(289,789)</u>	<u>(488,043)</u>
Due in more than one year	<u>\$ 85,556</u>	<u>\$ 434,684</u>	<u>\$ 520,240</u>

Long-term obligations at December 31, 2022 are comprised of the following issues:

Direct Borrowing and Direct Placement

Kiosk station lease due in annual installments of \$144,918 through April 30, 2025, with an implied interest rate of 4.0%.	\$ 139,249
Kiosk station lease due in monthly installments of \$9,110 through April 1, 2025, with an implied interest rate of 4.0%.	17,181
Kiosk station lease due in monthly installments of \$11,039 through April 1, 2025, with an implied interest rate of 4.0%.	20,820
Xerox printer lease due in monthly installments of \$9,788 through April 30, 2025, with an implied interest rate of 4.0%.	12,428
Xerox copier lease due in monthly installments of \$34,851 through November 22, 2026, with an implied interest rate of 4.0%.	<u>94,132</u>
Total direct borrowing and direct placement	283,810
Compensated absences	<u>724,473</u>
Total general long-term obligations	<u>\$ 1,008,283</u>

**KENT DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 4 - LONG-TERM OBLIGATIONS (continued)**

The Library's outstanding notes from direct borrowings and direct placements related to governmental activities of \$283,810 contains provisions that in an event of default (1) unable to make principal or interest payments (2) false or misrepresentations is made to the lender (3) become insolvent or make an assignment for the benefit of its creditors (4) if the lender at any time in good faith believes that the prospect of payment of any indebtedness is impaired. Upon the occurrence of any default event, the outstanding amounts, including accrued interest become immediately due and payable.

The annual requirements to amortize long-term obligations outstanding, exclusive of compensated absences payments as of December 31, 2022, are as follows:

Year Ending December 31,	Direct Borrowing and Direct		Compensated Absences	Total
	Principal	Interest		
2023	\$ 198,254	\$ 11,352	\$ -	\$ 209,606
2024	54,840	3,422	-	58,262
2025	30,716	1,229	-	31,945
	283,810	16,003	-	299,813
Compensated absences	-	-	724,473	724,473
	<u>\$ 283,810</u>	<u>\$ 16,003</u>	<u>\$ 724,473</u>	<u>\$ 1,024,286</u>

**NOTE 5 - 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 \$494,463 to the plan for the year ended December 31, 2022.

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.

**KENT DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - PENSION PLANS (continued)**

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.

*Employees Covered by Benefit Terms*

At the December 31, 2022, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	193
Inactive employees entitled to but not yet receiving benefits	40
Active employees	<u>71</u>
	<u><u>304</u></u>

*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, 2022, contributions totaling \$220,364, consisting of \$1,129 of other contributions, \$79,781 of employer contributions, and \$139,454 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 2022. The Library is required to contribute at actuarially determined rates expressed as a percentage of covered payroll. The Library's contribution rate was 2% of annual covered payroll in 2022. 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, 2022, and the total pension asset used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

**KENT DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - PENSION PLANS (continued)**

Benefits Provided (continued)

*Actuarial Assumptions*

The total pension liability in the December 31, 2022, 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 Pub-2010, Amount-Weighted, General Mortality Tables with 2-dimensional fully generational improvements using MP-2021 projection scale.

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	25%	5.33%	2.75%	2.58%
Mutli-Sector Bonds	10%	6.29%	2.75%	3.54%
US Large Cap Equity	35%	9.92%	2.75%	7.17%
US Small Cap Equity	10%	11.36%	2.75%	8.61%
International Developed Equity	15%	11.04%	2.75%	8.29%
Core Real Estate	5%	9.29%	2.75%	6.54%
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 5 - PENSION PLANS (continued)**

Changes in Net Pension Liability (Asset)

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at 12/31/2020	\$ 46,761,732	\$ 64,871,657	\$ (18,109,925)
Changes for the year			
Service cost	681,587	-	681,587
Interest on total pension liability	3,089,026	-	3,089,026
Difference between expected and actual experience	(124,400)	-	(124,400)
Changes of assumptions	3,126,160	-	3,126,160
Employer contributions	-	79,781	(79,781)
Employee contributions	-	139,454	(139,454)
Net investment income	-	(9,899,289)	9,899,289
Benefit payments including employee refunds	(2,678,360)	(2,678,360)	-
Administrative expense	-	(139,947)	139,947
Other charges	-	1,129	(1,129)
Net changes	4,094,013	(12,497,232)	16,591,245
Balances as of 12/31/2021	\$ 50,855,745	\$ 52,374,425	\$ (1,518,680)

*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 12/31/2022	\$ -	\$ (1,518,680)	\$ -
Change in net pension	6,082,789	-	(5,137,900)
Calculated net pension	\$ 4,564,109	\$ (1,518,680)	\$ (6,656,580)



**KENT DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 5 - PENSION PLANS (continued)**

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

For the year ended December 31, 2022 the employer recognized a reduction of pension expense of \$1,982,423 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	\$ -	\$ 149,338
Change in assumptions	1,725,111	-
Net difference between projected and actual earnings on pension plan investments	6,595,039	-
	\$ 8,320,150	\$ 149,338

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

Year End December 31,	
2023	\$ 1,375,282
2024	1,733,216
2025	2,224,225
2026	2,838,089
	\$ 8,170,812

**NOTE 6 - 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 2022 or any of the prior three years.

**KENT DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 7 - 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, 2022, the Library's property tax revenue for general operations were reduced by \$248,517 under this program. The abatements issued by other governmental units is as follows:

Governmental Unit	Amount
Ada Township	\$ 18,676
Algoma Township	958
Alpine Township	16,209
Byron Township	5,257
Caledonia Township	16,217
Cascade Township	25,930
Gaines Township	62,588
Plainfield Township	210
Tyrone Township	1
Vergennes Township	2,688
City of Grandville	3,134
City of Kentwood	30,837
City of Lowell	4,670
City of Rockford	909
City of Walker	20,202
City of Wyoming	40,031
	40,031
Total	\$ 248,517

There are no abatements made by the Library.

**KENT DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 8 - UPCOMING ACCOUNTING PRONOUNCEMENTS**

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 2023 fiscal year.

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections* - an amendment of GASB Statement No. 62. This Statement prescribes the accounting and financial reporting for (1) each type of accounting change and (2) error corrections. This Statement requires that (a) changes in accounting principles and error corrections be reported retroactively by restating prior period, (b) changes to or within the financial reporting entity be reported by adjusting beginning balances of the current period, and (c) changes in accounting estimates be reported prospectively by recognizing the change in the current period. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2024 fiscal year.

In June 2022, the GASB issued Statement No. 101, *Compensated Absences*. This Statement requires that liabilities for compensated absences be recognized for (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. A liability should be recognized for leave that has not been used if (a) the leave is attributable to services already rendered, (b) the leave accumulates, and (c) the leave is more likely than not to be used for time off or otherwise paid in cash or settled through noncash means. This Statement also establishes guidance for measuring a liability for leave that has not been used, generally using an employee's pay rate as of the date of the financial statements. The Library is currently evaluating the impact this standard will have on the financial statements when adopted during the 2025 fiscal year.

**NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLE**

For the year ended December 31, 2022, the District implemented the following new pronouncement:

GASB Statement No. 87, *Leases*.

**Summary:**

Governmental Accounting Standards Board (GASB) Statement No. 87, *Leases*, was issued by the GASB in June 2017. 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.

**KENT DISTRICT LIBRARY  
NOTES TO FINANCIAL STATEMENTS**

**NOTE 9 - CHANGE IN ACCOUNTING PRINCIPLE (continued)**

The restatement of the beginning of year had no impact on net position. The change in capital assets and long-term obligations is as follows:

	Capital Assets	Long-term Obligations
Balances as of July 1, 2021, as previously stated	\$ 9,298,141	\$ 738,619
Adoption of GASB Statement No. 87	474,535	474,535
Balances as of July 1, 2021, as restated	\$ 9,772,676	\$ 1,213,154

**REQUIRED SUPPLEMENTARY INFORMATION**

**KENT DISTRICT LIBRARY  
REQUIRED SUPPLEMENTARY INFORMATION  
BUDGETARY COMPARISON SCHEDULE  
GENERAL FUND  
YEAR ENDED DECEMBER 31, 2022**

	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Local sources				
Property taxes	\$ 25,043,883	\$ 25,043,883	\$ 25,014,472	\$ (29,411)
Penal fines	550,000	550,000	631,033	81,033
Charges for services	35,000	35,000	43,895	8,895
Investment earnings (loss)	60,000	(340,000)	(340,400)	(400)
Donations	275,000	275,000	358,001	83,001
Other	1,237,095	974,095	1,415,478	441,383
Total local sources	27,200,978	26,537,978	27,122,479	584,501
State sources	854,073	924,073	1,072,173	148,100
<b>TOTAL REVENUES</b>	<b>28,055,051</b>	<b>27,462,051</b>	<b>28,194,652</b>	<b>732,601</b>
<b>EXPENDITURES</b>				
Current				
Recreation and culture				
Salaries and wages	13,219,957	13,619,957	13,567,611	52,346
Employee benefits	3,770,066	3,644,066	3,384,784	259,282
Collections - digital	2,499,083	2,399,083	2,364,684	34,399
Collections - physical	1,977,793	2,383,793	2,185,472	198,321
Supplies	769,604	793,654	596,125	197,529
Contractual and professional services	2,010,454	1,869,004	1,697,077	171,927
Programming and outreach	419,545	425,545	307,372	118,173
Maintenance and utilities	2,806,489	2,892,939	2,506,707	386,232
Staff and Board development	282,746	318,746	257,778	60,968
Other	937,445	956,845	726,313	230,532
Capital outlay	2,195,070	1,345,152	975,773	369,379
Debt service				
Principal	-	-	190,725	(190,725)
Interest	-	-	18,981	(18,981)
<b>TOTAL EXPENDITURES</b>	<b>30,888,252</b>	<b>30,648,784</b>	<b>28,779,402</b>	<b>1,869,382</b>
<b>EXCESS OF REVENUES OVER/(UNDER) EXPENDITURES</b>	<b>(2,833,201)</b>	<b>(3,186,733)</b>	<b>(584,750)</b>	<b>\$ 2,601,983</b>
<b>FUND BALANCE</b>				
Beginning of year	12,933,582	12,933,582	12,933,582	
End of year	<u>\$ 10,100,381</u>	<u>\$ 9,746,849</u>	<u>\$ 12,348,832</u>	

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

	2022	2021	2020	2019	2018	2017	2016	2015	2014
Total pension liability									
Service cost	\$ 681,587	\$ 781,796	\$ 729,379	\$ 711,765	\$ 744,402	\$ 842,900	\$ 873,137	\$ 654,695	\$ 662,374
Interest	3,089,026	3,037,420	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	(124,400)	(452,620)	383,041	(249,701)	(455,101)	(122,509)	(1,043,296)	1,259,648	(468,054)
Assumption changes	3,126,160	-	-	-	355,636	-	-	-	-
Benefit payments including employee refunds	(2,678,360)	(2,425,559)	(2,296,761)	(2,163,327)	(1,928,245)	(1,869,329)	(1,707,766)	(1,598,411)	(1,475,674)
Net change in total pension liability	4,094,013	941,037	1,738,320	1,147,829	1,570,725	1,598,696	818,959	2,812,274	1,187,317
Total pension liability beginning	46,761,732	45,820,695	44,082,375	42,934,546	41,363,821	39,765,125	38,946,166	36,133,892	34,946,575
Total pension liability ending	<u>\$ 50,855,745</u>	<u>\$ 46,761,732</u>	<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	\$ 79,781	\$ 83,202	\$ -	\$ 535,203	\$ 92,147	\$ 45,485	\$ 52,169	\$ 57,424	\$ 54,888
Contributions-employee	139,454	157,366	146,468	155,932	167,920	160,947	185,207	193,544	249,681
Net investment income	(9,899,289)	7,048,775	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	(2,678,360)	(2,425,559)	(2,296,761)	(2,163,327)	(1,928,245)	(1,869,329)	(1,707,766)	(1,598,411)	(1,475,674)
Administrative expense	(139,947)	(96,334)	(100,588)	(110,664)	(50,000)	(36,850)	(74,473)	(47,962)	(44,671)
Other	1,129	17,083	8,729	(2,957)	(45,326)	(122,502)	-	-	-
Net change in plan fiduciary net position	(12,497,232)	4,784,533	5,310,158	8,070,258	(4,346,300)	5,997,787	774,063	(984,806)	2,365,328
Plan fiduciary net position beginning	64,871,657	60,087,124	54,776,966	46,706,708	51,053,008	45,055,221	44,281,158	45,265,964	42,900,636
Plan fiduciary net position ending	<u>\$ 52,374,425</u>	<u>\$ 64,871,657</u>	<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>\$ 1,518,680</u>	<u>\$ 18,109,925</u>	<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	102.99%	138.73%	131.14%	124.26%	108.79%	123.42%	113.30%	113.70%	125.27%
Covered employee payroll	\$ 3,704,081	\$ 4,148,428	\$ 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	41.00%	436.55%	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 ten years. However, until a full ten-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 NINE FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarial determined contributions	\$ 79,781	\$ 83,202	\$ -	\$ 535,203	\$ 88,608	\$ 48,169	\$ 52,169	\$ 57,424	\$ 55,071
Contributions in relation to the actuarially determined contribution	<u>79,781</u>	<u>83,202</u>	<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>	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	<u>\$ 3,704,081</u>	<u>\$ 4,148,428</u>	<u>\$ 4,283,815</u>	<u>\$ 4,346,715</u>	<u>\$ 4,627,864</u>	<u>\$ 4,765,699</u>	<u>\$ 5,093,052</u>	<u>\$ 5,450,295</u>	<u>\$ 5,220,856</u>
Contributions as a percentage of covered employee payroll	2.15%	2.01%	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 ten years. However, until a full ten-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 INVESTMENT RETURNS  
 LAST NINE FISCAL YEARS**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Annual money-weighted rate of return, net of investment expense	<u>-23.91%</u>	<u>7.39%</u>	<u>8.85%</u>	<u>14.74%</u>	<u>-9.33%</u>	<u>17.41%</u>	<u>5.45%</u>	<u>0.93%</u>	<u>-</u>

This schedule is presented to illustrate the requirement to show information for ten years. However, until a full ten-year trend is complied, 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 2022.

*Changes in Assumptions* - the mortality rates went from PR-2014 Mortality Table with 2-dimensional fully generational improvements using MP-2018 projection scale to Pub-2010, Amount-Weighted, General Mortality Tables with 2-dimensional fully generational improvements using MP-2021 projection scale.

**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