

KENT DISTRICT LIBRARY

REPORT ON FINANCIAL STATEMENTS
(with required supplementary information)

YEAR ENDED DECEMBER 31, 2019

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INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees
Kent District Library

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, the major fund, and the aggregate remaining fund information of the Kent District Library as of and for the year ended December 31, 2019, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activity, the major fund, and the aggregate remaining fund information as of December 31, 2019, and the respective changes in financial position and, where applicable, cash flow thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Maney Costeiran PC

June 26, 2020

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, 2019.

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 \$29,058,643 (net position). Of this amount, \$12,760,368 (unrestricted net position) may be used to meet the Library's ongoing obligations to citizens and creditors.
- The Library's total net position increased by \$2,277,836.

Fund-level

Governmental funds

- As of the close of the 2019 fiscal year, the Library's governmental funds reported ending fund balance of \$13,586,860, an increase of \$1,332,525 in comparison with the prior year.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$7,898,213 or 32% of total general fund expenditures, exceeding the Kent District Library Board's fund balance minimum of 15% to 20% of expenditures.

Proprietary fund

- As of the close of the 2019 fiscal year, the Library's enterprise fund reported ending fund balance of \$2,984, an increase of \$931. The entirety of this balance is considered unrestricted.

OVERVIEW OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The basic proprietary fund financial statements can be found on pages 18 through 20 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 21 and 22 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 23 through 42 of this report.

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

Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of government’s financial position. In the case of the Library, assets and deferred outflows of resources exceeded liabilities and deferred inflow of resources by \$29,058,643 at the close of the most recent fiscal year.

\$8,923,316 of the Library’s net position (31%) reflects its investment in capital assets (e.g., library books, furniture and equipment), less any related debt, none at year end, used to acquire those assets that is still outstanding. The Library uses these capital assets to provide services to citizens; consequently, these assets are *not* available for future spending.

Kent District Library’s Net Position

	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Current assets	\$ 38,033,374	\$ 35,507,046	\$ 2,984	\$ 2,053	\$ 38,036,358	\$ 35,509,099
Pension assets	10,694,591	3,772,162	-	-	10,694,591	3,772,162
Capital assets	8,923,316	8,434,319	-	-	8,923,316	8,434,319
Total assets	57,651,281	47,713,527	2,984	2,053	57,654,265	47,715,580
Deferred outflows of resources	131,422	3,329,741	-	-	131,422	3,329,741
Long-term liabilities	474,095	304,475	-	-	474,095	304,475
Other liabilities	1,000,519	965,034	-	-	1,000,519	965,034
Total liabilities	1,474,614	1,269,509	-	-	1,474,614	1,269,509
Deferred inflow of resources	27,252,430	22,995,005	-	-	27,252,430	22,995,005
Net position						
Investment in capital assets	8,923,316	8,434,319	-	-	8,923,316	8,434,319
Restricted contributions	355,381	325,508	-	-	355,381	325,508
Restricted for pension	7,019,578	6,394,575	-	-	7,019,578	6,394,575
Unrestricted	12,757,384	11,624,352	2,984	2,053	12,760,368	11,626,405
Total net position	\$ 29,055,659	\$ 26,778,754	\$ 2,984	\$ 2,053	\$ 29,058,643	\$ 26,780,807

The unrestricted net position of \$12,760,368 may be used to meet the Library's ongoing obligations to citizens and creditors.

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

The Library's net position increased by \$2,277,836 during the current fiscal year. The majority of the increase can be attributed to increased property tax revenue.

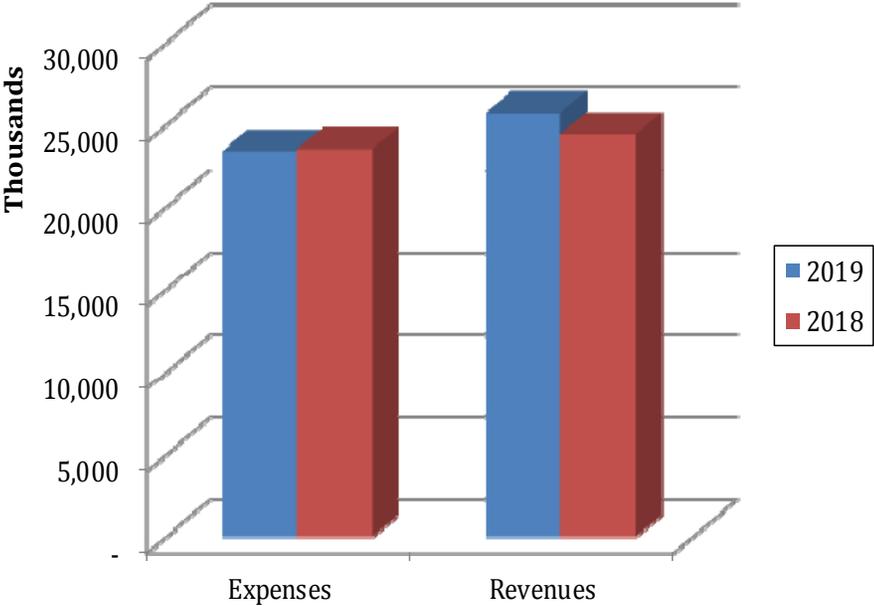
Governmental activities. Governmental activities increased the Library's net position by \$2,276,905 and the business-type activities increased net position by \$931. Key elements are as follows:

Kent District Library's Changes in Net Position

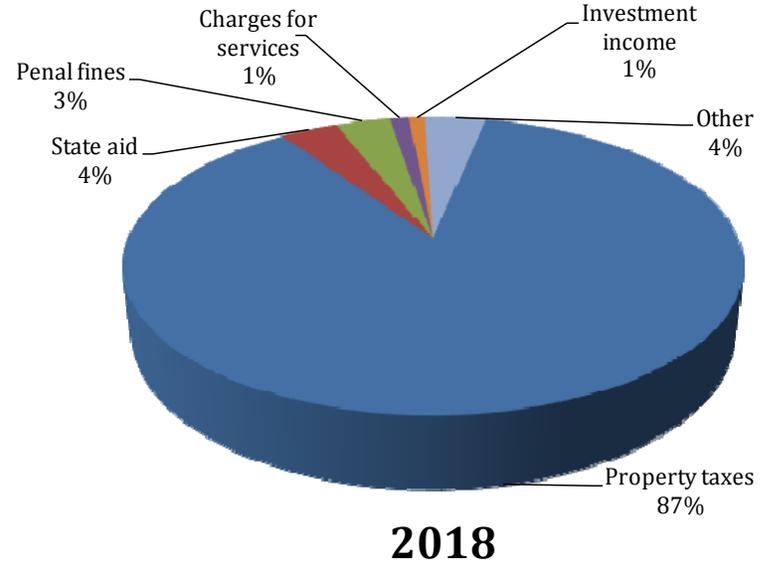
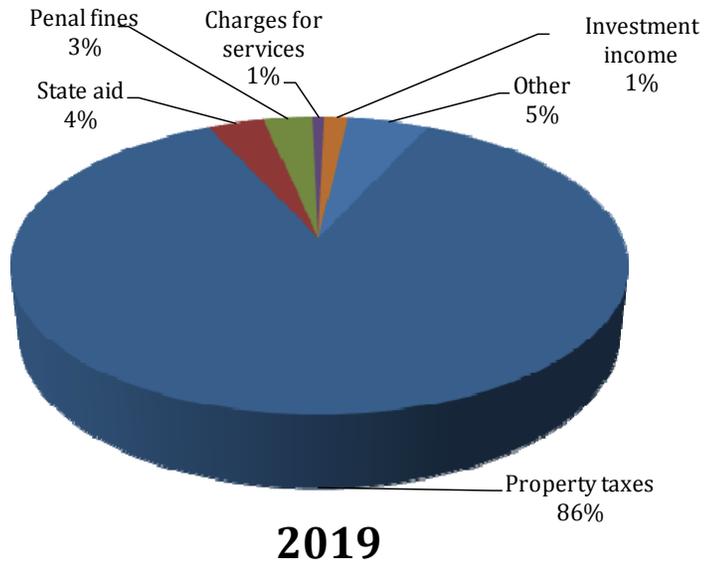
	Governmental Activities		Business-type Activities		Total	
	2019	2018	2019	2018	2019	2018
Revenues						
Program revenues						
Charges for services	\$ 192,717	\$ 291,834	\$ 21,573	\$ 75,435	\$ 214,290	\$ 367,269
Capital grants and contributions	-	104,000	-	-	-	104,000
General revenues						
Property taxes	22,130,099	21,188,285	-	-	22,130,099	21,188,285
Penal fines	787,989	831,140	-	-	787,989	831,140
State aid	905,003	863,786	-	-	905,003	863,786
Investment income	369,488	231,514	-	-	369,488	231,514
Other	1,313,343	938,469	-	-	1,313,343	938,469
Total revenues	25,698,639	24,449,028	21,573	75,435	25,720,212	24,524,463
Expenses						
Library services	23,421,734	23,552,613	-	-	23,421,734	23,552,613
Consulting	-	-	20,642	73,382	20,642	73,382
Total expenses	23,421,734	23,552,613	20,642	73,382	23,442,376	23,625,995
Increase in net position	2,276,905	896,415	931	2,053	2,277,836	898,468
Net position, beginning of year	26,778,754	25,882,339	2,053	-	26,780,807	25,882,339
Net position, end of year	\$ 29,055,659	\$ 26,778,754	\$ 2,984	\$ 2,053	\$ 29,058,643	\$ 26,780,807

- Overall government activities revenue is up \$1,249,611 from the prior year. The majority of the increase is due to collecting more property tax revenue and increased e-rate funding.
- Business-type activity revenue decreased \$53,862 from the prior year, based on decreased consulting activity during the current year.
- Governmental expenses decreased \$130,879. The decrease can primarily be attributed to a decrease in spending on materials.
- Business-type expenses decreased \$52,740. The decrease can be attributed to decreased consulting activity during the current year.

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



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



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the Library's governmental funds reported combined ending fund balance of \$13,586,860, an increase of \$1,332,525 in comparison with the prior year. Approximately 58% of this total amount (\$7,898,213) 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 (\$355,381), 2) capital projects (\$3,129,709), 3) subsequent year expenditures (\$885,854) or 4) prepaid expenses (\$1,253,501).

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 \$7,898,213 while total fund balance was \$13,522,658. 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 32% of total general fund expenditures, while total fund balance represents 55% of that same amount.

The fund balance of the Library's general fund increased by \$1,332,525 during fiscal year 2019. A key factor in this increase is as follows:

- Increase in property tax revenue and e-rate funding

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

Unrestricted net position at the end of the year amounted to \$2,984. The total increase in net position is \$931 and is largely related to a significant decrease in expenses.

Capital Asset and Debt Administration

Capital assets. The Library's investment in capital assets for its governmental activities as of December 31, 2019, amounts to \$8,923,316 (net of accumulated depreciation). This investment in capital assets includes library books and materials, furniture and equipment, and building and building improvements.

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

- New library books and materials
- New computers and technology

Kent District Library's Assets
(Net of Depreciation)

	Governmental Activities	
	2019	2018
Buildings	\$ 463,958	\$ 548,314
Building improvements	846,192	958,038
Land improvements	357,966	387,196
Library books and materials	5,240,817	5,063,516
Vehicles	306,522	362,550
Furniture and equipment	71,468	113,298
Land	440,000	440,000
Information technology	425,531	549,740
Construction in progress	770,862	11,667
	\$ 8,923,316	\$ 8,434,319

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 \$474,095. This represents compensated absences earned but not used as of year-end.

Kent District Library's Outstanding Debt

	Governmental Activities	
	2019	2018
Compensated absences	\$ 474,095	\$ 304,475

The Library's total debt increased by \$169,620 (55.7%) 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 2020 by \$885,854. The Library has a conservative and fiscally responsible budget for the fiscal year 2020 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, 2019**

	Governmental Activities	Business-type Activity	Total
ASSETS			
Cash	\$ 2,455,107	\$ 17,418	\$ 2,472,525
Investments	13,154,212	-	13,154,212
Receivables			
Accounts	298,748	-	298,748
Taxes	20,857,353	-	20,857,353
Internal balances	14,453	(14,453)	-
Prepaid expenses	1,253,501	19	1,253,520
Net pension asset	10,694,591	-	10,694,591
Capital assets, not being depreciated	1,210,862	-	1,210,862
Capital assets, net of accumulated depreciation	7,712,454	-	7,712,454
TOTAL ASSETS	57,651,281	2,984	57,654,265
DEFERRED OUTFLOW OF RESOURCES			
Pension related items	131,422	-	131,422
LIABILITIES			
Accounts payable	690,618	-	690,618
Accrued payroll, taxes and withholding	309,586	-	309,586
Unearned revenue	315	-	315
Noncurrent liabilities			
Due within one year	189,638	-	189,638
Due in more than one year	284,457	-	284,457
TOTAL LIABILITIES	1,474,614	-	1,474,614
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue	23,445,995	-	23,445,995
Pension related items	3,806,435	-	3,806,435
TOTAL DEFERRED INFLOWS OF RESOURCES	27,252,430	-	27,252,430
NET POSITION			
Investment in capital assets	8,923,316	-	8,923,316
Restricted - contributions	355,381	-	355,381
Restricted - pension benefits	7,019,578	-	7,019,578
Unrestricted	12,757,384	2,984	12,760,368
TOTAL NET POSITION	\$ 29,055,659	\$ 2,984	\$ 29,058,643

See notes to financial statements.

**KENT DISTRICT LIBRARY
STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Functions/Programs	Program Revenues		Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Governmental Activities	Business-type Activity	Total
Governmental activities					
Recreation and culture					
Library	\$ 23,421,734	\$ 192,717	\$ (23,229,017)	\$ -	\$ (23,229,017)
Business-type activity					
Consulting	20,642	21,573	-	931	931
Total	<u>\$ 23,442,376</u>	<u>\$ 214,290</u>	<u>(23,229,017)</u>	<u>931</u>	<u>(23,228,086)</u>
General revenues					
Taxes					
Property taxes, levied for general			22,130,099	-	22,130,099
Penal fines			787,989	-	787,989
State sources			905,003	-	905,003
Investment income			369,488	-	369,488
Other			1,313,343	-	1,313,343
Total general revenues			<u>25,505,922</u>	<u>-</u>	<u>25,505,922</u>
Change in net position			2,276,905	931	2,277,836
Net position, beginning of year			<u>26,778,754</u>	<u>2,053</u>	<u>26,780,807</u>
Net position, end of year			<u>\$ 29,055,659</u>	<u>\$ 2,984</u>	<u>\$ 29,058,643</u>

See notes to financial statements.

**KENT DISTRICT LIBRARY
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2019**

	General	Nonmajor Capital Projects	Total Governmental Funds
ASSETS			
ASSETS			
Cash	\$ 2,455,107	\$ -	\$ 2,455,107
Investments	13,154,212	-	13,154,212
Due from other funds	-	64,202	64,202
Receivables			
Accounts	298,748	-	298,748
Taxes	20,857,353	-	20,857,353
Prepaid expenses	1,253,501	-	1,253,501
TOTAL ASSETS	\$ 38,018,921	\$ 64,202	\$ 38,083,123
LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE			
LIABILITIES			
Accounts payable	\$ 690,618	\$ -	\$ 690,618
Accrued payroll, taxes and withholding	309,586	-	309,586
Due to other funds	49,749	-	49,749
Unearned revenue	315	-	315
TOTAL LIABILITIES	1,050,268	-	1,050,268
DEFERRED INFLOWS OF RESOURCES			
Unavailable revenue - USF funds	114,657	-	114,657
Unavailable revenue - property taxes	23,331,338	-	23,331,338
TOTAL DEFERRED INFLOWS	23,445,995	-	23,445,995

See notes to financial statements.

	<u>General</u>	<u>Nonmajor Capital Projects</u>	<u>Total Governmental Funds</u>
FUND BALANCE			
Nonspendable - prepaid expenditures	\$ 1,253,501	\$ -	\$ 1,253,501
Restricted - donations	355,381	-	355,381
Committed - capital projects	3,129,709	-	3,129,709
Assigned - capital projects	-	64,202	64,202
Assigned - subsequent year expenditures	885,854	-	885,854
Unassigned	7,898,213	-	7,898,213
TOTAL FUND BALANCE	<u>13,522,658</u>	<u>64,202</u>	<u>13,586,860</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCE	<u>\$ 38,018,921</u>	<u>\$ 64,202</u>	<u>\$ 38,083,123</u>
Total governmental fund balances			\$ 13,586,860
Amounts reported for governmental activities in the statement of net position are different because:			
Deferred outflows of resources - related to pension			131,422
Deferred inflows of resources - related to pension			(3,806,435)
Net pension asset			10,694,591
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.			
Capital assets not being depreciated		\$ 1,210,862	
Capital assets being depreciated, net		<u>7,712,454</u>	8,923,316
Long-term liabilities, such as compensated absences, are not due and payable in the current period and are therefore not reported in the funds.			
Compensated absences payable			<u>(474,095)</u>
Net position of governmental activities			<u>\$ 29,055,659</u>

See notes to financial statements.

**KENT DISTRICT LIBRARY
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - GOVERNMENTAL FUNDS
YEAR ENDED DECEMBER 31, 2019**

	General	Nonmajor Capital Projects	Total Governmental Funds
REVENUES			
Local sources			
Property taxes	\$ 22,130,099	\$ -	\$ 22,130,099
Penal fines	787,989	-	787,989
Charges for services	192,717	-	192,717
Interest income	369,488	-	369,488
Public donations	332,221	-	332,221
Other	981,122	-	981,122
Total local sources	24,793,636	-	24,793,636
State sources	905,003	-	905,003
Total revenues	25,698,639	-	25,698,639
EXPENDITURES			
Current			
Recreation and culture			
Salaries and wages	11,751,783	-	11,751,783
Employee benefits	3,727,249	-	3,727,249
Collections			
Digital	1,611,377	-	1,611,377
Physical	2,087,267	-	2,087,267
Supplies	489,120	-	489,120
Contractual services	1,163,801	-	1,163,801
Programming and outreach	290,140	-	290,140
Maintenance and utilities	1,603,552	-	1,603,552
Staff and board development	169,794	-	169,794
Other	587,156	-	587,156
Capital outlay	884,875	-	884,875
Total expenditures	24,366,114	-	24,366,114
EXCESS (DEFICIENCY) OF REVENUES OVER (UNDER) EXPENDITURES	1,332,525	-	1,332,525
FUND BALANCE, beginning of year	12,190,133	64,202	12,254,335
FUND BALANCE, end of year	\$ 13,522,658	\$ 64,202	\$ 13,586,860

**KENT DISTRICT LIBRARY
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED DECEMBER 31, 2019**

Net change in fund balances - total governmental funds	\$ 1,332,525
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. In the statement of activities these costs are allocated over their estimated useful lives as depreciation:	
Depreciation expense	(2,556,040)
Gain/loss on disposal of capital assets	(51)
Capital outlay	3,045,088
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	304,475
Accrued compensated absences end of the year	(474,095)
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	625,003
Change in net position of governmental activities	\$ 2,276,905

**KENT DISTRICT LIBRARY
 PROPRIETARY FUND
 STATEMENT OF NET POSITION
 DECEMBER 31, 2019**

	Consulting
CURRENT ASSETS	
Cash	\$ 17,418
Prepaid expenses	19
TOTAL CURRENT ASSETS	17,437
CURRENT LIABILITY	
Due to other funds	14,453
NET POSITION	
Unrestricted	\$ 2,984

**KENT DISTRICT LIBRARY
 PROPRIETARY FUND
 STATEMENT REVENUES, EXPENSES
 AND CHANGES IN NET POSITION
 YEAR ENDED DECEMBER 31, 2019**

	<u>Consulting</u>
REVENUE	
Charges for services	\$ 21,573
OPERATING EXPENSES	
Salaries and wages	572
Benefits	144
Professional services	16,300
Other	3,626
Total expenses	20,642
Change in net position	931
NET POSITION , beginning of year	2,053
NET POSITION , end of year	\$ 2,984

**KENT DISTRICT LIBRARY
 PROPRIETARY FUND
 STATEMENT OF CASH FLOWS
 YEAR ENDED DECEMBER 31, 2019**

	Consulting
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers	\$ 38,069
Payment to employees	(716)
Payment to suppliers and other	(19,935)
Net cash provided in operating activities	17,418
CASH	
Beginning of year	-
End of year	\$ 17,418
RECONCILIATION OF NET OPERATING REVENUES (EXPENSE) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	
Operating income	\$ 931
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
(Increase) decrease in assets	
Accounts receivable	16,496
Prepaid expenditures	14
Increase (decrease) in liability	
Due to/from other funds	(23)
Net cash provided by operating activities	\$ 17,418

**KENT DISTRICT LIBRARY
STATEMENT OF FIDUCIARY NET POSTION
DECEMBER 31, 2019**

	<u>Pension Trust Fund</u>
ASSETS	
Investments	\$ 54,716,636
Receivables	
Interest and dividends	<u>60,330</u>
TOTAL ASSETS	<u>54,776,966</u>
NET POSITION	
Restricted for pension	<u><u>\$ 54,776,966</u></u>

**KENT DISTRICT LIBRARY
FIDUCIARY FUND
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
YEAR ENDED DECEMBER 31, 2019**

	Pension Trust Fund
ADDITIONS	
Contributions	
Employer	\$ 535,203
Nonemployer	155,932
Total contributions	691,135
Investment income	
Net appreciation	8,842,063
Interest and dividends	917,129
Total investment income	9,759,192
Less investment expense	(103,121)
Total investment income	9,656,071
Total additions	10,347,206
DEDUCTIONS	
Benefits paid to members	2,163,327
Administrative expense	110,664
Other	2,957
TOTAL DEDUCTIONS	2,276,948
CHANGE IN NET POSITION	8,070,258
NET POSITION	
Beginning of year	46,706,708
End of year	\$ 54,776,966

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Government-wide Financial Statements

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

Reporting Entity

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

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

Basis of Presentation - Government-wide Financial Statements

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

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

Basis of Presentation - Fund Financial Statements

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

The Library reports the following major governmental fund:

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

Additionally, the government reports the following nonmajor proprietary fund:

The *consulting fund* accounts for the revenue and expenses related to consulting on management of libraries to third parties.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation - Fund Financial Statements (continued)

Additionally, the government reports the following nonmajor fund type:

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

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

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

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

Measurement Focus and Basis of Accounting

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.

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

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

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus and Basis of Accounting (continued)

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

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

Budgetary Information

Budgetary basis of accounting:

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

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

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

The budget was amended during the year with supplemental appropriations. The budget was amended prior to December 31, 2019. 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 (3) highest classifications established by not less than two (2) standard rating services and which matures not more than 270 days after the date of purchase.
- d. The United States government or federal agency obligations repurchase agreements.
- e. Bankers acceptances of United States banks.
- f. Mutual funds composed of investment vehicles, which are legal for direct investment by local units of government in Michigan.

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

Prepaid Expenses

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

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Assets

Capital assets, which include furniture, equipment, and library books, are reported in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of three years. 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 fair market value at the date of donation.

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

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

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

Deferred Outflows/Inflows of Resources

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

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Deferred Outflows/Inflows of Resources (continued)

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

Pension

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

Net Position Flow Assumption

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

Fund Balance Policies

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

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

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Balance Policies

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

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

Use of Estimates

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

Revenues and Expenditures/Expenses

Property Taxes

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

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

The Library's 2018 tax is levied and collectible on December 1, 2018 and is recognized as revenue in the year ended December 31, 2019 financial statements, when the proceeds of the levy are budgeted and available for the financing operations. The 2018 taxable value of the district totaled \$17,458,730,231 (a portion of which is not captured from all jurisdictions), on which taxes of 1.2733 mills are levied for operating purposes.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenues and Expenditures/Expenses (continued)

Compensated Absences

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

NOTE 2 - DEPOSITS AND INVESTMENTS

As of December 31, 2019, the Library does not have any investments as defined under GASB 40.

The Library participates in the Kent County Pooled Investment Fund, which is a local government investment pool established under Michigan state statutes for participating Michigan municipalities. The Pool, which is a nonrisk 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 3.38% of the Pooled Investment Fund. Per the most recent Financial Overview of Kent County, the Pool's value is \$349,278,249. The Library's portion of this, therefore, is \$11,810,913. The County investment pool is not rated. Additional information regarding credit risk of the investments held in the County Investment pool can be found in the notes to the financial statements of the County's Comprehensive Annual Financial report.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the Library's deposits may not be returned to it. As of December 31, 2019, \$15,324,308 of the Library's bank balance of \$16,068,418 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 \$15,609,319.

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.

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

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

Fair Value Measurement. The Kent County Investment Pool was measured at net asset value (or its equivalent) as a practical expedient and, accordingly, has not been classified in the fair value hierarchy.

The cash and cash equivalents and investments referred to above have been reported in either the cash and cash equivalents or investments captions on the financial statements, based upon criteria disclosed in Note 1.

The following summarizes the categorization of these amounts as of December 31, 2019

Deposits	\$ 15,609,319
As presented in the financial statements	
Cash	\$ 2,455,107
Investments	13,154,212
	\$ 15,609,319

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	\$ 4,287,549	10.96
Government agency obligations	19,816	0.54
Corporate bonds, debentures and notes	3,660,789	10.59
Foreign obligations	605,311	6.65
Municipal obligations	74,786	38.86
Mortgage backed securities	570	7.06
Corporate collateralized mortgage obligations	71,230	22.66
Government collateralized mortgage obligations	80,959	3.55
Asset backed securities	739,930	3.22
Private placements	71,480	5.92
Money market mutual funds	1,102,102	N/A
Fixed income mutual funds	5,403,086	N/A
Domestic equity funds	25,100,903	N/A
Global fixed income fund	5,240,182	N/A
Foreign equity mutual funds	8,257,943	N/A
	<u>\$ 54,716,636</u>	
Total fair value		
		<u>10.13</u>
Portfolio weighted average maturity		<u>10.13</u>

1 day maturity equals approximately .0027 years.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

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.

Investment type	Fair Value	Rating				Rating Agency	
		AAA	AA1-3	A1-3	Baa1 and Below Unrated		
U.S. Treasury bills, notes, and bonds	\$ 4,287,549	\$ 3,190,224	\$ -	\$ -	\$ -	\$ 1,097,325	Moody's
Government agency obligations	19,816	19,816	-	-	-	-	Moody's
Corporate bonds, debentures and notes	3,660,789	90,018	210,178	1,557,403	1,684,688	118,502	Moody's
Foreign obligations	605,311	41,040	152,515	183,617	215,982	12,157	Moody's
Municipal obligations	74,786	-	54,325	20,461	-	-	Moody's
Mortgage backed securities	570	-	-	-	-	570	Moody's
Corporate collateralized mortgage obligations	71,230	47,903	-	-	-	23,327	Moody's
Government collateralized mortgage obligations	80,959	-	-	-	-	80,959	Moody's
Asset backed securities	739,930	426,598	-	-	-	313,332	Moody's
Private placements	71,480	-	-	19,993	41,423	10,064	Moody's
	<u>\$ 9,612,420</u>	<u>\$ 3,815,599</u>	<u>\$ 417,018</u>	<u>\$ 1,781,474</u>	<u>\$ 1,942,093</u>	<u>\$ 1,656,236</u>	

Fair value measurement. The Plan is required to disclose amounts within a framework established for measuring fair value. The 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 process 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 District's own assumptions about the factors market participants would use in pricing an investment and would be based on the best information available.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - DEPOSITS AND INVESTMENTS (continued)

The 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, 2019:

	Fair Value		
	Level 1	Level 2	Total
U.S. Treasury bills, notes, and bonds	\$ -	\$ 4,287,549	\$ 4,287,549
Government agency obligations	-	19,816	19,816
Corporate bonds, debentures and notes	-	3,660,789	3,660,789
Foreign obligations	-	605,311	605,311
Municipal obligations	-	74,786	74,786
Mortgage backed securities	-	570	570
Corporate collateralized mortgage obligations	-	71,230	71,230
Government collateralized mortgage obligations	-	80,959	80,959
Asset backed securities	-	739,930	739,930
Private placements	-	71,480	71,480
Money market mutual funds	1,102,102	-	1,102,102
Fixed income mutual funds	5,403,086	-	5,403,086
Domestic equity funds	5,274,597	19,826,306	25,100,903
Global fixed income fund	-	5,240,182	5,240,182
Foreign equity mutual funds	8,257,943	-	8,257,943
Total assets at fair value	<u>\$ 20,037,728</u>	<u>\$ 34,678,908</u>	<u>\$ 54,716,636</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.

NOTE 3 - INTERFUND RECEIVABLES AND PAYABLES

The composition of interfund balances as of December 31, 2019 is as follows:

Receivable Fund	Amount	Payable Fund	Amount
Capital projects fund	<u>\$ 64,202</u>	Consulting fund	\$ 14,453
		General fund	<u>49,749</u>
			<u>\$ 64,202</u>

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

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - CAPITAL ASSETS

The capital assets for the year ended December 31, 2019 were as follows:

	Balance January 1, 2019	Additions	Deletions	Balance December 31, 2019
Primary government				
Governmental activities				
Capital assets not being depreciated				
Land	\$ 440,000	\$ -	\$ -	\$ 440,000
Construction in progress	11,667	759,195	-	770,862
Total capital assets, not being depreciated	<u>451,667</u>	<u>759,195</u>	<u>-</u>	<u>1,210,862</u>
Capital assets being depreciated				
Buildings	2,108,900	-	-	2,108,900
Building improvements	1,616,650	22,000	-	1,638,650
Land improvements	423,704	-	-	423,704
Library books and materials	10,312,217	2,087,267	-	12,399,484
Vehicles	430,066	-	18,000	412,066
Information technology	3,649,918	176,626	-	3,826,544
Furniture and equipment	2,034,150	-	11,531	2,022,619
Total capital assets, being depreciated	<u>20,575,605</u>	<u>2,285,893</u>	<u>29,531</u>	<u>22,831,967</u>
Less accumulated depreciation for				
Buildings	1,560,586	84,356	-	1,644,942
Building improvements	658,612	133,846	-	792,458
Land improvements	36,508	29,230	-	65,738
Library books and materials	5,248,701	1,909,966	-	7,158,667
Vehicles	67,516	56,028	18,000	105,544
Information technology	3,100,178	300,835	-	3,401,013
Furniture and equipment	1,920,852	41,779	11,480	1,951,151
Total accumulated depreciation	<u>12,592,953</u>	<u>2,556,040</u>	<u>29,480</u>	<u>15,119,513</u>
Total capital assets, being depreciated, net	<u>7,982,652</u>	<u>(270,147)</u>	<u>51</u>	<u>7,712,454</u>
Total governmental activities, capital assets, net	<u>\$ 8,434,319</u>	<u>\$ 489,048</u>	<u>\$ 51</u>	<u>\$ 8,923,316</u>

Depreciation expense amounted to \$2,556,040.

NOTE 5 - LONG-TERM DEBT

Changes in Long-term Liabilities

Long-term liability activity for the year ended December 31, 2019 was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due within One Year
Governmental activities:					
Compensated absences	\$ 304,475	\$ 1,007,430	\$ 837,810	\$ 474,095	\$ 189,638

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION PLANS

Defined Contribution Retirement Plan

The Library's defined benefit retirement plan closed to new employees on December 31, 2009. Following the closure of the defined benefit plan, the Kent District Library Deferred Compensation Plan (the "Plan") was created in accordance with the Internal Revenue Code, Section 457 and was offered to employees hired after December 31, 2009. The Library will match 100% of an employee's contribution up to 7.5% of the employee's wages, and the difference between 7.5% and 11.5% will be matched at 50%. The Library contributed \$429,064 to the plan for the year ended December 31, 2019.

Plan Description

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

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

Benefits Provided

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

Employees covered by benefit terms. At the December 31, 2019, valuation date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	176
Inactive employees entitled to but not yet receiving benefits	39
Active employees	96
	<hr/>
	311
	<hr/> <hr/>

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.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION PLANS (continued)

Benefits Provided (continued)

During the year ended December 31, 2019, contributions totaling \$691,135, consisting of \$535,203 employer contributions, \$6,262 of other contributions and \$149,670 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 2019. The Library is required to contribute at actuarially determined rates expressed as a percentage of covered payroll. The Library's contribution rate was 1.91% of annual covered payroll in 2019. 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, 2019, and the total pension asset used to calculate the net pension liability was determined by an annual actuarial valuation as of that date.

Actuarial assumptions. The total pension liability in the December 31, 2019, annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation: 2.5%

Salary increases: 3.5% to 10.1% including inflation

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

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

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

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION PLANS (continued)

Benefits Provided (continued)

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

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Gross Rate of Return</u>	<u>Inflation Assumption</u>	<u>Long-term Expected Real Rate of Return</u>
Core Bonds	27%	5.36%	2.75%	2.61%
Core Plus	13%	5.62%	2.75%	2.87%
US Large Cap Equity	35%	9.87%	2.75%	7.12%
US Small Cap Equity	10%	11.18%	2.75%	8.43%
International Developed Equity	15%	10.90%	2.75%	8.15%
Total	<u>100%</u>			

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

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION PLANS (continued)

Changes in Net Pension Liability

	Increase (Decrease)		
	Total Pension Liability (a)	Plan Fiduciary Net Position (b)	Net Pension Asset (a) - (b)
Balances at 12/31/2018	\$ 42,934,546	\$ 46,706,708	\$ (3,772,162)
Changes for the year			
Service cost	711,765	-	711,765
Interest on total pension liability	2,849,092	-	2,849,092
Difference between expected and actual experience	(249,701)	-	(249,701)
Changes of assumptions	-	-	-
Employer contributions	-	535,203	(535,203)
Employee contributions	-	155,932	(155,932)
Net investment income	-	9,656,071	(9,656,071)
Benefit payments including employee refunds	(2,163,327)	(2,163,327)	-
Administrative expense	-	(110,664)	110,664
Other charges	-	(2,957)	2,957
Net changes	<u>1,147,829</u>	<u>8,070,258</u>	<u>(6,922,429)</u>
Balances as of 12/31/2019	<u>\$ 44,082,375</u>	<u>\$ 54,776,966</u>	<u>\$ (10,694,591)</u>

Sensitivity of the net pension asset to changes in the discount rate. The following presents the net pension liability 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 12/31/2019	\$ -	\$ (10,694,591)	\$ -
Change in net pension asset	<u>5,378,562</u>	<u>-</u>	<u>(4,539,760)</u>
Calculated net pension asset	<u>\$ (5,316,029)</u>	<u>\$ (10,694,591)</u>	<u>\$ (15,234,351)</u>

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 6 - PENSION PLANS (continued)

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

For the year ended December 31, 2019 the employer recognized a reduction of pension expense of \$625,003 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	\$ -	\$ 461,409
Differences in assumptions	131,422	-
Net difference between projected and actual earnings on	-	3,345,026
	\$ 131,422	\$ 3,806,435

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

Year End December 31,	
2020	\$ (1,150,163)
2021	(1,121,050)
2022	(92,422)
2023	(1,311,378)
	\$ (3,675,013)

NOTE 7 - COMMITMENTS AND CONTINGENCIES

The Library is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Library carries commercial insurance to cover any losses that may result from the above described activities. No settlements have incurred in excess of coverage in 2019 or any of the prior 3 years.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - OPERATING LEASE

The Library had entered into multiple operating lease for branch locations and equipment. The scheduled future minimum lease payments under these agreements as of December 31, 2019, are summarized as follows:

Year Ending December 31,	
2020	\$ 386,580
2021	386,580
2022	384,756
	\$ 1,157,916

NOTE 9 - TAX ABATEMENTS

Industrial Facilities Exemption

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

For the year ended December 31, 2019, the Library's property tax revenue for general operations were reduced by \$150,180 under this program. The abatements issued by other governmental units is as follows:

Governmental Unit	Amount
Ada Township	\$ 14,765
Algoma Township	953
Alpine Township	5,208
Byron Township	6,235
Caledonia Township	3,313
Cascade Township	14,500
Gaines Township	897
Plainfield Township	1,170
Tyrone Township	83
Vergennes Township	1,515
City of Grandville	5,246
City of Kentwood	35,533
City of Lowell	2,539
City of Rockford	843
City of Walker	21,249
City of Wyoming	36,131
Total	\$ 150,180

There are no abatements made by the Library.

**KENT DISTRICT LIBRARY
NOTES TO FINANCIAL STATEMENTS**

NOTE 10- SUBSEQUENT EVENT

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

NOTE 11 - UPCOMING ACCOUNTING PRONOUNCEMENT

Governmental Accounting Standards Board (GASB) Statement No. 84, *Fiduciary Activities*, was issued by the GASB in January 2017 and will be effective for the Library's 2020 year end. The objective of this Statement is to improve guidance regarding the identification of fiduciary activities for accounting and financial reporting purposes and how those activities should be reported. This Statement establishes criteria for identifying fiduciary activities for all state and local governments. The focus on the criteria generally is on (1) whether a government is controlling the assets of the fiduciary activity, and (2) the beneficiaries with whom a fiduciary relationship exists. An activity meeting the criteria should be reported in a fiduciary fund in the basic financial statements. Governments with activities meeting the criteria should present a statement of fiduciary net position and a statement of changes in fiduciary net position.

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

REQUIRED SUPPLEMENTARY INFORMATION

**KENT DISTRICT LIBRARY
REQUIRED SUPPLEMENTARY INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED DECEMBER 31, 2019**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES				
Local sources				
Property taxes	\$ 22,093,560	\$ 22,093,560	\$ 22,130,099	\$ 36,539
Penal fines	797,644	797,644	787,989	(9,655)
Charges for services	100,000	100,000	192,717	92,717
Interest income and rentals	76,000	300,000	369,488	69,488
Donations	442,000	442,000	332,221	(109,779)
Other	663,210	663,210	985,039	321,829
Total local sources	<u>24,172,414</u>	<u>24,396,414</u>	<u>24,797,553</u>	<u>401,139</u>
State sources	<u>634,067</u>	<u>884,067</u>	<u>905,003</u>	<u>20,936</u>
Total revenues	<u>24,806,481</u>	<u>25,280,481</u>	<u>25,702,556</u>	<u>422,075</u>
EXPENDITURES				
Current				
Recreation and culture				
Salaries and wages	11,753,570	11,853,570	11,751,783	101,787
Employee benefits	3,732,138	3,832,138	3,727,249	104,889
Collections - digital	1,539,498	1,739,498	1,611,377	128,121
Collections - physical	2,121,387	2,151,387	2,087,267	64,120
Supplies	779,255	604,255	489,120	115,135
Contractual and professional services	1,776,121	1,351,121	1,163,801	187,320
Programming and outreach	333,277	333,277	290,140	43,137
Maintenance and utilities	1,999,046	1,799,046	1,603,552	195,494
Staff development	257,883	182,883	160,546	22,337
Board development	14,833	14,833	9,248	5,585
Other services and charges	781,730	656,730	587,156	69,574
Capital outlay	601,224	1,037,224	884,875	152,349
Total expenditures	<u>25,689,962</u>	<u>25,555,962</u>	<u>24,366,114</u>	<u>1,189,848</u>
NET CHANGE IN FUND BALANCE	<u>\$ (883,481)</u>	<u>\$ (275,481)</u>	1,336,442	<u>\$ 1,611,923</u>
FUND BALANCE				
Beginning of year			<u>12,190,133</u>	
End of year			<u>\$ 13,526,575</u>	

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

	2019	2018	2017	2016	2015	2014
Total pension liability						
Service cost	\$ 711,765	\$ 744,402	\$ 842,900	\$ 873,137	\$ 654,695	\$ 662,374
Interest	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	(249,701)	(455,101)	(122,509)	(1,043,296)	1,259,648	(468,054)
Assumption changes	-	355,636	-	-	-	-
Benefit payments including employee refunds	(2,163,327)	(1,928,245)	(1,869,329)	(1,707,766)	(1,598,411)	(1,475,674)
Net change in total pension liability	1,147,829	1,570,725	1,598,696	818,959	2,812,274	1,187,317
Total pension liability beginning	42,934,546	41,363,821	39,765,125	38,946,166	36,133,892	34,946,575
Total pension liability ending	<u>\$ 44,082,375</u>	<u>\$ 42,934,546</u>	<u>\$ 41,363,821</u>	<u>\$ 39,765,125</u>	<u>\$ 38,946,166</u>	<u>\$ 36,133,892</u>
Plan fiduciary net position						
Contributions-employer	\$ 535,203	\$ 92,147	\$ 45,485	\$ 52,169	\$ 57,424	\$ 54,888
Contributions-employee	155,932	167,920	160,947	185,207	193,544	249,681
Net investment income	9,656,071	(2,582,796)	7,820,036	2,318,926	410,599	3,581,104
Benefit payments including employee refunds	(2,163,327)	(1,928,245)	(1,869,329)	(1,707,766)	(1,598,411)	(1,475,674)
Administrative expense	(110,664)	(50,000)	(36,850)	(74,473)	(47,962)	(44,671)
Other	(2,957)	(45,326)	(122,502)	-	-	-
Net change in plan fiduciary net position	8,070,258	(4,346,300)	5,997,787	774,063	(984,806)	2,365,328
Plan fiduciary net position beginning	46,706,708	51,053,008	45,055,221	44,281,158	45,265,964	42,900,636
Plan fiduciary net position ending	<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>\$ 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	124.26%	108.79%	123.42%	113.30%	113.70%	125.27%
Covered employee payroll	\$ 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	246.04%	81.51%	203.31%	103.87%	97.88%	174.92%

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

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

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarial determined contributions	\$ 535,203	\$ 92,147	\$ 45,485	\$ 52,169	\$ 57,424	\$ 55,071
Contributions in relation to the actuarially determined contribution	<u>535,203</u>	<u>92,147</u>	<u>45,485</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>
Covered employee payroll	\$ 4,346,715	\$ 4,627,864	\$ 4,765,699	\$ 5,093,052	\$ 5,450,295	\$ 5,220,856
Contributions as a percentage of covered employee payroll	12.31%	1.99%	0.95%	1.02%	1.05%	1.05%

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

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

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

Benefit changes - there were no changes in benefits in 2019.

Changes in assumptions - there were no changes in assumptions in 2019.

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	2.75%
Salary increases	4.5% to 11.1%, including inflation
Investment rate of return	7.0%
Retirement age	Experience based table of rates that are specific to the type of eligibility condition
Mortality	RP2000 combined mortality table projected to year 2020 using Scale BB