KENT COUNTY PUBLIC LIBRARY

Financial Statements Together with
Report of Independent Public Accountants

For the Year Ended June 30, 2025

KENT COUNTY PUBLIC LIBRARY

Financial Statements Together with
Report of Independent Public Accountants

JUNE 30, 2025

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Certified Public
Accountants &
SBC Business Advisors

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

To the Board of Trustees of
Kent County Public Library
Chestertown, Maryland

Opinions

We have audited the financial statements of the governmental activities and the major fund of the Kent County Public Library (the Library), a component unit of Kent County, Maryland, as of and for the year ended June 30, 2025, 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 accompanying financial statements present fairly, in all material respects, the respective financial position of the governmental activities, and the major fund of the Library, as of June 20, 2025, and the respective changes in financial position thereof for the year then ended in accordance with accounting principals generally accepted in the Unites States of America.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Library and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management's for the Financial Statements

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

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

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SBC Certified Public Accountants & Business Advisors

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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, budgetary comparison information, and the Schedule of Proportionate Share of the Net Pension Liability be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2025, on our consideration of the Library's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to described the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Library's internal control over financial reporting and compliance.

Owings Mills, Maryland
October 30, 2025

SB & Company, LLC

KENT COUNTY PUBLIC LIBRARY

Management's Discussion and Analysis
For the Year Ended June 30, 2025

As management of the Kent County Public Library (the Library), we offer readers of the Library's financial statements this narrative overview and analysis of the financial activities of the Library for the fiscal year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the financial statements and notes to the financial statements that immediately follow this discussion.

Financial Highlights

- The assets of the Library exceeded its liabilities at the close of fiscal year 2025 by $470,571 (*net position*). Of this amount, $250,070 represents unrestricted net position, which may be used to meet the Library's ongoing obligations to citizens and creditors.

- The Library's total net position increased by $11,526.

- As of the close of fiscal year 2025, the Library's governmental fund (general fund) reported combined ending fund balances of $272,073, an increase of $27,447 in comparison with the prior year.

- At the end of fiscal year 2025, the unrestricted fund balance (the total of the *committed, assigned,* and *unassigned* components of *fund balance*) for the general fund was $266,209, or approximately 22% of total general fund expenditures.

Overview of the Financial Statements

This discussion and analysis provided here is intended to serve as an introduction to the Library's basic financial statements. The basic financial statements consist of two primary financial statements: The Statement of Net Position concurrently presented with the Governmental Funds Balance Sheet and the Statement of Activities concurrently presented with the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balances.

Government-wide Financial Statements

The *government-wide financial statements* include the *statement of net position* and the *statement of activities* and 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 financial information on all of the Library's assets, liabilities, and deferred inflows/outflows of resources, with the difference 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.

Government-wide Financial Statements (continued)

The s*tatement 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 for some items that will only result in cash flows in future fiscal periods (i.e.: earned but unused vacation time).

Fund Financial Statements

The *fund financial statements* include the *governmental balance sheet* and the *governmental fund statement of revenues, expenditures and changes in fund balance* and are designed to 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 assessing the Library's near-term financing requirements. The Library only maintains one governmental fund, the general fund.

The Library adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire 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 13-25 of this report.

Other Information

In addition to the basic financial statements and accompanying notes, this report also presents *required supplementary information.* The general fund schedule of revenues, expenditures, and changes in fund balance – budget and actual are presented in this section.

Required supplementary information can be found on pages 27-29 of this report.

Kent County Public Library's Net Position

	2025	2024	Increase/ (Decrease)
Current and other assets	**$ 384,620**	$ 364,834	$ 19,786
Capital assets, net	**361,083**	389,555	(28,472)
Total Assets	**745,703**	754,389	(8,686)
Current liabilities	**112,547**	120,208	(7,661)
Non-current liabilities	**162,585**	175,136	(12,551)
Liabilities	**275,132**	295,344	(20,212)
Net Position:			
Net invested in capital assets	**214,637**	223,818	(9,181)
Restricted	**5,864**	32,104	(26,240)
Unrestricted	**250,070**	203,123	46,947
Total Net Position	**$ 470,571**	$ 459,045	$ 11,526

Kent County Public Library's Changes in Net Position

	2025	2024	Increase/ (Decrease)
Revenues:			
County, State, and Local appropriations	**$ 925,526**	$ 882,522	$ 43,004
State and other grants	**215,286**	204,224	11,062
Fees	**6,597**	5,840	757
Restricted donations	**85,358**	62,964	22,394
Unrestricted donations	**10,319**	4,044	6,275
Miscellaneous revenue	**390**	2,561	(2,171)
Total Revenues	**1,243,476**	1,162,155	81,321
Expenses:			
Salaries and related costs	**933,144**	922,865	10,279
Operating expenditures	**210,938**	173,965	36,973
Debt service	**4,709**	5,307	(598)
Depreciation and amortization	**83,159**	82,123	1,036
Total Expenses	**1,231,950**	1,184,260	47,690
Change in Net Position	**$ 11,526**	$ (22,105)	$ 33,631

The Library's revenues increased by $81,321. Appropriations, State and other grant funding, and donations all recognized increases. The Library's expenses increased by $47,690 primarily in Operating expenditure equipment expenses.

KENT COUNTY PUBLIC LIBRARY

Management's Discussion and Analysis
For the Year Ended June 30, 2025

Budgetary Highlights

The Library's budget is prepared on the modified accrual basis of accounting. The Library's original budget of $1,096,776 was amended to $1,283,845. The most significant change was the addition of $101,928 for the State on-behalf payment for retirements. In addition, there were increases of $45,072 for equipment and $10,796 for library programming.

Capital Assets

At the end of 2025, the Library had invested $1,073,882 in a broad range of capital assets including equipment, books and media, and Library improvements. This year's major additions included $35,598 of Library and audio-visual materials, $27,600 to redesign the Library's website and $5,289 for a new welcome desk.

Currently Known Facts, Decisions, or Conditions

The Kent County Public Library (KCPL) saw an increase in revenues in Fiscal Year 2025 of $81,321 over the previous fiscal year, largely due to increases in county, state and local appropriations, and the pursuit of grants to support various library initiatives. This support has enabled the library to continue to meet community needs and provide a broad range of services to Kent County.

Overall, expenses increased by $47,690. KCPL brought in a new Executive Director, and filled positions which had been vacant during the previous fiscal year, which led to an increase in salaries and related costs. The Library also relocated its Rock Hall branch to a newer facility which required the purchase of furnishing, shelving and materials. These were supported through contributions from the community.

The library has committed $61,000 in reserve funding to Fiscal Year 2026 to support operations as revenues exceeded expenses in Fiscal year 2025.

KCPL pursued and received several grants in the previous fiscal year enabling specialized programming and collection support. A grant from the Hedgelawn Foundation was used to purchase local interest materials to form a special collection in the Rock Hall branch, a grant through the Library Services and Technology Act (LSTA) supported community gardening programming and initiatives, and KCPL's annual summer reading program was supported by grants through the Mid-Shore Foundation and PNC Bank's Grow Up Great program. The Friends of the Kent County Public Library provided ongoing support through unrestricted contributions, and the Foundation for the Kent County Public Library provided funding for technology replacements and the new website for KCPL which launched in October 2024.

The Finance Committee of the Board of Trustees met regularly throughout the fiscal year, remaining informed and involved in the financial health of the library. The Board of Trustees received regular reports from the Treasurer about the bank balances and significant outlays.

Economic Factors

The beginning of contributions for the Time to Care Act was deferred until January 2027, which removed the tax obligation from the Library and its employees for this fiscal year.

With the defunding of the Institute of Museum and Library Science, the library anticipates a future reduction in the availability of grant funding through the LSTA. Several services at the regional and state level could be terminated as a result of this lack of funding.

KCPL has been able to use unrestricted reserve funds to support operations over the past several years, but this is not renewable funding and additional revenue will need to be identified in future fiscal years.

Contacting the Library's Financial Management

The Library's financial statements are designed to provide users with a general overview of the Library's finances and to demonstrate the Library's accountability for the money it receives. If you have any questions about this report or need additional information, contact the Kent County Public Library, 408 High Street, Chestertown, Maryland 21620.

KENT COUNTY PUBLIC LIBRARY

Statement of Net Position and Governmental Funds Balance Sheet
As of June 30, 2025

	General Fund	Adjustments	Governmental Activities
ASSETS			
Cash and cash equivalents	$ 329,430	$ -	$ 329,430
Receivables	49,326	-	49,326
Prepaids	5,864	-	5,864
Capital assets, net net of accumulated depreciation			
Machinery, equipment and vehicles	-	71,648	71,648
Improvements	-	3,653	3,653
Right to Use Leased Asset	-	135,271	135,271
Library collections	-	150,511	150,511
Total Assets	384,620	361,083	745,703
LIABILITIES			
Accounts payable and other accrued liabilities	59,942	-	59,942
Intergovernmental Payable	319	-	319
Due to Kent County	3,519	-	3,519
Unearned Revenue	48,767	-	48,767
Non-current liabilities			
Due within one year	-	19,790	19,790
Due in more than one year	-	142,795	142,795
Total Liabilities	112,547	162,585	275,132
FUND BALANCES / NET POSITION			
Fund Balances			
Nonspendable - prepaids	5,864	(5,864)	-
Committed	191,005	(191,005)	-
Assigned	61,000	(61,000)	-
Unassigned	14,204	(14,204)	-
Total Fund Balances	272,073	(272,073)	-
Net Position			
Net investment in capital assets	-	214,637	214,637
Restricted	-	5,864	5,864
Unrestricted	-	250,070	250,070
Total Net Position	$ -	$ 470,571	$ 470,571
Total Liabilities and Net Position	$ 384,620		

The accompanying notes are an integral part of this financial statement.

KENT COUNTY PUBLIC LIBRARY

Reconciliation of the Governmental Fund Balance to the Statement of Net Position
As of June 30, 2025

Total fund balances - governmental funds		$ 272,073
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets and library collections used in governmental activities are not financial resources, and therefore, are not reported in the funds:		
Depreciable capital assets:		
Machinery, equipment and vehicles	237,913	
Improvements	33,613	
Right-to-use leased buildings	216,433	
Library collections	585,923	
Total capital assets:	1,073,882	
Less accumulated depreciation and amortization	(712,799)	
		361,083
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds:		
Leases	(146,446)	
Compensated absences	(16,139)	
		(162,585)
Net Position of Governmental Activities		$ 470,571

The accompanying notes are an integral part of this financial statement.

KENT COUNTY PUBLIC LIBRARY

Statement of Activities and Governmental Funds
Statement of Revenue, Expenditures, and Change in Fund Balance
For the Year Ended June 30, 2025

	General Fund	Adjustments	Governmental Activities
Revenues			
Appropriations:			
State of Maryland	$ 131,566	$ -	$ 131,566
Kent County	793,960	-	793,960
State and other grants	215,286	-	215,286
Fees	6,597	-	6,597
Donations:			
Restricted	85,358	-	85,358
Unrestricted	10,319	-	10,319
Miscellaneous revenue	390	-	390
Total Revenues	1,243,476	-	1,243,476
Expenses			
Salaries and related costs	926,404	6,740	933,144
Operating expenditures	210,938	-	210,938
Library materials	35,598	(35,598)	-
Capital Outlay	19,089	(19,089)	-
Debt Service	24,000	(19,291)	4,709
Depreciation and amortization	-	83,159	83,159
Total Expenses	1,216,029	15,921	1,231,950
Net change in fund balance/net position	27,447	(15,921)	11,526
Fund balance/net position, beginning of year	244,626	214,419	459,045
Fund balance/net position, end of year	$ 272,073	$ 198,498	$ 470,571

The accompanying notes are an integral part of this financial statement.

KENT COUNTY PUBLIC LIBRARY

Reconciliation of the Statement of Revenue, Expenditures, and Change in Fund Balance – Governmental Fund to the Statement of Activities
For the Year Ended June 30, 2025

Net change in fund balances - total governmental funds		$ 27,447
Amounts reported for governmental activities in the statements of activities are different because:		
Governmental funds report capital outlays and the acquisition of library materials as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense or amortization expense.		
Capital outlay and library collection	54,687	
Depreciation and amortization expense	(83,159)	
		(28,472)
The issuance of long-term debt (i.e., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, wheras these amounts are deferred and amortized in the statement of activities:		
Principal repayments - leases	19,291	
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 the governmental funds.		
Accrued compensated absences	(6,740)	
		12,551
Change in Net Position of Governmental Activities		$ 11,526

The accompanying notes are an integral part of this financial statement.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. Reporting entity

Kent County Public Library (the "Library") was formed in 1961 by state legislation as a state and local government agency. The Library is governed by a seven member board of trustees appointed by the Kent County Commissioners. Services provided include offering Library materials of various types for use by the general public.

B. Basis of presentation – government-wide financial statements

The government-wide financial statements include the Statement of Net Position and the Statement of Activities which present information about the Library as a whole. All of the activities of the Library are classified as governmental.

C. Basis of presentation – fund financial statements

The fund financial statements include a Balance Sheet and Statement of Revenues, Expenditures and Changes in Fund Balances. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions or limitations. The Library has one fund and maintains all of its activity in that one general fund.

D. 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 are reported using the *economic resources measurement* focus and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Measurement focus and basis of accounting (continued)

The governmental fund financial statements 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 Library 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, debt service expenditures, as well as expenditures related to compensated absences, and claims and judgments, are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds. Issuance of long-term debt and acquisitions under capital leases are reported as other financing sources.

Fees and donations are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other eligibility requirements have been met, and the amount is received during the period or within the availability period for this revenue source (within 60 days of year end). All other revenue items are considered to be measurable and available only when cash is received by the Library.

E. Budgetary information

1. Budgetary basis of accounting

An annual budget is adopted on a basis consistent with generally accepted accounting principles for the Library's general fund. The Library's director may make transfers of appropriations within line items up to $1,000 per month and the Library's treasurer may make transfers of appropriations within line items up to $5,000 per month with the exception of personnel expenditures. Transfers of appropriations in excess of $5,000 require the approval of the Library's board of trustees. The legal level of budgetary control (i.e., the level at which expenditures may not legally exceed appropriations) is the fund level. Appropriations 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). Encumbrance accounting is utilized to the extent necessary to assure effective budgetary control and accountability and to facilitate effective cash planning and control.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Budgetary information (continued)

1. Budgetary basis of accounting (continued)

While all appropriations and encumbrances lapse at year end, valid outstanding encumbrances (those for which performance under the executory contract is expected in the next year) are re-appropriated and become part of the subsequent year's budget pursuant to state regulations.

F. Assets, liabilities, deferred Outflows/Inflows of Resources, and Net Position/Fund Balance

1. 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 three months or less from the date of acquisition. The Library follows Local Government §17-101 of the Annotated Code of Maryland, which requires that deposits with financial institutions be fully collateralized. Full collateralization is necessary to minimize the risk of loss of a deposit in the event of the default of a financial institution. In addition, this section of the law requires that collateral be of the types specified in the State Finance and Procurement Article, Section 6-202 of the Code.

2. Prepaid items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements. The cost of prepaid items is recorded as expenditures/expenses when consumed rather than when purchased.

3. Capital assets

Capital assets, which include property, plant, and equipment, are reported in the applicable governmental activities' column in the government-wide financial statements. Capital assets are defined by the Library as assets with an initial cost of more than $5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost. Additions, improvements, and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The Library does not own the library building as other assets contributed to it from the County.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

3. Capital assets *(continued)*

Depreciation/amortization on all assets is provided on the straight-line basis over the following useful lives.

Asset Class	Lives
Building and Improvements	7-39 years
Right-to-use leased buildings	2-10 years
Furniture, fixtures, and equipment	5 -7 years

4. *Library collection*

The Library collection which includes books, periodicals and audio-visual materials are reported in the applicable governmental activities column in the government-wide financial statements. These assets are recorded at historical cost or estimated historical cost. They are amortized over seven years. Fully amortized assets are removed from original cost and accumulated amortization after they have been carried for ten years.

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 has no items that qualify for reporting in this category.

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 no items that qualify for reporting in this category.

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I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

6. Net position flow assumption

Sometimes the Library will fund outlays for a particular purpose from both restricted (e.g., restricted bond 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 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.

7. Fund balance flow assumptions

Sometimes the Library will fund outlays for a particular purpose from both restricted and unrestricted resources (the total of committed, assigned, and unassigned fund balance). In order to calculate the amounts to report as restricted, committed, assigned, and unassigned fund balance in the governmental fund 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 fund balance to have been depleted before using any of the components of unrestricted fund balance. Further, when the components of unrestricted fund balance can be used for the same purpose, committed fund balance is depleted first, followed by assigned fund balance. Unassigned fund balance is applied last.

8. 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.

Nonspendable – Amounts that cannot be spent either because they are in a nonspendable form or because they are legally or contractually required to be maintained intact. The Library reported $5,864 relating to prepaid expenditures in this category.

Restricted – Amounts that can only be spent for specific purposes because of enabling legislation, constitutional provisions or externally imposed conditions by grantors, creditors or contributors. The Library did not report any restricted fund balances.

Committed – Amounts that can be used only for specific purposes are determined by formal action (adoption or amendment) by the Library Board of Trustees who are the highest level of decision making authority. Once adopted, the limitation imposed by the resolution remains in place until a similar action is taken (the adoption of another resolution) to remove or revise the limitation. The Library reported $191,005 of committed fund balance comprised of $152,250 in Operating Reserves and $38,755 for Health Care costs.

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Assets, liabilities, deferred Outflows/Inflows of Resources, and Net Position/Fund Balance (continued)

9. Fund balance policies *(continued)*

Assigned – 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 Library Board of Trustees may 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 normally 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 reported $61,000 of assigned fund balance to be utilized for the FY2026 Budget.

Unassigned – Amounts that are not included in other fund balance classifications. The Library reported $14,204 of unassigned fund balance.

G. Revenues and expenditures/expenses

1. Program revenues

Amounts reported as *program revenues* include 1) charges to Library patrons who purchase, use, or directly benefit from goods, services, or privileges provided by the Library and 2) grants and contributions that are restricted to meeting the operational or capital requirements of the Library.

2. Compensated absences

Vacation

The Library's policy permits employees to accumulate earned but unused vacation benefits, which are eligible for payment upon separation from service. The liability for such leave is reported as incurred in the government-wide financial statements. A liability for those amounts is recorded in the governmental funds only if the liability has matured as a result of employee resignations or retirements.

The liability for compensated absences includes salary-related benefits, where applicable. The total liability for compensated absences as of June 30, 2025 was $16,139.

Sick Leave

Accumulated sick leave lapses when employees leave the employ of the Library and, upon separation from service, no monetary obligation exist

II. RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between *fund balance - total governmental funds* and *net position - governmental activities* as reported in the government-wide statement of net position. Reconciling items include the following:

Capital assets used in governmental activities are not financial resources, and therefore, are not reported in the funds.

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds.

Detail of these reconciling transactions can be found on page 10.

B. Explanation of Certain Differences Between the Governmental Fund Statement Of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities

The governmental fund statement of revenues, expenditures, and changes in fund balances includes reconciliation between *net changes in fund balances - total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. Reconciling items include the following:

The governmental fund reports capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation/amortization expense.

The net effect of various miscellaneous transactions involving capital assets (i.e., sales and donations) is to increase net position.

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.

Detail of these reconciling transactions can be found on page 12.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS

A. Cash Deposits with Financial Institutions and Investments

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. None of the Library's deposits are exposed to custodial credit risk. The Library maintains two bank accounts at PNC Bank and one at People's Bank. As of June 30, 2025, the carrying amount of the Library's deposits was $355,303, the bank balance in the checking account was $104,831, the bank balance in the money market account was $31,247 and the bank balance in the savings account was $219,225, all of which is insured by the Federal Deposit Insurance Corporation.

B. Receivables

The Library had the following receivables at June 30, 2025:

Receivable From	Amount
Eastern Shore Regional Library	$ 33,766
Maryland Historical Trust	8,200
State of Maryland/Library Services and Technology Act	6,094
Rock Hall LLC	1,200
Miscellaneous	66
Total	$ 49,326

The Library does not have any allowance for doubtful accounts related to the above receivables. The Library expects to receive all of the receivables listed above within one year.

C. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2025 was as follows:

	Balance July 1, 2024	Increases	Transfers	Decreases	Balance June 30, 2025
Capital assets, not being depreciated:					
Construction in progress	$ 13,800	$ -	$ (13,800)	$ -	$ -
Capital assets, being depreciated:					
Right-to-use leased buildings	216,433	-	-	-	216,433
Library improvements	33,614	-	-	-	33,614
Computers & equipment	106,389	13,800	13,800	-	133,989
Furniture & fixtures	98,634	5,289	-	-	103,923
Total capital assets, being depreciated	455,070	19,089	13,800	-	487,959
Less: accumulated depreciation	244,501	32,886	-	-	277,387
Net Capital Assets	$ 224,369	$(13,797)	$ -	$ -	$ 210,572

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

D. Library Collection

Library collections and related accumulated amortization activity for the year ended June 30, 2025 was as follows:

	Balance July 1, 2024	Increases	Transfers	Decreases	Balance June 30, 2025
Capital assets	$ 619,032	$ 35,598	$ -	$ (68,707)	$ 585,923
Less: accumulated depreciation	453,846	50,273	-	(68,707)	435,412
Net Library Collection	$ 165,186	$(14,675)	$ -	$ -	$ 150,511

E. Accrued liabilities

Accrued liabilities reported by the Library at June 30, 2025 were as follows:

Accrued Liability	Amount
Payroll	$ 33,265
Unemployment Obligation	5,000
Total Accrued Liabilities	$ 38,265

F. Pension obligation

Plan Description. All full-time personnel employed in a Library position participate in the Teachers' Retirement System or the Teachers' Pension System of the State of Maryland. All other eligible permanent employees excluded above are enrolled in the Maryland State Employees' Retirement System or the Employees' Pension System.

These systems are part of the Maryland State Retirement and Pension System (the State System) and are cost-sharing multiple-employer public employee retirement systems. The State System provides pension, death and disability benefits to plan members and beneficiaries.

The retirement plans are administered by the State Retirement Agency (the Agency). Responsibility for the administration and operation of the State System is vested in a seven-member Board of Trustees. The State System was established by the State Personnel and Pensions Article of the Annotated Code of Maryland. The Agency issues a publicly available financial report that includes basic financial statements and required supplementary information for the State System. The report may be obtained by writing to the State Retirement and Pension System of Maryland, 120 East Baltimore Street, Baltimore, Maryland 21202, or by calling 410-625-5555.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

F. Pension obligation (continued)

Funding Policy. The State Personnel and Pensions Article requires active members to contribute to the State System at a percentage of their covered salary depending upon the retirement option selected. The State funds substantially all the employer's annual contributions. The Library has no contingent liability for funding deficits in the system should such occur.

On-behalf payments made by the State of Maryland that represent contributions to a pension plan for which the employer government is not legally responsible were as follows:

For the Year Ended	Annual Pension Cost	% of APC Contributed	Net Pension Obligation
2023	$ 69,199	100%	-
2024	90,651	100%	-
2025	101,928	100%	-

G. Risk management

The Library is exposed to various risks of loss related to torts: theft of, damage to, and destruction of assets; errors and omissions; and natural disasters. The Library is covered under Kent County's commercial insurance, with the exception of unemployment insurance.

For property, general, excess and environmental liability coverage, the County is a member of the Maryland Local Government Insurance Trust (LGIT). This trust is a public entity risk pool, which is owned and directed by the local governments that subscribe to its coverage's and operates under the terms of a Trust Agreement.

The Library is fully insured for worker's compensation through the Injured Worker's Insurance Fund of Maryland. No insurance settlement has exceeded the coverage to date. The Library maintains a $5,000 reserve against potential future unemployment claims.

H. Leases

The Library is lessee for noncancellable leases of office space. The Library recognizes lease liabilities and intangible right-to-use leases assets (leased assets) in the government-wide financial statements.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

H. Leases (continued)

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 leased asset is initially measured as the initial amount of the lease liability, adjusted for lease payments made at or before the lease commencement date, plus certain initial direct costs. Subsequently, the leased asset is amortized on a straight-line basis over the shorter of the lease term or the useful life of the underlying asset.

Key estimates and judgments 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.

The lease term includes the noncancellable 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. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

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

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

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

I. Long term liabilities

Changes in the government's long term liabilities for the year ended June 30, 2025, are as follows:

	Balance July 1, 2024	Additions	Reductions	Balance June 30, 2025	Due Within One Year
Lease payable	$ 165,737	$ -	$ (19,291)	$ 146,446	$ 18,204
Compensated absences	9,399	35,027	(28,287)	16,139	1,586
Long-term liabilities	$ 175,136	$ 35,027	$ (47,578)	$ 162,585	$ 19,790

The assets acquired through leases are as follows:

Asset:	
Right-to-use Leased Building	$ 216,433
Less: Accumulated Depreciation	(81,162)
Total	$ 135,271

The future principal and interest lease payments as of June 30, 2025, were as follows:

Year Ending June 30,	Principal	Interest	Total
2026	$ 18,204	$ 3,796	$ 22,000
2027	20,914	3,566	24,480
2028	22,287	2,927	25,214
2029	23,740	2,231	25,971
2030	25,252	1,498	26,750
2031-2032	36,049	778	36,827
Total	$ 146,446	$ 14,796	$ 161,242

J. Short term debt

During 2025, the Library continued their $25,000 line of credit agreement with PNC Bank for operating needs. The agreement no longer has an expiration date. There has been no activity on the credit line during the year and the balance remains at $0.

III. DETAILED NOTES ON ALL ACTIVITIES AND FUNDS (continued)

K. Contingencies

The Library receives a substantial amount of its support from the local and state government. A significant reduction in the level of support, if this were to occur, may have an effect on the Library's programs and activities.

The Library is the recipient of various State and other grants. The Library may be under obligation to repay these grant funds if upon final review by the respective granting agencies, the funds expended did not meet the established program objectives. Management is not aware of any repayment requests affecting these financial statements.

L. New Accounting Standard

The Library implemented GASB Statement No. 101, *Compensated Absences*, Statement No. 102, *Certain Risk Disclosures* during fiscal year 2025 and it did not have a material impact on the financial statements.

The GABE has issued Statement No. 103, *Financial Reporting Model Improvements* and Statement No. 104, *Disclosure of Certain Capital Assets*, which will require adoption in future years. The Library will be analyzing the effect of these pronouncements and plans to adopt them, as applicable, by their effective date(s).

REQUIRED SUPPLEMENTARY INFORMATION

KENT COUNTY PUBLIC LIBRARY

Supplemental Schedule of Revenues - Budget and Actual - General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
REVENUES				
Appropriations:				
State of Maryland	$ 131,566	$ 131,566	$ 131,566	$ -
Kent County	793,960	793,960	793,960	-
Municipalities	7,500	5,000	-	(5,000)
State and other grants	91,900	215,286	215,286	-
Fees	8,200	8,200	6,597	(1,603)
Donations - restricted	20,000	85,358	85,358	-
Donations - unrestricted	5,500	6,325	10,319	3,994
Miscellaneous revenue	3,150	3,150	390	(2,760)
Total Revenues	$ 1,061,776	$ 1,248,845	$ 1,243,476	$ (5,369)

KENT COUNTY PUBLIC LIBRARY

Schedule of Expenditures – Budget and Actual – General Fund
For the Year Ended June 30, 2025

	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts	Final Budget
EXPENDITURES				
Salaries and related costs				
Gross salaries	$ 685,000	$ 685,000	$ 632,084	$ 52,916
Payroll taxes	52,403	52,403	46,883	5,520
Health insurance	142,871	142,871	145,509	(2,638)
State on-behalf payments for retirements	-	101,928	101,928	-
Total salaries and related costs	880,274	982,202	926,404	55,798
Operating expenditures				
Accounting services	14,300	14,848	14,848	-
Copiers	9,000	7,666	7,666	-
Software subscriptions	3,000	8,139	7,528	611
Library programing	11,500	22,296	22,296	-
Building repairs and security	6,700	7,031	6,251	780
Utilities	55,600	49,520	42,644	6,876
Telecommunications	8,200	7,059	7,059	-
Staff development and travel	18,900	15,939	15,939	-
Postage	2,100	2,348	2,348	-
Supplies	5,052	9,303	8,630	673
Equipment	-	45,072	45,072	-
Insurance	5,000	5,699	5,393	306
Rent	36,900	16,425	16,425	-
Miscellaneous	5,250	9,111	8,839	272
Total operating expenditures	181,502	220,456	210,938	9,518
Library materials				
Books	22,000	27,527	25,027	2,500
Periodicals	7,000	5,320	5,320	-
Audio/visual	6,000	5,251	5,251	-
Total library materials	35,000	38,098	35,598	2,500
Capital outlay	-	19,089	19,089	-
Debt service	-	24,000	24,000	-
Total expenditures	$ 1,096,776	$ 1,283,845	$ 1,216,029	$ 67,816
Excess of expenditures over revenues	(35,000)	(35,000)	27,447	62,447
Fund balance - Beginning	244,626	244,626	244,626	-
Fund Balance - Ending	$ 209,626	$ 209,626	$ 272,073	$ 62,447

KENT COUNTY PUBLIC LIBRARY

Schedule of Proportionate Share of Net Pension Liability
For the Year Ended June 30, 2025

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Library's Proportion of the MSRPS Net Pension Liability	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Library's Proportionate Share of the MSRPS Net Pension Liability	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -	$ -
State's Proportionate Share of the MSRPS Net Pension Liability Associated with the Library	$ 910,709	$ 653,435	$ 680,673	$ 564,192	$ 868,219	$ 809,296	$ 837,601	$ 831,890	$ 913,685	$ 727,167
Library's Covered-employee Payroll	$ 600,562	$ 600,342	$ 569,492	$ 564,794	$ 429,593	$ 500,917	$ 513,688	$ 479,076	$ 478,353	$ 467,832
Fund's Proportionate Share of the Net Pension Liability as a Percentage of its Covered-employee Payroll	0%	0%	0%	0%	0%	0%	0%	0%	0%	0%
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	72.08%	73.81%	76.27%	81.84%	70.72%	72.34%	71.18%	69.38%	65.79%	68.78%

Certified Public
Accountants &
SBC Business Advisors

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

To the Board of Trustees of
Kent County Public Library
Chestertown, Maryland

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Kent County Public Library (the Library) as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the Library's basic financial statements, and have issued our report thereon dated October 30, 2025.

Report on Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Library's internal controls over financial reporting (internal controls) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Library's internal controls. Accordingly, we do not express an opinion on the effectiveness of the Library's internal controls.

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

Our consideration of internal controls over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal controls that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal controls that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

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Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Library's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal controls and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal controls or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal controls and compliance. Accordingly, this communication is not suitable for any other purpose.

Owings Mills, Maryland
October 30, 2025

SB & Company, LLC