

KENT COUNTY PUBLIC LIBRARY

**Financial Statements Together with
Report of Independent Public Accountants**

For the Year Ended June 30, 2024

KENT COUNTY PUBLIC LIBRARY

Financial Statements Together with Report of Independent Public Accountants

JUNE 30, 2024

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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, 2024, 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 30, 2024, and the respective changes in financial position thereof for the year then ended in accordance with accounting principals generally accepted in the United 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* (GAS), issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of 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 known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and GAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than 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 GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of 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 17, 2024, 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 17, 2024

SBC + Company, LLC

KENT COUNTY PUBLIC LIBRARY

Management's Discussion and Analysis For the Year Ended June 30, 2024

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, 2024. 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 2024 by \$459,045 (*net position*). Of this amount, \$203,123 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 decreased by (\$22,105).
- As of the close of fiscal year 2024, the Library's governmental fund (general fund) reported combined ending fund balances of \$244,626, a decrease of (\$48,152) in comparison with the prior year.
- At the end of fiscal year 2024, the unrestricted fund balance (the total of the *committed*, *assigned*, and *unassigned* components of *fund balance*) for the general fund was \$212,522, or approximately 18% 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, 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.

KENT COUNTY PUBLIC LIBRARY

Management's Discussion and Analysis For the Year Ended June 30, 2024

Government-wide Financial Statements (continued)

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 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 and schedule of proportionate share of net pension liability are presented in this section.

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

KENT COUNTY PUBLIC LIBRARY

Management's Discussion and Analysis For the Year Ended June 30, 2024

Kent County Public Library's Net Position

	2024	2023	Increase/ (Decrease)
Current and other assets	\$ 364,834	\$ 399,928	\$ (35,094)
Capital assets, net	<u>389,555</u>	<u>387,401</u>	<u>2,154</u>
Total Assets	<u>754,389</u>	<u>787,329</u>	<u>(32,940)</u>
Current liabilities	120,208	107,150	13,058
Non-current liabilities	<u>175,136</u>	<u>199,029</u>	<u>(23,893)</u>
Liabilities	<u>295,344</u>	<u>306,179</u>	<u>(10,835)</u>
Net Position:			
Net investment in capital assets	223,818	199,971	23,847
Restricted	32,104	22,226	9,878
Unrestricted	<u>203,123</u>	<u>258,953</u>	<u>(55,830)</u>
Total Net Position	<u>\$ 459,045</u>	<u>\$ 481,150</u>	<u>\$ (22,105)</u>

Kent County Public Library's Changes in Net Position

	2024	2023	Increase/ (Decrease)
Revenues:			
County, State, and Local appropriations	\$ 882,522	\$ 909,501	\$ (26,979)
State and other grants	204,224	139,686	64,538
Fees	5,840	4,950	890
Restricted donations	62,964	26,657	36,307
Unrestricted donations	4,044	9,565	(5,521)
Miscellaneous revenue	<u>2,561</u>	<u>362</u>	<u>2,199</u>
Total Revenues	<u>1,162,155</u>	<u>1,090,721</u>	<u>71,434</u>
Expenses:			
Salaries and related costs	922,865	813,732	109,133
Operating expenditures	173,965	212,563	(38,598)
Debt service	5,307	14,555	(9,248)
Depreciation and amortization	<u>82,123</u>	<u>83,769</u>	<u>(1,646)</u>
Total Expenses	<u>1,184,260</u>	<u>1,124,619</u>	<u>59,641</u>
Change in Net Position	<u>\$ (22,105)</u>	<u>\$ (33,898)</u>	<u>\$ 11,793</u>

The Library's revenues increased by \$71,434. State and other grant funding increased, along with restricted donations. The Library's expenses increased by \$59,641 primarily in Salaries and related costs.

KENT COUNTY PUBLIC LIBRARY

Management's Discussion and Analysis For the Year Ended June 30, 2024

Budgetary Highlights

The Library's budget is prepared on the modified accrual basis of accounting. The Library's original budget of \$1,115,072 was amended to \$1,286,735. The most significant change was the addition of \$90,651 for the State on-behalf payment for retirements. In addition, there were increases of \$44,385 for capital, \$12,051 for utilities and \$11,676 for equipment.

Capital Assets

At the end of 2024, the Library had invested \$1,087,902 in a broad range of capital assets including equipment, books and media, and Library improvements. This year's major additions included Library and audio-visual materials of \$40,474 and \$30,003 for two book drop boxes and two acoustical treatment systems for the Kids Zone area of the Library.

Currently Known Facts, Decisions, or Conditions

Over the past few years, Kent County Public Library (KCPL) built up a significant unrestricted reserve, and has made an effort to utilize this unrestricted fund balance in recent history. A part of this effort is reflected in the use of \$48,152 of fund balance resources during Fiscal Year 2024.

Revenues were lower than anticipated by approximately \$9,000, however expenses were lower than budgeted by \$76,000. This allowed the use of \$35,000 in fund balance resources for Fiscal Year 2025 budget.

KCPL had several staff vacancies during the fiscal year which contributed to underspending. The library had between two and five vacancies throughout the fiscal year, which led to lower than anticipated expenditures in salaries and benefits.

Throughout the fiscal year, KCPL received several grants which enabled the organization to perform programs or pursue facilities improvements. This included support through the Library Services & Technology Act (LSTA) in support of a mobile computer lab and funding for staff development and education, a PNC Foundation grant to support the summer reading program, and a grant from the Foundation for the Kent County Public Library to purchase new book returns.

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 increase to \$15 per hour for the Maryland minimum wage impacted the labor costs of the library and had been an informing circumstance for previous increases in wages.

KENT COUNTY PUBLIC LIBRARY

Management's Discussion and Analysis For the Year Ended June 30, 2024

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 Administration Department, 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, 2024

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
ASSETS			
Cash and cash equivalents	\$ 328,776	\$ -	\$ 328,776
Receivables	3,954	-	3,954
Prepays	32,104	-	32,104
Capital assets, net of accumulated depreciation/amortization			-
Machinery, equipment and vehicles	-	49,515	49,515
Improvements	-	4,140	4,140
Right to use leased asset	-	156,914	156,914
Construction in progress	-	13,800	13,800
Library collections	-	165,186	165,186
Total Assets	<u>364,834</u>	<u>389,555</u>	<u>754,389</u>
LIABILITIES			
Accounts payable and other accrued liabilities	71,625	-	71,625
Intergovernmental Payable	308	-	308
Due to Kent County	5,202	-	5,202
Unearned revenue	43,073	-	43,073
Non-current liabilities			
Due within one year	-	18,792	18,792
Due in more than one year	-	156,344	156,344
Total Liabilities	<u>120,208</u>	<u>175,136</u>	<u>295,344</u>
FUND BALANCES / NET POSITION			
Fund Balances			
Nonspendable - prepaids	32,104	(32,104)	-
Committed	188,465	(188,465)	-
Assigned	24,057	(24,057)	-
Total Fund Balances	<u>244,626</u>	<u>(244,626)</u>	<u>-</u>
Net Position			
Net investment in capital assets	-	223,818	223,818
Restricted	-	32,104	32,104
Unrestricted	-	203,123	203,123
Total Net Position	<u>\$ -</u>	<u>\$ 459,045</u>	<u>\$ 459,045</u>
Total Liabilities and Net Position	<u>\$ 364,834</u>		

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, 2024

Total fund balances - governmental funds		\$ 244,626
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:		
Nondepreciable capital assets:		
Construction in progress	13,800	
Depreciable capital assets:		
Machinery, equipment and vehicles	205,024	
Improvements	33,613	
Right-to-use leased buildings	216,433	
Library collections	619,032	
Total capital assets:	<u>1,087,902</u>	
Less accumulated depreciation and amortization	<u>(698,347)</u>	
		<u>389,555</u>
Long-term liabilities, including leases, are not due and payable in the current period and, therefore, are not reported in the funds:		
Leases	(165,737)	
Compensated absences	<u>(9,399)</u>	
		<u>(175,136)</u>
Net Position of Governmental Activities		<u>\$ 459,045</u>

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, 2024

	<u>General Fund</u>	<u>Adjustments</u>	<u>Governmental Activities</u>
Revenues			
Appropriations:			
State of Maryland	\$ 123,870	\$ -	\$ 123,870
Kent County	756,152	-	756,152
Municipalities	2,500	-	2,500
State and other grants	204,224	-	204,224
Fees	5,840	-	5,840
Donations:			
Restricted	62,964	-	62,964
Unrestricted	4,044	-	4,044
Miscellaneous revenue	2,561	-	2,561
Total Revenues	<u>1,162,155</u>	<u>-</u>	<u>1,162,155</u>
Expenses/Expenditures			
Salaries and related costs	925,065	(2,200)	922,865
Operating expenditures	173,965	-	173,965
Library materials	40,474	(40,474)	-
Capital Outlay	43,803	(43,803)	-
Debt Service	27,000	(21,693)	5,307
Depreciation and amortization	-	82,123	82,123
Total Expenses/Expenditures	<u>1,210,307</u>	<u>(26,047)</u>	<u>1,184,260</u>
Net change in fund balance/net position	(48,152)	26,047	(22,105)
Fund balance/net position, beginning of year	<u>292,778</u>	<u>188,372</u>	<u>481,150</u>
Fund balance/net position, end of year	<u>\$ 244,626</u>	<u>\$ 214,419</u>	<u>\$ 459,045</u>

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, 2024

Net change in fund balances - total governmental funds \$ (48,152)

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	84,277	
Depreciation and amortization expense	<u>(82,123)</u>	
		<u>2,154</u>

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, whereas these amounts are deferred and amortized in the statement of activities:

Principal repayments - leases	<u>21,693</u>	
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Some expenses reported in the statement of activities do not require the use of current financial resources and therefore, are not reported as expenditures in the governmental funds.

Accrued compensated absences	<u>2,200</u>	
		<u>23,893</u>

Change in Net Position of Governmental Activities		<u><u>\$ (22,105)</u></u>
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The accompanying notes are an integral part of this financial statement.

KENT COUNTY PUBLIC LIBRARY

Notes to the Financial Statements

June 30, 2024

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.

KENT COUNTY PUBLIC LIBRARY

Notes to the Financial Statements

June 30, 2024

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.

KENT COUNTY PUBLIC LIBRARY

Notes to the Financial Statements

June 30, 2024

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.

KENT COUNTY PUBLIC LIBRARY

Notes to the Financial Statements June 30, 2024

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.

<u>Asset Class</u>	<u>Lives</u>
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.

KENT COUNTY PUBLIC LIBRARY

Notes to the Financial Statements June 30, 2024

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 \$32,104 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 \$188,465 of committed fund balance comprised of \$154,783 in Operating Reserves and \$33,682 for Health Care costs.

KENT COUNTY PUBLIC LIBRARY

Notes to the Financial Statements June 30, 2024

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

8. *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 \$24,057 of assigned fund balance to be utilized for the FY2025 Budget.

Unassigned – Amounts that are not included in other fund balance classifications. The Library reported no 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, 2024 was \$9,399.

Sick Leave

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

KENT COUNTY PUBLIC LIBRARY

Notes to the Financial Statements June 30, 2024

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 leases, 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.

KENT COUNTY PUBLIC LIBRARY

Notes to the Financial Statements June 30, 2024

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, 2024, the carrying amount of the Library's deposits was \$328,776, the bank balance in the checking account was \$94,445, the bank balance in the money market account was \$31,244 and the bank balance in the savings account was \$219,049, all of which is insured by the Federal Deposit Insurance Corporation.

B. Receivables

The Library had the following receivables at June 30, 2024:

<u>Receivable From</u>	<u>Amount</u>
Kent County Public Schools/Judy Center	\$ 3,954

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, 2024 was as follows:

	<u>Balance</u>			<u>Balance June</u>
	<u>July 1, 2023</u>	<u>Increases</u>	<u>Decreases</u>	<u>30, 2024</u>
Capital assets, not being depreciated:				
Construction in progress	\$ -	\$ 13,800	\$ -	\$ 13,800
Capital assets, being depreciated/amortized:				
Right-to-use leased buildings	239,757	-	(23,324)	216,433
Library improvements	33,614	-	-	33,614
Computers & equipment	90,804	15,585	-	106,389
Furniture & fixtures	84,216	14,418	-	98,634
Total capital assets, being depreciated/amortized	<u>448,391</u>	<u>30,003</u>	<u>(23,324)</u>	<u>455,070</u>
Less: accumulated depreciation/amortization	238,930	28,895	(23,324)	244,501
Net Capital Assets	<u>\$ 209,461</u>	<u>\$ 14,908</u>	<u>\$ -</u>	<u>\$ 224,369</u>

KENT COUNTY PUBLIC LIBRARY

Notes to the Financial Statements June 30, 2024

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, 2024 was as follows:

	Balance July 1, 2023	Increases	Decreases	Balance June 30, 2024
Capital assets	\$ 649,262	\$ 40,474	\$ (70,704)	\$ 619,032
Less: accumulated depreciation	471,322	53,228	(70,704)	453,846
Net Library Collection	<u>\$ 177,940</u>	<u>\$ (12,754)</u>	<u>\$ -</u>	<u>\$ 165,186</u>

E. Accrued liabilities

Accrued liabilities reported by the Library at June 30, 2024 were as follows:

<u>Accrued Liability</u>	<u>Amount</u>
Payroll	\$ 45,120
Unemployment Obligation	5,000
Total Accrued Liabilities	<u>\$ 50,120</u>

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.

KENT COUNTY PUBLIC LIBRARY

Notes to the Financial Statements

June 30, 2024

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
2022	\$ 77,642	100%	-
2023	69,199	100%	-
2024	90,651	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.

KENT COUNTY PUBLIC LIBRARY

Notes to the Financial Statements

June 30, 2024

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.

KENT COUNTY PUBLIC LIBRARY

Notes to the Financial Statements June 30, 2024

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, 2024, are as follows:

	Balance			Balance		Due Within
	July 1, 2023	Additions	Reductions	June 30, 2024	One Year	
Lease payable	\$ 187,430	\$ -	\$ (21,693)	\$ 165,737	\$ 17,668	
Compensated absences	11,599	34,828	(37,028)	9,399	1,124	
Long-term liabilities	<u>\$ 199,029</u>	<u>\$ 34,828</u>	<u>\$ (58,721)</u>	<u>\$ 175,136</u>	<u>\$ 18,792</u>	

The assets acquired through leases are as follows:

Asset:

Right-to-use Leased Building	\$ 216,433
Less: Accumulated Amortization	<u>(59,519)</u>
Total	<u><u>\$ 156,914</u></u>

The future principal and interest lease payments as of June 30, 2024, were as follows:

Year Ending June 30,	Principal	Interest	Total
2025	\$ 17,668	\$ 4,332	\$ 22,000
2026	19,827	4,173	24,000
2027	20,914	3,566	24,480
2028	22,287	2,927	25,214
2029	23,740	2,231	25,971
2030-2032	61,301	2,276	63,577
Total	<u>\$ 165,737</u>	<u>\$ 19,505</u>	<u>\$ 185,242</u>

J. Short term debt

During 2024, 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.

KENT COUNTY PUBLIC LIBRARY

Notes to the Financial Statements June 30, 2024

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 GASB has issued Statement No. 101, *Compensated Absences*, Statement No. 102, *Certain Risk Disclosures*, and Statement No. 103, *Financial Reporting Model Improvements*, 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, 2024**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget
	Original	Final		
REVENUES				
Appropriations:				
State of Maryland	\$ 123,870	\$ 123,870	\$ 123,870	\$ -
Kent County	756,152	756,152	756,152	-
Municipalities	7,500	7,500	2,500	(5,000)
State and other grants	91,900	204,224	204,224	-
Fees	7,000	7,000	5,840	(1,160)
Donations - restricted	20,000	62,964	62,964	-
Donations - unrestricted	5,500	6,875	4,044	(2,831)
Miscellaneous revenue	3,150	3,150	2,561	(589)
Total Revenues	<u>\$ 1,015,072</u>	<u>\$ 1,171,735</u>	<u>\$ 1,162,155</u>	<u>\$ (9,580)</u>

KENT COUNTY PUBLIC LIBRARY

Schedule of Expenditures – Budget and Actual – General Fund For the Year Ended June 30, 2024

	Original	Final	Amounts	Final Budget
EXPENDITURES				
Salaries and related costs				
Gross salaries	\$ 697,244	\$ 697,244	\$ 651,054	\$ 46,190
Payroll taxes	54,468	54,468	48,735	5,733
Health insurance	148,000	148,000	134,625	13,375
State on-behalf payments for retirements	-	90,651	90,651	-
Total salaries and related costs	899,712	990,363	925,065	65,298
Operating expenditures				
Accounting services	13,900	14,139	14,139	-
Copiers	9,000	9,677	9,677	-
Software maintenance	4,000	4,000	2,473	1,527
Library programing	18,500	20,803	20,803	-
Building repairs and security	10,900	8,600	5,924	2,676
Utilities	40,500	52,551	50,507	2,044
Telecommunications	5,800	6,796	6,796	-
Staff development and travel	18,900	21,557	21,557	-
Postage	2,000	2,511	2,511	-
Supplies	5,000	10,112	10,113	(1)
Equipment	-	11,676	11,676	-
Insurance	7,000	6,249	3,749	2,500
Rent	9,000	9,675	9,675	-
Miscellaneous	5,860	6,167	4,365	1,802
Total operating expenditures	150,360	184,513	173,965	10,548
Library materials				
Books	23,000	27,538	27,538	-
Periodicals	7,000	7,065	7,065	-
Audio/visual	8,000	5,871	5,871	-
Total library materials	38,000	40,474	40,474	-
Capital outlay	-	44,385	43,803	582
Debt service	27,000	27,000	27,000	-
Total expenditures	\$ 1,115,072	\$ 1,286,735	\$ 1,210,307	\$ 76,428
Excess of expenditures over revenues	(100,000)	(115,000)	(48,152)	66,848
Fund balance - Beginning	292,778 #	292,778	292,778	-
Fund Balance - Ending	\$ 192,778	\$ 177,778	\$ 244,626	\$ 66,848

KENT COUNTY PUBLIC LIBRARY

Schedule of Proportionate Share of Net Pension Liability For the Year Ended June 30, 2024

	2024	2023	2022	2021	2020	2019	2018	2017	2016	2015
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	<u>\$ 653,435</u>	<u>\$ 680,673</u>	<u>\$ 564,192</u>	<u>\$ 868,219</u>	<u>\$ 809,296</u>	<u>\$ 837,601</u>	<u>\$ 831,890</u>	<u>\$ 913,685</u>	<u>\$ 727,167</u>	<u>\$ 561,647</u>
Library's Covered-employee Payroll	\$ 600,342	\$ 569,492	\$ 564,794	\$ 429,593	\$ 500,917	\$ 513,688	\$ 479,076	\$ 478,353	\$ 467,832	\$ 446,250
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	73.81%	76.27%	81.84%	70.72%	72.34%	71.18%	69.38%	65.79%	68.78%	71.87%



**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, 2024, 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 17, 2024.

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.

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 17, 2024

SBC + Company, LLC