



Kalamazoo  
Public Library

**KALAMAZOO COUNTY, MICHIGAN  
ANNUAL FINANCIAL REPORT  
YEAR ENDED JUNE 30, 2023**

## TABLE OF CONTENTS

	<u>Page</u>
<b>INDEPENDENT AUDITOR'S REPORT</b>	1
<b>MANAGEMENT'S DISCUSSION AND ANALYSIS</b>	5
<b><u>BASIC FINANCIAL STATEMENTS</u></b>	
<b>Government-wide Financial Statements</b>	
Statement of Net Position	14
Statement of Activities	15
<b>Fund Financial Statements</b>	
<b>Governmental Fund</b>	
Balance Sheet	16
Reconciliation of Governmental Fund Balance Sheet to the Statement of Net Position	17
Statement of Revenues, Expenditures, and Changes in Fund Balance	18
Reconciliation of Statement of Revenues, Expenditures, and Changes in Fund Balance with Statement of Activities	19
<b>Notes to the Financial Statements</b>	21
<b><u>REQUIRED SUPPLEMENTARY INFORMATION</u></b>	
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - General Fund	54
Schedule of Revenues, Expenditures, and Changes in Fund Balance - Budget and Actual - Special Revenue Fund	55
Schedule of Changes in Net Pension Liability and Related Ratios - MERS	56
Schedule of Contributions - MERS	57
Schedule of Library's Proportionate Share of Net Pension Liability - MPSERS	58
Schedule of Library's Pension Contributions - MPSERS	59
Schedule of Library's Proportionate Share of Net OPEB Liability - MPSERS	60
Schedule of Library's OPEB Contributions - MPSERS	61

## INDEPENDENT AUDITOR'S REPORT

To the Board of Trustees  
Kalamazoo Public Library  
Kalamazoo, Michigan

### **Report on the Audit of the Financial Statements**

#### ***Opinions***

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kalamazoo Public Library (the "Library"), as of and for the year ended June 30, 2023, 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 financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Library, as of June 30, 2023, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

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

We conducted our audit 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. 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.

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

As stated in Note 18 to the basic financial statements, the Library adopted GASB Statement No. 96, *Subscription-based Information Technology Arrangements (SBITAs)* in 2023, which represents a change in its policy for reporting software subscription activities. Our opinions are not modified with respect to this matter.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of 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 generally accepted auditing standards 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 for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards 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, pension and opeb plan schedules, and budgetary comparison information, as listed in the table of contents, 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 16, 2023, on our consideration of 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 describe 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 the Library's 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 Library's internal control over financial reporting and compliance.



Gabridge & Company, PLC  
Grand Rapids, Michigan  
October 16, 2023

## **Management's Discussion and Analysis**

**Kalamazoo Public Library  
Management's Discussion and Analysis  
June 30, 2023**

As management of the Kalamazoo 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, 2023. We encourage readers to consider the information presented here in conjunction with the financial statements as a whole.

**Financial Highlights**

- The assets and deferred outflows of the Library exceeded its liabilities and deferred inflows at the close of this fiscal year by \$30,965,421 (shown as *net position*). Of this amount \$13,361,027 (*unrestricted net position*) may be used to meet the Library's ongoing services and obligations.
- During the year, the Library received \$15,632,312 in revenues and incurred \$13,768,456 in expenses, resulting in an increase in net position of \$1,863,856.
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$12,481,075, or 78% of the general fund's total expenditures and transfers out.

**Overview of the Financial Statements**

The Library's financial statements consist of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. The report also contains required supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements.** The *government-wide financial statements* are designed to provide a broad overview of the Library's financial position. They are presented using a method of accounting that is similar to a private sector business.

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

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

**Fund Financial Statements.** A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Each fund is operated similar to a completely separate entity, with its own set of balancing accounts. The Library uses fund accounting to ensure compliance with finance-related legal requirements.

**Governmental Funds.** The Library's basic services are reported in the governmental funds. Governmental funds account for essentially the same functions as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. This is known as the modified accrual system of accounting. Under this reporting system, capital items, debt payments, and certain other items are treated differently than on the government-wide statements. These items are recorded in the government fund balance as expenditures. No depreciation is recorded on capital items. The balance sheet for governmental funds does not include any capital items or long-term debt. The Library has four funds, the general fund, capital improvement fund, endowment fund, and the special revenue fund, all of which are governmental funds.

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

**Notes to the Financial Statements.** The notes to the financial statements provide additional information that is essential to a complete understanding of the information provided in both the government-wide and the fund financial statements.

**Other information.** In addition to the basic financial statements and accompanying notes, this report further presents required supplementary information (RSI) that demonstrates compliance with the Library's budget.

### **Government-wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of overall financial position. In the case of the Library, assets and deferred outflows exceeded liabilities and deferred inflows by \$30,965,421 as of June 30, 2023.



## Kalamazoo Public Library's Net Position

<b>ASSETS</b>	<b>2023</b>	<b>2022</b>
<i>Current Assets</i>		
Cash and cash equivalents	\$ 17,387,016	\$ 16,656,389
Investments	5,714,813	5,210,727
Accounts receivable	676,240	775,317
Taxes receivable	20,090	19,678
Due from other governments	-	-
Prepaid items	363,581	300,589
Beneficial interest in assets held by foundation	1,691,386	1,656,137
<b>Total Current Assets</b>	<b>25,853,126</b>	<b>24,618,837</b>
<i>Noncurrent Assets</i>		
Capital assets, net	11,831,447	9,876,934
<b>Total Assets</b>	<b>37,684,573</b>	<b>34,495,771</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Pension	2,706,198	1,947,393
OPEB	117,998	90,500
<b>Total Deferred Outflows of Resources</b>	<b>2,824,196</b>	<b>2,037,893</b>
<b>LIABILITIES</b>		
<i>Current Liabilities</i>		
Accounts payable	400,201	384,234
Payroll liabilities	269,841	281,160
Unearned revenue	345,000	595,000
Current portion of retirement incentive	76,240	91,195
Compensated absences	259,307	265,033
<b>Total Current Liabilities</b>	<b>1,350,589</b>	<b>1,616,622</b>
<i>Noncurrent Liabilities</i>		
Retirement incentive	313,463	280,668
Net pension liability	4,356,210	2,269,537
SBITA	1,856,963	-
Net other postemployment benefit liability	96,600	78,047
<b>Total Liabilities</b>	<b>7,973,825</b>	<b>4,244,874</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension	1,131,601	2,581,179
OPEB	437,922	606,046
<b>Total Deferred Inflows of Resources</b>	<b>1,569,523</b>	<b>3,187,225</b>
<b>NET POSITION</b>		
Investment in Capital Assets	9,974,484	9,876,934
Restricted	7,629,910	7,290,719
Unrestricted	13,361,027	11,933,912
<b>Total Net Position</b>	<b>\$ 30,965,421</b>	<b>\$ 29,101,565</b>

A significant portion of the Library's net position (\$9,974,484 or 32%) reflects its investment in capital assets (e.g., buildings, equipment, furniture, library books, etc.). The Library uses these capital assets to provide a variety of services to its patrons. Accordingly, these assets are not available for future spending. A portion of the Library's net position (\$13,361,027, or 43%) is unrestricted and may be used to meet the Library's ongoing obligations to its patrons and creditors. The remaining balance of the Library's net position (\$7,629,910, or 25%) represents resources that are restricted and are subject to external restrictions on how they are to be used.

Cash and investments increased by \$1,234,713 during the fiscal year ending June 30, 2023. Accounts receivable, taxes receivable and amounts due from other governments decreased by \$98,665 during the fiscal year. The Library's beneficial interest in assets held by the Kalamazoo Community Foundation increased by \$35,249 primarily due to investment losses through June 30, 2023. Capital assets increased by \$1,978,954 caused by additions of \$3,954,937 being offset by accumulated depreciation of \$1,975,983.

An increase in pay rates for Library employees was offset by retirements and vacancies, which resulted in a slight decrease in compensated absences of \$5,726. The Library recognized the third year of its grant from the Stryker Johnston Foundation for ONEplace operations, the remainder of which (\$345,000) will be recognized over next two fiscal years; and results in unearned revenue of \$345,000 at fiscal year-end.

The market performance of the Library's investment assets, changes in the proportionate share of contributions, and changes in the composition of Library's employee census during the measurement period for its pension resulted in increases in net pension liability and net other postemployment benefits ("OPEB") liability. Deferred outflows of pension and OPEB resources rose by approximately 39%, while deferred OPEB and pension inflows dropped by 51% through fiscal year-end.

**Governmental Activities.** Following is a schedule showing the changes in net position of the Library for the year ended June 30, 2023 and June 30, 2022:

**Kalamazoo Public Library's Changes in Net Position**

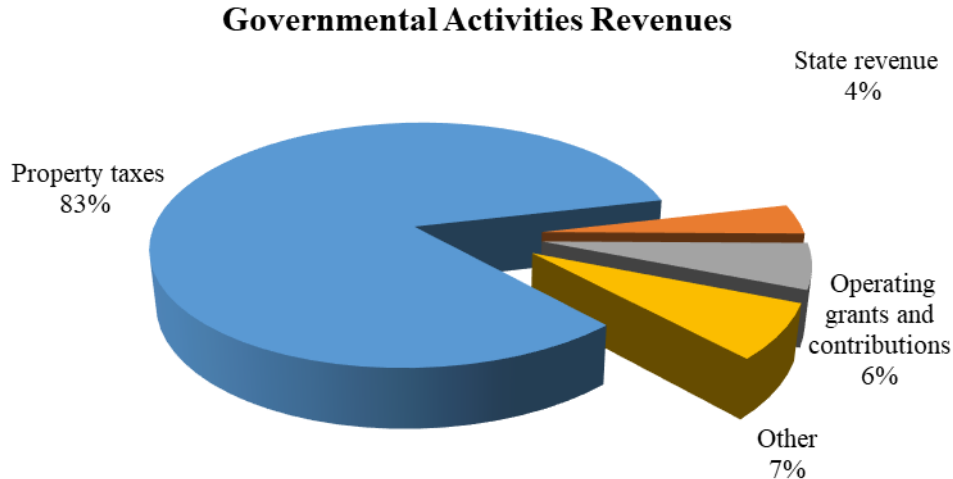
	<u>2023</u>	<u>2022</u>
<b>Revenues</b>		
<b>Program Revenues</b>		
Charges for services	\$ 50,634	\$ 109,012
Operating grants and contributions	912,286	812,514
<b><i>Total Program Revenues</i></b>	<u>962,920</u>	<u>921,526</u>
<b>General Revenues</b>		
Property taxes	13,018,835	12,380,659
District Court penal fines	136,232	148,143
State revenue	601,068	572,294
Investment income (loss)	913,257	(903,715)
Other revenues	-	76,122
<b><i>Total General Revenues</i></b>	<u>14,669,392</u>	<u>12,273,503</u>
<b><i>Total Revenues</i></b>	<u>15,632,312</u>	<u>13,195,029</u>
<b>Expenses</b>		
Library services	13,768,456	12,253,375
<b><i>Total Expenses</i></b>	<u>13,768,456</u>	<u>12,253,375</u>
<b><i>Change in Net Position</i></b>	<u>1,863,856</u>	<u>941,654</u>
<i>Net Position at Beginning of Period</i>	<u>29,101,565</u>	<u>28,159,911</u>
<b><i>Net Position at End of Period</i></b>	<u>\$ 30,965,421</u>	<u>\$ 29,101,565</u>

Operating grants and contributions increased by roughly \$100,000 due to an increase in gifts and grants. The increase in investment income of \$1,816,972 is attributed to interest earnings on short-term investments among the Library's operating funds, and gains in investment assets in the Library's Special Revenue Fund and the Endowment Fund as measured at fiscal year end.

Property tax revenue rose \$638,176 due to an increase in assessed taxable value of residential and commercial real estate parcels in the Kalamazoo Public Library district. Overall expenditures increased by roughly \$1,515,081.

## Governmental Activities

The following chart details the revenue sources of the Library for the most recent fiscal year-end:



## Financial Analysis of the Government's Funds

The Library uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

**General Fund.** The general fund is the chief operating fund of the Library. At the end of the current fiscal year, unassigned fund balance of the general fund was \$12,481,075. As a measure of the general fund's liquidity, it may be useful to compare unassigned fund balance to total general fund expenditures. Unassigned fund balance represents approximately 92% of total general fund expenditures and transfers out. The fund balance of the Library's general fund increased by \$488,094 for a total fund balance of \$12,872,346 at fiscal year-end.

**Special Revenue Fund.** The special revenue fund, a major fund, increased its fund balance by \$32,950, for an ending balance of \$1,869,606. This increase in fund balance was attributed to growth in investment income on cash balances, while net disbursements for special revenue projects fell short of the adjusted budget for the fiscal year.

**Capital Improvement Fund.** The capital improvement fund, also known as the Capital Improvement Plan ("CIP"), a major fund, increased its fund balance by \$622,096 during the fiscal year. The increase in CIP fund balance was the result of capital outlay of \$847,904 being more than offset by state aid revenue, local support, and net transfers from the general operating fund of \$1,470,000, resulting in an ending fund balance of \$4,103,021.

**Endowment Fund.** The endowment fund, a major fund, increased by \$336,501, for an ending fund balance of \$5,993,111. The increase in fund balance includes unrealized gains of \$522,650 and a transfer to the special revenue fund of \$155,000 attributable to the Stryker Johnston

Foundation grant for ONEplace operations. Net of transfer activity, the Library's endowment fund generated a net gain on invested funds of 9% during the fiscal year.

### **General Fund Budgetary Highlights**

***Original budget compared to final budget.*** During the year there were various budget adjustments made to the original budgeted revenue and appropriations for expenditures. None of these adjustments were significant.

***Final budget compared to actual results.*** The Library had no expenditures in excess of the amounts appropriated during the year ended June 30, 2023.

### **Capital Asset and Debt Administration**

**Capital Assets.** The Library's investment in capital assets at year-end amounted to \$11,831,447 (net of accumulated depreciation). Capital assets of the Library include any items purchased that have an expected useful life of over two years and a cost of over \$5,000 (\$25,000 for building improvements or renovations). The Library has invested in a broad range of capital assets. More information about the Library's capital assets can be found in the notes to the financial statements section of this document.

**Long-term Debt.** The Library had no long-term debt outstanding; however, the Library had a long-term retirement incentive obligation of \$313,463. More information on this long-term debt can be found in the notes to the financial statements. The Library also adopted GASB No. 96 SBITA, which had a resulted in \$1,856,963 long-term liability being recorded as of year-end.

### **Economic Factors and Next Year's Budgets and Rates**

Library Administration estimates that general fund revenues will be appropriated in the general fund in alignment with the fiscal year ended June 30, 2023 in the upcoming budget for FY 2023 - 2024. The Library continues to review all budget line items for opportunities to reduce expenditures when possible and the budget will be monitored during the year to identify any necessary amendments.

## **Contacting the Library's Management**

This financial report is designed to provide the wide variety of users of this document with a general overview of the Library's finances and demonstrate the Library's accountability for the money entrusted to it. If you have any questions regarding this report or need additional financial information, please direct your requests to:

Head of Finance and Budget  
Kalamazoo Public Library  
315 South Rose Street  
Kalamazoo, MI 49007

## **Basic Financial Statements**

**Kalamazoo Public Library  
Statement of Net Position  
June 30, 2023**

<b>ASSETS</b>	
<i>Current Assets</i>	
Cash and cash equivalents	\$ 17,387,016
Investments	5,714,813
Accounts receivable	676,240
Taxes receivable	20,090
Prepaid items	363,581
Beneficial interest in assets held by foundation	1,691,386
<b>Total Current Assets</b>	<u>25,853,126</u>
<i>Noncurrent Assets</i>	
Capital assets not being depreciated	133,173
Capital assets being depreciated, net	11,698,274
<b>Total Assets</b>	<u>37,684,573</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Pension	2,706,198
OPEB	117,998
<b>Total Deferred Outflows of Resources</b>	<u>2,824,196</u>
<b>LIABILITIES</b>	
<i>Current Liabilities</i>	
Accounts payable	400,201
Payroll liabilities	269,841
Unearned revenue	345,000
Current portion of retirement incentive	76,240
Compensated absences	259,307
<b>Total Current Liabilities</b>	<u>1,350,589</u>
<i>Noncurrent Liabilities</i>	
Retirement incentive	313,463
Long term debt	1,856,963
Net pension liability	4,356,210
Net other postemployment benefit liability	96,600
<b>Total Liabilities</b>	<u>7,973,825</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>	
Pension	1,131,601
OPEB	437,922
<b>Total Deferred Inflows of Resources</b>	<u>1,569,523</u>
<b>NET POSITION</b>	
Investment in capital assets	9,974,484
<i>Restricted for:</i>	
Restricted	7,629,910
<i>Unrestricted</i>	13,361,027
<b>Total Net Position</b>	<u>\$ 30,965,421</u>

The Notes to the Financial Statements are an Intergral part of these Financial Statements



**Kalamazoo Public Library  
Statement of Activities  
For the Year Ended June 30, 2023**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenues</b>			<b>Net (Expense) Revenue</b>
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	
Library services	\$ 13,768,456	\$ 50,634	\$ 912,286	\$ --	\$ (12,805,536)
<b>Total</b>	<b>\$ 13,768,456</b>	<b>\$ 50,634</b>	<b>\$ 912,286</b>	<b>\$ --</b>	<b>\$ (12,805,536)</b>

**General Purpose Revenues:**

Investment income	913,257
District Court penal fines	136,232
State revenue	601,068
Property taxes	13,018,835
<b>Total General Revenues</b>	<b>14,669,392</b>
<b>Change in Net Position</b>	<b>1,863,856</b>
<i>Net Position at Beginning of Period</i>	29,101,565
<b><i>Net Position at End of Period</i></b>	<b>\$ 30,965,421</b>

The Notes to the Financial Statements are an Intergral part of these Financial Statements

**Kalamazoo Public Library  
Balance Sheet  
Governmental Funds  
June 30, 2023**

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Capital Improvement Fund</u>	<u>Permanent Endowment Fund</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and cash equivalents	\$ 12,705,168	\$ 232,856	\$ 4,015,694	\$ 433,298	\$ 17,387,016
Investments	--	--	--	5,714,813	5,714,813
Accounts receivable	242,876	293,364	140,000	--	676,240
Taxes receivable	20,090	--	--	--	20,090
Prepaid items	363,581	--	--	--	363,581
Beneficial interest in assets held by foundation	--	1,691,386	--	--	1,691,386
<b><i>Total Assets</i></b>	<b><u>\$ 13,331,715</u></b>	<b><u>\$ 2,217,606</u></b>	<b><u>\$ 4,155,694</u></b>	<b><u>\$ 6,148,111</u></b>	<b><u>\$ 25,853,126</u></b>
<b>LIABILITIES</b>					
Accounts payable	\$ 189,528	\$ 3,000	\$ 52,673	\$ 155,000	\$ 400,201
Payroll liabilities	269,841	--	--	--	269,841
Unearned revenue	--	345,000	--	--	345,000
<b><i>Total Liabilities</i></b>	<b><u>459,369</u></b>	<b><u>348,000</u></b>	<b><u>52,673</u></b>	<b><u>155,000</u></b>	<b><u>1,015,042</u></b>
<b>FUND BALANCE</b>					
Nonspendable	363,581	--	--	2,096,135	2,459,716
Restricted	27,690	1,609,109	--	3,896,976	5,533,775
Assigned	--	260,497	4,103,021	--	4,363,518
Unassigned	12,481,075	--	--	--	12,481,075
<b><i>Total Fund Balance</i></b>	<b><u>12,872,346</u></b>	<b><u>1,869,606</u></b>	<b><u>4,103,021</u></b>	<b><u>5,993,111</u></b>	<b><u>24,838,084</u></b>
<b><i>Total Liabilities and Fund Balance</i></b>	<b><u>\$ 13,331,715</u></b>	<b><u>\$ 2,217,606</u></b>	<b><u>\$ 4,155,694</u></b>	<b><u>\$ 6,148,111</u></b>	<b><u>\$ 25,853,126</u></b>

The Notes to the Financial Statements are an Integral part of these Financial Statements

**Kalamazoo Public Library**  
**Reconciliation of Governmental Funds Balance Sheet to the Statement of Net Position**  
**June 30, 2023**

Total Fund Balance - Governmental Funds	\$	24,838,084
General government capital assets of \$27,338,311, net of accumulated depreciation of \$15,506,864, are not financial resources and accordingly are not reported in the funds.		11,831,447
Other postemployment benefit liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.		177,069
Changes to the other postemployment benefit liability and related amounts do not require the use of current financial resources and therefore are not reported as expenditures in the funds.		(593,593)
Compensated absences are not due and payable in the current period and therefore are not reported in the funds.		(259,307)
Retirement incentive obligation is not due and payable in the current period and therefore is not reported in the funds.		(389,703)
Net pension liability and related deferred amounts are not due and payable in the current period or do not represent current financial resources and therefore are not reported in the funds.		(2,781,613)
Software based information technology agreements are not due and payable in the current period and, therefore, are not reported in the funds.		(1,856,963)
<b>Total Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>30,965,421</u></b>

**Kalamazoo Public Library**  
**Statement of Revenues, Expenditures, and Changes in Fund Balance**  
**Governmental Funds**  
**For the Year Ended June 30, 2023**

	<u>General</u>	<u>Special Revenue Fund</u>	<u>Capital Projects Capital Improvement Fund</u>	<u>Permanent Endowment Fund</u>	<u>Total Governmental Funds</u>
<b>Revenues</b>					
Property taxes	\$ 13,018,835	\$ --	\$ --	\$ --	\$ 13,018,835
State revenue	284,793	--	471,272	--	756,065
Local support	175,860	342,721	150,000	--	668,581
District Court penal fines	136,232	--	--	--	136,232
Charges for services	29,318	--	--	--	29,318
Investment income	256,649	141,414	--	522,650	920,713
Other revenues	102,568	--	--	--	102,568
<b>Total Revenues</b>	<b>14,004,255</b>	<b>484,135</b>	<b>621,272</b>	<b>522,650</b>	<b>15,632,312</b>
<b>Expenditures</b>					
Salaries and benefits	8,701,906	--	--	--	8,701,906
Materials	1,252,351	9,874	--	--	1,262,225
Facilities	651,857	--	--	--	651,857
Operating	325,585	--	--	--	325,585
Technical services	661,155	--	--	--	661,155
Purchased services	776,765	--	--	--	776,765
Other expenditures	438,252	455,873	--	31,149	925,274
Capital outlay	--	--	847,904	--	847,904
Capital - SBITA	2,293,460	--	--	--	2,293,460
<b>Total Expenditures</b>	<b>15,101,331</b>	<b>465,747</b>	<b>847,904</b>	<b>31,149</b>	<b>16,446,131</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(1,097,076)</b>	<b>18,388</b>	<b>(226,632)</b>	<b>491,501</b>	<b>(813,819)</b>
<b>Other Financing Sources (Uses)</b>					
Issuance of Software Based Info Tech Agreements	2,293,460	--	--	--	2,293,460
Transfers in	140,438	155,000	848,728	--	1,144,166
Transfers out	(848,728)	(140,438)	--	(155,000)	(1,144,166)
<b>Net Other Financing Sources (Uses)</b>	<b>1,585,170</b>	<b>14,562</b>	<b>848,728</b>	<b>(155,000)</b>	<b>2,293,460</b>
<b>Net Change in Fund Balance</b>	<b>488,094</b>	<b>32,950</b>	<b>622,096</b>	<b>336,501</b>	<b>1,479,641</b>
<i>Fund Balance at Beginning of Period</i>	12,384,252	1,836,656	3,480,925	5,656,610	23,358,443
<b>Fund Balance at End of Period</b>	<b>\$ 12,872,346</b>	<b>\$ 1,869,606</b>	<b>\$ 4,103,021</b>	<b>\$ 5,993,111</b>	<b>\$ 24,838,084</b>

The Notes to the Financial Statements are an Intergral part of these Financial Statements

**Kalamazoo Public Library**  
**Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and**  
**Changes in Fund Balance with Statement of Activities**  
**For the Year Ended June 30, 2023**

Total Net Change in Fund Balances - Governmental Funds	\$	1,479,641
<p>Governmental funds report capital outlays as expenditures; however, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense. This is the amount by which capital outlay of \$3,954,937 less depreciation expense of \$1,975,8984, and reduction of construction in progress of \$24,440.</p>		
		1,954,513
<p>Changes to the other postemployment benefit liability and related amounts do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>		
		177,069
<p>Changes to compensated absences do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>		
		5,726
<p>Changes to the retirement incentive obligation does not require the use of current financial resources and therefore is not reported as expenditures in the funds.</p>		
		(17,840)
<p>Changes to the net pension liability and related amounts do not require the use of current financial resources and therefore are not reported as expenditures in the funds.</p>		
		121,710
<p>The recognition of Subscription-based information technology arrangements ("SBITASs") consumes the current financial resources of governmental funds and is recorded as an expenditure; however, the repayment of SBITA reduces long term liabilities on the statement of net position.</p>		
		(1,856,963)
<b>Changes in Net Position - Governmental Activities</b>	<b>\$</b>	<b><u>1,863,856</u></b>

The Notes to the Financial Statements are an Intergral part of these Financial Statements

## **Notes to the Financial Statements**

## **Kalamazoo Public Library**

### Notes to the Financial Statements

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#### **Note 1 - Summary of Significant Accounting Policies**

The accounting policies of the Kalamazoo Public Library (the “Library”) conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The following is a summary of the Library’s significant accounting policies.

#### ***Reporting Entity***

The Library was established under the authority of the District Library Establishment Act, PA 24 of 1989, as amended and the District Library Financing Act, PA 265 of 1988 as amended. The Library is governed by a Board of Trustees and participating municipalities include the City of Kalamazoo, Kalamazoo Township, Oshtemo Township, and Texas Township.

The financial statements of the Library have been prepared in accordance with accounting principles generally accepted in the United States of America. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and reporting principles. The Library’s more significant accounting policies are described below.

#### ***Government-wide and Fund Financial Statements***

The government-wide financial statements (e.g., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the primary government.

The statement of activities demonstrates the degree to which the direct expense of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenue includes: 1) charges to Library patrons who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meet the operational or capital requirements of a particular function or segment. Taxes and other items are not included among program revenues and are reported instead as general revenue.

The statement of net position includes and recognizes all long-term assets and receivables as well as long-term debt and obligations. The Library’s net position is reported in three parts: 1) net investment in capital assets, 2) restricted net position, and 3) unrestricted net position.

#### ***Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

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.

## Kalamazoo Public Library

### Notes to the Financial Statements

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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 are recorded only when payment is due. General capital asset acquisitions are reported as expenditures in governmental funds.

Intergovernmental revenue, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. All other revenue items are considered to be measurable and available only when cash is received by the Library.

The Library reports the following major governmental funds:

The ***general fund*** is the government's primary operating fund. It accounts for all financial resources not accounted for and reported in another fund.

The ***capital improvement fund*** is used to account for and report financial resources that are assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The ***endowment fund*** accounts for resources that are restricted to the extent that only earnings, and not principal, may be used to support the Library's programs. The endowment was created as a legally- established trust.

The ***special revenue fund*** is used to account for donor-restricted grants and gifts that are required to be expended for a specified purpose.

#### ***Property Taxes***

Property taxes are assessed as of December 31. The related property taxes are billed and become a lien on December 1 of the following year. These taxes are due on February 15, with the final collection date of February 28 before they are added to the county tax rolls. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

The 2022 taxable valuation of the participating municipalities totaled \$3.390 billion before adjustments, on which taxes levied consisted of 3.8999 mills for operating purposes. This resulted in approximately \$12.9 million for general fund operating purposes. This amount was recognized in the general fund as property tax revenue.



# Kalamazoo Public Library

## Notes to the Financial Statements

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### *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Equity*

#### *Cash and Cash Equivalents*

*Cash and cash equivalents* are considered to be cash on hand, demand deposits, and short-term investments with a maturity of 90 days or less when acquired. Investments are stated at fair value based on quoted market price and include certificates of deposit with an original maturity of greater than 90 days from the date of purchase, common stock, government bonds, and corporate bonds.

#### *Receivables*

Receivables consist of miscellaneous amounts due from individuals and organizations, state aid payments, and penal fines due from the court system for fines due to infractions of the law.

#### *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.

#### *Capital Assets*

Capital assets, which include property and equipment, are reported in the government-wide statements (statement of net position). Capital assets are defined by the Library as assets with an initial, individual cost of more than \$5,000 (\$25,000 for building improvements or renovations) and an estimated life in excess of two years. In addition, library material items such as books, periodicals, and media are capitalized as a collection although they may have an initial cost less than \$5,000. Such assets are recorded at historical cost or estimated historical cost. Donated capital assets are recorded at estimated acquisition cost at the date donated.

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

Capital assets are recorded as capital expenditures at the time of purchase in the fund financial statements (statement of revenues, expenditures, and changes in fund balances) and are subsequently capitalized on the government-wide statements.

Depreciation is recorded over the estimated useful lives of the assets, using the straight-line method as follows:

	<u>Years</u>
Building and improvements	10 - 40
Furniture, equipment, and automation	5 - 7
Materials	5

## **Kalamazoo Public Library**

### Notes to the Financial Statements

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#### ***Pension***

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

#### ***Postemployment Benefits Other Than Pensions***

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the Michigan Public School Employees Retirement System (MPERS) and additions to/deductions from MPERS fiduciary net position have been determined on the same basis as they are reported by MPERS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

#### ***Deferred Outflows / Inflows of Resources***

In addition to assets and liabilities, the statement of financial position or balance sheet will, when applicable, report separate sections for deferred outflows of resources and deferred inflows of resources. *Deferred outflows of resources*, a separate financial statement element, represents a consumption of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until that time. *Deferred inflows of resources*, a separate financial statement element, represents an acquisition of net position or fund balance, respectively, that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

The Library has several items that qualify for reporting in these categories and are reported in the government-wide financial statement of net position. These items relate to the Library's net pension liability and net OPEB liability. These liability amounts are related to differences between expected and actual experience, changes in assumptions, differences between projected and actual pension plan investment earnings, and contributions made subsequent to the measurement date. These amounts are deferred and recognized as an outflow or inflow of resources in the period to which they apply.

## **Kalamazoo Public Library**

### Notes to the Financial Statements

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#### ***Compensated Absences***

Vacation leave is accrued as the benefits are earned by the employees and is vested by the employee up to a maximum balance determined by longevity and employee class. At termination of employment, salaried employees are compensated for the balance accrued. All vacation pay is accrued when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements. Sick leave benefits accumulate, but do not vest and are not payable upon termination of employment. No liability is reported for unpaid accumulated sick leave.

#### ***Retirement Incentive***

Most employees are eligible for a retirement incentive program. The program provides for a supplemental payment upon retirement from the Library, based on provisions of bargaining unit agreements, current pay rates, and years of service.

#### ***Operating Leases***

The Library leases certain equipment through operating leases. The payments are typically due monthly over the term of the lease.

#### ***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 financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Library's policy to consider restricted – net position to have been depleted before unrestricted – net position is applied.

#### ***Fund Balance Flow Assumption***

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.

## Kalamazoo Public Library

### Notes to the Financial Statements

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#### ***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. Governmental funds report *nonspendable fund balance* for amounts that cannot be spent because they are either: a) not in spendable form or b) legally or contractually required to be maintained intact. *Restricted fund balance* is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws or regulations of other governments. The government itself can establish limitations on the use of resources through either a commitment (committed fund balance) or an assignment (assigned fund balance).

The *committed fund balance* classification includes amounts that can be used only for the specific purposes determined by a formal action of the government's highest level of decision-making authority. The Library Board of Trustees is the highest level of decision-making authority for the government that can, by adoption of a resolution prior to the end of the fiscal year, commit fund balance. 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.

Amounts in the *assigned fund balance* classification are intended to be used by the government for specific purposes but do not meet the criteria to be classified as committed. The Library Board can 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.

*Unassigned fund balance* is the residual classification for the Library's general fund and includes all spendable amounts not contained in the other classifications and is therefore available to be spent as determined by the Library Board of Trustees.

The Library's Board of Trustees has adopted a minimum fund balance policy which requires the Kalamazoo Public Library maintain a minimum committed fund balance in its general fund sufficient to provide operating cash flow for the governmental pooled funds from July 1st through December 15th of each year. If the general fund balance falls below the minimum necessary, the Library will replenish shortages or deficiencies using budget strategies and timeframes as detailed in the policy.

#### ***Contributions***

All contributions are considered to be available for unrestricted use unless specifically restricted by the donor. Restricted resources are utilized first when allowable costs are incurred where both restricted and unrestricted resources are available.

# Kalamazoo Public Library

## Notes to the Financial Statements

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### *Use of Estimates*

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

### **Note 2 - Stewardship, Compliance, and Accountability**

#### *Budgetary Information*

The annual budget is prepared by the Library's management and adopted by the Board of Trustees; subsequent amendments are approved by the Board of Trustees. During the current year, the budget was amended in a legally permissible manner.

The budget has been prepared in accordance with generally accepted accounting principles. The budget statement (statement of revenues, expenditures and change in fund balance – budget and actual - general fund) is presented on the same basis of accounting used in preparing the adopted budget.

The budget has been adopted on a categorical level; expenditures at this level in excess of amounts budgeted are a violation of Michigan law. A comparison of actual results of operations to the budget as adopted by the Board is included in the financial statements.

P.A. 621 of 1978, Section 18(1), as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. The Library had no expenditures in excess of the amounts appropriated during the year ended June 30, 2023.

### **Note 3 - Deposits and Investments**

Deposits and investments are reported on the statement of net position as follows:

Cash and cash equivalents	\$ 17,387,016
Investments	<u>5,714,813</u>
<b>Total deposits and investments</b>	<b><u>\$ 23,101,829</u></b>

## Kalamazoo Public Library

### Notes to the Financial Statements

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Deposits and investments are comprised of the following at year-end:

Checking/savings accounts	\$ 11,179,727
Certificates of deposits	5,773,741
Pooled investments	6,148,111
Petty cash	250
<b>Total deposits and investments</b>	<b><u>\$ 23,101,829</u></b>

These deposits are in various financial institutions located in Michigan. State policy limits the Library's investing options to financial institutions located in Michigan. All accounts are in the name of the Library and a specific fund or common account.

#### **Deposit and Investment Risk**

**Interest Rate Risk.** State law limits the allowable investments and the maturities of some of the allowable investments as identified in the following list of authorized investments. The Library's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturity dates for certificates of deposit have been summarized above.

**Custodial Credit Risk - Deposits.** Custodial credit risk is the risk that in the event of a bank failure, the Library's deposits may not be returned. State law does not require, and the Library does not have a policy for deposit custodial credit risk. As of year-end, \$16,090,421 of the Library's bank balance of \$17,090,421 was exposed to credit risk because it was uninsured and uncollateralized. The Library believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Library evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

**Custodial Credit Risk - Investments.** Custodial credit risk is the risk that, in the event of the failure of the counterparty, the Library will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The Library does not have a policy for custodial credit risk. At year end, substantially all of the investment securities were uninsured and uncollateralized. Following is a summary of the Library's investments as of June 30, 2023:

Common stock	\$ 2,251,607
Certificates of deposit	705,552
Exchange traded mutual funds	2,757,654
<b>Total</b>	<b><u>\$ 5,714,813</u></b>

## Kalamazoo Public Library

### Notes to the Financial Statements

**Credit Risk.** State law limits investments to specific government securities, certificates of deposits and bank accounts with qualified financial institutions, commercial paper with specific maximum maturities and ratings when purchased, bankers' acceptances of specific financial institutions, qualified mutual funds and qualified external investment pools as identified in the list of authorized investments in the summary of significant accounting policies. The Library's investment policy does not have specific limits in excess of state law on investment credit risk. Following is a summary of the Library's investment ratings as of June 30, 2023:

Not Rated	<u>\$ 5,714,813</u>
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**Interest Rate Risk.** State law limits the allowable investments and the maturities of some of the allowable investments as identified in the summary of significant accounting policies. The Library's investment policy does not have specific limits in excess of state law on investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates. Maturity dates for investments held at year-end are summarized as follows:

No maturity	\$ 5,009,261
Within 1 year	597,268
1 - 5 years	<u>108,284</u>
<b>Total</b>	<u>\$ 5,714,813</u>

### Fair Value Measurements

The Library categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. These levels are determined by the Library's investment manager and are determined at the fund level based on a review of the investment's class, structure, and what kind of securities are held in the funds. The investment manager will request the information from the fund manager, if necessary. The Library had the following recurring fair value measurements as of June 30, 2023:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>
Common stock	\$ 2,251,607	\$ -	\$ -
Exchange traded mutual funds	2,757,654	-	-
<b>Total</b>	<u>\$ 5,009,261</u>	<u>\$ -</u>	<u>\$ -</u>

Investments in certificates of deposits of \$705,552 are not subject to fair value measurement as they are typically held to maturity and have a generally stable valuation along with fixed interest rates and maturities.

## **Kalamazoo Public Library**

### Notes to the Financial Statements

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#### ***Statutory Authority***

State statutes authorize the Library to invest in:

- Bonds, securities, other obligations and repurchase agreements of the United States, or an agency or instrumentality of the United States.
- Certificates of deposit, savings accounts, deposit accounts or depository receipts of a qualified financial institution.
- Commercial paper rated at the time of purchase within the two highest classifications established by not less than two standard rating services and that matures not more than 270 days after the date of purchase.
- Bankers' acceptances of United States banks.
- Obligations of the State of Michigan and its political subdivisions that, at the time of purchase are rated as investment grade by at least one standard rating service.
- Mutual funds registered under the Investment Company Act of 1940 with the authority to purchase only investment vehicles that are legal for direct investment by a public corporation.
- External investment pools as authorized by Public Act 20 as amended through December 31, 1997.

#### **Note 4 - Beneficial Interest in Assets Held by Foundation**

Amounts shown as beneficial interest in assets held by Foundation represent monies placed with the Kalamazoo Community Foundation (the "Foundation") by the Library, specifying itself as the beneficiary. The Library and the Foundation are unrelated entities. The Library has the right, at any time, to request from the Foundation all or a portion of the current balance of such monies held by the Foundation. The Foundation, as custodian of such funds, continues to report the funds as assets of the Foundation, with a corresponding liability, agency non-endowed funds. The balance of these funds as of June 30, 2023 was \$1,691,386.

Additionally, funds for the benefit of the Library have been established at the Foundation for the receipt of gifts and bequests from donors other than the Library. The terms of these funds allow annual distributions of gifts and/or income thereon, subject to the Foundation's unilateral variance power to redirect distributions. No asset is recorded for these funds, other than the annual grant distribution to the Library (if any). The balance in these funds as of June 30, 2023 was \$3,454,849.



## Kalamazoo Public Library

### Notes to the Financial Statements

#### Note 5 - Interfund Transfers

During the year ended June 30, 2023, interfund transfers consisted of the following:

Transfers In	Transfers Out	Amount
Capital improvement	General	\$ 848,728
Special revenue fund	Endowment fund	155,000
General	Special Revenue	140,438

Transfers are used to: 1) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and 2) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; and 3) move revenue from one fund to another fund in order to earn a higher rate of return on available funds.

#### Note 6 - Capital Assets

A summary of changes in capital assets activity for the year ended June 30, 2023 was as follows:

	Beginning of Year	Additions	Reductions	End Of Year
Capital assets not being depreciated				
Land	\$ 133,173	\$ -	\$ -	\$ 133,173
Construction in Progress	24,440	-	(24,440)	-
Subtotal	157,613	-	(24,440)	133,173
Capital assets being depreciated				
Building and improvements	16,468,187	502,448	-	16,970,635
Furniture, equipment, and automation	2,897,334	146,431	-	3,043,765
Software Based Information Technology	-	2,293,460	-	2,293,460
Materials	4,839,552	1,012,598	954,872	4,897,278
Subtotal	24,205,073	3,954,937	954,872	27,205,138
Less accumulated depreciation				
Building and improvements	9,932,329	429,799	-	10,362,128
Furniture, equipment, and automation	2,140,592	208,017	-	2,348,609
Software Based Information Technology	-	364,484	-	364,484
Materials	2,412,831	973,684	954,872	2,431,643
Subtotal	14,485,752	1,975,984	954,872	15,506,864
<b>Capital assets being depreciated, net</b>	9,719,321	1,978,953	-	11,698,274
<b>Capital assets, net</b>	\$ 9,876,934	\$ 1,978,953	\$ (24,440)	\$ 11,831,447

The entire balance of depreciation expense \$1,975,984 for the year ended June 30, 2023 was applied to the library services function.

## Kalamazoo Public Library

### Notes to the Financial Statements

The subscription based (software) information technology amortization is presented as depreciation expense on the statement of activities related to the Library’s intangible asset of subscription based information technology, which is included in the above table as intangible right to use asset. With the implementation of Governmental Accounting Standards Board Statement No. 96 *Subscription-based Information Technology Arrangements*, an arrangement/agreement meeting the criteria of this Statement requires the assignee to recognize a long-term liability and an intangible right to use asset.

#### Note 7 - Long-term Obligations

The following is a summary of long-term obligations transactions of the Library for the year ended June 30, 2023:

	<b>Beginning of Year</b>	<b>Additions</b>	<b>Reductions</b>	<b>End of Year</b>	<b>Due Within One Year</b>
Retirement incentive	\$ 371,863	\$ 17,840	\$ -	\$ 389,703	\$ 76,240
Compensated absences	265,033	-	(5,726)	259,307	259,307
Software Based Information Technology	-	2,293,460	(436,497)	1,856,963	375,073
<b>Total long-term obligations</b>	<b>\$ 636,896</b>	<b>\$ 2,311,300</b>	<b>\$ (442,223)</b>	<b>\$ 2,505,973</b>	<b>\$ 710,620</b>

The Library issues bonds, notes, and other contractual commitments to provide for the acquisition and construction of major capital facilities and the acquisition of certain equipment. Compensated absences and retirement incentives are typically paid out of the general fund.

#### *Fiscal Year 2023 SBITAs*

During 2023, the Library implemented GASB Statement No. 96. *Subscription-based Information Technology Arrangements*. The Library accounts for numerous subscriptions for software packages, each with varying payment. The Library recorded \$2,293,460 has been recorded in total as a long-term liability along with a corresponding right-to-use SBITA asset. The implementation began July 1, 2022 and the longest-term agreement is scheduled to end during fiscal year 2029. A summary of the principal and interest amounts for the remaining SBITA payments is as follows:

<b>Year Ended June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2024	\$ 375,073	\$ 39,951	\$ 415,024
2025	392,067	31,759	423,826
2026	376,914	23,200	400,114
2027	289,523	15,149	304,672
2028	216,190	8,997	225,187
2029	207,196	4,403	211,599
	<b>\$ 1,856,963</b>	<b>\$ 123,459</b>	<b>\$ 1,980,422</b>

## **Kalamazoo Public Library**

### Notes to the Financial Statements

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#### **Note 8 - Deferred Compensated Plan**

The Library offers a supplemental retirement program in accordance with Section 403(b) and 457(c) of the Internal Revenue Code (IRC) that will provide for payments on retirement, as well as death benefits in the event of death prior to retirement. The benefits of the Plan assets are held in trust for the exclusive benefit of participants and their beneficiaries and are managed by these individuals. As such, these amounts have not been included in the accompanying financial statements.

#### **Note 9 - Postemployment Benefits Other Than Pensions (OPEB)**

##### ***Plan Description***

The Michigan Public School Employees' Retirement System ("System" or "MPSERS") is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan and a fiduciary component unit of the State of Michigan ("State") originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members- eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's health plan provides all eligible retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services (ORS) within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at [Michigan.gov/ORSSchools](http://Michigan.gov/ORSSchools).

##### ***Benefits Provided***

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other

## **Kalamazoo Public Library**

### Notes to the Financial Statements

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Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning Jan. 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

Public Act 300 of 2012 granted all active members of the Michigan Public School Employees Retirement System, who earned service credit in the 12 months ending Sept 3, 2012 or were on an approved professional services or military leave of absence on Sept. 3, 2012, a voluntary election regarding their retirement healthcare. Any changes to a member's healthcare benefit are effective as of the member's transition date, which is defined as the first day of the pay period that begins on or after Feb. 1, 2013.

Under Public Act 300 of 2012, members were given the choice between continuing the 3% contribution to retiree healthcare and keeping the premium subsidy benefit described above or choosing not to pay the 3% contribution and instead opting out of the subsidy benefit and becoming a participant in the Personal Healthcare Fund (PHF), a portable, tax-deferred fund that can be used to pay healthcare expenses in retirement. Participants in the PHF are automatically enrolled in a 2% employee contribution into their 457 account as of their transition date, earning them a 2% employer match into a 401(k) account. Members who selected this option stop paying the 3% contribution to retiree healthcare as of the day before their transition date, and their prior contributions were deposited into their 401(k) account.

#### ***Contributions***

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021, valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

## Kalamazoo Public Library

### Notes to the Financial Statements

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2022:

<b>Benefit Structure</b>	<b>Member</b>	<b>Non-Universities</b>
Premium subsidy	3.00%	8.09%
Personal healthcare fund (PHF)	0.00%	7.23%

Required contributions to the OPEB plan from the Library were \$34,741 for the year ended September 30, 2022.

#### ***OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

At June 30, 2023, the Library reported a liability of \$96,600 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The Library's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the system during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the Library's proportion was .00456 percent, which was a decrease of .00055 percent from its proportion measured as of October 1, 2021.

For the year ending June 30, 2023, the Library recognized OPEB expense of negative \$143,297. At June 30, 2023, the Library reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between actual and expected experience	\$ -	\$ 189,202
Changes of assumptions	86,102	7,011
Net difference between projected and actual earnings on pension plan investments	7,550	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	142	241,709
Employer contributions subsequent to the measurement date	24,204	-
<b>Total</b>	<b>\$ 117,998</b>	<b>\$ 437,922</b>

## Kalamazoo Public Library

### Notes to the Financial Statements

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Contributions subsequent to the measurement date reported as deferred outflows of resources related to OPEB resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<b>Plan Year Ended</b>		<b>Amount:</b>
<b>September 30</b>		
2023	\$	(129,436)
2024		(97,356)
2025		(72,501)
2026		(33,257)
2027		(10,407)
Thereafter		(1,171)

#### *Actuarial Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

## Kalamazoo Public Library

### Notes to the Financial Statements

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Additional information as of the latest actuarial valuation follows:

#### Summary of Actuarial Assumptions

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00%, net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Healthcare Cost Trend Rate:	Pre-65: 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65: 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Other Assumptions:	
Opt-Out Assumption	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death
Coverage Election at Retirement	75% of male and 60% of female future retirees are assumed to elect coverage for 1 or more dependents.

#### Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 6.2250 for non-university employers.

## Kalamazoo Public Library

### Notes to the Financial Statements

- Recognition period for assets in years is 5.0000
- Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at [Michigan.gov/ORSSchools](https://Michigan.gov/ORSSchools).

#### ***Long-term Expected Return on Plan Assets***

The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of OPEB plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the OPEB plan's target asset allocation as of September 30, 2022, are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return*</u>
Domestic equity pools	25.0%	5.1%
Private equity pools	16.0	8.7
International equity pools	15.0	6.7
Fixed income pools	13.0	(0.2)
Real estate and infrastructure pools	10.0	5.3
Absolute return pools	9.0	2.7
Real return/opportunistic pools	10.0	5.8
Short-term investment pools	2.0	(0.5)
<b><i>Total</i></b>	<b>100.0%</b>	

\*Long-term rates of return are net of administrative expenses and 2.2% inflation.

#### ***Rate of Return***

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on OPEB plan investment, net of OPEB plan investment expense, was (4.99)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### ***Discount Rate***

A discount rate of 6.00% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.00%. The projection



**Kalamazoo Public Library**

Notes to the Financial Statements

of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

***Sensitivity of the Library’s proportionate share of the net OPEB liability to changes in the discount rate***

The following presents the Library’s proportionate share of the net OPEB liability calculated using the discount rate of 6.00%, as well as what the Library’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage higher:

<b>Other Postemployment Benefits</b>		
<b>1% Decrease</b>	<b>Current Discount Rate</b>	<b>1% Increase</b>
<b>5.0%</b>	<b>6.0%</b>	<b>7.0%</b>
\$162,037	\$96,600	\$41,494

***Sensitivity of the Library’s proportionate share of the net OPEB liability to Healthcare Cost Trend Rate***

The following presents the Library’s proportionate share of the net OPEB liability calculated using assumed trend rates, as well as what the Library’s proportionate share of net OPEB liability would be if it were calculated using a trend rate that is 1-percentage-point lower or 1-percentage-point higher:

<b>Other Postemployment Benefits</b>		
<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
\$40,451	\$96,600	\$159,627

***OPEB Plan Fiduciary Net Position***

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2022 MPSERS ACFR, available on the ORS website at [Michigan.gov/ORSSchools](https://www.michigan.gov/ORSSchools).

**Note 10 - MPSERS Pension Plan**

Library employees who participated in the Michigan Public School Employees' Retirement System (MPSERS) while being employees of the Library, are allowed by statute to continue their

## **Kalamazoo Public Library**

### Notes to the Financial Statements

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participation in MPSERS or to elect to participate in the Municipal Employees' Retirement System (MERS), an agent multiple-employer public employee defined benefit plan. New employees of the Library, as of April 2, 1990, can only participate in the MERS plan.

#### ***Plan Description***

The Michigan Public School Employees' Retirement System ("System" or "MPSERS") is a cost-sharing, multiple employer, state-wide, defined benefit public employee retirement plan and a fiduciary component unit of the State of Michigan ("State") originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

The System's pension plan was established by the State to provide retirement, survivor, and disability benefits to public school employees. In addition, the System's health plan provides all retirees with the option of receiving health, prescription drug, dental and vision coverage under the Michigan Public School Employees' Retirement Act (1980 PA 300 as amended).

The System is administered by the Office of Retirement Services ("ORS") within the Michigan Department of Technology, Management & Budget. The Department Director appoints the Office Director, with whom the general oversight of the System resides. The State Treasurer serves as the investment officer and custodian for the System.

The System's financial statements are available on the ORS website at [Michigan.gov/ORSSchools](http://Michigan.gov/ORSSchools).

#### ***Benefits Provided***

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements. The System also provides disability and survivor benefits to DB plan members.

A DB plan member who leaves Michigan public School employment may request a refund of his or her member contributions to the retirement system account if applicable. A refund cancels a former member's rights to future benefits. However, returning members who previously received a refund of their contributions may reinstate their service through repayment of the refund upon satisfaction of certain requirements.

## Kalamazoo Public Library

### Notes to the Financial Statements

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#### *Contributions*

Employers are required by Public Act 300 of 1980, as amended, to contribute amounts necessary to finance the coverage of active and retired members. Contribution provisions are specified by State statute and may be amended only by action of the State Legislature.

Employer contributions to the System are determined on an actuarial basis using the entry age normal actuarial cost method. Under this method, the actuarial present value of the projected benefits of each individual included in the actuarial valuation is allocated on a level basis over the service of the individual between entry age and assumed exit age. The portion of this cost allocated to the current valuation year is called the normal cost. The remainder is called the actuarial accrued liability. Normal cost is funded on a current basis. The unfunded (overfunded) actuarial accrued liability as of the September 30, 2021, valuation will be amortized over a 17-year period beginning October 1, 2021 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for fiscal year ended September 30, 2022:

<u>Benefit Structure</u>	<u>Member</u>	<u>Non-Universities</u>
Basic	0.0 - 4.0%	20.14%
Member investment plan	3.0 - 7.0%	20.14%
Pension plus	3.0 - 6.4%	17.22%
Pension plus 2	6.2%	19.93%
Defined contribution	0.0%	13.73%

Required contributions to the pension plan from the Library were \$180,361 for the year ended September 30, 2022.

#### *Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions*

At June 30, 2023, the Library reported a liability of \$1,992,946 for its proportionate share of the MPSERS net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2020. The Library's proportion of the net pension liability was determined by dividing each employer's statutorily required pension contributions to the system during the measurement period by the percent of pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the Library's proportion was .005299 percent, which was a decrease of .001301 percent from its proportion measured as of September 30, 2021.

## Kalamazoo Public Library

### Notes to the Financial Statements

For the year ending June 30, 2023, the Library recognized pension expense of negative \$176,703. At June 30, 2023, the Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between actual and expected experience	\$ 19,936	\$ 4,456
Changes of assumptions	342,460	-
Net difference between projected and actual earnings on pension plan investments	4,673	-
Changes in proportion and differences between Employer contributions and proportionate share of contributions	231	833,249
Employer contributions subsequent to the measurement date	60,464	-
<b>Total</b>	<b>\$ 427,764</b>	<b>\$ 837,705</b>

Contributions subsequent to the measurement date reported as deferred outflows of resources related to pensions resulting from employer contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ending June 30, 2024. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<b>Plan Year Ended September 30</b>	<b>Amount:</b>
2023	\$ (277,029)
2024	(198,849)
2025	(74,670)
2026	80,143

#### *Actuarial Assumptions*

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

## Kalamazoo Public Library

### Notes to the Financial Statements

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Additional information as of the latest actuarial valuation follows:

#### Summary of Actuarial Assumptions

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Wage Inflation Rate:	2.75%
Investment Rate of Return:	
- MIP and Basic Plans:	6.00%, net of investment expenses
- Pension Plus Plan:	6.00%, net of investment expenses
- Pension Plus 2 Plan:	6.00%, net of investment expenses
Projected Salary Increases:	2.75 - 11.55%, including wage inflation at 2.75%
Cost-of-Living Pension Adjustments:	3% Annual Non-Compounded for MIP Members
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.

#### Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2018 valuation. The total pension liability as of September 30, 2022, is based on the results of an actuarial valuation date of September 30, 2021, and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: 4.3922 for non-university employers.
- Recognition period for assets in years is 5.0000.
- Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at [Michigan.gov/ORSSchools](https://www.michigan.gov/ORSSchools).

## Kalamazoo Public Library

### Notes to the Financial Statements

#### ***Long-term Expected Return on Plan Assets***

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class.

These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of September 30, 2022, are summarized in the following table:

<b><u>Asset Class</u></b>	<b><u>Target Allocation</u></b>	<b><u>Long-term Expected Real Rate of Return*</u></b>
Domestic equity pools	25.0%	5.1%
Private equity pools	16.0	8.7
International equity pools	15.0	6.7
Fixed income pools	13.0	(0.2)
Real estate and infrastructure pools	10.0	5.3
Absolute return pools	9.0	2.7
Real return/opportunistic pools	10.0	5.8
Short-term investment pools	2.0	(0.5)
<b><i>Total</i></b>	<b><u>100.0%</u></b>	

\*Long-term rates of return are net of administrative expenses and 2.2% inflation.

#### ***Rate of Return***

For the fiscal year ended September 30, 2022, the annual money-weighted rate of return on pension plan investment, net of pension plan investment expense, was (4.18)%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

#### ***Discount Rate***

A discount rate of 6.00% was used to measure the total pension liability (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan). The projection of cash flows used to determine this discount rate assumed that plan member

## Kalamazoo Public Library

### Notes to the Financial Statements

contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### ***Sensitivity of the Library's proportionate share of the net pension liability to changes in the discount rate***

The following presents the Library's proportionate share of the net pension liability calculated using the discount rate of 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), as well as what the Library's proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

<b>Pension</b>		
<b>1% Decrease (Non-Hybrid/Hybrid) 5.0%</b>	<b>Current Single Discount Rate Assumption (Non-Hybrid/Hybrid) 6.0%</b>	<b>1% Increase (Non-Hybrid/Hybrid) 7.0%</b>
\$2,629,949	\$1,992,946	\$1,468,028

#### ***Michigan Public School Employees' Retirement System (MPERS) Fiduciary Net Position***

Detailed information about the pension plan's fiduciary net position is available in the separately issued MPERS ACFR, available on the ORS website at [Michigan.gov/ORSSchools](http://Michigan.gov/ORSSchools).

#### **Note 11 - Agent Multiple-Employer Pension Plan - MERS**

##### ***Plan Description***

The Library's defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. The Library participates in the Municipal Employees Retirement System (MERS) of Michigan. MERS is an agent multiple-employer, statewide public employee pension plan established by the Michigan Legislature under Public Act 135 of 1945 and administered by a nine-member Retirement Board. MERS issues a publicly available financial report that includes financial statements and required supplementary information. This report may be obtained accessing the MERS website at [www.mersofmich.com](http://www.mersofmich.com).

## Kalamazoo Public Library

### Notes to the Financial Statements

#### ***Benefits Provided***

The Library's pension benefits can be described as follows:

<u>Division</u>	<u>Benefit Multiplier</u>	<u>Benefit Maximum</u>	<u>Final Average Compensation (Years)</u>	<u>Normal Retirement Age</u>	<u>Unreduced Benefit (Age/Years of Service)</u>	<u>Reduced Benefit (Age/Years of Service)</u>	<u>Vesting (Years)</u>
Union Employees - Open	1.50%	No max	5	60	50/30	50/25 or 55/15	6
Admin and Tech - Open	2.00%	No max	5	60	50/30	50/25 or 55/15	6

#### ***Employees Covered by Benefit Terms***

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

Inactive plan members or beneficiaries receiving benefits	21
Inactive plan members entitled to but not yet receiving benefits	23
Active members	<u>73</u>
Total employees covered by MERS	<u>117</u>

#### ***Contributions***

The employer is required to contribute amounts at least equal to the actuarially determined rate, as established by the MERS Retirement Board. The actuarially determined rate is the estimated amount necessary to finance the cost of benefits earned by employees during the year, with an additional amount to finance any unfunded accrued liability. For the year ended June 30, 2023, employer contributions were 7.32% and 17.97% for the Union Employees and Admin and Tech Employees divisions, respectively. Currently, salaried union employees are required to make contributions equal to 1% of their wages each pay period.

#### ***Net Pension Liability***

The Library's net pension liability was measured as of December 31, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of that date.



## Kalamazoo Public Library

### Notes to the Financial Statements

#### *Actuarial Assumptions*

The total pension liability in the December 31, 2022 annual actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

- Inflation: 2.50%
- Salary Increases: 3.00% plus merit and longevity: 3.0% in the long-term
- Investment rate of return: 7.00%, net of investment and administrative expense including inflation

Although no specific price inflation assumptions are needed for the valuation, the 3.0% long-term wage inflation assumption would be consistent with a price inflation of 3-4%.

Mortality rates used were based on a version of Pub-2010 and fully generational MP-2019.

The actuarial assumptions used in valuation were based on the results of the most recent actuarial experience study of 2014-2018.

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

The target allocation and best estimates of geometric real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Target Allocation Gross Rate of Return</u>	<u>Long-term Expected Gross Rate of Return</u>	<u>Inflation Assumption</u>	<u>Long-term Expected Real Rate of Return</u>
Global equity	60.00%	7.00%	4.20%	2.50%	2.70%
Global fixed income	20.00%	4.50%	0.90%	2.50%	0.40%
Private investments	20.00%	9.50%	1.90%	2.50%	1.40%
<b>Total</b>	<u>100.00%</u>		<u>7.00%</u>		<u>4.50%</u>

#### *Discount Rate*

The discount rate used to measure the total pension liability is 7.25%. The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because,

## Kalamazoo Public Library

### Notes to the Financial Statements

for GASB 68 purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses. The projection of cash flows used to determine the discount rate assumes that employer and employee contributions will be made at the rates agreed upon for employees and the actuarially determined rates for employers. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to pay all projected future benefit payments of current active and inactive employees. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

#### *Changes in Net Pension Liability*

The components of the change in the net pension liability are summarized as follows:

<b>Changes in Net Pension Liability</b>	<b>Increase (Decrease)</b>		
	<b>Total Pension Liability</b>	<b>Plan Net Position</b>	<b>Net Pension Liability</b>
<b>Balance at December 31, 2021</b>	\$ 12,687,298	\$ 11,980,128	\$ 707,170
Service cost	433,549	-	433,549
Interest on total pension liability	923,301	-	923,301
Changes in benefits	-	-	-
Difference between expected and actual experience	(24,364)	-	(24,364)
Changes in assumptions	-	-	-
Contributions - employer	-	932,824	(932,824)
Contributions - employee	-	28,881	(28,881)
Net investment income	-	(1,262,498)	1,262,498
Benefit payments, including refunds	(337,783)	(337,783)	-
Administrative expenses	-	(22,814)	22,814
Other Changes	1	-	1
Net changes	994,704	(661,390)	1,656,094
<b>Balance at December 31, 2022</b>	<b>\$ 13,682,002</b>	<b>\$ 11,318,738</b>	<b>\$ 2,363,264</b>

#### *Sensitivity of the Net Pension Liability to Changes in the Discount Rate*

The following presents the Net Pension Liability of the employer, calculated using the discount rate of 7.25%, as well as what the employer's Net Pension Liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1% higher (8.25%) than the current rate:

	<b>1% Decrease</b>	<b>Current</b>	<b>1% Increase</b>
	<b>(6.25%)</b>	<b>Discount Rate (7.25%)</b>	<b>(8.25%)</b>
Net pension liability (asset) of the Library	\$ 4,548,760	\$ 2,363,264	\$ 579,871

## Kalamazoo Public Library

### Notes to the Financial Statements

Note: The current discount rate shown for GASB 68 purposes is higher than the MERS assumed rate of return. This is because for GASB purposes, the discount rate must be gross of administrative expenses, whereas for funding purposes, it is net of administrative expenses.

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

For the year ended June 30, 2023, the Library recognized pension expense of \$964,660. The Library reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Source</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Net difference between projected and actual earnings on pension plan investments	\$ 1,019,758	\$ -
Difference between expected and actual experience	67,657	293,896
Changes in assumptions	933,598	-
*Employer contributions to the plan subsequent to the measurement date	257,420	-
<b>Total</b>	<b>\$ 2,278,433</b>	<b>\$ 293,896</b>

\*The amount reported as deferred outflows of resources resulting from contributions subsequent to the measurement date will be recognized as a reduction in the net pension liability for the year ending June 30, 2024.

Other amounts reported as deferred outflows/inflows of resources related to the pension will be recognized in pension expense as follows:

<b>Plan Ended December 31</b>	<b>Amount</b>
2023	\$ 284,436
2024	324,645
2025	440,313
2026	612,542
2027	65,181

#### ***Significant Changes to the Pension Valuation***

Effective February 17, 2022, the MERS Retirement Board adopted a dedicated gains policy that automatically adjusts the assumed rate of investment return by using excess asset gains to mitigate large increases in required contributions to the Plan. Full details of this dedicated gains policy are available in the Actuarial Policy found on the MERS website. Some goals of the dedicated gains policy are to:

## Kalamazoo Public Library

### Notes to the Financial Statements

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- Provide a systematic approach to lower the assumed rate of investment return between experience studies, and
- Use excess gains to cover both the increase in normal cost and any increase in UAL payment the first year after implementation (i.e., minimize the first-year impact (i.e., increase) in employer contributions).

The dedicated gains policy has been implemented with the December 31, 2021 annual actuarial valuation. After initial application of the smoothing method, remaining market gains were used to lower the assumed rate of investment return from 7.35% to 7.00%. The December 31, 2021 valuation liabilities were developed using this new, lower assumption. Additionally, as a result of recognizing excess market gains, the valuation assets used to fund these liabilities are 7.20% higher than if there were no dedicated gain policy. The combined impact of these changes will minimize the first-year impact on employer contributions and may result in an increase or a decrease in employer contributions.

#### Note 12 - Combining Schedules for Library's Pension Plans

The net pension liability, deferred outflows of resources, and deferred inflows of resources for each defined benefit pension plan are reported in the statement of net position as follows:

	<u>MPSERS</u>	<u>MERS</u>	<u>Total</u>
Net pension liability	\$ 1,992,946	\$ 2,363,264	\$ 4,356,210
Deferred outflows of resources	427,764	2,278,433	2,706,197
Deferred inflows of resources	837,705	293,896	1,131,601

## Kalamazoo Public Library

### Notes to the Financial Statements

#### Note 13 - Fund Balances - Governmental Funds

The Library has adopted the provisions of GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions. Fund balance classifications are based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. Detailed information on fund balances of governmental funds is as follows:

	General Fund	Special Revenue Fund	Capital Improvement Fund	Endowment Fund	Total
Nonspendable					
Prepays	\$ 363,581	\$ -	\$ -	\$ -	\$ 363,581
Endowment	-	-	-	2,096,135	2,096,135
Subtotal	363,581	-	-	2,096,135	2,459,716
Restricted					
ONEPlace	27,690	19,862	-	-	47,552
ONEPlace Stryker Johnston Grant*	-	(187,453)	-	-	(187,453)
Amanda Green librarian scholarship	-	245,487	-	-	245,487
Ready to read	-	132,392	-	-	132,392
Local history	-	1,217,623	-	-	1,217,623
Anti-racism transformation	-	3,121	-	-	3,121
Endowment	-	-	-	3,896,976	3,896,976
Gifts and memorials	-	11,443	-	-	11,443
Law Library Gifts	-	2,000	-	-	2,000
Jochem fund	-	164,634	-	-	164,634
Subtotal	27,690	1,609,109	-	3,896,976	5,533,775
Assigned					
Library programs	-	260,497	-	-	260,497
Capital projects	-	-	4,103,021	-	4,103,021
Subtotal	-	260,497	4,103,021	-	4,363,518
Unassigned					
	12,481,075	-	-	-	12,481,075
<b>Total fund balances</b>	<b>\$ 12,872,346</b>	<b>\$ 1,869,606</b>	<b>\$ 4,103,021</b>	<b>\$ 5,993,111</b>	<b>\$ 24,838,084</b>

## Kalamazoo Public Library

### Notes to the Financial Statements

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#### Note 14 - Net Position

Following is the detail of restricted net position as of June 30, 2023:

ONEPlace	\$ 47,552
ONEPlace Stryker Johnston Grant *	(187,453)
Amanda Green librarian scholarship	245,487
Ready to read	132,392
Local history	1,217,623
Anti-racism transformation	3,121
Gifts and memorials	11,443
Law library	2,000
Jochem fund	164,634
Endowment (non-expendable)	2,096,135
Endowment (expendable)	3,896,976
<b>Total restricted net position</b>	<b>\$ 7,629,910</b>

\*Amount derived by adding FY 2022 - 2023 Stryker Johnston grant results (gain of \$48,557) to prior fiscal year grant balance (negative \$236,010).

#### Note 15 - 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 for which the Library carries commercial insurance. Liabilities in excess of insurance are reported when it is probable that a loss has occurred, and the amount of the loss can be reasonably estimated. There have been no losses in excess of insurance in the prior three years.

#### Note 16 - Contingencies

The Library receives revenues from the other governmental units. This revenue is allocated to the Library based on various factors, which may be reviewed at some future date. Any changes in revenue allocation factors cannot be determined at this time, although the Library expects such amounts, if any, not to be material.

#### Note 17 - Tax Abatements

The Library received reduced property tax revenues during the year ended June 30, 2023 as a result of industrial facilities tax exemptions (IFT's). The IFT's were entered into based upon the Plant Rehabilitation and Industrial Developments Libraries Act (known as the Industrial Facilities Exemption), PA 198 of 1974, as amended. IFT's provide a tax incentive to manufacturers to enable

## **Kalamazoo Public Library**

### Notes to the Financial Statements

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renovation and expansion of aging facilities, assist in the building of new facilities, and promote the establishment of high-tech facilities. Properties qualifying for IFT status are taxed at 50% of the millage rate applicable to other real and personal property. The abatements amounted to approximately \$26,479 in reduced tax revenues for fiscal year ending June 30, 2023.

#### **Note 18 - Adoption of GASB Statement No. 96, *Subscription-based Information Technology Arrangements* (“SBITA”s)**

The Library adopted the provisions of GASB Statement No. 96, *Subscription-based Information Technology Arrangements*, in the current year, which improves accounting and financial reporting for SBITAs by governments. The requirements of this Statement improve financial reporting by establishing a definition for SBITAs and providing uniform guidance for accounting and financial reporting for transactions that meet that definition. That definition and uniform guidance result in greater consistency in practice. Establishing the capitalization criteria for implementation costs also reduces diversity and improves comparability in financial reporting by the Library. This Statement also enhances the relevance and reliability of the Library’s financial statements by requiring the Library to report a subscription asset and subscription liability for a SBITA and to disclose essential information about the arrangement. The disclosures allow users to understand the scale and important aspects of the Library’s SBITA activities and evaluate the Library’s obligations and assets resulting from SBITAs. Information relating to the Library’s SBITA right-to-use asset and subscription liability can be found in Note 6 and Note 7, respectively.

#### **Note 19 – Subsequent Events**

Management has evaluated subsequent events through October 16, 2023, the date these financial statements were available to be issued, and is not aware of any events that could have a financial impact on the Library.

## **Required Supplementary Information**



**Kalamazoo Public Library**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual \***  
**General Fund**  
**For the Year Ended June 30, 2023**

	Budgeted Amounts		Actual	Variance
	Original	Final		Positive (Negative) Final to Actual
<b>Revenues</b>				
Property taxes	\$ 13,026,069	\$ 13,002,100	\$ 13,018,835	\$ 16,735
State revenue	663,358	272,812	284,793	11,981
Local support	160,000	173,000	175,860	2,860
District Court penal fines	140,901	148,000	136,232	(11,768)
Charges for services	19,000	19,000	29,318	10,318
Investment income	65,000	200,000	256,649	56,649
Other revenues	156,000	127,796	102,568	(25,228)
<b>Total Revenues</b>	<u>14,230,328</u>	<u>13,942,708</u>	<u>14,004,255</u>	<u>61,547</u>
<b>Other Financing Sources</b>				
Transfers in	138,270	140,970	140,438	(532)
<b>Total Revenues and Other Financing Sources</b>	<u>14,368,598</u>	<u>14,083,678</u>	<u>14,144,693</u>	<u>61,015</u>
<b>Expenditures</b>				
Salaries and benefits	8,888,261	8,928,880	8,701,906	226,974
Materials	1,411,746	1,393,746	1,252,351	141,395
Facilities	669,345	703,958	651,857	52,101
Operating	371,102	351,200	325,585	25,615
Technical services	763,048	799,604	661,155	138,449
Purchased services	828,213	821,819	776,765	45,054
Other expenditures	614,607	492,994	438,252	54,742
<b>Total Expenditures</b>	<u>13,546,322</u>	<u>13,492,201</u>	<u>12,807,871</u>	<u>684,330</u>
<b>Other Financing Uses</b>				
Transfers out	1,320,000	848,728	848,728	--
<b>Total Expenditures and Other Financing Uses</b>	<u>14,866,322</u>	<u>14,340,929</u>	<u>13,656,599</u>	<u>684,330</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>(497,724)</u>	<u>(257,251)</u>	<u>488,094</u>	<u>745,345</u>
<b>Net Change in Fund Balance</b>	<u>(497,724)</u>	<u>(257,251)</u>	<u>488,094</u>	<u>745,345</u>
<i>Fund Balance at Beginning of Period</i>	12,384,252	12,384,252	12,384,252	--
<b>Fund Balance at End of Period</b>	<u>\$ 11,886,528</u>	<u>\$ 12,127,001</u>	<u>\$ 12,872,346</u>	<u>\$ 745,345</u>

\*This schedule is not presented in conformance with GAAP due to SBITA's not being displayed. The result would have been an increase in other financing sources and expenditures by \$2,293,460.

**Kalamazoo Public Library**  
**Schedule of Revenues, Expenditures, and Changes in Fund Balance-Budget and Actual**  
**Special Revenue Fund**  
**For the Year Ended June 30, 2023**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<b>Variance</b>
	<u>Original</u>	<u>Final</u>		<b>Positive (Negative) Final to Actual</b>
<b>Revenues</b>				
Local support	\$ 168,500	\$ 339,980	\$ 342,721	\$ 2,741
Investment income	109,695	15,842	141,414	125,572
<b>Total Revenues</b>	<u>278,195</u>	<u>355,822</u>	<u>484,135</u>	<u>128,313</u>
<b>Other Financing Sources</b>				
Transfers in	--	--	155,000	155,000
<b>Total Revenues and Other Financing Sources</b>	<u>278,195</u>	<u>355,822</u>	<u>639,135</u>	<u>283,313</u>
<b>Expenditures</b>				
Materials	17,500	10,809	9,874	935
Other expenditures	432,231	469,323	455,873	13,450
<b>Total Expenditures</b>	<u>449,731</u>	<u>480,132</u>	<u>465,747</u>	<u>14,385</u>
<b>Other Financing Uses</b>				
Transfers out	144,745	159,365	140,438	18,927
<b>Total Expenditures and Other Financing Uses</b>	<u>594,476</u>	<u>639,497</u>	<u>606,185</u>	<u>33,312</u>
<b>Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses</b>	<u>(316,281)</u>	<u>(283,675)</u>	<u>32,950</u>	<u>316,625</u>
<b>Net Change in Fund Balance</b>	<u>(316,281)</u>	<u>(283,675)</u>	<u>32,950</u>	<u>316,625</u>
<i>Fund Balance at Beginning of Period</i>	1,836,656	1,836,656	1,836,656	--
<b>Fund Balance at End of Period</b>	<u>\$ 1,520,375</u>	<u>\$ 1,552,981</u>	<u>\$ 1,869,606</u>	<u>\$ 316,625</u>

**Kalamazoo Public Library**  
**Required Supplementary Information**  
**Schedule of Changes in Net Pension Liability and Related Ratios - MERS**  
**Last Nine Calendar Years (schedule is built prospectively upon implementation of GASB 68)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
<b>Total Pension Liability</b>									
Service Cost	\$ 433,549	\$ 394,032	\$ 362,481	\$ 341,103	\$ 311,007	\$ 279,203	\$ 260,862	\$ 246,610	\$ 237,109
Interest on Total Pension Liability	923,301	860,639	757,239	705,287	665,704	618,324	539,607	480,599	431,669
Changes in Benefit Terms	-	(29,785)	-	-	-	-	-	-	-
Differences Between Expected and Actual Experience	(24,364)	(139,149)	(77,895)	47,355	(277,174)	(103,007)	351,817	(40,367)	-
Changes in Assumptions *	-	623,849	591,378	300,127	-	-	-	328,255	-
Benefit Payments, Including Refunds	(337,782)	(298,932)	(277,970)	(235,992)	(203,596)	(232,754)	(122,247)	(82,897)	(77,984)
<b>Net Change in Pension Liability</b>	<u>994,704</u>	<u>1,410,654</u>	<u>1,355,233</u>	<u>1,157,880</u>	<u>495,941</u>	<u>561,766</u>	<u>1,030,039</u>	<u>932,200</u>	<u>590,794</u>
<i>Total Pension Liability - Beginning</i>	12,687,298	11,276,644	9,921,411	8,763,531	8,267,590	7,705,824	6,675,785	5,743,585	5,152,791
<b>Total Pension Liability - Ending (a)</b>	<u>\$ 13,682,002</u>	<u>\$ 12,687,298</u>	<u>\$ 11,276,644</u>	<u>\$ 9,921,411</u>	<u>\$ 8,763,531</u>	<u>\$ 8,267,590</u>	<u>\$ 7,705,824</u>	<u>\$ 6,675,785</u>	<u>\$ 5,743,585</u>
<b>Plan Fiduciary Net Position</b>									
Contributions - Employer	\$ 932,824	\$ 541,945	\$ 466,280	\$ 709,064	\$ 398,033	\$ 585,242	\$ 570,604	\$ 411,948	\$ 275,201
Contributions - Employee	28,881	11,133	-	-	-	-	-	-	-
Net Investment Income (Loss)	(1,262,498)	1,477,133	1,196,747	1,032,065	(308,580)	857,312	623,272	(78,821)	294,748
Benefit Payments, Including Refunds	(337,783)	(298,932)	(277,970)	(235,992)	(203,596)	(232,754)	(122,247)	(82,897)	(77,984)
Administrative Expenses	(22,814)	(16,942)	(18,316)	(17,805)	(14,929)	(13,532)	(12,275)	(11,485)	(10,916)
<b>Net Change in Plan Fiduciary Net Position</b>	<u>(661,390)</u>	<u>1,714,337</u>	<u>1,366,741</u>	<u>1,487,332</u>	<u>(129,072)</u>	<u>1,196,268</u>	<u>1,059,354</u>	<u>238,745</u>	<u>481,049</u>
<i>Plan Fiduciary Net Position - Beginning</i>	11,980,128	10,265,791	8,899,050	7,411,718	7,540,790	6,344,522	5,285,168	5,046,423	4,565,374
<b>Plan Fiduciary Net Position - Ending (b)</b>	<u>\$ 11,318,738</u>	<u>\$ 11,980,128</u>	<u>\$ 10,265,791</u>	<u>\$ 8,899,050</u>	<u>\$ 7,411,718</u>	<u>\$ 7,540,790</u>	<u>\$ 6,344,522</u>	<u>\$ 5,285,168</u>	<u>\$ 5,046,423</u>
<b>Net Pension Liability - Ending (a) - (b)</b>	\$ 2,363,264	\$ 707,170	\$ 1,010,853	\$ 1,022,361	\$ 1,351,813	\$ 726,800	\$ 1,361,302	\$ 1,390,617	\$ 697,162
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	82.73%	94.43%	91.04%	89.70%	84.57%	91.21%	82.33%	79.17%	87.86%
Covered Payroll	\$ 4,327,582	\$ 4,495,060	\$ 4,164,701	\$ 3,989,912	\$ 3,671,097	\$ 3,390,601	\$ 3,196,686	\$ 3,084,448	\$ 2,945,321
Net Pension Liability as a Percentage of Covered Payroll	54.61%	15.73%	24.27%	25.62%	36.82%	21.44%	42.58%	45.08%	23.67%

**Notes to Schedule:**

\*The following were significant changes to economic and demographic assumptions:

2015 valuation - The investment rate of return assumption was reduced from 8.25% to 8.0%, the wage inflation assumption was reduced from 4.50% to 3.75%, inflation rates changed from 3.0-4.0% to 3.25%, and the mortality assumption was

2019 valuation - The investment rate of return assumption was reduced from 8.00% to 7.60%, the wage inflation assumption was reduced from 3.75% to 3.00%.

2020 valuation - Mortality rates were changed to the recently issued Pub-2010 mortality general rates as published by the Society of Actuaries along with a change to sex-distinct assumptions.

2021 valuation - The investment rate of return assumption was reduced from 7.60% to 7.25%.

**Kalamazoo Public Library**  
**Required Supplementary Information**  
**Schedule of Contributions - MERS**  
**Last Nine Fiscal Years (schedule is built prospectively upon implementation of GASB 68)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Actuarially Determined Contribution	\$ 531,508	\$ 498,139	\$ 471,804	\$ 487,994	\$ 415,958	\$ 389,695	\$ 376,552	\$ 349,529	\$ 281,186
Contributions in Relation to the Actuarially Determined Contribution	731,508	705,058	518,327	687,994	461,526	602,957	576,552	449,529	281,186
Contribution Deficiency (Excess)	<u>\$ (200,000)</u>	<u>\$ (206,919)</u>	<u>\$ (46,523)</u>	<u>\$ (200,000)</u>	<u>\$ (45,568)</u>	<u>\$ (213,262)</u>	<u>\$ (200,000)</u>	<u>\$ (100,000)</u>	<u>\$ -</u>
Covered Payroll	\$ 3,596,842	\$ 4,720,541	\$ 4,283,074	\$ 4,102,278	\$ 3,811,810	\$ 3,564,262	\$ 3,357,011	\$ 3,199,158	\$ 3,035,065
Contributions as a Percentage of Covered Payroll	20.34%	14.94%	12.10%	16.77%	12.11%	16.92%	17.17%	14.05%	9.26%

*Notes*

**Valuation Date**

Actuarially determined contribution amounts are calculated as of December 31 each year, which is 18 months prior to the beginning of the fiscal year in which the contributions are required.

**Methods and assumptions used to determine contribution rates**

Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Remaining amortization period	16 years
Asset valuation method	Open; 10-year smooth market
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.00%
Retirement Age	Experience-based tables of rates that are specific to the type of eligibility condition
Mortality	Pub-2010 and fully generational MP-2019

**Kalamazoo Public Library**  
**Schedule of Library's Proportionate Share of Net Pension Liability**  
**Michigan Public School Employee Retirement Plan**  
**Last Nine Fiscal Years (Amounts were determined as of September 30 of each fiscal year)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Library's Portion of Net Pension Liability (%)	0.00530%	0.00660%	0.00839%	0.01058%	0.01185%	0.01190%	0.01308%	0.01335%	0.01344%
Library's Proportionate Share of Net Pension Liability	\$ 1,992,946	\$ 1,562,367	\$ 2,883,403	\$ 3,504,674	\$ 3,561,783	\$ 3,083,161	\$ 3,264,311	\$ 3,260,389	\$ 2,961,393
Library's Covered Payroll	\$ 429,426	\$ 450,270	\$ 626,152	\$ 697,281	\$ 844,957	\$ 948,495	\$ 1,046,905	\$ 1,128,273	\$ 1,129,713
Library's Proportionate Share of Net Pension Liability as a Percentage of its Covered Payro	464.10%	346.98%	460.50%	502.62%	421.53%	325.06%	311.81%	288.97%	262.14%
Plan Fiduciary Net Position as a Percentage of Total Pension Liability	66.92%	72.60%	59.72%	60.31%	62.36%	64.21%	63.27%	63.17%	66.20%

**Kalamazoo Public Library  
Schedule of Library's Pension Contributions  
Michigan Public School Employee Retirement Plan  
Last Nine Library Fiscal Years (Amounts determined as of June 30 of each year)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Statutorily Required Contributions	\$ 180,361	\$ 198,146	\$ 203,676	\$ 281,137	\$ 322,629	\$ 328,185	\$ 289,494	\$ 293,751	\$ 295,954
Contributions in Relation to Statutorily Required Contributions	180,361	198,146	203,676	281,137	322,629	328,185	289,494	293,751	295,954
Contribution Deficiency (Excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Library's Covered Payroll	\$ 414,991	\$ 426,020	\$ 487,323	\$ 649,516	\$ 737,009	\$ 845,220	\$ 1,002,576	\$ 1,058,426	\$ 1,131,340
Contributions as a Percentage of Covered Payroll	43.46%	46.51%	41.79%	43.28%	43.78%	38.83%	28.88%	27.75%	26.16%

**Kalamazoo Public Library**  
**Schedule of Library's Proportionate Share of Net OPEB Liability**  
**Michigan Public School Employee Retirement Plan**  
**Last Six Fiscal Years (Amounts were determined as of September 30 of each fiscal year)**

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Library's Portion of Net OPEB Liability (%)	0.00456%	0.00511%	0.00717%	0.00805%	0.00998%	0.01191%
Library's Proportionate Share of Net OPEB Liability	\$ 96,600	\$ 78,047	\$ 384,102	\$ 578,046	\$ 793,646	\$ 1,054,781
Library's Covered Payroll	\$ 429,426	\$ 450,270	\$ 626,152	\$ 697,281	\$ 844,957	\$ 948,495
Library's Proportionate Share of Net OPEB Liability as a Percentage of its Covered Payroll	22.50%	17.33%	61.34%	82.90%	93.93%	111.21%
Plan Fiduciary Net Position as a Percentage of Total OPEB Liability	56.64%	87.33%	59.44%	48.46%	42.95%	36.39%

**Kalamazoo Public Library**  
**Schedule of Library's OPEB Contributions**  
**Michigan Public School Employee Retirement Plan**  
**Last Six Library Fiscal Years (Amounts determined as of June 30 of each year)**

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Statutorily Required Contributions	\$ 34,741	\$ 37,958	\$ 50,656	\$ 55,295	\$ 64,808	\$ 65,287
Contributions in Relation to Statutorily Required Contributions	34,741	37,958	50,656	55,295	64,808	65,287
Contribution Deficiency (Excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Library's Covered Payroll	\$ 414,991	\$ 462,020	\$ 487,323	\$ 649,516	\$ 737,009	\$ 845,220
Contributions as a Percentage of Covered Payroll	8.37%	8.22%	10.39%	8.51%	8.79%	7.72%



October 16, 2023

To the Board of Trustees  
Kalamazoo Public Library  
Kalamazoo, Michigan

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Kalamazoo Public Library (the “Library”) for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards and *Government Auditing Standards*, as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 29, 2023. Professional standards also require that we communicate to you the following information related to our audit.

### ***Significant Audit Findings***

#### ***Qualitative Aspects of Accounting Practices***

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by the Library are described in Note 1 to the financial statements. There were no new accounting policies adopted, besides as noted in Footnote #18, during the fiscal year ended June 30, 2023. We noted no transactions entered into by the Library during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

Accounting estimates are an integral part of the financial statements prepared by management and are based on management’s knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the Library’s financial statements were:

- Management’s estimate of the useful lives of depreciable capital assets is based on the length of time it is believed that those assets will provide some economic benefit in the future.
- Management’s estimate of the accrued compensated absences is based on current hourly rates and policies regarding payment of sick and vacation banks.
- Management’s assumptions used to calculate the actuarial report and the net present value of post-employment benefits, including pension and other post-employment benefits.

We evaluated the key factors and assumptions used to develop this estimate in determining that it is reasonable in relation to the financial statements taken as a whole.

The financial statement disclosures are neutral, consistent, and clear.

#### *Difficulties Encountered in Performing the Audit*

We encountered no significant difficulties in dealing with management in performing and completing our audit.

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are clearly trivial, and communicate them to the appropriate level of management. Furthermore, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. In addition, professional standards require us to communicate all material, corrected misstatements that were brought to the attention of management as a result of our audit procedures. We did not identify any misstatements during our audit.

#### *Disagreements with Management*

For purposes of this letter, a disagreement with management is a financial accounting, reporting, or auditing matter, whether or not resolved to our satisfaction, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 16, 2023.

#### *Management Consultations with Other Independent Accountants*

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Library's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

#### *Other Audit Findings or Issues*

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Library's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

***Other Matters***

We applied certain limited procedures to the management's discussion and analysis, the pension and OPEB schedules, and budgetary comparison information, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding 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 did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

***Restriction on Use***

This information is intended solely for the information and use of the Board of Trustees and management of the Library and is not intended to be, and should not be, used by anyone other than these specified parties.

Very truly yours,

A handwritten signature in cursive script that reads "Gabridge & Company". The signature is written in dark ink and is positioned above the printed name of the company.

Gabridge & Company, PLC  
Grand Rapids, MI

INDEPENDENT AUDITOR'S 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  
Kalamazoo Public Library  
Kalamazoo, Michigan

We have audited, in accordance with the 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 governmental activities, each major fund, and the aggregate remaining fund information of the Kalamazoo Public Library (the "Library"), as of and for the year ended June 30, 2023 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 16, 2023.

### **Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Library's internal control over financial reporting (internal control) as a basis for designing 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 control. Accordingly, we do not express an opinion on the effectiveness of the Library's internal control.

*A deficiency in internal control* 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 control, 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 control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **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 control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control 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 control and compliance. Accordingly, this communication is not suitable for any other purpose.

A handwritten signature in cursive script that reads "Gabridge & Company".

Gabridge & Company, PLC  
Grand Rapids, MI  
October 16, 2023