

Village of Sparta

Kent County, Michigan

FINANCIAL STATEMENTS

Year ended December 31, 2018

	<i>Page</i>
INDEPENDENT AUDITOR'S REPORT	3 - 5
MANAGEMENT'S DISCUSSION AND ANALYSIS	6 - 13
BASIC FINANCIAL STATEMENTS	
Government-wide financial statements:	
Statement of net position	14
Statement of activities	15
Fund financial statements:	
Balance sheet - governmental funds	16
Statement of revenues, expenditures, and changes in fund balances - governmental funds	17 - 18
Statement of net position - proprietary funds	19
Statement of revenues, expenses, and changes in net position - proprietary funds	20
Statement of cash flows - proprietary funds	21 - 22
Notes to financial statements	23 - 43
REQUIRED SUPPLEMENTARY INFORMATION	
Budgetary comparison schedules:	
General Fund	44
Major Street Fund	45
Local Street Fund	46
Schedule of changes in the Village's net pension liability and related ratios	47
Schedule of Village pension contributions	48
Schedule of changes in the Village's net OPEB liability and related ratios	49
Schedule of Village OPEB contributions	50
SUPPLEMENTARY INFORMATION	
Balance sheet - component unit	51
Statement of revenues, expenditures, and changes in fund balances - component unit	52
Budgetary comparison schedule - component unit	53
OTHER INFORMATION	
Securities and Exchange Commission Rule 15c2-12 Continuing Disclosure	54 - 59

INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Sparta, Michigan

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the Village of Sparta, Michigan, as of and for the year ended December 31, 2018, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, as listed in the contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the remaining fund information of the Village of Sparta, Michigan, as of December 31, 2018, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Correction of Error

As described in Note 17 to the basic financial statements, the Village recorded a prior period adjustment to correct its accounting for a grant receivable of a proprietary fund. Our opinions are not modified with respect to this matter.

Change in Accounting Principle

As discussed in Note 18 to the basic financial statements, the Village adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in 2018. Our opinions are not modified with respect to this matter.

Other Matters

Required supplementary information

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

Supplementary information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Sparta, Michigan's basic financial statements. The component unit fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The component unit fund financial statements (supplementary information) are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Board of Trustees
Village of Sparta, Michigan
Page 3

Other information

The information designated as "Securities and Exchange Commission Rule 15c2-12 Continuing Disclosure" (other information) has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Siegfried Crandall P.C.

June 19, 2019

MANAGEMENT'S DISCUSSION AND ANALYSIS

Our discussion and analysis of the Village of Sparta's (the Village) financial performance provides a narrative overview of the Village's financial activities for the fiscal year ended December 31, 2018. Please read it in conjunction with the Village's financial statements.

FINANCIAL HIGHLIGHTS

- The Village's total net position decreased by \$45,551 as a result of this year's activities. The net position of the governmental activities increased by \$21,371, and the net position of the business-type activities decreased by \$66,922.
- Of the \$22,138,985 total net position reported, \$2,880,606 (13 percent) is available to be used at the Council's discretion, without constraints established by debt covenants, enabling legislation, or other legal requirements.
- The General Fund's unassigned fund balance at the end of the fiscal year was \$2,206,197, which represents 131 percent of the actual total General Fund expenditures for the current fiscal year.

Overview of the financial statements

The Village's annual report is comprised of four parts: management's discussion and analysis, the basic financial statements, required supplementary information, and other supplementary information that presents additional information. The basic financial statements include two kinds of statements that present different views of the Village:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the Village's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the Village government, reporting the Village's operations in more detail than the government-wide financial statements.
 - Governmental funds statements explain how general government services, like public safety, were financed in the short-term, as well as what remains for future spending.
 - Proprietary funds statements offer short-term and long-term financial information about the activities the government operates like a business, such as the sewer and water systems and the Sparta Airport.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The financial statements are followed by sections of required supplementary information and other supplementary information that further explain and support the information in the financial statements.

A comparative analysis of the government-wide financial statements for 2018 and 2017 is also presented.

Government-wide financial statements

The government-wide financial statements report information about the Village as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the Village's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide statements report the Village's net position and how it has changed. Net position (the difference between the Village's assets and liabilities) is one way to measure the Village's financial health, or position.

- Over time, increases or decreases in the Village's net position are an indicator of whether its financial health is improving or deteriorating, respectively.
- To assess the overall health of the Village, you need to consider additional nonfinancial factors, such as changes in the Village's property tax base and the condition of the Village's capital assets.

The government-wide financial statements are divided into three categories:

- *Governmental activities* - Most of the Village's basic services are included here, such as police protection and general government. Property taxes and state shared revenue finance most of these activities.
- *Business-type activities* - The Village charges fees to customers to help it cover the costs of certain services it provides. The Village's sewer and water systems and airport operations are reported here.
- *Component unit* - The Village includes another entity in its report - the Downtown Development Authority. Although legally separate, this "component unit" is important because the Village is financially accountable for it.

Fund financial statements

The fund financial statements provide more detailed information about the Village's most significant funds - not the Village as a whole. Funds are accounting devices that the Village uses to keep track of specific sources of funding and spending for particular purposes.

- Some funds are required by state law.
- The Village Council establishes other funds to control and manage money for particular purposes (like street maintenance) or to show that it is properly using certain taxes and other revenues (like state grants collected for the street funds).

The Village has two types of funds:

- *Governmental funds.* Most of the Village's basic services are included in its governmental funds, which focus on (1) how cash, and other financial assets that can be readily converted to cash, flows in and out, and (2) the balances left at year end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the Village's programs. Because this information does not encompass the additional long-term focus of the government-wide statements, we provide additional information that explains the relationship between them.
- *Proprietary funds.* Services for which the Village charges customers a fee are generally reported in proprietary funds. Proprietary funds statements, like the government-wide statements, provide both long-term and short-term financial information.
 - The Village's enterprise funds (one type of proprietary fund) are the same as its business-type activities but provide more detail and additional information, such as cash flows.
 - The Village uses an internal service fund (the other type of proprietary fund) to report activities that provide services for the Village's other programs and activities. The Village's internal service fund is its Equipment Rental Fund.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

Net position

Total net position at the end of the fiscal year was \$22,138,985. Of this total, \$18,827,512 represents a net investment in capital assets and \$430,867 is restricted for public works. Consequently, unrestricted net position was \$2,880,606, or 13 percent of the total.

*Condensed financial information
Net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	2018	2017	2018	2017	2018	2017
Current and other assets	\$ 3,229,413	\$ 3,063,306	\$ 2,316,267	\$ 2,502,230	\$ 5,545,680	\$ 5,565,536
Capital assets	4,669,665	4,839,865	19,338,818	19,693,440	24,008,483	24,533,305
Total assets	7,899,078	7,903,171	21,655,085	22,195,670	29,554,163	30,098,841
Deferred outflows of resources	317,845	112,973	28,049	14,546	345,894	127,519
Current and other liabilities	1,724,873	1,509,147	520,312	549,274	2,245,185	2,058,421
Long-term debt	441,000	533,000	4,749,009	5,141,567	5,190,009	5,674,567
Total liabilities	2,165,873	2,042,147	5,269,321	5,690,841	7,435,194	7,732,988
Deferred inflows of resources	291,444	138,254	34,434	25,705	325,878	163,959
Net position:						
Net investment in capital assets	4,237,703	4,317,409	14,589,809	14,551,873	18,827,512	18,869,282
Restricted	430,867	359,842	-	491,212	430,867	851,054
Unrestricted	1,091,036	1,158,492	1,789,570	1,450,585	2,880,606	2,609,077
Total net position	\$ 5,759,606	\$ 5,835,743	\$ 16,379,379	\$ 16,493,670	\$ 22,138,985	\$ 22,329,413

Changes in net position

The Village's total revenues were \$5,257,068 in 2018 compared to \$5,469,773 in 2017. Charges for services account for 26 percent of the revenues, while 25 percent of the Village's revenues comes from property taxes. State shared revenue accounts for only 8 percent of the Village's revenues. More than 22 percent of the total revenues came from capital grants and contributions in the current year.

The total cost of the Village's programs for 2018, covering a wide range of services, totaled \$5,302,619 compared to \$4,867,989 in 2017. Approximately 41 percent of the Village's total costs relates to the provision of utility services. Public safety (police and fire protection) costs represent 19 percent of total costs, while public works costs represent 16 percent of the total costs.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

Condensed financial information
Changes in net position

	Governmental activities		Business-type activities		Totals	
	2018	2017	2018	2017	2018	2017
Net position, beginning of year:						
As previously reported	\$ 5,835,743	\$ 5,683,231	\$ 16,493,670	\$ 16,044,398	\$ 22,329,413	\$ 21,727,629
Cumulative effect of a change in accounting principle	(97,508)	-	(47,369)	-	(144,877)	-
As restated	<u>5,738,235</u>	<u>5,683,231</u>	<u>16,446,301</u>	<u>16,044,398</u>	<u>22,184,536</u>	<u>21,727,629</u>
Program revenues:						
Charges for services	\$ 32,522	\$ 73,684	\$ 1,321,186	\$ 1,300,600	\$ 1,353,708	\$ 1,374,284
Grants and contributions:						
Operating	518,122	388,543	238,270	135,101	756,392	523,644
Capital	-	90,583	1,178,641	1,457,395	1,178,641	1,547,978
General revenues:						
Property taxes	1,310,829	1,268,663	-	-	1,310,829	1,268,663
State shared revenue	429,355	418,698	-	-	429,355	418,698
Local community stabilization share	149,627	265,335	-	-	149,627	265,335
Other	75,700	66,818	2,816	4,353	78,516	71,171
Total revenues	<u>2,516,155</u>	<u>2,572,324</u>	<u>2,740,913</u>	<u>2,897,449</u>	<u>5,257,068</u>	<u>5,469,773</u>
Expenses:						
General government	449,348	546,460	-	-	449,348	546,460
Public safety	1,005,198	973,759	-	-	1,005,198	973,759
Public works	842,304	742,850	-	-	842,304	742,850
Recreation and culture	154,670	125,301	-	-	154,670	125,301
Community and economic development	29,657	16,816	-	-	29,657	16,816
Interest	13,607	14,626	-	-	13,607	14,626
Sewer	-	-	1,391,464	1,194,308	1,391,464	1,194,308
Water	-	-	759,008	738,337	759,008	738,337
Airport	-	-	657,363	515,532	657,363	515,532
Total expenses	<u>2,494,784</u>	<u>2,419,812</u>	<u>2,807,835</u>	<u>2,448,177</u>	<u>5,302,619</u>	<u>4,867,989</u>
Changes in net position	<u>\$ 21,371</u>	<u>\$ 152,512</u>	<u>\$ (66,922)</u>	<u>\$ 449,272</u>	<u>\$ (45,551)</u>	<u>\$ 601,784</u>
Net position, end of year	<u>\$ 5,759,606</u>	<u>\$ 5,835,743</u>	<u>\$ 16,379,379</u>	<u>\$ 16,493,670</u>	<u>\$ 22,138,985</u>	<u>\$ 22,329,413</u>

As described in Note 18 to the financial statements, the Village adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* in 2018. In connection with the adoption of this statement, the Village recorded a cumulative effect of a change in an accounting principle in the amount of \$144,877 in fiscal year 2018, which reduced beginning equity. As this pronouncement has been adopted prospectively, there was no restatement of the 2017 financial position or results of operations.

Governmental activities

Governmental activities increased the Village's net position by \$21,371 in the current year compared to an increase of \$152,512 in the prior year. Revenues declined by \$56,169 while expenses increased by \$74,972 (3 percent) in the current year.

Revenues declined due to a \$115,708 decrease in local community share revenue, as the annual distribution from the State was reduced, and a \$90,583 reduction in capital grants, as none were recognized in the current year. These decreases were partially offset by a \$129,579 increase in operating grants associated with larger gas and weight tax distributions from the State. Expenses were higher in the current year, primarily due to a \$99,454 increase in public works expenses, related to increased street preservation costs in the current year.

The following schedule shows the costs of the Village's three largest programs, as well as the net cost (total cost less fees generated by the activities and intergovernmental aid). The net cost shows the burden that was placed on the Village's taxpayers by each of these functions. The total cost of all governmental activities was \$2,494,784. However, the amount that our taxpayers paid for these activities through general revenues was \$1,944,140. Some of the cost was paid by:

- Those who directly benefited from the programs (\$32,522), or
- Other governments provided support for operating and capital costs (\$518,122)

The Village paid for the \$1,944,140 "public benefit" portion with \$1,965,511 in property taxes and other general revenues, such as state shared revenue and local community stabilization share revenue.

<u>Function</u>	<u>Total cost of services</u>	<u>Net cost of services</u>
Public safety	\$ 1,005,198	\$ 996,153
Public works	842,304	330,335
General government	449,348	421,611
Other	<u>197,934</u>	<u>196,041</u>
Totals	<u>\$ 2,494,784</u>	<u>\$ 1,944,140</u>

Business-type activities

Business-type activities decreased the Village's net position by \$66,922 in the current year compared to an increase of \$449,272 in the prior year. Net position decreased in the current year as revenues declined by \$156,536 and expenses rose by \$359,658. Revenue declined due to a \$278,754 reduction in capital contributions, as a \$383,777 grant for airport improvements was recognized in the prior year. The increase in expenses related primarily to higher engineering, maintenance, and fuel costs.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental funds

As of December 31, 2018, the Village's governmental funds reported combined ending fund balances of \$2,879,054, an increase of \$169,191 compared to last year's balances.

The General Fund is the primary operating fund of the Village. At the end of the fiscal year, the total fund balance was \$2,322,020, which represents 81 percent of the combined ending fund balances of the Village's governmental funds. Fund balance decreased by \$101,834 during the current year, as revenues of \$1,805,690 were insufficient to fund expenditures and transfers to other funds in the amounts \$1,680,544 and \$226,980, respectively.

The Major Street Fund experienced an increase in fund balance of \$118,165 as revenues of \$391,833, and a \$26,980 transfer from the General Fund, were sufficient to cover expenditures of \$300,648 in the current year. Fund balance was \$318,032 at year end

The Local Street Fund experienced an increase in fund balance of \$152,860 as revenues of \$346,275, and a \$200,000 transfer from the General Fund, were sufficient to cover expenditures of \$393,415 in the current year. Fund balance amounts to \$239,002 at year end.

Proprietary funds

The Sewer Fund experienced an operating loss of \$680,993, but its net position only decreased by \$34,276 because nonoperating revenues (\$240,040) and capital contributions (\$598,253) were sufficient to cover interest expense (\$191,576) in the current year. The Sewer Fund typically experiences an operating loss because commodity charges do not cover all operating expenses, including depreciation, which amounted to \$267,514 in the current year. Unrestricted net position was \$1,313,592 at year end.

The Water Fund experienced an operating loss of \$309,087, but its net position increased by \$247,606 because nonoperating revenues (\$778) and capital contributions (\$580,388) were sufficient to cover interest expense (\$24,473) in the current year. The Water Fund typically experiences an operating loss because commodity charges do not cover all operating expenses, including depreciation, which amounted to \$249,271 in the current year. Unrestricted net position was \$547,685 at year end.

The Airport Fund experienced an operating loss of \$279,901, as operating revenues were insufficient to cover all operating expenses, including depreciation, in the amount of \$298,183. The fund's net position decreased by \$284,394 as net nonoperating expenses amounted to \$4,493. Unrestricted net position was a \$15,190 deficit at year end.

General Fund budgetary highlights

The General Fund budget was amended during 2018 to increase total revenues by \$133,500 to increase state grants related to an increase in expected local community stabilization revenue. Total expenditures were increased by \$190,100 during the year, primarily to add \$220,000 in the general government function.

Actual revenues were \$24,435 less than budgeted, primarily because state grant revenue was \$35,125 less than expected.

In total, actual expenditures were \$16,375 more than amounts appropriated primarily because recreation and culture expenditures exceeded amounts appropriated by \$23,710, contracted service and personnel costs were higher than planned.

These variances, along with a \$50,001 positive variance associated with transfers out, resulted in a \$9,191 positive budget variance, as the fund balance decreased by \$101,834 compared to a budgeted decrease of \$111,025.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital assets

The Village's investment in capital assets for its governmental and business-type activities as of December 31, 2018, amounts to \$24,008,483 (net of accumulated depreciation). This investment includes a broad range of assets, including land, streets, sewer and water facilities, buildings, and equipment.

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
Infrastructure	\$ 3,664,407	\$ 14,564,379	\$ 18,228,786
Land	216,094	972,292	1,188,386
Land improvements	-	2,794,290	2,794,290
Buildings and improvements	451,461	923,372	1,374,833
Vehicles and equipment	337,703	84,485	422,188
Totals	<u>\$ 4,669,665</u>	<u>\$ 19,338,818</u>	<u>\$ 24,008,483</u>

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

- Sewer system improvements were made at a cost of \$358,221.
- Infrastructure improvements, related to the governmental activities, were made at a cost of \$161,186.
- Avigation easements were purchased to expand the airport at a cost of \$97,000.
- Equipment was purchased by the Internal Service Fund at a cost of \$65,299.
- A police car was purchased for \$36,585

More detailed information about the Village's capital assets is presented in Note 5 of the notes to the basic financial statements.

Debt

At the end of the fiscal year, the Village had bonds and a note outstanding, in the amount of \$5,190,009, which represents a net decrease of \$484,558 compared to the prior year. Debt increased due to the issuance of sewer refunding bonds, in the amount of \$3,605,000, that were used to refund a previous bond issue. Debt was reduced by timely principal payments, in the amount of \$536,558, and a \$3,553,000 payment related to the refunding of sewer bonds. All debt is backed by the full faith and credit of the Village or specific revenue streams.

Other noncurrent obligations include a net pension liability (\$1,594,515), a net OPEB liability (\$228,146), and accrued compensated absences (\$81,629).

More detailed information about the Village's long-term debt is presented in Note 9 of the notes to the basic financial statements.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGETS AND RATES

The Village expects to be able to use current revenues to provide essential services that will allow current fund balances to be maintained. The ongoing costs of providing essential services for the citizens of the Village will need to be closely monitored in order to maintain the financial condition and operational capabilities of the Village.

CONTACTING THE VILLAGE'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to demonstrate the Village's accountability for the resources it receives. Questions regarding any information provided in this report or requests for additional financial information should be addressed to:

Julius Suchy, Village Manager
Village of Sparta
156 East Division
Sparta, MI 49345-1389

Phone: (616) 887-8251
E-mail: jsuchy@spartami.org

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

December 31, 2018

	Primary government			Component unit
	Governmental activities	Business-type activities	Totals	Downtown Development Authority
ASSETS				
Current assets:				
Cash	\$ 2,385,307	\$ 1,971,663	\$ 4,356,970	\$ 76,520
Investments	107,458	-	107,458	-
Receivables	258,498	588,194	846,692	39,693
Prepaid expenses	17,800	-	17,800	1,300
Advance to component unit	20,000	-	20,000	-
Inventory	-	26,000	26,000	-
Internal balances	306,517	(306,517)	-	-
Total current assets	3,095,580	2,279,340	5,374,920	117,513
Noncurrent assets:				
Receivables	73,833	36,927	110,760	-
Advance to component unit	60,000	-	60,000	-
Capital assets not being depreciated	216,094	972,292	1,188,386	245,904
Capital assets being depreciated, net	4,453,571	18,366,526	22,820,097	103,417
Total noncurrent assets	4,803,498	19,375,745	24,179,243	349,321
Total assets	7,899,078	21,655,085	29,554,163	466,834
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amount on bond refunding, net	9,038	6,278	15,316	-
Deferred amount - pension	308,807	21,771	330,578	4,354
Total deferred outflows of resources	317,845	28,049	345,894	4,354
LIABILITIES				
Current liabilities:				
Payables	96,101	120,888	216,989	10,642
Advance from primary government	-	-	-	20,000
Unearned revenue	-	123,906	123,906	-
Bonds and notes payable due within one year	92,000	480,341	572,341	-
Total current liabilities	188,101	725,135	913,236	30,642
Noncurrent liabilities:				
Advance from primary government	-	-	-	60,000
Compensated absences	81,629	-	81,629	-
Other postemployment benefit liability	177,714	50,432	228,146	12,008
Net pension liability	1,369,429	225,086	1,594,515	59,513
Bonds and notes payable	349,000	4,268,668	4,617,668	-
Total noncurrent liabilities	1,977,772	4,544,186	6,521,958	131,521
Total liabilities	2,165,873	5,269,321	7,435,194	162,163
DEFERRED INFLOWS OF RESOURCES				
Deferred amount - pension	291,444	20,546	311,990	4,109
Deferred amount on bonds refunding, net	-	13,888	13,888	-
Total deferred inflows of resources	291,444	34,434	325,878	4,109
NET POSITION				
Net investment in capital assets	4,237,703	14,589,809	18,827,512	269,321
Restricted for public works	430,867	-	430,867	-
Unrestricted	1,091,036	1,789,570	2,880,606	35,595
Total net position	\$ 5,759,606	\$ 16,379,379	\$ 22,138,985	\$ 304,916

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended December 31, 2018

Functions/Programs	Program revenues				Net (expenses) revenues and changes in net position			
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government		Component unit	
					Governmental activities	Business-type activities	Totals	Downtown Development Authority
Governmental activities:								
General government	\$ 449,348	\$ 27,737	\$ -	\$ -	\$ (421,611)		\$ (421,611)	
Public safety	1,005,198	4,785	4,260	-	(996,153)		(996,153)	
Public works	842,304	-	511,969	-	(330,335)		(330,335)	
Recreation and culture	154,670	-	1,893	-	(152,777)		(152,777)	
Community and economic development	29,657	-	-	-	(29,657)		(29,657)	
Interest on long-term debt	13,607	-	-	-	(13,607)		(13,607)	
Total governmental activities	<u>2,494,784</u>	<u>32,522</u>	<u>518,122</u>	<u>-</u>	<u>(1,944,140)</u>		<u>(1,944,140)</u>	
Business-type activities:								
Sewer	1,391,464	520,287	238,270	598,253		\$ (34,654)	(34,654)	
Water	759,008	427,775	-	580,388		249,155	249,155	
Airport	657,363	373,124	-	-		(284,239)	(284,239)	
Total business-type activities	<u>2,807,835</u>	<u>1,321,186</u>	<u>238,270</u>	<u>1,178,641</u>		<u>(69,738)</u>	<u>(69,738)</u>	
Total primary government	<u>\$ 5,302,619</u>	<u>\$ 1,353,708</u>	<u>\$ 756,392</u>	<u>\$ 1,178,641</u>	<u>(1,944,140)</u>	<u>(69,738)</u>	<u>(2,013,878)</u>	
Component unit:								
Downtown Development Authority	<u>\$ 134,966</u>	<u>\$ -</u>	<u>\$ 10,000</u>	<u>\$ -</u>			<u>\$ (124,966)</u>	
General revenues:								
Property taxes					1,310,829	-	1,310,829	231,514
State shared revenue					429,355	-	429,355	-
Local community stabilization share revenue					149,627	-	149,627	-
Franchise fees					53,860	-	53,860	-
Unrestricted interest income					21,840	2,816	24,656	232
Total general revenues					<u>1,965,511</u>	<u>2,816</u>	<u>1,968,327</u>	<u>231,746</u>
Changes in net position					21,371	(66,922)	(45,551)	106,780
Net position - beginning					5,738,235	16,446,301	22,184,536	198,136
Net position - ending					<u>\$ 5,759,606</u>	<u>\$ 16,379,379</u>	<u>\$ 22,138,985</u>	<u>\$ 304,916</u>

See notes to financial statements

BALANCE SHEET - governmental funds

December 31, 2018

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total governmental funds</u>
ASSETS				
Cash	\$ 1,778,736	\$ 287,478	\$ 207,813	\$ 2,274,027
Investments	107,458	-	-	107,458
Receivables	177,417	114,205	40,709	332,331
Due from other funds	250,000	-	-	250,000
Long-term advance to component unit	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>80,000</u>
Total assets	<u>\$ 2,393,611</u>	<u>\$ 401,683</u>	<u>\$ 248,522</u>	<u>\$ 3,043,816</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities - payables	<u>\$ 71,591</u>	<u>\$ 9,818</u>	<u>\$ 9,520</u>	<u>\$ 90,929</u>
Deferred inflows of resources - unavailable special assessment revenues	<u>-</u>	<u>73,833</u>	<u>-</u>	<u>73,833</u>
Fund balances:				
Nonspendable - long-term advance to component unit	80,000	-	-	80,000
Restricted for public works	-	318,032	39,002	357,034
Assigned for public works	35,823	-	200,000	235,823
Unassigned	<u>2,206,197</u>	<u>-</u>	<u>-</u>	<u>2,206,197</u>
Total fund balances	<u>2,322,020</u>	<u>318,032</u>	<u>239,002</u>	<u>2,879,054</u>
Total liabilities, deferred inflows of resources, and fund balances	<u>\$ 2,393,611</u>	<u>\$ 401,683</u>	<u>\$ 248,522</u>	<u>\$ 3,043,816</u>
Reconciliation of the balance sheet to the statement of net position:				
Total fund balance - total governmental funds				\$ 2,879,054
Amounts reported for <i>governmental activities</i> in the statement of net position (page 14) are different because:				
Capital assets used in <i>governmental activities</i> are not financial resources and, therefore, are not reported in the funds.				
				4,370,986
Some assets are not available to pay current period expenditures and, therefore, are deferred or are not recognized in the funds:				
Special assessments receivable				73,833
Prepaid expenses				16,300
Deferred amount on bond refunding				9,038
Interest payable, related to noncurrent liabilities, is not due and payable in the current period and, therefore, is not reported in the funds.				
				(1,800)
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds:				
Net pension liability				(1,369,429)
Deferred inflows of resources - pension				(291,444)
Deferred outflows of resources - pension				308,807
Bond payable				(441,000)
Compensated absences				(81,629)
Other postemployment obligation, net				(177,714)
Certain assets and liabilities of the internal service fund are included in <i>governmental activities</i> in the statement of net position.				
				<u>464,604</u>
Net position of <i>governmental activities</i>				<u>\$ 5,759,606</u>

Village of Sparta

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - governmental funds

Year ended December 31, 2018

	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	<u>Total governmental funds</u>
REVENUES				
Property taxes	\$ 1,092,357	\$ 54,618	\$ 163,854	\$ 1,310,829
Licenses and permits	58,120	-	-	58,120
State grants	580,875	330,252	181,717	1,092,844
Charges for services	27,737	-	-	27,737
Fines and forfeitures	4,785	-	-	4,785
Interest and rentals	20,808	490	359	21,657
Other	21,008	6,473	345	27,826
	<u>1,805,690</u>	<u>391,833</u>	<u>346,275</u>	<u>2,543,798</u>
Total revenues				
EXPENDITURES				
Current:				
General government	442,008	-	-	442,008
Public safety	902,153	-	-	902,153
Public works	119,736	196,347	393,415	709,498
Recreation and culture	123,010	-	-	123,010
Community and economic development	14,657	-	-	14,657
Capital outlay	78,980	-	-	78,980
Debt service:				
Principal	-	92,000	-	92,000
Interest	-	12,301	-	12,301
	<u>1,680,544</u>	<u>300,648</u>	<u>393,415</u>	<u>2,374,607</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>125,146</u>	<u>91,185</u>	<u>(47,140)</u>	<u>169,191</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	26,980	200,000	226,980
Transfers out	(226,980)	-	-	(226,980)
	<u>(226,980)</u>	<u>26,980</u>	<u>200,000</u>	<u>-</u>
Net other financing sources (uses)				
CHANGES IN FUND BALANCES	(101,834)	118,165	152,860	169,191
FUND BALANCES - BEGINNING	<u>2,423,854</u>	<u>199,867</u>	<u>86,142</u>	<u>2,709,863</u>
FUND BALANCES - ENDING	<u>\$ 2,322,020</u>	<u>\$ 318,032</u>	<u>\$ 239,002</u>	<u>\$ 2,879,054</u>

See notes to financial statements

Village of Sparta

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
governmental funds (Continued)**

Year ended December 31, 2018

Reconciliation of the statement of revenues, expenditures, and changes
in fund balances to the statement of activities:

Change in fund balance - total governmental funds (page 17) \$ 169,191

Amounts reported for *governmental activities* in the statement
of activities (page 15) are different because:

Capital assets:

Add - assets acquired 166,411
Deduct - provision for depreciation (376,903)

Long-term debt:

Add - principal repayments 92,000

Changes in other assets/liabilities:

Net decrease in prepaid insurance (1,600)
Net decrease in deferred outflows of resources - bond refunding (1,506)
Net decrease in accrued interest payable 200
Net decrease in compensated absences 14,193
Net increase in net other postemployment benefit obligation (10,793)
Net increase in net pension liability (115,914)
Net increase in deferred outflows of resources - pension 273,465
Net increase in deferred inflows of resources - pension (220,277)

A portion of the net revenues of the internal service fund is reported
with governmental activities.

32,904

Change in net position of *governmental activities*

\$ 21,371

STATEMENT OF NET POSITION - *proprietary funds*

December 31, 2018

	<i>Business-type activities</i>				<i>Governmental</i>
	<i>Enterprise funds</i>				<i>Internal</i>
	<i>Sewer</i>	<i>Water</i>	<i>Airport</i>	<i>Totals</i>	<i>service</i>
ASSETS					
Current assets:					
Cash	\$ 1,229,729	\$ 690,880	\$ 51,054	\$ 1,971,663	\$ 111,280
Receivables	190,120	90,255	307,819	588,194	-
Prepaid expenses	-	-	-	-	1,500
Inventory	-	-	26,000	26,000	-
Total current assets	<u>1,419,849</u>	<u>781,135</u>	<u>384,873</u>	<u>2,585,857</u>	<u>112,780</u>
Noncurrent assets:					
Receivables	2,946	33,981	-	36,927	-
Capital assets not being depreciated	-	73,386	898,906	972,292	-
Capital assets being depreciated, net	<u>7,618,781</u>	<u>7,004,880</u>	<u>3,742,865</u>	<u>18,366,526</u>	<u>298,679</u>
Total noncurrent assets	<u>7,621,727</u>	<u>7,112,247</u>	<u>4,641,771</u>	<u>19,375,745</u>	<u>298,679</u>
Total assets	<u>9,041,576</u>	<u>7,893,382</u>	<u>5,026,644</u>	<u>21,961,602</u>	<u>411,459</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amount on bond refunding, net	2,910	3,368	-	6,278	-
Deferred amount - pension	<u>4,020</u>	<u>17,751</u>	<u>-</u>	<u>21,771</u>	<u>-</u>
Total deferred outflows of resources	<u>6,930</u>	<u>21,119</u>	<u>-</u>	<u>28,049</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Payables	78,673	16,058	26,157	120,888	3,372
Unearned revenue	-	-	123,906	123,906	-
Due to other funds	-	-	250,000	250,000	-
Bonds and note payable due within one year	<u>159,000</u>	<u>294,000</u>	<u>27,341</u>	<u>480,341</u>	<u>-</u>
Total current liabilities	<u>237,673</u>	<u>310,058</u>	<u>427,404</u>	<u>975,135</u>	<u>3,372</u>
Noncurrent liabilities:					
Other postemployment benefit liability	-	50,432	-	50,432	-
Net pension liability	33,667	191,419	-	225,086	-
Bonds and note payable	<u>3,485,000</u>	<u>666,000</u>	<u>117,668</u>	<u>4,268,668</u>	<u>-</u>
Total noncurrent liabilities	<u>3,518,667</u>	<u>907,851</u>	<u>117,668</u>	<u>4,544,186</u>	<u>-</u>
Total liabilities	<u>3,756,340</u>	<u>1,217,909</u>	<u>545,072</u>	<u>5,519,321</u>	<u>3,372</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred amount - pension	3,793	16,753	-	20,546	-
Deferred amount on bond refunding, net	<u>-</u>	<u>13,888</u>	<u>-</u>	<u>13,888</u>	<u>-</u>
Total deferred inflows of resources	<u>3,793</u>	<u>30,641</u>	<u>-</u>	<u>34,434</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	3,974,781	6,118,266	4,496,762	14,589,809	298,679
Unrestricted (deficit)	<u>1,313,592</u>	<u>547,685</u>	<u>(15,190)</u>	<u>1,846,087</u>	<u>109,408</u>
Total net position	<u>\$ 5,288,373</u>	<u>\$ 6,665,951</u>	<u>\$ 4,481,572</u>	16,435,896	<u>\$ 408,087</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(56,517)	
Net position of <i>business-type activities</i> (page 14)					<u>\$ 16,379,379</u>

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION - proprietary funds

Year ended December 31, 2018

	<i>Business-type activities</i>				<i>Governmental activities</i>
	<i>Enterprise funds</i>				<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Airport</i>	<i>Totals</i>	
OPERATING REVENUES					
Charges for services:					
Utility commodity charges	\$ 517,470	\$ 387,501	\$ -	\$ 904,971	\$ -
Rentals	-	35,149	155,208	190,357	152,130
Fuel sales	-	-	217,403	217,403	-
Other	2,817	5,125	513	8,455	7,204
Total operating revenues	520,287	427,775	373,124	1,321,186	159,334
OPERATING EXPENSES					
Personnel costs	76,756	230,182	19,307	326,245	-
Gas and oil	1,151	1,641	188,759	191,551	9,357
Supplies	51,709	77,835	1,735	131,279	5,085
Contracted services	603,898	34,029	113,805	751,732	3,786
Insurance	7,022	12,541	9,631	29,194	9,471
Utilities	100,440	76,110	7,965	184,515	-
Repairs and maintenance	84,199	36,810	4,431	125,440	33,120
Internal charges - equipment rentals	5,218	10,917	1,766	17,901	-
Depreciation	267,514	249,271	298,183	814,968	61,592
Miscellaneous	3,373	7,526	7,443	18,342	60
Total operating expenses	1,201,280	736,862	653,025	2,591,167	122,471
OPERATING INCOME (LOSS)	(680,993)	(309,087)	(279,901)	(1,269,981)	36,863
NONOPERATING REVENUES (EXPENSES)					
State grant	238,270	-	-	238,270	-
Interest revenue	1,770	778	268	2,816	183
Interest expense and fees	(191,576)	(24,473)	(4,761)	(220,810)	-
Net nonoperating revenues (expenses)	48,464	(23,695)	(4,493)	20,276	183
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(632,529)	(332,782)	(284,394)	(1,249,705)	37,046
CAPITAL CONTRIBUTIONS					
Debt service charges	532,253	511,888	-	1,044,141	-
Connection fees	66,000	68,500	-	134,500	-
Total capital contributions	598,253	580,388	-	1,178,641	-
CHANGES IN NET POSITION	(34,276)	247,606	(284,394)	(71,064)	37,046
NET POSITION - BEGINNING	5,322,649	6,418,345	4,765,966	16,506,960	371,041
NET POSITION - ENDING	\$ 5,288,373	\$ 6,665,951	\$ 4,481,572	\$ 16,435,896	\$ 408,087
Change in net position				\$ (71,064)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				4,142	
Change in net position of <i>business-type activities</i> (page 15)				\$ (66,922)	

STATEMENT OF CASH FLOWS - proprietary funds

Year ended December 31, 2018

	<i>Business-type activities</i>				<i>Governmental activities</i>
	<i>Enterprise funds</i>				<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Airport</i>	<i>Totals</i>	
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 549,755	\$ 430,929	\$ 363,629	\$ 1,344,313	\$ -
Receipts from interfund services	-	-	-	-	159,334
Payments to vendors and suppliers	(917,624)	(371,733)	(334,085)	(1,623,442)	(61,474)
Payments to employees	(38,010)	(114,223)	(16,284)	(168,517)	-
Internal activity - payments to other funds	(5,218)	(10,917)	(1,766)	(17,901)	-
Net cash provided by (used in) operating activities	(411,097)	(65,944)	11,494	(465,547)	97,860
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
State grant	343,580	-	-	343,580	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from capital debt	3,605,000	-	-	3,605,000	-
Debt service charges	532,253	511,888	-	1,044,141	-
Connection fees	79,200	81,700	-	160,900	-
Capital contributions	-	-	-	-	-
Acquisition of capital assets	(363,346)	-	(97,000)	(460,346)	(101,884)
Decrease in payables	-	-	(28,325)	(28,325)	-
Principal payments on capital debt	(3,687,000)	(284,000)	(26,558)	(3,997,558)	-
Interest payments on capital debt	(196,791)	(27,582)	(5,061)	(229,434)	-
Net cash provided by (used in) capital and related financing activities	(30,684)	282,006	(156,944)	94,378	(101,884)
CASH FLOWS FROM INVESTING ACTIVITIES					
Interest received	1,770	778	268	2,816	183
NET CHANGE IN CASH	(96,431)	216,840	(145,182)	(24,773)	(3,841)
CASH - BEGINNING	1,326,160	474,040	196,236	1,996,436	115,121
CASH - ENDING	\$ 1,229,729	\$ 690,880	\$ 51,054	\$ 1,971,663	\$ 111,280

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended December 31, 2018

	<i>Business-type activities</i>				<i>Governmental</i>
	<i>Enterprise funds</i>				<i>activities</i>
	<i>Sewer</i>	<i>Water</i>	<i>Airport</i>	<i>Totals</i>	<i>Internal</i>
					<i>service</i>
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (680,993)	\$ (309,087)	\$ (279,901)	\$ (1,269,981)	\$ 36,863
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	267,514	249,271	298,183	814,968	61,592
(Increase) decrease in:					
Receivables	29,468	3,154	-	32,622	2,554
Prepaid expenses	-	-	-	-	200
Inventory	-	-	1,000	1,000	-
Deferred outflows of resources - pension	(2,687)	(11,863)	-	(14,550)	-
Increase (decrease) in:					
Payables	(27,902)	(15,951)	1,707	(42,146)	(3,349)
Unearned revenue	-	-	(9,495)	(9,495)	-
Net OPEB liability	-	3,063	-	3,063	-
Net pension liability	1,509	6,663	-	8,172	-
Deferred inflows of resources - pension	1,994	8,806	-	10,800	-
Net cash provided by (used in) operating activities	<u>\$ (411,097)</u>	<u>\$ (65,944)</u>	<u>\$ 11,494</u>	<u>\$ (465,547)</u>	<u>\$ 97,860</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Sparta, Michigan (the Village), conform to accounting principles generally accepted in the United States of America (hereinafter referred to as generally accepted accounting principles) as applicable to governmental units. The following is a summary of the more significant accounting policies.

Reporting entity:

As required by generally accepted accounting principles, these financial statements present the Village (the primary government), located in Kent County, and its component unit described below, for which the Village is financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government.

Discretely presented component unit - Downtown Development Authority:

The Authority was established pursuant to Public Act 197 of 1975, as amended, to correct and prevent deterioration and promote economic growth within the downtown district. The Authority is fiscally dependent on the Village because the Village Council appoints the Authority's governing body and approves its budget. The Village is also obligated to provide some of its tax revenues to the Authority, through tax increment financing, which represents a financial burden on the Village. Separate financial statements of the Authority have not been issued, as management believes these financial statements, including disclosures, contain complete information so as to constitute a fair presentation of the component unit.

Government-wide and fund financial statements:

The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the Village. The effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Property taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual proprietary funds are reported as separate columns in the fund financial statements.

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, as are the proprietary funds financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):

Governmental funds 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 if they are collected within the current period, or soon enough thereafter, to pay liabilities of the current period. For this purpose, the Village generally considers revenues to be available if they are expected to be 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, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

State grants, licenses and permits, charges for services, and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessment receivables due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Village.

The Village reports the following major governmental funds:

The General Fund is the Village's primary operating fund. It accounts for all financial resources of the Village, except those required to be accounted for in another fund. Revenues are primarily derived from property taxes and state shared revenue.

The Major Street Fund, a special revenue fund, accounts for the use of allocated state gas and weight taxes used for the maintenance and construction of major streets within the Village.

The Local Street Fund, a special revenue fund, accounts for the use of allocated state gas and weight taxes used for the maintenance and construction of local streets within the Village.

The Village reports the following major proprietary funds:

The Sewer Fund accounts for activities of the Village's sewage collection systems and treatment plant.

The Water Fund accounts for activities of the Village's water distribution system.

The Airport Fund accounts for activities of the Village's airport.

Additionally, the Village reports the following fund type:

The Motor Vehicle Pool Fund, an internal service fund, accounts for vehicle and equipment management services provided to other departments of the Village on a cost-reimbursement basis.

Amounts reported as program revenues include: (1) charges to customers or applicants for goods, services, or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all property taxes.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement focus, basis of accounting, and financial statement presentation (continued):

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds relate to charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity:

Cash and investments - Cash is considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition. Investments are reported at fair value.

Receivables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "due to/from other funds." Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances." No allowance for uncollectible accounts has been recorded, as the Village considers all receivables to be fully collectible.

Inventories - The costs of inventories are recorded as assets when purchased and charged to expenses when used. Inventories, reported in the proprietary funds, are valued at the lower of cost or market. Cost is determined under the first-in, first-out method.

Prepays - Certain payments to vendors reflect costs applicable to future fiscal years and are recorded as prepaids in the government-wide financial statements.

Capital assets - Capital assets, which include land, equipment, and infrastructure assets (e.g., sewer and water systems, streets, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the Village as assets with an initial, individual cost of more than \$5,000 (\$10,000 for infrastructure assets) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at acquisition value as of the date received. Governments can elect to account for infrastructure assets of governmental activities either retroactively to June 15, 1980, or prospectively. The Village has elected to account for its infrastructure assets prospectively, beginning January 1, 2004.

Capital assets are depreciated using the straight-line method over the following useful lives:

Buildings and improvements	50 years
Equipment	5 - 20 years
Vehicles	5 - 10 years
Infrastructure	20 - 50 years

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity (continued):

Compensated absences - It is the Village's policy to permit employees to accumulate earned but unused sick and vacation pay benefits. A liability for unpaid accumulated vacation and sick leave has been recorded for the portion due to employees upon separation from service with the Village. Vested compensated absences are accrued when earned in the government-wide and proprietary funds financial statements. A liability for these amounts is reported in governmental funds only for employee terminations as of year end, if any.

Deferred outflows of resources - The statement of net position and the proprietary funds statement of net position include a separate section for deferred outflows of resources. This separate financial statement element reflects a decrease in net position that applies to a future period. The related expense will not be recognized until a future event occurs. The Village has two items in this category: a deferred amount arising from the refunding of bonds in a previous year and deferred amounts relating to the defined benefit pension plan. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. The deferred outflows, related to the defined benefit pension plan, are discussed in Note 10. No deferred outflows of resources affect the governmental funds financial statements.

Unearned revenue - The Airport Fund, a proprietary fund, reports unearned revenue in connection with a land lease where resources have been received, but not yet earned.

Postemployment benefits other than pensions - For purposes of measuring the net other postemployment benefits (OPEB) liability and OPEB expenses, information about the fiduciary net position of the Plan and additions to/deductions from the employer's fiduciary net position have been determined on the same basis as they are reported by the employer. For this purpose, benefit payments are recognized when due and payable in accordance with the benefit terms. The Plan has no investments. The Village has elected to calculate the ARC and related information using the alternative measurement method permitted by GASB Statement 75 for employers in plans with fewer than one hundred (100) total plan members.

Pension - For purposes of measuring the net pension liability, deferred outflows of resources related to pensions and pension expense, information about the fiduciary net position of the pension plan, and additions to/deductions from the pension plan's fiduciary net position have been determined on the same basis as they are reported by the pension plan. 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 inflows of resources - The governmental funds balance sheet includes a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related revenues will not be recognized until a future event occurs. Special assessments receivable are included in this category. The assessments, which are recognized as they become available (collected within 60 days after the end of the Village's fiscal year), are deferred and recognized as an inflow of resources in the period that the revenues become available.

The statement of net position and the proprietary funds statement of net position include a separate section for deferred inflows of resources. This separate financial statement element reflects an increase in net position that applies to a future period. The related increase will not be recognized until a future event occurs. The Village has two items in this category: a deferred amount arising from the refunding of bonds, in a previous year, and deferred amounts relating to the defined benefit pension plan. The deferred refunding amount is being amortized over the remaining life of the refunding bonds as part of interest expense. The deferred inflows of resources, related to the defined benefit pension plan, are discussed in Note 10.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and net position or equity (continued):

Long-term obligations - In the government-wide and proprietary funds financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statements of net position. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources, while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net position - Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. The Village reports three categories of net position, as follows: (1) *Net investment in capital assets* consists of net capital assets and deferred outflows of resources reduced by outstanding balances of any related debt obligations attributable to the acquisition, construction, or improvement of those assets; (2) *Restricted net position* is considered restricted if its use is constrained to a particular purpose. Restrictions are imposed by external organizations, such as federal or state laws or buyers of the Village's debt. Restricted net position is reduced by liabilities and deferred inflows of resources related to the restricted assets; (3) *Unrestricted net position* consists of all other net position that does not meet the definition of the above components and is available for general use by the Village.

Net position flow assumption - Sometimes, the Village 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 and proprietary funds financial statements, a flow assumption must be made about the order in which the resources are considered to be applied. It is the Village's policy to consider restricted - net position to have been depleted before unrestricted - net position is applied.

Fund equity - Governmental funds report nonspendable fund balance for amounts that cannot be spent because they are not in spendable form. Restricted fund balance is reported when externally imposed constraints are placed on the use of resources by grantors, contributors, or laws and regulations of other governments. The Council has delegated the authority to assign fund balance to the Village manager. Unassigned fund balance is the residual classification for the General Fund. When the Village incurs an expenditure for purposes for which various fund balance classifications can be used, it is the Village's policy to use the restricted fund balance first, followed by assigned fund balance, and, finally, unassigned fund balance.

Property tax revenue recognition - Property taxes are levied each July 1 (lien date) on the taxable valuation of property as of the preceding December 31. Property taxes are considered delinquent on September 14 of the following year, at which time, interest and penalties are assessed. It is the Village's policy to recognize revenue from that tax levy in the current year, when the proceeds are budgeted and made available for the financing of operations.

Use of estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the period. Accordingly, actual results could differ from those estimates.

NOTE 2 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for the Village’s general and special revenue funds. The budget document presents information by fund, function, department, and line-item. The legal level of budgetary control adopted by the governing body is the function level. All annual appropriations lapse at the end of the fiscal year.

Excess of expenditures over appropriations - The following schedule sets forth reportable budget variances:

<u>Fund</u>	<u>Function</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Primary government:				
General	General government	\$ 440,253	\$ 442,008	\$ 1,755
	Recreation and culture	99,300	123,010	23,710
	Capital outlay	61,000	78,980	17,980
Major Street	Public works	192,470	196,347	3,877
Component unit:				
Downtown Development Authority	Capital outlay	31,000	130,355	99,355

Fund deficit - The Village has an accumulated fund deficit in the Airport Fund, an enterprise fund, in the amount of \$15,190.

NOTE 3 - CASH AND INVESTMENTS

At December 31, 2018, cash and investments are classified in the accompanying financial statements as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total primary government</u>	<u>Component unit</u>	<u>Totals</u>
Cash	\$ 2,385,132	\$ 1,971,663	\$ 4,356,795	\$ 76,520	\$ 4,433,315
Cash on hand	175	-	175	-	175
Total cash	2,385,307	1,971,663	4,356,970	76,520	4,433,490
Investments	107,458	-	107,458	-	107,458
Totals	<u>\$ 2,492,765</u>	<u>\$ 1,971,663</u>	<u>\$ 4,464,428</u>	<u>\$ 76,520</u>	<u>\$ 4,540,948</u>

Deposits - Michigan Compiled Laws, Section 129.91 (Public Act 20 of 1943, as amended) and the Village’s investment policy authorize the Village to make deposits in the accounts of federally-insured banks, credit unions, and savings and loan associations that have an office in Michigan. The Village’s deposits are in accordance with statutory authority.

Custodial credit risk is the risk that, in the event of the failure of a financial institution, the Village will not be able to recover its deposits. The Village’s investment policy does not specifically address custodial credit risk for deposits. At December 31, 2018, \$3,782,300 of the Village’s bank balances of \$4,532,300 was exposed to custodial credit risk because it was uninsured and uncollateralized. The Village maintains individual and pooled bank accounts for all of its funds and its component unit. Due to the use of pooled deposits, it is not practicable to allocate insured and uninsured portions of certain bank balances between the primary government and the component unit.

NOTE 3 - CASH AND INVESTMENTS (Continued)

Investments - State statutes and the Village's investment policy authorize the Village to invest in a) obligations of the U.S. Treasury, agencies, and instrumentalities; b) commercial paper, with three (3) highest rate classifications by at least two (2) rating services, maturing not later than 270 days; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds that invest in investments allowed by state statute, and f) investment pools organized under the local government investment pool act.

The Village's investments consist solely of holdings in the Cooperative Liquid Assets Securities System - Michigan (CLASS), a local investment pool established under Michigan state statutes for participating Michigan municipalities. The pool's investments are reported at fair value. The fair value of the Village's position in the pool is the same as the value of its pool shares. The fund is rated AAAM by Standard and Poors and the investment pool is not regulated. A separate report is available from its office at 15309 Meadowood Drive, Grand Haven, MI 49417.

Fair value measurement - The Village 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. The CLASS holding was measured at net asset value (or its equivalent) as a practical expedient and, accordingly, has not been classified in the fair value hierarchy.

NOTE 4 - RECEIVABLES

Receivables as of December 31, 2018, for the Village's funds, all of which are considered fully collectible, were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Taxes</u>	<u>Assessments</u>	<u>Intergovern- mental</u>	<u>Totals</u>
Primary government:					
Governmental:					
General	\$ 13,669	\$ 91,879	\$ -	\$ 71,869	\$ 177,417
Major Street	-	-	73,833	40,372	114,205
Local Street	-	-	-	40,709	40,709
Total governmental	<u>\$ 13,669</u>	<u>\$ 91,879</u>	<u>\$ 73,833</u>	<u>\$ 152,950</u>	<u>\$ 332,331</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 73,833</u>	<u>\$ -</u>	<u>\$ 73,833</u>
Proprietary:					
Enterprise:					
Sewer	\$ 111,163	\$ -	\$ 2,946	\$ 78,957	\$ 193,066
Water	90,255	-	33,981	-	124,236
Airport	-	-	-	307,819	307,819
Total enterprise	<u>\$ 201,418</u>	<u>\$ -</u>	<u>\$ 36,927</u>	<u>\$ 386,776</u>	<u>\$ 625,121</u>
Noncurrent portion	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,927</u>	<u>\$ -</u>	<u>\$ 36,927</u>
Component unit:					
Downtown Development					
Authority	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 39,693</u>	<u>\$ 39,693</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2018, was as follows:

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Governmental activities:				
Capital assets not being depreciated - land	\$ 216,094	\$ -	\$ -	\$ 216,094
Capital assets being depreciated:				
Buildings	706,982	-	-	706,982
Furniture, fixtures, and equipment	552,098	34,125	(14,913)	571,310
Vehicles	704,995	72,984	-	777,979
Streets	<u>7,132,950</u>	<u>161,186</u>	<u>-</u>	<u>7,294,136</u>
Subtotal	<u>9,097,025</u>	<u>268,295</u>	<u>(14,913)</u>	<u>9,350,407</u>
Less accumulated depreciation for:				
Buildings	(242,128)	(13,393)	-	(255,521)
Furniture, fixtures, and equipment	(409,938)	(28,667)	14,913	(423,692)
Vehicles	(544,940)	(42,954)	-	(587,894)
Streets	<u>(3,276,248)</u>	<u>(353,481)</u>	<u>-</u>	<u>(3,629,729)</u>
Subtotal	<u>(4,473,254)</u>	<u>(438,495)</u>	<u>14,913</u>	<u>(4,896,836)</u>
Total capital assets being depreciated, net	<u>4,623,771</u>	<u>(170,200)</u>	<u>-</u>	<u>4,453,571</u>
Governmental activities capital assets, net	<u>\$ 4,839,865</u>	<u>\$ (170,200)</u>	<u>\$ -</u>	<u>\$ 4,669,665</u>

Depreciation expense was charged to functions of the governmental activities as follows:

Governmental activities:	
General government	\$ 7,107
Public safety	11,195
Public works	327,568
Recreation and culture	31,033
Depreciation on capital assets held by internal service fund	<u>61,592</u>
Total governmental activities	<u>\$ 438,495</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Business-type activities:				
Capital assets not being depreciated -				
land	\$ 875,292	\$ 97,000	\$ -	\$ 972,292
Capital assets being depreciated:				
Sewer system	11,984,854	358,221	-	12,343,075
Water system	11,274,056	-	-	11,274,056
Land improvements	4,734,558	-	-	4,734,558
Buildings	1,413,990	-	-	1,413,990
Vehicles and equipment	498,387	5,125	-	503,512
Subtotal	<u>29,905,845</u>	<u>363,346</u>	<u>-</u>	<u>30,269,191</u>
Less accumulated depreciation for:				
Sewer system	(4,500,387)	(267,514)	-	(4,767,901)
Water system	(4,035,580)	(249,271)	-	(4,284,851)
Land improvements	(1,707,360)	(232,908)	-	(1,940,268)
Buildings	(436,132)	(54,486)	-	(490,618)
Vehicles and equipment	(408,238)	(10,789)	-	(419,027)
Subtotal	<u>(11,087,697)</u>	<u>(814,968)</u>	<u>-</u>	<u>(11,902,665)</u>
Total capital assets being depreciated, net	<u>18,818,148</u>	<u>(451,622)</u>	<u>-</u>	<u>18,366,526</u>
Business-type activities capital assets, net	<u>\$ 19,693,440</u>	<u>\$ (354,622)</u>	<u>\$ -</u>	<u>\$ 19,338,818</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	<u>Beginning balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending balance</u>
Component unit - Downtown Development Authority:				
Capital assets not being depreciated:				
Land	\$ 115,549	\$ -	\$ -	\$ 115,549
Construction in progress	<u>-</u>	<u>130,355</u>	<u>-</u>	<u>130,355</u>
Total capital assets not being depreciated	<u>115,549</u>	<u>130,355</u>	<u>-</u>	<u>245,904</u>
Capital assets being depreciated - infrastructure	125,304	-	-	125,304
Less accumulated depreciation for - infrastructure	<u>(17,479)</u>	<u>(4,408)</u>	<u>-</u>	<u>(21,887)</u>
Total capital assets being depreciated, net	<u>107,825</u>	<u>(4,408)</u>	<u>-</u>	<u>103,417</u>
Component unit capital assets, net	<u>\$ 223,374</u>	<u>\$ 125,947</u>	<u>\$ -</u>	<u>\$ 349,321</u>

NOTE 6 - PAYABLES

Payables as of December 31, 2018, for the Village's funds were as follows:

<u>Fund</u>	<u>Accounts</u>	<u>Payroll</u>	<u>Interest</u>	<u>Totals</u>
Primary government:				
Governmental:				
General	\$ 61,768	\$ 9,823	\$ -	\$ 71,591
Major Street	9,193	625	-	9,818
Local Street	<u>8,280</u>	<u>1,240</u>	<u>-</u>	<u>9,520</u>
Total governmental	<u>\$ 79,241</u>	<u>\$ 11,688</u>	<u>\$ -</u>	<u>\$ 90,929</u>
Proprietary:				
Enterprise:				
Sewer	\$ 44,473	\$ -	\$ 34,200	\$ 78,673
Water	10,358	-	5,700	16,058
Airport	<u>24,357</u>	<u>-</u>	<u>1,800</u>	<u>26,157</u>
Total enterprise	<u>\$ 79,188</u>	<u>\$ -</u>	<u>\$ 41,700</u>	<u>\$ 120,888</u>
Internal Service	<u>\$ 3,372</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,372</u>
Component unit:				
Downtown Development Authority	<u>\$ 9,188</u>	<u>\$ 1,454</u>	<u>\$ -</u>	<u>\$ 10,642</u>

NOTE 7 - INTERFUND TRANSFERS AND BALANCES

The interfund transfers for the year ended December 31, 2018, were as follows:

<u>Fund</u>	<u>Transfers in</u>	<u>Fund</u>	<u>Transfers out</u>
Major Street	\$ 26,980		
Local Street	<u>200,000</u>		
Totals	<u>\$ 226,980</u>	General	<u>\$ 226,980</u>

The transfers out of the General Fund moved unrestricted resources to support a portion of the Major Street Fund’s debt service costs and set aside resources for future street improvements in the Local Street Fund.

The General Fund advanced \$250,000 to the Airport Fund to finance a portion of the cost of improvements. The agreement requires repayment when grant funds are received by the Airport Fund. The balance at December 31, 2018, is \$250,000.

NOTE 8 - ADVANCE TO COMPONENT UNIT

The General Fund advanced \$360,000 (non-interest bearing) to the Downtown Development Authority, a component unit of the Village, to finance a portion of the Streetscape project costs. The agreement between the two entities requires annual payments of \$20,000. The balance at December 31, 2018, is \$80,000.

NOTE 9 - LONG-TERM DEBT

At December 31, 2018, long-term debt (primary government only) consists of the following individual issues:

Governmental activities:	
Bonds:	
\$1,355,000 2014 Refunding bonds - payable in annual installments ranging from \$67,850 to \$88,000, plus interest of 2.23%; final payment due in November 2024	\$ 441,000
Accrued compensated absences	<u>81,629</u>
Total governmental activities	<u>\$ 522,629</u>

NOTE 9 - LONG-TERM DEBT (Continued)

Business-type activities:

Bonds and notes:

\$4,220,000 2000 Water revenue bond - payable in annual installments ranging from \$180,000 to \$270,000, plus interest at 2.50%; final payment due April 2021	\$ 795,000
\$270,400 2013 Airport installment purchase agreement - payable in annual installments of \$31,618, including interest at 2.95%; final payment due July 2023	145,009
\$1,335,000 2014 Refunding bonds - payable in annual installments ranging from \$47,150 to \$62,000, plus interest at 2.23%; final payment due November 2024	309,000
\$3,605,000 2018 Sewer refunding bonds - payable in annual installments ranging from \$105,000 to \$255,000, plus interest at 3.84%; final payment due October 2037	<u>3,500,000</u>
Total business-type activities	<u>\$ 4,749,009</u>

All of the business-type activities debt issues, with the exception of the airport note, are secured by specific revenue streams. All other debt is secured by the full faith and credit of the Village.

Long-term debt activity for the year ended December 31, 2018, is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:					
2014 Refunding bonds	\$ 533,000	\$ -	\$ (92,000)	\$ 441,000	\$ 92,000
Compensated absences	<u>95,822</u>	<u>108,058</u>	<u>(122,251)</u>	<u>81,629</u>	<u>-</u>
Total governmental activities	<u>\$ 628,822</u>	<u>\$ 108,058</u>	<u>\$ (214,251)</u>	<u>\$ 522,629</u>	<u>\$ 92,000</u>
Business-type activities:					
2000 Water revenue bonds	\$ 1,045,000	\$ -	\$ (250,000)	\$ 795,000	\$ 260,000
2008 Sewer revenue bonds	3,553,000	-	(3,553,000)	-	-
2013 Airport note	171,567	-	(26,558)	145,009	27,341
2014 Refunding bonds	372,000	-	(63,000)	309,000	63,000
2018 Sewer refunding bonds	<u>-</u>	<u>3,605,000</u>	<u>(105,000)</u>	<u>3,500,000</u>	<u>130,000</u>
Total business-type activities	<u>\$ 5,141,567</u>	<u>\$ 3,605,000</u>	<u>\$ (3,997,558)</u>	<u>\$ 4,749,009</u>	<u>\$ 480,341</u>

NOTE 9 - LONG-TERM DEBT (Continued)

At December 31, 2018, debt service requirements, excluding compensated absences, were as follows:

<i>Year ended</i> <u>December 31,</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2019	\$ 92,000	\$ 10,967	\$ 480,341	\$ 162,923
2020	67,000	9,366	476,147	149,449
2021	67,000	7,874	486,977	135,711
2022	70,000	6,177	224,832	124,927
2023	70,000	4,230	230,712	117,127
2024 - 2028	75,000	2,213	885,000	477,506
2029 - 2033	-	-	1,005,000	302,976
2034 - 2038	-	-	960,000	94,080
Totals	<u>\$ 441,000</u>	<u>\$ 40,827</u>	<u>\$ 4,749,009</u>	<u>\$ 1,564,699</u>

NOTE 10 - DEFINED BENEFIT PENSION PLAN

Plan description:

The Village participates in the Municipal Employees’ Retirement System of Michigan (MERS). 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 by accessing the MERS website at www.mersofmich.com.

Benefits provided:

The Village’s defined benefit pension plan provides certain retirement, disability, and death benefits to plan members and beneficiaries. Retirement benefits for eligible employees are calculated as 2.25% of the employee’s final three-year average compensation times the employee’s years of service. Normal retirement age is 60, with early retirement at a reduced benefit at age 50, with 25 years of service, or age 55 with 15 years of service. Deferred retirement benefits vest after 10 years of credited service but are not paid until the date retirement would have occurred had the member remained an employee. Covered employees are required to contribute 5% of their compensation to the plan. An employee who leaves service may withdraw their contributions, plus any accumulated interest. Benefit terms, within the parameters of MERS, are established and amended by the authority of the Village Council.

Employees covered by benefit terms:

At the December 31, 2017, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	10
Inactive employees entitled to but not yet receiving benefits	3
Active employees	<u>16</u>
Total	<u>29</u>

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

Contributions:

The Village 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. Covered employees are required to contribute 5% of their compensation to the plan. For the year ended December 31, 2018, Village contributions ranged from 10.74% to 24.42% of monthly covered payroll. For the year ended December 31, 2017, the Village contributed \$174,436 to the plan, while employees contributed \$44,969.

Net pension liability:

The Village's net pension liability reported at December 31, 2018, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2017. The total pension liability was determined by an annual actuarial valuation as of December 31, 2017.

Actuarial assumptions:

The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.75%	in the long term
Investment rate of return	7.75%	net investment expense, including inflation

Mortality rates were based on a blend of the RP-2014 Healthy Annuitant Mortality Tables, with rates multiplied by 105 percent; RP-2014 Employee Mortality Tables; and RP-2014 Juvenile Mortality Tables all with a 50 percent male and 50 percent female blend. For disabled retirees, the RP-2014 Disabled Retiree Mortality Table with a 50 percent male and 50 percent female blend is used to reflect the higher expected mortality rates of disabled members.

The actuarial assumptions used in the December 31, 2017, valuation were based on the results of the 2015 Experience Study, which is the most recent actuarial experience study.

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>
Global equity	55.50%	8.65%
Global fixed income	18.50%	3.76%
Real assets	13.50%	9.72%
Diversifying strategies	12.50%	7.50%

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

Discount rate:

The discount rate used to measure the total pension liability is 8.00% for 2017. The projection of cash flows used to determine the discount rate assumes that employer contributions will be made at 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:

	<i>Increase (decrease)</i>		
	<i>Total pension liability</i> <i>(a)</i>	<i>Plan fiduciary net position</i> <i>(b)</i>	<i>Net pension liability</i> <i>(a) - (b)</i>
Balances at December 31, 2016	\$ 5,266,936	\$ 3,738,628	\$ 1,528,308
Changes for the year:			
Service cost	100,539	-	100,539
Interest	415,206	-	415,206
Differences between expected and actual experience	(364,903)		(364,903)
Employer contributions	-	174,436	(174,436)
Employee contributions	-	44,969	(44,969)
Net investment income	-	(147,161)	147,161
Benefit payments, including refunds	(254,249)	(254,249)	-
Administrative expenses	-	(7,245)	7,245
Other changes	39,877	-	39,877
Net changes	(63,530)	(189,250)	125,720
Balances at December 31, 2017	\$ 5,203,406	\$ 3,549,378	\$ 1,654,028

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the Library, calculated using the discount rate of 8.00%, as well as what the Library's net pension liability would be using a discount rate that is 1 percentage point lower (7.00%) or 1 percentage point higher (9.00%) than the current rate.

	<i>1% Decrease</i> <i>(7.00%)</i>	<i>Current rate</i> <i>(8.00%)</i>	<i>1% Increase</i> <i>(9.00%)</i>
Village's net pension liability	\$ 2,209,902	\$ 1,654,028	\$ 1,181,400

NOTE 10 - DEFINED BENEFIT PENSION PLAN (Continued)

Pension plan fiduciary net position:

Detailed information about the pension plan’s fiduciary net position is available in the separately issued MERS financial report, which can be found at www.mersofmich.com. The plan’s fiduciary net position has been determined on the same basis used by the plan. The plan uses the economic resources measurement focus and the full accrual basis of accounting. Investments are stated at fair value. Contribution revenue is recorded as contributions are due. Benefit payments are recognized as an expense when due and payable in accordance with benefit terms.

Pension expense and deferred outflows of resources related to pensions:

For the fiscal year ended December 31, 2018, the Village recognized pension expense of \$242,468. At December 31, 2018, the Village reported deferred outflows of resources and deferred inflows of resources, related to pensions, from the following sources:

<u>Source</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Net difference between projected and actual earnings on pension plan investments	\$ 279,385	\$ -
Changes in assumptions	55,547	-
Difference between expected and actual experience	<u>-</u>	<u>316,099</u>
Total	<u>\$ 334,932</u>	<u>\$ 316,099</u>

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

<u>Year ended December 31,</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
2019	\$ 147,968	\$ 125,991
2020	41,056	98,883
2021	56,995	91,225
2022	<u>88,913</u>	<u>-</u>
	<u>\$ 334,932</u>	<u>\$ 316,099</u>

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS

Plan description:

The Village of Sparta Retiree Healthcare Plan (the Plan) is a single-employer, defined benefit, healthcare plan administered by the Village, which provides healthcare benefits to eligible full-time employees upon retirement. The benefits are provided under the collective bargaining agreements for union employees and by resolution of the Village Council for non-union employees. Currently, no retirees are receiving postemployment health benefits. The Plan was established by the Village and can be amended at its discretion. The Plan does not issue a publicly available financial report, is not advance funded, and is not administered through a trust agreement.

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Benefits provided:

The Plan requires the Village to contribute an amount determined by multiplying \$15 times the employee’s years of continuous active service toward the payment of retiree health insurance plan coverage for employees who retire under the Village’s MERS defined benefit pension plan with at least twenty (20) years of service. Eligible retirees must participate in the Village’s insurance plan which provides a participant-specific monthly insurance coverage rate (no implicit price subsidy). For eligible retirees, the Village’s contributions start at the age of fifty-five (55) and cease when the retiree becomes eligible for Medicare. The Village’s obligation to make contributions toward a qualifying retiree’s health insurance coverage is suspended during any time that the retiree is eligible to participate in another group medical group coverage plan, either as a result of the retiree’s subsequent employment or the employment of the retiree’s spouse. In the event that a retiree receiving a contribution toward retiree health insurance dies before reaching the age for Medicare eligibility, the Village will continue to make the contribution toward retiree health insurance for the deceased retiree’s spouse through the time that the deceased retiree would have reached Medicare eligibility age, unless the spouse remarries or is eligible to participate in another group medical coverage plan. Upon eligibility for Medicare, the Village discontinues healthcare coverage for the retiree.

Employees covered by benefit terms:

As of December 31, 2018, Plan membership consisted of the following:

Inactive participants receiving benefits	-
Active participants	<u>14</u>
Total participants	<u><u>14</u></u>

Contributions:

The Village has no obligation to make contributions in advance of when the insurance premiums are due for payment. In other words, the plan may be financed on a “pay-as-you-go” basis. Participants do not make contributions to the Plan but are required to pay any difference between the participant-specific insurance coverage rate and the Village required payment. There are no long-term contracts for contributions to the Plan. The Plan has no legally required reserves. For the year ended December 31, 2018, the Village contributed \$-0- to the Plan.

Annual OPEB cost and net OPEB obligation:

The Village’s annual other postemployment benefit (OPEB) cost (expense) is calculated based on the *actuarially determined contribution of the employer (ADC)*. The Village has elected to calculate the ADC, and related information, using the alternative measurement method permitted by GASB Statement No. 75 for employers in plans with fewer than one hundred (100) total plan members. The ADC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Net OPEB liability:

The total OPEB liability was determined by a valuation, using the alternative measurement method, as of December 31, 2018, using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	3.00%
Salary increases	3.00%
Investment rate of return	Not applicable as the Plan is not funded.
20-year Aa Municipal bond rate	3.00%
Mortality	2015 life tables for males and females, as appropriate, from the Social Security Administration

NOTE 11 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

The discount rate used to measure the total OPEB liability was 3.0%. Because the plan does not have a dedicated OPEB trust, there are not assets projected to be sufficient to make projected future benefit payments of current plan members. For projected benefits that are covered by projected assets, the long-term expected rate was used to discount the projected benefits. From the year that benefit payments were not projected to be covered by the projected assets (the “depletion date”), projected benefits were discounted as a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. A single equivalent discount rate that yields the same present value of benefits is calculated. This discount rate is used to determine the total OPEB liability. The first year end of required compliance with GASB 75 is December 31, 2018, so there is no required discount rate change to disclose.

Changes in the net OPEB liability:

	<i>Increase (decrease)</i>		
	<i>Total OPEB liability (a)</i>	<i>Plan fiduciary net position (b)</i>	<i>Net OPEB liability (asset) (a) - (b)</i>
Balances at December 31, 2017	\$ 225,569	\$ -	\$ 225,569
Changes for the year:			
Service cost	5,667	-	5,667
Interest	6,852	-	6,852
Differences between expected and actual experience	2,066	-	2,066
Contributions - employer	-	-	-
Benefit payments	-	-	-
Net changes	<u>14,585</u>	<u>-</u>	<u>14,585</u>
Balances at December 31, 2018	<u>\$ 240,154</u>	<u>\$ -</u>	<u>\$ 240,154</u>
Plan fiduciary net position as a percentage of total OPEB liability			0.0%

Sensitivity of the net OPEB liability to changes in the discount rate:

The following schedule presents the net OPEB liability of the Village, calculated using the discount rates 1% higher and lower than the current rate of 3.0%:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Net OPEB liability	<u>\$ 260,739</u>	<u>\$ 240,154</u>	<u>\$ 221,896</u>

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rate:

Not applicable as the Plan benefit is a payment based on years of service and is not dependent on healthcare costs.

OPEB expense, deferred outflows of resources, and deferred inflows of resources related to OPEB Plan:

For the fiscal year ended December 31, 2018, the Village recognized OPEB expense of \$14,585. At December 31, 2018, the Village reported no deferred outflows of resources or deferred inflows of resources related to OPEB, due to the use of the alternative measurement method, as allowed by GASB Statement No. 75.

NOTE 12 - RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and medical claims; injuries to employees; and natural disasters. The risks of loss arising from general liability up to \$5,000,000, building contents, employees' health insurance, workers' compensation, and casualty are managed through purchased commercial insurance. For all risks of loss, there have been no significant reductions in insurance coverage from coverage provided in prior years. Also, in the past three years, settlements did not exceed insurance coverage.

NOTE 13 - PROPERTY TAXES

The 2018 taxable valuation of the Village approximated \$116,600,000, on which ad valorem taxes levied consisted of 10.0 mills for operating purposes, 1.5 mills for local streets, and .5 mills for major streets, raising approximately \$1,059,000 for operating purposes, \$159,000 for local streets, and \$53,000 for major streets. These amounts are recognized in the respective fund financial statements as property tax revenue.

NOTE 14 - TAX ABATEMENTS

The Village enters into property tax abatement agreements with local businesses for the purpose of attracting or retaining businesses within the Village. Each agreement was negotiated under a state law, which allows local units to abate property taxes for a variety of economic development purposes. The abatements may be granted to local businesses located within the Village or promising to relocate within the Village. Depending on the statute referenced for a particular abatement, the Village may grant abatements of up to 50% of annual property taxes through a direct reduction of the entity's property tax bill or not tax the entity on improvements to a property for a period of time, not to exceed twelve years. Depending on the terms of the agreement and state law, abated taxes may be subject to recapture upon default of the entity. The Village has not made any commitments as part of the agreements other than to reduce taxes. The Village is not subject to any tax abatement agreements entered into by other governmental entities.

For the year ended December 31, 2018, the Village abated property taxes totaling \$9,413 under the Industrial Facilities Exemption, which is authorized by Public Act 198 of 1974.

NOTE 15 - JOINT VENTURE

Sparta Fire Department:

The Village is a participant in the Sparta Fire Department (the Department), along with the Township of Sparta. The administrative board of the Department consists of members appointed by each participating unit. The Department was formed for the purpose of providing fire protection to the Sparta area. The Village has no equity interest in the Department; therefore, financial information of the Department has not been included in the Village's financial statements.

Costs of operations and capital asset acquisitions of the Department are supported by contributions from the Village, which contributes one-third, and the Township of Sparta, which contributes two-thirds, of the Fire Department's proposed budget. During the year ended December 31, 2018, the Village paid the Department \$121,666.

Complete financial statements for the Department can be obtained from the Sparta Fire Department at 36 Elmwood Street, Sparta, Michigan 49345.

NOTE 16 - RESTRICTED NET POSITION

In the government-wide statement of net position, the governmental activities report restricted net position, in the amount of \$357,034, which is restricted by enabling legislation for public works expenditures.

NOTE 17 - CORRECTION OF AN ERROR

A prior period adjustment has been recorded in fiscal year 2019 to correct the accounting for a grant receivable that resulted in a restatement of opening net position. Net position, as of January 1, 2018, included in the proprietary fund financial statements and in the government-wide financial statements, represents restated balances, as presented below.

	<u>Net position</u>	
	<u>Airport Fund</u>	<u>Business-type activities</u>
Beginning of year, as previously reported	\$ 4,840,990	\$ 16,568,694
Prior period adjustment:		
Overstatement of receivables	<u>(75,024)</u>	<u>(75,024)</u>
Beginning of year, as restated	<u>\$ 4,765,966</u>	<u>\$ 16,493,670</u>

NOTE 18 - CHANGE IN ACCOUNTING PRINCIPLE

Effective January 1, 2018, the Village adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. As a result, the government-wide and proprietary fund financial statements now include a liability for unfunded OPEB costs, known as the net OPEB liability. Some of the changes in the net OPEB liability are recognized immediately, as part of health insurance expense, and other changes will be deferred and recognized over future years. See Note 11 for more details.

The cumulative effect of this new accounting standard was a decrease in opening net position of governmental activities, business-type activities, and proprietary funds at January 1, 2018, to record the net OPEB liability, as shown below. The adoption of GASB Statement No. 75 did not affect the beginning of year equity of any governmental fund.

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Proprietary fund Water Fund</u>	<u>Component unit DDA</u>
Net position, beginning of year, as previously reported	\$ 5,835,743	\$16,493,670	\$ 6,465,714	\$ 209,414
Cumulative effect of change in accounting principle:				
Net OPEB liability	<u>(97,508)</u>	<u>(47,369)</u>	<u>(47,369)</u>	<u>(11,278)</u>
Net position, beginning of year, after effect of the accounting change	<u>\$ 5,738,235</u>	<u>\$16,446,301</u>	<u>\$ 6,418,345</u>	<u>\$ 198,136</u>

NOTE 19 - CURRENT REFUNDING OF BONDS

On April 12, 2018, the Village issued \$3,605,000 sanitary sewer system revenue refunding bonds, with an average interest rate of 3.84%, to refund \$3,553,000 of outstanding sewer revenue bonds (2008 USDA loan, with average interest rates of 4.375%). The proceeds were used to pay issuance costs, in the amount of \$46,889, and purchase government securities, in the amount of \$3,558,111, which were deposited in an irrevocable trust with an escrow agent. These funds were used to call the outstanding 2008 bonds on April 12, 2018.

The Village completed the refunding to reduce its total debt service payments over the next thirty years by \$1,300,560 and to obtain an economic gain (the difference between the present values of the old and new debt service payments) of \$168,735.

NOTE 20 - PENDING ACCOUNTING PRONOUNCEMENT

In June 2017, the Governmental Accounting Standards Board (GASB) issued Statement No. 87, *Leases*, effective for periods beginning after December 15, 2019. The objective of this Statement is to increase the usefulness of governments' financial statements by requiring recognition of certain lease assets and liabilities for leases that previously were classified as operating leases and recognized as inflows of resources or outflows of resources based on the payment provisions of the contract. It establishes a single model for lease accounting based on the foundational principle that leases are financings of the right to use the underlying asset. Under this Statement, a lessee is required to recognize a lease liability and an intangible right-to-use lease asset, and a lessor is required to recognize a lease receivable and a deferred inflow of resources, thereby enhancing the relevance and consistency of information about governments' leasing activities. The Village is currently evaluating the impact this standard will have on the financial statements when adopted during the fiscal year beginning January 1, 2019.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Sparta

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2018

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 1,099,500	\$ 1,099,500	\$ 1,092,357	\$ (7,143)
Licenses and permits	56,950	56,950	58,120	1,170
State grants	482,500	616,000	580,875	(35,125)
Charges for services	26,500	26,500	27,737	1,237
Fines and forfeitures	2,150	2,150	4,785	2,635
Interest and rentals	7,025	7,025	20,808	13,783
Other	22,000	22,000	21,008	(992)
Total revenues	<u>1,696,625</u>	<u>1,830,125</u>	<u>1,805,690</u>	<u>(24,435)</u>
EXPENDITURES				
Current:				
General government	220,253	440,253	442,008	(1,755)
Public safety	915,796	915,796	902,153	13,643
Public works	158,270	128,370	119,736	8,634
Recreation and culture	99,300	99,300	123,010	(23,710)
Community and economic development	19,450	19,450	14,657	4,793
Capital outlay	61,000	61,000	78,980	(17,980)
Total expenditures	<u>1,474,069</u>	<u>1,664,169</u>	<u>1,680,544</u>	<u>(16,375)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	222,556	165,956	125,146	(40,810)
OTHER FINANCING USES				
Transfers out	<u>(226,980)</u>	<u>(276,981)</u>	<u>(226,980)</u>	<u>50,001</u>
NET CHANGES IN FUND BALANCES	(4,424)	(111,025)	(101,834)	9,191
FUND BALANCES - BEGINNING	<u>2,423,854</u>	<u>2,423,854</u>	<u>2,423,854</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 2,419,430</u>	<u>\$ 2,312,829</u>	<u>\$ 2,322,020</u>	<u>\$ 9,191</u>

Village of Sparta

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended December 31, 2018

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 51,000	\$ 51,000	\$ 54,618	\$ 3,618
State grants	240,000	293,000	330,252	37,252
Interest	200	200	490	290
Other	1,500	1,500	6,473	4,973
Total revenues	<u>292,700</u>	<u>345,700</u>	<u>391,833</u>	<u>46,133</u>
EXPENDITURES				
Public works	192,470	192,470	196,347	(3,877)
Debt service:				
Principal	-	92,000	92,000	-
Interest	-	12,293	12,301	(8)
Total expenditures	<u>192,470</u>	<u>296,763</u>	<u>300,648</u>	<u>(3,885)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	100,230	48,937	91,185	42,248
OTHER FINANCING SOURCES				
Transfers in	-	26,981	26,980	(1)
NET CHANGES IN FUND BALANCES	100,230	75,918	118,165	42,247
FUND BALANCES - BEGINNING	<u>199,867</u>	<u>199,867</u>	<u>199,867</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 300,097</u>	<u>\$ 275,785</u>	<u>\$ 318,032</u>	<u>\$ 42,247</u>

Village of Sparta

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended December 31, 2018

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 153,500	\$ 153,500	\$ 163,854	\$ 10,354
State grants	190,000	190,000	181,717	(8,283)
Interest	200	200	359	159
Other	-	-	345	345
Total revenues	343,700	343,700	346,275	2,575
EXPENDITURES				
Public works	490,900	490,900	393,415	97,485
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(147,200)	(147,200)	(47,140)	100,060
OTHER FINANCING SOURCES				
Transfers in	200,000	200,000	200,000	-
NET CHANGES IN FUND BALANCES				
	52,800	52,800	152,860	100,060
FUND BALANCES - BEGINNING				
	86,142	86,142	86,142	-
FUND BALANCES - ENDING				
	<u>\$ 138,942</u>	<u>\$ 138,942</u>	<u>\$ 239,002</u>	<u>\$ 100,060</u>

SCHEDULE OF CHANGES IN THE VILLAGE'S NET PENSION LIABILITY AND RELATED RATIOS

Year Ended December 31, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:				
Service cost	\$ 100,539	\$ 102,425	\$ 94,703	\$ 94,447
Interest	415,206	398,695	351,210	350,858
Difference between expected and actual experience	(364,903)	(30,631)	(108,430)	-
Changes in assumptions	-	-	222,188	-
Benefit payments, including refunds	(254,249)	(195,108)	(204,480)	(213,007)
Other changes	<u>39,877</u>	<u>(38,470)</u>	<u>(4,588)</u>	<u>2,115</u>
Net change in total pension liability	(63,530)	236,911	350,603	234,413
Total pension liability, beginning of year	<u>5,266,936</u>	<u>5,030,025</u>	<u>4,679,422</u>	<u>4,445,009</u>
Total pension liability, end of year	<u>\$ 5,203,406</u>	<u>\$ 5,266,936</u>	<u>\$ 5,030,025</u>	<u>\$ 4,679,422</u>
Plan fiduciary net position:				
Contributions - employer	\$ 174,436	\$ 367,230	\$ 309,280	\$ 181,014
Contributions - employee	44,969	44,128	44,510	44,332
Net investment income (loss)	(147,161)	416,942	305,340	(40,758)
Benefit payments, including refunds	(254,249)	(195,108)	(204,480)	(213,007)
Administrative expenses	<u>(7,245)</u>	<u>(6,584)</u>	<u>(6,024)</u>	<u>(5,919)</u>
Net change in plan fiduciary net position	(189,250)	626,608	448,626	(34,338)
Plan fiduciary net position, beginning of year	<u>3,738,628</u>	<u>3,112,020</u>	<u>2,663,394</u>	<u>2,697,732</u>
Plan fiduciary net position, end of year	<u>\$ 3,549,378</u>	<u>\$ 3,738,628</u>	<u>\$ 3,112,020</u>	<u>\$ 2,663,394</u>
Village's net pension liability, end of year	<u>\$ 1,654,028</u>	<u>\$ 1,528,308</u>	<u>\$ 1,918,005</u>	<u>\$ 2,016,028</u>
Plan fiduciary net position as a percent of total pension liability	68.21%	70.98%	61.87%	56.92%
Covered payroll	\$ 889,425	\$ 862,670	\$ 853,560	\$ 888,353
Village's net pension liability as a percentage of covered payroll	185.97%	177.16%	224.71%	226.94%

Note: This schedule is being built prospectively after the implementation of GASB 68 in 2015. Ultimately, ten years of data will be presented.

Village of Sparta

SCHEDULE OF VILLAGE PENSION CONTRIBUTIONS

Last Ten Fiscal Years

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>	<u>2012</u>	<u>2011</u>	<u>2010</u>	<u>2009</u>
Actuarially determined contributions	174,436	167,230	\$ 162,397	\$ 141,552	\$ 158,160	\$ 142,163	\$ 148,836	\$ 137,817	\$ 154,144	\$ 124,838
Contributions in relation to the actuarially determined contributions	<u>174,436</u>	<u>367,230</u>	<u>162,397</u>	<u>141,552</u>	<u>158,160</u>	<u>142,163</u>	<u>148,836</u>	<u>137,817</u>	<u>154,144</u>	<u>124,838</u>
Contribution excess/(deficiency)	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 889,425</u>	<u>\$ 890,626</u>	<u>\$ 891,597</u>	<u>\$ 888,353</u>	<u>\$ 871,298</u>	<u>\$ 812,226</u>	<u>\$ 820,889</u>	<u>\$ 814,386</u>	<u>\$ 975,006</u>	<u>\$ 913,546</u>
Contributions as a percentage of covered payroll	19.61%	41.23%	18.21%	15.93%	18.15%	17.50%	18.13%	16.92%	15.81%	13.67%

Actuarial valuation information relative to the determination of contributions:

Valuation date Actuarially determined contribution rates are calculated as of December 31 each year, which is 24 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 cost
Amortization method	Level percentage of payroll, open
Remaining amortization period	22 years
Asset valuation method	5-year smoothed market
Inflation	2.50%
Salary increases	3.75%
Investment rate of return	7.75%, net of investment and administrative expenses, including inflation
Retirement age	Normal retirement age is 60 years
Mortality	50% Female/50% Male blend of the RP-2014 Healthy Annuitant Mortality Tables with rates multiplied by 105%

Village of Sparta

SCHEDULE OF CHANGES IN THE VILLAGE'S NET OPEB LIABILITY AND RELATED RATIOS

Year Ended December 31, 2018

	<u>2018</u>
Total OPEB liability:	
Service cost	\$ 5,667
Interest	6,852
Difference between expected and actual experience	2,066
Benefit payments, including refunds	<u>-</u>
Net change in total OPEB liability	14,585
Total OPEB liability, beginning of year	<u>225,569</u>
Total OPEB liability, end of year	<u><u>\$ 240,154</u></u>
Plan fiduciary net position:	
Plan fiduciary net position, beginning of year	<u>\$ -</u>
Plan fiduciary net position, end of year	<u><u>\$ -</u></u>
Village's net OPEB liability, end of year	<u><u>\$ 240,154</u></u>
Plan fiduciary net position as a percent of total OPEB liability	0.00%
Covered employee payroll	\$ 813,066
Village's net OPEB liability as a percentage of covered payroll	29.5%

Note: This schedule is being built prospectively after the implementation of GASB 75 in 2018.

Ultimately, ten years of data will be presented.

Village of Sparta

SCHEDULE OF VILLAGE OPEB CONTRIBUTIONS

Year Ended December 31, 2018

	<u>2018</u>
Actuarially determined contributions	\$ 14,585
Contributions in relation to the actuarially determined contributions	<u>-</u>
Contribution excess/(deficiency)	<u>\$ (14,585)</u>
Covered employee payroll	\$ 813,066
Contributions as a percentage of covered employee payroll	0.00%
Methods and assumptions used to determine contribution rates:	
Inflation	3.00%
Salary increases	3.00%
Investment rate of return	Not applicable as the plan is not funded
Healthcare cost trend rates	Not applicable as the Plan benefit is a payment based on years of service and not dependent on healthcare cost trends
Mortality rates	2015 life tables for males and females, as appropriate, from the Social Security Administration

The actuarial assumptions used in the valuation were based on the Village's past experience, and State of Michigan and GASB Statement No. 75 requirements.

SUPPLEMENTARY INFORMATION

Village of Sparta

BALANCE SHEET - component unit

December 31, 2018

	<i>Downtown Development Authority</i>
ASSETS	
Cash	\$ 76,520
Receivables	<u>39,693</u>
Total assets	<u><u>\$ 116,213</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities - payables	\$ 10,642
Fund balance - unassigned	<u>105,571</u>
Total liabilities and fund balance	<u><u>\$ 116,213</u></u>
Total fund balance	\$ 105,571
<p>Amounts reported for the <i>component unit</i> in the statement of net position (page 14) are different because:</p>	
Capital assets used by the <i>component unit</i> are not financial resources and, therefore, are not reported in the funds.	349,321
Prepaid expenses are not financial resources and, therefore, are not reported in the fund.	1,300
Deferred outflows of resources - pension	4,354
Deferred inflows of resources - pension	(4,109)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.	
Long-term advance from the Village	(80,000)
Net OPEB liability	(12,008)
Net pension liability	<u>(59,513)</u>
Net position (unrestricted) of the <i>component unit</i>	<u><u>\$ 304,916</u></u>

Village of Sparta

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - component unit

Year ended December 31, 2018

	<u>Downtown Development Authority</u>
REVENUES	
Property taxes	\$ 231,514
Intergovernmental	10,000
Interest	<u>232</u>
Total revenues	<u>241,746</u>
EXPENDITURES	
Current - community and economic development	127,644
Capital outlay	130,355
Debt service:	
Principal	20,000
Interest	<u>1,600</u>
Total expenditures	<u>279,599</u>
NET CHANGES IN FUND BALANCES	(37,853)
FUND BALANCES - BEGINNING	<u>143,424</u>
FUND BALANCES - ENDING	<u><u>\$ 105,571</u></u>
Net change in fund balance	\$ (37,853)
Amounts reported for the <i>component unit</i> in the statement of activities (page 15) are different because:	
Capital assets:	
Add - asset acquisitions	130,355
Deduct - depreciation provision	(4,408)
Increase in prepaid insurance	300
Net increase in deferred outflows of resources - pension	3,856
Net increase in deferred inflows of resources - pension	(3,106)
Long term liabilities:	
Add - payment on long-term advance	20,000
Deduct - increase in net OPEB liability	(730)
Deduct - increase in net pension liability	<u>(1,634)</u>
Change in net position of <i>component unit</i>	<u><u>\$ 106,780</u></u>

Village of Sparta

BUDGETARY COMPARISON SCHEDULE - component unit

Year ended December 31, 2018

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Tax increment financing	\$ 228,000	\$ 228,000	\$ 231,514	\$ 3,514
Intergovernmental contributions	10,000	10,000	10,000	-
Interest	-	-	232	232
Other	6,000	6,000	-	(6,000)
Total revenues	<u>244,000</u>	<u>244,000</u>	<u>241,746</u>	<u>(2,254)</u>
EXPENDITURES				
Community and economic development	193,800	193,800	127,644	66,156
Capital outlay	31,000	31,000	130,355	(99,355)
Debt service:				
Principal	20,000	20,000	20,000	-
Interest	1,600	1,600	1,600	-
Total expenditures	<u>246,400</u>	<u>246,400</u>	<u>279,599</u>	<u>(33,199)</u>
NET CHANGES IN FUND BALANCES	(2,400)	(2,400)	(37,853)	(35,453)
FUND BALANCES - BEGINNING	<u>143,424</u>	<u>143,424</u>	<u>143,424</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 141,024</u>	<u>\$ 141,024</u>	<u>\$ 105,571</u>	<u>\$ (35,453)</u>

**SECURITIES AND EXCHANGE COMMISSION RULE 15C2-12 CONTINUING DISCLOSURE
(UNAUDITED)**

**Village of Sparta
Taxable Value
Fiscal Years Ended December 31, 2014 Through 2018**

<i>Assessed Value as of December 31</i>	<i>Year of State Equalization and Tax Levy</i>	<i>Village's Fiscal Years Ended December 31</i>	<i>Ad Valorem Taxable Value</i>	<i>Equivalent Taxable Value of Property Granted Tax Abatement Under Act 198 (1)</i>	<i>Total Taxable Value</i>	<i>Percent Change Over Prior Year</i>
2013	2014	2014	\$ 116,526,881	\$ 3,657,672	\$ 120,184,553	-0.70%
2014	2015	2015	122,823,980	2,978,000	125,801,980	4.67%
2015	2016	2016	111,006,579	2,351,490	113,358,069	-9.89%
2016	2017	2017	114,042,414	3,622,914	117,665,328	3.80%
2017	2018	2018	117,511,288	3,359,898	120,871,186	2.72%

Per Capita Total Taxable Value for the fiscal year ended December 31, 2018 (2) = \$29,196

- (1) At the full tax rate. See "Tax Abatement" herein.
(2) Based on the Village's 2010 census population of 4,140.
Source: Village of Sparta

**Village of Sparta
Taxable Value by Use and Class
Fiscal Years Ended December 31, 2014 Through 2018**

<i>Use</i>	<i>Fiscal Years Ended December 31</i>				
	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Commercial	\$ 28,730,033	\$ 28,677,383	\$ 28,791,379	\$ 28,519,062	\$ 28,543,181
Industrial	31,565,314	33,949,516	19,555,873	21,123,430	20,037,245
Residential	58,210,606	61,146,581	62,984,717	65,412,136	69,329,760
Utility	1,678,600	2,028,500	2,026,100	2,610,700	2,961,000
	<u>\$120,184,553</u>	<u>\$125,801,980</u>	<u>\$113,358,069</u>	<u>\$117,665,328</u>	<u>\$120,871,186</u>
<i>Class</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Real Property	\$ 96,847,153	\$101,051,580	\$102,073,769	\$105,454,428	\$109,460,186
Personal Property	23,337,400	24,750,400	11,284,300	12,210,900	11,411,000
	<u>\$120,184,553</u>	<u>\$125,801,980</u>	<u>\$113,358,069</u>	<u>\$117,665,328</u>	<u>\$120,871,186</u>

Source: Village of Sparta

(UNAUDITED)

**Village of Sparta
State Equalized Valuation
Fiscal Years Ended December 31, 2014 through 2018**

<i>Assessed Value as of December 31</i>	<i>Year of State Equalization and Tax Levy</i>	<i>Village's Fiscal Years Ended December 31</i>	<i>State Equalized Value</i>	<i>SEV of Property Granted Tax Abatement Under Act 198 (1)</i>	<i>Total State Equalized Value</i>	<i>Percent Change Over Prior Year</i>
2013	2014	2014	\$ 119,617,600	\$ 3,752,600	\$ 123,370,200	-2.22%
2014	2015	2015	125,736,100	2,978,000	128,714,100	4.33%
2015	2016	2016	120,388,400	1,377,800	121,766,200	-5.40%
2016	2017	2017	126,188,300	4,926,000	131,114,300	7.68%
2017	2018	2018	130,254,600	4,465,500	134,720,100	2.75%

Per Capita Total SEV for the fiscal year ended December 31, 2018 (2) = \$32,541

(1) See "Tax Abatement" herein.

(2) Based on the Village's 2010 census population of 4,140.

Source: Village of Sparta

**Village of Sparta
SEV by Use and Class
Fiscal Years Ended December 31, 2014 through 2018**

<i>Use</i>	<i>Fiscal Years Ended December 31</i>				
	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Commercial	\$ 29,730,200	\$ 29,195,400	\$ 30,785,900	\$ 31,052,400	\$ 30,964,500
Industrial	32,070,200	33,341,200	20,289,900	22,883,700	21,380,000
Residential	59,891,200	64,149,000	68,664,300	74,567,500	79,414,600
Utility	1,678,600	2,028,500	2,026,100	2,610,700	2,961,000
	<u>\$123,370,200</u>	<u>\$128,714,100</u>	<u>\$121,766,200</u>	<u>\$131,114,300</u>	<u>\$134,720,100</u>
<i>Class</i>	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Real Property	\$100,014,700	\$103,944,700	\$110,424,900	\$118,147,000	\$122,690,600
Personal Property	23,355,500	24,769,400	11,341,300	12,967,300	12,029,500
	<u>\$123,370,200</u>	<u>\$128,714,100</u>	<u>\$121,766,200</u>	<u>\$131,114,300</u>	<u>\$134,720,100</u>

Source: Village of Sparta

Tax Abatement

The Village's Taxable Value does not include the value of certain facilities, which have temporarily been removed from the Ad Valorem Tax Roll pursuant to Act 198. The Act was designed to provide a stimulus in the form of significant tax incentives to industrial enterprises to renovate and expand aging facilities ("Rehab Properties") and to build new facilities ("New Properties"). Except as indicated below, under the provisions of the Act, a local governmental unit (i.e., a city, village, or township) may establish plant rehabilitation districts and industrial development districts and offer industrial firms certain property tax incentives or abatements to encourage restoration or replacement of obsolete facilities and to attract new facilities to the area.

(UNAUDITED)

Tax Abatement (Continued)

An industrial facilities exemption certificate granted under Act 198 entitles an eligible facility to exemption from Ad Valorem taxes for a period of up to 12 years. In lieu of Ad Valorem taxes, the eligible facility will pay an industrial facilities tax (the "IFT Tax"). For properties granted tax abatement under Act 198, there exists a separate tax roll referred to as the industrial facilities tax roll (the "IFT Tax Roll"). The IFT Tax for an obsolete facility, which is being restored or replaced, is determined in exactly the same manner as the Ad Valorem Tax; the important difference being that the value of the property remains at the taxable value level prior to the improvements, even though the restoration or replacement substantially increases the value of the facility. For a new facility, the IFT Tax is also determined the same as the Ad Valorem Tax, but instead of using the total mills levied as Ad Valorem Taxes, a lower millage rate is applied. For abatements granted prior to 1994, this millage rate equals ½ of all tax rates levied by other than the state and local school district for operating purposes, plus ½ of the 1993 rate levied by the local school district for operating purposes. For abatements granted after 1994, this millage rate equals ½ of all tax rates levied by other than the state and local school district, plus none, ½, or the entire state tax rate (as determined by the state treasurer).

The Village has established goals, objectives, and procedures to provide the opportunity for industrial development and expansion. Since 1974, the Village has approved a number of applications for local property tax relief for industrial and commercial firms. The SEV of properties that have been granted tax abatement under the Act, removed from the Ad Valorem Tax Roll, and placed on the IFT Tax Roll, totaled \$4,465,500 for the fiscal year ended December 31, 2018. The IFT Taxes paid on these properties is equivalent to Ad Valorem taxes paid on \$8,931,000 of taxable value at the full tax rate (the "Equivalent Taxable Value"). Upon expiration of the industrial facilities exemption certificates, the current equalized valuation of the abated properties will return to the Ad Valorem Tax Roll as Taxable Value.

**Village of Sparta
Maximum Property Tax Rates
Fiscal Year Ended December 31, 2018**

<u>Millage Classification</u>	<u>Millage Authorized</u>	<i>Millage Rate As Permanently Reduced By Headlee</i>	<i>Current Year Reduction Fraction</i>	<u>Maximum Allowable Millage</u>
Operating	17.5000	15.9185	1.0000	15.9185

**Village of Sparta
Property Tax Rates
Fiscal Years Ended December 31, 2014 Through 2018**

<u>Levy July 1</u>	<u>Fiscal Year Ended December 31</u>	<u>General Operating</u>	<u>Streets and Highways</u>	<u>Debt Service</u>	<u>Totals</u>
2014	2014	10.00	1.50	0.50	12.00
2015	2015	10.00	1.50	0.50	12.00
2016	2016	10.00	1.50	0.50	12.00
2017	2017	10.00	1.50	0.50	12.00
2018	2018	10.00	1.50	0.50	12.00

(UNAUDITED)

**Village of Sparta
Homestead Property Tax Rates by Governmental Unit
Fiscal Years Ended December 31, 2014 Through 2018**

<i>Governmental Unit</i>	<i>Fiscal Years Ended December 31</i>				
	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Village of Sparta	12.0000	12.0000	12.0000	12.0000	12.0000
Kent Intermediate Schools	4.6903	4.7903	4.7903	5.6696	5.6465
Grand Rapids Community College	1.7865	1.7865	1.7865	1.7788	1.7716
State Education	6.0000	6.0000	6.0000	6.0000	6.0000
Sparta Schools	6.8052	6.8000	8.1500	8.1500	8.1500
Kent County	5.6196	5.6196	6.0596	6.0518	6.2947
Sparta Township	1.7270	1.7270	1.7257	1.7215	1.7215
	<u>38.6286</u>	<u>38.7234</u>	<u>40.5121</u>	<u>41.3717</u>	<u>41.5843</u>

**Village of Sparta
Non-Homestead Property Tax Rates by Governmental Unit
Fiscal Years Ended December 31, 2014 Through 2018**

<i>Governmental Unit</i>	<i>Fiscal Years Ended December 31</i>				
	<i>2014</i>	<i>2015</i>	<i>2016</i>	<i>2017</i>	<i>2018</i>
Village of Sparta	12.0000	12.0000	12.0000	12.0000	12.0000
Kent Intermediate Schools	4.6903	4.7903	4.7903	5.6696	5.6465
Grand Rapids Community College	1.7865	1.7865	1.7865	1.7788	1.7716
State Education	6.0000	6.0000	6.0000	6.0000	6.0000
Sparta Schools	24.8052	24.8000	26.1500	26.1500	26.1500
Kent County	5.6196	5.6196	6.0596	6.0518	6.2947
Sparta Township	1.7270	1.7270	1.7257	1.7215	1.7215
	<u>56.6286</u>	<u>56.7234</u>	<u>58.5121</u>	<u>59.3717</u>	<u>59.5843</u>

**Village of Sparta
Property Tax Collections
Fiscal Years Ended December 31, 2014 Through 2018**

<i>July 1 Levy</i>	<i>Fiscal Year Ended December 31</i>	<i>Tax Levy (1)</i>	<i>Collections to December 31 Following Levy</i>	<i>Percent Collected</i>
2014	2014	\$ 1,428,418	\$ 1,339,795	93.80%
2015	2015	1,484,008	1,400,446	94.37%
2016	2016	1,378,285	1,272,206	92.30%
2017	2017	1,414,887	1,321,203	93.38%
2018	2018	1,438,342	1,353,680	94.11%

(1) Village taxes only. Excludes special assessments. Includes property tax collections of property granted tax abatement under Act 198.

Source: Village of Sparta

(UNAUDITED)

**Village of Sparta
Ten Largest Taxpayers
Fiscal Year Ended December 31, 2018**

<i>Taxpayer</i>	<i>Principal Product or Service</i>	<i>Taxable Value</i>	<i>Percent of Total (1)</i>
Consumers Energy Company	Utility	\$ 3,190,575	2.64%
Tesa Tape, Inc.	Adhesive Tape Manufacturer	3,053,498	2.53%
Federal Mogul Piston Rings, Inc.	Piston Ring Manufacturer	2,693,400	2.23%
Apple-Tree Sparta, LLC	Apartments	2,580,107	2.13%
CC Holdings, LLC		1,571,335	1.30%
Spartan Graphics, Inc.		1,465,700	1.21%
Cascade Die Casting Group, Inc.		1,396,100	1.16%
Celia Corporation		1,334,500	1.10%
Emmons Development Co.		1,317,431	1.09%
AVH Real Estate Holdings, LLC		<u>1,307,600</u>	1.08%
		<u>\$ 19,910,246</u>	16.47%

(1) Based on \$120,871,186, which is the Village's Total Taxable Value for its fiscal year ended December 31, 2018. Includes the equivalent taxable value of property granted under Act 198.

Source: Village of Sparta

**Village of Sparta
Revenues from the State of Michigan
Fiscal Years Ended December 31, 2014 Through 2018**

	<i>Fiscal Years Ended December 31,</i>				
	<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
State shared revenue	\$ 389,770	\$ 385,647	\$ 393,714	\$ 418,698	\$ 429,355
Local community stabilization	-	-	253,455	265,335	149,627
Liquor license fees	<u>3,936</u>	<u>3,994</u>	<u>4,030</u>	<u>4,512</u>	<u>4,260</u>
	<u>\$ 393,706</u>	<u>\$ 389,641</u>	<u>\$ 651,199</u>	<u>\$ 688,545</u>	<u>\$ 583,242</u>

Source: Village of Sparta

Legal Debt Margin

Pursuant to the statutory and constitutional debt provisions set forth herein, the following schedule reflects the amount of additional debt the Village may legally incur as of December 31, 2018.

Debt Limit (1)	\$134,720,100
Debt Outstanding	\$ 5,190,009
Less: Exempt Debt	<u>4,295,000</u>
	<u>895,009</u>
Legal Debt Margin	<u>\$133,825,091</u>

(1) 10% of \$134,720,100, the Village's Total SEV for the fiscal year ended December 31, 2018.

Source: Village of Sparta

(UNAUDITED)

**Village of Sparta
Debt Statement
December 31, 2018**

The following schedules reflect a breakdown of the Village's direct and overlapping debt as of December 31, 2018. To the extent necessary, the Village may levy taxes on all taxable property within its boundaries, without limitation as to rate or amount, to pay the principal of, and interest due on, the bonds in the following schedule, which are designated as "UT." However, the Village's ability to levy tax to pay the debt service on the bonds, which are designated as "LT," is subject to applicable charter, statutory, and constitutional limitations.

<u>Village Direct Debt</u>	<u>Gross</u>	<u>Self-Supporting</u>	<u>Net</u>
General Obligation Bonds:			
Dated June 3, 2014 (LT)	\$ 750,000	\$ -	\$ 750,000
Revenue Bonds:			
Dated April 12, 2018 (Sewer)	3,500,000	3,500,000	-
Dated September 28, 2000 (Water)	795,000	795,000	-
Subtotal	<u>4,295,000</u>	<u>4,295,000</u>	<u>-</u>
Installment Purchase Obligation:			
Dated July 23, 2013 (LT)	145,009	-	145,009
Totals	<u>\$ 5,190,009</u>	<u>\$ 4,295,000</u>	<u>\$ 895,009</u>

Per Capita Net Village Direct Debt (1) \$ 216
Percent of Net Direct Debt to SEV (2) 0.66%

<u>Overlapping Debt (3)</u>	<u>Gross</u>	<u>Village Share As Percent of Gross</u>	<u>Net</u>
Kent County	\$128,350,000	0.56%	\$ 718,760
Sparta School District	39,375,000	25.73%	10,131,188
Grand Rapids Community College	40,145,000	0.54%	216,783
Totals	<u>\$207,870,000</u>		<u>\$ 11,066,731</u>

Per Capita Net Overlapping Debt (1) \$2,673
Percent of Net Overlapping Debt to SEV (2) 8.21%

Per Capita Net Direct and Overlapping Debt (1) \$2,889
Percent of Net Direct and Overlapping Debt to SEV (2) 8.88%

(1) Based on the Village's 2010 census population of 4,140.

(2) Based on \$134,720,100, which is the Village's SEV for the fiscal year ended December 31, 2018. Includes the value of property granted tax abatement under Act 198.

(3) Overlapping debt is the portion of another taxing unit's debt for which property taxpayers of the Village are liable, in addition to debt issued by the Village.

Source: Municipal Advisory Council of Michigan and the Village of Sparta

(UNAUDITED)