

Village of Sparta

Kent County, Michigan

FINANCIAL STATEMENTS

Year ended December 31, 2022

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INDEPENDENT AUDITOR'S REPORT

Village Council
Village of Sparta, Michigan

Opinions

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 (the Village), as of and for the year ended December 31, 2022, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements as listed in the contents.

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 aggregate remaining fund information of the Village, as of December 31, 2022, 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.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Village, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Responsibilities of Management for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

In performing an audit in accordance with generally accepted auditing standards, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Village's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Village's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village'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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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.

Other Information

Management is responsible for the other information included in the annual report. The other information comprises the Securities and Exchange Commission Rule 15c2-12 Continuing Disclosure but does not include the basic financial statements and our auditor's report thereon. Our opinions on the basic financial statements do not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the basic financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the basic financial statements, or the other information otherwise appears to be materially misstated. If, based in the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

Siegfried Crandall P.C.

April 28, 2023

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, 2022. Please read it in conjunction with the Village's financial statements.

FINANCIAL HIGHLIGHTS

- The Village's total net position increased by \$323,823 as a result of this year's activities. The net position of the governmental activities increased by \$452,604, while the net position of the business-type activities decreased by \$128,781.
- Of the \$24,665,788 total net position reported, \$4,119,940 (17 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 \$3,136,352, which represents 152 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 government services, like general government and 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 2022 and 2021 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, deferred outflows of resources, liabilities, and deferred inflows of resources. 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 deferred outflows of resources, and liabilities and deferred inflows of resources) 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 \$24,665,788. Of this total, \$20,267,947 represents a net investment in capital assets and \$277,901 is restricted for public works. Consequently, unrestricted net position was \$4,119,940, or 17 percent of the total.

*Condensed financial information
Net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	2022	2021	2022	2021	2022	2021
Current and other assets	\$ 4,061,359	\$ 3,554,039	\$ 2,901,239	\$ 2,185,496	\$ 6,962,598	\$ 5,739,535
Capital assets	5,518,829	5,614,108	17,941,104	18,630,675	23,459,933	24,244,783
Total assets	9,580,188	9,168,147	20,842,343	20,816,171	30,422,531	29,984,318
Deferred outflows of resources	396,682	114,179	128,053	34,768	524,735	148,947
Current and other liabilities	1,731,183	1,206,858	1,170,520	677,436	2,901,703	1,884,294
Long-term debt	144,000	215,000	3,051,000	3,245,000	3,195,000	3,460,000
Total liabilities	1,875,183	1,421,858	4,221,520	3,922,436	6,096,703	5,344,294
Deferred inflows of resources	134,165	345,550	50,610	101,456	184,775	447,006
Net position:						
Net investment in capital assets	5,377,843	5,403,628	14,890,104	15,385,675	20,267,947	20,789,303
Restricted	277,901	147,157	-	-	277,901	147,157
Unrestricted	2,311,778	1,964,133	1,808,162	1,441,372	4,119,940	3,405,505
Total net position	\$ 7,967,522	\$ 7,514,918	\$ 16,698,266	\$ 16,827,047	\$ 24,665,788	\$ 24,341,965

Changes in net position

The Village's total revenues were \$6,112,196 in 2022 compared to \$6,205,285 in 2021. Property taxes account for 27 percent of the revenues, and another 28 percent of the Village's revenues comes from charges for services. State shared revenue accounts for only 9 percent of the Village's revenues. Approximately 20 percent of the total revenues came from capital grants and contributions in the current year.

The total cost of the Village's programs for 2022, covering a wide range of services, totaled \$5,788,373 compared to \$5,153,517 in 2021. Approximately 36 percent of the Village's total expenses relates to the provision of utility services. Public safety (police and fire protection) costs represent 19 percent of total costs, and public works costs represent another 17 percent of the total expenses.

Condensed financial information
Changes in net position

	Governmental activities		Business-type activities		Totals	
	2022	2021	2022	2021	2022	2021
Program revenues:						
Charges for services	\$ 158,538	\$ 74,990	\$ 1,544,566	\$ 1,384,057	\$ 1,703,104	\$ 1,459,047
Grants and contributions:						
Operating	512,981	502,988	-	-	512,981	502,988
Capital	-	607,894	1,229,091	1,219,992	1,229,091	1,827,886
General revenues:						
Property taxes	1,648,685	1,534,725	-	-	1,648,685	1,534,725
State shared revenue	555,673	506,255	-	-	555,673	506,255
Local community stabilization share	290,921	306,671	-	-	290,921	306,671
Other	113,255	62,714	58,486	4,999	171,741	67,713
Total revenues	<u>3,280,053</u>	<u>3,596,237</u>	<u>2,832,143</u>	<u>2,609,048</u>	<u>6,112,196</u>	<u>6,205,285</u>
Expenses:						
General government	552,294	584,692	-	-	552,294	584,692
Public safety	1,082,408	860,773	-	-	1,082,408	860,773
Public works	968,997	901,806	-	-	968,997	901,806
Recreation and culture	209,855	186,761	-	-	209,855	186,761
Community and economic development	6,511	6,032	-	-	6,511	6,032
Interest	7,384	9,079	-	-	7,384	9,079
Sewer	-	-	1,079,729	998,248	1,079,729	998,248
Water	-	-	1,003,901	876,121	1,003,901	876,121
Airport	-	-	877,294	730,005	877,294	730,005
Total expenses	<u>2,827,449</u>	<u>2,549,143</u>	<u>2,960,924</u>	<u>2,604,374</u>	<u>5,788,373</u>	<u>5,153,517</u>
Changes in net position	<u>\$ 452,604</u>	<u>\$ 1,047,094</u>	<u>\$ (128,781)</u>	<u>\$ 4,674</u>	<u>\$ 323,823</u>	<u>\$ 1,051,768</u>
Net position, end of year	<u>\$ 7,967,522</u>	<u>\$ 7,514,918</u>	<u>\$ 16,698,266</u>	<u>\$ 16,827,047</u>	<u>\$ 24,665,788</u>	<u>\$ 24,341,965</u>

Governmental activities

Governmental activities increased the Village's net position by \$452,604 in the current year compared to an increase of \$1,047,094 in the prior year. Revenues declined by \$316,184 and expenses increased by \$278,306, which caused a smaller increase in net position.

Revenues declined as substantial capital contributions, in the amount of \$607,894, were recognized in the prior year. The reduction in revenues was partially offset by a \$113,960 increase in property taxes, due to higher taxable values, and an \$83,548 increase in charges for services, due to a new arrangement related to code inspection services. Expenses increased primarily due to a \$221,635 increase in public safety costs, primarily related to code inspection services.

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 \$2,827,449. However, the amount that our taxpayers paid for these activities through general revenues was \$2,155,930. Some of the cost was paid by:

- Those who directly benefited from the programs (\$158,538), or
- Other governments provided support for operating costs (\$512,981)

The Village paid for the \$2,155,930 "public benefit" portion with \$2,608,534 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	\$ 1,082,408	\$ 998,256
General government	552,294	472,993
Public works	968,997	460,931
Other	<u>223,750</u>	<u>223,750</u>
Totals	<u>\$ 2,827,449</u>	<u>\$ 2,155,930</u>

Business-type activities

Business-type activities decreased the Village's net position by \$128,781 in the current year compared to an increase of \$4,674 in the prior year. Net position was reduced because expenses increased by \$356,550, primarily due to higher operating costs, though revenues increased by \$223,095.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental funds

As of December 31, 2022, the Village's governmental funds reported combined ending fund balances of \$3,534,144, an increase of \$597,586 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 \$3,256,243, which represents 92 percent of the combined ending fund balances of the Village's governmental funds. Fund balance increased by \$466,842 during the current year, as revenues of \$2,525,217 were more than sufficient to fund expenditures of \$2,058,375 in the current year.

The Major Street Fund experienced an increase in fund balance of \$97,688 in the current year as revenues of \$437,390 exceeded expenditures of \$339,702. Fund balance amounts to \$97,688 at year end.

The Local Street Fund experienced an increase in fund balance of \$33,056 in the current year as revenues of \$346,640 exceeded expenditures of \$313,584. Fund balance amounts to \$180,213 at year end.

Proprietary funds

The Sewer Fund experienced an operating loss of \$423,170, but its net position increased by \$243,415 due to capital contributions (debt service charges and connection fees) of \$758,790 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 \$315,734 in the current year. Unrestricted net position was \$1,646,112 at year end.

The Water Fund experienced an operating loss of \$515,948, but its net position only decreased by \$60,270 due to capital contributions (debt service charges and connection fees) of \$447,301 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 \$256,465 in the current year. Unrestricted net position was \$172,259 at year end.

The Airport Fund experienced an operating loss of \$357,402, as operating revenues were insufficient to cover all operating expenses, including depreciation, in the amount of \$307,728. The fund's net position only decreased by \$315,575 due to nonoperating revenues and capital contributions totaling \$41,827. Unrestricted net position was \$29,846 at year end.

General Fund budgetary highlights

The Village amended both the revenue and expenditure portions of the General Fund budget to reflect anticipated changes in the nature and extent of revenues and expenditures. Total revenues were increased by \$359,087, primarily to increase state grants by \$182,879, as state distributions were greater than expected. Total expenditures were increased by a net amount of \$125,058 during the year to reflect revised expectations for a variety of expenditure categories.

Actual revenues were \$12,737 less than budgeted, as all revenue categories approximated the final amended budget.

Actual expenditures were \$228,685 less than amounts appropriated as all expenditure functions were under budget.

These variances, along with a positive variance of \$180,019 associated with transfers out, resulted in a \$395,967 positive budget variance, as the fund balance increased by \$466,842 compared to a budgeted increase of \$70,875.

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, 2022, amounts to \$23,459,933 (net of accumulated depreciation). This investment includes a broad range of assets, including land, buildings, sewer and water facilities, streets, and equipment.

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Totals</i>
Infrastructure	\$ 4,640,677	\$ 13,990,028	\$ 18,630,705
Land	216,094	972,292	1,188,386
Land improvements	-	1,958,735	1,958,735
Buildings and improvements	375,847	797,524	1,173,371
Vehicles and equipment	<u>286,211</u>	<u>222,525</u>	<u>508,736</u>
Totals	<u>\$ 5,518,829</u>	<u>\$ 17,941,104</u>	<u>\$ 23,459,933</u>

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

- Street improvements were made at a cost of \$161,104
- Union street bridge improvements were made at a cost of \$84,529
- Parking lot improvements were made at a cost of \$69,009
- A Bobcat was acquired for \$57,100
- A Chevy Tahoe was purchased for the Police Department for \$39,223
- Sewer system improvements were made at a cost of \$98,583
- Water system improvements were made at a cost of \$53,070
- Airport improvements were made at a cost of \$38,703

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 payable outstanding, in the amount of \$3,195,000, which represents a decrease of \$265,000, that relates entirely to timely principal payments. No new debt was issued. All debt is backed by the full faith and credit of the Village or specific revenue streams.

Other noncurrent liabilities include a net pension liability (\$1,946,501), an other postemployment benefit liability (\$76,558), and accrued compensated absences (\$90,720).

More detailed information about the Village's long-term debt is presented in Note 8 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 the current fund balances to be maintained. The Village plans to maintain all ongoing programs in 2023 at levels similar to 2022. 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:

James Lower, Village Manager
Village of Sparta
156 East Division
Sparta, MI 49345-1389

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

BASIC FINANCIAL STATEMENTS

STATEMENT OF NET POSITION

December 31, 2022

	Primary government			Component unit
	Governmental activities	Business-type activities	Totals	Downtown Development Authority
ASSETS				
Current assets:				
Cash	\$ 14,862	\$ 21,332	\$ 36,194	\$ 1
Investments	3,664,602	2,585,159	6,249,761	119,064
Receivables	198,649	292,809	491,458	49,604
Prepaid expenses	42,185	24,559	66,744	20,707
Inventory	-	17,435	17,435	-
Internal balances	40,055	(40,055)	-	-
Total current assets	3,960,353	2,901,239	6,861,592	189,376
Noncurrent assets:				
Advance to component unit	101,006	-	101,006	-
Capital assets not being depreciated	216,094	972,292	1,188,386	115,549
Capital assets being depreciated, net	5,302,735	16,968,812	22,271,547	238,615
Total noncurrent assets	5,619,835	17,941,104	23,560,939	354,164
Total assets	9,580,188	20,842,343	30,422,531	543,540
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts - pension	393,203	125,783	518,986	9,513
Deferred amounts - OPEB	465	180	645	49
Deferred amount on bond refunding, net	3,014	2,090	5,104	-
Total deferred outflows of resources	396,682	128,053	524,735	9,562
LIABILITIES				
Current liabilities:				
Payables	95,266	98,853	194,119	7,636
Unearned revenue	15,300	578,505	593,805	-
Bonds payable due within one year	71,000	199,000	270,000	-
Total current liabilities	181,566	876,358	1,057,924	7,636
Noncurrent liabilities:				
Advance from primary government	-	-	-	101,006
Compensated absences	90,720	-	90,720	-
Other postemployment benefit liability	55,155	21,403	76,558	5,762
Net pension liability	1,474,742	471,759	1,946,501	35,679
Bonds payable	73,000	2,852,000	2,925,000	-
Total noncurrent liabilities	1,693,617	3,345,162	5,038,779	142,447
Total liabilities	1,875,183	4,221,520	6,096,703	150,083
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts - pension	21,336	6,826	28,162	516
Deferred amounts - OPEB	112,829	43,784	156,613	11,788
Total deferred inflows of resources	134,165	50,610	184,775	12,304
NET POSITION				
Net investment in capital assets	5,377,843	14,890,104	20,267,947	253,158
Restricted for public works	277,901	-	277,901	-
Unrestricted	2,311,778	1,808,162	4,119,940	137,557
Total net position	\$ 7,967,522	\$ 16,698,266	\$ 24,665,788	\$ 390,715

See notes to financial statements

STATEMENT OF ACTIVITIES

Year ended December 31, 2022

Functions/Programs					Net (expenses) revenues and changes in net position			
	Program revenues				Primary government		Component unit	
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Governmental activities	Business-type activities	Totals	Downtown Development Authority
Governmental activities:								
General government	\$ 552,294	\$ 79,301	\$ -	\$ -	\$ (472,993)		\$ (472,993)	
Public safety	1,082,408	79,237	4,915	-	(998,256)		(998,256)	
Public works	968,997	-	508,066	-	(460,931)		(460,931)	
Recreation and culture	209,855	-	-	-	(209,855)		(209,855)	
Community and economic development	6,511	-	-	-	(6,511)		(6,511)	
Interest on long-term debt	7,384	-	-	-	(7,384)		(7,384)	
Total governmental activities	<u>2,827,449</u>	<u>158,538</u>	<u>512,981</u>	<u>-</u>	<u>(2,155,930)</u>		<u>(2,155,930)</u>	
Business-type activities:								
Sewer	1,079,729	536,435	-	758,790		\$ 215,496	215,496	
Water	1,003,901	487,857	-	447,301		(68,743)	(68,743)	
Airport	877,294	520,274	-	23,000		(334,020)	(334,020)	
Total business-type activities	<u>2,960,924</u>	<u>1,544,566</u>	<u>-</u>	<u>1,229,091</u>		<u>(187,267)</u>	<u>(187,267)</u>	
Total primary government	<u>\$ 5,788,373</u>	<u>\$ 1,703,104</u>	<u>\$ 512,981</u>	<u>\$ 1,229,091</u>	<u>(2,155,930)</u>	<u>(187,267)</u>	<u>(2,343,197)</u>	
Component unit:								
Downtown Development Authority	<u>\$ 270,350</u>	<u>\$ -</u>	<u>\$ 4,000</u>	<u>\$ -</u>				<u>\$ (266,350)</u>
General revenues:								
Property taxes					1,648,685	-	1,648,685	292,899
State shared revenue					555,673	-	555,673	-
Local community stabilization share revenue					290,921	-	290,921	-
Franchise fees					50,886	-	50,886	-
Unrestricted interest income					56,369	41,907	98,276	2,545
Insurance recoveries					6,000	16,579	22,579	-
Total general revenues					<u>2,608,534</u>	<u>58,486</u>	<u>2,667,020</u>	<u>295,444</u>
Changes in net position					452,604	(128,781)	323,823	29,094
Net position - beginning					<u>7,514,918</u>	<u>16,827,047</u>	<u>24,341,965</u>	<u>361,621</u>
Net position - ending					<u>\$ 7,967,522</u>	<u>\$ 16,698,266</u>	<u>\$ 24,665,788</u>	<u>\$ 390,715</u>

See notes to financial statements

BALANCE SHEET - governmental funds

December 31, 2022

	<u>Special revenue funds</u>			<u>Total governmental funds</u>
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	
ASSETS				
Cash	\$ 10,306	\$ 1,500	\$ 3,055	\$ 14,861
Investments	3,103,986	40,639	161,452	3,306,077
Receivables	110,178	63,339	25,132	198,649
Prepaid expenditures	18,885	-	-	18,885
Long-term advance to component unit	101,006	-	-	101,006
Total assets	\$ 3,344,361	\$ 105,478	\$ 189,639	\$ 3,639,478
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 72,818	\$ 7,790	\$ 9,426	\$ 90,034
Unearned revenue	15,300	-	-	15,300
Total liabilities	88,118	7,790	9,426	105,334
Fund balances:				
Nonspendable:				
Long-term advance to component unit	101,006	-	-	101,006
Prepays	18,885	-	-	18,885
Restricted for public works	-	97,688	180,213	277,901
Unassigned	3,136,352	-	-	3,136,352
Total fund balances	3,256,243	97,688	180,213	3,534,144
Total liabilities and fund balances	\$ 3,344,361	\$ 105,478	\$ 189,639	\$ 3,639,478
Reconciliation of the balance sheet to the statement of net position:				
Total fund balance - total governmental funds				\$ 3,534,144
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.				
				5,317,633
Some assets are not available to pay current period expenditures and, therefore, are deferred or are not recognized in the funds:				
Prepaid expenses				21,700
Deferred amount on bond refunding				3,014
Interest payable, related to noncurrent liabilities, is not due and payable in the current period and, therefore, is not reported in the funds.				
				(700)
Deferred outflows of resources and deferred inflows of resources, related to the pension and OPEB plans, relate to future years, and are not reported in the funds:				
Deferred outflows of resources - pension				393,203
Deferred outflows of resources - OPEB				465
Deferred inflows of resources - pension				(21,336)
Deferred inflows of resources - OPEB				(112,829)
Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds:				
Bond payable				(144,000)
Compensated absences				(90,720)
Net pension liability				(1,474,742)
Other postemployment benefit liability				(55,155)
Certain assets and liabilities of the internal service fund are included in <i>governmental activities</i> in the statement of net position.				
				596,845
Net position of <i>governmental activities</i>				\$ 7,967,522

See notes to financial statements

Village of Sparta

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

Year ended December 31, 2022

	<u>General</u>	<u>Special revenue funds</u>		<u>Total governmental funds</u>
		<u>Major Street</u>	<u>Local Street</u>	
REVENUES				
Property taxes	\$ 1,377,046	\$ 67,907	\$ 203,732	\$ 1,648,685
Licenses and permits	55,801	-	-	55,801
State grants	846,594	368,230	139,836	1,354,660
Charges for services	122,505	-	-	122,505
Fines and forfeitures	5,083	-	-	5,083
Interest and rentals	77,366	1,253	3,072	81,691
Other	40,822	-	-	40,822
	<u>2,525,217</u>	<u>437,390</u>	<u>346,640</u>	<u>3,309,247</u>
Total revenues				
EXPENDITURES				
Current:				
General government	557,645	-	-	557,645
Public safety	986,562	-	-	986,562
Public works	167,633	262,524	313,584	743,741
Recreation and culture	181,789	-	-	181,789
Community and economic development	6,511	-	-	6,511
Capital outlay	158,235	-	-	158,235
Debt service:				
Principal	-	71,000	-	71,000
Interest	-	6,178	-	6,178
	<u>2,058,375</u>	<u>339,702</u>	<u>313,584</u>	<u>2,711,661</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	466,842	97,688	33,056	597,586
FUND BALANCES - BEGINNING	<u>2,789,401</u>	<u>-</u>	<u>147,157</u>	<u>2,936,558</u>
FUND BALANCES - ENDING	<u>\$ 3,256,243</u>	<u>\$ 97,688</u>	<u>\$ 180,213</u>	<u>\$ 3,534,144</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, 2022

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) \$ 597,586

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

Capital assets:

Add - assets acquired 374,793
Deduct - provision for depreciation (500,444)

Long-term debt:

Add - principal repayments 71,000

Changes in other assets/liabilities:

Net increase in prepaid insurance 1,000
Net decrease in accrued interest payable 300
Net increase in compensated absences (2,425)
Net increase in net pension liability (733,081)
Net decrease in other postemployment benefit liability 109,452

Changes in deferred outflows and deferred inflows of resources:

Net decrease in deferred outflows of resources - bond refunding (1,506)
Net decrease in deferred outflows of resources - pension (30,525)
Net decrease in deferred outflows of resources - OPEB (63)
Net decrease in deferred inflows of resources - pension 619,308
Net increase in deferred inflows of resources - OPEB (93,326)

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

40,535

Change in net position of *governmental activities* \$ 452,604

See notes to financial statements

STATEMENT OF NET POSITION - proprietary funds

December 31, 2022

	<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>	
ASSETS					
Current assets:					
Cash	\$ 11,284	\$ 6,581	\$ 3,467	\$ 21,332	\$ 1
Investments	1,797,477	648,959	138,723	2,585,159	358,525
Receivables	184,204	104,557	4,048	292,809	-
Prepaid expenses	2,700	7,911	13,948	24,559	1,600
Inventory	-	-	17,435	17,435	-
Total current assets	<u>1,995,665</u>	<u>768,008</u>	<u>177,621</u>	<u>2,941,294</u>	<u>360,126</u>
Noncurrent assets:					
Capital assets not being depreciated	-	73,386	898,906	972,292	-
Capital assets being depreciated, net	<u>7,553,772</u>	<u>6,609,526</u>	<u>2,805,514</u>	<u>16,968,812</u>	<u>201,196</u>
Total noncurrent assets	<u>7,553,772</u>	<u>6,682,912</u>	<u>3,704,420</u>	<u>17,941,104</u>	<u>201,196</u>
Total assets	<u>9,549,437</u>	<u>7,450,920</u>	<u>3,882,041</u>	<u>20,882,398</u>	<u>561,322</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts - pension	23,254	102,529	-	125,783	-
Deferred amounts - OPEB	-	180	-	180	-
Deferred amount on bond refunding, net	<u>970</u>	<u>1,120</u>	<u>-</u>	<u>2,090</u>	<u>-</u>
Total deferred outflows of resources	<u>24,224</u>	<u>103,829</u>	<u>-</u>	<u>128,053</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Payables	54,156	13,141	31,556	98,853	4,532
Unearned revenue	231,143	231,143	116,219	578,505	-
Bonds payable due within one year	<u>173,000</u>	<u>26,000</u>	<u>-</u>	<u>199,000</u>	<u>-</u>
Total current liabilities	<u>458,299</u>	<u>270,284</u>	<u>147,775</u>	<u>876,358</u>	<u>4,532</u>
Noncurrent liabilities:					
Other postemployment benefit liability	-	21,403	-	21,403	-
Net pension liability	87,216	384,543	-	471,759	-
Bonds payable	<u>2,823,000</u>	<u>29,000</u>	<u>-</u>	<u>2,852,000</u>	<u>-</u>
Total noncurrent liabilities	<u>2,910,216</u>	<u>434,946</u>	<u>-</u>	<u>3,345,162</u>	<u>-</u>
Total liabilities	<u>3,368,515</u>	<u>705,230</u>	<u>147,775</u>	<u>4,221,520</u>	<u>4,532</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred amounts - pension	1,262	5,564	-	6,826	-
Deferred amounts - OPEB	<u>-</u>	<u>43,784</u>	<u>-</u>	<u>43,784</u>	<u>-</u>
Total deferred inflows of resources	<u>1,262</u>	<u>49,348</u>	<u>-</u>	<u>50,610</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	4,557,772	6,627,912	3,704,420	14,890,104	201,196
Unrestricted	<u>1,646,112</u>	<u>172,259</u>	<u>29,846</u>	<u>1,848,217</u>	<u>355,594</u>
Total net position	<u>\$ 6,203,884</u>	<u>\$ 6,800,171</u>	<u>\$ 3,734,266</u>	16,738,321	<u>\$ 556,790</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				(40,055)	
Net position of <i>business-type activities</i> (page 14)				<u>\$ 16,698,266</u>	

See notes to financial statements

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

Year ended December 31, 2022

	<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 service</i>
OPERATING REVENUES					
Charges for services:					
Utility commodity charges	\$ 535,426	\$ 449,912	\$ -	\$ 985,338	\$ -
Rentals	-	34,908	150,720	185,628	167,540
Fuel sales	-	-	363,587	363,587	-
Other	1,009	3,037	5,967	10,013	7,320
Total operating revenues	536,435	487,857	520,274	1,544,566	174,860
OPERATING EXPENSES					
Personnel costs	90,984	347,902	67,494	506,380	-
Gas and oil	6,877	14,238	321,989	343,104	18,412
Supplies	83,272	102,363	10,903	196,538	5,263
Contracted services	319,410	122,475	76,326	518,211	338
Insurance	10,304	13,945	13,089	37,338	9,287
Utilities	102,113	61,447	18,483	182,043	-
Repairs and maintenance	27,356	65,332	57,127	149,815	43,130
Internal charges - equipment rentals	3,331	14,812	416	18,559	-
Depreciation	315,734	256,465	307,728	879,927	65,310
Miscellaneous	224	4,826	4,121	9,171	180
Total operating expenses	959,605	1,003,805	877,676	2,841,086	141,920
OPERATING INCOME (LOSS)	(423,170)	(515,948)	(357,402)	(1,296,520)	32,940
NONOPERATING REVENUES (EXPENSES)					
Gain (loss) on disposition of capital assets	-	-	-	-	(384)
Insurance recoveries	-	-	16,579	16,579	6,000
Interest revenue	29,017	10,642	2,248	41,907	5,628
Interest expense and fees	(121,222)	(2,265)	-	(123,487)	-
Net nonoperating revenues (expenses)	(92,205)	8,377	18,827	(65,001)	11,244
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(515,375)	(507,571)	(338,575)	(1,361,521)	44,184
CAPITAL CONTRIBUTIONS					
Capital grant	-	-	23,000	23,000	-
Debt service charges	729,790	416,501	-	1,146,291	-
Connection fees	29,000	30,800	-	59,800	-
Total capital contributions	758,790	447,301	23,000	1,229,091	-
CHANGES IN NET POSITION	243,415	(60,270)	(315,575)	(132,430)	44,184
NET POSITION - BEGINNING	5,960,469	6,860,441	4,049,841	16,870,751	512,606
NET POSITION - ENDING	\$ 6,203,884	\$ 6,800,171	\$ 3,734,266	\$ 16,738,321	\$ 556,790
Change in net position				\$ (132,430)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				3,649	
Change in net position of <i>business-type activities</i> (page 15)				\$ (128,781)	

STATEMENT OF CASH FLOWS - proprietary funds

Year ended December 31, 2022

	<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	\$ 500,692	\$ 462,021	\$ 529,415	\$ 1,492,128	\$ -
Receipts from interfund services	-	-	-	-	174,860
Payments to vendors and suppliers	(583,739)	(486,039)	(485,218)	(1,554,996)	(76,337)
Payments to employees	(30,139)	(195,767)	(56,316)	(282,222)	-
Internal activity - payments to other funds	(3,331)	(14,812)	(416)	(18,559)	-
Net cash provided by (used in) operating activities	(116,517)	(234,597)	(12,535)	(363,649)	98,523
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Debt service charges	729,790	416,501	-	1,146,291	-
Capital grants	116,034	116,034	23,000	255,068	-
Connection fees	29,000	30,800	-	59,800	-
Insurance recoveries	-	-	16,579	16,579	6,000
Acquisition of capital assets	(98,583)	(53,070)	(38,703)	(190,356)	(96,066)
Principal payments on capital debt	(168,000)	(26,000)	-	(194,000)	-
Interest payments on capital debt	(120,837)	(2,303)	-	(123,140)	-
Net cash provided by (used in) capital and related financing activities	487,404	481,962	876	970,242	(90,066)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	(1,797,477)	(648,959)	(138,723)	(2,585,159)	(358,525)
Interest received	29,017	10,642	2,248	41,907	5,628
Net cash provided by (used in) investing activities	(1,768,460)	(638,317)	(136,475)	(2,543,252)	(352,897)
NET CHANGE IN CASH	(1,397,573)	(390,952)	(148,134)	(1,936,659)	(344,440)
CASH - BEGINNING	1,408,857	397,533	151,601	1,957,991	344,441
CASH - ENDING	\$ 11,284	\$ 6,581	\$ 3,467	\$ 21,332	\$ 1

Village of Sparta

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended December 31, 2022

	<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>	
Reconciliation of operating income (loss) to net cash provided by (used in) operating activities					
Operating income (loss)	\$ (423,170)	\$ (515,948)	\$ (357,402)	\$ (1,296,520)	\$ 32,940
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	315,734	256,465	307,728	879,927	65,310
(Increase) decrease in:					
Receivables	(35,743)	(25,836)	(1,924)	(63,503)	-
Prepaid expenses	-	(1,511)	(13,948)	(15,459)	-
Inventory	-	-	15,368	15,368	-
Deferred outflows of resources - pension	(18,397)	(75,960)	-	(94,357)	-
Deferred outflows of resources - OPEB	-	25	-	25	-
Increase (decrease) in:					
Payables	4,097	4,259	26,578	34,934	273
Unearned revenue	-	-	11,065	11,065	-
Other postemployment benefit liability	-	(42,475)	-	(42,475)	-
Net pension liability	54,210	203,982	-	258,192	-
Deferred inflows of resources - pension	(13,248)	(73,814)	-	(87,062)	-
Deferred inflows of resources - OPEB	-	36,216	-	36,216	-
Net cash provided by (used in) operating activities	<u>\$ (116,517)</u>	<u>\$ (234,597)</u>	<u>\$ (12,535)</u>	<u>\$ (363,649)</u>	<u>\$ 98,523</u>

See notes to financial statements

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. Separate financial statements for 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.

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.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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 allocated state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the Village's major streets.

The Local Street Fund, a special revenue fund, accounts for allocated state gas and weight tax revenues that are restricted for expenditures related to maintaining and improving the Village's local streets.

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.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and equity:

Cash - 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. Pooled interest income is proportionately allocated to all funds.

Investments - Investments are reported at fair value, with changes in value recognized in the operating statement of the fund holding the investments. Realized and unrealized gains and losses are included in interest income.

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 fund financial statements and the government-wide financial statements.

Capital assets - Capital assets, which include land, buildings, 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

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 three items in this category: a deferred amount arising from the refunding of bonds in a previous year, deferred amounts relating to the defined benefit pension plan, and deferred amounts relating to the OPEB 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 9, and the deferred outflows, related to the OPEB 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 land leases where resources have been received, but not yet earned. The Sewer and Water funds, proprietary funds, both report unearned revenue in connection with a federal grant where resources have been received, but not yet earned.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Assets, deferred outflows of resources, liabilities, deferred inflows of resources, and 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.

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.

Pension - For purposes of measuring the net pension liability, deferred outflows of resources, deferred inflows 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. The Village and its defined pension plan share the same year-end date. Accordingly, the Village has elected to measure its net pension liability as of the prior December 31.

Deferred inflows of resources - 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: deferred amounts relating to the defined benefit pension plan and deferred amounts relating to the OPEB plan. The deferred inflows of resources, related to the defined benefit pension plan, are discussed in Note 9 and the deferred inflows of resources, related to the OPEB plan, are discussed in Note 10.

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.

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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. The Village's 2022 ad valorem tax was levied and collectible on July 1, 2022. 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. No significant negative budget variances occurred during the current year.

NOTE 3 - CASH AND INVESTMENTS

At December 31, 2022, cash and investments are classified in the accompanying financial statements as follows:

	<i>Governmental activities</i>	<i>Business-type activities</i>	<i>Total primary government</i>	<i>Component unit</i>	<i>Totals</i>
Cash	\$ 14,687	\$ 21,332	\$ 36,019	\$ 1	\$ 36,020
Cash on hand	175	-	175	-	175
Investments	<u>3,664,602</u>	<u>2,585,159</u>	<u>6,249,761</u>	<u>119,064</u>	<u>6,368,825</u>
Totals	<u>3,679,464</u>	<u>2,606,491</u>	<u>6,285,955</u>	<u>119,065</u>	<u>6,405,020</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, 2022, none of the Village’s bank balances of \$103,245 was exposed to custodial credit risk because it was fully insured. 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.

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 rated within the two (2) highest rate classifications, which mature not more than 270 days after the date of purchase; c) repurchase agreements, collateralized by U.S. governmental securities; d) bankers' acceptances; e) mutual funds composed of otherwise legal investments; and f) investment pools organized under the local government investment pool act. The Village’s investment policy does not address credit risk or interest rate risk for investments.

Investments in entities that calculate net asset value per share - The Village holds shares in an investment pool where the fair value of the investment is measured on a recurring basis using net asset value per share of the investment pool as a practical expedient. At December 31, 2022, the fair value, unfunded commitments, and redemption rules of that investment is as follows:

	<u>Michigan CLASS Pool</u>
Fair value at December 31, 2022	\$ 6,368,825
Unfunded commitments	none
Redemption frequency	n/a
Notice period	none

The Michigan CLASS investment Pool invests in U.S. Treasury obligations, federal agency obligations of the U.S. government, high-grade commercial paper (rated 'A-1' or better), collateralized bank deposits, repurchase agreements (collateralized at 102% by treasury agencies), and approved money market funds. The program is designed to meet the needs of Michigan public sector investors. The Pool purchases securities that are legally permissible under state statutes and are available for investment by Michigan counties, cities, townships, school districts, authorities, and other public agencies.

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 investment pool was measured at net asset value (or its equivalent) as a practical expedient and, accordingly, has not been classified in the fair value hierarchy.

NOTE 4 - RECEIVABLES

Receivables as of December 31, 2022, 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>Intergovern- mental</u>	<u>Totals</u>
Primary government:				
Governmental:				
General	\$ 17,896	\$ -	\$ 92,282	\$ 110,178
Major Street	-	-	63,339	63,339
Local Street	-	-	25,132	25,132
Total governmental	<u>\$ 17,896</u>	<u>\$ -</u>	<u>\$ 180,753</u>	<u>\$ 198,649</u>
Proprietary:				
Enterprise:				
Sewer	\$ 169,067	\$ -	\$ 15,137	\$ 184,204
Water	104,557	-	-	104,557
Airport	4,048	-	-	4,048
Total enterprise	<u>\$ 277,672</u>	<u>\$ -</u>	<u>\$ 15,137</u>	<u>\$ 292,809</u>
Component unit:				
Downtown Development Authority	<u>\$ -</u>	<u>\$ 49,604</u>	<u>\$ -</u>	<u>\$ 49,604</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2022, 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
Equipment	590,199	69,438	(31,200)	628,437
Vehicles	656,104	60,966	-	717,070
Streets	<u>9,518,491</u>	<u>340,455</u>	<u>-</u>	<u>9,858,946</u>
Subtotal	<u>11,471,776</u>	<u>470,859</u>	<u>(31,200)</u>	<u>11,911,435</u>
Less accumulated depreciation for:				
Buildings	(313,334)	(17,801)	-	(331,135)
Equipment	(468,168)	(26,730)	30,816	(464,082)
Vehicles	(544,558)	(50,656)	-	(595,214)
Streets	<u>(4,747,702)</u>	<u>(470,567)</u>	<u>-</u>	<u>(5,218,269)</u>
Subtotal	<u>(6,073,762)</u>	<u>(565,754)</u>	<u>30,816</u>	<u>(6,608,700)</u>
Total capital assets being depreciated, net	<u>5,398,014</u>	<u>(94,895)</u>	<u>(384)</u>	<u>5,302,735</u>
Governmental activities capital assets, net	<u>\$ 5,614,108</u>	<u>\$ (94,895)</u>	<u>\$ (384)</u>	<u>\$ 5,518,829</u>

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

Governmental activities:	
General government	\$ 7,233
Public safety	12,083
Public works	470,567
Recreation and culture	10,561
Depreciation on capital assets held by internal service fund	<u>65,310</u>
Total governmental activities	<u>\$ 565,754</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Business-type activities:				
Capital assets not being depreciated -				
land	\$ 972,292	\$ -	\$ -	\$ 972,292
Capital assets being depreciated:				
Sewer system	13,361,395	-	-	13,361,395
Water system	11,811,042	53,070	-	11,864,112
Land improvements	4,836,834	-	-	4,836,834
Buildings	1,471,473	38,703	-	1,510,176
Vehicles and equipment	626,150	98,583	-	724,733
Subtotal	<u>32,106,894</u>	<u>190,356</u>	<u>-</u>	<u>32,297,250</u>
Less accumulated depreciation for:				
Sewer system	(5,630,224)	(307,133)	-	(5,937,357)
Water system	(5,046,150)	(251,972)	-	(5,298,122)
Land improvements	(2,641,039)	(237,060)	-	(2,878,099)
Buildings	(654,834)	(57,818)	-	(712,652)
Vehicles and equipment	(476,264)	(25,944)	-	(502,208)
Subtotal	<u>(14,448,511)</u>	<u>(879,927)</u>	<u>-</u>	<u>(15,328,438)</u>
Total capital assets being depreciated, net	<u>17,658,383</u>	<u>(689,571)</u>	<u>-</u>	<u>16,968,812</u>
Business-type activities capital assets, net	<u>\$ 18,630,675</u>	<u>\$ (689,571)</u>	<u>\$ -</u>	<u>\$ 17,941,104</u>

NOTE 5 - CAPITAL ASSETS (Continued)

	<i>Beginning balance</i>	<i>Increases</i>	<i>Decreases</i>	<i>Ending balance</i>
Component unit - Downtown Development Authority:				
Capital assets not being depreciated - land	\$ 115,549	\$ -	\$ -	\$ 115,549
Capital assets being depreciated -				
Buildings	173,830	-	-	173,830
Equipment	9,980	-	-	9,980
Infrastructure	<u>125,304</u>	<u>-</u>	<u>-</u>	<u>125,304</u>
Subtotal	<u>309,114</u>	<u>-</u>	<u>-</u>	<u>309,114</u>
Less accumulated depreciation for -				
Buildings	(21,437)	(7,327)	-	(28,764)
Equipment	(1,217)	(998)	-	(2,215)
Infrastructure	<u>(35,112)</u>	<u>(4,408)</u>	<u>-</u>	<u>(39,520)</u>
Subtotal	<u>(57,766)</u>	<u>(12,733)</u>	<u>-</u>	<u>(70,499)</u>
Total capital assets being depreciated, net	<u>251,348</u>	<u>(12,733)</u>	<u>-</u>	<u>238,615</u>
Component unit capital assets, net	<u>\$ 366,897</u>	<u>\$ (12,733)</u>	<u>\$ -</u>	<u>\$ 354,164</u>

NOTE 6 - PAYABLES

Payables as of December 31, 2022, 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	\$ 44,058	\$ 28,760	\$ -	\$ 72,818
Major Street	3,942	3,848	-	7,790
Local Street	<u>5,894</u>	<u>3,532</u>	<u>-</u>	<u>9,426</u>
Total governmental	<u>\$ 53,894</u>	<u>\$ 36,140</u>	<u>\$ -</u>	<u>\$ 90,034</u>
Proprietary:				
Enterprise:				
Sewer	\$ 22,741	\$ 1,515	\$ 29,900	\$ 54,156
Water	5,693	7,148	300	13,141
Airport	<u>29,834</u>	<u>1,722</u>	<u>-</u>	<u>31,556</u>
Total enterprise	<u>\$ 58,268</u>	<u>\$ 10,385</u>	<u>\$ 30,200</u>	<u>\$ 98,853</u>
Internal Service	<u>\$ 4,532</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,532</u>
Component unit:				
Downtown Development Authority	<u>\$ 3,860</u>	<u>\$ 3,776</u>	<u>\$ -</u>	<u>\$ 7,636</u>

NOTE 7 - ADVANCE TO COMPONENT UNIT

The General Fund advanced \$101,006 to the Downtown Development Authority to redevelop property. The loan is to be repaid over five years with interest at 3.5%.

NOTE 8 - LONG-TERM DEBT

At December 31, 2022, 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	\$ 144,000
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Accrued compensated absences	<u>90,720</u>
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Total governmental activities	<u><u>\$ 234,720</u></u>
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Business-type activities:

Bonds:

\$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	\$ 101,000
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\$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>2,950,000</u>
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Total business-type activities	<u><u>\$ 3,051,000</u></u>
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For the governmental activities, compensated absences are generally liquidated by the General Fund.

The debt issues the business-type activities are secured by specific revenue streams. All other debt is secured by the full faith and credit of the Village. All outstanding debt of the Village is direct borrowing or direct placement debt.

NOTES TO FINANCIAL STATEMENTS (Continued)

NOTE 8 - LONG-TERM DEBT (Continued)

Long-term debt activity for the year ended December 31, 2022, 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	\$ 215,000	\$ -	\$ (71,000)	\$ 144,000	\$ 71,000
Compensated absences	88,295	129,181	(126,756)	90,720	-
Total governmental activities	<u>\$ 303,295</u>	<u>\$ 129,181</u>	<u>\$ (197,756)</u>	<u>\$ 234,720</u>	<u>\$ 71,000</u>
Business-type activities:					
2014 Refunding bonds	\$ 150,000	\$ -	\$ (49,000)	\$ 101,000	\$ 49,000
2018 Sewer refunding bonds	3,095,000	-	(145,000)	2,950,000	150,000
Total business-type activities	<u>\$ 3,245,000</u>	<u>\$ -</u>	<u>\$ (194,000)</u>	<u>\$ 3,051,000</u>	<u>\$ 199,000</u>

At December 31, 2022, debt service requirements, excluding compensated absences, were as follows:

<u>Year ended December 31,</u>	<u>Governmental activities</u>		<u>Business-type activities</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2023	\$ 71,000	\$ 4,230	\$ 199,000	\$ 116,220
2024	73,000	2,214	207,000	109,058
2025	-	-	160,000	101,568
2026	-	-	165,000	95,424
2027	-	-	175,000	89,088
2028 - 2032	-	-	970,000	340,224
2033 - 2037	-	-	1,175,000	139,200
Totals	<u>\$ 144,000</u>	<u>\$ 6,444</u>	<u>\$ 3,051,000</u>	<u>\$ 990,782</u>

NOTE 9 - 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. The plan is closed to new participants.

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 five-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. 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, 2021, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	13
Inactive employees entitled to but not yet receiving benefits	7
Active employees	<u>12</u>
 Total	 <u><u>32</u></u>

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, 2022, Village contributed a flat rate of \$12,192 each month for a total of \$146,304 to the plan, while employees contributed \$35,007.

Net pension liability:

The Village’s net pension liability reported at December 31, 2022, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2021. The total pension liability was determined by an annual actuarial valuation as of December 31, 2021.

Actuarial assumptions:

The total pension liability in the December 31, 2021, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Inflation	2.50%	
Salary increases	3.00%	in the long term
Investment rate of return	7.00%	net investment expense, including inflation

NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

Mortality rates were based on a 50 percent male, 50 percent female blend of the Pub-2010 fully generational MP-2019 scale.

The actuarial assumptions used in the December 31, 2021, valuation were based on the results of the actuarial experience studies from 2014 to 2018, and dated 2020, which is the most recent actuarial experience study.

Assumption changes:

The assumed investment rate of return decreased from 7.35% to 7.00%.

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>	<u>Expected money-weighted rate of return</u>
Global equity	60.00%	4.50%	2.70%
Global fixed income	20.00%	2.00%	0.40%
Private investments	<u>20.00%</u>	7.00%	1.40%
	<u>100.00%</u>		
Inflation			2.50%
Administrative expenses			<u>0.25%</u>
Investment rate of return			<u>7.25%</u>

Discount rate:

The discount rate used to measure the total pension liability is 7.25% for 2022. 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.

NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

Changes in net pension liability:

	<i>Increase (decrease)</i>		
	<i>Total pension liability</i>	<i>Plan fiduciary net position</i>	<i>Net pension liability</i>
	<i>(a)</i>	<i>(b)</i>	<i>(a) - (b)</i>
Balances at December 31, 2021	\$ 5,970,865	\$ 5,000,105	\$ 970,760
Changes for the year:			
Service cost	49,634	-	49,634
Interest	445,990	-	445,990
Differences between expected and actual experience	(57,357)	-	(57,357)
Changes in assumptions	211,308		211,308
Employer contributions	-	146,304	(146,304)
Employee contributions	-	35,007	(35,007)
Net investment loss	-	(520,769)	520,769
Benefit payments, including refunds	(284,790)	(284,790)	-
Administrative expenses	-	(9,221)	9,221
Other changes	13,166	-	13,166
Net changes	377,951	(633,469)	1,011,420
Balances at December 31, 2022	\$ 6,348,816	\$ 4,366,636	\$ 1,982,180

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

The following presents the net pension liability of the Village, calculated using the discount rate of 7.25%, as well as what the Village's net pension liability would be using a discount rate that is 1 percentage point lower (6.25%) or 1 percentage point higher (8.25%) than the current rate.

	<i>1% Decrease (6.25%)</i>	<i>Current rate (7.25%)</i>	<i>1% Increase (8.25%)</i>
Village's net pension liability	\$ 2,664,535	\$ 1,982,180	\$ 1,410,007

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.

NOTE 9 - DEFINED BENEFIT PENSION PLAN (Continued)

Pension expense and deferred outflows of resources related to pensions:

For the fiscal year ended December 31, 2022, the Village recognized pension expense of \$373,895. At December 31, 2022, the Village reported deferred outflows of resources and deferred inflows of resources, related to the pension plan, 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	\$ 422,845	\$ -
Changes in assumptions	105,654	-
Difference between expected and actual experience	<u>-</u>	<u>28,678</u>
Total	<u>\$ 528,499</u>	<u>\$ 28,678</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>
2023	\$ 146,880	\$ 28,678
2024	81,372	-
2025	120,949	-
2026	<u>179,298</u>	<u>-</u>
	<u>\$ 528,499</u>	<u>\$ 28,678</u>

NOTE 10 - 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 10 - 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 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, 2022, Plan membership consisted of the following:

Inactive participants receiving benefits	-
Active participants	<u>8</u>
Total participants	<u><u>8</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, 2022, the Village contributed \$ -0- to the Plan.

Net OPEB liability:

The total OPEB liability was determined by a valuation as of December 31, 2022, using the following actuarial assumptions:

Inflation	N/A; plan is not pre-funded
Salary increases	3.00%
Investment rate of return	N/A; plan is not pre-funded
20-year Aa Municipal bond rate	4.31%
Mortality	Public General 2010 Employee and Healthy Retiree, Headcount weighted

The discount rate used to measure the total OPEB liability was 4.31%. 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, therefore, benefit payments are discounted at a discount rate reflecting a 20-year AA/Aa tax-exempt municipal bond yield. This discount rate is used to determine the total OPEB liability. The discount rate used for the December 31, 2022, liability was 2.25%.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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, 2021	\$ 245,683	\$ -	\$ 245,683
Changes for the year:			
Service cost	6,729	-	6,729
Interest	5,679	-	5,679
Differences between expected and actual experience	(167,544)	-	(167,544)
Change in assumptions	(8,227)	-	(8,227)
Net changes	(163,363)	-	(163,363)
Balances at December 31, 2022	\$ 82,320	\$ -	\$ 82,320
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 4.31%:

	<u>1% decrease</u>	<u>Current rate</u>	<u>1% increase</u>
Net OPEB liability	\$ 86,156	\$ 82,320	\$ 78,771

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.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

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

For the year ended December 31, 2022, the Village recognized OPEB expense of a negative \$23,976. At December 31, 2022, the Village reported the following deferred outflows of resources and deferred inflows of resources related to OPEB:

<u>Source</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
Changes in assumptions	\$ 694	\$ 9,259
Difference between expected and actual experience	-	159,142
Total	<u>\$ 694</u>	<u>\$ 168,401</u>

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

<u>Year ended December 31,</u>	<u>Deferred outflows of resources</u>	<u>Deferred inflows of resources</u>
2023	\$ 94	\$ 36,478
2024	94	36,478
2025	94	36,478
2026	94	36,432
2027	94	15,204
Thereafter	<u>224</u>	<u>7,331</u>
	<u>\$ 694</u>	<u>\$ 168,401</u>

NOTE 11 - 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 12 - PROPERTY TAXES

The 2022 taxable valuation of the Village approximated \$145,640,000, on which ad valorem taxes levied consisted of 10.0 mills for operating purposes, 0.5 mills for major streets, and 1.5 mills for local streets, raising approximately \$1,334,000 for operating purposes, \$67,000 for major streets, and \$200,000 for local streets. These amounts are recognized in the respective fund financial statements as property tax revenue.

NOTE 13 - 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, 2022, the Village abated property taxes totaling \$14,287 under the Industrial Facilities Exemption, which is authorized by Public Act 198 of 1974.

NOTE 14 - 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, 2022, the Village paid the Department \$125,417

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

NOTE 15 - RESTRICTED NET POSITION

In the government-wide statement of net position, the governmental activities report restricted net position, in the amount of \$277,901 which is restricted by enabling legislation for public works expenditures.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Sparta

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2022

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 1,298,428	\$ 1,385,696	\$ 1,377,046	\$ (8,650)
Licenses and permits	57,500	57,765	55,801	(1,964)
State grants	650,985	833,864	846,594	12,730
Charges for services	44,954	130,682	122,505	(8,177)
Fines and forfeitures	3,500	3,932	5,083	1,151
Interest and rentals	32,000	69,297	77,366	8,069
Other	91,500	56,718	40,822	(15,896)
Total revenues	<u>2,178,867</u>	<u>2,537,954</u>	<u>2,525,217</u>	<u>(12,737)</u>
EXPENDITURES				
Current:				
General government	597,879	624,612	557,645	66,967
Public safety	963,011	1,041,652	986,562	55,090
Public works	132,348	188,123	167,633	20,490
Recreation and culture	159,740	217,009	181,789	35,220
Community and economic development	32,124	32,124	6,511	25,613
Capital outlay	276,900	183,540	158,235	25,305
Total expenditures	<u>2,162,002</u>	<u>2,287,060</u>	<u>2,058,375</u>	<u>228,685</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	16,865	250,894	466,842	215,948
OTHER FINANCING USES				
Transfers out	(180,019)	(180,019)	-	180,019
NET CHANGES IN FUND BALANCES	(163,154)	70,875	466,842	395,967
FUND BALANCES - BEGINNING	<u>2,789,401</u>	<u>2,789,401</u>	<u>2,789,401</u>	-
FUND BALANCES - ENDING	<u>\$ 2,626,247</u>	<u>\$ 2,860,276</u>	<u>\$ 3,256,243</u>	<u>\$ 395,967</u>

Village of Sparta

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended December 31, 2022

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 66,603	\$ 67,870	\$ 67,907	\$ 37
State grants	313,000	363,115	368,230	5,115
Interest	400	1,162	1,253	91
Other	750	250	-	(250)
Total revenues	<u>380,753</u>	<u>432,397</u>	<u>437,390</u>	<u>4,993</u>
EXPENDITURES				
Public works	365,341	365,340	262,524	102,816
Debt service:				
Principal	71,000	71,000	71,000	-
Interest	6,177	6,178	6,178	-
Total expenditures	<u>442,518</u>	<u>442,518</u>	<u>339,702</u>	<u>102,816</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(61,765)	(10,121)	97,688	107,809
OTHER FINANCING SOURCES				
Transfers in	20,019	20,019	-	(20,019)
NET CHANGES IN FUND BALANCES	(41,746)	9,898	97,688	87,790
FUND BALANCES - BEGINNING	-	-	-	-
FUND BALANCES - ENDING	<u>\$ (41,746)</u>	<u>\$ 9,898</u>	<u>\$ 97,688</u>	<u>\$ 87,790</u>

Village of Sparta

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended December 31, 2022

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes	\$ 191,517	\$ 203,619	\$ 203,732	\$ 113
State grants	139,790	139,790	139,836	46
Interest	200	2,402	3,072	670
Other	500	500	-	(500)
Total revenues	332,007	346,311	346,640	329
EXPENDITURES				
Public works	623,310	623,310	313,584	309,726
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES				
	(291,303)	(276,999)	33,056	310,055
OTHER FINANCING SOURCES				
Transfers in	160,000	160,000	-	(160,000)
NET CHANGES IN FUND BALANCES				
	(131,303)	(116,999)	33,056	150,055
FUND BALANCES - BEGINNING				
	147,157	147,157	147,157	-
FUND BALANCES - ENDING				
	<u>\$ 15,854</u>	<u>\$ 30,158</u>	<u>\$ 180,213</u>	<u>\$ 150,055</u>

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

Year Ended December 31, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Total pension liability:								
Service cost	\$ 49,634	\$ 74,823	\$ 84,354	\$ 95,098	\$ 100,539	\$ 102,425	\$ 94,703	\$ 94,447
Interest	445,990	421,733	426,139	410,995	415,206	398,695	351,210	350,858
Difference between expected and actual experience	(57,357)	(39,122)	(157,003)	(45,430)	(364,903)	(30,631)	(108,430)	-
Changes in assumptions	211,308	175,447	165,359	-	-	-	222,188	-
Benefit payments, including refunds	(284,790)	(241,660)	(237,744)	(227,027)	(254,249)	(195,108)	(204,480)	(213,007)
Other changes	<u>13,166</u>	<u>(52,890)</u>	<u>(51,999)</u>	<u>(33,614)</u>	<u>39,877</u>	<u>(38,470)</u>	<u>(4,588)</u>	<u>2,115</u>
Net change in total pension liability	377,951	338,331	229,106	200,022	(63,530)	236,911	350,603	234,413
Total pension liability, beginning of year	<u>5,970,865</u>	<u>5,632,534</u>	<u>5,403,428</u>	<u>5,203,406</u>	<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>\$ 6,348,816</u>	<u>\$ 5,970,865</u>	<u>\$ 5,632,534</u>	<u>\$ 5,403,428</u>	<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	\$ 146,304	\$ 149,196	\$ 139,006	\$ 149,820	\$ 174,436	\$ 367,230	\$ 309,280	\$ 181,014
Contributions - employee	35,007	37,042	39,944	41,956	44,969	44,128	44,510	44,332
Net investment income (loss)	(520,769)	626,522	514,310	482,937	(147,161)	416,942	305,340	(40,758)
Benefit payments, including refunds	(284,790)	(241,660)	(237,744)	(227,027)	(254,249)	(195,108)	(204,480)	(213,007)
Administrative expenses	<u>(9,221)</u>	<u>(7,189)</u>	<u>(8,060)</u>	<u>(8,326)</u>	<u>(7,245)</u>	<u>(6,584)</u>	<u>(6,024)</u>	<u>(5,919)</u>
Net change in plan fiduciary net position	(633,469)	563,911	447,456	439,360	(189,250)	626,608	448,626	(34,338)
Plan fiduciary net position, beginning of year	<u>5,000,105</u>	<u>4,436,194</u>	<u>3,988,738</u>	<u>3,549,378</u>	<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>\$ 4,366,636</u>	<u>\$ 5,000,105</u>	<u>\$ 4,436,194</u>	<u>\$ 3,988,738</u>	<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>\$ 1,982,180</u>	<u>\$ 970,760</u>	<u>\$ 1,196,340</u>	<u>\$ 1,414,690</u>	<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	68.78%	83.74%	78.76%	73.82%	68.21%	70.98%	61.87%	56.92%
Covered payroll	\$ 741,086	\$ 717,777	\$ 790,111	\$ 891,936	\$ 889,425	\$ 862,670	\$ 853,560	\$ 888,353
Village's net pension liability as a percentage of covered payroll	267.47%	135.25%	151.41%	158.61%	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>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Actuarially determined contributions	\$ 146,304	\$ 149,196	\$ 139,006	\$ 149,820	\$ 174,436	\$ 167,230	\$ 162,397	\$ 141,552	\$ 158,160	\$ 142,163
Contributions in relation to the actuarially determined contributions	<u>146,304</u>	<u>149,196</u>	<u>139,006</u>	<u>149,820</u>	<u>174,436</u>	<u>367,230</u>	<u>162,397</u>	<u>141,552</u>	<u>158,160</u>	<u>142,163</u>
Contribution excess/(deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 741,086</u>	<u>\$ 717,777</u>	<u>\$ 790,111</u>	<u>\$ 891,936</u>	<u>\$ 889,425</u>	<u>\$ 862,670</u>	<u>\$ 853,560</u>	<u>\$ 888,353</u>	<u>\$ 871,298</u>	<u>\$ 812,226</u>
Contributions as a percentage of covered payroll	19.74%	20.79%	17.59%	16.80%	19.61%	42.57%	19.03%	15.93%	18.15%	17.50%

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	17 years
Asset valuation method	5-year smoothed fair value
Inflation	2.50%
Salary increases	3.00%
Investment rate of return	7.00%, net of investment and administrative expenses, including inflation
Retirement age	Normal retirement age is 60 years
Mortality	50% Male/50% Female blend of the Pub-2010 fully generational mortality table with scale MP-2019

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

Year Ended December 31, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Total OPEB liability:					
Service cost	\$ 6,729	\$ 8,779	\$ 6,259	\$ 5,667	\$ 5,667
Interest	5,679	4,725	7,781	7,290	6,852
Difference between expected and actual experience	(167,544)	-	(32,078)	-	2,066
Changes in assumptions	(8,227)	(3,870)	976	-	-
Benefit payments, including refunds	-	-	-	-	-
Net change in total OPEB liability	(163,363)	9,634	(17,062)	12,957	14,585
Total OPEB liability, beginning of year	<u>245,683</u>	<u>236,049</u>	<u>253,111</u>	<u>240,154</u>	<u>225,569</u>
Total OPEB liability, end of year	<u>\$ 82,320</u>	<u>\$ 245,683</u>	<u>\$ 236,049</u>	<u>\$ 253,111</u>	<u>\$ 240,154</u>
Plan fiduciary net position:					
Plan fiduciary net position, beginning of year	\$ -	\$ -	\$ -	\$ -	\$ -
Plan fiduciary net position, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Village's net OPEB liability, end of year	<u>\$ 82,320</u>	<u>\$ 245,683</u>	<u>\$ 236,049</u>	<u>\$ 253,111</u>	<u>\$ 240,154</u>
Plan fiduciary net position as a percent of total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered employee payroll	\$ 656,224	\$ 741,084	\$ 774,372	\$ 848,144	\$ 813,066
Village's net OPEB liability as a percentage of covered employee payroll	12.5%	33.2%	30.5%	29.8%	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, 2022

	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>
Actuarially determined contributions	\$ 33,983	\$ 31,893	\$ 33,802	\$ 12,957	\$ 14,585
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution excess/(deficiency)	<u>\$ (33,983)</u>	<u>\$ (31,893)</u>	<u>\$ (33,802)</u>	<u>\$ (12,957)</u>	<u>\$ (14,585)</u>
Covered employee payroll	\$ 656,224	\$ 741,084	\$ 774,372	\$ 848,144	\$ 813,066
Contributions as a percentage of covered employee payroll	0.00%	0.00%	0.00%	0.00%	0.00%
Methods and assumptions used to determine contribution rates:					
Inflation	Not applicable as the Plan is not pre-funded				
Salary increases	3.00%				
Investment rate of return	Not applicable as the Plan is not pre-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	Public General 2010 Employee and Healthy Retiree, headcount weighted, MP-2021 improvement scale; effectively no impact on mortality as benefits will continue to be paid until Medicare eligibility age				

SUPPLEMENTARY INFORMATION

Village of Sparta

BALANCE SHEET - Component Unit

December 31, 2022

	<i>Downtown Development Authority</i>
ASSETS	
Cash	\$ 1
Investments	119,064
Receivables	49,604
Prepaid expenditures	<u>19,007</u>
Total assets	<u><u>\$ 187,676</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities - payables	\$ 7,636
Fund balance - unassigned	<u>180,040</u>
Total liabilities and fund balance	<u><u>\$ 187,676</u></u>
Total fund balance	\$ 180,040
<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 fund.	354,164
Certain prepaid expenses are not recognized in the fund.	1,700
Deferred outflows and inflows of resources:	
Deferred outflows of resources - pension	9,513
Deferred outflows of resources - OPEB	49
Deferred inflows of resources - pension	(516)
Deferred inflows of resources - OPEB	(11,788)
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	(101,006)
Net pension liability	(35,679)
Other postemployment benefit liability	<u>(5,762)</u>
Net position (unrestricted) of the <i>component unit</i>	<u><u>\$ 390,715</u></u>

Village of Sparta

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - Component Unit

Year ended December 31, 2022

	<i>Downtown Development Authority</i>
REVENUES	
Property taxes	\$ 292,899
Interest	2,545
Other	<u>4,000</u>
Total revenues	<u>299,444</u>
EXPENDITURES	
Current - community and economic development	244,970
Capital outlay	7,920
Debt service - principal	<u>20,000</u>
Total expenditures	<u>272,890</u>
NET CHANGES IN FUND BALANCES	26,554
FUND BALANCES - BEGINNING	<u>153,486</u>
FUND BALANCES - ENDING	<u>\$ 180,040</u>
Net change in fund balance	\$ 26,554
Amounts reported for the <i>component unit</i> in the statement of activities (page 15) are different because:	
Capital assets:	
Deduct - depreciation provision	(12,733)
Increase in prepaid insurance	200
Changes in deferred outflows and inflows of resources:	
Net decrease in deferred outflows of resources - pension	(383)
Net decrease in deferred outflows of resources - OPEB	(6)
Net decrease in deferred inflows of resources - pension	13,923
Net increase in deferred inflows of resources - OPEB	(9,750)
Long term liabilities:	
Add - payment on long-term advance	20,000
Deduct - increase in net pension liability	(20,147)
Add - decrease in other postemployment benefit liability	<u>11,436</u>
Change in net position of <i>component unit</i>	<u>\$ 29,094</u>

Village of Sparta

BUDGETARY COMPARISON SCHEDULE - Component Unit

Year ended December 31, 2022

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Tax increment financing	\$ 258,146	\$ 271,777	\$ 292,899	\$ 21,122
Interest	150	1,846	2,545	699
Other - contributions	<u>5,000</u>	<u>4,000</u>	<u>4,000</u>	<u>-</u>
Total revenues	<u>263,296</u>	<u>277,623</u>	<u>299,444</u>	<u>21,821</u>
EXPENDITURES				
Community and economic development	186,940	234,631	244,970	(10,339)
Capital outlay	21,500	10,000	7,920	2,080
Debt service:				
Principal	20,000	20,000	20,000	-
Interest	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total expenditures	<u>228,940</u>	<u>265,131</u>	<u>272,890</u>	<u>(7,759)</u>
NET CHANGES IN FUND BALANCES	34,356	12,492	26,554	14,062
FUND BALANCES - BEGINNING	<u>153,486</u>	<u>153,486</u>	<u>153,486</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 187,842</u>	<u>\$ 165,978</u>	<u>\$ 180,040</u>	<u>\$ 14,062</u>

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

**Village of Sparta
Taxable Value
Fiscal Years Ended December 31, 2018 Through 2022**

<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>
2017	2018	2018	\$ 117,511,288	\$ 3,359,898	\$ 120,871,186	2.72%
2018	2019	2019	122,788,900	3,249,580	126,038,480	4.28%
2019	2020	2020	128,090,405	2,300,519	130,390,924	3.45%
2020	2021	2021	137,410,992	3,780,490	141,191,482	8.28%
2021	2022	2022	148,172,758	3,599,383	151,772,141	7.49%

Per Capita Total Taxable Value for the fiscal year ended December 31, 2022 (2) = \$35,762

(1) At the full tax rate. See "Tax Abatement" herein.

(2) Based on the Village's 2020 census population of 4,244.

Source: Village of Sparta

**Village of Sparta
Taxable Value by Use and Class
Fiscal Years Ended December 31, 2017 Through 2021**

<i>Use</i>	<i>Fiscal Years Ended December 31</i>				
	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Commercial	\$ 28,543,181	\$ 29,118,165	\$ 28,962,674	\$ 30,377,643	\$ 31,523,808
Industrial	20,037,245	19,239,472	19,782,640	21,905,805	23,356,925
Residential	69,329,760	74,529,843	78,759,410	85,800,834	93,704,008
Utility	2,961,000	3,151,000	2,886,200	3,107,200	3,187,400
	<u>\$120,871,186</u>	<u>\$126,038,480</u>	<u>\$130,390,924</u>	<u>\$141,191,482</u>	<u>\$151,772,141</u>
<i>Class</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Real Property	\$109,460,186	\$115,614,180	\$121,449,224	\$131,109,882	\$141,023,041
Personal Property	11,411,000	10,424,300	8,941,700	10,081,600	10,749,100
	<u>\$120,871,186</u>	<u>\$126,038,480</u>	<u>\$130,390,924</u>	<u>\$141,191,482</u>	<u>\$151,772,141</u>

Source: Village of Sparta

(UNAUDITED)

**Village of Sparta
State Equalized Valuation
Fiscal Years Ended December 31, 2018 through 2022**

<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 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>
2017	2018	2018	\$ 130,254,600	\$ 4,465,500	\$ 134,720,100	2.75%
2018	2019	2019	141,891,600	4,405,400	146,297,000	8.59%
2019	2020	2020	150,383,100	3,304,800	153,687,900	5.05%
2020	2021	2021	162,073,400	4,988,800	167,062,200	8.70%
2021	2022	2022	177,603,500	5,052,100	182,655,600	9.33%

Per Capita Total SEV for the fiscal year ended December 31, 2022 (2) = \$43,039

(1) See "Tax Abatement" herein.

(2) Based on the Village's 2020 census population of 4,244.

Source: Village of Sparta

**Village of Sparta
SEV by Use and Class
Fiscal Years Ended December 31, 2018 through 2022**

<i>Use</i>	<i>Fiscal Years Ended December 31</i>				
	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Commercial	\$ 30,964,500	\$ 32,857,700	\$ 31,762,600	\$ 33,319,500	\$ 34,647,900
Industrial	21,380,000	20,965,200	21,740,400	24,507,500	26,969,700
Residential	79,414,600	89,323,100	97,298,700	106,128,000	117,850,600
Utility	2,961,000	3,151,000	2,886,200	3,107,200	3,187,400
	<u>\$134,720,100</u>	<u>\$146,297,000</u>	<u>\$153,687,900</u>	<u>\$167,062,200</u>	<u>\$182,655,600</u>
<i>Class</i>	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Real Property	\$122,690,600	\$135,279,600	\$144,638,000	\$156,887,200	\$171,853,600
Personal Property	12,029,500	11,017,400	9,049,900	10,175,000	10,802,000
	<u>\$134,720,100</u>	<u>\$146,297,000</u>	<u>\$153,687,900</u>	<u>\$167,062,200</u>	<u>\$182,655,600</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 \$3,608,183 for the fiscal year ended December 31, 2022. The IFT Taxes paid on these properties is equivalent to Ad Valorem taxes paid on \$7,216,366 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, 2022**

<u>Millage Classification</u>	<u>Millage Authorized</u>	<u>Millage Rate As Permanently Reduced By Headlee</u>	<u>Current Year Reduction Fraction</u>	<u>Maximum Allowable Millage</u>
Operating	17.5000	15.6349	0.9881	15.4488

**Village of Sparta
Property Tax Rates
Fiscal Years Ended December 31, 2018 Through 2022**

<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>
2018	2018	10.00	1.50	0.50	12.00
2019	2019	10.00	1.50	0.50	12.00
2020	2020	10.00	1.50	0.50	12.00
2021	2021	10.00	1.50	0.50	12.00
2022	2022	10.00	1.50	0.50	12.00

(UNAUDITED)

Village of Sparta
Homestead Property Tax Rates by Governmental Unit
Fiscal Years Ended December 31, 2018 Through 2022

<i>Governmental Unit</i>	<i>Fiscal Years Ended December 31</i>				
	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Village of Sparta	12.0000	12.0000	12.0000	12.0000	12.0000
Kent Intermediate Schools	5.6465	5.6113	5.5684	5.5157	5.4447
Grand Rapids Community College	1.7716	1.7606	1.7472	1.7307	1.7085
State Education	6.0000	6.0000	6.0000	6.0000	6.0000
Sparta Schools	8.1500	8.1500	8.1500	8.1500	8.1500
Kent County	6.2947	6.2584	6.2100	6.1521	6.0971
Sparta Township	1.7215	1.7173	1.7027	1.6878	1.6714
	<u>41.5843</u>	<u>41.4976</u>	<u>41.3783</u>	<u>41.2363</u>	<u>41.0717</u>

Village of Sparta
Non-Homestead Property Tax Rates by Governmental Unit
Fiscal Years Ended December 31, 2018 Through 2022

<i>Governmental Unit</i>	<i>Fiscal Years Ended December 31</i>				
	<i>2018</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>
Village of Sparta	12.0000	12.0000	12.0000	12.0000	12.0000
Kent Intermediate Schools	5.6465	5.6113	5.5684	5.5157	5.4447
Grand Rapids Community College	1.7716	1.7606	1.7472	1.7307	1.7085
State Education	6.0000	6.0000	6.0000	6.0000	6.0000
Sparta Schools	26.1500	26.1500	26.1500	26.1500	26.1500
Kent County	6.2947	6.2584	6.2100	6.1521	6.0971
Sparta Township	1.7215	1.7173	1.7027	1.6878	1.6714
	<u>59.5843</u>	<u>59.4976</u>	<u>59.3783</u>	<u>59.2363</u>	<u>59.0717</u>

Village of Sparta
Property Tax Collections
Fiscal Years Ended December 31, 2018 Through 2022

<i>July 1</i>	<i>Fiscal Year</i>	<i>Collections</i>		<i>Percent</i>
<i>Levy</i>	<i>Ended December 31</i>	<i>Tax Levy (1)</i>	<i>to December 31</i>	<i>Collected</i>
			<i>Following Levy</i>	
2018	2018	\$ 1,438,337	\$ 1,336,948	92.95%
2019	2019	1,503,153	1,415,370	94.16%
2020	2020	1,572,912	1,485,574	94.45%
2021	2021	1,673,179	1,586,056	94.79%
2022	2022	1,800,203	1,704,074	94.66%

(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, 2022**

<i>Taxpayer</i>	<i>Principal Product or Service</i>	<i>Taxable Value</i>	<i>Percent of Total (1)</i>
Tesa Tape, Inc.	Adhesive tape manufacturer	\$ 3,365,536	2.22%
Consumers Energy Company	Utility	3,249,501	2.14%
Apple-Tree Sparta, LLC	Apartments	2,820,005	1.86%
Celia Corporation	Paper products manufacturer	2,065,578	1.36%
CC Holdings, LLC		1,717,436	1.13%
B S Holdings, Inc.	Medical device manufacturer	1,473,958	0.97%
Spartan Graphics, Inc.	Printing	1,470,340	0.97%
Emmons Development Co.	Construction	1,429,600	0.94%
OOB Real Estate Holdings, LLC	Real estate	1,429,179	0.94%
Old Orchards Brands LLC	Fruit juice production	<u>1,405,800</u>	0.93%
		<u>\$ 20,426,933</u>	13.46%

(1) Based on \$151,772,141, which is the Village's Total Taxable Value for its fiscal year ended December 31, 2022. Includes the equivalent taxable value of property granted under Act 198.

**Village of Sparta
Revenues from the State of Michigan
Fiscal Years Ended December 31, 2018 Through 2022**

	<i>Fiscal Years Ended December 31,</i>				
	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
State shared revenue	\$ 429,355	\$ 444,741	\$ 430,412	\$ 506,255	\$ 555,673
Local community stabilization	149,627	269,147	293,409	306,671	290,921
Liquor license fees	<u>4,260</u>	<u>4,959</u>	<u>4,631</u>	<u>4,871</u>	<u>4,916</u>
	<u>\$ 583,242</u>	<u>\$ 718,847</u>	<u>\$ 728,452</u>	<u>\$ 817,797</u>	<u>\$ 851,510</u>

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, 2022.

Debt Limit (1)	\$ 18,265,560
Debt Outstanding	\$ 3,195,000
Less: Exempt Debt	<u>2,950,000</u>
	<u>245,000</u>
Legal Debt Margin	<u>\$ 18,020,560</u>

(1) 10% of \$182,655,600, the Village's Total SEV for the fiscal year ended December 31, 2022.

(UNAUDITED)

**Village of Sparta
Debt Statement
December 31, 2022**

The following schedules reflect a breakdown of the Village’s direct and overlapping debt as of December 31, 2022. 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)	\$ 245,000	\$ -	\$ 245,000
Revenue Bonds:			
Dated April 12, 2018 (Sewer)	<u>2,950,000</u>	<u>2,950,000</u>	<u>-</u>
Totals	<u>\$ 3,195,000</u>	<u>\$ 2,950,000</u>	<u>\$ 245,000</u>

Per Capita Net Village Direct Debt (1) \$ 58
 Percent of Net Direct Debt to SEV (2) 0.13%

<u>Overlapping Debt (3)</u>	<u>Gross</u>	<u>Village Share As Percent of Gross</u>	<u>Net</u>
Kent County	\$ 92,105,000	0.56%	\$ 515,788
Sparta School District	70,625,391	25.73%	18,171,913
Grand Rapids Community College	<u>23,775,000</u>	0.54%	<u>128,385</u>
Totals	<u>\$186,505,391</u>		<u>\$ 18,816,086</u>

Per Capita Net Overlapping Debt (1) \$4,434
 Percent of Net Overlapping Debt to SEV (2) 10.30%

Per Capita Net Direct and Overlapping Debt (1) \$4,491
 Percent of Net Direct and Overlapping Debt to SEV (2) 10.44%

- (1) Based on the Village’s 2020 census population of 4,244
- (2) Based on \$182,655,600 which is the Village’s SEV for the fiscal year ended December 31, 2022. 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)