

Village of Sparta

Kent County, Michigan

FINANCIAL STATEMENTS

Year ended December 31, 2023

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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, 2023, 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, 2023, 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.

Change in Accounting Principle

As discussed in Note 16 to the financial statements, the Village adopted GASB Statement No. 101, *Compensated Absences*, during the current fiscal year. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the 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 19, 2024

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, 2023. Please read it in conjunction with the Village's financial statements.

FINANCIAL HIGHLIGHTS

- The Village's total net position increased by \$1,900,881 as a result of this year's activities. The net position of the governmental activities increased by \$987,367, and the net position of the business-type activities increased by \$913,514.
- Of the \$26,566,669 total net position reported, \$4,753,819 (18 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 \$3,644,565, which represents 126 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 2023 and 2022 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 \$26,566,669. Of this total, \$21,328,247 represents a net investment in capital assets and \$484,603 is restricted for public works. Consequently, unrestricted net position was \$4,753,819, or 18 percent of the total.

*Condensed financial information
Net position*

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>	<u>2023</u>	<u>2022</u>
Current and other assets	\$ 4,630,770	\$ 4,061,359	\$ 2,893,846	\$ 2,901,239	\$ 7,524,616	\$ 6,962,598
Capital assets	<u>6,016,322</u>	<u>5,518,829</u>	<u>18,235,417</u>	<u>17,941,104</u>	<u>24,251,739</u>	<u>23,459,933</u>
Total assets	<u>10,647,092</u>	<u>9,580,188</u>	<u>21,129,263</u>	<u>20,842,343</u>	<u>31,776,355</u>	<u>30,422,531</u>
Deferred outflows of resources	<u>209,512</u>	<u>396,682</u>	<u>66,875</u>	<u>128,053</u>	<u>276,387</u>	<u>524,735</u>
Current and other liabilities	<u>1,740,326</u>	<u>1,731,183</u>	<u>698,058</u>	<u>1,170,520</u>	<u>2,438,384</u>	<u>2,901,703</u>
Long-term debt	<u>73,000</u>	<u>144,000</u>	<u>2,852,000</u>	<u>3,051,000</u>	<u>2,925,000</u>	<u>3,195,000</u>
Total liabilities	<u>1,813,326</u>	<u>1,875,183</u>	<u>3,550,058</u>	<u>4,221,520</u>	<u>5,363,384</u>	<u>6,096,703</u>
Deferred inflows of resources	<u>88,389</u>	<u>134,165</u>	<u>34,300</u>	<u>50,610</u>	<u>122,689</u>	<u>184,775</u>
Net position:						
Net investment in capital assets	<u>5,944,830</u>	<u>5,377,843</u>	<u>15,383,417</u>	<u>14,890,104</u>	<u>21,328,247</u>	<u>20,267,947</u>
Restricted	<u>484,603</u>	<u>277,901</u>	<u>-</u>	<u>-</u>	<u>484,603</u>	<u>277,901</u>
Unrestricted	<u>2,525,456</u>	<u>2,311,778</u>	<u>2,228,363</u>	<u>1,808,162</u>	<u>4,753,819</u>	<u>4,119,940</u>
Total net position	<u>\$ 8,954,889</u>	<u>\$ 7,967,522</u>	<u>\$ 17,611,780</u>	<u>\$ 16,698,266</u>	<u>\$ 26,566,669</u>	<u>\$ 24,665,788</u>

Changes in net position

The Village's total revenues were \$8,144,946 in 2023 compared to \$6,112,196 in 2022. Property taxes account for 21 percent of the revenues, and another 22 percent of the Village's revenues comes from charges for services. State shared revenue accounts for only 7 percent of the Village's revenues. Capital grants and contributions represented 32 percent of the total revenues in the current year.

The total cost of the Village's programs for 2023, covering a wide range of services, totaled \$6,244,065 compared to \$5,788,373 in 2022. Approximately 36 percent of the Village's total expenses relates to the provision of utility services. Public safety (police and fire protection) costs represent 18 percent of total costs, and public works costs represent another 15 percent of the total expenses.

MANAGEMENT'S DISCUSSION AND ANALYSIS (Continued)

	<i>Governmental activities</i>		<i>Business-type activities</i>		<i>Totals</i>	
	2023	2022	2023	2022	2023	2022
Program revenues:						
Charges for services	\$ 184,088	\$ 158,538	\$ 1,595,762	\$ 1,544,566	\$ 1,779,850	\$ 1,703,104
Grants and contributions:						
Operating	544,430	512,981	144,495	-	688,925	512,981
Capital	462,285	-	2,181,455	1,229,091	2,643,740	1,229,091
General revenues:						
Property taxes	1,735,258	1,648,685	-	-	1,735,258	1,648,685
State shared revenue	546,874	555,673	-	-	546,874	555,673
Local community stabilization share	336,815	290,921	-	-	336,815	290,921
Other	265,237	113,255	148,247	58,486	413,484	171,741
Total revenues	4,074,987	3,280,053	4,069,959	2,832,143	8,144,946	6,112,196
Expenses:						
General government	716,931	552,294	-	-	716,931	552,294
Public safety	1,146,702	1,082,408	-	-	1,146,702	1,082,408
Public works	962,433	968,997	-	-	962,433	968,997
Recreation and culture	231,858	209,855	-	-	231,858	209,855
Community and economic development	24,260	6,511	-	-	24,260	6,511
Interest	5,436	7,384	-	-	5,436	7,384
Sewer	-	-	1,286,570	1,079,729	1,286,570	1,079,729
Water	-	-	931,048	1,003,901	931,048	1,003,901
Airport	-	-	938,827	877,294	938,827	877,294
Total expenses	3,087,620	2,827,449	3,156,445	2,960,924	6,244,065	5,788,373
Changes in net position	\$ 987,367	\$ 452,604	\$ 913,514	\$ (128,781)	\$ 1,900,881	\$ 323,823
Net position, end of year	\$ 8,954,889	\$ 7,967,522	\$ 17,611,780	\$ 16,698,266	\$ 26,566,669	\$ 24,665,788

Governmental activities

Governmental activities increased the Village's net position by \$987,367 in the current year compared to an increase of \$452,604 in the prior year. Revenues increased by \$794,934 while expenses only increased by \$260,171, which created a larger increase in net position.

Revenues increased as capital contributions, in the amount of \$462,285, were recognized in the current year, related to a federal ARPA grant that was used to improve parking lots. Other revenue also increased by \$151,982, primarily due to an increase in interest revenue, related to higher earnings on investments. Expenses increased primarily due to a \$164,637 increase in general government costs, primarily related to an increase in contracted service costs.

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 \$3,087,620. However, the amount that our taxpayers paid for these activities through general revenues was \$1,896,817. Some of the cost was paid by:

- Those who directly benefited from the programs (\$184,088)
- Other governments provided support for operating costs (\$544,430)
- Other governments provided support for capital costs (\$462,285)

The Village paid for the \$1,896,817 "public benefit" portion with \$2,884,184 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	\$ 1,146,702	\$ 1,038,692
Public works	962,433	(34,545)
General government	716,931	631,116
Other	<u>261,554</u>	<u>261,554</u>
 Totals	 <u>\$ 3,087,620</u>	 <u>\$ 1,896,817</u>

Business-type activities

Business-type activities increased the Village's net position by \$913,514 in the current year compared to a decrease of \$128,781 in the prior year. Net position increased substantially because revenues were enhanced by \$1,237,816, primarily due to a \$952,364 increase in capital grants, most of which related to improvements at Sparta Airport. Expenses only increased by \$195,521, due to higher operating costs.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

Governmental funds

As of December 31, 2023, the Village's governmental funds reported combined ending fund balances of \$4,145,303, an increase of \$611,159 compared to last year's balances.

The General Fund is the primary operating fund of the Village. At the end of the fiscal year, total fund balance was \$3,660,700, which represents 88 percent of the combined ending fund balances of the Village's governmental funds. Fund balance increased by \$404,457 during the current year, as revenues of \$3,288,864 were more than sufficient to fund expenditures of \$2,884,407.

The Major Street Fund experienced an increase in fund balance of \$222,157 in the current year as revenues of \$467,728 exceeded expenditures of \$245,571. Fund balance amounts to \$319,845 at year end.

The Local Street Fund experienced a decrease in fund balance of \$15,455 in the current year as expenditures of \$384,554 exceeded revenues of \$369,099 in the current year. Fund balance amounts to \$164,758 at year end.

Proprietary funds

The Sewer Fund experienced an operating loss of \$599,176, but its net position increased by \$150,942 due to capital contributions (debt service charges and connection fees) of \$768,866 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 \$328,429 in the current year. Unrestricted net position was \$1,776,061 at year end.

The Water Fund experienced an operating loss of \$432,338, but its net position increased by \$59,589 due to capital contributions (debt service charges and connection fees) of \$460,752 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 \$260,186 in the current year. Unrestricted net position was \$353,099 at year end.

The Airport Fund experienced an operating loss of \$420,471, as operating revenues were insufficient to cover all operating expenses, including depreciation, in the amount of \$292,871. The fund's net position increased by \$696,114 due to nonoperating revenues and capital contributions totaling \$1,116,585. Unrestricted net position was \$132,389 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 \$801,640, primarily to increase federal grants by \$462,285, to recognize the federal ARPA grant during the year. State grants were also increased by \$207,399, as state distributions were more than expected. Total expenditures were increased by a net amount of \$804,782 during the year, primarily to increase capital outlay expenditures by \$668,268, related to expenditures associated with improvements that were funded by the federal ARPA grant.

Actual revenues were \$10,651 more than budgeted, as all revenue categories approximated the final amended budget.

Actual expenditures were \$197,000 less than amounts appropriated as all expenditure functions were under budget.

These variances resulted in a \$207,651 positive budget variance, as the fund balance increased by \$404,457 compared to a budgeted increase of \$196,806.

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, 2023, amounts to \$24,251,739 (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	\$ 5,077,448	\$ 13,538,405	\$ 18,615,853
Land	94,846	972,292	1,067,138
Land improvements	-	2,625,084	2,625,084
Buildings and improvements	358,046	738,229	1,096,275
Vehicles and equipment	485,982	361,407	847,389
Totals	<u>\$ 6,016,322</u>	<u>\$ 18,235,417</u>	<u>\$ 24,251,739</u>

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

- Parking lot improvements were made at a cost of \$636,599
- Street improvements were made at a cost of \$154,452
- Sewer system improvements were made at a cost of \$176,422
- Water system improvements were made at a cost of \$112,935
- Airport improvements amounted to \$929,043, most of which were contributed by other governments

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 \$2,925,000, which represents a decrease of \$270,000, 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 (\$1,896,463), an other postemployment benefit liability (\$88,465), and accrued compensated absences (\$109,682). The Downtown Development Authority is responsible for a portion of the net pension liability and the other postemployment benefit liability in the amounts of \$32,240 and \$6,193, respectively.

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 2024 at levels similar to 2023. 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, 2023

	Primary government			Component unit
	Governmental activities	Business-type activities	Totals	Downtown Development Authority
ASSETS				
Current assets:				
Cash	\$ 5,700	\$ 5,179	\$ 10,879	\$ 1
Investments	4,343,869	2,554,615	6,898,484	146,529
Receivables	208,380	308,088	516,468	56,417
Prepaid expenses	39,635	35,080	74,715	2,555
Inventory	-	24,070	24,070	-
Internal balances	33,186	(33,186)	-	-
Total current assets	4,630,770	2,893,846	7,524,616	205,502
Noncurrent assets:				
Capital assets not being depreciated	94,846	972,292	1,067,138	115,549
Capital assets being depreciated, net	5,921,476	17,263,125	23,184,601	236,942
Total noncurrent assets	6,016,322	18,235,417	24,251,739	352,491
Total assets	10,647,092	21,129,263	31,776,355	557,993
DEFERRED OUTFLOWS OF RESOURCES				
Deferred amounts - pension	206,376	65,200	271,576	4,697
Deferred amounts - OPEB	1,628	632	2,260	170
Deferred amount on bond refunding, net	1,508	1,043	2,551	-
Total deferred outflows of resources	209,512	66,875	276,387	4,867
LIABILITIES				
Current liabilities:				
Payables	142,868	91,190	234,058	7,652
Unearned revenue	11,847	136,302	148,149	-
Bonds payable due within one year	73,000	207,000	280,000	-
Total current liabilities	227,715	434,492	662,207	7,652
Noncurrent liabilities:				
Compensated absences	109,682	-	109,682	-
Other postemployment benefit liability	59,271	23,001	82,272	6,193
Net pension liability	1,416,658	447,565	1,864,223	32,240
Bonds payable	-	2,645,000	2,645,000	-
Total noncurrent liabilities	1,585,611	3,115,566	4,701,177	38,433
Total liabilities	1,813,326	3,550,058	5,363,384	46,085
DEFERRED INFLOWS OF RESOURCES				
Deferred amounts - OPEB	88,389	34,300	122,689	9,235
NET POSITION				
Net investment in capital assets	5,944,830	15,383,417	21,328,247	352,491
Restricted for public works	484,603	-	484,603	-
Unrestricted	2,525,456	2,228,363	4,753,819	155,049
Total net position	\$ 8,954,889	\$ 17,611,780	\$ 26,566,669	\$ 507,540

See notes to financial statements

Village of Sparta

STATEMENT OF ACTIVITIES

Year ended December 31, 2023

Functions/Programs	Program revenues				Net (expenses) revenues and changes in net position			
	Expenses	Charges for services	Operating grants and contributions	Capital grants and contributions	Primary government		Component unit	
					Governmental activities	Business-type activities	Totals	Downtown Development Authority
Governmental activities:								
General government	\$ 716,931	\$ 85,815	\$ -	\$ -	\$ (631,116)		\$ (631,116)	
Public safety	1,146,702	97,773	10,237	-	(1,038,692)		(1,038,692)	
Public works	962,433	500	534,193	462,285	34,545		34,545	
Recreation and culture	231,858	-	-	-	(231,858)		(231,858)	
Community and economic development	24,260	-	-	-	(24,260)		(24,260)	
Interest on long-term debt	5,436	-	-	-	(5,436)		(5,436)	
Total governmental activities	<u>3,087,620</u>	<u>184,088</u>	<u>544,430</u>	<u>462,285</u>	<u>(1,896,817)</u>		<u>(1,896,817)</u>	
Business-type activities:								
Sewer	1,286,570	575,753	-	768,866		\$ 58,049	58,049	
Water	931,048	500,963	-	460,752		30,667	30,667	
Airport	938,827	519,046	144,495	951,837		676,551	676,551	
Total business-type activities	<u>3,156,445</u>	<u>1,595,762</u>	<u>144,495</u>	<u>2,181,455</u>		<u>765,267</u>	<u>765,267</u>	
Total primary government	<u>\$ 6,244,065</u>	<u>\$ 1,779,850</u>	<u>\$ 688,925</u>	<u>\$ 2,643,740</u>	<u>(1,896,817)</u>	<u>765,267</u>	<u>(1,131,550)</u>	
Component unit:								
Downtown Development Authority	<u>\$ 334,384</u>	<u>\$ -</u>	<u>\$ 11,026</u>	<u>\$ -</u>			<u>\$ (323,358)</u>	
General revenues:								
Property taxes					1,735,258	-	1,735,258	333,125
State shared revenue					546,874	-	546,874	-
Local community stabilization share revenue					336,815	-	336,815	-
Franchise fees					48,223	-	48,223	-
Unrestricted interest income					207,014	136,922	343,936	6,034
Forgiveness of inter-entity advance					-	-	-	101,024
Gains on capital asset dispositions					10,000	11,325	21,325	-
Total general revenues					<u>2,884,184</u>	<u>148,247</u>	<u>3,032,431</u>	<u>440,183</u>
Changes in net position					987,367	913,514	1,900,881	116,825
Net position - beginning					<u>7,967,522</u>	<u>16,698,266</u>	<u>24,665,788</u>	<u>390,715</u>
Net position - ending					<u>\$ 8,954,889</u>	<u>\$ 17,611,780</u>	<u>\$ 26,566,669</u>	<u>\$ 507,540</u>

See notes to financial statements

	<u>Special revenue funds</u>			<u>Total governmental funds</u>
	<u>General</u>	<u>Major Street</u>	<u>Local Street</u>	
ASSETS				
Cash	\$ 5,699	\$ -	\$ -	\$ 5,699
Investments	3,605,789	260,611	155,421	4,021,821
Receivables	113,862	67,528	26,990	208,380
Prepaid expenditures	16,135	-	-	16,135
Total assets	<u>\$ 3,741,485</u>	<u>\$ 328,139</u>	<u>\$ 182,411</u>	<u>\$ 4,252,035</u>
LIABILITIES AND FUND BALANCES				
Liabilities:				
Payables	\$ 68,938	\$ 8,294	\$ 17,653	\$ 94,885
Unearned revenue	11,847	-	-	11,847
Total liabilities	<u>80,785</u>	<u>8,294</u>	<u>17,653</u>	<u>106,732</u>
Fund balances:				
Nonspendable - prepaids	16,135	-	-	16,135
Restricted for public works	-	319,845	164,758	484,603
Unassigned	3,644,565	-	-	3,644,565
Total fund balances	<u>3,660,700</u>	<u>319,845</u>	<u>164,758</u>	<u>4,145,303</u>
Total liabilities and fund balances	<u>\$ 3,741,485</u>	<u>\$ 328,139</u>	<u>\$ 182,411</u>	<u>\$ 4,252,035</u>

Reconciliation of the balance sheet to the statement of net position:

Total fund balance - total governmental funds \$ 4,145,303

Amounts reported for *governmental activities* in the statement of net position (page 14) are different because:

Capital assets used in *governmental activities* are not financial resources and, therefore, are not reported in the funds. 5,620,479

Some assets are not available to pay current period expenditures and, therefore, are deferred or are not recognized in the funds:

Prepaid expenses	22,000
Deferred amount on bond refunding	1,508

Interest payable, related to noncurrent liabilities, is not due and payable in the current period and, therefore, is not reported in the funds. (400)

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	206,376
Deferred outflows of resources - OPEB	1,628
Deferred inflows of resources - OPEB	(88,389)

Noncurrent liabilities are not due and payable in the current period and, therefore, are not reported in the funds:

Compensated absences	(109,682)
Bond payable	(73,000)
Net pension liability	(1,416,658)
Other postemployment benefit liability	(59,271)

Certain assets and liabilities of the internal service fund are included in *governmental activities* in the statement of net position. 704,995

Net position of *governmental activities* \$ 8,954,889

Village of Sparta

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

Year ended December 31, 2023

	<u>General</u>	<u>Special revenue funds</u>		<u>Total governmental funds</u>
		<u>Major Street</u>	<u>Local Street</u>	
REVENUES				
Property taxes	\$ 1,468,839	\$ 71,478	\$ 214,446	\$ 1,754,763
Licenses and permits	58,460	-	-	58,460
Federal grants	462,285	-	-	462,285
State grants	883,689	386,827	147,366	1,417,882
Charges for services	131,574	-	-	131,574
Fines and forfeitures	4,459	-	-	4,459
Interest and rentals	200,038	8,923	7,287	216,248
Other	79,520	500	-	80,020
	<u>3,288,864</u>	<u>467,728</u>	<u>369,099</u>	<u>4,125,691</u>
Total revenues				
EXPENDITURES				
Current:				
General government	641,980	-	-	641,980
Public safety	1,073,205	-	-	1,073,205
Public works	210,830	170,341	384,554	765,725
Recreation and culture	211,727	-	-	211,727
Community and economic development	24,260	-	-	24,260
Capital outlay	722,405	-	-	722,405
Debt service:				
Principal	-	71,000	-	71,000
Interest	-	4,230	-	4,230
	<u>2,884,407</u>	<u>245,571</u>	<u>384,554</u>	<u>3,514,532</u>
Total expenditures				
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>404,457</u>	<u>222,157</u>	<u>(15,455)</u>	<u>611,159</u>
FUND BALANCES - BEGINNING	<u>3,256,243</u>	<u>97,688</u>	<u>180,213</u>	<u>3,534,144</u>
FUND BALANCES - ENDING	<u>\$ 3,660,700</u>	<u>\$ 319,845</u>	<u>\$ 164,758</u>	<u>\$ 4,145,303</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, 2023

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) \$ 611,159

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

Capital assets:

Add - assets acquired 944,726
Deduct - asset dispositions (121,248)
Deduct - provision for depreciation (520,632)

Long-term debt:

Add - principal payments 71,000

Changes in other assets/liabilities:

Net increase in prepaid insurance 300
Net decrease in accrued interest payable 300
Net increase in compensated absences (18,962)
Net decrease in net pension liability 58,084
Net decrease in other postemployment benefit liability (4,116)

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 (186,827)
Net increase in deferred outflows of resources - OPEB 1,163
Net decrease in deferred inflows of resources - pension 21,336
Net decrease in deferred inflows of resources - OPEB 24,440

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

108,150

Change in net position of *governmental activities*

\$ 987,367

	<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	\$ 3,112	\$ 1,854	\$ 213	\$ 5,179	\$ 1
Investments	1,708,689	616,704	229,222	2,554,615	322,048
Receivables	202,178	105,726	184	308,088	-
Prepaid expenses	6,911	10,366	17,803	35,080	1,500
Inventory	-	-	24,070	24,070	-
Total current assets	<u>1,920,890</u>	<u>734,650</u>	<u>271,492</u>	<u>2,927,032</u>	<u>323,549</u>
Noncurrent assets:					
Capital assets not being depreciated	-	73,386	898,906	972,292	-
Capital assets being depreciated, net	<u>7,401,765</u>	<u>6,462,275</u>	<u>3,399,085</u>	<u>17,263,125</u>	<u>395,843</u>
Total noncurrent assets	<u>7,401,765</u>	<u>6,535,661</u>	<u>4,297,991</u>	<u>18,235,417</u>	<u>395,843</u>
Total assets	<u>9,322,655</u>	<u>7,270,311</u>	<u>4,569,483</u>	<u>21,162,449</u>	<u>719,392</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts - pension	14,366	50,834	-	65,200	-
Deferred amounts - OPEB	-	632	-	632	-
Deferred amount on bond refunding, net	<u>485</u>	<u>558</u>	<u>-</u>	<u>1,043</u>	<u>-</u>
Total deferred outflows of resources	<u>14,851</u>	<u>52,024</u>	<u>-</u>	<u>66,875</u>	<u>-</u>
LIABILITIES					
Current liabilities:					
Payables	61,064	27,325	2,801	91,190	47,583
Unearned revenue	-	-	136,302	136,302	-
Bonds payable due within one year	<u>178,000</u>	<u>29,000</u>	<u>-</u>	<u>207,000</u>	<u>-</u>
Total current liabilities	<u>239,064</u>	<u>56,325</u>	<u>139,103</u>	<u>434,492</u>	<u>47,583</u>
Noncurrent liabilities:					
Other postemployment benefit liability	-	23,001	-	23,001	-
Net pension liability	98,616	348,949	-	447,565	-
Bonds payable	<u>2,645,000</u>	<u>-</u>	<u>-</u>	<u>2,645,000</u>	<u>-</u>
Total noncurrent liabilities	<u>2,743,616</u>	<u>371,950</u>	<u>-</u>	<u>3,115,566</u>	<u>-</u>
Total liabilities	<u>2,982,680</u>	<u>428,275</u>	<u>139,103</u>	<u>3,550,058</u>	<u>47,583</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred amounts - OPEB	-	34,300	-	34,300	-
NET POSITION					
Net investment in capital assets	4,578,765	6,506,661	4,297,991	15,383,417	395,843
Unrestricted	<u>1,776,061</u>	<u>353,099</u>	<u>132,389</u>	<u>2,261,549</u>	<u>275,966</u>
Total net position	<u>\$ 6,354,826</u>	<u>\$ 6,859,760</u>	<u>\$ 4,430,380</u>	<u>17,644,966</u>	<u>\$ 671,809</u>
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				<u>(33,186)</u>	
Net position of <i>business-type activities</i> (page 14)				<u>\$ 17,611,780</u>	

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

Year ended December 31, 2023

	<i>Business-type activities</i>				<i>Governmental activities</i>
	<i>Enterprise funds</i>				<i>Internal service</i>
	<i>Sewer</i>	<i>Water</i>	<i>Airport</i>	<i>Totals</i>	
OPERATING REVENUES					
Charges for services:					
Utility commodity charges	\$ 553,065	\$ 452,992	\$ -	\$ 1,006,057	\$ -
Rentals	-	35,955	159,604	195,559	211,855
Fuel sales	-	-	337,837	337,837	-
Other	22,688	12,016	21,605	56,309	7,345
Total operating revenues	575,753	500,963	519,046	1,595,762	219,200
OPERATING EXPENSES					
Personnel costs	103,560	309,473	98,160	511,193	-
Gas and oil	-	-	283,518	283,518	11,600
Supplies	95,065	102,768	13,408	211,241	2,643
Contracted services	451,017	104,977	186,259	742,253	2,474
Insurance	10,018	14,285	14,681	38,984	9,284
Utilities	120,025	77,398	20,882	218,305	-
Repairs and maintenance	63,283	41,895	23,171	128,349	37,374
Internal charges - equipment rentals	568	16,259	153	16,980	-
Depreciation	328,429	260,186	292,871	881,486	69,942
Miscellaneous	2,964	6,060	6,414	15,438	180
Total operating expenses	1,174,929	933,301	939,517	3,047,747	133,497
OPERATING INCOME (LOSS)	(599,176)	(432,338)	(420,471)	(1,451,985)	85,703
NONOPERATING REVENUES (EXPENSES)					
Federal grant	-	-	136,890	136,890	-
State grant	-	-	7,605	7,605	-
Gain (loss) on disposition of capital assets	-	-	11,325	11,325	10,000
Interest revenue	94,880	33,114	8,928	136,922	19,316
Interest expense and fees	(113,628)	(1,939)	-	(115,567)	-
Net nonoperating revenues (expenses)	(18,748)	31,175	164,748	177,175	29,316
INCOME (LOSS) BEFORE CAPITAL CONTRIBUTIONS	(617,924)	(401,163)	(255,723)	(1,274,810)	115,019
CAPITAL CONTRIBUTIONS					
Capital grants	-	-	951,837	951,837	-
Debt service charges	750,666	440,652	-	1,191,318	-
Connection fees	18,200	20,100	-	38,300	-
Total capital contributions	768,866	460,752	951,837	2,181,455	-
CHANGES IN NET POSITION	150,942	59,589	696,114	906,645	115,019
NET POSITION - BEGINNING	6,203,884	6,800,171	3,734,266	16,738,321	556,790
NET POSITION - ENDING	\$ 6,354,826	\$ 6,859,760	\$ 4,430,380	\$ 17,644,966	\$ 671,809
Change in net position				\$ 906,645	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.				6,869	
Change in net position of <i>business-type activities</i> (page 15)				\$ 913,514	

See notes to financial statements

STATEMENT OF CASH FLOWS - proprietary funds

Year ended December 31, 2023

	<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	\$ 557,779	\$ 499,794	\$ 542,993	\$ 1,600,566	\$ -
Receipts from interfund services	-	-	-	-	219,200
Payments to vendors and suppliers	(1,001,396)	(679,778)	(612,669)	(2,293,843)	(20,404)
Payments to employees	(52,456)	(194,093)	(73,069)	(319,618)	-
Internal activity - payments to other funds	(568)	(16,259)	(153)	(16,980)	-
Net cash provided by (used in) operating activities	(496,641)	(390,336)	(142,898)	(1,029,875)	198,796
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING ACTIVITIES					
State grant	-	-	7,605	7,605	-
Federal grant	-	-	136,890	136,890	-
Net cash provided by (used in) noncapital and related financing activities	-	-	144,495	144,495	-
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Proceeds from sales of capital assets	-	-	23,000	23,000	10,000
Debt service charges	750,666	440,652	-	1,191,318	-
Capital grants	-	-	59,000	59,000	-
Connection fees	18,200	20,100	-	38,300	-
Acquisition of capital assets	(176,422)	(112,935)	(5,280)	(294,637)	(264,589)
Principal payments on capital debt	(173,000)	(26,000)	-	(199,000)	-
Interest payments on capital debt	(114,643)	(1,577)	-	(116,220)	-
Net cash provided by (used in) capital and related financing activities	304,801	320,240	76,720	701,761	(254,589)
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of investments	88,788	32,255	(90,499)	30,544	36,477
Interest received	94,880	33,114	8,928	136,922	19,316
Net cash provided by (used in) investing activities	183,668	65,369	(81,571)	167,466	55,793
NET CHANGE IN CASH	(8,172)	(4,727)	(3,254)	(16,153)	-
CASH - BEGINNING	11,284	6,581	3,467	21,332	1
CASH - ENDING	\$ 3,112	\$ 1,854	\$ 213	\$ 5,179	\$ 1

STATEMENT OF CASH FLOWS - proprietary funds (Continued)

Year ended December 31, 2023

	<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)	\$ (599,176)	\$ (432,338)	\$ (420,471)	\$ (1,451,985)	\$ 85,703
Adjustments to reconcile operating income (loss) to net cash provided by (used in) operating activities:					
Depreciation	328,429	260,186	292,871	881,486	69,942
(Increase) decrease in:					
Receivables	(17,974)	(1,169)	3,864	(15,279)	-
Prepaid expenses	(4,211)	(2,455)	(3,855)	(10,521)	100
Inventory	-	-	(6,635)	(6,635)	-
Deferred outflows of resources - pension	8,888	51,695	-	60,583	-
Deferred outflows of resources - OPEB	-	(452)	-	(452)	-
Increase (decrease) in:					
Payables	8,408	14,384	(28,755)	(5,963)	43,051
Unearned revenue	(231,143)	(231,143)	20,083	(442,203)	-
Other postemployment benefit liability	-	1,598	-	1,598	-
Net pension liability	11,400	(35,594)	-	(24,194)	-
Deferred inflows of resources - pension	(1,262)	28,736	-	27,474	-
Deferred inflows of resources - OPEB	-	(43,784)	-	(43,784)	-
Net cash provided by (used in) operating activities	<u>\$ (496,641)</u>	<u>\$ (390,336)</u>	<u>\$ (142,898)</u>	<u>\$ (1,029,875)</u>	<u>\$ 198,796</u>
Noncash capital and related financing activities					
Acquisition of capital assets	\$ (176,422)	\$ (112,935)	\$ (929,043)	\$ (1,218,400)	\$ (264,589)
Less donated assets	-	-	30,926	30,926	-
Less federal share	-	-	892,837	892,837	-
Net cash used	<u>\$ (176,422)</u>	<u>\$ (112,935)</u>	<u>\$ (5,280)</u>	<u>\$ (294,637)</u>	<u>\$ (264,589)</u>

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting entity:

As required by generally accepted accounting principles, these financial statements present the Village (the primary government), located in Kent County, and its component unit described below, for which the Village is financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the primary government. 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 General Fund reports unearned revenue in connection with contributions 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 activity level. All annual appropriations lapse at the end of the fiscal year.

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

<u>Fund</u>	<u>Function</u>	<u>Activity</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance</u>
Primary government:					
General	Public works	Sidewalk	\$ 39,697	\$ 47,790	\$ 8,093
	Recreation and culture	Civic center	47,599	51,087	3,488
Local street	Public works	Drains	52,253	74,427	22,174

NOTE 3 - CASH AND INVESTMENTS

At December 31, 2023, cash and investments are classified in the accompanying financial statements as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Total primary government</u>	<u>Component unit</u>	<u>Totals</u>
Cash	\$ 5,525	\$ 5,179	\$ 10,704	\$ 1	\$ 10,705
Cash on hand	175	-	175	-	175
Investments	<u>4,343,869</u>	<u>2,554,615</u>	<u>6,898,484</u>	<u>146,529</u>	<u>7,045,013</u>
Totals	<u>4,349,569</u>	<u>2,559,794</u>	<u>6,909,363</u>	<u>146,530</u>	<u>7,055,893</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, 2023, none of the Village’s bank balances of \$141,134 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, 2023, the fair value, unfunded commitments, and redemption rules of that investment is as follows:

	<u>Michigan CLASS Pool</u>
Fair value at December 31, 2023	\$ 7,045,013
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.

NOTE 3 - CASH AND INVESTMENTS (Continued)

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, 2023, for the Village’s funds and its component unit, 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	\$ 22,873	\$ -	\$ 90,989	\$ 113,862
Major Street	-	-	67,528	67,528
Local Street	-	-	26,990	26,990
Total governmental	<u>\$ 22,873</u>	<u>\$ -</u>	<u>\$ 185,507</u>	<u>\$ 208,380</u>
Proprietary:				
Enterprise:				
Sewer	\$ 182,819	\$ -	\$ 19,359	\$ 202,178
Water	105,726	-	-	105,726
Airport	184	-	-	184
Total enterprise	<u>\$ 288,729</u>	<u>\$ -</u>	<u>\$ 19,359</u>	<u>\$ 308,088</u>
Component unit:				
Downtown Development Authority	<u>\$ -</u>	<u>\$ 56,417</u>	<u>\$ -</u>	<u>\$ 56,417</u>

NOTE 5 - CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2023, 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	\$ -	\$ (121,248)	\$ 94,846
Capital assets being depreciated:				
Buildings	706,982	-	-	706,982
Equipment	628,437	56,995	(7,502)	677,930
Vehicles	717,070	226,329	(41,856)	901,543
Streets	9,858,946	925,991	-	10,784,937
Subtotal	<u>11,911,435</u>	<u>1,209,315</u>	<u>(49,358)</u>	<u>13,071,392</u>
Less accumulated depreciation for:				
Buildings	(331,135)	(17,801)	-	(348,936)
Equipment	(464,082)	(24,717)	7,502	(481,297)
Vehicles	(595,214)	(58,836)	41,856	(612,194)
Streets	(5,218,269)	(489,220)	-	(5,707,489)
Subtotal	<u>(6,608,700)</u>	<u>(590,574)</u>	<u>49,358</u>	<u>(7,149,916)</u>
Total capital assets being depreciated, net	<u>5,302,735</u>	<u>618,741</u>	<u>-</u>	<u>5,921,476</u>
Governmental activities capital assets, net	<u>\$ 5,518,829</u>	<u>\$ 618,741</u>	<u>\$ (121,248)</u>	<u>\$ 6,016,322</u>

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

Governmental activities:	
General government	\$ 6,952
Public safety	11,091
Public works	494,116
Recreation and culture	8,473
Depreciation on capital assets held by internal service fund	<u>69,942</u>
Total governmental activities	<u>\$ 590,574</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	5,361	-	13,366,756
Water system	11,864,112	106,190	-	11,970,302
Land improvements	4,836,834	892,837	-	5,729,671
Buildings	1,510,176	-	-	1,510,176
Vehicles and equipment	724,733	214,012	(34,248)	904,497
Subtotal	<u>32,297,250</u>	<u>1,218,400</u>	<u>(34,248)</u>	<u>33,481,402</u>
Less accumulated depreciation for:				
Sewer system	(5,937,357)	(307,640)	-	(6,244,997)
Water system	(5,298,122)	(255,534)	-	(5,553,656)
Land improvements	(2,878,099)	(226,488)	-	(3,104,587)
Buildings	(712,652)	(59,295)	-	(771,947)
Vehicles and equipment	(502,208)	(32,529)	(8,353)	(543,090)
Subtotal	<u>(15,328,438)</u>	<u>(881,486)</u>	<u>(8,353)</u>	<u>(16,218,277)</u>
Total capital assets being depreciated, net	<u>16,968,812</u>	<u>336,914</u>	<u>(42,601)</u>	<u>17,263,125</u>
Business-type activities capital assets, net	<u>\$ 17,941,104</u>	<u>\$ 336,914</u>	<u>\$ (42,601)</u>	<u>\$ 18,235,417</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	11,825	-	185,655
Equipment	9,980	-	-	9,980
Infrastructure	<u>125,304</u>	<u>-</u>	<u>-</u>	<u>125,304</u>
Subtotal	<u>309,114</u>	<u>11,825</u>	<u>-</u>	<u>320,939</u>
Less accumulated depreciation for -				
Buildings	(28,764)	(8,092)	-	(36,856)
Equipment	(2,215)	(998)	-	(3,213)
Infrastructure	<u>(39,520)</u>	<u>(4,408)</u>	<u>-</u>	<u>(43,928)</u>
Subtotal	<u>(70,499)</u>	<u>(13,498)</u>	<u>-</u>	<u>(83,997)</u>
Total capital assets being depreciated, net	<u>238,615</u>	<u>(1,673)</u>	<u>-</u>	<u>236,942</u>
Component unit capital assets, net	<u>\$ 354,164</u>	<u>\$ (1,673)</u>	<u>\$ -</u>	<u>\$ 352,491</u>

NOTE 6 - PAYABLES

Payables as of December 31, 2023, 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	\$ 32,495	\$ 36,443	\$ -	\$ 68,938
Major Street	6,101	2,193	-	8,294
Local Street	<u>13,946</u>	<u>3,707</u>	<u>-</u>	<u>17,653</u>
Total governmental	<u>\$ 52,542</u>	<u>\$ 42,343</u>	<u>\$ -</u>	<u>\$ 94,885</u>
Proprietary:				
Enterprise:				
Sewer	\$ 26,683	\$ 5,981	\$ 28,400	\$ 61,064
Water	20,563	6,662	100	27,325
Airport	<u>872</u>	<u>1,929</u>	<u>-</u>	<u>2,801</u>
Total enterprise	<u>\$ 48,118</u>	<u>\$ 14,572</u>	<u>\$ 28,500</u>	<u>\$ 91,190</u>
Internal Service	<u>\$ 47,583</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 47,583</u>
Component unit:				
Downtown Development Authority	<u>\$ 4,406</u>	<u>\$ 3,246</u>	<u>\$ -</u>	<u>\$ 7,652</u>

NOTE 7 - ADVANCE TO COMPONENT UNIT

The General Fund advanced \$101,024 to the Downtown Development Authority to redevelop property. The loan was forgiven in 2023.

NOTE 8 - LONG-TERM DEBT

At December 31, 2023, 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	\$ 73,000
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Accrued compensated absences	<u>109,682</u>
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Total governmental activities	<u>\$ 182,682</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	\$ 52,000
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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>2,800,000</u>
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Total business-type activities	<u>\$ 2,852,000</u>
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For the governmental activities, compensated absences are generally liquidated by the General Fund.

The debt issues of 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.

NOTE 8 - LONG-TERM DEBT (Continued)

Long-term debt activity for the year ended December 31, 2023, is as follows:

	<u>Beginning balance</u>	<u>Additions</u>	<u>Net change</u>	<u>Reductions</u>	<u>Ending balance</u>	<u>Amounts due within one year</u>
Governmental activities:						
2014 Refunding bonds	\$ 144,000	\$ -	\$ -	\$ (71,000)	\$ 73,000	\$ 73,000
Compensated absences	90,720	-	18,962	-	109,682	-
Total governmental activities	<u>\$ 234,720</u>	<u>\$ -</u>	<u>\$ 18,962</u>	<u>\$ (71,000)</u>	<u>\$ 182,682</u>	<u>\$ 73,000</u>
Business-type activities:						
2014 Refunding bonds	\$ 101,000	\$ -	\$ -	\$ (49,000)	\$ 52,000	\$ 52,000
2018 Sewer refunding bonds	2,950,000	-	-	(150,000)	2,800,000	155,000
Total business-type activities	<u>\$ 3,051,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (199,000)</u>	<u>\$ 2,852,000</u>	<u>\$ 207,000</u>

At December 31, 2023, 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>
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	-	-	180,000	82,368
2029 - 2033	-	-	1,005,000	302,976
2034 - 2037	-	-	960,000	94,080
Totals	<u>\$ 73,000</u>	<u>\$ 2,214</u>	<u>\$ 2,852,000</u>	<u>\$ 874,562</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, 2022, measurement date, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefits	15
Inactive employees entitled to but not yet receiving benefits	6
Active employees	<u>10</u>
 Total	 <u><u>31</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, 2023, Village contributed a flat rate of \$10,673 each month for a total of \$128,076 to the plan, while employees contributed \$31,534.

Net pension liability:

The Village’s net pension liability reported at December 31, 2023, was determined using a measurement of the total pension liability and the pension net position as of December 31, 2022. The total pension liability was determined by an annual actuarial valuation as of December 31, 2022.

Actuarial assumptions:

The total pension liability in the December 31, 2022, 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, 2022, valuation were based on the results of the actuarial experience study from 2014 to 2018, and dated 2020, which is the most recent actuarial experience study.

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

<u>Asset class</u>	<u>Target allocation</u>	<u>Long-term expected real rate of return</u>	<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 2023. 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>(a)</i>	<i>Plan fiduciary net position</i> <i>(b)</i>	<i>Net pension liability</i> <i>(a) - (b)</i>
Balances at December 31, 2022	\$ 6,348,816	\$ 4,366,636	\$ 1,982,180
Changes for the year:			
Service cost	76,830	-	76,830
Interest	451,764	-	451,764
Differences between expected and actual experience	61,249	-	61,249
Employer contributions	-	128,076	(128,076)
Employee contributions	-	31,534	(31,534)
Net investment loss	-	480,648	(480,648)
Benefit payments, including refunds	(312,019)	(312,019)	-
Administrative expenses	-	(10,207)	10,207
Other changes	(45,509)	-	(45,509)
Net changes	232,315	318,032	(85,717)
Balances at December 31, 2023	\$ 6,581,131	\$ 4,684,668	\$ 1,896,463

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</i> <i>(6.25%)</i>	<i>Current rate</i> <i>(7.25%)</i>	<i>1% Increase</i> <i>(8.25%)</i>
Village's net pension liability	\$ 2,600,047	\$ 1,896,463	\$ 1,306,470

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, 2023, the Village recognized pension expense of \$265,910. At December 31, 2023, 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>
Net difference between projected and actual earnings on pension plan investments	\$ 245,649
Difference between expected and actual experience	<u>30,624</u>
Total	<u>\$ 276,273</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>
2024	\$ 78,004
2025	86,957
2026	145,305
2027	<u>(33,993)</u>
	<u>\$ 276,273</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, 2023, 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, 2023, the Village contributed \$1,305 to the Plan.

Net OPEB liability:

The total OPEB liability was determined by a valuation as of December 31, 2023, 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	4.00%
Mortality	Public General 2010 Employee and Healthy Retiree, Headcount weighted; MP-2021 improvement scale

The discount rate used to measure the total OPEB liability was 4.00%. 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, 2023, liability was 4.31%.

NOTE 10 - OTHER POSTEMPLOYMENT BENEFITS (Continued)

Changes in the net OPEB liability:

	<i>Increase (decrease)</i>		
	<i>Total OPEB liability</i> <i>(a)</i>	<i>Plan fiduciary net position</i> <i>(b)</i>	<i>Net OPEB liability (asset)</i> <i>(a) - (b)</i>
Balances at December 31, 2022	\$ 82,320	\$ -	\$ 82,320
Changes for the year:			
Service cost	1,493	-	1,493
Interest	3,584	-	3,584
Differences between expected and actual experience	1,334	-	1,334
Change in assumptions	1,039	-	1,039
Contributions - employer	-	1,305	(1,305)
Benefit payments	(1,305)	(1,305)	-
Net changes	6,145	-	6,145
Balances at December 31, 2023	\$ 88,465	\$ -	\$ 88,465
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	\$ 92,002	\$ 88,465	\$ 85,205

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, 2023, the Village recognized OPEB expense of a negative \$30,764. At December 31, 2023, 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	\$ 1,401	\$ 7,074
Difference between expected and actual experience	<u>1,029</u>	<u>124,850</u>
Total	<u>\$ 2,430</u>	<u>\$ 131,924</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>
2024	\$ 637	\$ 36,478
2025	637	36,478
2026	637	36,432
2027	295	15,204
2028	94	3,093
Thereafter	<u>130</u>	<u>4,239</u>
	<u>\$ 2,430</u>	<u>\$ 131,924</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 2023 taxable valuation of the Village approximated \$153,373,000, 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 \$1,386,000 for operating purposes, \$69,000 for major streets, and \$208,000 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, 2023, the Village abated property taxes totaling \$34,249 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, 2023, the Village paid the Department \$126,667.

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 \$484,603 which is restricted by enabling legislation for public works expenditures.

NOTE 16 - CHANGE IN ACCOUNTING PRINCIPLE

During the year ended December 31, 2023, the Village implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. GASB Statement No. 101 replaces GASB 16, *Accounting for Compensated Absences*. The goal of the standard is to create a more consistent model for accounting for compensated absences that can be applied to all types of compensated absence arrangements. These changes were incorporated in the Village's 2023 financial statements and had no effect on the beginning fund balance or net position in any fund.

REQUIRED SUPPLEMENTARY INFORMATION

Village of Sparta

BUDGETARY COMPARISON SCHEDULE - General Fund

Year ended December 31, 2023

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes:				
Current property taxes	\$ 1,359,992	\$ 1,401,134	\$ 1,401,086	\$ (48)
Payment in lieu of taxes	25,000	18,115	19,707	1,592
Industrial facility tax	25,000	28,541	28,541	-
Property tax administration fee	18,000	19,505	19,505	-
Total property taxes	<u>1,427,992</u>	<u>1,467,295</u>	<u>1,468,839</u>	<u>1,544</u>
Licenses and permits:				
Cable franchise fees	53,000	53,223	48,223	(5,000)
Licenses	4,500	10,237	10,237	-
Total licenses and permits	<u>57,500</u>	<u>63,460</u>	<u>58,460</u>	<u>(5,000)</u>
Federal grant - ARPA	-	462,285	462,285	-
State grants:				
Local community stabilization share	150,000	336,815	336,815	-
State revenue sharing - constitutional	441,423	457,621	459,396	1,775
State revenue sharing - statutory	82,500	86,886	87,478	592
Total state grants	<u>673,923</u>	<u>881,322</u>	<u>883,689</u>	<u>2,367</u>
Charges for services:				
Code inspection fees	150,000	113,301	93,314	(19,987)
Other charges	27,658	30,476	38,260	7,784
Total charges for services	<u>177,658</u>	<u>143,777</u>	<u>131,574</u>	<u>(12,203)</u>
Fines and forfeitures	3,000	4,844	4,459	(385)
Interest and rentals:				
Interest	30,000	164,130	171,488	7,358
Rentals	25,000	29,600	28,550	(1,050)
Total interest and rentals	<u>55,000</u>	<u>193,730</u>	<u>200,038</u>	<u>6,308</u>
Other	81,500	61,500	79,520	18,020
Total revenues	<u>2,476,573</u>	<u>3,278,213</u>	<u>3,288,864</u>	<u>10,651</u>

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended December 31, 2023

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
EXPENDITURES				
General government:				
Legislative	19,149	21,432	18,443	2,989
Manager	129,854	133,250	131,437	1,813
Clerk	2,791	3,500	3,316	184
Treasurer	127,246	127,246	121,512	5,734
General operations	323,831	360,960	341,749	19,211
Building and grounds	29,500	33,622	25,523	8,099
Total general government	<u>632,371</u>	<u>680,010</u>	<u>641,980</u>	<u>38,030</u>
Public safety:				
Police	867,021	866,891	862,555	4,336
Fire	126,667	126,667	126,667	-
Code inspections	135,000	101,971	83,983	17,988
Total public safety	<u>1,128,688</u>	<u>1,095,529</u>	<u>1,073,205</u>	<u>22,324</u>
Public works:				
Street lights	65,000	65,000	47,297	17,703
Sidewalks	-	39,697	47,790	(8,093)
Department of public works	84,279	122,242	115,743	6,499
Total public works	<u>149,279</u>	<u>226,939</u>	<u>210,830</u>	<u>16,109</u>
Recreation and culture:				
Civic center	30,959	47,599	51,087	(3,488)
Parks	146,278	174,012	160,640	13,372
Total recreation and culture	<u>177,237</u>	<u>221,611</u>	<u>211,727</u>	<u>9,884</u>
Community and economic development -				
Planning	31,800	31,800	24,260	7,540
Capital outlay	157,250	825,518	722,405	103,113
Total expenditures	<u>2,276,625</u>	<u>3,081,407</u>	<u>2,884,407</u>	<u>197,000</u>

Village of Sparta

BUDGETARY COMPARISON SCHEDULE - General Fund (Continued)

Year ended December 31, 2023

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ 199,948	\$ 196,806	\$ 404,457	\$ 207,651
OTHER FINANCING USES				
Transfers out	(100,000)	-	-	-
NET CHANGES IN FUND BALANCES	99,948	196,806	404,457	207,651
FUND BALANCES - BEGINNING	3,256,243	3,256,243	3,256,243	-
FUND BALANCES - ENDING	<u>\$ 3,356,191</u>	<u>\$ 3,453,049</u>	<u>\$ 3,660,700</u>	<u>\$ 207,651</u>

Village of Sparta

BUDGETARY COMPARISON SCHEDULE - Major Street Fund

Year ended December 31, 2023

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Property taxes:				
Current property taxes	\$ 67,994	\$ 70,053	\$ 70,051	\$ (2)
Industrial facility tax	1,200	1,427	1,427	-
Total property taxes	<u>69,194</u>	<u>71,480</u>	<u>71,478</u>	<u>(2)</u>
State grants:				
Act 51	350,000	362,337	369,971	7,634
Metro act	15,000	16,856	16,856	-
Total state grants	<u>365,000</u>	<u>379,193</u>	<u>386,827</u>	<u>7,634</u>
Interest	800	8,665	8,923	258
Other	750	750	500	(250)
Total revenues	<u>435,744</u>	<u>460,088</u>	<u>467,728</u>	<u>7,640</u>
EXPENDITURES				
Public works:				
Street construction	265,000	37,098	31,034	6,064
Routine maintenance	41,888	44,075	39,564	4,511
Traffic services	34,165	40,000	36,348	3,652
Winter maintenance	34,166	40,000	31,258	8,742
Care of trees	28,268	28,268	15,139	13,129
Drains	23,946	23,947	16,998	6,949
Total public works	<u>427,433</u>	<u>213,388</u>	<u>170,341</u>	<u>43,047</u>
Debt service:				
Principal	71,000	71,000	71,000	-
Interest	4,230	4,230	4,230	-
Total expenditures	<u>502,663</u>	<u>288,618</u>	<u>245,571</u>	<u>43,047</u>

Village of Sparta

BUDGETARY COMPARISON SCHEDULE - Major Street Fund (Continued)

Year ended December 31, 2023

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	\$ (66,919)	\$ 171,470	\$ 222,157	\$ 50,687
OTHER FINANCING SOURCES				
Transfers in	50,000	-	-	-
NET CHANGES IN FUND BALANCES	(16,919)	171,470	222,157	50,687
FUND BALANCES - BEGINNING	97,688	97,688	97,688	-
FUND BALANCES - ENDING	<u>\$ 80,769</u>	<u>\$ 269,158</u>	<u>\$ 319,845</u>	<u>\$ 50,687</u>

Village of Sparta

BUDGETARY COMPARISON SCHEDULE - Local Street Fund

Year ended December 31, 2023

	<u>Original budget</u>	<u>Final budget</u>	<u>Actual</u>	<u>Variance with final budget positive (negative)</u>
REVENUES				
Property taxes:				
Current property taxes	\$ 203,993	\$ 210,172	\$ 210,165	\$ (7)
Industrial facility tax	3,700	4,281	4,281	-
Total property taxes	<u>207,693</u>	<u>214,453</u>	<u>214,446</u>	<u>(7)</u>
State grants - Act 51	<u>140,000</u>	<u>143,343</u>	<u>147,366</u>	<u>4,023</u>
Interest	<u>1,000</u>	<u>7,264</u>	<u>7,287</u>	<u>23</u>
Other	<u>100</u>	<u>100</u>	<u>-</u>	<u>(100)</u>
Total revenues	<u>348,793</u>	<u>365,160</u>	<u>369,099</u>	<u>3,939</u>
EXPENDITURES				
Public works				
Street construction	320,852	156,954	147,460	9,494
Routine maintenance	63,019	52,904	49,676	3,228
Traffic services	10,027	14,712	14,138	574
Winter maintenance	52,019	52,019	44,709	7,310
Care of trees	53,471	55,312	54,144	1,168
Drains	44,088	52,253	74,427	(22,174)
Total public works	<u>543,476</u>	<u>384,154</u>	<u>384,554</u>	<u>(400)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(194,683)	(18,994)	(15,455)	3,539
OTHER FINANCING SOURCES				
Transfers in	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGES IN FUND BALANCES	(144,683)	(18,994)	(15,455)	3,539
FUND BALANCES - BEGINNING	<u>180,213</u>	<u>180,213</u>	<u>180,213</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 35,530</u>	<u>\$ 161,219</u>	<u>\$ 164,758</u>	<u>\$ 3,539</u>

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

Year ended December 31, 2023

	2023	2022	2021	2020	2019	2018	2017	2016
Total pension liability:								
Service cost	\$ 76,830	\$ 49,634	\$ 74,823	\$ 84,354	\$ 95,098	\$ 100,539	\$ 102,425	\$ 94,703
Interest	451,764	445,990	421,733	426,139	410,995	415,206	398,695	351,210
Difference between expected and actual experience	61,249	(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	(312,019)	(284,790)	(241,660)	(237,744)	(227,027)	(254,249)	(195,108)	(204,480)
Other changes	(45,509)	13,166	(52,890)	(51,999)	(33,614)	39,877	(38,470)	(4,588)
Net change in total pension liability	232,315	377,951	338,331	229,106	200,022	(63,530)	236,911	350,603
Total pension liability, beginning of year	6,348,816	5,970,865	5,632,534	5,403,428	5,203,406	5,266,936	5,030,025	4,679,422
Total pension liability, end of year	<u>\$ 6,581,131</u>	<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>
Plan fiduciary net position:								
Contributions - employer	\$ 128,076	\$ 146,304	\$ 149,196	\$ 139,006	\$ 149,820	\$ 174,436	\$ 367,230	\$ 309,280
Contributions - employee	31,534	35,007	37,042	39,944	41,956	44,969	44,128	44,510
Net investment income (loss)	480,648	(520,769)	626,522	514,310	482,937	(147,161)	416,942	305,340
Benefit payments, including refunds	(312,019)	(284,790)	(241,660)	(237,744)	(227,027)	(254,249)	(195,108)	(204,480)
Administrative expenses	(10,207)	(9,221)	(7,189)	(8,060)	(8,326)	(7,245)	(6,584)	(6,024)
Net change in plan fiduciary net position	318,032	(633,469)	563,911	447,456	439,360	(189,250)	626,608	448,626
Plan fiduciary net position, beginning of year	4,366,636	5,000,105	4,436,194	3,988,738	3,549,378	3,738,628	3,112,020	2,663,394
Plan fiduciary net position, end of year	<u>\$ 4,684,668</u>	<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>
Village's net pension liability, end of year	<u>\$ 1,896,463</u>	<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>
Plan fiduciary net position as a percent of total pension liability	71.18%	68.78%	83.74%	78.76%	73.82%	68.21%	70.98%	61.87%
Covered payroll	\$ 650,325	\$ 741,086	\$ 717,777	\$ 790,111	\$ 891,936	\$ 889,425	\$ 862,670	\$ 853,560
Village's net pension liability as a percentage of covered payroll	291.62%	267.47%	135.25%	151.41%	158.61%	185.97%	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>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>	<u>2014</u>
Actuarially determined contributions	\$ 128,076	\$ 146,304	\$ 149,196	\$ 139,006	\$ 149,820	\$ 174,436	\$ 167,230	\$ 162,397	\$ 141,552	\$ 158,160
Contributions in relation to the actuarially determined contributions	<u>128,076</u>	<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>
Contribution excess/(deficiency)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 200,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Covered payroll	<u>\$ 650,325</u>	<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>
Contributions as a percentage of covered payroll	19.69%	19.74%	20.79%	17.59%	16.80%	19.61%	42.57%	19.03%	15.93%	18.15%

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	21 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, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Total OPEB liability:					
Service cost	\$ 1,493	\$ 6,729	\$ 8,779	\$ 6,259	\$ 5,667
Interest	3,584	5,679	4,725	7,781	7,290
Difference between expected and actual experience	1,334	(167,544)	-	(32,078)	-
Changes in assumptions	1,039	(8,227)	(3,870)	976	-
Benefit payments, including refunds	<u>(1,305)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in total OPEB liability	6,145	(163,363)	9,634	(17,062)	12,957
Total OPEB liability, beginning of year	<u>82,320</u>	<u>245,683</u>	<u>236,049</u>	<u>253,111</u>	<u>240,154</u>
Total OPEB liability, end of year	<u>\$ 88,465</u>	<u>\$ 82,320</u>	<u>\$ 245,683</u>	<u>\$ 236,049</u>	<u>\$ 253,111</u>
Plan fiduciary net position:					
Contributions:					
Employer	\$ 1,305	\$ -	\$ -	\$ -	\$ -
Benefit payments, including refunds	<u>(1,305)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position, beginning of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
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>\$ 88,465</u>	<u>\$ 82,320</u>	<u>\$ 245,683</u>	<u>\$ 236,049</u>	<u>\$ 253,111</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	\$ 550,205	\$ 656,224	\$ 741,084	\$ 774,372	\$ 848,144
Village's net OPEB liability as a percentage of covered employee payroll	16.1%	12.5%	33.2%	30.5%	29.8%

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, 2023

	<u>2023</u>	<u>2022</u>	<u>2021</u>	<u>2020</u>	<u>2019</u>
Actuarially determined contributions	\$ 12,772	\$ 33,983	\$ 31,893	\$ 33,802	\$ 12,957
Contributions in relation to the actuarially determined contributions	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Contribution excess/(deficiency)	<u>\$ (12,772)</u>	<u>\$ (33,983)</u>	<u>\$ (31,893)</u>	<u>\$ (33,802)</u>	<u>\$ (12,957)</u>
Covered employee payroll	\$ 550,205	\$ 656,224	\$ 741,084	\$ 774,372	\$ 848,144
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, 2023

	<i>Downtown Development Authority</i>
ASSETS	
Cash	\$ 1
Investments	146,529
Receivables	56,417
Prepaid expenditures	<u>755</u>
Total assets	<u><u>\$ 203,702</u></u>
LIABILITIES AND FUND BALANCE	
Liabilities - payables	\$ 7,652
Fund balance - unassigned	<u>196,050</u>
Total liabilities and fund balance	<u><u>\$ 203,702</u></u>
Total fund balance	\$ 196,050
<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.	352,491
Certain prepaid expenses are not recognized in the fund.	1,800
Deferred outflows and inflows of resources:	
Deferred outflows of resources - pension	4,697
Deferred outflows of resources - OPEB	170
Deferred inflows of resources - OPEB	(9,235)
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the fund.	
Net pension liability	(32,240)
Other postemployment benefit liability	<u>(6,193)</u>
Net position (unrestricted) of the <i>component unit</i>	<u><u>\$ 507,540</u></u>

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

Year ended December 31, 2023

	<u>Downtown Development Authority</u>
REVENUES	
Property taxes	\$ 333,125
Interest	6,034
Other	<u>11,044</u>
Total revenues	<u>350,203</u>
EXPENDITURES	
Current - community and economic development	317,340
Capital outlay	<u>16,853</u>
Total expenditures	<u>334,193</u>
NET CHANGES IN FUND BALANCES	16,010
FUND BALANCES - BEGINNING	<u>180,040</u>
FUND BALANCES - ENDING	<u><u>\$ 196,050</u></u>
Net change in fund balance	\$ 16,010
Amounts reported for the <i>component unit</i> in the statement of activities (page 15) are different because:	
Capital assets:	
Add - asset acquisitions	11,825
Deduct - depreciation provision	(13,498)
Increase in prepaid insurance	100
Changes in deferred outflows and inflows of resources:	
Net decrease in deferred outflows of resources - pension	(4,300)
Net decrease in deferred outflows of resources - OPEB	121
Net increase in deferred inflows of resources - OPEB	2,553
Long term liabilities:	
Add - forgiveness of long-term advance	101,006
Add - decrease in net pension liability	3,439
Deduct - increase in other postemployment benefit liability	<u>(431)</u>
Change in net position of <i>component unit</i>	<u><u>\$ 116,825</u></u>

Village of Sparta

BUDGETARY COMPARISON SCHEDULE - Component Unit

Year ended December 31, 2023

	<i>Original budget</i>	<i>Final budget</i>	<i>Actual</i>	<i>Variance with final budget positive (negative)</i>
REVENUES				
Tax increment financing	\$ 280,657	\$ 326,133	\$ 333,125	\$ 6,992
Interest	1,000	6,041	6,034	(7)
Other - contributions	<u>14,000</u>	<u>24,226</u>	<u>11,044</u>	<u>(13,182)</u>
Total revenues	<u>295,657</u>	<u>356,400</u>	<u>350,203</u>	<u>(6,197)</u>
EXPENDITURES				
Community and economic development	247,560	317,075	317,340	(265)
Capital outlay	27,500	16,853	16,853	-
Debt service:				
Principal	20,000	101,006	-	101,006
Interest	<u>100</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total expenditures	<u>295,160</u>	<u>435,434</u>	<u>334,193</u>	<u>101,241</u>
NET CHANGES IN FUND BALANCES	497	(79,034)	16,010	95,044
FUND BALANCES - BEGINNING	<u>180,040</u>	<u>180,040</u>	<u>180,040</u>	<u>-</u>
FUND BALANCES - ENDING	<u>\$ 180,537</u>	<u>\$ 101,006</u>	<u>\$ 196,050</u>	<u>\$ 95,044</u>

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

**Village of Sparta
Taxable Value
Fiscal Years Ended December 31, 2019 Through 2023**

<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>
2018	2019	2019	\$ 122,788,900	\$ 3,249,580	\$ 126,038,480	2.72%
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%
2022	2023	2023	158,068,949	4,481,149	162,550,098	7.10%

Per Capita Total Taxable Value for the fiscal year ended December 31, 2023 (2) = \$38,301

(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, 2019 Through 2023**

<i>Use</i>	<i>Fiscal Years Ended December 31</i>				
	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
Commercial	\$ 29,118,165	\$ 28,962,674	\$ 30,377,643	\$ 31,523,808	\$ 32,535,422
Industrial	19,239,472	19,782,640	21,905,805	23,356,925	22,321,905
Residential	74,529,843	78,759,410	85,800,834	93,704,008	103,585,771
Utility	3,151,000	2,886,200	3,107,200	3,187,400	4,107,000
	<u>\$126,038,480</u>	<u>\$130,390,924</u>	<u>\$141,191,482</u>	<u>\$151,772,141</u>	<u>\$162,550,098</u>
<i>Class</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
Real Property	\$115,614,180	\$121,449,224	\$131,109,882	\$141,023,041	\$154,148,398
Personal Property	10,424,300	8,941,700	10,081,600	10,749,100	8,401,700
	<u>\$126,038,480</u>	<u>\$130,390,924</u>	<u>\$141,191,482</u>	<u>\$151,772,141</u>	<u>\$162,550,098</u>

Source: Village of Sparta

(UNAUDITED)

**Village of Sparta
State Equalized Valuation
Fiscal Years Ended December 31, 2019 through 2023**

<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>
2018	2019	2019	141,891,600	\$ 4,405,400	\$ 146,297,000	2.75%
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%
2022	2023	2023	197,851,400	6,287,900	204,139,300	11.76%

Per Capita Total SEV for the fiscal year ended December 31, 2023 (2) = \$48,101

(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, 2019 through 2023**

<i>Use</i>	<i>Fiscal Years Ended December 31</i>				
	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
Commercial	\$ 32,857,700	\$ 31,762,600	\$ 33,319,500	\$ 34,647,900	\$ 34,700,900
Industrial	20,965,200	21,740,400	24,507,500	26,969,700	26,618,000
Residential	89,323,100	97,298,700	106,128,000	117,850,600	138,713,400
Utility	3,151,000	2,886,200	3,107,200	3,187,400	4,107,000
	<u>\$146,297,000</u>	<u>\$153,687,900</u>	<u>\$167,062,200</u>	<u>\$182,655,600</u>	<u>\$204,139,300</u>
<i>Class</i>	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
Real Property	\$135,279,600	\$144,638,000	\$156,887,200	\$171,853,600	\$195,641,100
Personal Property	11,017,400	9,049,900	10,175,000	10,802,000	8,498,200
	<u>\$146,297,000</u>	<u>\$153,687,900</u>	<u>\$167,062,200</u>	<u>\$182,655,600</u>	<u>\$204,139,300</u>

Source: Village of Sparta

Tax Abatement

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

(UNAUDITED)

Tax Abatement (Continued)

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

The Village has established goals, objectives, and procedures to provide the opportunity for industrial development and expansion. Since 1974, the Village has approved a number of applications for local property tax relief for industrial and commercial firms. The SEV of properties that have been granted tax abatement under the Act, removed from the Ad Valorem Tax Roll, and placed on the IFT Tax Roll, totaled \$4,481,149 for the fiscal year ended December 31, 2023. The IFT Taxes paid on these properties is equivalent to Ad Valorem taxes paid on \$8,962,298 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, 2023**

<u>Millage Classification</u>	<u>Millage Authorized</u>	<i>Millage Rate As Permanently Reduced By Headlee</i>	<u>Current Year Reduction Fraction</u>	<u>Maximum Allowable Millage</u>
Operating	17.5000	15.4488	1.0000	15.4488

**Village of Sparta
Property Tax Rates
Fiscal Years Ended December 31, 2019 Through 2023**

<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>
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
2023	2023	10.00	1.50	0.50	12.00

(UNAUDITED)

Village of Sparta
Homestead Property Tax Rates by Governmental Unit
Fiscal Years Ended December 31, 2019 Through 2023

<i>Governmental Unit</i>	<i>Fiscal Years Ended December 31</i>				
	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
Village of Sparta	12.0000	12.0000	12.0000	12.0000	12.0000
Kent Intermediate Schools	5.6113	5.5684	5.5157	5.4447	5.4447
Grand Rapids Community College	1.7606	1.7472	1.7307	1.7085	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	6.2584	6.2100	6.1521	6.0971	6.0971
Sparta Township	1.7173	1.7027	1.6878	1.6714	1.6714
	<u>41.4976</u>	<u>41.3783</u>	<u>41.2363</u>	<u>41.0717</u>	<u>41.0717</u>

Village of Sparta
Non-Homestead Property Tax Rates by Governmental Unit
Fiscal Years Ended December 31, 2019 Through 2023

<i>Governmental Unit</i>	<i>Fiscal Years Ended December 31</i>				
	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
Village of Sparta	12.0000	12.0000	12.0000	12.0000	12.0000
Kent Intermediate Schools	5.6113	5.5684	5.5157	5.4447	5.4447
Grand Rapids Community College	1.7606	1.7472	1.7307	1.7085	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	6.2584	6.2100	6.1521	6.0971	6.0971
Sparta Township	1.7173	1.7027	1.6878	1.6714	1.6714
	<u>59.4976</u>	<u>59.3783</u>	<u>59.2363</u>	<u>59.0717</u>	<u>59.0717</u>

Village of Sparta
Property Tax Collections
Fiscal Years Ended December 31, 2019 Through 2023

<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>	
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%
2023	2023	1,920,608	1,831,928	95.38%

(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, 2023**

<i>Taxpayer</i>	<i>Principal Product or Service</i>	<i>Taxable Value</i>	<i>Percent of Total (1)</i>
Consumers Energy Company	Utility	\$ 4,235,064	2.61%
Tesa Tape, Inc.	Adhesive tape manufacturer	4,009,408	2.47%
Apple-Tree Sparta, LLC	Apartments	2,782,600	1.71%
Spartan Graphics, Inc.	Printing	2,287,057	1.41%
Celia Corporation	Paper products manufacturer	2,168,856	1.33%
CC Holdings, LLC		1,803,307	1.11%
B S Holdings, Inc.	Medical device manufacturer	1,547,655	0.95%
OOB Real Estate Holdings, LLC	Real estate	1,500,637	0.92%
Emmons Development Co.	Construction	1,466,700	0.90%
C & T Fabrication, LLC		<u>1,360,801</u>	0.84%
		<u>\$ 23,162,085</u>	14.25%

(1) Based on \$162,550,098, which is the Village's Total Taxable Value for its fiscal year ended December 31, 2023. 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, 2019 Through 2023**

	<i>Fiscal Years Ended December 31,</i>				
	<i>2019</i>	<i>2020</i>	<i>2021</i>	<i>2022</i>	<i>2023</i>
State shared revenue	\$ 444,741	\$ 430,412	\$ 506,255	\$ 555,673	\$ 546,874
Local community stabilization	269,147	293,409	306,671	290,921	336,815
Liquor license fees	<u>4,959</u>	<u>4,631</u>	<u>4,871</u>	<u>4,916</u>	<u>5,237</u>
	<u>\$ 718,847</u>	<u>\$ 728,452</u>	<u>\$ 817,797</u>	<u>\$ 851,510</u>	<u>\$ 888,926</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, 2023.

Debt Limit (1)	\$ 20,413,930
Debt Outstanding	\$ 2,925,000
Less: Exempt Debt	<u>2,800,000</u>
	<u>125,000</u>
Legal Debt Margin	<u>\$ 20,288,930</u>

(1) 10% of \$204,139,300, the Village's Total SEV for the fiscal year ended December 31, 2023.

(UNAUDITED)

**Village of Sparta
Debt Statement
December 31, 2023**

The following schedules reflect a breakdown of the Village's direct and overlapping debt as of December 31, 2023. 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)	\$ 125,000	\$ -	\$ 125,000
Revenue Bonds:			
Dated April 12, 2018 (Sewer)	<u>2,800,000</u>	<u>2,800,000</u>	<u>-</u>
Totals	<u>\$ 2,925,000</u>	<u>\$ 2,800,000</u>	<u>\$ 125,000</u>

Per Capita Net Village Direct Debt (1) \$ 29
Percent of Net Direct Debt to SEV (2) 0.06%

<u>Overlapping Debt (3)</u>	<u>Gross</u>	<u>Village Share As Percent of Gross</u>	<u>Net</u>
Kent County	\$ 106,185,576	0.56%	\$ 594,639
Sparta Area Schools	76,388,767	25.73%	19,654,830
Grand Rapids Community College	<u>26,638,002</u>	0.54%	<u>143,845</u>
Totals	<u>\$ 209,212,345</u>		<u>\$ 20,393,314</u>

Per Capita Net Overlapping Debt (1) \$4,805
Percent of Net Overlapping Debt to SEV (2) 9.99%

Per Capita Net Direct and Overlapping Debt (1) \$4,835
Percent of Net Direct and Overlapping Debt to SEV (2) 10.05%

- (1) Based on the Village's 2020 census population of 4,244
(2) Based on \$204,139,300 which is the Village's SEV for the fiscal year ended December 31, 2023. 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)