



**SPARTA AREA SCHOOLS**  
**Kent County, Michigan**

Annual Financial Report

For the year ended June 30, 2023

**SPARTA AREA SCHOOLS**  
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For the year ended June 30, 2023

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## **FINANCIAL SECTION**

## INDEPENDENT AUDITOR'S REPORT

October 6, 2023

The Board of Education  
Sparta Area Schools

### Report on the Audit of the Financial Statements

#### *Opinions*

We have audited the accompanying financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of the Sparta Area Schools as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise the Sparta Area Schools' basic financial statements as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the major fund, and the aggregate remaining fund information of the Sparta Area Schools, as of June 30, 2023, and the respective changes in financial position and the respective budgetary comparison for the General Fund, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### *Basis for Opinions*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the Sparta Area Schools and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Sparta Area Schools' 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 auditing standards generally accepted in the United States and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with auditing standards generally accepted in the United States and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Sparta Area Schools' 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 Sparta Area Schools' 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 and other required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### ***Supplementary Information***

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sparta Area Schools' basic financial statements. The accompanying combining and individual nonmajor fund financial statements and schedules 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 combining and individual nonmajor fund financial statements and schedules are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

### **Emphasis of Matter**

#### *Change in Accounting Principle*

As discussed in Note L to the financial statements, the District adopted Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements* and No. 101 *Compensated Absences* for the fiscal year June 30, 2023. Our opinion is not modified in respect to this matter.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 6, 2023 on our consideration of Sparta Area Schools' internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Sparta Area Schools' internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Sparta Area Schools' internal control over financial reporting and compliance.



Certified Public Accountants  
Grand Rapids, Michigan

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



**SPARTA AREA SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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As management of the Sparta Area Schools (“the District”), we offer readers of the District’s financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2023. We encourage readers to consider the information presented here in conjunction with the District’s financial statements, which immediately follow this section.

### **Overview of the Financial Statements**

This annual report consists of four parts: Management's Discussion and Analysis (this section), the Basic Financial Statements, Required Supplementary Information, and Supplementary Information. The Basic Financial Statements include two kinds of statements that present different views of the District:

- The first two statements, the Statement of Net Position and the Statement of Activities, are *district-wide financial statements* that provide both short-term and long-term information about the District’s overall financial status.
- The remaining statements are *fund financial statements* that focus on individual parts of the District, reporting the District’s operations in more detail than the district-wide statements.
  - ♦ *Governmental funds statements* tell how basic services such as regular and special education were financed in the short-term as well as what remains for future spending.
  - ♦ *Fiduciary funds statements* provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

The Basic Financial Statements also include Notes to Financial Statements that explain the information in the Basic Financial Statements and provide more detailed data; Required Supplementary Information includes pension and OPEB information schedules; Other Supplementary Information follows and includes combining and individual fund statements and schedules.

### **District-wide Statements**

The district-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Position includes all of the District’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 district-wide statements report the District’s net position, and how they have changed. Net position - the difference between the District’s assets, deferred outflows of resources, liabilities, and deferred inflows of resources - is one way to measure the District’s financial health or position.

- Over time, increases or decreases in the District’s net position are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the District’s overall health, one should consider additional non-financial factors such as changes in the District’s property tax-base and the condition of school buildings and other facilities.



**SPARTA AREA SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2023**

In the district-wide financial statements, the District's activities are presented as follows:

- *Governmental activities:* The District's basic services are included here, such as regular and special education, instructional support, transportation, administration, community services, food service and athletics. State aid and property taxes finance most of these activities.

**New Accounting Pronouncements Implemented**

The District implemented Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)*. This Statement enhances the relevance and consistency of information about governments' subscription-based information technology arrangements. In addition, the District implemented GASB Statement No. 101 *Compensated Absences* during the fiscal year ended June 30, 2023. This Statement will provide more consistent application for recognizing liability related to compensated absences, which is expected to potentially eliminate comparability issues between governments that offer different types of leave and enhance the relevance and reliability of information for compensated absences. See Note L for additional information.

**Condensed District-wide Financial Information**

The Statement of Net Position provides financial information on the District as a whole.

	<u>2023</u>	<u>2022</u>
<b>Assets</b>		
Current assets	\$ 20,223,109	\$ 17,408,012
Net capital assets	79,362,714	81,485,763
<b>Total Assets</b>	<u>99,585,823</u>	<u>98,893,775</u>
<b>Deferred Outflows of Resources</b>	<u>21,410,301</u>	<u>10,388,782</u>
<b>Liabilities</b>		
Current liabilities	9,098,614	7,967,740
Long-term liabilities	73,052,008	75,125,906
Net pension liability	55,577,225	33,824,240
Net OPEB liability	3,176,872	2,175,807
<b>Total Liabilities</b>	<u>140,904,719</u>	<u>119,093,693</u>
<b>Deferred Inflows of Resources</b>	<u>6,768,865</u>	<u>19,539,331</u>
<b>Net Position</b>		
Net investment in capital assets	5,350,195	5,556,426
Restricted	2,789,156	2,491,808
Unrestricted (deficit)	(34,816,811)	(37,398,701)
<b>Total Net Position</b>	<u>\$ (26,677,460)</u>	<u>\$ (29,350,467)</u>



**SPARTA AREA SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2023**

The Statement of Activities presents changes in net position from operating results:

	<b>2023</b>	<b>2022</b>
<b>Program Revenues</b>		
Charges for services	\$ 1,008,727	\$ 563,685
Operating grants	17,544,431	15,068,566
<b>General Revenues</b>		
Property taxes	7,417,163	7,047,616
State school aid, unrestricted	19,601,319	17,928,215
Interest earnings	271,465	35,492
Other	1,516,988	1,235,166
<b>Total Revenues</b>	<b>47,360,093</b>	<b>41,878,740</b>
<b>Expenses</b>		
Instruction	24,351,550	19,303,207
Supporting services	15,322,799	13,371,426
Food service	1,646,868	1,514,253
Community services	571,384	373,863
Other	32,236	3,590,236
Interest on long-term debt	2,730,216	2,601,707
Depreciation – unallocated	32,033	25,903
<b>Total Expenses</b>	<b>44,687,086</b>	<b>40,780,595</b>
Change in net position	2,673,007	1,098,145
<b>Net Position, Beginning of Year</b>	<b>(29,350,467)</b>	<b>(30,448,612)</b>
<b>Net Position, End of Year</b>	<b>\$ (26,677,460)</b>	<b>\$ (29,350,467)</b>

**Financial Analysis of the District as a Whole**

The District's financial position is the product of many factors.

The District's total revenues increased 13.1% to \$47.4 million. Property taxes and unrestricted state aid accounted for most of the District's revenues, contributing 57% of the total. Another 37% came from state and federal aid for specific programs and the remainder from fees charged for services, interest earnings, donations and miscellaneous sources.

The total cost of all programs and services increased 9.5% to \$44.7 million. The District's expenses are predominantly related to instructing, caring for (pupil services) and transporting students, amounting to 73.1% of total costs. The District's administrative and business activities accounted for 8.6% of total costs. Operation and maintenance expenses accounted for another 9.1% of the total costs.



**SPARTA AREA SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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Total revenues exceeded expenses by \$2,673,007, increasing total net position from a deficit of \$29,350,467 at June 30, 2022, to a deficit of \$26,677,460 at June 30, 2023. Unrestricted net position increased by \$2,581,890 to a deficit of \$34,816,811 at June 30, 2023. The District's net pension liability, including deferred outflows and inflows of resources, increased by \$1,335,618 during the fiscal year. In addition, the District's net OPEB liability, including deferred outflows and inflows of resources, decreased by \$2,405,789 during the fiscal year.

### **Fund Financial Statements**

The *fund financial statements* provide more detailed information about the District's funds, focusing on its most significant or "major" funds - not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

The District utilizes two kinds of funds:

- *Governmental funds*: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow 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 the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, additional information following the governmental funds' statements explain the relationship (or differences) between them.
- *Fiduciary funds*: The District is the trustee, or fiduciary, for assets that belong to others, such as Custodial Funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the district-wide financial statements because it cannot use these assets to finance its operations.

### **Financial Analysis of the District's Funds**

The District uses funds to record and analyze financial information. Sparta Area School's funds are described as follows:

#### **Major Fund**

##### General Fund

The General Fund is the District's primary operating fund. The General Fund had total revenues of \$39,235,462, total other financing sources of \$524,427, and total expenditures of \$38,136,300. It ended the fiscal year with a fund balance of \$9,882,902, up from \$8,259,313 as of June 30, 2022.



**SPARTA AREA SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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**Nonmajor Funds**

Special Revenue Fund

The District operates two Special Revenue Funds: the Food Service Fund and the Student/School Activity Fund. Total revenues for the Food Service Fund were \$1,613,365, total expenditures were \$1,733,506, and total other financing uses were \$67,068. The ending fund balance was \$1,030,030, down from \$1,217,239 at June 30, 2022. Total revenues for the Student/School Activity Fund were \$411,728 and total expenditures were \$365,679. The ending fund balance was \$333,107, up from \$287,058 at June 30, 2022.

Debt Service Funds

The District operates five Debt Service Funds. Total revenues were \$4,401,307, total financing sources of \$1,045,320, and total expenditures were \$5,418,930. The ending fund balances totaled \$95,675, up from \$67,978 at June 30, 2022.

Capital Projects Fund

There are three nonmajor Capital Projects Fund; the Building and Site Sinking Fund, the 2016 Construction Fund, and the 2019 Construction Fund. Total revenues in the Building and Site Sinking Fund were \$757,434 and total expenditures were \$364,364. The ending fund balance was \$1,762,076, up from \$1,369,365 at June 30, 2022. The 2016 Construction Capital Projects Fund accounts for bond proceeds to be used for voter approved capital improvement projects. Total revenues in the 2016 Construction Capital Projects Fund were \$3,321 and total expenditures were \$18,804. The ending fund balance was \$271,734, down from \$287,217 at June 30, 2022. The 2019 Construction Capital Projects Fund accounts for bond proceeds to be used for voter approved capital improvement projects. Total revenues in the 2016 Construction Capital Projects Fund were \$58,639 and total expenditures were \$202,119. The ending fund balance was \$1,517,462, down from \$1,660,942 at June 30, 2022.

Fiduciary Fund

The District operates a Custodial Fund for the benefit of organizations outside of the District. Balances on hand at June 30, 2023 totaled \$1,948.

**General Fund Budgetary Highlights**

The District amended the budget multiple times during the school year to be in compliance with the Uniform Budgeting Act, as well as ensure our budget was as accurate as it could be at that time.

From the original budget assumptions, overall revenues increased by \$3,742,262. Notable factors that affected that variance can be attributed to the following highlighted areas but primarily as a result of state funding and the sale of district property.

**Local Sources:** There was a decrease in local funding, \$189,390 that can be attributed to property tax adjustments, e-rate funding, and miscellaneous revenues. . **State Sources:** State sources increased by \$3,688,405. There was a one-time deposit of \$1.5 million for MPSERS retirement costs as well as additional special education, at risk and categorical funding sources.

**Federal Sources:** Federal sources increased by \$215,706 which can be attributed to Federal ESSER money that was spent to help address learning loss.



**SPARTA AREA SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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**Interdistrict Sources:** The interdistrict and other revenues increased \$156,122 primarily due to special education funding increase for transportation and our regional special education program billing.

**Other Financing Sources:** This category increased by \$517,400 primarily due to the sale of a district building to Kent ISD and the transfer of food service indirect costs.

**Expenditures:** Overall, actual expenditures exceeded the original budget by \$3,242,275. The majority of increases was due to adding staff due to the pandemic and accounting for the \$1.5 million one-time MPSERS deposit across the funds. The original school administration budget did not include the proper number of FTE for principals. We also saw an increase across the board for operations, transportation, and technology due to the increase of costs and implementing the door access project mid-way through the year. We added a full time athletic director and full time secretary to support our athletic programs.

**Capital Asset and Debt Administration**

Capital Assets

By the end of 2023, the District had invested \$107.7 million in a broad range of capital assets, including land, school buildings, athletic facilities, computer equipment, school buses and vehicles, administrative offices, right to use assets, and construction in progress. This amount represents a decrease of \$2,123,049 in net book value from June 30, 2022. More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.

The net book value of District assets at June 30, 2023 are as follows:

Land	\$ 1,924,755
Buildings and improvements	76,139,563
Furniture and equipment	807,016
Vehicles	133,090
Construction in progress	<u>358,290</u>
<b>Net Capital Assets</b>	<u><u>\$ 79,362,714</u></u>

Long-term Debt

At year end, the District had \$76.4 million in general obligation bonds and other long-term debt outstanding – a decrease of \$1,996,147 from June 30, 2022.

- During the current year the District borrowed \$1,090,991 of State School Bond Loan Funds.
- The District continued to pay down its debt, retiring \$2,715,000 of outstanding bonds.
- The District's bond rating for general obligation debt was affirmed by Standard and Poor's as AA with a stable outlook. The State limits the amount of general obligation debt that schools can issue to 15 percent of the assessed value of all taxable property within a District's boundaries.
- The District's other obligations include accumulated sick leave. We present more detailed information about our long-term liabilities in Note F to the Notes to Basic Financial Statements.





**SPARTA AREA SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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**Factors Bearing on the District's Future**

At the time these financial statements were prepared and audited, the District was aware of the following existing circumstances that could significantly affect its financial health in the future:

- The District is continuing to recover from the COVID pandemic which has led to the increased costs of providing education. From staffing, operations and transportation, we have seen an increase in costs, and we are anticipating that will continue throughout the recovery of the economy. We continue to have challenges finding new staff and being competitive with wages with a limited budget.
- The District will be entering into contract negotiations with the SEA in 2023-2024 as the contract expires in June 2024. The changes to PERA & the projected decline in federal funding will impact negotiations. The district support staff contract runs through 2025.
- As long as a majority of our funding comes to us on a per-pupil funding basis, this will always be a large, unknown factor that may impact our financial health. Since we do not know enrollment until after our budgets are completed, it's difficult to accurately estimate the impact this will have on the budget. The state budget was also not finalized until after the 22/23 budget was finalized. The fiscal year 2022-2023 budget was adopted using the best information the District had at the time. While enrollment remained steady in 2022-2023, we also know that across the state Districts are seeing declining enrollment numbers.
- In May 2017, voters in Kent County approved the regional enhancement millage that provides approximately \$242 per pupil. This is an additional revenue stream for the district that will greatly enhance the education delivery for our students and remove some financial stress from our system. The millage will continue to provide additional opportunities for Sparta staff & students.
- Since the COVID 19 pandemic, the district has been utilizing federal revenue sources to help with added costs of instruction. In 2022-2023, the district fully expended the ESSER II funds, continued to use the ESSER II section 23 funds, and also started spending ESSER III. The district currently has ESSER III funding planned through school year 2023-2024. The 2023-204 school year will be the last year that COVID funds are available.
- The District remodeled Ridgeview Kitchen in the summer of 2023, and will be completed August 2023. There was also the addition of 4 office spaces at Ridgeview that will be complete August 2023 to house the additional staff added in 22/23.
- The District's sinking fund millage was renewed for 10 year in November of 2019. On an annual basis, the sinking fund generates approximately \$650,000 of tax revenue, which is used for major repairs and renovations of the District's facilities.
- The district continues to invest in safety and security measures across all buildings. We are anticipating this will continue, and there will continue to be significant investments regarding safety and security. In 2022-2023, the district started the installation of key card access door locks on all classrooms, and that will continue into 2023-2024.





**SPARTA AREA SCHOOLS**  
**Management's Discussion and Analysis**  
**June 30, 2023**

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**Contacting the District's Financial Management**

This financial report is designed to provide the District's citizens, taxpayers, customers, and investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact the Superintendent's Office, Sparta Area Schools, 465 S. Union Street, Sparta, Michigan 49345.

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## **BASIC FINANCIAL STATEMENTS**

**SPARTA AREA SCHOOLS**  
**Statement of Net Position**  
**June 30, 2023**

	Governmental Activities
<b>Assets</b>	
Cash equivalents, deposits and investments (Note B)	\$ 13,499,350
Accounts receivable	21,106
Due from other governmental units (Note C)	6,654,128
Inventory	44,681
Prepaid expenses	3,844
Capital assets not being depreciated (Note E)	2,283,045
Capital assets being depreciated/amortized, net (Note E)	77,079,669
	<b>99,585,823</b>
<b>Total Assets</b>	
<b>Deferred Outflows of Resources</b>	
Loss on advance bond refundings, net	152,543
Deferred pension amounts	16,645,891
Deferred OPEB amounts	4,611,867
	<b>21,410,301</b>
<b>Total Deferred Outflows of Resources</b>	
<b>Liabilities</b>	
Accounts payable	345,591
Due to other governmental units (Note C)	1,899,406
Accrued interest payable	431,732
Payroll related accruals	10,050
Salaries payable	1,642,657
Unearned revenue	1,432,419
Long-term liabilities (Note F):	
Due within one year	3,336,759
Due in more than one year	73,052,008
Net pension liability	55,577,225
Net OPEB liability	3,176,872
	<b>140,904,719</b>
<b>Total Liabilities</b>	
<b>Deferred Inflows of Resources</b>	
Deferred pension amounts	249,765
Deferred OPEB amounts	6,519,100
	<b>6,768,865</b>
<b>Total Deferred Inflows of Resources</b>	
<b>Net Position</b>	
Net investment in capital assets	5,350,195
Restricted for:	
Capital projects	1,762,076
Debt service	(336,057)
Food service	1,030,030
Student/School activities	333,107
Unrestricted (deficit)	(34,816,811)
	<b>(26,677,460)</b>
<b>Total Net Position</b>	
	<b>\$ (26,677,460)</b>

See accompanying notes to basic financial statements.

**SPARTA AREA SCHOOLS**  
**Statement of Activities**  
**For the year ended June 30, 2023**

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants	
<b>Governmental Activities</b>				
Instruction	\$ 24,351,550	\$ 10,312	\$ 13,368,938	\$ (10,972,300)
Supporting services	15,322,799	152,282	2,849,853	(12,320,664)
Food service	1,646,868	376,308	1,223,405	(47,155)
Community services	571,384	469,825	-	(101,559)
Other	32,236	-	-	(32,236)
Interest on long-term debt	2,730,216	-	102,235	(2,627,981)
Depreciation - unallocated*	32,033	-	-	(32,033)
<b>Total Governmental Activities</b>	<b>\$ 44,687,086</b>	<b>\$ 1,008,727</b>	<b>\$ 17,544,431</b>	<b>(26,133,928)</b>
<b>General Revenues</b>				
Taxes:				
Property taxes, levied for general operations				2,412,744
Property taxes, levied for debt service				4,298,274
Property taxes, levied for capital improvements				706,145
State school aid, unrestricted				19,601,319
Interest and investment earnings				271,465
Other				1,516,988
<b>Total General Revenues</b>				<b>28,806,935</b>
<b>Change in Net Position</b>				<b>2,673,007</b>
<b>Net Position - Beginning of Year</b>				<b>(29,350,467)</b>
<b>Net Position - End of Year</b>				<b>\$ (26,677,460)</b>

\*This amount excludes direct depreciation expenses of the various programs.

See accompanying notes to basic financial statements.

**SPARTA AREA SCHOOLS**  
**Balance Sheet**  
**Governmental Funds**  
**June 30, 2023**

<b>Assets</b>	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
Cash equivalents, deposits and investments (Note B)	\$ 8,388,533	\$ 5,110,817	\$ 13,499,350
Accounts receivable	18,166	2,940	21,106
Due from other funds	67,068	9,406	76,474
Due from other governmental units (Note C)	6,637,172	16,956	6,654,128
Inventory	17,042	27,639	44,681
Prepaid expenditures	3,844	-	3,844
<b>Total Assets</b>	<u>\$ 15,131,825</u>	<u>\$ 5,167,758</u>	<u>\$ 20,299,583</u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 269,144	\$ 76,447	\$ 345,591
Due to other funds	9,406	67,068	76,474
Due to other governmental units	1,899,406	-	1,899,406
Payroll related accruals	10,050	-	10,050
Salaries payable	1,642,657	-	1,642,657
Unearned revenue	1,418,260	14,159	1,432,419
<b>Total Liabilities</b>	<u>5,248,923</u>	<u>157,674</u>	<u>5,406,597</u>
<b>Fund Balances (Note A)</b>			
Nonspendable	20,886	27,639	48,525
Restricted	-	4,982,445	4,982,445
Unassigned	9,862,016	-	9,862,016
<b>Total Fund Balances</b>	<u>9,882,902</u>	<u>5,010,084</u>	<u>14,892,986</u>
<b>Total Liabilities and Fund Balances</b>	<u>\$ 15,131,825</u>	<u>\$ 5,167,758</u>	<u>\$ 20,299,583</u>

See accompanying notes to basic financial statements.

**SPARTA AREA SCHOOLS**  
**Reconciliation of Total Governmental Fund Balances to**  
**Net Position of Governmental Activities**  
**June 30, 2023**

<b>Total governmental fund balances</b>		\$ 14,892,986
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds. The cost of assets is \$107,713,589 and accumulated depreciation/amortization is \$25,350,875.		79,362,714
Bond refunding losses are not expensed but are amortized over the life of the new bond issue.		152,543
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year end consist of:		
General obligation bonds	\$ (66,825,000)	
Bond premium	(6,960,855)	
State school bond loan fund	(2,168,403)	
Accumulated sick leave	<u>(434,509)</u>	(76,388,767)
Accrued interest is not included as a liability in governmental funds.		(431,732)
Net pension liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net pension liability	(55,577,225)	
Deferred outflows	16,645,891	
Deferred inflows	<u>(249,765)</u>	(39,181,099)
Net OPEB liability and related deferred outflows/inflows of resources are not included as assets/liabilities in governmental funds:		
Net OPEB liability	(3,176,872)	
Deferred outflows	4,611,867	
Deferred inflows	<u>(6,519,100)</u>	(5,084,105)
<b>Total net position - governmental activities</b>		<u><u>\$ (26,677,460)</u></u>

See accompanying notes to basic financial statements.

**SPARTA AREA SCHOOLS**  
**Statement of Revenues, Expenditures and**  
**Changes in Fund Balances**  
**Governmental Funds**  
**For the year ended June 30, 2023**

	<u>General</u>	<u>Nonmajor</u>	<u>Total</u>
<b>Revenues</b>			
Local sources	\$ 3,415,352	\$ 5,920,154	\$ 9,335,506
State sources	29,131,160	151,023	29,282,183
Federal sources	3,659,685	1,174,617	4,834,302
Interdistrict sources	3,029,265	-	3,029,265
<b>Total Revenues</b>	<u>39,235,462</u>	<u>7,245,794</u>	<u>46,481,256</u>
<b>Expenditures</b>			
Current:			
Instruction	22,763,529	-	22,763,529
Supporting services	14,737,859	368,226	15,106,085
Food service	-	1,733,506	1,733,506
Community services	582,960	-	582,960
Intergovernmental	28,800	-	28,800
Capital outlay	-	585,287	585,287
Debt service:			
Principal repayment	22,249	2,715,000	2,737,249
Interest and fiscal charges	903	2,701,742	2,702,645
<b>Total Expenditures</b>	<u>38,136,300</u>	<u>8,103,761</u>	<u>46,240,061</u>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<u>1,099,162</u>	<u>(857,967)</u>	<u>241,195</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from sale of capital assets	457,359	-	457,359
Proceeds from school bond loan fund	-	1,045,320	1,045,320
Transfers in	67,068	-	67,068
Transfers out	-	(67,068)	(67,068)
<b>Total Other Financing Sources (Uses)</b>	<u>524,427</u>	<u>978,252</u>	<u>1,502,679</u>
<b>Net Change in Fund Balances</b>	1,623,589	120,285	1,743,874
<b>Fund Balances, Beginning of Year</b>	<u>8,259,313</u>	<u>4,889,799</u>	<u>13,149,112</u>
<b>Fund Balances, End of Year</b>	<u>\$ 9,882,902</u>	<u>\$ 5,010,084</u>	<u>\$ 14,892,986</u>

See accompanying notes to basic financial statements.



**SPARTA AREA SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2023**

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**Net change in fund balances - total governmental funds** \$ 1,743,874

Amounts reported for governmental activities in the Statement of Activities are different because:

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of these assets is capitalized and allocated over their estimated useful lives as depreciation/amortization expense. This is the amount by which depreciation and amortization exceeded capital outlays in the current period:

Capital outlays	\$ 777,301	
Depreciation/amortization expense	<u>(2,860,069)</u>	(2,082,768)

In the Statement of Activities, only the loss on the sale of capital assets is reported, whereas in the governmental funds, the proceeds from the sale(s) increase financial resources. Thus, the change in net position differs from the change in fund balance by the net book value of the assets sold/retired. (40,281)

Proceeds from leases and the sale of bonds or loans are other financing sources in the governmental funds, but increase long-term liabilities in the Statement of Net Position.

State school bond loan (1,090,991)

Bond premium is amortized over the life of the new bond issue on the Statement of Activities. 461,759

Repayment of bond principal is an expenditure in the governmental funds, but it reduces long-term liabilities in the Statement of Net Position and does not affect the Statement of Activities:

General obligation bonds	2,715,000	
Lease liabilities	<u>22,249</u>	2,737,249

Bond refunding losses are amortized over the life of the new bond issue on the Statement of Activities. (32,236)

Interest on long-term liabilities in the Statement of Activities differs from the amount reported on the governmental funds because interest is recorded as an expenditure in the funds when it is due and paid, and thus requires the use of current financial resources. In the Statement of Activities, however, interest expense is recognized as the interest accrues regardless of when it is paid. 18,100

In the Statement of Net Position, accumulated sick leave is measured by the amounts earned during the year. In the governmental funds, however, expenditures are measured by the amount of financial resources used (essentially, the amounts actually paid). This year the amount of these benefits earned exceeded the amounts used/paid. (111,870)

**SPARTA AREA SCHOOLS**  
**Reconciliation of the Statement of Revenues, Expenditures**  
**and Changes in Fund Balances of Governmental Funds**  
**to the Statement of Activities**  
**For the year ended June 30, 2023**

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The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.	\$ (1,335,618)
The changes in net OPEB and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.	<u>2,405,789</u>
<b>Total change in net position - governmental activities</b>	<u><u>\$ 2,673,007</u></u>

See accompanying notes to basic financial statements.

**SPARTA AREA SCHOOLS**  
**General Fund**  
**Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2023**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 3,543,200	\$ 3,353,810	\$ 3,415,352	\$ 61,542
State sources	25,390,000	29,078,405	29,131,160	52,755
Federal sources	3,350,000	3,565,706	3,659,685	93,979
Interdistrict sources	3,210,000	3,366,127	3,029,265	(336,862)
<b>Total Revenues</b>	<b>35,493,200</b>	<b>39,364,048</b>	<b>39,235,462</b>	<b>(128,586)</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	16,007,250	18,074,044	17,881,718	192,326
Added needs	4,206,125	4,433,299	4,307,876	125,423
Adult education services	520,150	682,121	573,935	108,186
Supporting services:				
Pupil services	2,914,900	3,010,014	3,044,488	(34,474)
Instructional staff services	824,000	957,997	903,996	54,001
General administrative services	484,100	606,122	569,247	36,875
School administrative services	1,732,500	2,139,856	2,100,780	39,076
Business services	650,000	647,530	611,003	36,527
Operation and maintenance services	3,245,000	3,544,377	3,463,654	80,723
Pupil transportation services	2,172,500	2,080,610	2,053,526	27,084
Central services	990,000	1,192,039	1,150,870	41,169
Other supporting services	669,500	873,805	840,295	33,510
Community services	468,000	591,440	582,960	8,480
Intergovernmental	-	28,800	28,800	-
Debt service:				
Principal repayments	8,500	22,842	22,249	593
Interest and fiscal charges	1,500	1,000	903	97
<b>Total Expenditures</b>	<b>34,894,025</b>	<b>38,885,896</b>	<b>38,136,300</b>	<b>749,596</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>599,175</b>	<b>478,152</b>	<b>1,099,162</b>	<b>621,010</b>
<b>Other Financing Sources</b>				
Proceeds from sale of capital assets	-	457,400	457,359	41
Transfers in	-	60,000	67,068	(7,068)
<b>Total Other Financing Sources</b>	<b>-</b>	<b>517,400</b>	<b>524,427</b>	<b>(7,027)</b>
<b>Net Change in Fund Balances</b>	<b>599,175</b>	<b>935,552</b>	<b>1,623,589</b>	<b>621,051</b>
<b>Fund Balances, Beginning of Year</b>	<b>8,259,313</b>	<b>8,259,313</b>	<b>8,259,313</b>	<b>-</b>
<b>Fund Balances, End of Year</b>	<b>\$ 8,858,488</b>	<b>\$ 9,194,865</b>	<b>\$ 9,882,902</b>	<b>\$ 621,051</b>

See accompanying notes to basic financial statements.

**SPARTA AREA SCHOOLS**  
**Fiduciary Fund**  
**Statement of Fiduciary Net Position**  
**June 30, 2023**

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	<u>Custodial Funds</u>
<b>Assets</b>	
Cash equivalents and investments (Note B)	<u>\$ 1,948</u>
<b>Liabilities</b>	
	<u>-</u>
<b>Net Position</b>	
Restricted for: Individuals and organizations	<u><u>\$ 1,948</u></u>

See accompanying notes to basic financial statements.

**Sparta Area Schools  
Fiduciary Funds  
Statement of Changes in Fiduciary Net Position  
For the year ended June 30, 2022**

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	<u>Custodial Funds</u>
<b>Additions</b>	
Contributions:	
Members	<u>\$ 1,940</u>
<b>Deductions</b>	
Distributions to members	<u>826</u>
<b>Net Increase in Fiduciary Net Position</b>	1,114
<b>Net Position, Beginning of Year</b>	<u>834</u>
<b>Net Position, End of Year</b>	<u><u>\$ 1,948</u></u>

See accompanying notes to basic financial statements.

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## **NOTES TO BASIC FINANCIAL STATEMENTS**

**SPARTA AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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## **Note A – Summary of Significant Accounting Policies**

Sparta Area Schools (the “District”) was organized under the School Code of the State of Michigan and services a population of approximately 2,426 students. The District is governed by an elected Board of Education consisting of seven members and administered by a Superintendent who is appointed by the aforementioned Board. The District provides a comprehensive range of educational services as specified by state statute and Board of Education policy. These services include elementary education, secondary education, pre-school programs, athletic activities, special education, community services and general administrative services. The Board of Education also has broad financial responsibilities, including the approval of the annual budget and the establishment of a system of accounting and budgetary controls.

The financial statements of the District have been prepared in conformity with accounting principles generally accepted in the United States of America as applicable to school districts. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

The District’s significant accounting policies are described below.

### **1. Reporting Entity**

The financial reporting entity consists of a primary government and its component units. The District is a primary government because it is a special-purpose government that has a separately elected governing body, is legally separate and is fiscally independent of other state or local governments. Furthermore, there are no component units combined with the District for financial statement presentation purposes, and the District is not included in any other governmental reporting entity. Consequently, the District’s financial statements include the funds of those organizational entities for which its elected governing board is financially accountable.

### **2. District-wide and Fund Financial Statements**

**District-wide Financial Statements** - The district-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) present financial information about the District as a whole. The reported information includes all of the nonfiduciary activities of the District. The District does not allocate indirect costs and, for the most part, the effect of interfund activity has been removed. These statements are to distinguish between the *governmental* and *business-type activities* of the District. *Governmental activities* normally are supported by taxes and intergovernmental revenues, and are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support. The District does not have any *business-type activities*.

The Statement of Net Position is reported on the full accrual, economic resources basis, which recognizes all long-term assets as well as all long-term debt and obligations. The District’s net position is reported in three parts: investment in capital assets, net of related debt; restricted net position, and unrestricted net position.

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, unrestricted state aid, interest earnings and other items not included among program revenues are reported instead as *general revenues*.



**SPARTA AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. The General Fund is the District's major fund. Nonmajor funds are aggregated and presented in a single column.

**Fund Financial Statements** – Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Fund level statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances. The Balance Sheet reports current assets, current liabilities and fund balances. The Statement of Revenues, Expenditures and Changes in Fund Balances reports on the sources and uses of current financial resources. This differs from the economic resources measurement focus used to report at the district-wide level. Reconciliations between the two sets of statements are provided in separate statements.

Revenues are recognized when susceptible to accrual; i.e., both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days after the end of the current fiscal period. Expenditures are generally recorded when the liability is incurred if they are paid within 60 days after the end of the current fiscal period. The exception to this general rule is that principal and interest on long-term debt is recognized when due.

Revenues susceptible to accrual are property taxes, state aid, federal and interdistrict revenues and investment income. Other revenues are recognized when received. Unearned revenue arises when a potential revenue does not meet both the measurable and available criteria for recognition in the current period. Unearned revenue also arises when resources are received by the District before it has a legal claim to them, as when grant monies are received prior to the incurrence of the qualifying expenditures.

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

District-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary fund financial statement. 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 revenue as soon as all eligibility requirements imposed by the grantor or provider have been met.

The State of Michigan utilizes a foundation allowance approach, which provides for a specific annual amount of revenue per student based on a state-wide formula. The foundation allowance is funded from a combination of state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The State portion of the foundation allowance is provided from the State's School Aid Fund and is recognized as revenues in accordance with state law and accounting principles generally accepted in the United States of America.

#### **Governmental Funds**

Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use, and balances of a school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

**SPARTA AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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*General Fund*—The General Fund is the general operating fund of a school district. It is used to account for all financial resources, except those required to be accounted for in another fund. Included are all transactions related to the current operating budget.

*Special Revenue Funds*—Special Revenue Funds are used to account for the proceeds of specific revenue sources that are restricted to expenditures for specified purposes.

*School Service Funds*—School Service Funds are used to segregate, for administrative purposes, the transactions of a particular activity from regular revenue and expenditure accounts. A school district maintains full control of these funds. The School Service Funds maintained by the District are the Food Service and Student/School Activity Special Revenue Funds.

*Debt Service Funds*—Debt Service Funds are used to account for the accumulation of resources for, and the payment of, long-term debt (bonds, notes, loans, leases and school bond loan) principal, interest, and related costs.

*Capital Projects Funds*—Capital Projects Funds are used to record bond proceeds, property tax revenues or other revenues and the disbursement of monies specifically designated for acquiring new school sites, buildings, equipment and for major remodeling and repairs. The funds are retained until the purpose for which the funds were created has been accomplished.

The Capital Projects Funds include capital project activities funded with bonds issued after May 1, 1994. For these projects, the District has complied with the applicable provisions of Section 1351a of the State of Michigan's School Code. The Capital Projects Funds also include capital project activities funded with sinking fund millage. The District has complied with the applicable provisions of Section 1212 (I) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95.

#### **Fiduciary Funds**

Fiduciary Funds are used to account for assets held by a school district in a trustee capacity or as an agent for individuals, private organizations, other governments and/or other funds.

*Custodial Funds*—The Custodial Fund accounts for assets held by the District in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. The District maintains funds held for the benefit of student/school groups.

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted as they are needed.

#### **4. Budgets and Budgetary Accounting**

State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act) requires that the General Fund of a school district be under budgetary control and that both budgeted and actual financial results do not incur a deficit. Sparta Area Schools has also adopted budgets for its Special Revenue Funds. A school district's General Appropriations Act (the "budget") must be adopted before the beginning of each fiscal year. No violations (dollar deviations) from a district's budget may occur without a corresponding amendment to the budget. A school district has the ability to amend the budget provided that the amendment is prior to the occurrence of the deviation and prior to the fiscal year end. A school district may also permit the chief administrative or fiscal officer to execute transfers between line items, within defined dollar or percentage limits, without prior approval of the Board of Education. Expenditures may not legally exceed budgeted appropriations at the function level. All appropriations lapse at the end of the fiscal year.

**SPARTA AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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Sparta Area Schools utilizes the following procedures in establishing the budgetary data reflected in the financial statements:

- Starting in the spring, District administrative personnel and department heads work with the Superintendent to establish proposed operating budgets for the fiscal year commencing the following July 1.
- In June, preliminary operating budgets are submitted to the Board of Education. These budgets include proposed expenditures and the means of financing them.
- Prior to June 30, a public hearing is held to obtain taxpayer comments on the proposed budgets.
- After the budgets are finalized, the Board of Education adopts an appropriations resolution setting forth the amount of the proposed expenditures and the sources of revenue to finance them.
- The original General and Special Revenue Funds budgets were amended during the year in compliance with State of Michigan Public Act 621 (the Uniform Budgetary and Accounting Act).
- Budgets for the General and Special Revenue Funds were adopted on the modified accrual basis of accounting, which is consistent with accounting principles generally accepted in the United States of America.

**5. Encumbrances**

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is employed as an extension of formal budget integration in the governmental funds. There were no substantial encumbrances outstanding at year end.

**6. Investments**

Investments are recorded at fair value. Investment income is composed of interest and net changes in the fair value of applicable investments.

**7. Inventories/Prepaid Items**

Inventories are valued at cost (first-in, first-out), and are accounted for using the consumption method. Inventories of the General Fund consist of teaching and custodial supplies, while inventories of the Food Service Fund consist of food, and other nonperishable supplies. Disbursements for inventory-type items are recorded as expenditures at the time of use for each fund. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the district-wide and fund financial statements. The cost of prepaid items is recorded as expenses/expenditures when consumed rather than when purchased.

**8. Capital Assets**

Capital assets, which include land, buildings and improvements, vehicles, furniture and equipment, and right-of-use assets, are reported in the district-wide financial statements. Assets having a useful life in excess of one year and whose costs exceed \$5,000 are capitalized. Capital assets are stated at historical cost or estimated historical cost where actual cost information is not available. Donated capital assets are stated at fair value at the date of donation.

**SPARTA AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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The costs of normal maintenance and repairs that do not add to the value of an asset or materially extend an asset's useful life are not capitalized. Improvements are capitalized and depreciated over the remaining useful life of the related assets.

Buildings and improvements, furniture and equipment, and vehicles are depreciated and amortized using the straight-line method over the following estimated useful lives:

Buildings and improvements	40 - 50 years
Furniture and equipment	3 - 10 years
Vehicles	5 - 10 years

The intangible right-of-use assets are amortized using the straight-line method over the noncancelable term of the lease.

### **9. Long-term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the Statement of Net Position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported at the total amount of bonds issued.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuance are reported as other financing sources while discounts on debt issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

### **10. Accumulated Sick Leave**

Accumulated sick leave at June 30, 2023 has been computed and recorded in the basic financial statements of the District. Employees who leave the District are entitled to reimbursement for a portion of their unused sick days. At June 30, 2023, the accumulated liabilities, including salary related payments for accumulated sick leave amounted to \$434,509.

### **11. Retirement Plan**

Governmental Accounting Standards Board (GASB) Statement No. 68, *Accounting and Financial Reporting for Pensions*, and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, were implemented by the District during the fiscal year ended June 30, 2015. These Statements establish standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit pensions, the Statements identify the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about pensions also are addressed. Distinctions are made regarding the particular requirements for employers based on the number of employers whose employees are provided with pensions through the pension plan and whether pension obligations and pension plan assets are shared. Cost sharing employers are those whose employees are provided with defined benefit pensions through cost-sharing multiple-employer pension plans – pension plans in which the pension obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides pensions through the pension plan.

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

**12. Postemployment Benefits Other than Pensions**

Governmental Accounting Standards Board (GASB) Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was implemented by the District during the fiscal year ended June 30, 2018. This Statement establishes standards for recognizing and measuring (OPEB) liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures. For defined benefit OPEB plans, the Statement identifies the methods and assumptions that are required to be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. Note disclosure and required supplementary information requirements about OPEB are also addressed. Distinctions are made regarding the particular requirements depending upon whether the OPEB plans through which the benefits are provided are administered through trusts that meet specific criteria. Cost-sharing employers are those whose employees are provided with defined benefit OPEB through cost-sharing multiple-employer OPEB plans—OPEB plans in which the OPEB obligations to the employees of more than one employer are pooled and plan assets can be used to pay the benefits of the employees of any employer that provides OPEB through the OPEB plan.

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

**13. Deferred Outflows/Inflows of Resources**

In addition to assets, the Statement of Net Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to future period(s) and so will *not* be recognized as an outflow of resources (expense/expenditure) until then. The District has three such items that qualify for reporting in this category: the deferred charge on a previous year's bond refunding, the deferred outflows of resources relating to the recognition of net pension liability on the financial statements and the deferred outflows of resources relating to the recognition of net OPEB liability on the financial statements.

In addition to liabilities, the Statement of Net Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *deferred inflows of resources*, represents an acquisition of net position that applies to future period(s) and so will *not* be recognized as an inflow of resources (revenue) until that time. The District has two types of items that qualify for reporting in this category: the deferred inflows of resources relating to the recognition of net pension liability on the financial statements and the deferred inflows of resources relating to the recognition of net OPEB liability on the financial statements.

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#### **14. Net Position**

Net position represents the difference between assets and deferred outflows of resources, and liabilities and deferred inflows of resources. Net investment in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition or construction of those assets. Net position is reported as restricted when there are limitations imposed on their use either through legislation or through external restrictions imposed by creditors, grantors, laws or regulations from other governments.

#### **15. Fund Balances**

The District has adopted Governmental Accounting Standards Board (GASB) Statement No. 54 *Fund Balance Reporting and Governmental Fund Type Definitions*. The stated objective of GASB Statement No. 54 is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. This Statement establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds, detailed as follows:

- Nonspendable – resources that cannot be spent because they are either (a) not in spendable form (inventories and prepaid amounts) or (b) legally or contractually required to be maintained intact (the principal of a permanent fund).
- Restricted – resources that cannot be spent because of (a) constraints externally imposed by creditors (debt covenants), grantors, contributors, or laws or regulations or (b) imposed by law through constitutional provisions or enabling legislation and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation.
- Committed – resources that can only be used for specific purposes pursuant to constraints imposed by formal action of the government’s highest level of decision-making authority (Board of Education). Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action it employed to previously commit those amounts. Committed fund balance does not lapse at year end.
- Assigned – resources that are constrained by the government’s *intent* to be used for specific purposes but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body or official to which the governing body has designated the authority to assign amounts to be used for specific purposes. Sparta Area Schools’ Board of Education has delegated authority to assign fund balances for a specific purpose to the Superintendent or his designee. Assigned fund balance does not lapse at year end.
- Unassigned – unassigned fund balance is the residual classification for the General Fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the General Fund. The General Fund should be the only fund that reports a positive unassigned fund balance amount.

Sparta Area Schools has established a policy for its use of unrestricted fund balance amounts, and the District considers that committed amounts would be reduced first, followed by assigned amounts, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.



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The District's Unassigned General Fund Balance will be maintained to provide the District with sufficient working capital and a margin of safety to address local and regional emergencies without unnecessary borrowing. The Unassigned General Fund Balance may only be appropriated by resolution of the Board of Education. It is recognized that it will not always be possible to avoid borrowing to provide cash flow.

The Board recognizes that good fiscal management comprises the foundational support of the entire District. To make that support as effective as possible, the Board intends to maintain a fund balance of 10% of the District General Fund annual operating expenditures.

**16. Interfund Activity**

Flows of cash from one fund to another without a requirement for repayment are reported as interfund transfers. Interfund transfers between governmental funds are eliminated in the Statement of Activities. Interfund transfers in the fund financial statements are reported as other financing sources/uses.

**17. Estimates**

The preparation of the 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 amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**Note B – Cash Equivalents, Deposits and Investments**

The State of Michigan allows a political subdivision to authorize its Treasurer or other chief fiscal officer to invest surplus funds belonging to and under the control of the entity as follows:

- Bonds, bills, or notes of the United States; obligations, the principal and interest of which are fully guaranteed by the United States; or obligations of the State.
- Certificates of deposit, savings accounts, deposit accounts, or depository receipts of a financial institution, but only if the financial institution is a state or nationally chartered bank or a state or federally chartered savings and loan association, savings bank, or credit union whose deposits are insured by an agency of the United States government and that maintains a principal office or branch office located in this State under the laws of this State or the United States.
- Commercial paper rated at the time of purchase within the 2 highest classifications established by not less than 2 standard rating services and that matures not more than 270 days after the date of the purchase.
- Securities issued or guaranteed by agencies or instrumentalities of the United States government.
- United States government or Federal agency obligation repurchase agreements.
- Banker's acceptances issued by a bank that is a member of the Federal Deposit Insurance Corporation.
- Mutual funds composed entirely of investment vehicles which are legal for direct investment by a school district in Michigan.

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- Investment pools, as authorized by the surplus funds investment pool act, Act No. 367 of the Public Acts of 1982, being sections 129.11 to 129.118 of the Michigan Compiled Laws, composed entirely of instruments that are legal for direct investment by a school district in Michigan.

Balances at June 30, 2023 related to cash equivalents are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	\$ 13,499,350
Fiduciary Fund:	
Custodial Fund	<u>1,948</u>
	<u>\$ 13,501,298</u>

**Cash Equivalents**

Depositories actively used by the District during the year are detailed as follows:

1. Choice One Bank

Cash equivalents consist of bank interest earning Checking NOW Unlimited Public accounts. Deposits consist of certificates of deposit.

June 30, 2023 balances are detailed as follows:

Cash equivalents	\$ 7,311,962
Deposits	<u>4,092,891</u>
	<u>\$ 11,404,853</u>

*Custodial Credit Risk Related to Bank Deposits*

Custodial credit risk is the risk that in the event of bank failure, the District’s deposits may not be returned to the District. Protection of District deposits is provided by the Federal Deposit Insurance Corporation. At year end, the carrying amount of the District’s cash equivalents and deposits was \$11,404,853 and the bank balance was \$7,462,798. Of the bank balance, \$345,617 was covered by federal depository insurance and \$7,117,181 was uninsured and uncollateralized.

**Investments**

As of June 30, 2023, the District had the following investments:

Surplus Funds Investment Pool Account:	
Michigan Liquid Asset Fund Plus (MILAF+) – Cash Management Class	\$ 50,425
Michigan Liquid Asset Fund Plus (MILAF+) – MAX Class	<u>2,046,020</u>
	<u>\$ 2,096,445</u>

The Michigan Liquid Asset Fund Plus (MILAF+) is an external pooled investment fund that includes qualified investments in accordance with the applicable sections of the School Code. MILAF is not regulated or registered with the Securities Exchange Commission and reported the same value of the pool shares as the fair value of the District’s investments at June 30, 2023. The MILAF+ is carried at amortized cost and is rated AAAM by Standard & Poor’s rating agency. The MILAF+ MAX Class requires a 14-day redemption notice.



**SPARTA AREA SCHOOLS**  
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*Custodial Credit Risk Related to Investments*

Custodial credit risk is the risk that, in the event of a failure of the counterparty, the District may not be able to recover the value of its investments of collateral securities that are in the possession of an outside party. The District will minimize custodial credit risk by limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business. At June 30, 2023, the District had no investments that were subject to custodial credit risk.

*Credit Risk*

Credit risk is the risk that an issuer or other counterparty in an investment will not fulfill its obligation. The District's investment policy does not specifically address credit risk but minimizes its credit risk by limiting investments to the types allowed by the State.

*Interest Rate Risk*

The District minimizes interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by structuring the investment portfolio so that securities mature to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities in the open market, and, investing operating funds primarily in shorter-term securities, liquid asset funds, money market funds, or similar investment pools and limiting the average maturity in accordance with the District's cash requirements.

*Concentration of Credit Risk*

The District minimizes concentration of credit risk which is the risk of loss attributed to the magnitude of the District's investment in a single issuer, by diversifying the investment portfolio so that the impact of potential losses from any one type of security or issuer will be minimized. The District's investment policy places no restrictions on the amount or percentage that may be invested in any one type of security.

*Foreign Currency Risk*

The District is not authorized to invest in investments which have this type of risk.

**Note C – State School Aid/Property Taxes**

On March 15, 1994, the voters of the State of Michigan approved Proposal A, which increased the State Sales and Use Tax rates from 4% to 6% and established a State Education Tax at a rate of 6 mills on all property, except that which is exempt by law from ad valorem property taxes, and dedicated the additional revenues generated to Michigan school districts.

These additional State revenues pass through to Michigan school districts in the form of a per pupil "Foundation Allowance" paid on a "blended count" of District pupil membership in February 2022 and October 2022. The 2022-23 "Foundation Allowance" for Sparta Area Schools was \$9,150 for 2,425 "Full Time Equivalent" students, generating \$28,211,007 in state aid payments to the District, of which \$4,990,145 was paid to the District in July and August 2023 and included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund of the District.

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Property taxes for the District are levied July 1 and December 1 (the tax lien dates) under a split-levy system by the Townships of Algoma, Alpine, Tyrone, Chester, Wright, and Sparta, and are due 75 days after the levy date. The taxes are then collected by each governmental unit and remitted to the District. The Counties of Kent and Ottawa, through its Delinquent Tax Revolving Fund, advances all delinquent real property taxes at March 1 to the District each year prior to June 30.

Section 1211(1) of 1993 PA 312 states that beginning in 1994, the board of a school district shall levy not more than 18 mills, if approved by voters, for school operating purposes, or the number of mills levied in 1993, whichever is less, on non-homestead property only, in order to be eligible to receive funds under the State School Aid Act of 1979. After 1996, electors may approve a 3 mill "Local Enhancement Millage" which must be shared between all local districts in each respective county intermediate district.

Sparta Area Schools' electors previously approved a ten-year operating millage extension in August 2014 for the 18 mill non-homestead property tax.

The District levied 7.00 mills in 2022 for debt service purposes, and 1.15 mills for the building and site (sinking) fund, applied on all taxable property in the District.

Taxable property in the District is assessed initially at 50% of true cash value by the assessing officials of the various units of government that comprise the District. These valuations are then equalized by the county and finally by the State of Michigan, generating the State Equalized Valuation. Taxable valuation increases will be limited, or capped (known as capped valuation), at 5% or the rate of inflation, whichever is less. With the implementation of Proposal A and Public Act 36, taxable property is now divided into two categories: PRE and NPRE.

A principal residence exemption property (PRE) is exempt from the 18 mill "School Operating" tax. It is not exempt from the 6 mill "State Education" tax, any voted "Local Enhancement Millage" nor any additional voted millage for the retirement of debt.

Non-principal residence exemption property (NPRE) is subject to all District levies. However, since Public Act 36, establishing the Michigan Business Tax, was signed into law, Public Acts 37-40 of 2007 now exempt Industrial Personal Property from the 6 mill State Education Tax and up to 18 mills of local school district operating millage (includes property under Industrial Facilities Tax); and exempt Commercial Personal Property from up to 12 mills of local school district operating millage (exceptions may apply).

The District is subject to tax abatements granted by the County of Kent with local businesses under the Plant Rehabilitation and Industrial Development Districts Act, (known as the Industrial Facilities Exemption) PA 198 of 1974, as amended, provides a tax incentive to manufacturers to enable renovation and expansion of aging facilities, assists in the building of new facilities, and promotes the establishment of high tech facilities. An Industrial Facilities Exemption (IFE) certificate entitles the facility to exemption from ad valorem real and/or personal property taxes for a term up to 12 years as determined by the local unit of government. The agreements entered into by each local unit include claw back provisions should the recipient of the tax abatement fail to fully meet its commitments, such as employment levels and timelines for relocation. The tax abated property taxes are calculated by applying half the local property tax millage rate on the total IFT taxable value. This amounts to a reduction in property tax revenue of approximately 50%.

For the year ended June 30, 2023, the District's property tax revenues were reduced by approximately \$205,346 under these agreements.

**SPARTA AREA SCHOOLS**  
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**Note D – Interfund Receivables/Payables**

Transfers between funds during the year ended June 30, 2023 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Major Fund</b>		
General Fund:		
Special Revenue Fund:		
Food Service Fund	\$ 67,068	\$ -
<b>Nonmajor Funds</b>		
Special Revenue Fund:		
Food Service Fund:		
General Fund	-	67,068
Total Nonmajor Funds	-	67,068
<b>Total All Funds</b>	<u>\$ 67,068</u>	<u>\$ 67,068</u>

Interfund receivables and payables at June 30, 2023 representing unreimbursed expenditures at year end are detailed as follows:

	<u>Due From</u>	<u>Due To</u>
<b>Major Fund</b>		
General Fund:		
Special Revenue Funds:		
Food Service Fund	\$ 67,068	\$ 9,406
Total Major Fund	67,068	9,406
<b>Nonmajor Funds</b>		
Special Revenue Funds:		
Food Service Fund:		
General Fund	9,406	67,068
Total Nonmajor Funds	9,406	67,068
<b>Total All Funds</b>	<u>\$ 76,474</u>	<u>\$ 76,474</u>

**SPARTA AREA SCHOOLS**  
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**Note E – Capital Assets**

	<u>Balances July 1, 2022</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balances June 30, 2023</u>
Capital assets not being depreciated:				
Land	\$ 1,944,335	\$ -	\$ 19,580	\$ 1,924,755
Construction in progress	1,316,275	358,290	1,316,275	358,290
Total capital assets not being depreciated	<u>3,260,610</u>	<u>\$ 358,290</u>	<u>\$ 1,335,855</u>	<u>2,283,045</u>
Capital assets being depreciated and amortized:				
Buildings and improvements	100,330,888	\$ 1,411,994	\$ 158,729	101,584,153
Furniture and equipment	3,014,021	266,321	-	3,280,342
Vehicles	435,337	56,971	-	492,308
Intangible right-of-use assets - leases	73,741	-	-	73,741
Total capital assets being depreciated and amortized	<u>103,853,987</u>	<u>\$ 1,735,286</u>	<u>\$ 158,729</u>	<u>105,430,544</u>
Less accumulated depreciation for:				
Buildings and improvements	22,937,926	\$ 2,644,692	\$ 138,028	25,444,590
Furniture and equipment	2,319,948	153,378	-	2,473,326
Vehicles	318,612	40,606	-	359,218
Less accumulated amortization for:				
Intangible right-of-use assets - leases	52,348	21,393	-	73,741
Total accumulated depreciation and amortization	<u>25,628,834</u>	<u>\$ 2,860,069</u>	<u>\$ 138,028</u>	<u>28,350,875</u>
Total capital assets being depreciated and amortized, net	<u>78,225,153</u>			<u>77,079,669</u>
<b>Net Capital Assets</b>	<u><b>\$ 81,485,763</b></u>			<u><b>\$ 79,362,714</b></u>

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 2,084,132
Supporting services	667,540
Food service	76,364
Unallocated	32,033
	<u>\$ 2,860,069</u>

**SPARTA AREA SCHOOLS**  
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**Note F – Long-term Obligations**

Changes in long-term obligations for the year ended June 30, 2023 are summarized as follows:

	<b>Debt Outstanding July 1, 2022</b>	<b>Debt Added</b>	<b>Debt Retired</b>	<b>Debt Outstanding June 30, 2023</b>
General obligation bonds:				
June 7, 2016	\$ 1,980,000	\$ -	\$ 415,000	\$ 1,565,000
July 11, 2016	8,240,000	-	-	8,240,000
January 19, 2017	5,710,000	-	1,710,000	4,000,000
January 9, 2019	31,010,000	-	590,000	30,420,000
August 17, 2021	22,600,000	-	-	22,600,000
Bond premium	7,422,614	-	461,759	6,960,855
School bond loan fund	1,077,412	1,090,991	-	2,168,403
Lease liabilities	22,249	-	22,249	-
Accumulated sick leave *	322,639	111,870	-	434,509
	<u>\$ 78,384,914</u>	<u>\$ 1,202,861</u>	<u>\$ 3,199,008</u>	<u>\$ 76,388,767</u>

\*Net change only reported, consistent with GASB Statement No. 101 implementation. See Note L.

Long-term obligations outstanding at June 30, 2023 is comprised of the following:

	<b>Final Maturity Dates</b>	<b>Interest Rates</b>	<b>Outstanding Balance</b>	<b>Amount Due Within One Year</b>
<b>General Obligation Bonds</b>				
\$19,410K Building and Site Series I, June 7, 2016:				
Annual maturities of \$470K to \$570K	May 1, 2026	4.00	\$ 1,565,000	\$ 470,000
\$8,320K Refunding July 11, 2016:				
Annual maturities of \$970K to \$2,090K	May 1, 2030	4.00 - 5.00	8,240,000	-
\$8,845K Refunding January 19, 2017:				
Annual maturities of \$500K to \$1,765K	May 1, 2026	4.00	4,000,000	1,735,000
\$32,110K Building and Site Series II, January 9, 2019:				
Annual maturities of \$620K to \$1,450K	May 1, 2048	4.75 - 5.00	30,420,000	620,000
\$22,600K Refunding August 17, 2021:				
Annual maturities of \$200K to \$2,660K beginning May 1, 2026	May 1, 2046	1.00 - 3.01	22,600,000	-
Bond premium			6,960,855	461,759
<b>Other Obligations</b>				
State school bond loan			2,168,403	-
Accumulated sick leave			434,509	50,000
			<u>\$ 76,388,767</u>	<u>\$ 3,336,759</u>

**SPARTA AREA SCHOOLS**  
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The District obtained loans from the Michigan School Bond Loan Fund (the “Fund”) for the payment of annual maturities of its general obligation bonds. There is no fixed maturity schedule for the repayment of these loans. Instead, the principal and interest are payable when taxes levied for debt service are no longer needed to retire bonded debt. During the year, the District obtained a loan amount of \$1,045,320 and accrued interest of \$45,671. At June 30, 2023, the District owed the Fund a total \$2,168,403.

The annual requirements to pay principal and interest on long-term bonds are as follows:

Years Ended June 30	General Obligation Bonds		
	Principal	Interest	Total
2024	\$ 2,825,000	\$ 2,590,390	\$ 5,415,390
2025	2,945,000	2,471,190	5,416,190
2026	3,270,000	2,346,840	5,616,840
2027	3,850,000	2,202,048	6,052,048
2028	4,150,000	2,064,500	6,214,500
2029	4,920,000	1,917,750	6,837,750
2030	3,785,000	1,753,716	5,538,716
2031	3,900,000	1,624,826	5,524,826
2032	2,285,000	1,512,956	3,797,956
2033	2,265,000	1,429,104	3,694,104
2034	2,265,000	1,344,650	3,609,650
2035	2,310,000	1,258,876	3,568,876
2036	2,300,000	1,173,259	3,473,259
2037	2,280,000	1,086,879	3,366,879
2038	2,265,000	996,507	3,261,507
2039	2,310,000	906,040	3,216,040
2040	2,290,000	812,727	3,102,727
2041	2,275,000	719,292	2,994,292
2042	2,260,000	626,271	2,886,271
2043	2,305,000	532,481	2,837,481
2044	2,290,000	436,336	2,726,336
2045	2,275,000	339,556	2,614,556
2046	2,305,000	243,227	2,548,227
2047	1,450,000	145,000	1,595,000
2048	1,450,000	72,500	1,522,500
	<u>\$ 66,825,000</u>	<u>\$ 30,606,921</u>	<u>\$ 97,431,921</u>

**SPARTA AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
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## **Note G – Retirement Plan**

### ***Plan Description***

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

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

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

The System’s financial statements are available at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

### ***Benefits Provided***

Benefit provisions of the defined benefit pension plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions for the defined benefit (DB) pension plan. Depending on the plan option selected, member retirement benefits are determined by final average compensation, years of service, and a pension factor ranging from 1.25 percent to 1.50 percent. DB members are eligible to receive a monthly benefit when they meet certain age and service requirements based on when the employee became a member. The age and service requirements range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years. Early retirement is computed in the same manner as a regular pension but is permanently reduced by .50 percent for each full and partial month between the pension effective date and the date the member will attain age 60. There is no mandatory retirement age. Certain employees have the option to participate in the defined contribution (DC) plan that provides a 50 percent employer match (up to 3 percent of salary) on employee contributions.

The System also provides disability and survivor benefits to DB plan members.

Benefit terms provide for annual cost of living adjustments to each employee’s retirement allowance subsequent to the employee’s retirement date. The annual adjustment, if applicable, is 3 percent. Some members who do not receive an annual increase are eligible to receive a supplemental payment in those years when investment earnings exceed actuarial assumptions.

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

**SPARTA AREA SCHOOLS**  
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***Contributions and Funded Status***

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

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

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

<b>Plan Name</b>	<b>Pension Contribution Rates:</b>		
	<b>Plan Status</b>	<b>Member</b>	<b>District</b>
Basic	Closed	0.0 – 4.0 %	20.14%
Member Investment Plan (MIP)	Closed	3.0 – 7.0%	20.14%
Pension Plus	Closed	3.0 – 6.4 %	17.22%
Pension Plus 2	Open	6.2%	19.93%
Defined Contribution	Open	0.0%	13.73%

The District’s contributions to MPSERS under all pension plans for the year ended June 30, 2023, inclusive of the MSPERS UAAL Stabilization, totaled \$5,523,646.

***Proportionate Share of Reporting Unit’s Net Pension Liability***

At June 30, 2023, the District reported a liability of \$55,577,225 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2022, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2021. The District’s proportion of the net pension liability was determined by dividing each employer’s statutorily required pension contributions to the System during the measurement period by the percent of the pension contributions required from all applicable employers during the measurement period. At September 30, 2022, the District’s proportion was 0.14777750%, which was an increase from 0.14286653% at September 30, 2021.



**SPARTA AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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

For the year ended June 30, 2023, the District recognized pension expense of \$7,154,598. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ 555,966	\$ 124,265
Changes of assumptions	9,550,159	—
Net difference between projected and actual earnings on pension plan investments	130,329	—
Changes in proportion and differences between District contributions and proportionate share of contributions	1,237,726	125,500
District contributions subsequent to the measurement date*	5,171,711	—
<b>Total</b>	<b>\$ 16,645,891</b>	<b>\$ 249,765</b>

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

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

<b>Years ending June 30</b>	<b>Amount</b>
2024	\$ 3,284,701
2025	2,463,807
2026	2,154,558
2027	3,321,349

**SPARTA AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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***Actuarial Assumptions***

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

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

Notes:

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

**SPARTA AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

***Long-Term Expected Rate of Return on Investments***

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

<b>Investment Category</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return*</b>
Domestic Equity Pools	25.0%	5.1%
Private Equity Pools	16.0%	8.7%
International Equity Pools	15.0%	6.7%
Fixed Income Pools	13.0%	(0.2)%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	9.0%	2.7%
Real Return/Oppportunistic Pools	10.0%	5.8%
Short-term Investment Pools	2.0%	(0.5)%
<b>Total</b>	<b>100.0%</b>	

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

***Rate of Return***

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

***Discount Rate***

A discount rate of 6.0% was used to measure the total pension liability (6.0% for the Pension Plus Plan , 6.0% for the Pension Plus 2 Plan, hybrid plans provided through non-university employers only). This discount rate was based on the long-term expected rate of return on pension plan investments of 6.0% (6.0% for the Pension Plus Plan, 6.0% for the Pension Plus 2 plan). The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**SPARTA AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

***Sensitivity of the District’s Proportionate Share of the Net Pension Liability to Changes in the Discount Rate***

The following presents the District’s proportionate share of the net pension liability calculated using the discount rate of 6.0%, as well as what the District’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1 percentage point lower or 1 percentage point higher:

	<b>1% Decrease 5.0%</b>	<b>Current Single Discount Rate Assumption 6.0%</b>	<b>1% Increase 7.0%</b>
District’s proportionate share of the net pension liability	\$ 73,341,290	\$ 55,577,225	\$ 40,938,836

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

Detailed information about the pension plan’s fiduciary net position is available in the separately issued Michigan Public School Employees’ Retirement System September 30, 2022 Annual Comprehensive Financial Report, available here: ([www.michigan.gov/orsschools](http://www.michigan.gov/orsschools)).

***Payables to the Michigan Public School Employees’ Retirement System (MPERS)***

Payables to the pension plan totaling \$777,092 at June 30, 2023 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

**Note H – Other Postemployment Benefits**

***Plan Description***

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

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

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

The System’s financial statements are available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

**SPARTA AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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***Benefits Provided***

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide the comprehensive group medical, prescription drug, dental and vision coverage for retirees and beneficiaries. A subsidized portion of the premium is paid by the System with the balance deducted from the monthly pension of each retiree healthcare recipient. For members who first worked before July 1, 2008, (Basic, MIP-Fixed, and MIP Graded plan members) the subsidy is the maximum allowed by statute. To limit future liabilities of Other Postemployment Benefits, members who first worked on or after July 1, 2008 (MIP-Plus plan members) have a graded premium subsidy based on career length where they accrue credit towards their insurance premiums in retirement, not to exceed the maximum allowable by statute. Public Act 300 of 2012 sets the maximum subsidy at 80% beginning January 1, 2013; 90% for those Medicare eligible and enrolled in the insurances as of that date. Dependents are eligible for healthcare coverage if they meet the dependency requirements set forth in Public Act 300 of 1980, as amended.

***Retiree Healthcare Reform of 2012***

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

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

***Contributions and Funded Status***

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

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

**SPARTA AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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

**OPEB Contribution Rates:**

Benefit Structure	Member	District
Premium Subsidy	3.0%	8.09%
Personal Healthcare Fund (PHF)	0.0 %	7.23%

Required contributions to the OPEB plan from the District were \$1,189,461 for the year ended June 30, 2023.

***Proportionate Share of Reporting Unit's Net OPEB Liability***

At June 30, 2023, the District reported a liability of \$3,176,872 for its proportionate share of the MPSERS net OPEB liability. The net OPEB liability was measured as of September 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation rolled forward from September 2021. The District's proportion of the net OPEB liability was determined by dividing each employer's statutorily required OPEB contributions to the System during the measurement period by the percent of OPEB contributions required from all applicable employers during the measurement period. At September 30, 2022, the District's proportion was 0.14998953%, which was an increase from 0.14254704% at September 30, 2021.

***OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB***

For the year ended June 30, 2023, the District recognized OPEB credit of \$1,165,289. At June 30, 2023, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Difference between expected and actual experience	\$ —	\$ 6,222,276
Changes of assumptions	2,831,648	230,569
Net difference between projected and actual earnings on OPEB plan investments	248,298	—
Changes in proportion and differences between District contributions and proportionate share of contributions	464,203	66,255
District contributions subsequent to the measurement date*	1,067,719	—
<b>Total</b>	<b>\$ 4,611,868</b>	<b>\$ 6,519,100</b>

\* This amount, reported as deferred outflows of resources related to OPEB resulting from District contributions subsequent to the measurement date, will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2024.

**SPARTA AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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

<b>Years ending June 30</b>	<b>Amount</b>
2024	\$ (1,112,663)
2025	(974,122)
2026	(905,080)
2027	(11,662)
2028	12,084
Thereafter	16,492

***Actuarial Assumptions***

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

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2021
Actuarial Cost Method:	Entry Age, Normal
Asset Valuation Method:	Fair Value
Wage Inflation Rate:	2.75%
Investment Rate of Return:	6.00% net of investment expense
Projected Salary Increases:	2.75% - 11.55%, including wage inflation of 2.75%
Healthcare Cost Trend Rate:	Pre-65 - 7.75% Year 1 graded to 3.5% Year 15; 3.0% Year 120 Post-65 – 5.25% Year 1 graded to 3.5% Year 15; 3.0% Year 120
Mortality:	
Retirees:	RP-2014 Male and Female Healthy Annuitant Mortality Tables, scaled by 82% for males and 78% for females and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Active Members:	RP-2014 Male and Female Employee Annuitant Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.
Disabled Retirees:	RP-2014 Male and Female Disabled Annuitant Mortality Tables scaled 100% and adjusted for mortality improvements using projection scale MP-2017 from 2006.



**SPARTA AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

Other Assumptions:

Opt Out Assumptions:	21% of eligible participants hired before July 1, 2008 and 30% of those hired after June 30, 2008 are assumed to opt out of the retiree health plan.
Survivor Coverage:	80% of male retirees and 67% of female retirees are assumed to have coverages continuing after the retiree's death.
Coverage Election at Retirement:	75% of male and 60% of female future retirees are assumed to elect coverage for one or more dependents.

Notes:

- Assumption changes as a result of an experience study for the period 2012 through 2017 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2018 valuation. The total OPEB liability as of September 30, 2022 is based on the results of an actuarial valuation date of September 30, 2021 and rolled forward using generally accepted actuarial procedures, including the experience study.
- Recognition period for liabilities is the average of the expected remaining service lives of all employees in years: [6.2250 for non-university employers].
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2022 MPSERS Annual Comprehensive Financial Report found on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

***Long-Term Expected Rate of Return on Investments***

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

<b>Investment Category</b>	<b>Target Allocation</b>	<b>Long-term Expected Real Rate of Return*</b>
Domestic Equity Pools	25.0%	5.1%
Private Equity Pools	16.0%	8.7%
International Equity Pools	15.0%	6.7%
Fixed Income Pools	13.0%	(0.2)%
Real Estate and Infrastructure Pools	10.0%	5.3%
Absolute Return Pools	9.0%	2.7%
Real Return/Opportunistic Pools	10.0%	5.8%
Short-term Investment Pools	2.0%	(0.5)%
<b>Total</b>	<b>100.0%</b>	

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



**SPARTA AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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***Rate of Return***

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

***Discount Rate***

A discount rate of 6.0% was used to measure the total OPEB liability. This discount rate was based on the long-term expected rate of return on OPEB plan investments of 6.0%. The projection of cash flows used to determine this discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Changes in the Discount Rate***

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

	<b>1% Decrease 5.0%</b>	<b>Current Discount Rate 6.0%</b>	<b>1% Increase 7.0%</b>
District's proportionate share of the net OPEB liability	\$ 5,328,898	\$ 3,176,872	\$ 1,364,600

***Sensitivity of the District's Proportionate Share of the Net OPEB Liability to Healthcare Cost Trend Rate***

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

	<b>1% Decrease</b>	<b>Current Healthcare Cost Trend Rate</b>	<b>1% Increase</b>
District's proportionate share of the net OPEB liability	\$ 1,330,322	\$ 3,176,872	\$ 5,249,661

**SPARTA AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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***OPEB Plan Fiduciary Net Position***

Detailed information about the OPEB plan's fiduciary net position is available in the separately issued 2022 MPSERS Annual Comprehensive Financial Report, available on the ORS website at [www.michigan.gov/orsschools](http://www.michigan.gov/orsschools).

***Payables to the OPEB Plan***

Payables to the OPEB plan totaling \$126,971 at June 30, 2023 arise from the normal legally required contributions based on the accrued salaries payable at year end, expected to be liquidated with expendable available financial resources.

**Note I – Risk Management and Employee Benefits**

The District is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (workers' compensation), as well as medical benefits provided to employees. The District has purchased commercial insurance for property loss, errors and omissions, workers' compensation, health benefits, and dental and vision benefits provided to employees. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past three fiscal years.

There were no significant reductions in insurance coverage in fiscal 2022-23, and as of year ended June 30, 2023, there were no material pending claims against the District.

**Note J – Stewardship, Compliance and Accountability**

The District has an unrestricted net position deficit of \$34,816,811 and a total net position deficit of \$26,667,460 as of June 30, 2023. These deficit net positions result primarily from the net pension liability of \$39,181,099 and net OPEB liability of \$5,084,105 (net of deferred outflows and inflows of resources).

**Note K – Commitments**

On January 1, 2019, the District issued \$32,110,000 of general obligations 2019 School Building and Site Bonds whose proceeds are being used for land improvements, building renovations, and additions, and furniture and equipment purchases. At June 30, 2023, unspent balances committed to these projects totaled \$1,517,462, which are expected to be fully expended by the year ended June 30, 2024.

**SPARTA AREA SCHOOLS**  
**Notes to Basic Financial Statements**  
**June 30, 2023**

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**Note L – New Accounting Pronouncements Adopted**

Governmental Accounting Standards Board (GASB) Statement No. 96, *Subscription-Based Information Technology Arrangements (SBITAs)* was adopted by the District during the fiscal year ending June 30, 2023. This statement enhances the relevance and consistency of information about governments' SBITAs by requiring recognition of right-to-use subscription assets and a corresponding subscription liability. Upon implementation, The District was not required to recognize a right-to-use subscription asset or subscription liability as of July 1, 2022. Net position as of July 1, 2022 was not required to be restated as a result of implementing the Statement.

Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences* was adopted by the District during the fiscal year ended June 30, 2023. This statement amends the existing requirement to disclose the gross increases and decreases in a liability for compensated absences to allow governments to disclose only the net change in the liability. In addition, governments are no longer required to disclose which governmental funds typically have been used to liquidate the liability for compensated absences.

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## **REQUIRED SUPPLEMENTARY INFORMATION**

**SPARTA AREA SCHOOLS**  
**Required Supplementary Information**  
**Schedule of the District's Proportionate Share of the Net Pension Liability**  
**MPSERS Cost-sharing Multiple-employer Plan**  
**June 30, 2023**

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	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>
District's proportion of the net pension liability	0.14777750%	0.14286653%	0.14347413%
District's proportionate share of the net pension liability	\$ 55,577,225	\$ 33,824,240	\$ 49,284,924
District's covered-employee payroll	\$ 15,003,661	\$ 12,859,335	\$ 12,626,680
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	370.42%	263.03%	390.32%
Plan fiduciary net position as a percentage of the total pension liability	60.77%	72.60%	59.72%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
0.14268735%	0.14120573%	0.14265519%	0.14571853%	0.13939359%	0.13971278%
\$ 47,253,253	\$ 42,448,992	\$ 36,968,024	\$ 36,355,581	\$ 34,046,922	\$ 30,773,840
\$ 12,528,837	\$ 11,956,963	\$ 11,679,762	\$ 12,622,898	\$ 11,714,549	\$ 11,984,720
377.16%	355.01%	316.51%	288.01%	290.64%	256.78%
60.31%	62.12%	63.96%	63.01%	62.92%	60.15%

**SPARTA AREA SCHOOLS**  
**Required Supplementary Information**  
**Schedule of the District's Proportionate Share of the Net OPEB Liability**  
**MPSERS Cost-sharing Multiple-employer Plan**  
**June 30, 2023**

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	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>
District's proportion of the net OPEB liability	0.14998953%	0.14254704%
District's proportionate share of the net OPEB liability	\$ 3,176,872	\$ 2,175,807
District's covered-employee payroll	\$ 15,003,661	\$ 12,859,335
District's proportionate share of the net OPEB liability as a percentage of its covered-employee payroll	21.17%	16.92%
Plan fiduciary net position as a percentage of the total OPEB liability	83.09%	87.33%

The amounts presented for each fiscal year were determined as of September 30 of the preceding year.

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.



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<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
0.14260715%	0.14352835%	0.14064806%	0.14268909%
\$ 7,639,846	\$ 10,302,103	\$ 11,180,046	\$ 12,635,791
\$ 12,626,680	\$ 12,528,837	\$ 11,956,963	\$ 11,679,762
60.51%	82.23%	93.50%	108.19%
59.44%	48.46%	43.10%	36.53%

**SPARTA AREA SCHOOLS**  
**Required Supplementary Information**  
**Schedule of District Pension Contributions**  
**MPSERS Cost-sharing Multiple-employer Plan**  
**June 30, 2023**

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	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>	<u>Year Ended June 30, 2021</u>
Contractually required contribution	\$ 5,523,646	\$ 4,677,985	\$ 4,052,122
Contributions in relation to the contractually required contribution	<u>5,523,646</u>	<u>4,677,985</u>	<u>4,052,122</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 15,327,461	\$ 13,792,262	\$ 12,640,411
Contributions as a percentage of covered employee payroll	36.04%	33.92%	32.06%

Note: GASB Statement No 68 was implemented in fiscal year 2015. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>	<u>Year Ended June 30, 2017</u>	<u>Year Ended June 30, 2016</u>	<u>Year Ended June 30, 2015</u>
\$ 3,970,869	\$ 3,809,380	\$ 3,588,135	\$ 3,873,190	\$ 3,611,662	\$ 3,712,483
<u>3,970,869</u>	<u>3,809,380</u>	<u>3,588,135</u>	<u>3,873,190</u>	<u>3,611,662</u>	<u>3,712,483</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 12,653,895	\$ 12,536,773	\$ 11,993,853	\$ 12,303,086	\$ 12,118,723	\$ 11,688,767
31.38%	30.39%	29.92%	31.48%	29.80%	31.76%

**SPARTA AREA SCHOOLS**  
**Required Supplementary Information**  
**Schedule of District OPEB Contributions**  
**MPSERS Cost-sharing Multiple-employer Plan**  
**June 30, 2023**

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	<u>Year Ended June 30, 2023</u>	<u>Year Ended June 30, 2022</u>
Contractually required contribution	\$ 1,189,461	\$ 1,075,744
Contributions in relation to the contractually required contribution	<u>1,189,461</u>	<u>1,075,744</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 15,327,461	\$ 13,792,262
Contributions as a percentage of covered employee payroll	7.76%	7.80%

Note: GASB Statement No 75 was implemented in fiscal year 2018. This schedule is being built prospectively. Ultimately, 10 years of data will be presented.

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<u>Year Ended June 30, 2021</u>	<u>Year Ended June 30, 2020</u>	<u>Year Ended June 30, 2019</u>	<u>Year Ended June 30, 2018</u>
\$ 1,012,295	\$ 1,003,153	\$ 991,595	\$ 885,530
<u>1,012,295</u>	<u>1,003,153</u>	<u>991,595</u>	<u>885,530</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
\$ 12,640,411	\$ 12,653,895	\$ 12,536,773	\$ 11,993,853
8.01%	7.93%	7.91%	7.38%

**SPARTA AREA SCHOOLS**  
**Notes to Required Supplementary Information**  
June 30, 2023

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**Note A – Net Pension Liability and Contributions**

**Changes of benefit terms:** There were no changes of benefit terms in 2022-23.

**Changes of assumptions:** There were no changes of benefit assumptions in 2022-23.

**Note B – Net OPEB Liability and Contributions**

**Changes of benefit terms:** There were no changes of benefit terms in 2022-23.

**Changes of assumptions:** There were no changes of benefit assumptions in 2022-23.

## **SUPPLEMENTARY INFORMATION**

## **GENERAL FUND**

To account for resources which are traditionally associated with the general operation of the District and not required to be accounted for in another fund.



**SPARTA AREA SCHOOLS**  
**General Fund**  
**Comparative Balance Sheets**  
**June 30, 2023 and 2022**

	2023	2022
<b>Assets</b>		
Cash equivalents and deposits	\$ 8,388,533	\$ 6,249,197
Accounts receivable	18,166	115,775
Due from other funds	67,068	25,879
Due from other governmental units	6,637,172	5,695,760
Inventory	17,042	22,028
Prepaid expenditures	3,844	5,566
	<b>Total Assets</b>	<b>Total Assets</b>
	<b>\$ 15,131,825</b>	<b>\$ 12,114,205</b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 269,144	\$ 162,132
Due to other funds	9,406	22,973
Due to other governmental units	1,899,406	663,216
Payroll related accruals	10,050	552,168
Salaries payable	1,642,657	1,714,058
Unearned revenue	1,418,260	740,345
	<b>Total Liabilities</b>	<b>Total Liabilities</b>
	<b>5,248,923</b>	<b>3,854,892</b>
<b>Fund Balances</b>		
Nonspendable	20,886	27,594
Unassigned	9,862,016	8,231,719
	<b>Total Fund Balances</b>	<b>Total Fund Balances</b>
	<b>9,882,902</b>	<b>8,259,313</b>
	<b>Total Liabilities and Fund Balances</b>	<b>Total Liabilities and Fund Balances</b>
	<b>\$ 15,131,825</b>	<b>\$ 12,114,205</b>

**SPARTA AREA SCHOOLS**  
**General Fund**  
**Comparative Schedules of Revenues**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
Local sources:		
Property taxes:		
Current property taxes	\$ 2,406,000	\$ 2,330,539
Delinquent and other property taxes	4,513	6,781
Interest on delinquent taxes	2,231	4,762
	<u>2,412,744</u>	<u>2,342,082</u>
Transportation fees:		
Pupil transportation fees	100	-
Interest earnings	143,766	19,489
Revenue from student activities:		
Athletics admissions	65,748	70,755
Pay-to-participate	-	125
Tournaments	16,860	8,727
	<u>82,608</u>	<u>79,607</u>
Other local revenue:		
Preschool/childcare fees	469,825	354,057
Sale of fuel	69,574	42,829
Rental of school facilities	96,166	46,278
Donations	-	267
Universal service funding	-	12,928
Insurance claims	91,825	169,205
Adult education reimbursement	10,312	4,696
Miscellaneous	38,432	221,275
	<u>776,134</u>	<u>851,535</u>
Total local sources	<u>3,415,352</u>	<u>3,292,713</u>
State sources:		
State aid	27,507,307	23,559,988
Virtual learning support grants	-	3,101
Special education millage incentive	83,564	83,047
Adult education 23+	296,750	-
Mental health services	67,147	-
Adult continuing education	731,664	612,923
Special education - transportation	303,856	143,976
Special education - itinerants	100,354	89,672
Bus driver safety	531	-
Early literacy	39,987	44,895
Total state sources	<u>29,131,160</u>	<u>24,537,602</u>

(Continued)

**SPARTA AREA SCHOOLS**  
**General Fund**  
**Comparative Schedules of Revenues**  
**For the years ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
Federal sources:		
Title I	\$ 305,903	\$ 373,699
Title IIA	58,896	110,912
Title III	23,086	34,448
Title IV	25,554	24,304
Pandemic EBT local costs	3,135	3,063
Adult basic education	304,108	300,467
Education stabilization fund	1,737,999	1,551,506
Child care stabilization	193,276	202,064
I.D.E.A. program	960,733	913,231
Medicaid - school based	8,894	11,288
Health resource advocate funding	38,101	50,541
Total federal sources	<u>3,659,685</u>	<u>3,575,523</u>
Interdistrict sources:		
ISD collected millage	2,250,184	2,015,383
Special education - tuition	258,539	272,693
Great Start Readiness program	139,277	127,013
Medicaid fee for service	324,341	277,155
Other interdistrict	56,924	118,011
Total interdistrict sources	<u>3,029,265</u>	<u>2,810,255</u>
<b>Total Revenues</b>	<u><u>\$ 39,235,462</u></u>	<u><u>\$ 34,216,093</u></u>

**SPARTA AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
Current:		
Instruction:		
Basic programs:		
Elementary:		
Salaries	\$ 4,379,714	\$ 3,936,877
Employee benefits	3,987,996	2,957,278
Purchased services	185,892	195,165
Supplies	249,736	147,969
Capital outlay	19,104	-
Miscellaneous	1,059	15,431
	8,823,501	7,252,720
Middle school:		
Salaries	1,661,342	1,600,814
Employee benefits	1,519,087	1,164,869
Purchased services	46,757	59,816
Supplies	30,708	28,257
Capital outlay	5,610	-
Miscellaneous	-	9,793
Payments to other districts	13,154	-
	3,276,658	2,863,549
High school:		
Salaries	2,753,462	2,585,316
Employee benefits	2,413,174	1,875,059
Purchased services	160,318	172,855
Supplies	105,618	21,528
Capital outlay	51,398	-
Miscellaneous	1,330	2,981
Payments to other districts	68,633	-
	5,553,933	4,657,739
Summer school:		
Salaries	111,420	155,830
Employee benefits	40,161	34,000
Purchased services	71,723	39,498
Supplies	4,322	3,454
Payments to other districts	-	2,000
	227,626	234,782
Total basic programs	17,881,718	15,008,790
Added needs:		
Special education:		
Salaries	1,994,018	1,863,781
Employee benefits	1,380,651	1,258,487
Purchased services	102,857	88,704
Supplies	19,781	14,871
Miscellaneous	4,884	-
Payments to other school districts	176,694	171,998
	3,678,885	3,397,841

(Continued)

**SPARTA AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
Compensatory education:		
Salaries	\$ 316,316	\$ 365,926
Employee benefits	202,586	232,372
Purchased services	103,981	123,169
Supplies	6,108	650
	628,991	722,117
Total added needs	4,307,876	4,119,958
Adult education services:		
Basic:		
Salaries	232,903	220,869
Employee benefits	103,041	95,498
Purchased services	21,049	22,284
Supplies	938	4,241
	357,931	342,892
Secondary:		
Salaries	124,650	86,181
Employee benefits	72,948	39,906
Purchased services	14,355	13,022
Supplies	2,251	6,801
	214,204	145,910
Secondary:		
Purchased services	1,800	-
Total adult education services	573,935	488,802
Total instruction	22,763,529	19,617,550
Supporting services:		
Guidance services:		
Salaries	549,039	490,341
Employee benefits	374,296	337,221
Purchased services	-	355
Supplies	22,272	23,289
Miscellaneous	69	198
	945,676	851,404
Health services:		
Salaries	115,108	107,323
Employee benefits	82,589	80,096
Purchased services	16,869	360
Supplies	4,880	4,803
Payments to other school districts	132,153	119,970
	351,599	312,552

(Continued)

**SPARTA AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
Psychological services:		
Salaries	\$ -	\$ 44,388
Employee benefits	715	9,091
Supplies	2,314	2,396
Payments to other school districts	273,370	182,877
	<u>276,399</u>	<u>238,752</u>
Speech pathology services:		
Employee benefits	1,491	3,745
Purchased services	-	528
Supplies	3,579	2,991
Payments to other school districts	586,163	559,523
	<u>591,233</u>	<u>566,787</u>
Social worker services:		
Salaries	35,507	-
Employee benefits	22,932	2,495
Purchased services	199,350	192,093
Supplies	269	588
Payments to other school districts	512,986	527,089
	<u>771,044</u>	<u>722,265</u>
Homebound instruction:		
Purchased services	108,537	73,123
Total pupil services	<u>3,044,488</u>	<u>2,764,883</u>
Instructional staff services:		
Professional staff development:		
Salaries	112,802	113,808
Employee benefits	40,346	42,764
Purchased services	113,121	74,769
Supplies	2,851	100
Miscellaneous	7,841	777
	<u>276,961</u>	<u>232,218</u>
Library:		
Purchased services	69,800	59,838
Supplies	4,977	8,644
	<u>74,777</u>	<u>68,482</u>
Instruction related technology:		
Purchased services	2,201	-
Supplies	-	532
	<u>2,201</u>	<u>532</u>
Supervision/direction of instruction:		
Salaries	310,398	249,172
Employee benefits	225,024	168,052
Purchased services	5,867	5,367
Supplies	1,361	5,568
Miscellaneous	-	90
	<u>542,650</u>	<u>428,249</u>

(Continued)

**SPARTA AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
Academic student assessment:		
Purchased services	\$ 956	\$ 11,379
Supplies	6,451	17,021
	<u>7,407</u>	<u>28,400</u>
Total instructional staff services	903,996	757,881
General administrative services:		
Board of education:		
Salaries	3,690	-
Employee benefits	282	-
Purchased services	87,025	87,025
Supplies	2,041	-
Miscellaneous	24,045	32,418
	<u>117,083</u>	<u>119,443</u>
Executive administration:		
Salaries	233,058	182,235
Employee benefits	158,930	115,692
Purchased services	38,974	12,978
Supplies	1,718	3,415
Miscellaneous	19,484	10,718
	<u>452,164</u>	<u>325,038</u>
Total general administrative services	569,247	444,481
School administrative services:		
Office of the principal:		
Salaries	1,144,023	932,735
Employee benefits	928,864	680,307
Purchased services	7,467	7,915
Office supplies	8,369	11,112
Miscellaneous	7,692	4,437
	<u>2,096,415</u>	<u>1,636,506</u>
Other school administration:		
Miscellaneous	4,365	7,696
Total school administrative services	<u>2,100,780</u>	<u>1,644,202</u>
Business services:		
Fiscal services:		
Salaries	245,358	177,042
Employee benefits	184,872	136,013
Purchased services	28,170	42,702
Supplies	912	73
Capital outlay	2,985	480
Miscellaneous	7,273	4,778
Payments to other districts	42,151	41,752
	<u>511,721</u>	<u>402,840</u>

(Continued)

**SPARTA AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
Internal services:		
Purchased services	\$ 46,633	\$ 49,310
Miscellaneous	798	3,375
	47,431	52,685
Other business services:		
Miscellaneous	51,851	23,728
Total business services	611,003	479,253
Operation and maintenance services:		
Operation and maintenance:		
Salaries	438,036	359,262
Employee benefits	296,407	237,189
Purchased services	1,518,385	1,496,478
Supplies	767,345	759,075
Capital outlay	329,968	74,489
Miscellaneous	422	8,382
	3,350,563	2,934,875
Security services		
Salaries	2,500	5,000
Employee benefits	1,299	2,703
Purchased services	99,511	81,145
Supplies	9,781	613
	113,091	89,461
Total operation and maintenance services	3,463,654	3,024,336
Pupil transportation services:		
Pupil transportation:		
Purchased services	1,283,876	1,272,037
Supplies	255,969	196,024
New buses	2,187	-
Miscellaneous	-	351
Payments to other school districts	511,494	367,464
Total pupil transportation services	2,053,526	1,835,876
Central services:		
Communication services:		
Purchased services	425	714
Staff/personnel services:		
Salaries	-	166,574
Employee benefits	-	114,239
Purchased services	20,917	25,254
Supplies	28	548
Miscellaneous	7,956	17,733
	28,901	324,348

(Continued)



**SPARTA AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
Technology services:		
Purchased services	\$ 511,774	\$ 488,756
Supplies	18,020	5,402
Capital outlay	459,082	56,702
	988,876	550,860
Pupil accounting:		
Salaries	77,580	90,649
Employee benefits	47,897	50,867
Purchased services	6,752	4,143
Supplies	354	188
Miscellaneous	85	235
	132,668	146,082
Total central services	1,150,870	1,022,004
Other supporting services:		
Athletics:		
Salaries	345,270	289,014
Employee benefits	239,963	135,665
Purchased services	132,384	147,792
Supplies	70,054	36,596
Capital outlay	2,155	-
Miscellaneous	50,469	24,202
Total other supporting services	840,295	633,269
Total supporting services	14,737,859	12,606,185
Community services:		
Community activities:		
Salaries	1,257	1,071
Employee benefits	951	841
Supplies	-	493
	2,208	2,405
Custody/care of children:		
Salaries	37,176	42,515
Employee benefits	26,671	31,471
Purchased services	386,570	262,444
Supplies	61,232	24,181
Capital outlay	424	30
Miscellaneous	33,280	10,194
Payments to other districts	33,468	32,200
	578,821	403,035

(Continued)

**SPARTA AREA SCHOOLS**  
**General Fund**  
**Comparative Schedule of Expenditures**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
Non-public school pupils:		
Purchased services	\$ 681	\$ 1,033
Payments to other districts	1,250	368
	1,931	1,401
Total community services	582,960	406,841
Payments to other governmental entities:		
Flowthrough disbursements	28,800	-
Capital outlay:		
Site improvement services	-	11,519
Other facilities acquisition and construction services	-	234,376
	-	245,895
Debt service:		
Principal repayment	22,249	22,482
Interest on lease	903	2,775
Total debt service	23,152	25,257
<b>Total Expenditures</b>	<b>\$ 38,136,300</b>	<b>\$ 32,901,728</b>

## **NONMAJOR GOVERNMENTAL FUNDS**

**SPARTA AREA SCHOOLS**  
**Combining Balance Sheet - Nonmajor Governmental Funds**  
**June 30, 2023**

	Special Revenue		Debt Service	
	Food Service	Student/School Activity	2016	2016 Refunding
<b>Assets</b>				
Cash equivalents and investments	\$ 1,110,030	\$ 348,450	\$ 6,935	\$ 14,509
Accounts receivable	2,940	-	-	-
Due from other funds	9,406	-	-	-
Due from governmental units	16,956	-	-	-
Inventory	27,639	-	-	-
<b>Total Assets</b>	<b>\$ 1,166,971</b>	<b>\$ 348,450</b>	<b>\$ 6,935</b>	<b>\$ 14,509</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 55,714	\$ 15,343	\$ -	\$ -
Due to other funds	67,068	-	-	-
Unearned revenue	14,159	-	-	-
<b>Total Liabilities</b>	<b>136,941</b>	<b>15,343</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>				
Nonspendable	27,639	-	-	-
Restricted	1,002,391	333,107	6,935	14,509
<b>Total Fund Balances</b>	<b>1,030,030</b>	<b>333,107</b>	<b>6,935</b>	<b>14,509</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,166,971</b>	<b>\$ 348,450</b>	<b>\$ 6,935</b>	<b>\$ 14,509</b>

Debt Service			Capital Projects			Total
2017 Refunding	2019 Refunding	2021 Refunding	Building and Site	2016 Construction	2019 Construction	
\$ 26,862	\$ 27,764	\$ 19,605	\$ 1,762,076	\$ 271,734	\$ 1,522,852	\$ 5,110,817
-	-	-	-	-	-	2,940
-	-	-	-	-	-	9,406
-	-	-	-	-	-	16,956
-	-	-	-	-	-	27,639
<u>\$ 26,862</u>	<u>\$ 27,764</u>	<u>\$ 19,605</u>	<u>\$ 1,762,076</u>	<u>\$ 271,734</u>	<u>\$ 1,522,852</u>	<u>\$ 5,167,758</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,390	\$ 76,447
-	-	-	-	-	-	67,068
-	-	-	-	-	-	14,159
-	-	-	-	-	5,390	157,674
-	-	-	-	-	-	27,639
26,862	27,764	19,605	1,762,076	271,734	1,517,462	4,982,445
26,862	27,764	19,605	1,762,076	271,734	1,517,462	5,010,084
<u>\$ 26,862</u>	<u>\$ 27,764</u>	<u>\$ 19,605</u>	<u>\$ 1,762,076</u>	<u>\$ 271,734</u>	<u>\$ 1,522,852</u>	<u>\$ 5,167,758</u>

**SPARTA AREA SCHOOLS**  
**Combining Statement of Revenues, Expenditures and Changes in**  
**Fund Balances - Nonmajor Governmental Funds**  
**For the year ended June 30, 2023**

	Special Revenue		Debt Service	
	Food Service	Student/School Activity	2016	2016 Refunding
<b>Revenues</b>				
Local sources:				
Property taxes	\$ -	\$ -	\$ 405,266	\$ 343,862
Interest earnings	13,652	-	1,766	1,394
Food sales	376,308	-	-	-
Revenue from student activities	-	411,728	-	-
<b>Total local sources</b>	<b>389,960</b>	<b>411,728</b>	<b>407,032</b>	<b>345,256</b>
State sources	48,788	-	8,078	6,854
Federal sources	1,174,617	-	-	-
<b>Total Revenues</b>	<b>1,613,365</b>	<b>411,728</b>	<b>415,110</b>	<b>352,110</b>
<b>Expenditures</b>				
Current:				
Other business services	-	-	206	175
Other student/school activity	-	365,679	-	-
Food service	1,733,506	-	-	-
Capital outlay:				
Architect and engineering fees	-	-	-	-
Construction manager fees	-	-	-	-
Building improvements	-	-	-	-
Equipment and furniture	-	-	-	-
Debt service:				
Principal repayment	-	-	415,000	-
Interest and fiscal charges				
Interest expense	-	-	79,200	340,700
Paying agent fees	-	-	525	521
<b>Total Expenditures</b>	<b>1,733,506</b>	<b>365,679</b>	<b>494,931</b>	<b>341,396</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(120,141)</b>	<b>46,049</b>	<b>(79,821)</b>	<b>10,714</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from school bond loan	-	-	80,993	-
Transfers out	(67,068)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(67,068)</b>	<b>-</b>	<b>80,993</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(187,209)</b>	<b>46,049</b>	<b>1,172</b>	<b>10,714</b>
<b>Fund Balances, Beginning of Year</b>	<b>1,217,239</b>	<b>287,058</b>	<b>5,763</b>	<b>3,795</b>
<b>Fund Balances, End of Year</b>	<b>\$ 1,030,030</b>	<b>\$ 333,107</b>	<b>\$ 6,935</b>	<b>\$ 14,509</b>

Debt Service			Capital Projects			Total
2017 Refunding	2019 Refunding	2021 Refunding	Building and Site	2016 Construction	2019 Construction	
\$ 1,461,415	\$ 1,571,937	\$ 515,794	\$ 706,145	\$ -	\$ -	\$ 5,004,419
6,416	5,718	2,063	34,730	3,321	58,639	127,699
-	-	-	-	-	-	376,308
-	-	-	-	-	-	411,728
1,467,831	1,577,655	517,857	740,875	3,321	58,639	5,920,154
29,130	31,333	10,281	16,559	-	-	151,023
-	-	-	-	-	-	1,174,617
1,496,961	1,608,988	528,138	757,434	3,321	58,639	7,245,794
745	800	262	359	-	-	2,547
-	-	-	-	-	-	365,679
-	-	-	-	-	-	1,733,506
-	-	-	-	-	12,205	12,205
-	-	-	-	-	56,368	56,368
-	-	-	364,364	18,804	63,402	446,570
-	-	-	-	-	70,144	70,144
1,710,000	590,000	-	-	-	-	2,715,000
228,400	1,538,100	512,590	-	-	-	2,698,990
582	593	531	-	-	-	2,752
1,939,727	2,129,493	513,383	364,723	18,804	202,119	8,103,761
(442,766)	(520,505)	14,755	392,711	(15,483)	(143,480)	(857,967)
445,990	518,337	-	-	-	-	1,045,320
-	-	-	-	-	-	(67,068)
445,990	518,337	-	-	-	-	978,252
3,224	(2,168)	14,755	392,711	(15,483)	(143,480)	120,285
23,638	29,932	4,850	1,369,365	287,217	1,660,942	4,889,799
\$ 26,862	\$ 27,764	\$ 19,605	\$ 1,762,076	\$ 271,734	\$ 1,517,462	\$ 5,010,084

**SPARTA AREA SCHOOLS**  
**Food Service Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual**  
**For the year ended June 30, 2023**

	Budget	Actual	Variance
<b>Revenues</b>			
Local sources	\$ 375,000	\$ 389,960	\$ 14,960
State sources	50,000	48,788	(1,212)
Federal sources	1,040,600	1,174,617	134,017
<b>Total Revenues</b>	<u>1,465,600</u>	<u>1,613,365</u>	<u>147,765</u>
<b>Expenditures</b>			
Current:			
Food service	1,694,522	1,733,506	(38,984)
<b>Excess (Deficiency) of Revenues over Expenditures</b>	(228,922)	(120,141)	108,781
<b>Other Financing Uses</b>			
Transfers out	-	(67,068)	67,068
<b>Net Change in Fund Balances</b>	(228,922)	(187,209)	108,781
<b>Fund Balances, Beginning of Year</b>	<u>1,217,239</u>	<u>1,217,239</u>	<u>-</u>
<b>Fund Balances, End of Year</b>	<u>\$ 988,317</u>	<u>\$ 1,030,030</u>	<u>\$ 41,713</u>



**SPARTA AREA SCHOOLS**  
**Student/School Activity Special Revenue Fund**  
**Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual**  
**For the year ended June 30, 2023**

	<u>Budget</u>	<u>Actual</u>	<u>Variance</u>
<b>Revenues</b>			
Local sources	\$ 410,000	\$ 411,728	\$ 1,728
<b>Expenditures</b>			
Current:			
Other student/school activity	350,000	365,679	(15,679)
<b>Net Change in Fund Balance</b>	60,000	46,049	17,407
<b>Fund Balance, Beginning of Year</b>	287,058	287,058	-
<b>Fund Balance, End of Year</b>	<u>\$ 347,058</u>	<u>\$ 333,107</u>	<u>\$ (13,951)</u>

## **SPECIAL REVENUE FUNDS**

Food Service—to account for monies received from food service activities and federal subsidies for use in administering the hot lunch program of the District.

Student/School Activity—to account for monies received from student and school activities for use in providing services for school and student groups.

**SPARTA AREA SCHOOLS**  
**Food Service Special Revenue Fund**  
**Comparative Balance Sheets**  
**June 30, 2023 and 2022**

	2023	2022
<b>Assets</b>		
Cash equivalents	\$ 1,110,030	\$ 1,212,750
Accounts receivable	2,940	-
Due from other funds	9,406	21,973
Due from other governmental units	16,956	60,112
Inventory	27,639	22,406
<b>Total Assets</b>	<b>\$ 1,166,971</b>	<b>\$ 1,317,241</b>
 <b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 55,714	\$ 26,968
Due to other funds	67,068	7,172
Unearned revenue	14,159	65,862
<b>Total Liabilities</b>	136,941	100,002
<b>Fund Balances</b>		
Nonspendable	27,639	22,406
Restricted	1,002,391	1,194,833
<b>Total Fund Balances</b>	1,030,030	1,217,239
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,166,971</b>	<b>\$ 1,317,241</b>

**SPARTA AREA SCHOOLS**  
**Food Service Special Revenue Fund**  
**Comparative Statements of Revenues, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
<b>Revenues</b>		
Local sources:		
Food sales:		
Adult lunches	\$ 2,967	\$ 2,823
Ala carte	335,132	55,280
Banquets	38,209	11,465
	376,308	69,568
Interest earnings	13,652	2,733
Total local sources	389,960	72,301
State sources	48,788	52,225
Federal sources	1,174,617	1,911,259
	1,613,365	2,035,785
<b>Expenditures</b>		
Current:		
Food service:		
Salaries	218,413	234,277
Employee benefits	162,824	161,798
Purchased services	385,869	295,615
Supplies	796,259	867,856
Capital outlay	167,679	55,656
Miscellaneous	2,462	525
	1,733,506	1,615,727
<b>Excess (Deficiency) of Revenues     Over Expenditures</b>	(120,141)	420,058
<b>Other Financing Uses</b>		
Transfers in	(67,068)	-
	(187,209)	420,058
<b>Fund Balances, Beginning of Year</b>	1,217,239	797,181
<b>Fund Balances, End of Year</b>	\$ 1,030,030	\$ 1,217,239

**SPARTA AREA SCHOOLS**  
**Student/School Activity Special Revenue Fund**  
**Comparative Balance Sheets**  
**June 30, 2023 and 2022**

	2023	2022
<b>Assets</b>		
Cash equivalents	\$ 348,450	\$ 308,794
Due from other funds	-	1,000
<b>Total Assets</b>	<b>\$ 348,450</b>	<b>\$ 309,794</b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ 15,343	\$ 4,529
Due to other funds	-	18,207
<b>Total Liabilities</b>	15,343	22,736
<b>Fund Balances</b>		
Restricted	333,107	287,058
<b>Total Liabilities and Fund Balances</b>	<b>\$ 348,450</b>	<b>\$ 309,794</b>

**SPARTA AREA SCHOOLS**  
**Student/School Activity Special Revenue Fund**  
**Comparative Statements of Revenues, Expenditures and Changes in Fund Balance**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
<b>Revenues</b>		
Local sources:		
Revenue from student activities	\$ 411,728	\$ 293,151
<b>Expenditures</b>		
Current:		
Other student/school activity	365,679	265,058
<b>Net Change in Fund Balance</b>	46,049	28,093
<b>Fund Balance, Beginning of Year</b>	287,058	258,965
<b>Fund Balance, End of Year</b>	\$ 333,107	\$ 287,058

## **DEBT SERVICE FUNDS**

To accumulate property tax revenues and interest earnings for repayment of the bond issues of the District used to finance new building construction projects.

**SPARTA AREA SCHOOLS**  
**Debt Service Funds**  
**Combining Balance Sheet**  
**June 30, 2023 (with comparative totals as of June 30, 2022)**

<b>Assets</b>	<u>2016</u>	<u>2016 Refunding</u>	<u>2017 Refunding</u>
Cash equivalents and investments	\$ 6,935	\$ 14,509	\$ 26,862
Due from other funds	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Assets</b>	<u><u>\$ 6,935</u></u>	<u><u>\$ 14,509</u></u>	<u><u>\$ 26,862</u></u>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Due to other funds	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<b>Fund Balances</b>			
Restricted	<u>6,935</u>	<u>14,509</u>	<u>26,862</u>
<b>Total Liabilities and Fund Balances</b>	<u><u>\$ 6,935</u></u>	<u><u>\$ 14,509</u></u>	<u><u>\$ 26,862</u></u>



2019 Refunding	2021 Refunding	Totals	
		2023	2022
\$ 27,764	\$ 19,605	\$ 95,675	\$ 78,021
-	-	-	230
<u>\$ 27,764</u>	<u>\$ 19,605</u>	<u>\$ 95,675</u>	<u>\$ 78,251</u>
\$ -	\$ -	\$ -	\$ 10,273
27,764	19,605	95,675	67,978
<u>\$ 27,764</u>	<u>\$ 19,605</u>	<u>\$ 95,675</u>	<u>\$ 78,251</u>

**SPARTA AREA SCHOOLS**  
**Debt Service Funds**  
**Combining Statement of Revenues, Expenditures and Changes in Fund Balance**  
**For the year ended June 30, 2023 (with comparative totals for the year ended June 30, 2022)**

	2016	2016 Refunding	2017 Refunding
<b>Revenues</b>			
Local sources:			
Property taxes:			
Current property taxes	\$ 401,921	\$ 341,024	\$ 1,449,354
Industrial facilities taxes	2,891	2,453	10,424
Delinquent and other property taxes	126	107	453
Interest on delinquent taxes	328	278	1,184
	<u>405,266</u>	<u>343,862</u>	<u>1,461,415</u>
Interest earnings	1,766	1,394	6,416
Total local sources	407,032	345,256	1,467,831
State sources	<u>8,078</u>	<u>6,854</u>	<u>29,130</u>
<b>Total Revenues</b>	<u>415,110</u>	<u>352,110</u>	<u>1,496,961</u>
<b>Expenditures</b>			
Current:			
Supporting services:			
Other business services	206	175	745
Debt service:			
Principal repayment	415,000	-	1,710,000
Interest and fiscal charges:			
Interest expense	79,200	340,700	228,400
Paying agent fees	525	521	582
Bond issuance costs	-	-	-
Underwriter's discount	-	-	-
	<u>494,931</u>	<u>341,396</u>	<u>1,939,727</u>
<b>Total Expenditures</b>	<u>494,931</u>	<u>341,396</u>	<u>1,939,727</u>
<b>Deficiency of Revenues     Over Expenditures</b>	<u>(79,821)</u>	<u>10,714</u>	<u>(442,766)</u>
<b>Other Financing Sources (Uses)</b>			
Proceeds from school bond loan fund	80,993	-	445,990
Proceeds from refinancing debt	-	-	-
Payments to bond escrow agent	-	-	-
	<u>80,993</u>	<u>-</u>	<u>445,990</u>
<b>Total Other Financing Sources (Uses)</b>	<u>80,993</u>	<u>-</u>	<u>445,990</u>
<b>Net Change in Fund Balance</b>	1,172	10,714	3,224
<b>Fund Balance, Beginning of Year</b>	<u>5,763</u>	<u>3,795</u>	<u>23,638</u>
<b>Fund Balance, End of Year</b>	<u>\$ 6,935</u>	<u>\$ 14,509</u>	<u>\$ 26,862</u>

2019 Refunding	2021 Refunding	Totals	
		2023	2022
\$ 1,558,965	\$ 511,537	\$ 4,262,801	\$ 4,002,492
11,212	3,679	30,659	33,473
487	160	1,333	2,100
1,273	418	3,481	3,497
<u>1,571,937</u>	<u>515,794</u>	<u>4,298,274</u>	<u>4,041,562</u>
5,718	2,063	17,357	3,122
1,577,655	517,857	4,315,631	4,044,684
<u>31,333</u>	<u>10,281</u>	<u>85,676</u>	<u>94,407</u>
<u>1,608,988</u>	<u>528,138</u>	<u>4,401,307</u>	<u>4,139,091</u>
800	262	2,188	-
590,000	-	2,715,000	5,717,000
1,538,100	512,590	2,698,990	2,645,263
593	531	2,752	2,000
-	-	-	133,709
<u>-</u>	<u>-</u>	<u>-</u>	<u>72,320</u>
<u>2,129,493</u>	<u>513,383</u>	<u>5,418,930</u>	<u>8,570,292</u>
<u>(520,505)</u>	<u>14,755</u>	<u>(1,017,623)</u>	<u>(4,431,201)</u>
518,337	-	1,045,320	1,074,000
-	-	-	22,600,000
<u>-</u>	<u>-</u>	<u>-</u>	<u>(19,291,971)</u>
<u>518,337</u>	<u>-</u>	<u>1,045,320</u>	<u>4,382,029</u>
(2,168)	14,755	27,697	(49,172)
<u>29,932</u>	<u>4,850</u>	<u>67,978</u>	<u>117,150</u>
<u>\$ 27,764</u>	<u>\$ 19,605</u>	<u>\$ 95,675</u>	<u>\$ 67,978</u>

## **CAPITAL PROJECTS FUNDS**

*Building and Site* – to account for property tax revenues and interest earnings used to finance building restoration projects.

*2016 Construction* – to account for bond proceeds used to finance building construction and improvement projects.

*2019 Construction* – to account for bond proceeds used to finance building construction and improvement projects.

**SPARTA AREA SCHOOLS**  
**Building and Site Sinking Capital Projects Fund**  
**Comparative Balance Sheets**  
**June 30, 2023 and 2022**

	2023	2022
<b>Assets</b>		
Cash equivalents and investments	\$ 1,762,076	\$ 1,374,106
Due from other funds	-	9,773
<b>Total Assets</b>	<b>\$ 1,762,076</b>	<b>\$ 1,383,879</b>
<b>Liabilities and Fund Balances</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 14,284
Due to other funds	-	230
<b>Total Liabilities</b>	-	14,514
<b>Fund Balances</b>		
Restricted	1,762,076	1,369,365
<b>Total Liabilities and Fund Balances</b>	<b>\$ 1,762,076</b>	<b>\$ 1,383,879</b>

**SPARTA AREA SCHOOLS**  
**Building and Site Sinking Capital Projects Fund**  
**Comparative Statements of Revenues, Expenditures and Changes in Fund Balances**  
**For the years ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Revenues</b>		
Local sources:		
Property taxes:		
Current property taxes	\$ 700,317	\$ 657,554
Industrial facilities taxes	5,037	5,499
Delinquent and other property taxes	219	345
Interest on delinquent taxes	572	574
	<u>706,145</u>	<u>663,972</u>
Interest earnings	<u>34,730</u>	<u>3,614</u>
Total local sources	740,875	667,586
State sources	<u>16,559</u>	<u>15,510</u>
<b>Total Revenues</b>	<u>757,434</u>	<u>683,096</u>
<b>Expenditures</b>		
Current:		
Supporting services	359	-
Capital outlay:		
Building improvements	<u>364,364</u>	<u>366,746</u>
<b>Total Expenditures</b>	<u>364,723</u>	<u>366,746</u>
<b>Net Change in Fund Balances</b>	392,711	316,350
<b>Fund Balances, Beginning of Year</b>	<u>1,369,365</u>	<u>1,053,015</u>
<b>Fund Balances, End of Year</b>	<u>\$ 1,762,076</u>	<u>\$ 1,369,365</u>

**SPARTA AREA SCHOOLS**  
**2016 Construction Capital Projects Fund**  
**Comparative Balance Sheets**  
**June 30, 2023 and 2022**

	2023	2022
<b>Assets</b>		
Cash equivalents	\$ 271,734	\$ 334,888
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ -	\$ 47,671
<b>Fund Balance</b>		
Restricted	271,734	287,217
<b>Total Liabilities and Fund Balance</b>	\$ 271,734	\$ 334,888

**SPARTA AREA SCHOOLS**  
**2016 Construction Capital Projects Fund**  
**Comparative Statements of Revenues, Expenditures and Changes in Fund Balance**  
**For the years ended June 30, 2023 and 2022**

	2023	2022
<b>Revenues</b>		
Local sources:		
Interest earnings	\$ 3,321	\$ 1,273
<b>Expenditures</b>		
Current:		
Capital outlay:		
Building improvements	18,804	97,844
<b>Total Expenditures</b>	18,804	97,844
<b>Net Change in Fund Balance</b>	(15,483)	(96,571)
<b>Fund Balance, Beginning of Year</b>	287,217	383,788
<b>Fund Balance, End of Year</b>	\$ 271,734	\$ 287,217



**SPARTA AREA SCHOOLS**  
**2019 Construction Capital Projects Fund**  
**Comparative Balance Sheets**  
**June 30, 2023 and 2022**

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	2023	2022
<b>Assets</b>		
Cash equivalents and investments	\$ 1,522,852	\$ 1,928,609
<b>Liabilities and Fund Balance</b>		
<b>Liabilities</b>		
Accounts payable	\$ 5,390	\$ 267,667
<b>Fund Balance</b>		
Restricted	1,517,462	1,660,942
<b>Total Liabilities and Fund Balance</b>	\$ 1,522,852	\$ 1,928,609

**SPARTA AREA SCHOOLS**  
**2019 Construction Capital Projects Fund**  
**Comparative Statements of Revenues, Expenditures and Changes in Fund Balance**  
**For the years ended June 30, 2023 and 2022**

	<u>2023</u>	<u>2022</u>
<b>Revenues</b>		
Local sources:		
Interest earnings	\$ 58,639	\$ 5,261
Other local sources	-	39,031
Total local sources	<u>58,639</u>	<u>44,292</u>
<b>Total Revenues</b>	<u>58,639</u>	<u>44,292</u>
<b>Expenditures</b>		
Current:		
Capital outlay:		
Architect and engineering fees	12,205	140,743
Construction manager fees	56,368	75,541
Building improvements	63,402	1,614,980
Equipment and furniture	70,144	1,097,699
<b>Total Expenditures</b>	<u>202,119</u>	<u>2,928,963</u>
<b>Net Change in Fund Balance</b>	(143,480)	(2,884,671)
<b>Fund Balance, Beginning of Year</b>	<u>1,660,942</u>	<u>4,545,613</u>
<b>Fund Balance, End of Year</b>	<u>\$ 1,517,462</u>	<u>\$ 1,660,942</u>

**SPARTA AREA SCHOOLS**  
**Kent County, Michigan**

Additional Reports Required by  
the Uniform Guidance

For the year ended June 30, 2023

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PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS**

October 6, 2023

The Board of Education  
Sparta Area Schools  
Kent County, Michigan

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Sparta Area Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise Sparta Area Schools’ basic financial statements, and have issued our report thereon dated October 6, 2023.

**Report on Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered Sparta Area Schools’ internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Sparta Area Schools’ internal control. Accordingly, we do not express an opinion on the effectiveness of Sparta Area Schools’ internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements, on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity’s financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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

### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Sparta Area Schools' financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants  
Grand Rapids, Michigan

**INDEPENDENT AUDITOR'S REPORT ON  
COMPLIANCE FOR EACH MAJOR PROGRAM  
AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY THE UNIFORM  
GUIDANCE**

October 6, 2023

The Board of Education  
Sparta Area Schools  
Kent County, Michigan

**Report on Compliance for Major Federal Program**

***Opinion on Each Major Federal Program***

We have audited Sparta Area Schools' compliance with the types of compliance requirements identified as subject to audit in the OMB *Compliance Supplement* that could have a direct and material effect on each of Sparta Area Schools' major federal programs for the year ended June 30, 2023. Sparta Area Schools' major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, Sparta Area Schools complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2023.

***Basis for Opinion on Each Major Federal Program***

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of Sparta Area Schools' and to meet our other ethical responsibilities, in accordance with 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 opinion on compliance for each major federal program. Our audit does not provide a legal determination of Sparta Area Schools' compliance with the compliance requirements referred to above.

### ***Responsibilities of Management for Compliance***

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to Sparta Area Schools' federal programs.

### ***Auditor's Responsibilities for the Audit of Compliance***

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on Sparta Area Schools' compliance based on our audit. 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, *Government Auditing Standards*, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about Sparta Area Schools' compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, *Government Auditing Standards*, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, 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 Sparta Area Schools' compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of Sparta Area Schools' internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of Sparta Area Schools' internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.



## **Report on Internal Control over Compliance**

*A deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

## **Report on Schedule of Expenditures of Federal Awards Required by the Uniform Guidance**

We have audited the financial statements of the governmental activities, the major fund, and the aggregate remaining fund information of Sparta Area Schools, as of and for the year ended June 30, 2023, and the related notes to the financial statements, which collectively comprise of Sparta Area Schools' basic financial statements. We issued our report thereon dated October 6, 2023, which contained unmodified opinions on those financial statements. Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by the Uniform Guidance and is 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 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 schedule of expenditures of federal awards is fairly stated in all material respects in relation to the basic financial statements as a whole.



Certified Public Accountants  
Grand Rapids, Michigan

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## ***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

### **SPARTA AREA SCHOOLS**

For the year ended June 30, 2023

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Assistance Listing Number</b>	<b>Approved Grant Award Amount</b>
<b>U. S. Department of Education</b>		
Passed through Michigan Department of Education (MDE):		
Title I, Part A:	84.010	
221530 2122		\$ 389,177
231530 2223		<u>330,382</u>
Total Title I, Part A		<u>719,559</u>
Title III, Part A:	84.365	
220580 2122		34,448
230580 2223		<u>23,086</u>
Total Title III, Part A		<u>57,534</u>
Title II, Part A:	84.367	
220520 2122		126,257
230520 2223		<u>76,240</u>
Total Title II, Part A		<u>202,497</u>
Title IV, Part A:	84.424	
220750 2122		27,790
230750 2223		<u>31,284</u>
Total Title IV, Part A		<u>59,074</u>
Adult Education - Basic Grants to States:	84.002	
221120 225067		150,767
221130 221067		182,192
231120 235067		156,270
231130 231067		<u>169,896</u>
Total Adult Education - Basic Grants to States		<u>659,125</u>

*See Notes to Schedule of Expenditures of Federal Awards*

Accrued (Deferred) Revenue At July 1, 2022	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2023
\$ 157,540	\$ 373,699	\$ -	\$ 157,540	\$ -
-	-	305,903	226,281	79,622
157,540	373,699	305,903	383,821	79,622
34,448	34,448	-	34,448	-
-	-	23,086	22,855	231
34,448	34,448	23,086	57,303	231
20,806	110,912	-	20,806	-
-	-	58,896	43,934	14,962
20,806	110,912	58,896	64,740	14,962
9,942	24,304	-	9,942	-
-	-	25,554	18,136	7,418
9,942	24,304	25,554	28,078	7,418
37,836	140,177	-	37,836	-
49,285	160,290	-	49,285	-
-	-	134,212	-	134,212
-	-	169,896	-	169,896
87,121	300,467	304,108	87,121	304,108

## ***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)***

### **SPARTA AREA SCHOOLS**

For the year ended June 30, 2023

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Assistance Listing Number</b>	<b>Approved Grant Award Amount</b>
Education Stabilization Fund:	84.425	
213712 20-21 ESSER Formula Funds II	84.425D	\$ 1,317,923
213722 2122 ESSER II - Summer Programming K-8	84.425D	319,000
213742 2122 ESSER II - Credit Recovery 9-12	84.425D	66,000
213713 2122 ARP/ESSER III	84.425U	2,961,973
213782 2223 ESSER II 98c Learning Loss	84.425D	125,371
211012 2122 MV ARP Homeless II	84.425W	<u>15,536</u>
Total Education Stabilization Fund		<u>4,805,803</u>
Total Passed Through MDE		<u>6,503,592</u>
Passed through Kent Intermediate School District (KISD):		
Special Education Cluster:		
I.D.E.A. Grants to States:	84.027	
220450 2122		786,473
230450 2223		826,217
221280 2122 IDEA ARP Flowthrough	84.027X	92,618
231280 2223 IDEA ARP Flowthrough	84.027X	<u>95,684</u>
Total I.D.E.A. Grants to States		<u>1,800,992</u>
I.D.E.A. Preschool:	84.173	
220460 2122		27,349
230460 2223		32,050
221285 2122 IDEA ARP Preschool	84.173X	3,791
231285 2223 IDEA ARP Preschool	84.173X	<u>6,782</u>
Total I.D.E.A. Preschool		<u>69,972</u>
Total Special Education Cluster		<u>1,870,964</u>
Total Passed Through KISD		<u>1,870,964</u>
<b>Total U.S. Department of Education</b>		<u><b>8,374,556</b></u>

*See Notes to Schedule of Expenditures of Federal Awards*

<b>Accrued (Deferred) Revenue At July 1, 2022</b>	<b>(Memo Only) Prior Year Expenditures</b>	<b>Current Year Expenditures</b>	<b>Current Year Receipts (Cash Basis)</b>	<b>Accrued (Deferred) Revenue At June 30, 2023</b>
\$ 319,048	\$ 1,273,768	\$ 44,155	\$ 363,203	\$ -
21,078	127,422	176,530	21,078	176,530
854	11,632	43,319	854	43,319
56,684	56,684	1,333,088	1,050,148	339,624
-	-	125,371	99,453	25,918
-	-	15,536	15,536	-
397,664	1,469,506	1,737,999	1,550,272	585,391
707,521	2,313,336	2,455,546	2,171,335	991,732
207,349	786,473	-	207,349	-
-	-	826,217	595,945	230,272
53,306	92,618	-	53,306	-
-	-	95,684	70,017	25,667
260,655	879,091	921,901	926,617	255,939
5,174	27,349	-	5,174	-
-	-	32,050	22,977	9,073
3,317	6,791	-	3,317	-
-	-	6,782	5,172	1,610
8,491	34,140	38,832	36,640	10,683
269,146	913,231	960,733	963,257	266,622
269,146	913,231	960,733	963,257	266,622
976,667	3,226,567	3,416,279	3,134,592	1,258,354

## ***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)***

### **SPARTA AREA SCHOOLS**

For the year ended June 30, 2023

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Assistance Listing Number</b>	<b>Approved Grant Award Amount</b>
<b>U.S. Department of Health and Human Services</b>		
Passed through Kent Intermediate School District (KISD):		
Epidemiology and Laboratory Capacity for Infectious Diseases:	93.323	
Health Resource Advocate (HRA) Funding:		
2122 HRA Funding		\$ 50,541
2223 HRA Funding		<u>38,101</u>
Total Health Resource Advocate (HRA) Funding		<u>88,642</u>
Medicaid Cluster:		
Medical Assistance Program:	93.778	
2223 Medicaid Outreach		<u>8,894</u>
Total Medicaid Cluster		<u>8,894</u>
<b>Total U.S. Department of Treasury</b>		<u>97,536</u>
<b>U.S. Department of Agriculture</b>		
Passed through Michigan Department of Education (MDE):		
Local Food for Schools Cooperative Agreement Program:	10.185	
230985		<u>5,846</u>
Child Nutrition Cluster:		
Non-Cash Assistance (U.S.D.A. Commodities):	10.555	
Entitlement Commodities		86,803
Bonus Commodities		<u>9,580</u>
Total Non-Cash Assistance		<u>96,383</u>
Cash Assistance:		
School Breakfast Program:	10.553	
221970		37,929
221971		394,557
231970		<u>226,092</u>
Total School Breakfast Program		<u>658,578</u>

*See Notes to Schedule of Expenditures of Federal Awards*



<b>Accrued (Deferred) Revenue At July 1, 2022</b>	<b>(Memo Only) Prior Year Expenditures</b>	<b>Current Year Expenditures</b>	<b>Current Year Receipts (Cash Basis)</b>	<b>Accrued (Deferred) Revenue At June 30, 2023</b>
\$ 50,541	\$ 50,541	\$ -	\$ 50,541	\$ -
-	-	38,101	-	38,101
50,541	50,541	38,101	50,541	38,101
-	-	8,894	-	8,894
-	-	8,894	-	8,894
50,541	50,541	46,995	50,541	46,995
-	-	5,846	-	5,846
-	-	86,803	86,803	-
-	-	9,580	9,580	-
-	-	96,383	96,383	-
-	-	37,929	37,929	-
14,934	394,557	-	14,934	-
-	-	226,092	226,092	-
14,934	394,557	264,021	278,955	-

## ***SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (Continued)***

### **SPARTA AREA SCHOOLS**

For the year ended June 30, 2023

<b>Federal Grantor Pass Through Grantor Program Title Grant Number</b>	<b>Assistance Listing Number</b>	<b>Approved Grant Award Amount</b>
National School Lunch Program:	10.555	
220910		\$ 48,280
230910		27,147
221960		98,029
231960		560,834
221961		<u>1,076,781</u>
Total National School Lunch Program		<u>1,811,071</u>
Summer Food Service Program:	10.559	
220900		13,860
220904		<u>10,831</u>
Total Summer Food Service Program		<u>24,691</u>
Total Cash Assistance		<u>2,494,340</u>
Total Child Nutrition Cluster		<u>2,590,723</u>
Pandemic EBT Local Level Costs:		
220980 2022		<u>3,135</u>
<b>Total U.S. Department of Agriculture</b>		<u>2,599,704</u>
<b>Total Federal Financial Assistance</b>		<u>\$ 11,071,796</u>

*See Notes to Schedule of Expenditures of Federal Awards*

<b>Accrued (Deferred) Revenue At July 1, 2022</b>	<b>(Memo Only) Prior Year Expenditures</b>	<b>Current Year Expenditures</b>	<b>Current Year Receipts (Cash Basis)</b>	<b>Accrued (Deferred) Revenue At June 30, 2023</b>
\$ (48,280)	\$ -	\$ 97,387	\$ 49,107	\$ -
-	-	27,147	27,147	-
-	-	98,029	98,029	-
-	-	560,834	560,834	-
34,347	1,076,781	-	34,347	-
(13,933)	1,076,781	783,397	769,464	-
-	-	24,970	13,860	11,110
10,831	10,831	-	10,831	-
10,831	10,831	24,970	24,691	11,110
11,832	1,482,169	1,072,388	1,073,110	11,110
11,832	1,482,169	1,168,771	1,169,493	11,110
-	-	3,135	3,135	-
11,832	1,482,169	1,177,752	1,172,628	16,956
<u>\$ 1,039,040</u>	<u>\$ 4,759,277</u>	<u>\$ 4,641,026</u>	<u>\$ 4,357,761</u>	<u>\$ 1,322,305</u>

## ***NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS***

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### **SPARTA AREA SCHOOLS**

For the year ended June 30, 2023

#### **Note A – Basis of Presentation**

The accompanying schedule of expenditures of federal awards (the Schedule) includes the federal grant activity of Sparta Area Schools under programs of the federal government for the year ended June 30, 2023. The information in this Schedule is presented in accordance with requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Because the Schedule presents only a selected portion of the operations of Sparta Area Schools, it is not intended to and does not present the financial position, changes in net position, or cash flows, as applicable, of Sparta Area Schools.

#### **Note B – Summary of Significant Accounting Policies**

Expenditures reported on the Schedule are reported on the same basis of accounting as the basic financial statements. Such expenditures are recognized following the cost principles contained in Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), wherein certain types of expenditures are not allowable or are limited as to reimbursement.

#### **Note C – Indirect Cost Rate**

Sparta Area Schools has elected not to use the 10% de minimus indirect cost rate as allowed under the Uniform Guidance.

#### **Note D – Grant Section Auditor Report**

Management has utilized the MDE NexSys Grant Application and Cash Management System, and the Grant Auditor Report (GAR) in preparing the Schedule of Expenditures of Federal Awards.

#### **Note E – Non-Cash Assistance**

The amounts reported on the Recipient Entitlement Balance Report, or PAL Report, agree with the SEFA for USDA donated food commodities.

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**(Continued)**

**SPARTA AREA SCHOOLS**

For the year ended June 30, 2023

**Note F – Federal Income Reconciliation**

	<b>Grant Expenditures Per Schedule of Federal Financial Assistance</b>	<b>Federal Revenue Per Financial Statements</b>	<b>Difference</b>
Title I, Part A	\$ 305,903	\$ 305,903	\$ -
Title III, Part A	23,086	23,086	-
Title II, Part A	58,896	58,896	-
Title IV, Part A	25,554	25,554	-
Adult Education - Basic Grants to States	304,108	304,108	-
Health Resource Advocate Funding	38,101	38,101	-
Medicaid Cluster	8,894	8,894	-
Education Stabilization Fund	1,737,999	1,737,999	-
Special Education Cluster	960,733	960,733	-
Local Food for Schools Cooperative Agreement Program	5,846	5,846	-
Child Nutrition Cluster	1,168,771	1,168,771	-
Pandemic EBT Local Level Costs	3,135	3,135	-
ARP Child Care Stabilization Funds	-	193,276	(193,276) *
	<u>\$ 4,641,026</u>	<u>\$ 4,834,302</u>	<u>\$ (193,276)</u>

\* The difference in Federal expenditures to Federal revenue per the financial statements is due to the determination made by the Office of Child Development & Care (CDC) that deemed recipients of Child Care Stabilization portion of the Child Care and Development Grants to be beneficiaries, not subrecipients.

# ***SCHEDULE OF FINDINGS AND QUESTIONED COSTS***

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**SPARTA AREA SCHOOLS**  
For the year ended June 30, 2023

## ***Section I - Summary of Auditor's Results***

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### ***Financial Statements***

Type of auditor's report issued: *Unmodified*

Internal control over financial reporting:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes      X   None reported

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes      X   No

### ***Federal Awards***

Internal control over major programs:

- Material weakness(es) identified? \_\_\_\_\_ Yes      X   No
- Significant deficiency(ies) identified? \_\_\_\_\_ Yes      X   None reported

Type of auditor's report issued on compliance for major programs: *Unmodified*

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance? \_\_\_\_\_ Yes      X   No

Identification of major programs audited: Child Nutrition Cluster:  
10.553 - School Breakfast Program  
10.555 - National School Lunch Program  
10.559 - Summer Food Service Program  
84.425 - Education Stabilization Fund

***SCHEDULE OF FINDINGS AND QUESTIONED COSTS (Continued)***

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**SPARTA AREA SCHOOLS**

For the year ended June 30, 2023

**Section I - Summary of Auditor's Results (Continued)**

Dollar threshold used to distinguish between  
Type A and Type B programs:

\$750,000

Auditee qualified as a low-risk auditee?

X

Yes

         No

**Section II - Financial Statements Audit Findings**

There were no findings that are required to be reported under *Government Auditing Standards*.

**Section III – Major Federal Award Programs Findings and Questioned Costs**

There were no findings that are required to be reported under *Government Auditing Standards*.

October 6, 2023

The Board of Education  
Sparta Area Schools  
Kent County, Michigan

We have audited the financial statements of the governmental activities, the major fund and the aggregate remaining fund information of Sparta Area Schools for the year ended June 30, 2023. Professional standards require that we provide you with information about our responsibilities under generally accepted auditing standards (and Government Auditing Standards and the Uniform Guidance), as well as certain information related to the planned scope and timing of our audit. We have communicated such information in our letter to you dated August 21, 2023. Professional standards also require that we communicate to you the following information related to our audit.

#### Significant Audit Matters

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

Management is responsible for the selection and use of appropriate accounting policies. The significant accounting policies used by Sparta Area Schools are described in the notes to the financial statements. We noted no transactions entered into by the governmental unit during the year for which there is a lack of authoritative guidance or consensus. All significant transactions have been recognized in the financial statements in the proper period.

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

Management's estimate of the liability of the payout for the employee compensated absences upon their retirement is based on expected payout. We evaluated the key factors and assumptions used to develop the balance of compensated absences in determining that it is reasonable in relation to the financial statements taken as a whole.

Management's estimate of the lives of capital assets. We evaluated the key factors and assumptions used to develop the estimated life span of the capital assets in determining that it is reasonable in relation to the financial statements taken as a whole. Certain amounts included in capital assets have been estimated by appraisers based on historical information for assets placed in service prior to implementation of GASB Statement No. 34.



Certain financial statement disclosures are particularly sensitive because of their significance to the financial statement users. The most sensitive disclosures affecting the financial statements were related to the District's share of the net pension and net OPEB liabilities related to GASB Statements No. 68 and 75.

The disclosure of the net pension liability and the net OPEB liability in the Notes to the financial statements were recorded as of June 30, 2023 based on information received from the Michigan Office of Retirement Services. We evaluated the key factors and assumptions used to develop these liabilities in determining that it is reasonable in relation to the financial statements taken as a whole.

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

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

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

#### *Corrected and Uncorrected Misstatements*

Professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that are trivial, and communicate them to the appropriate level of management. Management has corrected all such misstatements. In addition, none of the misstatements detected as a result of audit procedures and corrected by management were material, either individually or in the aggregate, to each opinion unit's financial statements taken as a whole. There were no significant adjustments derived from the audit process.

#### *Disagreements with Management*

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

#### *Management Representations*

We have requested certain representations from management that are included in the management representation letter dated October 6, 2023.

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

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

*Other Audit Findings or Issues*

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

Per 7 CFR Part 210.14(b), and as detailed in the Michigan Department of Education (MDE) School Auditing Manual, the District must limit its net cash resources in the Food Service Fund to an amount that does not exceed 3 months average expenditures for its nonprofit school food service. Due to the impact of the COVID-19 pandemic on the School Nutrition Program, which resulted in increased reimbursement rates for meals served, many school districts in the State, including Sparta Area Schools, now have an excess fund balance and must work with MDE to gain approval of a spend down plan for the subsequent school year. To assist in MDE monitoring efforts, all CPA firms performing audits of school districts in Michigan have been asked to identify districts with excess fund balance though this required communication with governance. An audit finding has not been included in the Single Audit report that accompanies this letter, as excess fund balance requirements are not detailed in the Office of Management and Budget's Compliance Supplement for the Child Nutrition Cluster of Programs.

*Other Matters*

We applied certain limited procedures to the Management's Discussion and Analysis and Schedules related to the Proportionate Share and Contributions of the District's Net Pension and Net OPEB Liabilities, which are required supplementary information (RSI) that supplements the basic financial statements. Our procedures consisted of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We did not audit the RSI and do not express an opinion or provide any assurance on the RSI.

We were engaged to report on combining and individual fund statements and schedules, which accompany the financial statements but are not RSI. With respect to this supplementary information, we made certain inquiries of management and evaluated the form, content, and methods of preparing the information to determine that the information complies with accounting principles generally accepted in the United States of America, the method of preparing it has not changed from the prior period, and the information is appropriate and complete in relation to our audit of the financial statements. We compared and reconciled the supplementary information to the underlying accounting records used to prepare the financial statements or to the financial statements themselves.

*Other Comments*

The District General Fund balance increased by \$1,623,589 to \$9,882,902 at June 30, 2023. This balance represents approximately 25.35% of the District's 2023-24 expenditure budget (up from 23.67% at June 30, 2022). It is the policy of the Board of Education of Sparta Area Schools to maintain a General Fund balance of at least 10% of subsequent year expenditures. This gives the District more stable operating funds during the year, helps avoid or reduce the necessity of borrowing for short-term cash flow purposes and acts as a buffer against the uncertainty of state aid revenues accruing to the District.

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Closing

This communication is intended solely for the information and use of the Sparta Area Schools Board of Education and management and is not intended to be, and should not be, used by anyone other than these specified parties. We have furnished a copy of this letter to the Michigan Departments of Education and Treasury as an enclosure with the audited financial statements as required by the State of Michigan.

*Hungerford Nichols*

Certified Public Accountants