



# **SPARTA AREA SCHOOLS**

**Kent County, Michigan**

## **Annual Financial Report**

For the year ended June 30, 2024



**HUNGERFORD**

CPAs • ADVISORS • TECHNOLOGY • WEALTH

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## **FINANCIAL SECTION**

## **INDEPENDENT AUDITOR'S REPORT**

September 26, 2024

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 Sparta Area Schools as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise 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 Sparta Area Schools, as of June 30, 2024, 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 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 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 of America 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 of America 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 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 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 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.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2024 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 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.

A handwritten signature in black ink that reads "Hungerford". The signature is written in a cursive, flowing style.

Certified Public Accountants  
Grand Rapids, Michigan

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# **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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, 2024. 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.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

SPARTA AREA SCHOOLS

June 30, 2024

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.

## Condensed District-wide Financial Information

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

	<b>2024</b>	<b>2023</b>
<b>Assets</b>		
Current assets	\$ 22,505,127	\$ 20,223,109
Net capital assets	78,323,844	79,362,714
Net OPEB asset	856,500	-
<b>Total Assets</b>	<b>101,685,471</b>	<b>99,585,823</b>
<b>Deferred Outflows of Resources</b>	<b>19,307,700</b>	<b>21,410,301</b>
<b>Liabilities</b>		
Current liabilities	10,072,222	9,098,614
Long-term liabilities	70,518,352	73,052,008
Net pension liability	48,875,052	55,577,225
Net OPEB liability	-	3,176,872
<b>Total Liabilities</b>	<b>129,465,626</b>	<b>140,904,719</b>
<b>Deferred Inflows of Resources</b>	<b>11,729,531</b>	<b>6,768,865</b>
<b>Net Position</b>		
Net investment in capital assets	6,216,156	5,350,195
Restricted	2,923,896	2,789,156
Unrestricted (deficit)	(29,342,038)	(34,816,811)
<b>Total Net Position</b>	<b>\$ (20,201,986)</b>	<b>\$ (26,677,460)</b>

# MANAGEMENT'S DISCUSSION AND ANALYSIS

SPARTA AREA SCHOOLS

June 30, 2024

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

	<u>2024</u>	<u>2023</u>
<b>Program Revenues</b>		
Charges for services	\$ 775,564	\$ 1,008,727
Operating grants	18,460,810	17,544,431
<b>General Revenues</b>		
Property taxes	8,057,643	7,417,163
State school aid, unrestricted	20,542,102	19,601,319
Interest earnings	539,291	271,465
Other	1,106,148	1,516,988
<b>Total Revenues</b>	<u>49,481,558</u>	<u>47,360,093</u>
<b>Expenses</b>		
Instruction	22,502,582	24,351,550
Supporting services	15,315,690	15,322,799
Food service	1,944,133	1,646,868
Community services	505,760	571,384
Interest on long-term debt	2,675,536	2,730,216
Depreciation – unallocated	30,147	32,033
Other	32,236	32,236
<b>Total Expenses</b>	<u>43,006,084</u>	<u>44,687,086</u>
Change in net position	6,475,474	2,673,007
<b>Net Position, Beginning of Year</b>	<u>(26,677,460)</u>	<u>(29,350,467)</u>
<b>Net Position, End of Year</b>	<u>\$ (20,201,986)</u>	<u>\$ (26,677,460)</u>

## Financial Analysis of the District as a Whole

Total revenues exceeded expenses by \$6,475,474, increasing total net position from a deficit of \$26,677,460 at June 30, 2023, to a deficit of \$20,201,986 at June 30, 2024. Unrestricted net position increased by \$5,474,773 to a deficit of \$29,342,038 at June 30, 2024. The District's net pension liability, including deferred outflows and inflows of resources, decreased by \$1,087,903 during the fiscal year, and its net OPEB liability, including deferred outflows and inflows of resources, decreased by \$2,616,611.

The District's financial position is the product of various financial transactions, including the net results of activities, the acquisition and payment of debt, the acquisition and disposal of capital assets, and the depreciation and amortization of capital assets. A large portion of the District's net position reflects investment in capital assets (e.g., land and improvements, buildings and improvements, vehicles, and furniture and equipment); less any related outstanding debt used to acquire those assets. The District uses these capital assets to provide services to its students; consequently, they are not available for future spending. Although the District's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

The District's total revenues were \$49.0 million. Property taxes and unrestricted state aid accounted for most of the District's revenues, contributing 58.3% of the total. Another 37.7% 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 decreased by 4.8% to \$42.5 million. The District's expenses are predominantly related to instruction (52.9%) and supporting services (36.0%), which includes various functions such as caring for (pupil services) and transporting students, and general, operating, and maintenance administrative services.

## 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 \$40,732,421, total other financing sources of \$77,943, and total expenditures of \$39,024,355. The ending fund balance was \$11,668,911 at June 30, 2024, up from \$9,882,902 as of June 30, 2023.

### Nonmajor Funds

#### Special Revenue Fund

The District operates two Special Revenue Funds: the Food Service Fund and the Student/School Activity Fund. The Special Revenue Funds had total revenues of \$2,555,405, total expenditures of \$2,642,928, and total other financing uses of \$77,943. The ending fund balance in the Special Revenue Funds totaled \$1,197,671 at June 30, 2024, down from \$1,363,137 at June 30, 2023. Of the ending fund balances, \$839,246 is attributed to the Food Service Fund and \$358,425 is attributed to the Student/School Activity Fund

#### Debt Service Funds

The District operates five Debt Service Funds. The funds had total revenues of \$4,797,031, total financing sources of \$755,000, and total expenditures of \$5,422,022. The ending fund balances totaled \$225,684 at June 30, 2024, up from \$95,675 at June 30, 2023.

#### Capital Projects Fund

There are three nonmajor Capital Projects Funds: the Building and Site Sinking Fund, the 2016 Construction Fund, and the 2019 Construction Fund. The funds had total revenues of \$934,942, total expenditures of \$1,276,951. The ending fund balances totaled \$3,209,263 at June 30, 2024 down from \$3,551,272 at June 30, 2023.

#### Fiduciary Fund

The District operates a Custodial Fund for the benefit of organizations outside of the District. Balances on hand at June 30, 2024 totaled \$3,349.

## 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 \$2,338,400. Notable factors that affected that variance can be attributed to the following highlighted areas but primarily as a result of state funding increase, local tax revenue and transportation reimbursement costs

**Local Sources:** There was an increase in local funding of \$635,025. This is primarily due to the increase in local taxes collected as well as the district taking advantage of short-term CD's to capitalize on higher interest rates.

# MANAGEMENT'S DISCUSSION AND ANALYSIS

SPARTA AREA SCHOOLS

June 30, 2024

**State Sources:** State sources increased by \$1,238,512. This is primarily attributed to the original district budget being adopted prior to the state adoption. We saw over \$700,000 in new categoricals and an additional \$600,000 in retirement funding. The district pupil count also came in approximately 9 students over budget.

**Federal Sources:** Federal sources increased by \$31,907 which can be attributed to Federal ESSER money that was spent to help address learning loss.

**Interdistrict Sources:** The interdistrict and other revenues increased \$435,956 primarily due to special education funding increase for transportation and our regional special education program billing.

**Other Financing Sources:** Food Service indirect costs were just under \$78,000.

**Expenditures:** Overall final expenses exceed our original budget by only \$45,580 for the 23/24 school year. We saw an increase in added needs which is due to some additional grant funding to support our learners and the reallocation of staff one we received our state budget. We also had nearly a \$320,000 increase to our transportation line which is due to the purchase of three vans and a maintenance truck that we did not originally plan for. We also saw an increase in special education transportation. We had a small increase in adult education expenses and a reduction in many of the budget functions from our original budget.

## Capital Asset and Debt Administration

### Capital Assets

By the end of 2024, the District had invested \$109.4 million in a broad range of capital assets, including land, school buildings, athletic facilities, school buses and vehicles, administrative offices, and right to use assets. More detailed information about capital assets can be found in Note E in the Notes to Basic Financial Statements.

At June 30, 2024, the District's investment in capital assets (net of accumulated depreciation and amortization) was \$78,323,844. The District had capital asset additions of \$1,652,809 and depreciation and amortization expense of \$2,691,679. As a result, the net book value decreased by \$1,038,870 from June 30, 2023.

Land	\$ 1,924,755
Buildings and improvements	74,237,816
Furniture and equipment	1,840,826
Vehicles	<u>320,447</u>
<b>Net Capital Assets</b>	<b><u>\$ 78,323,844</u></b>

### Long-term Debt

At year end, the District had \$73.98 million in general obligation bonds and other long-term debt outstanding – a decrease of \$2,413,656 from June 30, 2023.

- During the current year, the District borrowed \$755,000 of State School Bond Loan Funds and accrued interest on related debt in the amount of \$102,353.
- The District continued to pay down its debt, retiring \$2,825,000 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.

### 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 has a settled contract with the SEA through 2026. 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 yet again adopted after our original budget adoption, and we are continuing to look at declining enrollment.
- 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.
- Fiscal year 2024 is the final year that the District will be utilizing ESSER funding. We are anticipating a significant decline in federal funding in future years due to the expiration of the ESSER funding. The state budget is also looking at reduced revenues, so there is no way for the state to make up for the loss of federal funding.
- There are no major capital projects planned currently. We are however looking at making a significant investment in our band program for equipment and supplies that are needed.
- 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.
- Safety and security remain a top priority. We have 2 security members on staff, and one that serves region 1. We are anticipating continued investments in safety and security.



- Our door security project has been finished, but as we continue to monitor, we find additional doors and spaces that would benefit from having the electronic key readers installed.

### **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**

# STATEMENT OF NET POSITION

SPARTA AREA SCHOOLS  
June 30, 2024

	Governmental Activities
<b>Assets</b>	
Cash equivalents, deposits and investments (Note B)	\$ 15,488,882
Accounts receivable	27,267
Due from other governmental units (Note C)	6,900,378
Inventory	36,195
Prepaid expenses	52,405
Capital assets not being depreciated (Note E)	1,924,755
Capital assets being depreciated/amortized, net (Note E)	76,399,089
Net OPEB asset (Note H)	856,500
<b>Total Assets</b>	<b>101,685,471</b>
<b>Deferred Outflows of Resources</b>	
Loss on advance bond refundings, net	120,307
Deferred pension amounts	15,773,739
Deferred OPEB amounts	3,413,654
<b>Total Deferred Outflows of Resources</b>	<b>19,307,700</b>
<b>Liabilities</b>	
Accounts payable	375,482
Due to other governmental units (Note C)	1,636,063
Accrued interest payable	411,865
Accrued expenses	14,370
Accrued salaries and payroll related expenditures	1,769,875
Unearned revenue	2,407,808
Long-term liabilities (Note F):	
Due within one year	3,456,759
Due in more than one year	70,518,352
Net pension liability (Note G)	48,875,052
<b>Total Liabilities</b>	<b>129,465,626</b>
<b>Deferred Inflows of Resources</b>	
Deferred pension amounts	4,991,883
Deferred OPEB amounts	6,737,648
<b>Total Deferred Inflows of Resources</b>	<b>11,729,531</b>
<b>Net Position</b>	
Net investment in capital assets	6,216,156
Restricted for:	
Capital projects	1,912,406
Debt service	(186,181)
Food service	839,246
Student/school activity	358,425
Unrestricted (deficit)	(29,342,038)
<b>Total Net Position</b>	<b>\$ (20,201,986)</b>

# STATEMENT OF ACTIVITIES

**SPARTA AREA SCHOOLS**  
For the year ended June 30, 2024

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants	
<b>Governmental Activities</b>				
Instruction	\$ 22,502,582	\$ 9,202	\$ 13,444,536	\$ (9,048,844)
Supporting services	15,315,690	189,339	2,906,055	(12,220,296)
Food service	1,944,133	109,949	1,981,704	147,520
Community services	505,760	467,074	-	(38,686)
Interest on long-term debt	2,675,536	-	128,515	(2,547,021)
Depreciation - unallocated*	30,147	-	-	(30,147)
Other	32,236	-	-	(32,236)
<b>Total Governmental Activities</b>	<b>\$ 43,006,084</b>	<b>\$ 775,564</b>	<b>\$ 18,460,810</b>	<b>\$ (23,769,710)</b>
<b>General Revenues</b>				
Taxes:				
				2,666,669
				4,630,285
				760,689
				20,542,102
				539,291
				1,106,148
				<u>30,245,184</u>
				<b>Change in Net Position</b> 6,475,474
				<b>Net Position - Beginning of Year</b> <u>(26,677,460)</u>
				<b>Net Position - End of Year</b> <u>\$ (20,201,986)</u>

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

**BALANCE SHEET  
GOVERNMENTAL FUNDS**

**SPARTA AREA SCHOOLS  
June 30, 2024**

<b>Assets</b>	General	Nonmajor	Total
Cash equivalents, deposits and investments (Note B)	\$ 10,871,931	\$ 4,616,951	\$ 15,488,882
Accounts receivable	27,267	-	27,267
Due from other funds (Note D)	-	22	22
Due from other governmental units (Note C)	6,873,504	26,874	6,900,378
Inventory	11,252	24,943	36,195
Prepaid expenditures	52,405	-	52,405
<b>Total Assets</b>	<b>\$ 17,836,359</b>	<b>\$ 4,668,790</b>	<b>\$ 22,505,149</b>
<b>Liabilities and Fund Balances</b>			
<b>Liabilities</b>			
Accounts payable	\$ 351,276	\$ 24,206	\$ 375,482
Due to other funds (Note D)	-	22	22
Due to other governmental units	1,636,063	-	1,636,063
Payroll related accruals	48,066	-	48,066
Accrued expenditures	14,370	-	14,370
Salaries payable	1,721,809	-	1,721,809
Unearned revenue	2,395,864	11,944	2,407,808
<b>Total Liabilities</b>	<b>6,167,448</b>	<b>36,172</b>	<b>6,203,620</b>
<b>Fund Balances (Note A)</b>			
Nonspendable	63,657	24,943	88,600
Restricted	-	4,607,675	4,607,675
Unassigned	11,605,254	-	11,605,254
<b>Total Fund Balances</b>	<b>11,668,911</b>	<b>4,632,618</b>	<b>16,301,529</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 17,836,359</b>	<b>\$ 4,668,790</b>	<b>\$ 22,505,149</b>



**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS**

**SPARTA AREA SCHOOLS  
For the year ended June 30, 2024**

	General	Nonmajor	Total
<b>Revenues</b>			
Local sources	\$ 3,839,728	\$ 6,177,159	\$ 10,016,887
State sources	30,450,714	799,769	31,250,483
Federal sources	3,250,762	1,310,450	4,561,212
Interdistrict sources	3,191,217	-	3,191,217
<b>Total Revenues</b>	<b>40,732,421</b>	<b>8,287,378</b>	<b>49,019,799</b>
<b>Expenditures</b>			
Current:			
Instruction	23,214,917	-	23,214,917
Supporting services	15,243,550	426,524	15,670,074
Food service	-	2,221,029	2,221,029
Community services	556,288	-	556,288
Intergovernmental	9,600	-	9,600
Capital outlay	-	1,276,298	1,276,298
Debt service:			
Principal repayment	-	2,825,000	2,825,000
Interest and fiscal charges	-	2,593,050	2,593,050
<b>Total Expenditures</b>	<b>39,024,355</b>	<b>9,341,901</b>	<b>48,366,256</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>1,708,066</b>	<b>(1,054,523)</b>	<b>653,543</b>
<b>Other Financing Sources (Uses)</b>			
Proceeds from school bond loan fund	-	755,000	755,000
Transfers in	77,943	-	77,943
Transfers out	-	(77,943)	(77,943)
<b>Total Other Financing Sources (Uses)</b>	<b>77,943</b>	<b>677,057</b>	<b>755,000</b>
<b>Net Change in Fund Balances</b>	<b>1,786,009</b>	<b>(377,466)</b>	<b>1,408,543</b>
<b>Fund Balances, Beginning of Year</b>	<b>9,882,902</b>	<b>5,010,084</b>	<b>14,892,986</b>
<b>Fund Balances, End of Year</b>	<b>\$ 11,668,911</b>	<b>\$ 4,632,618</b>	<b>\$ 16,301,529</b>



# RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

SPARTA AREA SCHOOLS  
For the year ended June 30, 2024

**Net change in fund balances - total governmental funds** \$ 1,408,543

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	\$ 1,652,809	
Depreciation/amortization expense	<u>(2,691,679)</u>	(1,038,870)

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 fund	(755,000)
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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	2,825,000
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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.

General obligation bonds	19,867
State school bond loan fund	(102,353)

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES (Cont.)**

**SPARTA AREA SCHOOLS  
For the year ended June 30, 2024**

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.	\$ (15,750)
The changes in net pension liability and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.	1,087,903
The changes in net OPEB asset and related deferred outflows/inflows of resources are not included as revenues/expenditures in governmental funds.	<u>2,616,611</u>
<b>Total change in net position - governmental activities</b>	<u><u>\$ 6,475,474</u></u>

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL – GENERAL FUND**

**SPARTA AREA SCHOOLS**  
**For the year ended June 30, 2024**

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
<b>Revenues</b>				
Local sources	\$ 3,204,700	\$ 3,836,725	\$ 3,839,728	\$ 3,003
State sources	28,595,804	29,834,316	30,450,714	616,398
Federal sources	3,198,117	3,230,024	3,250,762	20,738
Interdistrict sources	3,225,826	3,661,782	3,191,217	(470,565)
<b>Total Revenues</b>	<b>38,224,447</b>	<b>40,562,847</b>	<b>40,732,421</b>	<b>169,574</b>
<b>Expenditures</b>				
Current:				
Instruction:				
Basic programs	17,572,399	17,565,141	17,432,484	132,657
Added needs	4,710,138	5,048,321	4,958,370	89,951
Adult education services	786,373	835,614	824,063	11,551
Supporting services:				
Pupil services	3,199,000	3,217,879	3,135,682	82,197
Instructional staff services	1,239,130	1,228,706	1,185,053	43,653
General administrative services	564,942	637,939	578,287	59,652
School administrative services	1,935,932	1,869,755	1,856,983	12,772
Business services	676,090	615,954	587,967	27,987
Operation and maintenance services	3,613,878	3,708,367	3,541,221	167,146
Pupil transportation services	2,145,500	2,529,900	2,465,456	64,444
Central services	1,002,399	1,007,085	973,429	33,656
Other supporting services	944,213	938,008	919,472	18,536
Community services	578,781	572,401	556,288	16,113
Intergovernmental	-	9,600	9,600	-
Debt service:				
Principal repayments	8,500	-	-	-
Interest and fiscal charges	1,500	-	-	-
<b>Total Expenditures</b>	<b>38,978,775</b>	<b>39,784,670</b>	<b>39,024,355</b>	<b>760,315</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(754,328)</b>	<b>778,177</b>	<b>1,708,066</b>	<b>929,889</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	65,000	80,000	77,943	2,057
<b>Net Change in Fund Balances</b>	<b>(689,328)</b>	<b>858,177</b>	<b>1,786,009</b>	<b>931,946</b>
<b>Fund Balances, Beginning of Year</b>	<b>9,882,902</b>	<b>9,882,902</b>	<b>9,882,902</b>	<b>-</b>
<b>Fund Balances, End of Year</b>	<b>\$ 9,193,574</b>	<b>\$ 10,741,079</b>	<b>\$ 11,668,911</b>	<b>\$ 931,946</b>

**STATEMENT OF FIDUCIARY FUND  
FIDUCIARY FUND**

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**SPARTA AREA SCHOOLS  
For the year ended June 30, 2024**

	<u>Custodial Funds</u>
<b>Assets</b>	
Cash equivalents (Note B)	<u>\$ 3,349</u>
<b>Liabilities</b>	
	<u>-</u>
<b>Net Position</b>	
Restricted for: Individuals and organizations	<u><u>\$ 3,349</u></u>

**STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
FIDUCIARY FUND**

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**SPARTA AREA SCHOOLS  
For the year ended June 30, 2024**

	<u>Custodial Funds</u>
<b>Additions</b>	
Contributions:	
Members	<u>\$ 1,933</u>
<b>Deductions</b>	
Distributions to members	<u>532</u>
<b>Net Increase in Fiduciary Net Position</b>	1,401
<b>Net Position, Beginning of Year</b>	<u>1,948</u>
<b>Net Position, End of Year</b>	<u><u>\$ 3,349</u></u>

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# **NOTES TO BASIC FINANCIAL STATEMENTS**

## 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 2,407 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*.



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.

*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.

The District's food service fund received revenues below final budgeted amounts resulting in a deficit for the fiscal year ended June 30, 2024. See the Schedule of Revenues, Expenditures, and Changes in Fund Balances – Budget and Actual, for the Food Service Fund on page 70.

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 related to leases, 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. 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 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, 2024 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, 2024, the accumulated liabilities, including salary related payments for accumulated sick leave amounted to \$450,259.

**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.

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 other postemployment benefits (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 asset, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB credit, 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 asset 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 asset on the financial statements.

**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.

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 15% 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.

# NOTES TO BASIC FINANCIAL STATEMENTS

**SPARTA AREA SCHOOLS**  
June 30, 2024

- 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.
- 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, 2024 related to cash equivalents, deposits, and investments are detailed in the Basic Financial Statements as follows:

Statement of Net Position:	
Governmental activities	\$ 15,488,882
Fiduciary Fund:	
Custodial Fund	3,349
	\$ 15,492,231

## Cash Equivalents

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

1. Choice One Bank

Cash equivalents consist of bank public funds checking accounts, and deposits consist of certificates of deposit.

June 30, 2024 balances are detailed as follows:

Cash equivalents	\$ 6,885,199
Deposits	5,809,340
	\$ 12,694,539



# NOTES TO BASIC FINANCIAL STATEMENTS

SPARTA AREA SCHOOLS

June 30, 2024

### *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 \$12,694,539 and the bank balance was \$12,863,198. Of the bank balance, \$466,145 was covered by federal depository insurance and \$12,397,053 was uninsured and uncollateralized.

### **Investments**

As of June 30, 2024, the District had the following investments:

Surplus Funds Investment Pool Account:

Michigan Liquid Asset Fund Plus (MILAF+) – Cash Management Class	\$ 53,128
Michigan Liquid Asset Fund Plus (MILAF+) – MAX Class	2,744,564
	<u>\$ 2,797,692</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. 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.

### *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, 2024, 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 2023 and October 2023. The 2023-24 "Foundation Allowance" for Sparta Area Schools was \$9,608 for 2,407 "Full Time Equivalent" students, generating \$30,035,502 in state aid payments to the District, of which \$5,297,864 was paid to the District in July and August 2024 and included in "Due From Other Governmental Units" of the General Fund and Food Service Special Revenue Fund of the District.

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.

As Sparta Area Schools' electors had previously (August 2014) approved a ten-year operating millage extension, the 18 mill non-homestead property tax was levied in the District for 2023.

The District levied 7.00 mills in 2023 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).

# NOTES TO BASIC FINANCIAL STATEMENTS

SPARTA AREA SCHOOLS

June 30, 2024

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, 2024, the District's property tax revenues were reduced by approximately \$184,571 under these agreements.

## Note D – Interfund Receivables/Payables

Interfund receivables and payables at June 30, 2024 representing unreimbursed expenditures at year end are detailed as follows:

	<u>Due From</u>	<u>Due To</u>
<b>Nonmajor Funds</b>		
Special Revenue Funds:		
Food Service:		
Building and Site	\$ 22	\$ -
Capital Projects Funds:		
Building and Site:		
Food Service	-	22
<b>Total All Funds</b>	<u>\$ 22</u>	<u>\$ 22</u>

Transfers between funds during the year ended June 30, 2024 were as follows:

	<u>Transfers In</u>	<u>Transfers Out</u>
<b>Major Fund</b>		
General Fund:		
Special Revenue Fund:		
Food Service	\$ 77,943	\$ -
<b>Nonmajor Funds</b>		
Special Revenue Fund:		
Food Service:		
General Fund	-	77,943
<b>Total All Funds</b>	<u>\$ 77,943</u>	<u>\$ 77,943</u>

Transfers made during the year ended June 30, 2024 were for indirect costs from the Food Service Fund to the General Fund.

# NOTES TO BASIC FINANCIAL STATEMENTS

SPARTA AREA SCHOOLS

June 30, 2024

## Note E – Capital Assets

Capital asset activity for the year ended June 30, 2024 was as follows:

	Balances July 1, 2023	Additions	Deductions	Balances June 30, 2024
Capital assets not being depreciated:				
Land	\$ 1,924,755	\$ -	\$ -	\$ 1,924,755
Construction in progress	358,290	-	358,290	-
Total capital assets not being depreciated	<u>2,283,045</u>	<u>\$ -</u>	<u>\$ 358,290</u>	<u>1,924,755</u>
Capital assets being depreciated and amortized:				
Buildings and improvements	101,584,153	\$ 631,132	\$ -	102,215,285
Furniture and equipment	3,280,342	1,152,004	-	4,432,346
Vehicles	492,308	227,963	-	720,271
Intangible right-of-use assets - leases	73,741	-	-	73,741
Total capital assets being depreciated and amortized	<u>105,430,544</u>	<u>\$ 2,011,099</u>	<u>\$ -</u>	<u>107,441,643</u>
Less accumulated depreciation for:				
Buildings and improvements	25,444,590	\$ 2,532,879	\$ -	27,977,469
Furniture and equipment	2,473,326	118,194	-	2,591,520
Vehicles	359,218	40,606	-	399,824
Less accumulated amortization for:				
Intangible right-of-use assets - leases	73,741	-	-	73,741
Total accumulated depreciation and amortization	<u>28,350,875</u>	<u>\$ 2,691,679</u>	<u>\$ -</u>	<u>31,042,554</u>
Total capital assets being depreciated and amortized, net	<u>77,079,669</u>			<u>76,399,089</u>
<b>Net Capital Assets</b>	<u><u>\$ 79,362,714</u></u>			<u><u>\$ 78,323,844</u></u>

Depreciation expense was charged to District activities as follows:

Governmental activities:	
Instruction	\$ 1,961,426
Supporting services	628,238
Food service	71,868
Unallocated	30,147
	<u>\$ 2,691,679</u>

# NOTES TO BASIC FINANCIAL STATEMENTS

**SPARTA AREA SCHOOLS**  
June 30, 2024

## Note F – Long-term Obligations

Changes in long-term obligations for the year ended June 30, 2024 are summarized as follows:

	<b>Debt Outstanding July 1, 2023</b>	<b>Debt Added</b>	<b>Debt Retired</b>	<b>Debt Outstanding June 30, 2024</b>
General obligation bonds:				
June 7, 2016	\$ 1,565,000	\$ -	\$ 470,000	\$ 1,095,000
July 11, 2016	8,240,000	-	-	8,240,000
January 19, 2017	4,000,000	-	1,735,000	2,265,000
January 9, 2019	30,420,000	-	620,000	29,800,000
August 17, 2021	22,600,000	-	-	22,600,000
Bond premium	6,960,855	-	461,759	6,499,096
School bond loan fund	2,168,403	755,000	-	2,923,403
Accumulated sick leave	* 434,509	15,750	-	450,259
	<b>\$ 76,388,767</b>	<b>\$ 770,750</b>	<b>\$ 3,286,759</b>	<b>\$ 73,872,758</b>

\*Net change reported.

Long-term obligations outstanding at June 30, 2024 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 \$525K to \$570K	May 1, 2026	4.00	\$ 1,095,000	\$ 525,000
\$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	2,265,000	1,765,000
\$32,110K Building and Site Series II, January 9, 2019:				
Annual maturities of \$655K to \$1,450K	May 1, 2048	4.75 - 5.00	29,800,000	655,000
\$22,600K Refunding August 17, 2021:				
Annual maturities of \$200K to \$2,650K beginning May 1, 2026	May 1, 2046	1.00 - 3.01	22,600,000	-
Bond premium			6,499,096	461,759
<b>Other Obligations</b>				
State school bond loan			2,923,403	-
Accumulated sick leave			450,259	50,000
			<b>\$ 73,872,758</b>	<b>\$ 3,456,759</b>

# NOTES TO BASIC FINANCIAL STATEMENTS

SPARTA AREA SCHOOLS

June 30, 2024

The District obtained loans from the Michigan School Bond Loan Fund (SBLF) 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 in the amount of \$755,000 and accrued interest of \$102,353 on total SBLF debt. At June 30, 2024, the District owed the SBLF a total of \$3,025,756.

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

Years Ending June 30	General Obligation Bonds		
	Principal	Interest	Total
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>\$ 64,000,000</u>	<u>\$ 28,016,531</u>	<u>\$ 92,016,531</u>

**Note G – Retirement Plan*****Plan Description***

The Michigan Public School Employees' Retirement System (MPERS) (the "System") is a cost-sharing, multiple-employer, state-wide, defined benefit public employee retirement plan and fiduciary component unit of the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members – eleven appointed by the Governor, and the State Superintendent of Instruction, who serves as 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. The age and service requirements range from attaining the age of 46 to 60 with years of service ranging from 5 to 30 years, depending on when the employee became a member. 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. The System also provides disability and survivor benefits to DB plan members.

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.

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.

**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, 2022 valuation will be amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

The schedule below summarizes pension contribution rates in effect for the plan fiscal year ended September 30, 2023.

Plan Name	Pension Contribution Rates:		
	Plan Status	Member	District
Basic	Closed	0.0 – 4.0 %	20.16%
Member Investment Plan (MIP)	Closed	3.0 – 7.0%	20.16%
Pension Plus	Closed	3.0 – 6.4 %	17.24%
Pension Plus 2	Open	6.2%	19.95%
Defined Contribution	Open	0.0%	13.75%

The District’s contributions to MPSERS under all pension plans for the year ended June 30, 2024 inclusive of the MSPERS UAAL Stabilization, totaled \$6,359,062.

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

As of June 30, 2024, the District reported a liability of \$48,875,052 for its proportionate share of the net pension liability. The net pension liability was measured as of September 30, 2023, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation rolled forward from September 2022. 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. As of September 30, 2023 the District’s proportion was 0.15100708%, which was an increase from 0.14777750% at September 30, 2022.



## NOTES TO BASIC FINANCIAL STATEMENTS

SPARTA AREA SCHOOLS

June 30, 2024

For the year ended June 30, 2024 the District recognized pension expense of \$6,700,168. As of June 30, 2024, 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	\$ 1,542,836	\$ 74,869
Changes of assumptions	6,622,792	3,818,551
Net difference between projected and actual earnings on pension plan investments	—	1,000,142
Changes in proportion and differences between District contributions and proportionate share of contributions	1,586,311	98,321
District contributions subsequent to the measurement date*	6,021,800	—
<b>Total</b>	<b>\$ 15,773,739</b>	<b>\$ 4,991,883</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, 2025.

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>
2025	\$ 1,603,264
2026	1,287,143
2027	2,483,373
2028	(613,724)

### **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.

# NOTES TO BASIC FINANCIAL STATEMENTS

Additional information as of the latest actuarial valuation follows:

Summary of Actuarial Assumptions:

Valuation Date:	September 30, 2022
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:	PubT-2010 Male and Female Retiree Mortality Tables scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active Members:	PubT-2010 Male and Female Employee Mortality Tables scaled by 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

Notes:

- Assumption changes as a result of an experience study for the period 2017 through 2022 have been adopted by the System for use in the annual pension valuations beginning with the September 30, 2023 valuation. The total pension liability as of September 30, 2023 is based on the results of an actuarial valuation date of September 30, 2022 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: [4.4406 for non-university employers].
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2023 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 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, 2023 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%	5.8%
Private Equity Pools	16.0%	9.6%
International Equity	15.0%	6.8%
Fixed Income Pools	13.0%	1.3%
Real Estate and Infrastructure Pools	10.0%	6.4%
Absolute Return Pools	9.0%	4.8%
Real Return/Opportunistic Pools	10.0%	7.3%
Short-term Investment Pools	2.0%	0.3%
<b>Total</b>	<b>100.0%</b>	

\*Long-term rates of return are net of administrative expenses and 2.7% inflation.

***Rate of Return***

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 8.29%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

***Discount Rate***

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

***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 6.00% (6.00% for the Pension Plus plan, 6.00% for the Pension Plus 2 plan), 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 5.00%</b>	<b>Current Discount Rate Assumption 6.00%</b>	<b>1% Increase 7.00%</b>
District’s proportionate share of the net pension liability	\$66,030,052	\$48,875,052	\$34,592,894

***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, 2023 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 \$906,722 at June 30, 2024 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 and a fiduciary component unit of the State of Michigan (State) originally created under Public Act 136 of 1945, recodified and currently operating under the provisions of Public Act 300 of 1980, as amended. Section 25 of this act establishes the board's authority to promulgate or amend the provisions of the System. The board consists of twelve members— eleven appointed by the Governor and the State Superintendent of Instruction, who serves as an ex-officio member.

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

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

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

***Benefits Provided***

Benefit provisions of the postemployment healthcare plan are established by State statute, which may be amended. Public Act 300 of 1980, as amended, establishes eligibility and benefit provisions. Retirees have the option of health coverage, which, through 2012, was funded on a cash disbursement basis. Beginning fiscal year 2013, it is funded on a prefunded basis. The System has contracted to provide 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.

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, 2022 valuation will be amortized over a 16-year period beginning October 1, 2022 and ending September 30, 2038.

# NOTES TO BASIC FINANCIAL STATEMENTS

The schedule below summarizes OPEB contribution rates in effect for fiscal year ended September 30, 2023:

**OPEB Contribution Rates:**

Benefit Structure	Member	District
Premium Subsidy	3.0%	8.07%
Personal Healthcare Fund (PHF)	0.0 %	7.21%

Required contributions to the OPEB plan from the District were \$1,243,212 for the year ended June 30, 2024.

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

As of June 30, 2024, the District reported an asset of \$856,500 for its proportionate share of the MPSERS net OPEB asset. The net OPEB asset was measured as of September 30, 2023, and the total OPEB liability used to calculate the net OPEB asset was determined by an actuarial valuation rolled forward from September 2022. The District’s proportion of the net OPEB asset 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. As of September 30, 2023 the District’s proportion was 0.15140577%, which was an increase from 0.14998953% at September 30, 2022.

For the year ended June 30, 2024, the District recognized an OPEB credit of \$1,398,110. At June 30, 2024, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience	\$ —	\$ 6,472,154
Changes of assumptions	1,906,718	229,605
Net difference between projected and actual earnings on OPEB plan investments	2,611	—
Changes in proportion and differences between District contributions and proportionate share of contributions	396,141	35,889
District contributions subsequent to the measurement date*	1,108,184	—
<b>Total</b>	<b>\$ 3,413,654</b>	<b>\$ 6,737,648</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 asset in the year ended June 30, 2025.

## NOTES TO BASIC FINANCIAL STATEMENTS

SPARTA AREA SCHOOLS

June 30, 2024

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

Years Ending June 30	Amount
2025	\$ (1,464,465)
2026	(1,394,488)
2027	(492,730)
2028	(468,755)
2029	(399,582)
Thereafter	(212,158)

### **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, 2022
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 - 7.50% Year 1 graded to 3.5% Year 15 Post-65 - 6.25% Year 1 graded to 3.5% Year 15
Mortality:	
Retirees:	PubT-2010 Male and Female Retiree Mortality Tables, scaled by 116% for males and 116% for females and adjusted for mortality improvements using projection scale MP-2021 from 2010.
Active Members:	PubT-2010 Male and Female Employee Mortality Tables, scaled 100% and adjusted for mortality improvements using projection scale MP-2021 from 2010.

# NOTES TO BASIC FINANCIAL STATEMENTS

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 2017 through 2022 have been adopted by the System for use in the annual OPEB valuations beginning with the September 30, 2023 valuation. The total OPEB liability as of September 30, 2023 is based on the results of an actuarial valuation date of September 30, 2022 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: [6.5099 for non-university employers].
- Recognition period for assets in years: 5.0000.
- Full actuarial assumptions are available in the 2023 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 for each major asset class included in the OPEB plan’s target asset allocation as of September 30, 2023, 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%	5.8%
Private Equity Pools	16.0%	9.6%
International Equity	15.0%	6.8%
Fixed Income Pools	13.0%	1.3%
Real Estate and Infrastructure Pools	10.0%	6.4%
Absolute Return Pools	9.0%	4.8%
Real Return/Opportunistic Pools	10.0%	7.3%
Short-term Investment Pools	2.0%	0.3%
<b>Total</b>	<b>100.0%</b>	

\* Long-term rates of return are net of administrative expenses and 2.7% inflation.



**Rate of Return**

For the fiscal year ended September 30, 2023, the annual money-weighted rate of return on OPEB plan investments, net of OPEB plan investment expense, was 7.94%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**Discount Rate**

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

**Sensitivity of the District’s Proportionate Share of the Net OPEB Liability (Asset) to Changes in the Discount Rate**

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

	<b>1% Decrease 5.00%</b>	<b>Current Discount Rate 6.00%</b>	<b>1% Increase 7.00%</b>
District’s proportionate share of the net OPEB liability (asset)	\$887,934	\$(856,500)	\$(2,355,669)

**Sensitivity of the District’s Proportionate Share of the Net OPEB Liability (Asset) to Healthcare Cost Trend Rate**

The following presents the District’s proportionate share of the net OPEB liability (asset) calculated using assumed trend rates, as well as what the District’s proportionate share of the net OPEB liability (asset) 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 (asset)	\$(2,359,407)	\$(856,500)	\$770,138

**OPEB Plan Fiduciary Net Position**

Detailed information about the OPEB plan’s fiduciary net position is available in the separately issued 2023 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 \$132,589 at June 30, 2024 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 2023-24, and as of year ended June 30, 2024, there were no material pending claims against the District.

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

The District has an unrestricted net position deficit of \$29,342,038 and a total net position deficit of \$20,201,986 as of June 30, 2024. These deficit net positions result primarily from the net pension liability of \$38,093,196 and net OPEB liability of \$2,467,494 (net of deferred outflows and inflows of resources).

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY  
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN**

**SPARTA AREA SCHOOLS  
June 30, 2024**

	Year Ended June 30, 2024	Year Ended June 30, 2023	Year Ended June 30, 2022
District's proportion of the net pension liability	0.15100708%	0.14777750%	0.14286653%
District's proportionate share of the net pension liability	\$ 48,875,052	\$ 55,577,225	\$ 33,824,240
District's covered-employee payroll	\$ 15,631,663	\$ 15,003,661	\$ 12,859,335
District's proportionate share of the net pension liability as a percentage of its covered-employee payroll	312.67%	370.42%	263.03%
Plan fiduciary net position as a percentage of the total pension liability	65.91%	60.77%	72.60%

Note: The amounts presented for each of the last ten fiscal years were determined as of September 30 of the preceding year.

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Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
0.14347413%	0.14268735%	0.14120573%	0.14265519%	0.14571853%	0.13939359%	0.13971278%
\$ 49,284,924	\$ 47,253,253	\$ 42,448,992	\$ 36,968,024	\$ 36,355,581	\$ 34,046,922	\$ 30,773,840
\$ 12,626,680	\$ 12,528,837	\$ 11,956,963	\$ 11,679,762	\$ 12,622,898	\$ 11,714,549	\$ 11,984,720
390.32%	377.16%	355.01%	316.51%	288.01%	290.64%	256.78%
59.72%	60.31%	62.12%	63.96%	63.01%	62.92%	60.15%

**SCHEDULE OF THE DISTRICT'S PROPORTIONATE SHARE OF THE NET OPEB LIABILITY  
(ASSET) MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN**

**SPARTA AREA SCHOOLS  
June 30, 2024**

	Year Ended June 30, 2024	Year Ended June 30, 2023
District's proportion of the net OPEB liability (asset)	0.15140577%	0.14998953%
District's proportionate share of the net OPEB liability (asset)	\$ (856,500)	\$ 3,176,872
District's covered-employee payroll	\$ 15,631,663	\$ 15,003,661
District's proportionate share of the net OPEB liability (asset) as a percentage of its covered-employee payroll	(5.48%)	21.17%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	105.04%	83.09%

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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Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
0.14254704%	0.14260715%	0.14352835%	0.14064806%	0.14268909%
\$ 2,175,807	\$ 7,639,846	\$ 10,302,103	\$ 11,180,046	\$ 12,635,791
\$ 12,859,335	\$ 12,626,680	\$ 12,528,837	\$ 11,956,963	\$ 11,679,762
16.92%	60.51%	82.23%	93.50%	108.19%
87.33%	59.44%	48.46%	43.10%	36.53%

**SCHEDULE OF DISTRICT PENSION CONTRIBUTIONS  
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN**

**SPARTA AREA SCHOOLS  
June 30, 2024**

	Year Ended June 30, 2024	Year Ended June 30, 2023	Year Ended June 30, 2022	Year Ended June 30, 2021
Contractually required contribution	\$ 6,359,062	\$ 5,523,646	\$ 4,677,985	\$ 4,052,122
Contributions in relation to the contractually required contribution	6,359,062	5,523,646	4,677,985	4,052,122
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -
District's covered-employee payroll	\$ 15,997,730	\$ 15,327,461	\$ 13,792,262	\$ 12,640,411
Contributions as a percentage of covered employee payroll	39.75%	36.04%	33.92%	32.06%



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Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018	Year Ended June 30, 2017	Year Ended June 30, 2016	Year Ended June 30, 2015
\$ 3,970,869	\$ 3,809,380	\$ 3,588,135	\$ 3,873,190	\$ 3,611,662	\$ 3,712,483
3,970,869	3,809,380	3,588,135	3,873,190	3,611,662	3,712,483
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
\$ 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%

**SCHEDULE OF DISTRICT OPEB CONTRIBUTIONS  
MPSERS COST-SHARING MULTIPLE-EMPLOYER PLAN**

**SPARTA AREA SCHOOLS  
June 30, 2024**

	Year Ended June 30, 2024	Year Ended June 30, 2023
Contractually required contribution	\$ 1,243,212	\$ 1,189,461
Contributions in relation to the contractually required contribution	<u>1,243,212</u>	<u>1,189,461</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
District's covered-employee payroll	\$ 15,997,730	\$ 15,327,461
Contributions as a percentage of covered employee payroll	7.77%	7.76%

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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Year Ended June 30, 2022	Year Ended June 30, 2021	Year Ended June 30, 2020	Year Ended June 30, 2019	Year Ended June 30, 2018
\$ 1,075,744	\$ 1,012,295	\$ 1,003,153	\$ 991,595	\$ 885,530
1,075,744	1,012,295	1,003,153	991,595	885,530
\$ -	\$ -	\$ -	\$ -	\$ -
\$ 13,792,262	\$ 12,640,411	\$ 12,653,895	\$ 12,536,773	\$ 11,993,853
7.80%	8.01%	7.93%	7.91%	7.38%

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

**Changes of benefit terms:** There were no changes of benefit terms in 2023-24.

**Changes of assumptions:** There were no changes of benefit assumptions in 2023-24.

**Note B – Net OPEB Liability (Asset) and Contributions**

**Changes of benefit terms:** There were no changes of benefit terms in 2023-24.

**Changes of assumptions:** There were no changes of benefit assumptions in 2023-24.

## **SUPPLEMENTARY INFORMATION**

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## **NONMAJOR GOVERNMENTAL FUNDS**

**COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS**

**SPARTA AREA SCHOOLS  
June 30, 2024**

	Special Revenue		Debt Service	
	Food Service	Student/School Activity	2016	2016 Refunding
<b>Assets</b>				
Cash equivalents and investments	\$ 810,005	\$ 371,977	\$ 17,902	\$ 29,399
Due from other funds	22	-	-	-
Due from governmental units	26,874	-	-	-
Inventory	24,943	-	-	-
<b>Total Assets</b>	<b>\$ 861,844</b>	<b>\$ 371,977</b>	<b>\$ 17,902</b>	<b>\$ 29,399</b>
<b>Liabilities and Fund Balances</b>				
<b>Liabilities</b>				
Accounts payable	\$ 10,654	\$ 13,552	\$ -	\$ -
Due to other funds	-	-	-	-
Unearned revenue	11,944	-	-	-
<b>Total Liabilities</b>	<b>22,598</b>	<b>13,552</b>	<b>-</b>	<b>-</b>
<b>Fund Balances</b>				
Nonspendable	24,943	-	-	-
Restricted	814,303	358,425	17,902	29,399
<b>Total Fund Balances</b>	<b>839,246</b>	<b>358,425</b>	<b>17,902</b>	<b>29,399</b>
<b>Total Liabilities and Fund Balances</b>	<b>\$ 861,844</b>	<b>\$ 371,977</b>	<b>\$ 17,902</b>	<b>\$ 29,399</b>



Debt Service			Capital Projects			Total
2017 Refunding	2019 Refunding	2021 Refunding	Building and Site	2016 Construction	2019 Construction	
\$ 63,416	\$ 74,340	\$ 40,627	\$ 1,912,428	\$ -	1,296,857	\$ 4,616,951
-	-	-	-	-	-	22
-	-	-	-	-	-	26,874
-	-	-	-	-	-	24,943
<u>\$ 63,416</u>	<u>\$ 74,340</u>	<u>\$ 40,627</u>	<u>\$ 1,912,428</u>	<u>\$ -</u>	<u>\$ 1,296,857</u>	<u>\$ 4,668,790</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 24,206
-	-	-	22	-	-	22
-	-	-	-	-	-	11,944
-	-	-	22	-	-	36,172
-	-	-	-	-	-	24,943
63,416	74,340	40,627	1,912,406	-	1,296,857	4,607,675
63,416	74,340	40,627	1,912,406	-	1,296,857	4,632,618
<u>\$ 63,416</u>	<u>\$ 74,340</u>	<u>\$ 40,627</u>	<u>\$ 1,912,428</u>	<u>\$ -</u>	<u>\$ 1,296,857</u>	<u>\$ 4,668,790</u>

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - NONMAJOR GOVERNMENTAL FUNDS**

**SPARTA AREA SCHOOLS**  
For the year ended June 30, 2024

	Special Revenue		Debt Service	
	Food Service	Student/School Activity	2016	2016 Refunding
<b>Revenues</b>				
Local sources:				
Property taxes	\$ -	\$ -	\$ 436,570	\$ 343,965
Interest earnings	16,535	-	5,479	4,233
Food sales	109,949	-	-	-
Other local sources	-	447,217	-	-
<b>Total local sources</b>	<b>126,484</b>	<b>447,217</b>	<b>442,049</b>	<b>348,198</b>
State sources	671,254	-	10,407	8,200
Federal sources	1,310,450	-	-	-
<b>Total Revenues</b>	<b>2,108,188</b>	<b>447,217</b>	<b>452,456</b>	<b>356,398</b>
<b>Expenditures</b>				
Current:				
Other business services	-	-	374	296
Other student/school activity	-	421,899	-	-
Food service	2,221,029	-	-	-
Capital outlay:				
Architecture and engineering services	-	-	-	-
Building improvements	-	-	-	-
Equipment and furniture	-	-	-	-
Debt service:				
Principal repayment	-	-	470,000	-
Interest and fiscal charges	-	-	63,115	341,212
<b>Total Expenditures</b>	<b>2,221,029</b>	<b>421,899</b>	<b>533,489</b>	<b>341,508</b>
<b>Excess (Deficiency) of Revenues Over Expenditures</b>	<b>(112,841)</b>	<b>25,318</b>	<b>(81,033)</b>	<b>14,890</b>
<b>Other Financing Sources (Uses)</b>				
Proceeds from school bond loan	-	-	92,000	-
Transfers out	(77,943)	-	-	-
<b>Total Other Financing Sources (Uses)</b>	<b>(77,943)</b>	<b>-</b>	<b>92,000</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>(190,784)</b>	<b>25,318</b>	<b>10,967</b>	<b>14,890</b>
<b>Fund Balances, Beginning of Year</b>	<b>1,030,030</b>	<b>333,107</b>	<b>6,935</b>	<b>14,509</b>
<b>Fund Balances, End of Year</b>	<b>\$ 839,246</b>	<b>\$ 358,425</b>	<b>\$ 17,902</b>	<b>\$ 29,399</b>

Debt Service			Capital Projects			Total
2017 Refunding	2019 Refunding	2021 Refunding	Building and Site	2016 Construction	2019 Construction	
\$ 1,574,296	\$ 1,759,509	\$ 515,945	\$ 760,689	\$ -	\$ -	\$ 5,390,974
19,634	20,693	6,326	84,093	3,478	68,548	229,019
-	-	-	-	-	-	109,949
-	-	-	-	-	-	447,217
1,593,930	1,780,202	522,271	844,782	3,478	68,548	6,177,159
37,529	41,945	12,300	18,134	-	-	799,769
-	-	-	-	-	-	1,310,450
1,631,459	1,822,147	534,571	862,916	3,478	68,548	8,287,378
1,351	1,510	441	653	-	-	4,625
-	-	-	-	-	-	421,899
-	-	-	-	-	-	2,221,029
-	-	-	-	-	213,800	213,800
-	-	-	711,933	-	-	711,933
-	-	-	-	275,212	75,353	350,565
1,735,000	620,000	-	-	-	-	2,825,000
160,554	1,515,061	513,108	-	-	-	2,593,050
1,896,905	2,136,571	513,549	712,586	275,212	289,153	9,341,901
(265,446)	(314,424)	21,022	150,330	(271,734)	(220,605)	(1,054,523)
302,000	361,000	-	-	-	-	755,000
-	-	-	-	-	-	(77,943)
302,000	361,000	-	-	-	-	677,057
36,554	46,576	21,022	150,330	(271,734)	(220,605)	(377,466)
26,862	27,764	19,605	1,762,076	271,734	1,517,462	5,010,084
\$ 63,416	\$ 74,340	\$ 40,627	\$ 1,912,406	\$ -	\$ 1,296,857	\$ 4,632,618

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL – FOOD SERVICE SPECIAL REVENUE FUND**

**SPARTA AREA SCHOOLS  
For the year ended June 30, 2024**

	Budget	Actual	Variance
<b>Revenues</b>			
Local sources	\$ 120,000	\$ 126,484	\$ 6,484
State sources	660,000	671,254	11,254
Federal sources	1,400,000	1,310,450	(89,550)
<b>Total Revenues</b>	<b>2,180,000</b>	<b>2,108,188</b>	<b>(71,812)</b>
<b>Expenditures</b>			
Current:			
Food service	2,257,125	2,221,029	36,096
<b>Excess (Deficiency) of Revenues over Expenditures</b>	<b>(77,125)</b>	<b>(112,841)</b>	<b>(35,716)</b>
<b>Other Financing Sources (Uses)</b>			
Transfers out	(80,000)	(77,943)	(2,057)
<b>Net Change in Fund Balances</b>	<b>(157,125)</b>	<b>(190,784)</b>	<b>(33,659)</b>
<b>Fund Balances, Beginning of Year</b>	<b>1,030,030</b>	<b>1,030,030</b>	<b>-</b>
<b>Fund Balances, End of Year</b>	<b>\$ 872,905</b>	<b>\$ 839,246</b>	<b>\$ (33,659)</b>

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
 BUDGET AND ACTUAL – STUDENT/SCHOOL ACTIVITY SPECIAL REVENUE FUND**

**SPARTA AREA SCHOOLS  
 For the year ended June 30, 2024**

	Budget	Actual	Variance
<b>Revenues</b>			
Local sources	\$ 450,000	\$ 447,217	\$ (2,783)
<b>Expenditures</b>			
Current:			
Other student/school activity	440,000	421,899	18,101
<b>Net Change in Fund Balance</b>	10,000	25,318	15,318
<b>Fund Balance, Beginning of Year</b>	333,107	333,107	-
<b>Fund Balance, End of Year</b>	<u>\$ 343,107</u>	<u>\$ 358,425</u>	<u>\$ 15,318</u>

# **SPARTA AREA SCHOOLS**

**Kent County, Michigan**

**Additional Reports Required by  
the Uniform Guidance**

For the year ended June 30, 2024

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### **SPARTA AREA SCHOOLS**

For the year ended June 30, 2024

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**

September 26, 2024

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, 2024, and the related notes to the financial statements, which collectively comprise Sparta Area Schools' basic financial statements, and have issued our report thereon dated September 26, 2024.

**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.

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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**

September 26, 2024

The Board of Education  
Sparta Area Schools  
Kent County, Michigan

**Report on Compliance for Each 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 Sparta Area Schools' major federal program for the year ended June 30, 2024. Sparta Area Schools' major federal program is 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 its major federal program for the year ended June 30, 2024.

***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 the 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 its 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, 2024, and the related notes to the financial statements, which collectively comprise of Sparta Area Schools' basic financial statements. We issued our report thereon dated September 26, 2024, 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.

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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, 2024

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount
<b>U. S. Department of Education</b>		
Passed through Michigan Department of Education:		
Title I, Part A:	84.010	
231530 2223		\$ 330,382
241530 2324		<u>336,871</u>
Total Title I, Part A		<u>667,253</u>
Title III, Part A:	84.365	
230580 2223		24,579
240570 2324		3,867
240580 2324		<u>17,706</u>
Total Title III, Part A		<u>46,152</u>
Title II, Part A:	84.367	
230520 2223		76,240
240520 2324		<u>78,961</u>
Total Title II, Part A		<u>155,201</u>
Title IV, Part A:	84.424	
230750 2223		31,284
240750 2324		<u>30,028</u>
Total Title IV, Part A		<u>61,312</u>
Adult Education - Basic Grants to States:	84.002	
231120 235067		156,270
231130 231067		169,896
241120 235067		162,204
241130 231067		<u>188,530</u>
Total Adult Education - Basic Grants to States		<u>676,900</u>

Accrued (Deferred) Revenue At July 1, 2023	(Memo Only) Prior Year Expenditures	Current Year Expenditures	Current Year Receipts (Cash Basis)	Accrued (Deferred) Revenue At June 30, 2024
\$ 79,622	\$ 305,903	\$ -	\$ 79,622	\$ -
-	-	320,769	232,348	88,421
79,622	305,903	320,769	311,970	88,421
231	23,086	-	231	-
-	-	3,821	3,426	395
-	-	13,020	12,920	100
231	23,086	16,841	16,577	495
14,962	58,896	-	14,962	-
-	-	37,090	32,443	4,647
14,962	58,896	37,090	47,405	4,647
7,418	25,554	-	7,418	-
-	-	30,028	21,038	8,990
7,418	25,554	30,028	28,456	8,990
134,212	134,212	-	134,212	-
169,896	169,896	-	169,896	-
-	-	141,106	-	141,106
-	-	162,629	-	162,629
304,108	304,108	303,735	304,108	303,735



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

### **SPARTA AREA SCHOOLS**

For the year ended June 30, 2024

<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	
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
211014 2021 MV ARP Homeless II	84.425W	<u>6,814</u>
Total Education Stabilization Fund		<u>3,479,158</u>
Passed through Kent Intermediate School District:		
Special Education Cluster:		
I.D.E.A. Grants to States:	84.027	
230450 2223		826,217
240450 2324		848,875
231280 2223 IDEA ARP Flowthrough	84.027X	<u>95,684</u>
Total I.D.E.A. Grants to States		<u>1,770,776</u>
I.D.E.A. Preschool:	84.173	
230460 2223		32,050
240460 2324		32,681
231285 2223 IDEA ARP Preschool	84.173X	<u>6,782</u>
Total I.D.E.A. Preschool		<u>71,513</u>
Total Special Education Cluster		<u>1,842,289</u>
Total Passed Through KISD		<u>1,842,289</u>
<b>Total U.S. Department of Education</b>		<u>6,928,265</u>
<b>U.S. Department of Health and Human Services</b>		
Passed through Kent Intermediate School District:		
Epidemiology and Laboratory Capacity for Infectious Diseases:	93.323	
Health Resource Advocate Funding:		
2223 HRA Funding		38,101
2324 HRA Funding		<u>41,105</u>
Total Health Resource Advocate Funding		<u>79,206</u>

<b>Accrued (Deferred) Revenue At July 1, 2023</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, 2024</b>
\$ 176,530	\$ 176,530	\$ 15,048	\$ 191,578	\$ -
43,319	43,319	11,049	54,368	-
339,624	1,333,088	1,572,201	1,423,401	488,424
25,918	125,371	-	25,918	-
-	-	6,814	6,814	-
<b>585,391</b>	<b>1,678,308</b>	<b>1,605,112</b>	<b>1,702,079</b>	<b>488,424</b>
230,272	826,217	-	230,272	-
-	-	848,875	631,824	217,051
25,667	95,684	-	25,667	-
<b>255,939</b>	<b>921,901</b>	<b>848,875</b>	<b>887,763</b>	<b>217,051</b>
9,073	32,050	-	9,073	-
-	-	32,681	23,785	8,896
1,610	6,782	-	1,610	-
<b>10,683</b>	<b>38,832</b>	<b>32,681</b>	<b>34,468</b>	<b>8,896</b>
<b>266,622</b>	<b>960,733</b>	<b>881,556</b>	<b>922,231</b>	<b>225,947</b>
<b>266,622</b>	<b>960,733</b>	<b>881,556</b>	<b>922,231</b>	<b>225,947</b>
<b>1,258,354</b>	<b>3,356,588</b>	<b>3,195,131</b>	<b>3,332,826</b>	<b>1,120,659</b>
38,101	38,101	-	38,101	-
-	-	41,105	41,105	-
<b>38,101</b>	<b>38,101</b>	<b>41,105</b>	<b>79,206</b>	<b>-</b>

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

**SPARTA AREA SCHOOLS**

For the year ended June 30, 2024

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount
Medicaid Cluster:		
Medical Assistance Program:	93.778	
2324 Medicaid Outreach		\$ 14,526
<b>U.S. Department of Health and Human Services</b>		<b>93,732</b>
<b>U.S. Department of Agriculture</b>		
Passed through Michigan Department of Education:		
Local Food for Schools Cooperative Agreement Program:	10.185	
230985		5,846
Child Nutrition Cluster:		
Non-Cash Assistance (U.S.D.A. Commodities):	10.555	
Entitlement Commodities		113,336
Bonus Commodities		1,920
Total Non-Cash Assistance		115,256
Cash Assistance:		
School Breakfast Program:	10.553	
231970		274,516
241970		272,182
Total School Breakfast Program		546,698
National School Lunch Program:	10.555	
231960		687,604
240910		65,312
241910		643,926
Total National School Lunch Program		1,396,842

<b>Accrued (Deferred) Revenue At July 1, 2023</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, 2024</b>
\$ 8,894	\$ 8,894	\$ 14,526	\$ 23,420	\$ -
46,995	46,995	55,631	102,626	-
5,846	5,846	8,294	14,140	-
-	-	113,336	113,336	-
-	-	1,920	1,920	-
-	-	115,256	115,256	-
-	226,092	48,424	48,424	-
-	-	272,182	272,182	-
-	226,092	320,606	320,606	-
-	560,834	126,770	126,770	-
-	-	65,312	65,312	-
-	-	643,926	643,926	-
-	560,834	836,008	836,008	-

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

**SPARTA AREA SCHOOLS**

For the year ended June 30, 2024

Federal Grantor Pass Through Grantor Program Title Grant Number	Assistance Listing Number	Approved Grant Award Amount
Summer Food Service Program:	10.559	
230900		\$ 42,127
240900		13,129
Total Summer Food Service Program		55,256
Total Cash Assistance		1,998,796
Total Child Nutrition Cluster		2,114,052
<b>Total U.S. Department of Agriculture</b>		<b>2,119,898</b>
<b>Total Federal Financial Assistance</b>		<b>\$ 9,141,895</b>

<b>Accrued (Deferred) Revenue At July 1, 2023</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, 2024</b>
\$ 11,110	\$ 24,970	\$ 17,157 13,129	\$ 28,267	\$ -
11,110	24,970	30,286	28,267	-
11,110	811,896	1,186,900	1,184,881	-
11,110	811,896	1,302,156	1,300,137	-
16,956	817,742	1,310,450	1,314,277	-
<u>\$ 1,322,305</u>	<u>\$ 4,221,325</u>	<u>\$ 4,561,212</u>	<u>\$ 4,749,729</u>	<u>\$ 1,120,659</u>

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

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### **SPARTA AREA SCHOOLS**

For the year ended June 30, 2024

#### **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, 2024. 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, 2024

**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	\$ 320,769	\$ 320,769	\$ -
Title III, Part A	16,841	16,841	-
Title II, Part A	37,090	37,090	-
Title IV, Part A	30,028	30,028	-
Adult Education - Basic Grants to States	303,735	303,735	-
Health Resource Advocate Funding	41,105	41,105	-
Medicaid Cluster	14,526	14,526	-
Education Stabilization Fund	1,605,112	1,605,112	-
Special Education Cluster	881,556	881,556	-
Local Food for Schools Cooperative Agreement Program	8,294	8,294	-
Child Nutrition Cluster	1,302,156	1,302,156	-
	<u>\$ 4,561,212</u>	<u>\$ 4,561,212</u>	<u>\$ -</u>



# SCHEDULE OF FINDINGS AND QUESTIONED COSTS

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## SPARTA AREA SCHOOLS

For the year ended June 30, 2024

### 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:

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, 2024

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

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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**

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

#### **Section III - Major Federal Award Programs Findings and Questioned Costs**

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

September 26, 2024

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, 2024. 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 April 16, 2024. 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, 2024 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 September 26, 2024.

#### *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. As of June 30, 2024, Sparta Area Schools had an excess fund balance and must work with MDE to gain approval of a spend down plan for the subsequent school year.

*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 \$1,786,009 to \$11,668,911 at June 30, 2024. This balance represents approximately 28.46% of the District's 2024-25 expenditure budget (up from 25.35% at June 30, 2023). It is the policy of the Board of Education of Sparta Area Schools to maintain a General Fund balance of at least 15% 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.

Sparta Area Schools  
Page 4  
September 26, 2024

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.

A handwritten signature in black ink that reads "Hungerford". The signature is written in a cursive style with a large, prominent 'H' and a long, sweeping tail on the 'd'.

Certified Public Accountants