

SPARTA AREA SCHOOL DISTRICT
Sparta, Wisconsin

FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT

JUNE 30, 2016

SPARTA AREA SCHOOL DISTRICT

TABLE OF CONTENTS

JUNE 30, 2016

Page

3-5	Independent Auditors' Report
6-14	Management's Discussion and Analysis
	<u>BASIC FINANCIAL STATEMENTS</u>
	<u>District-Wide Financial Statements</u>
15	Statement of Net Position
16	Statement of Activities
	<u>Fund Financial Statements</u>
17	Balance Sheet - Governmental Funds
18	Statement of Revenue, Expenditures and Changes in Fund Balances - Governmental Funds
19	Reconciliation of the Statement of Revenue, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities
20	Statement of Net Position - Proprietary Fund
21	Statement of Revenue, Expenses, and Changes in Net Position - Proprietary Fund
22	Statement of Cash Flows - Proprietary Fund
23	Statement of Net Position - Fiduciary Funds
24	Statement of Changes in Net Position - Fiduciary Funds
25-43	Notes to the Basic Financial Statements
	<u>REQUIRED SUPPLEMENTARY INFORMATION</u>
44	Budgetary Comparison Schedule for the General Fund - Budget and Actual
45	Notes to Required Supplementary Information on Budgetary Accounting and Control
46	Schedule of Funding Progress - Post Employment Healthcare
47	Wisconsin Retirement System Schedules

SPARTA AREA SCHOOL DISTRICT

TABLE OF CONTENTS - Continued

JUNE 30, 2016

Page

OTHER SUPPLEMENTARY INFORMATION

48	Combining Balance Sheets - General Fund
49	Combining Statement of Revenue, Expenditures and Changes in Fund Balance General Fund
50	Combining Balance Sheets - Nonmajor Governmental Funds
51	Combining Statement of Revenue, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds
52	Schedule of Changes in Assets and Liabilities - Agency Funds
53-55	Schedule of Expenditures of Federal Awards
56-57	Schedule of State Financial Assistance

OTHER REPORTS

58-59	Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>
60-62	Independent Auditor's Report on Compliance for Each Major Program on Internal Control Over Compliance Required by the Uniform Guidance and <i>State Single Audit Guidelines</i>
63-65	Schedule of Findings and Questioned Costs
66	Corrective Action Plan

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INDEPENDENT AUDITORS' REPORT

To the Board of Education
Sparta Area School District
Sparta, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sparta Area School District (the "District") as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Sparta Area School District, as of June 30, 2016, and the respective changes in financial position, and, where applicable, cash flows, thereof, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, budgetary comparison information, the schedule of funding progress for post-employment healthcare, and Wisconsin Retirement System schedules on pages 6-14 and 44-47 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Sparta Area School District's basic financial statements. The combining general fund financial statements, the combining and individual nonmajor fund financial statements, and the schedule of agency fund changes in assets and liabilities are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedules of expenditures of federal awards and state financial assistance are presented for purposes of additional analysis as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and are also not a required part of the basic financial statements.

The combining general fund financial statements, the combining and individual nonmajor fund financial statements, the schedule of agency fund changes in assets and liabilities, and the schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining general fund financial statements, the combining and individual nonmajor fund financial statements, the schedule of agency fund changes in assets and liabilities, and the schedules of expenditures of federal awards and state financial assistance 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 December 21, 2016, on our consideration of the Sparta Area School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is 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 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 the Sparta Area School District's internal control over financial reporting and compliance.

Hankins Ash CPAs, LLP

La Crosse, Wisconsin
December 21, 2016

SPARTA AREA SCHOOL DISTRICT
Sparta, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Management's Discussion and Analysis

As management of the Sparta Area School District ("District"), we offer readers of the District's basic financial statements this narrative overview and analysis of the financial activities of the District for the fiscal year ended June 30, 2016. We encourage readers to read the information presented here in conjunction with additional information that we have furnished in the District's basic financial statements, which follow this narrative.

FINANCIAL HIGHLIGHTS

Total District activities revenue was \$36,773,317 including \$10,055,550 of property taxes, \$22,111,597 of general state and federal aid. Total District activities expenditures were \$36,910,342; including \$19,166,482 for direct instruction.

The District's financial status, as reflected in total net position, decreased by \$137,025.

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements are comprised of 1) district-wide financial statements 2) fund financial statements, and 3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

The basic financial statements consist of two kinds of statements that present different views of the District's financial activities.

- The *Statement of Net Position and Statement of Activities* provide information on a district-wide basis. The statements present an aggregate view of the District's finances. District-wide statements contain useful long-term information as well as information for the just-completed fiscal year.
- The remaining statements are *fund financial statements* that focus on individual parts of the District. Fund statements generally report operations in more detail than the district-wide statements.

The *notes to the financial statements* provide further explanation of some of the information in the statements and provide additional disclosures so statement users have a complete picture of the District's financial activities and position.

Required supplementary information further explains and supports the financial statements by including a comparison of the District's budget data for the year.

The major features of the District's financial statements, including the activities reported and the type of information contained is shown in the following table.

Major Features of the District-wide and Fund Financial Statements

		Fund Financial Statements		
	District-wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire District (except fiduciary funds).	The activities of the District that are not proprietary or fiduciary, such as instructional, support services, debt service, capital projects, and community services.	Activities that the District operates similar to private business-food service.	Assets held by the District on behalf of someone else. Student and other organizations that have funds on deposit with the District are reported here.
Required financial statements	Statement of net position. Statement of activities.	Balance sheet. Statement of revenue, expenditures, and changes in fund balance.	Statement of net position. Statement of revenue, expenses, and changes in net position. Statement of cash flows.	Statement of net position. Statement of changes in net position.
Basis of accounting and measurement focus	Accrual accounting and economic resources focus.	Modified accrual accounting and current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting economic resources focus.
Type of asset and liability information	All assets and liabilities; both financial and capital, short-term and long-term.	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter. No capital assets or long-term liabilities included.	All assets and liabilities; both financial and capital, short-term and long-term.	All assets and liabilities, financial and capital; short-term and long-term. These funds do not currently contain any capital assets, although they can.
Type of inflow and outflow information	All revenue and expenses during the year, regardless of when cash is received or paid.	Revenue for which cash is received during or soon after the end of the year; received during or soon after expenditures when goods or services have been received and the related liability are due and payable.	All revenue and expenses during the year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of activities reports all revenues and expenses used to support the District. The statement of net position reports all assets and liabilities available to support District activities. 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 and liabilities, are one way to measure the District's overall financial position. Increases or decreases in the District's net position are one indicator of whether its financial position is improving or deteriorating, respectively. To assess the overall financial condition of the District, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities should be considered.

In the district-wide financial statements, the District's activities are reported as governmental activities and business-type activities. Most of the District's basic services are included in governmental activities, such as regular and special education, transportation, support services, debt service, capital projects, food service, community programs and administration. Business-type activities include food services. Property taxes and state formula aid finance most of these activities.

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 sources of funding and spending on particular programs and to demonstrate compliance with various regulatory requirements. Some funds are required by state law and by bond covenants. The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debt) or to show that it is properly using certain revenues (like capital project funds).

The District has three 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 funding future basic services. Governmental funds statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Governmental funds information does not report on long-term commitments as is reported on the district-wide statements.
- *Proprietary Funds* - These funds are used to account for the District's activities that are similar to business operations in the private sector; or where the reporting is on determining net income, financial position, changes in financial position, and a significant portion of funding is through user charges. When the District charges customers for services it provides – whether to outside customers or to other units in the District – these services are generally reported in proprietary funds. The Food Service Fund is the District's proprietary fund and is the same as the business-type activities reported in the government-wide statements, but provides more detail and additional information, such as cash flows.
- *Fiduciary Funds* - The District serves as a trustee, or fiduciary, for various student organizations. The assets of these organizations belong to the organization and not the District. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and only by those to whom the assets belong. These activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 1, below, provides a summary of the District's net position for the year ended June 30, 2016 compared to 2015. The District's combined net position decreased by \$41,716. Specific causes of the increase are discussed later in this document.

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2016	2015	2016	2015	2016	2015	
Current and other assets	\$ (146,014)	\$ 14,785,936	\$ 146,014	\$ 153,446	\$ -	\$ 14,939,382	-100.0%
Capital assets	(80,937)	35,429,440	80,937	118,856	-	35,548,296	-100.0%
Total assets	\$ (226,951)	\$ 50,215,376	\$ 226,951	\$ 272,302	\$ -	\$ 50,487,678	-100.0%
Deferred outflows of resources	\$ -	\$ 2,173,450	\$ -	\$ 51,988	\$ -	\$ 2,225,438	-100.0%
Long-term liabilities							
outstanding	\$ -	\$ 5,786,963	\$ 51,868	\$ -	\$ 51,868	\$ 5,786,963	-99.1%
Other liabilities	(8,163)	4,773,089	29,793	12,568	21,630	4,785,657	-99.5%
Total liabilities	\$ (8,163)	\$ 10,560,052	\$ 81,661	\$ 12,568	\$ 73,498	\$ 10,572,620	-99.3%
Deferred inflows of resources	\$ -	\$ 58,076	\$ -	\$ 27,645	\$ -	\$ 85,721	-100.0%
Net position:							
Net investment in capital assets	\$ (80,937)	\$ 28,056,844	\$ 80,937	\$ 118,856	\$ -	\$ 28,175,700	-100.0%
Restricted	243,485	7,635,248	197,933	165,221	441,418	7,800,469	-94.3%
Unrestricted	41,571,641	6,078,606	-	-	41,571,641	6,078,606	583.9%
Total net position	\$ 41,734,189	\$ 41,770,698	\$ 278,870	\$ 284,077	\$ 42,013,059	\$ 42,054,775	-0.1%

Note: Totals may not add due to rounding.

**Table 2
Changes in Net Position**

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2016	2015	2016	2015	2016	2015	
Revenue							
Program revenue							
Charges for services	\$ 85,685	\$ 60,849	\$ 646,291	\$ 630,080	\$ 731,976	\$ 690,929	5.9%
Operating grants and contributions	2,510,923	4,241,867	1,131,776	1,111,990	3,642,699	5,353,857	-32.0%
General revenues							
Property taxes	10,055,550	9,735,414	-	-	10,055,550	9,735,414	3.3%
State and federal aid	22,111,597	18,664,332	-	-	22,111,597	18,664,332	18.5%
Other	190,307	655,228	41,188	-	231,495	655,228	-64.7%
Total revenue	<u>34,954,062</u>	<u>33,357,690</u>	<u>1,819,255</u>	<u>1,742,070</u>	<u>36,773,317</u>	<u>35,099,760</u>	4.8%
Expenses							
Instruction	19,166,482	15,999,107	-	-	19,166,482	15,999,107	19.8%
Pupil and instructional services	3,664,083	2,910,145	-	-	3,664,083	2,910,145	25.9%
Administration and business	9,003,330	8,484,992	1,824,462	1,770,300	10,827,792	10,255,292	5.6%
Interest on debt	78,522	89,349	-	-	78,522	89,349	-12.1%
Other	3,173,463	2,587,464	-	948	3,173,463	2,588,412	22.6%
Total expenses	<u>35,085,880</u>	<u>30,071,057</u>	<u>1,824,462</u>	<u>1,771,248</u>	<u>36,910,342</u>	<u>31,842,305</u>	15.9%
Increase (decrease) in net position	\$ (131,818)	\$ 3,286,633	\$ (5,207)	\$ (29,178)	\$ (137,025)	\$ 3,257,455	-104.2%

Note: Totals may not add due to rounding.

Table 2 provides summarized operating results and their impact on net position.

The District relies primarily on state and federal aids (60%) and property taxes (27%) to fund governmental activities. These two funding sources make up 87% of the total revenue.

Table 3 presents the cost of the seven major district activities. The table reports each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). The net cost reflects the financial burden that was placed on the District's taxpayers by each of these functions.

Table 3
Net Cost of Total District Activities

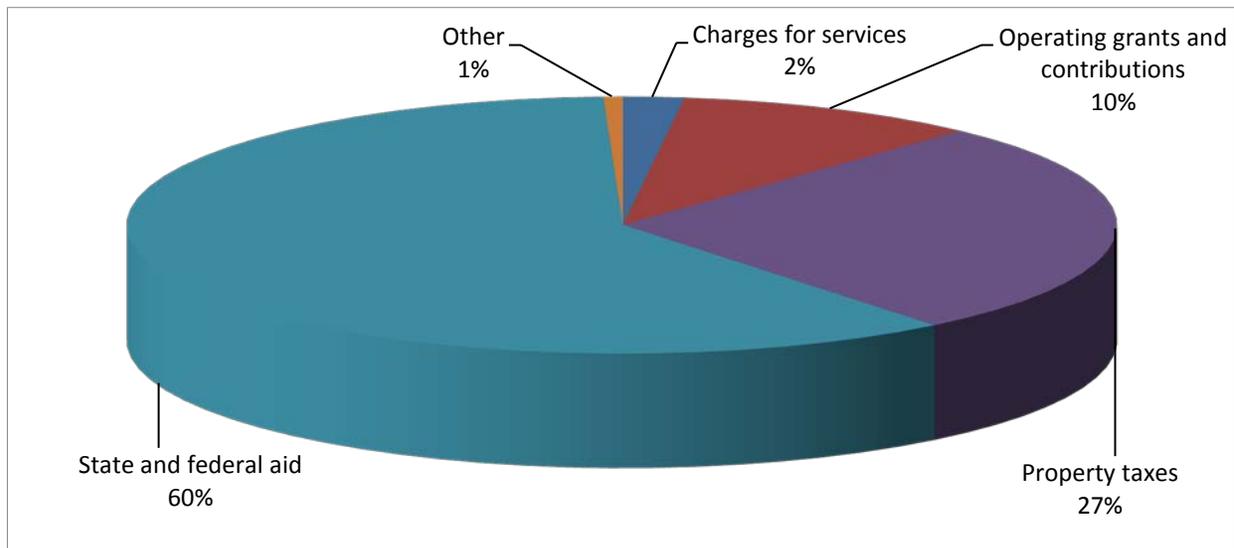
	Net Cost of Services		Total % Change
	2016	2015	
Instruction	\$ 19,166,482	\$ 15,999,107	19.8%
Pupil and instructional services	3,664,083	2,910,145	25.9%
Administration and business	10,827,792	10,255,292	5.6%
Interest on debt	78,522	89,349	-12.1%
Other	3,173,463	2,588,412	22.6%
Total	\$ 36,910,342	\$ 31,842,305	15.9%

Note: Totals may not add due to rounding.

The cost of all total district activities this year was \$36,910,342. Individuals who directly participated or benefited from a program offering paid for \$731,976 of the costs. Federal and state governments subsidized certain programs with grants and contributions of \$25,754,296. The net cost of total district activities, (\$10,055,550), was financed by general revenue of the District.

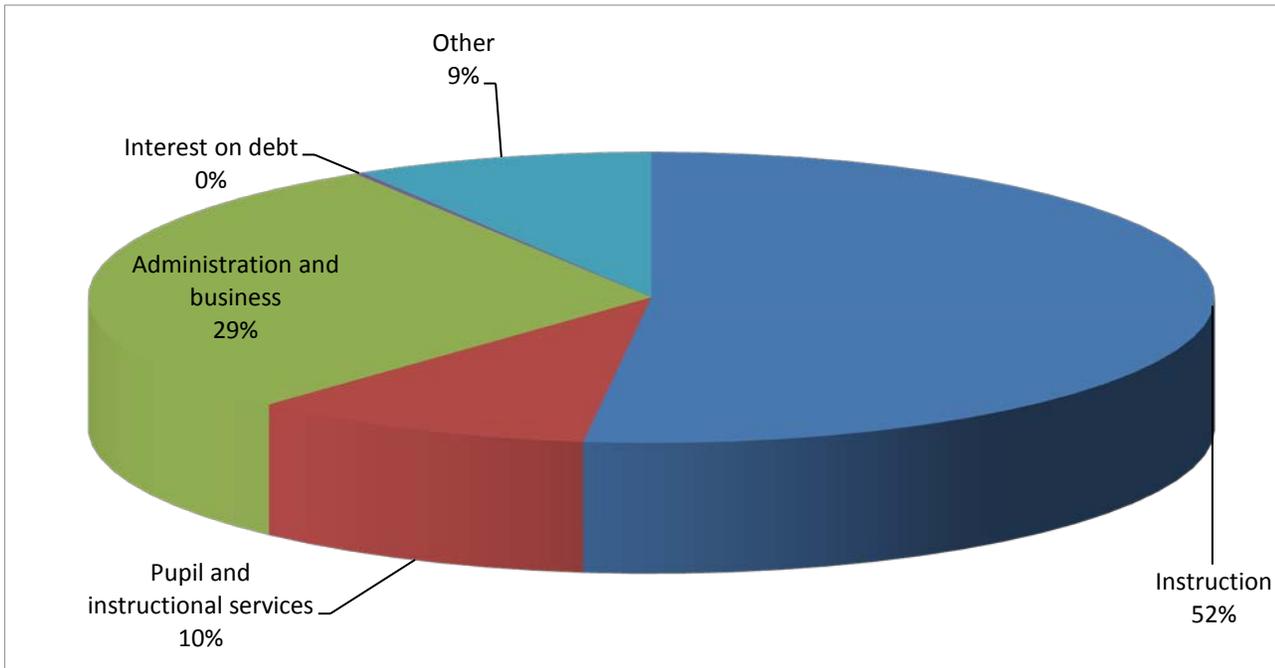
The composition of governmental revenue by type and expenditures by type are illustrated below.

Total District Activities Revenue by Type
Chart 1



Note: Totals may not add to 100% due to rounding.

Total District Activities Expenditure by Type
Chart 2



Note: Totals may not add to 100% due to rounding.

The District completed the year with a total governmental fund balance of \$7,346,349 down from last year's ending fund balance of \$7,439,725.

The general fund had an increase in fund balance of \$562,624.

The other governmental funds had a fund balance decrease of \$656,000.

The District completed the year with a total proprietary net position of \$278,870 down from last year's ending net position of \$284,077.

GENERAL FUND BUDGETARY HIGHLIGHTS

The District reviews an interim budget in May for the subsequent year. Consistent with current state statutes and regulations an original budget is adopted in October, following determination of official enrollment and certification of general state aids. The District modifies the original budget as necessary throughout the year.

While the District's final budget for the general fund anticipated that expenses would equal revenues the actual results for the year show a \$562,624 increase.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2016, the District had invested \$55,377,368 in capital assets, including land, land improvements, buildings, and equipment (See Table 4). Total accumulated depreciation on these assets is (\$20,563,608). Asset acquisitions for total district activities totaled \$1,999,241. The District recognized depreciation expense of \$1,276,063 for governmental activities and \$24,575 for business-type activities. Detailed information about capital assets can be found in Note 3 to the financial statements.

Table 4
Capital Assets
(net of depreciation)

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2016	2015	2016	2015	2016	2015	
Land	\$ -	\$ 728,750	\$ -	\$ -	\$ -	728,750	-100.0%
Land improvements	-	2,401,836	-	-	-	2,401,836	-100.0%
Buildings	-	46,279,345	-	-	-	46,279,345	-100.0%
Equipment	-	7,816,464	-	678,514	-	8,494,978	-100.0%
Construction in progress	-	1,130,918	-	-	-	1,130,918	-100.0%
Accumulated depreciation	-	(22,927,873)	-	(559,658)	-	(23,487,531)	-100.0%
Total	\$ -	\$ 35,429,440	\$ -	\$ 118,856	\$ -	\$ 35,548,296	-100.0%

Note: Totals may not add due to rounding.

Long-Term Obligations

At year-end, the district had \$5,538,664 in bonds and notes payable and other long-term debt outstanding - a decrease of 25% from last year (see Table 5). Detailed information about the District's long-term obligations are presented in Note 5 to the financial statements.

Table 5
Outstanding Long-Term Obligations

	Total		Total % Change
	2016	2015	
General obligation debt	\$ 5,538,664	\$ 7,372,596	-24.9%
Other	205,411	(1,574,398)	-113.0%
Total	\$ 5,744,075	\$ 5,798,198	-0.9%

Note: Totals may not add due to rounding.

The District retired \$1,833,932 of bonds and notes payable during the year.

Debt of the District is secured by an irrevocable tax levy adopted by the School Board at the time of issuance. Wisconsin state statutes require that the first property tax receipts be segregated for annual debt service payments.

FACTORS BEARING ON THE DISTRICT'S FUTURE

- The State of Wisconsin has an open enrollment law that allows students to attend the School District of their choice with few restrictions. The State adjusts each District's general state aid payment based on the number of students who transfer. The Sparta Area School District has actively encouraged attendance by non-resident students through open enrollment and strives to keep resident students by offering a varied and complete curriculum. Currently, the number of non-resident open enrollment pupils attending the Sparta School District continues to exceed the number of resident pupils attending other districts.
- Enrollment increased for the 2016-17 school year by 44 FTE students.
- The electors of the District approved a referendum in November, 2014, to continue exceeding the state imposed revenue limits over the next four years. The additional amount approved was \$750,000 per year starting with the 2015-16 school year.
- The District health insurance plan experienced a 5 percent premium increase with the July 1, 2016 renewal. Future increases may be impacted by the Affordable Care Act.
- The State of Wisconsin is facing budget issues, and the state budget currently funds less than two-thirds of the cost of K-12 education. The largest portion of state funding comes through general equalization aids. Because the funding formula for general equalization aids proportionately funds the District due to treating it as less wealthy, the District could possibly be adversely impacted by any reduction in general equalization aids.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, 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, Leah Hauser, Director of Business Services at Sparta Area School district, 201 East Franklin Street, Sparta, WI 54656.

SPARTA AREA SCHOOL DISTRICT
Sparta, Wisconsin

BASIC FINANCIAL STATEMENTS

SPARTA AREA SCHOOL DISTRICT
Sparta, Wisconsin

DISTRICT-WIDE FINANCIAL STATEMENTS

SPARTA AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2016

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>GOVERNMENTAL ACTIVITIES</u>	<u>BUSINESS-TYPE ACTIVITIES</u>	<u>TOTAL</u>
ASSETS			
Cash and investments	\$ 5,958,413	\$ 33,442	\$ 5,991,855
Receivables			
Accounts	96,351	428	96,779
Taxes	2,573,980	-	2,573,980
Interest	55	-	55
Internal balances	439,545	5,507	445,052
Due from other governments	1,335,687	59,515	1,395,202
Inventories	-	47,122	47,122
Prepays	83,025	-	83,025
Capital assets (net of accumulated depreciation)			
Capital assets not being depreciated	1,017,075	-	1,017,075
Capital assets being depreciated	33,715,748	80,937	33,796,685
TOTAL ASSETS	45,219,879	226,951	45,446,830
DEFERRED OUTFLOWS OF RESOURCES			
Wisconsin Retirement System pension	9,005,255	273,178	9,278,433
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 54,225,134	\$ 500,129	\$ 54,725,263
 <u>LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>			
LIABILITIES			
Accounts payable	\$ 222,675	\$ 8,163	\$ 230,838
Accrued liabilities			
Payroll, payroll taxes, insurance	2,917,056	21,630	2,938,686
Interest	17,187	-	17,187
Other	976	-	976
Unearned revenue	-	29,152	29,152
Current portion of long-term obligations	1,894,254	-	1,894,254
Noncurrent portion of long-term obligations	3,797,953	51,868	3,849,821
TOTAL LIABILITIES	8,850,101	110,813	8,960,914
DEFERRED INFLOWS OF RESOURCES			
Wisconsin Retirement System pension	3,640,844	110,446	3,751,290
NET POSITION			
Net investment in capital assets	29,194,159	80,937	29,275,096
Restricted for			
Special revenue	2,094	-	2,094
Debt service	41,291	-	41,291
Capital projects	200,100	-	200,100
Food service	-	87,069	87,069
Other activities	3,654,611	110,864	3,765,475
Unrestricted	8,641,934	-	8,641,934
TOTAL NET POSITION	41,734,189	278,870	42,013,059
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION	\$ 54,225,134	\$ 500,129	\$ 54,725,263

The accompanying notes are an integral part of these statements.

SPARTA AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

FUNCTIONS/PROGRAMS	EXPENSES	PROGRAM REVENUE		NET (EXPENSES) REVENUE AND CHANGES IN NET POSITION		
		CHARGES FOR SERVICES	OPERATING GRANTS AND CONTRIBUTIONS	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTALS
GOVERNMENTAL ACTIVITIES						
Instruction						
Regular instruction	\$ 13,266,934	\$ 1,282	\$ 182,699	\$ (13,082,953)	\$ -	\$ (13,082,953)
Vocational instruction	892,440	2,267	59,690	(830,483)	-	(830,483)
Special instruction	3,649,295	-	1,049,345	(2,599,950)	-	(2,599,950)
Other instruction	1,357,813	50,209	191,245	(1,116,359)	-	(1,116,359)
Total instruction	<u>19,166,482</u>	<u>53,758</u>	<u>1,482,979</u>	<u>(17,629,745)</u>	<u>-</u>	<u>(17,629,745)</u>
Support services						
Pupil services	1,458,057	-	10,062	(1,447,995)	-	(1,447,995)
Instructional staff services	2,206,026	-	356,005	(1,850,021)	-	(1,850,021)
General administration services	607,026	-	-	(607,026)	-	(607,026)
Building administration services	1,504,810	-	-	(1,504,810)	-	(1,504,810)
Business services	950,455	-	538,618	(411,837)	-	(411,837)
Operations and maintenance	3,753,600	12,870	-	(3,740,730)	-	(3,740,730)
Pupil transportation	1,418,730	-	94,414	(1,324,316)	-	(1,324,316)
Central services	768,709	-	-	(768,709)	-	(768,709)
Insurance	301,337	-	-	(301,337)	-	(301,337)
Interest and other	78,522	-	-	(78,522)	-	(78,522)
Other support services	14,724	-	-	(14,724)	-	(14,724)
Community services	55,998	4,933	1,254	(49,811)	-	(49,811)
Total support services	<u>13,117,994</u>	<u>17,803</u>	<u>1,000,353</u>	<u>(12,099,838)</u>	<u>-</u>	<u>(12,099,838)</u>
Non-program transactions	2,761,552	14,124	27,591	(2,719,837)	-	(2,719,837)
TOTAL GOVERNMENTAL ACTIVITIES	<u>35,046,028</u>	<u>85,685</u>	<u>2,510,923</u>	<u>(32,449,420)</u>	<u>-</u>	<u>(32,449,420)</u>
BUSINESS-TYPE ACTIVITIES						
Food Service	1,824,462	646,291	1,131,776	-	(46,395)	(46,395)
TOTAL PRIMARY GOVERNMENT	<u>\$ 36,870,490</u>	<u>\$ 731,976</u>	<u>\$ 3,642,699</u>	<u>(32,449,420)</u>	<u>(46,395)</u>	<u>(32,495,815)</u>
GENERAL REVENUE						
Taxes						
Property taxes				9,925,342	-	9,925,342
Other taxes				130,208	-	130,208
State and federal aids not restricted to specific functions				22,111,597	-	22,111,597
Interest and investment earnings				13,129	-	13,129
Miscellaneous				177,178	1,336	178,514
TRANSFERS				(39,852)	39,852	-
TOTAL GENERAL REVENUE AND TRANSFERS				<u>32,317,602</u>	<u>41,188</u>	<u>32,358,790</u>
CHANGE IN NET POSITION				(131,818)	(5,207)	(137,025)
NET POSITION - BEGINNING OF YEAR				41,770,698	284,077	42,054,775
PRIOR PERIOD ADJUSTMENT				95,309	-	95,309
NET POSITION - END OF YEAR				<u>\$ 41,734,189</u>	<u>\$ 278,870</u>	<u>\$ 42,013,059</u>

The accompanying notes are an integral part of these statements.

SPARTA AREA SCHOOL DISTRICT
Sparta, Wisconsin

FUND FINANCIAL STATEMENTS

SPARTA AREA SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2016

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>DEBT SERVICE FUND</u>	<u>NONMAJOR GOVERNMENTAL FUNDS</u>	<u>TOTAL GOVERNMENTAL FUNDS</u>
Cash and investments	\$ 5,750,793	\$ 41,291	\$ 166,329	\$ 5,958,413
Receivables				
Accounts	95,677	-	674	96,351
Taxes	2,573,980	-	-	2,573,980
Interest	-	-	55	55
Due from other funds	451,262	-	200,000	651,262
Due from other governments	1,323,776	-	11,911	1,335,687
Prepays	82,705	-	320	83,025
TOTAL ASSETS	<u>\$ 10,278,193</u>	<u>\$ 41,291</u>	<u>\$ 379,289</u>	<u>\$ 10,698,773</u>
 <u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ 218,964	\$ -	\$ 3,711	\$ 222,675
Accrued payroll liabilities	2,916,808	-	248	2,917,056
Accrued other liabilities	976	-	-	976
Due to other funds	200,000	-	11,717	211,717
TOTAL LIABILITIES	<u>3,336,748</u>	<u>-</u>	<u>15,676</u>	<u>3,352,424</u>
 FUND BALANCES				
Nonspendable	82,705	-	320	83,025
Restricted	-	41,291	202,194	243,485
Assigned	46,691	-	161,109	207,800
Unassigned	6,812,049	-	(10)	6,812,039
TOTAL FUND BALANCES	<u>6,941,445</u>	<u>41,291</u>	<u>363,613</u>	<u>7,346,349</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,278,193</u>	<u>\$ 41,291</u>	<u>\$ 379,289</u>	

Total net position reported for governmental activities in the statement of net position is different from the amount reported above as total governmental funds fund balance because:

Capital assets used in government activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net position are:

Governmental capital asset	\$ 54,956,993	
Governmental accumulated depreciation	<u>(20,224,170)</u>	34,732,823

Wisconsin Retirement System deferred inflows of resources and deferred outflows of resources are not current financial resources and are not reported in fund statements.	5,364,411
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Long-term liabilities are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net position that are not reported in the funds balance sheet are:

General obligation debt	\$ (5,538,664)	
Accrued interest	(17,187)	
Wisconsin Retirement System net pension liability	(1,709,800)	
Vested employee benefits	(305,898)	
Net OPEB obligation	<u>1,862,155</u>	<u>(5,709,394)</u>

Total net position - governmental activities	<u>\$ 41,734,189</u>
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The accompanying notes are an integral part of these statements.

SPARTA AREA SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	GENERAL FUND	DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUE				
Property taxes	\$ 8,349,060	\$ 1,686,490	\$ 20,000	\$ 10,055,550
Other local sources	113,780	21,012	316,872	451,664
Interdistrict sources	288,412	-	-	288,412
Intermediate sources	7,843	-	-	7,843
State sources	21,734,998	-	11,911	21,746,909
Federal sources	2,172,989	-	74,814	2,247,803
Other sources	144,041	-	-	144,041
TOTAL REVENUE	<u>32,811,123</u>	<u>1,707,502</u>	<u>423,597</u>	<u>34,942,222</u>
EXPENDITURES				
Current				
Instruction				
Regular instruction	12,646,526	-	61,667	12,708,193
Vocational instruction	866,717	-	78	866,795
Special instruction	3,503,614	-	-	3,503,614
Other instruction	1,135,895	-	190,939	1,326,834
Total instruction	<u>18,152,752</u>	<u>-</u>	<u>252,684</u>	<u>18,405,436</u>
Support services				
Pupil services	1,388,488	-	5,219	1,393,707
Instructional staff services	2,099,515	-	14,610	2,114,125
General administration services	574,981	-	-	574,981
Building administration services	1,439,768	-	-	1,439,768
Business services	651,704	-	54,580	706,284
Operations and maintenance	2,561,593	-	1,700	2,563,293
Pupil transportation	1,592,106	-	19,260	1,611,366
Central services	660,483	-	-	660,483
Insurance	301,337	-	-	301,337
Other support services	14,713	-	-	14,713
Community services	30,000	-	25,822	55,822
Total support services	<u>11,314,688</u>	<u>-</u>	<u>121,191</u>	<u>11,435,879</u>
Non-program transactions	1,279,212	-	-	1,279,212
Debt service				
Principal	-	1,833,932	-	1,833,932
Interest	917	85,733	-	86,650
Total debt service	<u>917</u>	<u>1,919,665</u>	<u>-</u>	<u>1,920,582</u>
Capital outlay	1,087,632	-	899,703	1,987,335
TOTAL EXPENDITURES	<u>31,835,201</u>	<u>1,919,665</u>	<u>1,273,578</u>	<u>35,028,444</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES				
	<u>975,922</u>	<u>(212,163)</u>	<u>(849,981)</u>	<u>(86,222)</u>
OTHER FINANCING (USES) SOURCES				
Net transfer (to) from other funds	(425,138)	206,044	200,100	(18,994)
Sale of capital assets	11,840	-	-	11,840
TOTAL OTHER FINANCING (USES) SOURCES	<u>(413,298)</u>	<u>206,044</u>	<u>200,100</u>	<u>(7,154)</u>
NET CHANGE IN FUND BALANCE	562,624	(6,119)	(649,881)	(93,376)
FUND BALANCE - BEGINNING OF YEAR	<u>6,378,821</u>	<u>47,410</u>	<u>1,013,494</u>	<u>7,439,725</u>
FUND BALANCE - END OF YEAR	<u>\$ 6,941,445</u>	<u>\$ 41,291</u>	<u>\$ 363,613</u>	<u>\$ 7,346,349</u>

The accompanying notes are an integral part of these statements.

SPARTA AREA SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUE, EXPENDITURES, AND
CHANGES IN FUND BALANCES
OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2016

Net change in fund balances - total governmental funds \$ (93,376)

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

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities.

Capital outlay reported in fund statements	\$ 1,987,335	
Capital outlay contributed to proprietary fund	(20,858)	
Depreciation expense reported in the statement of activities	(1,276,063)	
Net book value of capital assets disposed	<u>(1,482,340)</u>	
Amount by which capital outlays are less than depreciation in the current period:		(791,926)

Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year.

This year the accrual of these benefits decreased by: 1,945

OPEB expense not reported on the fund statements: (20,086)

Wisconsin Retirement System asset, liability, deferred inflows of resources , and deferred outflows of resources changes: (1,070,435)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities.

Amount of long-term debt principal payments in the current year is: 1,833,932

In governmental funds interest payments and other debt costs on outstanding debt are reported as an expenditure when paid. In the statement of activities it is reported as it accrues.

Amount of interest and other debt costs paid during the current period is	\$ 86,650	
Amount of interest and other debt costs accrued during the current period is	<u>(78,522)</u>	
Interest paid is greater than interest accrued by:		<u>8,128</u>

Change in net position - governmental activities \$ (131,818)

The accompanying notes are an integral part of these statements.

SPARTA AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2016

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	<u>FOOD SERVICE</u>
ASSETS	
CURRENT ASSETS	
Cash and investments	\$ 33,442
Accounts receivable	428
Due from other funds	5,507
Due from other governments	59,515
Inventories	47,122
TOTAL CURRENT ASSETS	146,014
NONCURRENT ASSETS	
CAPITAL ASSETS	
Equipment	420,375
Less accumulated depreciation	(339,438)
NET CAPITAL ASSETS	80,937
TOTAL ASSETS	226,951
DEFERRED OUTFLOWS OF RESOURCES	273,178
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 500,129
 <u>LIABILITIES, DEFERRED INFLOWS OR RESOURCES, AND NET POSITION</u>	
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 8,163
Payroll liabilities	21,630
Unearned revenue	29,152
TOTAL CURRENT LIABILITIES	58,945
NONCURRENT LIABILITIES	
Long-term obligations	51,868
TOTAL LIABILITIES	110,813
DEFERRED INFLOWS OF RESOURCES	110,446
NET POSITION	
Net investment in capital assets	80,937
Restricted for pensions	110,864
Restricted for food service	87,069
TOTAL NET POSITION	278,870
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 500,129

The accompanying notes are an integral part of these statements.

SPARTA AREA SCHOOL DISTRICT
STATEMENT OF REVENUE, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2016

	FOOD SERVICE
OPERATING REVENUE	
Food sales	\$ 646,291
State sources	34,504
Federal sources	1,097,272
Other revenue	1,336
TOTAL OPERATING REVENUE	1,779,403
OPERATING EXPENSES	
Salaries and wages	520,914
Employee benefits	215,980
Purchased services	15,127
Supplies, food, and materials	991,448
Other	10,310
Depreciation	24,575
TOTAL OPERATING EXPENSES	1,778,354
OPERATING INCOME	1,049
NONOPERATING (EXPENSES)	
Loss on disposal of capital assets	(46,108)
(LOSS) BEFORE TRANSFERS AND CONTRIBUTIONS	(45,059)
OPERATING TRANSFER IN	18,994
CAPITAL CONTRIBUTIONS	20,858
CHANGE IN NET POSITION	(5,207)
NET POSITION - BEGINNING OF YEAR	284,077
NET POSITION - END OF YEAR	\$ 278,870

The accompanying notes are an integral part of these statements.

SPARTA AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2016

	FOOD SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sales of food	\$ 649,496
Cash received from other government payments	1,087,024
Cash payments to employees for services	(510,949)
Cash payments for employer paid benefits	(213,823)
Cash payments for purchased services	(15,127)
Cash payments to suppliers for goods and services	(999,514)
Cash payments for other operating expenses	(5,301)
NET CASH (USED IN) OPERATING ACTIVITIES	(8,194)
 CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfer from governmental funds	18,994
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition of property, plant and equipment	(11,906)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(1,106)
 CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	34,548
 CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 33,442
 RECONCILIATION OF OPERATING INCOME TO CASH (USED IN) OPERATING ACTIVITIES	
Operating income	\$ 1,049
Adjustments to reconcile operating income to net cash flows from operating activities	
Depreciation	24,575
Changes in assets and liabilities	
Decrease in receivables	3,205
Decrease in due from other funds	1,021
(Increase) in due from other governments	(44,752)
(Increase) in inventories	(16,529)
Decrease in prepaid expenses	1,203
(Increase) decrease in Wisconsin Retirement System net pension	114,046
(Increase) decrease in deferred outflows and inflows WRS pension	(111,889)
Increase in accounts payable	7,260
Increase in other accrued expenses	9,965
Increase in unearned revenue	2,652
Total adjustments	(9,243)
NET CASH (USED IN) OPERATING ACTIVITIES	\$ (8,194)
 NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Capital contributions	\$ 20,858
Donated commodities	\$ 90,439

The accompanying notes are an integral part of these financial statements.

SPARTA AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2016

	AGENCY FUND STUDENT ACTIVITY	TRUST FUNDS	
<u>ASSETS</u>		PRIVATE PURPOSE	EMPLOYEE BENEFIT
Cash and investments	<u>\$ 55,486</u>	<u>\$ 671,927</u>	<u>\$ 2,711,348</u>
 <u>LIABILITIES AND NET POSITION</u>			
LIABILITIES			
Due to other funds	\$ -	\$ -	\$ 445,052
Due to student organizations	<u>55,486</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	55,486	-	445,052
 NET POSITION			
Nonspendable			
Held in trust	<u>-</u>	<u>671,927</u>	<u>2,266,296</u>
 TOTAL LIABILITIES AND NET POSITION	 <u>\$ 55,486</u>	 <u>\$ 671,927</u>	 <u>\$ 2,711,348</u>

The accompanying notes are an integral part of these statements.

SPARTA AREA SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION
FIDUCIARY FUNDS
YEAR ENDED JUNE 30, 2016

	TRUST FUNDS	
	PRIVATE PURPOSE	EMPLOYEE BENEFIT
ADDITIONS		
Investment income	\$ 4,219	\$ 50,980
Contributions	67,861	-
TOTAL ADDITIONS	<u>72,080</u>	<u>50,980</u>
DEDUCTIONS		
Disbursements	<u>30,290</u>	<u>1,119,390</u>
CHANGE IN NET POSITION	41,790	(1,068,410)
NET POSITION - BEGINNING OF YEAR	<u>630,137</u>	<u>3,334,706</u>
NET POSITION - END OF YEAR	<u>\$ 671,927</u>	<u>\$ 2,266,296</u>

The accompanying notes are an integral part of these statements.

SPARTA AREA SCHOOL DISTRICT
Sparta, Wisconsin

NOTES TO THE BASIC FINANCIAL STATEMENTS

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS
JUNE 30, 2016

NOTE 1 - Summary of Significant Accounting Policies

The financial statements of the Sparta Area School District (the "District") have been prepared in conformity with generally accepted accounting principles (GAAP) in the United States of America as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below.

Reporting Entity - The Sparta Area School District is organized as a common school district. The District, governed by a seven member elected school board, operates grades pre-K through 12 and is comprised of all or parts of thirteen taxing districts.

The District's basic financial statements do not include any component units, as defined in GASB 14 and amended by GASB 39 and GASB 61, as there are no organizations which meet the criterion. The criterion for including a legally separate organization as a component unit is the degree of financial accountability the District has with the organization. A financial benefit or burden relationship needs to be present between the primary government and that organization for it to be included in the reporting entity as a component unit.

The following circumstances set forth the District's financial accountability for a legally separate organization: the District is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the District. The District may be financially accountable if an organization is fiscally dependent on the District regardless of whether the organization has (1) a separately-elected governing body, (2) a governing body appointed by a higher level of government, or (3) a jointly-appointed governing body. In addition, the primary government may determine, through exercise of management's professional judgment, that the inclusion of an organization that does not meet the financial accountability criteria is necessary in order to prevent the reporting entity's financial statements from being misleading.

Basis of Presentation

District-Wide Statements

The statement of net position and the statement of activities present financial information about the District's governmental activities. These statements include the financial activities of the overall government in its entirety, except those that are fiduciary. Eliminations have been made to minimize the double counting of internal transactions. Governmental activities generally are financed through taxes, intergovernmental revenue, and other nonexchange transactions.

The statement of activities presents a comparison between direct expenses and program revenue for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenue includes (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenue that is not classified as program revenue, including all taxes, is presented as general revenue.

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 1 - Summary of Significant Accounting Policies - Continued

Fund Financial Statements

The fund statements provide information about the District's funds, including proprietary and fiduciary funds. Separate statements for each fund category – governmental, proprietary, and fiduciary – are presented. The emphasis of fund financial statements is on major governmental and proprietary funds; each displayed in a separate column. All remaining governmental funds are aggregated and reported as non-major funds.

The District reports the following major governmental funds:

General Fund - is used for all financial activity that is not required to be accounted for in another fund. This is the District's primary operating fund.

Debt Service Fund - is used to account for and report financial resources that are restricted, committed or assigned to expenditure for principal and interest.

The District operates one proprietary fund, the Food Service Fund. This fund accounts for the activities of the District's food service programs.

The District has three fiduciary funds which account for assets held as an agent for various student organizations, an employee benefit trust and a private purpose trust.

Measurement Focus and Basis of Accounting

The district-wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

The governmental fund statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenue is recognized when measurable and available. The District considers all revenue reported in the governmental funds to be available if the revenue is collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 1 - Summary of Significant Accounting Policies - Continued

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

Under the terms of grant agreements, the District may fund certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenue. Therefore, when program expenses are incurred, both restricted and unrestricted net position may be available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, followed by general revenue.

Cash and Investments - The District's cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. All funds share common (pooled) checking and investment accounts unless regulations require separate investment accounts, such as the debt service fund.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average investment balances.

Property Tax Levy - Under Wisconsin law, personal property taxes and first and second installment real estate taxes are collected by municipal treasurers who then make proportional settlement with the District and county treasurer for those taxes collected on their behalf. Third installment real estate taxes and delinquent taxes are collected by the county treasurer who then makes settlement with the city, town, village, and the District before retaining any for county purposes. Taxes collected by the township are made in two installments, the first by the town, and the second by the county treasurer.

The District's property taxes are levied on or before November 1 on the equalized property valuation certified by the Department of Revenue. As permitted by a collecting municipality's ordinance, taxes may be paid in full or two or more installments with the first installment payable the subsequent January 31, and a final payment no later than the following July 31. The District is paid by the collecting municipality its proportionate share of tax collections received through the last day of the preceding month on or before January 15, and by the 20 of each subsequent month thereafter. On or before August 20, the county treasurer makes full settlement to the District for any remaining balance. The county assumes all responsibility for delinquent real estate property taxes.

Property taxes are recognized as revenue in the period for which the taxes are levied. The 2015 tax levy is used to finance operations of the District's fiscal year ended June 30, 2016. All property taxes are considered due on January 1, when an enforceable lien may be assessed against the property and the taxpayer is liable for the taxes. All taxes are collected within 60 days of June 30 and are available to pay current liabilities.

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 1 - Summary of Significant Accounting Policies - Continued

Accounts Receivable - Accounts receivable are recorded at gross amounts with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material.

Due To/From Other Funds - During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as due to and from other funds. The amounts reported on the statement of net position for receivable/payable from external parties represents amount due between different fund types (governmental activities and fiduciary funds). Eliminations have been made for amounts due to and due from within the same fund type.

Interfund Transactions - Non-exchange transactions which are not borrowing/lending (will not be repaid) are recorded as operating transfers, and exchange transactions are recorded as revenue and expenses. Nonrecurring or nonroutine permanent transfers of equity are reported as residual equity transfers.

Inventories - Inventories are valued at cost using the first-in/first-out method. The costs of inventories are recorded as expenditures when consumed rather than when purchased.

Prepays - Prepaid items represent payments for goods or services for which benefits extend beyond June 30. A nonspendable fund balance has been recognized for these prepaid items to signify a portion of fund balance is not available for other subsequent expenditures.

Capital Assets - Capital assets are reported at actual cost or estimated historical costs, based on appraisals conducted by an independent third-party professional appraisal firm. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar value above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the district-wide statements are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings and improvements	\$5,000	Straight-line	20-50 years
Land improvements	\$5,000	Straight-line	20-50 years
Furniture and equipment	\$5,000	Straight-line	5-20 years

Compensated Absences - The District's policy permits employees to accumulate earned, but unused vacation benefits, which are eligible for payment upon separation from government service. Classified employees are allowed to receive paid vacation time based on the work hours stated on their letter of intent and their number of years of employment with the district. A maximum of 80 hours may be carried over from one contract year to the next. Middle Management employees are granted twelve vacation days per year, to increase based on years of service, continuing to a maximum of twenty-two days. Administrators contracted to work 260 days are entitled to twenty-two days of paid vacation per year, to increase based on years of service, continuing to a maximum of six weeks. A maximum of 64 hours may be carried over from one contract year to the next. Administrators that are contracted to work less than 260 days are entitled to five days of paid vacation per year, to increase based on years of service, continuing to a maximum of ten days. These days may not be carried over from one contract year to the next. The District is liable for \$61,646 of accrued vacation as of June 30, 2016.

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 1 - Summary of Significant Accounting Policies - Continued

District employees earn paid leave days annually. Upon accumulation above the maximum days or termination of employment, any unused paid leave days will be paid at a rate of \$2.00 per hour for Classified staff and \$20.00 per day for Administrators and Certified and Middle Management employees. The district is liable for \$244,252 of unused personal paid leave as of June 30, 2016.

The entire compensated absence liability is reported on the government-wide financial statements. For governmental fund financial statements, the unpaid compensated absences are not expected to be paid using expendable available resources and, therefore, the liability is not reported.

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

Deferred Outflows and Inflows of Resources - In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expenditure) until then. The District has one item that qualifies for reporting in this category. The deferred outflows of resources are for the WRS pension system.

In addition to liabilities, the statement of financial position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element represents an acquisition of net position which applies to future periods and so will not be recognized as an inflow of resources (revenue) until then. The District has one item that qualifies for reporting in this category. The deferred inflows of resources are related to the WRS pension system.

Estimates - The preparation of the financial statements in conformity with generally accepted accounting principles 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.

Claims and Judgments - They are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

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

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 1 - Summary of Significant Accounting Policies - Continued

Fund Balance Classifications - The District classifies its fund equity as follows: 1) nonspendable fund balance consists of equity that is not in a spendable form or is legally or contractually required to be maintained intact, 2) restricted fund balance consists of equity constrained to specific purposes by their providers, externally imposed by creditors, constitutional provisions or by enabling legislation, 3) committed fund balance consists of equity constrained to specific purposes by the District itself, using its highest level of decision making authority - Board of Education policies, 4) assigned fund balance consists of equity the governing body intends to use for a specific purpose, intent can be expressed by the governing body. The Board of Education has authorized the Director of Business Services to assign fund balances according to the District's policy, and 5) unassigned fund balance consists of equity available for any purpose.

When net losses occur, it is the District's policy to record the net loss against committed fund balance, then assigned fund balance and lastly to unassigned fund balance (GASB 54 default for not having a policy). The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net positions are available.

NOTE 2 - Cash and Investments

State statutes permit the District to invest available cash balances, other than debt service funds, in time deposits of authorized depositories, state obligations, U.S. Treasury obligations, U.S. agency issues, repurchase agreements and other investments secured by federal securities, high grade commercial paper, and the local government investment pool administered by the state investment board. Available balances in the debt service fund may be invested in municipal obligations, obligations of the United States and the local government pooled-investment fund. No significant violations of these restrictions occurred during the year.

As of June 30, 2016, the District had the following investments:

<u>INVESTMENT</u>	<u>WEIGHTED AVERAGE MATURITY</u>	<u>FAIR VALUE</u>
State of Wisconsin Investment Pool	Less than one year	\$ 5,773,154
MidAmerica Trust	Less than one year	2,711,348
Fixed Annuities	Less than one year	13,295
Certificates of deposit	Less than one year	<u>547,106</u>
		<u>\$ 9,044,903</u>

Investment Pool Information - Participation in the State of Wisconsin Local Government Investment Pool is voluntary. The Pool's regulatory oversight is provided by state statutes and its investment board. The fair value of the District's position in the Pool is the same as the value of the Pool shares. At June 30, 2016, the Pool's fair value was 100 percent of book value.

Determining Fair Value - The District categorizes its fair value measurements with in the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets; level 2 inputs are significant other observable inputs; level 3 inputs are significant unobservable inputs. The District has the following recurring fair value measurements:

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 2 - Cash and Investments - Continued

- 1) MidAmerica Trust fair value is determined based on published market quotations (level 1 inputs).
- 2) State of Wisconsin Local Government Investment Pool fair value is determined monthly by the Pool's investment board based on published market quotations (level 2 inputs).
- 3) Fixed annuities fair value is determined using the present value technique (level 2 inputs).

Income Allocation - Interest income is generally allocated to the fund that owns the certificate of deposit, money market account, savings account, and investment.

Interest Rate Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to those which mature or may be tendered for purchase at the option of the holder within not more than 7 years of the date acquired. The District's investment policy requires Certificates of Deposit with maturities of three years or less as a means of further managing its exposure to fair value losses arising from increasing interest rates.

Credit Risk - State statutes limit investments in commercial paper, corporate bonds, and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District's investment policy further limits its investment choices as follows:

1. Bonds and other securities guaranteed as to principal and interest by the federal government or by a commission, board or other instrumentality of the federal government.
2. Certificates of deposit with maturities of three years or less in financial institutions which are financially secure and deposits are insured by the FDIC and/or the State Deposit Guarantee Fund.
3. Wisconsin Investment Series Cooperative.
4. Local Government Pooled Investment Fund.
5. Repurchase agreements with bank and other financial institutions if the agreement is secured by an independent third party by bonds or securities issued or guaranteed as to principal and interest by the federal government. If the market value of the bonds or securities falls below the repurchase price, additional collateral must be provided.

The State of Wisconsin Local Government Investment Pool and money market fund are not rated. The MidAmerica Trust is invested in fixed interest annuities that are rated AA. All other investments were not rated.

Custodial Credit Risk - Custodial credit is the risk that, in the event of a financial institution failure, the District's deposits may not be returned. The District's investment policy requires that deposits shall be limited to the lesser of amounts guaranteed by FDIC and the State Deposit Guarantee Fund unless overnight funds in excess are fully collateralized by U.S. Government Obligations and Agency Securities. The State of Wisconsin's Public Deposit Guarantee Fund created under Chapter 34 of the Wisconsin Statutes protects the municipality's designated public depositories against any losses of public funds up to \$400,000 subject to the total amount of the Guarantee Fund available. As of June 30, 2016, \$994,678 of the District's bank balance of \$2,181,738 was exposed to custodial credit risk as uninsured, pledged collateral, collateralized by U.S. Government securities held by the bank in the District's name. There were no deposits that were uninsured and uncollateralized.

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 3 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2016, are as follows:

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>ADJUSTMENTS</u>	<u>ENDING BALANCE</u>
GOVERNMENTAL ACTIVITIES:					
Capital assets not being depreciated:					
Land	\$ 728,750	\$ -	\$ -	\$ -	\$ 728,750
Construction in progress	<u>1,130,918</u>	<u>1,573,975</u>	<u>-</u>	<u>(2,416,568)</u>	<u>288,325</u>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>1,859,668</u>	<u>1,573,975</u>	<u>-</u>	<u>(2,416,568)</u>	<u>1,017,075</u>
Capital assets being depreciated:					
Land improvements	2,401,836	5,159	(134,676)	-	2,272,319
Buildings and improvements	46,279,345	219,508	(73,044)	2,511,877	48,937,686
Furniture and equipment	<u>7,816,464</u>	<u>167,835</u>	<u>(5,254,386)</u>	<u>-</u>	<u>2,729,913</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>56,497,645</u>	<u>392,502</u>	<u>(5,462,106)</u>	<u>2,511,877</u>	<u>53,939,918</u>
Less accumulated depreciation for:					
Land improvements	(1,286,212)	(116,940)	64,613	-	(1,338,539)
Buildings and improvements	(16,002,383)	987,546	11,913	-	(16,978,016)
Furniture and equipment	<u>(5,639,278)</u>	<u>(171,577)</u>	<u>3,903,240</u>	<u>-</u>	<u>(1,907,615)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(22,927,873)</u>	<u>(1,276,063)</u>	<u>3,979,766</u>	<u>-</u>	<u>(20,224,170)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET OF ACCUMULATED DEPRECIATION	<u>33,569,772</u>	<u>(883,561)</u>	<u>(1,482,340)</u>	<u>2,511,877</u>	<u>33,715,748</u>
GOVERNMENTAL ACTIVITIES CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$35,429,440</u>	<u>\$ 690,414</u>	<u>\$(1,482,340)</u>	<u>\$ 95,309</u>	<u>\$34,732,823</u>

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 7,780
Vocational instruction	12,186
Instructional staff services	12,227
Business services	325
Operations and maintenance	1,138,509
Pupil transportation	16,701
Central services	<u>88,335</u>
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	<u>\$ 1,276,063</u>

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 3 - Capital Assets - Continued

	<u>BEGINNING BALANCE</u>	<u>ADDITIONS</u>	<u>DELETIONS</u>	<u>ENDING BALANCE</u>
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated	\$ 678,514	\$ 32,764	\$ (290,903)	\$ 420,375
Less: accumulated depreciation	<u>(559,658)</u>	<u>(24,575)</u>	<u>244,795</u>	<u>(339,438)</u>
TOTAL CAPITAL ASSETS	<u>\$ 118,856</u>	<u>\$ 8,189</u>	<u>\$ (46,108)</u>	<u>\$ 80,937</u>

Depreciation expense was charged to business-type activities functions as follows:

Food service \$ 24,575

NOTE 4 - Short-Term Note Payable

A short-term note payable issued by the District to temporarily cover operating expenses is as follows:

<u>TYPE</u>	<u>BEGINNING BALANCE</u>	<u>INCREASES</u>	<u>DECREASES</u>	<u>ENDING BALANCE</u>
Revenue Anticipation Promissory Note, issued June 6, 2016. Maturity date of June 6, 2017, with interest at 2.75 percent.	<u>\$ -</u>	<u>\$ 1,000,000</u>	<u>\$(1,000,000)</u>	<u>\$ -</u>

NOTE 5 - Long-Term Obligations

Long-term obligations are as follows:

	<u>BALANCE 7/1/15</u>	<u>ADDITIONS</u>	<u>REDUCTIONS</u>	<u>BALANCE 6/30/16</u>	<u>AMOUNT DUE WITHIN ONE YEAR</u>
<u>Governmental Activities:</u>					
Bonds payable	\$ 6,375,000	\$ -	\$(1,620,000)	\$4,755,000	\$ 1,640,000
Notes payable	997,596	-	(213,932)	783,664	223,664
Vested vacation pay	59,544	2,102	-	61,646	6,165
Paid leave	248,299	-	(4,047)	244,252	24,425
Wisconsin Retirement System net pension liability	-	1,709,800	-	1,709,800	-
Net OPEB obligation	<u>(1,882,241)</u>	<u>20,086</u>	<u>-</u>	<u>(1,862,155)</u>	<u>-</u>
	<u>\$ 5,798,198</u>	<u>\$1,731,988</u>	<u>\$(1,837,979)</u>	<u>\$5,692,207</u>	<u>\$ 1,894,254</u>
<u>Business-Type Activities</u>					
Wisconsin Retirement System net pension liability	<u>\$ -</u>	<u>\$ 51,868</u>	<u>\$ -</u>	<u>\$ 51,868</u>	<u>\$ -</u>

In prior years, the general and food service funds liquidated vested employee benefits. Interest cost incurred during the year totaled \$78,522 and total interest paid during the year aggregated \$86,650 including \$917 for short-term borrowing.

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 5 - Long-Term Obligations - Continued

General Obligation Debt - All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The general obligation debt is expected to be repaid with general property taxes. General obligation debt at June 30, 2016 is comprised of the following individual issues:

<u>DESCRIPTION</u>	<u>ISSUE DATE</u>	<u>INTEREST RATE %</u>	<u>DATE OF MATURITY</u>	<u>BALANCE 6/30/16</u>
Refunding bonds	12/02/2011	0.8% - 1.7%	03/01/2018	\$ 790,000
Refunding bonds	12/03/2012	0.8% - 1.0%	03/01/2019	3,965,000
State Trust Fund Loan	11/29/2011	3.75%	03/15/2018	13,664
Promissory notes	05/14/2015	2.0% - 3.0%	03/01/2020	770,000
TOTAL GENERAL OBLIGATION DEBT				<u>\$ 5,538,664</u>

General Obligation Debt Limit Calculation - The 2015 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,008,495,918. The legal debt limit and margin of indebtedness as of June 30, 2016, in accordance with Section 67.03(1) (b) of the Wisconsin Statutes follows:

Debt limit (10 percent of (\$1,008,495,918))	\$ 100,849,592
Deduct long-term debt applicable to debt margin	(5,538,664)
Amount available in debt service fund	<u>41,291</u>
MARGIN OF INDEBTEDNESS	<u>\$ 95,352,219</u>

Maturities of Long-Term Obligations - Aggregate cash flow requirements for the retirement of long-term debt principal and interest are as follows:

<u>YEARS</u>	<u>PRINCIPAL</u>	<u>INTEREST</u>	<u>TOTAL</u>
2017	\$ 1,863,664	\$ 68,662	\$ 1,932,326
2018	1,885,000	46,030	1,931,030
2019	1,690,000	24,500	1,714,500
2020	100,000	3,000	103,000
TOTAL	<u>\$ 5,538,664</u>	<u>\$ 142,192</u>	<u>\$ 5,680,856</u>

NOTE 6 - Wisconsin Retirement System

Plan Description - The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 6 - Wisconsin Retirement System - Continued

Vesting - For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Benefits Provided - Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments - The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 6 - Wisconsin Retirement System - Continued

Contributions - Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$1,042,076 in contributions from the employer.

Contribution rates as of June 30, 2016 are:

Employee Category	Employee	Employer
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

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

At June 30, 2016, the District reported a liability (asset) of \$1,761,668 for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability (asset) was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2015, the District's proportion was 0.010841158%, which was an increase of 0.00005067% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$2,111,342.

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 297,885	\$ 3,707,398
Changes in assumptions	1,232,536	-
Net differences between projected and actual earnings on pension plan investments	7,212,317	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	43,892
Employer contributions subsequent to the measurement date	535,695	-
Total	\$ 9,278,433	\$ 3,751,290

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 6 - Wisconsin Retirement System - Continued

\$535,695 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	Deferred Outflow of Resources	Deferred Inflows of Resources
2017	\$2,269,919	\$ 909,836
2018	2,269,919	909,836
2019	2,269,919	909,836
2020	1,893,553	902,978
2021	39,428	118,804

Actuarial Assumptions - The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

** No Post-Retirement Adjustment is Guaranteed - Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 - 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 6 - Wisconsin Retirement System - Continued

Long-Term Expected Return on Plan Assets - 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. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
<u>Core Fund Asset Class</u>				
U.S. Equities	27	23	7.6	4.7
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	120	7.4	4.5
<u>Variable Fund Asset Class</u>				
U.S. Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
Total Variable Fund	100	100	7.9	5.0
New England Pension Consultants Long-Term US CPI (Inflation) Forecast : 2.75%				
Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations				

Single Discount Rate - A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single 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 (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 6 - Wisconsin Retirement System - Continued

Sensitivity of the District's Proportionate Share of the Net Pension Liability (Asset) to Changes in the Discount Rate - The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase To Discount Rate (8.20%)
Sparta Area School District's proportionate share of the net pension liability (asset)	\$ 12,356,367	\$ 1,761,668	\$ (6,512,982)

Pension Plan Fiduciary Net Position - Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

Payables to the Pension Plan

At June 30, 2016, the District reported a payable of \$167,832 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2016.

NOTE 7 - Interfund Balance and Activity

Interfund receivable and payable balances on June 30, 2016, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Package Cooperative	\$ 11,661
General	Other Capital Projects	56
General	Employee Benefit Trust	439,545
Long-Term Capital Improvement Trust	General	200,000
Food Service	Employee Benefit Trust	5,507
		<u>\$ 656,769</u>

The above balances resulted from the timing differences between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made. All amounts are due within one year. For the statement of net position, interfund balances which are owed within the governmental activities and business-type activities are netted and eliminated.

Interfund transfers at June 30, 2016 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General	Debt Service	\$ 206,044
General	Food Service	18,994
General	Other Capital Projects	200,100
		<u>\$ 425,138</u>

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 7 - Interfund Balance and Activity - Continued

Generally, transfers are used to move revenue from the fund that collects them to the fund that the budget requires to expend them and use unrestricted revenue collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

NOTE 8 - Post Employment Benefits Other Than Pensions

Plan Description - The District, through its substantive commitment to provide other post employment benefits (OPEB), maintains a single-employer defined benefit plan to provide certain post retirement healthcare benefits to former employees who meet retirement eligibility requirements and continue retiree medical coverage for a specified period. The District is under contractual obligation to provide these healthcare benefits. Because the Plan consists solely of the District's firm commitment to provide OPEB through the payment of funds to an HRA account which the retiree can use to pay for health insurance, no stand-alone financial report is either available or generated.

Funding Policy - For eligible teachers, the District deposits a predetermined amount into an HRA account on a quarterly basis. The amounts deposited are determined by the teachers' years of service and final scheduled salaries. For eligible administrators, funds are deposited on a pay-as-you-go basis as needed to cover health insurance costs. Both groups have a maximum amount that can be deposited. For the year ended June 30, 2016, the District contributed \$285,213 to eligible retirees' HRA accounts.

Annual OPEB Cost and Net OPEB Obligation - The District's annual OPEB cost is calculated based on the annual required contribution (ARC) of the District, an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period of 30 years. The following illustrates the components of the District's annual OPEB cost for the year, the amount actually contributed to the Plan, and changes in the District's net OPEB obligation:

Annual required contribution	\$	-	
Interest on net OPEB obligation		(75,290)	
Adjustment to annual required contribution		95,376	
ANNUAL OPEB COST		20,086	
Contributions made		-	
Increase in net OPEB obligation		20,086	
Net OPEB obligation - beginning of year		(1,882,241)	
NET OPEB OBLIGATION - END OF YEAR		\$ (1,862,155)	

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the Plan, and the net OPEB obligation are as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation End of Year
2014	<u>\$ 663,894</u>	0.0%	<u>\$(1,876,889)</u>
2015	<u>\$ (5,352)</u>	0.0%	<u>\$(1,882,241)</u>
2016	<u>\$ 20,086</u>	0.0%	<u>\$(1,862,155)</u>

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 8 - Post Employment Benefits Other Than Pensions - Continued

Funding Status and Funding Progress - As of July 1, 2015, the most recent actuarial valuation date, the Plan was funded in the amount of \$3,959,906 or 196.7% of the actuarial accrued liability (AAL). The AAL for benefits equaled \$2,013,291, resulting in an unfunded actuarial accrued liability (asset) (UAAL) of (\$1,946,615). The covered payroll (annual payroll of active employees covered by the Plan) equaled \$15,575,510, and the ratio of the UAAL to the covered payroll is (12.4%).

Actuarial Methods and Assumptions - Actuarial valuations of the Plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. The actuarial determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. Projections of benefits are based on the types of benefits provided under the Plan at the time of each valuation and on the pattern of sharing of benefit costs between the employer and plan members. Projections of benefits for financial reporting purposes do not explicitly incorporate the potential effects of unknown legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. The actuarial calculations reflect a long-term perspective and actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and assets.

The schedule of funding progress, presented as RSI following the notes to the basic financial statements, presents multi-year trend information about whether the actuarial value of Plan assets is increasing or decreasing over time relative to the actuarial accrued liability for benefits.

The actuarial valuation, dated July 1, 2015, used the projected unit credit cost method. The assumptions and methods used in the valuation were: 4.0% to discount expected liabilities to valuation date, 3.0% per annum salary increases (8.0% medical healthcare cost trend rate) and mortality, turnover, and retirement rates based on the Wisconsin retirement system experience study, and level percentage amortization method over 24 years.

NOTE 9 - Fund Balance and Net Position

Portions of fund balances and net position are not available for current appropriation or expenditure as follows:

	<u>Purpose</u>	<u>Amount</u>
<u>Governmental Fund</u>		
General		
Nonspendable	Prepays	\$ 82,705
Assigned	Specific expense	46,691
Special revenue trust		
Nonspendable	Prepays	320
Assigned	Specific expenses	161,109
Community service		
Restricted	Specific expenses	2,094
Debt service		
Restricted	Principal and interest	41,291
Long-term capital improvement trust		
Restricted	DPI regulation	200,100
Total Governmental Fund Balances not available for current appropriation		<u>\$ 534,310</u>

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 9 - Fund Balance and Net Position - Continued

Governmental Activities

Restricted		
Special revenue	Community service activity	\$ 2,094
Debt service	Principal and interest	41,291
Capital projects	DPI regulation	200,100
Other activities	Wisconsin Retirement System pension	3,654,611
Total Governmental Activities Restricted Net Position		<u>\$ 3,898,096</u>

Proprietary Fund and Business-Type Activities

Restricted		
Pension	Wisconsin Retirement System pension	\$ 110,864
Food service	DPI regulations	87,069
Total Proprietary Fund and Business-Type Activities Restricted Net Position		<u>\$ 197,933</u>

The following individual funds had deficits at June 30, 2016:

Capital projects	Awaiting future revenue for capital projects	<u>\$ (10)</u>
------------------	--	-----------------------

NOTE 10 - Risk Management

The District is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; employee health and accident claims; and natural disasters. For all risks of loss, the District's policy is to purchase commercial insurance. Settled claims have not exceeded commercial coverage in any of the past three years and there has been no significant reduction in insurance coverage from coverage in the prior year.

NOTE 11 - Commitments and Contingencies

The District has entered into three operating lease agreements. The first is in effect July 1, 2015 through July 15, 2018 for computer equipment with remaining payments over this term expected to total \$323,060. Another lease is for welders in effect July 1, 2015 through July 1, 2019 with remaining payments amounting to \$62,604. The third lease is for phones in effect October 1, 2015 through October 1, 2020, with remaining payments expected to equal \$127,500.

The total estimated costs of these agreements for the following school years are:

2016-2017	\$ 158,555
2017-2018	158,555
2018-2019	158,555
2019-2020	30,000
2020-2021	7,500
	<u>\$ 513,164</u>

The District's transportation agreement is effective June 13, 2016 through June 30, 2020. The fees are based on the number of buses used and distance traveled so the amounts to be paid in future years are variable.

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2016

NOTE 11 - Commitments and Contingencies - Continued

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the District's attorney that the likelihood is remote that any such claims or proceedings will have a material effect on the District's financial position or results of operations.

NOTE 12 - Limitation of School District Revenue

Wisconsin statutes limit the amount of revenue school districts may derive from general school aids and property taxes. This limitation does not apply to revenue needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following: (a) a resolution of the school board or by a referendum prior to August 12, 1993 and (b) a referendum on or after August 12, 1993.

NOTE 13 - Prior Period Adjustment

A prior period adjustment of \$95,309 on the District-Wide Statement of Activities was made to adjust capital assets.

SPARTA AREA SCHOOL DISTRICT
Sparta, Wisconsin

REQUIRED SUPPLEMENTARY INFORMATION

SPARTA AREA SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE FOR THE GENERAL FUND
BUDGET AND ACTUAL
YEAR ENDED JUNE 30, 2016

	ORIGINAL BUDGETED AMOUNTS			FINAL BUDGETED AMOUNTS			ACTUAL AMOUNTS			VARIANCE WITH FINAL BUDGET POSITIVE (NEGATIVE)
	GENERAL	SPECIAL EDUCATION	TOTAL	GENERAL	SPECIAL EDUCATION	TOTAL	GENERAL	SPECIAL EDUCATION	TOTAL	
REVENUE										
Property taxes	\$ 7,795,216	\$ -	\$ 7,795,216	\$ 8,349,061	\$ -	\$ 8,349,061	\$ 8,349,060	\$ -	\$ 8,349,060	\$ (1)
Other local sources	74,530	-	74,530	112,404	427	112,831	113,353	427	113,780	949
Interdistrict sources	263,500	20,000	283,500	288,373	27,270	315,643	280,743	7,669	288,412	(27,231)
Intermediate sources	-	-	-	7,843	-	7,843	7,843	-	7,843	-
State sources	20,749,181	1,036,000	21,785,181	20,722,092	1,041,676	21,763,768	20,693,322	1,041,676	21,734,998	(28,770)
Federal sources	1,246,223	801,523	2,047,746	1,591,746	1,411,483	3,003,229	1,178,955	994,034	2,172,989	(830,240)
Other sources	95,000	-	95,000	145,661	-	145,661	144,041	-	144,041	(1,620)
TOTAL REVENUE	30,223,650	1,857,523	32,081,173	31,217,180	2,480,856	33,698,036	30,767,317	2,043,806	32,811,123	(886,913)
EXPENDITURES										
Current										
Instruction										
Regular instruction	12,433,127	-	12,433,127	13,118,986	-	13,118,986	12,646,526	-	12,646,526	472,460
Vocational instruction	808,480	-	808,480	897,149	3,492	900,641	864,738	1,979	866,717	33,924
Special instruction	-	3,357,448	3,357,448	-	3,706,657	3,706,657	-	3,503,614	3,503,614	203,043
Other instruction	1,124,106	-	1,124,106	1,173,645	-	1,173,645	1,135,895	-	1,135,895	37,750
Total instruction	14,365,713	3,357,448	17,723,161	15,189,780	3,710,149	18,899,929	14,647,159	3,505,593	18,152,752	747,177
Support services										
Pupil services	755,040	486,061	1,241,101	911,608	562,494	1,474,102	876,790	511,698	1,388,488	85,614
Instructional staff services	1,914,981	156,442	2,071,423	2,192,227	256,269	2,448,496	1,891,965	207,550	2,099,515	348,981
General administration services	581,546	-	581,546	615,064	-	615,064	574,981	-	574,981	40,083
Building administration services	1,512,971	-	1,512,971	1,534,587	-	1,534,587	1,439,768	-	1,439,768	94,819
Business services	1,114,020	-	1,114,020	717,526	-	717,526	651,704	-	651,704	65,822
Operations and maintenance	3,900,102	-	3,900,102	2,665,882	3,100	2,668,982	2,560,220	1,373	2,561,593	107,389
Pupil transportation	1,393,855	246,150	1,640,005	1,349,637	318,117	1,667,754	1,289,045	303,061	1,592,106	75,648
Central services	704,720	-	704,720	810,239	13,000	823,239	655,790	4,693	660,483	162,756
Insurance	287,000	-	287,000	303,181	-	303,181	301,337	-	301,337	1,844
Other support services	13,800	-	13,800	16,314	-	16,314	14,713	-	14,713	1,601
Community services	-	-	-	30,000	-	30,000	30,000	-	30,000	-
Total support services	12,178,035	888,653	13,066,688	11,146,265	1,152,980	12,299,245	10,286,313	1,028,375	11,314,688	984,557
Non-program transactions	741,000	103,000	844,000	841,770	496,291	1,338,061	846,050	433,162	1,279,212	58,849
Debt service										
Interest	-	-	-	-	-	-	917	-	917	(917)
Capital outlay	-	-	-	1,087,632	-	1,087,632	1,087,632	-	1,087,632	-
TOTAL EXPENDITURES	27,284,748	4,349,101	31,633,849	28,265,447	5,359,420	33,624,867	26,868,071	4,967,130	31,835,201	1,789,666
EXCESS (DEFICIENCY) OF REVENUE OVER OVER EXPENDITURES	2,938,902	(2,491,578)	447,324	2,951,733	(2,878,564)	73,169	3,899,246	(2,923,324)	975,922	(902,753)
OTHER FINANCING SOURCES (USES)										
Transfer (to) from other funds	(3,204,519)	2,531,578	(672,941)	(2,963,573)	3,131,080	167,507	(3,348,462)	2,923,324	(425,138)	592,645
Sale of capital assets	-	-	-	11,840	-	11,840	11,840	-	11,840	-
TOTAL OTHER FINANCING (USES) SOURCE	(3,204,519)	2,531,578	(672,941)	(2,951,733)	3,131,080	179,347	(3,336,622)	2,923,324	(413,298)	592,645
NET CHANGE IN FUND BALANCE	(265,617)	40,000	(225,617)	-	252,516	252,516	562,624	-	562,624	310,108
FUND BALANCE - BEGINNING OF YEAR	6,378,821	-	6,378,821	6,378,821	-	6,378,821	6,378,821	-	6,378,821	-
FUND BALANCE - END OF YEAR	\$ 6,113,204	\$ 40,000	\$ 6,153,204	\$ 6,378,821	\$ 252,516	\$ 6,631,337	\$ 6,941,445	\$ -	\$ 6,941,445	\$ 310,108

The accompanying notes are an integral part of these statements.

SPARTA AREA SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
ON BUDGETARY ACCOUNTING AND CONTROL
YEAR ENDED JUNE 30, 2016

NOTE 1 - Budgetary Information - Budgets are adopted each fiscal year for all funds in accordance with Section 65.90 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction. The legally adopted budget and budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by a Board of Education resolution.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. Based upon requests from District staff, the District Administration recommends budget proposals to the Board of Education.
2. The Board of Education prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
3. A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
4. Pursuant to the budget hearing, the Board of Education may make alterations to the proposed budget.
5. After the Board of Education (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire Board of Education.
6. Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance.
7. Encumbrance accounting is not used.
8. Budgets are adopted on a basis consistent with generally accepted accounting principles.

SPARTA AREA SCHOOL DISTRICT
SCHEDULE OF FUNDING PROGRESS - POST EMPLOYMENT HEALTHCARE
JUNE 30, 2016

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
2014						
7/1/12	\$ 2,904,159	\$ 5,994,815	\$ 3,090,656	48.4%	\$ 10,797,702	28.6%
2015						
7/1/14	3,873,900	2,075,530	(1,798,370)	186.6%	11,363,191	-15.8%
2016						
7/1/15	3,959,906	2,013,291	(1,946,615)	196.7%	15,757,510	-12.4%

SCHEDULE OF EMPLOYER CONTRIBUTIONS

Year Ended June 30	Annual Required Contribution	Actual Contribution	Percentage Contributed
2014	\$ -	\$ -	0.0%
2015	-	-	0.0%
2016	-	-	0.0%

SPARTA AREA SCHOOL DISTRICT
WISCONSIN RETIREMENT SYSTEM SCHEDULES
JUNE 30, 2016

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
Last 10 Fiscal Years *

	2015	2016
Proportion of the net pension liability (asset)	0.10836091%	0.10841158%
Proportionate share of the net pension liability (asset)	\$ (2,661,640)	\$ 1,761,668
Covered employee payroll	\$15,028,048	\$ 15,324,489
Proportionate share of the net pension liability (asset) as a percentage of its covered employee payroll	-17.71%	11.50%
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%	98.20%

SCHEDULE OF CONTRIBUTIONS
Last 10 Fiscal Years *

	2015	2016
Contractually required contributions	\$ 1,051,966	\$ 1,042,076
Contributions in relation to the contractually required contributions	(1,051,966)	(1,042,076)
Contribution deficiency (excess)	<u>\$ -</u>	<u>\$ -</u>
Covered employee payroll	\$15,028,148	\$ 15,324,489
Contributions as a percentage of covered employee payroll	7.00%	6.80%

* The amounts presented for each fiscal year were determined as of the calendar year end which occurred within the fiscal year.

The District implemented the Government Accounting Standards Board Statement No. 68 for the year ended June 30, 2015. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 8 preceding years.

Notes to Required Supplementary Information for the Year Ended June 30, 2016

Changes of benefit terms - there were no changes of benefit terms for any participating employer in the Wisconsin Retirement System.

Changes of assumptions - there were no changes in the assumptions.

SPARTA AREA SCHOOL DISTRICT
Sparta, Wisconsin

OTHER SUPPLEMENTARY INFORMATION

SPARTA AREA SCHOOL DISTRICT
COMBINING BALANCE SHEETS
GENERAL FUND
JUNE 30, 2016

<u>ASSETS</u>	<u>GENERAL FUND</u>	<u>SPECIAL EDUCATION FUND</u>	<u>TOTAL GENERAL FUND</u>
Cash and investments	\$ 5,472,382	\$ 278,411	\$ 5,750,793
Receivables			
Accounts	95,677	-	95,677
Taxes	2,573,980	-	2,573,980
Due from other funds	420,728	30,534	451,262
Due from other governments	1,175,919	147,857	1,323,776
Prepays	<u>82,705</u>	<u>-</u>	<u>82,705</u>
TOTAL ASSETS	<u>\$ 9,821,391</u>	<u>\$ 456,802</u>	<u>\$ 10,278,193</u>
 <u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ 200,496	\$ 18,468	\$ 218,964
Accrued liabilities			
Payroll	2,478,474	438,334	2,916,808
Other	976	-	976
Due to other funds	<u>200,000</u>	<u>-</u>	<u>200,000</u>
TOTAL LIABILITIES	<u>2,879,946</u>	<u>456,802</u>	<u>3,336,748</u>
 FUND BALANCES			
Nonspendable	82,705	-	82,705
Assigned	46,691	-	46,691
Unassigned	<u>6,812,049</u>	<u>-</u>	<u>6,812,049</u>
TOTAL FUND BALANCES	<u>6,941,445</u>	<u>-</u>	<u>6,941,445</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 9,821,391</u>	<u>\$ 456,802</u>	<u>\$ 10,278,193</u>

SPARTA AREA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GENERAL FUND
JUNE 30, 2016

	GENERAL FUND	SPECIAL EDUCATION FUND	TOTAL GENERAL FUND
REVENUE			
Property taxes	\$ 8,349,060	\$ -	\$ 8,349,060
Other local sources	113,353	427	113,780
Interdistrict sources	280,743	7,669	288,412
Intermediate sources	7,843	-	7,843
State sources	20,693,322	1,041,676	21,734,998
Federal sources	1,178,955	994,034	2,172,989
Other sources	144,041	-	144,041
TOTAL REVENUE	30,767,317	2,043,806	32,811,123
EXPENDITURES			
Current			
Instruction			
Regular instruction	12,646,526	-	12,646,526
Vocational instruction	864,738	1,979	866,717
Special instruction	-	3,503,614	3,503,614
Other instruction	1,135,895	-	1,135,895
Total instruction	14,647,159	3,505,593	18,152,752
Support services			
Pupil services	876,790	511,698	1,388,488
Instructional staff services	1,891,965	207,550	2,099,515
General administration services	574,981	-	574,981
Building administration services	1,439,768	-	1,439,768
Business services	651,704	-	651,704
Operations and maintenance	2,560,220	1,373	2,561,593
Pupil transportation	1,289,045	303,061	1,592,106
Central services	655,790	4,693	660,483
Insurance	301,337	-	301,337
Other support services	14,713	-	14,713
Community services	30,000	-	30,000
Total support services	10,286,313	1,028,375	11,314,688
Non-program transactions	846,050	433,162	1,279,212
Debt service			
Interest	917	-	917
Capital outlay	1,087,632	-	1,087,632
TOTAL EXPENDITURES	26,868,071	4,967,130	31,835,201
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	3,899,246	(2,923,324)	975,922
OTHER FINANCING (USES) SOURCES			
Net transfer (to) from other funds	(3,348,462)	2,923,324	(425,138)
Sale of capital assets	11,840	-	11,840
TOTAL OTHER FINANCING (USES) SOURCES	(3,336,622)	2,923,324	(413,298)
NET CHANGE IN FUND BALANCE	562,624	-	562,624
FUND BALANCE - BEGINNING OF YEAR	6,378,821	-	6,378,821
FUND BALANCE - END OF YEAR	\$ 6,941,445	\$ -	\$ 6,941,445

SPARTA AREA SCHOOL DISTRICT
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2016

	<u>SPECIAL REVENUE FUNDS</u>			<u>CAPITAL PROJECT FUNDS</u>		TOTAL NONMAJOR GOVERNMENTAL FUNDS
	SPECIAL REVENUE TRUST	COMMUNITY SERVICE	PACKAGE COOPERATIVE	LONG-TERM CAPITAL IMPROVEMENT TRUST	CAPITAL PROJECTS	
ASSETS						
Cash and investments	\$ 163,841	\$ 2,397	\$ -	\$ 45	\$ 46	\$ 166,329
Receivables						
Accounts	674	-	-	-	-	674
Interest	-	-	-	55	-	55
Due from other funds	-	-	-	200,000	-	200,000
Due from other governments	-	-	11,911	-	-	11,911
Prepays	320	-	-	-	-	320
TOTAL ASSETS	\$ 164,835	\$ 2,397	\$ 11,911	\$ 200,100	\$ 46	\$ 379,289
LIABILITIES AND FUND BALANCES						
LIABILITIES						
Accounts payable	\$ 3,158	\$ 303	\$ 250	\$ -	\$ -	\$ 3,711
Accrued payroll liabilities	248	-	-	-	-	248
Due to other funds	-	-	11,661	-	56	11,717
TOTAL LIABILITIES	3,406	303	11,911	-	56	15,676
FUND BALANCES						
Nonspendable	320	-	-	-	-	320
Restricted	-	2,094	-	200,100	-	202,194
Assigned	161,109	-	-	-	-	161,109
Unassigned	-	-	-	-	(10)	(10)
TOTAL FUND BALANCES	161,429	2,094	-	200,100	(10)	363,613
TOTAL LIABILITIES AND FUND BALANCES	\$ 164,835	\$ 2,397	\$ 11,911	\$ 200,100	\$ 46	\$ 379,289

SPARTA AREA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2016

	<u>SPECIAL REVENUE FUNDS</u>			<u>CAPITAL PROJECT FUNDS</u>		<u>TOTAL NONMAJOR GOVERNMENTAL FUNDS</u>
	<u>SPECIAL REVENUE TRUST</u>	<u>COMMUNITY SERVICE</u>	<u>PACKAGE COOPERATIVE</u>	<u>LONG-TERM CAPITAL IMPROVEMENT TRUST</u>	<u>CAPITAL PROJECTS</u>	
REVENUE						
Property taxes	\$ -	\$ 20,000	\$ -	\$ -	\$ -	\$ 20,000
Other local sources	311,395	4,933	-	-	544	316,872
State sources	-	-	11,911	-	-	11,911
Federal sources	-	-	74,814	-	-	74,814
TOTAL REVENUE	<u>311,395</u>	<u>24,933</u>	<u>86,725</u>	<u>-</u>	<u>544</u>	<u>423,597</u>
EXPENDITURES						
Current						
Instruction						
Regular instruction	61,667	-	-	-	-	61,667
Vocational instruction	78	-	-	-	-	78
Other instruction	190,939	-	-	-	-	190,939
Total instruction	<u>252,684</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>252,684</u>
Support service						
Pupil services	5,219	-	-	-	-	5,219
Instructional staff services	2,700	-	11,910	-	-	14,610
Business services	623	-	53,957	-	-	54,580
Operations and Maintenance	1,700	-	-	-	-	1,700
Pupil Transportation	19,260	-	-	-	-	19,260
Community services	567	25,255	-	-	-	25,822
Total support services	<u>30,069</u>	<u>25,255</u>	<u>65,867</u>	<u>-</u>	<u>-</u>	<u>121,191</u>
Capital outlay	47,341	-	20,858	-	831,504	899,703
TOTAL EXPENDITURES	<u>330,094</u>	<u>25,255</u>	<u>86,725</u>	<u>-</u>	<u>831,504</u>	<u>1,273,578</u>
(DEFICIENCY) OF REVENUE OVER EXPENDITURES	(18,699)	(322)	-	-	(830,960)	(849,981)
OTHER FINANCING SOURCES						
Transfer from other funds	-	-	-	200,100	-	200,100
NET CHANGE IN FUND BALANCE	(18,699)	(322)	-	200,100	(830,960)	(649,881)
FUND BALANCES - BEGINNING OF YEAR	<u>180,128</u>	<u>2,416</u>	<u>-</u>	<u>-</u>	<u>830,950</u>	<u>1,013,494</u>
FUND BALANCES - END OF YEAR	<u>\$ 161,429</u>	<u>\$ 2,094</u>	<u>\$ -</u>	<u>\$ 200,100</u>	<u>\$ (10)</u>	<u>\$ 363,613</u>

SPARTA AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2016

	BALANCE JULY 1, 2015	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2016
ASSETS				
Cash and investments	<u>\$ 48,263</u>	<u>\$ 180,822</u>	<u>\$ 173,599</u>	<u>\$ 55,486</u>
LIABILITIES				
Due to student organizations				
Middle school	\$ 9,869	\$ 31,181	\$ 30,492	\$ 10,558
High school	<u>38,394</u>	<u>149,641</u>	<u>143,107</u>	<u>44,928</u>
TOTAL LIABILITIES	<u>\$ 48,263</u>	<u>\$ 180,822</u>	<u>\$ 173,599</u>	<u>\$ 55,486</u>

SPARTA AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2016

AWARDING AGENCY PASS-THROUGH AGENCY AWARD DESCRIPTION	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PROGRAM OR AWARD AMOUNT	RECEIVABLE (UNEARNED REVENUE) JULY 1, 2015	REVENUE GRANTOR REIMBURSE- MENTS	EXPENDITURES	RECEIVABLE (UNEARNED REVENUE) JUNE 30, 2016
U.S. DEPARTMENT OF AGRICULTURE							
Wisconsin Department of Public Instruction							
<u>Child Nutrition Cluster</u>							
School Breakfast Program July 1, 2015 - June 30, 2016	10.553	A546-00000-415460	\$ 299,425	\$ -	\$ 282,820	\$ 293,757	\$ 10,937
National School Lunch Program July 1, 2015 - June 30, 2016	10.555	A547-00000-415460	N/A	-	623,818	646,133	22,315
Commodity Supplemental Food Program July 1, 2015 - June 30, 2016	10.555	A001-00000-415460	N/A	-	90,439	90,439	-
Cash in Lieu of Commodities July 1, 2015 - June 30, 2016	10.555	A001-00000-415460	N/A	-	1,716	1,716	-
Summer Food Service Program July 1, 2014 - June 30, 2015	10.559	A586-00000-415460	N/A	14,763	14,763	-	-
July 1, 2015 - June 30, 2016			N/A	-	38,963	65,226	26,263
Total Child Nutrition Cluster				<u>14,763</u>	<u>1,052,519</u>	<u>1,097,271</u>	<u>59,515</u>
Farm to School Program July 1, 2015 - June 30, 2016	10.575	None	99,032	-	74,814	74,814	-
TOTAL U.S. DEPARTMENT OF AGRICULTURE				<u>14,763</u>	<u>1,127,333</u>	<u>1,172,085</u>	<u>59,515</u>
U.S. DEPARTMENT OF DEFENSE							
Direct Program							
Education Activity Program July 1, 2014 - June 30, 2015	12.556	N/A	56,525	(1,093)	(1,093)	-	-
July 1, 2015 - June 30, 2016			206,665	-	123,777	210,728	86,951
TOTAL U.S. DEPARTMENT OF DEFENSE				<u>(1,093)</u>	<u>122,684</u>	<u>210,728</u>	<u>86,951</u>
U.S. DEPARTMENT OF EDUCATION							
Direct Program							
Federal Impact Aid July 1, 2015 - June 30, 2016	84.041	N/A	20,092	-	20,091	20,091	-

(Continued on page 54)

SPARTA AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
YEAR ENDED JUNE 30, 2016

AWARDING AGENCY PASS-THROUGH AGENCY AWARD DESCRIPTION	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PROGRAM OR AWARD AMOUNT	RECEIVABLE (UNEARNED REVENUE) JULY 1, 2015	REVENUE GRANTOR REIMBURSE- MENTS	EXPENDITURES	RECEIVABLE (UNEARNED REVENUE) JUNE 30, 2016
U.S. DEPARTMENT OF EDUCATION - Continued							
Wisconsin Department of Public Instruction							
<u>Title IA Cluster</u>							
ESEA Title I - Basic Grant	84.010	A141-00000-415460					
July 1, 2014 - June 30, 2015			N/A	\$ 87,344	\$ 87,344	\$ -	\$ -
July 1, 2015 - June 30, 2016			N/A	-	467,852	552,223	84,371
ESEA Title I - State Program Improvement	84.010	A159-00000-415460					
July 1, 2014 - June 30, 2015			\$ 25,000	2,945	2,945	-	-
July 1, 2015 - June 30, 2016			25,000	-	6,456	21,160	14,704
Total Title IA Cluster				<u>90,289</u>	<u>564,597</u>	<u>573,383</u>	<u>99,075</u>
<u>Special Education Cluster (IDEA)</u>							
PL 94-142 IDEA Flow Through	84.027	A341-00000-415460					
July 1, 2014 - June 30, 2015			N/A	56,408	56,408	-	-
July 1, 2015 - June 30, 2016			797,946	-	511,489	629,419	117,930
IDEA Preschool Entitlement	84.173	A347-00000-415460					
July 1, 2014 - June 30, 2015			N/A	3,320	3,320	-	-
July 1, 2015 - June 30, 2016			18,600	-	13,099	14,173	1,074
Total Special Education Cluster				<u>59,728</u>	<u>584,316</u>	<u>643,592</u>	<u>119,004</u>
ESEA Title IV-B 21st Century Community Learning	84.287	A367-00000-415460					
July 1, 2014 - June 30, 2015			75,000	25,803	25,803	-	-
July 1, 2015 - June 30, 2016			247,982	-	55,131	127,385	72,254
Total ESEA Title IV-B 21st Century Community Learning				<u>25,803</u>	<u>80,934</u>	<u>127,385</u>	<u>72,254</u>
Carl Perkins Act Formula Allocation	84.048	A400-00000-415460					
July 1, 2014 - June 30, 2015			N/A	4,483	4,483	-	-
July 1, 2015 - June 30, 2016			N/A	-	16,619	24,472	7,853
Total Carl Perkins Act Formula Allocation				<u>4,483</u>	<u>21,102</u>	<u>24,472</u>	<u>7,853</u>
ESEA V B Charter Schools Federal Aid	84.282	None					
July 1, 2014 - June 30, 2015			N/A	53,433	53,433	-	-
July 1, 2015 - June 30, 2016			N/A	-	31,172	31,172	-
Total ESEA V B Charter Schools Federal Aid				<u>53,433</u>	<u>84,605</u>	<u>31,172</u>	<u>-</u>

(Continued on page 55)

SPARTA AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
YEAR ENDED JUNE 30, 2016

AWARDING AGENCY PASS-THROUGH AGENCY AWARD DESCRIPTION	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	PROGRAM OR AWARD AMOUNT	RECEIVABLE (UNEARNED REVENUE) JULY 1, 2015	REVENUE GRANTOR REIMBURSE- MENTS	EXPENDITURES	RECEIVABLE (UNEARNED REVENUE) JUNE 30, 2016
U.S. DEPARTMENT OF EDUCATION - Continued							
Title II-A - Teacher/Principal Training	84.367	A365-00000-415460					
July 1, 2014 - June 30, 2015			N/A	\$ 47,663	\$ 51,148	\$ 3,485	\$ -
July 1, 2015 - June 30, 2016			N/A	-	40,695	70,830	30,135
Total Title II-A - Teacher/Principal Training				<u>47,663</u>	<u>91,843</u>	<u>74,315</u>	<u>30,135</u>
Passed Through CESA 4							
Title III-A - English Language Acquisition	84.365	A391-00000-415460					
July 1, 2015 - June 30, 2016			\$ 4,050	-	4,050	4,050	-
TOTAL U.S. DEPARTMENT OF EDUCATION				<u>281,399</u>	<u>1,451,538</u>	<u>1,498,460</u>	<u>328,321</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES							
Wisconsin Department of Health Services							
Medical Assistance	93.778	None					
July 1, 2014 - June 30, 2015			N/A	30,418	30,418	-	-
July 1, 2015 - June 30, 2016			434,951	-	434,950	463,803	28,853
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES				<u>30,418</u>	<u>465,368</u>	<u>463,803</u>	<u>28,853</u>
TOTAL FEDERAL AWARDS				<u>\$ 325,487</u>	<u>\$ 3,166,923</u>	<u>\$ 3,345,076</u>	<u>\$ 503,640</u>

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Sparta Area School District and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the presentation of, the financial statements.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. The Sparta Area School District has elected not to use the 10 percent de minimus indirect cost rate allowed under the Uniform Guidance.

Note 3 - Subrecipients

Sparta Area School District provided no federal awards to subrecipients during the fiscal year ended June 30, 2016.

Note 4 - Disclosure of Other Forms of Assistance

The Sparta Area School District had non-cash assistance in the form of food commodities received and used in the amount of \$90,439 during fiscal year ending June 30, 2016.

SPARTA AREA SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2016

AWARDING AGENCY PASS-THROUGH AGENCY AWARD DESCRIPTION	STATE I.D. NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	RECEIVABLE (UNEARNED REVENUE) JULY 1, 2015	REVENUE GRANTOR REIMBURSE- MENTS	EXPENDITURES	RECEIVABLE (UNEARNED REVENUE) JUNE 30, 2016
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION						
Cost Reimbursement Programs						
State School Lunch Aid	255.102	415460-107	\$ -	\$ 15,109	\$ 15,109	\$ -
School Breakfast Program	255.344	415460-108	-	19,395	19,395	-
Total Cost Reimbursement Programs			<u>-</u>	<u>34,504</u>	<u>34,504</u>	<u>-</u>
Entitlement Programs						
Special Education and School Age Parents: Internal District Programs	255.101	415460-100	-	1,041,676	1,041,676	-
Student Achievement Guarantee in Education	255.504	415460-160	-	1,016,344	1,016,344	-
Total Entitlement Programs			<u>-</u>	<u>2,058,020</u>	<u>2,058,020</u>	<u>-</u>
Other Aids						
Common School Fund Library Aid	255.103	415460-104	-	121,845	121,845	-
Pupil Transportation	255.107	415460-102	-	93,414	93,414	-
Equalization Aid	255.201	415460-116	311,384	18,433,367	18,446,887	324,904
Mentoring Grants for Initial Educators	255.301	415460-141	-	8,708	18,829	10,121
Tuition Payments by State	255.401	415460-157	-	252,520	252,520	-
Aid for High Poverty School Districts	255.926	415460-121	-	188,643	188,643	-
Educator Effectiveness Grant	255.940	415460-154	-	-	19,280	19,280
Per Pupil Adjustment Aid	255.945	415460-113	-	-	423,150	423,150
Jump Start to Early Literacy	255.948	415460-150	-	14,327	28,635	14,308
Career and Technical Education Incentive	255.950	415160-151	-	4,576	4,576	-
Total Other Aids			<u>311,384</u>	<u>19,117,400</u>	<u>19,597,779</u>	<u>791,763</u>
TOTAL WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION			<u>311,384</u>	<u>21,209,924</u>	<u>21,690,303</u>	<u>791,763</u>
WISCONSIN DEPARTMENT OF ADMINISTRATION						
Teacher Teaching Grants for Educational Technology	N/A	None	-	-	11,911	11,911
WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT						
Blueprint for Prosperity Grant	455.109	None	7,397	-	55,112	62,509
Passed Through CESA 4 Youth Apprenticeship Grant	445.112	None	-	4,500	4,500	-
TOTAL WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT			<u>7,397</u>	<u>4,500</u>	<u>59,612</u>	<u>62,509</u>
WISCONSIN DEPARTMENT OF REVENUE						
Exempt Computer Aid	N/A	None	-	-	24,087	24,087
TOTAL STATE FINANCIAL ASSISTANCE			<u>\$ 318,781</u>	<u>\$ 21,214,424</u>	<u>\$ 21,785,913</u>	<u>\$ 890,270</u>

(Continued on page 57)

SPARTA AREA SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE - Continued
YEAR ENDED JUNE 30, 2016

Note 1 - Basis of Presentation

The accompanying schedule of state financial assistance includes the state grant activity of the Sparta Area School District. The information in this schedule is presented in accordance with the requirements of the *State Single Audit Guidelines*, issued by the Wisconsin Department of Administration. Therefore, some amounts presented in this schedule may differ from amounts presented in or used in the preparation of the basic financial statements.

Note 2 - Summary of Significant Accounting Policies

Expenditures reported on the schedule of state financial assistance are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in *State Single Audit Guidelines*, wherein certain types of expenditures are not allowable or are limited as to reimbursement.

Note 3 - Special Education and School Age Parents Program

2015-2016 eligible costs under the State Special Education Program are \$4,302,300.

SPARTA AREA SCHOOL DISTRICT
Sparta, Wisconsin

OTHER REPORTS

**INDEPENDENT AUDITORS' 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**

To the Board of Education
Sparta Area School District
Sparta, Wisconsin

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 business-type activities, each major fund, and the aggregate remaining fund information of the Sparta Area School District (the "District"), as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 21, 2016.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the 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 the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's 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 District'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 may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's 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 determination of financial statement amounts. 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 District'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
December 21, 2016

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON
INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE
AND STATE SINGLE AUDIT GUIDELINES**

To the Board of Education
Sparta Area School District
Sparta, Wisconsin

We have audited the Sparta Area School District's (the "District") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2016. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal programs based on our audit of the types of compliance requirements referred to above. 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"). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of the District's compliance.

Basis for Qualified Opinion on Medical Assistance

As described in the accompanying schedule of findings and questioned costs, the District did not comply with requirements regarding CFDA 93.778 Medical Assistance as described in item 2016-002 for Allowable Activities. Compliance with such requirements is necessary, in our opinion, for the District to comply with the requirements applicable to that program.

Qualified Opinion on Medical Assistance

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on Medical Assistance for the year ended June 30, 2016.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2016.

Other Matters

The results of our auditing procedures disclosed another instance of noncompliance, which is required to be reported in accordance with the Uniform Guidance, and which is described in the accompanying schedule of findings and questioned costs as item 2016-001. Our opinion on each major federal and state program is not modified with respect to this matter.

The District's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Report on Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal and state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program 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 internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses and significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

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 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-002 to be a material weakness.

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 and state 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a significant deficiency.

The District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

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.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
December 21, 2016

SPARTA AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2016

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

Material weakness identified?	_____	Yes	<u> X </u>	No
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	Yes	<u> X </u>	None reported
Noncompliance material to the financial statements?	_____	Yes	<u> X </u>	No

Federal Awards

Internal control over financial reporting:

Material weakness identified?	<u> X </u>	Yes	_____	No
Significant deficiency(ies) identified not considered to be material weaknesses?	_____	Yes	<u> X </u>	None reported

Type of auditors' report issued on compliance for major programs: Qualified

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
10.553/10.555/10.559	Child Nutrition Cluster
93.778	Medical Assistance

State Assistance

Internal control over financial reporting:

Material weakness identified?	_____	Yes	<u> X </u>	No
Significant deficiency(ies) identified not considered to be material weaknesses?	<u> X </u>	Yes	_____	None reported

Type of auditors' report issued on compliance for major programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with *State Single Audit Guidelines*? X Yes _____ No

Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program or Cluster</u>
255.201	Equalization Aid
255.504	Student Achievement Guarantee in Education

SPARTA AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
JUNE 30, 2016

Section III - Federal and State Award Findings and Questioned Costs - Continued

Item 2016-002 - Medical Assistance - Allowable Activities

Program: 93.778 - Medical Assistance

Criteria: A signed and dated DPI form M-5 is required if a district intends to bill for services rendered. DPI form M-5 should be kept available in district's records.

Condition: Selected a sample of 25 students who received services billed to Medicaid. Seven of those students did not have a DPI form M-5 on file. The District does not have a system in place to ensure a current M-5 form is on file before Medicaid billing takes place.

Questioned Cost: Not determinable.

Effect: Students that received services that were eligible for reimbursement were billed to Medicaid without the appropriate parental consent. Due to the high percentage of forms not on file from the sample, this appears to be a systematic problem.

Information: The District is in the process of contracting with a new third party to administer the Medicaid reimbursements. This third party has suggested they have all parents sign updated M-5 forms and the third party will keep those on file.

Recommendation: The District should review all students' files receiving Medical Assistance to ensure a DPI form M-5 is on file.

Management's Response: The Pupil Services Secretary, at the direction of the Director of Pupil Services, has been working with the District's new Medicaid service provider to learn the "best practice" regarding Special Education files and up-to-date forms. Through this process, it was determined that 100% of the District's Special Education files will be reviewed for compliance with the Medicaid Consent form. In addition, this training will help ensure that all staff are knowledgeable of the current IEP requirements regarding the Medicaid Consent form.

Section IV - Prior Year Findings

2015-001 - Year-End Reconciliations - Cleared

2015-002 - Child Nutrition Cluster - Verification of Free and Reduced Price Applications - Cleared

2015-003 - Child Nutrition Cluster - Subrecipient Reporting - Cleared

**SPARTA AREA SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
JUNE 30, 2016**



Sparta Area School District

201 E. Franklin Street
Sparta, WI 54656
608 269-3151
www.spartan.org

Good people, great schools.

Board of Education

Lee Culpitt, President
Joan Cook, Clerk
Gary Kirking, Treasurer
James Rasmussen, Vice President
Karen Wall, Director
Bambi Schmitz, Director
Mary Treu, Director

November 28, 2016

Sparta High School
506 N. Black River St.
608 366-3504

Meadowview
Middle School
1225 N. Water St.
608 366-3497

Meadowview
Intermediate School
1225 N. Water St.
608 366-3481

Maplewood Elementary
900 E. Montgomery St.
608 366-3467

Southside Elementary
1023 Walrath St.
608 366-3450

Lawrence Lawson
Elementary
429 N. Black River St.
608 366-3438

Cataract Elementary
6070 St. Highway 27
608 366-3453

SAILS Charter
201 E. Franklin St.
608 269-3151

Sparta High Point Charter
201 E. Franklin St.
608 269-3151

Innovations STEM
Charter
1225 N. Water St.
608 366-3497

Lakeview Montessori
Charter
711 Pine Street
608 366-3468

Sparta Charter
PreKindergarten
201 E. Franklin St.
608 269-3151

Sparta Area School District
201 East Franklin Street
Sparta, WI 54656

Corrective Action Plan for audit findings issued by Hawkins Ash CPAs for fiscal year ending June 30, 2016.

Federal and State Award Findings

2016-001 – Special Education (255.101) – No Valid License (significant deficiency)

- **Condition:** A staff member was identified on DPI's No Valid License report due to a data entry error in the WISE staff (PI-1202) data collection system.
- **Recommendation:** The District should implement a review process of the data entered into the WISE staff (PI-1202) data entry system.
- **Corrective Action:** All special education teachers will be reviewed for licensing requirements by the Superintendent's Secretary, the Director of Pupil Services, and the building principal upon hire. All three will be in agreement for the proper licensing requirements for the position's job responsibilities.
- **Person Responsible:** Leah Hauser
- **Time Corrected:** This finding will be corrected for the year ending June 30, 2017.

2016-002 – Medical Assistance (93.778) – Allowable Activities (material weakness)

- **Condition:** Selected a sample of 25 students who received services billed to Medicaid. Seven of those students did not have a DPI form M-5 on file. The District does not have a system in place to ensure a current M-5 form is on file before Medicaid billing takes place.
- **Recommendation:** The District should review all students' files receiving Medical Assistance to ensure a DPI form M-5 is on file.
- **Corrective Action:** The Pupil Services Secretary, at the direction of the Director of Pupil Services, has been working with the District's new Medicaid service provider to learn the "best practice" regarding Special Education files and up-to-date forms. Through this process, it was determined that 100% of the District's Special Education files will be reviewed for compliance with the Medicaid Consent form. In addition, this training will help ensure that all staff are knowledgeable of the current IEP requirements regarding the Medicaid Consent form.
- **Person Responsible:** Leah Hauser
- **Time Corrected:** This finding will be corrected for the year ending June 30, 2017.

A handwritten signature in black ink that reads "Leah Hauser".

Leah Hauser
Director of Business Services

The Sparta Area School District does not discriminate against persons on the basis of sex, race, national origin, ancestry, creed, pregnancy, marital or parental status, sexual orientation, or physical, mental, emotional, or learning disability or handicap in its education program or activities. It is an equal opportunity employer and does not discriminate on any basis prohibited under state or federal law.