

**SPARTA AREA SCHOOL DISTRICT
Sparta, Wisconsin**

**FINANCIAL STATEMENTS
WITH INDEPENDENT AUDITORS'
REPORT**

JUNE 30, 2018

SPARTA AREA SCHOOL DISTRICT

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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, 2018, 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, 2018, 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, post-employment healthcare benefit schedules, and Wisconsin Retirement System schedules on pages 6-14 and 45-48 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, the schedule of agency fund changes in assets and liabilities, and the schedule of charter school authorizer operating costs 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, the schedule of charter school authorizer operating costs, 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, the schedule of charter school authorizer operating costs, 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 November 19, 2018, 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.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
November 19, 2018

**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, 2018. 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 \$38,987,553 including \$10,013,737 of property taxes, \$24,560,330 of general state and federal aid. Total District activities expenditures were \$37,629,315 including \$19,742,105 for direct instruction.

The District's financial status, as reflected in total net position, increased by \$1,358,238.

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 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, 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, 2018 compared to 2017. The District's combined net position increased by \$1,156,627. Specific causes of the increase are discussed later in this document.

Table 1
Condensed Statement of Net Postion

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2018	2017	2018	2017	2018	2017	
Current and other assets	\$ 15,746,727	\$ 10,461,926	\$ 185,567	\$ 93,924	\$ 15,932,294	\$ 10,555,850	50.9%
Capital assets	33,036,057	34,116,388	57,081	65,053	33,093,138	34,181,441	-3.2%
Total assets	\$ 48,782,784	\$ 44,578,314	\$ 242,648	\$ 158,977	\$ 49,025,432	\$ 44,737,291	9.6%
Deferred outflows of resources	\$ 8,720,031	\$ 7,020,599	\$ 258,068	\$ 176,122	\$ 8,978,099	\$ 7,196,721	24.8%
Long-term liabilities outstanding	\$ 2,097,564	\$ 3,827,660	\$ -	\$ 21,887	\$ 2,097,564	\$ 3,849,547	-45.5%
Other liabilities	4,073,717	3,885,006	84,026	93,924	4,157,743	3,978,930	4.5%
Total liabilities	\$ 6,171,281	\$ 7,712,666	\$ 84,026	\$ 115,811	\$ 6,255,307	\$ 7,828,477	-20.1%
Deferred inflows of resources	\$ 9,722,000	\$ 3,635,389	\$ 289,039	\$ 91,199	\$ 10,011,039	\$ 3,726,588	168.6%
Net position:							
Net investment in capital assets	\$ 31,246,057	\$ 30,441,388	\$ 57,081	\$ 65,053	\$ 31,303,138	\$ 30,506,441	2.6%
Restricted	4,088,078	4,049,613	70,570	63,036	4,158,648	4,112,649	1.1%
Unrestricted	6,275,399	5,759,857	-	-	6,275,399	5,759,857	9.0%
Total net position	\$ 41,609,534	\$ 40,250,858	\$ 127,651	\$ 128,089	\$ 41,737,185	\$ 40,378,947	3.4%

Note: Totals may not add due to rounding.

Table 2
Changes in Net Position

	Governmental Activities		Business-Type Activities		Total		Total % Change
	2018	2017	2018	2017	2018	2017	
Revenue							
Program revenue							
Charges for services	\$ 177,502	\$ 96,005	\$ 694,025	\$ 636,718	\$ 871,527	\$ 732,723	18.9%
Operating grants and contributions	2,039,834	2,278,067	1,136,995	1,156,899	3,176,829	3,434,966	-7.5%
General revenue							
Property taxes	10,013,737	9,626,386	-	-	10,013,737	9,626,386	4.0%
State and federal aid	24,560,330	23,831,972	-	-	24,560,330	23,831,972	3.1%
Other	352,339	235,278	12,787	84,547	365,126	319,825	14.2%
Total revenue	<u>37,143,742</u>	<u>36,067,708</u>	<u>1,843,807</u>	<u>1,878,164</u>	<u>38,987,549</u>	<u>37,945,872</u>	2.7%
Expenses							
Instruction	19,742,101	19,564,388	-	-	19,742,101	19,564,388	0.9%
Pupil and instructional services	4,099,226	4,119,722	-	-	4,099,226	4,119,722	-0.5%
Administration and business	9,663,579	9,465,677	1,844,245	2,028,945	11,507,824	11,494,622	0.1%
Interest on debt	40,647	65,276	-	-	40,647	65,276	-37.7%
Other	2,239,513	2,964,924	-	-	2,239,513	2,964,924	-24.5%
Total expenses	<u>35,785,066</u>	<u>36,179,987</u>	<u>1,844,245</u>	<u>2,028,945</u>	<u>37,629,311</u>	<u>38,208,932</u>	-1.5%
Increase (decrease) in net position	\$ 1,358,676	\$ (112,279)	\$ (438)	\$ (150,781)	\$ 1,358,238	\$ (263,060)	-616.3%

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 (63%) and property taxes (26%) to fund governmental activities. These two funding sources make up 89% 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

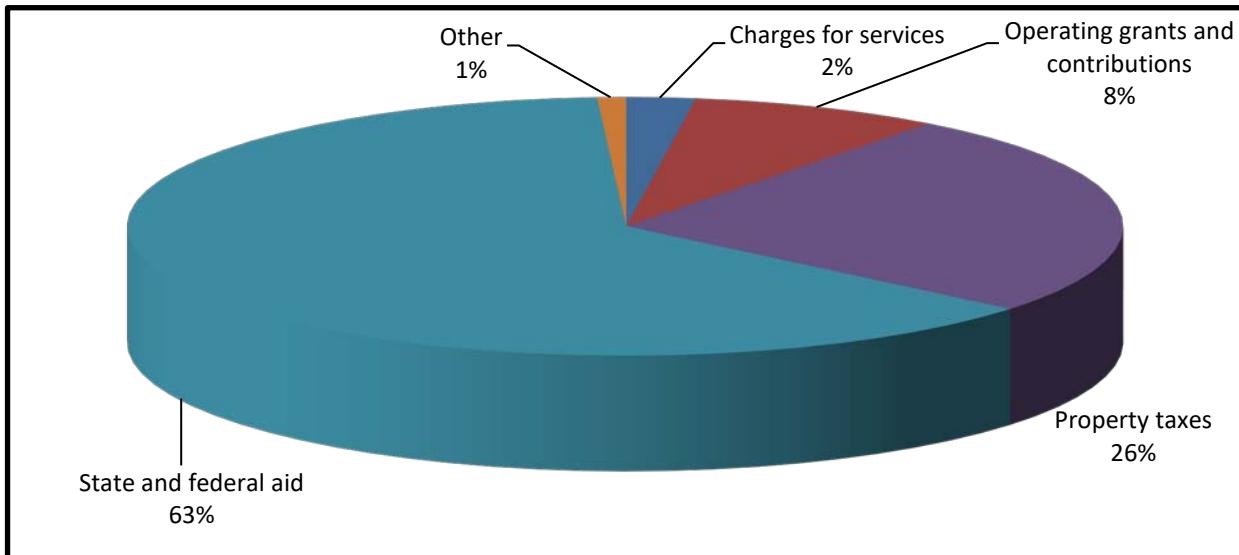
	Net Cost of Services		Total % Change
	2018	2017	
Instruction	\$ 19,742,101	\$ 19,564,388	0.9%
Pupil and instructional services	4,099,226	4,119,722	-0.5%
Administration and business	11,507,824	11,494,622	0.1%
Interest on debt	40,647	65,276	-37.7%
Other	2,239,513	2,964,924	-24.5%
Total	\$ 37,629,311	\$ 38,208,932	-1.5%

Note: Totals may not add due to rounding.

The cost of all total district activities this year was \$37,629,315. Individuals who directly participated or benefited from a program offering paid for \$871,527 of the costs. Federal and state governments subsidized certain programs with grants and contributions of \$27,737,163. The net cost of total district activities, (\$9,020,625), was financed by general revenue of the District.

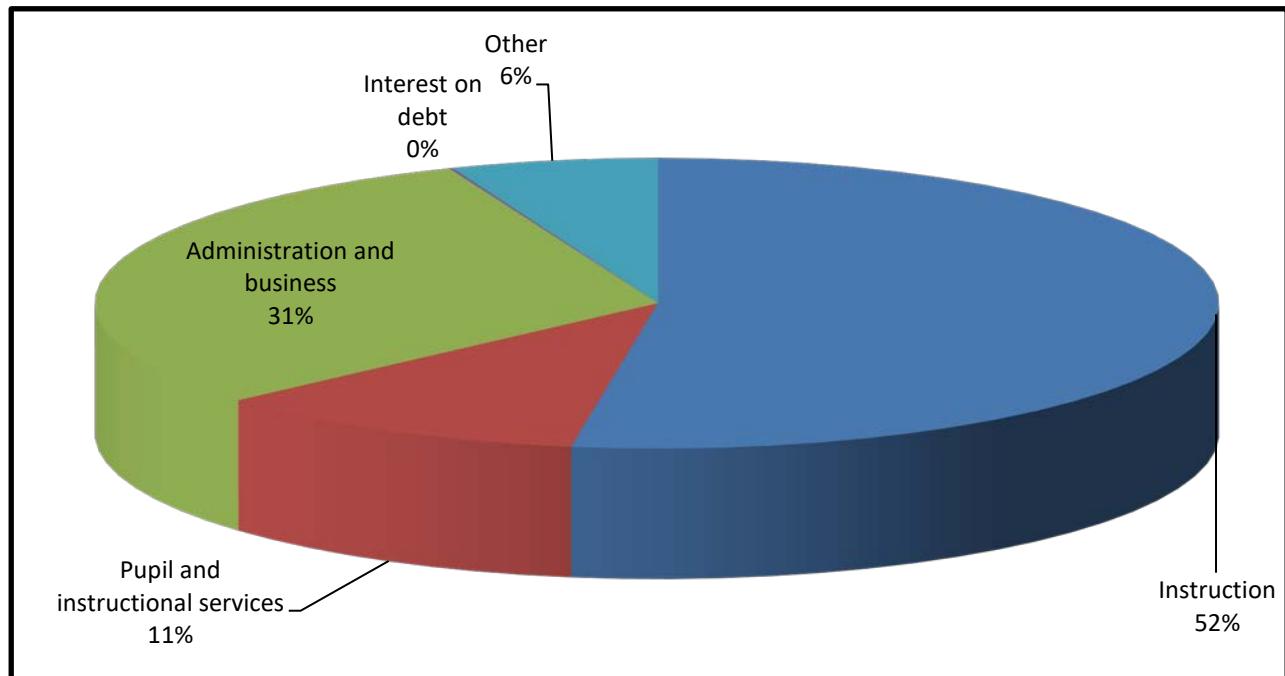
The composition of governmental revenue by type and expenditures by type are illustrated below.

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 \$7,567,072 up from last year's ending fund balance of \$6,588,428.

The general fund had an increase in fund balance of \$473,789.

The other governmental funds had a fund balance increase of \$504,855.

The District completed the year with a total proprietary net position of \$127,651 down from last year's ending net position of \$128,089.

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 \$473,789 increase.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of fiscal year 2018, the District had invested \$56,452,672 in capital assets, including land, land improvements, buildings, and equipment (See Table 4). Total accumulated depreciation on these assets is (\$23,359,534). Asset acquisitions for total district activities totaled \$453,217. The District recognized depreciation expense of \$1,533,548 for governmental activities and \$7,972 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
	2018	2017	2018	2017	2018	2017	
Land	\$ 704,150	\$ 704,150	\$ -	\$ -	\$ 704,150	\$ 704,150	0.0%
Land improvements	2,908,429	2,680,742	-	-	2,908,429	2,680,742	8.5%
Buildings	49,519,746	49,384,981	-	-	49,519,746	49,384,981	0.3%
Equipment	2,858,767	2,960,559	428,330	428,330	3,287,097	3,388,889	-3.0%
Construction in progress	33,250	17,823	-	-	33,250	17,823	86.6%
Accumulated depreciation	(22,988,285)	(21,631,867)	(371,249)	(363,277)	(23,359,534)	(21,995,144)	6.2%
Total	\$ 33,036,057	\$ 34,116,388	\$ 57,081	\$ 65,053	\$ 33,093,138	\$ 34,181,441	-3.2%

Note: Totals may not add due to rounding.

Long-Term Obligations

At year-end, the District had \$1,790,000 in bonds and notes payable and other long-term debt outstanding - a decrease of 51% 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
	2018	2017	
General obligation debt	\$ 1,790,000	\$ 3,675,000	-51.3%
Other	270,926	174,547	55.2%
Total	\$ 2,060,926	\$ 3,849,547	-46.5%

Note: Totals may not add due to rounding.

Long-Term Obligations - Continued

The District retired \$1,885,000 of bonds and notes payable during the year.

Debt of the District is secured by an irrepealable 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 Revenue Limit makes up 85% of the District's total general fund operating revenue. It is calculated by multiplying the resident membership (FTE) by the per-pupil amount, adjusted for recurring and non-recurring exemptions. The District's enrollment continues to climb with an increase of 8.5 FTE students for the 2018-19 school year.
- The District's relatively low property value per student means the District receives a higher share of state funding. Approximately 71% of the District's revenue limit authority is funded through state Equalization Aid. The District no longer receives High Poverty Aid.
- In 2017-18, there was a \$200 per pupil increase in state Per-Pupil Aid.
- The District continues to apply for, and receive federal and special project grants. 2017-18 was the first year of a new Department of Defense Grant to help support literacy programs in our schools.
- 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.
- The electors of the District approved a referendum in November 2014, to exceed the state imposed revenue limit by \$750,000 each year starting with the 2015-16 school years. 2018-19 will be the last year of this referendum.
- The employees of the District are its most important asset, and therefore the District continues to invest in salaries and benefits to attract and retain high-quality teachers and staff. The District's Insurance Committee has been in existence for over ten years and annually reviews benefit options to optimize resources spent in this area.
- The District provides one-to-one technology devices in grades 4 through 11.
- The Board of Education annually approves a ten-year facilities plan to budget for future facility needs. This year, the District completed the following capital projects: electrical upgrades at the high school, water and sewer line replacements at the high school, parking lot resurfacing at the high school and Cataract, and a large technology wiring project at the elementary schools. In addition, the District deposited \$500,000 into Fund 46 to save for future capital projects.
- The Board of Education has a fund balance policy that fund balance must exceed 15% of general fund expenses. The District's fund balance as of June 30, 2018 is closer to 20%.
- On April 3, 2018, the residents of the Sparta Area School District approved a \$32.5 million referendum to build a new elementary school and remodel existing elementary schools. The district closed on the first \$29 million General Obligation Bonds in August of 2018. Planning for the facility expansion project is currently underway with construction to begin in the Spring of 2019.

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, 2018

<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	GOVERNMENTAL ACTIVITIES	BUSINESS-TYPE ACTIVITIES	TOTAL
ASSETS			
Cash and investments	\$ 8,057,631	\$ -	\$ 8,057,631
Receivables			
Accounts	24,220	746	24,966
Taxes	2,431,431	-	2,431,431
Internal balances	268,607	-	268,607
Due from other governments	779,431	49,720	829,151
Inventories	-	40,294	40,294
Prepays	73,344	-	73,344
Net OPEB asset	930,969	-	930,969
Net pension asset (Wisconsin Retirement System)	3,181,094	94,807	3,275,901
Capital assets (net of accumulated depreciation)			
Capital assets not being depreciated	737,400	-	737,400
Capital assets being depreciated	32,298,657	57,081	32,355,738
TOTAL ASSETS	48,782,784	242,648	49,025,432
DEFERRED OUTFLOWS OF RESOURCES			
OPEB healthcare benefit	61,010	-	61,010
Wisconsin Retirement System pension	8,659,021	258,068	8,917,089
TOTAL DEFERRED OUTFLOWS OF RESOURCES	8,720,031	258,068	8,978,099
TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES	\$ 57,502,815	\$ 500,716	\$ 58,003,531
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION			
LIABILITIES			
Accounts payable	\$ 312,130	\$ 17,097	\$ 329,227
Accrued liabilities			
Payroll, payroll taxes, insurance	3,752,264	28,409	3,780,673
Interest	6,125	-	6,125
Other	2,168	-	2,168
Internal balances	-	7,426	7,426
Unearned revenue	1,030	31,094	32,124
Current portion of long-term obligations	1,720,757	-	1,720,757
Noncurrent portion of long-term obligations	376,807	-	376,807
TOTAL LIABILITIES	6,171,281	84,026	6,255,307
DEFERRED INFLOWS OF RESOURCES			
OPEB healthcare benefit	23,803	-	23,803
Wisconsin Retirement System pension	9,698,197	289,039	9,987,236
TOTAL DEFERRED INFLOWS OF RESOURCES	9,722,000	289,039	10,011,039
NET POSITION			
Net investment in capital assets	31,246,057	57,081	31,303,138
Restricted for			
Special revenue	7,162	-	7,162
Debt service	19,073	-	19,073
Capital projects	951,749	-	951,749
Food service	-	6,734	6,734
Other activities	3,110,094	63,836	3,173,930
Unrestricted	6,275,399	-	6,275,399
TOTAL NET POSITION	41,609,534	127,651	41,737,185
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION	\$ 57,502,815	\$ 500,716	\$ 58,003,531

The accompanying notes are an integral part of these statements.

SPARTA AREA SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2018

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		
GOVERNMENTAL ACTIVITES							
Current							
Instruction							
Regular instruction	\$ 13,548,582	\$ 26,576	\$ 208,781	\$ (13,313,225)	\$ -	\$ -	\$ (13,313,225)
Vocational instruction	951,123	3,780	4,500	(942,843)	-	-	(942,843)
Special instruction	3,931,072	-	1,160,710	(2,770,362)	-	-	(2,770,362)
Other instruction	1,311,324	53,766	7,136	(1,250,422)	-	-	(1,250,422)
Total instruction	<u>19,742,101</u>	<u>84,122</u>	<u>1,381,127</u>	<u>(18,276,852)</u>	<u>-</u>	<u>-</u>	<u>(18,276,852)</u>
Support services							
Pupil services	1,582,926	-	15,644	(1,567,282)	-	-	(1,567,282)
Instructional staff services	2,516,300	75	362,332	(2,153,893)	-	-	(2,153,893)
General administration services	667,378	-	-	(667,378)	-	-	(667,378)
Building administration services	1,679,325	-	-	(1,679,325)	-	-	(1,679,325)
Business services	828,192	-	190,514	(637,678)	-	-	(637,678)
Operations and maintenance	4,047,724	11,678	-	(4,036,046)	-	-	(4,036,046)
Pupil transportation	1,637,601	-	84,167	(1,553,434)	-	-	(1,553,434)
Central services	803,359	-	-	(803,359)	-	-	(803,359)
Insurance	293,941	-	-	(293,941)	-	-	(293,941)
Interest and other	40,647	-	-	(40,647)	-	-	(40,647)
Other support services	24,380	-	-	(24,380)	-	-	(24,380)
Community services	16,728	3,085	-	(13,643)	-	-	(13,643)
Total support services	<u>14,138,501</u>	<u>14,838</u>	<u>652,657</u>	<u>(13,471,006)</u>	<u>-</u>	<u>-</u>	<u>(13,471,006)</u>
Non-program transactions							
TOTAL GOVERNMENTAL ACTIVITIES	35,785,066	177,502	2,039,834	(33,567,730)	-	-	(33,567,730)
BUSINESS-TYPE ACTIVITIES							
Food Service							
	<u>1,844,245</u>	<u>694,025</u>	<u>1,136,995</u>	<u>-</u>	<u>(13,225)</u>	<u>-</u>	<u>(13,225)</u>
TOTAL PRIMARY GOVERNMENT	<u>\$ 37,629,311</u>	<u>\$ 871,527</u>	<u>\$ 3,176,829</u>	<u>(33,567,730)</u>	<u>(13,225)</u>	<u>(33,580,955)</u>	
GENERAL REVENUE							
Taxes							
Property taxes			9,941,183	-	-	-	9,941,183
Other taxes			72,554	-	-	-	72,554
State and federal aids not restricted to specific functions			24,560,330	-	-	-	24,560,330
Interest and investment earnings			69,914	-	-	-	69,914
Miscellaneous			282,425	-	12,787	-	295,212
TOTAL GENERAL REVENUE			34,926,406		12,787		34,939,193
CHANGE IN NET POSITION							
NET POSITION - BEGINNING OF YEAR				1,358,676	(438)	-	1,358,238
NET POSITION - END OF YEAR				40,250,858	128,089		40,378,947
				<u>\$ 41,609,534</u>	<u>\$ 127,651</u>		<u>\$ 41,737,185</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, 2018

<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	\$ 7,403,692	\$ 19,073	\$ 634,866	\$ 8,057,631
Receivables				
Accounts	24,220	-	-	24,220
Taxes	2,431,431	-	-	2,431,431
Due from other funds	268,607	-	500,000	768,607
Due from other governments	779,431	-	-	779,431
Prepays	73,344	-	-	73,344
TOTAL ASSETS	\$ 10,980,725	\$ 19,073	\$ 1,134,866	\$ 12,134,664
<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ 303,390	\$ -	\$ 8,740	\$ 312,130
Accrued payroll liabilities	3,752,264	-	-	3,752,264
Accrued other liabilities	2,168	-	-	2,168
Due to other funds	500,000	-	-	500,000
Unearned revenue	1,030	-	-	1,030
TOTAL LIABILITIES	\$ 4,558,852	\$ -	\$ 8,740	\$ 4,567,592
FUND BALANCES				
Nonspendable	73,344	-	-	73,344
Restricted	-	19,073	958,911	977,984
Committed	33,250	-	-	33,250
Assigned	5,407	-	167,215	172,622
Unassigned	6,309,872	-	-	6,309,872
TOTAL FUND BALANCES	\$ 6,421,873	\$ 19,073	\$ 1,126,126	\$ 7,567,072
TOTAL LIABILITIES AND FUND BALANCES	\$ 10,980,725	\$ 19,073	\$ 1,134,866	
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	\$ 56,024,342			
Governmental accumulated depreciation	(22,988,285)			33,036,057
Wisconsin Retirement System net pension asset, deferred inflows of resources, and deferred outflows of resources are not current financial resources and are not reported in fund statements.				2,141,918
OPEB healthcare benefit net asset, deferred inflows of resources, and deferred outflows of resources are not current financial resources and are not reported in fund statements.				968,176
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	\$ (1,790,000)			
Accrued interest	(6,125)			
Vested employee benefits	(307,564)			(2,103,689)
TOTAL NET POSITION - GOVERNMENTAL ACTIVITIES				\$ 41,609,534

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, 2018

	GENERAL FUND	DEBT SERVICE FUND	NONMAJOR GOVERNMENTAL FUNDS	TOTAL GOVERNMENTAL FUNDS
REVENUE				
Property taxes	\$ 8,098,795	\$ 1,894,942	\$ 20,000	\$ 10,013,737
Other local sources	227,251	7,681	240,379	475,311
Interdistrict sources	277,530	-	-	277,530
Intermediate sources	12,801	-	-	12,801
State sources	24,176,554	-	-	24,176,554
Federal sources	1,897,068	-	-	1,897,068
Other sources	290,741	-	-	290,741
TOTAL REVENUE	34,980,740	1,902,623	260,379	37,143,742
EXPENDITURES				
Current				
Instruction				
Regular instruction	13,274,587	-	52,695	13,327,282
Vocational instruction	924,127	-	-	924,127
Special instruction	3,876,742	-	-	3,876,742
Other instruction	1,167,159	-	128,977	1,296,136
Total instruction	19,242,615	-	181,672	19,424,287
Support services				
Pupil services	1,545,420	-	6,251	1,551,671
Instructional staff services	2,479,048	-	3,160	2,482,208
General administration services	665,277	-	-	665,277
Building administration services	1,640,924	-	-	1,640,924
Business services	615,206	-	-	615,206
Operations and maintenance	2,628,400	-	1,574	2,629,974
Pupil transportation	1,804,684	-	17,568	1,822,252
Central services	709,374	-	-	709,374
Insurance	293,941	-	-	293,941
Other support services	24,380	-	-	24,380
Community services	-	-	16,747	16,747
Total support services	12,406,654	-	45,300	12,451,954
Non-program transactions	1,904,464	-	146	1,904,610
Debt service				
Principal	-	1,885,000	-	1,885,000
Interest	-	46,030	-	46,030
Total debt service	-	1,931,030	-	1,931,030
Capital outlay	453,217	-	-	453,217
TOTAL EXPENDITURES	34,006,950	1,931,030	227,118	36,165,098
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	973,790	(28,407)	33,261	978,644
OTHER FINANCING (USES) SOURCES				
Net transfer (to) from other funds	(500,000)	-	500,000	-
NET CHANGE IN FUND BALANCE	473,790	(28,407)	533,261	978,644
FUND BALANCE - BEGINNING OF YEAR	5,948,083	47,480	592,865	6,588,428
FUND BALANCE - END OF YEAR	\$ 6,421,873	\$ 19,073	\$ 1,126,126	\$ 7,567,072

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, 2018

Net change in fund balances - total governmental funds	\$ 978,644
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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	\$ 453,217
Depreciation expense reported in the statement of activities	<u>(1,533,548)</u>
Amount by which capital outlays are less than depreciation in the current period:	(1,080,331)

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:	10,529
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OPEB expense not reported on the fund statements:	(69,701)
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Wisconsin Retirement System asset, deferred inflows of resources, and deferred outflows of resources changes:	(370,848)
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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:	1,885,000
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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	\$ 46,030
Amount of interest and other debt costs accrued during the current period is	<u>(40,647)</u>
Interest paid is greater than interest accrued by:	5,383

Change in net position - governmental activities	<u>\$ 1,358,676</u>
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The accompanying notes are an integral part of these statements.

SPARTA AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
PROPRIETARY FUND
JUNE 30, 2018

	FOOD SERVICE
<u>ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	
ASSETS	
CURRENT ASSETS	
Accounts receivable	\$ 746
Due from other funds	2,023
Due from other governments	49,720
Inventories	40,294
TOTAL CURRENT ASSETS	92,783
NONCURRENT ASSETS	
CAPITAL ASSETS	
Equipment	428,330
Less accumulated depreciation	(371,249)
NET CAPITAL ASSETS	57,081
OTHER ASSETS	
Net pension asset (Wisconsin Retirement System)	94,807
TOTAL ASSETS	244,671
DEFERRED OUTFLOWS OF RESOURCES	258,068
<u>TOTAL ASSETS AND DEFERRED OUTFLOWS OF RESOURCES</u>	\$ 502,739
<u>LIABILITIES, DEFERRED INFLOWS OR RESOURCES, AND NET POSITION</u>	
LIABILITIES	
CURRENT LIABILITIES	
Accounts payable	\$ 17,097
Payroll liabilities	28,409
Due to other funds	9,449
Unearned revenue	31,094
TOTAL CURRENT LIABILITIES	86,049
DEFERRED INFLOWS OF RESOURCES	289,039
NET POSITION	
Net investment in capital assets	57,081
Restricted for pensions	63,836
Restricted for food service	6,734
TOTAL NET POSITION	127,651
<u>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION</u>	\$ 502,739

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, 2018

	FOOD SERVICE
OPERATING REVENUE	
Food sales	\$ 694,025
State sources	33,612
Federal sources	1,103,383
Other revenue	12,787
TOTAL OPERATING REVENUE	<u>1,843,807</u>
OPERATING EXPENSES	
Salaries and wages	530,204
Employee benefits	297,959
Purchased services	12,996
Supplies, food, and materials	985,960
Other	9,154
Depreciation	7,972
TOTAL OPERATING EXPENSES	<u>1,844,245</u>
OPERATING (LOSS)	(438)
NET POSITION - BEGINNING OF YEAR	<u>128,089</u>
NET POSITION - END OF YEAR	<u>\$ 127,651</u>

The accompanying notes are an integral part of these statements.

SPARTA AREA SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
YEAR ENDED JUNE 30, 2018

	FOOD SERVICE
CASH FLOWS FROM OPERATING ACTIVITIES	
Cash received from sales of food	\$ 693,279
Cash received from other government payments	1,134,339
Cash payments to employees for services	(525,532)
Cash payments for employer paid benefits	(298,759)
Cash payments for purchased services	(12,996)
Cash payments to suppliers for goods and services	(974,052)
Cash payments for other operating expenses	<u>(25,499)</u>
NET CASH (USED IN) OPERATING ACTIVITIES	<u>(9,220)</u>
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>9,220</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ -</u>
RECONCILIATION OF OPERATING (LOSS) TO CASH (USED IN) OPERATING ACTIVITIES	
Operating (loss)	\$ (438)
Adjustments to reconcile operating (loss) to net cash flows from operating activities	
Depreciation	7,972
Changes in assets and liabilities	
(Increase) in receivables	(746)
Decrease in due from other funds	2,135
(Increase) in due from other governments	(2,656)
(Increase) in inventories	(2,654)
(Increase) in Wisconsin Retirement System net pension	(116,694)
Decrease in deferred outflows and inflows WRS pension	115,894
Increase in accounts payable	14,562
Increase in other accrued expenses	4,672
(Decrease) in due to other funds	(32,085)
Increase in unearned revenue	818
Total adjustments	<u>(8,782)</u>
NET CASH (USED IN) OPERATING ACTIVITIES	<u>\$ (9,220)</u>
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES	
Donated commodities	<u>\$ 109,852</u>

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

SPARTA AREA SCHOOL DISTRICT
STATEMENT OF NET POSITION
FIDUCIARY FUNDS
JUNE 30, 2018

	AGENCY FUND STUDENT ACTIVITY	TRUST FUNDS	
		PRIVATE PURPOSE	EMPLOYEE BENEFIT
ASSETS			
Cash and investments	\$ <u>46,926</u>	\$ <u>568,704</u>	\$ <u>2,651,747</u>
LIABILITIES AND NET POSITION			
LIABILITIES			
Due to other funds	\$ -	\$ 1,500	\$ 259,681
Due to student organizations	<u>46,926</u>	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>46,926</u>	<u>1,500</u>	<u>259,681</u>
NET POSITION			
Held in trust	<u>-</u>	<u>567,204</u>	<u>2,392,066</u>
TOTAL LIABILITIES AND NET POSITION	\$ <u>46,926</u>	\$ <u>568,704</u>	\$ <u>2,651,747</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, 2018

	TRUST FUNDS	
	PRIVATE PURPOSE	EMPLOYEE BENEFIT
ADDITIONS		
Investment income	\$ 3,559	\$ 17,647
Contributions	<u>8,740</u>	<u>-</u>
TOTAL ADDITIONS	12,299	17,647
DEDUCTIONS		
Disbursements	<u>27,450</u>	<u>259,681</u>
CHANGE IN NET POSITION	(15,151)	(242,034)
NET POSITION - BEGINNING OF YEAR	<u>582,355</u>	<u>2,634,100</u>
NET POSITION - END OF YEAR	<u>\$ 567,204</u>	<u>\$ 2,392,066</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, 2018

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 components 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 District'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, 2018

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.

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.

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

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 2017 tax levy is used to finance operations of the District's fiscal year ended June 30, 2018. 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.

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.

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

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 \$76,138 of accrued vacation as of June 30, 2018.

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, \$2.50 per hour for Administrators and Middle Management employees, and \$20.00 per day for Certified. The District is liable for \$231,426 of unused personal paid leave as of June 30, 2018.

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.

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 1 - Summary of Significant Accounting Policies - Continued

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 two items that qualify for reporting in this category. They are the Wisconsin Retirement System Pension and OPEB healthcare and they result from changes in their actuarial studies and are amortized over the average of the expected remaining service lives of participants.

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 two items that qualify for reporting in this category. They are the Wisconsin Retirement System Pension and OPEB healthcare and they result from changes in their actuarial studies and are amortized over the average of the expected remaining service lives of participants.

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, 2018

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, 2018, 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	\$ 7,214,772
MidAmerica Trust	Less than one year	2,651,747
Fixed Annuities	Less than one year	13,694
Certificates of deposit	Less than one year	496,973
Repurchase agreements	Less than one year	373,225
		<u>\$10,750,411</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, 2018, 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, 2018

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 seven 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 - Deposits - 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, 2018, none of the District's bank balance of deposits of \$586,207 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, 2018

NOTE 2 - Cash and Investments - Continued

Custodial Credit Risk - Investments - Custodial credit risk is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value if its investment or collateral securities that are in the possession of an outside party. The District's investment policy limits investments in bonds and repurchase agreements to those guaranteed by the Federal government. The District does not hold any uninsured, uncollateralized, or unregistered securities at June 30, 2018.

NOTE 3 - Capital Assets

Capital asset balances and activity for the year ended June 30, 2018, are as follows:

	BEGINNING BALANCE	ADDITIONS	DELETIONS	ADJUSTMENTS	ENDING BALANCE
GOVERNMENTAL ACTIVITIES:					
Capital assets not being depreciated:					
Land	\$ 704,150	\$ -	\$ -	\$ -	\$ 704,150
Construction in progress	<u>17,823</u>	<u>33,250</u>	<u>-</u>	<u>(17,823)</u>	<u>33,250</u>
TOTAL CAPITAL ASSETS NOT BEING DEPRECIATED	<u>721,973</u>	<u>33,250</u>	<u>-</u>	<u>(17,823)</u>	<u>737,400</u>
Capital assets being depreciated:					
Land improvements	2,680,742	209,864	-	17,823	2,908,429
Buildings and improvements	48,384,981	134,765	-	-	49,519,746
Furniture and equipment	<u>2,960,559</u>	<u>75,338</u>	<u>(177,130)</u>	<u>-</u>	<u>2,858,767</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED	<u>55,026,282</u>	<u>419,967</u>	<u>(177,130)</u>	<u>17,823</u>	<u>55,286,942</u>
Less accumulated depreciation for:					
Land improvements	(1,472,854)	(171,683)	-	-	(1,644,537)
Buildings and improvements	(18,133,535)	(1,191,528)	-	-	(19,325,063)
Furniture and equipment	<u>(2,025,478)</u>	<u>(170,337)</u>	<u>177,130</u>	<u>-</u>	<u>(2,018,685)</u>
TOTAL ACCUMULATED DEPRECIATION	<u>(21,631,867)</u>	<u>(1,533,548)</u>	<u>177,130</u>	<u>-</u>	<u>(22,988,285)</u>
TOTAL CAPITAL ASSETS BEING DEPRECIATED, NET OF ACCUMULATED DEPRECIATION	<u>33,394,415</u>	<u>(1,113,581)</u>	<u>-</u>	<u>17,823</u>	<u>32,298,657</u>
GOVERNMENTAL ACTIVITIES					
CAPITAL ASSETS, NET OF ACCUMULATED DEPRECIATION	<u>\$ 34,116,388</u>	<u>\$ (1,080,331)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 33,036,057</u>

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 3 - Capital Assets - Continued

Depreciation expense was charged to governmental functions as follows:

Regular instruction	\$ 10,878
Vocational instruction	13,507
Instructional staff services	636
General administration services	1,887
Business services	325
Operations and maintenance	1,401,809
Pupil transportation	17,734
Central services	<u>86,772</u>
TOTAL DEPRECIATION FOR GOVERNMENTAL ACTIVITIES	<u>\$ 1,533,548</u>

	BEGINNING BALANCE	ADDITIONS	DELETIONS	ENDING BALANCE
BUSINESS-TYPE ACTIVITIES				
Capital assets being depreciated	\$ 428,330	\$ -	\$ -	\$ 428,330
Less: accumulated depreciation	<u>(363,277)</u>	<u>(7,972)</u>	<u>-</u>	<u>(371,249)</u>
TOTAL CAPITAL ASSETS	<u>\$ 65,053</u>	<u>\$ (7,972)</u>	<u>\$ -</u>	<u>\$ 57,081</u>

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

Food service	<u>\$ 7,972</u>
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NOTE 4 - Long-Term Obligations

Long-term obligations are as follows:

	BALANCE 7/1/17	ADDITIONS	REDUCTIONS	BALANCE 6/30/18	AMOUNT DUE WITHIN ONE YEAR
Governmental Activities:					
Bonds payable	\$ 3,115,000	\$ -	\$ (1,655,000)	\$ 1,460,000	\$ 1,460,000
Notes payable	560,000	-	(230,000)	330,000	230,000
Vested vacation pay	77,584	-	(1,446)	76,138	7,614
Paid leave	240,509	-	(9,083)	231,426	23,143
	<u>\$ 3,993,093</u>	<u>\$ -</u>	<u>\$ (1,895,529)</u>	<u>\$ 2,097,564</u>	<u>\$ 1,720,757</u>

In prior years, the general and food service funds liquidated vested employee benefits. Interest cost incurred during the year totaled \$40,647 and total interest paid during the year aggregated \$46,030.

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 4 - 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, 2018 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 6/30/18</u>
Refunding bonds	12/03/2012	0.8% - 1.0%	03/01/2019	\$ 1,460,000
Promissory notes	05/14/2015	2.0% - 3.0%	03/01/2020	330,000
TOTAL GENERAL OBLIGATION DEBT				

General Obligation Debt Limit Calculation - The 2017 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$1,183,283,810. The legal debt limit and margin of indebtedness as of June 30, 2018, in accordance with Section 67.03(1) (b) of the Wisconsin Statutes follows:

Debt limit (10 percent of \$1,183,283,810)	\$ 118,328,381
Deduct long-term debt applicable to debt margin	(1,790,000)
Amount available in debt service fund	19,073
MARGIN OF INDEBTEDNESS	

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>
2019	\$ 1,690,000	\$ 24,500	\$ 1,714,500
2020	100,000	3,000	103,000
TOTAL	\$ 1,790,000	\$ 27,500	\$ 1,817,500

NOTE 5 - 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>

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.

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 5 - Wisconsin Retirement System - Continued

Benefits Provided - Employees who retire at or after age 65 (54 for protective occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

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
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
2016	0.5	(5)
2017	2.0	4.0

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 5 - 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. Starting on January 1, 2016, the Executives & Elected Officials Category was merged into the General Employee Category. 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 \$1,138,191 in contributions from the employer.

Contribution rates as of June 30, 2018 are:

Employee Category	Employee	Employer
General (including Teachers, Executives & Elected Officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

At June 30, 2018, the District reported a liability (asset) of (\$3,275,901) for its proportionate share of the net pension liability (asset). The net pension liability (asset) was measured as of December 31, 2017, and the total pension liability used to calculate the net pension liability (asset) was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. 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, 2017, the District's proportion was .11033244%, which was an increase of .00182861% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$1,407,739.

At June 30, 2018, 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	\$4,162,114	\$1,946,898
Net differences between projected and actual earnings on pension plan investments	3,506,165	8,008,587
Changes in assumptions	647,254	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	8,679	31,751
Employer contributions subsequent to the measurement date	592,877	-
Total	\$8,917,089	\$9,987,236

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 5 - Wisconsin Retirement System - Continued

\$592,877 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, 2019. 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
2019	\$3,328,522	\$2,987,341
2020	2,945,309	2,980,482
2021	1,058,320	2,182,247
2022	984,200	1,837,140
2023	7,861	26

Actuarial Assumptions - The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Liability (Asset)	December 31, 2017
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 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

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:

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 5 - Wisconsin Retirement System - Continued

Asset Allocation Targets and Expected Returns (as of December 31, 2017)

	Current Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Core Fund Asset Class			
Global Equities	50	8.2	5.3
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core Fund	110	7.3	4.4
Variable Fund Asset Class			
U.S. Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	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 3.31%. 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.

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:

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 5 - Wisconsin Retirement System - Continued

	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)	\$8,475,874	(\$3,275,901)	(\$12,207,614)

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, 2018, the District reported a payable of \$155,073 for the outstanding amount of contributions to the pension plan required for the year ended June 30, 2018.

NOTE 6 - Interfund Balance and Activity

Interfund receivable and payable balances on June 30, 2018, are as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Private Purpose Trust	\$ 1,500
General	Employee Benefit Trust	247,511
General	Food Service	9,449
Long-Term Capital Improvement Trust	General	500,000
Food Service	Employee Benefit Trust	2,023
Special Education	Employee Benefit Trust	<u>10,147</u>
		<u>\$ 770,630</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, 2018 were as follows:

<u>Transfer from</u>	<u>Transfer to</u>	<u>Amount</u>
General	Long-Term Capital Improvement Trust	<u>\$ 500,000</u>

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.

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 7 - 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.

Benefits Provided - 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, 2018, the District contributed \$204,326 to eligible retirees' HRA accounts.

Employees Covered - As of the June 30, 2018 measurement date, the following employees were covered by the benefit terms.

Inactive employees or beneficiaries currently receiving benefits	25
Active employees	<u>233</u>
Total	<u>248</u>

Contributions - The Board of Education has the authority to establish the contribution requirements for the plan. The Board establishes contribution rates based on premiums and an actuarially determined rate recommended by an independent actuary. The actuarially determined rate is the estimated amount necessary to finance the unfunded accrued liability.

Actuarial Assumptions - The net OPEB healthcare liability in the June 30, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	June 30, 2016
Measurement Date:	June 30, 2018
Actuarial Cost Method:	Entry Age Normal - Level %
Amortization Period:	30 years
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	3.75%
Discount Rate:	3.75%
Mortality:	Wisconsin 2012 Mortality Table
Medical Care Cost Trend:	4.0% in year 1, followed by 7.0% decreasing by .5% per year to 6.5%, then by .1% per year to 5%, and level thereafter

The actuarial valuation was based on an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014.

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 7 - Post Employment Benefits Other Than Pensions - Continued

The OPEB liability for June 30, 2018 is based upon a June 30, 2016 actuarial valuation date and June 30, 2018 measurement date.

Long-Term Expected Return on Plan Assets - The long-term expected rate of return on plan investments was determined by expected future real rates of return (expected returns, net of plan investment expense and inflation) developed for each major asset class. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Real Rate of Return	Target Allocation
Fixed Income	3.75%	100%

Discount Rate - A discount rate of 3.75% was used to measure the total OPEB healthcare liability. The discount rate was based on the expected rate of return on plan investments of 3.75%. Based on these assumptions, the plan's fiduciary net position was projected to be available to make all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on plan investments was applied to all periods of projected benefit payments to determine the total OPEB healthcare liability.

Changes in the Net OPEB Healthcare Liability

	TOTAL OPEB HEALTHCARE LIABILITY <u>(a)</u>	FIDUCIARY NET POSITION <u>(b)</u>	NET OPEB HEALTHCARE LIABILITY <u>(a) - (b)</u>
BEGINNING BALANCE	<u>\$ 1,596,223</u>	<u>\$ 2,634,100</u>	<u>\$(1,037,877)</u>
Changes for the year:			
Service	97,316	-	97,316
Interest	53,026	-	53,026
Net investment income	-	17,647	(17,647)
Benefit payments	(259,681)	(259,681)	-
Change in assumption	(25,787)	-	(25,787)
NET CHANGES	<u>(135,126)</u>	<u>(242,034)</u>	<u>106,908</u>
ENDING BALANCE	<u>\$ 1,461,097</u>	<u>\$ 2,392,066</u>	<u>\$(930,969)</u>

Sensitivity of the Net OPEB Healthcare Liability to Changes in the Healthcare Cost Trend Rate - The following presents the net OPEB healthcare liability calculated using the healthcare cost trend rate of 7.0 percent decreasing to 5 percent, as well as what the net OPEB liability would be if it were calculated using a healthcare cost trend rate that is 1-percentage-point lower (6.0 percent decreasing to 4 percent) or 1-percentage-point higher (8.0 percent decreasing to 6 percent) than the current rate:

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 7 - Post Employment Benefits Other Than Pensions - Continued

	1% Decrease to Healthcare Cost Rate (6.5% decreasing to 4%)	Current Healthcare Cost Rate (7.5% decreasing to 5%)	1% Increase to Healthcare Cost Rate (8.5% decreasing to 6%)
Net OPEB healthcare liability	(\$1,058,855)	(\$930,969)	(\$777,292)

Sensitivity of the Net OPEB Healthcare Liability to Changes in the Discount Rate - The following presents the net OPEB healthcare liability calculated using the discount rate of 3.75 percent, as well as what the net OPEB healthcare liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.75 percent) or 1-percentage-point higher (4.75 percent) than the current rate:

	1% Decrease to Discount Rate (2.75%)	Current Discount Rate (3.75%)	1% Increase To Discount Rate (4.75%)
Net OPEB healthcare liability	(\$825,426)	(\$930,969)	(\$1,030,070)

Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB Healthcare

For the year ended June 30, 2018, the District recognized OPEB healthcare expense of \$69,701

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB healthcare from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ -
Changes in assumptions	-	23,803
Net differences between projected and actual earnings on pension plan investments	61,010	-
Employer contributions subsequent to the measurement date	-	-
Total	\$ 61,010	\$ 23,803

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

Year ended June 30:	Net Deferred Inflows/Outflows of Resources
2019	\$ 13,269
2020	13,269
2021	13,269
2022	13,267
2023	(1,984)
Thereafter	(13,883)

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 7 - Post Employment Benefits Other Than Pensions - Continued

Payables to the OPEB Healthcare Plan -The District reported a payable of zero for the outstanding amount of contributions to the OPEB Healthcare plan required for the year ended June 30, 2018.

NOTE 8 - 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	\$ 73,344
Committed	Specific expense	33,250
Assigned	Specific expense	5,407
Special revenue trust		
Assigned	Specific expenses	167,215
Community service		
Restricted	Specific expenses	7,162
Debt service		
Restricted	Principal and interest	19,073
Long-term capital improvement trust		
Restricted	DPI regulation	951,749
	Total Governmental Fund Balances not available for current appropriation	\$ 1,257,200

	<u>PURPOSE</u>	<u>AMOUNT</u>
<u>Governmental Activities</u>		
Restricted		
Special revenue	Community service activity	\$ 7,162
Debt service	Principal and interest	19,073
Capital projects	DPI regulation	951,749
Other activities	Wisconsin Retirement System pension	2,141,918
Other activities	Post-employment benefit other than pension	968,176
	Total Governmental Activities Restricted Net Position	\$ 4,088,078

	<u>PURPOSE</u>	<u>AMOUNT</u>
<u>Proprietary Fund and Business-Type Activities</u>		
Restricted		
Pension	Wisconsin Retirement System pension	\$ 63,836
Food service	Specific expenses	6,734
	Total Property Fund and Business-Type Activities	\$ 70,570

NOTE 9 - 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.

SPARTA AREA SCHOOL DISTRICT
NOTES TO THE BASIC FINANCIAL STATEMENTS - Continued
JUNE 30, 2018

NOTE 10 - 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 \$107,636. Another lease is for welders in effect July 1, 2015 through July 1, 2019 with remaining payments amounting to \$20,868. The third lease is for phones in effect October 1, 2015 through October 1, 2020, with remaining payments expected to equal \$67,500.

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

2019-2020	\$ 158,554
2020-2021	30,000
2021-2022	7,500
	<u>\$ 196,054</u>

The District's transportation agreement is effective June 13, 2016 through June 30, 2019. The fees are based on the number of buses used and distance traveled so the amounts to be paid in future years are variable.

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 11 - 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 12 - Subsequent Event

In July 2018, the District issued a \$29,000,000 Bond Anticipation Note, which will be refinanced in January 2019 with General Obligation Bonds. The proceeds will be used for the construction of a new elementary school.

**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, 2018

	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	\$ 8,096,241	\$ -	\$ 8,096,241	\$ 8,098,795	\$ -	\$ 8,098,795	\$ 8,098,795	\$ -	\$ 8,098,795	\$ -	
Other local sources	122,050	-	122,050	200,130	927	201,057	226,325	926	227,251	26,194	
Interdistrict sources	255,261	-	255,261	270,261	7,270	277,531	270,261	7,269	277,530	(1)	
Intermediate sources	4,000	-	4,000	8,563	3,692	12,255	9,110	3,691	12,801	546	
State sources	23,107,006	1,128,783	24,235,789	23,095,499	1,149,750	24,245,249	23,026,804	1,149,750	24,176,554	(68,695)	
Federal sources	1,343,045	755,671	2,098,716	1,495,132	908,981	2,404,113	1,117,738	779,330	1,897,068	(507,045)	
Other sources	190,132	-	190,132	277,689	-	277,689	290,741	-	290,741	13,052	
TOTAL REVENUE	<u>33,117,735</u>	<u>1,884,454</u>	<u>35,002,189</u>	<u>33,446,069</u>	<u>2,070,620</u>	<u>35,516,689</u>	<u>33,039,774</u>	<u>1,940,966</u>	<u>34,980,740</u>	<u>(535,949)</u>	
EXPENDITURES											
Current											
Instruction											
Regular instruction	13,290,566	-	13,290,566	13,433,898	-	13,433,898	13,274,587	-	13,274,587	159,311	
Vocational instruction	888,929	-	888,929	928,974	-	928,974	924,127	-	924,127	4,847	
Special instruction	-	3,871,269	3,871,269	-	3,941,947	3,941,947	-	3,876,742	3,876,742	65,205	
Other instruction	887,401	-	887,401	1,171,725	-	1,171,725	1,167,159	-	1,167,159	4,566	
Total instruction	<u>15,066,896</u>	<u>3,871,269</u>	<u>18,938,165</u>	<u>15,534,597</u>	<u>3,941,947</u>	<u>19,476,544</u>	<u>15,365,873</u>	<u>3,876,742</u>	<u>19,242,615</u>	<u>233,929</u>	
Support services											
Pupil services	984,719	561,903	1,546,622	999,696	566,667	1,566,363	984,331	561,089	1,545,420	20,943	
Instructional staff services	2,451,675	205,787	2,657,462	2,568,034	205,332	2,773,366	2,295,382	183,666	2,479,048	294,318	
General administration services	1,360,179	-	1,360,179	665,295	-	665,295	665,277	-	665,277	18	
Building administration services	1,659,176	-	1,659,176	1,639,691	-	1,639,691	1,640,924	-	1,640,924	(1,233)	
Business services	594,906	-	594,906	630,154	-	630,154	615,206	-	615,206	14,948	
Operations and maintenance	2,701,534	-	2,701,534	2,621,295	-	2,621,295	2,628,400	-	2,628,400	(7,105)	
Pupil transportation	1,459,500	343,455	1,802,955	1,451,773	366,119	1,817,892	1,441,668	363,016	1,804,684	13,208	
Central services	847,767	2,000	849,767	776,022	2,000	778,022	709,374	-	709,374	68,648	
Insurance	310,500	-	310,500	293,941	-	293,941	293,941	-	293,941	-	
Other support services	14,000	-	14,000	31,390	-	31,390	24,380	-	24,380	7,010	
Community services	-	-	-	-	-	-	-	-	-	-	
Total support services	<u>12,383,956</u>	<u>1,113,145</u>	<u>13,497,101</u>	<u>11,677,291</u>	<u>1,140,118</u>	<u>12,817,409</u>	<u>11,298,883</u>	<u>1,107,771</u>	<u>12,406,654</u>	<u>410,755</u>	
Non-program transactions	<u>1,766,102</u>	<u>430,152</u>	<u>2,196,254</u>	<u>1,581,371</u>	<u>363,443</u>	<u>1,944,814</u>	<u>1,580,220</u>	<u>324,244</u>	<u>1,904,464</u>	<u>40,350</u>	
Debt service											
Interest	2,000	-	2,000	-	-	-	-	-	-	-	
Capital outlay	453,217	-	453,217	453,217	-	453,217	453,217	-	453,217	-	
TOTAL EXPENDITURES	<u>29,672,171</u>	<u>5,414,566</u>	<u>35,086,737</u>	<u>29,246,476</u>	<u>5,445,508</u>	<u>34,691,984</u>	<u>28,698,193</u>	<u>5,308,757</u>	<u>34,006,950</u>	<u>685,034</u>	
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	3,445,564	(3,530,112)	(84,548)	4,199,593	(3,374,888)	824,705	4,341,581	(3,367,791)	973,790	(149,085)	
OTHER FINANCING SOURCES (USES)											
Transfer (to) from other funds	(3,530,112)	<u>3,530,112</u>	-	(3,766,236)	<u>3,366,236</u>	(400,000)	(3,867,791)	<u>3,367,791</u>	(500,000)	<u>100,000</u>	
NET CHANGE IN FUND BALANCE	(84,548)	-	(84,548)	433,357	(8,652)	424,705	473,790	-	473,790	49,085	
FUND BALANCE - BEGINNING OF YEAR	5,948,083	-	5,948,083	5,948,083	-	5,948,083	5,948,083	-	5,948,083	-	
FUND BALANCE - END OF YEAR	<u>\$ 5,863,535</u>	<u>\$ -</u>	<u>\$ 5,863,535</u>	<u>\$ 6,381,440</u>	<u>\$ (8,652)</u>	<u>\$ 6,372,788</u>	<u>\$ 6,421,873</u>	<u>\$ -</u>	<u>\$ 6,421,873</u>	<u>\$ 49,085</u>	

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, 2018

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.

NOTE 2 - Excess of Actual Expenditure Over Budget - The following functions had an excess of actual expenditures over budget for the year ended June 30, 2018.

<u>FUND</u>	<u>FUNCTION</u>	<u>EXCESS EXPENDITURES</u>
General/Special Education	Building administration services	\$ 1,233
General/Special Education	Operations and maintenance	7,105

SPARTA AREA SCHOOL DISTRICT
POST-EMPLOYMENT HEALTHCARE BENEFIT SCHEDULES
YEAR ENDED JUNE 30, 2018

SCHEDULE OF DISTRICT'S CHANGES IN THE NET OPEB HEALTHCARE LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

	2017	2018
Total OPEB Healthcare Liability		
Service cost	\$ 97,316	\$ 97,316
Interest	57,985	53,026
Changes of assumptions or other input	-	(25,787)
Benefit payments	(334,271)	(259,681)
Net Changes in Total OPEB Healthcare Liability	(178,970)	(135,126)
Total OPEB Healthcare Liability - Beginning	<u>1,775,193</u>	<u>1,596,223</u>
Total OPEB Healthcare Liability - Ending (a)	<u>\$ 1,596,223</u>	<u>\$ 1,461,097</u>
 Plan Fiduciary Net Position		
Contributions - employer	\$ -	\$ -
Net investment income	27,737	17,647
Benefit payments	(334,271)	(259,681)
Other adjustment	674,338	-
Net Changes in Plan Fiduciary Net Position	367,804	(242,034)
Plan Fiduciary Net Position - Beginning	<u>2,266,296</u>	<u>2,634,100</u>
Plan Fiduciary Net Position - Ending (b)	<u>\$ 2,634,100</u>	<u>\$ 2,392,066</u>
 Net OPEB Healthcare Liability - Ending (a) - (b)	<u>\$ (1,037,877)</u>	<u>\$ (930,969)</u>
Plan fiduciary net position as a percentage of the total OPEB healthcare liability	165.02%	163.72%
Covered payroll	\$ 10,500,893	\$ 10,500,893
Net OPEB Healthcare liability as a percentage of covered payroll	-9.88%	-8.87%

SCHEDULE OF DISTRICT'S CONTRIBUTIONS
Last 10 Fiscal Years

	2017	2018
Actuarially determined contributions	\$ 82,562	\$ 85,039
Contributions in relation to the actuarially determined contributions	-	-
Contribution deficiency (excess)	<u>\$ 82,562</u>	<u>\$ 85,039</u>
Covered payroll	\$ 10,500,893	\$ 10,500,893
Contributions as a percentage of covered payroll	0.00%	0.00%
Actuarial valuation date	6/30/2016	6/30/2016
Measurement date	6/30/2017	6/30/2018

The District implemented the Government Accounting Standards Board Statement No. 75 for the year ended June 30, 2017. Requirements have been implemented prospectively; therefore, the above illustrations do not reflect similar information for the 8 proceeding years.

Notes to Required Supplementary Information for the Year Ended June 30, 2018

Methods and assumptions used to determine actuarially calculations - entry age normal cost, 30 year level % amortization, fair market value asset valuation, 3.75% discount rate, 2.5% inflation, Wisconsin 2012 mortality table.

Changes of benefit terms - there were no changes of benefit terms.

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

SPARTA AREA SCHOOL DISTRICT
WISCONSIN RETIREMENT SYSTEM SCHEDULES
YEAR ENDED JUNE 30, 2018

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

Last 10 Fiscal Years *

	2015	2016	2017	2018
Proportion of the net pension liability (asset)	0.10836091%	0.10841158%	0.10850383%	0.11033244%
Proportionate share of the net pension liability (asset)	\$ (2,661,640)	\$ 1,761,668	\$ 894,331	\$ (3,275,901)
Covered payroll	\$ 15,028,048	\$ 15,324,489	\$ 15,941,416	\$ 16,738,001
Proportionate share of the net pension liability (asset) as a percentage of its covered payroll	-17.71%	11.50%	5.61%	-19.57%
Plan fiduciary net position as a percentage of the total pension liability (asset)	-102.74%	98.20%	99.12%	-102.93%

SCHEDULE OF DISTRICT'S CONTRIBUTIONS

Last 10 Fiscal Years *

	2015	2016	2017	2018
Contractually required contributions	\$ 1,051,966	\$ 1,042,076	\$ 1,052,463	\$ 1,138,191
Contributions in relation to the contractually required contributions	<u>(1,051,966)</u>	<u>(1,042,076)</u>	<u>(1,052,463)</u>	<u>(1,138,191)</u>
Contribution deficiency (excess)	<u>\$</u> <u>-</u>	<u>\$</u> <u>-</u>	<u>\$</u> <u>-</u>	<u>\$</u> <u>-</u>
Covered payroll	\$ 15,028,048	\$ 15,324,489	\$ 15,941,416	\$ 16,738,001
Contributions as a percentage of covered payroll	7.00%	6.80%	6.60%	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 6 proceeding years.

Notes to Required Supplementary Information for the Year Ended June 30, 2018

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, 2018

<u>ASSETS</u>	GENERAL FUND	SPECIAL EDUCATION FUND	TOTAL GENERAL FUND
Cash and investments	\$ 6,932,041	\$ 471,651	\$ 7,403,692
Receivables			
Accounts	22,094	2,126	24,220
Taxes	2,431,431	-	2,431,431
Due from other funds	258,460	10,147	268,607
Due from other governments	664,262	115,169	779,431
Prepays	<u>73,344</u>	<u>-</u>	<u>73,344</u>
TOTAL ASSETS	<u>\$ 10,381,632</u>	<u>\$ 599,093</u>	<u>\$ 10,980,725</u>
<u>LIABILITIES AND FUND BALANCES</u>			
LIABILITIES			
Accounts payable	\$ 271,320	\$ 32,070	\$ 303,390
Accrued liabilities			
Payroll	3,185,241	567,023	3,752,264
Other	2,168	-	2,168
Due to other funds	500,000	-	500,000
Unearned revenue	<u>1,030</u>	<u>-</u>	<u>1,030</u>
TOTAL LIABILITIES	<u>3,959,759</u>	<u>599,093</u>	<u>4,558,852</u>
FUND BALANCES			
Nonspendable	73,344	-	73,344
Committed	33,250	-	33,250
Assigned	5,407	-	5,407
Unassigned	<u>6,309,872</u>	<u>-</u>	<u>6,309,872</u>
TOTAL FUND BALANCES	<u>6,421,873</u>	<u>-</u>	<u>6,421,873</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 10,381,632</u>	<u>\$ 599,093</u>	<u>\$ 10,980,725</u>

SPARTA AREA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENDITURES,
AND CHANGES IN FUND BALANCE
GENERAL FUND
YEAR ENDED JUNE 30, 2018

	GENERAL FUND	SPECIAL EDUCATION FUND	TOTAL GENERAL FUND
REVENUE			
Property taxes	\$ 8,098,795	\$ -	\$ 8,098,795
Other local sources	226,325	926	227,251
Interdistrict sources	270,261	7,269	277,530
Intermediate sources	9,110	3,691	12,801
State sources	23,026,804	1,149,750	24,176,554
Federal sources	1,117,738	779,330	1,897,068
Other sources	<u>290,741</u>	<u>-</u>	<u>290,741</u>
TOTAL REVENUE	<u>33,039,774</u>	<u>1,940,966</u>	<u>34,980,740</u>
EXPENDITURES			
Current			
Instruction			
Regular instruction	13,274,587	-	13,274,587
Vocational instruction	924,127	-	924,127
Special instruction	-	3,876,742	3,876,742
Other instruction	<u>1,167,159</u>	<u>-</u>	<u>1,167,159</u>
Total instruction	<u>15,365,873</u>	<u>3,876,742</u>	<u>19,242,615</u>
Support services			
Pupil services	984,331	561,089	1,545,420
Instructional staff services	2,295,382	183,666	2,479,048
General administration services	665,277	-	665,277
Building administration services	1,640,924	-	1,640,924
Business services	615,206	-	615,206
Operations and maintenance	2,628,400	-	2,628,400
Pupil transportation	1,441,668	363,016	1,804,684
Central services	709,374	-	709,374
Insurance	293,941	-	293,941
Other support services	<u>24,380</u>	<u>-</u>	<u>24,380</u>
Total support services	<u>11,298,883</u>	<u>1,107,771</u>	<u>12,406,654</u>
Non-program transactions	<u>1,580,220</u>	<u>324,244</u>	<u>1,904,464</u>
Capital outlay	<u>453,217</u>	<u>-</u>	<u>453,217</u>
TOTAL EXPENDITURES	<u>28,698,193</u>	<u>5,308,757</u>	<u>34,006,950</u>
EXCESS (DEFICIENCY) OF REVENUE OVER EXPENDITURES	4,341,581	(3,367,791)	973,790
OTHER FINANCING (USES) SOURCES			
Net transfer (to) from other funds	<u>(3,867,791)</u>	<u>3,367,791</u>	<u>(500,000)</u>
NET CHANGE IN FUND BALANCE	473,790	-	473,790
FUND BALANCE - BEGINNING OF YEAR	<u>5,948,083</u>	<u>-</u>	<u>5,948,083</u>
FUND BALANCE - END OF YEAR	<u>\$ 6,421,873</u>	<u>\$ -</u>	<u>\$ 6,421,873</u>

SPARTA AREA SCHOOL DISTRICT
COMBINING BALANCE SHEETS
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

<u>ASSETS</u>	SPECIAL REVENUE FUNDS		LONG-TERM CAPITAL IMPROVEMENT TRUST	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	SPECIAL REVENUE TRUST	COMMUNITY SERVICE		
Cash and investments	\$ 173,397	\$ 9,720	\$ 451,749	\$ 634,866
Due from other funds	_____	_____	500,000	500,000
TOTAL ASSETS	<u>\$ 173,397</u>	<u>\$ 9,720</u>	<u>\$ 951,749</u>	<u>\$ 1,134,866</u>

<u>LIABILITIES AND FUND BALANCES</u>				
LIABILITIES				
Accounts payable	\$ 6,182	\$ 2,558	\$ _____	\$ 8,740
FUND BALANCES				
Restricted	-	7,162	951,749	958,911
Assigned	167,215	_____	_____	167,215
TOTAL FUND BALANCES	<u>167,215</u>	<u>7,162</u>	<u>951,749</u>	<u>1,126,126</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 173,397</u>	<u>\$ 9,720</u>	<u>\$ 951,749</u>	<u>\$ 1,134,866</u>

SPARTA AREA SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUE, EXPENDITURES, AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2018

	SPECIAL REVENUE FUNDS		LONG-TERM CAPITAL IMPROVEMENT TRUST	TOTAL NONMAJOR GOVERNMENTAL FUNDS
	SPECIAL REVENUE TRUST	COMMUNITY SERVICE		
REVENUE				
Property taxes	\$ -	\$ 20,000	\$ -	\$ 20,000
Other local sources	<u>236,211</u>	<u>3,085</u>	<u>1,083</u>	<u>240,379</u>
TOTAL REVENUE	<u>236,211</u>	<u>23,085</u>	<u>1,083</u>	<u>260,379</u>
EXPENDITURES				
Current				
Instruction				
Regular instruction	52,695	-	-	52,695
Other instruction	<u>128,977</u>	<u>-</u>	<u>-</u>	<u>128,977</u>
Total instruction	<u>181,672</u>	<u>-</u>	<u>-</u>	<u>181,672</u>
Support service				
Pupil services	6,251	-	-	6,251
Instructional staff services	3,160	-	-	3,160
Operations and Maintenance	1,574	-	-	1,574
Pupil Transportation	<u>17,568</u>	<u>-</u>	<u>-</u>	<u>17,568</u>
Community services	<u>-</u>	<u>16,747</u>	<u>-</u>	<u>16,747</u>
Total support services	<u>28,553</u>	<u>16,747</u>	<u>-</u>	<u>45,300</u>
Non-program transactions	<u>146</u>	<u>-</u>	<u>-</u>	<u>146</u>
TOTAL EXPENDITURES	<u>210,371</u>	<u>16,747</u>	<u>-</u>	<u>227,118</u>
EXCESS OF REVENUE OVER EXPENDITURES	25,840	6,338	1,083	33,261
OTHER FINANCING SOURCES				
Transfer from other funds	<u>-</u>	<u>-</u>	<u>500,000</u>	<u>500,000</u>
NET CHANGE IN FUND BALANCE	25,840	6,338	501,083	533,261
FUND BALANCES - BEGINNING OF YEAR	<u>141,375</u>	<u>824</u>	<u>450,666</u>	<u>592,865</u>
FUND BALANCES - END OF YEAR	<u>\$ 167,215</u>	<u>\$ 7,162</u>	<u>\$ 951,749</u>	<u>\$ 1,126,126</u>

SPARTA AREA SCHOOL DISTRICT
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUND
YEAR ENDED JUNE 30, 2018

	BALANCE JULY 1, 2017	ADDITIONS	DEDUCTIONS	BALANCE JUNE 30, 2018
ASSETS				
Cash and investments	\$ 49,052	\$ 166,224	\$ 168,350	\$ 46,926
LIABILITIES				
Due to student organizations				
Middle school	\$ 9,249	\$ 88,608	\$ 91,125	\$ 6,732
High school	<u>39,803</u>	<u>77,616</u>	<u>77,225</u>	<u>40,194</u>
TOTAL LIABILITIES	<u>\$ 49,052</u>	<u>\$ 166,224</u>	<u>\$ 168,350</u>	<u>\$ 46,926</u>

SPARTA AREA SCHOOL DISTRICT
SCHEDULE OF CHARTER SCHOOL AUTHORIZER OPERATING COSTS
YEAR ENDED JUNE 30, 2018

OPERATING ACTIVITY	WUFAR OBJECT CODE	COST
Employee salary	100	\$ 12,126
Employee benefits	200	5,129
Purchased services	300	-
Non-capital objects	400	-
Capital objects	500	-
Insurance and judgements	700	-
Other	900	-
TOTAL		\$ 17,255

SPARTA AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2018

AWARDING AGENCY PASS-THROUGH AGENCY AWARD DESCRIPTION	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	RECEIVABLE (UNEARNED REVENUE) JULY 1, 2017	REVENUE GRANTOR REIMBURSE- MENTS	EXPENDITURES	RECEIVABLE (UNEARNED REVENUE) JUNE 30, 2018
U.S. DEPARTMENT OF AGRICULTURE						
Wisconsin Department of Public Instruction						
<u>Child Nutrition Cluster</u>						
School Breakfast Program	10.553	2018-415460-SB-546	\$ 5,944	\$ 272,260	\$ 272,171	\$ 5,855
National School Lunch Program	10.555	2018-415460-NSL-547	11,688	648,347	648,397	11,738
Commodity Supplemental Food Program	10.555	None	-	109,852	109,852	-
Summer Food Service Program	10.559	2018-415460-SFSP-586	29,432	70,268	72,963	32,127
TOTAL U.S. DEPARTMENT OF AGRICULTURE			47,064	1,100,727	1,103,383	49,720
U.S. DEPARTMENT OF DEFENSE						
Direct Program						
Promoting K-12 Student Achievement at Military-Connected Schools	12.556	None	18,305	168,480	228,449	78,274
U.S. DEPARTMENT OF JUSTICE						
Wisconsin Bullying and Prevention Study	16.560	FY 18-415460-730 599-Bully	214	7,517	7,303	-
U.S. DEPARTMENT OF EDUCATION						
Direct Program						
Federal Impact Aid	84.041	None	-	35,282	35,282	-
Wisconsin Department of Public Instruction						
<u>Title IA Cluster</u>						
ESEA Title I - Basic Grant	84.010	2018-415460-Title I-141	91,548	552,155	588,782	128,175
<u>Special Education Cluster (IDEA)</u>						
PL 94-142 IDEA Flow Through	84.027	2018-415460-IDEA-341	146,983	609,022	574,206	112,167
IDEA Preschool Entitlement	84.173	2018-415460-Pre-S-347	5,193	16,801	14,610	3,002
Total Special Education Cluster			152,176	625,823	588,816	115,169
ESEA Title IV-B 21st Century Community Learning	84.287	2018-415460-CLC-367	41,072	109,372	102,011	33,711
Carl Perkins Act Formula Allocation	84.048	2018-415460-CP-CTE-400	17,797	30,381	27,764	15,180
Title II-A - Teacher/Principal Training	84.367	2018-415460-Title II-365	51,873	132,534	113,373	32,712
Emergency Impact Aid	84.938	None	-	-	8,415	8,415
Passed Through CESA 4						
Title III-A - English Language Acquisition	84.365	2018-415460-Title III A-391	-	4,610	4,610	-
TOTAL U.S. DEPARTMENT OF EDUCATION			354,466	1,490,157	1,469,053	333,362

(Continued on page 56)

SPARTA AREA SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS - Continued
YEAR ENDED JUNE 30, 2018

AWARDING AGENCY PASS-THROUGH AGENCY AWARD DESCRIPTION	FEDERAL CATALOG NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	RECEIVABLE (UNEARNED REVENUE) JULY 1, 2017	REVENUE GRANTOR REIMBURSE- MENTS	EXPENDITURES	RECEIVABLE (UNEARNED REVENUE) JUNE 30, 2018
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES						
Wisconsin Department of Health Services						
Medical Assistance	93.778	None	\$ -	\$ 190,514	\$ 190,514	\$ -
Wisconsin School Mental Health Project	93.243	None	(3,391)	4,000	6,362	(1,029)
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			(3,391)	194,514	196,876	(1,029)
TOTAL FEDERAL AWARDS			\$ 416,658	\$ 2,961,395	\$ 3,005,064	\$ 460,327

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 minimis 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, 2018.

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 \$109,852 during fiscal year ending June 30, 2018.

SPARTA AREA SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE
YEAR ENDED JUNE 30, 2018

AWARDING AGENCY PASS-THROUGH AGENCY AWARD DESCRIPTION	STATE I.D. NUMBER	PASS-THROUGH ENTITY IDENTIFYING NUMBER	RECEIVABLE (UNEARNED REVENUE) JULY 1, 2017	REVENUE GRANTOR REIMBURSE- MENTS	EXPENDITURES	RECEIVABLE (UNEARNED REVENUE) JUNE 30, 2018
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION						
Cost Reimbursement Programs						
State School Lunch Aid	255.102	415460-107	\$ -	\$ 15,445	\$ 15,445	\$ -
School Breakfast Program	255.344	415460-108	-	18,167	18,167	-
Total Cost Reimbursement Programs			-	33,612	33,612	
Entitlement Programs						
Special Education and School Age Parents:	255.101	415460-100	-	1,138,750	1,138,750	-
Internal District Programs			-	957,268	957,268	-
Student Achievement Guarantee in Education	255.504	415460-160	-	2,096,018	2,096,018	-
Total Entitlement Programs			-			
Other Aids						
Common School Fund Library Aid	255.103	415460-104	-	114,458	114,458	-
Pupil Transportation	255.107	415460-102	-	84,167	84,167	-
Equalization Aid	255.201	415460-116	332,572	20,067,154	20,076,327	341,745
Mentoring Grants for Initial Educators	255.301	415460-141	5,602	8,411	4,944	2,135
Tuition Payments by State	255.401	415460-157	-	399,981	399,981	-
Educator Effectiveness Grant	255.940	415460-154	-	21,600	21,600	-
Per Pupil Adjustment Aid	255.945	415460-113	-	1,337,400	1,337,400	-
Assessments of Reading Readiness	255.956	415460-151	-	5,790	5,790	-
Career and Technical Education Incentive	255.950	415460-166	-	14,570	14,570	-
Special Education Transition Grant	255.960	415460-168	-	11,000	11,000	-
Total Other Aids			338,174	22,064,531	22,070,237	343,880
TOTAL WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION			338,174	24,194,161	24,199,867	343,880
WISCONSIN DEPARTMENT OF ADMINISTRATION						
Teacher Teaching Grants for Educational Technology	N/A	None	52,911	52,911	15,000	15,000
WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT						
Blueprint for Prosperity Grant	455.109	None	45,000	45,000	-	-
Passed Through CESA 4			-	-	-	-
Youth Apprenticeship Grant	445.112	None	-	4,500	4,500	-
TOTAL WISCONSIN DEPARTMENT OF WORKFORCE DEVELOPMENT			45,000	49,500	4,500	-
WISCONSIN DEPARTMENT OF REVENUE						
Exempt Computer Aid	N/A	None	8,477	8,477	8,602	8,602
TOTAL STATE FINANCIAL ASSISTANCE			\$ 444,562	\$ 24,305,049	\$ 24,227,969	\$ 367,482

(Continued on page 58)

SPARTA AREA SCHOOL DISTRICT
SCHEDULE OF STATE FINANCIAL ASSISTANCE - Continued
YEAR ENDED JUNE 30, 2018

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

2017-2018 eligible costs under the State Special Education Program are \$4,692,244.

**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, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 19, 2018.

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
November 19, 2018

**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

Report on Compliance for Each Major Federal and State Program

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, 2018. 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 federal statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state 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") and *State Single Audit Guidelines*. 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 and state 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 and state program. However, our audit does not provide a legal determination of the District's compliance.

Opinion on Each Major Federal and State 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 the major federal and state 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, 2018.

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.

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 and state 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 and state program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal 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.

Our consideration of internal control over compliance was for the limited purpose described in the first 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. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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 and *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Hawkins Ash CPAs, LLP

La Crosse, Wisconsin
November 19, 2018

SPARTA AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2018

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued:	Unmodified			
Internal control over financial reporting:				
Material weakness identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> X	No
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> X	None reported
Noncompliance material to the financial statements?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> X	No

Federal Awards

Internal control over financial reporting:				
Material weakness identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> X	No
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> X	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 Uniform Guidance?

Yes X No

Identification of major federal programs:

CFDA Number
 10.553/10.555/10.559
 12.556

Name of Federal Program or Cluster
 Child Nutrition Cluster
 Promoting K-12 Student Achievement at Military-Connected Schools

State Assistance

Internal control over financial reporting:				
Material weakness identified?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> X	No
Significant deficiency(ies) identified not considered to be material weaknesses?	<input type="checkbox"/>	Yes	<input checked="" type="checkbox"/> X	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*?

Yes X No

SPARTA AREA SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS - Continued
JUNE 30, 2018

Section I - Summary of Auditors' Results - Continued

State Assistance - Continued

Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program or Cluster</u>
255.201	Equalization Aid
255.401	State Tuition Payments
255.101	Special Education

Dollar threshold used to distinguish between:

Type A and Type B federal programs:	\$750,000
Type A and Type B state programs:	\$250,000

Auditee qualified as low-risk auditee? _____ Yes X No

Section II - Financial Statement Findings and Questioned Costs - NONE

Section III - Federal and State Award Findings and Questioned Costs - NONE



Sparta Area School District

201 E. Franklin Street
Sparta, WI 54656
608 366 3443
www.spartan.org

Good people, great schools.

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

Board of Education

James Rasmussen, President
Mary Treu, Clerk
Julie Leis, Treasurer
Joshua Lydon, Vice President
Karen Wall, Director
Lee Culpitt, Director
Nancy Sikorski, Director

Summary schedule of prior findings for fiscal year ending June 30, 2018.

Summary of Prior Year Findings

2017-001 – State Tuition Payments - Eligibility – Cleared. Initially occurred June 30, 2017.
2017-002 – State Tuition Payments - Eligibility – Cleared. Initially occurred June 30, 2017.