

**SPARTA AREA SCHOOL DISTRICT
SPARTA, WISCONSIN**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORTS**

Year Ended June 30, 2007

SPARTA AREA SCHOOL DISTRICT

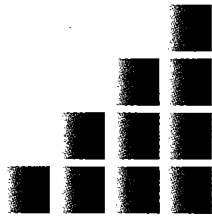
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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Sparta Area School District (District), as of and for the year ended June 30, 2007, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Education and management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the District's Board of Education and management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, each major fund and the aggregate remaining fund information of the Sparta Area School District as of June 30, 2007, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and special education fund for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated October 17, 2007, on our consideration of the Sparta Area School District's internal control over financial reporting and 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 10 is not a required part of the basic financial statements but is supplemental information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The supplemental information listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. The accompanying schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations, and are also not a required part of the basic financial statements of the Sparta Area School District. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vig & Associates LLC

October 17, 2007

**SPARTA AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007**

The discussion and analysis of the Sparta Area School District's financial performance provides an overall review of the District's financial activities for the fiscal year ended June 30, 2007. The intent of this discussion and analysis is to look at the financial performance as a whole; readers should also review the notes to the basic financial statements and financial statements to enhance their understanding of District's financial performance.

The Management Discussion and Analysis (MD&A) is an element of the reporting model adopted by the Governmental Accounting Standards Board (GASB) in their Statement No. 34 Basic Financial Statements – and Management's Discussion and Analysis – for State and Local Governments issued June 1999. Certain comparative information between the current year and the prior year is required to be presented in the MD&A.

FINANCIAL HIGHLIGHTS

State Equalization Aid provides the largest source of revenue for the Sparta Area School District. Total revenue from State Equalization Aid was \$18,974,324 during the 2006-07 School Year.

Local Property Taxes provides the second largest source of revenue for the Sparta Area School District. This revenue was \$7,644,367 for the 2006-07 School Year.

The General Fund reported a fund balance of \$3,389,971. This is an increase of \$388,188 from the previous year.

The District did not issue any new long-term debt during the fiscal year. The District continued to retire long-term debt faster than its repayment schedule through a \$1,270,000 defeasance payment. Long-term debt outstanding decreased \$3,305,000.

FINANCIAL STATEMENTS

The financial statements consist of three parts: Management Discussion and Analysis, the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the Sparta Area School District. The first two statements are government-wide financial statements – the Statement of Net Assets and the Statement of Activities. These provide both long-term and short-term information about the District's overall financial status.

The remaining statements are fund financial statements that focus on individual parts of the District's operations in more detail than the government-wide statements. The governmental funds statements tell how, in general, the District's services were financed in the short term as well as what remains for future spending. Proprietary fund statements offer short- and long-term financial information about the activities that the District operates like a business. For the District, this is the Food Service Fund. Fiduciary fund statements provide information about financial relationships where the District acts solely as a trustee or agent for the benefit of others, to whom the resources in question belong.

**SPARTA AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007**

FINANCIAL STATEMENTS (continued)

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of supplementary information that further reports additional District operations not required to be part of the basic financial statements.

OVERVIEW OF FINANCIAL STATEMENTS

Government-Wide Statements

The government-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the District's net assets and how they have changed. Net assets, the difference between the District's assets and liabilities, are one way to measure the District's financial health or position.

Over time, increases or decreases in the District's net assets are an indication of whether its financial health is improving or deteriorating, respectively.

Other factors, such as projected student enrollment, need to be considered when assessing the overall financial status of the District.

The government-wide financial statements of the District are divided into two categories:

- Governmental activities – All of the District's basic services are included here, such as instruction, administration and community services. State Equalization aid and property taxes fund most of these activities. Additional funding is provided through state categorical aid, federal grants, and other sources.
- Business type activities – The District operates a food service operation and charges fees to staff, students and visitors to help it cover the costs of the food service operation.

**SPARTA AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007**

Fund Financial Statements

The District's financial statements provide detailed information about the most significant funds – not the District as a whole. Some funds are required by state law and by bond requirements.

- Governmental funds – Most of the District's activities are reported in governmental funds, which focus on the determination of financial position and change in financial position, not on income determination. They are reported using an accounting method called modified accrual accounting, which measures cash and all other financial assets that can readily be converted to cash. The governmental fund statements provide a detailed short-term view of the District operations and the services it provides. Governmental fund information helps the reader determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. The relationship (or differences) between governmental activities (reported in the Statement of Net Assets and the Statement of Activities) and governmental funds is reconciled in the financial 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 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 is the trustee, of fiduciary, for assets that belong to others, such as scholarship funds or student activity funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the District-wide financial statements because it cannot use these assets to finance its operations.

**SPARTA AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007**

Table 1 summarizes the major features of the financial statements, including the portion of the program they cover and the types of information they contain. The remainder of this overview section of management discussion and analysis explains the structure and contents of each of the statements.

Table 1 Fund Financial Statements				
	Government-Wide Statements	Governmental Funds	Proprietary Funds	Fiduciary Funds
Scope	Entire district (except fiduciary funds)	The activity of the district that is not proprietary or fiduciary, such as instructional, support services, and community services.	Activities that the district operates similar to private business – Food Services.	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 assets, and Statement of activities	Balance Sheet, and Statement of revenues, expenditures and changes in fund balance.	Statement of net assets, and Statement of revenues, expenses and changes in net assets, and Statement of cash flows.	Statement of fiduciary net assets, and Statement of changes in fiduciary net assets.
Basis of accounting and measurement focus	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
Type of asset and liability information	All assets and liabilities, both financial and capital, and short-term and long-term.	Only assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets included.	All assets and liabilities, both financial and capital, and short-term and long-term.	All assets and liabilities, both short-term and long-term.
Type of inflow and outflow information	All revenues and expenses during year, regardless of when cash is received or paid.	Revenues for which cash is received during or soon after the end of the year; expenditures when goods or services have been received and payment is due during the year or soon thereafter.	All revenues and expenses during year, regardless of when cash is received or paid.	All additions or deductions during the year, regardless of when cash is received and paid.

**SPARTA AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007**

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Table 2 provides a comparative analysis of the District's net assets between 2006 and 2007. At June 30, 2007, net assets were \$16,197,216.

**Table 2
Analysis of District Net Assets**

	Governmental Activities		Business-Type Activities		Total		% Change
	2006	2007	2006	2007	2006	2007	
Assets:							
Current Assets	\$ 8,812,810	\$ 10,902,350	\$ 115,667	\$ 82,805	\$ 8,928,477	\$ 10,985,155	23.0%
Capital Assets	37,635,735	36,911,148	242,285	208,299	37,878,020	37,119,447	-2.0%
Total Assets	\$ 46,448,545	\$ 47,813,498	\$ 357,952	\$ 291,104	\$ 46,806,497	\$ 48,104,602	2.8%
Liabilities:							
Current Liabilities	\$ 5,305,915	\$ 7,046,123	\$ 83,286	\$ 65,483	\$ 5,389,201	\$ 7,111,606	32.0%
Long-Term Liabilities	28,220,965	24,795,780	-	-	28,220,965	24,795,780	-12.1%
Total Liabilities	\$ 33,526,880	\$ 31,841,903	\$ 83,286	\$ 65,483	\$ 33,610,166	\$ 31,907,386	-5.1%
Net Assets:							
Invested in Capital Assets, Net of Debt	\$ 12,425,735	\$ 14,901,148	\$ 242,285	\$ 208,299	\$ 12,668,020	\$ 15,109,447	19.3%
Restricted	254,812	240,152	32,381	17,322	287,193	257,474	-10.3%
Unrestricted	241,118	830,295	-	-	241,118	830,295	244.4%
Total Net Assets	\$ 12,921,665	\$ 15,971,595	\$ 274,666	\$ 225,621	\$ 13,196,331	\$ 16,197,216	22.7%

Most of the District's net assets are invested in capital assets (buildings, land, and equipment). The remaining unrestricted net assets are a combination of restricted and unrestricted amounts. Decreases in capital assets reflect the net decrease resulting from depreciation recognized in excess of increased additions to capital assets. Overall, liabilities decreased primarily due to continued retirement of debt without issuance of new debt. The District retired \$1,270,000 of long-term debt early through defeasance. The net result was an overall increase in net assets of 22.7 percent.

**SPARTA AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007**

Table 3, Analysis of District Activities, provides a comparison of revenue and expenditures between 2006 and 2007.

**Table 3
Analysis of District Activities**

	Governmental Activities		Business-Type Activities		Total		% Change
	2006	2007	2006	2007	2006	2007	
Revenues							
Program Revenues							
Charges for Services	\$ 84,848	\$ 74,111	\$ 654,821	\$ 650,548	\$ 739,669	\$ 724,659	-2.0%
Operating Grants	3,352,548	2,936,562	527,744	580,032	3,880,292	3,516,594	-9.4%
Total Program Revenues	3,437,396	3,010,673	1,182,565	1,230,580	4,619,961	4,241,253	-8.2%
General Revenues							
Property Taxes	7,228,391	7,581,785	-	-	7,228,391	7,581,785	4.9%
Grants & Entitlements	18,467,811	19,253,484	-	-	18,467,811	19,253,484	4.3%
Investment Income	138,827	260,302	-	696	138,827	260,998	88.0%
Miscellaneous	135,841	251,371	-	-	135,841	251,371	85.0%
Total General Revenues	25,970,870	27,346,942	-	696	25,970,870	27,347,638	5.3%
Total Revenues	\$ 29,408,266	\$ 30,357,615	\$ 1,182,565	\$ 1,231,276	\$ 30,590,831	\$ 31,588,891	3.3%
Expenses:							
Instruction	\$ 14,593,794	\$ 14,972,799	\$ -	\$ -	\$ 14,593,794	\$ 14,972,799	2.6%
Support Services	9,946,872	10,378,072	-	-	9,946,872	10,378,072	4.3%
Community Services	61,911	61,947	-	-	61,911	61,947	0.1%
Non-Program	1,902,984	1,894,867	-	-	1,902,984	1,894,867	-0.4%
Business-Type Activity	-	-	1,209,284	1,280,321	1,209,284	1,280,321	5.9%
Total Expenses	\$ 26,505,561	\$ 27,307,685	\$ 1,209,284	\$ 1,280,321	\$ 27,714,845	\$ 28,588,006	3.2%
Change in Net Assets	\$ 2,902,705	\$ 3,049,930	\$ (26,719)	\$ (49,045)	\$ 2,875,986	\$ 3,000,885	4.3%

Investment income increased 88% due primarily to increased rates on investments and a larger cash balance as the District increased the principal amount on its Tax and Revenue Anticipatory Note from \$1.8 million to \$4.1 million.

**SPARTA AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007**

General Fund Budget

During the fiscal year, the Board of Education authorizes revisions to the original budget to accommodate differences from the original budget to the actual expenditures of the District. A schedule comparing the District's original budget, final budget, and actual revenue and expense amounts is shown as Exhibit V.

The District applies for federal, state and local grants which cannot always be anticipated in the budgeting process.

The June 30, 2007, actual General Fund Balance varied from the final budgeted amount by \$298,188. Total revenues varied unfavorably from final budget by \$317,231 and total expenditures varied from total budget favorably by \$634,527. These variances are primarily due to individual budgets not being fully spent and through deferring revenues and expenditures associated with a federal grant.

Capital Assets

The District has \$37,119,447 invested in capital assets net of depreciation, with \$36,911,148 attributed to governmental activities. Acquisitions for governmental activities were \$700,730 and depreciation was \$1,425,317. Roofing projects represented the single largest addition to capital assets.

For more detailed information regarding the District's capital assets, refer to Note 2.B. in the Notes to Basic Financial Statements.

Debt Administration

Obligations – As of June 30, 2006 and June 30, 2007 the Sparta Area School District has outstanding obligations of \$26,605,000 and \$23,300,000 respectively. The District maintains a Standard and Poor's rating of "A-."

Leases – The District maintains operating leases for copiers.

Other obligations include accrued vacation pay and sick leave for specific employees of the District.

**SPARTA AREA SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2007**

FACTORS BEARING ON THE SPARTA AREA SCHOOL DISTRICT'S FUTURE

Factors that will impact the future finances of the District are employee health benefits and potential enrollment changes due to reconfiguration of personnel and housing at the U.S. Army's Fort McCoy Military Reservation.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide citizens, taxpayers, parents, students, investors and creditors with a general overview of the District's finances and to show the Board of Education's accountability for the money it receives. If you have questions about this report or wish to request additional financial information, please contact the Kent Ellickson, Director of Business Services.

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BASIC FINANCIAL STATEMENTS