

**SPARTA AREA SCHOOL DISTRICT  
SPARTA, WISCONSIN**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORTS**

**Year Ended June 30, 2009**

**SPARTA AREA SCHOOL DISTRICT**

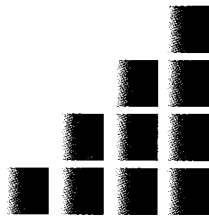
TABLE OF CONTENTS  
June 30, 2009

	<u>Page</u>
Independent Auditors' Report .....	1 - 2
Management's Discussion and Analysis (Unaudited) .....	3 - 10
Basic Financial Statements:	
Exhibit I: District-Wide Statement of Net Assets .....	11
Exhibit II: District-Wide Statement of Activities.....	12
Exhibit III: Balance Sheet – Governmental Funds.....	13 - 14
Exhibit IV: Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds and Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities .....	15 - 16
Exhibit V: Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – General Fund .....	17
Exhibit VI: Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Education Fund.....	18
Exhibit VII: Statement of Net Assets – Proprietary Fund .....	19
Exhibit VIII: Statement of Revenues, Expenses and Changes in Net Assets – Proprietary Fund.....	20
Exhibit IX: Statement of Cash Flows – Proprietary Fund.....	21
Exhibit X: Statement of Fiduciary Net Assets.....	22
Exhibit XI: Statement of Changes in Fiduciary Net Assets.....	23
Index to Notes to Financial Statements .....	24
Notes to Financial Statements .....	25 - 47
Required Supplemental Information:	
Schedule of Funding Progress for Post-Employment Benefit Plans (Unaudited) .....	48
Other Supplemental Information:	
Balance Sheet – General Fund.....	49
Balance Sheet – Special Education Fund .....	50
Balance Sheet – Debt Service Fund .....	51

# SPARTA AREA SCHOOL DISTRICT

## TABLE OF CONTENTS (CONTINUED) June 30, 2009

	<u>Page</u>
Other Supplemental Information (Continued):	
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Debt Service Fund.....	52
Combining Balance Sheet – Nonmajor Governmental Funds.....	53
Balance Sheet – Special Revenue Trust Fund.....	54
Balance Sheet – Community Service Fund .....	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds.....	56
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Special Revenue Trust Fund .....	57
Statement of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual – Community Service Fund .....	58
Schedule of Changes in Assets and Liabilities – Agency Funds.....	59
Reports And Schedules Issued Under Circular A-133 And Government Auditing Standards:	
Schedule of Expenditures of Federal Awards.....	60 - 62
Schedule of Expenditures of State Awards .....	63
Notes to Schedules of Expenditures of Financial Awards .....	64
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 .....	65 - 67
Report on Compliance With Requirements Applicable to Each Major Program and on Internal Control Over Compliance In Accordance With OMB Circular A-133.....	68 - 69
Schedule of Prior Year Findings.....	70
Schedule of Findings and Questioned Costs.....	71 - 73



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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, 2009, 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, 2009, 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.

As discussed in Note 1.B. to the basic financial statements, the District adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 45, "Accounting and Financial Reporting by Employers for Post-Employment Benefits Other Than Pensions" as of July 1, 2008.

In accordance with Government Auditing Standards, we have also issued our report dated November 20, 2009, 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 and the Schedule of Funding Progress for Post-Employment Benefit Plans on page 48 are not a required part of the basic financial statements, but are 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 other 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*

November 20, 2009

**SPARTA AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2009**

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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, 2009. 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 \$19,952,054 during the 2008-09 school year.

Local Property Taxes provides the second largest source of revenue for the Sparta Area School District. This revenue was \$8,396,503 for the 2008-09 school year and included \$2,273,027 of federal funds from the American Recovery and Reinvestment Act.

The General Fund reported a fund balance of \$3,926,793. This is an increase of \$312,060 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 \$720,000 defeasance payment. Long-term debt outstanding decreased \$2,965,000.

**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, 2009**

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**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, 2009**

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**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, 2009**

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.

<b>Table 1 Fund Financial Statements</b>				
	<b>Government-Wide Statements</b>	<b>Governmental Funds</b>	<b>Proprietary Funds</b>	<b>Fiduciary Funds</b>
<b>Scope</b>	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.
<b>Required financial statements</b>	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.
<b>Basis of accounting and measurement focus</b>	Accrual accounting. Economic resources focus.	Modified accrual accounting. Current financial resources focus.	Accrual accounting and economic resources focus.	Accrual accounting and economic resources focus.
<b>Type of asset and liability information</b>	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.
<b>Type of inflow and outflow information</b>	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, 2009**

**FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE**

Table 2 provides a comparative analysis of the District's net assets between 2008 and 2009. 2008 amounts have been restated to reflect reporting changes explained in Note 2.L. At June 30, 2009, net assets were \$21,864,490.

**Table 2  
Analysis of District Net Assets**

	Governmental Activities		Business-Type Activities		Total		% Change
	2009	2008	2009	2008	2009	2008	
<b>Assets:</b>							
Current Assets	\$ 7,158,352	\$ 11,475,089	\$ 100,923	\$ 91,625	\$ 7,259,275	\$ 11,566,714	-37.2%
Capital Assets	35,299,917	36,122,442	270,839	308,688	35,570,756	36,431,130	-2.4%
<b>Total Assets</b>	<b>\$ 42,458,269</b>	<b>\$ 47,597,531</b>	<b>\$ 371,762</b>	<b>\$ 400,313</b>	<b>\$ 42,830,031</b>	<b>\$ 47,997,844</b>	<b>-10.8%</b>
<b>Liabilities:</b>							
Current Liabilities	\$ 2,926,970	\$ 7,567,618	\$ 100,923	\$ 91,625	\$ 3,027,893	\$ 7,659,243	-60.5%
Long-term Liabilities	17,937,648	20,733,979	-	-	17,937,648	20,733,979	-13.5%
<b>Total Liabilities</b>	<b>\$ 20,864,618</b>	<b>\$ 28,301,597</b>	<b>\$ 100,923</b>	<b>\$ 91,625</b>	<b>\$ 20,965,541</b>	<b>\$ 28,393,222</b>	<b>-26.2%</b>
<b>Net Assets:</b>							
Invested in Capital Assets, Net of Debt	\$ 18,869,917	\$ 16,852,442	\$ 270,839	\$ 308,688	\$ 19,140,756	\$ 17,161,130	11.5%
Restricted	145,847	93,508	-	-	145,847	93,508	56.0%
Unrestricted	2,577,887	2,349,984	-	-	2,577,887	2,349,984	9.7%
<b>Total Net Assets</b>	<b>\$ 21,593,651</b>	<b>\$ 19,295,934</b>	<b>\$ 270,839</b>	<b>\$ 308,688</b>	<b>\$ 21,864,490</b>	<b>\$ 19,604,622</b>	<b>11.5%</b>

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 \$720,000 of long-term debt early through defeasance. The net result was an overall increase in net assets of 11.5 percent.

**SPARTA AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2009**

Table 3, Analysis of District Activities, provides a comparison of revenue and expenditures between 2008 and 2009.

**Table 3  
Analysis of District Activities**

	Governmental Activities		Business-Type Activities		Total		% Change
	2009	2008	2009	2008	2009	2008	
<b>Revenues</b>							
Program Revenues							
Charges for Services	\$ 61,131	\$ 76,729	\$ 610,423	\$ 621,265	\$ 671,554	\$ 697,994	-3.8%
Operating Grants	3,466,450	3,296,726	681,544	617,947	4,147,994	3,914,673	6.0%
<b>Total Program Revenues</b>	<b>3,527,581</b>	<b>3,373,455</b>	<b>1,291,967</b>	<b>1,239,212</b>	<b>4,819,548</b>	<b>4,612,667</b>	<b>4.5%</b>
General Revenues							
Property Taxes	8,396,503	8,206,216	-	-	8,396,503	8,206,216	2.3%
Grants & Entitlements	20,184,653	19,555,374	-	-	20,184,653	19,555,374	3.2%
Investment Income	55,362	235,031	1,552	3,572	56,914	238,603	-76.1%
Miscellaneous	367,931	272,191	-	-	367,931	272,191	35.2%
Transfers	(140,111)	(107,257)	140,111	107,257	-	-	
<b>Total General Revenues</b>	<b>28,864,338</b>	<b>28,161,555</b>	<b>141,663</b>	<b>110,829</b>	<b>29,006,001</b>	<b>28,272,384</b>	<b>2.6%</b>
<b>Total Revenues</b>	<b>\$ 32,391,919</b>	<b>\$ 31,535,010</b>	<b>\$ 1,433,630</b>	<b>\$ 1,350,041</b>	<b>\$ 33,825,549</b>	<b>\$ 32,885,051</b>	<b>2.9%</b>
<b>Expenses:</b>							
Instruction	\$ 16,904,819	\$ 15,839,478	\$ -	\$ -	\$ 16,904,819	\$ 15,839,478	6.7%
Support Services	11,571,609	10,809,010	-	-	11,571,609	10,809,010	7.1%
Community Services	17,590	73,390	-	-	17,590	73,390	-76.0%
Non-Program	1,600,184	2,080,459	-	-	1,600,184	2,080,459	-23.1%
Business-Type Activity	-	-	1,471,479	1,394,414	1,471,479	1,394,414	5.5%
<b>Total Expenses</b>	<b>\$ 30,094,202</b>	<b>\$ 28,802,337</b>	<b>\$ 1,471,479</b>	<b>\$ 1,394,414</b>	<b>\$ 31,565,681</b>	<b>\$ 30,196,751</b>	<b>4.5%</b>
<b>Change in Net Assets</b>	<b>\$ 2,297,717</b>	<b>\$ 2,732,673</b>	<b>\$ (37,849)</b>	<b>\$ (44,373)</b>	<b>\$ 2,259,868</b>	<b>\$ 2,688,300</b>	<b>-15.9%</b>

Operating grants increased 6% as the District continued to actively pursue grants. The related expenditures are reflected as part of the 6.7% increase in instructional expenses. Investment income decreased 76% due primarily to decreased rates on investments and decreased cash invested as result of reducing short term borrowing. Short term borrowing was minimized to reduce the effect of negative arbitrage.

**SPARTA AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2009**

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**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, 2009, actual General Fund Balance varied from the final budgeted amount by \$629,759. Total revenues varied unfavorably from final budget by \$93,202 and total expenditures, including transfers, varied from total budget favorably by \$722,961. 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 \$35,570,756 invested in capital assets net of depreciation, with \$35,299,917 attributed to governmental activities. Acquisitions for governmental activities were \$258,380 and depreciation was \$1,080,905.

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

**Debt Administration**

Obligations – As of June 30, 2008 and June 30, 2009 the Sparta Area School District has outstanding obligations of \$20,445,000 and \$17,480,000 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.

