

**Johnson & Block**  
AND COMPANY, INC.

Certified Public Accountants

**SUN PRAIRIE AREA SCHOOL DISTRICT**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITOR'S REPORT**

**For the Year Ended June 30, 2017**

*Quality service through our commitment to clients and staff.*

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**SUN PRAIRIE AREA SCHOOL DISTRICT**

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**For the Year Ended June 30, 2017**

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**SUN PRAIRIE AREA SCHOOL DISTRICT**

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Certified Public Accountants

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## **INDEPENDENT AUDITOR'S REPORT**

November 29, 2017

To the School Board  
Sun Prairie Area School District  
Sun Prairie, Wisconsin

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 Sun Prairie Area School District ("District") as of and for the year ended June 30, 2017, 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.

### ***Auditor's 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 entity'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 entity'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 Sun Prairie Area School District, as of June 30, 2017, 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.

## ***Emphasis of Matter***

As discussed in Note 1 to the financial statements, effective July 1, 2016, the Sun Prairie School District adopted the provisions of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statement 67 and 68*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to this matter.

## ***Other Matters***

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, WRS system schedules, other postemployment benefits schedule, supplemental pension plan schedules and budgetary comparison information listed in the table of contents 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 Sun Prairie Area School 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 schedules of expenditures of federal and state awards are presented for purposes of additional analysis as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* and the *State Single Audit Guidelines*, and are also not a required part of the basic financial statements.



The other supplemental information and the schedules of expenditures of federal and state awards 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, other supplemental information and the schedules of expenditures of federal and state awards 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 29, 2017, on our consideration of the 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 District's internal control over financial reporting and compliance.

*Johnson Block & Company, Inc.*

Johnson Block & Company, Inc.  
Certified Public Accountants  
Madison, Wisconsin

**SUN PRAIRIE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2017**

This discussion and analysis of the Sun Prairie Area School District (the "District") financial information provides an overall review of financial activities for the fiscal year.

**FINANCIAL HIGHLIGHTS**

- The assets and deferred outflows of the school district exceeded liabilities and deferred inflows at the close of the 2016-2017 fiscal year by \$39,036,822 (*net position*).
- The outstanding long-term debt of the District increased by \$80,488,830.

The following financial events took place during fiscal year 2017:

- The district passed an \$89.5M referendum to build two new schools plus other projects.
- The district had another very clean audit.
- The district started a Long-term Capital Projects Fund (Fund 46).
- The district was able to add to its fund balance.

**OVERVIEW OF THE FINANCIAL STATEMENTS**

The District's 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 supplementary information to the basic financial statements is provided.

**1. District-Wide Financial Statements**

District-wide financial statements are the *Statement of Net Position* and *Statement of Activities*. These statements present an aggregate view of the District's finances in a manner similar to private-sector business. Both statements distinguish functions that are supported principally by property taxes and intergovernmental revenues, called *governmental activities*, from functions that are intended to recover all or a significant portion of costs through user fees and charges called *business-type activities*.

- The *Statement of Net Position* presents information on all of the District's assets and deferred outflows of resources and liabilities and deferred inflows of resources, with the difference between the two reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the District is improving or deteriorating.
- The *Statement of Activities* presents information showing how the District's net position changed during the year. This statement reports the cost of government and business-type functions, and how those functions were financed for the fiscal year.

**2. Fund Financial Statements**

The District also produces fund financial statements. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities. The District, like other state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operations in more detail than the district-wide statements and provide information that may be useful in evaluating a District's near-term financing requirements.



**SUN PRAIRIE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2017**

**OVERVIEW OF THE FINANCIAL STATEMENTS (CONTINUED)**

**2. Fund Financial Statements (Continued)**

There are two fund financial statements, the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balance*. Generally, fund financial statements focus on near-term inflows and outflows of spendable resources and their impact on fund balance.

Because the focus of fund financial statements is narrower than that of the district-wide statements, it is useful to make comparisons between the various sources of information presented. This helps the reader better understand the long-term implications of the government's near-term financial decisions. A reconciliation to facilitate the comparison of the Statement of Net Position to the Governmental Funds Balance Sheet is presented. A separate statement to reconcile the Statement of Activities to the governmental funds operating statement is presented.

The District has three kinds of funds: *governmental, proprietary and fiduciary*. *Governmental funds* include the District's three major funds (general, capital projects and debt service), nonmajor special revenue funds, non-referendum debt service fund and capital improvement fund as needed. The District has one *proprietary* fund, the food service fund; and two *fiduciary* funds, an agency fund for student and parent organizations and a private purpose trust fund for scholarships.

Financial information is presented separately on both the *Balance Sheet* and the *Statement of Revenues, Expenditures and Changes in Fund Balance* for the general fund, capital projects fund and the debt service fund, as these are considered to be major funds. Data for the other special projects, special revenue trust, community service, package cooperative, capital improvement fund and non-referendum debt fund are combined into a single, aggregated column.

The proprietary fund statement for the District's food service program is prepared on the same basis of accounting and measurement focus as the district-wide financial statements. This includes a *Statement of Net Position* and a *Statement of Revenue, Expenses and Changes in Net Position*.

The District serves as a trustee, or *fiduciary*, for students. The assets of these organizations do not directly benefit, nor are under the direct control of, the District. The District's responsibility is limited to ensuring the assets reported in these funds are used only for their intended purposes. Fiduciary activities are excluded from the district-wide financial statements, because the District cannot use these assets to finance its operations.

The District adopts an annual appropriation budget for its *general fund, special education fund, debt service fund, and capital improvement fund*.

**3. Notes to the Financial Statements**

The *Notes to the Financial Statements* provide additional information that is essential to the full understanding of the data provided in the district-wide and fund financial statements. The notes to the financial statements follow the basic financial statements.



**SUN PRAIRIE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2017**

**FINANCIAL ANALYSIS**

**The District as a Whole**

Table 1 provides a summary of the District's net position for the year ended June 30, 2017 compared to year ended June 30, 2016. Please note, some rounding of amounts occur.

**Table 1  
Condensed Statement of Net Position**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total School District</u>	
	2017	2016	2017	2016	2017	2016
Current & other assets	\$ 126,480,083	\$ 43,619,760	\$ 559,204	\$ 650,010	\$ 127,039,287	\$ 44,269,770
Capital assets	171,279,590	162,204,851	162,831	60,578	171,442,421	162,265,429
<b>Total Assets</b>	<b>297,759,673</b>	<b>205,824,611</b>	<b>722,035</b>	<b>710,588</b>	<b>298,481,708</b>	<b>206,535,199</b>
<b>Deferred Outflows</b>	<b>23,954,500</b>	<b>32,246,274</b>	<b>320,703</b>	<b>530,055</b>	<b>24,275,203</b>	<b>32,776,329</b>
Current Liabilities	45,440,504	33,464,896	50,797	132,897	45,491,301	33,597,793
Non-Current Liabilities	228,520,254	149,997,596	45,110	99,818	228,565,364	150,097,414
<b>Total Liabilities</b>	<b>273,960,758</b>	<b>183,462,492</b>	<b>95,907</b>	<b>232,715</b>	<b>274,056,665</b>	<b>183,695,207</b>
<b>Deferred Inflows</b>	<b>9,396,464</b>	<b>11,659,278</b>	<b>266,960</b>	<b>213,931</b>	<b>9,663,424</b>	<b>11,873,209</b>
Net Investment in						
Capital Assets	31,247,340	26,050,111	162,831	60,578	31,410,171	26,110,689
Restricted	4,584,964	2,975,912	517,040	733,419	5,102,004	3,709,331
Unrestricted	2,524,647	13,923,092	-	-	2,524,647	13,923,092
<b>Total Net Position</b>	<b>\$ 38,356,951</b>	<b>\$ 42,949,115</b>	<b>\$ 679,871</b>	<b>\$ 793,997</b>	<b>\$ 39,036,822</b>	<b>\$ 43,743,112</b>

In governmental activities, the largest portion of the District's net position is its investment in capital assets (e.g. land, buildings, and equipment); less related outstanding debt used to acquire those assets. These assets are used to provide services to students and, consequently, are not available for future spending. Sun Prairie Area School District's buildings are in excellent condition, as a result of sufficient annual operating funds appropriated for maintenance and repair.

Restricted net position account for 11.95% of total net position. The District is required by state statute to have available in the debt service fund an amount sufficient to make debt payments required between the beginning of the fiscal year (July 1) and receipt of the first tax payments (normally January 20).

**SUN PRAIRIE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2017**

**FINANCIAL ANALYSIS (CONTINUED)**

**Change in Net position**

Table 2 shows the changes in net position for the fiscal years 2017 and 2016.

**Table 2  
Change in Net Position**

	Governmental Activities		Business-type Activities		Total School District	
	2017	2016	2017	2016	2017	2016
<b>General Revenues:</b>						
Property taxes	\$ 36,147,817	\$ 36,259,653	\$ -	\$ -	\$ 36,147,817	\$ 36,259,653
Debt property taxes	15,700,000	13,580,847	-	-	15,700,000	13,580,847
Community service property taxes	100,000	60,000	-	-	100,000	60,000
Federal and state aid	50,808,391	47,368,307	-	-	50,808,391	47,368,307
Interest earnings	418,414	15,506	2,139	1,084	420,553	16,590
Miscellaneous	223,415	189,335	-	-	223,415	189,335
<b>Total general revenues</b>	<b>103,398,037</b>	<b>97,473,648</b>	<b>2,139</b>	<b>1,084</b>	<b>103,400,176</b>	<b>97,474,732</b>
<b>Program Revenues:</b>						
Charges for service	3,227,540	2,109,812	1,408,770	1,352,705	4,636,310	3,462,517
Operating grants and contributions	8,314,067	8,843,342	1,482,616	1,426,414	9,796,683	10,269,756
Capital grants and contributions	749,504	754,941	-	-	749,504	754,941
<b>Total program revenues</b>	<b>12,291,111</b>	<b>11,708,095</b>	<b>2,891,386</b>	<b>2,779,119</b>	<b>15,182,497</b>	<b>14,487,214</b>
<b>Total revenues</b>	<b>115,689,148</b>	<b>109,181,743</b>	<b>2,893,525</b>	<b>2,780,203</b>	<b>118,582,673</b>	<b>111,961,946</b>
<b>Program Expenses:</b>						
Instruction	59,003,918	59,369,255	-	-	59,003,918	59,369,255
Support	41,505,366	39,014,963	-	-	41,505,366	39,014,963
Non-program services	3,629,124	3,397,439	-	-	3,629,124	3,397,439
Interest Expense	7,209,360	5,787,091	-	-	7,209,360	5,787,091
Food service program	-	-	3,007,651	2,630,317	3,007,651	2,630,317
<b>Total Expenses</b>	<b>111,347,768</b>	<b>107,568,748</b>	<b>3,007,651</b>	<b>2,630,317</b>	<b>114,355,419</b>	<b>110,199,065</b>
<b>Change in Net Position</b>	<b>4,341,380</b>	<b>1,612,995</b>	<b>(114,126)</b>	<b>149,886</b>	<b>4,227,254</b>	<b>1,762,881</b>
<b>Beginning Net Position</b>	42,949,115	41,336,120	793,997	644,111	43,743,112	41,980,231
<b>Restatement</b>	(8,933,544)	-	-	-	(8,933,544)	-
<b>Beginning Net Position-Restated</b>	34,015,571	41,336,120	793,997	644,111	34,809,568	41,980,231
<b>Ending Net Position</b>	<b>\$ 38,356,951</b>	<b>\$42,949,115</b>	<b>\$ 679,871</b>	<b>\$ 793,997</b>	<b>\$ 39,036,822</b>	<b>\$43,743,112</b>

**SUN PRAIRIE AREA SCHOOL DISTRICT  
MANAGEMENT’S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2017**

**FINANCIAL ANALYSIS (CONTINUED)**

**Governmental Activities**

The District relies primarily on property taxes and general state aid to fund governmental activities.

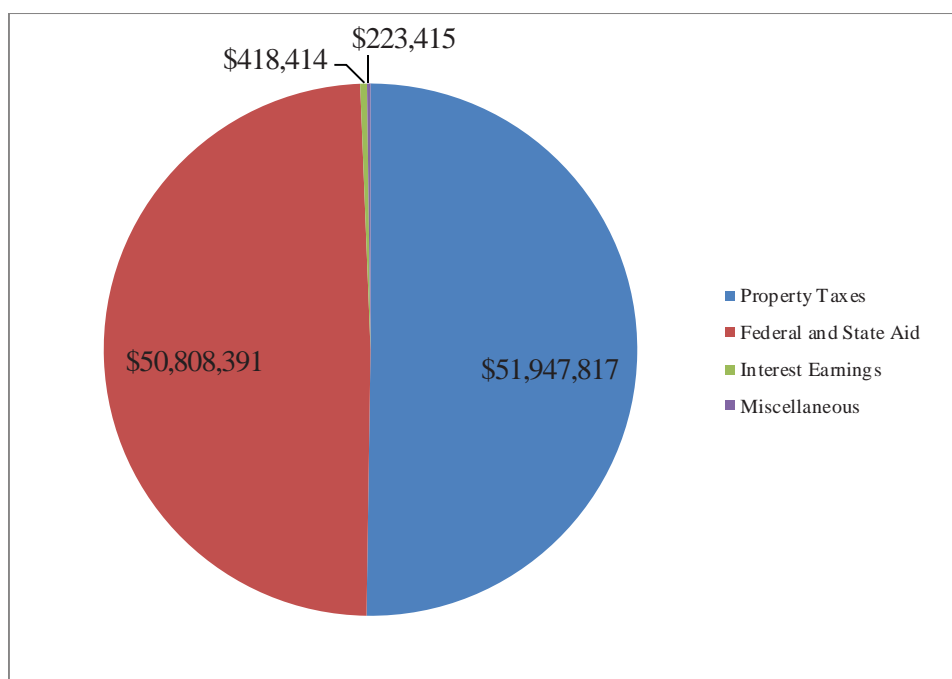
School funding regulations restrict the amount by which these two revenue sources, in combination, may be increased. This restriction, called revenue limit, is intended to help hold down increases in property taxes throughout the state.

General state aid is paid according to a formula taking into consideration spending and property values by District, as compared to spending and property values for the state as a whole. The District is considered a “rich” district by the state and does not receive 2/3 funding.

Chart 1 shows the portion of the District’s general revenues allocated to each source.

Property Taxes	\$ 51,947,817	50.24%
Federal and State Aid	50,808,391	49.14%
Interest Earnings	418,414	0.40%
Miscellaneous	223,415	0.22%
	<u>\$ 103,398,037</u>	<u>100.0%</u>

**Chart 1  
General Revenues by Source – Governmental Activities**



**SUN PRAIRIE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2017**

**FINANCIAL ANALYSIS (CONTINUED)**

**Governmental Funds**

As of June 30, 2017, the District's governmental funds reported combined ending fund balance of \$103,428,083, an increase of \$82,103,436 from the prior year. The following table provides an analysis of the District's fund balances and the total change in fund balances from the prior year.

Fund	June 30, 2017	June 30, 2016	Change	Change (%)
General	\$ 10,817,226	\$ 8,508,031	\$ 2,309,195	21%
Debt Service	15,635,616	13,406,332	2,229,284	14%
Capital Projects	75,834,509	(897,138)	76,731,647	101%
Non-Major	1,140,732	307,422	833,310	73%
Total	<u>\$ 103,428,083</u>	<u>\$ 21,324,647</u>	<u>\$ 82,103,436</u>	<u>79%</u>

**BUDGETARY ANALYSIS**

The District adopts an interim budget at its Annual Meeting for the subsequent year, consistent with current state statutes and regulations. This original budget is amended in October to reflect the actual revenue cap and state aid certification. Subsequent amendments reflect revisions made by the Board.

The final 2016-17 General Fund Budget reflected expenditures and other financing uses equaling revenues and other financing sources for no change in fund balance. Actual results for 2016-17 show an excess of revenues over expenditures of \$2,808,730.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of the fiscal year, the District has an investment of over \$171 million in a broad range of capital assets including buildings, sites, and equipment. This amount represents a net increase of approximately \$9.2 million. Total accumulated depreciation on these assets is about \$62 million for governmental activities and \$632 thousand for business-type activities. Table 3 shows noncurrent capital assets:

**Table 3  
Non-current (Capital) Assets**

	Governmental Activities		Business-type Activities		Total School District	
	2017	2016	2017	2016	2017	2016
Land	\$ 23,010,391	\$ 14,134,287	\$ -	\$ -	\$ 23,010,391	\$ 14,134,287
Capital Assets Being Depreciated	206,935,210	205,094,953	794,528	678,519	207,729,738	205,773,472
Construction in progress	3,124,859	230,100	-	-	3,124,859	230,100
Depreciation	(61,790,870)	(57,254,489)	(631,697)	(617,941)	(62,422,567)	(57,872,430)
<b>Total</b>	<b><u>\$171,279,590</u></b>	<b><u>\$ 162,204,851</u></b>	<b><u>\$ 162,831</u></b>	<b><u>\$ 60,578</u></b>	<b><u>\$ 171,442,421</u></b>	<b><u>\$ 162,265,429</u></b>

**SUN PRAIRIE AREA SCHOOL DISTRICT  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2017**

**CAPITAL ASSET AND DEBT ADMINISTRATION (CONTINUED)**

**Long-Term Obligations**

At year-end, the District had \$230 million in general obligation debt. Table 4 shows outstanding long-term obligations:

**Table 4  
Outstanding Long-Term Obligations**

	<b>2017</b>	<b>2016</b>	<b>% Change</b>
General obligation debt	\$ 224,980,000	\$ 147,050,000	53.00%
Premium and discount on debt	4,434,332	1,796,457	146.84%
Capital Leases	483,016	575,645	-16.09%
Compensated Absences	445,859	432,275	3.14%
<b>Total Long-Term Debt</b>	<b><u>\$ 230,343,207</u></b>	<b><u>\$ 149,854,377</u></b>	<b><u>53.71%</u></b>

**FACTORS BEARING ON THE DISTRICT'S FUTURE**

Circumstances that could impact the District's financial future:

- The District expects enrollment to continue to increase. This will result in the need for additional borrowing for buildings.
- The State of Wisconsin continues to wrestle with how to distribute state aid.
- The State of Wisconsin also continues to wrestle with revenue cap increases.

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

The financial report is prepared to provide a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. In some cases, rounding of amounts occurs. If you have questions about this report or need additional financial information, contact:

Philip Frei  
Director of Business & Finance  
501 S. Bird Street  
Sun Prairie WI 53590

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**June 30, 2017**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Investments	\$ 17,600,400	\$ 401,357	\$ 18,001,757
Restricted Cash and Investments	93,071,950	-	93,071,950
Receivables:			
Taxes	12,461,950	-	12,461,950
Accounts	6,587	57,787	64,374
Internal Balances	(59,442)	59,442	-
Due from Fiduciary Funds	13,596	27	13,623
Due from Other Governments	2,638,687	40,591	2,679,278
Prepays	128,001	-	128,001
Inventories	38,228	-	38,228
Asset Held for Resale	335,126	-	335,126
Total Current Assets	<u>126,235,083</u>	<u>559,204</u>	<u>126,794,287</u>
Capital Assets:			
Land and Construction in Progress	26,135,250	-	26,135,250
Capital Assets Being Depreciated	206,935,210	794,528	207,729,738
Less: Accumulated depreciation	(61,790,870)	(631,697)	(62,422,567)
Net Capital Assets	<u>171,279,590</u>	<u>162,831</u>	<u>171,442,421</u>
Other Noncurrent Assets:			
Other Assets	245,000	-	245,000
Total Other Noncurrent Assets	<u>245,000</u>	<u>-</u>	<u>245,000</u>
Total Assets	<u>297,759,673</u>	<u>722,035</u>	<u>298,481,708</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>			
Deferred Pension Outflows	20,276,578	320,703	20,597,281
Deferred OPEB Outflows	630,587	-	630,587
Deferred Supplemental Pension Benefit Outflows	105,600	-	105,600
Loss on Refunding	2,941,735	-	2,941,735
Total Deferred Outflows of Resources	<u>23,954,500</u>	<u>320,703</u>	<u>24,275,203</u>
<b>Total Assets and Deferred Outflows of Resources</b>	<u><u>\$ 321,714,173</u></u>	<u><u>\$ 1,042,738</u></u>	<u><u>\$ 322,756,911</u></u>
<b>LIABILITIES</b>			
Current Liabilities:			
Short-term Notes Payable	\$ 17,000,000	\$ -	\$ 17,000,000
Accounts Payable	1,943,437	50,797	1,994,234
Accrued Liabilities:			
Payroll and Related Items	3,663,671	-	3,663,671
Interest	2,479,406	-	2,479,406
Due to Fiduciary Funds	21,660	-	21,660
Current Portion of Long-term Obligations	20,332,330	-	20,332,330
Total Current Liabilities	<u>45,440,504</u>	<u>50,797</u>	<u>45,491,301</u>
Noncurrent Liabilities:			
Net Pension Liability	2,852,081	45,110	2,897,191
OPEB Liability	14,393,230	-	14,393,230
Supplemental Pension Benefit Liability	1,264,066	-	1,264,066
Noncurrent Portion of Long-term Liabilities	210,010,877	-	210,010,877
Total Noncurrent Liabilities	<u>228,520,254</u>	<u>45,110</u>	<u>228,565,364</u>
Total Liabilities	<u>273,960,758</u>	<u>95,907</u>	<u>274,056,665</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>			
Deferred Pension Inflows	9,378,369	148,332	9,526,701
Deposits Payable	18,095	118,628	136,723
Total Deferred Inflows of Resources	<u>9,396,464</u>	<u>266,960</u>	<u>9,663,424</u>
<b>NET POSITION</b>			
Net Investment in Capital Assets	31,247,340	162,831	31,410,171
Restricted	4,584,964	517,040	5,102,004
Unrestricted	2,524,647	-	2,524,647
Total Net Position	<u>38,356,951</u>	<u>679,871</u>	<u>39,036,822</u>
<b>Total Liabilities, Deferred Inflows of Resources and Net Position</b>	<u><u>\$ 321,714,173</u></u>	<u><u>\$ 1,042,738</u></u>	<u><u>\$ 322,756,911</u></u>

See accompanying notes to the financial statements

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2017**

<b>Functions/Programs</b>	<b>Expenses</b>	<b>Program Revenue</b>			<b>Net (Expense) Revenue and Changes in Net Position</b>		
		<b>Charges for Services</b>	<b>Operating Grants and Contributions</b>	<b>Capital Grants and Contributions</b>	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total</b>
Governmental Activities:							
Instruction	\$ 59,003,918	\$ 2,292,873	\$ 5,473,251	\$ -	\$ (51,237,794)		\$ (51,237,794)
Support Services	41,505,366	934,667	2,840,816	749,504	(36,980,379)		(36,980,379)
Non-program Services	3,629,124	-	-	-	(3,629,124)		(3,629,124)
Interest and Fiscal Charges	7,209,360	-	-	-	(7,209,360)		(7,209,360)
Total Governmental Activities	<u>111,347,768</u>	<u>3,227,540</u>	<u>8,314,067</u>	<u>749,504</u>	<u>(99,056,657)</u>		<u>(99,056,657)</u>
Business-type Activities:							
Food Service Program	3,007,651	1,408,770	1,482,616	-	-	\$ (116,265)	(116,265)
Total Business-type Activities	<u>3,007,651</u>	<u>1,408,770</u>	<u>1,482,616</u>	<u>-</u>	<u>-</u>	<u>(116,265)</u>	<u>(116,265)</u>
Total	<u>\$ 114,355,419</u>	<u>\$ 4,636,310</u>	<u>\$ 9,796,683</u>	<u>\$ 749,504</u>	<u>(99,056,657)</u>	<u>(116,265)</u>	<u>(99,172,922)</u>
<b>General Revenues:</b>							
Taxes:							
Property Taxes, levied for general purposes					36,147,817	-	36,147,817
Property Taxes, levied for debt service					15,700,000	-	15,700,000
Property Taxes, levied for community service					100,000	-	100,000
Federal and State Aid not Restricted to Specific Purpose					50,808,391	-	50,808,391
Interest and Investment Earnings					418,414	2,139	420,553
Miscellaneous					223,415	-	223,415
Total General Revenues					<u>103,398,037</u>	<u>2,139</u>	<u>103,400,176</u>
Change in Net Position					4,341,380	(114,126)	4,227,254
Net position - Beginning, as restated					34,015,571	793,997	34,809,568
Net position - Ending					<u>\$ 38,356,951</u>	<u>\$ 679,871</u>	<u>\$ 39,036,822</u>

See accompanying notes to the financial statements



**SUN PRAIRIE AREA SCHOOL DISTRICT  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
June 30, 2017**

	<b>General Fund</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>ASSETS</b>					
Cash and Investments	\$ 17,584,090	\$ -	\$ -	\$ 16,310	\$ 17,600,400
Restricted Cash and Investments	409,373	77,026,621	15,635,616	340	93,071,950
Receivables:					
Taxes	12,461,950	-	-	-	12,461,950
Accounts	6,587	-	-	-	6,587
Due from Other Funds	17,270	99,446	-	1,151,829	1,268,545
Due from Other Governments	2,622,140	-	-	16,547	2,638,687
Inventories	38,228	-	-	-	38,228
Prepaid Expenses	128,001	-	-	-	128,001
Other Assets	335,126	-	-	-	335,126
Total Assets	<u>\$ 33,602,765</u>	<u>\$ 77,126,067</u>	<u>\$ 15,635,616</u>	<u>\$ 1,185,026</u>	<u>\$ 127,549,474</u>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities:					
Accounts Payable	\$ 641,092	\$ 1,290,156	\$ -	\$ 12,189	\$ 1,943,437
Accrued Liabilities	3,771,726	1,402	-	-	3,773,128
Accrued Wages Payable	50,680	-	-	-	50,680
Due to Other Funds	1,303,946	-	-	32,105	1,336,051
Short-term Notes Payable	17,000,000	-	-	-	17,000,000
Total Liabilities	<u>22,767,444</u>	<u>1,291,558</u>	<u>-</u>	<u>44,294</u>	<u>24,103,296</u>
Deferred Inflows of Resources:					
Deposits Payable	18,095	-	-	-	18,095
Total Deferred Inflows of Resources	<u>18,095</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>18,095</u>
Fund Balances:					
Nonspendable	501,355	-	-	-	501,355
Restricted	658,480	75,834,509	15,635,616	1,140,732	93,269,337
Unassigned	9,657,391	-	-	-	9,657,391
Total Fund Balances	<u>10,817,226</u>	<u>75,834,509</u>	<u>15,635,616</u>	<u>1,140,732</u>	<u>103,428,083</u>
Total Liabilities, Deferred Inflows of Resources and Fund Balances	<u>\$ 33,602,765</u>	<u>\$ 77,126,067</u>	<u>\$ 15,635,616</u>	<u>\$ 1,185,026</u>	<u>\$ 127,549,474</u>

See accompanying notes to the financial statements

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**RECONCILIATION OF THE GOVERNMENTAL FUNDS BALANCE SHEET TO THE STATEMENT OF**  
**NET POSITION**  
**June 30, 2017**

Total fund balance, governmental funds	\$ 103,428,083
Amounts reported for governmental activities in the Statement of Net Position are different because:	
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	171,279,590
Certain other long-term assets are not available to pay current period expenditures and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Position.	
Intangible assets	245,000
Other items, including net pension liabilities, OPEB liability, and supplemental pension benefit liability, are not due and payable in the current period and, therefore, are either deferred or not reported in the fund financial statements.	
Net pension liability	(2,852,081)
Total OPEB liability	(14,393,230)
Total supplemental pension benefit liability	(1,264,066)
Pension and other benefits deferred outflows of resources and deferred inflows of resources are actuarially determined by the defined benefit pension plan and OPEB plan. These items are reflected in the Statement of Net Position and are being amortized with pension and OPEB expenses in the Statement of Activities. The deferred outflows of resources and deferred inflows of resources are not financial resources or uses and, therefore, are not reported in the fund financial statement.	
Deferred pension outflows	20,276,578
Deferred OPEB outflows	630,587
Deferred supplemental pension benefit outflows	105,600
Deferred pension inflows	(9,378,369)
Some liabilities (such as Notes Payable, Capital Lease Contract Payable, Compensated Absences, and Bonds Payable), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Position.	
General obligation debt	(224,980,000)
Deferred outflows - loss on refunding	2,941,735
Capital leases	(483,016)
Accrued interest on long-term debt	(2,319,269)
Compensated absences	(445,859)
Discount on long-term debt	246,370
Premium on long-term debt	(4,680,702)
Net Position of Governmental Activities in the Statement of Net Position	<u>\$ 38,356,951</u>

See accompanying notes to the financial statements

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2017**

	<b>General Fund</b>	<b>Capital Projects</b>	<b>Debt Service</b>	<b>Non-Major Governmental Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Local	\$ 36,930,103	\$ 192,399	\$ 15,867,645	\$ 337,501	\$ 53,327,648
Interdistrict	1,884,033	-	-	26,199	1,910,232
State	56,162,880	-	-	30,000	56,192,880
Federal	3,288,545	-	-	-	3,288,545
Other	220,339	-	749,504	-	969,843
Total Revenues	<u>98,485,900</u>	<u>192,399</u>	<u>16,617,149</u>	<u>393,700</u>	<u>115,689,148</u>
<b>EXPENDITURES</b>					
Instruction	55,561,856	-	-	143,378	55,705,234
Support Service	35,862,924	12,938,282	-	225,447	49,026,653
Non-program Services	3,629,125	-	-	-	3,629,125
Debt Service:					
Principal Repayment	393,993	-	9,500,000	-	9,893,993
Interest and Fiscal Charges	229,272	-	5,656,941	22,470	5,908,683
Advanced Refunding Escrow Interest	-	-	241,875	-	241,875
Total Expenditures	<u>95,677,170</u>	<u>12,938,282</u>	<u>15,398,816</u>	<u>391,295</u>	<u>124,405,563</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,808,730</u>	<u>(12,745,883)</u>	<u>1,218,333</u>	<u>2,405</u>	<u>(8,716,415)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Transfers In	-	-	-	830,905	830,905
Transfers Out	(808,435)	(22,470)	-	-	(830,905)
Premium on Long-term Debt	-	-	3,080,951	-	3,080,951
Debt Proceeds from Long-term Loan	-	89,500,000	87,430,000	-	176,930,000
Debt Payments to Bond Anticipation Notes	-	-	(89,500,000)	-	(89,500,000)
Capital Lease Proceeds	308,900	-	-	-	308,900
Total Other Financing Sources (Uses)	<u>(499,535)</u>	<u>89,477,530</u>	<u>1,010,951</u>	<u>830,905</u>	<u>90,819,851</u>
Net Change in Fund Balances	2,309,195	76,731,647	2,229,284	833,310	82,103,436
Fund Balances (Deficit) - Beginning, as restated	8,508,031	(897,138)	13,406,332	307,422	21,324,647
Fund Balances - Ending	<u>\$ 10,817,226</u>	<u>\$ 75,834,509</u>	<u>\$ 15,635,616</u>	<u>\$ 1,140,732</u>	<u>\$ 103,428,083</u>

See accompanying notes to the financial statements

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND**  
**BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2017**

Net change in fund balances - total governmental funds:	\$ 82,103,436
Amounts reported for Governmental Activities in the Statement of Activities are different because:	
Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.	
This is the amount by which capital outlays (\$13,628,220) were more than depreciation (\$4,553,481) in the current period.	9,074,739
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.	
The amount of long-term debt principal payments in the current year is:	99,000,000
The amount of capital lease principal payments in the current year is:	401,529
Debt incurred in governmental funds is reported as an other financing source, but is reported as an increase in outstanding long-term debt in the Statement of Net Position and does not affect the Statement of Activities.	
Proceeds from the issuance of refunding bonds	(87,430,000)
Proceeds from the issuance of bond anticipation notes	(89,500,000)
Debt premium from the issuance of refunding bonds	(2,969,497)
Capital lease proceeds	(308,900)
Governmental funds report the effect of premiums and discounts when debt is first issued, whereas these amounts are netted against outstanding debt and amortized in the Statement of Activities.	
Amortization of bond premium	363,125
Amortization of bond discount	(31,503)
In the Statement of Activities, amortization is recorded on the deferred outflows of resources related to bond refunding, whereas in the governmental funds, no related amortization is reported.	
Amortization of loss on refunding	(416,520)
Payments for an intangible assets are reported expenditures on the fund financial statements, but are capitalized and amortized on the government-wide financial statements.	
Amortization of intangible assets	(15,000)
Pension expense reported in the governmental funds represents current year required contributions into the defined benefit pension plan. Pension expense in the Statement on Activities is actuarially determined by the defined benefit pension plan as the difference between the net pension liability from the prior year to the current year, with some adjustments.	
Amount of current year required contributions into the defined benefit pension plan	3,386,195
Actuarially determined change in net pension liability between years, with adjustments	(7,128,719)
Some expenses reported in the Statement of Activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:	
Accrued interest not reflected on governmental funds	(1,092,892)
Compensated absences	(13,584)
Net other postemployment benefits obligation expense	(1,048,773)
Net supplemental pension benefit expense	(32,256)
Change in net position of governmental activities	<u><u>\$ 4,341,380</u></u>

See accompanying notes to the financial statements

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**STATEMENT OF NET POSITION**  
**PROPRIETARY FUNDS**  
**June 30, 2017**

	<u><b>Food Service</b></u>
<b>ASSETS</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 401,357
Accounts Receivable	57,787
Due from Other Funds	59,469
Due from Other Governments	40,591
Total Current Assets	<u>559,204</u>
Noncurrent Assets:	
Furniture and Equipment	794,528
Less Accumulated Depreciation	<u>(631,697)</u>
Net Noncurrent Assets	<u>162,831</u>
Total Assets	<u>722,035</u>
 <b>DEFERRED OUTFLOWS OF RESOURCES</b>	
Deferred Pension Outflows	<u>320,703</u>
Total Deferred Outflows of Resources	<u>320,703</u>
 Total Assets and Deferred Outflows of Resources	 <u><u>\$ 1,042,738</u></u>
 <b>LIABILITIES</b>	
Current Liabilities:	
Accounts Payable	\$ 50,797
Total Current Liabilities	<u>50,797</u>
Noncurrent Liabilities:	
Net Pension Liability	<u>45,110</u>
Total Noncurrent Liabilities	<u>45,110</u>
Total Liabilities	<u>95,907</u>
 <b>DEFERRED INFLOWS OF RESOURCES</b>	
Deferred Pension Inflows	148,332
Deposits Payable	<u>118,628</u>
Total Deferred Inflows of Resources	<u>266,960</u>
 <b>NET POSITION</b>	
Net Investment in Capital Assets	162,831
Restricted for Food Service	<u>517,040</u>
Total Net Position	<u>679,871</u>
 Total Liabilities, Deferred Inflows of Resources and Net Position	 <u><u>\$ 1,042,738</u></u>

See accompanying notes to the financial statements

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND**  
**NET POSITION**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2017**

	<u><b>Food Service</b></u>
<b>OPERATING REVENUES</b>	
Food Sales	\$ 1,408,770
State Sources	47,836
Federal Sources	1,131,684
Commodities	303,096
Total Operating Revenues	<u>2,891,386</u>
<b>OPERATING EXPENSES</b>	
Salaries and Wages	952,120
Employer Paid Benefits	494,957
Purchased Services	43,666
Food and Materials	1,496,744
Capital Outlay	5,821
Depreciation	13,756
Other	587
Total Operating Expenses	<u>3,007,651</u>
Operating Income (Loss)	<u>(116,265)</u>
<b>NON-OPERATING REVENUES</b>	
Interest and Investment Revenue	<u>2,139</u>
Total Non-Operating Revenue	<u>2,139</u>
Change in Net Position	(114,126)
Total Net Position - Beginning	<u>793,997</u>
Total Net Position - Ending	<u><u>\$ 679,871</u></u>

See accompanying notes to the financial statements

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended June 30, 2017**

	<u><b>Food Service</b></u>
Cash Flows from Operating Activities:	
Cash received from user charges	\$ 1,382,582
Cash received from other governmental payments	1,600,049
Cash payments to employees for services	(1,358,032)
Cash payments to utilities and other purchased services	(43,666)
Cash payments to suppliers for goods and services	(1,458,519)
Cash payments for other operating activities	(6,406)
Net cash provided (used) by operating activities	<u>116,008</u>
Cash Flows from Investing Activities:	
Purchase of capital assets	(116,009)
Interest on investments	2,139
Net cash provided (used) by investing activities	<u>(113,870)</u>
Net increase in cash and cash equivalents	2,138
Cash and equivalents- beginning of year	<u>399,219</u>
Cash and equivalents- end of year	<u><u>\$ 401,357</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (116,265)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation	13,756
Changes in assets and liabilities:	
Due to (from) other governments	130,939
Due to (from) other funds	(13,506)
Accounts receivable	(24,489)
Accounts payable	38,227
Pension expense	89,045
Deposits payable	(1,699)
Net cash provided (used) by operating activities	<u><u>\$ 116,008</u></u>
Noncash operating activities:	
Donated food commodities	<u><u>\$ 303,096</u></u>

See accompanying notes to the financial statements



**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**STATEMENT OF FIDUCIARY NET POSITION**  
**FIDUCIARY FUNDS**  
**June 30, 2017**

	<b>Private Benefit Trust</b>	<b>Agency Fund</b>	<b>Total</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 212,375	\$ 245,105	\$ 457,480
Due from Other Funds	250	21,660	21,910
Total Assets	<u>\$ 212,625</u>	<u>\$ 266,765</u>	<u>\$ 479,390</u>
<b>LIABILITIES</b>			
Accounts Payable	\$ -	\$ 2,278	\$ 2,278
Due to Student Organizations	-	250,614	250,614
Due to Other Funds	-	13,873	13,873
Total Liabilities	<u>-</u>	<u>266,765</u>	<u>266,765</u>
<b>NET POSITION</b>			
Restricted for Scholarships	<u>212,625</u>	<u>-</u>	<u>212,625</u>
Total Net Position	<u>212,625</u>	<u>-</u>	<u>212,625</u>
Total Liabilities and Net Position	<u>\$ 212,625</u>	<u>\$ 266,765</u>	<u>\$ 479,390</u>

See accompanying notes to the financial statements

**SUN PRAIRIE AREA SCHOOL DISTRICT**

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

**For the Year Ended June 30, 2017**

	<b>Private Benefit Trust</b>
<b>ADDITIONS</b>	
Contributions:	
Donations	\$ 34,635
Interest	1,225
Total Additions	<u>35,860</u>
<b>DEDUCTIONS</b>	
Gifts and Scholarships	61,211
Total Deductions	<u>61,211</u>
Change in Net Position	(25,351)
Net Position - Beginning	237,976
Net Position - Ending	<u><u>\$ 212,625</u></u>

See accompanying notes to the financial statements

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

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**1. Summary of Significant Accounting Policies**

The accounting policies of the Sun Prairie Area School District (the “District”) conform the generally accepted accounting principles as applicable to governmental units. The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

**A. Introduction**

The Sun Prairie Area School District (the “District”) is organized as a common school district. The District, governed by a seven-member elected school board, operates grades 4K through 12 and is comprised of all or parts of ten taxing districts. As required by accounting principles generally accepted in the United States of America, these financial statements present the District as the primary government.

The financial statements of the Sun Prairie Area School District (the “District”) have been prepared in conformity with accounting principles generally accepted 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.

**B. Component Units**

Accounting principles generally accepted in the United States of America require that these financial statements include the primary government and its component units. Component units are separate organizations that are included in the District’s reporting entity because of the significance of their operational or financial relationships with the District. All significant activities and organizations with which the District exercises oversight responsibility have been considered for inclusion in the basic financial statements. The District has no component units, and it is not included in any other governmental reporting entity.

**C. District-Wide Statements**

The Statement of Net Position and the Statement of Activities present financial information about the District’s governmental and business type 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. These statements distinguish between the governmental and business type activities of the District. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange transactions. Business type activities are financed in part by fees charged to external parties.

The Statement of Activities presents a comparison between direct expenses and program revenues for business type activities and 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 revenues include (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. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

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**1. Summary of Significant Accounting Policies (Continued)**

**D. Fund Accounting**

The fund statements provide information about the District's funds, including 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 enterprise funds; each displayed in a separate column. All remaining funds are aggregated and reported as nonmajor funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal value. Non-operating revenues, such as investments earnings, result from nonexchange transactions or ancillary activities.

The District reports the following major governmental funds:

**General Fund** – The General Fund is the operating fund of the District. It is used to account for all financial resources of the District except those required to be accounted for in other funds. Under GASB 54, the General Fund now includes the operations of the Special Education Fund.

**Capital Projects Fund** – This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities (other than those financed by proprietary fund and trust funds).

**Debt Service Fund** – This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental activities.

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

The District accounts for assets held as an agent for various student organizations in a fiduciary agency fund. The District also reports its Private Benefit Trust fund as a fiduciary fund.

The District also has the following non-major funds:

- Other Special Projects
- Special Revenue Trust
- Community Service
- Package Cooperative
- Non-Referendum Debt

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

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**1. Summary of Significant Accounting Policies (Continued)**

**E. 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. Revenues are 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, revenues are recognized when measurable and available. Measurable means the amount of the transaction can be determined and available means collectible within the current period or soon enough thereafter to pay liabilities of the current period.

Expenditures are generally recognized under the modified accrual basis of accounting. Under the modified accrual basis of accounting, 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 when paid. Interest cost on temporary borrowing is recognized as an expenditure of the fiscal period incurred. 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.

Noncurrent portions of long-term receivables due to governmental funds are reported on the balance sheets, in spite of their spending measurement focus. Special reporting treatments are used to indicate, however, that they should not be considered “available spendable resources,” since they do not represent net current assets. Recognition of governmental fund type revenues represented by noncurrent receivables is reported as deferred inflows until they become current receivables.

Property taxes are recognized as revenue in the period for which the taxes are levied if they are due in the current year and available to pay current liabilities. The 2016 tax levy is used to finance operations of the district’s fiscal year ended June 30, 2017. All property taxes are considered due on January 1, when an enforceable lien is 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.

State general and categorical aids, federal impact aid, and other entitlements are recognized as revenue at the time of receipt, or earlier if the “susceptible to accrual” criteria are met. Expenditure-driven programs currently reimbursable are recognized as revenue when the qualifying expenditures have been incurred. Aids received prior to meeting revenue recognition criteria are recorded as deferred inflows.

Charges for services provided to other educational agencies and private parties are recognized as revenue when services are provided. Charges for special educational services are not reduced by anticipated state special aid entitlements.

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

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**1. Summary of Significant Accounting Policies (Continued)**

**E. Measurement Focus and Basis of Accounting (Continued)**

Interest income on temporary investments is recognized in the fiscal period earned.

Costs for educational services provided to the District by other educational agencies or private organizations are recognized when incurred. Costs for special education services are not reduced by anticipated state special education aid entitlements.

**F. Deposits and Investments**

The District's cash and equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition.

The District has pooled the cash resources of its funds in order to maximize investment opportunities. Each fund's portion of total cash and investments is reported as cash and cash equivalents/investments by the District's individual major funds, and in the aggregate for non-major and agency funds.

Wisconsin Statute 66.0603 authorizes the District to invest in the following types of instruments:

- Time deposits in any credit union, bank, savings bank, trust company, or savings and loan association which is authorized to transact business in the State of Wisconsin, if the time deposits mature in not more than three years.
- Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- Bonds or securities issued or guaranteed as to principal or interest by the federal government or by a commission, board, or other instrumentality of the federal government (U.S. Treasuries and U.S. Agencies).
- The Local Government Investment Pool (LGIP).
- Any security maturing in seven years or less of the acquisition date and having the highest or second highest rating category of a nationally recognized rating agency.
- Securities of an open-end management investment company or investment trust if the portfolio is limited to the obligations of the U.S. Treasury and U.S. Agencies or repurchase agreements fully collateralized by bonds or securities, subject to various conditions and investment options.
- Repurchase agreements with public depositories, with certain conditions.

For purposes of the proprietary fund Statement of Cash Flows, the District considers all highly liquid investments with a maturity of less than three months, when purchased, to be cash equivalents. This consists of current cash and investments.

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

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**1. Summary of Significant Accounting Policies (Continued)**

**F. Deposits and Investments (Continued)**

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. 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 balances.

See footnote 3 for additional information.

**G. Receivables and Payables**

Taxes

The aggregate District tax levy is apportioned and certified during the current fiscal year for collection to comprising municipalities based on the immediate past August 15 full or “equalized” taxable property values. 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.

On or before January 15 and February 15, the District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the county treasurer makes full settlement to the District for any remaining balance.

Interfunds

The current portion of lending/borrowing arrangements between funds is identified as “due to/from other funds”. The noncurrent portion of outstanding balances between funds is reported as “advances to/from other funds”. Advances between funds are offset by a fund balance reserve account to indicate that they are not available for appropriation and are not expendable available financial resources.

Accounts Receivable

All accounts receivable are shown as 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 such allowance is not material.

**H. Other Assets**

Expendable supplies or noncapital items acquired for initial use in subsequent fiscal periods are recorded as inventories and/or prepaid expenses. Prepaid insurance or service contracts are not recorded unless their recognition as an expenditure would result in more than one year’s cost being recorded. Inventory and prepaid supplies are valued at the lower of cost (first-in, first-out method) or market. Inventory consists of expendable supplies held for consumption. Costs are recorded as expenditures at the time individual inventory items are consumed.



**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

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**1. Summary of Significant Accounting Policies (Continued)**

**I. Capital Assets**

Capital assets are reported at actual cost. Estimated historical costs, based on appraisals conducted by an independent third-party professional appraisal firm, were used when capital asset database was established. Donated assets are reported at estimated fair market value at the time received.

Capitalization thresholds (the dollar valued 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 and proprietary funds are as follows:

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Building and building improvements	\$ 5,000	Straight-line	20-50 years
Land improvements	5,000	Straight-line	10-20 years
Furniture and equipment	5,000	Straight-line	5-20 years

**J. Compensated Absences**

The District's policy allows employees to earn varying amounts of sick pay for each year employed. Upon termination, the employee is entitled to severance pay which is paid at various rates as follows:

Teachers	\$30/day to a maximum of 135 days
Administrators	\$40/day to a maximum of 170 days
Other Support Staff (less than 20 years experience)	\$20/day to a maximum of 135 days
Other Support Staff (20 or more years experience)	\$30/day to a maximum of 135 days

Benefits that require payment in future fiscal years, though related to services previously rendered, are recorded as a liability in the governmental funds to the extent they will be liquidated with expendable available resources.

The compensated absences liability accrued in the government-wide statements at June 30, 2017 represents an estimate of the compensated absences the District anticipates paying out at early termination. At retirement, unused sick leave is converted into a post-retirement health-care benefit. The anticipated liability for these costs has been included in the District's actuarial determination of post-employment benefits and the liability under GASB 75.

**K. Other Post-Employment Benefits (OPEB) Plan**

As provided in applicable negotiated contracts, qualified employees meeting minimum age and length of service requirements may be eligible for certain other postemployment benefits directly from the District. The District makes annual contributions on a pay-as-you-go basis. See Note 11 for additional information.

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

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**1. Summary of Significant Accounting Policies (Continued)**

**L. Supplemental Pension (Stipend) Benefit**

The District contributes \$3,200 per year for each of 3 years to a non-elective post-employment 403(b) plan for eligible retirees. Funding is on a pay-as-you-go basis. The District's supplemental pension liability is actuarially determined. See note 12 for additional information.

**M. 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.

**N. Deferred Outflows and Inflows of Resources**

Deferred outflow of resources represent a consumption of net position that applies to a future period and so will not be recognized as an outflow of resources (expense/expenditure) until then.

Deferred inflow of resources represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time.

**O. Estimates**

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results may differ from those estimates.

**P. Net Position**

Net position represents the difference between assets/deferred outflows of resources and liabilities/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.

The District applies restricted resources when an expense is incurred for purposes for which both restricted and unrestricted net position is available.

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

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**1. Summary of Significant Accounting Policies (Continued)**

**Q. Fund Balance**

The District's fund equity is classified as fund balance.

In the fund financial statements, governmental fund balance is presented in five possible categories:

**Nonspendable** – resources which cannot be spent because they are either a) not in spendable form or; b) legally or contractually required to be maintained intact.

**Restricted** – resources with constraints placed on the use of resources are either a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

**Committed** – resources which are subject to limitation the government imposes upon itself at its highest level of decision making, and that remain binding unless removed in the same manner.

**Assigned** – resources neither restricted nor committed for which a government has a stated intended use as established by the District Board or a body or official of which the District Board has delegated the authority to assign amounts for specific purposes.

**Unassigned** – resources which cannot be properly classified in one of the other four categories. The General Fund is the only fund that reports a positive unassigned fund balance amount. Unassigned balances also include negative balances in the governmental funds reporting resources restricted for specific programs.

When restricted and other fund balance resources are available for use, it is the District's policy to use restricted resources first, followed by committed, assigned, and unassigned amounts, respectively.

**R. Change in Accounting Principle**

Effective July 1, 2016, The District adopted the provisions of GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68*, and *Amendments to Certain Provisions of GASB Statement 67 and 68*, and GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Implementation of GASB Statement No. 73 and No. 75, required net position in the governmental activities to be decreased by \$1,057,163 and \$7,876,381, respectively. See note 13 for reconciliation of the restated net position.

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

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**2. Explanation of Certain Differences between Governmental Fund Statements and District-wide Statements**

Due to the differences in the measurement focus and basis of accounting used on the government fund statements and district-wide statements, certain financial transactions are treated differently. The basic financial statements contain a full reconciliation of these items.

**Explanation of Differences between Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities**

Differences between the governmental funds Statement of Revenues, Expenditures and Changes in Fund Balances and the Statement of Activities fall into one of four broad categories:

- 1) Long-term revenue differences arise because governmental funds report revenues only when they are considered “available,” whereas the Statement of Activities reports revenues when earned. Differences in long-term expenses arise because governmental funds report on a modified accrual basis whereas the accrual basis of accounting is used on the Statement of Activities.
- 2) Capital related differences include the difference between recording an expenditure for the purchase of capital items in the governmental fund statements and depreciation expense on those items as recorded in the Statement of Activities.
- 3) Long-term debt transaction differences occur because both interest and principal payments are recorded as expenditures in the governmental fund statements, whereas interest expense is recorded in the Statement of Activities as incurred, and principal payments are recorded as a reduction of liabilities in the Statement of Net Position.
- 4) Payments for post-employment benefits and pension benefits are recorded when paid in the fund financial statements. Expenses are recorded in the Statement of Activities when incurred, and payments are recorded as a reduction of the post-employment and pension liabilities in the Statement of Net Position.

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**3. Cash and Investments**

For all the District's cash and investments shown below, the market value at the balance sheet date is substantially the same as the fair value. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit. At various times during the year, the District's deposits were higher than the June 30, 2017 balances, detailed below. This means that the District's risk and exposure could be higher at these times.

<u>Depository:</u>	<u>Carrying Amount</u>	<u>Fair Value</u>	<u>Associated Risk</u>
Local Financial Institutions	\$ 583,505	\$ 688,825	Custodial credit risk
Other cash and investments:			
Petty Cash	1,000	1,000	Not Applicable
WISC Financial Investments:			
WISC SDA	17,492,489	17,492,489	Custodial credit risk
WISC Financial CDs	42,141,700	42,141,700	Custodial credit risk, credit risk, interest rate risk
WISC Investment Series	15,066,075	15,066,075	Credit risk
WISC Cash Management Series	27,602	27,602	Credit risk
GSEs Bonds	2,356,653	2,344,104	Credit risk, concentration of credit risk, interest risk
U.S. Treasury Securities	9,620,358	9,620,358	Interest rate
Wisconsin Local Government Investment Pool	24,241,806	24,241,806	Credit risk, interest rate risk
Total June 30, 2017	<u>\$ 111,531,187</u>	<u>\$ 111,623,959</u>	

A reconciliation of cash and investments as shown on the statements is as follows:

Statement of Net Position:	
Cash and Investments	\$ 18,001,757
Restricted Cash and Investments	93,071,950
Statement of Fiduciary Net Position:	
Cash and Investments	457,480
Total	<u>\$ 111,531,187</u>

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**3. Cash and Investments (Continued)**

The Wisconsin Local Government Investment Pool (“LGIP”) is part of the State Investment Fund (“SIF”), and is managed by the State of Wisconsin Investment Board (“SWIB”). The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. All investments are valued at amortized cost by the SIF for purposes of calculating earnings to each participant. Specifically, the SIF distributes income to pool participants monthly, based on their average daily share balance. Distributions include interest income based on stated rates (both paid and accrued), amortization of discounts and premiums on a straight-line basis, realized investment gains and losses calculated on an amortized cost basis, and investment expenses. This method does not distribute to participants any unrealized gains or losses generated by the pool’s investments. Detailed information about the SIF is available in separately issued financial statements available at <http://www.doa.state.wi.us/Divisions/Budget-and-Finance/LGIP>. Participants in the LGIP have the right to withdraw their funds in total on one day’s notice. At June 30, 2017, the fair value of the District’s share of the LGIP’s assets was substantially equal to the amount reported on the prior page. Information on derivatives was not available to the District.

SWIB may invest in obligations of the U.S. Treasury and its agencies, Commercial Paper, Bank Time Deposits/Certificates of Deposit, Bankers’ Acceptances, Asset Backed Securities and Repurchase Agreements secured by the U.S. Government or its agencies and other instruments authorized under State Investment Fund investment guidelines.

Investment allocation in the LGIP as of June 30, 2017 was: 97.7% in U.S. Government Securities, 1.3% in Certificates of Deposit and Bankers’ Acceptances and 1.0% in Commercial Paper and Corporate Notes. The Wisconsin State Treasurer updates the investment allocations on a monthly basis.

**Interest Rate Risk**

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater sensitivity its fair value has to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure of fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the District’s investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District’s investments by maturity:

<b>Investment Type</b>	<b>Fair Value</b>	<b>Investment Maturities</b>			
		<b>Less Than 6 Months</b>	<b>6 Months to 1 Year</b>	<b>1 Year to 3 Years</b>	<b>More Than 3 Years</b>
Certificates of Deposit	\$ 42,141,700	\$ -	\$ 35,575,500	\$ 6,566,200	\$ -
Government and Municipal Securities	2,344,104	-	-	2,344,104	-
Local Government Investment Pool	24,241,806	24,241,806	-	-	-
U.S. Treasury Securities	9,620,358	11,992	9,608,366	-	-
Total	<u>\$ 78,347,968</u>	<u>\$ 24,253,798</u>	<u>\$ 45,183,866</u>	<u>\$ 8,910,304</u>	<u>\$ -</u>

The average maturity of the Wisconsin Local Government Investment Pool investments as of June 30, 2017 is 29 days (67 days as of June 30, 2016).

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**3. Cash and Investments (Continued)**

**Credit Risk**

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limit its investments choices.

As of June 30, 2017, The District's investment were rated as follows:

<u>Investment</u>	<u>Rating</u>	<u>Fair Value</u>
Government and Municipal Securities	S&P - AA+	\$ 2,344,104
U.S. Treasury Securities	Moody's - Aaa	9,620,358
WISC Investment Series	S&P - AAAm	15,066,075
WISC Cash Management Series	S&P - AAAm	27,602
Local Investment Pool	Unrated	24,241,806
Total		<u>\$ 51,299,945</u>

**Concentration of Credit Risk**

The District does not have a policy for concentration of credit risk. No District investment represents 5% or more of the total investments.

**Custodial Credit Risk**

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, the District would not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial risk for investments is the risk that, in the event of failure of the counterparty (e.g. broker-dealer) to a transaction, the District would not be able to recover the value of its investment of collateral securities that are in the possession of another party. The District does not have a deposit policy for custodial credit risk.

Deposits in banks are insured by the FDIC in the amount of \$250,000 for demand accounts and \$250,000 for time and savings accounts. Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. Due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities.

As of June 30, 2017, \$36,485,932 of the District's deposits with financial institutions in excess of federal depository insurance limits and state deposit guarantee fund were exposed to custodial credit risk.

Uninsured and collateral held in pledging bank's trust department not in District's name	\$ 11,047,700
Uninsured and collateralized by securities held by the pledging financial institution	<u>25,438,232</u>
Total	<u>\$ 36,485,932</u>



**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**3. Cash and Investments (Continued)**

**Fair Value Measurement**

Financial assets required to be measured on a recurring basis are classified under a three-tier hierarchy for fair value investments. Fair value is the amount that would be received to sell an asset, or paid to settle a liability, in an orderly transaction between market participants at the measurements date.

The District uses the following hierarchical disclosure framework:

Level 1 – Measurement based upon quoted prices for identical assets in an active market as of the reporting date.

Level 2 – Measurement based upon marketplace inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices in active markets for similar assets or liabilities, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 – Measurement based on the District’s assumptions about a hypothetical marketplace because observable market inputs are not available as of the reporting date.

The District uses appropriate valuation techniques based on the available inputs to measure the fair values of its assets and liabilities. When available, the District measures fair value using Level 1 inputs because they generally provide the most reliable evidence of fair value. Level 3 inputs have the lowest priority.

	Fair Value as of 6/30/2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
<u>Investments by Fair Value Level</u>				
Government-Sponsored Enterprises (GSEs) Bonds	\$ 2,344,104	\$ 2,344,104	\$ -	\$ -
U.S. Treasury securities	9,620,358	9,620,358	-	-
Total Investments by Fair Value Level	<u>\$11,964,462</u>	<u>\$ 11,964,462</u>	<u>\$ -</u>	<u>\$ -</u>

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**4. Due from/Due to Other Funds**

Individual fund interfund receivable and payable balances on June 30, 2017 are as follows:

Due To	Amount	Due From
General Fund	\$ 17,247	Package Cooperative
General Fund	23	Student Activities
Subtotal General Fund	<u>17,270</u>	
Capital Projects	849,446	General Fund
Subtotal Capital Projects	<u>849,446</u>	
Special Revenue Trust	340,951	General Fund
Special Revenue Trust	13,573	Student Activities
Community Services	46,605	General Fund
Package Cooperative	700	Special Revenue Trust
Subtotal Non-major Funds	<u>401,829</u>	
Food Service	45,284	General Fund
Food Service	14,158	Special Revenue Trust
Food Service	27	Student Activities
Subtotal Food Service	<u>59,469</u>	
Student Activities	21,660	General Fund
Subtotal Activity Fund	<u>21,660</u>	
Private Benefit Trust	250	Student Activities
Subtotal Private Benefit Trust	<u>250</u>	
Totals - Fund Financial Statements	1,349,924	
Less: Fund Eliminations	(1,290,482)	
Total Government-Wide Statement of Net Position	<u>\$ 59,442</u>	

The purpose of the interfunds is to meet temporary cash flow needs in the respective funds.

The net amounts due to and due from Fiduciary Funds are reported as an external accounts receivable and accounts payable, respectively, in the Statement of Net Position. Interfund balances generally arise from the District's policy to pool cash and investments.

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**5. Interfund Transfers**

The District had the following interfund transfers:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Support Operation	Package Cooperative	General	\$ 9,859
Support Capital Projects	Capital Projects	General	750,100
Support Debt	Non-referendum Debt	Capital Projects	22,470
Close Out Fund	Other Special Projects	General	48,476
	Totals - Fund Financial Statements		<u>830,905</u>
	Less: Fund Eliminations		<u>(830,905)</u>
	Total Government-Wide Statement of Activities		<u><u>\$ -</u></u>

**6. Capital Assets**

Capital asset activity for the year ended June 30, 2017 were as follows:

	<u>Balance 7/1/2016</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance 6/30/2017</u>
<b>Governmental Activities</b>				
Non-Depreciable Capital Assets:				
Land	\$ 14,134,287	\$ 8,876,104	\$ -	\$ 23,010,391
Construction in Progress	230,100	3,124,859	(230,100)	3,124,859
Total Non-Depreciable Capital Assets	<u>14,364,387</u>	<u>12,000,963</u>	<u>(230,100)</u>	<u>26,135,250</u>
Capital Assets Being Depreciated	<u>205,094,953</u>	<u>1,857,357</u>	<u>(17,100)</u>	<u>206,935,210</u>
Total Capital Assets	<u>219,459,340</u>	<u>13,858,320</u>	<u>(247,200)</u>	<u>233,070,460</u>
Less Accumulated Depreciation	<u>(57,254,489)</u>	<u>(4,553,481)</u>	<u>17,100</u>	<u>(61,790,870)</u>
Net Governmental Capital Assets	<u>\$ 162,204,851</u>	<u>\$ 9,304,839</u>	<u>\$ (230,100)</u>	<u>\$ 171,279,590</u>
<b>Business-Type Activities</b>				
Depreciable Capital Assets	\$ 678,519	\$ 116,009	\$ -	\$ 794,528
Less Accumulated Depreciation	<u>(617,941)</u>	<u>(13,756)</u>	<u>-</u>	<u>(631,697)</u>
Net Business-Type Capital Assets	<u>60,578</u>	<u>102,253</u>	<u>-</u>	<u>162,831</u>
Total Non-Depreciable Capital Assets	14,364,387	12,000,963	(230,100)	26,135,250
Total Depreciable Capital Assets	205,773,472	1,973,366	(17,100)	207,729,738
Total Accumulated Depreciation	<u>(57,872,430)</u>	<u>(4,567,237)</u>	<u>17,100</u>	<u>(62,422,567)</u>
Total Capital Assets Net of Depreciation	<u><u>\$ 162,265,429</u></u>	<u><u>\$ 9,407,092</u></u>	<u><u>\$ (230,100)</u></u>	<u><u>\$ 171,442,421</u></u>

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
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**6. Capital Assets (Continued)**

Depreciation expense was charged to the following functions:

Instruction	\$ 75,626
Support	4,477,855
Total Governmental	<u>4,553,481</u>
Food Service	<u>13,756</u>
Total Depreciation	<u><u>\$ 4,567,237</u></u>

**7. Short-Term Notes Payable**

Short-term notes payable at June 30, 2017 are as follows:

Balance July 1, 2016	Additions	Reductions	Balance June 30, 2017
<u>\$ 16,995,000</u>	<u>\$ 17,000,000</u>	<u>\$ 16,995,000</u>	<u>\$ 17,000,000</u>

Description	Issue Dates	Interest Rate %	Dates of Maturity	Balance
Tax Anticipation Note	10/4/2016	0.95%	8/25/2017	\$ 4,000,000
Tax Anticipation Note	10/20/2016	1.50%	10/20/2017	13,000,000
Total Short-Term Notes Payable				<u><u>\$ 17,000,000</u></u>

The District issued \$4,000,000 in Taxable Tax and Revenue Anticipation Promissory Notes, Series 2016A dated October 4, 2016 with a stated interest rate of 0.95%. The notes will mature, with principal and interest due in full, August 25, 2017.

The District is a participant in the PMA Levy and Aid Anticipation Notes Program Taxable Note Participations, Series 2016B. The participations are delivered under a Master Indenture of Trust dated October 1, 2016, and a First Supplemental Indenture of Trust dated October 20, 2016. The District's participation consists of \$13,000,000 borrowed with a maturity date of October 20, 2017.

The purpose of issuing the notes is to provide interim financing for meeting the immediate expenses of operating and maintaining the public instruction in the District for the school year.

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
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**8. Long-term Obligations**

Long-term obligations of the District are as follows:

	Balance 7/1/2016	Issued	Retired	Balance 6/30/2017	Amount Due Within One Year
General obligation debt	\$ 147,050,000	\$ 87,430,000	\$ 9,500,000	\$ 224,980,000	\$ 19,580,000
Bond Anticipation Notes	-	89,500,000	89,500,000	-	-
Subtotal G.O. Debt	147,050,000	176,930,000	99,000,000	224,980,000	19,580,000
Premium on debt	2,074,330	2,969,497	363,125	4,680,702	511,600
Discount on debt	(277,873)	-	(31,503)	(246,370)	(31,503)
Capital Leases	575,645	308,900	401,529	483,016	272,233
Compensated absences	432,275	13,584	-	445,859	-
Total Long-Term Obligations	<u>\$ 149,854,377</u>	<u>\$ 180,221,981</u>	<u>\$ 99,733,151</u>	<u>\$ 230,343,207</u>	<u>\$ 20,332,330</u>

**General Obligation Debt**

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. General obligation debt at June 30, 2017 is comprised of the following individual issues:

Description	Issue Dates	Interest Rate %	Dates of Maturity	Balance	Amount Due Within One Year
GO Refunding Bonds	9/4/2007	4.00-5.00%	9/1/2018	\$ 745,000	\$ 745,000
GO Refunding Bonds	8/15/2008	4.00-5.25%	3/1/2028	2,295,000	2,125,000
GO QSCB Bonds	9/28/2009	1.10%	9/15/2024	20,950,000	500,000
GO Refunding Bonds	1/4/2010	2.00-4.00%	1/4/2018	2,775,000	2,775,000
GO Refunding Bonds	3/1/2010	2.35-5.80%	3/1/2029	42,680,000	-
GO Refunding Bonds	4/16/2012	2.00-4.00%	3/1/2020	4,405,000	1,740,000
GO Refunding Bonds	3/5/2013	0.40-2.00%	3/1/2020	6,260,000	1,940,000
GO Refunding Bonds	3/5/2013	2.00-2.50%	3/1/2027	9,255,000	155,000
GO Refunding Bonds	6/24/2014	2.00-3.50%	3/1/2028	9,375,000	65,000
GO Refunding Bonds	4/23/2015	2.50%	3/1/2026	9,675,000	-
Crossover Escrow Bonds*	4/23/2015	2.50%	3/1/2018	9,465,000	9,465,000
GO Refunding Bonds	12/2/2015	2.00%	3/1/2024	9,675,000	70,000
GO Refunding Bonds	4/20/2016	2.00-2.375%	3/1/2028	9,995,000	-
GO Refunding Bonds	3/2/2017	3.50-4.0%	3/1/2037	87,430,000	-
Total General Obligation Debt				<u>\$ 224,980,000</u>	<u>\$ 19,580,000</u>

The 2016 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$4,333,811,794. The legal debt limit and margin of indebtedness as of June 30, 2017, in accordance with §67.03(1)(b) of the Wisconsin statutes follows:

Debt Limit (10% of \$4,333,811,794)	\$ 433,381,179
Deduct long-term debt applicable to debt margin	<u>224,980,000</u>
Margin of indebtedness	<u>\$ 208,401,179</u>

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
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**For The Year Ended June 30, 2017**

**8. Long-term Obligations (Continued)**

Aggregate cash flow requirements for the retirement of general obligation long-term principal and interest as of June 30, 2017 are as follows:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$19,580,000	\$7,005,883	\$ 26,585,883
2019	8,335,000	6,505,948	14,840,948
2020	8,870,000	6,297,456	15,167,456
2021	9,300,000	6,089,296	15,389,296
2022	4,810,000	5,857,100	10,667,100
2023-2027	64,545,000	26,092,354	90,637,354
2028-2032	51,710,000	16,866,014	68,576,014
2033-2037	57,830,000	6,564,494	64,394,494
Totals	<u>\$224,980,000</u>	<u>\$ 81,278,545</u>	<u>\$ 306,258,545</u>

**Prior Year Debt Defeasance**

In previous years, the District defeased bond issues by creating a separate irrevocable trust fund. New debt has been issued and the proceeds have been used to purchase U.S. government securities that were placed in trust funds. The investments and fixed earnings from the investments are sufficient to fully service the defeased debt until the debt is called or matures. For financial reporting purposes, the debt has been considered defeased and therefore removed as a liability from the District's government-wide financial statements. As of June 30, 2017, the amount of defeased debt outstanding but removed from the District's long-term debt outstanding is \$9,675,000. These bonds are callable on March 18, 2018 and will be settled by funds from the irrevocable trust.

**Prior Year Debt Advance Refunding**

In April 2015, the District issued \$9,465,000 general obligation refunding bonds, crossover advance refunding certain outstanding obligations of the District. The proceeds have been irrevocably deposited in an escrow account, invested in U.S. Government Securities, to provide funds for the future debt service payment of the refunded bonds. The transaction did not create a legal defeasance and therefore the outstanding principal remains a liability to the District until paid. Cash and investment in the debt service fund include escrowed funds to be used to pay off the remaining outstanding bonds when they become callable. The outstanding principal and interest is scheduled to be paid when the bonds are callable, on March 1, 2018.

**Current Refunding**

On March 2, 2017, the District issued General Obligation Refunding Bonds in the amount of \$87,430,000. The proceeds were used to current refund \$89,500,000 Bond Anticipation Notes dated January 4, 2017.

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**9. Capital Leases, as Lessee**

Equipment capitalized with leases has an original cost of \$242,164 and accumulated depreciation of \$146,502. The following is a schedule by years of future minimum lease payments under capital leases together with the present value of the net minimum lease payments as of June 30, 2017:

Year Ended June 30,	
2018	\$ 284,684
2019	177,970
2020	<u>39,180</u>
Total minimum lease payments	501,834
Less: Amount representing interest	<u>18,818</u>
Present value of net minimum lease payments	<u><u>\$ 483,016</u></u>

Subsequent Capital Lease

Subsequent to yearend, the District entered into an additional capital lease for equipment with an original cost value of \$294,610. Annual payments of \$99,099 are due for term of three years at .915 percent.

**10. Employee Retirement Plans**

**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.

**Benefits Provided**

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

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

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**10. Employee Retirement Plans (Continued)**

**Benefits Provided (Continued)**

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

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

The WRS also provides death and disability benefits for employees.

**Post-Retirement Adjustments**

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
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)

**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 and 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 \$3,439,753 in contributions from the employer



**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
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**10. Employee Retirement Plans (Continued)**

**Contributions (Continued)**

Contribution rates as of June 30, 2017 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers)	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, 2017, the District reported a liability of \$2,897,191 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. 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 was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the District's proportion was 0.35149899%, which was an increase of 0.01057754% from its proportion measured as of December 31, 2015.

For the year ended June 30, 2017, the District recognized pension expense of \$7,320,738.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 1,104,700	\$ (9,111,415)
Changes of assumptions	3,029,125	-
Net difference between projected and actual earnings on pension plan investments	14,421,298	-
Changes in proportion and difference between District contributions and proportionate share of contributions	-	(415,286)
District contributions subsequent to the measurement date	2,042,158	-
Total	<u>\$ 20,597,281</u>	<u>\$ (9,526,701)</u>

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
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**10. Employee Retirement Plans (Continued)**

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

\$2,042,158 reported as deferred outflows related to pension resulting from the District'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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<b>Year Ended June 30:</b>	<b>Net Deferred Outflows (Inflows) of Resources</b>
2018	\$ 3,707,749
2019	3,707,749
2020	2,525,793
2021	(915,678)
2022	2,810

**Actuarial assumptions**

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
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, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

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**10. Employee Retirement Plans (Continued)**

**Long-term expected Return on Plan Assets**

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<b>Asset Allocation Targets and Expected Returns</b>				
<b>As of December 31, 2016</b>				
<b>Core Fund Asset Class</b>	<b>Asset Allocation %</b>	<b>Destination Target Asset Allocation %</b>	<b>Long-Term Expected Nominal Rate of Return %</b>	<b>Long-Term Expected Real Rate of Return %</b>
Global Equities	50 %	45 %	8.3 %	5.4 %
Fixed Income	24.5	37	4.2	1.4
Inflation Sensitive Assets	15.5	20	4.3	1.5
Real Estate	8	7	6.5	3.6
Private Equity/Debt	8	7	9.4	6.5
Multi-Asset	4	4	6.6	3.7
<b>Total Core Fund</b>	<b>110</b>	<b>120</b>	<b>7.4</b>	<b>4.5</b>
<b>Variable Fund Asset Class</b>				
U.S. Equities	70	70	7.6	4.7
International Equities	30	30	8.5	5.6
<b>Total Variable Fund</b>	<b>100</b>	<b>100</b>	<b>7.9</b>	<b>5</b>
<b>New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%</b>				
<b>Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations</b>				

**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 3.78%. 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.

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

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**10. Employee Retirement Plans (Continued)**

**Sensitivity of the District's proportionate share of the net pension liability (asset) to changes in the discount rate**

The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	<b>1% Decrease to Discount Rate (6.20%)</b>	<b>Current Discount Rate (7.20%)</b>	<b>1% Increase to Discount Rate (8.20%)</b>
District's proportionate share of the net pension liability (asset)	\$ 38,114,404	\$ 2,897,191	\$ (24,221,658)

**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>.

**Allocation of Pension Plan**

Pension amounts are allocated between the Governmental Activities and Business-Type Activities based on the percentage of required contributions of each opinion unit.

**11. Other Post-Employment Benefits (OPEB) Plan**

The District implemented GASB Statement No. 75, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2017. This supersedes GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefits Other Than Pensions*. This implementation allows the District to report its liability for other postemployment benefits consistent with newly established generally accepted accounting principles and to reflect an actuarially determined liability for the present value of projected future benefits for retired and active employees on the financial statements.

**Plan Description**

The District operates a single-employer retiree benefit plan that provides postemployment health insurance benefits to eligible employees and their spouses. There are 1,072 active members and 153 retired members in the plan. Benefits and eligibility are determined through bargaining and other District agreements.

**Funding Policy**

The District funds the policy on a pay-as-you-go basis.

**SUN PRAIRIE AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017**

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**11. Other Post-Employment Benefits (OPEB) Plan (Continued)**

**Benefits Provided**

Benefits and eligibility are determined through bargaining and other District agreements. Current approved benefits are as follows:

*Administration:* At least age 55 with a minimum of 7 years of services:

Continued Medical & Dental: Eligible retirees will receive a credit equal to a percentage of their final salary (ranging from 50% for 7 years of service up to 100% for those with 12 years of service or more) which is to be used towards payment of their full medical and/or dental premiums until its exhaustion. Upon exhaustion of funds, retirees may self-pay the full (100%) premium amounts required to continue coverage in the group plans.

*Administrative Support:* At least age 55 and subject to the “Rule of 70” wherein sum of age and service at retirement is at least 70:

Premium Only HRA: Eligible retirees will receive a credit of \$500 per year of service in the District, up to maximum of 25 years, as well as \$180 per unused sick day accumulated upon retirement, up to a maximum of 175 days. Resulting HRA funds may either be used to reimburse continued coverage in the District’s medical and/or dental plans or an outside plan. Upon exhaustion of funds, retirees may self-pay the full (100%) premium amounts required to continue coverage in the group plans.

*Teachers:* At least age 55 and subject of the “Rule of 70” wherein sum of age and service at retirement is at least 70 (those hired on or after July 1, 2008 must have a sum of at least 75):

Premium Only HRA: Eligible retirees will receive a credit of \$500 per year of service in the District, as well as \$180 per unused sick day accumulated upon retirement up to a maximum of 175 days and \$120 per day thereafter (i.e. days over 175). Resulting funds may either be used to reimburse continued coverage in the District’s medical and/or dental plans or an outside plan. Upon exhaustion of funds, retirees may self-pay the full (100%) premium amounts required to continue coverage in the group plans.

*Support Staff:* At least age 55 with a minimum of 15 years of service:

Post Employment HRA: Eligible retirees will receive a one-time contribution of \$3,600 into an HRA.

**Employees covered by Benefit Terms**

At June 30, 2016, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	153
Inactive employees entitled to but not yet receiving benefit payments	0
Active employees	1072
	<u>1225</u>

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
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**11. Other Post-Employment Benefits (OPEB) Plan (Continued)**

**Total OPEB Liability**

The District's total OPEB liability, reported as of June 30, 2017, of \$14,393,230 was measured at June 30, 2016, as was determined by an actuarial valuation as of June 30, 2016.

**Actuarial Assumptions and Other Inputs**

The total OPEB liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless other specified:

Inflation	2.50 percent
Salary increases	3 percent, average, including inflation
Discount rate	3 percent
Healthcare cost trend rates	7.5 decreasing by .050% per year down to 6.50%, then down by 0.10% per year down to 5.0%, and level thereafter
Retirees' share of benefit-related costs	6.8 percent of projected health insurance premiums for retirees

Actuarial assumptions are based upon an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014.

The Discount rate is based on the Municipal Bond Rate.

**Changes in the Total OPEB Liability**

	Total OPEB Liability
<b>Balance at 6/30/2015</b>	<u>\$ 13,417,245</u>
<b>Changes for the year:</b>	
Service cost	1,268,368
Interest	410,992
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	<u>(703,375)</u>
<b>Net Changes</b>	<u>975,985</u>
 <b>Balance at 6/30/2016</b>	 <u><u>\$ 14,393,230</u></u>

There were no changes of benefit terms.

There were no changes of assumptions or other inputs.

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
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**11. Other Post-Employment Benefits (OPEB) Plan (Continued)**

**Sensitivity of the Total OPEB Liability to Changes in the Discount Rate**

The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2 percent) or 1-percentage-point higher (4 percent) than the current discount rate:

		1% Decrease 2.00%	Current Discount Rate 3.00%	1% Increase 4.00%
Total OPEB Liability	6/30/2016	<u>\$ 15,382,511</u>	<u>\$ 14,393,230</u>	<u>\$ 13,459,385</u>

**Sensitivity of the Total OPEB Liability to Changes in Healthcare Cost Trend Rates**

The following represents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.5 percent decreasing to 6 percent) than the current healthcare cost trend rates:

		1% Decrease (6.5% decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5% decreasing to 5.0%)	1% Increase (8.5% decreasing to 6.0%)
Total OPEB Liability	6/30/2016	<u>\$ 13,657,800</u>	<u>\$ 14,393,230</u>	<u>\$ 15,274,397</u>

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

For the year ended June 30, 2017, the District recognized an OPEB expense of \$1,679,360. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

Gain / Loss	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experiences	\$ -	\$ -
Changes of assumptions or other inputs	-	-
District contributions subsequent to the measurement date	630,587	-
Total	<u>\$ 630,587</u>	<u>\$ -</u>

\$630,587 reported as deferred outflows related to pension resulting from the District contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended June 30, 2018. There are no other amounts reported as deferred outflows of resources or deferred inflows of resources related to OPEB that will be recognized in OPEB expense in future years.

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

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**12. Supplemental Pension (Stipend) Benefit**

The District implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68* for the fiscal year ended June 30, 2017. This supersedes GASB Statement No. 27, *Accounting for Pensions by State and Local Government Employers* and Statement No. 50, *Pension Disclosures – An Amendment to GASB Statement No. 25 and No. 27*.

**Plan Description and Benefits Provided**

The District also provides teachers who, upon attaining age 55 with a combined age and service totaling at least 70 (75 for those hired on and after 7/1/2008), an annual amount of \$3,200 per year for three years. This is to be contributed to a non-elective 403 (b) employer contribution plan.

There are 664 active employees and 19 retirees in the plan as of the measurement date of June 30, 2016.

**Funding Policy**

This is funded on a pay-as-you-go basis. There are no invested plan assets accumulated for payment of future benefits. The general fund is used for funding of all pension/retirement benefits. The employer makes all contributions.

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

For the year ended June 30, 2017, the District recognized a supplemental pension expense of \$137,856.

At June 30, 2017, the District reported deferred outflows of resources related to the supplemental pension plan for contributions after the measurement date of \$105,600.

**Change in the Total Supplemental Pension Liability**

Below is a schedule of changes in the total supplemental pension liability for the current reporting period:

Beginning Balance	\$ 1,206,210
Changes for the Year	
Service Costs	101,349
Interest	36,507
Changes of Benefit Terms	-
Differences Between Expected and Actual Experiences	-
Changes of Assumptions or Other Inputs	-
Benefit Payments	(80,000)
Net Changes	<u>57,856</u>
Ending Balance	<u><u>\$ 1,264,066</u></u>



**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

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**12. Supplemental Pension (Stipend) Benefit (Continued)**

**Actuarial Assumptions**

The total supplemental pension liability in the June 30, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Valuation Date	June 30, 2016
Measurement Date	June 30, 2016
Actuarial Cost Method	Entry Age Normal (level percent of salary)
Discount Rate	3.00% (based upon all years of projected payments discounted at a municipal bond rate of 3.00%)
Projected Salary Increases	0.2% - 5.6% depending on service years
Average of Expected	
Remaining Service Lives	18 years

Actuarial assumptions are based upon an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-2014.

The discount rate is based on the Municipal Bond Rate.

**Single Discount Rate**

A discount rate of 3.00% was used in calculating the District's supplemental pension liabilities (based upon all projected payments discounted at a municipal bond rate of 3.00%). It was assumed that the District would continue to fund its retiree benefits out of its general fund assets on a pay-as-you-go basis.

**Sensitivity of the District's Total Supplemental Pension Liability to Changes in the Discount Rate**

The following presents the District's total supplemental pension liability calculated using the discount rate of 3.00%, as well as what the District's total supplemental pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.00%) or 1-percentage-point higher (4.00%) than the current rate:

		1% Decrease to Discount Rate (2.00%)	Current Discount Rate (3.00%)	1% Increase to Discount Rate (4.00%)
Total Supplemental Pension Liability	6/30/2016	<u>\$1,333,223</u>	<u>\$1,264,066</u>	<u>\$1,197,399</u>

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**13. Fund Balances / Net Position**

The following is a detailed schedule of ending fund balances as reported in the fund financial statements by category:

	General Fund	Debt Service	Capital Projects	Special Revenue Trust	Non-Referendum Debt	Community Service	Total
<b>Fund balances:</b>							
<u>Nonspendable:</u>							
Inventory	\$ 38,228	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 38,228
Prepays	128,001	-	-	-	-	-	128,001
Assets for Resale	335,126	-	-	-	-	-	335,126
<u>Restricted for:</u>							
Pool Maintenance	183,083	-	-	-	-	-	183,083
Performing Arts Center	82,833	-	-	-	-	-	82,833
Ashley Field	142,702	-	-	-	-	-	142,702
Administrative Trust	755	-	-	-	-	-	755
Debt Service Retirement	-	15,635,616	-	-	240	-	15,635,856
Capital Projects	-	-	75,834,509	-	-	-	75,834,509
Capital Improvement Trust	-	-	750,100	-	-	-	750,100
Community Service	-	-	-	-	-	44,720	44,720
Self Insurance	249,107	-	-	-	-	-	249,107
Donor Specifications	-	-	-	345,672	-	-	345,672
<u>Unassigned</u>	9,657,391	-	-	-	-	-	9,657,391
Total fund balances	<u>\$ 10,817,226</u>	<u>\$ 15,635,616</u>	<u>\$ 76,584,609</u>	<u>\$ 345,672</u>	<u>\$ 240</u>	<u>\$ -</u>	<u>\$ 103,428,083</u>

**Prior Period Adjustment**

The previously stated net position for governmental activities has been adjusted as follows:

	Governmental Activities
Total net position as previously reported	\$ 42,949,115
Implementation of GASB Statement No. 73	(1,057,163)
Implementation of GASB Statement No. 75	(7,876,381)
Total net position as restated	<u>\$ 34,015,571</u>

The previously stated fund balance for general fund has been adjusted as follows:

	General Fund
Total fund balance as previously reported	\$ 8,768,031
Regulatory Difference: intangible assets should have been expensed in prior years fund financial statements	(260,000)
Total fund balance as restated	<u>\$ 8,508,031</u>

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

**13. Fund Balances / Net Position (Continued)**

Net position reported on the government-wide Statement of Net Position at June 30, 2017 include the following:

**Governmental**

Capital Assets net of depreciation	\$ 171,279,590
Less: related long-term debt outstanding	(217,058,971)
Unspent Bond Proceeds	<u>77,026,721</u>
Net Investment in Capital Assets	<u>31,247,340</u>
Restricted	
Debt service	3,536,092
Community Service	44,720
Self Insurance	249,107
Donor Specifications	345,672
Other Funds	<u>409,373</u>
Total Restricted	<u>4,584,964</u>
Unrestricted	<u>2,524,647</u>
Total Governmental Activities Net Position	<u><u>\$ 38,356,951</u></u>

**Business type**

Capital Assets net of depreciation	\$ 162,831
Net Investment in Capital Assets	<u>162,831</u>
Restricted	
Food Service	<u>517,040</u>
Total Restricted	<u>517,040</u>
Total Business-Type Activities Net Position	<u><u>\$ 679,871</u></u>

**14. Self-Funded Insurance Program**

The District has established a self-funded dental benefit plan for its employees. The Plan administrator is responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30.

Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. Currently, the Plan is accounted for in the General Fund of the District. The District has no stop-loss coverage for dental care coverage of the Plan.

At June 30, 2017, the District has reported a liability of \$89,404, which represents reported and unreported claims which were incurred on or before June 30, 2017, but were not paid by the District as of that date. This amount consists of claims reported to the District by the Plan administrator (\$0), claims reported to the Plan administrator but not the District (\$40,232) and claims which were not yet reported to either the Plan administrator or the District (\$49,172). The amounts not reported to the District were determined by the Plan administrator.

**SUN PRAIRIE AREA SCHOOL DISTRICT  
NOTES TO FINANCIAL STATEMENTS  
For The Year Ended June 30, 2017**

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**14. Self-Funded Insurance Program (Continued)**

Changes in the claims liability for the year ended June 30, 2017 is as follows:

	<u>Year Ended</u> <u>June 30,</u> <u>2017</u>
Estimated claims outstanding July 1	\$ 93,120
Current year claims and changes in estimates	1,254,321
Claim payments	<u>1,258,037</u>
Estimated claims outstanding June 30	<u>\$ 89,404</u>

**15. Property Held for Resale**

The District was unable to sell the Tech House during the fiscal year. The cost of the project is recorded as an asset held for resale on the financial statements. When the house is sold the cost will be reclassified to expenditures to show proper matching of revenues with expenditures. On July 17, 2017, the District approved the sale of the 16/17 Tech House. The amount received from the sale totaled \$338,000.

**16. Limitation on School District Revenues**

Wisconsin statutes limit the amount of revenues school districts may derive from general school aids and property taxes unless a higher amount is approved by a referendum. This limitation does not apply to revenues needed for the payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

- A resolution of the school board or by a referendum prior to August 12, 1993.
- A referendum on or after August 12, 1993.

**17. Commitments and Contingencies**

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 legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations.

The District has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO FINANCIAL STATEMENTS**  
**For The Year Ended June 30, 2017**

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**18. Risk Management**

The District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. There has been no reduction in insurance coverage in the prior year. Settled claims have not exceeded the commercial coverage in any of the past three years.

**19. Subsequent Event**

On September 11, 2017, the District authorized temporary borrowing in an amount not to exceed \$17,000,000 with an interest rate not exceed 2.25%. The notes will mature on or before October 19, 2018. Proceeds will be used for the purpose of meeting the immediate expenses of operating and maintaining the public instruction of the District.

**20. Construction Commitments**

As of June 30, 2017, the District's facilities were undergoing remodeling and upgrades as well as construction of new facilities. The District has the following contract commitments related to constructions:

	Total Contract	Expenditures through June 30, 2017	Remaining Commitment
High School Concessions and Restrooms	\$ 564,412	\$ 103,356	\$ 461,056
Northside Elementary Roof Project	920,200	408,240	511,960
Hardscape Replacement Project	470,675	106,759	363,916
Grand Avenue Elementary	27,391,703	238,650	27,153,054
Thompson Drive Elementary	29,446,835	175,939	29,270,896
Architecture Services	3,132,469	2,047,602	1,084,867
Summer Paving Projects	470,675	106,759	363,916
	<u>\$ 62,396,969</u>	<u>\$ 3,187,304</u>	<u>\$ 59,209,665</u>

**SUN PRAIRIE AREA SCHOOL DISTRICT  
BUDGETARY COMPARISON  
GENERAL FUND  
For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Local	\$ 36,688,977	\$ 36,962,139	\$ 36,929,206	\$ (32,933)
Interdistrict	1,740,000	1,790,000	1,879,321	89,321
State	51,754,494	51,813,857	51,889,938	76,081
Federal	887,545	1,605,522	1,579,378	(26,144)
Other	226,000	232,073	220,339	(11,734)
Total Revenues	<u>91,297,016</u>	<u>92,403,591</u>	<u>92,498,182</u>	<u>94,591</u>
<b>EXPENDITURES</b>				
Instruction	42,806,535	43,008,832	42,059,151	949,681
Support Service	32,051,474	32,566,642	31,659,999	906,643
Non-program Services	3,180,367	3,228,367	3,390,436	(162,069)
Debt Service:				
Principal Repayment	385,053	394,163	393,993	170
Interest Expense	<u>254,523</u>	<u>254,523</u>	<u>229,272</u>	<u>25,251</u>
Total Expenditures	<u>78,677,952</u>	<u>79,452,527</u>	<u>77,732,851</u>	<u>1,719,676</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>12,619,064</u>	<u>12,951,064</u>	<u>14,765,331</u>	<u>1,814,267</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers Out	(12,927,964)	(13,259,964)	(12,765,036)	494,928
Debt Proceeds- Capital Leases	<u>308,900</u>	<u>308,900</u>	<u>308,900</u>	<u>-</u>
Total Other Financing Sources and Uses	<u>(12,619,064)</u>	<u>(12,951,064)</u>	<u>(12,456,136)</u>	<u>494,928</u>
Net Change in Fund Balances	-	-	2,309,195	2,309,195
Fund Balances - Beginning, as restated	<u>8,508,031</u>	<u>8,508,031</u>	<u>8,508,031</u>	<u>-</u>
Fund Balances - Ending	<u>\$ 8,508,031</u>	<u>\$ 8,508,031</u>	<u>\$ 10,817,226</u>	<u>\$ 2,309,195</u>

See accompanying notes to the required supplementary information

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SUN PRAIRIE AREA SCHOOL DISTRICT  
BUDGETARY COMPARISON  
SPECIAL EDUCATION  
For the Year Ended June 30, 2017**

	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Local	\$ -	\$ -	\$ 897	\$ 897
Interdistrict	57,000	7,000	4,712	(2,288)
State	4,063,000	4,063,000	4,272,942	209,942
Federal	996,930	1,480,669	1,709,167	228,498
Total Revenues	5,116,930	5,550,669	5,987,718	437,049
<b>EXPENDITURES</b>				
Instruction	13,947,910	13,745,191	13,502,705	242,486
Support Service	3,957,828	4,020,708	4,202,925	(182,217)
Non-program services	96,000	251,578	238,689	12,889
Total Expenditures	18,001,738	18,017,477	17,944,319	73,158
Excess (Deficiency) of Revenues Over Expenditures	(12,884,808)	(12,466,808)	(11,956,601)	510,207
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers In	12,884,808	12,466,808	11,956,601	(510,207)
Total Other Financing Sources and Uses	12,884,808	12,466,808	11,956,601	(510,207)
Net Change in Fund Balances	-	-	-	-
Fund Balances - Beginning	-	-	-	-
Fund Balances - Ending	\$ -	\$ -	\$ -	\$ -

See accompanying notes to the required supplementary information



**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**EXPLANATION OF DIFFERENCES BETWEEN BUDGETARY INFLOWS AND OUTFLOWS**  
**AND GAAP REVENUES AND EXPENDITURES**  
**For the Year Ended June 30, 2017**

	<u>General Fund</u>	<u>Special Education Fund</u>
A) Sources/Inflows of Resources:		
Actual amounts "total revenues"		
from the budgetary comparison schedules	\$ 92,498,182	\$ 5,987,718
Reclassification:		
Special education fund revenues are reclassified to		
the general fund, required for GAAP reporting	<u>5,987,718</u>	<u>(5,987,718)</u>
The general fund revenues as reported on the Statement		
of Revenues, Expenditures and Changes in Fund Balances		
- governmental funds	<u>\$ 98,485,900</u>	<u>\$ -</u>
B) Uses/Outflows of Resources:		
Actual amounts "total expenditures"		
from the budgetary comparison schedules	\$ 77,732,851	\$ 17,944,319
Reclassification:		
Special education fund expenditures are reclassified to		
the general fund, required for GAAP reporting	<u>17,944,319</u>	<u>(17,944,319)</u>
The general fund expenditures as reported on the Statement		
of Revenues, Expenditures and Changes in Fund Balances		
- governmental funds	<u>\$ 95,677,170</u>	<u>\$ -</u>

See accompanying notes to the required supplementary information

**SUN PRAIRIE AREA SCHOOL DISTRICT  
WISCONSIN RETIREMENT SYSTEM  
June 30, 2017**

**SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)  
AS OF THE MEASUREMENT DATE**

Last 10 Fiscal Years\*

Year ended December 31,	Proportion of the net pension liability (asset)	Proportionate share of the net pension liability (asset)	Covered- employee payroll	Proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	Plan fiduciary net position as a percentage of the total pension liability (asset)
2016	0.35149899%	\$ 2,897,191	\$ 52,117,594	5.56%	99.12%
2015	0.34092145%	5,539,907	50,401,282	10.99%	98.20%
2014	-0.33457131%	(8,217,987)	47,507,723	(17.30%)	102.74%

\* The proportionate share of the net pension liability (asset) and other amounts presented above for each year were determined as of the calendar year-end that occurred 6 months prior to the financial reporting period.

**SCHEDULE OF DISTRICT'S CONTRIBUTIONS  
FOR THE YEAR ENDED**

Last 10 Fiscal Years\*\*

Year ended June 30,	Contractually required contributions	Contributions in relation to the contractually required contributions	Contribution deficiency (excess)	Covered-employee payroll	Contributions as a percentage of covered- employee payroll
2017	\$ 3,532,354	\$ (3,532,354)	\$ -	\$ 52,751,175	6.70%
2016	3,427,533	(3,427,533)	-	50,401,282	6.80%
2015	3,325,839	(3,325,839)	-	47,570,723	6.99%

\*\*The contribution and other amounts presented above for each fiscal year are based on information that occurred during that fiscal year.

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**SCHEDULE OF CHANGES IN THE DISTRICT'S TOTAL OPEB**  
**LIABILITY AND RELATED RATIOS**  
**For the Year Ended June 30, 2017**

	<u><b>2016</b></u>
<b>Total OPEB Liability</b>	
Service costs	\$ 1,268,368
Interest	410,992
Changes in benefit terms	-
Difference between expected and actual experience	-
Changes in assumptions or other inputs	-
Benefit payments	(703,375)
Net change in total OPEB	\$ 975,985
Total OPEB Liability-Beginning	13,417,245
Total OPEB Liability-Ending	<u>\$ 14,393,230</u>
<b>Covered Employee Payroll</b>	<u>\$ 48,293,508</u>
 <b>Total OPEB Liability as a percentage of covered- employee payroll</b>	 29.80%

Data presented as of the measurement date.

See accompanying notes to the required supplementary information

**SUN PRAIRIE AREA SCHOOL DISTRICT  
DISTRICT SUPPLEMENTAL PENSION PLAN SCHEDULES  
AS OF THE MEASUREMENT DATE  
June 30, 2017**

Last 10 Years

Year ended June 30,	District's Total Supplemental Pension Liability	District's Covered Payroll	Net Pension Liability as a Percent of Covered Payroll	District's Pension Expense
2016	\$ 1,264,066	\$ 32,872,999	3.85%	\$ 137,856

Last 10 Years

	<b>2016</b>
Beginning Balance	\$ 1,206,210
Changes for the Year	
Service Costs	101,349
Interest	36,507
Changes of Benefit Terms	-
Differences Between Expected and Actual Experiences	-
Changes of Assumptions or Other Inputs	-
Benefit Payments	(80,000)
Net Changes	<u>57,856</u>
Ending Balance	<u><u>\$ 1,264,066</u></u>

See accompanying notes to the required supplementary information

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For The Year Ended June 30, 2017**

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**1. Budget Schedule**

Budgets are adopted each fiscal year for all funds in accordance with Section 65.9 of the Wisconsin Statutes, using the budgetary accounting basis prescribed by the Wisconsin Department of Public Instruction, which is in accordance with generally accepted accounting principles. The legally adopted budget and budgetary expenditure control is exercised at the fund level for all funds. Reported budget amounts are as originally adopted or as amended by School Board resolution.

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

- Based upon requests from District staff, District administration recommends budget proposals to the School Board.
- The School Board prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- 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.
- Pursuant to the public budget hearing, the School Board may alter the proposed budget.
- After the School Board (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 School Board.

**2. Expenditures in Excess of Appropriations**

The following individual funds had functions that had an excess of actual expenditures over budget for the year ended June 30, 2017:

<u>Fund</u>	<u>Function</u>	<u>Amount</u>
General	Non Program Services	\$ 162,069
Special Education	Support Services	\$ 182,217

In each of the funds, the District had sufficient revenues, fund balance, other financing sources and/or expenditures less than the budget in other functions to support the amounts listed above.

**3. Wisconsin Retirement System**

Governmental Accounting Standards Board Statement No. 68 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 7 preceding years.

*Changes of benefit terms.* There were no changes of benefit terms for any participating employer in WRS.

*Changes of assumptions.* A change in actuarial assumptions was made in 2015. Rates used in mortality tables were updated based on actual WRS experience and adjusted for future mortality improvements using the MP-2015 fully generational improvement scale (multiplied by 50%). The mortality table was adopted by the Board in connection with the 2012-2014 Experience Study. This assumption is used to measure the probabilities of participants dying before retirement and the probabilities of each benefit payment being made after retirement.

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**  
**For The Year Ended June 30, 2017**

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**4. District Total OPEB Liability Schedules**

Governmental Accounting Standards Board Statement No. 75 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 9 preceding years.

*Changes of benefit terms.* There were no changes of benefit terms during the year.

*Changes of assumptions.* There were no changes assumptions during the year.

*Assets.* There are no assets accumulated in a trust that meet the criteria in Governmental Accounting Standards to pay related benefits.

**5. Supplemental Pension (Stipend) Benefit**

Governmental Accounting Standards Board Statement No. 73 requirements have been implemented prospectively, therefore, the illustrations do not present similar information for the 9 preceding years.

*Changes of benefit terms.* There were no changes of benefit terms during the year.

*Changes of assumptions.* The Discount rate was changed to be reflective of a 20-year AA municipal bond rate (3%) as of the measurement date. All other major assumptions and methods remained unchanged from the previous valuation performed.

*Assets.* There are no assets accumulated in a trust that meet the criteria in Governmental Accounting Standards to pay related benefits.

## **OTHER SUPPLEMENTAL INFORMATION**

**SUN PRAIRIE AREA SCHOOL DISTRICT**

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES  
AGENCY FUNDS  
June 30, 2017**

	<b>Balance 7/01/16</b>	<b>Additions</b>	<b>Deductions</b>	<b>Balance 6/30/17</b>
<b>ASSETS</b>				
Cash and Cash Equivalents	\$ 215,083	\$ 709,655	\$ 679,633	\$ 245,105
Due from Other Funds	112,657	-	90,997	21,660
Total Assets	<u>\$ 327,740</u>	<u>\$ 709,655</u>	<u>\$ 770,630</u>	<u>\$ 266,765</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 2,248	\$ 31,067	\$ 31,037	\$ 2,278
Due to Other Funds	100,025	-	86,152	13,873
Due to Student Organizations				
Elementary School	10,781	8,500	9,593	9,688
Middle School	50,276	179,121	168,750	60,647
High School	164,410	490,967	475,098	180,279
Total Liabilities	<u>\$ 327,740</u>	<u>\$ 709,655</u>	<u>\$ 770,630</u>	<u>\$ 266,765</u>



**SUN PRAIRIE AREA SCHOOL DISTRICT  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
June 30, 2017**

	<b>Special Revenue Funds</b>			<b>Capital</b>	<b>Non-referendum</b>	<b>Total Non-Major</b>
	<b>Special Revenue</b>	<b>Community</b>	<b>Package</b>	<b>Improvement</b>	<b>Debt</b>	<b>Governmental</b>
	<b>Trust</b>	<b>Service</b>	<b>Cooperative</b>	<b>Fund</b>		<b>Funds</b>
<b>ASSETS</b>						
Cash and Investments	\$ 16,310	\$ -	\$ -	\$ -	\$ -	\$ 16,310
Restricted Cash and Investments	-	-	-	100	240	340
Due from Other Funds	354,524	46,605	700	750,000	-	1,151,829
Due from Other Governments	-	-	16,547	-	-	16,547
Total Assets	<u>\$ 370,834</u>	<u>\$ 46,605</u>	<u>\$ 17,247</u>	<u>\$ 750,100</u>	<u>\$ 240</u>	<u>\$ 1,185,026</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities:						
Accounts Payable	\$ 10,304	\$ 1,885	\$ -	\$ -	\$ -	\$ 12,189
Due to Other Funds	14,858	-	17,247	-	-	32,105
Total Liabilities	<u>25,162</u>	<u>1,885</u>	<u>17,247</u>	<u>-</u>	<u>-</u>	<u>44,294</u>
Fund Balances:						
Restricted	345,672	44,720	-	750,100	240	1,140,732
Total Fund Balances	<u>345,672</u>	<u>44,720</u>	<u>-</u>	<u>750,100</u>	<u>240</u>	<u>1,140,732</u>
Total Liabilities and Fund Balances	<u>\$ 370,834</u>	<u>\$ 46,605</u>	<u>\$ 17,247</u>	<u>\$ 750,100</u>	<u>\$ 240</u>	<u>\$ 1,185,026</u>

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**NON-MAJOR GOVERNMENTAL FUNDS**  
**For the Year Ended June 30, 2017**

	Special Revenue Funds				Capital Improvement Fund	Non-referendum Debt	Total Non-Major Governmental Funds
	Other Special Projects	Special Revenue Trust	Community Service	Package Cooperative			
<b>REVENUES</b>							
Local	\$ -	\$ 229,505	\$ 100,000	\$ 7,996	\$ -	\$ -	\$ 337,501
Interdistrict	-	-	-	26,199	-	-	26,199
State	-	-	30,000	-	-	-	30,000
Total Revenues	-	229,505	130,000	34,195	-	-	393,700
<b>EXPENDITURES</b>							
Instruction	-	104,449	-	38,929	-	-	143,378
Support Service	-	76,085	144,237	5,125	-	-	225,447
Debt Service:							
Interest Expense	-	-	-	-	-	22,470	22,470
Total Expenditures	-	180,534	144,237	44,054	-	22,470	391,295
Excess (Deficiency) of Revenues Over Expenditures	-	48,971	(14,237)	(9,859)	-	(22,470)	2,405
<b>OTHER FINANCING SOURCES (USES)</b>							
Transfers In	48,476	-	-	9,859	750,100	22,470	830,905
Total Other Financing Sources and Uses	48,476	-	-	9,859	750,100	22,470	830,905
Net Change in Fund Balances	48,476	48,971	(14,237)	-	750,100	-	833,310
Fund Balances - Beginning	(48,476)	296,701	58,957	-	-	240	307,422
Fund Balances - Ending	\$ -	\$ 345,672	\$ 44,720	\$ -	\$ 750,100	\$ 240	\$ 1,140,732

## **SINGLE AUDIT**

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**  
**For the Year Ended June 30, 2017**

Awarding Agency Pass-Through Agency <u>Award Description</u>	Federal Catalog Number	Pass-Through Entity ID Number	Receivable July 1, 2016	Receipts	Expenditures	Receivable June 30, 2017
U.S. Department of Agriculture Passed through Wisconsin Department of Public Instruction:						
<u>Child Nutrition Cluster</u>						
Food Service Aid - Breakfast	10.553	2017-135656-SB-546	\$ 29,449	\$ 230,344	\$ 210,327	\$ 9,432
National School Lunch Program	10.555	2017-135656-NSL-547	142,081	1,032,279	921,358	31,160
Donated Commodities	10.555	Not Available	-	303,096	303,096	-
Total Child Nutrition Cluster			<u>171,530</u>	<u>1,565,719</u>	<u>1,434,781</u>	<u>40,592</u>
Total U.S. Department of Agriculture			<u>171,530</u>	<u>1,565,719</u>	<u>1,434,781</u>	<u>40,592</u>
U.S. Department of Education Passed through Wisconsin Department of Public Instruction:						
Carl Perkins Act Formula Allocation	84.048	2017-135656-CP-CTE-400	2,322	31,942	53,669	24,049
ESEA III-A English Language Acquis	84.365	17-135656-Title III A-391	27,602	72,475	64,866	19,993
ESEA Title II-A Teacher/Principal	84.367	17-135656-Title II-365	18,218	92,841	106,164	31,541
<u>Title I-A Cluster</u>						
ESEA Title I-A Basic Grant	84.010	17-135656-Title I-141	116,680	797,070	960,271	279,881
ESEA Title I-A Program Improvement Focus	84.010	2017-135656-Focus-145	6,379	6,852	13,923	13,450
ESEA Title I-A Parent Involvement	84.010	2016-135656-Cohort I-154	-	6,660	8,575	1,915
Total Title I-A Cluster			<u>123,059</u>	<u>810,582</u>	<u>982,769</u>	<u>295,246</u>
<u>Special Education Cluster (IDEA)</u>						
IDEA Flow Through	84.027	2017-135656-IDEA-341	255,321	1,102,967	1,153,037	305,391
IDEA Flow Through CEIS	84.027	2017-135656-IDEA-341	15,078	128,081	213,128	100,125
IDEA Preschool Entitlement	84.173	17-135656-Pre-S-347	3,452	26,275	29,349	6,526
High Cost Special Education Aid	84.027	Not Available	-	75,763	75,763	-
Universal Design for Learning	84.027	2017-135656-IDEA-342	1,667	1,667	7,729	7,729
Total Special Education Cluster (IDEA)			<u>275,518</u>	<u>1,334,753</u>	<u>1,479,006</u>	<u>419,771</u>
Total U.S. Department of Education			<u>446,719</u>	<u>2,342,593</u>	<u>2,686,474</u>	<u>790,600</u>
U.S. Department of Health and Human Services Passed through Wisconsin Department of Health Services:						
Medical Assistance Program	93.778	Not Available	-	533,896	602,069	68,173
Total Federal Awards			<u>\$ 618,249</u>	<u>\$ 4,442,208</u>	<u>\$ 4,723,324</u>	<u>\$ 899,365</u>

See accompanying notes to the schedules of expenditures of federal and state awards

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**SCHEDULE OF EXPENDITURES OF STATE AWARDS**  
**For the Year Ended June 30, 2017**

Awarding Agency Pass-through Agency <u>Award Description</u>	State ID <u>Number</u>	Pass-Through Entity <u>ID Number</u>	Receivable <u>July 1, 2016</u>	<u>Receipts</u>	<u>Expenditures</u>	Receivable <u>June 30, 2017</u>
Wisconsin Department of Public Instruction:						
Entitlement Programs:						
Special Education and School Age Parents	255.101	135656-100	\$ -	\$ 4,009,299	\$ 4,009,299	\$ -
Common School Fund Library	255.103	135656-104	-	265,970	265,970	-
Pupil Transportation	255.107	135656-102	-	131,126	131,126	-
Equalization	255.201	135656-116	792,139	47,872,843	47,898,047	817,343
Per Pupil Adjustment Aid	255.945	135656-113	1,165,200	3,150,450	1,985,250	-
High Cost Special Education	255.210	135656-119	-	263,643	263,643	-
Student Achievement Guarantee	255.504	135656-160	-	534,880	534,880	-
Cost Reimbursement Programs:						
State School Lunch	255.102	135656-107	-	33,540	33,540	-
School Breakfast Program	255.344	135656-108	-	14,296	14,296	-
Alcohol & Other Drug Abuse	255.306	135656-143	6,470	15,120	22,191	13,541
Educator Effective Evaluation System Grants	255.940	135656-154	-	51,070	54,080	3,010
Career and Technical Education Incentive Grants	255.950	135656-151	-	51,901	51,901	-
Assessments of Reading Readiness	255.956	135656-166	-	17,400	17,400	-
Total State Awards			<u>\$ 1,963,809</u>	<u>\$ 56,411,538</u>	<u>\$ 55,281,623</u>	<u>\$ 833,894</u>

See accompanying notes to the schedules of expenditures of federal and state awards

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS**  
**For The Year Ended June 30, 2017**

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**Note 1           Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards and the Schedule of Expenditures of State Awards include the federal and state grant activity of the Sun Prairie Area School District and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the 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 the *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements. Because the schedules present only a selected portion of the operations of Sun Prairie Area School District, it is not intended to and does not present the financial position, changes in net assets, or cash flows of Sun Prairie Area School District.

Grant monies received and disbursed by the District are for specific purposes and are subject to review and audit by grantor agencies. Such audits may result in requests for reimbursement due to disallowed expenditures. Based upon prior experience, the District does not believe that such disallowances, if any, would have a material effect on the financial position of the District. As of June 30, 2017, management was not aware of any material questioned or disallowed costs as a result of grant audits in process or completed.

**Note 2           Special Education and School Age Parents Program**

2016-2017 eligible costs under the State Special Education Program are \$15,726,531.

**Note 3           Food Distribution**

Nonmonetary assistance of \$303,096 is reported in the schedule at the fair value of the commodities received and disbursed for the USDA Commodities Program (CFDA #10.555).

**Note 4           Medical Assistance**

Expenditures presented for the Medicaid SBS Benefit represent only the federal funds for the program that the District receives from DHS. District records should be consulted to determine the total amount expended for this program.

**Note 5           Subrecipients**

The District did not pass-through any federal or state awards to subrecipients.

**Note 6           De Minimis Cost Rate**

The District did not elect to use the 10% de minimis indirect cost rate.



Certified Public Accountants

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

November 29, 2017

To the School Board  
Sun Prairie Area School District  
Sun Prairie, WI

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 Sun Prairie Area School District, as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise Sun Prairie Area School District's basic financial statements, and have issued our report thereon dated November 29, 2017.

***Internal Control Over Financial Reporting***

In planning and performing our audit of the financial statements, we considered the Sun Prairie Area School 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 any opinion on the effectiveness of the Sun Prairie Area School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Sun Prairie Area School 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 entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. 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 Sun Prairie Area School District's financial statements are free of 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 the objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### ***Purpose of this Report***

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Johnson Block & Company, Inc.*

Johnson Block & Company, Inc.  
Certified Public Accountants  
Madison, Wisconsin





Certified Public Accountants

406 Science Drive, Suite 100 • Madison, Wisconsin 53711-1097 • TEL 608-274-2002 • FAX 608-274-4320

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

November 29, 2017

To the School Board  
Sun Prairie Area School District  
Sun Prairie, WI

***Report on Compliance for Each Major Federal and State Program***

We have audited the Sun Prairie Area School District's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the Sun Prairie Area School District's major federal and state programs for the year ended June 30, 2017. Sun Prairie Area School District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of the Sun Prairie Area School 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; 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 the *State Single Audit Guidelines*. Those standards, the Uniform Guidance, and the *State Single Audit Guidelines* 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 or state program occurred. An audit includes examining, on a test basis, evidence about the Sun Prairie Area School 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 Sun Prairie Area School District's compliance.



### ***Opinion on Each Major Federal and State Program***

In our opinion, the Sun Prairie Area School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2017.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance which are required to be reported in accordance with the Uniform Guidance and the *State Single Audit Guidelines* and which are described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 and 2017-002. Our opinion on each major federal and state program is not modified with respect to these matters.

Sun Prairie Area School District's responses to the noncompliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Sun Prairie Area School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### ***Report on Internal Control Over Compliance***

Management of Sun Prairie Area School 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 Sun Prairie Area School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or 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 and state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, 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 Sun Prairie Area School 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 or 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 or 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 or 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 of this section 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 or significant deficiencies may exist that were not identified. We identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as item 2017-001 that we consider to be a material weakness. We identified a certain deficiency in internal control over compliance, as described in the accompanying Schedule of Findings and Questioned Costs as items 2017-002 that we consider to be a significant deficiency.

Sun Prairie Area School District's responses to the internal control over compliance findings identified in our audit are described in the accompanying Schedule of Findings and Questioned Costs. Sun Prairie Area School District's responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

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

*Johnson Block & Company, Inc.*

Johnson Block & Company, Inc.  
Certified Public Accountants  
Madison, Wisconsin

**SUN PRAIRIE AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2017**

**Section I - Summary of Auditor's Results**

Financial Statements

Type of auditor's report issued: Unmodified

Internal control over financial reporting:

\* Material weakness identified? No

\* Significant deficiency(ies) identified None Reported

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

\* Material weakness identified? Yes

\* Significant deficiency(ies) identified No

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

Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? Yes

Identification of major federal programs:

CFDA Number

Name of Program or Cluster

10.555, 10.553  
93.778

Child Nutrition Cluster  
Medical Assistance Program

Dollar threshold for distinguishing Types A and B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

State Awards

Internal control over major programs:

\* Material weakness identified? No

\* Significant deficiency(ies) identified Yes

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

**SUN PRAIRIE AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2017**

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

Identification of major state programs:

<u>ID Number</u>	<u>Name of State Program or Cluster</u>
255.101	Special Education and School Age Parents
255.201	Equalization Aid
255.945	Per Pupil Adjustment Aid
255.210	High Cost Special Education

**Section II – Financial Statement Finding**

None.

**Section III – Federal Award Findings and Questioned Costs**

**2017-001 Federal Procedures Manual**

Criteria: School Districts who receive federal or state grants or have grant programs should have documented policies and procedures in place over grants and grant expenditures.

Condition: Internal controls over federal and state grants should be in place to provide reasonable assurance that misstatement in the schedules of expenditures of federal and state awards would be prevented or detected.

Cause: The District does not have documented policies and procedures in place over grants and grant expenditures.

Effect: Without documented policies and procedures, the internal control over federal and state grants is low, and the risk of misstatement in the schedules of expenditures of federal and state awards is high.

Recommendation: We recommend that the District works on written policies and procedures over grants and grant expenditures.

Response: The District has reviewed the Wisconsin Association of School Business Officials sample language on Federal and State Grant administration and is developing policies and procedures for it. The policies and procedures will be in place for the 2017-18 audit.

**SUN PRAIRIE AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2017**

**Section IV – State Award Findings and Questioned Costs**

**2017-002 Non-Valid License Reporting**


**Program Affected – Special Education – ID No. 255.101**

- Criteria: In order for the District to receive State special education aid, staff must be appropriately licensed for a special education work assignment in order for their salary and benefits to be eligible. DPI audits the staff assignment information reported by the District against each individual's licensure status at the time the audit is conducted.
- Condition: As determined by DPI, the District had two special education staff that did not have valid licenses that were appropriate for the staff's work assignment.
- Cause: Per review of the District's 2017 special education licensure information, DPI listed two staff that did not have valid special education licenses, and, therefore, were deemed not valid for special education aid.
- Effect: One of the two staff was hired in July 2016, and she sent an application form to the Wisconsin Department of Public Instruction, however, her application was still not active as of audit fieldwork. The other staff was hired in August 2016, and the staff person's application was in process and her license was not valid until 10/28/2016.
- Questioned Cost: Questioned costs of \$44,725 were identified.
- Recommendation: We recommend that the District monitor the licensure status of all staff members to be appropriate for their work assignments.
- Response: Both individuals applied for a Special Education License with the Wisconsin Department of Public Instruction. One staff member applied on 7/28/2016, and the other staff member applied on 10/28/2016. There was no indication from the DPI that these licenses were not being processed. As with any other instructional staff, these employees would be considered appropriately licensed.

**SUN PRAIRIE AREA SCHOOL DISTRICT  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
For the Year Ended June 30, 2017**

**Section V – Other Issues**

1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? No
  
2. Does the audit report shows audit issues (i.e. material non-compliance, non-material non-compliance, questioned costs material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the State Single Audit Guidelines:  

Department of Corrections	N/A
Department of Health Services	Yes
Department of Workforce Development	N/A
Department of Public Instruction	Yes
Department of Administration	N/A
Office of Justice Assistance	N/A
  
3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? Yes
  
4. Name and signature of partner   
Kevin Krysinski, CPA
  
5. Date of report: November 29, 2017

**SUN PRAIRIE AREA SCHOOL DISTRICT**  
**SUMMARY SCHEDULE OF PRIOR YEAR FINDINGS AND QUESTIONED COSTS**  
**For the Year Ended June, 2017**

**Financial Statement Finding**

None

**Federal Award Findings and Questioned Costs**

**2016-001 Non Valid License Reporting**

**Program Affected – Special Education – ID No. 255.101**

Criteria: Wisconsin Department of Public Instruction guidelines require that all staff must be appropriately licensed for a special education work assignment listed in Wisconsin State Statute in order for their salary and benefits to be eligible for reimbursement under this aid program.

Condition: One staff member was identified on the No Valid License report provided by the State of Wisconsin Department of Public Instruction.

Cause: The staff member's application was in process, pending additional documentation requested by the Wisconsin Department of Public Instruction. This was not identified during the District's reporting process.

Effect: The District could be reimbursed by the grant for the cost of salaries for individuals not properly registered.

Questioned Cost: Questioned costs of \$27,897 were identified.

Recommendation: We recommend that the District monitor the licensure status of all staff members as compared to their position and verify their registration status with the Wisconsin Department of Public Instruction prior to filing their annual submission.

Response: Management has contacted the Wisconsin Department of Public Instructions and has resolved the matter. The Wisconsin Department of Public Instruction has notified the District this teacher is considered fully licensed. The District will continue to monitor the licensure status of all staff members to ensure all staff are properly registered with the Wisconsin Department of Public Instruction.

Status: The teacher is considered fully licensed.