

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Audited Financial Statements**  
Year Ended June 30, 2011

**Table of Contents**

	<b><u>Page(s)</u></b>
Independent Auditors' Report	1 - 2
Basic Financial Statements	
Statement of Net Assets	3
Statement of Activities	4
Balance Sheet – Governmental Funds	5
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets	6
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	7
Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities	8
Statements of Fiduciary Net Assets and Changes in Fiduciary Net Assets	9
Notes to Financial Statements	10 - 22
Required Supplementary Information	
Budgetary Comparison Schedule – General Fund	24
Schedules of Funding Progress and Employer Contributions	25

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**AUDITED FINANCIAL STATEMENTS**  
Year Ended June 30, 2011

**Table of Contents**  
(Continued)

Other Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds	27
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds	28
Agency Funds – Schedule of Changes in Assets and Liabilities	29
Schedule of Expenditures of State Awards	30
Schedule of Expenditures of Federal Awards	31
Notes to Schedules of Expenditures of Federal and State Awards	32
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with Government Auditing Standards	33 - 34
Independent Auditors' Report on Compliance with Requirements That Could Have a Direct And Material Effect on Each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and State Single Audit Guidelines	35 - 36
Schedule of Prior Audit Findings	37 - 38
Schedule of Findings and Questioned Costs	39 - 41

Steven C. Barney  
Steven R. Volz  
Daniel R. Brophey  
Thomas G. Wieland  
Michael W. Van Wagenen



David A. Grotkin  
Joel A. Joyce  
Brian J. Mechenich  
Carrie A. Gindt  
Patrick G. Hoffert

## Independent Auditors' Report

To the School Board  
Germantown School District  
Germantown, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Germantown School District ("District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2011, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 26, 2011 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the required supplementary information, as listed in the table of contents be presented to supplemental 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 the financial reporting for placing 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 that was 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.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing 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 operations, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements as a whole. The financial information listed in the table of contents as other supplemental information, and the accompanying schedules of expenditures of federal awards and of expenditures of state awards are presented for purposes of additional analysis and are not a required part of the basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is also not a required part of the financial statements. The financial information listed in the table of contents as other supplemental information, and the accompanying schedule of expenditures of federal awards and schedule of expenditures of 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 financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

As discussed in Note 1J to the financial statements, the District adopted the provisions of GASB 54, *Fund Balance Reporting and Governmental Fund Type Definitions*.

October 26, 2011  
Milwaukee, Wisconsin

**GERMANTOWN SCHOOL DISTRICT**

Germantown, Wisconsin

**Statement of Net Assets**

June 30, 2011

	<b>Governmental Activities</b>
<b>Assets:</b>	
<b>Current assets</b>	
Cash and investments	\$ 8,233,220
Taxes receivable	7,701,838
Accounts receivable	152,698
Due from other governments	1,322,071
Inventory	8,903
Prepaid expense	41,472
<b>Total current assets</b>	<u>17,460,202</u>
<b>Noncurrent assets</b>	
Capital assets	50,483,545
Less: accumulated depreciation	<u>(24,322,810)</u>
Total capital assets	26,160,735
Deferred loan costs	111,796
<b>Total noncurrent assets</b>	<u>26,272,531</u>
<b>Total assets</b>	<u>\$ 43,732,733</u>
<b>Liabilities and Net Asset:</b>	
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Short-term notes payable	\$ 6,200,000
Accounts payable	353,334
Withholdings and related district fringes payable	1,734,984
Accrued interest	113,464
Accrued payroll	699,300
Due to other governments	46,259
Deferred revenues	86,156
Current portion of long-term debt	3,128,798
<b>Total current liabilities</b>	<u>12,362,295</u>
<b>Noncurrent liabilities:</b>	
Long-term obligations	7,965,399
Accrued liability for post-employment benefit	2,571,188
Unamortized premium on issuance	52,281
Unamortized loss on refunding	<u>(10,554)</u>
<b>Total noncurrent liabilities</b>	<u>10,578,314</u>
<b>Total liabilities</b>	22,940,609
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	21,957,702
Restricted for:	
Debt service	79,804
Capital projects	908,747
Food service	540,419
Other activities	54,074
Unrestricted	<u>(2,748,622)</u>
<b>Total net assets</b>	<u>20,792,124</u>
<b>Total liabilities and net assets</b>	<u>\$ 43,732,733</u>

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

**GERMANTOWN SCHOOL DISTRICT**

Germantown, Wisconsin

**Statement of Activities**

Year Ended June 30, 2011

	<u>Program Revenues</u>			<b>Net</b>
			<b>Operating</b>	<b>(Expenses)</b>
	<u>Expenses</u>	<u>Charges for</u>	<u>Grants and</u>	<b>Revenues and</b>
		<u>Services</u>	<u>Contributions</u>	<b>Changes in</b>
				<b>Net Assets</b>
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	\$ 18,970,879	\$ 857,892	\$ 361,829	\$ (17,751,158)
Special education instruction	6,693,437	96,694	2,889,409	(3,707,334)
Vocational instruction	1,275,615	---	262	(1,275,353)
Other instruction	2,034,500	105,637	---	(1,928,863)
<b>Total instruction</b>	<b>28,974,431</b>	<b>1,060,223</b>	<b>3,251,500</b>	<b>(24,662,708)</b>
Support services:				
Pupil services	2,313,053	---	---	(2,313,053)
Instructional staff services	1,906,336	---	163,306	(1,743,030)
Administration services	3,035,400	---	---	(3,035,400)
Operation and maintenance of plant	4,631,524	7,403	---	(4,624,121)
Pupil transportation	2,735,258	158,455	137,713	(2,439,090)
Central services	1,279,139	---	---	(1,279,139)
Other support services	1,455,986	---	---	(1,455,986)
Community services	73,866	12,058	---	(61,808)
Food service	1,576,617	1,199,915	440,599	63,897
Interest	461,433	---	---	(461,433)
Unallocated depreciation	1,586,827	---	---	(1,586,827)
<b>Total support services</b>	<b>21,055,439</b>	<b>1,377,831</b>	<b>741,618</b>	<b>(18,935,990)</b>
<b>Total school district</b>	<b>\$ 50,029,870</b>	<b>\$ 2,438,054</b>	<b>\$ 3,993,118</b>	<b>(43,598,698)</b>

**General revenues:**

Taxes:

Property taxes, levied for general purposes	28,519,785
Property taxes, levied for debt service	2,085,000
Property taxes, levied for specific purposes	550,000
Other taxes	67,082

Federal and state aid not restricted to specific purposes:

General	13,534,985
Other	488,577
Interest and investment earnings	19,666
Miscellaneous	200,754
Changes in net assets	1,867,151

Net assets - beginning of year 18,924,973

Net assets - end of year \$ 20,792,124

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

**GERMANTOWN SCHOOL DISTRICT**

Germantown, Wisconsin

**Balance Sheet  
Governmental Funds**

June 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and investments	\$ 6,383,391	\$ 79,804	\$ 1,770,025	\$ 8,233,220
Taxes receivable	7,701,838	---	---	7,701,838
Accounts receivable	146,448	---	6,250	152,698
Due from other governments	1,261,849	---	45,717	1,307,566
Inventory	8,903	---	---	8,903
Prepaid expense	41,472	---	---	41,472
<b>Total assets</b>	<b>\$ 15,543,901</b>	<b>\$ 79,804</b>	<b>\$ 1,821,992</b>	<b>\$ 17,445,697</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Short-term notes payable	\$ 6,200,000	\$ ---	\$ ---	\$ 6,200,000
Accounts payable	152,708	---	200,626	353,334
Withholdings and related district fringes payable	1,714,204	---	20,780	1,734,984
Accrued interest	27,962	---	---	27,962
Accrued payroll	697,918	---	1,382	699,300
Due to other governments	46,259	---	---	46,259
Deferred revenues	46,875	---	39,281	86,156
<b>Total liabilities</b>	<b>8,885,926</b>	<b>---</b>	<b>262,069</b>	<b>9,147,995</b>
<b>Fund Balances:</b>				
Nonspendable	50,375	---	---	50,375
Restricted	---	79,804	1,503,240	1,583,044
Assigned	---	---	56,683	56,683
Unassigned	6,607,600	---	---	6,607,600
<b>Total fund balances</b>	<b>6,657,975</b>	<b>79,804</b>	<b>1,559,923</b>	<b>8,297,702</b>
 <b>Total liabilities and fund balances</b>	 <b>\$ 15,543,901</b>	 <b>\$ 79,804</b>	 <b>\$ 1,821,992</b>	 <b>\$ 17,445,697</b>

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

**GERMANTOWN SCHOOL DISTRICT**

Germantown, Wisconsin

**Reconciliation of the Governmental Funds Balance Sheet to the  
Statement of Net Assets**

June 30, 2011

**Total fund balances - governmental funds** \$ 8,297,702

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

Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds:

Cost of the assets	\$ 50,483,545	
Accumulated depreciation	<u>(24,322,810)</u>	
		26,160,735

The District made less than the required annual contribution to fund their post-employment benefit liability resulting in a liability. The post-employment benefit liability is not currently payable and thus not reported in the governmental funds. (2,571,188)

Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term liabilities at year-end consist of:

Bonds payable	9,302,000	
State trust fund loan	162,490	
Unamortized premium on issuance	52,281	
Deferred loan costs	(111,796)	
Unamortized loss on refunding	(10,554)	
Capital leases	1,552,450	
Compensated absences	<u>77,257</u>	
		(11,024,128)

Accrued interest subsidy is not receivable in the current period and therefore is not reported as an asset in the funds. 14,505

Accrued interest payable on the bonds is not due and payable in the current period and therefore is not reported as a liability in the funds. (85,502)

**Total net assets - governmental activities** \$ 20,792,124

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

**GERMANTOWN SCHOOL DISTRICT**

Germantown, Wisconsin

**Statement of Revenues, Expenditures, and Changes in Fund Balances**

**Governmental Funds**

Year Ended June 30, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Local	\$ 29,240,909	\$ 2,087,463	\$ 1,876,224	\$ 33,204,596
Interdistrict payments within Wisconsin	496,850	---	---	496,850
Intermediate sources	21,294	---	---	21,294
State	14,862,201	---	18,422	14,880,623
Federal	2,670,728	---	422,177	3,092,905
Other	183,274	---	1,461	184,735
Total revenues	<u>47,475,256</u>	<u>2,087,463</u>	<u>2,318,284</u>	<u>51,881,003</u>
<b>Expenditures:</b>				
Instruction:				
Current	28,127,644	---	85,110	28,212,754
Interdistrict	598,096	---	---	598,096
Support Services:				
Current	16,826,437	---	1,990,185	18,816,622
Capital outlay	122,383	---	636,049	758,432
Debt service	306,744	11,971,248	451,555	12,729,547
Total expenditures	<u>45,981,304</u>	<u>11,971,248</u>	<u>3,162,899</u>	<u>61,115,451</u>
Excess (deficiency) of revenues over (under) expenditures	1,493,952	(9,883,785)	(844,615)	(9,234,448)
<b>Other Financing Sources (uses):</b>				
Operating transfers in	---	241,976	---	241,976
Operating transfers out	(241,976)	---	---	(241,976)
Face value of debt issued	---	---	1,000,000	1,000,000
Face value of refunding bonds	---	9,520,000	---	9,520,000
Other financing sources - premiums	---	1,514	---	1,514
Total other financing sources (uses)	<u>(241,976)</u>	<u>9,763,490</u>	<u>1,000,000</u>	<u>10,521,514</u>
Net change in fund balances	1,251,976	(120,295)	155,385	1,287,066
Fund Balances - Beginning of year	<u>5,405,999</u>	<u>200,099</u>	<u>1,404,538</u>	<u>7,010,636</u>
Fund Balances - End of year	<u>\$ 6,657,975</u>	<u>\$ 79,804</u>	<u>\$ 1,559,923</u>	<u>\$ 8,297,702</u>

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

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Reconciliation of the Governmental Funds Statement of  
Revenues, Expenditures, and Changes in Fund Balances  
to the Statement of Activities**  
Year Ended June 30, 2011

**Total net change in fund balances - governmental funds** \$ 1,287,066

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

Capital outlays are reported in governmental funds as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated lives as depreciation expense.

Depreciation expense	\$ (1,586,827)	
Capital outlays	<u>758,432</u>	(828,395)

Proceeds received for the issuance of debt is a revenue in the governmental funds, but the proceeds increase long-term liabilities in the statement of net assets.

Bonds payable	5,295,000	
Bond anticipation note	1,000,000	
Note anticipation note	<u>4,225,000</u>	(10,520,000)

Repayment of long-term debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Bonds payable	2,025,000	
State trust fund loans	218,707	
Bond anticipation note	1,000,000	
Note anticipation note	4,225,000	
WRS prior service liability	4,667,026	
Capital leases	<u>622,051</u>	12,757,784

In the statement of activities, post-employment benefits are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used.

(733,757)

Discounts and costs related to advance refunding on debt are expenditures in the governmental funds, but are capitalized on the statement of net assets.

Unamortized premium on debt issuance	(21,800)	
Deferred loan costs	<u>80,254</u>	58,454

Amortization reduces the balance of the respective liability. The amortization is an expenditure in the statement of net assets, but is not shown in the governmental funds.

Unamortized premium on debt issuance	25,904	
Unamortized loss on refunding	(4,638)	
Deferred loan costs	<u>(13,538)</u>	7,728

In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid).

3,660

Interest is added to the balance of the unfunded pension liability. The interest expense is an expenditure in the statement of net assets, but is not shown in the governmental funds.

(158,258)

Miscellaneous revenue in the statement of activities differs from the amount reported in the governmental funds because interest subsidies are recognized as revenue in the funds when it is received. In the statement of activities, however interest subsidies are recognized as they accrue, regardless of when they will be received.

14,505

Interest on long-term debt in the statement of activities differs from the amount reported in the governmental funds because interest is recognized as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest expense is recognized as the interest accrues, regardless of when it is due.

(21,636)

**Change in net assets of governmental activities** **\$ 1,867,151**

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

**GERMANTOWN SCHOOL DISTRICT**

Germantown, Wisconsin

**Statement of Fiduciary Net Assets**

June 30, 2011

	<u>Private Purpose Trusts</u>	<u>Agency Fund</u>
<b>Assets:</b>		
Cash and investments	\$ 15,922	\$ 294,789
<b>Liabilities and Net Assets:</b>		
<b>Liabilities:</b>		
Accounts payable	\$ ---	\$ 50
Due to student groups	---	294,739
<b>Total liabilities</b>	<u>\$ ---</u>	<u>\$ 294,789</u>
<b>Net assets:</b>		
Restricted	15,922	---
<b>Total liabilities and net assets</b>	<u>\$ 15,922</u>	<u>\$ 294,789</u>

**Statement of Changes in Fiduciary Net Assets**

Year Ended June 30, 2011

	<u>Private Purpose Trusts</u>
<b>Additions:</b>	
Gifts	\$ 9,947
<b>Deductions:</b>	
Trust fund disbursements	<u>3,650</u>
Change in net assets	6,297
Net assets - June 30, 2010	<u>9,625</u>
Net assets - June 30, 2011	<u>\$ 15,922</u>

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

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2011

**1. Summary of Significant Accounting Policies**

**A. Introduction**

The Germantown School District ("District") is organized as a common school district. The District, governed by a seven-member elected school board, is fiscally independent with taxing and borrowing powers. Services provided by the District are primary and secondary education and special education.

The financial statements of the District have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed 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 general purpose financial statements. The District has no component units, and it is not included in any other governmental reporting entity.

**C. Basis of Presentation**

**District-Wide Statements**

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

The statement of activities presents a comparison between direct expenses and program revenues 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 have been classified to the function where the majority of the expenditures relating to it have been incurred. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

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

**C. Basis of Presentation (Continued)**

**Fund Financial Statements**

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

The District reports the following major governmental funds:

*General Fund* - 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. It is also used to account for activities associated with providing educational programs for students with disabilities.

*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 accounts for assets held as an agent for various student and parent organizations in a fiduciary agency fund. The District accounts for fiduciary activities for scholarships to fund higher education in a private purpose trust fund.

**D. Measurement Focus and Basis of Accounting**

The district-wide 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.

The District considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after the end of the fiscal year. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

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

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

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

**E. Deposits and Investments**

The District's cash 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. Cash and investment balances for individual funds are pooled unless maintained in segregated accounts.

State statutes permit the District to invest available cash balances, other than debt services funds, in time deposits of authorized depositories, U.S. Treasury obligations, U.S. agency issues, high grade commercial paper, and the local government pooled investment fund administered by the state investment board. Available balances in the Debt Service Fund may be invested in municipal obligations, obligations of the United States, and the local government pooled-investment fund.

**F. Receivables and Payables**

Property taxes are recognized as revenues in the year for which they are budgeted. Under the Wisconsin Statutes, Washington County purchases the outstanding property taxes of the District in August of each year. This statutory guarantee assures the District full collection of all property taxes within sixty days of its year end, and hence, the availability of these funds to finance expenditures of the fiscal year for which the taxes were levied. Property taxes are levied in October on the assessed value as of the prior January 1, and are due in full by January 31, or in installments with the last payment due in July.

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. The District does not have any advances between funds.

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

**G. Interfund Transactions**

Individual fund transfers and interfund receivables and payable activity for the year ending June 30, 2011 are as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Transfers:			
Debt payment	Debt Service	General	\$ <u>241,976</u>

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

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

**H. Capital Assets**

Capital assets are reported at historical cost or estimated historical cost. Maintenance and repair costs are charged to expenses as incurred and betterments are capitalized as assets. Upon disposal of land, buildings and equipment, a gain or loss is reflected in the statement of activities. Property and equipment and related depreciation expense are not reflected in the Governmental Fund Financial Statements.

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

	<u>Capitalization Threshold</u>	<u>Depreciation Method</u>	<u>Estimated Useful Life</u>
Buildings	\$ 5,000	Straight-line	50 years
Building improvements	5,000	Straight-line	20 - 50 years
Land improvements	5,000	Straight-line	10 - 20 years
Equipment and furniture	5,000	Straight-line	5 - 15 years
Computer and related technology	5,000	Straight-line	5 years

**I. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt 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 assets are 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 expense is incurred for purposes for which both restricted and unrestricted net assets are available.

**J. Fund Balances**

The Government Accounting Standards Board (GASB) has issued Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions (GASB 54). This statement defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 54 requires the fund balance amounts to be reported within one of the following fund balance categories:

- *Nonspendable* - amounts that cannot be spent either because they are in nonspendable form or because they are legally or contractually required to be maintained intact.
- *Restricted* - amounts that can be spent only for specific purposes because of constitutional provisions or enabling legislation or because of constraints that are externally imposed by creditors, grantors, contributors, or the laws or regulations of other governments.
- *Committed* - amounts that can be used only for specific purposes determined by a formal action of the Board of Education. The Board of Education is the highest level of decision-making authority for the District. Commitments may be established, modified, or rescinded only through the same type of action it employed to previously commit those amounts.

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

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

**J. Fund Balances (Continued)**

- *Assigned* - amounts that do not meet the criteria to be classified as restricted or committed but that are intended to be used for specific purposes. Under the District's adopted policy, the Board of Education may assign amounts for specific purposes at the recommendation of the Director of Business and Auxiliary Services.
- *Unassigned* - all other spendable amounts.

*Order of Fund Balance Spending Policy:*

The District has not established an order of fund balance spending policy.

**K. Accumulated Unpaid Vacation, Sick Pay, and Other Employee Benefit Amounts**

Support staff are granted ten sick days per year, cumulative to one-hundred twenty days. Upon retirement, if the employee is at least 55-years of age, the accumulated hours of sick leave, multiplied by the hourly wage at the time of retirement can be put into a health insurance premium account or the support staff may option to receive cash payout for accumulated sick days. The health insurance premium account will be used only for the payment of health insurance premiums or a Medicare supplement on behalf of the retired employee. There is no cash value for this benefit. Teachers are granted ten sick days per year, cumulative to one-hundred twenty days for teachers hired before 1978 or seventy days for teachers hired after 1978. Unused sick pay is paid out upon termination of employment if the teacher is at least 55-years of age with at least 15-years of service to the District.

Unused accumulated employee vacation is paid out upon retirement or termination of employment. The District accrued that vacation and sick leave which it deems probable of payout. The liability is reported on the government-wide financial statements. For governmental fund financial statements, the unpaid compensated absences are not expected to be paid using expendable available resources and, therefore, the liability is not reported.

The District employees participate in the Wisconsin Retirement System. All contributions made by the District on behalf of its employees are reported as expenditures when paid.

**L. 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.

**M. Other Assets**

Expendable supplies or noncapital items acquired for initial use in subsequent fiscal periods are recorded as prepaid expenses and/or inventories. Prepaid insurance represent payments made by the District for which benefits extend beyond June 30<sup>th</sup> and have not yet been earned by the recipient. Inventory and prepaid supplies are valued at cost using the first-in/first-out (FIFO) method. Costs are recorded as expenditures at the time individual inventory items are consumed.

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

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

**N. Subsequent Events**

Management has evaluated all subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (October 26, 2011). Subsequent events are explained in detail in footnote 14.

**2. Cash and Investments**

Cash and equivalents and investments as shown on the District's statement of net assets are subject to the following risks:

	<u>Amount</u>	<u>Risks</u>
Cash and investments		
Petty cash	\$ 3,675	
Demand deposits	528,593	Custodial
Local government investment pool	8,011,663	Custodial
Total cash and equivalents	\$ 8,543,931	

The District's cash and equivalents are reported in the financial statements as follows:

Statement of net assets:	
Cash and investments	\$ 8,233,220
Statement of fiduciary net assets:	
Cash and investments	310,711
Total cash and investments	\$ 8,543,931

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

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts. Non-interest bearing accounts are fully insured by the FDIC through December 31, 2012; after which, non-interest bearing accounts will be insured in the amount of \$250,000. Deposits and the Wisconsin Local Government Investment Pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000 per financial institution. However, 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 districts. Investments in the local government investment pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provides unlimited coverage on principal losses, reduced by any FDIC, SDGF insurance, and income on the investment during the calendar quarter a loss occurs.

**Custodial Risk – Deposits:** Is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to the District. The District's carrying value for demand deposits were \$528,593 at June 30, 2011 and the bank's carrying value was \$2,182,976, all of which was fully insured. The District does not have a policy on custodial risk.

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

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

**Custodial Risk – Investment:** Is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The District does not have a policy on custodial risk.

**Interest Rate Risk:** As a means of limiting its exposure to fair value losses arising from rising interest rates, the District's investment policy limits the maturity of any security to no more than seven years from the date of purchase or in accordance with state statutes. The District's policy is that all investment transactions shall be planned to avoid loss of capital from market risk.

**Credit Risk:** Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation. The District's investment policy minimized credit risk by limiting investments to the safest type of securities. The District's policy is that all investment transactions shall be planned to avoid loss of capital from credit risk.

The LGIP does not have a credit quality rating. It is part of the State of Wisconsin Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The LGIP is not registered with the Securities and Exchange Commission, but operated under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Funds invested in the LGIP are due to the District on demand. The District has relied on data provided by the LGIP for the valuation of pooled investments.

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 that is authorized to transact business in Wisconsin if the time deposit matures in not more than three years.
- 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).
- Bonds or securities of any Wisconsin county, city, drainage district, technical college district, village, town, or school district.
- Bonds issued by a local exposition district, local professional baseball park district, or local professional stadium district created under subchapter III or IV of chapter 229 of the Wisconsin statutes or bonds issued by the University of Wisconsin Hospitals or Clinics Authority.
- Any security maturing in seven years or less of the acquisition date with either the highest or second highest rating category of a nationally recognized rating agency.
- Securities of open-end management investment companies or investment trusts if the portfolio is collateralized by bonds or securities, subject to various conditions and investment options.
- A local government investment pool, subject to certain conditions.

The District has adopted an investment policy which permits all investments allowed under the state statutes as described above.

**3. Short-Term Notes Payable**

Short-term notes payable at June 30, 2011 are as follows:

<u>Balance</u>				<u>Balance</u>	
<u>June 30, 2010</u>		<u>Additions</u>		<u>June 30, 2011</u>	
\$	7,000,000	\$	6,200,000	\$	6,200,000

The note was dated October 26, 2010, due November 1, 2011, with an interest rate of 0.66%. Interest for the year ended June 30, 2011 was \$56,886. The note is for general district operation.

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

**4. Capital Assets**

Capital asset balances and activity for the year ended June 30, 2011 were as follows:

	Balance <u>July 1, 2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance <u>June 30, 2011</u>
Governmental activities:				
Sites	\$ 937,142	\$ ---	\$ ---	\$ 937,142
Buildings and improvements	41,315,019	588,523	---	41,903,542
Equipment	7,472,952	169,909	---	7,642,861
Total capital assets	49,725,113	758,432	---	50,483,545
Less accumulated depreciation	22,735,983	1,586,827	---	24,322,810
Governmental activities capital assets, net of accumulated depreciation	\$ 26,989,130	\$ (828,395)	\$ ---	\$ 26,160,735

Depreciation expense of \$1,586,827 was charged to unallocated depreciation on the statement of activities.

**5. Long-Term Liabilities**

Long-term Liabilities of the District are as follows:

<u>Type</u>	Balance July 1, <u>2010</u>	<u>Additions</u>	<u>Reductions</u>	Balance June 30, <u>2011</u>	Amounts due within <u>one year</u>
G.O. Bonds	\$ 4,955,000	\$ 4,295,000	\$ 2,025,000	\$ 7,225,000	\$ 2,450,000
Qualified School Construction Bond	1,077,000	1,000,000	---	2,077,000	---
Note Anticipation Note	---	4,225,000	4,225,000	---	---
Bond Anticipation Note	---	1,000,000	1,000,000	---	---
State Trust Fund	381,197	---	218,707	162,490	139,397
Subtotal	6,413,197	10,520,000	7,468,707	9,464,490	2,589,397
Compensated absences	80,917	---	3,660	77,257	---
Post-employment benefit	1,837,431	2,130,728	1,396,971	2,571,188	---
Capitalized leases	2,174,501	---	622,051	1,552,450	539,401
Prior service liability – WRS	4,508,768	158,258	4,667,026	---	---
Total	\$ 15,014,814	\$ 12,808,986	\$ 14,158,415	\$ 13,665,385	\$ 3,128,798

**Current Refunding**

During the year ended June 30, 2011, the District paid off a note anticipation note through a current refunding. The refinanced principal balance of the refunded issue totaled \$4,225,000. As a result of the current refunding, the District increased its total future debt service requirements by \$892,086, which resulted in no economic gain or loss difference between the present value of the debt service payments on the old debt and the new debt.

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

**5. Long-Term Liabilities (Continued)**

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2011 on long-term liabilities was \$290,930 and \$312,567, respectively.

All general obligation debt is secured by the full faith and credit and unlimited taxing powers of the District. The capital leases are secured by equipment and improvements. The long-term debt will be retired by future property tax levies and resources accumulated in the Debt Service Fund.

General obligation debt at June 30, 2011 is comprised of the following individual issues:

<u>Description</u>	<u>Issue Dates</u>	<u>Interest Rates (%)</u>	<u>Dates of Maturity</u>	<u>Balance June 30, 2011</u>
\$765,000 G.O. Refunding bond	10/23/09	2.50%	4/1/13	\$ 765,000
\$9,895,000 G.O. Refunding bond	1/30/04	4.375 – 5.00%	10/1/12	2,165,000
\$4,295,000 G.O. Refunding bond	3/21/11	1.00% - 4.40%	4/1/21	4,295,000
\$1,077,000 Qualified school construction bond	10/8/09	0.00%	9/15/19	1,077,000
\$1,000,000 Qualified school construction bond	3/21/11	5.23%	4/1/24	1,000,000
\$400,000 State trust fund loan	8/31/09	3.50%	3/15/13	162,490
<b>Total</b>				<b>\$ <u>9,464,490</u></b>

The 2010 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$3,029,812,550. The legal debt limit and margin of indebtedness as of June 30, 2011, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$3,029,812,550)	\$ 302,981,255
Deduct long-term debt applicable to debt margin	<u>9,464,490</u>
Margin of indebtedness	<u>\$ 293,516,765</u>

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2011 follow:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Total</u>
2012	\$ 3,128,798	\$ 342,903	\$ (53,753)	\$ 3,417,948
2013	1,671,015	229,662	(52,300)	1,848,377
2014	917,625	197,551	(52,300)	1,062,876
2015	687,502	164,150	(52,300)	799,352
2016	575,000	147,138	(52,300)	669,838
2017-2021	3,177,000	538,123	(261,500)	3,453,623
2022-2026	860,000	156,900	(156,900)	860,000
	<u>\$ 11,016,940</u>	<u>\$ 1,776,427</u>	<u>\$ (681,353)</u>	<u>\$ 12,112,014</u>

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

**6. Excess of Actual Expenditures Over Budget in Individual Funds**

The following general fund functions had an excess of actual expenditures over budget for the year ended June 30, 2011:

<u>Fund 10:</u>	
Undifferentiated curriculum	\$ 309,576
Vocational curriculum	39,570
Business administration	80,454
Central services	75,824
Purchased instructional services	12,365
Other non-program transactions	4,789

<u>Fund 27:</u>	
Special education curriculum	\$ 155,430
Business administration	24,075
Central services	251

**7. Fund Balances**

As of June 30, 2011, fund balance components other than unassigned fund balances consist of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Assigned</u>
General fund:			
Prepaid expenses	\$ 41,472	\$ ---	\$ ---
Inventory	8,903	---	---
Special revenue trust	---	54,074	---
Food service	---	540,419	---
Debt service	---	79,804	---
Capital projects	---	908,747	---
Community service	---	---	56,683
Total	\$ <u>50,375</u>	\$ <u>1,583,044</u>	\$ <u>56,683</u>

**8. Employee Retirement Plans**

All eligible Germantown School District employees participate in the Wisconsin Retirement System ("WRS"), a cost-sharing multiple-employer defined benefit, public employee retirement system. All permanent employees expected to work at least 600 hours a year (440 hours for teachers and educational support employees) are eligible to participate in the WRS. As of December 31, 2010, covered employees in the General/Teacher/Educational Support Personnel category are required by statute to contribute 6.2% of their salary (3.2% for Executives and Elected Officials, 5.5% for Protective Occupations with Social Security, and 3.9% for Protective Occupations without Social Security) to the Plan. Employers may make these contributions to the Plan on behalf of employees through June 30, 2011. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for Germantown School District employees covered by the WRS for the year ended June 30, 2011 was \$24,036,195; the employers total payroll was \$24,773,544. The total required contribution for the year ended June 30, 2011 was \$2,850,901, which consisted of \$1,315,421, or 5.5% of payroll from the employer and \$1,535,480, or 6.4% of payroll from employees. Total contributions for the year ending June 30, 2010 and 2009 were \$2,680,225 and \$2,467,421, respectively, equal to the required contributions for each year.

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

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

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings are the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation 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 retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

**9. Other Post-Employment Benefits**

The District offers voluntary retirement benefits to its teachers and administrators who have met the age and years of service requirements. In addition, the District's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. Both of these result in an other post-employment benefit (OPEB), the later commonly referred to as an implicit rate subsidy. Employees participating in the OPEB benefit consisted of the following at July 1, 2010, the date of the latest actuarial valuation:

Retirees	55
Active	<u>317</u>
Number of participating employees	<u>372</u>

For fiscal year 2011, the District paid \$844,534 to eligible retirees. In addition the District had an implicit rate subsidy that it "funded" for fiscal year 2011 in the amount of \$471,062.

The District's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation to the Retiree Health Plan:

Annual required contribution	\$ 2,038,856
Interest on net OPEB obligation	91,871
Adjustment to annual required contribution	<u>(81,374)</u>
Annual OPEB cost (expense)	2,049,353
Contributions made	<u>(1,315,596)</u>
Increase in net OPEB obligation	733,757
Net OPEB obligation (liability) – beginning of year	<u>1,837,431</u>
Net OPEB obligation (liability) – end of year	<u>\$ 2,571,188</u>

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2011  
(Continued)

**9. Other Post-Employment Benefits (Continued)**

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2011 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2011	\$ 2,049,353	64.20%	\$ 2,571,188
2010	2,230,215	62.04%	1,837,431
2009	2,230,215	55.05%	1,002,420

As of July 1, 2010, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$18,538,821, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$18,538,821.

The funded status of the OPEB benefit as of the most recent actuarial valuation date (July 1, 2010) can be found in the required supplementary information.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedules of funding progress, presented as required supplementary information following the notes to the financial statements, present multiyear trend information about whether the actuarial values of plan assets are increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

The schedule of employer contribution in the required supplementary information presents trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statements 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used to include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**

June 30, 2011  
(Continued)

**9. Other Post-Employment Benefits (Continued)**

Additional information as of the latest actuarial valuation follows:

Actuarial valuation date	7/1/10
Actuarial cost method	Unit credit
Amortization method	30 year level percent
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return *	5.0%
Level percent increases	3.0%
Medical care trend *	8.0% decreasing by 1.0% per year down to 5.0%
Long-term care trend *	10.0% decreasing by 1.0% per year down to 5.0%
Dental care trend *	Level at 4.0%

\* Implicit in this rate is an assumed rate of inflation of 4.00%

**10. 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 referendum prior to August 12, 1993
- A referendum on or after August 12, 1993

**11. Risk Management**

The Germantown School 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.

**12. Litigation**

From time to time, the District is involved in legal actions, most of which normally occur in governmental operations. Legal actions are generally defended by the District's various insurance carriers, since most claims brought against the District are covered by insurance policies. In the opinion of District management, any legal actions and any other proceedings known to exist at June 30, 2011, are not likely to have a material adverse impact on the District's financial position.

**13. State Budget**

The State of Wisconsin 2011 – 2013 budget includes significant cuts in funding to school districts. The budget also provides areas for significant expenditure cuts for the districts. Due to this, the District will likely be experiencing decreases in state aids and expenditures during the next year.

**14. Subsequent Event**

During September 2011, the District authorized the issuance and sale of \$920,000 general obligation promissory notes.

**REQUIRED SUPPLEMENTARY INFORMATION**

**GERMANTOWN SCHOOL DISTRICT**

Germantown, Wisconsin

**Budgetary Comparison Schedule**

**General Fund**

Year Ended June 30, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>				
Local	\$ 28,748,861	\$ 29,202,985	\$ 29,240,909	\$ 37,924
Interdistrict payments within Wisconsin	389,985	490,410	496,850	6,440
Intermediate sources	32,500	32,500	21,294	(11,206)
State	14,877,829	14,764,485	14,862,201	97,716
Federal	1,538,647	2,052,497	2,670,728	618,231
Other	102,000	95,500	183,274	87,774
Total revenues	45,689,822	46,638,377	47,475,256	836,879
<b>Expenditures:</b>				
Instruction:				
Current	27,399,422	28,012,955	28,127,644	(114,689)
Interdistrict	556,152	556,152	598,096	(41,944)
Capital outlay	29,710	29,710	---	29,710
Support Services:				
Current	16,849,980	16,772,590	16,826,437	(53,847)
Capital outlay	313,560	313,560	122,383	191,177
Debt service	364,810	364,810	306,744	58,066
Total expenditures	45,513,634	46,049,777	45,981,304	68,473
Excess of revenues over expenditures	176,188	588,600	1,493,952	905,352
<b>Other Financing Sources (uses):</b>				
Operating transfers out	(192,124)	(192,124)	(241,976)	(49,852)
Capital lease proceeds	25,000	25,000	---	(25,000)
Total other financing uses	(167,124)	(167,124)	(241,976)	(74,852)
Net change in fund balances	9,064	421,476	1,251,976	830,500
Fund Balances - Beginning of year	5,405,999	5,405,999	5,405,999	---
Fund Balances - End of year	\$ 5,415,063	\$ 5,827,475	\$ 6,657,975	\$ 830,500

See Independent Auditors' Report.

**GERMANTOWN SCHOOL DISTRICT**

Germantown, Wisconsin

**Schedule of Funding Progress**

Year Ended June 30, 2011

<u>Actuarial Valuation Date</u>	<u>Actuarial Valuation of Plan Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded Actuarial Accrued Liability (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
July 1, 2008	\$ ---	\$ 17,657,863	\$ 17,657,863	0.00%	\$ 19,336,203	91.3%
July 1, 2010	\$ ---	\$ 18,538,821	\$ 18,538,821	0.00%	\$ 22,192,682	83.5%

1. The District is required to present the above information for the three most recent actuarial studies. The above-referenced studies were performed as of July 1, 2008 and July 1, 2010 and were the only studies performed. Once there have been three actuarial studies completed, information pertaining to the three most recent actuarial studies will be presented.

2. The data presented in this schedule was taken from the report issued by the actuary, except the covered payroll data which was supplied by the District.

**Schedule of Employer Contributions**

Year Ended June 30, 2011

<u>Year Ended June 30,</u>	<u>Annual Required Contribution</u>	<u>Actual Contribution</u>	<u>Percent Contributed</u>
2009	\$ 2,230,215	\$ 1,383,606	62.04%
2010	\$ 2,230,215	\$ 1,227,795	55.05%
2011	\$ 2,038,856	\$ 1,315,596	64.53%

See Independent Auditors' Report.

**OTHER SUPPLEMENTARY INFORMATION**

**GERMANTOWN SCHOOL DISTRICT**

Germantown, Wisconsin

**Combining Balance Sheet  
Nonmajor Governmental Funds**

June 30, 2011

	<b>Special Revenue <u>Trust</u></b>	<b>Food <u>Service</u></b>	<b>Community <u>Service</u></b>	<b>Capital <u>Projects</u></b>	<b><u>Total</u></b>
<b>Assets:</b>					
Cash and investments	\$ 48,111	\$ 613,449	\$ 61,412	\$ 1,047,053	\$ 1,770,025
Accounts receivable	6,250	---	---	---	6,250
Due from other governments	---	45,717	---	---	45,717
<b>Total assets</b>	<b>\$ 54,361</b>	<b>\$ 659,166</b>	<b>\$ 61,412</b>	<b>\$ 1,047,053</b>	<b>\$ 1,821,992</b>
<b>Liabilities and Fund Balances:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 287	\$ 62,033	\$ ---	\$ 138,306	\$ 200,626
Withholdings and related district fringes payable	---	16,051	4,729	---	20,780
Accrued payroll	---	1,382	---	---	1,382
Deferred revenues	---	39,281	---	---	39,281
<b>Total liabilities</b>	<b>287</b>	<b>118,747</b>	<b>4,729</b>	<b>138,306</b>	<b>262,069</b>
<b>Fund Balances:</b>					
Restricted	54,074	540,419	---	908,747	1,503,240
Assigned	---	---	56,683	---	56,683
<b>Total fund balances</b>	<b>54,074</b>	<b>540,419</b>	<b>56,683</b>	<b>908,747</b>	<b>1,559,923</b>
<b>Total liabilities and fund balances</b>	<b>\$ 54,361</b>	<b>\$ 659,166</b>	<b>\$ 61,412</b>	<b>\$ 1,047,053</b>	<b>\$ 1,821,992</b>

See Independent Auditors' Report.

**GERMANTOWN SCHOOL DISTRICT**

Germantown, Wisconsin

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
Nonmajor Governmental Funds  
Year Ended June 30, 2011**

	<b>Special Revenue <u>Trust</u></b>	<b>Food <u>Service</u></b>	<b>Community <u>Service</u></b>	<b>Capital <u>Projects</u></b>	<b><u>Total</u></b>
<b>Revenues:</b>					
Local	\$ 111,897	\$ 1,200,659	\$ 112,058	\$ 451,610	\$ 1,876,224
State	---	18,422	---	---	18,422
Federal	---	422,177	---	---	422,177
Other	---	1,461	---	---	1,461
Total revenues	<u>111,897</u>	<u>1,642,719</u>	<u>112,058</u>	<u>451,610</u>	<u>2,318,284</u>
<b>Expenditures:</b>					
Instruction:					
Current	85,110	---	---	---	85,110
Support Services:					
Current	11,029	1,568,547	73,095	337,514	1,990,185
Capital outlay	---	155,868	---	480,181	636,049
Debt service	---	---	---	451,555	451,555
Total expenditures	<u>96,139</u>	<u>1,724,415</u>	<u>73,095</u>	<u>1,269,250</u>	<u>3,162,899</u>
Excess (deficiency) of revenues over (under) expenditures	15,758	(81,696)	38,963	(817,640)	(844,615)
<b>Other Financing Sources:</b>					
Face value of debt issued	---	---	---	1,000,000	1,000,000
Total other financing sources	---	---	---	1,000,000	1,000,000
Net change in fund balances	15,758	(81,696)	38,963	182,360	155,385
Fund Balances - Beginning of year	<u>38,316</u>	<u>622,115</u>	<u>17,720</u>	<u>726,387</u>	<u>1,404,538</u>
Fund Balances - End of year	<u>\$ 54,074</u>	<u>\$ 540,419</u>	<u>\$ 56,683</u>	<u>\$ 908,747</u>	<u>\$ 1,559,923</u>

See Independent Auditors' Report.

**GERMANTOWN SCHOOL DISTRICT**

Germantown, Wisconsin

**Agency Funds - Schedule of Changes in Assets and Liabilities**

June 30, 2011

	<u>Balance</u> <u>June 30, 2010</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>6/30/11</u>
<b>Assets:</b>				
Cash and investments	\$ 265,367	\$ 1,143,828	\$ 1,114,406	\$ 294,789
<b>Liabilities:</b>				
Accounts payable	\$ ---	\$ 50	\$ ---	\$ 50
Due to student groups:				
Germantown High School	202,455	837,909	821,311	219,053
Germantown Middle School	37,499	151,792	146,673	42,618
MacArthur Elementary School	10,439	23,485	21,785	12,139
Rockfield Elementary School	4,404	9,391	10,600	3,195
Amy Belle Elementary School	4,319	20,177	22,354	2,142
County Line Elementary School	6,251	101,024	91,683	15,592
<b>Total liabilities</b>	<u>\$ 265,367</u>	<u>\$ 1,143,828</u>	<u>\$ 1,114,406</u>	<u>\$ 294,789</u>

See Independent Auditors' Report.

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Schedule of Expenditures of State Awards**  
Year Ended June 30, 2011

Awarding Agency Pass-Through Agency <u>Award Description</u>	State I.D. <u>Number</u>	Accrued or (Deferred) Revenue at <u>7/1/10</u>	<u>Receipts</u>	State Disbursements/ <u>Expenditures</u>	Accrued or (Deferred) Revenue at <u>6/30/11</u>
<b>Wisconsin Department of Public Instruction</b>					
Special education and school-age parents **	255.101	\$ ---	\$ 1,804,703	\$ 1,804,703	\$ ---
State school lunch	255.102	---	16,098	16,098	---
Common school fund library aid	255.103	---	163,306	163,306	---
Pupil transportation	255.107	---	137,713	137,713	---
Equalization aids	255.201	207,428	11,994,119	11,994,691	208,000
Integration aid	255.204	---	316,947	316,947	---
High cost special education	255.210	---	45,156	45,156	---
Alternative education	255.330	57,900	81,266	57,900	34,534
School breakfast program	255.344	---	2,324	2,324	---
Mentoring grants for initial educators	255.355	---	6,375	6,375	---
Passed through CESA 1					
Special education and school-age parents	255.101	---	817	817	---
<b>Project Lead the Way, Inc.</b>					
Project Lead the Way	255.923	---	1,805	1,805	---
<b>Wisconsin Department of Workforce Development</b>					
Passed through CESA 6					
Youth apprenticeship program	445.112	1,500	2,600	1,100	---
<b>Total</b>		<u>\$ 266,828</u>	<u>\$ 14,573,229</u>	<u>\$ 14,548,935</u>	<u>\$ 242,534</u>

\*\* Total DPI aidable expenditures for the year ended June 30, 2011 were \$6,880,605.

See Independent Auditors' Report.

**GERMANTOWN SCHOOL DISTRICT**

Germantown, Wisconsin

**Schedule of Expenditures of Federal Awards**

Year Ended June 30, 2011

<b>Awarding Agency</b>	<b>Federal</b>	<b>Accrued or</b>			<b>Accrued or</b>
<b>Pass-Through Agency</b>	<b>Catalog</b>	<b>(Deferred)</b>	<b>Federal</b>	<b>Federal</b>	<b>(Deferred)</b>
<b><u>Award Description</u></b>	<b><u>Number</u></b>	<b><u>Revenue at</u></b>	<b><u>Receipts</u></b>	<b><u>Disbursements/</u></b>	<b><u>Revenue at</u></b>
		<b><u>7/1/10</u></b>		<b><u>Expenditures</u></b>	<b><u>6/30/11</u></b>
<b>U.S. Department of Agriculture</b>					
Passed through Wisconsin Department of Public Instruction:					
<i>Child Nutrition Cluster:</i>					
Donated Commodities	10.555	\$ ---	\$ 115,827	\$ 115,827	\$ ---
Food Service Aid - Breakfast	10.553	2,730	25,366	27,152	4,516
Food Service Aid - Lunch	10.555	36,952	274,453	278,586	41,085
Food Service Aid - Milk	10.556	110	605	612	117
<i>Total Child Nutrition Cluster</i>		<u>39,792</u>	<u>416,251</u>	<u>422,177</u>	<u>45,718</u>
Total U.S. Department of Agriculture		<u>39,792</u>	<u>416,251</u>	<u>422,177</u>	<u>45,718</u>
<b>U.S. Department of Health and Human Services</b>					
Passed through the Wisconsin Department of Health Services:					
Medical Assistance Program	93.778	7,125	95,762	90,029	1,392
<b>U.S. Department of Education</b>					
Passed through Wisconsin Department of Administration:					
Education Jobs Funds	84.410	---	843,004	1,376,514	533,510
Passed through Wisconsin Department of Public Instruction:					
<i>Special Education Cluster:</i>					
High Cost Special education	84.027	1,077	1,077	---	---
IDEA Flow Through	84.027	308,729	681,954	589,339	216,114
ARRA - IDEA Flow Through	84.391	73,408	448,930	398,052	22,530
IDEA Preschool Entitlement	84.173	2,766	28,878	26,576	464
ARRA - IDEA Preschool Entitlement	84.392	3,949	28,716	24,767	---
<i>Total Special Education Cluster</i>		<u>389,929</u>	<u>1,189,555</u>	<u>1,038,734</u>	<u>239,108</u>
<i>Title II, Part D Cluster:</i>					
ESEA Title II-D Education Technology	84.318	1,215	1,215	---	---
ARRA - ESEA Title II-D Education Technology	84.386	1,373	1,373	---	---
<i>Total Title II, Part D Cluster</i>		<u>2,588</u>	<u>2,588</u>	<u>---</u>	<u>---</u>
Title IV-A Safe and Drug Free Schools Act	84.186	6,946	6,946	2,900	2,900
ESEA Title II-A Teacher Principal Training	84.367	64,042	100,653	59,755	23,144
ESEA Title I-A Basic Grant (LEA)	84.010	13,739	88,686	102,533	27,586
Carl Perkins					
Passed through Wisconsin Department of Public Instruction					
Passed through CESA 6	84.048	---	---	263	263
Total Carl Perkins		<u>2,981</u>	<u>16,182</u>	<u>13,201</u>	<u>---</u>
Passed through CESA 1					
Title III	84.365	4,375	4,375	6,176	6,176
Total U.S. Department of Education		<u>484,600</u>	<u>2,251,989</u>	<u>2,600,076</u>	<u>832,687</u>
<b>Total</b>		<u>\$ 531,517</u>	<u>\$ 2,764,002</u>	<u>\$ 3,112,282</u>	<u>\$ 879,797</u>

See Independent Auditors' Report.

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Schedules of Expenditures of Federal and State Awards**  
June 30, 2011

**1. General**

The accompanying schedules of expenditures of federal and state awards represent the activity of all federal and state financial awards programs of the District. All federal and state awards received directly from federal and state agencies as well as federal and state financial awards passed through other government agencies are included on the schedule.

**2. Basis of Accounting**

The accompanying schedules of expenditures of federal and state awards are presented using the accrual basis of accounting, whereby revenues are recognized when earned and expenses are recorded as liabilities when incurred. The District applies all GASB pronouncements in accounting and reporting.

Steven C. Barney  
Steven R. Volz  
Daniel R. Brophy  
Thomas G. Wieland  
Michael W. Van Wagenen



David A. Grotkin  
Joel A. Joyce  
Brian J. Mechenich  
Carrie A. Gindt  
Patrick G. Hoffert

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

To the School Board  
Germantown School District  
Germantown, Wisconsin

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Germantown School District (the "District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 26, 2011. 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.

**Internal Control Over Financial Reporting**

In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the 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 an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*.

We noted certain other matters that we have reported to management of the District in a separate letter dated October 26, 2011.

This report is intended for the information of the School Board, management and federal and state awarding agencies and pass-through entities and is not intended to and should not be used by anyone other than these specified parties.

October 26, 2011  
Milwaukee, Wisconsin

Steven C. Barney  
Steven R. Volz  
Daniel R. Brophey  
Thomas G. Wieland  
Michael W. Van Wagenen



David A. Grotkin  
Joel A. Joyce  
Brian J. Mechenich  
Carrie A. Gindt  
Patrick G. Hoffert

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR  
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE  
WITH OMB CIRCULAR A-133 AND STATE SINGLE AUDIT GUIDELINES**

To the School Board  
Germantown School District  
Germantown, Wisconsin

**Compliance**

We have audited Germantown School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and State Single Audit Guidelines that that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2011. The 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. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State Single Audit Guidelines. Those standards and OMB Circular A-133 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 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. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the 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, 2011. The results of our auditing procedures disclosed no instances of noncompliance with those requirements.

## Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133* and 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 District's internal control over compliance.

*A deficiency in internal control over compliance* 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 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.

Our consideration of the 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 that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

This report is intended solely for the information and use of the school board, management, and federal and state awarding agencies and pass-through entities and is not intended to be, and should not be, used by anyone other than these specified parties.

October 26, 2011  
Milwaukee, Wisconsin

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Summary Schedule of Prior Audit Findings**  
Year Ended June 30, 2011

**Finding 2010-1 Medical Assistance Program**

*Condition and Criteria:* The District is required to obtain a signed consent form from a student's parent to bill the Medical Assistance Program. The District billed the Medical Assistance Program for costs related to a student without having obtained a signed consent form.

*Effect:* The District over billed Medicaid by \$500.

*Cause:* The District's software provider had a glitch in their system that permitted the District to bill the Medical Assistance Program for students, regardless of whether the parents' permission was obtained.

*Auditor's Recommendation:* The District should contact their service provider to insure this problem is immediately corrected.

*Management's Response:* The District contacted the software provider and is working with the Medical Assistance Program to refund the difference immediately.

*Status:* This condition has been corrected as of June 30, 2011.

**Finding 2010-2 Medical Assistance Program**

*Condition and Criteria:* The District is required to have an ongoing program with sufficient internal controls to identify the total number of one-way student trips for Medicaid and special education students. The District does not have a program in place.

*Effect:* The District was unable to provide a reconciliation for the number of one-way trips for Medicaid and special education students listed on their cost report.

*Cause:* This occurred because the District does not have procedures in place to track the required transportation data.

*Auditor's Recommendation:* The District should implement procedures to insure that transportation data is properly captured and reconciles to the cost report.

*Management's Response:* The District will work with the third party billing agent to assure proper compliance.

*Status:* This condition has been corrected as of June 30, 2011.

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Summary Schedule of Prior Audit Findings**  
Year Ended June 30, 2011  
(Continued)

**Finding 2010-3 Medical Assistance Program**

*Condition and Criteria:* The costs the District claimed for transportation services were based on budgeted amounts not actual expenses.

*Effect:* The District claimed costs that were not actually incurred.

*Cause:* This occurred because the District did not following reporting instructions.

*Auditor's Recommendation:* The District should re-file the cost report based on actual numbers. In the future, the District should more closely monitor expenditures claimed to ensure only actual and allowable expenses are claimed. Prior to filing claims, a member of management should verify that the costs claimed reconcile with the supporting expenditure detail.

*Management's Response:* The District will submit an amended final claim to Wisconsin's contracted billing vendor.

*Status:* This condition has been corrected as of June 30, 2011.

**Finding 2010-4 Medical Assistance Program**

*Condition and Criteria:* The District claimed the salaries and benefits for delegated nurse providers who were not trained by a registered nurse.

*Effect:* The District claimed costs that were not eligible for reimbursement.

*Cause:* This occurred because the District did not follow the requirement that all delegated nurse providers be trained under a registered nurse.

*Auditor's Recommendation:* The District should review control over reporting to ensure that only the costs for employees who have met the required training are claimed.

*Management's Response:* The District has since corrected staff pool designation.

*Status:* This condition has been corrected as of June 30, 2011.

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2011

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

**Financial Statements**

- |  |             |
|--|-------------|
| 1. Type of auditor's report issued:  | Unqualified |
| 2. Internal control over financial reporting:  |             |
| A. Material weakness(es) identified?   | No          |
| B. Significant deficiency(s) identified that are not considered to be material weakness? | No          |
| 3. Noncompliance material to financial statements?                                       | No          |

**Federal Awards**

- |   |             |
|---|-------------|
| 4. Internal control over major programs:  |             |
| A. Material weakness(es) identified:  | No          |
| B. Significant deficiency(s) identified that are not considered to be material weakness?                              | No          |
| 5. Type of auditor's report issued on compliance for major programs:  | Unqualified |
| 6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | No          |
| 7. Identification of major programs:  |             |

CFDA Number(s)

Name of Federal Program or Cluster

Special Education Cluster:

84.027	IDEA Flow Through
84.173	IDEA Preschool Entitlement
84.391	ARRA – IDEA Flow Through
84.392	ARRA – IDEA Preschool Entitlement
84.010	Title I
84.410	Education Jobs

- |  |           |
|--|-----------|
| 8. Dollar threshold used to distinguish between type A and type B programs | \$300,000 |
| 9. Auditee qualified as low-risk auditee?                                  | Yes       |

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2011  
(Continued)

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

**State Awards**

10. Internal control over financial reporting:

A. Material weakness identified No

B. Significant deficiency(s) identified that are not considered to be material weakness? No

11. Type of auditor's report issued on compliance for major programs: Unqualified

12. Any audit findings disclosed that are required to be reported in accordance with State Single Audit Guidelines? No

13. Identification of major state programs:

<u>CFDA Number</u>	<u>Name of State Program or Cluster</u>
255.101	Special Education and School-Age Parents
255.201	Equalization Aid
255.204	Integration Aid
255.210	High Cost Special Education Aid

**Section II - Financial Statement Findings**

No financial statement findings.

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

No federal and state award findings and questioned costs.

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2011  
(Continued)

**Section IV - Other Issues**

- |  |     |
|--|-----|
| 1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?  | No  |
| 2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, 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 <i>State Single Audit Guidelines</i> :<br><br>Department of Public Instruction | No  |
| 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

\_\_\_\_\_  
Carrie A. Gindt

5. Date of Report

October 26, 2011