

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Audited Financial Statements
Year Ended June 30, 2012

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GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

AUDITED FINANCIAL STATEMENTS
Year Ended June 30, 2012

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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, 2012, 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 opinions.

In our opinion, the financial statements referred to previously 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, 2012, and the respective changes in financial position, 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 30, 2012 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 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 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 financial statements. 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 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.

Milwaukee, Wisconsin
October 30, 2012

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Statement of Net Assets

June 30, 2012

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Current assets | |
| Cash and investments | \$ 9,905,820 |
| Taxes receivable | 7,093,474 |
| Accounts receivable | 141,579 |
| Due from other governments | 706,771 |
| Inventory | 14,591 |
| Prepaid expense | 51,272 |
| Total current assets | <u>17,913,507</u> |
| Noncurrent assets | |
| Capital assets | 48,260,077 |
| Less: accumulated depreciation | <u>(22,526,516)</u> |
| Total capital assets | 25,733,561 |
| Deferred loan costs | 114,479 |
| Total noncurrent assets | <u>25,848,040</u> |
| Total assets | <u>\$ 43,761,547</u> |
| Liabilities and Net Asset: | |
| Liabilities: | |
| Current liabilities: | |
| Short-term notes payable | \$ 5,800,000 |
| Accounts payable | 347,355 |
| Withholdings and related district fringes payable | 1,452,312 |
| Accrued interest | 90,756 |
| Accrued payroll | 680,207 |
| Due to other governments | 41,326 |
| Deferred revenues | 107,855 |
| Current portion of long-term debt | 1,756,030 |
| Total current liabilities | <u>10,275,841</u> |
| Noncurrent liabilities: | |
| Long-term obligations | 7,049,285 |
| Accrued liability for post-employment benefit | 3,256,274 |
| Unamortized premium on issuance | 47,589 |
| Unamortized loss on refunding | <u>(5,916)</u> |
| Total noncurrent liabilities | <u>10,347,232</u> |
| Total liabilities | 20,623,073 |
| Net Assets: | |
| Invested in capital assets, net of related debt | 20,972,814 |
| Restricted for: | |
| Debt service | 50,191 |
| Capital projects | 808,170 |
| Food service | 353,522 |
| Other activities | 49,262 |
| Unrestricted | <u>904,515</u> |
| Total net assets | <u>23,138,474</u> |
| Total liabilities and net assets | <u>\$ 43,761,547</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, 2012

| | Program Revenues | | | Net |
|------------------------------------|-------------------------|-----------------------------|---|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | (Expenses) Revenues and Changes in Net Assets |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 16,957,773 | \$ 989,434 | \$ 271,705 | \$ (15,696,634) |
| Special education instruction | 6,069,185 | 279,417 | 2,507,958 | (3,281,810) |
| Vocational instruction | 1,173,085 | --- | --- | (1,173,085) |
| Other instruction | 1,809,266 | 90,670 | --- | (1,718,596) |
| Total instruction | 26,009,309 | 1,359,521 | 2,779,663 | (21,870,125) |
| Support services: | | | | |
| Pupil services | 2,079,116 | --- | --- | (2,079,116) |
| Instructional staff services | 1,879,812 | --- | 160,126 | (1,719,686) |
| Administration services | 2,816,662 | --- | --- | (2,816,662) |
| Operation and maintenance of plant | 4,265,819 | 2,949 | --- | (4,262,870) |
| Pupil transportation | 2,793,069 | 128,318 | 142,365 | (2,522,386) |
| Central services | 1,018,811 | --- | --- | (1,018,811) |
| Other support services | 1,600,362 | --- | --- | (1,600,362) |
| Community services | 84,253 | 11,321 | --- | (72,932) |
| Food service | 1,543,948 | 1,108,494 | 468,078 | 32,624 |
| Interest | 373,139 | --- | --- | (373,139) |
| Unallocated depreciation | 1,371,218 | --- | --- | (1,371,218) |
| Total support services | 19,826,209 | 1,251,082 | 770,569 | (17,804,558) |
| Total school district | \$ 45,835,518 | \$ 2,610,603 | \$ 3,550,232 | (39,674,683) |

General revenues:

| | |
|--|----------------------|
| Taxes: | |
| Property taxes, levied for general purposes | 27,627,027 |
| Property taxes, levied for debt service | 2,235,000 |
| Property taxes, levied for specific purposes | 525,000 |
| Other taxes | 63,174 |
| Federal and state aid not restricted to specific purposes: | |
| General | 10,917,674 |
| Other | 601,000 |
| Interest and investment earnings | 14,850 |
| Loss on asset retirement | (145,260) |
| Miscellaneous | 182,568 |
| Changes in net assets | 2,346,350 |
| Net assets - beginning of year | 20,792,124 |
| Net assets - end of year | \$ 23,138,474 |

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

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

**Balance Sheet
Governmental Funds**

June 30, 2012

| | <u>General</u> | <u>Non-major Funds</u> | <u>Total Governmental Funds</u> |
|---|--------------------------|----------------------------|---|
| Assets: | | | |
| Cash and investments | \$ 8,494,966 | \$ 1,410,854 | \$ 9,905,820 |
| Taxes receivable | 7,093,474 | --- | 7,093,474 |
| Accounts receivable | 141,579 | --- | 141,579 |
| Due from other governments | 645,150 | 48,689 | 693,839 |
| Inventory | 14,591 | --- | 14,591 |
| Prepaid expense | 51,272 | --- | 51,272 |
| Total assets | <u>\$ 16,441,032</u> | <u>\$ 1,459,543</u> | <u>\$ 17,900,575</u> |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Short-term notes payable | \$ 5,800,000 | \$ --- | \$ 5,800,000 |
| Accounts payable | 297,417 | 49,938 | 347,355 |
| Withholdings and related district fringes payable | 1,434,742 | 17,570 | 1,452,312 |
| Accrued interest | 23,194 | --- | 23,194 |
| Accrued payroll | 679,492 | 715 | 680,207 |
| Due to other governments | 41,326 | --- | 41,326 |
| Deferred revenues | 62,200 | 45,655 | 107,855 |
| Total liabilities | 8,338,371 | 113,878 | 8,452,249 |
| Fund Balances: | | | |
| Nonspendable | 65,863 | --- | 65,863 |
| Restricted | --- | 1,261,145 | 1,261,145 |
| Assigned | --- | 84,520 | 84,520 |
| Unassigned | 8,036,798 | --- | 8,036,798 |
| Total fund balances | <u>8,102,661</u> | <u>1,345,665</u> | <u>9,448,326</u> |
| Total liabilities and fund balances | <u>\$ 16,441,032</u> | <u>\$ 1,459,543</u> | <u>\$ 17,900,575</u> |

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, 2012

Total fund balances - governmental funds \$ 9,448,326

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 | \$ 48,260,077 | |
| Accumulated depreciation | <u>(22,526,516)</u> | |
| | | 25,733,561 |

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. (3,256,274)

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 | 6,852,000 | |
| Notes payable | 835,000 | |
| State trust fund loan | 23,109 | |
| Unamortized premium on issuance | 47,589 | |
| Deferred loan costs | (114,479) | |
| Unamortized loss on refunding | (5,916) | |
| Capital leases | 1,013,049 | |
| Compensated absences | <u>82,157</u> | |
| | | (8,732,509) |

Accrued interest subsidy is not receivable in the current period and therefore is not reported as an asset in the funds. 12,933

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. (67,563)

Total net assets - governmental activities \$ 23,138,474

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, 2012

| | <u>General</u> | <u>Non-major Funds</u> | <u>Total Governmental Funds</u> |
|---|---------------------|----------------------------|---|
| Revenues: | | | |
| Local | \$ 28,349,940 | \$ 3,974,193 | \$ 32,324,133 |
| Interdistrict payments within Wisconsin | 608,354 | --- | 608,354 |
| Intermediate sources | 22,017 | --- | 22,017 |
| State | 13,636,077 | 19,866 | 13,655,943 |
| Federal | 1,085,901 | 448,213 | 1,534,114 |
| Other | 129,450 | 54,691 | 184,141 |
| Total revenues | <u>43,831,739</u> | <u>4,496,963</u> | <u>48,328,702</u> |
| Expenditures: | | | |
| Instruction: | | | |
| Current | 24,829,258 | 73,030 | 24,902,288 |
| Interdistrict | 619,203 | --- | 619,203 |
| Capital outlay | 11,255 | --- | 11,255 |
| Support Services: | | | |
| Current | 16,120,157 | 1,759,527 | 17,879,684 |
| Capital outlay | 69,373 | 1,107,826 | 1,177,199 |
| Debt service | 182,123 | 3,525,476 | 3,707,599 |
| Total expenditures | <u>41,831,369</u> | <u>6,465,859</u> | <u>48,297,228</u> |
| Excess (deficiency) of revenues over (under) expenditures | 2,000,370 | (1,968,896) | 31,474 |
| Other Financing Sources (uses): | | | |
| Operating transfers in | --- | 754,834 | 754,834 |
| Operating transfers out | (654,834) | (100,000) | (754,834) |
| Face value of debt issued | --- | 1,020,000 | 1,020,000 |
| Other financing sources - proceeds on sale of assets | 99,150 | --- | 99,150 |
| Total other financing sources (uses) | <u>(555,684)</u> | <u>1,674,834</u> | <u>1,119,150</u> |
| Net change in fund balances | 1,444,686 | (294,062) | 1,150,624 |
| Fund Balances - Beginning of year | <u>6,657,975</u> | <u>1,639,727</u> | <u>8,297,702</u> |
| Fund Balances - End of year | <u>\$ 8,102,661</u> | <u>\$ 1,345,665</u> | <u>\$ 9,448,326</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, 2012

Total net change in fund balances - governmental funds \$ 1,150,624

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 | \$ (1,371,218) | |
| Capital outlays | <u>1,188,454</u> | (182,764) |

In the statement of activities, losses on the disposal of assets are shown, whereas in the governmental funds only the proceeds on the disposal (if any) are shown.

| | | |
|------------------------|----------------|-----------|
| Proceeds on asset sale | 99,150 | |
| Losses on disposal | <u>145,260</u> | (244,410) |

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.

| | | |
|-----------------------|----------------|-------------|
| State trust fund loan | 100,000 | |
| GO note | <u>920,000</u> | (1,020,000) |

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 | 2,450,000 | |
| State trust fund loans | 239,381 | |
| Notes payable | 85,000 | |
| Capital leases | <u>539,401</u> | 3,313,782 |

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.

(685,086)

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

| | | |
|--------------------------------------|---------------|-------|
| Unamortized premium on debt issuance | (22,924) | |
| Deferred loan costs | <u>22,190</u> | (734) |

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 | 27,616 | |
| Unamortized loss on refunding | (4,638) | |
| Deferred loan costs | <u>(19,507)</u> | 3,471 |

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.

(4,900)

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.

(1,572)

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.

17,939

Change in net assets of governmental activities

\$ 2,346,350

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, 2012

| | <u>Private</u> <u>Purpose Trusts</u> | <u>Agency</u> <u>Fund</u> |
|---|---|------------------------------|
| Assets: | | |
| Cash and investments | \$ 34,151 | \$ 308,221 |
| Liabilities and Net Assets: | | |
| Liabilities: | | |
| Due to student groups | \$ --- | \$ 308,221 |
| Net assets: | | |
| Restricted | 34,151 | --- |
| Total liabilities and net assets | <u>\$ 34,151</u> | <u>\$ 308,221</u> |

Statement of Changes in Fiduciary Net Assets

Year Ended June 30, 2012

| | <u>Private</u> <u>Purpose Trusts</u> |
|----------------------------|---|
| Additions: | |
| Interest | \$ 14 |
| Gifts | 22,965 |
| Total additions | <u>22,979</u> |
| Deductions: | |
| Trust fund disbursements | <u>4,750</u> |
| Change in net assets | 18,229 |
| Net assets - June 30, 2011 | <u>15,922</u> |
| Net assets - June 30, 2012 | <u>\$ 34,151</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, 2012

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, 2012
(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.

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, 2012
(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, 2012 are as follows:

| <u>Purpose</u> | <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|----------------|------------------------|---------------------|-------------------|
| Transfers: | | | |
| Debt payment | Debt Service | General | \$ 654,834 |
| Debt payment | Debt Service | Capital Projects | 100,000 |
| | | | <u>\$ 754,834</u> |

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2012
(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, 2012
(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 one sick day per month worked, cumulative to one-hundred twenty days. Upon retirement, if the employee is at least 55-years of age, 50% of 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. Effective fiscal year 2012, unused sick days are not paid out upon termination of employment.

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 represents payments made by the District for which benefits extend beyond June 30th 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.

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 30, 2012). Subsequent events are explained in detail in footnotes 5 and 13.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

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 | 1,075,408 | Custodial |
| Local government investment pool | 9,169,109 | Custodial |
| Total cash and equivalents | \$ 10,248,192 | |

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

| | |
|------------------------------------|---------------|
| Statement of net assets: | |
| Cash and investments | \$ 9,905,820 |
| Statement of fiduciary net assets: | |
| Cash and investments | 342,372 |
| Total cash and investments | \$ 10,248,192 |

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 \$1,075,408 at June 30, 2012 and the bank's carrying value was \$2,182,444, all of which was fully insured. The District does not have a policy on custodial risk.

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.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

2. Cash and Investments (Continued)

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, 2012 are as follows:

| <u>Balance</u> <u>June 30, 2011</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2012</u> |
|--|------------------|-------------------|--|
| \$ 6,200,000 | \$ 5,800,000 | \$ 6,200,000 | \$ 5,800,000 |

The note was dated October 28, 2011, due November 1, 2012, with an interest rate of 0.59%. Interest for the year ended June 30, 2012 was \$36,720. The note is for general district operation.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

4. Capital Assets

Capital asset balances and activity for the year ended June 30, 2012 were as follows:

| | <u>Balance</u> <u>July 1, 2011</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2012</u> |
|--|---------------------------------------|---------------------|-------------------|--|
| Capital assets not being depreciated: | | | | |
| Sites | \$ 937,142 | \$ --- | \$ 10,493 | \$ 926,649 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 41,903,542 | 1,080,683 | 436,539 | 42,547,686 |
| Equipment | 7,642,861 | 107,771 | 2,964,890 | 4,785,742 |
| Total capital assets being depreciated | 49,546,403 | 1,188,454 | 3,401,429 | 47,333,428 |
| Less accumulated depreciation | 24,322,810 | 1,371,218 | 3,167,512 | 22,526,516 |
| Total capital assets being depreciated, net of accumulated depreciation | <u>25,223,593</u> | <u>(182,764)</u> | <u>233,917</u> | <u>24,806,912</u> |
| Governmental activities capital assets, net of accumulated depreciation | <u>\$ 26,160,735</u> | <u>\$ (182,764)</u> | <u>\$ 244,410</u> | <u>\$ 25,733,561</u> |

Depreciation expense of \$1,371,218 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> | <u>Balance</u> <u>July 1,</u> <u>2011</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30,</u> <u>2012</u> | <u>Amounts</u> <u>due within</u> <u>one year</u> |
|------------------------------------|---|---------------------|---------------------|--|--|
| G.O. Bonds | \$ 7,225,000 | \$ --- | \$ 2,450,000 | \$ 4,775,000 | \$ 1,315,000 |
| Qualified School Construction Bond | 2,077,000 | --- | --- | 2,077,000 | --- |
| G.O. Note | --- | 920,000 | 85,000 | 835,000 | --- |
| State Trust Fund | 162,490 | 100,000 | 239,381 | 23,109 | 23,109 |
| Subtotal | <u>9,464,490</u> | <u>1,020,000</u> | <u>2,774,381</u> | <u>7,710,109</u> | <u>1,338,109</u> |
| Compensated absences | 77,257 | 4,900 | --- | 82,157 | --- |
| Capitalized leases | 1,552,450 | --- | 539,401 | 1,013,049 | 417,921 |
| Total | <u>\$ 11,094,197</u> | <u>\$ 1,024,900</u> | <u>\$ 3,313,782</u> | <u>\$ 8,805,315</u> | <u>\$ 1,756,030</u> |

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2012 on long-term liabilities was \$356,376 and \$338,436, 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.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

5. Long-Term Liabilities (Continued)

General obligation debt at June 30, 2012 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, 2012</u> |
|--|--------------------|---------------------------|--------------------------|------------------------------|
| \$765,000 G.O. Refunding bond | 10/23/09 | 2.50% | 4/1/13 | \$ 765,000 |
| \$4,295,000 G.O. Refunding bond | 3/21/11 | 1.00% - 4.40% | 4/1/21 | 4,010,000 |
| \$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 |
| \$920,000 G.O. Note | 10/17/11 | 2.00% - 2.75% | 4/1/21 | 835,000 |
| \$400,000 State trust fund loan | 8/31/09 | 3.50% | 3/15/13 | 23,109 |
| Total | | | | \$ <u>7,710,109</u> |

The 2011 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,999,974,811. The legal debt limit and margin of indebtedness as of June 30, 2012, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

| | |
|---|-----------------------|
| Debt limit (10% of \$2,999,974,811) | \$ 299,997,481 |
| Deduct long-term debt applicable to debt margin | <u>7,710,109</u> |
| Margin of indebtedness | <u>\$ 292,287,372</u> |

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2012 follow:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Interest Subsidy</u> | <u>Total</u> |
|----------------------------|---------------------|---------------------|-------------------------|---------------------|
| 2013 | \$ 1,756,030 | \$ 248,799 | \$ (52,300) | \$ 1,952,529 |
| 2014 | 1,002,625 | 214,989 | (52,300) | 1,165,314 |
| 2015 | 777,503 | 179,887 | (52,300) | 905,090 |
| 2016 | 665,000 | 161,075 | (52,300) | 773,775 |
| 2017 | 645,000 | 145,738 | (52,300) | 738,438 |
| 2018-2022 | 3,297,000 | 482,448 | (261,500) | 3,517,948 |
| 2023-2027 | 580,000 | 104,600 | (104,600) | 580,000 |
| | <u>\$ 8,723,158</u> | <u>\$ 1,537,536</u> | <u>\$ (627,600)</u> | <u>\$ 9,633,094</u> |

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

5. Long-Term Liabilities (Continued)

Subsequent to year-end, the District entered into a lease agreement for computers and monitors. Future required payments on this lease are as follows:

| Year ended <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> |
|-------------------------------|-------------------|-----------------|-------------------|
| 2013 | \$ 93,977 | \$ --- | \$ 93,977 |
| 2014 | 91,343 | 2,634 | 93,977 |
| 2015 | 92,191 | 1,786 | 93,977 |
| 2016 | 93,069 | 908 | 93,977 |
| Totals | <u>\$ 370,580</u> | <u>\$ 5,328</u> | <u>\$ 375,908</u> |

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, 2012:

| | |
|----------------------------------|------------|
| <u>Fund 10:</u> | |
| Vocational curriculum | \$ 47,546 |
| Co-curricular activities | 30,458 |
| Business administration | 80,613 |
| Central services | 120,506 |
| Debt services | 16,481 |
| Purchased instructional services | 27,964 |
| Other non-program transactions | 64,446 |
| <u>Fund 27:</u> | |
| Business administration | \$ 102,208 |
| Central services | 4,768 |
| Debt services | 3,707 |
| Purchased instructional services | 47,900 |

7. Fund Balances

As of June 30, 2012, 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 | \$ 51,272 | \$ --- | \$ --- |
| Inventory | 14,591 | --- | --- |
| Special revenue trust | --- | 49,262 | --- |
| Debt service | --- | 50,191 | --- |
| Food service | --- | 353,522 | --- |
| Capital projects | --- | 808,170 | --- |
| Community service | --- | --- | 84,520 |
| Total | <u>\$ 65,863</u> | <u>\$ 1,261,145</u> | <u>\$ 84,520</u> |

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

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 employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 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. 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. Note: Employees hired to work nine or ten months per year, (e.g. teacher contracts), but expected to return year after year are considered to have met the one-year requirement.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions 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. Contribution rates for 2011 for employee and employer were 5.8%; this increased to 5.9% in 2012.

The payroll for Germantown School District employees covered by the WRS for the year ended June 30, 2012 was \$23,018,829; the employers total payroll was \$23,790,080. The total required contribution for the year ended June 30, 2012 was \$2,699,060, which consisted of \$1,349,530, or 5.86% of payroll from the employer and \$1,349,530, or 5.86% of payroll from employees. Total contributions for the year ending June 30, 2011 and 2010 were \$2,850,901 and \$2,680,225, respectively, equal to the required contributions for each year.

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 is 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 between April 24, 1998 and June 30, 2011 are immediately vested. Participants who initially become a WRS member on or after July 1, 2011 must accrue five years of credible service to be vested in the WRS.

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><u>372</u></u> |

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

9. Other Post-Employment Benefits (Continued)

For fiscal year 2012, the District paid \$916,066 to eligible retirees. In addition the District had an implicit rate subsidy that it “funded” for fiscal year 2012 in the amount of \$452,394.

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 | | 128,560 |
| Adjustment to annual required contribution | | (113,870) |
| Annual OPEB cost (expense) | | 2,053,546 |
| Contributions made | | (1,368,460) |
| Increase in net OPEB obligation | | 685,086 |
| Net OPEB obligation (liability) – beginning of year | | 2,571,188 |
| Net OPEB obligation (liability) – end of year | \$ | 3,256,274 |

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, 2012 were as follows:

| <u>Fiscal</u> <u>Year Ended</u> | <u>Annual</u> <u>OPEB Cost</u> | <u>Percentage of Annual</u> <u>OPEB</u> <u>Cost Contributed</u> | <u>Net</u> <u>OPEB</u> <u>Obligation</u> |
|------------------------------------|-----------------------------------|---|--|
| 2012 | \$ 2,053,546 | 66.64% | \$ 3,256,274 |
| 2011 | 2,049,353 | 64.20% | 2,571,188 |
| 2010 | 2,230,215 | 62.04% | 1,837,431 |

The funded status of the OPEB benefit as of the most recent actuarial valuation date (July 1, 2010) and schedule of employer contributions 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 includes 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, 2012
(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, 2012, are not likely to have a material adverse impact on the District's financial position.

13. Act 10

In September 2012, Act 10 was overturned in county court. The State of Wisconsin plans to appeal this decision. Management is uncertain as to the effects this will have on the District.

14. Related Party

Germantown School District made purchases from a company that employs one of its board members. The amount of purchases for the year ended June 30, 2012 totaled \$91,423.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2012
(Continued)

15. Unsettled Contracts

As of June 30, 2012, the District and certified staff have been unable to reach agreement on a new contract to replace the contract which expired on June 30, 2011. No negotiations regarding contract renewal have occurred. Because the District's liability cannot be estimated, no accrual has been made at June 30, 2012.

16. Construction Commitments

In June 2012, the District entered into a construction contract. The commitment on this construction contract was approximately \$300,000. No payments have been made on this contract as of June 30, 2012.

REQUIRED SUPPLEMENTARY INFORMATION

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Budgetary Comparison Schedule
General Fund
Year Ended June 30, 2012

| | <u>Fund 10 - Budget</u> | | <u>Fund 27 - Budget</u> | | <u>Combined Budget Amounts</u> | | <u>Actual</u> | <u>Variance</u> |
|---|-------------------------|---------------|-------------------------|--------------|--------------------------------|---------------|---------------|--|
| | <u>Original</u> | <u>Final</u> | <u>Original</u> | <u>Final</u> | <u>Original</u> | <u>Final</u> | | <u>Favorable</u> <u>(Unfavorable)</u> |
| Revenues: | | | | | | | | |
| Local | \$ 28,296,329 | \$ 28,324,527 | \$ --- | \$ --- | \$ 28,296,329 | \$ 28,324,527 | \$ 28,349,940 | \$ 25,413 |
| Interdistrict payments within Wisconsin | 521,027 | 593,351 | 20,844 | 20,844 | 541,871 | 614,195 | 608,354 | (5,841) |
| Intermediate sources | 17,500 | 9,314 | 15,000 | 15,000 | 32,500 | 24,314 | 22,017 | (2,297) |
| State | 11,801,589 | 11,752,600 | 2,037,437 | 1,853,504 | 13,839,026 | 13,606,104 | 13,636,077 | 29,973 |
| Federal | 179,076 | 172,272 | 824,442 | 824,442 | 1,003,518 | 996,714 | 1,085,901 | 89,187 |
| Other | 46,500 | 46,500 | --- | --- | 46,500 | 46,500 | 129,450 | 82,950 |
| Total revenues | 40,862,021 | 40,898,564 | 2,897,723 | 2,713,790 | 43,759,744 | 43,612,354 | 43,831,739 | 219,385 |
| Expenditures: | | | | | | | | |
| Instruction: | | | | | | | | |
| Current | 20,234,358 | 19,909,674 | 6,174,928 | 6,205,788 | 26,409,286 | 26,115,462 | 24,829,258 | 1,286,204 |
| Interdistrict | 425,300 | 486,360 | 112,783 | 27,792 | 538,083 | 514,152 | 619,203 | (105,051) |
| Capital outlay | 15,985 | 15,985 | --- | --- | 15,985 | 15,985 | 11,255 | 4,730 |
| Support Services: | | | | | | | | |
| Current | 14,546,588 | 14,758,462 | 1,618,546 | 1,554,611 | 16,165,134 | 16,313,073 | 16,120,157 | 192,916 |
| Capital outlay | 42,500 | 42,500 | --- | --- | 42,500 | 42,500 | 69,373 | (26,873) |
| Debt service | 195,785 | 161,935 | --- | --- | 195,785 | 161,935 | 182,123 | (20,188) |
| Total expenditures | 35,460,516 | 35,374,916 | 7,906,257 | 7,788,191 | 43,366,773 | 43,163,107 | 41,831,369 | 1,331,738 |
| Excess (deficiency) of revenues over (under) expenditures | 5,401,505 | 5,523,648 | (5,008,534) | (5,074,401) | 392,971 | 449,247 | 2,000,370 | 1,551,123 |
| Other Financing Sources (uses): | | | | | | | | |
| Operating transfers in (out) | (5,567,080) | (5,632,947) | 5,008,534 | 5,074,401 | (558,546) | (558,546) | (654,834) | 96,288 |
| Capital lease proceeds | 25,000 | 25,000 | --- | --- | 25,000 | 25,000 | --- | (25,000) |
| Other financing sources - proceeds on sale of assets | --- | --- | --- | --- | --- | --- | 99,150 | 99,150 |
| Total other financing sources (uses) | (5,542,080) | (5,607,947) | 5,008,534 | 5,074,401 | (533,546) | (533,546) | (555,684) | 170,438 |
| Net change in fund balances | (140,575) | (84,299) | --- | --- | (140,575) | (84,299) | 1,444,686 | (1,528,985) |
| Fund Balances - Beginning of year | 6,657,975 | 6,657,975 | --- | --- | 6,657,975 | 6,657,975 | 6,657,975 | --- |
| Fund Balances - End of year | \$ 6,517,400 | \$ 6,573,676 | \$ --- | \$ --- | \$ 6,517,400 | \$ 6,573,676 | \$ 8,102,661 | \$ (1,528,985) |

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Schedule of Funding Progress

Year Ended June 30, 2012

| Actuarial Valuation Date | Actuarial Valuation of Plan Assets | Actuarial Accrued Liability (AAL) | Unfunded Actuarial Accrued Liability (UAAL) | Funded Ratio | Covered Payroll | UAAL as a Percentage of Covered Payroll |
|---|---|--|--|-------------------------|----------------------------|--|
| 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, 2012

| Year Ended June 30, | Annual Required Contribution | Actual Contribution | Percent Contributed |
|--------------------------------|---|--------------------------------|--------------------------------|
| 2010 | \$ 2,230,215 | \$ 1,227,795 | 55.05% |
| 2011 | \$ 2,038,856 | \$ 1,315,596 | 64.53% |
| 2012 | \$ 2,038,856 | \$ 1,368,460 | 67.12% |

See Independent Auditors' Report.

OTHER SUPPLEMENTARY INFORMATION

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2012

| | <u>Special</u> | | | | | | |
|---|----------------------|----------------------|-----------------------|----------------------|-----------------------|--|-------------------------|
| | <u>Revenue</u> | <u>Debt</u> | <u>Food</u> | <u>Community</u> | <u>Capital</u> | | <u>Total</u> |
| | <u>Trust</u> | <u>Service</u> | <u>Service</u> | <u>Service</u> | <u>Projects</u> | | |
| Assets: | | | | | | | |
| Cash and investments | \$ 52,888 | \$ 50,191 | \$ 365,422 | \$ 88,655 | \$ 853,698 | | \$ 1,410,854 |
| Due from other governments | --- | --- | 48,689 | --- | --- | | 48,689 |
| Total assets | \$ 52,888 | \$ 50,191 | \$ 414,111 | \$ 88,655 | \$ 853,698 | | \$ 1,459,543 |
| Liabilities and Fund Balances: | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 3,626 | \$ --- | \$ 784 | \$ --- | \$ 45,528 | | \$ 49,938 |
| Withholdings and related district fringes payable | --- | --- | 13,435 | 4,135 | --- | | 17,570 |
| Accrued payroll | --- | --- | 715 | --- | --- | | 715 |
| Deferred revenues | --- | --- | 45,655 | --- | --- | | 45,655 |
| Total liabilities | 3,626 | --- | 60,589 | 4,135 | 45,528 | | 113,878 |
| Fund Balances: | | | | | | | |
| Restricted | 49,262 | 50,191 | 353,522 | --- | 808,170 | | 1,261,145 |
| Assigned | --- | --- | --- | 84,520 | --- | | 84,520 |
| Total fund balances | 49,262 | 50,191 | 353,522 | 84,520 | 808,170 | | 1,345,665 |
| Total liabilities and fund balances | \$ 52,888 | \$ 50,191 | \$ 414,111 | \$ 88,655 | \$ 853,698 | | \$ 1,459,543 |

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, 2012**

| | Special | | | | | |
|--|---------------------|-----------------------|-----------------------|-----------------------|------------------------|---------------------|
| | Revenue | Debt | Food | Community | Capital | |
| | <u>Trust</u> | <u>Service</u> | <u>Service</u> | <u>Service</u> | <u>Projects</u> | <u>Total</u> |
| Revenues: | | | | | | |
| Local | \$ 91,894 | \$ 2,235,700 | \$ 1,109,030 | \$ 111,321 | \$ 426,248 | \$ 3,974,193 |
| State | --- | --- | 19,866 | --- | --- | 19,866 |
| Federal | --- | --- | 448,213 | --- | --- | 448,213 |
| Other | --- | 53,753 | 203 | --- | 735 | 54,691 |
| Total revenues | <u>91,894</u> | <u>2,289,453</u> | <u>1,577,312</u> | <u>111,321</u> | <u>426,983</u> | <u>4,496,963</u> |
| Expenditures: | | | | | | |
| Instruction: | | | | | | |
| Current | 73,030 | --- | --- | --- | --- | 73,030 |
| Support Services: | | | | | | |
| Current | 4,621 | --- | 1,535,003 | 83,484 | 136,419 | 1,759,527 |
| Capital outlay | 19,055 | --- | 229,206 | --- | 859,565 | 1,107,826 |
| Debt service | --- | 3,073,900 | --- | --- | 451,576 | 3,525,476 |
| Total expenditures | <u>96,706</u> | <u>3,073,900</u> | <u>1,764,209</u> | <u>83,484</u> | <u>1,447,560</u> | <u>6,465,859</u> |
| Excess (deficiency) of revenues over (under) expenditures | (4,812) | (784,447) | (186,897) | 27,837 | (1,020,577) | (1,968,896) |
| Other Financing Sources: | | | | | | |
| Operating transfers in | --- | 754,834 | --- | --- | --- | 754,834 |
| Operating transfers out | --- | --- | --- | --- | (100,000) | (100,000) |
| Face value of debt issued | --- | --- | --- | --- | 1,020,000 | 1,020,000 |
| Total other financing sources | <u>---</u> | <u>754,834</u> | <u>---</u> | <u>---</u> | <u>920,000</u> | <u>1,674,834</u> |
| Net change in fund balances | (4,812) | (29,613) | (186,897) | 27,837 | (100,577) | (294,062) |
| Fund Balances - Beginning of year | <u>54,074</u> | <u>79,804</u> | <u>540,419</u> | <u>56,683</u> | <u>908,747</u> | <u>1,639,727</u> |
| Fund Balances - End of year | <u>\$ 49,262</u> | <u>\$ 50,191</u> | <u>\$ 353,522</u> | <u>\$ 84,520</u> | <u>\$ 808,170</u> | <u>\$ 1,345,665</u> |

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Agency Funds - Schedule of Changes in Assets and Liabilities

June 30, 2012

| | <u>Balance</u> | | | | <u>Balance</u> |
|-------------------------------|----------------------|---------------------|---------------------|-----------|----------------|
| | <u>June 30, 2011</u> | <u>Additions</u> | <u>Deductions</u> | | <u>6/30/12</u> |
| Assets: | | | | | |
| Cash and investments | \$ 294,789 | \$ 1,018,329 | \$ 1,004,897 | \$ | 308,221 |
| Liabilities: | | | | | |
| Accounts payable | \$ 50 | \$ --- | \$ 50 | \$ | --- |
| Due to student groups: | | | | | |
| Germantown High School | 219,053 | 794,559 | 773,208 | | 240,404 |
| Kennedy Middle School | 42,618 | 135,940 | 143,536 | | 35,022 |
| MacArthur Elementary School | 12,139 | 18,362 | 16,566 | | 13,935 |
| Rockfield Elementary School | 3,195 | 8,078 | 8,087 | | 3,186 |
| Amy Belle Elementary School | 2,142 | 15,169 | 15,195 | | 2,116 |
| County Line Elementary School | 15,592 | 46,221 | 48,255 | | 13,558 |
| Total liabilities | <u>\$ 294,789</u> | <u>\$ 1,018,329</u> | <u>\$ 1,004,897</u> | <u>\$</u> | <u>308,221</u> |

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Schedule of Expenditures of State Awards

Year Ended June 30, 2012

| Awarding Agency | State | Accrued or | | | State | Accrued or |
|--|----------------------|----------------------|----------------------|------------------------|----------------------------|--------------------------|
| Pass-Through Agency | I.D. | (Deferred) | Revenue at | Receipts | Disbursements/ | (Deferred) |
| <u>Award Description</u> | <u>Number</u> | <u>7/1/11</u> | <u>7/1/11</u> | <u>Receipts</u> | <u>Expenditures</u> | <u>Revenue at</u> |
| | | | | | | <u>6/30/12</u> |
| Wisconsin Department of Public Instruction | | | | | | |
| Special education and school-age parents ** | 255.101 | \$ --- | \$ 1,829,338 | \$ 1,829,338 | \$ 1,829,338 | \$ --- |
| State school lunch | 255.102 | --- | 16,651 | 16,651 | 16,651 | --- |
| Common school fund library aid | 255.103 | --- | 160,126 | 160,126 | 160,126 | --- |
| Pupil transportation | 255.107 | --- | 142,365 | 142,365 | 142,365 | --- |
| Equalization aids | 255.201 | 208,000 | 8,465,164 | 8,420,961 | 8,420,961 | 163,797 |
| Special adjustment aid | 255.203 | --- | 2,449,176 | 2,449,176 | 2,449,176 | --- |
| Integration aid | 255.204 | --- | 311,866 | 311,866 | 311,866 | --- |
| High cost special education | 255.210 | --- | 6,090 | 6,090 | 6,090 | --- |
| Alternative education | 255.330 | 34,534 | 34,534 | --- | --- | --- |
| School breakfast program | 255.344 | --- | 3,215 | 3,215 | 3,215 | --- |
| Mentoring grants for initial educators | 255.355 | --- | 8,295 | 8,295 | 8,295 | --- |
| | | | | | | |
| Passed through CESA 1 | | | | | | |
| Special education and school-age parents | 255.101 | --- | 4,877 | 4,877 | 4,877 | --- |
| | | | | | | |
| Project Lead the Way, Inc. | | | | | | |
| Project Lead the Way | 255.923 | --- | 15,000 | 15,000 | 15,000 | --- |
| | | | | | | |
| Wisconsin Department of Military Affairs | | | | | | |
| Presidential Disaster Declaration FEMA-1966-WI-DI | 465.305 | --- | 619 | 619 | 619 | --- |
| | | | | | | |
| Wisconsin Department of Workforce Development | | | | | | |
| Passed through CESA 6 | | | | | | |
| Youth apprenticeship program | 445.112 | --- | --- | 1,650 | 1,650 | 1,650 |
| Total | | | \$ 242,534 | \$ 13,447,316 | \$ 13,370,229 | \$ 165,447 |

** Total DPI aidable expenditures for the year ended June 30, 2012 were \$6,646,250.

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2012

| Awarding Agency | Federal | Accrued or | | Federal | Accrued or |
|---|----------------|-------------------|---------------------|-----------------------|-------------------|
| Pass-Through Agency | Catalog | (Deferred) | | Disbursements/ | (Deferred) |
| Award Description | Number | Revenue at | Receipts | Expenditures | Revenue at |
| | | 7/1/11 | | | 6/30/12 |
| U.S. Department of Agriculture | | | | | |
| Passed through Wisconsin Department of Public Instruction: | | | | | |
| Nutrition Enhancement/Breakfast Public | 10.500 | \$ --- | \$ 6,452 | \$ 6,452 | \$ --- |
| <i>Child Nutrition Cluster:</i> | | | | | |
| Donated Commodities | 10.555 | --- | 113,813 | 113,813 | --- |
| Food Service Aid - Breakfast | 10.553 | 4,516 | 29,441 | 29,834 | 4,909 |
| Food Service Aid - Lunch | 10.555 | 41,085 | 294,968 | 297,544 | 43,661 |
| Food Service Aid - Milk | 10.556 | 117 | 567 | 569 | 119 |
| <i>Total Child Nutrition Cluster</i> | | <u>45,718</u> | <u>438,789</u> | <u>441,760</u> | <u>48,689</u> |
| Total U.S. Department of Agriculture | | <u>45,718</u> | <u>445,241</u> | <u>448,212</u> | <u>48,689</u> |
| U.S. Department of Health and Human Services | | | | | |
| Passed through the Wisconsin Department of Health Services: | | | | | |
| Medical Assistance Program | 93.778 | 1,392 | 197,527 | 265,683 | 69,548 |
| U.S. Department of Homeland Security | | | | | |
| Passed through Wisconsin Division of Military Affairs: | | | | | |
| Presidential Disaster Declaration FEMA-1966-WI-DR | 97.036 | --- | 3,713 | 3,713 | --- |
| U.S. Department of Education | | | | | |
| Passed through Wisconsin Department of Administration: | | | | | |
| Education Jobs Funds | 84.410 | 533,510 | 558,607 | 25,097 | --- |
| Passed through Wisconsin Department of Public Instruction: | | | | | |
| <i>Special Education Cluster:</i> | | | | | |
| High Cost Special education | 84.027 | --- | 26,244 | 26,244 | --- |
| IDEA Flow Through | 84.027 | 216,114 | 710,279 | 580,714 | 86,549 |
| ARRA - IDEA Flow Through | 84.391 | 22,530 | 22,530 | --- | --- |
| IDEA Preschool Entitlement | 84.173 | 464 | 27,109 | 30,066 | 3,421 |
| <i>Total Special Education Cluster</i> | | <u>239,108</u> | <u>786,162</u> | <u>637,024</u> | <u>89,970</u> |
| Title IV-A Safe and Drug Free Schools Act | 84.186 | 2,900 | 2,900 | --- | --- |
| ESEA Title II-A Teacher Principal Training | 84.367 | 23,144 | 47,425 | 49,199 | 24,918 |
| ESEA Title I-A Basic Grant (LEA) | 84.010 | 27,586 | 96,218 | 105,186 | 36,554 |
| Carl Perkins | | | | | |
| Passed through Wisconsin Department of Public Instruction | 84.048 | 263 | 263 | --- | --- |
| Passed through CESA 6 | 84.048 | --- | 11,255 | 11,255 | --- |
| Total Carl Perkins | | 263 | 11,518 | 11,255 | --- |
| Passed through CESA 1 | | | | | |
| Title III | 84.365 | 6,176 | 10,411 | 4,235 | --- |
| Total U.S. Department of Education | | <u>832,687</u> | <u>1,513,241</u> | <u>831,996</u> | <u>151,442</u> |
| Total | | <u>\$ 879,797</u> | <u>\$ 2,159,722</u> | <u>\$ 1,549,604</u> | <u>\$ 269,679</u> |

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Schedules of Expenditures of Federal and State Awards
June 30, 2012

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, 2012, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 30, 2012. 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

Management of the District is responsible for establishing and maintaining effective 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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2012-1 and 2012-2.

We noted certain other matters that we have reported to management of the District in a separate letter dated October 30, 2012.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on it.

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.

Milwaukee, Wisconsin
October 30, 2012

Steven C. Barney
Steven R. Volz
Daniel R. Brophrey
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, 2012. 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with State Single Audit Guidelines and which are described in the accompanying schedule of findings and questioned costs as items 2012-1 and 2012-2.

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.

The District's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the District's responses and, accordingly, we express no opinion on the responses.

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.

Milwaukee, Wisconsin
October 30, 2012

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2012

There were no prior audit findings.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

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

Child Nutrition Cluster:

| | |
|--------|------------------------------|
| 10.555 | Donated Commodities |
| 10.553 | Food Service Aid - Breakfast |
| 10.555 | Food Service Aid - Lunch |
| 10.556 | Food Service Aid - Milk |
| 93.778 | Medical Assistance Program |

- | | |
|--|-----------|
| 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, 2012

(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? Yes

13. Identification of major state programs:

| <u>State ID Number</u> | <u>Name of State Program</u> |
|------------------------|--|
| 255.101 | Special Education and School-Age Parents |
| 255.103 | Common School Fund Library Aid |
| 255.107 | Pupil Transportation |
| 255.201 | Equalization Aid |
| 255.203 | Special Adjustment Aid |
| 255.204 | Integration Aid |
| 255.210 | High Cost Special Education Aid |

Section II - Financial Statement Findings

No financial statement findings.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

(Continued)

Section III - Federal and State Award Findings and Questioned Costs

Finding 2012-1 Transportation Testing

Department: Wisconsin Department of Public Instruction
Program Name: Pupil Transportation
State I.D. #: 255.107

Condition and Criteria: The majority of the students that live less than two miles from the high school are not within the current hazardous transportation plan.

Effect: Students that do live within 0-2 miles and do not fall under the unusually hazardous transportation plan are incorrectly included in transportation data.

Cause: The District does not have an updated unusually hazardous transportation plan.

Auditor's Recommendation: The District should amend and file an updated unusually hazardous transportation plan. The District should then verify that any student who is reported as riding the bus and lives within 0-2 miles of the school falls under the unusually hazardous transportation plan.

District's Response: The District does not disagree with the finding. For additional information regarding the District's response one can contact Ric Ericksen, Business Manager at (262) 253-3908.

Finding 2012-2 Library Aid Testing

Department: Wisconsin Department of Public Instruction
Program Name: Common School Fund (School Library) Aid
State I.D. #: 255.103

Condition and Criteria: The District failed to spend all the Common School Fund Aid they were awarded. Districts are required by the Wisconsin Department of Public Instruction to incur expenditures at least equal to the amount awarded to be in compliance with the matching, level of effort and/or earmarking compliance requirement.

Effect: The District may have received grant funds for which it may not qualify.

Questioned Costs: The District's total eligible expenditures were \$204.43 less than the Common School Fund revenue they were awarded.

Cause: The District was being fiscally conservative, only purchasing items needed.

Recommendation: Periodic reviews of actual expenditures compared to the amount of Common School Fund Aid awarded should be performed to ensure that the District is on track to spend at least 100% of the award.

District's Response: The District's Comptroller met with the Library Media Specialists on October 19, 2012 to communicate an earlier cut-off date for requisitions. This will ensure more timely invoices and the ability to respond when items are less costly or not available. For additional information regarding the District's response one can contact Ric Ericksen, Business Manager at (262) 253-3908.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Schedule of Findings and Questioned Costs

Year Ended June 30, 2012

(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 *State Single Audit Guidelines*:

Department of Public Instruction Yes

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 30, 2012