

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Audited Financial Statements
Year Ended June 30, 2013

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GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

AUDITED FINANCIAL STATEMENTS
Year Ended June 30, 2013

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To the School Board
Germantown School District
Germantown, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Germantown School District ("District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Basis for Qualified Opinion on Accrued Liability for Post-Employment Benefits

We were unable to obtain an updated actuarial valuation of other post-employment benefits from the District to properly calculate the District's accrued liability for post-employment benefits, which is included in the government-wide financial statements and described in Note 10 to the financial statements.

Qualified Opinion

In our opinion, except for the effects of the matter described in the "Basis for Qualified Opinion on Accrued Liability for Post-Employment Benefits" paragraph, the statement of net position, statement of activities, reconciliation of the governmental funds balance sheet to the statement of net position and reconciliation of the governmental funds statement of revenues, expenditures, and changes in fund balances to the statement of activities present fairly, in all material respects, the respective financial position of the governmental activities of the District as of June 30, 2013, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Unmodified Opinion

In our opinion, the balance sheet – governmental funds, statement of revenues, expenditures, and changes in fund balances – governmental funds, and statements of fiduciary net position and changes in fiduciary net position present fairly, in material respects, each major fund and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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 financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as other supplementary information is presented for purposes of additional analysis and is not a required part of the financial statements. The schedule of expenditures of federal and state awards are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the State Single Audit Guidelines.

The financial information listed in the table of contents as other supplementary information, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Change in Accounting Principle

As discussed in Note 1.1 to the financial statements, in 2013 the District adopted new accounting guidance, GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. Our opinion is not modified with respect to this matter.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated November 01, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. The report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the District's internal control over financial reporting and compliance.

Milwaukee, Wisconsin
November 01, 2013

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Statement of Net Position

June 30, 2013

	Governmental Activities
Assets:	
Current assets:	
Cash and investments	\$ 10,524,037
Taxes receivable	7,058,253
Accounts receivable	9,014
Due from other governments	1,062,991
Inventory	5,623
Prepaid expense	165,837
Total current assets	<u>18,825,755</u>
Capital assets:	
Nondepreciable	926,649
Depreciable, net of accumulated depreciation	23,453,292
Total capital assets	<u>24,379,941</u>
Total assets	43,205,696
Deferred Outflow of Resources:	
Unamortized loss on refunding	1,278
Liabilities:	
Current liabilities:	
Short-term notes payable	5,300,000
Accounts payable	550,816
Withholdings and related fringes payable	1,669,552
Accrued interest	66,497
Accrued payroll	1,062,708
Unearned revenues	109,152
Current portion of long-term debt	1,127,739
Total current liabilities	<u>9,886,464</u>
Noncurrent liabilities:	
Long-term obligations	6,245,605
Accrued liability for post-employment benefit	3,963,606
Total noncurrent liabilities	<u>10,209,211</u>
Total liabilities	20,095,675
Deferred Inflow of Resources:	
Unamortized premium on issuance	35,493
Net Position:	
Net investment in capital assets	20,579,831
Restricted for:	
Debt service	1,333
Capital projects	178,716
Food service	449,216
Other activities	36,878
Unrestricted	1,829,832
Total net position	<u>\$ 23,075,806</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, 2013

	Program Revenues			Net
				(Expenses)
	Expenses	Charges for	Operating	Revenues and
		Services	Grants and	Changes in
			Contributions	<u>Net Position</u>
Governmental activities:				
Instruction:				
Regular instruction	\$ 17,059,179	\$ 912,115	\$ 223,393	\$ (15,923,671)
Special education instruction	6,161,057	185,040	2,718,222	(3,257,795)
Vocational instruction	1,159,742	11,078	---	(1,148,664)
Other instruction	1,828,600	187,906	29,833	(1,610,861)
Total instruction	26,208,578	1,296,139	2,971,448	(21,940,991)
Support services:				
Pupil services	2,208,666	---	---	(2,208,666)
Instructional staff services	1,785,474	---	212,252	(1,573,222)
Administration services	2,607,570	---	---	(2,607,570)
Operation and maintenance of plant	4,487,787	3,499	---	(4,484,288)
Pupil transportation	2,770,061	136,091	137,407	(2,496,563)
Central services	1,609,273	---	---	(1,609,273)
Other support services	1,488,013	---	---	(1,488,013)
Community services	95,332	8,140	---	(87,192)
Food service	1,410,293	1,051,751	445,606	87,064
Interest	252,421	---	---	(252,421)
Unallocated depreciation	2,425,010	---	---	(2,425,010)
Total support services	21,139,900	1,199,481	795,265	(19,145,154)
Total school district	\$ 47,348,478	\$ 2,495,620	\$ 3,766,713	(41,086,145)

General revenues:

Taxes:	
Property taxes, levied for general purposes	28,223,504
Property taxes, levied for debt service	735,000
Property taxes, levied for specific purposes	525,000
Other taxes	75,003
Federal and state aid not restricted to specific purposes:	
General	10,786,608
Other	664,598
Interest and investment earnings	15,768
Loss on asset retirement	(45,098)
Miscellaneous	157,573
Changes in net position	51,811
Net position - beginning of year	23,138,474
Prior period adjustment	(114,479)
Net position - beginning of year as adjusted	23,023,995
Net position - end of year	<u>\$ 23,075,806</u>

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

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2013

	<u>General</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments	\$ 9,751,224	\$ 772,813	\$ 10,524,037
Taxes receivable	7,058,253	---	7,058,253
Accounts receivable	5,938	3,076	9,014
Due from other governments	997,775	52,283	1,050,058
Inventory	5,623	---	5,623
Prepaid expense	163,606	2,231	165,837
Total assets	<u>\$ 17,982,419</u>	<u>\$ 830,403</u>	<u>\$ 18,812,822</u>
 Liabilities and Fund Balances:			
Liabilities:			
Short-term notes payable	\$ 5,300,000	\$ ---	\$ 5,300,000
Accounts payable	544,459	6,357	550,816
Withholdings and related fringes payable	1,657,791	11,761	1,669,552
Accrued interest	16,021	---	16,021
Accrued payroll	1,061,448	1,260	1,062,708
Unearned revenues	62,400	46,752	109,152
Total liabilities	8,642,119	66,130	8,708,249
 Fund Balances:			
Nonspendable	169,229	2,231	171,460
Restricted	---	663,912	663,912
Assigned	---	98,130	98,130
Unassigned	9,171,071	---	9,171,071
Total fund balances	<u>9,340,300</u>	<u>764,273</u>	<u>10,104,573</u>
 Total liabilities and fund balances	 <u>\$ 17,982,419</u>	 <u>\$ 830,403</u>	 <u>\$ 18,812,822</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 Position**

June 30, 2013

Total fund balances - governmental funds \$ 10,104,573

Amounts reported for governmental activities in the statement of net position 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	\$ 48,748,773	
Accumulated depreciation	<u>(24,368,832)</u>	
		24,379,941

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. (3,963,606)

Long-term debt, and related items, are not due and payable in the current period and therefore are not reported in the governmental funds. Debt and related items at year-end consist of:

Bonds payable	5,622,000	
Notes payable	750,000	
Unamortized premium on issuance	35,493	
Unamortized loss on refunding	(1,278)	
Capital leases	937,617	
Compensated absences	<u>63,727</u>	
		(7,407,559)

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 governmental funds. (50,476)

Total net position - governmental activities \$ 23,075,806

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, 2013

	<u>General</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Local	\$ 28,971,688	\$ 2,428,564	\$ 31,400,252
Interdistrict payments within Wisconsin	605,499	---	605,499
Intermediate sources	31,065	---	31,065
State	13,609,955	19,094	13,629,049
Federal	1,195,437	426,512	1,621,949
Other	105,274	52,300	157,574
Total revenues	<u>44,518,918</u>	<u>2,926,470</u>	<u>47,445,388</u>
Expenditures:			
Instruction:			
Current	25,070,497	73,173	25,143,670
Interdistrict	602,730	---	602,730
Capital outlay	14,379	28,405	42,784
Support Services:			
Current	16,633,527	1,604,450	18,237,977
Capital outlay	531,182	568,861	1,100,043
Debt service	210,085	1,948,869	2,158,954
Total expenditures	<u>43,062,400</u>	<u>4,223,758</u>	<u>47,286,158</u>
Excess (deficiency) of revenues over (under) expenditures	1,456,518	(1,297,288)	159,230
Other Financing Sources (uses):			
Operating transfers in	---	715,896	715,896
Operating transfers out	(715,896)	---	(715,896)
Other financing sources - proceeds on sale of assets	26,339	---	26,339
Capital lease proceeds	470,678	---	470,678
Total other financing sources (uses)	<u>(218,879)</u>	<u>715,896</u>	<u>497,017</u>
Net change in fund balances	1,237,639	(581,392)	656,247
Fund Balances - Beginning of year	<u>8,102,661</u>	<u>1,345,665</u>	<u>9,448,326</u>
Fund Balances - End of year	<u>\$ 9,340,300</u>	<u>\$ 764,273</u>	<u>\$ 10,104,573</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, 2013

Total net change in fund balances - governmental funds		\$ 656,247
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	\$ (2,425,010)	
Capital outlays	<u>1,142,827</u>	(1,282,183)
Some of the capital assets acquired this year were financed with capital leases. The amount financed by the leases is reported in the governmental funds as a source of financing. On the other hand, the capital leases are not revenues in the statement of activities, but rather constitute long-term liabilities in the statement of net position.		
		(470,678)
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	26,339	
Losses on disposal	<u>45,098</u>	(71,437)
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 position.		
Bonds payable	1,230,000	
State trust fund loans	23,109	
Notes payable	85,000	
Capital leases	<u>546,110</u>	1,884,219
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.		
		(707,332)
Amortization reduces the balance of the respective deferred inflow/outflow. The amortization is an expenditure in the statement of net position, but is not shown in the governmental funds.		
Unamortized premium on debt issuance	12,096	
Unamortized loss on refunding	<u>(4,638)</u>	7,458
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.		
		18,430
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.		
		<u>17,087</u>
Change in net position of governmental activities		<u>\$ 51,811</u>

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

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Statement of Fiduciary Net Position

June 30, 2013

	<u>Private</u> <u>Purpose Trusts</u>	<u>Agency</u> <u>Fund</u>
Assets:		
Cash and investments	\$ 31,923	\$ 344,820
	<hr/>	<hr/>
Liabilities:		
Due to student groups	---	344,820
	<hr/>	<hr/>
Net position:		
Restricted	31,923	---
Total net position	<u>\$ 31,923</u>	<u>\$ ---</u>

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2013

	<u>Private</u> <u>Purpose Trusts</u>
Additions:	
Interest	\$ 47
Gifts	1,025
Total additions	<hr/> 1,072
Deductions:	
Trust fund disbursements	<hr/> 3,300
Change in net position	(2,228)
Net position - June 30, 2012	<hr/> 34,151
Net position - June 30, 2013	<u><u>\$ 31,923</u></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, 2013

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 in the United States of America (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 position 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, 2013
(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 resources 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, 2013
(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. The District tax levy is certified in November of the current fiscal year for collection by the taxing municipalities based on the past October 1 full or "equalized" taxable property values. The District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. 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.

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, 2013 are as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Transfers:			
Debt payment	Debt Service – Non-referendum	General	\$ <u>715,896</u>

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2013
(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 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. Adoption of New Accounting Guidance

The District implemented GASB Statement 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*. The adoption of this pronouncement has no material effect on the financial statements.

The District implemented GASB Statement 65, *Items Previously Reported as Assets and Liabilities*. See footnote 15 for additional information.

J. Net Position

The Government Accounting Standards Board (GASB) has issued Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position (GASB 63)*. GASB 63 establishes standards for reporting deferred outflows and inflows of resources and net position. Under GASB 63, the District classifies net position in the government wide financial statements as follows:

- *Net Investment in Capital Assets* – includes the District’s capital assets (net of accumulated depreciation) reduced by the outstanding balances of any borrowings attributable to the acquisition, construction or improvement for those assets.
- *Restricted Net Position* – includes assets that have limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.
- *Unrestricted Net Position* – includes unrestricted liquid assets

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

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

1. Summary of Significant Accounting Policies (Continued)

K. Fund Balances

The Government Accounting Standards Board (GASB) defines the different types of fund balances that a governmental entity must use for financial reporting purposes. GASB 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.
- *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.

L. Accumulated Unpaid Vacation and Sick Pay

As of June 30, 2013 support staff is 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 paid out in cash or towards the continuing monthly health insurance premium determined by whether or not the employee was a participant in the district's health insurance plan at the time of retirement. Professional/technical staff is granted one and a half paid leave days per month worked cumulative to a maximum of one-hundred twenty days. Upon retirement, the employee shall receive a severance payment computed on the basis of one-half of the then current daily rate of pay for the employee for all unused accumulated sick leave days up to a maximum of thirty-five days. There is no payout of sick time upon termination or retirement for teachers. On June 30, 2013 the agreement between the District and the AFSCME support staff expired. Since then no new policies have been approved by the school board.

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.

M. 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.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

1. Summary of Significant Accounting Policies (Continued)

N. 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.

O. Subsequent Events

Management has evaluated all subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (November 01, 2013). Except for the information in Note 3 regarding short-term borrowing and Note 6 regarding subsequent lease agreement for computers, there were no subsequent events that required recognition or disclosure.

2. Cash and Investments

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

	<u>Amount</u>	<u>Risks</u>
Cash and investments		
Petty cash	\$ 3,535	
Demand deposits	1,126,713	Custodial
Local government investment pool	<u>9,770,532</u>	Custodial
Total cash and equivalents	<u>\$ 10,900,780</u>	

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

Statement of net position:	
Cash and investments	\$ 10,524,037
Statement of fiduciary net position:	
Cash and investments	<u>376,743</u>
Total cash and investments	<u>\$ 10,900,780</u>

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. 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.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

2. Cash and Investments (Continued)

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 \$1,126,713 at June 30, 2013 and the bank's carrying value was \$2,037,772, of which \$650,000 was fully insured and \$1,387,772 was uninsured and uncollateralized. 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.

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.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

3. Short-Term Notes Payable

Short-term notes payable at June 30, 2013 are as follows:

<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>
\$ 5,800,000	\$ 5,300,000	\$ 5,800,000	\$ 5,300,000

The note was dated October 26, 2012, due November 1, 2013, with an interest rate of 0.446%. Interest for the year ended June 30, 2013 was \$27,333. The note is for general district operation. Subsequent to year end, this note was paid off and a new note in the amount of \$4,000,000 was entered into.

4. Capital Assets

Capital asset balances and activity for the year ended June 30, 2013 were as follows:

	<u>Balance</u> <u>July 1, 2012</u>	<u>Additions</u>	<u>Reductions</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets not being depreciated:				
Sites	\$ 926,649	\$ ---	\$ ---	\$ 926,649
Capital assets being depreciated:				
Buildings and improvements	42,547,686	603,708	---	43,151,394
Equipment	4,785,742	539,119	654,131	4,670,730
Total capital assets being depreciated	47,333,428	1,142,827	654,131	47,822,124
Less accumulated depreciation	22,526,516	2,425,010	582,694	24,368,832
Total capital assets being depreciated, net of accumulated depreciation	24,806,912	(1,282,183)	71,437	23,453,292
Governmental activities capital assets, net of accumulated depreciation	\$ 25,733,561	\$ (1,282,183)	\$ 71,437	\$ 24,379,941

Depreciation expense of \$2,425,010 was charged to unallocated depreciation on the statement of activities. The District has acquired capital assets with an original cost of \$3,888,264 under capital lease agreements.

5. Deferred Outflows and Inflows of Resources

The Government Accounting Standards Board (GASB) has issued Statement No. 65, Items Previously Reported as Assets and Liabilities (GASB 65). Under GASB 65, in addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows and inflows of resources.

The separate financial statement element, deferred outflows of resources, represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expense/expenditure) until then. The District has one item that qualifies for reporting in this category. It is the unamortized loss on refunding reported in the government-wide statement of net position. An unamortized loss on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

The separate financial statement element, deferred inflows of resources, represents an increase in net position or fund balance that applies to a future period(s) and thus, will not be recognized as an inflow of resources (revenue) until then. The District has only one item that qualifies for reporting in this category. It is the unamortized premium on debt issuance reported in the government-wide statement of net position. An unamortized premium results from the difference between the par-value or face-value of a bond and the price above this face value, at which the bond has been issued. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

6. Long-Term Liabilities

Long-term Liabilities of the District are as follows:

<u>Type</u>	Balance July 1, 2012	Additions	Reductions	Balance June 30, 2013	Amounts due within one year
G.O. Bonds	\$ 4,775,000	\$ ---	\$ 1,230,000	\$ 3,545,000	\$ 550,000
Qualified School Construction Bond	2,077,000	---	---	2,077,000	---
G.O. Note	835,000	---	85,000	750,000	85,000
State Trust Fund	23,109	---	23,109	---	---
Subtotal	<u>7,710,109</u>	---	<u>1,338,109</u>	<u>6,372,000</u>	<u>635,000</u>
Compensated absences	82,157	---	18,430	63,727	---
Capitalized leases	1,013,049	470,678	546,110	937,617	492,739
Total	<u>\$ 8,805,315</u>	<u>\$ 470,678</u>	<u>\$ 1,902,649</u>	<u>\$ 7,373,344</u>	<u>\$ 1,127,739</u>

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2013 on long-term liabilities was \$248,932 and \$231,845, respectively.

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

General obligation debt at June 30, 2013 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, 2013</u>
\$4,295,000 G.O. Refunding bond	3/21/11	1.00% - 4.40%	4/1/21	\$ 3,545,000
\$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	750,000
Total				<u>\$ 6,372,000</u>

The 2012 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,860,344,127. The legal debt limit and margin of indebtedness as of June 30, 2013, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$2,860,344,127)	\$ 286,034,413
Deduct long-term debt applicable to debt margin	<u>6,372,000</u>
Margin of indebtedness	<u>\$ 279,662,413</u>

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

6. Long-Term Liabilities (Continued)

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2013 follow:

Year Ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Total</u>
2014	\$ 1,127,739	\$ 189,138	\$ (52,300)	\$ 1,952,529
2015	903,393	182,184	(52,300)	1,033,277
2016	756,485	161,983	(52,300)	866,168
2017	645,000	145,738	(52,300)	738,438
2018	465,000	128,750	(52,300)	541,450
2019-2023	3,107,000	405,998	(261,500)	3,251,498
2024-2028	305,000	52,300	(52,300)	305,000
	<u>\$ 7,309,617</u>	<u>\$ 1,266,091</u>	<u>\$ (575,300)</u>	<u>\$ 8,688,360</u>

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

Year ended <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 28,083	\$ ---	\$ 28,083
2015	24,938	3,146	28,084
2016	25,855	2,228	28,083
2017	26,946	1,137	28,083
Totals	<u>\$ 105,822</u>	<u>\$ 6,511</u>	<u>\$ 112,333</u>

7. 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, 2013:

<u>Fund 10:</u>	
Regular curriculum	\$ 12,099
Vocational curriculum	30,563
School building administration	175,986
Central services	364,511
Debt services	8,308
Other support services	16,358
<u>Fund 27:</u>	
Pupil services	\$ 59,320

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

8. Fund Balances

As of June 30, 2013, 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	\$ 163,606	\$ ---	\$ ---
Inventory	5,623	---	---
Special revenue trust	---	36,878	---
Debt service	---	1,333	---
Food service:			
Prepaid expenses	2,231	---	---
Food service program	---	446,985	---
Capital projects	---	178,716	---
Community service	---	---	98,130
Total	\$ 171,460	\$ 663,912	\$ 98,130

9. 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 1,200 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.

The employee required contribution is 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 2012 for employee and employer were 5.9%; this increased to 6.65% in 2013. During the year ended June 30, 2013, the District paid 100% of employee contribution for the AFSCME support staff per contract requirements.

The payroll for Germantown School District employees covered by the WRS for the year ended June 30, 2013 was \$22,799,540; the employers total payroll was \$24,580,780. The total required contribution for the year ended June 30, 2013 was \$2,905,710, which consisted of \$1,452,855, or 6.4% of payroll from the employer and \$1,452,855, or 6.4% of payroll from employees. Total contributions for the year ending June 30, 2012 and 2011 were \$2,699,060 and \$2,850,901, respectively, equal to the required contributions for each year.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

9. Employee Retirement Plans (Continued)

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings 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.

10. 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>

For fiscal year 2013, the District paid \$879,714 to eligible retirees. In addition the District had an implicit rate subsidy that it "funded" for fiscal year 2013 in the amount of \$470,414.

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. 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		162,814
Adjustment to annual required contribution		<u>(144,210)</u>
Annual OPEB cost (expense)		2,057,460
Contributions made		<u>(1,350,128)</u>
Increase in net OPEB obligation		707,332
Net OPEB obligation (liability) – beginning of year		<u>3,256,274</u>
Net OPEB obligation (liability) – end of year	\$	<u><u>3,963,606</u></u>

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

10. Other Post-Employment Benefits (Continued)

The District's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the year ended June 30, 2013 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
2013	\$ 2,057,460	65.6%	\$ 3,963,606
2012	2,053,546	66.6%	3,256,274
2011	2,049,353	64.2%	2,571,188

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. 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.

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%

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2013
(Continued)

11. 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

A district may adopt a resolution to increase its revenue limit by the amount spent by the school district in that school year on a project to implement energy efficiency measures or to purchase energy efficiency projects.

12. 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.

13. Commitments and Contingencies

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, 2013, are not likely to have a material adverse impact on the District's financial position.

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

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, 2013 totaled \$50,475.

15. Prior-Period Adjustment

The Government Accounting Standards Board (GASB) has issued Statement No. 65, Items Previously Reported as Assets and Liabilities (GASB 65). Under GASB 65 debt issuance costs are no longer recorded as an asset and amortized over the life of the related debt issue. Debt issuance costs are now expensed in the current period. As a result, an adjustment of \$114,479 was made to decrease June 30, 2012 net position and to decrease noncurrent assets by eliminating deferred loan costs.

REQUIRED SUPPLEMENTARY INFORMATION

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
Local	\$ 30,323,550	\$ 28,940,454	\$ 28,971,688	\$ 31,234
Interdistrict payments within Wisconsin	608,473	593,887	591,810	(2,077)
Intermediate sources	15,000	11,589	20,008	8,419
State	10,235,984	11,741,126	11,744,232	3,106
Federal	167,793	206,611	182,644	(23,967)
Other	61,500	61,500	84,457	22,957
Total revenues	<u>41,412,300</u>	<u>41,555,167</u>	<u>41,594,839</u>	39,672
Expenditures:				
Instruction:				
Current	19,716,228	19,489,035	19,203,933	285,102
Interdistrict	479,500	540,000	483,124	56,876
Capital outlay	16,850	16,850	14,379	2,471
Support Services:				
Current	14,872,825	15,407,351	15,042,284	365,067
Capital outlay	93,840	93,840	531,182	(437,342)
Debt service	226,795	194,700	203,008	(8,308)
Total expenditures	<u>35,406,038</u>	<u>35,741,776</u>	<u>35,477,910</u>	263,866
Excess of revenues over expenditures	6,006,262	5,813,391	6,116,929	303,538
Other Financing Sources (uses):				
Operating transfers out	(6,004,263)	(5,766,142)	(5,376,307)	(389,835)
Capital lease proceeds	---	---	470,678	470,678
Other financing sources - proceeds on sale of assets	---	---	26,339	26,339
Total other financing sources (uses)	<u>(6,004,263)</u>	<u>(5,766,142)</u>	<u>(4,879,290)</u>	107,182
Net change in fund balances	1,999	47,249	1,237,639	(1,190,390)
Fund Balances - Beginning of year	<u>8,102,661</u>	<u>8,102,661</u>	<u>8,102,661</u>	---
Fund Balances - End of year	<u>\$ 8,104,660</u>	<u>\$ 8,149,910</u>	<u>\$ 9,340,300</u>	<u>\$ (1,190,390)</u>

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Budgetary Comparison Schedule

Special Education Fund

Year Ended June 30, 2013

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
Interdistrict payments within Wisconsin	\$ ---	\$ ---	\$ 13,689	\$ 13,689
Intermediate sources	15,000	15,000	11,057	(3,943)
State	1,857,067	1,748,025	1,865,723	117,698
Federal	871,389	871,389	1,012,793	141,404
Other	---	---	20,817	20,817
Total revenues	<u>2,743,456</u>	<u>2,634,414</u>	<u>2,924,079</u>	289,665
Expenditures:				
Instruction:				
Current	6,395,244	5,918,839	5,866,564	52,275
Interdistrict	100,000	100,000	119,606	(19,606)
Support Services:				
Current	1,529,295	1,658,537	1,591,243	67,294
Debt service	8,000	8,000	7,077	923
Total expenditures	<u>8,032,539</u>	<u>7,685,376</u>	<u>7,584,490</u>	100,886
Excess (deficiency) of revenues over (under) expenditures	(5,289,083)	(5,050,962)	(4,660,411)	390,551
Other Financing Sources:				
Operating transfers in	<u>5,289,083</u>	<u>5,050,962</u>	<u>4,660,411</u>	390,551
Net change in fund balances	---	---	---	---
Fund Balances - Beginning of year	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>
Fund Balances - End of year	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>	<u>\$ ---</u>

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Schedule of Funding Progress

Year Ended June 30, 2013

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, 2013

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percent Contributed
2011	\$ 2,038,856	\$ 1,315,596	64.5%
2012	2,038,856	1,368,460	67.1%
2013	2,038,856	1,350,128	66.2%

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Required Supplementary Information
June 30, 2013

Note A – Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1.D to the financial statements; however, the District adopts a budget for the special education fund which is reported with the general fund in accordance with generally accepted accounting principles. An explanation of the differences between revenues, expenditures, and other financing sources (uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below.

	General Fund	Special Education Fund	
Revenues			
Actual amounts (budgetary basis)	\$ 41,594,839	\$ 2,924,079	
Reclassification of special education	2,924,079	(2,924,079)	
Total revenues (GAAP)	44,518,918	---	
Expenditures			
Actual amounts (budgetary basis)	35,477,910	7,584,490	
Reclassification of special education	7,584,490	(7,584,490)	
Total expenditures (GAAP)	43,062,400	---	
Excess of Revenues Over (Under) Expenditures			
Actual amounts (budgetary basis)	6,116,929	(4,660,411)	
Reclassification of special education	(4,660,411)	4,660,411	
Excess of revenues over (under) expenditures (GAAP)	1,456,518	---	
Other Financing Sources (Uses)			
Actual amounts (budgetary basis)	(4,879,290)	4,660,411	
Reclassification of special education	4,660,411	(4,660,411)	
Total other financing sources (uses) (GAAP)	(218,879)	---	
Net Change in Fund Balance			
Actual amounts (budgetary basis and GAAP)	1,237,639	---	
Fund Balance – Beginning of year			
Actual amounts (budgetary basis and GAAP)	8,102,661	---	
Fund Balance – End of year			
Actual amounts (budgetary basis and GAAP)	\$ 9,340,300	\$ ---	

OTHER SUPPLEMENTARY INFORMATION

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2013

	Special						
	Revenue	Debt	Food	Community	Capital		
	Trust	Service	Service	Service	Projects	Total	
Assets:							
Cash and investments	\$ 38,337	\$ 1,333	\$ 454,423	\$ 100,004	\$ 178,716	\$ 772,813	
Accounts receivable	1,066	---	---	2,010	---	3,076	
Due from other governments	---	---	52,283	---	---	52,283	
Prepaid expense	---	---	2,231	---	---	2,231	
Total assets	\$ 39,403	\$ 1,333	\$ 508,937	\$ 102,014	\$ 178,716	\$ 830,403	
Liabilities and Fund Balances:							
Liabilities:							
Accounts payable	\$ 2,525	\$ ---	\$ 884	\$ 2,948	\$ ---	\$ 6,357	
Withholdings and related fringes payable	---	---	10,825	936	---	11,761	
Accrued payroll	---	---	1,260	---	---	1,260	
Unearned revenues	---	---	46,752	---	---	46,752	
Total liabilities	2,525	---	59,721	3,884	---	66,130	
Fund Balances:							
Nonspendable	---	---	2,231	---	---	2,231	
Restricted	36,878	1,333	446,985	---	178,716	663,912	
Assigned	---	---	---	98,130	---	98,130	
Total fund balances	36,878	1,333	449,216	98,130	178,716	764,273	
Total liabilities and fund balances	\$ 39,403	\$ 1,333	\$ 508,937	\$ 102,014	\$ 178,716	\$ 830,403	

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, 2013**

	Special Revenue <u>Trust</u>	Debt <u>Service</u>	Food <u>Service</u>	Community <u>Service</u>	Capital <u>Projects</u>	<u>Total</u>
Revenues:						
Local	\$ 107,214	\$ 735,267	\$ 1,052,428	\$ 108,140	\$ 425,515	\$ 2,428,564
State	---	---	19,094	---	---	19,094
Federal	---	---	426,512	---	---	426,512
Other	---	52,300	---	---	---	52,300
Total revenues	<u>107,214</u>	<u>787,567</u>	<u>1,498,034</u>	<u>108,140</u>	<u>425,515</u>	<u>2,926,470</u>
Expenditures:						
Instruction:						
Current	73,173	---	---	---	---	73,173
Capital outlay	28,405	---	---	---	---	28,405
Support Services:						
Current	2,188	---	1,402,340	94,530	105,392	1,604,450
Capital outlay	15,832	---	---	---	553,029	568,861
Debt service	---	1,552,321	---	---	396,548	1,948,869
Total expenditures	<u>119,598</u>	<u>1,552,321</u>	<u>1,402,340</u>	<u>94,530</u>	<u>1,054,969</u>	<u>4,223,758</u>
Excess (deficiency) of revenues over (under) expenditures	(12,384)	(764,754)	95,694	13,610	(629,454)	(1,297,288)
Other Financing Sources:						
Operating transfers in	---	715,896	---	---	---	715,896
Net change in fund balances	(12,384)	(48,858)	95,694	13,610	(629,454)	(581,392)
Fund Balances - Beginning 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>
Fund Balances - End of year	<u>\$ 36,878</u>	<u>\$ 1,333</u>	<u>\$ 449,216</u>	<u>\$ 98,130</u>	<u>\$ 178,716</u>	<u>\$ 764,273</u>

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Agency Fund - Schedule of Changes in Assets and Liabilities

June 30, 2013

	<u>Balance</u>				<u>Balance</u>
	<u>June 30, 2012</u>	<u>Additions</u>	<u>Deductions</u>		<u>6/30/13</u>
Assets:					
Cash and investments	\$ 308,221	\$ 1,272,532	\$ 1,235,933	\$	344,820
Liabilities:					
Due to student groups:					
Germantown High School	\$ 240,404	\$ 1,026,074	\$ 1,002,066	\$	264,412
Kennedy Middle School	35,022	152,217	145,496		41,743
MacArthur Elementary School	13,935	21,499	16,817		18,617
Rockfield Elementary School	3,186	6,878	5,849		4,215
Amy Belle Elementary School	2,116	14,524	14,537		2,103
County Line Elementary School	13,558	51,340	51,168		13,730
Total liabilities	<u>\$ 308,221</u>	<u>\$ 1,272,532</u>	<u>\$ 1,235,933</u>	<u>\$</u>	<u>344,820</u>

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Schedule of Expenditures of State Awards

Year Ended June 30, 2013

Awarding Agency	State	Accrued or		State	Accrued or
Pass-Through Agency	I.D.	(Unearned)		Disbursements/	(Unearned)
<u>Award Description</u>	<u>Number</u>	Revenue at	<u>Receipts</u>	<u>Expenditures</u>	Revenue at
		<u>7/1/12</u>			<u>6/30/13</u>
Wisconsin Department of Public Instruction					
Special education and school-age parents **	255.101	\$ ---	\$ 1,825,540	\$ 1,825,540	\$ ---
State school lunch	255.102	---	16,252	16,252	---
Common school fund library aid	255.103	---	150,327	150,327	---
Pupil transportation	255.107	---	137,407	137,407	---
Equalization aids	255.201	163,797	10,679,988	10,714,536	198,345
Integration aid	255.204	---	229,311	229,311	---
High cost special education	255.210	---	40,183	40,183	---
Peer review and mentoring	255.301	---	---	4,462	4,462
Alcohol and other drug abuse	255.306	---	831	831	---
School breakfast program	255.344	---	2,842	2,842	---
Per pupil adjustment aid	255.925	---	199,650	199,650	---
Passed through CESA 1:					
Special education and school-age parents	255.101	---	11,057	11,057	---
Project Lead the Way, Inc.					
Project Lead the Way	255.923	---	5,000	5,000	---
Wisconsin Department of Workforce Development					
Passed through CESA 6:					
Youth apprenticeship program	445.112	1,650	1,650	---	---
Total		<u>\$ 165,447</u>	<u>\$ 13,300,038</u>	<u>\$ 13,337,398</u>	<u>\$ 202,807</u>

** Total DPI aidable expenditures for the year ended June 30, 2013 were \$6,566,007.

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2013

Awarding Agency	Federal	Accrued or			Accrued or
Pass-Through Agency	Catalog	(Unearned)	Revenue at	Federal	(Unearned)
<u>Award Description</u>	<u>Number</u>	<u>7/1/12</u>	<u>Receipts</u>	<u>Disbursements/</u>	<u>Revenue at</u>
				<u>Expenditures</u>	<u>6/30/13</u>
U.S. Department of Agriculture					
Passed through Wisconsin Department of Public Instruction:					
<i>Child Nutrition Cluster:</i>					
Donated Commodities	10.555	\$ ---	\$ 113,097	\$ 113,097	\$ ---
Food Service Aid - Breakfast	10.553	4,909	26,071	25,819	4,657
Food Service Aid - Lunch	10.555	43,661	283,135	286,974	47,500
Food Service Aid - Milk	10.556	119	616	622	125
<i>Total Child Nutrition Cluster</i>		<u>48,689</u>	<u>422,919</u>	<u>426,512</u>	<u>52,282</u>
Total U.S. Department of Agriculture		<u>48,689</u>	<u>422,919</u>	<u>426,512</u>	<u>52,282</u>
U.S. Department of Health and Human Services					
Passed through the Wisconsin Department of Health Services:					
Medical Assistance Program	93.778	<u>69,548</u>	<u>247,850</u>	<u>185,040</u>	<u>6,738</u>
U.S. Department of Education					
Passed through Wisconsin Department of Public Instruction:					
<i>Special Education Cluster:</i>					
IDEA Discretionary	84.027	---	---	1,344	1,344
IDEA Flow Through	84.027	86,549	528,742	792,304	350,111
IDEA Preschool Entitlement	84.173	<u>3,421</u>	<u>33,669</u>	<u>34,105</u>	<u>3,857</u>
<i>Total Special Education Cluster</i>		<u>89,970</u>	<u>562,411</u>	<u>827,753</u>	<u>355,312</u>
ESEA Title II-A Teacher Principal Training	84.367	24,918	77,287	52,812	443
ESEA Title I-A Basic Grant (LEA)	84.010	36,554	137,835	129,832	28,551
Passed through CESA 6:					
Carl Perkins	84.048	---	5,978	14,786	8,808
Passed through CESA 1:					
Title III	84.365	<u>---</u>	<u>---</u>	<u>5,222</u>	<u>5,222</u>
Total U.S. Department of Education		<u>151,442</u>	<u>783,511</u>	<u>1,030,405</u>	<u>398,336</u>
Total		<u>\$ 269,679</u>	<u>\$ 1,454,280</u>	<u>\$ 1,641,957</u>	<u>\$ 457,356</u>

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Schedules of Expenditures of Federal and State Awards
June 30, 2013

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.

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

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, 2013, which collectively comprise the District's basic financial statements and have issued our report thereon dated November 01, 2013. The report on the District's basic financial statements as listed in the table of contents was qualified because we were unable to obtain an updated actuarial valuation of other post-employment benefits from the District to properly calculate the District's accrued liability for post-employment benefits, which is included in the government-wide financial statements and described in Note 10 to the financial statements. Except as described in the preceding sentence, we conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we do not express an opinion on the effectiveness of the District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or 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. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

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

Milwaukee, Wisconsin
November 01, 2013

Steven R. Volz
Thomas G. Wieland
David A. Grotkin
Joel A. Joyce



Brian J. Mechenich
Carrie A. Gindt
Patrick G. Hoffert
Jason J. Wrasse

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE AS REQUIRED BY OMB CIRCULAR A-133 AND STATE SINGLE AUDIT GUIDELINES

To the School Board
Germantown School District
Germantown, Wisconsin

Report on Compliance for Each Major Federal and State Program

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 could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2013. 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.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; 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 and State Single Audit Guidelines require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination on the District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and State Single Audit Guidelines and which are described in the accompanying schedule of findings and questioned costs as items 2013-001 through 2013-004. Our opinion on each major federal and state program is not modified with respect to these matters.

The District's responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance; such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of 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 over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for other purposes.

Milwaukee, Wisconsin
November 01, 2013

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2013

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.

Status: This condition had not changed as of June 30, 2013; however, the District has implemented an updated unusually hazardous transportation plan effective July 2013.

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.

Status: All Common School Funds were spent in fiscal year 2013.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|--|-----------|
| 1. Type of auditor's report issued: | Qualified |
| 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: | Unmodified |
| 6. Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? | Yes |
| 7. Identification of major programs: | |

CFDA Number(s)

Name of Federal Program or Cluster

Special Education Cluster:

84.027	IDEA Flow Through
84.027	IDEA Seclusion & Restraint Training Grant
84.173	IDEA Preschool Entitlement

- | | |
|--|-----------|
| 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, 2013

(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: Unmodified

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
255.107	Pupil Transportation
255.201	Equalization Aid
255.925	Per Pupil 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, 2013

(Continued)

Section III - Federal and State Award Findings and Questioned Costs

Finding 2013-001 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 did not have an approved updated unusually hazardous transportation plan in effect as of June 30, 2013. While the District did update its plan during July 2013, the plan must be approved by DPI on or before June 30th of the school year being audited.

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 agrees with the findings and discussed the matter with GoRiteway officials. For additional information regarding the District's response one can contact Ric Ericksen, Business Manager at (262) 253-3908.

Finding 2013-002 Transportation Testing

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

Condition and Criteria: Districts are required to report the number of pupils receiving home to school transportation (using the most direct route) into mileage categories established by state statutes. The District had two pupils in the sample selected that did not live within the mileage range reported to DPI.

Effect: The District may have received more aid than they were eligible for.

Cause: The District incorrectly included a pupils who live five miles from the school in the over 5-8 miles category. The pupils should have been reported in the over 2-5 mile category.

Auditor's Recommendation: We recommend that the District review the data for accuracy prior to filing reports with DPI.

District's Response: The District agrees with the findings and discussed the matter with GoRiteway officials. 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, 2013

(Continued)

Section III - Federal and State Award Findings and Questioned Costs (Continued)

Finding 2013-003 Time and Effort Reporting

Department: United States Department of Education
Program Name: Special Education Cluster
Federal #: 84.027 and 84.173

Condition and Criteria: Federal award guidelines state an employee who works, in whole or in part, on a federal program or cost objective must document their time and effort spent working on each federal program or cost objective. An employee who works solely on a single cost objective must furnish a semi-annual certification that he/she has been engaged solely in activities that support the single cost objective. An employee who works on multiple activities or cost objectives must complete a personnel activity report which demonstrates the amount of actual time spent working on the federal grant objectives, on at least a monthly basis. The District was unable to provide sufficient time and effort reporting for an employee selected for testing who was funded by a federal program.

Questioned Costs: We tested \$2,109 of salary and benefits costs for the special education cluster for which there was no time and effort reporting. Because there was no time and effort documentation the entire sum of these amounts is a questioned cost.

Effect: The District is not in compliance with the federal requirement requiring time and effort reporting for all employees who work on Federal programs.

Cause: The District was not aware that time and effort reporting was required because the employee was charged to the special education cluster for assisting a special education student participating in extracurricular activities.

Recommendation: We recommend that the District review the federal award guidelines related to time and effort reporting and implement a process to ensure all required employees are tracking their time and effort worked on federal programs.

District's Response: The special education director has reviewed the time and effort requirement and has implemented a process where all required employees are tracking their time and effort.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Schedule of Findings and Questioned Costs

Year Ended June 30, 2013

(Continued)

Section III - Federal and State Award Findings and Questioned Costs (Continued)

Finding 2013-004 Special Education and School-Age Parents

Department: Wisconsin Department of Public Instruction
Program Name: Special Education and School-Age Parents
State I.D. #: 255.101

Condition and Criteria: The District claimed salary and benefits of a special education aide employee whose license had expired.

Questioned Costs: \$22,795 in salaries and benefits

Effect: The District charged disallowed costs to projects 011.

Cause: This occurred because the District did not follow DPI's instructions regarding special education licensing requirements and allowable costs.

Auditor's Recommendation: The District should review DPI's report: *Valid Reporting and License Codes for Special Education Staff*. The District should also review personnel files regularly, to ensure that employees all have current licenses.

District's Response: The District paid for this individual's license renewal and submitted the application. However, the application was not signed or notarized so DPI mailed the incomplete application back to the teacher. The District was not made aware that the application had be returned for resubmission.

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 November 01, 2013