

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Audited Financial Statements
Year Ended June 30, 2014

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GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

AUDITED FINANCIAL STATEMENTS
Year Ended June 30, 2014

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Independent Auditors' Report

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, 2014, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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.

Opinion

In our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2014, and the respective changes in financial position, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and 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 are not a required part of the financial statements. The schedule of expenditures of federal awards and schedule of expenditures of state awards is presented for purposes of additional analysis as required by U.S. Office of Management, Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and *State Single Audit Guidelines*, and is also not a required part of the basic financial statements.

The financial information listed in the table of contents as other supplementary information is the responsibility of management and was derived from and relate 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.

Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated October 22, 2014, 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.

October 22, 2014
Milwaukee, Wisconsin

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Statement of Net Position

June 30, 2014

	Governmental Activities
Assets:	
Cash and investments	\$ 10,844,302
Taxes receivable	6,410,790
Accounts receivable	29,543
Due from agency fund	45,372
Due from other governments	993,090
Inventory	17,005
Prepaid expense	57,063
Capital assets:	
Land and construction in progress	947,955
Other capital assets, net of accumulated depreciation	21,621,845
Net capital assets	<u>22,569,800</u>
Total assets	40,966,965
Liabilities:	
Short-term notes payable	4,000,000
Accounts payable	379,514
Withholdings and related fringes payable	1,497,969
Accrued interest	60,002
Accrued payroll	865,382
Unearned revenues	112,198
Current portion of long-term debt	943,416
Long-term liabilities:	
Long-term debt, net of current portion	5,412,173
Accrued liability for post-employment benefit	4,638,373
Unamortized premium on issuance	<u>31,300</u>
Total liabilities	17,940,327
Net Position:	
Net investment in capital assets	19,249,096
Restricted for:	
Capital projects	544,493
Food service	465,665
Other activities	53,638
Unrestricted	<u>2,713,746</u>
Total net position	<u><u>\$ 23,026,638</u></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, 2014

	Program Revenues			Net
	Expenses	Charges for	Operating	(Expenses)
		Services	Grants and	Revenues and
			Contributions	Changes in
				Net Position
Governmental activities:				
Instruction:				
Regular instruction	\$ 17,120,643	\$ 1,257,428	\$ 325,480	\$ (15,537,735)
Special education instruction	6,023,346	21,108	2,981,897	(3,020,341)
Vocational instruction	1,205,363	---	---	(1,205,363)
Other instruction	1,808,318	79,793	---	(1,728,525)
Total instruction	26,157,670	1,358,329	3,307,377	(21,491,964)
Support services:				
Pupil services	2,235,374	---	---	(2,235,374)
Instructional staff services	2,084,051	---	153,042	(1,931,009)
Administration services	3,281,470	---	---	(3,281,470)
Operation and maintenance of plant	4,463,469	4,200	---	(4,459,269)
Pupil transportation	2,774,930	140,622	118,201	(2,516,107)
Central services	1,425,636	---	---	(1,425,636)
Other support services	1,243,409	---	---	(1,243,409)
Community services	96,683	14,840	---	(81,843)
Food service	1,366,295	937,988	470,864	42,557
Interest	230,871	---	---	(230,871)
Unallocated depreciation	2,504,860	---	---	(2,504,860)
Total support services	21,707,048	1,097,650	742,107	(19,867,291)
Total school district	\$ 47,864,718	\$ 2,455,979	\$ 4,049,484	(41,359,255)

General revenues:

Taxes:	
Property taxes, levied for general purposes	27,092,259
Property taxes, levied for specific purposes	1,100,000
Other taxes	342,368
Federal and state aid not restricted to specific purposes:	
General	11,943,752
Other	662,689
Interest and investment earnings	8,606
Gain on asset retirement	14,266
Miscellaneous	146,147
Changes in net position	(49,168)
Net position - beginning of year	23,075,806
Net position - end of year	\$ 23,026,638

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

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

**Balance Sheet
Governmental Funds**

June 30, 2014

	<u>General</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Assets:			
Cash and investments	\$ 9,570,883	\$ 1,273,419	\$ 10,844,302
Taxes receivable	6,410,790	---	6,410,790
Accounts receivable	27,323	2,220	29,543
Due from agency fund	45,372	---	45,372
Due from other governments	963,856	16,301	980,157
Inventory	17,005	---	17,005
Prepaid expense	57,063	---	57,063
Total assets	<u>\$ 17,092,292</u>	<u>\$ 1,291,940</u>	<u>\$ 18,384,232</u>
 Liabilities and Fund Balances:			
Liabilities:			
Short-term notes payable	\$ 4,000,000	\$ ---	\$ 4,000,000
Accounts payable	338,318	41,196	379,514
Withholdings and related fringes payable	1,483,360	14,609	1,497,969
Accrued interest	11,493	---	11,493
Accrued payroll	857,435	7,947	865,382
Unearned revenues	64,900	47,298	112,198
Total liabilities	6,755,506	111,050	6,866,556
 Fund Balances:			
Nonspendable	74,068	---	74,068
Restricted	---	1,063,796	1,063,796
Committed	574,010	---	574,010
Assigned	---	117,094	117,094
Unassigned	9,688,708	---	9,688,708
Total fund balances	<u>10,336,786</u>	<u>1,180,890</u>	<u>11,517,676</u>
 Total liabilities and fund balances	 <u>\$ 17,092,292</u>	 <u>\$ 1,291,940</u>	 <u>\$ 18,384,232</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, 2014

Total fund balances - governmental funds \$ 11,517,676

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:

Land and construction in progress	\$ 947,955	
Other capital assets, net of accumulated depreciation	<u>21,621,845</u>	
		22,569,800

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. (4,638,373)

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	5,072,000	
Notes payable	665,000	
Unamortized premium on issuance	31,300	
Capital leases	547,404	
Compensated absences	<u>71,185</u>	
		(6,386,889)

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. (48,509)

Total net position - governmental activities \$ 23,026,638

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, 2014

	<u>General</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
Revenues:			
Local	\$ 28,201,187	\$ 2,137,112	\$ 30,338,299
Interdistrict payments within Wisconsin	758,526	---	758,526
Intermediate sources	30,331	---	30,331
State	14,715,238	17,014	14,732,252
Federal	1,341,878	453,850	1,795,728
Other	95,925	50,221	146,146
Total revenues	<u>45,143,085</u>	<u>2,658,197</u>	<u>47,801,282</u>
Expenditures:			
Instruction:			
Current	24,988,261	56,506	25,044,767
Interdistrict	620,230	---	620,230
Support Services:			
Current	17,279,918	1,504,076	18,783,994
Capital outlay	439,096	260,076	699,172
Debt service	173,424	1,191,133	1,364,557
Total expenditures	<u>43,500,929</u>	<u>3,011,791</u>	<u>46,512,720</u>
Excess (deficiency) of revenues over (under) expenditures	1,642,156	(353,594)	1,288,562
Other Financing Sources (uses):			
Operating transfers in	---	770,211	770,211
Operating transfers out	(770,211)	---	(770,211)
Other financing sources - proceeds on sale of assets	18,719	---	18,719
Capital lease proceeds	105,822	---	105,822
Total other financing sources (uses)	<u>(645,670)</u>	<u>770,211</u>	<u>124,541</u>
Net change in fund balances	996,486	416,617	1,413,103
Fund Balances - Beginning of year	<u>9,340,300</u>	<u>764,273</u>	<u>10,104,573</u>
Fund Balances - End of year	<u>\$ 10,336,786</u>	<u>\$ 1,180,890</u>	<u>\$ 11,517,676</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, 2014

Total net change in fund balances - governmental funds \$ 1,413,103

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	\$ (2,504,860)	
Capital outlays	<u>699,172</u>	(1,805,688)

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.

(105,822)

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	18,719	
Gain on disposal	<u>(14,266)</u>	(4,453)

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	550,000	
Notes payable	85,000	
Capital leases	<u>496,029</u>	1,131,029

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.

(674,767)

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

Unamortized premium on debt issuance	4,193	
Unamortized loss on refunding	<u>(1,279)</u>	2,914

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.

(7,458)

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.

1,974

Change in net position of governmental activities

\$ (49,168)

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, 2014

	<u>Private</u> <u>Purpose Trusts</u>	<u>Agency</u> <u>Fund</u>
Assets:		
Cash and investments	\$ 30,949	\$ 305,187
	<hr/>	<hr/>
Liabilities:		
Due to student groups	---	259,815
Due to other funds	---	45,372
Total liabilities	---	305,187
	<hr/>	<hr/>
Net position:		
Restricted	30,949	---
Total net position	\$ 30,949	\$ ---
	<hr/>	<hr/>

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2014

	<u>Private</u> <u>Purpose Trusts</u>
Additions:	
Interest	\$ 26
Gifts	3,000
Total additions	3,026
	<hr/>
Deductions:	
Trust fund disbursements	4,000
	<hr/>
Change in net position	(974)
Net position - June 30, 2013	31,923
	<hr/>
Net position - June 30, 2014	\$ 30,949
	<hr/>

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

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2014

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). The more significant accounting policies established under 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, 2014
(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, 2014
(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, 2014 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>770,211</u>

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2014
(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. Net Position

The Government Accounting Standards Board (GASB) has established standards for reporting deferred outflows and inflows of resources and net position. Under GASB, 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, 2014
(Continued)

1. Summary of Significant Accounting Policies (Continued)

J. 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* – amounts are available for any purpose, and if the general fund has available resources that are not of the other previously mentioned categories, it shall be deemed unassigned.

Order of Fund Balance Spending Policy: The District has not established an order of fund balance spending policy.

K. Accumulated Unpaid Vacation and Sick Pay

As of June 30, 2014 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.

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.

L. Estimates

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

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

1. Summary of Significant Accounting Policies (Continued)

M. Other Assets

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

N. Subsequent Events

Management has evaluated all subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (October 22, 2014). There are two subsequent events which require disclosure which are as follows:

- In July 2014, the District entered into an agreement to lease computer equipment. The agreement calls for four annual payments of \$63,295 beginning on July 15, 2014.
- In August 2014, the District entered into agreements with contractors to furnish and install compartmentalization doors throughout all District school buildings. The agreements are estimated to cost the District approximately \$372,000.

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	\$ 3,775	
Demand deposits	1,364,788	Custodial
Local government investment pool	9,811,875	Custodial
Total cash and equivalents	\$ 11,180,438	

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

Statement of net position:	
Cash and investments	\$ 10,844,302
Statement of fiduciary net position:	
Cash and investments	336,136
Total cash and investments	\$ 11,180,438

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.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

2. Cash and Investments (Continued)

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 governmental entities.

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 operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2014, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

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 cash and investments were \$11,180,438 at June 30, 2014 and the bank's carrying value was \$12,013,419, of which \$1,050,000 was fully insured and \$10,963,419 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.

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, 2014
(Continued)

3. Short-Term Notes Payable

Short-term notes payable at June 30, 2014 are as follows:

Balance June 30, 2013	Additions	Reductions	Balance June 30, 2014
\$ 5,300,000	\$ 4,000,000	\$ 5,300,000	\$ 4,000,000

The note was dated October 30, 2013, due October 30, 2014, with an interest rate of 0.43%. Interest for the year ended June 30, 2014 was \$19,438. The note is for general district operation.

4. Capital Assets

Capital asset balances and activity for the year ended June 30, 2014 were as follows:

	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014
Capital assets not being depreciated:				
Sites	\$ 926,649	\$ ---	\$ ---	\$ 926,649
Construction in progress	---	21,306	---	21,306
Total capital assets not being depreciated	926,649	21,306	---	947,955
Capital assets being depreciated:				
Buildings and improvements	43,151,393	540,230	12,209	43,679,414
Equipment	4,670,730	137,636	3,113,170	1,695,196
Total capital assets being depreciated	47,822,123	677,866	3,125,379	45,374,610
Less accumulated depreciation	24,368,831	2,504,860	3,120,926	23,752,765
Total capital assets being depreciated, net of accumulated depreciation	23,453,292	(1,826,994)	4,453	21,621,845
Governmental activities capital assets, net of accumulated depreciation	\$ 24,379,941	\$ (1,805,688)	\$ 4,453	\$ 22,569,800

Depreciation expense of \$2,504,860 was charged to unallocated depreciation on the statement of activities.

5. Long-Term Liabilities

Long-term Liabilities of the District are as follows:

<u>Type</u>	Balance July 1, 2013	Additions	Reductions	Balance June 30, 2014	Amounts due within one year
G.O. Bonds	\$ 3,545,000	\$ ---	\$ 550,000	\$ 2,995,000	\$ 460,000
Qualified School Construction Bond	2,077,000	---	---	2,077,000	---
G.O. Note	750,000	---	85,000	665,000	90,000
Subtotal	6,372,000	---	635,000	5,737,000	550,000
Compensated absences	63,727	7,458	---	71,185	---
Capitalized leases	937,611	105,822	496,029	547,404	393,416
Total	\$ 7,373,338	\$ 113,280	\$ 1,131,029	\$ 6,355,589	\$ 943,416

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

5. Long-Term Liabilities (Continued)

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2014 on long-term liabilities was \$215,425 and \$213,452, 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, 2014 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, 2014</u>
\$4,295,000 G.O. Refunding bond	3/21/11	1.00% - 4.40%	4/1/21	\$ 2,995,000
\$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	665,000
Total				\$ 5,737,000

The 2013 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,863,929,124. The legal debt limit and margin of indebtedness as of June 30, 2014, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of \$2,863,929,124)	\$ 286,392,912
Deduct long-term debt applicable to debt margin	5,737,000
Margin of indebtedness	\$ 280,655,912

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2014 follow:

<u>Year Ended June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Interest Subsidy</u>	<u>Total</u>
2015	\$ 943,416	\$ 179,358	\$ (52,300)	\$ 1,070,474
2016	792,043	164,212	(52,300)	903,955
2017	671,945	146,875	(52,300)	766,520
2018	465,000	128,750	(52,300)	541,450
2019	710,000	117,980	(52,300)	775,680
2020-2024	2,702,000	340,318	(261,500)	2,780,818
	\$ 6,284,404	\$ 1,077,493	\$ (523,000)	\$ 6,838,897

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

6. Excess of Actual Expenditures Over Budget in Individual Funds

The following general fund functions had an excess of actual expenditures over budget for the year ended June 30, 2014:

<u>Fund 10:</u>	
Vocational Curriculum	\$ 42,505
Co-Curricular Activities	3,218
Instructional Staff Services	185,856
General Administration	182,411
Business Administration	158,144
<u>Fund 27:</u>	
Pupil services	\$ 48,556
Vocational Curriculum	88
Instructional Staff Services	36,632
Purchased Instructional Services	31,792

The excess expenditures were funded by larger than anticipated revenues.

7. Fund Balances

As of June 30, 2014, fund balance components other than unassigned fund balances consist of the following:

	<u>Nonspendable</u>	<u>Restricted</u>	<u>Committed</u>	<u>Assigned</u>
General fund:				
Prepaid expenses	\$ 57,063	\$ ---	\$ ---	\$ ---
Inventory	17,005	---	---	---
Specific purposes	---	---	574,010	---
Special revenue trust	---	53,638	---	---
Debt service	---	---	---	---
Food service:				
Prepaid expenses	---	---	---	---
Food service program	---	465,665	---	---
Capital projects	---	544,493	---	---
Community service	---	---	---	117,094
Total	\$ 74,068	\$ 1,063,796	\$ 574,010	\$ 117,094

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

8. Employee Retirement Plans

All eligible 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 the 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 per year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from the employee’s date of hire are eligible to participate in the WRS. Employees hired to work nine or ten months a year, but expected to return year after year are considered to have met the one year requirement.

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for employees in the General Employment category, including Teachers, 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 contract. During the year ended June 30, 2013 the District paid 100% of the employee contribution for the AFSCME support staff per contract requirements. Contribution rates for the year ended June 30, 2014 were:

	<u>2013</u>		<u>2014</u>	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
General	6.65%	6.65%	7.00%	7.00%
Teachers	6.65%	6.65%	7.00%	7.00%

The payroll for Germantown School District employees covered by the WRS for the year ended June 30, 2014 was \$23,627,823; the employers total payroll was \$24,674,959. The total required contribution for the year ended June 30, 2014 was \$3,245,714, which consisted of \$1,622,857, or 6.9% of payroll from the employer and \$1,622,857, or 6.9% of payroll from employees. Total contributions for the years ending June 30, 2013 and 2012 were \$2,905,710 and \$2,699,060, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A 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 on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

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, Wisconsin 53707-7931.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

9. Other Post-Employment Benefits

The District offers voluntary retirement benefits to its teachers and administrators who have met the age and years of service requirements. In addition, the District's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. Both of these result in an other post-employment benefit (OPEB), the later commonly referred to as an implicit rate subsidy. Employees participating in the OPEB benefit consisted of the following at July 1, 2013, the date of the latest actuarial valuation:

Retirees	53
Active	<u>354</u>
Number of participating employees	<u><u>407</u></u>

For fiscal year 2014, the District paid \$761,508 to eligible retirees. In addition the District had an implicit rate subsidy that it "funded" for fiscal year 2014 in the amount of \$369,675.

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	\$ 1,800,323
Interest on net OPEB obligation	158,544
Adjustment to annual required contribution	<u>(152,917)</u>
Annual OPEB cost (expense)	1,805,950
Contributions made	<u>(1,131,183)</u>
Increase in net OPEB obligation	674,767
Net OPEB obligation (liability) – beginning of year	3,963,606
Net OPEB obligation (liability) – end of year	<u><u>\$ 4,638,373</u></u>

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, 2014 and the three years prior were as follows:

<u>Fiscal</u> <u>Year Ended</u>	<u>Annual</u> <u>OPEB Cost</u>	<u>Percentage of Annual</u> <u>OPEB</u> <u>Cost Contributed</u>	<u>Net</u> <u>OPEB</u> <u>Obligation</u>
2014	\$ 1,805,950	38.9%	\$ 4,638,373
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, 2013) and schedule of employer contributions can be found in the required supplementary information.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

9. Other Post-Employment Benefits (Continued)

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	7/1/13
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 *	4.0%
Projected payroll increases	3.0%
Medical care trend *	7.5% decreasing by .5% per year down to 6.5%, then by .10% per year down to 5.0%, and level thereafter

* Implicit in this rate is an assumed rate of inflation of 3.00%

10. Limitation on School District Revenues

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

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

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.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2014
(Continued)

11. Risk Management

The Germantown School District is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers' compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles.

12. 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, 2014, 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.

In June 2014, the District contracted with contractors to furnish and install a security camera system on District buildings. The outstanding commitment on these contracts is approximately \$148,000 as of June 30, 2014.

In June 2014, the District contracted with a contractor to update lighting, ceiling, and duct work in the main gym at the High School. The outstanding commitment on this contract is approximately \$112,000 as of June 30, 2014.

13. 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, 2014 totaled \$47,983.

REQUIRED SUPPLEMENTARY INFORMATION

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2014

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
Local	\$ 27,773,759	\$ 27,773,759	\$ 28,201,187	\$ 427,428
Interdistrict payments within Wisconsin	734,590	734,590	725,031	(9,559)
Intermediate sources	7,950	7,950	24,809	16,859
State	12,910,678	12,910,678	12,902,365	(8,313)
Federal	196,992	196,992	293,759	96,767
Other	261,000	261,000	95,925	(165,075)
Total revenues	<u>41,884,969</u>	<u>41,884,969</u>	<u>42,243,076</u>	358,107
Expenditures:				
Instruction:				
Current	19,588,947	19,588,947	19,119,083	469,864
Interdistrict	568,511	568,511	560,048	8,463
Capital outlay	8,863	8,863	---	8,863
Support Services:				
Current	15,775,333	15,775,333	15,625,791	149,542
Capital outlay	452,764	452,764	400,620	52,144
Debt service	192,421	192,421	173,424	18,997
Total expenditures	<u>36,586,839</u>	<u>36,586,839</u>	<u>35,878,966</u>	707,873
Excess of revenues over expenditures	5,298,130	5,298,130	6,364,110	1,065,980
Other Financing Sources (uses):				
Operating transfers out	(6,013,129)	(6,013,129)	(5,492,165)	(520,964)
Capital lease proceeds	113,918	113,918	105,822	(8,096)
Other financing sources - proceeds on sale of assets	1,500	1,500	18,719	17,219
Total other financing sources (uses)	<u>(5,897,711)</u>	<u>(5,897,711)</u>	<u>(5,367,624)</u>	(511,841)
Net change in fund balances	(599,581)	(599,581)	996,486	(1,596,067)
Fund Balances - Beginning of year	<u>9,340,300</u>	<u>9,340,300</u>	<u>9,340,300</u>	---
Fund Balances - End of year	<u>\$ 8,740,719</u>	<u>\$ 8,740,719</u>	<u>\$ 10,336,786</u>	<u>\$ (1,596,067)</u>

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Budgetary Comparison Schedule

Special Education Fund

Year Ended June 30, 2014

	<u>Original</u>	<u>Final</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:				
Interdistrict payments within Wisconsin	\$ 9,999	\$ 9,999	\$ 33,495	\$ 23,496
Intermediate sources	10,000	10,000	5,522	(4,478)
State	1,707,162	1,707,162	1,812,873	105,711
Federal	794,374	794,374	1,048,119	253,745
Total revenues	<u>2,521,535</u>	<u>2,521,535</u>	<u>2,900,009</u>	378,474
Expenditures:				
Instruction:				
Current	5,963,405	5,963,405	5,869,178	94,227
Interdistrict	129,021	129,021	60,182	68,839
Capital outlay	11,520	11,520	---	11,520
Support Services:				
Current	1,608,234	1,608,234	1,654,127	(45,893)
Capital outlay	41,808	41,808	38,476	3,332
Debt service	10,000	10,000	---	10,000
Total expenditures	<u>7,763,988</u>	<u>7,763,988</u>	<u>7,621,963</u>	<u>142,025</u>
Excess (deficiency) of revenues over (under) expenditures	(5,242,453)	(5,242,453)	(4,721,954)	520,499
Other Financing Sources:				
Operating transfers in	<u>5,242,453</u>	<u>5,242,453</u>	<u>4,721,954</u>	<u>520,499</u>
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, 2014

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%
July 1, 2013	---	16,809,109	16,809,109	0.00%	22,799,540	73.7%

1. The District is required to present the above information for the three most recent actuarial studies.

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, 2014

Year Ended June 30,	Annual Required Contribution	Actual Contribution	Percent Contributed
2009	\$ 2,230,215	\$ 1,227,795	55.1%
2010	2,230,215	1,383,606	62.0%
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%
2014	1,800,323	1,131,183	62.8%

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Required Supplementary Information
June 30, 2014

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)	\$ 42,243,076	\$ 2,900,009
Reclassification of special education	2,900,009	(2,900,009)
Total revenues (GAAP)	<u>45,143,085</u>	<u>---</u>
Expenditures		
Actual amounts (budgetary basis)	35,878,966	7,621,963
Reclassification of special education	7,621,963	(7,621,963)
Total expenditures (GAAP)	<u>43,500,929</u>	<u>---</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	6,364,110	(4,721,954)
Reclassification of special education	(4,721,954)	4,721,954
Excess of revenues over (under) expenditures (GAAP)	<u>1,642,156</u>	<u>---</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(5,367,624)	4,721,954
Reclassification of special education	4,721,954	(4,721,954)
Total other financing sources (uses) (GAAP)	<u>(645,670)</u>	<u>---</u>
Net Change in Fund Balance		
Actual amounts (budgetary basis and GAAP)	<u>996,486</u>	<u>---</u>
Fund Balance – Beginning of year		
Actual amounts (budgetary basis and GAAP)	<u>9,340,300</u>	<u>---</u>
Fund Balance – End of year		
Actual amounts (budgetary basis and GAAP)	<u>\$ 10,336,786</u>	<u>\$ ---</u>

OTHER SUPPLEMENTARY INFORMATION

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2014

	<u>Special</u>						
	<u>Revenue</u>	<u>Debt</u>	<u>Food</u>	<u>Community</u>	<u>Capital</u>		<u>Total</u>
	<u>Trust</u>	<u>Service</u>	<u>Service</u>	<u>Service</u>	<u>Projects</u>		
Assets:							
Cash and investments	\$ 53,788	\$ ---	\$ 522,954	\$ 115,995	\$ 580,682		\$ 1,273,419
Accounts receivable	---	---	---	2,220	---		2,220
Due from other governments	---	---	16,301	---	---		16,301
Total assets	\$ 53,788	\$ ---	\$ 539,255	\$ 118,215	\$ 580,682		\$ 1,291,940
Liabilities and Fund Balances:							
Liabilities:							
Accounts payable	\$ 150	\$ ---	\$ 4,857	\$ ---	\$ 36,189		\$ 41,196
Withholdings and related fringes payable	---	---	13,996	613	---		14,609
Accrued payroll	---	---	7,439	508	---		7,947
Unearned revenues	---	---	47,298	---	---		47,298
Total liabilities	150	---	73,590	1,121	36,189		111,050
Fund Balances:							
Restricted	53,638	---	465,665	---	544,493		1,063,796
Assigned	---	---	---	117,094	---		117,094
Total fund balances	53,638	---	465,665	117,094	544,493		1,180,890
 Total liabilities and fund balances	 \$ 53,788	 \$ ---	 \$ 539,255	 \$ 118,215	 \$ 580,682		 \$ 1,291,940

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, 2014**

	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	\$ 83,394	\$ ---	\$ 938,424	\$ 114,840	\$ 1,000,454	\$ 2,137,112
State	---	---	17,014	---	---	17,014
Federal	---	---	453,850	---	---	453,850
Other	---	50,221	---	---	---	50,221
Total revenues	<u>83,394</u>	<u>50,221</u>	<u>1,409,288</u>	<u>114,840</u>	<u>1,000,454</u>	<u>2,658,197</u>
Expenditures:						
Instruction:						
Current	56,506	---	---	---	---	56,506
Support Services:						
Current	3,501	---	1,361,569	95,876	43,130	1,504,076
Capital outlay	6,627	---	31,270	---	222,179	260,076
Debt service	---	821,765	---	---	369,368	1,191,133
Total expenditures	<u>66,634</u>	<u>821,765</u>	<u>1,392,839</u>	<u>95,876</u>	<u>634,677</u>	<u>3,011,791</u>
Excess (deficiency) of revenues over (under) expenditures	16,760	(771,544)	16,449	18,964	365,777	(353,594)
Other Financing Sources:						
Operating transfers in	---	770,211	---	---	---	770,211
Net change in fund balances	16,760	(1,333)	16,449	18,964	365,777	416,617
Fund Balances - Beginning 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>
Fund Balances - End of year	<u>\$ 53,638</u>	<u>\$ ---</u>	<u>\$ 465,665</u>	<u>\$ 117,094</u>	<u>\$ 544,493</u>	<u>\$ 1,180,890</u>

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Agency Fund - Schedule of Changes in Assets and Liabilities

June 30, 2014

	<u>Balance</u>			<u>Balance</u>
	<u>June 30, 2013</u>	<u>Additions</u>	<u>Deductions</u>	<u>6/30/14</u>
Assets:				
Cash and investments	\$ 344,820	\$ 1,129,597	\$ 1,169,230	\$ 305,187
Liabilities:				
Due to student groups:				
Germantown High School	\$ 264,412	\$ 891,755	\$ 958,848	\$ 197,319
Kennedy Middle School	41,743	108,221	124,411	25,553
MacArthur Elementary School	18,617	16,288	21,555	13,350
Rockfield Elementary School	4,215	9,705	8,977	4,943
Amy Belle Elementary School	2,103	18,991	15,313	5,781
County Line Elementary School	13,730	39,265	40,126	12,869
Due to other funds	---	45,372	---	45,372
Total liabilities	<u>\$ 344,820</u>	<u>\$ 1,129,597</u>	<u>\$ 1,169,230</u>	<u>\$ 305,187</u>

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Schedule of Expenditures of State Awards

Year Ended June 30, 2014

Awarding Agency	State	Accrued or		State	Accrued or
Pass-Through Agency	I.D.	(Unearned)		Disbursements/	(Unearned)
<u>Award Description</u>	<u>Number</u>	<u>Revenue at</u>	<u>Receipts</u>	<u>Expenditures</u>	<u>Revenue at</u>
		<u>7/1/13</u>			<u>6/30/14</u>
Wisconsin Department of Public Instruction					
Special education and school-age parents **	255.101	\$ ---	\$ 1,773,337	\$ 1,773,337	\$ ---
State school lunch	255.102	---	14,720	14,720	---
Common school fund library aid	255.103	---	153,042	153,042	---
Pupil transportation	255.107	---	118,201	118,201	---
Equalization aids	255.201	198,345	11,939,395	11,955,538	214,488
Integration aid	255.204	---	195,380	195,380	---
High cost special education	255.210	---	39,536	39,536	---
Peer review and mentoring	255.301	4,462	4,462	---	---
Alcohol and other drug abuse	255.306	---	921	921	---
School breakfast program	255.344	---	2,294	2,294	---
Educator effectiveness evaluation system grant	255.940	---	23,760	23,760	---
Per pupil aid	255.945	---	295,950	295,950	---
Passed through CESA 1:					
Special education and school-age parents	255.101	---	2,430	5,522	3,092
Wisconsin Department of Workforce Development					
Passed through GPS Education:					
Youth apprenticeship program	445.112	---	3,150	3,150	---
Passed through CESA 6:					
Youth apprenticeship program	445.112	---	---	1,100	1,100
Total		\$ 202,807	\$ 14,566,578	\$ 14,582,451	\$ 218,680

** Total DPI aidable expenditures for the year ended June 30, 2014 were \$6,426,783

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2014

Awarding Agency	Federal	Accrued or			Accrued or
Pass-Through Agency	Catalog	(Unearned)			(Unearned)
<u>Award Description</u>	<u>Number</u>	<u>Revenue at</u>	<u>Receipts</u>	<u>Federal</u>	<u>Revenue at</u>
		<u>7/1/13</u>		<u>Disbursements/</u>	<u>6/30/14</u>
				<u>Expenditures</u>	
U.S. Department of Agriculture					
Passed through Wisconsin Department of Public Instruction:					
Nutrition Enhancement/Breakfast Public	10.574	\$ ---	\$ ---	\$ 594	\$ 594
<i>Child Nutrition Cluster:</i>					
Donated Commodities	10.555	---	126,695	126,695	---
Food Service Aid - Breakfast	10.553	4,657	28,002	24,564	1,219
Food Service Aid - Lunch	10.555	47,500	334,341	301,283	14,442
Food Service Aid - Milk	10.556	125	794	715	46
<i>Total Child Nutrition Cluster</i>		<u>52,282</u>	<u>489,832</u>	<u>453,257</u>	<u>15,707</u>
Total U.S. Department of Agriculture		<u>52,282</u>	<u>489,832</u>	<u>453,851</u>	<u>16,301</u>
U.S. Department of Health and Human Services					
Passed through the Wisconsin Department of Health Services:					
Medical Assistance Program	93.778	<u>6,738</u>	<u>136,902</u>	<u>130,164</u>	<u>---</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	350,111	901,460	982,606	431,257
High Cost Special Education Aid	84.027	---	1,793	1,793	---
IDEA Preschool Entitlement	84.173	3,857	29,053	36,552	11,356
<i>Total Special Education Cluster</i>		<u>355,312</u>	<u>933,650</u>	<u>1,020,951</u>	<u>442,613</u>
ESEA Title II-A Teacher Principal Training	84.367	443	36,015	48,421	12,849
ESEA Title I-A Basic Grant (LEA)	84.010	28,551	112,893	128,342	44,000
ESEA Title I-A State Program Improvement	84.010	---	---	14,000	14,000
Passed through Milwaukee Public School District					
ESEA Title I-A Basic Grant (LEA)	84.010	---	1,052	1,840	788
<i>Total Title I-A Awards</i>		<u>28,551</u>	<u>113,945</u>	<u>144,182</u>	<u>58,788</u>
Passed through CESA 1:					
Carl Perkins	84.048	8,808	22,602	13,794	---
Title III	84.365	5,222	11,305	6,765	682
Total U.S. Department of Education		<u>398,336</u>	<u>1,117,517</u>	<u>1,234,113</u>	<u>514,932</u>
Total		<u>\$ 457,356</u>	<u>\$ 1,744,251</u>	<u>\$ 1,818,128</u>	<u>\$ 531,233</u>

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Schedules of Expenditures of Federal and State Awards
June 30, 2014

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 District Board
Germantown School District
Germantown, Wisconsin

We have audited, 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, 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, 2014 and the related notes to the financial statements, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 22, 2014.

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.

**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
(continued)**

Compliance and Other Matters

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

Purpose of this Report

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

October 22, 2014
Milwaukee, Wisconsin

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND STATE SINGLE AUDIT GUIDELINES

To the District 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 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, 2014. 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.

Auditors' 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 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 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, 2014.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133 AND STATE SINGLE AUDIT GUIDELINES
(continued)**

Report on 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.

October 22, 2014
Milwaukee, Wisconsin

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2014

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.

Status: This condition is no longer present for the year ended June 30, 2014. On November 11, 2013, the Board of Education adopted an updated unusually hazardous transportation plan which has been reviewed and approved by DPI. Students included in our sample that live less than two miles from the high school are within the unusually hazardous transportation plan.

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.

Status: This condition is no longer present for the year ended June 30, 2014. The students in our sample were all reported in the proper mileage categories.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2014

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.

Status: This finding was determined to be not sustained by the Wisconsin Department of Public Instruction.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Summary Schedule of Prior Audit Findings

Year Ended June 30, 2014

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 been returned for resubmission.

Status: This condition is no longer present for the year ended June 30, 2014. The District paid for this individual's license renewal and submitted the application.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

Section I - Summary of Auditor's Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditor's report issued: | Unmodified |
| 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? | No |

7. Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
	<u>Special Education Cluster:</u>
84.027	High Cost Special Education Aid
84.027	IDEA Flow Through
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, 2014

(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? No

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
255.945	Per Pupil Aid
255.204	Integration Aid
255.210	High Cost Special Education Aid

Section II - Financial Statement Findings

None

Section III - Federal and State Award Findings and Questioned Costs

None

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Schedule of Findings and Questioned Costs

Year Ended June 30, 2014

(Continued)

Section IV - Other Issues

- | | |
|--|-----------------------|
| 1. Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? | No |
| 2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the <i>State Single Audit Guidelines</i> :

Department of Public Instruction | No |
| 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? | Yes |
| 4. Name and signature of partner | <hr/> Carrie A. Gindt |
| 5. Date of Report | October 22, 2014 |