

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Audited Financial Statements**  
Year Ended June 30, 2010

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**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**AUDITED FINANCIAL STATEMENTS**  
Year Ended June 30, 2010

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## **Independent Auditors' Report**

To the School Board  
Germantown School District  
Germantown, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Germantown School District ("District") as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

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

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Germantown School District as of June 30, 2010, and the respective changes in financial position, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued a report dated October 22, 2010 on our consideration of the Germantown School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the budgetary comparison information on pages 24 and 25 be presented to supplemental the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of the financial reporting for placing basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge was obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express and opinion or provide any assurance.

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operations, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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

October 22, 2010  
Milwaukee, Wisconsin

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Statement of Net Assets

June 30, 2010

	<b>Governmental Activities</b>
<b>Assets:</b>	
<b>Current assets</b>	
Cash and investments	\$ 8,765,286
Taxes receivable	7,527,180
Accounts receivable	93,993
Due from other governments	997,124
Inventory	12,616
Prepaid expense	39,776
<b>Total current assets</b>	<u>17,435,975</u>
<b>Noncurrent assets</b>	
Capital assets	49,725,113
Less: accumulated depreciation	<u>(22,735,983)</u>
Total capital assets	26,989,130
Deferred loan costs	45,080
<b>Total noncurrent assets</b>	<u>27,034,210</u>
<b>Total assets</b>	<u><u>\$ 44,470,185</u></u>
<b>Liabilities and Net Asset:</b>	
<b>Liabilities:</b>	
<b>Current liabilities:</b>	
Short-term notes payable	\$ 7,000,000
Accounts payable	263,842
Withholdings and related district fringes payable	2,409,608
Accrued interest	124,144
Accrued payroll	609,792
Due to other governments	47,948
Deferred revenues	33,871
Current portion of long-term debt	3,181,206
<b>Total current liabilities</b>	<u>13,670,411</u>
<b>Noncurrent liabilities:</b>	
Long-term obligations	9,996,177
Accrued liability for post-employment benefit	1,837,431
Unamortized premium on issuance	56,385
Unamortized loss on refunding	<u>(15,192)</u>
<b>Total noncurrent liabilities</b>	<u>11,874,801</u>
<b>Total liabilities</b>	25,545,212
<b>Net Assets:</b>	
Invested in capital assets, net of related debt	20,182,478
Restricted for:	
Debt service	200,099
Capital projects	726,387
Food service	622,115
Other activities	56,036
Unrestricted	<u>(2,862,142)</u>
<b>Total net assets</b>	<u>18,924,973</u>
<b>Total liabilities and net assets</b>	<u><u>\$ 44,470,185</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, 2010

	<u>Program Revenues</u>			<b>Net</b>
			<b>Operating</b>	<b>(Expenses)</b>
	<u>Expenses</u>	<u>Charges for</u>	<u>Grants and</u>	<b>Revenues and</b>
		<u>Services</u>	<u>Contributions</u>	<b>Changes in</b>
				<b>Net Assets</b>
<b>Governmental activities:</b>				
Instruction:				
Regular instruction	\$ 17,938,360	\$ 707,411	\$ 361,133	\$ (16,869,816)
Special education instruction	6,350,069	19,494	3,161,519	(3,169,056)
Vocational instruction	1,216,629	---	---	(1,216,629)
Other instruction	2,067,913	94,000	---	(1,973,913)
<b>Total instruction</b>	<b>27,572,971</b>	<b>820,905</b>	<b>3,522,652</b>	<b>(23,229,414)</b>
Support services:				
Pupil services	2,190,951	---	---	(2,190,951)
Instructional staff services	1,869,588	---	153,434	(1,716,154)
Administration services	2,971,201	---	---	(2,971,201)
Operation and maintenance of plant	4,302,197	8,603	---	(4,293,594)
Pupil transportation	2,565,390	152,081	143,425	(2,269,884)
Central services	973,476	---	---	(973,476)
Other support services	1,578,707	---	---	(1,578,707)
Community services	234,037	38,609	---	(195,428)
Food service	1,518,219	1,207,246	387,464	76,491
Interest	839,681	---	---	(839,681)
Unallocated depreciation	1,773,269	---	---	(1,773,269)
<b>Total support services</b>	<b>20,816,716</b>	<b>1,406,539</b>	<b>684,323</b>	<b>(18,725,854)</b>
<b>Total school district</b>	<b>\$ 48,389,687</b>	<b>\$ 2,227,444</b>	<b>\$ 4,206,975</b>	<b>(41,955,268)</b>

**General revenues:**

Taxes:

Property taxes, levied for general purposes	27,166,383
Property taxes, levied for debt service	2,086,471
Property taxes, levied for specific purposes	700,000
Other taxes	64,366

Federal and state aid not restricted to specific purposes:

General	12,233,867
Other	518,937
Interest and investment earnings	23,495
Miscellaneous	211,824
Changes in net assets	<u>1,050,075</u>

Net assets - beginning of year 17,874,898

Net assets - end of year \$ 18,924,973

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

**GERMANTOWN SCHOOL DISTRICT**

Germantown, Wisconsin

**Balance Sheet  
Governmental Funds**

June 30, 2010

	<u>General</u>	<u>Special Education</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<b>Assets:</b>				
Cash and investments	\$ 6,917,699	\$ 184,664	\$ 1,662,923	\$ 8,765,286
Taxes receivable	7,527,180	---	---	7,527,180
Accounts receivable	93,249	---	744	93,993
Due from other governments	546,098	411,234	39,792	997,124
Inventory	12,616	---	---	12,616
Prepaid expense	39,776	---	---	39,776
<b>Total assets</b>	<b>\$ 15,136,618</b>	<b>\$ 595,898</b>	<b>\$ 1,703,459</b>	<b>\$ 17,435,975</b>
<b>Liabilities and Fund Balances:</b>				
<b>Liabilities:</b>				
Short-term notes payable	\$ 7,000,000	\$ ---	\$ ---	\$ 7,000,000
Accounts payable	185,581	36,834	41,427	263,842
Withholdings and related district fringes payable	1,965,232	444,376	---	2,409,608
Accrued interest	60,278	---	---	60,278
Accrued payroll	486,240	100,028	23,524	609,792
Due to other governments	33,288	14,660	---	47,948
Deferred revenues	---	---	33,871	33,871
<b>Total liabilities</b>	<b>9,730,619</b>	<b>595,898</b>	<b>98,822</b>	<b>10,425,339</b>
<b>Fund Balances:</b>				
Reserved	52,392	---	1,604,637	1,657,029
Unreserved	5,353,607	---	---	5,353,607
<b>Total fund balances</b>	<b>5,405,999</b>	<b>---</b>	<b>1,604,637</b>	<b>7,010,636</b>
<b>Total liabilities and fund balances</b>	<b>\$ 15,136,618</b>	<b>\$ 595,898</b>	<b>\$ 1,703,459</b>	<b>\$ 17,435,975</b>

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

**GERMANTOWN SCHOOL DISTRICT**

Germantown, Wisconsin

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

June 30, 2010

**Total fund balances - governmental funds** \$ 7,010,636

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

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

Cost of the assets	\$ 49,725,113	
Accumulated depreciation	<u>(22,735,983)</u>	
		26,989,130

The District made less than the required annual contribution to fund their post-employment benefit liability resulting in a liability. Its post-employment benefit liability is not currently payable and thus not reported in the governmental funds. (1,837,431)

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

Bonds payable	6,032,000	
Note anticipation note	381,197	
Unamortized premium on issuance	56,385	
Deferred loan costs	(45,080)	
Unamortized loss on refunding	(15,192)	
Capital leases	2,174,501	
WRS prior service liability	4,508,768	
Compensated absences	<u>80,917</u>	
		(13,173,496)

Accrued interest payable on the bonds is not due and payable in the current period and therefore is not reported as a liability in the funds. (63,866)

**Total net assets - governmental activities** \$ 18,924,973

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, 2010

	<u>General</u>	<u>Special Education</u>	<u>Non-major Funds</u>	<u>Total Governmental Funds</u>
<b>Revenues:</b>				
Local	\$ 27,872,578	\$ ---	\$ 4,104,470	\$ 31,977,048
Interdistrict payments within Wisconsin	340,153	20,678	---	360,831
Intermediate sources	22,746	2,873	---	25,619
State	12,464,853	1,777,735	17,618	14,260,206
Federal	854,663	1,379,727	369,846	2,604,236
Other	209,146	1,185	1,493	211,824
Total revenues	<u>41,764,139</u>	<u>3,182,198</u>	<u>4,493,427</u>	<u>49,439,764</u>
<b>Expenditures:</b>				
Instruction:				
Current	20,551,819	6,035,893	64,180	26,651,892
Interdistrict	400,820	203,464	---	604,284
Support Services:				
Current	14,418,660	1,506,696	2,049,243	17,974,599
Capital outlay	399,403	87,119	1,198,467	1,684,989
Debt service	440,448	12,284	2,805,259	3,257,991
Total expenditures	<u>36,211,150</u>	<u>7,845,456</u>	<u>6,117,149</u>	<u>50,173,755</u>
Excess (deficiency) of revenues over expenditures	5,552,989	(4,663,258)	(1,623,722)	(733,991)
<b>Other Financing Sources (uses):</b>				
Operating transfers in	---	4,663,258	195,614	4,858,872
Operating transfers out	(4,858,872)	---	---	(4,858,872)
Face value of debt issued	---	---	1,477,000	1,477,000
Face value of refunding bonds	---	---	765,000	765,000
Payment to refunded bond escrow agent	---	---	(748,229)	(748,229)
Capital lease proceeds	322,398	---	---	322,398
Other financing sources - premiums	---	---	10,090	10,090
Total other financing sources (uses)	<u>(4,536,474)</u>	<u>4,663,258</u>	<u>1,699,475</u>	<u>1,826,259</u>
Net change in fund balances	1,016,515	---	75,753	1,092,268
Fund Balances - Beginning of year	<u>4,389,484</u>	<u>---</u>	<u>1,528,884</u>	<u>5,918,368</u>
Fund Balances - End of year	<u>\$ 5,405,999</u>	<u>\$ ---</u>	<u>\$ 1,604,637</u>	<u>\$ 7,010,636</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, 2010

**Total net change in fund balances - governmental funds** \$ 1,092,268

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. The amount by which depreciation expense exceeds capital outlays is as follows:

Depreciation expense	\$ (1,773,269)	
Capital outlays	<u>1,684,989</u>	(88,280)

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 assets. (322,398)

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

Bonds payable	1,842,000	
Note anticipation note	<u>400,000</u>	(2,242,000)

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

Bonds payable	2,595,000	
Note anticipation note	176,711	
WRS prior service liability	309,781	
Capital leases	<u>652,390</u>	3,733,882

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. (835,011)

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

Unamortized premium on debt issuance	(10,090)	
Unamortized discount on debt issuance	5,385	
Unamortized loss on refunding	18,284	
Deferred loan costs	<u>42,300</u>	55,879

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

Unamortized premium on debt issuance	30,673	
Unamortized loss on refunding	(3,092)	
Deferred loan costs	<u>(14,663)</u>	12,918

In the statement of activities compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts actually paid). (20,731)

Interest is added to the balance of the unfunded pension liability. The interest expense is an expenditure in the statement of net assets, but is not shown in the governmental funds. (348,652)

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. 12,200

**Change in net assets of governmental activities** \$ 1,050,075

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

**GERMANTOWN SCHOOL DISTRICT**

Germantown, Wisconsin

**Statement of Fiduciary Net Assets**

June 30, 2010

	<u>Private</u> <u>Purpose Trusts</u>	<u>Agency</u> <u>Fund</u>
<b>Assets:</b>		
Cash and investments	\$ 9,625	\$ 265,367
<b>Liabilities and Net Assets</b>		
<b>Liabilities:</b>		
Due to student groups	\$ ---	\$ 265,367
<b>Net assets:</b>		
Reserved	9,625	---
<b>Total liabilities and net assets</b>	<u>\$ 9,625</u>	<u>\$ 265,367</u>

**Statement of Changes in Fiduciary Net Assets**

Year Ended June 30, 2010

	<u>Private</u> <u>Purpose Trusts</u>
<b>Additions:</b>	
Gifts	\$ 13,250
<b>Deductions:</b>	
Trust fund disbursements	<u>3,625</u>
Change in net assets	9,625
Net assets - June 30, 2009	<u>---</u>
Net assets - June 30, 2010	<u>\$ 9,625</u>

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

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2010

**1. Summary of Significant Accounting Policies**

**A. Introduction**

The Germantown School 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 Germantown School District have been prepared in conformity with generally accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. The more significant accounting policies established in GAAP and used by the District are discussed below.

**B. Component Units**

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

**C. Basis of Presentation**

**District-Wide Statements**

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

The statement of activities presents a comparison between direct expenses and program revenues for each function of the District's governmental activities. Direct expenses are those that are specifically associated with and are clearly identifiable to a particular function. Program revenues include (a) charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues have been classified to the function where the majority of the expenditures relating to it have been incurred. Revenues that are not classified as program revenues, including all taxes, are presented as general revenues.

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2010  
(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.

*Special Education Fund* – This fund accounts for activities associated with providing educational programs for students with disabilities. Sources include financial aid received from the state and federal government and payments from other school districts. Excess expenditures of the fund are financed with a transfer from the general fund.

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

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

The district-wide and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash transaction takes place. Nonexchange transactions, in which the District gives or receives value without directly receiving or giving equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

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

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

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2010  
(Continued)

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

**E. Deposits and Investments**

The District's cash equivalents are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from date of acquisition. Cash and investment balances for individual funds are pooled unless maintained in segregated accounts.

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

**F. Receivables and Payables**

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

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

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, 2010 are as follows:

<u>Purpose</u>	<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Transfers:			
General operations	Special Education	General	\$ 4,663,258
Debt payment	Debt Service	General	195,614
			<u>\$ 4,858,872</u>

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2010  
(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 valued above which asset acquisitions are added to the capital asset accounts), depreciation methods, and estimated useful lives of capital assets reported in the District-wide statements and proprietary funds are as follows:

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

**I. Net Assets**

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvement for those assets. Net assets are reported as restricted when there are limitations imposed on their use through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

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

**J. Fund Balance Reserves**

Reservations of equity represent amounts that are not subject to appropriation and/or are legally segregated for a specific purpose. Designations of equity represent tentative management plans that are subject to change.

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

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

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2010  
(Continued)

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

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

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

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

**L. Estimates**

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

**M. Other Assets**

Expendable supplies or noncapital items acquired for initial use in subsequent fiscal periods are recorded as prepaid expenses. Prepaid insurance or service contracts are not recorded unless their recognition as an expenditure would result in more than one year's cost being recorded.

**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, 2010). There were no subsequent events that required recognition or disclosure.

**2. Cash and Investments**

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

	<u>Amount</u>	<u>Risks</u>
Cash and investments		
Petty cash	\$ 3,350	
Demand deposits	(1,451,230)	Custodial
Local government investment pool	<u>10,488,158</u>	Custodial
Total cash and equivalents	<u>\$ 9,040,278</u>	

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

Statement of net assets:	
Cash and investments	\$ 8,765,286
Statement of fiduciary net assets:	
Cash and investments	<u>274,992</u>
Total cash and investments	<u>\$ 9,040,278</u>

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2010  
(Continued)

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

Investments are stated at fair value which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. 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.

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.

**Custodial Risk – Deposits:** Is the risk that, in the event of a financial institution failure, the District's deposits may not be returned to the District. The District's carrying value for demand deposits were (\$1,451,230) at June 30, 2010 and the bank's carrying value was \$667,286, of which \$650,000 was fully insured and \$17,286 was uninsured and uncollateralized. The District does not have a policy on custodial risk.

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

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

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

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

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2010  
(Continued)

**3. Short-Term Notes Payable**

Short-term notes payable at June 30, 2010 are as follows:

	<u>Balance</u> <u>June 30, 2009</u>		<u>Additions</u>		<u>Reductions</u>		<u>Balance</u> <u>June 30, 2010</u>
\$	6,500,000	\$	7,000,000	\$	6,500,000	\$	7,000,000

The note was dated October 22, 2009, due October 29, 2010, with an interest rate of 1.25%. Interest for the year ended June 30, 2010 was \$142,707. The note is for general district operation.

**4. Capital Assets**

Capital asset balances and activity for the year ended June 30, 2010 were as follows:

	<u>Balance</u> <u>July 1, 2009</u>		<u>Additions</u>		<u>Reductions</u>		<u>Balance</u> <u>June</u> <u>30, 2010</u>
Governmental activities:							
Sites	\$ 937,142	\$	---	\$	---	\$	937,142
Buildings and improvements	40,167,106		1,147,913		---		41,315,019
Equipment	6,935,876		537,076		---		7,472,952
Total capital assets	48,040,124		1,684,989		---		49,725,113
Less accumulated depreciation	20,962,714		1,773,269		---		22,735,983
Governmental activities capital assets, net of accumulated depreciation	\$ 27,077,410	\$	(88,280)	\$	---	\$	26,989,130

Depreciation expense of \$1,773,269 was charged to unallocated depreciation on the statement of activities.

**5. Long-Term Liabilities**

Long-term Liabilities of the District are as follows:

<u>Type</u>	<u>Balance</u> <u>July 1,</u> <u>2009</u>		<u>Additions</u>		<u>Reductions</u>		<u>Balance</u> <u>June 30,</u> <u>2010</u>	<u>Amounts</u> <u>due</u> <u>within</u> <u>one year</u>
G.O. Bonds	\$ 6,785,000	\$	765,000	\$	2,595,000	\$	4,955,000	\$ 2,025,000
Qualified School Construction Bond	---		1,077,000		---		1,077,000	---
State Trust Fund	157,908		400,000		176,711		381,197	177,569
Subtotal	6,942,908		2,242,000		2,771,711		6,413,197	2,202,569
Compensated absences	60,186		20,731		---		80,917	---
Post-employment benefit	1,002,420		2,295,372		1,460,361		1,837,431	---
Capitalized leases	2,504,493		322,398		652,390		2,174,501	668,637
Prior service liability – WRS	4,469,897		348,652		309,781		4,508,768	310,000
Total	\$ 14,979,904	\$	5,229,153	\$	5,194,243	\$	15,014,814	\$ 3,181,206

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2010  
(Continued)

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

**Advanced Refunding**

During the year ended June 30, 2010, the District defeased general obligation bonds by placing funds in escrow sufficient to meet future debt service requirements as they become due. The refinanced principal balance of the refunded issue totaled \$730,000. The required amount of funds placed in escrow was derived through the issuance of general obligation bonds in the amount of \$765,000. As a result of the advanced refunding, the District increased its total future debt service requirements by \$91,223, which resulted in an economic loss (difference between the present value of the debt service payments on old and new debt) of \$16,771. As of June 30, 2010 \$120,000 of defeased bonds remains outstanding.

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2010 on long-term liabilities was \$391,727 and \$379,524, 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, 2010 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, 2010</u>
\$765,000 G.O. Refunding bond	10/23/09	2.50%	4/1/13	\$ 765,000
\$9,895,000 G.O. Refunding bond	1/30/04	4.375 – 5.00%	10/1/12	4,190,000
\$1,077,000 Qualified school construction bond	10/8/09	0.00%	9/15/19	1,077,000
\$400,000 State trust fund loan	8/31/09	3.50%	3/15/13	300,317
\$300,000 State trust fund loan	1/1/07	5.00%	1/1/11	80,880
Total				\$ <u>6,413,197</u>

The 2009 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$3,123,834,831. The legal debt limit and margin of indebtedness as of June 30, 2010, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

Debt limit (10% of 3,123,834,831)	\$ 312,383,483
Deduct long-term debt applicable to debt margin	<u>6,413,197</u>
Margin of indebtedness	<u>\$ 305,970,286</u>

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2010  
(Continued)

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

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2010 follow:

<u>Year Ended</u> <u>June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 2,871,206	\$ 268,532	\$ 3,139,738
2012	2,794,132	159,988	2,954,120
2013	1,250,240	55,726	1,305,966
2014	367,624	28,925	396,549
2015	227,496	5,972	233,468
2016-2020	1,077,000	---	1,077,000
Totals	<u>\$ 8,587,698</u>	<u>\$ 519,143</u>	<u>\$ 9,106,841</u>

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

The following major fund functions had an excess of actual expenditures over budget for the year ended June 30, 2010:

Fund 10:

Co-curricular activities	\$ 67,138
Pupil services	103,635
General administration	8,126
Central services	110,573
Debt services	34,790
Other non-program transactions	36,356

Fund 27:

Pupil services	\$ 420,303
Instructional staff services	129,738
Debt services	12,284

**7. Fund Balances**

Portions of fund balances are reserved as follows:

General Fund:	
Inventories	\$ 12,616
Prepaid expenses	39,776
Special revenue trust	38,316
Food service	622,115
Community service	17,720
Debt service	200,099
Capital projects	<u>726,387</u>
Total	<u>\$ 1,657,029</u>

The entire balance of the general fund unreserved fund balance has been designated by the school board as working capital.

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2010  
(Continued)

**8. Employee Retirement Plans**

All eligible Germantown School District employees participate in the Wisconsin Retirement System ("WRS"), a cost-sharing multiple-employer defined benefit, public employee retirement system. All permanent employees expected to work at least 600 hours a year (440 hours for teachers and 440 hours for educational support staff effective July 1, 2009) are eligible to participate in the WRS. Covered employees in the General/Teacher/Educational Support Personnel category are required by statute to contribute 5.9% of their salary (3.0% for Executives and Elected Officials, 5.0% for Protective Occupations with Social Security, and 3.2% for Protective Occupations without Social Security) to the Plan. Employers may make these contributions to the Plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for Germantown School District employees covered by the WRS for the year ended June 30, 2010 was \$22,192,682; the employers total payroll was \$23,828,442. The total required contribution for the year ended June 30, 2010 was \$2,680,225, which consisted of \$1,329,016, or 6.0% of payroll from the employer and \$1,351,209, or 6.1% of payroll from employees. Total contributions for the year ending June 30, 2009 and 2008 were \$2,467,421 and \$2,354,522, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings are the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

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

**9. Other Post-Employment Benefits**

The District offers voluntary retirement benefits to its teachers and administrators who have met the age and years of service requirements. In addition, the District's group health insurance plan provides coverage to active employees and retirees (or other qualified terminated employees) at blended premium rates. Both of these result in an other post-employment benefit (OPEB), the later commonly referred to as an implicit rate subsidy. Employees participating in the OPEB benefit consisted of the following at July 1, 2008, the date of the latest actuarial valuation:

Retirees	65
Active	<u>301</u>
Number of participating employees	<u>366</u>

For fiscal year 2010, the District paid \$859,883 to eligible retirees. In addition the District had an implicit rate subsidy that it "funded" for fiscal year 2010 in the amount of \$523,723.

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2010  
(Continued)

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

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

Annual required contribution	\$	2,230,215
Interest on net OPEB obligation		65,157
Adjustment to annual required contribution		<u>(76,755)</u>
Annual OPEB cost (expense)		2,218,617
Contributions made		<u>(1,383,606)</u>
Increase in net OPEB obligation		835,011
Net OPEB obligation (liability) – beginning of year		<u>1,002,420</u>
Net OPEB obligation (liability) – end of year	\$	<u><u>1,837,431</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, 2010 were as follows:

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

Fiscal year 2009 was the year of implementation of GASB Statement Nos. 43 and 45 and the District has elected to implement prospectively. Therefore, prior year comparative data is not available. In future years, three-year trend information will be presented.

As of July 1, 2008, the most recent actuarial valuation date, the plan was 0.0 percent funded. The actuarial accrued liability for benefits was \$17,657,863, and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability (UAAL) of \$17,657,863.

The funded status of the OPEB benefit as of the most recent actuarial valuation date (July 1, 2008) is as follows:

**Schedule of Funding Progress**

<u>Actuarial Valuation Date</u>	<u>Actuarial Value of Assets</u>	<u>Actuarial Accrued Liability (AAL)</u>	<u>Unfunded AAL (UAAL)</u>	<u>Funded Ratio</u>	<u>Covered Payroll</u>	<u>UAAL as a Percentage of Covered Payroll</u>
7/1/2008	\$ ---	\$ 17,657,863	\$ 17,657,863	0.00%	N/A	N/A

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2010  
(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 accompanying schedules of employer contributions present trend information about the amounts contributed to the plan by employers in comparison to the ARC, an amount that is actuarially determined in accordance with the parameters of GASB Statements 43. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost for each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

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

Actuarial valuation date	7/1/2008
Actuarial cost method	Unit credit
Amortization method	30 year open level dollar
Remaining amortization period	30 years
Asset valuation method	Market value
Actuarial assumptions:	
Investment rate of return*	6.50%
Projected payroll increases	3.00%
Medical care trend*	10.00% decreasing by 1.00% per year down to 5.00%

\* implicit in these rates is an assumed rate of inflation of 4.00%

The history of employer contributions is as follows:

**Schedules of Employer Contributions**

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

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Financial Statements**  
June 30, 2010  
(Continued)

**10. Limitation on School District Revenues**

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

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

**11. Risk Management**

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

**12. Litigation**

From time to time, the District is involved in legal actions, most of which normally occur in governmental operations. Legal actions are generally defended by the District's various insurance carriers, since most claims brought against the District are covered by insurance policies. In the opinion of District management, any legal actions and any other proceedings known to exist at June 30, 2010, are not likely to have a material adverse impact on the District's financial position.

**REQUIRED SUPPLEMENTARY INFORMATION**

**GERMANTOWN SCHOOL DISTRICT**

Germantown, Wisconsin

**Budgetary Comparison Schedule**

**General Fund**

Year Ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>		<u>Favorable</u> <u>(Unfavorable)</u>
<b>Revenues:</b>				
Local	\$ 27,935,387	\$ 27,956,290	\$ 27,872,578	\$ (83,712)
Interdistrict payments within Wisconsin	377,170	368,519	340,153	(28,366)
Intermediate sources	17,500	17,500	22,746	5,246
State	13,090,769	13,123,285	12,464,853	(658,432)
Federal	180,768	223,172	854,663	631,491
Other	112,000	112,000	209,146	97,146
Total revenues	41,713,594	41,800,766	41,764,139	(36,627)
<b>Expenditures:</b>				
Instruction:				
Current	20,398,569	20,611,190	20,551,819	59,371
Interdistrict	412,352	412,352	400,820	11,532
Capital outlay	52,845	52,845	---	52,845
Support Services:				
Current	14,859,070	14,914,131	14,418,660	495,471
Capital outlay	380,312	380,312	399,403	(19,091)
Debt service	405,658	405,658	440,448	(34,790)
Total expenditures	36,508,806	36,776,488	36,211,150	565,338
Excess of revenues over expenditures	5,204,788	5,024,278	5,552,989	528,711
<b>Other Financing Sources (uses):</b>				
Operating transfers out	(5,382,909)	(5,153,464)	(4,858,872)	294,592
Capital lease proceeds	178,824	178,824	322,398	143,574
Total other financing sources (uses)	(5,204,085)	(4,974,640)	(4,536,474)	438,166
Net change in fund balances	703	49,638	1,016,515	966,877
Fund Balances - Beginning of year	4,389,484	4,389,484	4,389,484	---
Fund Balances - End of year	\$ 4,390,187	\$ 4,439,122	\$ 5,405,999	\$ 966,877

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

**GERMANTOWN SCHOOL DISTRICT**

Germantown, Wisconsin

**Budgetary Comparison Schedule**

**Special Education Fund**

Year Ended June 30, 2010

	<b>Budgeted Amounts</b>			<b>Variance</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>(Unfavorable)</u>
<b>Revenues:</b>				
Interdistrict payments within Wisconsin	\$ 20,000	\$ 20,000	\$ 20,678	\$ 678
Intermediate sources	15,000	15,000	2,873	(12,127)
State	1,796,135	1,796,135	1,777,735	(18,400)
Federal	1,740,345	1,755,528	1,379,727	(375,801)
Other	---	---	1,185	1,185
Total revenues	3,571,480	3,586,663	3,182,198	(404,465)
<b>Expenditures:</b>				
Instruction:				
Current	7,197,855	7,095,657	6,035,893	1,059,764
Interdistrict	106,152	106,152	203,464	(97,312)
Support Services:				
Current	1,197,492	1,197,492	1,506,696	(309,204)
Capital outlay	41,002	41,002	87,119	(46,117)
Debt service	---	---	12,284	(12,284)
Total expenditures	8,542,501	8,440,303	7,845,456	594,847
Excess (deficiency) of revenues over expenditures	(4,971,021)	(4,853,640)	(4,663,258)	190,382
<b>Other Financing Sources (uses):</b>				
Operating transfers in	4,971,021	4,853,640	4,663,258	(190,382)
Net change in fund balances	---	---	---	---
Fund Balances - Beginning of year	---	---	---	---
Fund Balances - End of year	\$ ---	\$ ---	\$ ---	\$ ---

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

**OTHER SUPPLEMENTARY INFORMATION**

**GERMANTOWN SCHOOL DISTRICT**

Germantown, Wisconsin

**Combining Balance Sheet  
Nonmajor Governmental Funds**

June 30, 2010

	<b>Special</b>						
	<b>Revenue</b>	<b>Food</b>	<b>Community</b>	<b>Debt</b>	<b>Capital</b>		
	<b><u>Trust</u></b>	<b><u>Service</u></b>	<b><u>Service</u></b>	<b><u>Service</u></b>	<b><u>Projects</u></b>	<b><u>Total</u></b>	
<b>Assets:</b>							
Cash and investments	\$ 52,023	\$ 653,789	\$ 24,328	\$ 200,099	\$ 732,684	\$ 1,662,923	
Accounts receivable	---	---	744	---	---	744	
Due from other governments	---	39,792	---	---	---	39,792	
<b>Total assets</b>	<b>\$ 52,023</b>	<b>\$ 693,581</b>	<b>\$ 25,072</b>	<b>\$ 200,099</b>	<b>\$ 732,684</b>	<b>\$ 1,703,459</b>	
<b>Liabilities and Fund Balances:</b>							
<b>Liabilities:</b>							
Accounts payable	\$ 13,707	\$ 21,272	\$ 151	\$ ---	\$ 6,297	\$ 41,427	
Accrued payroll	---	16,323	7,201	---	---	23,524	
Deferred revenues	---	33,871	---	---	---	33,871	
<b>Total liabilities</b>	<b>13,707</b>	<b>71,466</b>	<b>7,352</b>	<b>---</b>	<b>6,297</b>	<b>98,822</b>	
<b>Fund Balances:</b>							
Reserved	38,316	622,115	17,720	200,099	726,387	1,604,637	
<b>Total fund balances</b>	<b>38,316</b>	<b>622,115</b>	<b>17,720</b>	<b>200,099</b>	<b>726,387</b>	<b>1,604,637</b>	
<b>Total liabilities and fund balances</b>	<b>\$ 52,023</b>	<b>\$ 693,581</b>	<b>\$ 25,072</b>	<b>\$ 200,099</b>	<b>\$ 732,684</b>	<b>\$ 1,703,459</b>	

See Independent Auditors' Report.

**GERMANTOWN SCHOOL DISTRICT**

Germantown, Wisconsin

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

**Nonmajor Governmental Funds**

Year Ended June 30, 2010

	<b>Special Revenue <u>Trust</u></b>	<b>Food <u>Service</u></b>	<b>Community <u>Service</u></b>	<b>Debt <u>Service</u></b>	<b>Capital <u>Projects</u></b>	<b><u>Total</u></b>
<b>Revenues:</b>						
Local	\$ 67,288	\$ 1,208,918	\$ 188,609	\$ 2,087,943	\$ 551,712	\$ 4,104,470
State	---	17,618	---	---	---	17,618
Federal	---	369,846	---	---	---	369,846
Other	---	1,492	---	1	---	1,493
Total revenues	<u>67,288</u>	<u>1,597,874</u>	<u>188,609</u>	<u>2,087,944</u>	<u>551,712</u>	<u>4,493,427</u>
<b>Expenditures:</b>						
Instruction:						
Current	64,180	---	---	---	---	64,180
Support Services:						
Current	1,275	1,508,819	231,164	---	307,985	2,049,243
Capital outlay	---	145,196	---	---	1,053,271	1,198,467
Debt service	---	---	---	2,329,319	475,940	2,805,259
Total expenditures	<u>65,455</u>	<u>1,654,015</u>	<u>231,164</u>	<u>2,329,319</u>	<u>1,837,196</u>	<u>6,117,149</u>
Excess (deficiency) of revenues over expenditures	1,833	(56,141)	(42,555)	(241,375)	(1,285,484)	(1,623,722)
<b>Other Financing Sources (uses):</b>						
Operating transfers in	---	---	---	195,614	---	195,614
Face value of debt issued	---	---	---	---	1,477,000	1,477,000
Face value of refunding bonds	---	---	---	765,000	---	765,000
Payment to refunded bond escrow agent	---	---	---	(748,229)	---	(748,229)
Other financing sources - premiums	---	---	---	10,090	---	10,090
Total other financing sources (uses)	<u>---</u>	<u>---</u>	<u>---</u>	<u>222,475</u>	<u>1,477,000</u>	<u>1,699,475</u>
Net change in fund balances	1,833	(56,141)	(42,555)	(18,900)	191,516	75,753
Fund Balances - Beginning of year	<u>36,483</u>	<u>678,256</u>	<u>60,275</u>	<u>218,999</u>	<u>534,871</u>	<u>1,528,884</u>
Fund Balances - End of year	<u>\$ 38,316</u>	<u>\$ 622,115</u>	<u>\$ 17,720</u>	<u>\$ 200,099</u>	<u>\$ 726,387</u>	<u>\$ 1,604,637</u>

See Independent Auditors' Report.

**GERMANTOWN SCHOOL DISTRICT**

Germantown, Wisconsin

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

June 30, 2010

	<u>Balance</u>		<u>Balance</u>
	<u>June 30, 2009</u>	<u>Additions</u>	<u>6/30/10</u>
		<u>Deductions</u>	
<b>Assets:</b>			
Cash and investments	\$ 266,492	\$ 960,436	\$ 961,561
		\$ 961,561	\$ 265,367
<b>Total assets</b>	<b>\$ 266,492</b>	<b>\$ 960,436</b>	<b>\$ 961,561</b>
			<b>\$ 265,367</b>
<b>Liabilities:</b>			
Due to student groups:			
Germantown High School	\$ 208,132	\$ 714,401	\$ 720,078
			\$ 202,455
Germantown Middle School	36,333	144,434	143,268
			37,499
MacArthur Elementary School	7,596	23,736	20,893
			10,439
Rockfield Elementary School	2,543	12,360	10,499
			4,404
Amy Belle Elementary School	4,814	21,030	21,525
			4,319
County Line Elementary School	7,074	44,475	45,298
			6,251
<b>Total liabilities</b>	<b>\$ 266,492</b>	<b>\$ 960,436</b>	<b>\$ 961,561</b>
			<b>\$ 265,367</b>

See Independent Auditors' Report.

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Schedule of State Financial Assistance**  
Year Ended June 30, 2010

<b>Awarding Agency</b>	<b>State</b>	<b>Accrued or</b>		<b>State</b>	<b>Accrued or</b>
<b>Pass-Through Agency</b>	<b>I.D.</b>	<b>(Deferred)</b>		<b>Disbursements/</b>	<b>(Deferred)</b>
<b><u>Award Description</u></b>	<b><u>Number</u></b>	<b><u>Revenue at</u></b>	<b><u>Receipts</u></b>	<b><u>Expenditures</u></b>	<b><u>Revenue at</u></b>
		<b><u>7/1/09</u></b>			<b><u>6/30/10</u></b>
<b>Wisconsin Department of Public Instruction</b>					
Special education and school-age parents **	255.101	\$ ---	\$ 1,773,156	\$ 1,773,156	\$ ---
State school lunch	255.102	---	16,100	16,100	---
Common school fund library aid	255.103	---	153,434	153,434	---
Pupil transportation	255.107	---	143,425	143,425	---
Equalization aids	255.201	218,500	11,364,558	11,353,486	207,428
Integration aid	255.204	---	331,857	331,857	---
High cost special education	255.210	---	4,579	4,579	---
Alternative education	255.330	59,969	59,969	57,900	57,900
School breakfast program	255.344	---	1,518	1,518	---
Mentoring grants for initial educators	255.355	---	4,875	4,875	---
Passed through CESA 1					
Special education and school-age parents	255.101	---	2,873	2,873	---
<b>Wisconsin Department of Workforce Development</b>					
Passed through CESA 6					
Youth apprenticeship program	445.112	---	---	1,500	1,500
<b>Total state assistance</b>		<b>\$ 278,469</b>	<b>\$ 13,856,344</b>	<b>\$ 13,844,703</b>	<b>\$ 266,828</b>

\*\* total DPI aidable expenditures for the year ended June 30, 2010 were \$6,427,114.

See Independent Auditors' Report.

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Schedule of Federal Financial Assistance**  
Year Ended June 30, 2010

Awarding Agency Pass-Through Agency <u>Award Description</u>	<u>Federal Catalog Number</u>	Accrued or (Deferred) Revenue at <u>7/1/09</u>	<u>Receipts</u>	Federal Disbursements/ <u>Expenditures</u>	Accrued or (Deferred) Revenue at <u>6/30/10</u>
<b>U.S. Department of Agriculture</b>					
Passed through Wisconsin Department of Public Instruction:					
<i>Child Nutrition Cluster:</i>					
Donated Commodities	10.555	\$ ---	\$ 115,464	\$ 115,464	\$ ---
Food Service Aid - Breakfast	10.553	397	11,350	13,683	2,730
Food Service Aid - Lunch	10.555	10,596	213,756	240,112	36,952
Food Service Aid - Milk	10.556	146	624	588	110
<i>Total Child Nutrition Cluster</i>		<u>11,139</u>	<u>341,194</u>	<u>369,847</u>	<u>39,792</u>
Total U.S. Department of Agriculture		<u>11,139</u>	<u>341,194</u>	<u>369,847</u>	<u>39,792</u>
<b>U.S. Department of Health and Human Services</b>					
Passed through the Wisconsin Department of Health Services:					
Medical Assistance Program	93.778	36,543	174,219	144,801	7,125
Passed through Wisconsin Department of Public Instruction:					
Center for Disease Control	93.938	---	250	250	---
Total U.S. Department of Health and Human Services		<u>36,543</u>	<u>174,469</u>	<u>145,051</u>	<u>7,125</u>
<b>U.S. Department of Education</b>					
Passed through Wisconsin Department of Public Instruction:					
<i>Special Education Cluster:</i>					
High Cost Special education	84.027	---	30,462	31,539	1,077
IDEA Flow Through	84.027	464,775	854,842	698,796	308,729
ARRA - IDEA Flow Through	84.391	---	383,976	457,384	73,408
IDEA Preschool Entitlement	84.173	35,601	64,364	31,529	2,766
ARRA - IDEA Preschool Entitlement	84.392	---	11,730	15,679	3,949
<i>Total Special Education Cluster</i>		<u>500,376</u>	<u>1,345,374</u>	<u>1,234,927</u>	<u>389,929</u>
<i>Title II, Part D Cluster:</i>					
ESEA Title II-D Education Technology	84.318	600	600	1,215	1,215
ARRA - ESEA Title II-D Education Technology	84.386	---	---	1,373	1,373
<i>Total Title II, Part D Cluster</i>		<u>600</u>	<u>600</u>	<u>2,588</u>	<u>2,588</u>
<i>Title I, Part A Cluster:</i>					
ESEA Title I-A Basic Grant (LEA)	84.010	25,409	126,711	115,041	13,739
Passed through Milwaukee Public Schools					
Title I-A	84.010	---	1,254	1,254	---
<i>Total Title I, Part A Cluster</i>		<u>25,409</u>	<u>127,965</u>	<u>116,295</u>	<u>13,739</u>
<i>ARRA - State Fiscal Stabilization Fund Cluster:</i>					
ARRA - State Fiscal Stabilization Fund	84.394	---	647,585	647,585	---
Title IV-A Safe and Drug Free Schools Act	84.186	7,951	7,951	6,946	6,946
ESEA Title II-A Teacher Principal Training	84.367	53,558	71,769	82,253	64,042
Passed through CESA 1					
Title III	84.365	87	87	4,375	4,375
Passed through CESA					
Carls Perkins	84.048	7,811	21,701	16,871	2,981
Total U.S. Department of Education		<u>595,792</u>	<u>2,223,032</u>	<u>2,111,840</u>	<u>484,600</u>
<b>Total Awards</b>		<u>\$ 643,474</u>	<u>\$ 2,738,695</u>	<u>\$ 2,626,738</u>	<u>\$ 531,517</u>

See Independent Auditors' Report.

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Notes to Schedules of Federal and State Financial Assistance**  
June 30, 2010

**1. General**

The accompanying schedules of federal and state financial assistance 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 federal and state financial assistance 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.

Richard A. Raymaker  
Steven C. Barney  
Steven R. Volz  
Daniel R. Brophey  
Thomas G. Wieland  
Michael W. Van Wageningen



**Reilly, Penner & Benton LLP**  
Certified Public Accountants & Consultants

*Celebrating Over 100 Years of Client Service*

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

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

To the School Board  
Germantown School District  
Germantown, Wisconsin

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Germantown School District (the "District") as of and for the year ended June 30, 2010, which collectively comprise the District's basic financial statements and have issued our report thereon dated October 22, 2010. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether Germantown School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*, and which are described in the accompanying schedule of findings and questioned costs as items 2010-1 through 2010-4.

We noted certain other matters that we have reported to management of Germantown School District in a separate letter dated October 22, 2010.

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

October 22, 2010  
Milwaukee, Wisconsin

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



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

To the School Board  
Germantown School District  
Germantown, Wisconsin

**Compliance**

We have audited Germantown School District's (the "District") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* and State Single Audit Guidelines that that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2010. The District's major federal and state programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on Germantown School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and State Single Audit Guidelines. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the District's compliance with those requirements.

In our opinion, the District complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in according with OMB Circular A-133 and/or *State Single Audit Guidelines* and which are described in the accompanying schedule of findings and questioned costs as items 2010-1 through 2010-4.

## Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal or state program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with *OMB Circular A-133* and *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct noncompliance with a type of compliance requirement of a federal or state program on a timely basis.

A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented or detected and corrected on a timely basis.

Our consideration of the internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses as defined above.

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

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

October 22, 2010  
Milwaukee, Wisconsin

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Summary Schedule of Prior Audit Findings**  
Year Ended June 30, 2010

No prior year audit findings

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2010

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

**Financial Statements**

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

**Federal Awards**

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

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
10.555	Donated Commodities
10.553	Food Service Aid - Breakfast
10.555	Food Service Aid - Lunch
10.556	Food Service Aid - Milk
84.027	High Cost Special Education
84.027	IDEA Flow Through
84.173	IDEA Preschool Entitlement
84.391	ARRA – IDEA Flow Through
84.392	ARRA – IDEA Preschool Entitlement
84.394	ARRA – State Fiscal Stabilization Fund
93.778	Medical Assistance Program

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

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2010

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

**State Awards**

10. Internal control over financial reporting:

A. Material weakness identified No

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

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

12. Any audit findings disclosed that are required to be reported? No

13. Identification of major state programs:

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

**Section II - Financial Statement Findings**

No financial statement findings.

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

**Finding 2010-1 Medical Assistance Program**

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

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

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

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

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

**GERMANTOWN SCHOOL DISTRICT**  
Germantown, Wisconsin

**Schedule of Findings and Questioned Costs**  
Year Ended June 30, 2010

**Finding 2010-2 Medical Assistance Program**

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

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

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

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

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

**Finding 2010-3 Medical Assistance Program**

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

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

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

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

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

**Finding 2010-4 Medical Assistance Program**

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

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

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

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

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