

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Audited Financial Statements
Year Ended June 30, 2015

Table of Contents

| | <u>Page(s)</u> |
|--|-----------------------|
| Independent Auditors' Report | 1 - 2 |
| Basic Financial Statements | |
| Statement of Net Position | 3 |
| Statement of Activities | 4 |
| Balance Sheet – Governmental Funds | 5 |
| Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Position | 6 |
| Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds | 7 |
| Reconciliation of the Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balances to the Statement of Activities | 8 |
| Statements of Fiduciary Net Position and Changes in Fiduciary Net Position | 9 |
| Notes to Financial Statements | 10 - 27 |
| Required Supplementary Information | |
| Budgetary Comparison Schedule – General Fund | 29 |
| Budgetary Comparison Schedule – Special Education Fund | 30 |
| Schedules of Proportionate Share of Net Pension Asset and Contributions | 31 |
| Schedules of Funding Progress and Employer Contributions | 32 |
| Notes to Required Supplementary Information | 33 |

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

AUDITED FINANCIAL STATEMENTS
Year Ended June 30, 2015

Table of Contents
(Continued)

Other Supplementary Information

| | |
|--|---------|
| Combining Balance Sheet – Nonmajor Governmental Funds | 35 |
| Combining Statement of Revenues, Expenditures, and Changes in Fund Balances – Nonmajor Governmental Funds | 36 |
| Agency Fund – Schedule of Changes in Assets and Liabilities | 37 |
| Schedule of Expenditures of State Awards | 38 |
| Schedule of Expenditures of Federal Awards | 39 |
| Notes to Schedules of Expenditures of Federal and State Awards | 40 |
| 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 | 41 - 42 |
| Independent Auditors' Report on Compliance for Each Major Program and on Internal Control Over Compliance Required by with OMB Circular A-133 and State Single Audit Guidelines | 43 - 44 |
| Summary Schedule of Prior Audit Findings | 45 |
| Schedule of Findings and Questioned Costs | 46 - 49 |

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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, 2015, 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 entity'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 entity'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.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2015, and the respective changes in financial position, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that 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. Such 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 07, 2015, 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.

Change in Accounting Principal

During the year ended June 30, 2015, the District adopted new accounting guidance, GASB 68, *Accounting and Financial Reporting for Pensions* as discussed in notes 1N and 13. Our opinion is not modified with respect to this matter.

Reilly, Penner & Benton LLP

October 07, 2015
Milwaukee, Wisconsin

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Statement of Net Position

June 30, 2015

| | Governmental Activities |
|---|------------------------------------|
| Assets: | |
| Cash and investments | \$ 9,701,952 |
| Taxes receivable | 6,210,940 |
| Accounts receivable | 4,918 |
| Due from agency fund | 5,413 |
| Due from other governments | 938,896 |
| Inventory | 11,780 |
| Prepaid expense | 194,495 |
| Net pension asset | 4,225,187 |
| Capital assets: | |
| Land and construction in progress | 967,228 |
| Other capital assets, net of accumulated depreciation | 20,264,992 |
| Net capital assets | <u>21,232,220</u> |
| Total assets | 42,525,801 |
| Deferred Outflows of Resources: | |
| Deferred outflows related to pensions | 3,677,521 |
| Liabilities: | |
| Short-term notes payable | 2,000,000 |
| Accounts payable | 425,693 |
| Withholdings and related fringes payable | 1,631,822 |
| Accrued interest | 50,983 |
| Accrued payroll | 1,116,281 |
| Due to other governments | 9,715 |
| Unearned revenues | 119,227 |
| Current portion of long-term obligations | 855,338 |
| Noncurrent liabilities: | |
| Long-term obligations net of current portion | 4,742,205 |
| Accrued liability for post-employment benefit | 5,463,503 |
| Unamortized premium on debt issuance | 27,812 |
| Total liabilities | <u>16,442,579</u> |
| Deferred Inflows of Resources: | |
| Deferred inflows related to pensions | 4,267 |
| Net Position: | |
| Net investment in capital assets | 18,208,533 |
| Restricted for: | |
| WRS pension | 7,898,441 |
| Capital projects | 392,132 |
| Food service | 558,314 |
| Other activities | 57,470 |
| Unrestricted | <u>2,641,586</u> |
| Total net position | <u>\$ 29,756,476</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, 2015

| | Program Revenues | | | Net |
|------------------------------------|--------------------------|-----------------------------|---|--|
| | Expenses | Charges for Services | Operating Grants and Contributions | (Expenses) Revenues and Changes in Net Position |
| Governmental activities: | | | | |
| Instruction: | | | | |
| Regular instruction | \$ 17,687,243 | \$ 1,207,767 | \$ 330,102 | \$ (16,149,374) |
| Special education instruction | 6,205,345 | 23,086 | 2,701,468 | (3,480,791) |
| Vocational instruction | 1,224,417 | --- | --- | (1,224,417) |
| Other instruction | 1,876,055 | 84,688 | --- | (1,791,367) |
| Total instruction | 26,993,060 | 1,315,541 | 3,031,570 | (22,645,949) |
| Support services: | | | | |
| Pupil services | 2,237,047 | --- | --- | (2,237,047) |
| Instructional staff services | 2,109,264 | --- | 179,697 | (1,929,567) |
| Administration services | 2,855,984 | --- | --- | (2,855,984) |
| Operation and maintenance of plant | 4,658,081 | 3,750 | --- | (4,654,331) |
| Pupil transportation | 2,735,918 | 211,579 | 126,563 | (2,397,776) |
| Central services | 1,402,369 | --- | --- | (1,402,369) |
| Other support services | 1,224,715 | --- | --- | (1,224,715) |
| Community services | 91,504 | 10,361 | --- | (81,143) |
| Food service | 1,249,567 | 917,086 | 424,049 | 91,568 |
| Interest | 191,910 | --- | --- | (191,910) |
| Unallocated depreciation | 2,601,786 | --- | --- | (2,601,786) |
| Total support services | 21,358,145 | 1,142,776 | 730,309 | (19,485,060) |
| Total school district | \$ 48,351,205 | \$ 2,458,317 | \$ 3,761,879 | (42,131,009) |

General revenues:

Taxes:

| | |
|--|------------|
| Property taxes, levied for general purposes | 27,182,811 |
| Property taxes, levied for specific purposes | 1,100,000 |
| Other taxes | 66,401 |

Federal and state aid not restricted to specific purposes:

| | |
|----------------------------------|-------------|
| General | 11,437,657 |
| Other | 1,008,275 |
| Interest and investment earnings | 11,285 |
| Miscellaneous | 239,119 |
| Changes in net position | (1,085,461) |

| | |
|--|--------------------------|
| Net position - beginning of year | 23,026,638 |
| Adjustment due to change in accounting principle | 7,815,299 |
| Net position - beginning of year as adjusted | 30,841,937 |
| Net position - end of year | \$ 29,756,476 |

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

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

**Balance Sheet
Governmental Funds**

June 30, 2015

| | <u>General</u> | <u>Non-major Funds</u> | <u>Total Governmental Funds</u> |
|--|--------------------------|----------------------------|---|
| Assets: | | | |
| Cash and investments | \$ 8,444,888 | \$ 1,257,064 | \$ 9,701,952 |
| Taxes receivable | 6,210,940 | --- | 6,210,940 |
| Accounts receivable | 4,918 | --- | 4,918 |
| Due from agency fund | 5,413 | --- | 5,413 |
| Due from other governments | 911,455 | 14,508 | 925,963 |
| Inventory | 11,780 | --- | 11,780 |
| Prepaid expense | 191,640 | 2,855 | 194,495 |
| Total assets | <u>\$ 15,781,034</u> | <u>\$ 1,274,427</u> | <u>\$ 17,055,461</u> |
| Liabilities and Fund Balances: | | | |
| Liabilities: | | | |
| Short-term notes payable | \$ 2,000,000 | \$ --- | \$ 2,000,000 |
| Accounts payable | 359,839 | 65,854 | 425,693 |
| Withholdings and related fringes payable | 1,618,282 | 13,540 | 1,631,822 |
| Accrued interest | 8,147 | --- | 8,147 |
| Accrued payroll | 1,115,698 | 583 | 1,116,281 |
| Due to other governments | 9,715 | --- | 9,715 |
| Unearned revenues | 67,400 | 51,827 | 119,227 |
| Total liabilities | <u>5,179,081</u> | <u>131,804</u> | <u>5,310,885</u> |
| Fund Balances: | | | |
| Nonspendable | 203,420 | 2,855 | 206,275 |
| Restricted | --- | 1,005,550 | 1,005,550 |
| Committed | 158,000 | --- | 158,000 |
| Assigned | --- | 134,218 | 134,218 |
| Unassigned | 10,240,533 | --- | 10,240,533 |
| Total fund balances | <u>10,601,953</u> | <u>1,142,623</u> | <u>11,744,576</u> |
| Total liabilities and fund balances | <u>\$ 15,781,034</u> | <u>\$ 1,274,427</u> | <u>\$ 17,055,461</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, 2015

Total fund balances - governmental funds \$ 11,744,576

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 | \$ 967,228 | |
| Other capital assets, net of accumulated depreciation | <u>20,264,992</u> | 21,232,220 |

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. (5,463,503)

The District's proportionate share of the WRS pension plan exceeds its obligation. This is reported as an asset on the statement of net position, but is not reported in the governmental funds. 4,225,187

Deferred inflows and outflows of resources related to pensions are applicable to future periods and therefore, are not reported in the governmental funds. 3,673,254

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 | 4,612,000 | |
| Notes payable | 575,000 | |
| Unamortized premium on issuance | 27,812 | |
| Capital leases | 343,873 | |
| Compensated absences | <u>66,670</u> | (5,625,355) |

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. (42,836)

Total net position - governmental activities \$ 29,756,476

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, 2015

| | <u>General</u> | <u>Non-major Funds</u> | <u>Total Governmental Funds</u> |
|---|--------------------------|----------------------------|---|
| Revenues: | | | |
| Local | \$ 27,957,820 | \$ 2,088,344 | \$ 30,046,164 |
| Interdistrict payments within Wisconsin | 849,395 | --- | 849,395 |
| Intermediate sources | 24,225 | --- | 24,225 |
| State | 14,518,093 | 29,626 | 14,547,719 |
| Federal | 1,151,518 | 407,604 | 1,559,122 |
| Other | 175,514 | 63,605 | 239,119 |
| Total revenues | <u>44,676,565</u> | <u>2,589,179</u> | <u>47,265,744</u> |
| Expenditures: | | | |
| Instruction: | | | |
| Current | 25,647,416 | 55,098 | 25,702,514 |
| Interdistrict | 745,621 | --- | 745,621 |
| Capital outlay | 6,549 | --- | 6,549 |
| Support Services: | | | |
| Current | 16,825,870 | 1,548,192 | 18,374,062 |
| Capital outlay | 530,637 | 727,019 | 1,257,656 |
| Debt service | 231,478 | 974,144 | 1,205,622 |
| Total expenditures | <u>43,987,571</u> | <u>3,304,453</u> | <u>47,292,024</u> |
| Excess (deficiency) of revenues over (under) expenditures | 688,994 | (715,274) | (26,280) |
| Other Financing Sources (uses): | | | |
| Operating transfers in | --- | 677,007 | 677,007 |
| Operating transfers out | (677,007) | --- | (677,007) |
| Capital lease proceeds | 253,180 | --- | 253,180 |
| Total other financing sources (uses) | <u>(423,827)</u> | <u>677,007</u> | <u>253,180</u> |
| Net change in fund balances | 265,167 | (38,267) | 226,900 |
| Fund Balances - Beginning of year | <u>10,336,786</u> | <u>1,180,890</u> | <u>11,517,676</u> |
| Fund Balances - End of year | <u>\$ 10,601,953</u> | <u>\$ 1,142,623</u> | <u>\$ 11,744,576</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, 2015

Total net change in fund balances - governmental funds \$ 226,900

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 | \$ (2,601,786) | |
| Capital outlays | <u>1,264,205</u> | (1,337,581) |

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.

(253,180)

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 | 460,000 | |
| Notes payable | 90,000 | |
| Capital leases | <u>456,711</u> | 1,006,711 |

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.

(825,130)

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.

3,488

In the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expenses. In the governmental funds however, expenditures for these items are measured by the amount of financial resources used.

| | | |
|---|------------------|--------|
| Cost of benefits earned net of employee contributions | (1,590,899) | |
| District pension contributions | <u>1,674,041</u> | 83,142 |

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

4,515

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.

5,674

Change in net position of governmental activities \$ (1,085,461)

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, 2015

| | <u>Private</u> <u>Purpose Trusts</u> | <u>Agency</u> <u>Fund</u> |
|---------------------------|---|------------------------------|
| Assets: | | |
| Cash and investments | \$ 28,730 | \$ 314,183 |
| | <hr/> | <hr/> |
| Liabilities: | | |
| Due to student groups | --- | 308,770 |
| Due to other funds | --- | 5,413 |
| Total liabilities | <hr/> | <hr/> |
| | --- | 314,183 |
| Net position: | | |
| Restricted | 28,730 | --- |
| Total net position | <hr/> | <hr/> |
| | \$ 28,730 | \$ --- |

Statement of Changes in Fiduciary Net Position

Year Ended June 30, 2015

| | <u>Private</u> <u>Purpose Trusts</u> |
|-------------------------------------|---|
| Additions: | |
| Interest | \$ 31 |
| Gifts | 3,000 |
| Total additions | <hr/> |
| | 3,031 |
| Deductions: | |
| Trust fund disbursements | <hr/> |
| | 5,250 |
| Change in net position | (2,219) |
| Net position - June 30, 2014 | <hr/> |
| | 30,949 |
| Net position - June 30, 2015 | <hr/> |
| | \$ 28,730 |

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

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2015

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 accounting principles generally accepted 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, 2015
(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, 2015
(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.

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. Investment income on commingled investments of municipal accounting funds is allocated based on average investment balances.

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, 2015 are as follows:

| <u>Purpose</u> | <u>Receivable Fund</u> | <u>Payable Fund</u> | <u>Amount</u> |
|-------------------|-------------------------------|---------------------|-------------------|
| Due to/from: | | | |
| Agency operations | General | Agency | \$ <u>5,413</u> |
| Transfers: | | | |
| Debt payment | Debt Service – Non-referendum | General | \$ <u>677,007</u> |

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2015
(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 |

The District reviews long-lived assets for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable. Recoverability of assets to be held and used is measured by a comparison of the carrying amount of an asset to future undiscounted net cash flows expected to be generated by the asset. If such assets are considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the assets exceeds the fair value of the assets. Assets to be disposed of are reported at the lower of carrying amount or the fair value less costs to sell.

I. Net Position

Net position represents the difference between assets, deferred outflows, deferred inflows and liabilities. Net investment in capital assets represents 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 position is 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 position is available.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

1. Summary of Significant Accounting Policies (Continued)

J. Fund Balances

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

Support staff is granted one sick day per month worked, cumulative to one-hundred twenty days. Upon retirement, if the employee is at least 57-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 GAAP 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, 2015
(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. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported to WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

O. Subsequent Events

Management has evaluated all subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (October 07, 2015). There are three subsequent events which require disclosure which are as follows:

- In July 2015, the District entered into an agreement to lease computer equipment. The agreement calls for four annual payments of \$34,778.
- Subsequent to year end, the District entered into agreements with contractors to do renovations at Rockfield Elementary school. The agreement with the architect for basic services is \$162,000. The agreement with the contractor is at an amount not to exceed \$3.5 million.
- Subsequent to year end, the District issued \$10.5 million of general obligation promissory notes at an interest rate ranging from 2.0% - 5.0% with maturity on April 1, 2015. The payment on this issue is as follows (this issue is not included in the payment schedules in note 5):

| Year Ended | | | | |
|------------------------|-------------------------|------------------------|---------------------|-------------------|
| <u>June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total</u> | |
| 2016 | \$ --- | \$ 199,155 | \$ | 199,155 |
| 2017 | 915,000 | 383,400 | | 1,298,400 |
| 2018 | 930,000 | 365,100 | | 1,295,100 |
| 2019 | 945,000 | 337,200 | | 1,282,200 |
| 2020 | 970,000 | 299,400 | | 1,269,400 |
| 2021-2025 | 6,740,000 | 715,288 | | 7,455,288 |
| Total | \$ 10,500,000 | \$ 2,299,543 | \$ | 12,799,543 |

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

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 | 2,033,536 | Custodial |
| Local government investment pool | 8,007,554 | Custodial |
| Total cash and equivalents | \$ <u>10,044,865</u> | |

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

| | |
|--------------------------------------|-----------------------------|
| Statement of net position: | |
| Cash and investments | \$ 9,701,952 |
| Statement of fiduciary net position: | |
| Cash and investments: | |
| Private purpose trusts | 28,730 |
| Agency fund | 314,183 |
| Total cash and investments | \$ <u>10,044,865</u> |

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

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000. Deposits and the Wisconsin Local Government Investment Pool are also insured by the State Deposit Guarantee Fund in the amount of \$400,000 per financial institution. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual 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, 2015, 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 \$10,044,865 at June 30, 2015 and the bank's carrying value was \$10,932,608, of which \$2,300,929 was fully insured and \$8,631,679 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.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

2. Cash and Investments (Continued)

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.

3. Short-Term Notes Payable

Short-term notes payable at June 30, 2015 are as follows:

| <u>Balance</u> | | <u>Additions</u> | | <u>Reductions</u> | | <u>Balance</u> |
|----------------------|----|------------------|----|-------------------|----|----------------------|
| <u>June 30, 2014</u> | | | | | | <u>June 30, 2015</u> |
| \$ 4,000,000 | \$ | 2,000,000 | \$ | 4,000,000 | \$ | 2,000,000 |

The note was dated October 30, 2014, due October 30, 2015, with an interest rate of 1.00%. Interest for the year ended June 30, 2015 was \$13,893. The note is for general district operation.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

4. Capital Assets

Capital asset balances and activity for the year ended June 30, 2015 were as follows:

| | Balance <u>July 1, 2014</u> | <u>Additions</u> | <u>Reductions</u> | Balance <u>June 30, 2015</u> |
|---|--------------------------------|------------------|-------------------|---------------------------------|
| Capital assets not being depreciated: | | | | |
| Sites | \$ 926,649 | \$ --- | \$ --- | \$ 926,649 |
| Construction in progress | 21,306 | 40,579 | 21,306 | 40,579 |
| Total capital assets not being depreciated | 947,955 | 40,579 | 21,306 | 967,228 |
| Capital assets being depreciated: | | | | |
| Buildings and improvements | 43,679,414 | 892,847 | --- | 44,572,261 |
| Equipment | 1,695,196 | 352,086 | --- | 2,047,282 |
| Total capital assets being depreciated | 45,374,610 | 1,244,933 | --- | 46,619,543 |
| Less accumulated depreciation | 23,752,765 | 2,601,786 | --- | 26,354,551 |
| Total capital assets being depreciated, net of accumulated depreciation | 21,621,845 | (1,356,853) | --- | 20,264,992 |
| Governmental activities capital assets, net of accumulated depreciation | \$ 22,569,800 | \$ (1,316,274) | \$ 21,306 | \$ 21,232,220 |

Depreciation expense of \$2,601,786 was charged to unallocated depreciation on the statement of activities.

5. Long-Term Liabilities

Long-term Liabilities of the District are as follows:

| <u>Type</u> | Balance July 1, <u>2014</u> | <u>Additions</u> | <u>Reductions</u> | Balance June 30, <u>2015</u> | Amounts due within <u>one year</u> |
|------------------------------------|-----------------------------------|------------------|-------------------|------------------------------------|--|
| G.O. Bonds | \$ 2,995,000 | \$ --- | \$ 460,000 | \$ 2,535,000 | \$ 475,000 |
| Qualified School Construction Bond | 2,077,000 | --- | --- | 2,077,000 | 100,000 |
| G.O. Note | 665,000 | --- | 90,000 | 575,000 | 90,000 |
| Subtotal | 5,737,000 | --- | 550,000 | 5,187,000 | 665,000 |
| Compensated absences | 71,185 | --- | 4,515 | 66,670 | --- |
| Capitalized leases | 547,404 | 253,180 | 456,711 | 343,873 | 190,338 |
| Total | \$ 6,355,589 | \$ 253,180 | \$ 1,011,226 | \$ 5,597,543 | \$ 855,338 |

Total interest paid and expensed (including accrual) during the year for the year ended June 30, 2015 on long-term liabilities was \$185,330 and \$179,656, respectively.

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

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

5. Long-Term Liabilities (Continued)

General obligation debt at June 30, 2015 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, 2015</u> |
|--|--------------------|---------------------------|--------------------------|------------------------------|
| \$4,295,000 G.O. Refunding bond | 3/21/11 | 1.00% - 4.40% | 4/1/21 | \$ 2,535,000 |
| \$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 | 575,000 |
| Total | | | | \$ 5,187,000 |

The 2014 equalized valuation of the District as certified by the Wisconsin Department of Revenue is \$2,978,741,382. The legal debt limit and margin of indebtedness as of June 30, 2015, in accordance with Section 67.03(1)(b) of the Wisconsin Statutes follows:

| | |
|---|------------------------------|
| Debt limit (10% of \$2,978,741,382) | \$ 297,874,138 |
| Deduct long-term debt applicable to debt margin | <u>5,187,000</u> |
| Margin of indebtedness | \$ <u>292,687,138</u> |

Aggregate cash flow requirements for the retirement of long-term principal and interest on June 30, 2015 follow:

| <u>Year Ended June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Interest Subsidy</u> | <u>Total</u> |
|----------------------------|---------------------|-------------------|-------------------------|---------------------|
| 2015 | \$ 855,338 | \$ 164,212 | \$ (52,300) | \$ 967,250 |
| 2016 | 735,241 | 146,875 | (52,300) | 829,816 |
| 2017 | 528,294 | 128,750 | (52,300) | 604,744 |
| 2018 | 710,000 | 117,980 | (52,300) | 775,680 |
| 2019 | 1,092,000 | 105,928 | (52,300) | 1,145,628 |
| 2020-2024 | 1,610,000 | 234,390 | (209,200) | 1,635,190 |
| Total | \$ 5,530,873 | \$ 898,135 | \$ (470,700) | \$ 5,958,308 |

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

6. Fund Balances

As of June 30, 2015, 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 | \$ 191,640 | \$ --- | \$ --- | \$ --- |
| Inventory | 11,780 | --- | --- | --- |
| Band uniform purchase | --- | --- | 70,000 | --- |
| Debt service | --- | --- | 88,000 | --- |
| Special revenue trust | --- | 57,470 | --- | --- |
| Debt service | --- | --- | --- | --- |
| Food service: | | | | |
| Prepaid expenses | 2,366 | --- | --- | --- |
| Food service program | --- | 555,948 | --- | --- |
| Capital projects | --- | 392,132 | --- | --- |
| Community service: | | | | |
| Prepaid expenses | 489 | --- | --- | --- |
| Community service | --- | --- | --- | 134,218 |
| Total | \$ 206,275 | \$ 1,005,550 | \$ 158,000 | \$ 134,218 |

7. Defined Benefit Pension Plan

Plan Description

The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Vesting

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.

Benefits Provided

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable services is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

7. Defined Benefit Pension Plan (Continued)

Benefits Provided (Continued)

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments

The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement.

The Core and Variable annuity adjustments granted during recent years are as follows:

| <u>Year</u> | <u>Core Fund Adjustment</u> | <u>Variable Fund Adjustment</u> |
|-------------|-----------------------------|---------------------------------|
| 2005 | 2.6% | 7% |
| 2006 | 0.8 | 3 |
| 2007 | 3.0 | 10 |
| 2008 | 6.6 | 0 |
| 2009 | (2.1) | (42) |
| 2010 | (1.3) | 22 |
| 2011 | (1.2) | 11 |
| 2012 | (7.0) | (7) |
| 2013 | (9.6) | 9 |
| 2014 | 4.7 | 25 |

Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period (Calendar year 2014), the WRS recognized \$1,674,041 in contributions from the employer.

Contribution rates as of June 30, 2015 are:

| <u>Employee Category</u> | <u>Employee</u> | <u>Employer</u> |
|------------------------------------|-----------------|-----------------|
| General (including teachers) | 6.8% | 6.8% |
| Executives & Elected Officials | 7.7% | 7.7% |
| Protective with Social Security | 6.8% | 9.5% |
| Protective without Social Security | 6.8% | 13.1% |

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

7. Defined Benefit Pension Plan (Continued)

Pension Liabilities, Pension Expense and Deferred Outflows of Resources

At June 30, 2015, the District reported an asset of \$4,225,187 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the District's proportion was 0.17201612%, which was a decrease of 0.00003658% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$1,657,076.

At June 30, 2015, the District reported deferred inflows and outflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Differences between expected and actual experience | \$ 612,521 | \$ --- |
| Changes in assumptions | --- | --- |
| Net difference between projected and actual earnings on pension plan investments | 2,046,039 | --- |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | --- | 4,267 |
| Employer contributions subsequent to the measurement date | 1,018,961 | --- |
| Total | \$ 3,677,521 | \$ 4,267 |

\$1,018,961 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources related to pension will be recognized in pension expense as follows:

| Year Ended June 30, | Deferred Outflows of Resources | Deferred Inflows of Resources |
|----------------------------|---|--|
| 2016 | \$ 522,928 | \$ (792) |
| 2017 | 522,928 | (792) |
| 2018 | 522,928 | (792) |
| 2019 | 522,928 | (792) |
| 2020 | 522,928 | (792) |
| Thereafter | 43,918 | (306) |

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

7. Defined Benefit Pension Plan (Continued)

Actuarial assumptions

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|--------------------------------|
| Actuarial Valuation Date: | December 31, 2013 |
| Measurement Date of Net Pension Liability (Asset) | December 31, 2014 |
| Actuarial Cost Method: | Entry Age |
| Asset Valuation Method: | Fair Market Value |
| Long-Term Expected Rate of Return: | 7.2% |
| Discount Rate: | 7.2% |
| Salary Increases: | |
| Inflation | 3.2% |
| Seniority/Merit | 0.2% - 5.8% |
| Mortality: | Wisconsin 2012 Mortality Table |
| Post-retirement Adjustments* | 2.1% |

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

Long-term expected Return on Plan Assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| <u>Asset Class</u> | <u>Long-Term Real Rate of Return</u> | <u>Target Allocation</u> |
|----------------------------|--|------------------------------|
| US Equities | 5.3% | 21% |
| International Equities | 5.7 | 23% |
| Fixed Income | 1.7 | 36% |
| Inflation Sensitive Assets | 2.3 | 20% |
| Real Estate | 4.2 | 7% |
| Private Equity/Debt | 6.9 | 7% |
| Multi-Asset | 3.9 | 6% |
| Cash | 0.9% | -20% |

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

7. Defined Benefit Pension Plan (Continued)

Actuarial assumptions (Continued)

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

| | 1% Decrease to Discount Rate (6.20%) | Current Discount Rate (7.20%) | 1% Increase To Discount Rate (8.20%) |
|--|---|--|---|
| District's proportionate share of the net pension asset | 11,919,979 | 4,225,187 | (16,975,985) |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

Payables to the pension plan at June 30, 2015 were \$728,468. This represents contributions earned as of June 30, 2015, but for which payment was not remitted to the pension plan until subsequent to year-end.

8. Other Postemployment 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 | 354 |
| Number of participating employees | 407 |

For fiscal year 2015, the District paid \$607,776 to eligible retirees. In addition, the District had an implicit rate subsidy that it "funded" for fiscal year 2015 in the amount of \$374,003.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

8. 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. 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 | | 185,536 |
| Adjustment to annual required contribution | | <u>(178,950)</u> |
| Annual OPEB cost (expense) | | 1,806,909 |
| Contributions made | | <u>(981,779)</u> |
| Increase in net OPEB obligation | | 825,130 |
| Net OPEB obligation (liability) – beginning of year | | <u>4,638,373</u> |
| Net OPEB obligation (liability) – end of year | \$ | <u>5,463,503</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, 2015 and the three years prior 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> |
|------------------------------|-----------------------------|---|------------------------------------|
| 2015 | \$ 1,806,909 | 54.3% | \$ 5,463,503 |
| 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 |

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.

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.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

8. Other Post-Employment Benefits (Continued)

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%

9. 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.

10. 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.

11. 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, 2015 are not likely to have a material adverse impact on the District's financial position.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Financial Statements
June 30, 2015
(Continued)

11. Commitments and Contingencies (Continued)

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.

The Wisconsin Department of Public Instruction (DPI) has accepted an action plan submitted by the District to improve student participation in state assessment testing. DPI has placed the district as high risk status for the 2015-16 school year related to the low percentage of participation in state assessments while it monitors progress of implementation of this plan.

During May 2015, the District contracted for fire alarm upgrades at Amy Belle Elementary School. The outstanding commitment on these contracts is approximately \$92,000 as of June 30, 2015.

See note 1.O for commitments entered into subsequent to year end.

12. 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, 2015 totaled \$72,632.

13. Change in Accounting Principle

As the result of implementing GASB Statement No. 68, the district has restated the beginning net position in the government-wide Statement of Net Position, effectively increasing net position as of July 1, 2014 by \$7,815,299. The increase results from recording the July 1, 2014 balance of the District's net pension asset.

REQUIRED SUPPLEMENTARY INFORMATION

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Budgetary Comparison Schedule

General Fund

Year Ended June 30, 2015

| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | Variance Positive (Negative) |
|---|---------------------|---------------------|----------------------|---|
| Revenues: | | | | |
| Local | \$ 27,912,311 | \$ 27,912,311 | \$ 27,957,820 | \$ 45,509 |
| Interdistrict payments within Wisconsin | 708,880 | 708,880 | 811,394 | 102,514 |
| Intermediate sources | 20,000 | 20,000 | 22,731 | 2,731 |
| State | 12,744,358 | 12,744,358 | 12,784,782 | 40,424 |
| Federal | 298,000 | 298,000 | 267,231 | (30,769) |
| Other | 77,500 | 77,500 | 175,514 | 98,014 |
| Total revenues | <u>41,761,049</u> | <u>41,761,049</u> | <u>42,019,472</u> | <u>258,423</u> |
| Expenditures: | | | | |
| Instruction: | | | | |
| Current | 19,663,120 | 19,663,120 | 19,655,637 | 7,483 |
| Interdistrict | 661,865 | 661,865 | 632,971 | 28,894 |
| Capital outlay | 10,521 | 10,521 | 6,549 | 3,972 |
| Support Services: | | | | |
| Current | 15,775,964 | 15,775,964 | 15,212,527 | 563,437 |
| Capital outlay | 420,234 | 420,234 | 530,637 | (110,403) |
| Debt service | 255,467 | 255,467 | 224,401 | 31,066 |
| Total expenditures | <u>36,787,171</u> | <u>36,787,171</u> | <u>36,262,722</u> | <u>524,449</u> |
| Excess of revenues over expenditures | 4,973,878 | 4,973,878 | 5,756,750 | 782,872 |
| Other Financing Sources (uses): | | | | |
| Operating transfers out | (5,807,070) | (5,807,070) | (5,744,763) | 62,307 |
| Capital lease proceeds | 259,707 | 259,707 | 253,180 | (6,527) |
| Total other financing sources (uses) | <u>(5,547,363)</u> | <u>(5,547,363)</u> | <u>(5,491,583)</u> | <u>55,780</u> |
| Net change in fund balances | (573,485) | (573,485) | 265,167 | 838,652 |
| Fund Balances - Beginning of year | <u>10,336,786</u> | <u>10,336,786</u> | <u>10,336,786</u> | --- |
| Fund Balances - End of year | <u>\$ 9,763,301</u> | <u>\$ 9,763,301</u> | <u>\$ 10,601,953</u> | <u>\$ 838,652</u> |

See Independent Auditors' Report and Notes to Required Supplementary Information.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Budgetary Comparison Schedule

Special Education Fund

Year Ended June 30, 2015

| | <u>Original</u> | <u>Final</u> | <u>Actual</u> | Variance Positive (Negative) |
|---|------------------|------------------|------------------|---|
| Revenues: | | | | |
| Interdistrict payments within Wisconsin | \$ 12,500 | \$ 12,500 | \$ 38,001 | \$ 25,501 |
| Intermediate sources | 5,600 | 5,600 | 1,494 | (4,106) |
| State | 1,727,472 | 1,727,472 | 1,733,311 | 5,839 |
| Federal | 858,930 | 858,930 | 884,287 | 25,357 |
| Total revenues | <u>2,604,502</u> | <u>2,604,502</u> | <u>2,657,093</u> | 52,591 |
| Expenditures: | | | | |
| Instruction: | | | | |
| Current | 5,864,812 | 5,864,812 | 5,991,779 | (126,967) |
| Interdistrict | 30,000 | 30,000 | 112,650 | (82,650) |
| Support Services: | | | | |
| Current | 1,844,444 | 1,844,444 | 1,613,343 | 231,101 |
| Debt service | --- | --- | 7,077 | (7,077) |
| Total expenditures | <u>7,739,256</u> | <u>7,739,256</u> | <u>7,724,849</u> | 14,407 |
| Excess (deficiency) of revenues over (under) expenditures | (5,134,754) | (5,134,754) | (5,067,756) | 66,998 |
| Other Financing Sources: | | | | |
| Operating transfers in | <u>5,134,754</u> | <u>5,134,754</u> | <u>5,067,756</u> | (66,998) |
| 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 and Notes to Required Supplementary Information.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Schedule of Proportionate Share of the Net Pension Asset

Year Ended June 30, 2015

Wisconsin Retirement System

Last 10 Fiscal Years*

| | <u>2015</u> |
|--|-------------|
| District's proportion of the net pension asset | 0.1720% |
| District's proportionate share of the net pension asset | 4,225,187 |
| District's covered-employee payroll | 23,773,176 |
| Net pension asset as a percentage of covered-employee payroll | 17.77% |
| Plan fiduciary net position as a percentage of total pension asset | 102.74% |

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

*GASB Pronouncements 67 and 68 require the presentation of the last 10 prior fiscal years completed under these pronouncements. The fiscal years completed prior to the enactment of these pronouncements are not required to be presented in this schedule.

Schedule of Contributions

Year Ended June 30, 2015

Wisconsin Retirement System

Last 10 Fiscal Years*

| | <u>2015</u> |
|---|-------------|
| Contractually required contributions | 1,674,041 |
| Contributions in relation to the contractually required contributions | (1,674,041) |
| Contribution deficiency (excess) | --- |
| District's covered-employee payroll | 23,773,176 |
| Contributions as a percentage of covered-employee payroll | 7.04% |

*The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

*GASB Pronouncements 67 and 68 require the presentation of the last 10 prior fiscal years completed under these pronouncements. The fiscal years completed prior to the enactment of these pronouncements are not required to be presented in this schedule.

See Independent Auditors' Report and Notes to Required Supplementary Information.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Schedule of Funding Progress

Year Ended June 30, 2015

| 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, 2015

| 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% |
| 2015 | 1,800,323 | 981,779 | 54.5% |

See Independent Auditors' Report and Notes to Required Supplementary Information.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Required Supplementary Information
June 30, 2015

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) | \$ 42,019,472 | \$ 2,657,093 |
| Reclassification of special education | 2,657,093 | (2,657,093) |
| Total revenues (GAAP) | 44,676,565 | --- |
| Expenditures | | |
| Actual amounts (budgetary basis) | 36,262,722 | 7,724,849 |
| Reclassification of special education | 7,724,849 | (7,724,849) |
| Total expenditures (GAAP) | 43,987,571 | --- |
| Excess of Revenues Over (Under) Expenditures | | |
| Actual amounts (budgetary basis) | 5,756,750 | (5,067,756) |
| Reclassification of special education | (5,067,756) | 5,067,756 |
| Excess of revenues over (under) expenditures (GAAP) | 688,994 | --- |
| Other Financing Sources (Uses) | | |
| Actual amounts (budgetary basis) | (5,491,583) | 5,067,756 |
| Reclassification of special education | 5,067,756 | (5,067,756) |
| Total other financing sources (uses) (GAAP) | (423,827) | --- |
| Net Change in Fund Balance | | |
| Actual amounts (budgetary basis and GAAP) | 265,167 | --- |
| Fund Balance – Beginning of year | | |
| Actual amounts (budgetary basis and GAAP) | 10,336,786 | --- |
| Fund Balance – End of year | | |
| Actual amounts (budgetary basis and GAAP) | \$ 10,601,953 | \$ --- |

Note B - 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, 2015. The excess expenditures were funded by larger than anticipated revenues.

| | |
|----------------------------------|-----------|
| <u>Fund 10:</u> | |
| Undifferentiated Curriculum | \$ 82,169 |
| Physical Curriculum | 56,665 |
| Business Administration | 10,042 |
| Central Services | 31,625 |
| <u>Fund 27:</u> | |
| Speical Education Curriculum | \$ 22,775 |
| Pupil Services | 96,469 |
| General Administration | 5,456 |
| Central Services | 2,166 |
| Debt Services | 7,077 |
| Purchased Instructional Services | 187,142 |

Note C – WRS Information

There were no changes of benefit terms for any participating employer in WRS. There were no changes in the assumptions.

OTHER SUPPLEMENTARY INFORMATION

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2015

| | <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 | \$ 61,961 | \$ --- | \$ 607,286 | \$ 135,050 | \$ 452,767 | | \$ 1,257,064 |
| Due from other governments | --- | --- | 14,508 | --- | --- | | 14,508 |
| Prepaid expense | --- | --- | 2,366 | 489 | --- | | 2,855 |
| Total assets | \$ 61,961 | \$ --- | \$ 624,160 | \$ 135,539 | \$ 452,767 | | \$ 1,274,427 |
| | | | | | | | |
| Liabilities and Fund Balances: | | | | | | | |
| Liabilities: | | | | | | | |
| Accounts payable | \$ 4,491 | \$ --- | \$ 728 | \$ --- | \$ 60,635 | | \$ 65,854 |
| Withholdings and related fringes payable | --- | --- | 12,708 | 832 | --- | | 13,540 |
| Accrued payroll | --- | --- | 583 | --- | --- | | 583 |
| Unearned revenues | --- | --- | 51,827 | --- | --- | | 51,827 |
| Total liabilities | 4,491 | --- | 65,846 | 832 | 60,635 | | 131,804 |
| | | | | | | | |
| Fund Balances: | | | | | | | |
| Nonspendable | --- | --- | 2,366 | 489 | --- | | 2,855 |
| Restricted | 57,470 | --- | 555,948 | --- | 392,132 | | 1,005,550 |
| Assigned | --- | --- | --- | 134,218 | --- | | 134,218 |
| Total fund balances | 57,470 | --- | 558,314 | 134,707 | 392,132 | | 1,142,623 |
| | | | | | | | |
| Total liabilities and fund balances | \$ 61,961 | \$ --- | \$ 624,160 | \$ 135,539 | \$ 452,767 | | \$ 1,274,427 |

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, 2015

| | <u>Special Revenue Trust</u> | <u>Debt Service</u> | <u>Food Service</u> | <u>Package- Cooperative</u> | <u>Community Service</u> | <u>Capital Projects</u> | <u>Total</u> |
|--|--------------------------------------|-------------------------|-------------------------|---------------------------------|------------------------------|-----------------------------|---------------------|
| Revenues: | | | | | | | |
| Local | \$ 59,975 | \$ --- | \$ 917,422 | \$ --- | \$ 110,361 | \$ 1,000,586 | \$ 2,088,344 |
| State | --- | --- | 16,446 | 13,180 | --- | --- | 29,626 |
| Federal | --- | --- | 407,604 | --- | --- | --- | 407,604 |
| Other | --- | 48,508 | --- | --- | --- | 15,097 | 63,605 |
| Total revenues | 59,975 | 48,508 | 1,341,472 | 13,180 | 110,361 | 1,015,683 | 2,589,179 |
| Expenditures: | | | | | | | |
| Instruction: | | | | | | | |
| Current | 55,098 | --- | --- | --- | --- | --- | 55,098 |
| Support Services: | | | | | | | |
| Current | 1,045 | --- | 1,248,759 | 13,180 | 92,748 | 192,460 | 1,548,192 |
| Capital outlay | --- | --- | --- | --- | --- | 727,019 | 727,019 |
| Debt service | --- | 725,515 | 64 | --- | --- | 248,565 | 974,144 |
| Total expenditures | 56,143 | 725,515 | 1,248,823 | 13,180 | 92,748 | 1,168,044 | 3,304,453 |
| Excess (deficiency) of revenues over (under) expenditures | 3,832 | (677,007) | 92,649 | --- | 17,613 | (152,361) | (715,274) |
| Other Financing Sources: | | | | | | | |
| Operating transfers in | --- | 677,007 | --- | --- | --- | --- | 677,007 |
| Net change in fund balances | 3,832 | --- | 92,649 | --- | 17,613 | (152,361) | (38,267) |
| Fund Balances - Beginning of year | 53,638 | --- | 465,665 | --- | 117,094 | 544,493 | 1,180,890 |
| Fund Balances - End of year | \$ 57,470 | \$ --- | \$ 558,314 | \$ --- | \$ 134,707 | \$ 392,132 | \$ 1,142,623 |

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Agency Fund - Schedule of Changes in Assets and Liabilities

June 30, 2015

| | <u>Balance</u> | | <u>Additions</u> | | <u>Deductions</u> | | <u>Balance</u> |
|-------------------------------|----------------------|-----------|------------------|-----------|-------------------|-----------|----------------|
| | <u>June 30, 2014</u> | | | | | | <u>6/30/15</u> |
| Assets: | | | | | | | |
| Cash and investments | \$ 305,187 | \$ | 1,053,135 | \$ | 1,044,139 | \$ | 314,183 |
| Liabilities: | | | | | | | |
| Due to student groups: | | | | | | | |
| Germantown High School | \$ 197,319 | \$ | 834,084 | \$ | 798,568 | \$ | 232,835 |
| Kennedy Middle School | 25,553 | | 124,328 | | 113,393 | | 36,488 |
| MacArthur Elementary School | 13,350 | | 16,546 | | 17,999 | | 11,897 |
| Rockfield Elementary School | 4,943 | | 6,493 | | 5,433 | | 6,003 |
| Amy Belle Elementary School | 5,781 | | 21,359 | | 21,320 | | 5,820 |
| County Line Elementary School | 12,869 | | 44,912 | | 42,054 | | 15,727 |
| Due to other funds | 45,372 | | 5,413 | | 45,372 | | 5,413 |
| Total liabilities | \$ 305,187 | \$ | 1,053,135 | \$ | 1,044,139 | \$ | 314,183 |

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Schedule of Expenditures of State Awards
Year Ended June 30, 2015

| 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>6/30/15</u> |
| | | <u>7/1/14</u> | | | | |
| Wisconsin Department of Public Instruction | | | | | | |
| Special education and school-age parents ** | 255.101 | \$ --- | \$ 1,721,620 | \$ 1,721,620 | \$ --- | --- |
| State school lunch | 255.102 | --- | 14,474 | 14,474 | --- | --- |
| Common school fund library aid | 255.103 | --- | 179,697 | 179,697 | --- | --- |
| Pupil transportation | 255.107 | --- | 126,563 | 126,563 | --- | --- |
| Equalization aids | 255.201 | 214,488 | 11,402,643 | 11,388,934 | 200,779 | --- |
| Integration aid | 255.204 | --- | 256,532 | 256,532 | --- | --- |
| High cost special education | 255.210 | --- | 11,691 | 11,691 | --- | --- |
| Peer review and mentoring | 255.301 | --- | 13,180 | 13,180 | --- | --- |
| Alcohol and other drug abuse | 255.306 | --- | 1,000 | 1,000 | --- | --- |
| School breakfast program | 255.344 | --- | 1,972 | 1,972 | --- | --- |
| DFI financial literacy school projects | 255.350 | --- | 4,591 | 4,591 | --- | --- |
| Educator effectiveness evaluation system grant | 255.940 | --- | 24,000 | 24,000 | --- | --- |
| Per pupil aid | 255.945 | --- | 587,325 | 587,325 | --- | --- |
| Career and technical education incentive grants | 255.950 | --- | 3,000 | 3,000 | --- | --- |
| Passed through CESA 1: | | | | | | |
| Special education and school-age parents | 255.101 | 3,092 | 4,586 | 1,494 | --- | --- |
| Wisconsin Department of Workforce Development | | | | | | |
| Passed through CESA 6: | | | | | | |
| Youth apprenticeship program | 445.112 | 1,100 | 1,100 | 3,300 | 3,300 | --- |
| Total | | \$ 218,680 | \$ 14,353,974 | \$ 14,339,373 | \$ 204,079 | --- |

** Total DPI aidable expenditures for the year ended June 30, 2015 were \$6,606,931

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Schedule of Expenditures of Federal Awards
Year Ended June 30, 2015

| Awarding Agency Pass-Through Agency <u>Award Description</u> | <u>Federal Catalog Number</u> | <u>Accrued or (Unearned) Revenue at 7/1/14</u> | <u>Receipts</u> | <u>Federal Disbursements/ Expenditures</u> | <u>Accrued or (Unearned) Revenue at 6/30/15</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 | --- | 97,931 | 97,931 | |
| Food Service Aid - Breakfast | 10.553 | 1,219 | 25,223 | 25,239 | 1,235 |
| Food Service Aid - Lunch | 10.555 | 14,442 | 284,998 | 283,799 | 13,243 |
| Food Service Aid - Milk | 10.556 | 46 | 650 | 634 | 30 |
| Total Child Nutrition Cluster | | <u>15,707</u> | <u>408,802</u> | <u>407,603</u> | <u>14,508</u> |
| Total U.S. Department of Agriculture | | <u>16,301</u> | <u>409,396</u> | <u>407,603</u> | <u>14,508</u> |
| U.S. Department of Health and Human Services | | | | | |
| Passed through the Wisconsin Department of Health Services: | | | | | |
| Medical Assistance Program | 93.778 | --- | 67,461 | 67,461 | --- |
| U.S. Department of Education | | | | | |
| Passed through Wisconsin Department of Public Instruction: | | | | | |
| <i>Special Education Cluster:</i> | | | | | |
| IDEA Flow Through | 84.027 | 431,257 | 1,001,798 | 806,805 | 236,264 |
| High Cost Special Education Aid | 84.027 | --- | 44,314 | 44,314 | --- |
| IDEA Preschool Entitlement | 84.173 | 11,356 | 36,832 | 33,167 | 7,691 |
| Total Special Education Cluster | | <u>442,613</u> | <u>1,082,944</u> | <u>884,286</u> | <u>243,955</u> |
| ESEA Title II-A Teacher Principal Training | 84.367 | 12,849 | 47,981 | 43,480 | 8,348 |
| ESEA Title I-A Basic Grant (LEA) | 84.010 | 44,000 | 151,155 | 148,215 | 41,060 |
| ESEA Title I-A State Program Improvement | 84.010 | 14,000 | 20,117 | 8,076 | 1,959 |
| Passed through Milwaukee Public School District | | | | | |
| ESEA Title I-A Basic Grant (LEA) | 84.010 | 788 | 1,715 | 1,855 | 928 |
| Total Title I-A Awards | | <u>58,788</u> | <u>172,987</u> | <u>158,146</u> | <u>43,947</u> |
| Passed through CESA 1: | | | | | |
| Carl Perkins | 84.048 | --- | 12,919 | 12,919 | --- |
| Title III | 84.365 | 682 | 2,535 | 2,462 | 609 |
| Total U.S. Department of Education | | <u>514,932</u> | <u>1,319,366</u> | <u>1,101,293</u> | <u>296,859</u> |
| Total | | <u>\$ 531,233</u> | <u>\$ 1,796,223</u> | <u>\$ 1,576,357</u> | <u>\$ 311,367</u> |

See Independent Auditors' Report.

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Notes to Schedules of Expenditures of Federal and State Awards
June 30, 2015

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, 2015 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 07, 2015.

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 instances of noncompliance that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002.

District's Response to Findings

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

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 07, 2015
Milwaukee, Wisconsin

INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY 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, 2015. 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, 2015.

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

Opinion on Each Major Federal Program (continued)

The results of our auditing procedures disclosed instances on noncompliance, which are required to be reported in accordance with the state single audit guidelines and which are described in the accompanying schedule of findings and questioned costs as items 2015-001 and 2015-002. Our opinion on each major federal and state program is not modified with respect to these matters.

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

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 07, 2015
Milwaukee, Wisconsin

GERMANTOWN SCHOOL DISTRICT
Germantown, Wisconsin

Summary Schedule of Prior Audit Findings
Year Ended June 30, 2015

NONE

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

Section I - Summary of Auditors' Results

Financial Statements

- | | |
|--|------------|
| 1. Type of auditors' report issued: | Unmodified |
| 2. Internal control over financial reporting: | |
| A. Material weakness(es) identified? | No |
| B. Significant deficiency(ies) 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(ies) identified that are not considered to be material weakness? | No |
| 5. Type of auditors' 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> |
|-----------------------|---|
|-----------------------|---|

Special Education Cluster:

| | |
|--------|-----------------------------------|
| 10.553 | School Breakfast Program |
| 10.555 | National School Lunch Program |
| 10.556 | Special Milk Program for Children |

- | | |
|--|-----------|
| 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, 2015

(Continued)

Section I - Summary of Auditors' Results (Continued)

State Awards

10. Internal control over financial reporting:

A. Material weakness identified No

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

11. Type of auditors' report issued on compliance for major programs: Unmodified

12. Any audit findings disclosed that are required to be reported in accordance with State Single Audit Guidelines? Yes

13. Identification of major state programs:

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

Section II - Financial Statement Findings

None

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

(Continued)

Section III - Federal and State Award Findings and Questioned Costs

Finding 2015-001 Common School Fund Library Aid

Department: Wisconsin Department of Public Instruction

Program Name: Common School Fund Library Aid

State ID Number: 255.103

Condition and Criteria: Eligible expenditures must be equal to the common school fund revenue.

Effect: The District may have received excess aid.

Questioned Costs: \$3,622.96

Cause: The District's eligible expenditures were less than the common school fund revenue received.

Recommendation: We recommend that the District review the amount of common school fund revenue received periodically throughout the year to ensure that it is all expended before year end.

District's Response: The District does have procedures in place to monitor common school fund revenue received and spent periodically throughout the year. For the fiscal year ended June 30, 2015 several purchase orders placed with the vendor near the end of the school year were not fulfilled by the vendor. The District will continue to be vigilant in monitoring expenses near the end of the fiscal year by asking the librarians to place purchase orders with the vendor sooner. Contact: Ric Erickson, Business Manager, 262-253-3908

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

Schedule of Findings and Questioned Costs

Year Ended June 30, 2015

(Continued)

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

Finding 2015-002 Community Service Fund

Department: Wisconsin Department of Public Instruction
Program Name: Equalization Aid
State ID Number: 255.201

Condition and Criteria: Districts are not allowed to allocate to the community service funds costs that are not an additional cost of the fund programs.

Effect: The District allocated costs to the community service fund that were not allowable.

Questioned Costs: \$4,165.90

Cause: The District allocated costs related to a scoreboard and ticket booth to the community service fund that were not additional costs attributable to the fund programs.

Recommendation: We recommend that the District only record to the community service fund costs that are additional costs of the fund programs.

District's Response: The District disputes the logic of the finding and DPI guidelines, but agrees to the finding none-the-less. Ric Ericksen also talked with DPI officials on this matter shortly after the audit finding was reported to DPI. That said, the District will assure such charges will no longer be allocated to Fund 80 and greater scrutiny will be given to costs recorded in the fund prior to the final general ledger transaction. Contact: Ric Erickson, Business Manager, 262-253-3908

Section IV - Other Issues

- 1. Does the auditors' report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? No
- 2. Does the audit report show audit issues (i.e., material noncompliance, nonmaterial noncompliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:
 - Department of Public Instruction Yes
- 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? Yes

4. Name and signature of partner



Carrie A. Gindt

5. Date of Report

October 07, 2015