

**GERMANTOWN SCHOOL DISTRICT**

**Notice of Finance Committee Meeting**

March 18, 2019

**5:00 P.M.**

**MacArthur Elementary School - Cafetorium**

W154 N11492 Fond Du Lac Avenue

Germantown, WI 53022

**AGENDA**

**I. Meeting Called to Order**

**II. Roll Call**

**III. Agenda Revisions and Approval**

**IV. Approve Minutes**

A. February 25, 2019 Meeting Date

**V. Consent - Review & Discuss**

A. March Vouchers

**VI. Unfinished Business – Discussion with Appropriate Action**

A. June 30, 2017 Other Post-Employment Benefits (OPEB) Report

B. 2018/2019 Financial Audit

C. 2019/2020 Budget

**VII. New Business – Discussion with Appropriate Action**

A. Monthly Purchase Requests Exceeding \$15,000 & Purchasing/Project Bid Results

B. Financial, Enrollment, 220 Audit Services Contract Renewal

**VIII. Reports**

A. Voucher(s): Follow Up

B. Monthly Financial Reports

C. General Financial Updates & Other Reports

**IX. Adjourn**

***Note:*** School Board members who are not members of the Finance Committee may be present at this Finance Committee meeting.

## **GERMANTOWN SCHOOL DISTRICT**

**TO:** Finance Committee

**FROM:** Ric Ericksen, Director of Business & Auxiliary Services

**AGENDA ITEM:** IV.A. – Approve Minutes: **February 25, 2019 Meeting Date**

**ATTACHEMENTS:** See next page(s).

**RECOMMENDATION:** Approved as presented.

**GERMANTOWN SCHOOL DISTRICT**  
**Minutes of the Finance Committee Meeting**  
**February 25, 2019**

1. The meeting of the Finance Committee was called to order by Ray Borden at 6:20 p.m. in the District Offices Board Room.
2. Finance Committee Members Present: Tom Barney and Ray Borden. Committee Chair Michael Loth was absent (excused). Board President Bob Soderberg, Director of Business Ric Ericksen, and Superintendent of Schools Jeff Holmes were also present.
3. Motion by Barney, second by Soderberg to approve the agenda. Motion carried.
4. Motion by Barney, second by Soderberg to approve the January 28, 2019 Finance Committee minutes. Motion carried.
5. Motion by Barney, second by Soderberg to approve payment of vouchers for January 2019. Motion carried.
6. Motion by Barney, second by Soderberg to table discussion regarding the 2018-2019 Financial Audit until the March 18, 2019 Finance Committee meeting. Motion carried.
7. Ric Ericksen discussed the 2019-2020 budget with the committee and discussed enrollment and state aid estimates. Mr. Ericksen was directed to investigate the impact of lost revenue due to additional increases in enrollment.
8. Motion by Barney, second by Soderberg to forward to the Board with a positive recommendation, approval of finalized 2019-2020 student fees. Motion carried.
9. The committee also reviewed the American Deposit Management (ADM) monthly report and general financial reports with a line of credit update. All financial reports have been updated and posted to the Finance Committee web link.
10. Motion by Barney, second by Soderberg to adjourn. Motion carried.
11. The Finance Committee adjourned at 6:50 p.m.

Jayne Borst  
Recording Secretary

## **GERMANTOWN SCHOOL DISTRICT**

**TO:** Finance Committee

**FROM:** Ric Ericksen, Director of Business & Auxiliary Services

**AGENDA ITEM:** V.A. – Consent of Vouchers: **Review & Discuss**

### **Vouchers List(s)**

Review monthly bills and voucher payments.

Only the FC needs to consent and approve monthly vouchers. Based on policy, it does not go to the full Board of Education.

The report has been posted at the district's web site Finance Committee link.

**ATTACHEMENT(S):** None

**RECOMMENDATION:** Consent to Payment of Claims as presented & reviewed.

## GERMANTOWN SCHOOL DISTRICT

**TO:** Finance Committee

**FROM:** Ric Ericksen, Director of Business & Auxiliary Services

**AGENDA ITEM:** VI.A. – Other Post-Employment Benefits (OPEB)

**Background:**

Linda Mont is a Senior Benefit Consultant/Owner of Key Benefit Concepts. This is the firm that has prepared our actuarial valuations of post-employment benefits over the years. She will be providing an overview of the most recent report. Attached is an abbreviate 2-page summary.

The full report, 27 pages, is complex to read and is posted at the Finance Committee links under separate title.

Also know that the data being reported tonight becomes part of the financial audit report.

**ATTACHMENT(S):** As described above.

**RECOMMENDATION:** No formal action is necessary.

# **Germantown School District**

## Summary of Post-Employment Benefit Valuation Study Addressing Liabilities as of June 30, 2017

### ***Background & Certification***

- Valuation performed by Key Benefit Concepts, LLC in accordance with new Government Accounting Standards Board (GASB) guidelines for Statements 74 and 75 as they pertain to Other Post-Employment Benefits (OPEB).
- The valuations are certified by Steven L. Diess, EA, MAAA.

### ***OPEB GASB 74/75 Definitions***

- Calculated liabilities based upon benefits earned by actives and retirees.
- Total OPEB Liability (TOL): Present value of benefits earned by actives and retirees up (prior) to the 6/30/2017 valuation date.
- Service Cost (SC): Present value of benefits earned in the valuation year (6/30/2016 to 6/30/2017).
- Net OPEB Liability (NOL): Portion of the AAL that has not been funded. (The District has not established a trust to fund its OPEBs. Thus, the NOL is equal to the District's TOL, which was 11,645,188).
- Actuarially Determined Contribution (ADC): Amount determined by this study as the District's annual cost (annual expense or district obligation). The ADC is comprised of the Service Cost plus an amortized portion of the NOL.

### ***OPEB Benefit Factors***

- For eligible Administrators, upon retirement, the Administrator, spouse and eligible dependent(s) will be eligible to receive up to 96 months of premium payments by the District for the Hospital/Medical insurance plan, dental insurance plan and vision insurance plan until Medicare/Medicaid eligibility occurs. The plan and the District's premium contribution levels shall be the same plan and premium contribution levels as are made available for current active administrators, including any amendments.
- For eligible Teachers, upon retirement, the teacher will receive health insurance at the same rate as active employees until he/she reaches the age of 65 or until he/she becomes eligible for Medicare/Medicaid. Upon reaching the age of 65/ Medicare eligible, this benefit will cease.
- *Implicit Rate Subsidy*: Difference between the value of the benefit and premium paid for coverage.
- Of the Administrators and Teachers currently waiving coverage in the District's group medical plan, 50% were assumed to elect participation in the District's health plan in retirement and receive a District-provided benefit. Further, 20% of active Support Staff currently covered in the District's group medical plan were assumed to elect Single coverage on the District's health plan in retirement for the duration of COBRA. The

liability incurred on behalf of the above assumptions was calculated and included in this valuation.

- The valuation date and measurement date are June 30, 2017. This valuation is eligible for reporting periods ending June 30, 2018 and June 30, 2019, though the accompanying exhibits are only valid for the reporting period ending June 30, 2018.

#### **Sick Leave Benefit**

- The District will provide eligible Administrators and Support Staff a cash payout of 50% of their unused sick leave accumulated upon retirement, up to the maximum of 35 days for Administrators. These days will be paid out at the retiree's final rate of pay.
- According to GASB guidelines, when sick leave is converted into a dollar amount, the resulting monies are not considered – nor should they be accounted for – as an OPEB. Rather, the dollars resulting from the unused sick leave are considered termination payments and should be accounted for as a compensated absence under GASB Statement 16. The sick leave benefit was not valued nor was it included in this valuation.

<b>Other Post Employment Liability</b>		
<b>1</b>	Total OPEB Liability (TOL)	\$ 11,645,188
<b>2</b>	Fiduciary Net Position (FNP)	\$ 0
<b>3</b>	Net OPEB Liability (NOL)	\$ 11,645,188

<b>Changes in OPEB Liability</b>			
	<i>July 1, 2013</i>	<i>July 1, 2015</i>	<i>June 30, 2017</i>
<b>1</b> Net OPEB Liability*	\$ 16,809,109	\$ 11,588,346	\$ 11,645,188
<b>2</b> Total Medical Pay-As-You-Go (30 years) **	\$ 41,024,255	\$ 30,761,193	\$ 31,263,121

*\*Previously known as the Unfunded Actuarial Accrued Liability.*

*\*\*A 4.0% discount rate was used in both the 7-1-2013 and 7-1-2015 valuations. 3.50% discount rate was used in the 6-30-2017 valuation.*

## GERMANTOWN SCHOOL DISTRICT

**TO:** Finance Committee

**FROM:** Ric Ericksen, Director of Business & Auxiliary Services

**AGENDA ITEM:** VI.B. – 2017/2018 Financial Audit

**Background:**

Periodic reporting was presented to the FC throughout the audit process as far back as last summer.

Under separate email covers both the Financial Statements and Governance/Management reports have been distributed to board members.

A bound copy is at your seats tonight.

Ms. Wendi Unger, Senior Partner, with Baker and Tilley is unable to attend to night due to a scheduling conflict. However, Mr. Paul Franz, CPA, Senior Manager will be present to review the audit findings and answer questions.

**ATTACHMENT(S):** As described above.

**RECOMMENDATION:** Pending discussion, but no formal action is necessary.



## GERMANTOWN SCHOOL DISTRICT

**TO:** Finance Committee

**FROM:** Ric Ericksen, Director of Business & Auxiliary Services

**AGENDA ITEM:** VI.C. – 2019/2020 Budget

### **Previously Reported**

If the enrollment stays the say, under current state imposed revenue limits (*which is subject to change*) a decrease in state aid/taxes would be <\$104,622>.

When I reported, general discussion ensued relative to the impact of enrollment on this decrease. As a follow up, Finance Committee member Tom Barney as for an analysis that provided “what if” scenarios for student enrollment. Below is this analysis (*again, under current law which is subject to change*):

31 students would be -\$84,344                      50 students would be -\$23,512  
100 students would be **+\$148,848**

### **New**

- I reached out to another business manager to confirm that the state has not past any school finance legislation that would be reportable at this point and that effects the 2019/2020 budget. This may linger into summer.
- Preliminary projections of selected account categories for year ending June 30, 2019:
  - **Expenditures:**
  - Employee Salary(s):      Favorable – Range                      \$121,000 - \$309,000
  - Employee Benefits:      Favorable – Range                      \$75,000 - \$182,000
  - Utilities:                      Favorable                      \$55,000
  - Pupil Transportation:      On Target                      \$0
  - Overall                      Favorable                      \$200,000 - \$400,000
  - **Revenues:**
  - State Imposed Revenue      Unfavorable                      **\$-84,344 (current law)**
  - TID Distribution \*              Favorable                      \$691,855
  - State Aid per Pupil              Unfavorable                      **\$-91,000 (current law)**

\*minutes from March 4 Village Board Meeting -- MOTION (Zabel/Baum) to approve Resolution 17-2019, Dissolve / Terminate TID #4. Zabel commented on the importance of the termination of TID #4 as it is closing early. Monies will be sent to the taxing jurisdictions this fall. Roll Call Vote Carried Unanimously.

- **Special – MacArthur Land Purchase:**
  - Recall that the Board of Education agreed that proceeds from the sale of Donges Bay Property would be designated to cover the MacArthur Elementary school parking lot expansion. The next page is a detailed print out that emphasizes what is at stake in this strategy/investment.

**ATTACHMENT(S):** MacArthur Land Purchase & Construction general ledger expense report.

**RECOMMENDATION:** None.

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Number of Accounts: 4

\*\*\*\*\* End of report \*\*\*\*\*

\$826,380

## GERMANTOWN SCHOOL DISTRICT

**TO:** Board of Education

**TOPIC:** Purchases Over \$15,000

**FROM:** Ric Ericksen

**BOARD MEETING:** March 18,  
2019

**DATE:** March 15, 2019

**AGENDA ITEM:** XXXX

**FC Date:** March 18, 2019

**FC Agenda Item(s):** VII. A.

-- The intent is to review due diligence with respect to seeking competitive bids/quotes when possible. Vetting for the purpose of the purchases may have occurred at other committees. --

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### **\$17,289: Buildings & Grounds: Kennedy Middle School Gold Gym**

#### **Recommendation to the Board of Education and Finance Committee:**

Bring forward to the Board of Education with a positive recommendation to award the Kennedy Blue Gym flooring project as presented to Baseman Bros. in an amount not to exceed \$17,289 and fund using the appropriate accounts in the General Fund Building & Grounds accounts.

#### **Background:**

From Don Erickson, Director of Buildings & Grounds:

Quotes have been received to sand and refinish the Kennedy Middle School gold gym. This will be the first time the floor is sanded since the 1998 install. A water base sealer and finish will be applied to expedite the required curing time. The work will be completed in August.

Prostar Surfaces	\$17,780
Schmidt Athletic Flooring	\$17,940
Baseman Bros.	\$17,289



It is recommended to award Baseman Bros. \$17,289 to re-sand and stripe the Kennedy Middle School Gold gym.

## GERMANTOWN SCHOOL DISTRICT

**TO:** Board of Education                      **TOPIC:** Financial/ Enrollment/220  
Audit Contract

**FROM:** Ric Ericksen                      **BOARD MEETING:** March 18,  
2019

**DATE:** March 14, 2019                      **AGENDA ITEM:** XXXX

**FC Date:** March 18, 2019  
**FC Agenda Item(s):** VII. B.

**Recommendation to the Board of Education and Finance Committee:**

Bring forward to the Board of Education with a positive recommendation to engage a three-year agreement with Baker Tilly Virchow Krause, LLP for financial/enrollment/220 audit services to cover fiscal years ending June 30, 2019/2020/2021 as presented.

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The three-year financial/enrollment/220 audit contract with Baker Tilly has expired. This contract was for an accumulated amount of: \$48,000 for financial; \$1,500 for Chapter 220; and \$4,500 for enrollment.

The attached three-year renewal is for: \$49,825; \$1,500; and \$4,500 respectively.

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The district bid these services in December/January and awarded the contract to Baker Tilly on January 25, 2016 for fiscal years ending June 30, 2016/2017/2018.

Given several circumstances, including the final phases of construction and the efforts of improving cash management relative to the hiring of a new Director of Student Activities and Athletics it is my belief that extending the contract to Baker Tilly Virchow Krause, LLP has very strong merits.

*In addition, it should be noted that they have merged with Sprinsted Municipal Services and it is my belief that no conflict of interest exists. However, please note that Mr. Jerry Dudzik has left the organization. As a result of these two events I am receiving solicitations for consideration of engaging a new municipal financial consulting firm. I have heard from representatives from Baird, Ehlers & Associates, and Baker Tilly. It is my intention to bring this topic back to the Finance Committee at a later date for review.*

**ATTACHMENT(S):** Three-year contract proposal.



Baker Tilly Virchow Krause, LLP  
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Milwaukee, WI 53202-5313

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[bakertilly.com](http://bakertilly.com)

February 11, 2019

Mr. Ric Ericksen  
Germantown School District  
N104W13840 Donges Bay Road  
Germantown, Wisconsin 53022

Dear Mr. Ericksen:

Thank you for using Baker Tilly Virchow Krause, LLP ("Baker Tilly" or "we" or "our") as your auditors.

The purpose of this letter (the "Engagement Letter") is to confirm our understanding of the terms and objectives of our engagement and the nature of the services we will provide as independent accountants of the Germantown School District ("you" or "your").

### **Service and Related Report**

We will audit the basic financial statements of the Germantown School District as of and for the year ended June 30, 2019, 2020, and 2021, and the related notes to the financial statements. Upon completion of our audit, we will provide the Germantown School District with our audit report on the financial statements and supplemental information referred to below. If, for any reasons caused by or relating to the affairs or management of the Germantown School District, we are unable to complete the audit or are unable to or have not formed an opinion, or if we determine in our professional judgment the circumstances necessitate, we may withdraw and decline to issue a report as a result of this engagement.

In order to perform the professional services outlined in this Engagement Letter, Baker Tilly requires access to information subject to Title II of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA"). Federal law requires Baker Tilly to execute a Business Associate Agreement ("BA Agreement") prior to being granted this information. For your convenience, we have attached our firm standard BA Agreement for your review and signature as Addendum A. Please execute and return a copy with this Engagement Letter, keeping the original BA Agreement on file with your HIPAA compliance records.

The following supplementary information accompanying the financial statements will also be subjected to the auditing procedures applied in our audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America, and our auditor's report will provide an opinion on it in relation to the financial statements as a whole.

Combining and Individual Fund Financial Statements

Schedule of Expenditures of Federal and State Awards

Agency fund - schedule of changes in assets and liabilities

Accounting standards generally accepted in the United States of America provide for certain required supplementary information ("RSI"), such as management's discussion and analysis, to supplement the Germantown School District's 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. As part of our engagement, we will apply certain limited procedures to the Germantown School District's RSI in accordance with auditing standards generally accepted in the United States of America. These limited procedures will consist of inquiries of management regarding the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We will 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. The following RSI is required by generally accepted accounting principles and will be subjected to certain limited procedures, but will not be audited:

- > Management's Discussion and Analysis
- > Budget Comparison Schedules
- > OPEB - related schedules
- > Pension - related schedules

#### **Our Responsibilities and Limitations**

The objective of a financial statement audit is the expression of an opinion on the financial statements. The objective also includes reporting on:

- > Internal control related to the financial statements and compliance with laws, regulations, and the provisions of contracts or grant agreements, noncompliance with which could have a direct and material effect on the financial statements in accordance with *Government Auditing Standards*.
- > Internal control related to major federal programs and an opinion (or disclaimer of opinion) on compliance with laws, regulations, and the provisions of contracts or grant agreements that could have a direct and material effect on each major program in accordance with the Single Audit Act Amendments of 1996 and OMB *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* ("Uniform Guidance") and the *State Single Audit Guidelines*.

The *Government Auditing Standards* report on internal control over financial reporting and on compliance and other matters will include a paragraph that states (i) that the purpose of the report is solely to describe the scope of 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, and (ii) that the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. The Uniform Guidance report on internal control over compliance will include a paragraph that states that the purpose of the report on internal control over compliance is solely to describe the scope of testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Both reports will state that the report is not suitable for any other purpose.



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We will be responsible for performing the audit in accordance with auditing standards generally accepted in the United States of America ("GAAS"); the standards for financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the Single Audit Act Amendments of 1996; the Uniform Guidance and the *State Single Audit Guidelines*, and will include tests of accounting records, a determination of major program(s) in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, and other procedures we consider necessary to enable us to express such opinions and to render the required reports.

These standards require that we plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement, whether from (i) errors, (ii) fraudulent financial reporting, (iii) misappropriation of assets, or (iv) violations of laws or governmental regulations that are attributable to the Germantown School District or to acts by management or employees acting on behalf of the Germantown School District. Because the determination of abuse is subjective, *Government Auditing Standards* do not expect auditors to provide reasonable assurance of detecting abuse. Our audit will include examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit does not relieve management and the audit committee or equivalent group charged with governance of their responsibilities.

The audit will include obtaining an understanding of the Germantown School District and its environment, including internal controls, sufficient to assess the risks of material misstatement of the financial statements and to determine the nature, timing and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, during the audit, we will communicate to management and the audit committee or equivalent group charged with governance internal control matters that are required to be communicated under professional standards. We will also inform you of any other matters involving internal control, if any, as required by *Government Auditing Standards*, the Uniform Guidance and the *State Single Audit Guidelines*.

As required by the Uniform Guidance and the *State Single Audit Guidelines*, we will perform tests of controls over compliance to evaluate the effectiveness of the design and operation of controls that we consider relevant to preventing or detecting material noncompliance with compliance requirements applicable to each major federal and major state award program. However, our tests will be less in scope than would be necessary to render an opinion on those controls and, accordingly, no opinion will be expressed in our report on internal control over compliance issued pursuant to the Uniform Guidance and the *State Single Audit Guidelines*.

We will design our audit to obtain reasonable, but not absolute, assurance of detecting errors or fraud that would have a material effect on the financial statements as well as other illegal acts having a direct and material effect on financial statement amounts. An audit is not designed to detect error or fraud that is immaterial to the financial statements. Our audit will not include a detailed audit of transactions, such as would be necessary to disclose errors or fraud that did not cause a material misstatement of the financial statements. It is important to recognize that there are inherent limitations in the auditing process. Audits are based on the concept of selective testing of the data underlying the financial statements, which involves judgment regarding the areas to be tested and the nature, timing, extent and results of the tests to be performed. Our audit is not a guarantee of the accuracy of the financial statements and, therefore, is subject to the limitation that material errors or fraud or other illegal acts having a direct and material financial statement impact or a direct and material effect on major federal and state programs, if they exist, may not be detected. Because of the characteristics of fraud, particularly those involving concealment through collusion, falsified documentation and management's ability to override controls, an audit designed and executed in accordance with GAAS and *Government Auditing Standards*, may not detect a material fraud. Further, while effective internal control reduces the likelihood that errors, fraud or other illegal acts will occur and remain undetected, it does not eliminate that possibility. For these reasons, we cannot ensure that errors, fraud or other illegal acts or noncompliance, if present, will be detected. However, we will communicate to you, as appropriate, any such matters that we identify during our audit. Also, if required by *Government Auditing Standards*, we will report known or likely fraud, illegal acts, violations of provisions of contracts or grant agreements, or abuse directly to parties outside of the Germantown School District.

As part of obtaining reasonable assurance about whether the financial statements are free of material misstatement, we will perform tests of the Germantown School District's compliance with the provisions of applicable laws, regulations, contracts, and agreements, including grant agreements. However, the objective of those procedures will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

The Uniform Guidance and the *State Single Audit Guidelines* require that we also plan and perform the audit to obtain reasonable assurance about whether you have complied with applicable laws and regulations and the provisions of contracts and grant agreements applicable to major programs. Our procedures will consist of test of transactions and other applicable procedures described in the OMB Compliance Supplement and the *State Single Audit Guidelines* for the types of compliance requirements that could have a direct and material effect on each of the Germantown School District's major programs. The purpose of those procedures will be to express an opinion on your compliance with requirements applicable to each of your major programs in our report on compliance issued pursuant to the Uniform Guidance and the *State Single Audit Guidelines*.

We are also responsible for determining that the audit committee or equivalent group charged with governance is informed about certain other matters related to the conduct of the audit, including (i) our responsibility under GAAS, (ii) an overview of the planned scope and timing of the audit, and (iii) significant findings from the audit, which include (a) our views about the qualitative aspects of your significant accounting practices, accounting estimates, and financial statement disclosures; (b) difficulties encountered in performing the audit; (c) uncorrected misstatements and material corrected misstatements that were brought to the attention of management as a result of auditing procedures; and (d) other significant and relevant findings or issues (e.g., any disagreements with management about matters that could be significant to your financial statements or our report thereon, consultations with other independent accountants, issues discussed prior to our retention as independent auditors, fraud and illegal acts, and all significant deficiencies and material weaknesses identified during the audit). Lastly, we are responsible for ensuring that the audit committee or equivalent group charged with governance receives copies of certain written communications between us and management including written communications on accounting, auditing, internal controls or operational matters and representations that we are requesting from management.

The audit will not be planned or conducted in contemplation of reliance of any specific third party or with respect to any specific transaction. Therefore, items of possible interest to a third party will not be specifically addressed and matters may exist that would be addressed differently by a third party, possibly in connection with a specific transaction.

### **Management's Responsibilities**

The Germantown School District's management is responsible for the financial statements referred to above. Management is also responsible for identifying government award programs and understanding and complying with the compliance requirements, and for preparation of the schedule of expenditures of federal and state awards (including notes and noncash assistance received) in accordance with the requirements of the Uniform Guidance and the *State Single Audit Guidelines*. In this regard, management is responsible for establishing policies and procedures that pertain to the maintenance of adequate accounting records and effective internal controls, including internal controls over compliance, and for evaluating and monitoring ongoing activities; to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that there is reasonable assurance that government programs are administered in compliance with applicable requirements; and ensuring that management is reliable and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. Your responsibilities also include identifying significant vendor relationships in which the vendor has responsibility for program compliance and for the accuracy and completeness of that information. You are also responsible for the selection and application of accounting principles, the authorization of receipts and disbursements, the safeguarding of assets, the proper recording of transactions in the accounting records, for reporting financial information in conformity with accounting principles generally accepted in the United States of America ("GAAP"), and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

Management is also responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us in the management representation letter (i) about all known or suspected fraud affecting the Germantown School District involving: (a) management, (b) employees who have significant roles in internal control over financial reporting, and (c) others where the fraud or illegal acts could have a material effect on the financial statements; and (ii) of its knowledge of any allegations of fraud or suspected fraud affecting the Germantown School District received in communications from employees, former employees, analysts, grantors, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts or grant agreements, or abuse that we report. Additionally, as required by the Uniform Guidance and the *State Single Audit Guidelines*, it is management's responsibility to follow up and take corrective action on reported audit findings and to prepare a summary schedule of prior audit findings and a corrective action plan. The summary schedule of prior audit findings should be available for our review before we begin fieldwork.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying for us previous financial audits, attestation engagements, performance audits or other studies related to the objectives discussed above. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits or studies. You are also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

You are responsible for the preparation of the supplementary information in conformity with GAAP. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited financial statements with any presentation of the supplementary information that includes our report thereon. Your responsibilities include acknowledging to us in the representation letter that (a) you are responsible for presentation of the supplementary information in accordance with GAAP; (b) that you believe the supplementary information, including its form and content, is fairly presented in accordance with GAAP; (c) that the methods of measurement or presentation have not changed from those used in the prior period (or, if they have changed, the reasons for such changes); and (d) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the supplementary information.

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You are responsible for preparation of the schedule of federal and the awards (including notes and noncash assistance received) in conformity with the Uniform Guidance and the *State Single Audit Guidelines*. You agree to include our report on the schedule of expenditures of federal and the awards in any document that contains and indicates that we have reported on the schedule of expenditures of federal and the awards. You also agree to include the audited financial statements with any presentation of the schedule of expenditures of federal and the awards that includes our report thereon. Your responsibilities include acknowledging to us in a written representation letter that (a) you are responsible for presentation of the schedule of expenditures of federal and the awards in accordance with the Uniform Guidance and the *State Single Audit Guidelines*; (b) that you believe the schedule of expenditures of federal and the awards including its form and content, is fairly presented in accordance with the Uniform Guidance and the *State Single Audit Guidelines*; (c) that the methods of measurement or presentation have not changed from those used in the prior year (or, if they have changed, the reasons for such changes); and (d) you have disclosed to us any significant assumptions or interpretations underlying the measurement or presentation of the schedule of federal and the awards.

Management is responsible for (i) adjusting the basic financial statements to correct material misstatements and for affirming to us in a management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period under audit are immaterial, both individually and in the aggregate, to the basic financial statements taken as a whole, and (ii) notifying us of all material weaknesses, including other significant deficiencies, in the design or operation of your internal control over financial reporting that are reasonably likely to adversely affect your ability to record, process, summarize and report external financial data reliably in accordance with GAAP. Management is also responsible for identifying and ensuring that the Germantown School District complies with the laws and regulations applicable to its activities.

As part of management's responsibility for the financial statements and the effectiveness of its system of internal control over financial reporting, management is responsible for making available to us, on a timely basis, all of your original accounting records and related information and for the completeness and accuracy of that information and your personnel to whom we may direct inquiries. As required by GAAS, we will make specific inquiries of management and others about the representations embodied in the financial statements and the effectiveness of internal control over financial reporting. GAAS also requires that we obtain written representations covering audited schedule of expenditures of federal and state awards, federal and state award programs, and compliance with laws, regulations, contracts and grant agreements from certain members of management. The results of our audit tests, the responses to our inquiries, and the written representations, comprise the evidential matter we intend to rely upon in forming our opinion on the financial statements.

Baker Tilly is not a municipal advisor as defined in Section 975 of the Dodd-Frank Wall Street Reform and Consumer Protection Act or under Section 15B of the Securities Exchange Act of 1934 (the "Act"). Baker Tilly is not recommending an action to the Germantown School District; is not acting as an advisor to you and does not owe a fiduciary duty pursuant to Section 15B of the Act to you with respect to the information and material contained in the deliverables issued under this engagement. You should discuss any information and material contained in the deliverables with any and all internal and external advisors and experts that you deem appropriate before acting on this information or material.

### **Nonattest Services**

Prior to or as part of our audit engagement, it may be necessary for us to perform certain nonattest services. For purposes of this letter, nonattest services include services that *Government Auditing Standards* refers to as nonattest services.

Nonattest services that we will be providing are as follows:

- > Preparation of the financial statements and schedules of federal and state awards, if applicable
- > Proposed audit journal entries, if applicable
- > Integration transfer (220) agreed upon procedures
- > Pupil membership count agreed upon procedures

None of these nonattest services constitute an audit under generally accepted auditing standards including *Government Auditing Standards*.

We will not perform any management functions or make management decisions on your behalf with respect to any nonattest services we provide.

In connection with our performance of any nonattest services, you agree that you will:

- > Continue to make all management decisions and perform all management functions, including approving all journal entries and general ledger classifications when they are submitted to you.
- > Designate an employee with suitable skill, knowledge, and/or experience, preferably within senior management, to oversee the services we perform.
- > Evaluate the adequacy and results of the nonattest services we perform.
- > Accept responsibility for the results of our nonattest services.
- > Establish and maintain internal controls, including monitoring ongoing activities related to the nonattest function.

On a periodic basis, as needed, we will meet with you to discuss your accounting records and the management implications of your financial statements. We will notify you, in writing, of any matters that we believe you should be aware of and will meet with you upon request.

#### **Other Documents**

If you intend to reproduce or publish the financial statements in an annual report or other information (excluding official statements), and make reference to our firm name in connection therewith, you agree to publish the financial statements in their entirety. In addition, you agree to provide us, for our approval and consent, proofs before printing and final materials before distribution.

If you intend to reproduce or publish the financial statements in an official statement, unless we establish a separate agreement to be involved in the issuance, any official statements issued by the Germantown School District must contain a statement that Baker Tilly is not associated with the official statement, which shall read "Baker Tilly Virchow Krause, LLP, our independent auditor, has not been engaged to perform and has not performed, since the date of its report included herein, any procedures on the financial statements addressed in that report. Baker Tilly Virchow Krause, LLP, has also not performed any procedures relating to this official statement."

With regard to the electronic dissemination of audited financial statements, including financial statements published electronically on your Internet website, you understand that electronic sites are a means to distribute information and, therefore, we are not required to read the information contained in these sites or to consider the consistency of other information in the electronic site with the original document.

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At the conclusion of our engagement, we will complete the appropriate auditor sections of the Data Collection Form that summarizes our audit findings. It is management's responsibility to complete the auditee sections and to submit the reporting package (including financial statements, schedule of expenditures of federal and state awards, summary schedule of prior year audit findings, auditors' reports, and corrective action plan) along with the Data Collection Form to the federal audit clearinghouse. We will coordinate with you the electronic submission and certification. If applicable, we will provide copies of our report for you to include within the reporting package you will submit to pass-through entities. The Data Collection Form and the reporting package must be submitted within the earlier of thirty (30) days after receipt of the auditors' reports or nine (9) months after the end of the audit period.

We will provide copies of our reports to the Germantown School District, however, management is responsible for distribution of the reports and the financial statements. Copies of our reports are to be made available for public inspection unless restricted by law or regulation or if they contain privileged and confidential information.

The documentation for this engagement, including the workpapers, is the property of Baker Tilly and constitutes confidential information. However, pursuant to authority given by law or regulation, we may be requested to make certain audit documentation available to federal or state agencies for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Baker Tilly personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

We may have a responsibility to retain the documentation for a period of time sufficient to satisfy any applicable legal or regulatory requirements for records retention. If we are required by law, regulation or professional standards to make certain documentation available to regulators, the Germantown School District hereby authorizes us to do so.

*Government Auditing Standards* require that we provide you with a copy of our most recent external peer review report and any subsequent peer review reports received during the period of the contract. We previously sent you our most recent peer review report.

#### **Timing and Fees**

Completion of our work is subject to, among other things, (i) appropriate cooperation from the Germantown School District's personnel, including timely preparation of necessary schedules, (ii) timely responses to our inquiries, and (iii) timely communication of all significant accounting and financial reporting matters. When and if for any reason the Germantown School District is unable to provide such schedules, information, and assistance, Baker Tilly and you will mutually revise the fee to reflect additional services, if any, required of us to complete the audit. Delays in the issuance of our audit report beyond the date that was originally contemplated may require us to perform additional auditing procedures which will likely result in additional fees.

Revisions to the scope of our work will be communicated to you and may be set forth in the form of an "Amendment to Existing Engagement Letter." In addition, if we discover compliance issues that require us to perform additional procedures and/or provide assistance with these matters, fees at our standard hourly rates apply.

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Year	2019	2020	2021
Financial & compliance audit	\$ 16,275	\$ 16,600	\$ 16,950
Chapter 220 agreed upon procedures	500	500	500
Pupil membership count agreed upon procedures	1,500	1,500	1,500

Invoices for these fees will be rendered each month as work progresses and are payable on presentation. A charge of 1.5 percent per month shall be imposed on accounts not paid within thirty (30) days of receipt of our statement for services provided. In accordance with our firm policies, work may be suspended if your account becomes thirty (30) days or more overdue and will not be resumed until your account is paid in full. If we elect to terminate our services for nonpayment, our engagement will be deemed to have been completed upon written notice of termination, even if we have not completed our report. You will be obligated to compensate us for all time expended and to reimburse us for all out-of-pocket expenditures through the date of termination.

Our fees noted above do not include material audit adjustments. Material audit adjustments will be billed at approximately \$300 per journal entry. Our fees are also based on two major federal programs and one major state program for your required federal and state compliance audits. Any additional fees expected will be discussed with management before proceeding with the related work.

We may use temporary contract staff to perform certain tasks on your engagement and will bill for that time at the rate that corresponds to Baker Tilly staff providing a similar level of service. Upon request, we will be happy to provide details on training, supervision, and billing arrangements we use in connection with these professionals.

Additionally, we may from time to time, and depending on the circumstances, use service providers (e.g., to act as a specialist or audit an element of the financial statements) in serving your account. We may share confidential information about you with these service providers, but are committed to maintaining the confidentiality and security of your information.

Any additional services that may be requested, and we agree to provide, may be the subject of a separate engagement letter.

We may be required to disclose confidential information to federal, state and international regulatory bodies or a court in criminal or other civil litigation. In the event that we receive a request from a third party (including a subpoena, summons or discovery demand in litigation) calling for the production of information, we will promptly notify the Germantown School District, unless otherwise prohibited. In the event we are requested by the Germantown School District or required by government regulation, subpoena or other legal process to produce our engagement working papers or our personnel as witnesses with respect to services rendered to the Germantown School District, so long as we are not a party to the proceeding in which the information is sought, we may seek reimbursement for our professional time and expenses, as well as the fees and legal expenses, incurred in responding to such a request.

Our fees are based on known circumstances at the time of this Engagement Letter. Should circumstances change significantly during the course of this engagement, we will discuss with you the need for any revised audit fees. This can result from changes at the Germantown School District, such as the turnover of key accounting staff, the addition of new funds or significant federal or state programs or changes that affect the amount of audit effort from external sources, such as new accounting and auditing standards that become effective that increase the scope of our audit procedures. This Engagement Letter currently includes all auditing and accounting standards and the current single audit guidance in effect as of the date of this letter.

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We would expect to continue to perform our services under the arrangements discussed above from year to year, unless for some reason you or we find that some change is necessary. We will, of course, be happy to provide the Germantown School District with any other services you may find necessary or desirable.

### **Resolution of Disagreements**

In the unlikely event that differences concerning services or fees should arise that are not resolved by mutual agreement, both parties agree to attempt in good faith to settle the dispute by mediation administered by the American Arbitration Association ("AAA") under its mediation rules for professional accounting and related services disputes before resorting to litigation or any other dispute-resolution procedure. Each party shall bear their own expenses from mediation.

If mediation does not settle the dispute or claim, then the parties agree that the dispute or claim shall be settled by binding arbitration. The arbitration proceeding shall take place in the city in which the Baker Tilly office providing the relevant services is located, unless the parties mutually agree to a different location. The proceeding shall be governed by the provisions of the Federal Arbitration Act ("FAA") and will proceed in accordance with the then current Arbitration Rules for Professional Accounting and Related Disputes of the AAA, except that no pre hearing discovery shall be permitted unless specifically authorized by the arbitrator. The arbitrator will be selected from AAA, Judicial Arbitration & Mediation Services ("JAMS"), the Center for Public Resources or any other internationally or nationally recognized organization mutually agreed upon by the parties. Potential arbitrator names will be exchanged within fifteen (15) days of the parties' agreement to settle the dispute or claim by binding arbitration, and arbitration will thereafter proceed expeditiously. The arbitration will be conducted before a single arbitrator, experienced in accounting and auditing matters. The arbitrator shall have no authority to award non monetary or equitable relief and will not have the right to award punitive damages. The award of the arbitration shall be in writing and shall be accompanied by a well reasoned opinion. The award issued by the arbitrator may be confirmed in a judgment by any federal or state court of competent jurisdiction. Each party shall be responsible for their own costs associated with the arbitration, except that the costs of the arbitrator shall be equally divided by the parties. The arbitration proceeding and all information disclosed during the arbitration shall be maintained as confidential, except as may be required for disclosure to professional or regulatory bodies or in a related confidential arbitration. In no event shall a demand for arbitration be made after the date when institution of legal or equitable proceedings based on such claim would be barred under the applicable statute of limitations.

Our services shall be evaluated solely on our substantial conformance with the terms expressly set forth herein, including all applicable professional standards. Any claim of nonconformance must be clearly and convincingly shown.

### **Limitation on Damages and Indemnification**

The liability (including attorney's fees and all other costs) of Baker Tilly and its present or former partners, principals, agents or employees related to any claim for damages relating to the services performed under this Engagement Letter shall not exceed the fees paid to Baker Tilly for the portion of the work to which the claim relates, except to the extent finally determined to have resulted from the willful misconduct or fraudulent behavior of Baker Tilly relating to such services. This limitation of liability is intended to apply to the full extent allowed by law, regardless of the grounds or nature of any claim asserted, including the negligence of either party. Additionally, in no event shall either party be liable for any lost profits, lost business opportunity, lost data, consequential, special, incidental, exemplary or punitive damages, delays or interruptions arising out of or related to this Engagement Letter even if the other party has been advised of the possibility of such damages.

As Baker Tilly is performing the services solely for your benefit, you will indemnify Baker Tilly, its subsidiaries and their present or former partners, principals, employees, officers and agents against all costs, fees, expenses, damages and liabilities (including attorney's fees and all defense costs) associated with any third-party claim, relating to or arising as a result of the services, or this Engagement Letter.



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Because of the importance of the information that you provide to Baker Tilly with respect to Baker Tilly's ability to perform the services, you hereby release Baker Tilly and its present and former partners, principals, agents and employees from any liability, damages, fees, expenses and costs, including attorney's fees, relating to the services, that arise from or relate to any information, including representations by management, provided by you, its personnel or agents, that is not complete, accurate or current.

Each party recognizes and agrees that the warranty disclaimers and liability and remedy limitations in this Engagement Letter are material bargained for bases of this Engagement Letter and that they have been taken into account and reflected in determining the consideration to be given by each party under this Engagement Letter and in the decision by each party to enter into this Engagement Letter.

The terms of this section shall apply regardless of the nature of any claim asserted (including, but not limited to, contract, tort or any form of negligence, whether of you, Baker Tilly or others), but these terms shall not apply to the extent finally determined to be contrary to the applicable law or regulation. These terms shall also continue to apply after any termination of this Engagement Letter.

You accept and acknowledge that any legal proceedings arising from or in conjunction with the services provided under this Engagement Letter must be commenced within twelve (12) months after the performance of the services for which the action is brought, without consideration as to the time of discovery of any claim.

#### **Other Matters**

Neither this Engagement Letter, any claim, nor any rights or licenses granted hereunder may be assigned, delegated, or subcontracted by either party without the written consent of the other party. Either party may assign and transfer this Engagement Letter to any successor that acquires all or substantially all of the business or assets of such party by way of merger, consolidation, other business reorganization, or the sale of interest or assets, provided that the party notifies the other party in writing of such assignment and the successor agrees in writing to be bound by the terms and conditions of this Engagement Letter.

Our dedication to client service is carried out through our employees who are integral in meeting this objective. In recognition of the importance of our employees, it is hereby agreed that the Germantown School District will not solicit our employees for employment or enter into an independent contractor arrangement with any individual who is or was an employee of Baker Tilly for a period of twelve (12) months following the date of the conclusion of this engagement. If the Germantown School District violates this non-solicitation clause, the Germantown School District agrees to pay to Baker Tilly a fee equal to the hired person's annual salary at the time of the violation so as to reimburse Baker Tilly for the costs of hiring and training a replacement.

Baker Tilly Virchow Krause, LLP is an independent member of Baker Tilly International. Baker Tilly International Limited is an English company. Baker Tilly International provides no professional services to clients. Each member firm is a separate and independent legal entity and each describes itself as such. Baker Tilly Virchow Krause, LLP is not Baker Tilly International's agent and does not have the authority to bind Baker Tilly International or act on Baker Tilly International's behalf. None of Baker Tilly International, Baker Tilly Virchow Krause, LLP, nor any of the other member firms of Baker Tilly International has any liability for each other's acts or omissions. The name Baker Tilly and its associated logo is used under license from Baker Tilly International Limited.

This Engagement Letter constitutes the entire agreement between the Germantown School District and Baker Tilly regarding the services described in this Engagement Letter and supersedes and incorporates all prior or contemporaneous representations, understandings or agreements, and may not be modified or amended except by an agreement in writing signed between the parties hereto.

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The provisions of this Engagement Letter, which expressly or by implication are intended to survive its termination or expiration, will survive and continue to bind both parties. If any provision of this Engagement Letter is declared or found to be illegal, unenforceable or void, then both parties shall be relieved of all obligations arising under such provision, but if the remainder of this Engagement Letter shall not be affected by such declaration or finding and is capable of substantial performance, then each provision not so affected shall be enforced to the extent permitted by law or applicable professional standards.

If because of a change in the Germantown School District's status or due to any other reason, any provision in this Engagement Letter would be prohibited by, or would impair our independence under laws, regulations or published interpretations by governmental bodies, commissions or other regulatory agencies, such provision shall, to that extent, be of no further force and effect and this agreement shall consist of the remaining portions.

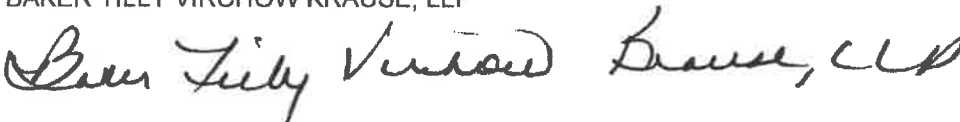
This agreement shall be governed by and construed in accordance with the laws of the state of Illinois, without giving effect to the provisions relating to conflict of laws.

We appreciate the opportunity to be of service to you.

If there are any questions regarding this Engagement Letter, please contact Wendi M. Unger, the engagement partner on this engagement who is responsible for the overall supervision and review of the engagement and determining that the engagement has been completed in accordance with professional standards. Wendi M. Unger is available at 414 777 5423, or at [wendi.unger@bakertilly.com](mailto:wendi.unger@bakertilly.com).

Sincerely,

BAKER TILLY VIRCHOW KRAUSE, LLP



The services and terms as set forth in this Engagement Letter are agreed to by:

\_\_\_\_\_  
Official's Name

\_\_\_\_\_  
Official's Signature

\_\_\_\_\_  
Title

\_\_\_\_\_  
Date

## **ADDENDUM A**

### **BUSINESS ASSOCIATE AGREEMENT BETWEEN GERMANTOWN SCHOOL DISTRICT and BAKER TILLY VIRCHOW KRAUSE, LLP**

THIS BUSINESS ASSOCIATE AGREEMENT ("BA Agreement") replaces previous business associate agreements between Baker Tilly Virchow Krause, LLP ("Business Associate") and Germantown School District ("Covered Entity") (each a "Party" and collectively the "Parties") and is effective on February 11, 2019 ("Effective Date").

#### **1. PREAMBLE**

Covered Entity and Business Associate enter into this BA Agreement to comply with the requirements of: (i) the implementing regulations at 45 C.F.R. Parts 160, 162 and 164 for the Administrative Simplification provisions of Title II, Subtitle F of the Health Insurance Portability and Accountability Act of 1996 ("HIPAA") (i.e., the HIPAA Privacy, Security, Electronic Transaction, Breach Notification and Enforcement Rules the (Implementing Regulations)), (ii) the requirements of the Health Information Technology for Economic and Clinical Health Act, as incorporated in the American Recovery and Reinvestment Act of 2009 the ("HITECH Act") that are applicable to business associates and (iii) the requirements of the final modifications to the HIPAA Privacy, Security, Enforcement and Breach Notification Rules as issued on January 25, 2013, and effective March 26, 2013, (75 Fed. Reg. 5566 (Jan. 25, 2013)) the (Final Regulations). The Implementing Regulations, the HITECH Act and the Final Regulations are collectively referred to in this BA Agreement as the "HIPAA Requirements."

Covered Entity and Business Associate agree to incorporate into this BA Agreement any regulations issued by the U.S. Department of Health and Human Services ("DHHS") with respect to the HIPAA Requirements that relate to the obligations of business associates and that are required to be (or should be) reflected in a business associate agreement. Business Associate recognizes and agrees that it is obligated by law to meet the applicable provisions of the HIPAA Requirements and that it has direct liability for any violations of the HIPAA Requirements.

#### **2. DEFINITIONS**

- (a) "Breach" shall mean, as defined in 45 C.F.R. § 164.402, the acquisition, access, use or disclosure of Unsecured Protected Health Information in a manner not permitted by the HIPAA Requirements that compromises the security or privacy of that Protected Health Information.
- (b) "Business Associate Subcontractor" shall mean, as defined in 45 C.F.R. § 160.103, any entity (including an agent) that creates, receives, maintains or transmits Protected Health Information on behalf of Business Associate.
- (c) "Electronic PHI" shall mean, as defined in 45 C.F.R. § 160.103, Protected Health Information that is transmitted or maintained in any Electronic Media.
- (d) "Limited Data Set" shall mean, as defined in 45 C.F.R. § 164.514(e), Protected Health Information that excludes the following direct identifiers of the individual or of relatives, employers or household members of the individual:
  - (i) Names;
  - (ii) Postal address information, other than town or city, State and zip code;
  - (iii) Telephone numbers;
  - (iv) Fax numbers;
  - (v) Electronic mail addresses;
  - (vi) Social security numbers;
  - (vii) Medical record numbers;
  - (viii) Health plan beneficiary numbers;
  - (ix) Account numbers;

- (x) Certificate/license numbers;
- (xi) Vehicle identifiers and serial numbers, including license plate numbers;
- (xii) Device identifiers and serial numbers;
- (xiii) Web Universal Resource Locators ("URLs");
- (xiv) Internet Protocol ("IP") address numbers;
- (xv) Biometric identifiers, including finger and voice prints; and
- (xvi) Full face photographic images and any comparable images.

(e) "Protected Health Information" or "PHI" shall mean, as defined in 45 C.F.R. § 160.103, information created or received by a Health Care Provider, Health Plan, employer or Health Care Clearinghouse, that (i) relates to the past, present or future physical or mental health or condition of an individual, provision of health care to the individual or the past, present or future payment for provision of health care to the individual, (ii) identifies the individual, or with respect to which there is a reasonable basis to believe the information can be used to identify the individual and (iii) is transmitted or maintained in an electronic medium, or in any other form or medium. The use of the term "Protected Health Information" or "PHI" in this BA Agreement shall mean both Electronic PHI and non-Electronic PHI, unless another meaning is clearly specified.

(f) "Security Incident" shall mean, as defined in 45 C.F.R. § 164.304, the attempted or successful unauthorized access, use, disclosure, modification or destruction of information or interference with system operations in an information system.

(g) "Unsecured Protected Health Information" shall mean, as defined in 45 C.F.R. § 164.402, Protected Health Information that is not rendered unusable, unreadable or indecipherable to unauthorized persons through the use of a technology or methodology specified by DHHS.

(h) All other capitalized terms used in this BA Agreement shall have the meanings set forth in the applicable definitions under the HIPAA Requirements.

### **3. GENERAL TERMS**

(a) In the event of an inconsistency between the provisions of this BA Agreement and a mandatory term of the HIPAA Requirements (as these terms may be expressly amended from time to time by the DHHS or as a result of interpretations by DHHS, a court or another regulatory agency with authority over the Parties), the interpretation of DHHS, such court or regulatory agency shall prevail. In the event of a conflict among the interpretations of these entities, the conflict shall be resolved in accordance with rules of precedence.

(b) Where provisions of this BA Agreement are different from those mandated by the HIPAA Requirements, but are nonetheless permitted by the HIPAA Requirements, the provisions of this BA Agreement shall control.

(c) Except as expressly provided in the HIPAA Requirements or this BA Agreement, this BA Agreement does not create any rights in third parties.

### **4. SPECIFIC REQUIREMENTS**

(a) Flow-Down of Obligations to Business Associate Subcontractors. Business Associate agrees that as required by the HIPAA Requirements, Business Associate will enter into a written agreement with all Business Associate Subcontractors that: (i) requires them to comply with the Privacy and Security Rule provisions of this BA Agreement in the same manner as required of Business Associate and (ii) notifies such Business Associate Subcontractors that they will incur liability under the HIPAA Requirements for non-compliance with such provisions. Accordingly, Business Associate shall ensure that all Business Associate Subcontractors agree in writing to the same privacy and security restrictions, conditions and requirements that apply to Business Associate with respect to PHI.

(b) Privacy of Protected Health Information

- (i) Permitted Uses and Disclosures of PHI. Business Associate agrees to create, receive, use, disclose, maintain or transmit PHI only in a manner that is consistent with this BA Agreement or the HIPAA Requirements and only in connection with providing the services to Covered Entity identified in the Engagement Letter and this BA Agreement. Accordingly, in providing services to or for the Covered Entity, Business Associate, for example, will be permitted to use and disclose PHI for "Treatment, Payment, and Health Care Operations," as those terms are defined in the HIPAA Requirements. Business Associate further agrees that to the extent it is carrying out one or more of the Covered Entity's obligations under the Privacy Rule (Subpart E of 45 C.F.R. Part 164), it shall comply with the requirements of the Privacy Rule that apply to the Covered Entity in the performance of such obligations.
  - (1) Business Associate shall report to Covered Entity any use or disclosure of PHI that is not provided for in this BA Agreement, including reporting Breaches of Unsecured Protected Health Information as required by 45 C.F.R. § 164.410 and required by Section 4(d)(ii) below.
  - (2) Business Associate shall establish, implement and maintain appropriate safeguards and comply with the Security Standards (Subpart C of 45 C.F.R. Part 164) with respect to Electronic PHI, as necessary to prevent any use or disclosure of PHI other than as provided for by this BA Agreement.
- (ii) Business Associate Obligations. As permitted by the HIPAA Requirements, Business Associate also may use or disclose PHI received by the Business Associate in its capacity as a Business Associate to the Covered Entity for Business Associate's own operations if:
  - (1) the use relates to: (1) the proper management and administration of the Business Associate or to carry out legal responsibilities of the Business Associate or (2) data aggregation services relating to the health care operations of the Covered Entity or
  - (2) the disclosure of information received in such capacity will be made in connection with a function, responsibility or services to be performed by the Business Associate, and such disclosure is required by law or the Business Associate obtains reasonable assurances from the person to whom the information is disclosed that it will be held confidential and the person agrees to notify the Business Associate of any Breaches of confidentiality.
- (iii) Minimum Necessary Standard and Creation of Limited Data Set. Business Associate's use, disclosure or request of PHI shall utilize a Limited Data Set if practicable. Otherwise, in performing the functions and activities as specified in the Engagement Letter and this BA Agreement, Business Associate agrees to use, disclose or request only the minimum necessary PHI to accomplish the intended purpose of the use, disclosure or request.
- (iv) Access. In accordance with 45 C.F.R. § 164.524 of the HIPAA Requirements, Business Associate will make available to the Covered Entity (or as directed by the Covered Entity, to those individuals who are the subject of the PHI (or their designees)), their PHI in the Designated Record Set. Business Associate shall make such information available in an electronic format where directed by the Covered Entity.
- (v) Disclosure Accounting. Business Associate shall make available the information necessary to provide an accounting of disclosures of PHI as provided for in 45 C.F.R. § 164.528 of the HIPAA Requirements by making such information available to the Covered Entity or (at the direction of the Covered Entity) making such information available directly to the individual.
- (vi) Amendment. Business Associate shall make PHI in a Designated Record Set available for amendment and, as directed by the Covered Entity, incorporate any amendment to PHI in accordance with 45 C.F.R. § 164.526 of the HIPAA Requirements.
- (vii) Right to Request Restrictions on the Disclosure of PHI and Confidential Communications. If an individual submits a Request for Restriction or Request for Confidential Communications to the Business Associate, Business Associate and Covered Entity agree that Business Associate, on behalf of Covered Entity, will evaluate and respond to these requests according to Business Associate's own procedures for such requests.

- (viii) Return or Destruction of PHI. Upon the termination or expiration of the Engagement Letter or this BA Agreement, Business Associate agrees to return the PHI to Covered Entity, destroy the PHI (and retain no copies) or if Business Associate determines that return or destruction of the PHI is not feasible, (a) continue to extend the protections of this BA Agreement and of the HIPAA Requirements to the PHI and (b) limit any further uses and disclosures of the PHI to the purpose making return or destruction infeasible.
- (ix) Availability of Books and Records. Business Associate shall make available to DHHS or its agents the Business Associate's internal practices, books and records relating to the use and disclosure of PHI in connection with this BA Agreement.
- (x) Termination for Breach.
  - (1) Business Associate agrees that Covered Entity shall have the right to terminate this BA Agreement or seek other remedies if Business Associate violates a material term of this BA Agreement.
  - (2) Covered Entity agrees that Business Associate shall have the right to terminate this BA Agreement or seek other remedies if Covered Entity violates a material term of this BA Agreement.
- (c) Information and Security Standards
  - (i) Business Associate will develop, document, implement, maintain and use appropriate Administrative, Technical and Physical Safeguards to preserve the Integrity, Confidentiality and Availability of, and to prevent non-permitted use or disclosure of, Electronic PHI created or received for or from the Covered Entity.
  - (ii) Business Associate agrees that with respect to Electronic PHI, these Safeguards, at a minimum, shall meet the requirements of the HIPAA Security Standards applicable to Business Associate.
  - (iii) More specifically, to comply with the HIPAA Security Standards for Electronic PHI, Business Associate agrees that it shall:
    - (1) Implement Administrative, Physical and Technical Safeguards consistent with (and as required by) the HIPAA Security Standards that reasonably protect the Confidentiality, Integrity and Availability of Electronic PHI that Business Associate creates, receives, maintains or transmits on behalf of Covered Entity. Business Associate shall develop and implement policies and procedures that meet the documentation requirements as required by the HIPAA Requirements;
    - (2) As also provided for in Section 4(a) above, ensure that any Business Associate Subcontractor agrees to implement reasonable and appropriate safeguards to protect the Electronic PHI;
    - (3) Report to Covered Entity any unauthorized access, use, disclosure, modification or destruction of PHI (including Electronic PHI) not permitted by this BA Agreement, applicable law or permitted by Covered Entity in writing ("Successful Security Incidents" or Breaches) of which Business Associate becomes aware. Business Associate shall report such Successful Security Incidents or Breaches to Covered Entity as specified in Section 4(d)(iii)(1);
    - (4) For Security Incidents that do not result in unauthorized access, use, disclosure, modification or destruction of PHI (including, for purposes of example and not for purposes of limitation, pings on Business Associate's firewall, port scans, attempts to log onto a system or enter a database with an invalid password or username, denial-of-service attacks that do not result in the system being taken off-line or malware such as worms or viruses) ("Unsuccessful Security Incidents"), aggregate the data and, upon the Covered Entity's written request, report to the Covered Entity in accordance with the reporting requirements identified in Section 4(d)(iii)(2);
    - (5) Take all commercially reasonable steps to mitigate, to the extent practicable, any harmful effect that is known to Business Associate resulting from any unauthorized access, use, disclosure, modification or destruction of PHI;
    - (6) Permit termination of this BA Agreement if the Covered Entity determines that Business Associate has violated a material term of this BA Agreement with respect to Business Associate's security obligations and Business Associate is unable to cure the violation; and
    - (7) Upon Covered Entity's request, provide Covered Entity with access to and copies of documentation regarding Business Associate's safeguards for PHI and Electronic PHI.
- (d) Notice and Reporting Obligations of Business Associate

- (i) Notice of Non-Compliance with the BA Agreement. Business Associate will notify Covered Entity within 30 calendar days after discovery, any unauthorized access, use, disclosure, modification or destruction of PHI (including any successful Security Incident) that is not permitted by this BA Agreement, by applicable law or permitted in writing by Covered Entity, whether such non-compliance is by (or at) Business Associate or by (or at) a Business Associate Subcontractor.
- (ii) Notice of Breach. Business Associate will notify Covered Entity following discovery and without unreasonable delay but in no event later than 30 calendar days following discovery, any Breach of Unsecured Protected Health Information, whether such Breach is by Business Associate or by Business Associate Subcontractor.
  - (1) As provided for in 45 C.F.R. § 164.402, Business Associate recognizes and agrees that any acquisition, access, use or disclosure of PHI in a manner not permitted under the HIPAA Privacy Rule (Subpart E of 45 C.F.R. Part 164) is presumed to be a Breach. As such, Business Associate shall (i) notify Covered Entity of any non-permitted acquisition, access, use or disclosure of PHI and (ii) assist Covered Entity in performing (or at Covered Entity's direction, perform) a risk assessment to determine if there is a low probability that the PHI has been compromised.
  - (2) Business Associate shall cooperate with Covered Entity in meeting the Covered Entity's obligations under the HIPAA Requirements and any other security breach notification laws. Business Associate shall follow its notification to the Covered Entity with a report that meets the requirements outlined immediately below.
- (iii) Reporting Obligations.
  - (1) For Successful Security Incidents and Breaches, Business Associate – without unreasonable delay and in no event later than 30 calendar days after Business Associate learns of such non-permitted use or disclosure (whether at Business Associate or at Business Associate Subcontractor) – shall provide Covered Entity a report that will:
    - a. Identify (if known) each individual whose Unsecured Protected Health Information has been or is reasonably believed by Business Associate to have been accessed, acquired or disclosed;
    - b. Identify the nature of the non-permitted access, use or disclosure including the date of the incident and the date of discovery;
    - c. Identify the PHI accessed, used or disclosed (e.g., name; social security number; date of birth);
    - d. Identify what corrective action Business Associate (or Business Associate Subcontractor) took or will take to prevent further non-permitted accesses, uses or disclosures;
    - e. Identify what Business Associate (or Business Associate Subcontractor) did or will do to mitigate any deleterious effect of the non-permitted access, use or disclosure; and
    - f. Provide such other information, including a written report, as the Covered Entity may reasonably request.
  - (2) For Unsuccessful Security Incidents, Business Associate shall provide Covered Entity, upon its written request, a report that:
    - a. identifies the categories of Unsuccessful Security Incidents as described in Section 4(c)(iii)(4),
    - b. indicates whether Business Associate believes its (or its Business Associate Subcontractor's) current defensive security measures are adequate to address all Unsuccessful Security Incidents, given the scope and nature of such attempts and
    - c. if the security measures are not adequate, the measures Business Associate (or Business Associate Subcontractor) will implement to address the security inadequacies.
- (iv) Termination.
  - (1) Covered Entity and Business Associate each will have the right to terminate this BA Agreement if the other Party has engaged in a pattern of activity or practice that constitutes a material breach or violation of Business Associate's or the Covered Entity's respective obligations regarding PHI under this BA Agreement and, on notice of such material breach or violation from the Covered Entity or Business Associate, fails to take reasonable steps to cure the material breach or end the violation.

(2) If Business Associate or Covered Entity fail to cure the material breach or end the violation after the other Party's notice, Covered Entity or Business Associate (as applicable) may terminate this BA Agreement by providing Business Associate or Covered Entity written notice of termination, stating the uncured material breach or violation that provides the basis for the termination and specifying the effective date of the termination. Such termination shall be effective 60 days from this termination notice.

- (v) Continuing Privacy and Security Obligations. Business Associate's and Covered Entity's obligation to protect the privacy and security of the PHI it created, received, maintained or transmitted in connection with services to be provided under the Engagement Letter and this BA Agreement will be continuous and survive termination, cancellation, expiration or other conclusion of this BA Agreement or the Engagement Letter. Business Associate's other obligations and rights, and Covered Entity's obligations and rights upon termination, cancellation, expiration or other conclusion of this BA Agreement, are those set forth in this BA Agreement and/or the Engagement Letter.

IN WITNESS WHEREOF, the Parties have signed this BA Agreement on the dates indicated below.

BAKER TILLY VIRCHOW KRAUSE, LLP

Germantown School District

By

Signature

By

Signature

Print Name

Print Name

Title

Title

Date Signed

Date Signed



## **GERMANTOWN SCHOOL DISTRICT**

**TO:** Finance Committee

**FROM:** Ric Ericksen, Director of Business & Auxiliary Services

**AGENDA ITEM:** VIII. Reports

### **A. Voucher(s): Follow Up**

None

### **B. Monthly Financial Reports**

1. General Report(s)
  - All Financial Reports will be updated and posted to the FC web link.
2. American Deposit Management (ADM) – Monthly Activity Report
  - The monthly earnings statement is attached.

### **C. General Financial Reports**

1. None

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**AGENDA ITEM:** IX. Adjourn

## **Germantown School District Account Summary**

CGERSD03 – 2016 Referendum

3/13/2019

### **Deposit Activity**

**Total Credits - \$ 0.00**

### **Withdrawal Activity**

3/1/2019      Withdrawal in the amount of \$ 7,114.69

**Total Debits - \$ 7,114.69**

### **Investment Activity**

Bond proceeds are currently spread across **10** financial institutions:

Altra Federal Credit Union	Coulee Bank
Associated Bank, National Association	Dollar Bank, Federal Savings Bank
CF Bank, NA	NexBank, SSB
Citizens State Bank of La Crosse	Union Bank & Trust Company
City National Bank of Florida	Western Alliance Bank

**Miscellaneous:** As a reminder, ADM only utilizes state approved investments for investing the District's funds. Investments that exceed \$250K per institution are backed with state and GFOA approved collateral which is held and tracked by ADM. All other investments listed on your statement are backed with FDIC insurance.


# the American Deposit Management Co.

March 13, 2019

Account Activity:

March 01, 2019 - March 13, 2019

**Germantown School District**  
**N104 W13840 Donges Bay Road**  
**Germantown, WI 53022**

Contact Us 

- For personal assistance, call:  
414-961-6600
- Visit us online:  
[www.americandeposits.com](http://www.americandeposits.com)
- Questions on products & services:  
[info@americandeposits.com](mailto:info@americandeposits.com)
- Mail correspondence to:  
W220 N3451 Springdale Road  
Pewaukee, WI 53072

## CGERSD03 - 2016 Referendum

Transaction Type	Settlement Date	Amount	Balance
Beginning Balance	03/01/2019		\$ 11,072,526.54
Withdrawal	03/01/2019	-\$ 7,114.69	\$ 11,065,411.85
Ending Balance	03/13/2019		\$ 11,065,411.85