

GERMANTOWN SCHOOL DISTRICT

Germantown, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended June 30, 2018

GERMANTOWN SCHOOL DISTRICT

TABLE OF CONTENTS As of and for the Year Ended June 30, 2018

Independent Auditors' Report

i – iii

Basic Financial Statements

District-wide Financial Statements	
Statement of Net Position	1
Statement of Activities	2
Fund Financial Statements	
Balance Sheet – Governmental Funds	3
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	4
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	5
Statement of Fiduciary Net Position – Fiduciary Funds	6
Statement of Changes in Fiduciary Net Position – Fiduciary Fund	7
Index to Notes to Financial Statements	8
Notes to Financial Statements	9 – 36

Required Supplementary Information

Schedule of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual – General Fund	37
Schedule of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual – Special Revenue – Special Education Fund	38
Schedule of Changes in the Total OPEB Liability and Related Ratios	39
Schedule of Employer Contributions – OPEB Plan	40
Schedule of Districts' Proportionate Share of the Net Pension (Asset) Liability – Wisconsin Retirement System	41
Schedule of Employer Contributions – Wisconsin Retirement System	41
Notes to Required Supplementary Information	42

Supplementary Information

Combining Balance Sheet – Nonmajor Governmental Funds	43
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	44
Schedule of Changes in Assets and Liabilities – Pupil Activity Agency Fund	45

GERMANTOWN SCHOOL DISTRICT

TABLE OF CONTENTS As of and for the Year Ended June 30, 2018

Single Audit

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in accordance with <i>Government Auditing Standards</i>	46 – 47
Report on Compliance for each Major Federal and Major State Program and Report on Internal Control over Compliance Required by the Uniform Guidance and the <i>State Single Audit Guidelines</i>	48 – 50
Schedule of Expenditures of Federal and State Awards (Supplementary Information)	51 - 52
Notes to Schedules of Expenditures of Federal and State Awards	53
Schedule of Findings and Questioned Costs	54 – 57

INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

To the Board of Education
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, Wisconsin, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Germantown School 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 from 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 over financial reporting relevant to the Germantown School District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the Germantown School District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

To the Board of Education
Germantown School District

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 Germantown School District, Wisconsin, as of June 30, 2018 and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, the Germantown School District adopted the provisions of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, effective July 1, 2017. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Management has omitted 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 opinions on the basic financial statements are not affected by this missing information.

To the Board of Education
Germantown School District

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Germantown School District's basic financial statements. The supplementary information as listed in the table of contents, which includes the schedule of expenditures of federal and state awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and *State Single Audit Guidelines*, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic 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 January 10, 2019 on our consideration of the Germantown School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Germantown School District's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
January 10, 2019

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BASIC FINANCIAL STATEMENTS

GERMANTOWN SCHOOL DISTRICT

STATEMENT OF NET POSITION

As of June 30, 2018

ASSETS

CURRENT ASSETS

Cash and investments	\$ 56,947,382
Taxes receivable	6,559,099
Accounts receivable	33,617
Due from other governments	409,167
Inventory	10,309
Prepaid items	320,383
Total Current Assets	<u>64,279,957</u>

NONCURRENT ASSETS

Restricted assets	
Net pension asset - WRS	5,091,647
Land	1,173,272
Construction in progress	46,985,740
Capital assets	54,447,250
Less: Accumulated depreciation	<u>(30,073,500)</u>
Total Noncurrent Assets	<u>72,532,762</u>
Total Assets	<u>136,812,719</u>

DEFERRED OUTFLOWS OF RESOURCES

OPEB related amounts	513,796
Pension related amounts - WRS	<u>8,563,549</u>
Total Deferred Outflows of Resources	<u>9,077,345</u>

LIABILITIES

CURRENT LIABILITIES

Accounts payable and accrued expenses	13,391,168
Accrued interest	933,550
Unearned revenue	121,337
Current portion of long-term obligations	<u>3,789,369</u>
Total Current Liabilities	<u>18,235,424</u>

NON-CURRENT LIABILITIES

Noncurrent portion of long-term obligations	<u>110,668,209</u>
Total Liabilities	<u>128,903,633</u>

DEFERRED INFLOWS OF RESOURCES

Pension related amounts - WRS	<u>10,052,675</u>
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NET POSITION

Net investment in capital assets	9,035,996
Restricted for pension	5,091,647
Unrestricted deficit	<u>(2,102,240)</u>
Total Net Position	<u>\$ 12,025,403</u>

GERMANTOWN SCHOOL DISTRICT

STATEMENT OF ACTIVITIES For the Year Ended June 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes In Net Position
		Charges for Services	Operating Grants and Contributions	
Instruction				
Regular	\$ 20,510,342	\$ 1,409,086	\$ 507,399	\$ (18,593,857)
Special education	6,528,309	3,490	2,427,740	(4,097,079)
Vocational	1,390,103	-	3,167	(1,386,936)
Other	1,943,258	66,208	-	(1,877,050)
Total Instruction	<u>30,372,012</u>	<u>1,478,784</u>	<u>2,938,306</u>	<u>(25,954,922)</u>
Support Services				
Pupil services	2,431,360	-	2,042,243	(389,117)
Instructional support services	2,283,200	-	240,893	(2,042,307)
Administration	3,800,825	-	-	(3,800,825)
Buildings and grounds	5,865,368	140,201	-	(5,725,167)
Pupil transportation	2,771,922	-	149,634	(2,622,288)
Other support services	2,931,240	-	-	(2,931,240)
Community services	66,940	-	-	(66,940)
Food service	1,289,345	863,290	411,546	(14,509)
Interest and fees	3,345,786	-	-	(3,345,786)
Total Support Services	<u>24,785,986</u>	<u>1,003,491</u>	<u>2,844,316</u>	<u>(20,938,179)</u>
Total Activities	<u>\$ 55,157,998</u>	<u>\$ 2,482,275</u>	<u>\$ 5,782,622</u>	<u>(46,893,101)</u>
General Revenues				
Taxes				
Property taxes:				
General purposes				27,207,535
Community service				90,000
Capital projects				325,000
Debt service				2,283,690
Other taxes				76,906
Intergovernmental revenue not restricted to specific functions				11,571,040
Investment Income				929,451
Miscellaneous				131,692
Total General Revenues				<u>42,615,314</u>
Change in Net Position				(4,277,787)
NET POSITION - BEGINNING OF YEAR (as restated)				<u>16,303,190</u>
NET POSITION - END OF YEAR				<u>\$ 12,025,403</u>

GERMANTOWN SCHOOL DISTRICT

BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2018

	General Fund	Special Revenue Special Education Fund	Debt Service		Capital Projects Fund	Nonmajor Governmental Funds	Totals
			Non Referendum	Referendum			
ASSETS							
Cash and investments	\$ 5,164,109	\$ 345,971	\$ 499,574	\$ 2,336,432	\$ 47,833,421	\$ 767,875	\$ 56,947,382
Taxes receivable	6,335,796	223,303	-	-	-	-	6,559,099
Accounts receivable	1,383	-	-	-	32,234	-	33,617
Due from other governments	378,774	-	-	-	-	30,393	409,167
Inventory	10,309	-	-	-	-	-	10,309
Prepaid items	216,593	2,552	-	-	99,604	1,634	320,383
TOTAL ASSETS	\$ 12,106,964	\$ 571,826	\$ 499,574	\$ 2,336,432	\$ 47,965,259	\$ 799,902	\$ 64,279,957
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 376,228	\$ 13,196	\$ -	\$ -	\$ 10,047,962	\$ 7,460	\$ 10,444,846
Accrued payroll and related liabilities	2,370,286	558,630	-	-	-	17,406	2,946,322
Unearned revenue	66,650	-	-	-	-	54,687	121,337
Total Liabilities	2,813,164	571,826	-	-	10,047,962	79,553	13,512,505
Fund Balances							
Nonspendable	226,902	-	-	-	99,604	1,634	328,140
Restricted	-	-	499,574	2,336,432	36,734,934	-	39,570,940
Committed	482,375	-	-	-	-	-	482,375
Assigned	-	-	-	-	1,082,759	718,715	1,801,474
Unassigned	8,584,523	-	-	-	-	-	8,584,523
Total Fund Balances	9,293,800	-	499,574	2,336,432	37,917,297	720,349	50,767,452
TOTAL LIABILITIES AND FUND BALANCES	\$ 12,106,964	\$ 571,826	\$ 499,574	\$ 2,336,432	\$ 47,965,259	\$ 799,902	

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 not reported in the funds.	72,532,762
Deferred outflows and deferred inflows of resources related to OPEB and pension do not relate to current financial resources and are not reported in the governmental funds.	(975,330)
Some liabilities, including long term debt, are not due and payable in the current period and therefore are not reported in the funds.	
General obligation debt	(96,795,784)
Capital leases	(529,858)
Unamortized premium	(5,242,490)
Vested employee benefits	(80,593)
Accrued interest	(933,550)
Net pension asset	5,091,647
Total OPEB liability	(11,808,853)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 12,025,403

GERMANTOWN SCHOOL DISTRICT

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES -
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2018

	General Fund	Special Revenue Special Education Fund	Debt Service		Capital Projects Fund	Nonmajor Governmental Funds	Total Governmental Funds
			Non Referendum	Referendum			
REVENUES							
Local	\$ 28,144,640	\$ 3,490	\$ 791,552	\$ 1,527,214	\$ 1,117,002	\$ 992,732	\$ 32,576,630
Interdistrict	791,192	-	-	-	-	-	791,192
Intermediate	17,462	-	-	-	-	-	17,462
State	14,059,794	1,758,752	-	-	-	15,473	15,834,019
Federal	315,405	808,166	-	-	-	396,072	1,519,643
Other	92,495	-	48,770	-	-	-	141,265
Total Revenues	43,420,988	2,570,408	840,322	1,527,214	1,117,002	1,404,277	50,880,211
EXPENDITURES							
Instruction							
Regular	16,968,543	54,069	-	-	-	32,058	17,054,670
Special education	-	5,926,048	-	-	-	-	5,926,048
Vocational	1,904,404	-	-	-	-	-	1,904,404
Other	1,904,222	-	-	-	-	3,627	1,907,849
Total instruction	20,777,169	5,980,117	-	-	-	35,685	26,792,971
Support Services							
Pupil services	1,615,919	778,419	-	-	-	9	2,394,347
Instructional support services	1,900,126	342,837	-	-	-	-	2,242,963
Administration	3,261,587	-	-	-	-	-	3,261,587
Buildings and grounds	4,859,230	150	-	-	44,363,347	45,497	49,268,224
Pupil transportation	2,190,360	581,251	-	-	-	311	2,771,922
Other support services	2,910,650	4,656	-	-	31,036	70,582	3,016,924
Food service	-	-	-	-	-	1,274,510	1,274,510
Debt service							
Principal retirement	294,554	2,983	1,467,707	-	-	1,864	1,767,108
Interest and fiscal charges	-	-	526,573	3,156,846	-	-	3,683,419
Total support services	17,032,426	1,710,296	1,994,280	3,156,846	44,394,383	1,392,773	69,681,004
Non-Program							
General tuition payments	1,086,960	460,218	-	-	-	-	1,547,178
Other non-program	14,103	-	-	-	-	-	14,103
Total Non-Program	1,101,063	460,218	-	-	-	-	1,561,281
Total Expenditures	38,910,658	8,150,631	1,994,280	3,156,846	44,394,383	1,428,458	98,035,256
Excess (Deficiency) of Revenues Over (Under)							
Expenditures	4,510,330	(5,580,223)	(1,153,958)	(1,629,632)	(43,277,381)	(24,181)	(47,155,045)
OTHER FINANCING SOURCES (USES)							
Capital lease issued	388,469	-	-	-	-	-	388,469
Proceeds from sale of capital assets	71,092	-	-	-	-	-	71,092
Transfers in	-	5,580,223	1,034,905	-	-	-	6,615,128
Transfers out	(6,615,128)	-	-	-	-	-	(6,615,128)
Total Other Financing Sources (Uses)	(6,155,567)	5,580,223	1,034,905	-	-	-	459,561
Net Change in Fund Balances	(1,645,237)	-	(119,053)	(1,629,632)	(43,277,381)	(24,181)	(46,695,484)
FUND BALANCES - BEGINNING OF YEAR	10,939,037	-	618,627	3,966,064	81,194,678	744,530	97,462,936
FUND BALANCES - END OF YEAR	\$ 9,293,800	\$ -	\$ 499,574	\$ 2,336,432	\$ 37,917,297	\$ 720,349	\$ 50,767,452

GERMANTOWN SCHOOL DISTRICT

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2018

Net Change in Fund Balances - Total Governmental Funds	\$ (46,695,484)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives as depreciation expense.	
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the district-wide financial statements	44,888,955
Depreciation expense reported in the statement of activities	(3,336,762)
Bond proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Debt retired	1,767,108
Capital lease issued	(388,469)
Governmental funds report debt premiums and discounts as other financing sources (uses). However, in the statement of net position, these are deferred and reported as other assets or as deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as amortization expense.	
Amortization of premium on debt issues	344,927
Some expenses and revenues reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures or revenues in governmental funds.	
Vested compensated absences	(8,753)
Net pension liability/(asset)	6,509,935
Deferred inflows/outflows of resources related to pension	(7,179,834)
Deferred inflows/outflows of resources related to OPEB	513,796
Net OPEB obligation	(685,912)
Accrued interest on debt	<u>(7,294)</u>
CHANGE IN NET POSITION	<u>\$ (4,277,787)</u>

GERMANTOWN SCHOOL DISTRICT

STATEMENT OF FIDUCIARY NET POSITION FIDUCIARY FUNDS As of June 30, 2018

	Private Purpose Trust Fund - Scholarships	Agency - Pupil Activity Funds
ASSETS		
Cash and investments	\$ 27,986	\$ 391,151
TOTAL ASSETS	<u>27,986</u>	<u>391,151</u>
LIABILITIES		
Accounts payable	\$ -	\$ 1,210
Due to student organizations	-	389,941
TOTAL LIABILITIES	<u>-</u>	<u>\$ 391,151</u>
NET POSITION - Held in trust for scholarships	<u>\$ 27,986</u>	

GERMANTOWN SCHOOL DISTRICT

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION FIDUCIARY FUND For the Year Ended June 30, 2018

	Private Purpose Trust Fund - Scholarships
ADDITIONS	
Contributions	\$ 9,250
Investment income	333
Total Additions	<u>9,583</u>
DEDUCTIONS	
Payments to participants	<u>6,500</u>
Change in Net Position	3,083
NET POSITION - Beginning of Year	<u>24,903</u>
NET POSITION - END OF YEAR	<u><u>\$ 27,986</u></u>

GERMANTOWN SCHOOL DISTRICT

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE	Page
I Summary of Significant Accounting Policies	9
A. Reporting Entity	9
B. District-Wide and Fund Financial Statements	9
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	11
D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity	12
1. Deposits and Investments	12
2. Receivables	13
3. Inventories and Prepaid Items	14
4. Restricted Assets	14
5. Capital Assets	15
6. Deferred Outflows of Resources	15
7. Compensated Absences	15
8. Long-Term Obligations	16
9. Deferred Inflows of Resources	16
10. Equity Classifications	16
11. Pension	18
II Stewardship, Compliance, and Accountability	18
A. Excess Expenditures Over Appropriations	18
B. Limitations on the District's Tax Levy	19
III Detailed Notes on All Funds	19
A. Deposits and Investments	19
B. Receivables	20
C. Restricted Assets	21
D. Capital Assets	21
E. Interfund Transfers	22
F. Long-Term Obligations	23
G. Lease Disclosures	24
H. Net Position/Fund Balances	25
I. Restatement of Net Position	26
IV Other Information	26
A. Employees' Retirement System	26
B. Risk Management	32
C. Commitments and Contingencies	32
D. Other Postemployment Benefits	33
E. Effect of New Accounting Standards on Current-Period Financial Statements	36
F. Subsequent Event	36

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Germantown School District, Wisconsin, conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the District. The reporting entity for the District consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The District has not identified any organizations that meet this criteria.

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

In June 2015, the GASB issued statement No 75 - *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). This standard was implemented July 1, 2017.

District-Wide Financial Statements

The statement of net position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The District does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

Financial statements of the District are organized into funds, each of which is considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund balance, revenues, and expenditures/expenses.

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

Funds are organized as major funds or nonmajor funds within the governmental statements. An emphasis is placed on major funds within the governmental category. A fund is considered major if it is the primary operating fund of the District or meets the following criteria:

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. In addition, any other governmental fund that the District believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

- General Fund - accounts for the District's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
- Special Revenue - Special Education Fund - used to account for and report grants and local revenues used to provide special education services to district students.
- Non Referendum Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs.
- Referendum Debt service fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs.
- Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The District reports the following nonmajor governmental funds:

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

- Food Service Fund
- Trust Fund
- Community Service Fund

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

In addition, the District reports the following fund types:

Private-Purpose Trust Fund - used to account for and report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments.

Agency Fund - used to account for and report assets held by the District in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Pupil Activity Funds

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

District-Wide Financial Statements

The district-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Unbilled receivables are recorded as revenues when services are provided.

As a general rule, the effect of interfund activity has been eliminated from the district-wide financial statements.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and revenue.

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

Intergovernmental aids and grants are recognized as revenues in the period the District is entitled the resources and the amounts are available. Amounts owed to the District which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time requirements) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, and interest. Other general revenues such as student fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above. Charges for special education services are not reduced by anticipated state special education aid entitlement.

Fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY

1. Deposits and Investments

Investment of District funds is restricted by Wisconsin state statutes. Available investments are limited to:

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The District has adopted an investment policy. That policy follows the state statute for allowable investments.

No policy exists for the following risks:

Credit risk
Custodial credit risk

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. 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 district accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF 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, 2018, the fair value of the District's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note III. A. for further information.

2. Receivables

General accounts receivable have been adjusted for all known uncollectable accounts. No allowance is necessary at year end.

Property taxes are levied in December on the assessed value as of the prior January 1.

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

The aggregate amount of property taxes to be levied for school purposes is determined according to the provisions of Chapter 120 of the Wisconsin Statutes. Property taxes levied by the District are certified to local taxing districts for collection. Property taxes attach as an enforceable lien as of January 1.

Property tax calendar - 2017 tax roll:

Lien date and levy date	December, 2017
Tax bills mailed	December, 2017
Payment in full, or	January 31, 2018
First installment due	January 31, 2018
Second installment due	July 31, 2018

Property taxes are recognized in the fiscal year levied. The District considers all taxes as due prior to the end of the fiscal year. Full receipt of the entire levy is assured within 60 days of the District's fiscal year end.

Property taxes are collected by the local taxing units until January 31. Real estate tax collections after that date are made by the applicable county, which assumes all responsibility for delinquent real estate taxes.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position.

3. Inventories and Prepaid Items

Governmental fund inventories, if material, are recorded at cost based on the average cost method using the purchases method of accounting.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both district-wide and fund financial statements.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties.

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

5. Capital Assets

District-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the district-wide financial statements. Capital assets are defined by the district as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated acquisition value at the date of donation.

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation is provided over the assets' estimated useful lives using the straight-line method. The range of estimated useful lives by type of asset is as follows:

Buildings	50 Years
Building improvements	20-50 Years
Land improvements	10-20 Years
Furniture and equipment	5-15 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition.

6. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position/fund balance that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

7. Compensated Absences

Under terms of employment, employees are granted vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at June 30, 2018, are determined on the basis of current salary rates and include salary related payments.

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

8. Long-Term Obligations

All long-term obligations to be repaid from governmental resources are reported as liabilities in the district-wide statements. The long-term obligations consist primarily of notes and bonds payable, capital leases, net pension obligation, other postemployment benefit obligations, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures.

For the district-wide statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

9. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position/fund balance that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

10. Equity Classifications

District-Wide Statements

Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

When both restricted and unrestricted resources are available for use, it is the District's policy to use restricted resources first, then unrestricted resources as they are needed.

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements

Governmental fund balances are displayed as follows:

- a. **Nonspendable** - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. **Restricted** - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. **Committed** - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the District Board of Education. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the District Board of Education that originally created the commitment.
- d. **Assigned** - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The District has adopted a financial policy authorizing the Director of Business and Auxiliary Services to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. **Unassigned** - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The District considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the District would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

See Note III. H. for further information.

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fiduciary fund equity is classified as held in trust for scholarships on the statement of fiduciary net position. Various donor restrictions apply, including authorizing and spending trust income, and the district believes it is in compliance with all significant restrictions. Net appreciation of was available for the year ended .

11. Pension

For purposes of measuring the net pension 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 by 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.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER APPROPRIATIONS

Funds	Budgeted Expenditures	Actual Expenditures	Excess Expenditures Over Budget
General Fund	\$ 44,423,800	\$ 45,525,786	\$ 1,101,986
Capital Projects Fund	42,939,841	44,394,383	1,454,542
Non Referendum Debt Service Fund	1,940,380	1,994,280	53,900
Referendum Debt Service Fund	3,154,100	3,156,846	2,746

The District controls expenditures at the function level. Some individual functions experienced expenditures which exceeded appropriations. The detail of those items can be found in the District's year-end budget to actual report.

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

B. LIMITATIONS ON THE DISTRICT REVENUES

Wisconsin statutes limit the amount of revenues that School District's may derive from general school aids and property taxes. The annual revenue increase from these sources is limited to an allowable per member increase that is determined by the legislature.

The 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 a referendum prior to August 12, 1993.
- > A referendum on or after August 12, 1993.

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The District maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as cash and investments.

The District's deposits and investments at year-end were comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 48,756,681	\$ 49,562,858	Custodial Credit Risk
LGIP	8,605,767	8,605,767	Credit Risk
Petty cash	4,071	-	N/A
Total Deposits and Investments	<u>\$ 57,366,519</u>	<u>\$ 58,168,625</u>	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 56,947,382		
Per statement of net position - fiduciary funds			
Private Purpose Trust Fund	27,986		
Agency Fund	<u>391,151</u>		
Total Deposits and Investments	<u>\$ 57,366,519</u>		

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the District's deposits may not be returned to the District.

As of June 30, 2018, \$45,052,192 of the District's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ 45,052,192
Total	<u>\$ 45,052,192</u>

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The District had investments in the external Wisconsin Local Government Investment Pool which is not rated.

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year.

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Net Pension Asset

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

Restricted assets at June 30, 2018 were \$5,091,647.

D. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 754,057	\$ 419,215	\$ -	\$ 1,173,272
Construction in progress	3,665,012	43,320,728	-	46,985,740
Total Capital Assets Not Being Depreciated	4,419,069	43,739,943	-	48,159,012
Capital assets being depreciated				
Buildings and improvements	50,909,506	-	-	50,909,506
Land improvements	56,482	-	-	56,482
Furniture and equipment	2,332,250	1,149,012	-	3,481,262
Total Capital Assets Being Depreciated	53,298,238	1,149,012	-	54,447,250
Total Capital Assets	57,717,307	44,888,955	-	102,606,262
Less: Accumulated depreciation for				
Buildings and improvements	(24,898,834)	(2,750,333)	-	(27,649,167)
Land improvements	(4,236)	(2,118)	-	(6,354)
Furniture and equipment	(1,833,668)	(584,311)	-	(2,417,979)
Total Accumulated Depreciation	(26,736,738)	(3,336,762)	-	(30,073,500)
Net Capital Assets Being Depreciated	26,561,500	(2,187,750)	-	24,373,750
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 30,980,569	\$41,552,193	\$ -	\$ 72,532,762

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Instruction	
Regular instruction	\$ 2,321,138
Other	21,680
Support Services	
Instructional support	40,237
Building and grounds	469,123
Business administration	<u>484,584</u>
Total Governmental Activities Depreciation Expense	<u>\$ 3,336,762</u>

E. INTERFUND TRANSFERS

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
Special Revenue - Special Education Fund	General Fund	\$ 5,580,223	Operating Subsidy
Nonreferendum Debt Service Fund	General Fund	<u>1,034,905</u>	Debt payments
Total - Fund Financial Statements		<u>\$ 6,615,128</u>	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The above transfer to the special education fund uses unrestricted revenues collected in one fund to finance various programs accounted for in other funds in accordance with budgetary authorizations and Wisconsin Department of Public Instruction directives.

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended June 30, 2018, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds and Notes Payable					
General obligation debt	\$ 98,262,000	\$ -	\$ 1,466,216	\$ 96,795,784	\$ 3,436,966
(Discounts)/Premiums	5,587,417	-	344,927	5,242,490	-
Sub-totals	<u>103,849,417</u>	<u>-</u>	<u>1,811,143</u>	<u>102,038,274</u>	<u>3,436,966</u>
Other Liabilities					
Vested compensated absences	71,840	128,670	119,917	80,593	119,917
Capital leases	442,281	388,469	300,892	529,858	232,486
Total OPEB liability (restated)	<u>11,122,941</u>	<u>685,912</u>	<u>-</u>	<u>11,808,853</u>	<u>-</u>
Total Other Liabilities	<u>11,637,062</u>	<u>1,203,051</u>	<u>420,809</u>	<u>12,419,304</u>	<u>352,403</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 115,486,479</u>	<u>\$ 1,203,051</u>	<u>\$ 2,231,952</u>	<u>\$ 114,457,578</u>	<u>\$ 3,789,369</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the District may not exceed 10% of the equalized value of taxable property within the District's jurisdiction. The debt limit as of June 30, 2018, was \$362,249,880. Total general obligation debt outstanding at year end was \$96,795,784.

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the District. Notes and bonds in the governmental funds will be retired by future property tax levies accumulated by the debt service fund.

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance June 30, 2018
GO Promissory Notes	9/24/2015	4/1/2025	2.00% - 5.00%	\$ 10,500,000	\$ 8,655,000
GO Promissory Notes	10/17/2011	4/1/2021	2.00% - 2.75%	920,000	295,000
GO Refunding Bonds	3/21/2011	4/1/2021	1.00% - 4.40%	4,295,000	1,380,000
GO Refunding Bonds	3/21/2011	4/1/2024	5.23%	1,000,000	1,000,000
Qualified School Construction Bonds	10/8/2009	9/15/2019	0.00%	1,077,000	737,000
GO Bonds	4/12/2017	4/1/2037	3.00-5.00%	84,000,000	84,000,000
State Trust Fund Loan	11/4/2016	3/15/2026	3.00%	800,000	728,784
Total Governmental Activities - General Obligation Debt					<u>\$ 96,795,784</u>

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt	
	Principal	Interest
2019	\$ 3,436,966	\$ 3,730,556
2020	2,646,372	3,627,298
2021	4,321,957	3,532,776
2022	3,389,565	3,355,727
2023	4,622,252	3,222,140
2024-2028	23,333,672	13,316,019
2029-2033	28,380,000	8,133,638
2034-2037	26,665,000	2,719,800
Totals	<u>\$ 96,795,784</u>	<u>\$ 41,637,954</u>

Capital Leases

Refer to Note III. G.

Other Debt Information

Estimated payments of vested compensated absences and other postemployment benefits obligation are not included in the debt service requirement schedules. The vested compensated absences and other postemployment benefits obligation attributable to governmental activities will be liquidated primarily by the general fund.

G. LEASE DISCLOSURES

Lessee - Capital Leases

The district acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$1,202,188, which are included in capital assets in the governmental activities. The future minimum lease obligations and the net present value on these minimum lease payments as of June 30, 2018, are as follows:

Years	Governmental Activities		
	Principal	Interest	Totals
2019	\$ 232,486	\$ -	\$ 232,486
2020	200,255	-	200,255
2021	97,117	-	97,117
Totals	<u>\$ 529,858</u>	<u>\$ -</u>	<u>\$ 529,858</u>

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

H. NET POSITION/FUND BALANCES

Net position reported on the district-wide statement of net position at June 30, 2018, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 1,173,272
Construction in progress	46,985,740
Other capital assets, net of accumulated depreciation	24,373,750
Less: Long-term debt outstanding	(97,325,642)
Plus: Unspent capital related debt proceeds	39,071,366
Less: Unamortized debt premium	(5,242,490)
Total Net Investment in Capital Assets	<u>9,035,996</u>
Restricted	
Pensions	<u>5,091,647</u>
Total Restricted deficit	<u>5,091,647</u>
Unrestricted (deficit)	<u>(2,102,240)</u>
Total Governmental Activities Net Position	<u><u>\$ 12,025,403</u></u>

Governmental Funds

Governmental fund balances reported on the fund financial statements at June 30, 2018, include the following:

	General Fund	Capital Projects Fund	Non Referendum Debt Service Fund	Referendum Debt Service Fund	Nonmajor Funds	Totals
Fund Balances						
Nonspendable:						
Prepaid items	\$ 216,593	\$ 99,604	\$ -	\$ -	\$ 1,634	\$ 317,831
Inventories	10,309	-	-	-	-	10,309
Restricted for:						
Capital projects	-	36,734,934	-	-	-	36,734,934
Debt service	-	-	499,574	2,336,432	-	2,836,006
Committed to:						
Debt service	482,375	-	-	-	-	482,375
Assigned to:						
Capital projects	-	1,082,759	-	-	-	1,082,759
Community service	-	-	-	-	157,179	157,179
Food service	-	-	-	-	487,675	487,675
Trust purposes	-	-	-	-	73,861	73,861
Unassigned:	<u>8,584,523</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,584,523</u>
Total Fund Balances	<u><u>\$ 9,293,800</u></u>	<u><u>\$ 37,917,297</u></u>	<u><u>\$ 499,574</u></u>	<u><u>\$ 2,336,432</u></u>	<u><u>\$ 720,349</u></u>	<u><u>\$ 50,767,452</u></u>

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE III - DETAILED NOTES ON ALL FUNDS (cont.)

I. RESTATEMENT OF NET POSITION

Net position has been restated as a result of the implementation of GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The details of this restatement is as follows:

	Governmental Activities <u>Net Position</u>
Net Position June 30, 2017 (as reported)	\$ 20,239,898
Less: OPEB liability change from prior guidance	<u>(3,936,708)</u>
Net Position June 30, 2017 (as restated)	<u>\$ 16,303,190</u>

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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 after July 1, 2011, 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.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>.

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 occupations and 62 for elected officials and executive service retirement plan participants, if hired on or before 12/31/2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service.

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Final average earnings is the average of the participant's three highest annual earnings periods. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at or after age 55 (50 for protective occupations) and receive an actuarially-reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

The 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:

Year	Core Fund Adjustment	Variable Fund Adjustment
2008	6.6%	0.0%
2009	(2.1)	(42.0)
2010	(1.3)	22.0
2011	(1.2)	11.0
2012	(7.0)	(7.0)
2013	(9.6)	9.0
2014	4.7	25.0
2015	2.9	2.0
2016	0.5	(5.0)
2017	2.0	4.0

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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, Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. 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, the WRS recognized \$1,708,656 in contributions from the District.

Contribution rates for the plan year reported as of June 30, 2018 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (including teachers, executives, and elected officials)	6.8%	6.8%

Pension Asset, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At June 30, 2018, the District reported an asset of \$5,091,647 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. 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, 2017, the District's proportion was 0.17148684%, which was an decrease of 0.00058561% from its proportion measured as of December 31, 2016.

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

For the year ended June 30, 2018, the District recognized pension expense of \$2,373,748.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 6,469,065	\$ 3,026,014
Net differences between projected and actual earnings on pension plan investments	-	6,997,996
Changes in assumptions	1,006,010	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	12,582	28,665
Employer contributions subsequent to the measurement date	1,075,892	-
Total	<u>\$ 8,563,549</u>	<u>\$ 10,052,675</u>

\$1,075,892 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 asset in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30:	
2019	\$ 544,826
2020	(50,197)
2021	(1,746,798)
2022	(1,325,031)
2023	12,182
Thereafter	-

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions. The total pension liability in the December 31, 2017, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2016
Measurement Date of Net Pension Asset	December 31, 2017
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% - 5.6%
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 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 actuarial valuation.

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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:

Core Fund Asset Class	Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Global Equities	50%	8.2%	5.3%
Fixed Income	24.5	4.2	1.4
Inflation Sensitive Assets	15.5	3.8	1.0
Real Estate	8	6.5	3.6
Private Equity/Debt	8	9.4	6.5
Multi-Asset	4	6.5	3.6
Total Core fund	110	7.3	4.4
<u>Variable Fund Asset Class</u>			
U.S. Equities	70	7.5	4.6
International Equities	30	7.8	4.9
Total Variable Fund	100	7.9	5.0

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.75%

Asset Allocations are managed within established ranges, target percentages may differ from actual monthly allocations

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 3.31%. 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.

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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 liability (asset)	\$13,173,831	\$(5,091,647)	\$(18,973,976)

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://etf.wi.gov/publications/cafr.htm>.

B. RISK MANAGEMENT

The 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. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

C. COMMITMENTS AND CONTINGENCIES

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the district-wide statements as expenses when the related liabilities are incurred.

From time to time, the District is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the District attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District's financial position or results of operations.

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 District has active construction projects as of June 30, 2018. Work that has been completed on these projects but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures.

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

The District has the following encumbrances outstanding at year end expected to be honored upon performance by the vendor:

Capital Projects Fund	<u>\$ 42,275,157</u>
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D. OTHER POSTEMPLOYMENT BENEFITS

GENERAL INFORMATION ABOUT THE OPEB PLAN

Plan description. The District administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides health insurance contributions for eligible retirees and their spouses through the District's group health insurance plan, which covers both active and retired members. Benefit provisions are established through personnel policy guidelines and state that eligible retirees and their spouses healthcare insurance until medicare eligibility at established contribution rates. The Retiree Health Plan does not issue a publicly available financial report.

Contribution requirements are established through personnel policy guidelines and may be amended by the action of the governing body. The District has no plan assets accumulated for the payment of future benefits.

Employees covered by benefit terms. At June 30, 2018, the following employees were covered by the benefit terms:

Inactive plan members or beneficiaries currently receiving benefit payments	40
Active plan members	<u>354</u>
	<u>394</u>

TOTAL OPEB LIABILITY

The District's total OPEB liability of \$11,808,852 was measured as of June 30, 2017, and was determined by an actuarial valuation as of that date.

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

Actuarial assumptions and other inputs. The total OPEB liability in the June 30, 2017 actuarial valuation was determined using the following actuarial assumptions and other inputs, applied to all periods included in the measurement, unless otherwise specified:

Inflation	2.50%
Salary increases	3.00%
Healthcare cost trend rates	7.50% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0%, and level thereafter
Retirees' share of benefit-related costs	N/A

The discount rate was based on all years of projected payments discounted at a municipal bond rate of 3.50%.

Mortality rates were based on the Wisconsin 2012 Mortality Table.

The actuarial assumptions based on an experience study conducted in 2015 using Wisconsin Retirement System (WRS) experience from 2012-14.

COMPONENTS OF AND CHANGES IN THE TOTAL OPEB LIABILITY

	<u>Total OPEB Liability</u>
Beginning of year balance	<u>\$ 11,122,941</u>
Changes for the year:	
Service cost	841,199
Interest	394,404
Benefit payments	<u>(549,691)</u>
Net changes	<u>685,912</u>
End of year balance	<u><u>\$ 11,808,853</u></u>

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

D. OTHER POSTEMPLOYMENT BENEFITS (cont.)

Sensitivity of the total OPEB liability to changes in the discount rate. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5 percent) or 1-percentage-point higher (4.5 percent) than the current discount rate:

	1% Decrease (2.5%)	Discount Rate (3.5%)	1% Increase (4.5%)
Total OPEB liability	<u>\$ 12,715,506</u>	<u>\$ 11,808,853</u>	<u>\$ 10,951,367</u>

Sensitivity of the total OPEB liability to changes in the healthcare cost trend rates. The following presents the total OPEB liability of the District, as well as what the District's total OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (6.5 percent decreasing to 4.0 percent) or 1-percentage-point higher (8.5 percent decreasing to 6.0 percent) than the current healthcare cost trend rates:

	1% Decrease (6.5%) Decreasing to 4.0%)	Healthcare Cost Trend Rates (7.5%) Decreasing to 5.0%)	1% Increase (8.5%) Decreasing to 6.0%)
Total OPEB liability	<u>\$ 10,493,161</u>	<u>\$ 11,808,853</u>	<u>\$ 13,366,066</u>

OPEB EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS OF RESOURCES RELATED TO OPEB

For the year ended June 30, 2018, the District recognized OPEB expense of \$172,117. At June 30, 2018, the District reported deferred outflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources
Employer contributions subsequent to the measurement date	<u>\$ 513,796</u>

\$513,796 reported as deferred outflows related to OPEB resulting from the employer's contributions subsequent to the measurement date will be recognized as a reduction of the total OPEB liability in the year ended June 30, 2019.

GERMANTOWN SCHOOL DISTRICT

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended June 30, 2018

NOTE IV - OTHER INFORMATION (cont.)

E. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved the following:

- > *Statement No. 83, Certain Asset Retirement Obligations*
- > *Statement No. 84, Fiduciary Activities*
- > *Statement No. 87, Leases*
- > *Statement No. 88, Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*
- > *Statement No. 89, Accounting for Interest Cost Incurred before the End of a Construction Period*
- > *Statement No. 90, Majority Equity Interests - An Amendment of GASB Statements No. 14 and No. 61*

When they become effective, application of these standards may restate portions of these financial statements.

F. SUBSEQUENT EVENT

On August 27, 2018, the District issued general obligation promissory notes in the amount of \$3,970,000 with an interest rate of 2.637%. This amount will be used to finance school construction and capital projects.

REQUIRED SUPPLEMENTARY INFORMATION

GERMANTOWN SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL

GENERAL FUND

For the Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance with Budget
REVENUES			
Local	\$ 28,046,380	\$ 28,144,640	\$ 98,260
Interdistrict	842,905	791,192	(51,713)
Intermediate	21,958	17,462	(4,496)
State	14,083,403	14,059,794	(23,609)
Federal	309,374	315,405	6,031
Other	110,312	92,495	(17,817)
Total Revenues	<u>43,414,332</u>	<u>43,420,988</u>	<u>6,656</u>
EXPENDITURES			
Instruction			
Regular	17,471,816	16,968,543	503,273
Vocational	1,261,380	1,904,404	(643,024)
Other	1,930,956	1,904,222	26,734
Total Instruction	<u>20,664,152</u>	<u>20,777,169</u>	<u>(113,017)</u>
Support Services			
Pupil services	1,599,386	1,615,919	(16,533)
Instructional support services	1,833,703	1,900,126	(66,423)
Administration	3,547,360	3,261,587	285,773
Buildings and grounds	4,232,773	4,859,230	(626,457)
Pupil transportation	2,212,322	2,190,360	21,962
Other support services	2,943,537	2,910,650	32,887
Debt service			
Principal retirement	297,718	294,554	3,164
Interest and fiscal charges	5,000	-	5,000
Total Support Services	<u>16,671,799</u>	<u>17,032,426</u>	<u>(360,627)</u>
Non-Program			
General tuition payments	1,005,967	1,086,960	(80,993)
Other non-program	2,176	14,103	(11,927)
Total Non-Program	<u>1,008,143</u>	<u>1,101,063</u>	<u>(92,920)</u>
Total Expenditures	<u>38,344,094</u>	<u>38,910,658</u>	<u>(566,564)</u>
Excess of Revenues Over Expenditures	5,070,238	4,510,330	(559,908)
OTHER FINANCING SOURCES (USES)			
Capital lease issued	412,546	388,469	(24,077)
Proceeds from sale of capital assets	5,000	71,092	66,092
Transfers out	(6,079,706)	(6,615,128)	(535,422)
Net Change in Fund Balances	<u>\$ (591,922)</u>	<u>(1,645,237)</u>	<u>\$ (1,053,315)</u>
FUND BALANCES - BEGINNING OF YEAR		<u>10,939,037</u>	
FUND BALANCES - END OF YEAR		<u>\$ 9,293,800</u>	

See independent auditors' report and accompanying notes to the required supplementary information.

GERMANTOWN SCHOOL DISTRICT

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL SPECIAL REVENUE - SPECIAL EDUCATION FUND For the Year Ended June 30, 2018

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Interdistrict	\$ -	\$ 3,490	\$ 3,490
State	1,769,908	1,758,752	(11,156)
Federal	801,669	808,166	6,497
Total Revenues	<u>2,571,577</u>	<u>2,570,408</u>	<u>(1,169)</u>
EXPENDITURES			
Instruction			
Regular	53,383	54,069	(686)
Special education	<u>6,011,980</u>	<u>5,926,048</u>	<u>85,932</u>
Total Instruction	<u>6,065,363</u>	<u>5,980,117</u>	<u>85,246</u>
Support Services			
Pupil services	735,578	778,419	(42,841)
Instructional support services	343,907	342,837	1,070
Administration	-	-	-
Buildings and grounds	400	150	250
Pupil transportation	529,359	581,251	(51,892)
Other support services	8,300	4,656	3,644
Debt service			
Principal	<u>2,983</u>	<u>2,983</u>	<u>-</u>
Total Support Services	<u>1,620,527</u>	<u>1,710,296</u>	<u>(89,769)</u>
Non-Program			
General tuition payments	476,657	460,218	16,439
Other non-program	<u>410</u>	<u>-</u>	<u>410</u>
Total Non-Program	<u>477,067</u>	<u>460,218</u>	<u>16,849</u>
Total Expenditures	<u>8,162,957</u>	<u>8,150,631</u>	<u>12,326</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(5,591,380)	(5,580,223)	11,157
OTHER FINANCING SOURCES			
Transfer in	<u>5,591,380</u>	<u>5,580,223</u>	<u>(11,157)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES - BEGINNING OF YEAR		-	
FUND BALANCES - END OF YEAR		<u>\$ -</u>	

See independent auditors' report and accompanying notes to the required supplementary information.

GERMANTOWN SCHOOL DISTRICT

SCHEDULE OF CHANGES IN THE TOTAL OPEB LIABILITY AND RELATED RATIOS For the Year Ended of June 30, 2018

	<u>2018</u>
Total OPEB Liability	
Service cost	\$ 841,199
Interest	394,404
Benefit payments	<u>(549,691)</u>
Net Change in Total OPEB Liability	685,912
Total OPEB Liability - Beginning	<u>11,122,941</u>
Total OPEB Liability - Ending	<u><u>\$ 11,808,853</u></u>
Covered-employee payroll	\$ 21,510,773
Total OPEB liability as a percentage of covered-employee payroll	54.90%

Notes to Schedule:

The District implemented GASB Statement No. 75 in fiscal year 2018. Information prior to fiscal year 2018 is not available.

GERMANTOWN SCHOOL DISTRICT

SCHEDULE OF EMPLOYER CONTRIBUTIONS For the Year Ended of June 30, 2018

	2018
Contractually determined contribution	\$ 513,795
Contributions in relation to the contractually determined contribution	513,795
Contribution deficiency (excess)	<u>\$ -</u>
Covered-employee payroll	\$ 21,510,773
Contributions as a percentage of covered-employee payroll	2.39%

Notes to Schedule:

Valuation date: June 30, 2017

Actuarially determined contribution rates are calculated as of June 30, two years prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	20 year Level \$
Amortization period	30 years
Asset valuation method	Market value
Inflation	2.50%
Healthcare cost trend rates	7.50% decreasing by 0.50% per year down to 6.50%, then by 0.10% per year down to 5.0% and level thereafter
Salary increases	3.0 percent, average including inflation
Discount rate	3.50%
Mortality assumptions	Wisconsin 2012 mortality table

Notes to Schedule:

The District implemented GASB Statement No. 75 in fiscal year 2018. Information prior to fiscal year 2018 is not available.

GERMANTOWN SCHOOL DISTRICT

SCHEDULE OF DISTRICT'S PROPORTIONATE SHARE OF THE NET PENSION (ASSET) LIABILITY - WISCONSIN RETIREMENT SYSTEM For the Year Ended June 30, 2018

<u>Plan Fiscal Year Ending</u>	<u>Proportion of the Net Pension (Asset) Liability</u>	<u>Proportionate Share of the Net Pension (Asset) Liability</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension (Asset) Liability as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of Total Pension Liability</u>
12/31/2014	0.17201612%	\$ (4,225,187)	\$ 23,773,176	17.77%	102.74%
12/31/2015	0.17265742%	2,805,650	24,571,647	11.42%	98.20%
12/31/2016	0.17207245%	1,418,288	24,924,550	5.69%	99.12%
12/31/2017	0.17148684%	(5,091,647)	25,127,441	20.26%	102.93%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended June 30, 2018

<u>District Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
6/30/2015	\$ 1,674,041	\$ 1,674,041	\$ -	\$ 23,773,176	7.04%
6/30/2016	1,696,680	1,696,680	-	25,361,794	6.69%
6/30/2017	1,672,333	1,672,333	-	24,885,357	6.72%
6/30/2018	1,710,825	1,710,825	-	25,349,060	6.75%

See independent auditors' report and accompanying notes to the required supplementary information.

GERMANTOWN SCHOOL DISTRICT

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended June 30, 2018

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 I.C. A budget has been adopted for the General fund and the Special Revenue – Special Education fund in accordance with Section 65.90 of the Wisconsin Statutes.

Reported budget amounts are as amended by School Board resolution. Budgets are adopted at the two-digit subfunction level in the general fund and at the one-digit function level for all other funds. Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year.

WISCONSIN RETIREMENT SYSTEM (WRS) PENSION

The amounts presented in relation to the schedule of employer's proportionate share of the net pension asset and the schedule of employer contributions represents the specific data of the District. The information was derived using a combination of the employer's contribution data along with data provided by the Wisconsin Retirement System in relation to the District as a whole.

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

Changes of assumptions. There were no changes in the assumptions.

The District is required to present the last ten fiscal years data; however, the standards allow the District to present as many years as are available until ten fiscal years are presented.

SUPPLEMENTARY INFORMATION

GERMANTOWN SCHOOL DISTRICT

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS As of June 30, 2018

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Service Fund	Trust Fund	Community Service Fund	
ASSETS				
Cash and investments	\$ 523,791	\$ 73,861	\$ 170,223	\$ 767,875
Due from other governments	30,393	-	-	30,393
Prepaid items	1,634	-	-	1,634
TOTAL ASSETS	<u>\$ 555,818</u>	<u>\$ 73,861</u>	<u>\$ 170,223</u>	<u>\$ 799,902</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 7,335	\$ -	\$ 125	\$ 7,460
Accrued payroll and related liabilities	4,487	-	12,919	17,406
Unearned revenue	54,687	-	-	54,687
Total Liabilities	<u>66,509</u>	<u>-</u>	<u>13,044</u>	<u>79,553</u>
Fund Balances				
Nonspendable	1,634	-	-	1,634
Assigned	487,675	73,861	157,179	718,715
Total Fund Balances	<u>489,309</u>	<u>73,861</u>	<u>157,179</u>	<u>720,349</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 555,818</u>	<u>\$ 73,861</u>	<u>\$ 170,223</u>	<u>\$ 799,902</u>

GERMANTOWN SCHOOL DISTRICT

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended June 30, 2018

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Food Service Fund	Trust Fund	Community Service Fund	
REVENUES				
Local	\$ 867,405	\$ 33,546	\$ 91,781	\$ 992,732
State	15,473	-	-	15,473
Federal	396,072	-	-	396,072
Total Revenues	<u>1,278,950</u>	<u>33,546</u>	<u>91,781</u>	<u>1,404,277</u>
EXPENDITURES				
Instruction				
Regular	-	32,058	-	32,058
Other	-	3,627	-	3,627
Total instruction	<u>-</u>	<u>35,685</u>	<u>-</u>	<u>35,685</u>
Support Services				
Pupil service	9	-	-	9
Buildings and grounds	24,275	-	21,222	45,497
Other support services	3,642	-	66,940	70,582
Pupil transportation	-	311	-	311
Food Service	1,274,510	-	-	1,274,510
Debt service				
Principal retirement	1,864	-	-	1,864
Total support services	<u>1,304,300</u>	<u>311</u>	<u>88,162</u>	<u>1,392,773</u>
Total Expenditures	<u>1,304,300</u>	<u>35,996</u>	<u>88,162</u>	<u>1,428,458</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	(25,350)	(2,450)	3,619	(24,181)
FUND BALANCES - BEGINNING OF YEAR	<u>514,659</u>	<u>76,311</u>	<u>153,560</u>	<u>744,530</u>
FUND BALANCES - END OF YEAR	<u>\$ 489,309</u>	<u>\$ 73,861</u>	<u>\$ 157,179</u>	<u>\$ 720,349</u>

GERMANTOWN SCHOOL DISTRICT

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - PUPIL ACTIVITY AGENCY FUND For the Year Ended June 30, 2018

	Balance 7/1/17	Additions	Deductions	Balance 6/30/18
ASSETS				
Cash and investments	<u>\$ 352,287</u>	<u>\$ 896,831</u>	<u>\$ 857,967</u>	<u>\$ 391,151</u>
LIABILITIES				
Accounts payable	\$ 5,660	\$ 1,210	\$ 5,660	\$ 1,210
Due to student organizations				
High School	273,844	664,697	628,362	310,179
Middle School	46,105	132,208	134,807	43,506
Elementary School	<u>26,678</u>	<u>98,716</u>	<u>89,138</u>	<u>36,256</u>
TOTAL LIABILITIES	<u>\$ 352,287</u>	<u>\$ 896,831</u>	<u>\$ 857,967</u>	<u>\$ 391,151</u>

SINGLE AUDIT

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

Independent Auditors' Report

To the Board of Education
Germantown School District
Germantown, Wisconsin

We have audited, in accordance with the 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, Wisconsin, as of and for the year ended June 30, 2018 and the related notes to the financial statements, which collectively comprise the Germantown School District's basic financial statements and have issued our report thereon dated January 10, 2019.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Germantown School 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 Germantown School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Germantown School 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 a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs, we consider to be a material weakness. This material weakness is item 2018-001.

To the Board of Education
Germantown School District

Compliance and Other Matters

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

Germantown School District's Response to the Finding

The Germantown School District's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. The Germantown School 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 result 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.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
January 10, 2019

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND MAJOR STATE PROGRAM
AND REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE
AND THE STATE SINGLE AUDIT GUIDELINES

Independent Auditors' Report

To the Board of Education
Germantown School District
Germantown, Wisconsin

Report on Compliance for Each Major Federal and Major State Program

We have audited the Germantown School District, Wisconsin's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* that could have a direct and material effect on each of the Germantown School District's major federal and major state programs for the year ended June 30, 2018. The Germantown School District's major federal and major 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the Germantown School District's major federal and major 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; the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance); and the *State Single Audit Guidelines*. Those standards, the Uniform Guidance, and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or major state program occurred. An audit includes examining, on a test basis, evidence about the Germantown School 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 major state program. However, our audit does not provide a legal determination of the Germantown School District's compliance.

To the Board of Education
Germantown School District

Opinion on Each Major Federal and Major State Program

In our opinion, the Germantown School 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 major state programs for the year ended June 30, 2018.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance and the *State Single Audit Guidelines* and which are described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003. Our opinion on each major federal and major state program is not modified with respect to these matters.

Germantown School District's Responses to Findings

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

Report on Internal Control Over Compliance

Management of the Germantown School 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 Germantown School District's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal or major 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 major state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *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 Germantown School 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 a 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 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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items 2018-002 and 2018-003 that we consider to be significant deficiencies.

To the Board of Education
Germantown School District

Germantown School District's Responses to Findings

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

Purpose of this Report

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 the Uniform Guidance and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
January 10, 2019

GERMANTOWN SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS For the Year Ended June 30, 2018

Grantor Agency/Pass-Through Agency/Program Title	Federal Catalog Number	Pass Through Agency ID	Accrued Beginning Balance	Cash Received	Expenditures	Accrued Ending Balance
U.S. Department of Agriculture						
Passed through Wisconsin Department of Public Instruction:						
<i>Child Nutrition Cluster:</i>						
National School Lunch Program - Donated						
Commodities	10.555	A001-00000-662058	\$ -	\$ 115,280	115,280	\$ -
School Breakfast Program	10.553	A546-00000-662058	3,736	22,389	21,213	2,560
National School Lunch Program	10.555	A547-00000-662058	39,955	271,701	259,579	27,833
Special Milk Program for Children	10.556	A548-00000-662058	41	41	-	-
<i>Total Child Nutrition Cluster</i>			<u>43,732</u>	<u>409,411</u>	<u>396,072</u>	<u>30,393</u>
Total U.S. Department of Agriculture			<u>43,732</u>	<u>409,411</u>	<u>396,072</u>	<u>30,393</u>
U.S. Department of Health and Human Services						
Passed through the Wisconsin Department of Health Services:						
<i>Medicaid Cluster:</i>						
Medical Assistance Program	93.778	unknown	-	150,508	150,508	-
U.S. Department of Education						
Passed through Wisconsin Department of Public Instruction:						
<i>Special Education Cluster:</i>						
Special Education Grants to States	84.027	A341-00000-662058	165,275	693,568	750,206	221,913
High Cost Special Education Aid	84.027	A341-00000-662058	-	2,992	2,992	-
Special Education Preschool Grants	84.173	A347-00000-662058	-	18,176	32,005	13,829
<i>Total Special Education Cluster</i>			<u>165,275</u>	<u>714,736</u>	<u>785,203</u>	<u>235,742</u>
Improving Teacher Quality State Grants	84.367	A365-00000-662058	377	58,813	61,846	3,410
Title IV-A-Student Support and Acad Enrich Grants	84.424	unknown	-	-	10,000	10,000
Title 1 - Grants to Local Educational Agencies	84.010	A141-00000-662058	22,814	121,190	106,050	7,674
Title 1 - Focus School Grant	84.010	A145-00000-662058	5,014	5,014	9,965	9,965
Passed through Milwaukee Public School District						
Title 1 - Grants to Local Educational Agencies	84.010	unknown	1,292	1,292	-	-
<i>Total Title I-A Awards</i>			<u>29,120</u>	<u>127,496</u>	<u>116,015</u>	<u>17,639</u>
Passed through CESA 1:						
Career and Technical Education - Basic Grants to States	84.048	unknown	-	11,777	11,777	-
English Language Acquisition State Grants	84.365	unknown	-	4,035	4,035	-
Total Passed through CESA 1			-	15,812	15,812	-
Total U.S. Department of Education			<u>194,772</u>	<u>916,857</u>	<u>988,876</u>	<u>266,791</u>
Total Federal Awards			<u>\$ 238,504</u>	<u>\$ 1,476,776</u>	<u>\$ 1,535,456</u>	<u>\$ 297,184</u>

GERMANTOWN SCHOOL DISTRICT

SCHEDULE OF EXPENDITURES OF STATE AWARDS For the Year Ended June 30, 2018

Awarding Agency/Pass-Through Agency/Award Description	State ID Number	Accrued Beginning Balance	Cash Received	Expenditures	Accrued Ending Balance
Wisconsin Department of Public Instruction					
Special education and school-age parents	255.101	\$ -	\$ 1,747,211	\$ 1,747,211	\$ -
State school lunch	255.102	-	13,915	13,915	-
Common school fund library aid	255.103	-	154,887	154,887	-
Pupil transportation	255.107	-	119,042	119,042	-
Equalization aids	255.201	195,655	11,176,797	11,184,184	203,042
Integration aid	255.204	-	292,193	292,193	-
High cost special education	255.210	-	11,541	11,541	-
School breakfast program	255.344	-	1,558	1,558	-
Educator effectiveness evaluation system grant	255.940	-	24,160	24,160	-
Per pupil aid	255.945	-	1,750,050	1,750,050	-
Career and technical education incentive grants	255.950	-	3,167	3,167	-
Robotics Lead Participation Grants Public	255.959	-	4,909	4,909	-
Assessment of reading readiness	256.956	-	2,577	4,909	2,332
Passed through CESA 1:					
Special education and school-age parents	255.101	337	2,436	3,490	1,391
Total Wisconsin Department of Instruction		<u>195,992</u>	<u>15,304,443</u>	<u>15,315,216</u>	<u>206,765</u>
Wisconsin Department of Workforce Development					
Passed through GPS Education Partners					
Youth apprenticeship program	445.112	-	1,650	1,650	-
Total State Awards		<u>\$ 195,992</u>	<u>\$ 15,306,093</u>	<u>\$ 15,316,866</u>	<u>\$ 206,765</u>

See accompanying notes to the schedules of expenditures of federal and state awards.

GERMANTOWN SCHOOL DISTRICT

NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS For the Year Ended June 30, 2018

NOTE 1 – BASIS OF PRESENTATION

The accompanying schedules of expenditures of federal and state awards (the "schedules") include the federal and state award activity of the Germantown School District under programs of the federal and state government for the year ended June 30, 2018. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines*. Because the schedules present only a selected portion of the operations of the Germantown School District, they are not intended to and do not present the financial position, changes in net position of the Germantown School District.

NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Expenditures reported on the schedules are reported on the modified accrual basis of accounting. Such expenditures are recognized following the cost principles contained in the Uniform Guidance, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Negative amounts shown on the schedules represent adjustments or credits made in the normal course of business to amounts reported as expenditures in prior years. Pass-through entity identifying numbers are presented where available.

The underlying accounting records for grant programs are maintained on the modified accrual basis of accounting. Under the modified accrual basis, revenues are recorded when susceptible to accrual, i.e., both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. Expenditures are recorded when the liability is incurred.

NOTE 3 – SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

Eligible costs of Special Education under project 011 were \$7,072,057 for the year ended June 30, 2018.

NOTE 4 – OVERSIGHT AGENCY

The District's federal oversight agency for the audit is the U.S. Department of Education. The District's state cognizant agency is the Wisconsin Department of Public Instruction.

NOTE 5 – INDIRECT COST RATE

The Germantown School District has not elected to use the 10% de minimis indirect cost rate of the Uniform Guidance.

NOTE 6 – PRIOR YEAR FINDINGS

The findings identified as Federal and State Awards Findings and Questioned Costs No. 2017-002 and 2017-003 have been satisfactorily resolved. 2017-001 is repeated as 2018-001 for the year ended June 30, 2018.

GERMANTOWN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2018

SECTION I – SUMMARY OF AUDITORS' RESULTS

FINANCIAL STATEMENTS

Type of auditors' report issued: unmodified

Internal control over financial reporting:

- > Material weakness(es) identified? X yes no
- > Significant deficiency(ies) identified? yes X none reported

Noncompliance material to financial statements noted?

 yes X no

FEDERAL OR STATE AWARDS

Internal control over major programs:

- | | <u>Federal Programs</u> | <u>State Programs</u> |
|--|--|--|
| > Material weakness(es) identified? | <u> </u> yes <u> X </u> no | <u> </u> yes <u> X </u> no |
| > Significant deficiencies identified that are not considered to be material weakness(es)? | <u> X </u> yes <u> </u> none reported | <u> </u> yes <u> X </u> none reported |

Type of auditor's report issued on compliance for major programs: unmodified

Any audit findings disclosed that are required to be reported in accordance with section 516(a) of the Uniform Guidance or the *State Single Audit Guidelines*?

<u>Federal Programs</u>	<u>State Programs</u>
<u> X </u> yes <u> </u> no	<u> </u> yes <u> X </u> no

Auditee qualified as low-risk auditee?

<u>Federal Programs</u>	<u>State Programs</u>
<u> </u> yes <u> X </u> no	<u> </u> yes <u> X </u> no

Dollar threshold used to distinguish between type A and type B programs:

<u>Federal</u>	<u>State</u>
\$ <u> 750,000 </u>	\$ <u> 250,000 </u>

Identification of major federal programs:

CFDA Numbers

84.027/84.173
93.778

Name of Federal Program or Cluster

Special Education Cluster
Medicaid Cluster

GERMANTOWN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2018

SECTION I – SUMMARY OF AUDITORS' RESULTS (cont.)

FEDERAL OR STATE AWARDS (cont.)

Identification of major state programs:

<u>State Number</u>	<u>Name of State Program</u>
255.107	Pupil Transportation
255.201	Equalization Aid
255.204	Integration Aid

SECTION II – FINANCIAL STATEMENT FINDINGS REQUIRED TO BE REPORTED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

FINDING No. 2018-001: INTERNAL CONTROL ENVIRONMENT

Repeat of Prior Year Finding 2017-001

Criteria: Statement on Auditing Standards No. 115 requires communication of significant deficiencies and material weaknesses in the District's control environment.

Condition: We as your auditors noted several deficiencies in the District's control environment including controls around new vendors and review of account reconciliations, the schedule of federal and state awards, payroll account distribution, and manual journal entries.

Cause: The District currently does not have documented controls in place over new vendors or for reviewing reconciliations, schedules, payroll account distribution and journal entries completed by District staff.

Effect: Errors could exist in District documents.

Recommendation: Management should evaluate if the benefits achieved by resolving this internal control deficiency warrants the additional cost to implement controls over new vendors and the review of certain schedules and documents

Management's Response: Management has evaluated the district's internal control environment and believes the additional cost of adding staff to the business office does not warrant the benefits achieved.

GERMANTOWN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2018

SECTION III – FEDERAL AWARDS AND STATE AWARDS FINDINGS AND QUESTIONED COSTS

FINDING 2018-002 IDEA FLOW-THROUGH (84.027), U.S. DEPARTMENT OF EDUCATION

Condition: In our testing of IDEA Flow-Through we noted that debarment was not reviewed before purchases were made. The School District has a policy in place, however it was not followed.

Criteria: The School District should follow proper procurement and disadvantaged business entity requirements.

Questioned Cost: N/A

Context: Population:8-12. Sample size 2; Sample not statistically valid.

Effect: Vendors could be used that do not follow the procurement rules or that are debarred.

Recommendation: The School District should perform their debarment review prior to purchase or to put language into contracts that they engage in.

Management Response: The Business Office and Pupil Services Department will, when practical, require a debarment certification from the vendor prior to a purchase order being issued.

FINDING 2018-003: MEDICAID (93.778), U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES

Condition: During control testing of eligibility for this program, there was 1 M-5 parent consent form that was not signed.

Criteria: DPI Form M-5 must be accessible to auditors to determine if the form was signed by the parent(s) and dated appropriately.

Questioned Cost: \$805

Context: Population: 49. Sample size 5: Sample not statistically valid.

Effect: Provided services to a student without approval from parent(s).

Recommendation: The District should verify that all students have a signed parental consent form on file.

Management Response: We recognize that this occurred and we are taking internal corrective action to obtain and maintain signed Medicaid parental consent forms as well as to only bill for services of students for whom signed parental consent is on file. We continue to provide many routine opportunities for parents to sign consent for the district to bill for Medicaid services.

GERMANTOWN SCHOOL DISTRICT

SCHEDULE OF FINDINGS AND QUESTIONED COSTS For the Year Ended June 30, 2018

SECTION IV – OTHER ISSUES

Does the auditor's report or the notes to the financial statements include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

_____ yes X no

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, 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*:

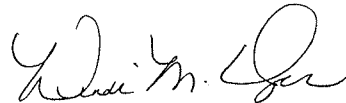
Department of Workforce Development
Department of Public Instruction

_____ yes X no
_____ yes X no

Was a Management Letter or other document conveying audit comments issued as a result of this audit?

 X yes _____ no

Name and signature of partner



Wendi M. Unger, CPA, Partner

Date of report

January 10, 2019