

**RACINE UNIFIED SCHOOL DISTRICT
RACINE, WISCONSIN**

ANNUAL FINANCIAL REPORT

JUNE 30, 2012

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

June 30, 2012

Table of Contents

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS AND SCHEDULE OF STATE FINANCIAL ASSISTANCE	1 - 2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3 - 9
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements	
Statement of Net Assets	10
Statement of Activities	11 - 12
Fund Financial Statements	
Balance Sheet - Governmental Funds	13 - 14
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	15 - 16
Statement of Net Assets - Food Service (Nonmajor) Proprietary Fund	17
Statement of Revenues, Expenses and Changes in Net Assets - Food Service (Nonmajor) Proprietary Fund	18
Statement of Cash Flows - Food Service (Nonmajor) Proprietary Fund	19
Statement of Net Assets - Fiduciary Funds	20
Statement of Changes in Net Assets - Fiduciary Funds	21
Notes to Basic Financial Statements	22 - 43
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance -Budget and Actual - General Fund - Budgetary Basis	44
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Education Special Revenue Fund - Budgetary Basis	45
Schedule of Funding Progress	46
Schedule of Employer Contributions - Other Post-Employment Benefit Plan	47
Notes to Required Supplemental Information	48
SUPPLEMENTAL INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	49 - 50
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	51 - 52
Schedule of Changes in Assets and Liabilities - Pupil Activity Funds	53

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

June 30, 2012

Table of Contents

	<u>Page No.</u>
ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS	
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	54 - 55
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE	
Report on Compliance with Requirements That Could Have a Direct and Material Effect on Each Major Federal and State Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133 and the State Single Audit Guidelines	56 - 57
Schedule of Expenditures of Federal Awards	58 - 63
Schedule of State Financial Assistance	64 - 65
Notes to the Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance	66
Schedule of Findings and Questioned Costs	67 - 72
Schedule of Prior Year Audit Findings and Corrective Action Plan	73



**INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND SCHEDULE OF STATE FINANCIAL ASSISTANCE**

To the Board of Education
Racine Unified School District
Racine, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Racine Unified School District ("the District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Education and management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the District's 2011 financial statements and, in our report dated November 30, 2011 we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of funding progress and the schedule of employer contributions on pages 3 through 9 and 44 through 48 be presented to supplement the basic financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the 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 response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the 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.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as supplemental information, and the accompanying schedule of expenditures of federal awards and schedule of state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental information and schedules of expenditures of federal awards and state financial assistance are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the 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 financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Certified Public Accountants
Green Bay, Wisconsin
November 2, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS



Racine Unified School District

3109 Mount Pleasant Street, Racine, WI 53404

Financial and Budget Services

Management's Discussion and Analysis For the Year Ended June 30, 2012

FINANCIAL HIGHLIGHTS

- The District's overall financial position, as reflected in total net assets, increased \$758,067 during the 2011-12 fiscal year. (See pages 11 -12)
- The District continued to implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-retirement Benefits Other than Pensions during the 2012 year. The actuarially determined expense was \$2,690,204 greater than the District's post-retirement plan contributions for the year compared to \$1,175,838 for the prior year. (See page 40)
- The District's governmental fund balance reported an increase of \$13,035,948 compared to a decrease of \$4,486,006 in the prior year. \$3,369,081 of the prior year decrease was in the Capital Projects Fund. (See pages 15 - 16)
- The amount of tax and revenue anticipation notes (TRANS) reported at year end was zero, down from \$28,300,000 at year end the previous year. (See pages 13 and 34)

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements are comprised of (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. In addition, other information supplementary to the basic financial statements is provided.

Government-Wide Financial Statements

- The government-wide financial statements are the Statement of Net Assets and the Statement of Activities. These statements present an aggregate view of the District's finances in a manner similar to private-sector business. Both statements distinguish governmental activities from business-type activities.
- The Statement of Net Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets.
- The Statement of Activities presents information showing how the District's net assets changed during the year.

Fund Financial Statements

- The District also produces fund financial statements, the Balance Sheet and the Statement of Revenue, Expenditures, and Changes in Fund Balance.
- A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities. The District, like other state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operations in more detail than the district-wide statements.
- The District has three types of funds: governmental, proprietary, and fiduciary. Governmental funds are: general, special revenue, special education, special project, debt service, and capital projects. The District has one proprietary fund, the food service fund. The District has three fiduciary funds. A private purpose trust fund accounts for financial resources to benefit specified beneficiaries, an employee benefit trust fund accounts for District and retiree contributions for post-retirement health and dental coverage and an agency fund to account for funds of student organizations.
- Financial information is presented separately on the Balance Sheet and the Statement of Revenue, Expenditures, and Changes in Fund Balance for the general fund as it is considered to be major funds. Data for all other funds is combined into a single aggregated column. Data for each of these individual non-major funds is provided separately as supplementary information.
- The proprietary fund statements for the District's food service program are prepared on the same basis of accounting and measurement focus as the district-wide financial statements. In addition, the District provides a statement of cash flows for the proprietary funds.
- The District serves as a trustee, or fiduciary, for student organizations and for certain trust beneficiaries. The assets of these funds do not directly benefit nor are under the direct control of the District. The District's responsibility is limited to ensuring the assets reported in these funds are used only for their intended purposes. Fiduciary activities are excluded from the district-wide financial statements because the district cannot use these assets to finance its operations.
- The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement for the general fund has been provided to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes to the financial statements provide additional information that is essential to the full understanding of the data provided in the district-wide and fund financial statements. The notes follow the financial statements for the fiduciary funds.

FINANCIAL ANALYSIS

The District as a Whole

Net Assets

Table 1, below, provides a summary of the District's statement of net assets for the year ended June 30, 2012 with a comparison to the prior year.

Table 1							
Condensed Statement of Net Assets							
(in thousands of dollars)							
	Governmental Activities		Business-type Activities		Totals School District		%
	2012	2011	2012	2011	2012	2011	2011-12
Assets							
Current assets	\$ 62,358	\$ 85,994	\$ 1,768	\$ 1,127	\$ 64,126	\$ 87,121	-26.4%
Capital assets	62,534	79,253	304	340	62,838	79,593	-21.1%
Total Assets	124,892	165,247	2,072	1,467	126,964	166,714	-23.8%
Liabilities							
Long-term debt	46,800	50,764	-	-	46,800	50,764	-7.8%
Other liabilities	25,459	62,011	43	34	25,502	62,045	-58.9%
Total Liabilities	72,259	112,775	43	34	72,302	112,809	-56.0%
Net Assets							
Invested in capital assets, net of related debt	42,399	66,207	304	340	42,703	66,547	-35.8%
Restricted	1,647	249	1,725	1,093	3,372	1,342	151.3%
Unrestricted	8,587	(13,984)	-	-	8,587	(13,984)	161.4%
Total Net Assets	\$ 52,633	\$ 52,472	\$ 2,029	\$ 1,433	\$ 54,662	\$ 53,905	1.4%

(The calculation of net assets uses a historical cost for land and school buildings that may not accurately reflect the current market value.)

Change in Net Assets

Table 2, below, shows the changes in net assets for the fiscal year ended June 30, 2012 with a comparison to the prior year.

	Governmental Activities		Business-type Activities		Totals School District		% Change
	2012	2011	2012	2011	2012	2011	2011-12
Revenues							
Program Revenues							
Charges for services	\$ 1,117	\$ 845	\$ 1,844	\$ 2,028	\$ 2,961	\$ 2,873	3.1%
Operating grants and contributions	38,222	47,312	6,460	5,998	44,682	53,310	-16.2%
General Revenues							
Property taxes	81,491	78,079	-	-	81,491	78,079	4.4%
State Formula aid	125,362	137,211	-	-	125,362	137,211	-8.6%
Interest	30	25	-	-	30	25	20.0%
Other	1,471	1,739	-	51	1,471	1,790	-17.8%
Total Revenues	247,693	265,211	8,304	8,077	255,997	273,288	-6.3%
Expenses							
Instruction	136,310	168,435	-	-	136,310	168,435	-19.1%
Pupil and instructional services	28,070	32,505	-	-	28,070	32,505	-13.6%
Administration and business	45,011	48,291	7,707	7,780	52,718	56,071	-6.0%
Central services and Insurance	6,747	10,605	-	-	6,747	10,605	-36.4%
Interest on debt	3,611	1,335	-	-	3,611	1,335	170.5%
Non-program	7,445	6,909	-	-	7,445	6,909	7.8%
Miscellaneous	20,338	771	-	-	20,338	771	2537.9%
Total Expenses	247,532	268,851	7,707	7,780	255,239	276,631	-8.4%
Increase (Decrease) in Net Assets	\$ 161	\$ (3,640)	\$ 597	\$ 297	\$ 758	\$ (3,343)	

General revenues (all revenue except operating grants and contributions and charges for services) provide about 84% of the funding for governmental activities and 0% of the funding for business-type activities. Racine Unified School district relies on property taxes for 33% of its governmental activities.

Governmental Activities

Net Cost of Governmental Activities

Table 3 reports the cost of seven major District activities. The table also shows each activity's net cost (total cost less fees generated by the activities and intergovernmental aid provided for specific programs). In all categories, program revenue did not keep pace with the increased cost of providing the service, thereby increasing reliance on general revenues.

	Total Cost of Services		Net Cost of Services		% Change
	2012	2011	2012	2011	2011-12
Instruction	\$ 136,310	\$ 168,435	\$ 107,270	\$ 132,156	23.2%
Pupil and instructional services	28,070	32,505	19,064	21,660	13.6%
Administration and business	45,011	48,291	44,077	47,371	7.5%
Central services and insurance	6,747	10,605	6,722	10,597	57.6%
Interest on debt	3,611	1,335	3,433	1,335	-61.1%
Non-program	7,445	6,909	7,445	6,909	-7.2%
Miscellaneous	20,338	771	20,182	666	-96.7%
Totals	\$ 247,532	\$ 268,851	\$ 208,193	\$ 220,694	6.0%

Business-Type Activities

Revenue for the district's business-type activities (food service program) was comprised of charges for services and federal and state reimbursements (see Table 2).

- Federal and state reimbursement for meals, including payments for free and reduced lunches, was \$6.5 million while charges for services were \$1.8 million. Overall revenues increased by \$278 thousand.
- Expenses decreased by \$71 thousand to \$7.7 million.
- The food service operation reported a gain of \$597 thousand compared to a gain of \$247 thousand for the prior year.

Governmental Funds

The District completed the year with a total governmental fund balance of \$36.8 million, an increase of \$13.0 million from the prior year.

- Total general fund revenue for the year was \$4.1 million less than budget due primarily to lower reimbursements for expenditures from the federal government.
- Total general fund program expenditures, including non-program transactions, was less than the budget by \$5.4 million.
- The debt service funds fund balance had a net increase of \$6 thousand. The debt service fund balance will fluctuate from year to year because the fund balance must be at least equal to the amount of debt payments that are scheduled prior to January 20th of the subsequent year. The typical debt service schedule for the District requires interest payments prior to January 20th with an additional interest payment and principal payment occurring in March of each year.
- For fiscal year 2011-2012, the capital projects funds fund balance decreased by \$831 thousand as ASC and building repair debt revenues from 2011 were expended.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2012 fiscal year, the District had net capital assets of \$62.8 million in a broad range of capital assets, including buildings, sites, furniture, and equipment (see Table 4). 2011-12 activity primarily consisted of two building sales. Additional information about capital assets can be found in the notes to the financial statements.

	Governmental Activities		Business-type Activities		Totals School District		% Change 2011-12
	2012	2011	2012	2011	2012	2011	
Land	\$ 2,475	\$ 2,565	\$ -	\$ -	\$ 2,475	\$ 2,565	-3.5%
Work in progress	287	12,605	-	-	287	12,605	-97.7%
Site improvements	2,387	619	-	-	2,387	619	285.6%
Buildings	47,555	55,783	-	-	47,555	55,783	-14.8%
Machinery and equipment	9,830	7,681	304	340	10,134	8,021	26.3%
Total	\$ 62,534	\$ 79,253	\$ 304	\$ 340	\$ 62,838	\$ 79,593	-21.1%

Long-Term Debt and Other Obligations

At year end, the district had \$27.6 million in general obligation debt outstanding, a decrease of 6.7% from last year. Additional information about the district's long-term liabilities is presented in the notes to the financial statements.

	Governmental Activities		Business-type Activities		Totals School District		% Change
	2012	2011	2012	2011	2012	2011	2011-12
General obligation debt	\$ 27,611	\$ 29,596	\$ -	\$ -	\$ 27,611	\$ 29,596	-6.7%
Premium on debt	240	81	-	-	240	81	196.3%
Capital leases	1,559	6,696	-	-	1,559	6,696	-76.7%
Loss on advance refunding	(650)	(814)	-	-	(650)	(814)	-20.1%
Other post-employment benefits	16,581	13,891	-	-	16,581	13,891	19.4%
Pension benefits	189	-	-	-	189	-	0.0%
Compensated absences	1,270	1,314	-	-	1,270	1,314	-3.3%
Total	\$ 46,800	\$ 50,764	\$ -	\$ -	\$ 46,800	\$ 50,764	-7.8%

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the district's finances and to demonstrate the district's accountability for the money it receives. If you have questions about this report or need additional financial information, contact David Hazen, Chief Financial Officer, Racine Unified School District, 3109 Mount Pleasant St., Racine, WI 53404.

BASIC FINANCIAL STATEMENTS

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Statement of Net Assets
June 30, 2012
(With summarized information as of June 30, 2011)

	Governmental Activities	Business-type Activities	Totals	
			2012	2011
ASSETS				
Cash and investments	\$ 27,632,937	\$ -	\$ 27,632,937	\$ 44,724,600
Receivables				
Taxes	19,018,070	-	19,018,070	18,323,934
Accounts	3,913,223	5,146	3,918,369	6,247,808
Internal balances	(1,584,609)	1,584,609	-	-
Due from other governments	11,013,372	178,776	11,192,148	12,767,874
Inventories and prepaid items	2,042,291	-	2,042,291	4,618,273
Deferred charges - issuance costs	322,460	-	322,460	438,887
Capital assets				
Construction in progress	286,766	-	286,766	12,605,315
Land	2,474,986	-	2,474,986	2,564,682
Site improvements	6,060,174	-	6,060,174	4,192,252
Buildings	98,501,082	-	98,501,082	118,221,404
Machinery and equipment	23,038,641	1,305,749	24,344,390	21,456,220
Less: Accumulated depreciation	(67,827,926)	(1,001,651)	(68,829,577)	(79,447,642)
TOTAL ASSETS	124,891,467	2,072,629	126,964,096	166,713,607
LIABILITIES				
Short-term notes payable	-	-	-	28,300,000
Accounts payable	4,592,826	346	4,593,172	7,460,840
Accrued payroll liabilities	19,482,156	-	19,482,156	24,653,665
Accrued interest payable	263,437	-	263,437	389,435
Unearned revenues	1,120,454	42,281	1,162,735	1,240,553
Long-term obligations				
Due within one year	5,061,815	-	5,061,815	12,288,047
Due in more than one year	41,737,906	-	41,737,906	38,476,259
TOTAL LIABILITIES	72,258,594	42,627	72,301,221	112,808,799
NET ASSETS				
Invested in capital assets, net of related debt	42,398,814	304,098	42,702,912	66,546,309
Restricted for				
Private gifts and donations	124,313	-	124,313	114,145
Grant expenditures	32,605	-	32,605	32,945
Debt service	395,900	-	395,900	134,315
Community service programs	1,094,182	-	1,094,182	154,503
Food service	-	1,725,904	1,725,904	1,093,479
Unrestricted (deficit)	8,587,059	-	8,587,059	(14,170,888)
TOTAL NET ASSETS	\$ 52,632,873	\$ 2,030,002	\$ 54,662,875	\$ 53,904,808

The notes to the basic financial statements are an integral part of this statement.

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Statement of Activities

For the Year Ended June 30, 2012

(With summarized financial information for the year ended June 30, 2011)

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
Governmental Activities			
Instruction	\$ 136,310,443	\$ 679,492	\$ 28,360,780
Support Services			
Support services	100,111,194	103,149	9,860,745
Interest and fiscal charges	3,611,310	178,377	-
Community services	54,034	156,372	-
Non-program transactions	7,444,672	-	-
Total Governmental Activities	<u>247,531,653</u>	<u>1,117,390</u>	<u>38,221,525</u>
Business-type Activities			
School food service program	<u>7,707,375</u>	<u>1,844,311</u>	<u>6,460,083</u>
Total School District	<u>\$ 255,239,028</u>	<u>\$ 2,961,701</u>	<u>\$ 44,681,608</u>

General revenues

Property taxes, levied for general purposes

Property taxes, levied for debt service

Other taxes

State and federal aids not restricted to
specific functions

Interest and investment earnings

Miscellaneous

Total General Revenues

Change in net assets

Net assets - July 1

Net assets - June 30

The notes to the basic financial statements are an integral part of this statement.

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-type Activities	Totals	
		2012	2011
\$ (107,270,171)	\$ -	\$ (107,270,171)	\$ (132,155,380)
(90,147,300)	-	(90,147,300)	(80,218,121)
(3,432,933)	-	(3,432,933)	(1,335,475)
102,338	-	102,338	(75,872)
(7,444,672)	-	(7,444,672)	(6,909,126)
<u>(208,192,738)</u>	<u>-</u>	<u>(208,192,738)</u>	<u>(220,693,974)</u>
-	597,019	597,019	246,076
<u>(208,192,738)</u>	<u>597,019</u>	<u>(207,595,719)</u>	<u>(220,447,898)</u>
77,492,568	-	77,492,568	74,399,509
3,998,575	-	3,998,575	3,679,016
79,637	-	79,637	31,813
125,362,139	-	125,362,139	137,210,638
30,124	-	30,124	25,955
1,390,743	-	1,390,743	1,758,636
<u>208,353,786</u>	<u>-</u>	<u>208,353,786</u>	<u>217,105,567</u>
161,048	597,019	758,067	(3,342,331)
<u>52,471,825</u>	<u>1,432,983</u>	<u>53,904,808</u>	<u>57,247,139</u>
<u>\$ 52,632,873</u>	<u>\$ 2,030,002</u>	<u>\$ 54,662,875</u>	<u>\$ 53,904,808</u>

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2012

(With summarized information as of June 30, 2011)

	General	Other Governmental Funds	Total Governmental Funds	
			2012	2011
ASSETS				
Cash and investments	\$ 27,632,937	\$ -	\$ 27,632,937	\$ 44,724,600
Receivables				
Taxes	19,018,070	-	19,018,070	18,323,934
Accounts	3,843,061	70,162	3,913,223	6,241,581
Due from other funds	272,535	3,603,642	3,876,177	4,485,199
Due from other governments	10,708,232	305,140	11,013,372	12,541,896
Inventories	1,591,068	-	1,591,068	1,428,676
Prepaid items	436,223	15,000	451,223	3,189,597
TOTAL ASSETS	\$ 63,502,126	\$ 3,993,944	\$ 67,496,070	\$ 90,935,483
LIABILITIES AND FUND BALANCES				
Liabilities				
Short-term notes payable	\$ -	\$ -	\$ -	\$ 28,300,000
Accounts payable	4,592,826	-	4,592,826	7,460,507
Accrued salaries and related items	19,482,156	-	19,482,156	24,653,652
Accrued interest payable	-	-	-	130,052
Due to other funds	5,188,251	272,535	5,460,786	5,380,368
Deferred revenues	1,120,454	-	1,120,454	1,207,004
Total Liabilities	30,383,687	272,535	30,656,222	67,131,583
Fund Balances				
Nonspendable				
Inventories	1,591,068	-	1,591,068	1,428,676
Prepaid items	436,223	15,000	451,223	3,189,597
Restricted				
Private gifts and donations	-	124,313	124,313	114,145
Grant expenditures	-	32,605	32,605	32,945
Construction of capital assets	-	1,795,972	1,795,972	2,004,222
Debt service funds	-	659,337	659,337	653,081
Community service programs	-	1,094,182	1,094,182	154,503
Assigned				
Referendum generated fund balance	10,000,000	-	10,000,000	-
Health care cost stabilization	8,000,000	-	8,000,000	-
Construction of capital assets	600,000	-	600,000	-
Unassigned, reported in				
General fund	12,491,148	-	12,491,148	16,226,731
Total Fund Balances	33,118,439	3,721,409	36,839,848	23,803,900
TOTAL LIABILITIES AND FUND BALANCES	\$ 63,502,126	\$ 3,993,944	\$ 67,496,070	\$ 90,935,483

(Continued)

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Balance Sheet (Continued)
 Governmental Funds
 June 30, 2012
 (With summarized information as of June 30, 2011)

Total Governmental Funds	
2012	2011

Reconciliation to the Statement of Net Assets

Total Fund Balances from previous page

\$ 36,839,848 \$ 23,803,900

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.

62,533,723 79,252,727

Some liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.

Bonds and notes payable	(27,611,331)	(29,596,497)
Premium on long-term debt	(240,073)	(80,561)
Capital leases payable	(1,559,270)	(6,696,071)
Other post-employment benefits	(16,580,817)	(13,890,613)
Pension benefits	(188,257)	-
Compensated absences	(1,269,855)	(1,314,243)
Accrued interest payable	(263,437)	(259,383)
Loss on advance refunding	649,882	813,679
Debt issuance costs	322,460	438,887

Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 10)

\$ 52,632,873 \$ 52,471,825

The notes to the basic financial statements are an integral part of this statement.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2012
(With summarized financial information for the year ended June 30, 2011)

	General	Other Governmental Funds	Total Governmental Funds	
			2012	2011
Revenues				
Property taxes	\$ 76,642,568	\$ 4,848,575	\$ 81,491,143	\$ 78,078,525
Other local sources	679,091	328,205	1,007,296	964,619
Interdistrict sources	80,686	-	80,686	110,637
Intermediate sources	4,996	-	4,996	1,600
State sources	144,341,854	-	144,341,854	159,511,110
Federal sources	18,601,270	640,540	19,241,810	24,860,487
Other sources	1,365,791	-	1,365,791	2,558,109
Total Revenues	241,716,256	5,817,320	247,533,576	266,085,087
Expenditures				
Instruction				
Regular instruction	86,160,232	387,923	86,548,155	114,104,561
Vocational instruction	4,330,759	-	4,330,759	5,136,344
Special education instruction	36,482,621	-	36,482,621	43,036,503
Other instruction	6,414,550	89,694	6,504,244	7,018,915
Total Instruction	133,388,162	477,617	133,865,779	169,296,323
Support Services				
Pupil services	13,284,393	1,006	13,285,399	15,817,683
Instructional staff services	11,330,881	186,450	11,517,331	13,646,529
General administration services	2,174,104	55,973	2,230,077	2,385,096
School administration services	10,343,165	320	10,343,485	12,238,599
Business services	2,454,446	-	2,454,446	2,906,288
Operation and maintenance of plant	24,741,593	2,774,950	27,516,543	36,071,217
Pupil transportation services	8,538,016	8,655	8,546,671	8,277,851
Central services	5,893,991	6,723	5,900,714	8,314,437
Insurance	1,379,672	-	1,379,672	931,084
Other support services	738,116	1,157	739,273	595,092
Total Support Services	80,878,377	3,035,234	83,913,611	101,183,876
Debt Service				
Principal	3,367,959	8,860,166	12,228,125	5,860,987
Interest and fiscal charges	826,936	1,191,608	2,018,544	1,215,802
Payment to lease defeasance escrow agent	2,922,705	-	2,922,705	-
Total Debt Service	7,117,600	10,051,774	17,169,374	7,076,789
Community Services				
Non-program	-	57,569	57,569	178,351
General tuition payments	7,154,552	-	7,154,552	5,912,904
Special education tuition payments	235,464	-	235,464	406,351
Adjustments and refunds	54,656	-	54,656	589,871
Total Non-program	7,444,672	-	7,444,672	6,909,126
Total Expenditures	228,828,811	13,622,194	242,451,005	284,644,465
Excess of Revenues Over (Under) Expenditures	12,887,445	(7,804,874)	5,082,571	(18,559,378)
Other Financing Sources (Uses)				
Long-term debt issued	-	6,875,000	6,875,000	5,950,000
Capital leases	-	-	-	7,675,957
Premium on long term debt issued	-	178,377	178,377	-
Sale of capital assets	-	900,000	900,000	447,415
Transfers in	23,935	-	23,935	283,482
Transfers out	-	(23,935)	(23,935)	(283,482)
Total Other Financing Sources (Uses)	23,935	7,929,442	7,953,377	14,073,372
Net Change in Fund Balances	12,911,380	124,568	13,035,948	(4,486,006)
Fund Balances - July 1	20,207,059	3,596,841	23,803,900	28,289,906
Fund Balances - June 30	\$ 33,118,439	\$ 3,721,409	\$ 36,839,848	\$ 23,803,900

(Continued)

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2012
(With summarized financial information for the year ended June 30, 2011)

Total Governmental Funds	
2012	2011

Reconciliation to the Statement of Activities

Net Change in Fund Balances from previous page	\$ 13,035,948	\$ (4,486,006)
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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 and reported as depreciation expense.</p>		
Capital outlay reported in governmental fund statements	\$ 7,767,321	
Depreciation expense reported in the statement of activities	<u>(3,302,592)</u>	
Amount in which depreciation is (greater) less than capital outlays	4,464,729	10,161,234
<p>In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the loss on the disposal is reported.</p>		
	(21,183,733)	(1,335,555)
<p>Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. The accrual of these benefits (increased) decreased by:</p>		
	44,388	(54,050)
<p>The District's contributions to its employee benefit trust fund to finance its post-retirement benefits have been less than the annual required contribution (ARC). The payments to the employee benefit trust fund are recorded as an expenditure when paid in the governmental statements. The statement of activities reports the ARC as the expense. The difference is:</p>		
	(2,690,204)	(1,175,838)
<p>The District maintains a pension plan for employees and funds it on a pay-as-you-go basis. The payments made for benefits throughout the year are recorded as an expenditure when paid in the governmental statements. The statement of activities reports the annual required contribution as the expense. The difference is:</p>		
	(188,257)	-
<p>The District issued debt during the year. The amount of the debt is reported in the governmental funds as a source of financing. In the statement of net asset, however, debt constitutes a long-term liability. The amount of debt issued is:</p>		
General obligation debt issued by District	(6,875,000)	(5,950,000)
Capital leases issued by the District	-	(6,540,622)
<p>Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities. The amount of long-term debt principal payments:</p>		
General obligation debt retired by District	8,860,166	3,630,361
Capital leases retired by the District	5,136,801	2,230,626
<p>Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid. In the statement of activities interest is reported as it accrues.</p>		
	(4,054)	(17,033)
<p>Governmental funds report debt premiums, discounts and issuance costs as other financing sources (uses) or expenditures. However, in the statement of the net assets, they are deferred and reported as other assets or deductions from long-term debt and allocated over the life of the debt on the statement of activities and included in interest expense.</p>		
Premium on long-term debt	(159,512)	15,107
Loss on advance refunding	(163,797)	(163,797)
Debt issuance costs	<u>(116,427)</u>	<u>46,050</u>
Change in Net Assets of Governmental Activities as Reported on the Statement of Activities (see pages 11 - 12)	<u>\$ 161,048</u>	<u>\$ (3,639,523)</u>

The notes to the basic financial statements are an integral part of this statement.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Statement of Net Assets -
Food Service Proprietary Fund
June 30, 2012
(With comparative totals as of June 30, 2011)

	2012	2011
ASSETS		
Receivables		
Accounts	\$ 5,146	\$ 6,227
Due from other funds	1,584,609	895,169
Due from other governments	178,776	225,978
Capital assets		
Machinery and equipment	1,305,749	1,300,415
Less: Accumulated depreciation	(1,001,651)	(960,911)
TOTAL ASSETS	2,072,629	1,466,878
LIABILITIES		
Accounts payable	346	333
Accrued payroll liabilities	-	13
Unearned revenues	42,281	33,549
TOTAL LIABILITIES	42,627	33,895
NET ASSETS		
Invested in capital assets, net of related debt	304,098	339,504
Unrestricted	1,725,904	1,093,479
TOTAL NET ASSETS	\$ 2,030,002	\$ 1,432,983

The notes to the basic financial statements are an integral part of this statement.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Statement of Revenues, Expenses and Changes in Net Assets -
Food Service Proprietary Fund
For the Year Ended June 30, 2012
(With comparative totals for the year ended June 30, 2011)

	2012	2011
Operating Revenues		
Food sales	\$ 1,820,554	\$ 2,002,810
State sources	142,328	125,032
Federal sources	6,317,755	5,873,164
Other sources	23,757	24,906
Total Operating Revenues	<u>8,304,394</u>	<u>8,025,912</u>
Operating Expenses		
Salaries and wages	364,489	531,650
Employer paid benefits	151,565	326,083
Purchased services	6,132,406	6,266,690
Supplies and materials	995,423	582,885
Depreciation	63,492	71,049
Total Operating Expenses	<u>7,707,375</u>	<u>7,778,357</u>
Operating Income	<u>597,019</u>	<u>247,555</u>
Nonoperating Expense		
Interest expense	-	(1,479)
Income before Transfers	597,019	246,076
Transfers In	-	51,116
Change in Net Assets	597,019	297,192
Net Assets - July 1	<u>1,432,983</u>	<u>1,135,791</u>
Net Assets - June 30	<u>\$ 2,030,002</u>	<u>\$ 1,432,983</u>

The notes to the basic financial statements are an integral part of this statement.

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Statement of Cash Flows
 Food Service Proprietary Fund
 For the Year Ended June 30, 2012
 (With comparative totals for the year ended June 30, 2011)

	2012	2011
Cash Flows from Operating Activities		
Cash received from user charges	\$ 1,854,124	\$ 2,025,581
Cash received from other government payments	6,038,228	5,543,457
Cash payments to employees	(516,067)	(857,720)
Cash payments to suppliers	(6,658,759)	(6,447,907)
Net Cash Provided for Operating Activities	<u>717,526</u>	<u>263,411</u>
Cash Flows from Noncapital Financing Activities		
Change in temporary cash advance	<u>(689,440)</u>	<u>(240,933)</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(28,086)	(20,999)
Interest payments on long-term debt	-	(1,479)
Net Cash Used by Capital and Related Financing Activities	<u>(28,086)</u>	<u>(22,478)</u>
Change in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents - July 1	<u>-</u>	<u>-</u>
Cash and Cash Equivalents - June 30	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided for Operating Activities:		
Operating income	\$ 597,019	\$ 247,555
Adjustments to reconcile change in operating income to net cash provided for operating activities		
Depreciation	63,492	71,049
Changes in assets and liabilities		
Accounts receivable	1,081	-
Due from other governments	47,202	(53,064)
Accounts payable	13	(7)
Accrued payroll liabilities	(13)	13
Unearned revenue	8,732	(2,135)
Net Cash Provided for Operating Activities	<u>\$ 717,526</u>	<u>\$ 263,411</u>
Noncash Activities:		
Commodities Received From U.S. Department of Agriculture	<u>\$ 469,057</u>	<u>\$ 401,675</u>

The notes to the basic financial statements are an integral part of this statement.

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Statement of Net Assets
 Fiduciary Funds
 June 30, 2012
 (With summarized information as of June 30, 2011)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Agency Fund	Total Fiduciary Funds	
			Pupil Activity	2012	2011
ASSETS					
Cash and investments	\$ 42,435	\$ 8,561,849	\$ 1,100,728	\$ 9,705,012	\$ 6,015,777
Accounts receivable	155,655	-	-	155,655	2,494,045
TOTAL ASSETS	\$ 198,090	\$ 8,561,849	\$ 1,100,728	\$ 9,860,667	\$ 8,509,822
LIABILITIES					
Accounts payable	\$ 176,592	\$ 2,187,386	\$ -	\$ 2,363,978	\$ 4,216,011
Due to student organizations	-	-	1,100,728	1,100,728	1,033,126
TOTAL LIABILITIES	176,592	2,187,386	1,100,728	3,464,706	5,249,137
NET ASSETS					
Restricted for					
Scholarships	21,498	-	-	21,498	17,088
Employee benefits	-	6,374,463	-	6,374,463	3,243,597
TOTAL NET ASSETS	21,498	6,374,463	-	6,395,961	3,260,685
TOTAL LIABILITIES AND NET ASSETS	\$ 198,090	\$ 8,561,849	\$ 1,100,728	\$ 9,860,667	\$ 8,509,822

The notes to the basic financial statements are an integral part of this statement.

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Statement of Changes in Net Assets

Fiduciary Funds

For the Year Ended June 30, 2012

(With summarized financial information for the year ended June 30, 2011)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Total Fiduciary Funds	
			2012	2011
ADDITIONS				
Other local sources	\$ 174,404	\$ -	\$ 174,404	\$ -
Contributions				
Employer	-	7,981,678	7,981,678	9,345,879
Plan members	-	272,552	272,552	237,650
Investment earnings	-	12,120	12,120	10,566
Total Additions	174,404	8,266,350	8,440,754	9,594,095
DEDUCTIONS				
Trust fund disbursements	169,994	5,135,484	5,305,478	9,164,732
Adjustments and refunds	-	-	-	235,971
Total Deductions	169,994	5,135,484	5,305,478	9,400,703
Change in Net Assets	4,410	3,130,866	3,135,276	193,392
Net Assets - July 1	17,088	3,243,597	3,260,685	3,067,293
Net Assets - June 30	\$ 21,498	\$ 6,374,463	\$ 6,395,961	\$ 3,260,685

The notes to the basic financial statements are an integral part of this statement.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Racine Unified School District ("the District"), Racine, Wisconsin, have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the District are described below:

1. Reporting Entity

The District is organized as a unified school district. The District, governed by a nine member elected school board, operates grades K through 12 and is comprised of all or parts of ten taxing districts.

In accordance with GAAP, the basic financial statements are required to include the District (the primary government) and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement Nos. 14 and 39.

2. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from district-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. Proprietary funds include enterprise funds. The District has no internal service funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

GENERAL FUND

This is the District's main operating fund. It accounts for all financial activity that is not required to be accounted for in another fund.

The District reports one major proprietary fund. The District uses an enterprise fund to account for their food service operations.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the District reports the following fund types:

The District accounts for resources legally held in trust for scholarship awards as a *private-purpose trust fund*. Only earnings on the invested resources may be used to support the scholarships.

The *employee benefit trust fund* is used to account for resources legally held in trust for other post-employment benefits.

The District accounts for assets held as an agent for various student and parent organizations in an *agency fund*.

3. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter 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 generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to employee benefit programs and claims and judgments, are recorded only when payment is due.

Property taxes are recognized as revenue in the fiscal year for which taxes have been levied. Tuition, grants, fees and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenue of the current fiscal period. All other revenue items are considered to be measurable and available only when the cash is received by the District.

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

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Assets, Liabilities and Net Assets or Equity

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For purposes of the statement of cash flows, all cash deposits and highly liquid investments with original maturities of three months or less from date of acquisition are considered to be cash equivalents.

b. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

c. Property Taxes

The aggregate District tax levy is apportioned and certified in November of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes must be paid in full or in two or more installments with the first installment payable the subsequent December 31 and a final payment no later than the following July 31. On or before January 15, and by the 20th of each subsequent month thereafter, the District is paid by the collecting municipalities its proportionate share of tax collections received through the last day of the preceding month. On or before August 20, the county treasurer makes full settlement to the District for any remaining balance.

Property taxes are recognized as revenue in the fiscal year levied as they are considered due as of January 1, the date from which interest and penalties accrue for non-payment of a scheduled installment, and full receipt of the entire levy is assured within sixty days of fiscal year end, meeting the availability criteria necessary for property tax revenue recognition by accounting principles generally accepted in the United States of America.

d. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements.

The amount reported on the statement of net assets for internal balances represents the residual balance outstanding between governmental activities and business-type activities.

e. Inventories

Inventories are recorded at cost which approximates market, using the average cost method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental fund types in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental fund types in the fund financial statements are offset by nonspendable fund balance to indicate that they do not represent spendable available financial resources.

g. Capital Assets

Capital assets, which include property, buildings, machinery and equipment, and site improvements assets are reported in the applicable governmental or business-type activities columns in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost as shown below or higher with an estimated useful life in excess of one year.

	Governmental Activities	Business-type Activities
	Cost	
<u>Assets</u>		
Site improvements	\$ 5,000	\$ -
Buildings	5,000	-
Machinery and equipment	5,000	5,000

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the District are depreciated using the straight-line method over the following estimated useful lives:

	Governmental Activities	Business-type Activities
	Years	
<u>Assets</u>		
Site improvements	20	-
Buildings	50	-
Machinery and equipment	5 - 20	15

h. Compensated Absences

The District's policy allows employees to earn varying amounts of sick pay for each year employed, accumulating to varying maximum amounts. The District employees are also granted vacation days in varying amounts based on length of service. Upon retirement or termination of employment, the employees are paid for the unused portion of their vacation days. Accumulated sick leave is not paid out upon termination. All vacation leave is accrued when incurred in the district-wide statements and proprietary fund financial statements. Expenditures for these benefits are recognized as paid in the fund financial statements.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Deferred Revenues

The District reports deferred revenues on its balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

j. Long-term Obligations

In the district-wide financial statements, and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For the district-wide statements and the proprietary fund statements, bond issuance costs are reported as deferred charges while bond discounts and premiums and gains and losses are included with long-term obligations. Issuance costs, bond premiums and discounts are amortized over the life of the issue using the straight-line method. Gains or losses on advanced refundings are amortized over the remaining life of the old debt or life of the new debt, whichever is shorter.

In the fund financial statements, governmental fund types recognize bond issuance costs, bond premium and discounts during the current period. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures while bond premiums and discounts are recorded as other financing sources or uses.

k. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Fund balance of governmental funds is reported in various categories based on the nature of any limitations requiring the use of resources for specific purposes. The following classifications describe the relative strength of the spending constraints placed on the purposes for which resources can be used:

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.
- Committed fund balance - Amounts that are constrained for specific purposes by action of the Board of Education. These constraints can only be removed or changed by the Board of Education using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of District management. The Board of Education has authorized the Chief Financial Officer to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2012

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The District has adopted a fund balance spend down policy regarding the order in which fund balance will be utilized. Where applicable, the policy requires restricted funds to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

DISTRICT-WIDE AND PROPRIETARY FUND STATEMENTS

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

- Invested in capital assets, net of related debt - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets - Amount of net assets that are subject to restrictions that are imposed 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.
- Unrestricted net assets - Net assets that are neither classified as restricted nor as invested in capital assets, net of related debt.

The Board of Education current policy under Coherent Governance is that the general fund balance will increase by \$1 million per year which it did for the year ended June 30, 2012. The current general fund balance represents 13.8% of the 2012-13 budgeted expenditures.

5. Use of Estimates

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

6. Summarized Information

The basic financial statements include certain prior-year summarized information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2012

NOTE B - STEWARDSHIP AND COMPLIANCE

Budgets and Budgetary Accounting

Operating budgets are adopted each fiscal year for all governmental funds in accordance with Section 65.90 of the Wisconsin Statutes. Budgetary expenditure control is exercised at the function level. Reported budget amounts are as originally adopted or as amended by Board of Education resolution.

The District follows these procedures in establishing the budgetary data reflected in the basic financial statements.

- Based upon requests from District staff, District administration recommends budget proposals to the Board of Education.
- The Board of Education prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the Board of Education may make alterations to the proposed budget.
- Once the Board of Education (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire Board of Education.
- Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance in the fund financial statements.
- Encumbrance accounting is used by the District as an extension of formal budgetary control during the year.
- The DPI requires the District to separate special education revenues and expenditures from other general fund amounts.

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2012. In addition, no District funds had deficit fund equity as of June 30, 2012.

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The debt service and capital project funds account for their transactions through separate and distinct bank and investment accounts as required by State Statutes. In addition, the agency fund uses separate and distinct accounts. All other funds share in common bank and investment accounts.

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool. Investments in the private-purpose trust fund and employee benefit trust fund may be invested in other types of investments as authorized under Wisconsin Statute 881.01, "Uniform Prudent Investor Act".

The carrying amount of the District's cash and investments totaled \$37,337,949 on June 30, 2012 as summarized below:

Petty cash funds	\$	1,194
Deposits with financial institutions		29,121,199
Deposits with trustee		863,349
Investments		
Wisconsin Investment Series Cooperative (WISC)		
Investment series		7,320,328
Wisconsin local government investment pool		31,879
	\$	<u>37,337,949</u>

Reconciliation to the basic financial statements:

Basic financial statements		
Cash and investments	\$	27,632,937
Fiduciary funds		
Private purpose trust fund		42,435
Employee benefit trust fund		8,561,849
Agency fund		1,100,728
	\$	<u>37,337,949</u>

Deposits and investments of the District are subject to various risks. Presented below is a discussion of the specific risks and the District's policy related to the risk.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The District does not have an additional custodial credit risk policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings deposits and \$250,000 for demand deposits per official custodian per insured depository institution. Deposits with financial institutions located outside the State of Wisconsin are insured by the FDIC in the amount of \$250,000 per official custodian per depository institution. In addition, the District's non-interest bearing transaction accounts are fully insured through December 31, 2012. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

On June 30, 2012, none of the District's deposits with financial institutions were in excess of federal depository insurance limits.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The District does not have an additional credit risk policy. None of the District's investments are rated.

Investment Type	Amount	Exempt From Disclosure	Rating as of Year End		
			AAA	Aa	Not Rated
Wisconsin local government investment pool	\$ 31,879	\$ -	\$ -	\$ -	\$ 31,879
Wisconsin Investment Series Cooperative (WISC)					
Term series	7,320,328	-	7,320,328	-	-
Totals	\$ 7,352,207	\$ -	\$ 7,320,328	\$ -	\$ 31,879

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Information about the sensitivity of the fair values of the District's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the District's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Wisconsin local government investment pool	\$ 31,879	\$ 31,879	\$ -	\$ -	\$ -
Wisconsin Investment Series Cooperative (WISC) Term series	7,320,328	7,320,328	-	-	-
Totals	\$ 7,352,207	\$ 7,352,207	\$ -	\$ -	\$ -

Investment in Wisconsin Local Government Investment Pool

The District has investments in the Wisconsin local government investment pool of \$31,879 at year-end. 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, 2012, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

2. Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Sites	\$ 2,564,682	\$ -	\$ 89,696	\$ 2,474,986
Work in progress	12,605,315	-	12,318,549	286,766
Total capital assets, not being depreciated	<u>15,169,997</u>	<u>-</u>	<u>12,408,245</u>	<u>2,761,752</u>
Capital assets, being depreciated:				
Site improvements	4,192,252	1,872,322	4,400	6,060,174
Buildings	118,221,404	14,970,516	34,690,838	98,501,082
Machinery and equipment	20,155,805	3,243,032	360,196	23,038,641
Total capital assets being depreciated	<u>142,569,461</u>	<u>20,085,870</u>	<u>35,055,434</u>	<u>127,599,897</u>
Less accumulated depreciation for:				
Site improvements	3,573,338	103,888	4,400	3,672,826
Buildings	62,438,521	2,104,514	13,596,801	50,946,234
Machinery and equipment	12,474,872	1,094,190	360,196	13,208,866
Total accumulated depreciation	<u>78,486,731</u>	<u>3,302,592</u>	<u>13,961,397</u>	<u>67,827,926</u>
Total capital assets, being depreciated, net	<u>64,082,730</u>	<u>16,783,278</u>	<u>21,094,037</u>	<u>59,771,971</u>
Governmental activities capital assets, net	<u>\$ 79,252,727</u>	<u>\$ 16,783,278</u>	<u>\$ 33,502,282</u>	62,533,723
Less related long-term debt outstanding				<u>20,134,909</u>
Invested in capital assets, net of related debt				<u>\$ 42,398,814</u>
Business-type activities:				
Capital assets, being depreciated:				
Machinery and equipment	\$ 1,300,415	\$ 28,086	\$ 22,752	\$ 1,305,749
Less accumulated depreciation for:				
Machinery and equipment	960,911	63,492	22,752	1,001,651
Business-type activities capital assets, net	<u>\$ 339,504</u>	<u>\$ (35,406)</u>	<u>\$ -</u>	<u>\$ 304,098</u>

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation expense was charged to the following functions of the District as follows:

Governmental activities	
Regular instruction	\$ 299,386
Vocational instruction	70,714
Special education instruction	9,403
Other instruction	2,827
Pupil services	5,053
Instructional staff services	36,581
General administration services	2,904
Operation and maintenance of plant	2,160,105
Central services	715,619
Total depreciation expense - governmental activities	\$ 3,302,592
Business-type activities	
Food service	\$ 63,492

3. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the District as of June 30, 2012 are detailed below:

	Interfund Receivables	Interfund Payables
Pooled cash balances		
General Fund	\$ 272,535	\$ 5,188,251
Special Revenue Funds		
Trust	124,313	-
Special projects	-	272,535
Community service	1,094,182	-
Debt Service Funds		
Non-referendum debt service	281,401	-
Referendum debt service	377,936	-
Capital Projects Fund	1,725,810	-
Enterprise Fund		
Food service	1,584,609	-
Totals	\$ 5,460,786	\$ 5,460,786

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Interfund transfers for the year ended June 30, 2012 were as follows:

	Transfer to:
	General
Transfers from:	
Special Revenue Funds	
Special projects	<u>\$ 23,935</u>

The Transfer above is used to move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

4. Short-term Obligations

The District issued tax and revenue anticipation promissory notes in advance of property tax collections. The notes are needed because District expenses for the year begin in July whereas tax collections are not received until January. Short-term debt activity for the year ended June 30, 2012 was as follows:

	Outstanding 7/1/11	Issued	Retired	Outstanding 6/30/12
Tax and revenue anticipation notes				
Issued 7/18/10; due on 7/18/11; interest 2.25%	\$ 28,300,000	\$ -	\$ 28,300,000	\$ -
Issued 7/28/11; due on 6/28/12; interest 1.50%	-	19,000,000	19,000,000	-
Issued 10/27/11; due on 2/3/12; interest 1.0%	-	15,500,000	15,500,000	-
	<u>\$ 28,300,000</u>	<u>\$ 34,500,000</u>	<u>\$ 62,800,000</u>	<u>\$ -</u>

Total interest paid for the year on short-term debt totaled \$851,289.

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

5. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2012:

	Outstanding 7/1/11	Issued	Retired	Outstanding 6/30/12	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 18,320,000	\$ 5,880,000	\$ 2,380,000	\$ 21,820,000	\$ 2,465,000
Notes	11,276,497	995,000	6,480,166	5,791,331	676,868
Total	29,596,497	6,875,000	8,860,166	27,611,331	3,141,868
Premium	80,561	178,377	18,865	240,073	18,865
Loss on advance refunding	(813,679)	-	(163,797)	(649,882)	(163,797)
Capital leases	6,696,071	-	5,136,801	1,559,270	795,024
Other post-employment benefits	13,890,613	10,962,135	8,271,931	16,580,817	-
Pension benefits	-	188,257	-	188,257	-
Compensated absences	1,314,243	1,269,855	1,314,243	1,269,855	1,269,855
Governmental activities Long-term obligations	<u>\$ 50,764,306</u>	<u>\$ 19,473,624</u>	<u>\$ 23,438,209</u>	<u>\$ 46,799,721</u>	<u>\$ 5,061,815</u>

Total interest paid during the year on long-term debt totaled \$1,122,819.

General Obligation Debt

Detail of the outstanding general obligation debt follows:

	Issue Amount	Issue Date	Average Interest Rates (%)	Dates of Maturity	Outstanding 6/30/12
General Obligation Notes	\$ 2,200,000	02/01/06	4.00%	04/01/13	\$ 355,000
General Obligation Qualified Zone					
Academy Notes	1,728,000	04/15/08	1.00%	04/14/18	1,057,331
General Obligation Bonds	8,420,000	09/03/08	4.35 - 5.45%	04/01/16	5,740,000
General Obligation Bonds	5,945,000	09/03/08	4.00 - 4.25%	04/01/19	5,945,000
General Obligation Bonds	7,320,000	07/28/09	2.00 - 4.05%	04/01/15	4,255,000
General Obligation Qualified School Construction					
Promissory Notes	1,794,000	11/09/09	0.00%	09/15/19	1,794,000
General Obligation Notes	1,610,000	04/05/10	2.00 - 3.625%	04/01/20	1,590,000
General Obligation Notes	995,000	07/11/11	2.00 - 3.50%	04/01/20	995,000
General Obligation Refunding Bonds	5,880,000	07/11/11	4.00 - 5.00%	04/01/31	5,880,000
Total General Obligation Debt					<u>\$ 27,611,331</u>

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$27,611,331 on June 30, 2012 are detailed below:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2013	\$ 3,141,868	\$ 1,063,943	\$ 4,205,811
2014	3,343,586	948,809	4,292,395
2015	3,265,322	821,663	4,086,985
2016	3,642,075	686,262	4,328,337
2017	2,474,846	525,571	3,000,417
2018-2022	7,033,634	1,575,407	8,609,041
2023-2027	2,380,000	895,900	3,275,900
2028-2031	2,330,000	270,900	2,600,900
	<u>\$ 27,611,331</u>	<u>\$ 6,788,455</u>	<u>\$ 34,399,786</u>

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2012 was \$885,517,134 as follows:

Equalized valuation of the District	\$9,127,325,650
Statutory limitation percentage	<u>(x) 10%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	912,732,565
Total outstanding general obligation debt	\$ 27,611,331
Less: Amounts available for financing general obligation debt	
Debt service fund	<u>395,900</u>
Net outstanding general obligation debt applicable to debt limitation	27,215,431
Legal Margin for New Debt	<u><u>\$ 885,517,134</u></u>

Capital Leases

The cost of equipment acquired under capital leases as of June 30, 2012 was approximately \$6,540,622.

The following is a schedule by years of future minimum lease payments due under capital leases together with the present value of the net minimum lease payments as of June 30, 2012:

Year Ending June 30,	Governmental Activities
2013	\$ 795,024
2014	768,450
Total Minimum Lease Payments	<u>1,563,474</u>
Less: Amount representing interest	4,204
Present Value of Future Minimum Lease Payments	<u><u>\$ 1,559,270</u></u>

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Advance Refunding

During 2012, the District advance refunded two capital leases from 2011. The District purchased U.S. Government that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded leases. As a result, the leases are considered to be defeased and the liability has been removed from the financial statements. This advance refunding was undertaken to reduce total debt service payments over the next two years by \$2,914,522 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$3,717.

At June 30, 2012, \$2,859,080 of outstanding leases are considered defeased.

NOTE D - OTHER INFORMATION

1. Retirement Commitments

All eligible District employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 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. Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Prior to June 29, 2011, covered employees in the General/Teacher/Educational Support Personnel category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates are as follows:

	2011		2012	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	5.8%	5.8%	5.9%	5.9%
Executives & Elected Officials	6.65%	6.65%	7.05%	7.05%
Protective with Social Security	5.8%	8.9%	5.9%	9.0%
Protective without Social Security	5.8%	11.2%	5.9%	11.3%

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2012

NOTE D - OTHER INFORMATION (Continued)

The payroll for District employees covered by the WRS for the year ended June 30, 2012 was \$132,424,669; the employer's total payroll was \$134,286,820. The total required contribution for the year ended June 30, 2012 was \$15,493,606, which consisted of \$7,746,803 or 5.8% of covered payroll from the employer for July 1, 2011 through December 31, 2011 and 5.9% of covered payroll from the employer for January 1, 2012 through June 30, 2012, and \$7,746,803, or 5.8% of covered payroll from employees for July 1, 2011 through December 31, 2011 and 5.9% of covered payroll from the employees for January 1, 2012 through June 30, 2012. Total contributions for the years ended June 30, 2011 and 2010 were \$14,639,214 and \$13,389,544, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest year's earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

2. Risk Management

The District is exposed to various risks of loss related to torts; thefts, damage or destruction of assets; errors or omissions; employee health and accident claims; or acts of God. The District has chosen to retain a portion of the risks through a self-insurance program and has also purchased insurance to transfer other risks to outside parties. A description of the District's risk management program is presented below:

On July 1, 1992, the District established a self-funded health and dental benefit plan for its employees. The Plan administrator is responsible for the approval, processing and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a calendar year. Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. The Plan is accounted for in the general fund of the District.

As part of the health care coverage of the Plan, the District purchases stop-loss coverage which pays claims in excess of \$200,000 and up to \$1,000,000 per individual. The District has no stop-loss coverage for dental care coverage of the Plan.

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2012

NOTE D - OTHER INFORMATION (Continued)

At June 30, 2012, the District has reported a liability of \$2,542,900 which represents reported and unreported claims which were incurred on or before June 30, 2012, but were not paid by the District as of that date. The amounts not reported to the District were estimated using data provided by the plan administrators. Changes in the program's claim liability amount for the year ended June 30, 2012 with comparative totals for the prior year follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability June 30
2011	\$ 3,534,900	\$ 51,673,311	\$ 50,553,311	\$ 4,654,900
2012	4,654,900	25,318,156	27,430,156	2,542,900

3. Other Postemployment Benefits

The District has established the Racine Unified School District Trust Fund for Post-Employment Benefits (the "Plan") which provides eligible employees and former employees of the District (the "Participants") health and dental benefits. The Plan is reported as a fiduciary fund of the District and the significant accounting policies of the Plan are consistent with the District's significant accounting policies discussed in Note A. The Plan financial statements are prepared on the accrual basis of accounting.

a. Plan Descriptions and Contribution Information

Membership of the Plan at July 1, 2010, the date of the latest actuarial valuation:

	Active Employees	Retirees Receiving Benefits	Total
Teachers	1,556	402	1,958
Administrators	109	38	147
Building service	183	30	213
Clerical	146	8	154
Educational assistants	358	7	365
Total	2,352	485	2,837

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2012

NOTE D - OTHER INFORMATION (Continued)

Plan Description. The Plan is a single-employer defined benefit postemployment health and dental plan that covers retired employees of the District. Eligible retired employees have access to group medical coverage through the District's self-insured group plans while eligible retired administrators are also eligible for District paid dental coverage. District paid medical and dental benefits last until the retiree reaches age 65 while coverage for the spouse lasts until the retiree or spouse reaches age 65, whichever comes first. All employees of the District are eligible for the Plan if they meet the following age and service requirements:

Teachers	Age 55 and 15 years of service
Administrators	Age 55 and 20 years of service; Age 62 and 5 years of service
Building service	Age 55 and 25 years of service; Age 58 and 25 years of service
Clerical	Age 58 and 30 years of service; Age 60 and 25 years of service or Age 62
Educational assistants	Age 58 and 30 years of service; Age 60 and 25 years of service or Age 62 and 20 years of service

Contributions. Certain retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly toward the cost of health insurance premiums based on the employee group and their retirement date.

b. Annual OPEB Cost and Net OPEB Obligation

The District's annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), and the amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the District's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the District's net OPEB obligation.

	Normal Cost	Interest Cost	Amortization of AAL	Annual Required Contribution
Teachers	\$ 4,391,013	\$ 451,426	\$ 4,637,517	\$ 9,479,956
Administrators	258,012	31,428	370,557	659,997
Building service	135,688	23,164	327,592	486,444
Clerical	47,096	6,154	75,980	129,230
Educational assistants	96,627	9,834	100,047	206,508
Total	<u>\$ 4,928,436</u>	<u>\$ 522,006</u>	<u>\$ 5,511,693</u>	<u>\$ 10,962,135</u>
Interest on net OPEB				58,792
Adjustment to annual required contribution				<u>(76,493)</u>
Annual OPEB cost (expense)				10,944,434
Contributions made				
Employer				7,981,678
Plan members				<u>272,552</u>
Change in net OPEB obligation				2,690,204
OPEB obligation - beginning of year				13,890,613
OPEB obligation - end of year				<u><u>\$ 16,580,817</u></u>

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2012

NOTE D - OTHER INFORMATION (Continued)

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective of the calculations. Additional information as of the latest actuarial valuation follows:

Valuation date	July 1, 2010
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar on a closed basis
Remaining amortization period	26 years
Actuarial assumptions:	
Investment rate of return	5.00%
Healthcare cost trend rate	-12.5% initial 5.5% ultimate

Trend Information - The District's annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation is as follows:

Fiscal Year Ended	Annual OPEB Cost	Annual Required Contribution (ARC)	Annual OPEB Cost Contributed	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2010	\$ 11,772,854	\$ 11,772,854	\$ 9,140,987	77.64%	\$ 12,714,775
6/30/2011	10,759,367	10,962,135	9,583,529	87.42%	13,890,613
6/30/2012	10,944,434	10,962,135	7,981,678	72.81%	16,580,817

c. **Funded Status and Funding Progress**

The funded status of the plan as of the most recent actuarial valuation date is as follows:

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
7/1/2010	\$ 3,012,643	\$ 87,755,940	\$ 84,743,297	3.4%	\$ 139,479,307	60.76%

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Actuarially determined amounts are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2012

NOTE D - OTHER INFORMATION (Continued)

4. Pension Plan

a. Plan Description

The plan, a single-employer pension plan, is a defined benefit pension plan established to provide benefits after early retirement. The plan is administered by the District.

Administrators who retire from the District, after attaining age 55 and completing twenty years of service with the District, are eligible to receive a retirement benefit equal to the difference between their WRS pension, unreduced for early retirement, and their WRS pension, reduced for early retirement. This benefit is paid in the form of ten year certain and life annuity, for the life of the employee.

Clerical employees who retire from the District, after attaining age 62 are eligible to receive a retirement benefit equal to the equivalent of the unemployment compensation rate in effect on the date of retirement for 26 weeks. The plan does not issue separate financial statements.

b. Funding Policy

The entire cost of these benefits is paid by the District. Benefits are currently funded on a pay-as-you-go basis and no assets exist to prefund retiree benefits.

c. Annual Pension Cost and Net Pension Obligation

The District's annual pension costs for the year ended June 30, 2012 and related actuarial assumptions used for the current year are as follows:

Annual required contribution	\$ 279,293
Interest on net pension obligation	14,977
Adjustment to annual required	<u>(13,639)</u>
Annual pension cost	280,631
Contributions made	<u>288,435</u>
Change in net pension obligation	(7,804)
Net pension obligation beginning of year	<u>196,061</u>
Net pension obligation end of year	<u><u>\$ 188,257</u></u>

The annual required contribution for the current year was determined as part of the July 1, 2010 actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases 3% per year. The investment rate of return has an inflation component of 2.5% per year. It was assumed that employees would not have any other service within the WRS prior to hire by the District. The unfunded actuarial accrued liability is being amortized, as a level dollar amount, on a closed basis. The remaining amortization period at June 30, 2012 was 26 years.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2012

NOTE D - OTHER INFORMATION (Continued)

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/10	\$ 237,735	67.8%	\$ 29,007
6/30/11	371,967	55.1%	196,061
6/30/12	280,631	102.8%	188,257

d. Funding Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$3,001,764. With no plan assets, the unfunded actuarial accrued liability was also \$3,001,764.

5. Contingencies

- a. The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.
- b. From time to time, the District is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel 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.

6. Limitation on School District Revenues

Wisconsin Statutes limit the amount of revenues a school district may derive from general school aids and property taxes unless a higher amount is approved by a referendum.

This limitation does not apply to revenue needed for payment of any general obligation debt service (including refinanced debt) authorized by either of the following:

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

7. Subsequent Event

On November 1, 2012, the District issued \$10,000,000 of general obligation note anticipation notes to finance improvements and major maintenance repairs to the District's schools. The interest rate is 2.75% and the maturity date is November 1, 2013.

REQUIRED SUPPLEMENTAL INFORMATION

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund - Budgetary Basis
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 76,642,568	\$ 76,642,568	\$ 76,642,568	\$ -
Other local sources	647,837	700,568	679,091	(21,477)
Interdistrict sources	-	104,640	80,686	(23,954)
Intermediate sources	5,000	5,000	4,996	(4)
State sources	131,231,512	131,364,365	131,365,296	931
Federal sources	16,775,075	16,575,016	12,198,835	(4,376,181)
Other sources	-	772,290	1,365,791	593,501
Total Revenues	225,301,992	226,164,447	222,337,263	(3,827,184)
Expenditures				
Instruction				
Regular instruction	96,786,121	88,979,779	86,159,320	2,820,459
Vocational instruction	4,745,215	4,536,451	4,293,241	243,210
Other instruction	6,280,589	6,168,612	6,414,550	(245,938)
Total Instruction	107,811,925	99,684,842	96,867,111	2,817,731
Support Services				
Pupil services	8,544,888	8,225,114	8,056,908	168,206
Instructional staff services	7,717,223	9,374,778	8,783,949	590,829
General administration services	2,078,852	2,072,604	2,151,957	(79,353)
School administration services	11,115,735	10,316,546	10,343,165	(26,619)
Business services	2,756,819	2,382,242	2,323,938	58,304
Operation and maintenance of plant	26,368,844	25,293,565	24,718,148	575,417
Pupil transportation services	5,193,164	5,188,473	4,799,494	388,979
Central services	6,847,582	6,308,656	5,681,388	627,268
Insurance	1,234,961	890,139	1,193,724	(303,585)
Other support services	600,644	619,346	651,850	(32,504)
Total Support Services	72,458,712	70,671,463	68,704,521	1,966,942
Debt service	3,674,262	6,621,178	6,652,917	(31,739)
Non-program				
General tuition payments	5,649,479	7,128,718	7,154,552	(25,834)
Indirect costs	86,645	442,645	54,656	387,989
Total Non-program	5,736,124	7,571,363	7,209,208	362,155
Total Expenditures	189,681,023	184,548,846	179,433,757	5,115,089
Excess of Revenues Over (Under) Expenditures	35,620,969	41,615,601	42,903,506	1,287,905
Other Financing Sources (Uses)				
Transfers in	239,083	178,989	61,535	(117,454)
Transfers out	(32,958,865)	(31,434,085)	(30,053,661)	1,380,424
Total Other Financing Sources (Uses)	(32,719,782)	(31,255,096)	(29,992,126)	1,262,970
Net Change in Fund Balance	2,901,187	10,360,505	12,911,380	2,550,875
Fund Balance - July 1	20,207,059	20,207,059	20,207,059	-
Fund Balance - June 30	\$ 23,108,246	\$ 30,567,564	\$ 33,118,439	\$ 2,550,875

The notes to the required supplemental information are an integral part of this schedule.

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Schedule of Revenues, Expenditures and Changes in Fund Balance
 Budget and Actual
 Special Education Special Revenue Fund - Budgetary Basis
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
State sources	\$ 12,343,530	\$ 12,747,896	\$ 12,976,558	\$ 228,662
Federal sources	8,449,406	5,733,426	6,402,435	669,009
Total Revenues	20,792,936	18,481,322	19,378,993	897,671
Expenditures				
Instruction				
Regular instruction	-	-	912	(912)
Vocational instruction	60,000	41,000	37,518	3,482
Special education instruction	39,542,288	37,566,022	36,482,621	1,083,401
Total Instruction	39,602,288	37,607,022	36,521,051	1,085,971
Support Services				
Pupil services	5,300,715	5,209,917	5,227,485	(17,568)
Instructional staff services	4,219,831	2,229,923	2,546,932	(317,009)
General administration services	-	25,000	22,147	2,853
Business services	82,000	139,746	130,508	9,238
Operation and maintenance of plant	46,200	25,980	23,445	2,535
Pupil transportation services	3,787,063	3,678,701	3,738,522	(59,821)
Central services	20,600	83,600	212,603	(129,003)
Insurance	217,382	207,997	185,948	22,049
Other support services	-	-	86,266	(86,266)
Principal and interest	-	379,176	464,683	(85,507)
Total Support Services	13,673,791	11,980,040	12,638,539	(658,499)
Non-program				
Special education tuition payments	257,739	132,034	235,464	(103,430)
Total Expenditures	53,533,818	49,719,096	49,395,054	324,042
Excess of Revenues Under Expenditures	(32,740,882)	(31,237,774)	(30,016,061)	1,221,713
Other Financing Sources				
Transfers in	32,958,865	31,434,085	30,053,661	(1,380,424)
Transfers out	(217,983)	(196,311)	(37,600)	158,711
Total Other Financing Sources (Uses)	32,740,882	31,237,774	30,016,061	(1,221,713)
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	\$ -	\$ -	\$ -	\$ -

The notes to the required supplemental information are an integral part of this schedule.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of Funding Progress
For the Year Ended June 30, 2012

Other Post-Employment Benefit Plan						
Actuarial Valuation Date July 1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2006	\$ -	\$ 105,676,225	0.00%	\$ 105,676,225	\$ 106,000,000	99.69%
2008	1,961,309	97,647,304	2.01%	95,685,995	101,073,000	94.67%
2010	3,012,643	87,755,940	3.43%	84,743,297	139,479,307	60.76%

Pension Plan						
Actuarial Valuation Date July 1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2006	\$ -	\$ 2,328,523	0.00%	\$ 2,328,523	N/A	N/A
2008	-	2,603,083	0.00%	2,603,083	N/A	N/A
2010	-	3,001,764	0.00%	3,001,764	N/A	N/A

The notes to the required supplemental information are an integral part of this schedule.

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Schedule of Employer Contributions
 For the Year Ended June 30, 2012

Other Post-Employment Benefit Plan					
Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed		
2010	\$ 9,140,987	\$ 11,772,854	77.64%		
2011	9,583,529	10,962,135	87.42%		
2012	7,981,678	10,962,135	72.81%		

Pension Plan					
Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed		
2010	\$ 161,177	\$ 237,735	67.80%		
2011	204,912	279,293	73.37%		
2012	288,435	279,293	103.27%		

The notes to the required supplemental information are an integral part of this schedule.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Required Supplemental Information
For the Year Ended June 30, 2012

NOTE A - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 45

The District implemented GASB Statement No. 45, "Accounting and Financial Reporting by Employers for Post-employment Benefits Other Than Pensions" for the fiscal year ended June 30, 2009.

NOTE B - CHANGE IN ACTUARIAL ASSUMPTIONS

The District changed the investment rate of return from 5.5% in the July 1, 2008 actuarial valuation to 5.0% in the July 1, 2010 actuarial valuation.

NOTE C - 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 B to the financial statements; however, the District adopts a budget for the special education special revenue fund which is reported with the general fund in accordance with generally accepted accounting principles. An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below:

	General Fund	Special Education Fund
Revenues		
Actual amounts (budgetary basis)	\$ 222,337,263	\$ 19,378,993
Reclassification of special education	19,378,993	(19,378,993)
Total Revenues	241,716,256	-
Expenditures		
Actual amounts (budgetary basis)	179,433,757	49,395,054
Reclassification of special education	49,395,054	(49,395,054)
Total Expenditures	228,828,811	-
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	42,903,506	(30,016,061)
Reclassification of special education	(30,016,061)	30,016,061
Excess of Revenues Over (Under) Expenditures	12,887,445	-
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(29,992,126)	30,016,061
Reclassification of special education	30,016,061	(30,016,061)
Total Other Financing Sources (Uses)	23,935	-
Net Change in Fund Balance		
Actual amounts (budgetary basis)	12,911,380	-
Fund Balance - January 1		
Actual amounts (budgetary basis)	20,207,059	-
Fund Balance - December 31		
Actual amounts (budgetary basis)	\$ 33,118,439	\$ -

SUPPLEMENTAL INFORMATION

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2012

	Special Revenue Funds		
	Trust	Special Projects	Community Service
ASSETS			
Receivables			
Accounts	\$ -	\$ -	\$ -
Due from other funds	124,313	-	1,094,182
Due from other governments	-	305,140	-
Prepaid items	-	-	-
TOTAL ASSETS	<u>\$ 124,313</u>	<u>\$ 305,140</u>	<u>\$ 1,094,182</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Due to other funds	\$ -	\$ 272,535	\$ -
Fund Balances			
Fund Balances			
Nonspendable			
Prepaid items	-	-	-
Restricted			
Private gifts and donations	124,313	-	-
Grant expenditures	-	32,605	-
Construction of capital assets	-	-	-
Debt service	-	-	-
Community service programs	-	-	1,094,182
Total Fund Balances	<u>124,313</u>	<u>32,605</u>	<u>1,094,182</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 124,313</u>	<u>\$ 305,140</u>	<u>\$ 1,094,182</u>

Debt Service Funds		Capital Projects	Total Nonmajor Governmental Funds
Non-Referendum Debt Service	Referendum Debt Service		
\$ -	\$ -	\$ 70,162	\$ 70,162
281,401	377,936	1,725,810	3,603,642
-	-	-	305,140
-	-	15,000	15,000
<hr/>			
\$ 281,401	\$ 377,936	\$ 1,810,972	\$ 3,993,944

\$ - \$ - \$ - \$ 272,535

-	-	15,000	15,000
-	-	-	124,313
-	-	-	32,605
-	-	1,795,972	1,795,972
281,401	377,936	-	659,337
-	-	-	1,094,182
<hr/>			
281,401	377,936	1,810,972	3,721,409
<hr/>			
\$ 281,401	\$ 377,936	\$ 1,810,972	\$ 3,993,944

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2012

	Special Revenue Funds		
	Trust	Special Projects	Community Service
Revenues			
Property taxes	\$ -	\$ -	\$ 850,000
Other local sources	122,000	-	156,372
Federal sources	-	640,540	-
Total Revenues	<u>122,000</u>	<u>640,540</u>	<u>1,006,372</u>
Expenditures			
Instruction			
Regular instruction	23,121	364,802	-
Other instruction	-	89,694	-
Total Instruction	<u>23,121</u>	<u>454,496</u>	<u>-</u>
Support Services			
Pupil services	-	1,006	-
Instructional staff services	40,711	145,739	-
General administration services	48,000	-	7,973
School administration services	-	326	(6)
Operation and maintenance of plant	-	-	-
Pupil transportation services	-	8,655	-
Central services	-	6,723	-
Other support services	-	-	1,157
Total Support Services	<u>88,711</u>	<u>162,449</u>	<u>9,124</u>
Debt Service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>
Community Services	-	-	57,569
Total Expenditures	<u>111,832</u>	<u>616,945</u>	<u>66,693</u>
Excess of Revenues Over (Under) Expenditures	<u>10,168</u>	<u>23,595</u>	<u>939,679</u>
Other Financing Sources (Uses)			
Long-term debt issued	-	-	-
Premium on long term debt issued	-	-	-
Sale of capital assets	-	-	-
Transfers out	-	(23,935)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(23,935)</u>	<u>-</u>
Net Change in Fund Balances	10,168	(340)	939,679
Fund Balances - July 1	<u>114,145</u>	<u>32,945</u>	<u>154,503</u>
Fund Balances - June 30	<u>\$ 124,313</u>	<u>\$ 32,605</u>	<u>\$ 1,094,182</u>

Debt Service Funds		Capital Projects	Total Nonmajor Governmental Funds
Non-Referendum Debt Service	Referendum Debt Service		
\$ 872,267	\$ 3,126,308	\$ -	\$ 4,848,575
1,078	-	48,755	328,205
-	-	-	640,540
873,345	3,126,308	48,755	5,817,320
-	-	-	387,923
-	-	-	89,694
-	-	-	477,617
-	-	-	1,006
-	-	-	186,450
-	-	-	55,973
-	-	-	320
-	-	2,774,950	2,774,950
-	-	-	8,655
-	-	-	6,723
-	-	-	1,157
-	-	2,774,950	3,035,234
6,480,166	2,380,000	-	8,860,166
402,626	788,982	-	1,191,608
6,882,792	3,168,982	-	10,051,774
-	-	-	57,569
6,882,792	3,168,982	2,774,950	13,622,194
(6,009,447)	(42,674)	(2,726,195)	(7,804,874)
5,880,000	-	995,000	6,875,000
178,377	-	-	178,377
-	-	900,000	900,000
-	-	-	(23,935)
6,058,377	-	1,895,000	7,929,442
48,930	(42,674)	(831,195)	124,568
232,471	420,610	2,642,167	3,596,841
\$ 281,401	\$ 377,936	\$ 1,810,972	\$ 3,721,409

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Pupil Activity Funds
 Schedule of Changes in Assets and Liabilities
 For the Year Ended June 30, 2012

	Pupil Activity Funds			
	Balance 07/01/11	Additions	Deletions	Balance 06/30/12
ASSETS				
Cash and investments	\$ 1,033,126	\$ 3,294,630	\$ 3,227,028	\$ 1,100,728
LIABILITIES				
Due to student organizations				
Senior high schools	\$ 585,612	\$ 1,818,795	\$ 1,764,422	\$ 639,985
Middle schools	194,248	693,082	699,572	187,758
Elementary schools	227,586	640,941	633,271	235,256
Early Childhood schools	8,103	22,812	21,567	9,348
Lighted Schoolhouse	1,004	41,478	33,209	9,273
P-COC	2,790	11,777	12,388	2,179
Mack Center	2,266	1,576	1,150	2,692
REAL School	11,517	64,169	61,449	14,237
TOTAL LIABILITIES	\$ 1,033,126	\$ 3,294,630	\$ 3,227,028	\$ 1,100,728

**ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS**

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

To the Board of Education
Racine Unified School District
Racine, Wisconsin

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Racine Unified School District as of and for the year ended June 30, 2012, which collectively comprise the Racine Unified School District's basic financial statements and have issued our report thereon dated November 2, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2012-01 that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the District's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of basic 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*.

We noted certain matters that we reported to management of the Racine Unified School District, Wisconsin in a separate letter dated November 2, 2012.

The District's response to the finding identified in our audit is described in the accompanying schedule of prior year audit findings and corrective action plan. We did not audit the District's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the Board of Education, management and federal and state awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.



Certified Public Accountants
Green Bay, Wisconsin
November 2, 2012

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

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

To the Board of Education
Racine Unified School District
Racine, Wisconsin

Compliance

We have audited Racine Unified School District, Wisconsin's ("the District") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2012. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Racine Unified School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and the *State Single Audit Guidelines* and which are described in the accompanying schedule of findings and questioned costs as items 2012-02, 2012-03 and 2012-04.

Internal Control Over Compliance

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal and state program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and 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 District's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected on a timely basis. We did not identify an deficiencies in internal control over compliance that we consider to be material weaknesses.

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. We consider the deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as items 2012-02, 2012-03, and 2012-04 to be significant deficiencies.

The District's responses to the findings identified in our audit are described in the accompanying schedule of prior year audit findings and corrective action plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

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



Certified Public Accountants
Green Bay, Wisconsin
November 2, 2012

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2012

Federal Grantor/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number
<u>U.S. Department of Agriculture</u>		
Nutrition Enhancement/Breakfast Public Aid July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	10.500
<i>Child Nutrition Cluster</i>		
School Breakfast Program July 1, 2010 - June 30, 2011 July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	10.553
National School Lunch Program July 1, 2010 - June 30, 2011 July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	10.555
Donated Commodities Total National School Lunch Program	Wisconsin Department of Public Instruction	
Special Milk Program for Children July 1, 2010 - June 30, 2011 July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	10.556
Summer Food Service Program for Children July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	10.559
<i>Total Child Nutrition Cluster</i>		
Total U.S. Department of Agriculture		
<u>U.S. Department of Education</u>		
<i>Title I, Part A Cluster</i>		
Title I Grants to Local Educational Agencies Basic Grant July 1, 2010 - June 30, 2011 July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.010
Neglected and Delinquent Youth July 1, 2010 - June 30, 2011 July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	
State Program Improvement July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction	
Detention Center July 1, 2010 - June 30, 2011 July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	
Total Title I Grants to Local Educational Agencies		
ARRA - Title I Grants to Local Educational Agencies		
Basic Grant July 1, 2009 - September 30, 2011	Wisconsin Department of Public Instruction	84.389
Supplemental Grant July 1, 2009 - September 30, 2011	Wisconsin Department of Public Instruction	
Delinquent July 1, 2009 - September 30, 2011	Wisconsin Department of Public Instruction	
Total ARRA - Title I Grants to Local Educational Agencies		
<i>Total Title I, Part A Cluster</i>		

(Continued)

Accrued Receivable (Deferred Revenue) 7/1/11	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/12	Total Revenues	Total Expenditures
--	------------------	---	-------------------	-----------------------

\$	-	\$	3,000	\$	-	\$	3,000	\$	3,000
----	---	----	-------	----	---	----	-------	----	-------

(46,788)	46,788	-	-	-	-
-	1,110,269	39,443	1,149,712	1,149,712	-
(179,005)	179,005	-	-	-	-
-	4,388,327	139,237	4,527,564	4,527,564	-
-	469,057	-	469,057	469,057	-
(179,005)	5,036,389	139,237	4,996,621	4,996,621	-

(185)	185	-	-	-	-
-	5,964	96	6,060	6,060	-
-	162,362	-	162,362	162,362	-
(225,978)	6,361,957	178,776	6,314,755	6,314,755	-

(225,978)	6,364,957	178,776	6,317,755	6,317,755	-
-----------	-----------	---------	-----------	-----------	---

(2,412,684)	2,412,684	-	-	-	-
-	2,556,934	4,169,105	6,726,039	6,726,039	-
(167,912)	167,912	-	-	-	-
-	51,473	78,826	130,299	130,299	-
(133,898)	133,898	-	-	-	-
(40,810)	40,810	-	-	-	-
-	215	-	215	215	-
(2,755,304)	5,363,926	4,247,931	6,856,553	6,856,553	-

(1,383,195)	1,551,864	-	168,669	168,669	-
(663,786)	827,675	-	163,889	163,889	-
(65,816)	65,816	-	-	-	-
(2,112,797)	2,445,355	-	332,558	332,558	-
(4,868,101)	7,809,281	4,247,931	7,189,111	7,189,111	-

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Schedule of Expenditures of Federal Awards (Continued)
 For the Year Ended June 30, 2012

Federal Grantor/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number
<u>U.S. Department of Education (Continued)</u>		
Career and Technical Education - Basic Grants to States July 1, 2010 - June 30, 2011 July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.048
<i>Special Education Cluster (IDEA)</i>		
Special Education - Grants to States IDEA Flow Thru July 1, 2010 - June 30, 2011 July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.027
IDEA High Cost Special Education Aid July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	
IDEA Discretionary Grant - Disportionality July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	
Total Special Education - Grants to States		
Special Education - Preschool Grants July 1, 2010 - June 30, 2011 July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.173
ARRA - Special Education - Grants to States February 2, 2009 - September 30, 2011	Wisconsin Department of Public Instruction	84.391
ARRA - Special Education - Preschool Grants February 2, 2009 - September 30, 2011	Wisconsin Department of Public Instruction	84.392
<i>Total Special Education Cluster (IDEA)</i>		
Safe and Drug-Free Schools and Communities - National Programs July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	84.184
Safe and Drug-Free Schools and Communities - State Grants July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction	84.186
<i>Education for Homeless Children</i>		
Education for Homeless Children and Youth July 1, 2010 - June 30, 2011 July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.196
<i>Total Education for Homeless Children</i>		
Fund for the Improvement of Education July 1, 2010 - June 30, 2011 July 1, 2011 - June 30, 2012	City of Racine City of Racine	84.215k
Twenty-First Century Community Learning Centers Twenty-First Century Community Learning Centers July 1, 2010 - June 30, 2011 July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.287
Twenty-First Century Community Learning Centers July 1, 2010 - June 30, 2011 July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.287

(Continued)

Accrued Receivable (Deferred Revenue) 7/1/11	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/12	Total Revenues	Total Expenditures
(271,397)	271,397	-	-	-
-	43,435	188,040	231,475	231,475
(2,185,215)	2,185,215	-	-	-
-	1,182,333	351,252	1,533,585	1,533,585
-	57,079	-	57,079	57,079
-	125,198	302,897	428,095	428,095
(2,185,215)	3,549,825	654,149	2,018,759	2,018,759
(90,885)	90,885	-	-	-
-	40,440	75,430	115,870	115,870
(780,527)	1,014,538	-	234,011	234,011
(44,174)	51,276	-	7,102	7,102
(3,100,801)	4,746,964	729,579	2,375,742	2,375,742
(24,127)	53,975	177,215	207,063	207,063
(46,284)	46,284	-	-	-
(41,840)	41,840	-	-	-
-	28,350	33,845	62,195	62,195
(41,840)	70,190	33,845	62,195	62,195
(30,487)	30,487	-	-	-
-	25,660	19,292	44,952	44,952
(100,479)	100,479	-	-	-
-	141,998	78,555	220,553	220,553
(74,039)	74,039	-	-	-
-	28,742	38,611	67,353	67,353

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2012

Federal Grantor/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number
<u>U.S. Department of Education (Continued)</u>		
Twenty-First Century Community Learning Centers July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction	84.287
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	
Twenty-First Century Community Learning Centers July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	84.287
Total Twenty-First Century Community Learning Centers		
<i>Educational Technology State Grants Cluster</i>		
Educational Technology State Grants July 1, 2010 - June 30, 2011	Mequon-Thiensville School District	84.318
ARRA - Educational Technology State Grants February 2, 2009 - September 30, 2011	Wisconsin Department of Public Instruction	84.386
Total Educational Technology State Grants Cluster		
Transition to Teaching Grant Program July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	84.350
English Language Acquisition Grants July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction	84.365
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	
Improving Teacher Quality State Grants July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction	84.367
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	
ARRA - Education Jobs Bill July 1, 2010 - June 30, 2011	Wisconsin Department of Administration	84.410
July 1, 2011 - June 30, 2012	Wisconsin Department of Administration	
Total U.S. Department of Education		
<u>U.S. Department of Health and Human Services</u>		
Medical Assistance - Student Based Services Benefit July 1, 2010 - June 30, 2011	Wisconsin Department of Health Services	93.778
July 1, 2011 - June 30, 2012	Wisconsin Department of Health Services	
Center for Disease Control - Basic Grant July 1, 2011 - June 30, 2012	Wisconsin Department of Health Services	93.938
Total U.S. Department of Health and Human Services		
TOTAL FEDERAL FINANCIAL ASSISTANCE		
Reconciliation to Basic Financial Statements		
Governmental Funds		
Federal sources		
Proprietary Fund		
Federal sources		
Total Federal Awards		

See Notes to the Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance.

Accrued Receivable (Deferred Revenue) 7/1/11	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/12	Total Revenues	Total Expenditures
(159,911)	159,911	-	-	-
-	68,626	82,506	151,132	151,132
	70,373	86,662	157,035	157,035
(334,429)	644,168	286,334	596,073	596,073
(5,996)	5,996	-	-	-
-	84,897	-	84,897	84,897
(5,996)	90,893	-	84,897	84,897
-	-	26,536	26,536	26,536
(251,580)	251,580	-	-	-
-	141,998	96,586	238,584	238,584
(694,113)	694,113	-	-	-
-	460,738	744,584	1,205,322	1,205,322
(133,691)	133,691	-	-	-
-	2,513,062	15,064	2,528,126	2,528,126
(9,802,846)	18,027,916	6,565,006	14,790,076	14,790,076
(891,567)	891,567	-	-	-
-	2,767,531	1,683,953	4,451,484	4,451,484
-	250	-	250	250
(891,567)	3,659,348	1,683,953	4,451,734	4,451,734
<u>\$(10,920,391)</u>	<u>\$ 28,052,221</u>	<u>\$ 8,427,735</u>	<u>\$ 25,559,565</u>	<u>\$ 25,559,565</u>

\$ 19,241,810

6,317,755
\$ 25,559,565

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of State Financial Assistance
For the Year Ended June 30, 2012

State Grantor/Program Name/Grant Period	Pass-through Agency	State I.D. Number
<u>Wisconsin Department of Public Instruction</u>		
<u>Cost Reimbursement Programs</u>		
Preschool to Grade Five Program July 1, 2009 - June 30, 2010	Direct Program	255.305
Youth Alcohol and Other Drug Abuse July 1, 2010 - June 30, 2011	Direct Program	255.312
AODA Mini Grants July 1, 2010 - June 30, 2011	Cooperative Educational Services Agency (CESA) No. 1	255.312
Total Cost Reimbursement Programs		
<u>Entitlement Programs</u>		
Special Education and School Age Parents	Direct Program	255.101
State Lunch	Direct Program	255.102
Common School Fund Library	Direct Program	255.103
Bilingual - Bicultural Aid	Direct Program	255.106
Pupil Transportation Aid	Direct Program	255.107
Charter Schools State Aid	Direct Program	255.109
General Equalization Aids July 1, 2009 - June 30, 2010	Direct Program	255.201
July 1, 2010 - June 30, 2011	Direct Program	
Integration Transfer	Direct Program	255.205
High Cost Special Education Aid	Direct Program	255.210
State Breakfast Program	Direct Program	255.344
Mentoring for Initial Educators	Direct Program	255.355
Tuition Payments by State	Direct Program	255.401
Student Achievement Guarantee in Education (SAGE) Program	Direct Program	255.504
Aid for High Poverty School District	Direct Program	255.926
WI Partnership Childhood Fitness	Direct Program	255.938
Total Entitlement Programs		
Total Wisconsin Department of Public Instruction		
TOTAL STATE FINANCIAL ASSISTANCE		
Reconciliation to Basic Financial Statements		
Governmental Funds		
State sources		
State awards reported with intermediate sources		
Proprietary Fund		
State sources		
Revenues not considered state financial assistance		
Tax-exempt computer aids		
Disability user charge from the state		
Total State Awards		

See Notes to the Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance.

(Accrued Receivable) Deferred Revenue 7/1/11	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/12	Total Revenues	Total Expenditures
--	------------------	---	-------------------	-----------------------

\$ (448,021)	\$ 448,021	\$ -	\$ -	\$ -
(112,201)	112,201	-	-	-
-	4,996	-	4,996	4,996
<u>(560,222)</u>	<u>565,218</u>	<u>-</u>	<u>4,996</u>	<u>4,996</u>
-	12,730,235	-	12,730,235	12,730,235
-	83,655	-	83,655	83,655
-	846,939	-	846,939	846,939
-	466,326	-	466,326	466,326
-	412,272	-	412,272	412,272
-	1,000,000	-	1,000,000	1,000,000
(2,177,126)	2,177,126	-	-	-
-	115,617,000	2,309,617	117,926,617	117,926,617
-	6,980,239	-	6,980,239	6,980,239
-	206,250	-	206,250	206,250
-	58,674	-	58,674	58,674
-	33,990	-	33,990	33,990
-	293,433	-	293,433	293,433
-	1,491,199	-	1,491,199	1,491,199
-	1,483,804	-	1,483,804	1,483,804
-	1,000	-	1,000	1,000
<u>(2,177,126)</u>	<u>143,882,142</u>	<u>2,309,617</u>	<u>144,014,633</u>	<u>144,014,633</u>
<u>(2,737,348)</u>	<u>144,447,360</u>	<u>2,309,617</u>	<u>144,019,629</u>	<u>144,019,629</u>
<u>\$ (2,737,348)</u>	<u>\$ 144,447,360</u>	<u>\$ 2,309,617</u>	<u>\$ 144,019,629</u>	<u>\$ 144,019,629</u>

\$ 144,341,854
4,996

142,328

(455,283)

(14,266)

\$ 144,019,629

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to the Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance
For the Year Ended June 30, 2012

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and schedule of state financial assistance include the federal and state grant activity of the Racine Unified School District and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and the *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2011-2012 eligible costs under the State Special Education Program as reported by the District are \$45,387,639.

NOTE C - FOOD DISTRIBUTION

Nonmonetary assistance is reported in the Schedule of Expenditures of Federal Awards at the fair market value of the commodities received and disbursed.

NOTE D - OVERSIGHT AGENCIES

The U.S. Department of Education is the federal oversight agency and the Wisconsin Department of Public Instruction is the state oversight agency for the District.

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2012

Section I - Summary of Auditors' Results

Basic Financial Statements

Type of auditors' report issued:	Unqualified
Internal control over financial reporting:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Noncompliance material to basic financial statements noted?	No

Federal Awards and State Financial Assistance

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(1) of Circular A-133?	Yes
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	Yes
Identification of major federal and state programs:	

CFDA Number	Name of Federal Programs
	<i>Child Nutrition Cluster</i>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
	<i>Title I, Part A Cluster</i>
84.010	Title I Grants to Local Educational Agencies
84.389	ARRA - Title I Grants to Local Educational Agencies
	<i>Special Education Cluster (IDEA)</i>
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
84.391	ARRA - Special Education - Grants to States
84.392	ARRA - Special Education - Preschool Grants
84.410	ARRA - Education Jobs Bill
93.778	Medical Assistance - Student Based Services Benefit

State ID Number	Name of State Programs
255.101	Special Education and School Age Parents
255.107	Pupil Transportation Aid
255.109	Charter Schools State Aid
	<i>General Aids Cluster (255.2xx)</i>
255.201	General Equalization Aids
255.205	Integration Transfer
255.210	High Cost Special Education

Audit threshold used to determine between Type A and Type B federal programs:	\$756,000
Audit threshold used to determine between Type A and Type B state programs:	\$100,000
Auditee qualified as low-risk auditee	No

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2012

Section II - Financial Statement Findings

Finding No.	Internal Control Deficiencies
-------------	-------------------------------

2012-01 Year End Financial Reporting

Condition: While the current staff of the District maintains financial records which accurately report revenues and expenditures throughout the year, preparing year-end financial statements, including OPEB disclosures and GASB 34 conversion entries necessary to prepare financial statements, require additional expertise and staff time to develop. The District contracts with Schenck and our knowledge of current accounting principles and regulatory requirements of the Wisconsin Department of Public Instruction to prepare required GASB 34 conversion journal entries and financial reports for the District in an efficient manner.

Criteria: The review of financial statements by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential misstatement in the financial statements or notes.

Cause: The additional costs associated with hiring staff experienced in preparing year end GASB 34 conversion entries and financial statements, including additional training time outweigh the derived benefits.

Effect: The financial statements of the District could be misstated and not detected and corrected in a timely manner by District personnel without adequate review. Under present procedures, the District does review and approve financial reports prepared by Schenck prior to issuance.

Recommendation: We recommend the District continue reviewing the financial reports prepared by Schenck. While it may not be cost beneficial to hire additional staff to prepare these items, a thorough review of this information by appropriate staff of the District is necessary to obtain an adequate understanding of the District's financial report.

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2012

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

Finding No.	Compliance Findings
-------------	---------------------

2012-02 Allowable Costs/Cost Principles – Time and Effort Reporting

Federal CFDA #84.027 Special Education – Grants to States (IDEA, Part B)
Federal CFDA #84.391 Special Education – Grants to States (IDEA, Part B)
Federal CFDA #84.173 Special Education – Preschool Grants
Federal CFDA #84.192 Special Education – Preschool Grants

Criteria: OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, Paragraph C.1* provides "To be allowable under Federal awards, costs must...be adequately documented. Further, *Attachment B, Section 8(h), Support of salaries and wages* states:

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation...Such documentary support will be required where employees work on (a) More than one Federal award, (b) a Federal award and a non-Federal award....

(5) Personnel Activity reports or equivalent documentation must meet the following standards: (a) They must reflect an after-the-fact distribution of the actual activity of each employee, (b) They must account for the total activity of which each employee is compensated, (c) They must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee...

Condition: The District charged costs to the federal program for one employee that could not adequately be documented by a personal activity reports. This person is no longer employed by the District.

Questioned Costs: The total salary and benefits charged to this grant for this employee is \$13,808.

Cause: Procedures to obtain time and effort reporting data required for employees working in federal and state grants with single and multiple cost objectives are not operating effectively.

Effect: The District may be submitting reimbursement for expenditures that are not allowable, or not spent in the period of availability.

Recommendation: We recommend that the District implement an internal control procedure that would ensure all time and effort reporting data is obtained by personnel involved in federal grants for single and multiple cost objectives to support the salaries and benefits charged to each federal grant.

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2012

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

Finding No.	Compliance Findings
-------------	---------------------

2012-03 Title I Eligibility for Group of Individuals or Area of Service Delivery

Federal CFDA #84.010 Title I Grants to Local Educational Agencies
Federal CFDA #84.389 ARRA- Title I Grants to Local Educational Agencies

Criteria: An LEA must determine which school attendance areas are eligible to participate in Title I Part A. school attendance area is generally eligible to participate if the percentage of children from low-income families is at least as high as the percentage of children from low-income families in the LEA as a whole or at least 35 percent. An LEA may also designate and serve a school in an ineligible attendance area if the percentage of children from low-income families enrolled in that school is equal to or greater than the percentage of such children in a participating school attendance area.

Condition: The District was not able to provide the low income targeting data report used to complete the eligibility report required by the State of Wisconsin Department of Public Instruction for this federal grant.

Cause: Due to staff turnover, the District did not retain the low income targeting data report used to complete the eligibility report. The District's data system, NUTRIKIDS POS, is a live system and cannot reproduce the low income targeting data report used to determine eligibility at that point in time. The District was able to substantiate the amounts reported with a current report from their data system.

Effect: If the cause is not resolved, the District may report incorrect data information to the oversight agency in the future.

Questioned Costs: There are no questioned costs.

Recommendation: We recommend the District establish procedures to retain a copy of the data used to prepare the eligibility report.

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2012

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

Finding No.	Compliance Findings
-------------	---------------------

2012-04 Pupil Transportation Reporting Classifications

State ID #255.107 General Transportation Aid for Public & Non-Public School Pupils

Criteria: The requirements for state transportation aid are detailed in Section 121.58 of the Wisconsin Statutes. These requirements contain provisions that require school districts to count pupils who were actually transported once during the school year with home to school distance using the most direct route. In addition, all students who attend 1-90 should be properly classified.

Condition: The count of pupils receiving transportation from the School District has not been recorded accurately for the year ended June 30, 2012. Using a sample of 25 students, two students were misclassified as over 90 days and three students were misclassified as 1-90 days. In addition, the documentation for students 1-90 days enrolled did not include which mileage category the student was included in for auditor verification. Finally, upon review of the LEA's annual transportation report in comparison to the complete list of pupils, it was noted that there were 93 duplicated pupils, leading to an over reporting of students receiving transportation services.

Cause: The District does not identify specific procedures for reviewing the documentation received from the system before applying the data to the report. In addition, duplicate entries were not removed prior to report submission due to change in addresses. The system then creates a separate entry for that pupil.

Effect: The District incorrectly reported students transported by category in which pupil transportation aid for the following year is calculated with.

Questioned Costs: There are no questioned costs.

Recommendation: We recommend the preparer of the transportation report review the generated reports for accuracy and make any adjustments to the data. In addition, we recommend that the transportation report be reviewed by an employee not involved in the preparation process before the report is submitted to DPI. The review should be documented by a sign off on the draft report. The draft report, final report and supporting documentation should be retained for a proper audit trail.

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2012

Section IV - Other Issues

Does the auditor's report of the notes to the financial statement 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 Public Instruction
- Department of Administration
- Department of Health Services

_____ X	Yes	_____	No
_____	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 shareholder



 David L. Maccoux, CPA

Date of report

November 2, 2012

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Schedule of Prior Year Audit Findings and Corrective Action Plan
 For the Year Ended June 30, 2012

Status of Prior Year Audit Finding

All findings noted in the 2011 Schedule of Findings and questioned Costs have been reported to the proper federal and state agencies. Management continues to review the financial reports prepared and be responsible for their accuracy as outline in finding 2011-01.

For finding 2011-03, the District evaluated and changed their control procedures to better account for federal time and effort reporting requirements. Although improved, an error was noted and this will be repeated as finding 2012-03.

For findings 2011-02 and 2011-04, these findings have been resolved.

Corrective Action Plan for Audit Findings

Finding No.	
2012-01	Year End Financial Reporting
Management Response:	The District has reviewed and will continue to review the financial reports prepared by Schenck and work to communicate questions to mutually understand the financial reports.
2012-02	Allowable Costs/Cost Principles - Time and Effort Reporting
Management Response:	The Special education department added staff in early 2012 to assist with Special Education accounting. The staff has implemented a time and effort reporting system that will obtain documentation to support cost allocations to grants.
2012-03	Title I Eligibility for Group of Individuals or Area of Service Delivery
Management Response:	Changes in the organization during the year changed the staff responsible for the report. A procedure has been developed for the future that utilizes readily available reports for verification.
2012-04	Pupil Transportation Reporting Classifications
Management Response:	Changes In data entry for the District's student data system, Skyward, caused issues with using the data for the District's transportation data system, Edulog. In prior years, student data information was downloaded daily into the transportation system. When this is done all duplicate records are eliminated. Last year the district was not able to download the Skyward data as there were many issues with the student data base versus the transportation system. To maintain the accuracy of the transportation student information was key entered. Until daily downloads can resume, a report has been developed and will be used to identify duplicate records in the Edulog transportation software. This report will be run prior to gathering information for the state reports. This will be done until we are unable to do a daily download of the student data base system, which automatically removes all duplicate records. When the state report is complete it will be reviewed and verified with the immediate supervisor of the transportation department. Reports and supporting documentation will be maintained as required by the State.