

**RACINE UNIFIED SCHOOL DISTRICT  
RACINE, WISCONSIN**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2013**

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

June 30, 2013

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**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

June 30, 2013

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

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, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the District's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

## **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, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note A.4.i. to the financial statements, the District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2013. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of funding progress and the schedule of employer contributions on pages 4 through 10, 44 through 45 and 46 through 47 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and schedule of state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration and are also not a required part of the basic financial statements.

The supplementary 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information, the schedules of expenditures of federal awards and the schedule of state financial assistance are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

## **Report on Summarized Financial Information**

We have previously audited the District's 2012 financial statements, and our report dated November 2, 2012, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

## **Report Issued in Accordance with *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants  
Green Bay, Wisconsin  
November 12, 2013

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**



## Racine Unified School District

3109 Mount Pleasant Street, Racine, WI 53404  
Financial and Budget Services

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### Management's Discussion and Analysis For the Year Ended June 30, 2013

#### FINANCIAL HIGHLIGHTS

- The District's overall financial position, as reflected in total net position, increased \$11,529,991 during the 2012-13 fiscal year. (See pages 12 -13)
- The District continued to implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-retirement Benefits Other than Pensions during the 2013 year. The actuarially determined expense was \$305,426 less than the District's post-retirement plan contributions for the year compared to \$2,690,204 greater for the prior year. (See page 40)
- The District's governmental fund balance reported an increase of \$44,796,340 compared to an increase of \$13,035,948 in the prior year. An increase was reported in the General Fund (\$13,679,056), Capital Projects Fund (\$17,768,424) and Debt Service Funds (\$14,197,362). The increases in the Capital Projects and Debt Service Funds result from remaining debt proceeds to be spent on capital improvements or debt retirement in the following fiscal year. (See pages 16 - 17)

#### 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 Position 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 Position presents information on all of the District's assets, deferred outflows/inflows of resources and liabilities, with the difference reported as net position.
- The Statement of Activities presents information showing how the District's net position 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 and capital projects fund as they are 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 Position

Table 1, below, provides a summary of the District's statement of net position for the year ended June 30, 2013 with a comparison to the prior year.

<b>Table 1</b>							
<b>Condensed Statement of Net Assets</b>							
<b>(in thousands of dollars)</b>							
	Governmental Activities		Business-type Activities		Totals School District		%
	2013	2012	2013	2012	2013	2012	2012-13
<b>Assets</b>							
Current assets	\$ 110,405	\$ 62,358	\$ 2,288	\$ 1,768	\$ 112,693	\$ 64,126	75.7%
Capital assets	75,024	62,534	529	304	75,553	62,838	20.2%
<b>Total Assets</b>	<b>185,429</b>	<b>124,892</b>	<b>2,817</b>	<b>2,072</b>	<b>188,246</b>	<b>126,964</b>	<b>48.3%</b>
<b>Deferred Outflows</b>							
Loss on advance refunding	486	650	-	-	486	650	-25.2%
<b>Liabilities</b>							
Long-term debt	93,710	47,450	5	-	93,715	47,450	97.5%
Other liabilities	28,781	24,342	80	43	28,861	24,385	18.4%
<b>Total Liabilities</b>	<b>122,491</b>	<b>71,792</b>	<b>85</b>	<b>43</b>	<b>122,576</b>	<b>71,835</b>	<b>41.4%</b>
<b>Deferred Inflows</b>							
Technology claims	286	1,117	-	-	286	1,117	-74.4%
<b>Net Position</b>							
Net investment in capital assets	42,772	42,399	524	304	43,296	42,703	1.4%
Restricted	599	1,647	2,208	1,725	2,807	3,372	-16.8%
Unrestricted	19,767	8,587	-	-	19,767	8,587	-130.2%
<b>Total Net Position</b>	<b>\$ 63,138</b>	<b>\$ 52,633</b>	<b>\$ 2,732</b>	<b>\$ 2,029</b>	<b>\$ 65,870</b>	<b>\$ 54,662</b>	<b>17.0%</b>

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

## Change in Net Position

Table 2, below, shows the changes in net position for the fiscal year ended June 30, 2013 with a comparison to the prior year.

	Governmental Activities		Business-type Activities		Totals School District		% Change
	2013	2012	2013	2012	2013	2012	2012-13
<b>Revenues</b>							
Program Revenues							
Charges for services	\$ 1,245	\$ 1,117	\$ 1,662	\$ 1,844	\$ 2,907	\$ 2,961	-1.8%
Operating grants and contributions	39,429	38,222	6,861	6,460	46,290	44,682	3.6%
General Revenues							
Property taxes	84,340	81,491	-	-	84,340	81,491	3.5%
State Formula aid	122,853	125,362	-	-	122,853	125,362	-2.0%
Interest	17	30	-	-	17	30	-43.3%
Other	1,813	1,471	-	-	1,813	1,471	23.2%
<b>Total Revenues</b>	<b>249,697</b>	<b>247,693</b>	<b>8,523</b>	<b>8,304</b>	<b>258,220</b>	<b>255,997</b>	<b>0.9%</b>
<b>Expenses</b>							
Instruction	137,307	136,310	-	-	137,307	136,310	0.7%
Pupil and instructional services	30,411	28,070	-	-	30,411	28,070	8.3%
Administration and business	51,059	45,011	7,821	7,707	58,880	52,718	11.7%
Central services and insurance	8,457	6,747	-	-	8,457	6,747	25.3%
Interest on debt	2,293	3,611	-	-	2,293	3,611	-36.5%
Non-program	8,445	7,445	-	-	8,445	7,445	13.4%
Miscellaneous	897	20,338	-	-	897	20,338	-95.6%
<b>Total Expenses</b>	<b>238,869</b>	<b>247,532</b>	<b>7,821</b>	<b>7,707</b>	<b>246,690</b>	<b>255,239</b>	<b>-3.5%</b>
<b>Change in Net Position</b>	<b>\$ 10,828</b>	<b>\$ 161</b>	<b>\$ 702</b>	<b>\$ 597</b>	<b>\$ 11,530</b>	<b>\$ 758</b>	

General revenues (all revenue except operating grants and contributions and charges for services) provide about 87% 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
	2013	2012	2013	2012	2012-13
Instruction	\$ 137,307	\$ 136,310	\$ 99,044	\$ 107,270	8.3%
Pupil and instructional services	30,411	28,070	28,608	19,064	-33.4%
Administration and business	51,059	45,011	50,600	44,077	-12.9%
Central services and insurance	8,457	6,747	8,455	6,722	-20.5%
Interest on debt	2,293	3,611	2,293	3,433	49.7%
Non-program	8,445	7,445	8,445	7,445	-11.8%
Miscellaneous	897	20,338	751	20,182	2587.4%
<b>Totals</b>	<b>\$ 238,869</b>	<b>\$ 247,532</b>	<b>\$ 198,196</b>	<b>\$ 208,193</b>	<b>5.0%</b>

### 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 \$6.9 million while charges for services were \$1.7 million. Overall revenues increased by \$219 thousand.
- Expenses increased by \$114 thousand to \$7.8 million.
- The food service operation reported a gain of \$702 thousand compared to a gain of \$597 thousand for the prior year.

## Governmental Funds

The District completed the year with a total governmental fund balance of \$81.6 million, an increase of \$44.8 million from the prior year.

- Total general fund revenue for the year was \$227 thousand 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 \$6.1 million.
- The debt service funds fund balance had a net increase of \$14.2 million, which includes \$14 million of debt proceeds to refund the note anticipation notes due in 2014. 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 20<sup>th</sup> of the subsequent year. The typical debt service schedule for the District requires interest payments prior to January 20<sup>th</sup> with an additional interest payment and principal payment occurring in March of each year.
- For fiscal year 2012-2013, the capital projects funds fund balance increased by \$17.8 million due to remaining debt proceeds to be spent in 2013-14.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the 2013 fiscal year, the District had net capital assets of \$75.5 million in a broad range of capital assets, including buildings, sites, furniture, and equipment (see Table 4). Additional information about capital assets can be found in the notes to the financial statements.

	Governmental Activities		Business-type Activities		Totals School District		% Change
	2013	2012	2013	2012	2013	2012	2012-13
Land	\$ 2,475	\$ 2,475	\$ -	\$ -	\$ 2,475	\$ 2,475	0.0%
Work in progress	13,477	287	-	-	13,477	287	4595.8%
Site improvements	2,378	2,387	-	-	2,378	2,387	-0.4%
Buildings	46,697	47,555	-	-	46,697	47,555	-1.8%
Machinery and equipment	9,997	9,830	529	304	10,526	10,134	3.9%
<b>Total</b>	<b>\$ 75,024</b>	<b>\$ 62,534</b>	<b>\$ 529</b>	<b>\$ 304</b>	<b>\$ 75,553</b>	<b>\$ 62,838</b>	<b>20.2%</b>

## Long-Term Debt and Other Obligations

At year end, the district had \$58.2 million in general obligation debt outstanding, an increase of \$30.613 million 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
	2013	2012	2013	2012	2013	2012	2012-13
General obligation debt	\$ 58,224	\$ 27,611	\$ -	\$ -	\$ 58,224	\$ 27,611	110.9%
Note anticipation note	14,000	-	-	-	14,000	-	#DIV/0!
Premium on debt	1,426	240	-	-	1,426	240	494.2%
Capital leases	2,087	1,559	5	-	2,092	1,559	34.2%
Other post-employment benefits	16,275	16,581	-	-	16,275	16,581	-1.8%
Pension benefits	299	189	-	-	299	189	0.0%
Compensated absences	1,399	1,270	-	-	1,399	1,270	10.2%
<b>Total</b>	<b>\$ 93,710</b>	<b>\$ 47,450</b>	<b>\$ 5</b>	<b>\$ -</b>	<b>\$ 93,715</b>	<b>\$ 47,450</b>	<b>97.5%</b>

### 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 Position  
June 30, 2013  
(With summarized information as of June 30, 2012)

	Governmental Activities	Business-type Activities	Totals	
			2013	2012
<b>ASSETS</b>				
Cash and investments	\$ 77,440,402	\$ -	\$ 77,440,402	\$ 27,632,937
Receivables				
Taxes	19,405,318	-	19,405,318	19,018,070
Accounts	2,186,700	10,851	2,197,551	3,918,369
Internal balances	(2,064,831)	2,064,831	-	-
Due from other governments	11,360,686	211,833	11,572,519	11,192,148
Inventories and prepaid items	2,076,489	531	2,077,020	2,042,291
Deferred charges - issuance costs	-	-	-	322,460
Capital assets				
Construction in progress	13,477,164	-	13,477,164	286,766
Land	2,474,986	-	2,474,986	2,474,986
Site improvements	6,198,941	-	6,198,941	6,060,174
Buildings	99,494,531	-	99,494,531	98,501,082
Machinery and equipment	24,099,312	1,586,783	25,686,095	24,344,390
Less: Accumulated depreciation	(70,720,750)	(1,058,236)	(71,778,986)	(68,829,577)
<b>TOTAL ASSETS</b>	<b>185,428,948</b>	<b>2,816,593</b>	<b>188,245,541</b>	<b>126,964,096</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on advance refunding	486,085	-	486,085	649,882
<b>LIABILITIES</b>				
Accounts payable	7,114,190	36,989	7,151,179	4,593,172
Accrued payroll liabilities	21,368,429	-	21,368,429	19,482,156
Accrued interest payable	297,855	-	297,855	263,437
Unearned revenues	-	42,888	42,888	45,803
Long-term obligations				
Due within one year	21,392,123	2,246	21,394,369	5,225,612
Due in more than one year	72,318,236	2,307	72,320,543	42,223,991
<b>TOTAL LIABILITIES</b>	<b>122,490,833</b>	<b>84,430</b>	<b>122,575,263</b>	<b>71,834,171</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Technology claims	285,957	-	285,957	1,116,932
<b>NET POSITION</b>				
Net investment in capital assets	42,771,961	523,994	43,295,955	42,702,912
Restricted for				
Private gifts and donations	184,665	-	184,665	124,313
Grant expenditures	32,965	-	32,965	32,605
Debt service	196,613	-	196,613	395,900
Community service programs	184,968	-	184,968	1,094,182
Food service	-	2,208,169	2,208,169	1,725,904
Unrestricted	19,767,071	-	19,767,071	8,587,059
<b>TOTAL NET POSITION</b>	<b>\$ 63,138,243</b>	<b>\$ 2,732,163</b>	<b>\$ 65,870,406</b>	<b>\$ 54,662,875</b>

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, 2013  
 (With summarized financial information for the year ended June 30, 2012)

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities</b>			
Instruction	\$ 137,307,913	\$ 825,235	\$ 37,438,522
Support Services			
Support services	89,927,172	273,347	1,989,906
Other			
Interest and fiscal charges	2,292,528	-	-
Community services	897,457	146,780	-
Non-program transactions	8,444,699	-	-
Total Other	<u>11,634,684</u>	<u>146,780</u>	<u>-</u>
<b>Total Governmental Activities</b>	<u>238,869,769</u>	<u>1,245,362</u>	<u>39,428,428</u>
<b>Business-type Activities</b>			
School food service program	<u>7,821,017</u>	<u>1,661,867</u>	<u>6,861,311</u>
<b>Total School District</b>	<u>\$ 246,690,786</u>	<u>\$ 2,907,229</u>	<u>\$ 46,289,739</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 position

Cumulative change in accounting principle

Net position - July 1

Net position - June 30

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			
	Governmental Activities	Business-type Activities	Totals	
			2013	2012
\$ -	\$ (99,044,156)	\$ -	\$ (99,044,156)	\$ (107,270,171)
-	(87,663,919)	-	(87,663,919)	(90,147,300)
-	(2,292,528)	-	(2,292,528)	(3,432,933)
-	(750,677)	-	(750,677)	102,338
-	(8,444,699)	-	(8,444,699)	(7,444,672)
-	(11,487,904)	-	(11,487,904)	(10,775,267)
-	(198,195,979)	-	(198,195,979)	(208,192,738)
-	-	702,161	702,161	597,019
<u>\$ -</u>	<u>(198,195,979)</u>	<u>702,161</u>	<u>(197,493,818)</u>	<u>(207,595,719)</u>
	79,942,824	-	79,942,824	77,492,568
	4,396,739	-	4,396,739	3,998,575
	36,383	-	36,383	79,637
	122,852,654	-	122,852,654	125,362,139
	17,990	-	17,990	30,124
	1,777,219	-	1,777,219	1,390,743
	<u>209,023,809</u>	-	<u>209,023,809</u>	<u>208,353,786</u>
	10,827,830	702,161	11,529,991	758,067
	(322,460)	-	(322,460)	-
	<u>52,632,873</u>	<u>2,030,002</u>	<u>54,662,875</u>	<u>53,904,808</u>
<u>\$</u>	<u>63,138,243</u>	<u>\$ 2,732,163</u>	<u>\$ 65,870,406</u>	<u>\$ 54,662,875</u>

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2013

(With summarized financial information as of June 30, 2012)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds	
				2013	2012
<b>ASSETS</b>					
Cash and investments	\$ 57,906,845	\$ 19,533,557	\$ -	\$ 77,440,402	\$ 27,632,937
Receivables					
Taxes	19,405,318	-	-	19,405,318	19,018,070
Accounts	2,186,700	-	-	2,186,700	3,913,223
Due from other funds	-	2,595,972	18,160,868	20,756,840	3,876,177
Due from other governments	10,965,743	-	394,943	11,360,686	11,013,372
Inventories	1,406,653	-	-	1,406,653	1,591,068
Prepaid items	654,836	15,000	-	669,836	451,223
<b>TOTAL ASSETS</b>	<b>\$ 92,526,095</b>	<b>\$ 22,144,529</b>	<b>\$ 18,555,811</b>	<b>\$ 133,226,435</b>	<b>\$ 67,496,070</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 7,114,190	\$ -	\$ -	\$ 7,114,190	\$ 4,592,826
Accrued payroll liabilities	21,368,429	-	-	21,368,429	19,482,156
Due to other funds	16,960,024	2,565,133	3,296,514	22,821,671	5,460,786
Unearned revenues	-	-	-	-	3,522
<b>Total Liabilities</b>	<b>45,442,643</b>	<b>2,565,133</b>	<b>3,296,514</b>	<b>51,304,290</b>	<b>29,539,290</b>
Deferred Inflows of Resources					
Technology claims	285,957	-	-	285,957	1,116,932
Fund Balances					
Nonspendable					
Inventories	1,406,653	-	-	1,406,653	1,591,068
Prepaid items	654,836	15,000	-	669,836	451,223
Restricted					
Private gifts and donations	-	-	184,665	184,665	124,313
Grant expenditures	-	-	32,965	32,965	32,605
Construction of capital assets	-	-	-	-	1,795,972
Debt service funds	-	-	14,856,699	14,856,699	659,337
Community service programs	-	-	184,968	184,968	1,094,182
Assigned					
Referendum	10,000,000	-	-	10,000,000	10,000,000
Health care cost stabilization	8,000,000	-	-	8,000,000	8,000,000
Construction of capital assets	600,000	-	-	600,000	600,000
Unassigned, reported in					
General fund	26,136,006	19,564,396	-	45,700,402	12,491,148
<b>Total Fund Balances</b>	<b>46,797,495</b>	<b>19,579,396</b>	<b>15,259,297</b>	<b>81,636,188</b>	<b>36,839,848</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 92,526,095</b>	<b>\$ 22,144,529</b>	<b>\$ 18,555,811</b>	<b>\$ 133,226,435</b>	<b>\$ 67,496,070</b>

(Continued)

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin  
 Balance Sheet (Continued)  
 Governmental Funds  
 June 30, 2013

(With summarized financial information as of June 30, 2012)

Reconciliation to the Statement of Net Position

	Total	
	2013	2012
Total Fund Balances from previous page	\$ 81,636,188	\$ 36,839,848
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	75,024,184	62,533,723
Deferred outflow of resources is reported in the statement of net position for loss on advance refinancing.	486,085	649,882
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	(72,224,463)	(27,611,331)
Premium on long-term debt	(1,426,192)	(240,073)
Capital leases payable	(2,086,648)	(1,559,270)
Other post-employment benefits	(16,275,391)	(16,580,817)
Pension benefits	(298,577)	(188,257)
Compensated absences	(1,399,088)	(1,269,855)
Accrued interest payable	(297,855)	(263,437)
Debt issuance costs	-	322,460
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 11)	<u>\$ 63,138,243</u>	<u>\$ 52,632,873</u>

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, 2013

(With summarized financial information for the year ended June 30, 2012)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds	
				2013	2012
<b>Revenues</b>					
Property taxes	\$ 79,142,824	\$ 800,000	\$ 4,396,739	\$ 84,339,563	\$ 81,491,143
Other local sources	877,075	3,165	369,336	1,249,576	1,007,296
Interdistrict sources	121,632	-	-	121,632	80,686
Intermediate sources	-	-	-	-	4,996
State sources	142,282,729	-	-	142,282,729	144,341,854
Federal sources	19,109,528	-	888,825	19,998,353	19,241,810
Other sources	2,159,560	-	-	2,159,560	1,365,791
<b>Total Revenues</b>	<b>243,693,348</b>	<b>803,165</b>	<b>5,654,900</b>	<b>250,151,413</b>	<b>247,533,576</b>
<b>Expenditures</b>					
<b>Instruction</b>					
Regular instruction	87,593,931	-	35,054	87,628,985	86,548,155
Vocational instruction	4,701,633	-	4,892	4,706,525	4,330,759
Special education instruction	37,985,311	-	-	37,985,311	36,482,621
Other instruction	6,354,887	-	550,225	6,905,112	6,504,244
<b>Total Instruction</b>	<b>136,635,762</b>	<b>-</b>	<b>590,171</b>	<b>137,225,933</b>	<b>133,865,779</b>
<b>Support Services</b>					
Pupil services	14,092,641	-	9,585	14,102,226	13,285,399
Instructional staff services	12,961,878	-	314,991	13,276,869	11,517,331
General administration services	2,160,373	-	24,313	2,184,686	2,230,077
School administration services	10,607,831	-	121,516	10,729,347	10,343,485
Business services	4,981,447	-	-	4,981,447	2,454,446
Operation and maintenance of plant	22,915,876	17,034,741	1,123	39,951,740	27,516,543
Pupil transportation services	8,817,790	-	47,700	8,865,490	8,546,671
Central services	6,292,278	-	36,129	6,328,407	5,900,714
Insurance	763,082	-	-	763,082	1,379,672
Other support services	1,795,524	-	-	1,795,524	739,273
<b>Total Support Services</b>	<b>85,388,720</b>	<b>17,034,741</b>	<b>555,357</b>	<b>102,978,818</b>	<b>83,913,611</b>
<b>Debt Service</b>					
Principal	1,222,764	201,090	3,141,868	4,565,722	12,228,125
Interest and fiscal charges	95,685	-	1,930,192	2,025,877	2,018,544
Payment to lease defeasance escrow agent	-	-	-	-	2,922,705
<b>Total Debt Service</b>	<b>1,318,449</b>	<b>201,090</b>	<b>5,072,060</b>	<b>6,591,599</b>	<b>17,169,374</b>
<b>Community Services</b>	<b>-</b>	<b>-</b>	<b>937,939</b>	<b>937,939</b>	<b>57,569</b>
<b>Non-program</b>					
General tuition payments	7,824,641	-	-	7,824,641	7,154,552
Special education tuition payments	492,800	-	-	492,800	235,464
Adjustments and refunds	127,258	-	-	127,258	54,656
<b>Total Non-program</b>	<b>8,444,699</b>	<b>-</b>	<b>-</b>	<b>8,444,699</b>	<b>7,444,672</b>
<b>Total Expenditures</b>	<b>231,787,630</b>	<b>17,235,831</b>	<b>7,155,527</b>	<b>256,178,988</b>	<b>242,451,005</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>11,905,718</b>	<b>(16,432,666)</b>	<b>(1,500,627)</b>	<b>(6,027,575)</b>	<b>5,082,571</b>
<b>Other Financing Sources (Uses)</b>					
Long-term debt issued	-	33,755,000	24,000,000	57,755,000	6,875,000
Capital leases	1,750,142	-	-	1,750,142	-
Premium on long term debt issued	-	446,090	872,683	1,318,773	178,377
Payment to current noteholder	-	-	(10,000,000)	(10,000,000)	-
Sale of capital assets	-	-	-	-	900,000
Transfers in	23,196	-	-	23,196	23,935
Transfers out	-	-	(23,196)	(23,196)	(23,935)
<b>Total Other Financing Sources (Uses)</b>	<b>1,773,338</b>	<b>34,201,090</b>	<b>14,849,487</b>	<b>50,823,915</b>	<b>7,953,377</b>
<b>Net Change in Fund Balances</b>	<b>13,679,056</b>	<b>17,768,424</b>	<b>13,348,860</b>	<b>44,796,340</b>	<b>13,035,948</b>
<b>Fund Balances - July 1</b>	<b>33,118,439</b>	<b>1,810,972</b>	<b>1,910,437</b>	<b>36,839,848</b>	<b>23,803,900</b>
<b>Fund Balances - June 30</b>	<b>\$ 46,797,495</b>	<b>\$ 19,579,396</b>	<b>\$ 15,259,297</b>	<b>\$ 81,636,188</b>	<b>\$ 36,839,848</b>

(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, 2013  
 (With summarized financial information for the year ended June 30, 2012)

	Total	
	2013	2012
<u>Reconciliation to the Statement of Activities</u>		
Net Change in Fund Balances from previous page	\$ 44,796,340	\$ 13,035,948
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay reported in governmental fund statements	\$ 15,687,635	
Depreciation expense reported in the statement of activities	<u>(3,197,174)</u>	
Amount in which depreciation is (greater) less than capital outlays	12,490,461	4,464,729
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.	-	(21,183,733)
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:	(129,233)	44,388
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:	305,426	(2,690,204)
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:	(110,320)	(188,257)
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 position, however, debt constitutes a long-term liability. The amount of debt issued is:		
General obligation debt issued by District	(47,755,000)	(6,875,000)
Capital leases issued by the District	(1,750,142)	-
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 position and does not affect the statement of activities. The amount of long-term debt principal payments:		
General obligation debt retired by District	3,141,868	8,860,166
Capital leases retired by the District	1,222,764	5,136,801
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.	(34,418)	(4,054)
Governmental funds report debt premiums and discounts 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.		
Premium on long-term debt	(1,186,119)	(159,512)
Loss on advance refunding	(163,797)	(163,797)
Debt issuance costs	<u>-</u>	<u>(116,427)</u>
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see pages 12 - 13)	<u>\$ 10,827,830</u>	<u>\$ 161,048</u>

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Statement of Net Position  
 Food Service Proprietary Fund  
 June 30, 2013  
 (With comparative totals as of June 30, 2012)

	2013	2012
<b>ASSETS</b>		
Receivables		
Accounts	\$ 10,851	\$ 5,146
Due from other funds	2,064,831	1,584,609
Due from other governments	211,833	178,776
Inventories and prepaid items	531	-
Capital assets		
Machinery and equipment	1,586,783	1,305,749
Less: Accumulated depreciation	<u>(1,058,236)</u>	<u>(1,001,651)</u>
<b>TOTAL ASSETS</b>	<u>2,816,593</u>	<u>2,072,629</u>
<b>LIABILITIES</b>		
Accounts payable	36,989	346
Unearned revenues	42,888	42,281
Long-term obligations		
Due within one year	2,246	-
Due in more than one year	<u>2,307</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>84,430</u>	<u>42,627</u>
<b>NET POSITION</b>		
Net investment in capital assets	523,994	304,098
Unrestricted	<u>2,208,169</u>	<u>1,725,904</u>
<b>TOTAL NET POSITION</b>	<u>\$ 2,732,163</u>	<u>\$ 2,030,002</u>

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 Position  
Food Service Proprietary Fund  
For the Year Ended June 30, 2013  
(With comparative totals for the year ended June 30, 2012)

	2013	2012
Operating Revenues		
Food sales	\$ 1,655,406	\$ 1,820,554
State sources	148,009	142,328
Federal sources	6,713,302	6,317,755
Other sources	6,461	23,757
Total Operating Revenues	<u>8,523,178</u>	<u>8,304,394</u>
Operating Expenses		
Salaries and wages	363,041	364,489
Employer paid benefits	167,159	151,565
Purchased services	6,361,792	6,132,406
Supplies and materials	861,691	995,423
Depreciation	67,185	63,492
Total Operating Expenses	<u>7,820,868</u>	<u>7,707,375</u>
Operating Income	<u>702,310</u>	<u>597,019</u>
Nonoperating Expense		
Interest expense	<u>(149)</u>	<u>-</u>
Change in Net Position	702,161	597,019
Net Position - July 1	<u>2,030,002</u>	<u>1,432,983</u>
Net Position - June 30	<u>\$ 2,732,163</u>	<u>\$ 2,030,002</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, 2013  
(With comparative totals for the year ended June 30, 2012)

	2013	2012
Cash Flows from Operating Activities		
Cash received from user charges	\$ 1,656,769	\$ 1,854,124
Cash received from other government payments	6,318,331	6,038,228
Cash payments to employees	(530,200)	(516,067)
Cash payments to suppliers	(6,677,448)	(6,658,759)
Net Cash Provided for Operating Activities	<u>767,452</u>	<u>717,526</u>
Cash Flows from Noncapital Financing Activities		
Change in temporary cash advance	<u>(480,222)</u>	<u>(689,440)</u>
Cash Flows from Capital and Related Financing Activities		
Capital lease paid	(1,016)	-
Acquisition of capital assets	(286,065)	(28,086)
Interest payments on long-term debt	(149)	-
Net Cash Used by Capital and Related Financing Activities	<u>(287,230)</u>	<u>(28,086)</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	\$ 702,310	\$ 597,019
Adjustments to reconcile change in operating income to net cash provided for operating activities		
Depreciation	67,185	63,492
Changes in assets and liabilities		
Accounts receivable	(5,705)	1,081
Due from other governments	(33,057)	47,202
Accounts payable	36,643	13
Accrued payroll liabilities	-	(13)
Unearned revenue	607	8,732
Net Cash Provided for Operating Activities	<u>\$ 767,452</u>	<u>\$ 717,526</u>
Noncash Activities:		
Commodities Received From U.S. Department of Agriculture	\$ 509,923	\$ 469,057
Capital assets purchased under capital leases	5,569	-

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

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

Statement of Net Position

Fiduciary Funds

June 30, 2013

(With summarized information as of June 30, 2012)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Agency Fund Pupil Activity	Total Fiduciary Funds	
				2013	2012
<b>ASSETS</b>					
Cash and investments	\$ 41,389	\$ 8,834,457	\$ 1,167,197	\$ 10,043,043	\$ 9,705,012
Accounts receivable	196,304	2,387,205	-	2,583,509	155,655
<b>TOTAL ASSETS</b>	<b>\$ 237,693</b>	<b>\$ 11,221,662</b>	<b>\$ 1,167,197</b>	<b>\$ 12,626,552</b>	<b>\$ 9,860,667</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 176,591	\$ 4,022,330	\$ -	\$ 4,198,921	\$ 2,363,978
Due to student organizations	-	-	1,167,197	1,167,197	1,100,728
<b>TOTAL LIABILITIES</b>	<b>176,591</b>	<b>4,022,330</b>	<b>1,167,197</b>	<b>5,366,118</b>	<b>3,464,706</b>
<b>NET POSITION</b>					
Restricted for					
Scholarships	61,102	-	-	61,102	21,498
Employee benefits	-	7,199,332	-	7,199,332	6,374,463
<b>TOTAL NET POSITION</b>	<b>61,102</b>	<b>7,199,332</b>	<b>-</b>	<b>7,260,434</b>	<b>6,395,961</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 237,693</b>	<b>\$ 11,221,662</b>	<b>\$ 1,167,197</b>	<b>\$ 12,626,552</b>	<b>\$ 9,860,667</b>

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 Position

Fiduciary Funds

For the Year Ended June 30, 2013

(With summarized financial information for the year ended June 30, 2012)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Total Fiduciary Funds	
			2013	2012
<b>ADDITIONS</b>				
Other local sources	\$ 248,928	\$ -	\$ 248,928	\$ 174,404
Contributions				
Employer	-	6,405,986	6,405,986	7,981,678
Plan members	-	300,485	300,485	272,552
Investment earnings	-	16,578	16,578	12,120
Total Additions	<u>248,928</u>	<u>6,723,049</u>	<u>6,971,977</u>	<u>8,440,754</u>
<b>DEDUCTIONS</b>				
Trust fund disbursements	<u>209,324</u>	<u>5,898,180</u>	<u>6,107,504</u>	<u>5,305,478</u>
Change in Net Position	39,604	824,869	864,473	3,135,276
Net Position - July 1	<u>21,498</u>	<u>6,374,463</u>	<u>6,395,961</u>	<u>3,260,685</u>
Net Position - June 30	<u>\$ 61,102</u>	<u>\$ 7,199,332</u>	<u>\$ 7,260,434</u>	<u>\$ 6,395,961</u>

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, 2013

**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. 61.

2. District-Wide and Fund Financial Statements

The district-wide financial statements (i.e., the statement of net position 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 accounted for in another fund.

CAPITAL PROJECTS FUND

The District reports one capital projects fund which accounts for major construction projects taken on by the District.

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

**RACINE UNIFIED SCHOOL DISTRICT**  
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**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**  
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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

4. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Fund Balance

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 position 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.

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**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	
<u>Assets</u>	Cost		
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	
<u>Assets</u>	Years		
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.

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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

i. Deferred Outflows/Inflows of Resources

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2013. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category, technology claims. This amount will be recognized as an inflow of resources in the subsequent year.

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 position. Bond premiums and discounts are deferred and amortized over the life of the bond. Issuance costs are expensed during the current period.

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.



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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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.

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 position and displayed in three components:

- Net investment in capital assets - 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 position - Amount of net position that is 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 position - Net position that is neither classified as restricted nor as net investment in capital assets.

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, 2013. The current general fund balance represents 24% of the 2013-14 budgeted expenditures.

**RACINE UNIFIED SCHOOL DISTRICT**  
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**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

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, 2012, from which the summarized information was derived.

7. Reclassifications

Certain amounts in the prior year financial statements have been reclassified to conform with the presentation in the current year financial statements with no change in previously reported net position, changes in net position, fund balance or changes in fund balance.

**NOTE B - 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 \$87,483,445 on June 30, 2013 as summarized below:

Petty cash funds	\$ 1,116
Deposits with financial institutions	68,595,212
Deposits with trustee	855,791
Investments	
Wisconsin Investment Series Cooperative (WISC)	
Investment series	18,000,000
Wisconsin local government investment pool	31,326
	\$ 87,483,445

**RACINE UNIFIED SCHOOL DISTRICT**  
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**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

Reconciliation to the basic financial statements:

District-wide Statement of Net Position	
Cash and investments	\$ 77,440,402
Fiduciary funds Statement of Net Position	
Private purpose trust fund	41,389
Employee benefit trust fund	8,834,457
Agency fund	1,167,197
	\$ 87,483,445

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.

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 the combined amount of all time and savings accounts and \$250,000 for the combined amount of all interest-bearing and noninterest-bearing demand deposit accounts 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 for the combined amount of all deposit accounts per official custodian per depository institution. 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, 2013, \$9,941 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits.

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**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

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	\$ 31,326	\$ -	\$ -	\$ -	\$ 31,326
Wisconsin Investment Series Cooperative (WISC)					
Term series	18,000,000	-	18,000,000	-	-
<b>Totals</b>	<b>\$ 18,031,326</b>	<b>\$ -</b>	<b>\$ 18,000,000</b>	<b>\$ -</b>	<b>\$ 31,326</b>

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	\$ 31,326	\$ 31,326	\$ -	\$ -	\$ -
Wisconsin Investment Series Cooperative (WISC)					
Term series	18,000,000	18,000,000	-	-	-
<b>Totals</b>	<b>\$ 18,031,326</b>	<b>\$ 18,031,326</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Investment in Wisconsin Local Government Investment Pool

The District has investments in the Wisconsin local government investment pool of \$31,326 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, 2013, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

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**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

2. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Sites	\$ 2,474,986	\$ -	\$ -	\$ 2,474,986
Work in progress	286,766	13,477,163	286,765	13,477,164
Total capital assets, not being depreciated	<u>2,761,752</u>	<u>13,477,163</u>	<u>286,765</u>	<u>15,952,150</u>
Capital assets, being depreciated:				
Site improvements	6,060,174	143,567	4,800	6,198,941
Buildings	98,501,082	993,449	-	99,494,531
Machinery and equipment	23,038,641	1,360,221	299,550	24,099,312
Total capital assets being depreciated	<u>127,599,897</u>	<u>2,497,237</u>	<u>304,350</u>	<u>129,792,784</u>
Less accumulated depreciation for:				
Site improvements	3,672,826	153,162	4,800	3,821,188
Buildings	50,946,234	1,850,859	-	52,797,093
Machinery and equipment	13,208,866	1,193,153	299,550	14,102,469
Total accumulated depreciation	<u>67,827,926</u>	<u>3,197,174</u>	<u>304,350</u>	<u>70,720,750</u>
Total capital assets, being depreciated, net	<u>59,771,971</u>	<u>(699,937)</u>	<u>-</u>	<u>59,072,034</u>
Governmental activities capital assets, net	<u>\$ 62,533,723</u>	<u>\$ 12,777,226</u>	<u>\$ 286,765</u>	75,024,184
Less:				
Related general obligation debt outstanding, net of \$19,579,396 of available debt proceeds				29,625,067
Capital leases				2,086,648
Capital related debt premium				<u>540,508</u>
Net investment in capital assets				<u>\$ 42,771,961</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Machinery and equipment	\$ 1,305,749	\$ 291,634	\$ 10,600	\$ 1,586,783
Less accumulated depreciation for:				
Machinery and equipment	1,001,651	67,185	10,600	1,058,236
Business-type activities capital assets, net	<u>\$ 304,098</u>	<u>\$ 224,449</u>	<u>\$ -</u>	528,547
Less capital leases				<u>4,553</u>
Invested in capital assets, net of related debt				<u>\$ 523,994</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
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**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

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

Governmental activities	
Regular instruction	\$ 200,488
Vocational instruction	53,836
Special education instruction	7,110
Other instruction	2,137
Pupil services	5,020
Instructional staff services	28,811
General administration services	3,940
Operation and maintenance of plant	2,363,942
Central services	531,890
Total depreciation expense - governmental activities	<u>\$ 3,197,174</u>
Business-type activities	
Food service	<u>\$ 67,185</u>

3. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the District as of June 30, 2013 are detailed below:

	Interfund Receivables	Interfund Payables
Pooled cash balances		
General Fund	\$ -	\$ 16,960,024
Special Revenue Funds		
Trust	184,665	-
Special projects	-	361,978
Community service	184,968	-
Debt Service Funds		
Non-referendum debt service	17,656,548	2,934,536
Referendum debt service	134,687	-
Capital Projects Fund	2,595,972	2,565,133
Enterprise Fund		
Food service	2,064,831	-
Totals	<u>\$ 22,821,671</u>	<u>\$ 22,821,671</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
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**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

Interfund transfers for the year ended June 30, 2013 were as follows:

Transfers from:

Special Revenue Funds  
 Special projects

Transfer to:
General

\$ 23,196

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, 2013 was as follows:

	Outstanding 7/1/12	Issued	Retired	Outstanding 6/30/13
Issued 10/9/12; due on 1/28/13; interest 1.0%	\$ -	\$ 19,500,000	\$ 19,500,000	\$ -

Total interest paid for the year on short-term debt totaled \$29,714.

**RACINE UNIFIED SCHOOL DISTRICT**  
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June 30, 2013

**NOTE B - 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, 2013:

	Outstanding 7/1/12	Issued	Retired	Outstanding 6/30/13	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Debt					
Bonds	\$ 21,820,000	\$ 12,020,000	\$ 2,465,000	\$ 31,375,000	\$ 2,575,000
Notes	5,791,331	21,735,000	676,868	26,849,463	1,988,586
Total	27,611,331	33,755,000	3,141,868	58,224,463	4,563,586
Note Anticipation Note	-	24,000,000	10,000,000	14,000,000	14,000,000
Premium	240,073	1,318,773	132,654	1,426,192	36,534
Capital leases	1,559,270	1,750,142	1,222,764	2,086,648	1,392,915
Other post-employment benefits	16,580,817	10,479,586	10,785,012	16,275,391	-
Pension benefits	188,257	346,026	235,706	298,577	-
Compensated absences	1,269,855	129,233	-	1,399,088	1,399,088
Governmental activities Long-term obligations	<u>\$ 47,449,603</u>	<u>\$ 71,778,760</u>	<u>\$ 25,518,004</u>	<u>\$ 93,710,359</u>	<u>\$ 21,392,123</u>
<b>Business-type activities:</b>					
Capital leases	\$ -	\$ 5,569	\$ 1,016	\$ 4,553	\$ 2,246

Total interest paid during the year on long-term debt totaled \$1,186,789.

General Obligation Debt

Detail of the outstanding general obligation debt follows:

	Issue Amount	Issue Date	Average Interest Rates (%)	Dates of Maturity	Outstanding 6/30/13
General Obligation Qualified Zone					
Academy Notes	\$ 1,728,000	04/15/08	1.00%	04/14/18	\$ 885,463
General Obligation Bonds	8,420,000	09/03/08	4.35 - 5.45%	04/01/16	4,640,000
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	2,890,000
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	1,490,000
General Obligation Notes	995,000	07/11/11	2.00 - 3.50%	04/01/20	945,000
General Obligation Refunding Bonds	5,880,000	07/11/11	4.00 - 5.00%	04/01/31	5,880,000
General Obligation Refunding Bonds	10,000,000	01/03/13	2.50 - 2.75%	04/01/28	10,000,000
General Obligation Refunding Bonds	2,020,000	06/10/13	3.38%	04/01/23	2,020,000
General Obligation Notes	21,735,000	06/10/13	1.00 - 3.00%	04/01/27	21,735,000
Total General Obligation Debt					<u>\$ 58,224,463</u>



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**NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)**

Annual principal and interest maturities of the outstanding general obligation debt of \$58,224,463 on June 30, 2013 are detailed below:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 4,563,586	\$ 1,490,374	\$ 6,053,960
2015	4,460,322	1,655,225	6,115,547
2016	4,792,075	1,495,924	6,287,999
2017	4,934,846	1,312,233	6,247,079
2018	5,061,634	1,161,644	6,223,278
2019-2023	18,107,000	3,804,838	21,911,838
2024-2028	12,580,000	1,962,638	14,542,638
2029-2031	3,725,000	211,725	3,936,725
	<u>\$ 58,224,463</u>	<u>\$ 13,094,601</u>	<u>\$ 71,319,064</u>

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2013 was \$795,322,031 as follows:

Equalized valuation of the District	\$8,392,855,850
Statutory limitation percentage	<u>(x) 10%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	839,285,585
Total outstanding general obligation debt	\$ 58,224,463
Less: Amounts available for financing general obligation debt	
Debt service fund <sup>(1)</sup>	<u>14,260,909</u>
Net outstanding general obligation debt applicable to debt limitation	<u>43,963,554</u>
Legal Margin for New Debt	<u>\$ 795,322,031</u>

(1) Less interest payments due October 1, 2013

Capital Leases

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, 2013:

Year Ending June 30,	Governmental Activities	Business-Type Activities
2014	\$ 1,392,915	\$ 2,246
2015	595,671	2,247
2016	149,243	538
2017	10,010	-
Total Minimum Lease Payments	2,147,839	5,031
Less: Amount representing interest	61,191	478
Present Value of Future Minimum Lease Payments	<u>\$ 2,086,648</u>	<u>\$ 4,553</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2013

**NOTE B - 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 Securities 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, \$1,438,702 of outstanding leases are considered defeased.

**NOTE C - 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.

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:

	2012		2013	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	5.9%	5.9%	6.65%	6.65%
Executives & Elected Officials	7.05%	7.05%	7.0%	7.0%
Protective with Social Security	5.9%	9.0%	6.65%	9.75%
Protective without Social Security	5.9%	11.3%	6.65%	12.35%

The payroll for District employees covered by the WRS for the year ended June 30, 2013 was \$127,759,019; the employer's total payroll was \$131,535,863. The total required contribution for the year ended June 30, 2013 was \$16,166,816, which consisted of \$7,279,886 or 5.9% of covered payroll from the employer for July 1, 2012 through December 31, 2012 and 6.65% of payroll from the employer for January 1, 2013 through June 30, 2013, and \$8,886,930, or 5.9% of payroll from employees for July 1, 2012 through December 31, 2012 and 6.65% of payroll from the employees for January 1, 2013 through June 30, 2013. Total contributions for the years ended June 30, 2012 and 2011 were \$15,493,606 and \$14,639,214, respectively, equal to the required contributions for each year.

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2013

**NOTE C - OTHER INFORMATION (Continued)**

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, 2013

**NOTE C - OTHER INFORMATION (Continued)**

At June 30, 2013, the District has reported a liability of \$2,607,000 which represents reported and unreported claims which were incurred on or before June 30, 2013, 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, 2013 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
2013	2,542,900	31,840,413	31,776,313	2,607,000

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, 2012, the date of the latest actuarial valuation:

	Active Employees	Retirees Receiving Benefits	Total
Teachers	1,418	331	1,749
Administrators	89	39	128
Building service	168	41	209
Clerical	124	10	134
Educational assistants	252	9	261
Total	2,051	430	2,481

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2013

**NOTE C - 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	\$ 4,641,260	\$ 344,932	\$ 3,982,052	\$ 8,968,244
Administrators	253,513	22,680	313,480	589,673
Building service	132,765	17,319	300,217	450,301
Clerical	122,273	11,254	159,080	292,607
Educational assistants	80,328	6,875	91,558	178,761
Total	<u>\$ 5,230,139</u>	<u>\$ 403,060</u>	<u>\$ 4,846,387</u>	<u>\$ 10,479,586</u>
Interest on net OPEB				574,305
Adjustment to annual required contribution				(950,934)
Annual OPEB cost (expense)				<u>10,102,957</u>
Contributions made				
Employer				<u>10,408,383</u>
Change in net OPEB obligation				(305,426)
OPEB obligation - beginning of year				<u>16,580,817</u>
OPEB obligation - end of year				<u><u>\$ 16,275,391</u></u>

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2013

**NOTE C - 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, 2012
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	4.00%
Healthcare cost trend rate	-2.0% 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
6/30/2011	\$ 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
6/30/2013	10,102,957	10,479,586	10,408,383	99.32%	16,275,391

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%
7/1/2012	7,199,332	85,113,538	77,914,206	8.5%	136,498,539	57.08%

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, 2013

**NOTE C - 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, 2013 and related actuarial assumptions used for the current year are as follows:

Annual required contribution	\$ 346,026
Interest on net pension obligation	12,004
Adjustment to annual required	<u>(12,347)</u>
Annual pension cost	345,683
Contributions made	<u>235,363</u>
Change in net pension obligation	110,320
Net pension obligation beginning of year	<u>188,257</u>
Net pension obligation end of year	<u><u>\$ 298,577</u></u>

The annual required contribution for the current year was determined as part of the July 1, 2012 actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 4.0% 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, 2013 was 24 years.

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/11	\$ 371,967	43.3%	\$ 196,061
6/30/12	280,631	73.0%	188,257
6/30/13	345,683	68.1%	298,577

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2013

**NOTE C - OTHER INFORMATION (Continued)**

d. Funding Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$3,674,467. With no plan assets, the unfunded actuarial accrued liability was also \$3,674,467.

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. Cumulative Effect of Change in Accounting Principle

The District has adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which requires debt issuance costs to be expensed in the period incurred, rather than recorded as assets and amortized over the life of the related debt issue. Financial statements for the year ended June 30, 2012, have not been restated. The cumulative effect of this change was to decrease the June 30, 2013 net position of the governmental activities by \$322,460.



**REQUIRED SUPPLEMENTARY 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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 79,142,824	\$ 79,142,824	\$ 79,142,824	\$ -
Other local sources	876,827	802,367	877,075	74,708
Interdistrict sources	100,000	100,000	121,632	21,632
Intermediate sources	1,600	3,000	-	(3,000)
State sources	129,581,894	129,566,096	129,569,556	3,460
Federal sources	14,523,167	12,854,676	12,046,138	(808,538)
Other sources	1,569,402	1,675,069	2,159,560	484,491
<b>Total Revenues</b>	<b>225,795,714</b>	<b>224,144,032</b>	<b>223,916,785</b>	<b>(227,247)</b>
<b>Expenditures</b>				
<b>Instruction</b>				
Regular instruction	92,938,241	89,315,984	87,593,931	1,722,053
Vocational instruction	4,727,013	4,760,412	4,660,906	99,506
Other instruction	6,542,034	6,435,836	6,292,643	143,193
<b>Total Instruction</b>	<b>104,207,288</b>	<b>100,512,232</b>	<b>98,547,480</b>	<b>1,964,752</b>
<b>Support Services</b>				
Pupil services	9,311,036	9,124,820	8,844,325	280,495
Instructional staff services	11,461,301	10,575,873	9,710,796	865,077
General administration services	2,238,422	2,290,214	2,139,398	150,816
School administration services	11,185,753	11,024,136	10,607,831	416,305
Business services	4,653,812	4,664,541	4,836,405	(171,864)
Operation and maintenance of plant	26,558,148	24,786,765	22,906,273	1,880,492
Pupil transportation services	5,234,163	5,224,755	5,031,744	193,011
Central services	6,834,394	6,735,306	6,287,298	448,008
Insurance	740,755	660,755	546,363	114,392
Other support services	750,921	1,785,235	1,795,524	(10,289)
<b>Total Support Services</b>	<b>78,968,705</b>	<b>76,872,400</b>	<b>72,705,957</b>	<b>4,166,443</b>
<b>Debt service</b>	<b>1,343,657</b>	<b>1,343,657</b>	<b>1,318,449</b>	<b>25,208</b>
<b>Non-program</b>				
General tuition payments	8,064,961	7,472,282	7,824,641	(352,359)
Indirect costs	398,679	398,679	127,258	271,421
<b>Total Non-program</b>	<b>8,463,640</b>	<b>7,870,961</b>	<b>7,951,899</b>	<b>(80,938)</b>
<b>Total Expenditures</b>	<b>192,983,290</b>	<b>186,599,250</b>	<b>180,523,785</b>	<b>6,075,465</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>32,812,424</b>	<b>37,544,782</b>	<b>43,393,000</b>	<b>5,848,218</b>
<b>Other Financing Sources (Uses)</b>				
Capital leases	1,528,432	1,528,432	1,750,142	221,710
Transfers in	192,554	192,554	179,677	(12,877)
Transfers out	(34,533,410)	(33,859,532)	(31,643,763)	2,215,769
<b>Total Other Financing Sources (Uses)</b>	<b>(32,812,424)</b>	<b>(32,138,546)</b>	<b>(29,713,944)</b>	<b>2,424,602</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>5,406,236</b>	<b>13,679,056</b>	<b>8,272,820</b>
<b>Fund Balance - July 1</b>	<b>33,118,439</b>	<b>33,118,439</b>	<b>33,118,439</b>	<b>-</b>
<b>Fund Balance - June 30</b>	<b>\$ 33,118,439</b>	<b>\$ 38,524,675</b>	<b>\$ 46,797,495</b>	<b>\$ 8,272,820</b>

The notes to the required supplementary 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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
State sources	\$ 12,027,658	\$ 12,151,615	\$ 12,713,173	\$ 561,558
Federal sources	7,408,387	7,175,695	7,063,390	(112,305)
<b>Total Revenues</b>	<b>19,436,045</b>	<b>19,327,310</b>	<b>19,776,563</b>	<b>449,253</b>
<b>Expenditures</b>				
Instruction				
Vocational instruction	48,443	48,443	40,727	7,716
Special education instruction	40,249,620	39,495,620	37,985,311	1,510,309
Other instruction	-	50,414	62,244	(11,830)
<b>Total Instruction</b>	<b>40,298,063</b>	<b>39,594,477</b>	<b>38,088,282</b>	<b>1,506,195</b>
Support Services				
Pupil services	5,592,685	5,477,696	5,248,316	229,380
Instructional staff services	3,502,680	3,564,129	3,251,082	313,047
General administration services	25,000	25,000	20,975	4,025
Business services	178,184	177,139	145,042	32,097
Operation and maintenance of plant	24,200	7,200	9,603	(2,403)
Pupil transportation services	3,674,173	3,665,026	3,786,046	(121,020)
Central services	5,600	6,950	4,980	1,970
Insurance	223,740	224,095	216,719	7,376
<b>Total Support Services</b>	<b>13,226,262</b>	<b>13,147,235</b>	<b>12,682,763</b>	<b>464,472</b>
Non-program				
Special education tuition payments	283,600	283,600	492,800	(209,200)
<b>Total Expenditures</b>	<b>53,807,925</b>	<b>53,025,312</b>	<b>51,263,845</b>	<b>1,761,467</b>
<b>Excess of Revenues Under Expenditures</b>	<b>(34,371,880)</b>	<b>(33,698,002)</b>	<b>(31,487,282)</b>	<b>2,210,720</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	34,533,410	33,859,532	31,643,763	(2,215,769)
Transfers out	(161,530)	(161,530)	(156,481)	5,049
<b>Total Other Financing Sources (Uses)</b>	<b>34,371,880</b>	<b>33,698,002</b>	<b>31,487,282</b>	<b>(2,210,720)</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - July 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Schedule of Funding Progress  
For the Year Ended June 30, 2013

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)
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%
2012	7,199,332	85,113,538	8.46%	77,914,206	136,498,539	57.08%

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
2012	-	3,674,467	0.00%	3,674,467	N/A	N/A

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Employer Contributions  
 For the Year Ended June 30, 2013

Other Post-Employment Benefit Plan			
Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2011	\$ 9,583,529	\$ 10,962,135	87.42%
2012	7,981,678	10,962,135	72.81%
2013	10,408,383	10,479,586	99.32%

Pension Plan			
Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2011	\$ 204,912	\$ 279,293	73.37%
2012	288,435	279,293	103.27%
2013	235,363	346,026	68.02%

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2013

**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 5.0% in the July 1, 2010 actuarial valuation to 4.0% in the July 1, 2012 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 A 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
<b>Revenues</b>		
Actual amounts (budgetary basis)	\$ 223,916,785	\$ 19,776,563
Reclassification of special education	19,776,563	(19,776,563)
<b>Total Revenues</b>	<u>243,693,348</u>	<u>-</u>
<b>Expenditures</b>		
Actual amounts (budgetary basis)	180,523,785	51,263,845
Reclassification of special education	51,263,845	(51,263,845)
<b>Total Expenditures</b>	<u>231,787,630</u>	<u>-</u>
<b>Excess of Revenues Over (Under) Expenditures</b>		
Actual amounts (budgetary basis)	43,393,000	(31,487,282)
Reclassification of special education	(31,487,282)	31,487,282
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>11,905,718</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>		
Actual amounts (budgetary basis)	(29,713,944)	31,487,282
Reclassification of special education	31,487,282	(31,487,282)
<b>Total Other Financing Sources (Uses)</b>	<u>1,773,338</u>	<u>-</u>
<b>Net Change in Fund Balance</b>		
Actual amounts (budgetary basis)	<u>13,679,056</u>	<u>-</u>
<b>Fund Balance - January 1</b>		
Actual amounts (budgetary basis)	<u>33,118,439</u>	<u>-</u>
<b>Fund Balance - December 31</b>		
Actual amounts (budgetary basis)	<u>\$ 46,797,495</u>	<u>\$ -</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2013

**NOTE C - BUDGETARY INFORMATION (Continued)**

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, 2013. In addition, no District funds had deficit fund equity as of June 30, 2013.

## **SUPPLEMENTARY INFORMATION**



**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2013

	Special Revenue Funds		
	Trust	Special Projects	Community Service
<b>ASSETS</b>			
Due from other funds	\$ 184,665	\$ -	\$ 184,968
Due from other governments	-	394,943	-
<b>TOTAL ASSETS</b>	<u>\$ 184,665</u>	<u>\$ 394,943</u>	<u>\$ 184,968</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Due to other funds	\$ -	\$ 361,978	\$ -
Fund Balances			
Fund Balances			
Restricted			
Private gifts and donations	184,665	-	-
Grant expenditures	-	32,965	-
Debt service	-	-	-
Community service programs	-	-	184,968
Total Fund Balances	<u>184,665</u>	<u>32,965</u>	<u>184,968</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 184,665</u>	<u>\$ 394,943</u>	<u>\$ 184,968</u>

Debt Service Funds		Total Nonmajor Governmental Funds
Non-Referendum Debt Service	Referendum Debt Service	
\$ 17,656,548	\$ 134,687	\$ 18,160,868
-	-	394,943
<hr/>		
\$ 17,656,548	\$ 134,687	\$ 18,555,811

\$ 2,934,536	\$ -	\$ 3,296,514
--------------	------	--------------

-	-	184,665
-	-	32,965
14,722,012	134,687	14,856,699
-	-	184,968
<hr/>		
14,722,012	134,687	15,259,297
<hr/>		
\$ 17,656,548	\$ 134,687	\$ 18,555,811

**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, 2013

	Special Revenue Funds		
	Trust	Special Projects	Community Service
<b>Revenues</b>			
Property taxes	\$ -	\$ -	\$ -
Other local sources	177,400	-	191,936
Federal sources	-	888,825	-
<b>Total Revenues</b>	<u>177,400</u>	<u>888,825</u>	<u>191,936</u>
<b>Expenditures</b>			
Instruction			
Regular instruction	4,607	30,447	-
Vocational instruction	4,892	-	-
Other instruction	-	550,225	-
<b>Total Instruction</b>	<u>9,499</u>	<u>580,672</u>	<u>-</u>
Support Services			
Pupil services	-	9,585	-
Instructional staff services	95,549	219,442	-
General administration services	12,000	-	12,313
School administration services	-	65	121,451
Operation and maintenance of plant	-	-	1,123
Pupil transportation services	-	25,626	22,074
Central services	-	29,879	6,250
<b>Total Support Services</b>	<u>107,549</u>	<u>284,597</u>	<u>163,211</u>
Debt Service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
<b>Total Debt Service</b>	<u>-</u>	<u>-</u>	<u>-</u>
Community Services			937,939
<b>Total Expenditures</b>	<u>117,048</u>	<u>865,269</u>	<u>1,101,150</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>60,352</u>	<u>23,556</u>	<u>(909,214)</u>
<b>Other Financing Sources (Uses)</b>			
Long-term debt issued	-	-	-
Premium on long term debt issued	-	-	-
Payment to current noteholder	-	-	-
Transfers out	-	(23,196)	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(23,196)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>60,352</u>	<u>360</u>	<u>(909,214)</u>
<b>Fund Balances - July 1</b>	<u>124,313</u>	<u>32,605</u>	<u>1,094,182</u>
<b>Fund Balances - June 30</b>	<u>\$ 184,665</u>	<u>\$ 32,965</u>	<u>\$ 184,968</u>

Debt Service Funds		Total Nonmajor Governmental Funds
Non-Referendum Debt Service	Referendum Debt Service	
\$ 1,469,920	\$ 2,926,819	\$ 4,396,739
-	-	369,336
-	-	888,825
<u>1,469,920</u>	<u>2,926,819</u>	<u>5,654,900</u>
-	-	35,054
-	-	4,892
-	-	550,225
<u>-</u>	<u>-</u>	<u>590,171</u>
-	-	9,585
-	-	314,991
-	-	24,313
-	-	121,516
-	-	1,123
-	-	47,700
-	-	36,129
<u>-</u>	<u>-</u>	<u>555,357</u>
676,868	2,465,000	3,141,868
1,225,124	705,068	1,930,192
<u>1,901,992</u>	<u>3,170,068</u>	<u>5,072,060</u>
-	-	937,939
<u>1,901,992</u>	<u>3,170,068</u>	<u>7,155,527</u>
<u>(432,072)</u>	<u>(243,249)</u>	<u>(1,500,627)</u>
24,000,000	-	24,000,000
872,683	-	872,683
(10,000,000)	-	(10,000,000)
-	-	(23,196)
<u>14,872,683</u>	<u>-</u>	<u>14,849,487</u>
14,440,611	(243,249)	13,348,860
281,401	377,936	1,910,437
<u>\$ 14,722,012</u>	<u>\$ 134,687</u>	<u>\$ 15,259,297</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Pupil Activity Funds  
 Schedule of Changes in Assets and Liabilities  
 For the Year Ended June 30, 2013

	Pupil Activity Funds			
	Balance 07/01/12	Additions	Deletions	Balance 06/30/13
<b>ASSETS</b>				
Cash and investments	\$ 1,100,728	\$ 3,779,145	\$ 3,712,676	\$ 1,167,197
<b>LIABILITIES</b>				
Due to student organizations				
Senior high schools	\$ 639,985	\$ 2,230,801	\$ 2,214,837	\$ 655,949
Middle schools	187,758	705,834	678,361	215,231
Elementary schools	235,256	710,745	686,576	259,425
Early Childhood schools	9,348	17,899	20,696	6,551
Lighted Schoolhouse	9,273	27,867	34,168	2,972
P-COC	2,179	12,949	14,042	1,086
Mack Center	2,692	3,208	1,784	4,116
REAL School	14,237	69,842	62,212	21,867
<b>TOTAL LIABILITIES</b>	<b>\$ 1,100,728</b>	<b>\$ 3,779,145</b>	<b>\$ 3,712,676</b>	<b>\$ 1,167,197</b>

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

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

To the Board of Education  
Racine Unified School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, 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, 2013, and the related notes to the financial statements, which collectively comprise the Racine Unified School District's basic financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 2 dated November 12, 2013.

**Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the Racine Unified School District's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Racine Unified School District's internal control. Accordingly, we do not express an opinion on the effectiveness of the Racine Unified School District's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the District's financial statements will not be prevented, or detected and corrected on a timely basis. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2013-01 and 2013-02 that we consider to be significant deficiencies.

## **Compliance and Other Matters**

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

## **Racine Unified School District's Response to Findings**

Racine Unified School District's response to the findings identified in our audit is described in the accompanying schedule of prior year audit findings and corrective action plan. Racine Unified School District's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of Racine Unified School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Racine Unified School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants  
Green Bay, Wisconsin  
November 12, 2013



**FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**



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

To the Board of Education  
Racine Unified School District

**Report on Compliance for Each Major Federal and State Program**

We have audited Racine Unified School District's 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 Racine Unified School District's major federal and state programs for the year ended June 30, 2013. Racine Unified School 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.

**Management's Responsibility**

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of Racine Unified School District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and 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 Racine Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal and state program. However, our audit does not provide a legal determination of Racine Unified School District's compliance.

**Opinion on Each Major Federal and State Program**

In our opinion, Racine Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013.

## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the requirements referred to above that are required to be reported in accordance with the *State Single Audit Guidelines* and which is described in the accompanying schedule of findings and questioned costs as item 2013-03.

## Report on Internal Control Over Compliance

Management of Racine Unified School District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered Racine Unified School District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal and state program and to test and report on internal control over compliance in accordance with OMB Circular A-133 and 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 Racine Unified School District's internal control over compliance.

Our consideration of 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, 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. 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-03 to be a significant deficiency.

Racine Unified School District's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of prior year audit findings and corrective action plan. Racine Unified School District's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants  
Green Bay, Wisconsin  
November 12, 2013

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2013

Federal Grantor/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number
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U.S. Department of Agriculture

*Child Nutrition Cluster*

School Breakfast Program		10.553
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
National School Lunch Program		10.555
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
Donated Commodities	Wisconsin Department of Public Instruction	
Total National School Lunch Program		
Special Milk Program for Children		10.556
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	
July 1, 2012 - June 30, 2013		
Summer Food Service Program for Children		10.559
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
<i>Total Child Nutrition Cluster</i>		

Total U.S. Department of Agriculture

U.S. Department of Education

*Title I, Part A Cluster*

Title I Grants to Local Educational Agencies		84.010
Basic Grant		
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	P141
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
Neglected and Delinquent Youth		
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	P140
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
Title I Focus Schools Grant		
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	P145
Total Title I Grants to Local Educational Agencies		

*Total Title I, Part A Cluster*

(Continued)

Accrued Receivable (Deferred Revenue) 7/1/12	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/13	Total Revenues	Total Expenditures
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\$ (39,470)	\$ 39,470	\$ -	\$ -	\$ -
-	1,172,324	46,012	1,218,336	1,218,336
(139,210)	139,210	-	-	-
-	4,654,358	165,677	4,820,035	4,820,035
-	509,923	-	509,923	509,923
<u>(139,210)</u>	<u>5,303,491</u>	<u>165,677</u>	<u>5,329,958</u>	<u>5,329,958</u>
(96)	96	-	-	-
-	4,538	144	4,682	4,682
-	160,326	-	160,326	160,326
<u>(178,776)</u>	<u>6,680,245</u>	<u>211,833</u>	<u>6,713,302</u>	<u>6,713,302</u>
<u>(178,776)</u>	<u>6,680,245</u>	<u>211,833</u>	<u>6,713,302</u>	<u>6,713,302</u>

(4,169,105)	4,169,105	-	-	-
-	2,747,233	3,948,471	6,695,704	6,695,704
(78,826)	78,826	-	-	-
-	47,528	74,076	121,604	121,604
-	-	23,520	23,520	23,520
<u>(4,247,931)</u>	<u>7,042,692</u>	<u>4,046,067</u>	<u>6,840,828</u>	<u>6,840,828</u>
<u>(4,247,931)</u>	<u>7,042,692</u>	<u>4,046,067</u>	<u>6,840,828</u>	<u>6,840,828</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Expenditures of Federal Awards (Continued)  
 For the Year Ended June 30, 2013

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		84.048
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	P405
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
<i>Special Education Cluster (IDEA)</i>		
Special Education - Grants to States		
IDEA Flow Thru		84.027
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	P341
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
IDEA High Cost Special Education Aid		
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
IDEA Discretionary		
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	P342
IDEA Discretionary Grant - Disportionality		
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	CEIS
July 1, 2012 - June 30, 2013		
Total Special Education - Grants to States		
Special Education - Preschool Grants		84.173
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
Total Special Education Cluster (IDEA)		
Safe and Drug-Free Schools and Communities - National Programs		84.184
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	P592
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
<i>Education for Homeless Children</i>		
Education for Homeless Children and Youth		84.196
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	P335
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
Total Education for Homeless Children		
Fund for the Improvement of Education		84.215k
July 1, 2011 - June 30, 2012	City of Racine	
July 1, 2012 - June 30, 2013	City of Racine	
NSF Grand Challenges Grant	UWM	PRJ48JL
July 1, 2012 - June 30, 2013		
Afterschool Program		P620
July 1, 2012 - June 30, 2013	City of Racine	
Youth Gang Diversion Prog Grant		
July 1, 2012 - June 30, 2013	City of Racine	P625
Total Fund for the Improvement of Education		84.215k
<i>Twenty-First Century Community Learning Centers</i>		
Twenty-First Century Community Learning Centers		84.287
July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction	P212
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	

(Continued)

Accrued Receivable (Deferred Revenue) 7/1/12	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/13	Total Revenues	Total Expenditures
(188,040)	188,040	-	-	-
-	-	246,572	246,572	246,572
(351,252)	351,252	-	-	-
-	2,870,293	1,632,792	4,503,085	4,503,085
-	62,293	-	62,293	62,293
-	-	7,831	7,831	7,831
(302,897)	302,897	-	-	-
	571,070	488,926	1,059,996	1,059,996
(654,149)	4,157,805	2,129,549	5,633,205	5,633,205
(75,430)	75,430	-	-	-
-	172,681	88,840	261,521	261,521
(729,579)	4,405,916	2,218,389	5,894,726	5,894,726
(177,215)	177,215	-	-	-
-	-	191,906	191,906	191,906
(33,845)	33,845	-	-	-
-	32,200	19,775	51,975	51,975
(33,845)	66,045	19,775	51,975	51,975
(19,292)	19,292	-	-	-
-	36,855	29,242	66,097	66,097
-	4,500	-	4,500	4,500
-	25,632	11,760	37,392	37,392
-	29,242	-	29,242	29,242
(19,292)	115,521	41,002	137,231	137,231
(78,555)	78,555	-	-	-
-	176,753	50,602	227,355	227,355

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2013

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, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	84.287 P367
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
Twenty-First Century Community Learning Centers July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	84.287 P215
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
Twenty-First Century Community Learning Centers July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	84.287
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	P215
Twenty-First Century Community Learning Centers July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	P216
Total Twenty-First Century Community Learning Centers		
Transition to Teaching Grant Program July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	84.350 P593
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
English Language Acquisition Grants July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	84.365 P391
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
Improving Teacher Quality State Grants July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	84.367 P365
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
Title I Priority Schools Grant July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	84.377 P151
ARRA - Education Jobs Bill July 1, 2011 - June 30, 2012	Wisconsin Department of Administration	84.410
July 1, 2012 - June 30, 2013	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, 2011 - June 30, 2012	Wisconsin Department of Health Services	93.778
July 1, 2012 - June 30, 2013	Wisconsin Department of Health Services	
Center for Disease Control - Basic Grant July 1, 2012 - June 30, 2013	Wisconsin Department of Health Services	93.938 P334
Total U.S. Department of Health and Human Services		
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		
Reconciliation to Basic Financial Statements		
Governmental Funds		
Federal sources		
Federal awards reported with interdistrict sources		
Miscellaneous adjustment		
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) 7/1/12	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/13	Total Revenues	Total Expenditures
(38,611)	38,611	-	-	-
-	42,079	7,504	49,583	49,583
(82,506)	82,506	-	-	-
-	140,720	119,963	260,683	260,683
(86,662)	86,662	-	-	-
-	79,182	129,039	208,221	208,221
-	29,516	46,834	76,350	76,350
(286,334)	754,584	353,942	822,192	822,192
(26,536)	26,536	-	-	-
-	-	36,330	36,330	36,330
(96,585)	96,585	-	-	-
-	218,420	71,829	290,249	290,249
(744,583)	744,583	-	-	-
-	135,664	1,208,781	1,344,445	1,344,445
-	-	290,733	290,733	290,733
(15,064)	15,064	-	-	-
-	1,690,513	-	1,690,513	1,690,513
(6,565,004)	15,677,378	8,725,326	17,837,700	17,837,700
(1,683,953)	1,683,953	-	-	-
-	2,228,659	-	2,228,659	2,228,659
-	250	-	250	250
(1,683,953)	3,912,862	-	2,228,909	2,228,909
<u>\$ (8,427,733)</u>	<u>\$ 26,270,485</u>	<u>\$ 8,937,159</u>	<u>\$ 26,779,911</u>	<u>\$ 26,779,911</u>

\$ 19,998,353  
70,597  
(2,341)

6,713,302  
\$ 26,779,911

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Schedule of State Financial Assistance  
For the Year Ended June 30, 2013

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>		
Alcohol & Other Drug Abuse July 1, 2012 - June 30, 2013	Direct Program	255.306
Peer Review and Mentoring July 1, 2012 - June 30, 2013	Direct Program	255.301
AODA Mini Grants July 1, 2012 - June 30, 2013	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, 2011 - June 30, 2012	Direct Program	255.201
July 1, 2012 - June 30, 2013	Direct Program	
Integration Transfer	Direct Program	255.205
High Cost Special Education Aid	Direct Program	255.210
State Breakfast Program	Direct Program	255.344
Tuition Payments by State	Direct Program	255.401
Tuition Payments by State - FUND 27	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
Per Pupil Adjustment Aid	Direct Program	255.925
WI Partnership Childhood Fitness	Direct Program	255.938
Total Entitlement Programs		
Total Wisconsin Department of Public Instruction		
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		
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		
Miscellaneous		
Total State Awards		

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

(Accrued Receivable) Deferred Revenue 7/1/12	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/13	Total Revenues	Total Expenditures
--	------------------	---	-------------------	-----------------------

\$ -	\$ -	\$ 3,000	\$ 3,000	\$ 3,000
-	-	9,989	9,989	9,989
-	4,996	-	4,996	4,996
-	4,996	12,989	17,985	17,985
-	12,434,995	-	12,434,995	12,434,995
-	84,564	-	84,564	84,564.00
-	794,898	-	794,898	794,898
-	419,513	-	419,513	419,513.00
-	400,110	-	400,110	400,110.00
-	750,000	-	750,000	750,000
(2,309,617)	2,309,617	-	-	-
-	113,496,907	2,126,095	115,623,002	115,623,002
-	6,733,376	-	6,733,376	6,733,376
-	167,733	-	167,733	167,733
-	63,445	-	63,445	63,445
-	231,132	-	231,132	231,132
-	110,445	-	110,445	110,445
-	1,542,631	-	1,542,631	1,542,631
-	1,483,804	-	1,483,804	1,483,804
-	1,058,996	-	1,058,996	1,058,996
-	1,000	-	1,000	1,000
(2,309,617)	142,083,166	2,126,095	141,899,644	141,899,644
(2,309,617)	142,088,162	2,139,084	141,917,629	141,917,629
\$ (2,309,617)	\$ 142,088,162	\$ 2,139,084	\$ 141,917,629	\$ 141,917,629

\$ 142,282,729  
4,996

148,009

(496,276)

(21,829)

\$ 141,917,629

**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, 2013

**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 2012-2013 eligible costs under the State Special Education Program as reported by the District are \$46,060,430.

**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, 2013

**Section I - Summary of Auditors' Results**

Basic Financial Statements

Type of auditors' report issued:	Unmodified
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	Unmodified
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
	<i>Special Education Cluster (IDEA)</i>
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
84.287	Twenty-First Century Community Learning Centers

State ID Number	Name of State Programs
255.101	Special Education and School Age Parents
255.106	Bilingual Bicultural
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
255.401	Tuition Payments
255.925	Per Pupil Adjustment
255.926	Aid for High Poverty

Audit threshold used to determine between Type A and Type B federal programs:	\$803,397
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, 2013

**Section II - Financial Statement Findings**

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

**2013-01      Preparation of Annual Financial Report**

**Condition:** Current District staff maintains accounting records which reflect the District's financial transactions; however, preparing the District's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The District contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to prepare the annual financial report in an efficient manner.

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

**Cause:** District management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.

**Effect:** Without our involvement, the District may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.

**Recommendation:** We recommend the District continue reviewing the annual financial report prepared by Schenck. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the District is necessary to obtain a complete and adequate understanding of the District's annual financial report.

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended June 30, 2013

**Section II - Financial Statement Findings (continued)**

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

**2013-02 Timely Reconciliations of District's Financial Records**

**Condition:** The District proposed numerous adjusting journal entries which corrected certain general ledger balances that were considered significant to the District's financial statements after audit fieldwork started. In addition, a significant adjustment was necessary to correct interfund balances at year end.

**Criteria:** Numerous and significant adjusting journal entries to reflect adjustments necessary to correct variances is considered a deficiency in the District's internal controls.

**Cause:** The District does not have a formal process for reconciling balance sheet and key operating accounts throughout the year, including designating responsible persons and related timeframes. As a result, many account reconciliations were not done until year end, resulting in a number of adjustments after the start of the audit.

**Effect:** Periodic financial records prepared by the District may contain misstatements throughout the year.

**Recommendation:** We recommend the District create a process to identify key accounts which require monthly, quarterly and annual reconciliations, based on the magnitude and significance of transactions recorded through each account and operating cycles, and establish a checklist identifying who is responsible for completing, reviewing and approving reconciliations and the related timeframe. The account reconciliations should be completed on a rotational basis throughout the year versus year-end to assist in preparing accurate and timely financial statements.

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended June 30, 2013

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

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

**2013-03 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. Also, special education students who are reported on the annual report in Fund 27 are not to be included in the regular transportation tables.

**Condition:** Special education students were reported on both the annual report in fund 27 and on the regular annual Transportation Report PI-1547.

**Cause:** The District does not identify specific procedures for reviewing the documentation received from the system before applying the data to the report.

**Effect:** The District incorrectly reported students transported and reported in the fund 27 annual report on the regular transportation table in which pupil transportation aid for the following year is calculated with.

**Questioned Costs:** Questioned costs could not be determined.

**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, 2013

**Section IV - Other Issues**

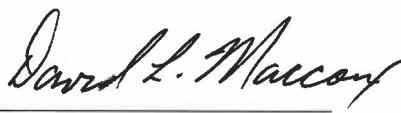
Does the auditor's report of the notes to the financial statement include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? \_\_\_\_\_ Yes        X   No

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	_____ <u>  X  </u>	Yes	_____ <u>  X  </u>	No
Department of Administration	_____	Yes	_____ <u>  X  </u>	No
Department of Health Services	_____	Yes	_____ <u>  X  </u>	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 12, 2013

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Prior Year Audit Findings and Corrective Action Plan  
 For the Year Ended June 30, 2013

**Status of Prior Year Audit Finding**

All findings noted in the 2012 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 2013-01 and 2013-02.

For findings 2012-02 and 2012-03, these findings have been resolved.

**Corrective Action Plan for Audit Findings**

Finding No.	
<b>2013-01</b>	<b>Preparation of Annual Financial Report</b>
Management Response:	The District has reviewed and will continue to review the financial reports prepared by Schenck, SC and work to communicate questions and to mutually understand the financial reports.
<b>2013-02</b>	<b>Timely Reconciliations of District's Financial Records</b>
Management Response:	The District will provide the Auditors a reconciled Trial Balance within three weeks of receiving the final Incurred But Not Reported liability estimate from the District's actuarial/insurance consultant. The District will continue to reconcile major cash accounts on a monthly basis and reconcile prior year accounts receivable and accounts payable after the first quarter of the new fiscal year. Payroll liabilities accounts will be monitored regularly and reconciled at year end.
<b>2013-03</b>	<b>Pupil Transportation Reporting Classifications</b>
Management Response:	During the audit this year it was discovered that special education students were counted on the state report. This was in error and has been corrected and resubmitted correct numbers without the special education students being counted. The information that is supplied to the State comes directly from Edulog, the District's computer based transportation system. The special education students are identified by a check mark in the program. The report has been adjusted to not include any students with a check mark. The report was re-run, verified and submitted. The report has been saved to eliminate students with a check mark to prevent future issues. This error has been corrected.