

**RACINE UNIFIED SCHOOL DISTRICT
RACINE, WISCONSIN**

ANNUAL FINANCIAL REPORT

JUNE 30, 2017

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
June 30, 2017

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RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

June 30, 2017

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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, each major fund, and the aggregate remaining fund information of the Racine Unified School District, Racine, Wisconsin (the "District") as of and for the year ended June 30, 2017, 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 auditors consider 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, each major fund, and the aggregate remaining fund information of the District as of June 30, 2017, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Change in Accounting Principle

As discussed in Note C.5., the District adopted new accounting guidance, GASB Statements No. 73, *Accounting and Financial Reporting for Pension and Related Assets That Are Now Within the Scope of GASB Statement 68*, No. 74, *Financial Reporting for Postemployment Benefit Plans* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. Our opinions are not modified with respect to these matters.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the budgetary comparison information and the schedules relating to pensions and other postemployment benefits on pages 47 through 52 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 Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* 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 schedule 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 2016 financial statements, and our report dated December 19, 2016, expressed unmodified opinions on those respective financial statements of the governmental 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, 2016, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2017, 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 30, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS



Racine Unified School District

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

Management's Discussion and Analysis
For the Year Ended June 30, 2017

FINANCIAL HIGHLIGHTS

- The District's overall financial position, as reflected in total net position, decreased \$1,602,737 during the 2016-2017 fiscal year. A cumulative effect of change in accounting principle due to the implementation of GASB Statement Nos. 73, 74, and 75 decreased net position an additional \$67,278,023. (See page 12).
- The District's governmental fund balance reported an increase of \$6,804,051 compared to an increase of \$736,219 in the prior year. The increases primarily were in the General Fund of \$2,373,632 and Capital Project Fund of \$3,129,786. The increase in the General Fund was primarily due to savings from health insurance costs for employees and retirees and classroom furniture purchases that were deferred until the 2017-18 fiscal year. The increase in the Capital Projects Fund was due primary due to timing on the receipt of debt proceeds for capital projects and the spending of capital funds.
- The District's reported capital assets increased by \$16,303,094 over the prior year. The increases were primarily due to the purchase of land and the construction of two new school buildings and a large addition and improvements to another school building. (See page 29)

OVERVIEW OF THE FINANCIAL STATEMENTS

The basic financial statements are comprised of (1) district-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 district-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 two types of funds: governmental, and fiduciary. Governmental funds are: general, special revenue, special education, special project, debt service, and capital projects. 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 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, 2017 with a comparison to the prior year.

Table 1			
Condensed Statement of Net Assets			
(in thousands of dollars)			
	School District		%
	2017	2016	Change 2016-17
Assets			
Current assets	\$ 85,014	\$ 81,129	4.8%
Capital assets	166,156	149,853	10.9%
Total Assets	251,170	230,982	8.7%
Deferred Outflows			
Related to pension	56,543	83,496	-32.3%
Related to other post-employment benefits	207	-	N/A
Loss on advance refunding	49	77	-36.4%
Total Deferred Outflows	56,799	83,573	-32.0%
Liabilities			
Long-term obligations	207,124	134,120	54.4%
Other liabilities	25,554	28,346	-9.8%
Total Liabilities	232,678	162,466	43.2%
Deferred Inflows			
Related to pension	25,469	33,386	-23.7%
Net Position			
Net investment in capital assets	63,608	53,417	19.1%
Restricted	15,562	11,258	38.2%
Unrestricted	(29,348)	54,028	-154.3%
Total Net Position	\$ 49,822	\$ 118,703	-58.0%

(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, 2017 with a comparison to the prior year.

Table 2			
Changes in Net Position			
(in thousands of dollars)			
	School District		%
	2017	2016	Change 2016-17
Revenues			
Program Revenues			
Charges for services	\$ 2,564	\$ 2,349	9.2%
Operating grants and contributions	53,966	52,989	1.8%
General Revenues			
Property taxes	85,405	85,619	-0.2%
State Formula aid	148,476	141,035	5.3%
Interest	142	59	140.7%
Other	756	1,272	-40.6%
Total Revenues	291,309	283,323	2.8%
Expenses			
Instruction	150,963	151,003	0.0%
Pupil and instructional services	47,334	42,490	11.4%
Administration and business	60,852	61,336	-0.8%
Central services and insurance	10,136	9,863	2.8%
Interest on debt	2,583	2,623	-1.5%
Non-program	20,194	15,146	33.3%
Community services	850	715	18.9%
Total Expenses	292,912	283,176	3.3%
Increase (Decrease in Net Position	(1,603)	147	
Cumulative Change in Accounting Principle	(67,278)	-	
Change in Net Position	\$ (68,881)	\$ 147	

General revenues (all revenue except operating grants and contributions and charges for services) provide about 81% of the funding for governmental activities. Racine Unified School District relies on state general aid and property taxes for 51% and 29%, respectively, 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
	2017	2016	2017	2016	2016-17
Instruction	\$ 150,963	\$ 151,003	\$ 117,322	\$ 118,913	1.4%
Pupil and instructional services	47,334	42,490	35,040	29,900	-14.7%
Administration and business	60,852	61,336	50,781	50,971	0.4%
Central services and insurance	10,136	9,863	9,739	9,737	0.0%
Interest on debt	2,583	2,623	2,583	2,623	1.5%
Non-program	20,194	15,146	20,171	15,029	-25.5%
Community services	850	715	746	665	-10.9%
Totals	\$ 292,912	\$ 283,176	\$ 236,382	\$ 227,838	-3.6%

Governmental Funds

The District completed the year with a total governmental fund balance of \$60.2 million, an increase of \$6.8 million from the prior year.

- Total general fund revenue for the year was \$1.7 million below budget largely due to lower federal grant claims.
- Total general fund program expenditures, including non-program transactions, was less than the budget by \$3.9 million primarily due to lower employee and retiree health insurance costs.
- The original general fund budget forecasted a decrease in general fund balance of \$1.4 million while the final budget forecast a decrease of \$315 thousand while the actual results showed a \$2.4 million increase.
- The debt service funds fund balance had a net increase of \$488 thousand. The debt service fund balance will fluctuate from year to year because the fund balance must be at least equal to the amount of debt payments that are scheduled prior to January 20th of the subsequent year. The typical debt service schedule for the District requires interest payments prior to January 20th with an additional interest payment and principal payment occurring in March of each year.
- For fiscal year 2016-2017, the capital projects funds fund balance increased by \$3.1 million as debt was issued to fund various projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2017 fiscal year, the District had net capital assets of \$166.2 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.

	Totals School District		%
	2017	2016	Change 2016-17
Land	\$ 4,073	\$ 3,229	26.1%
Work in progress	7,628	43,919	-82.6%
Site improvements	6,182	5,302	16.6%
Buildings	134,972	84,921	58.9%
Machinery and equipment	13,301	12,482	6.6%
Total	\$ 166,156	\$ 149,853	10.9%

Long-Term Debt and Other Obligations

At year end, the district had \$103 million in general obligation debt outstanding, an increase of \$7.1 million from last year. Additional information about the District's long-term liabilities is presented in the notes to the financial statements.

	Totals		%
	School District		Change
	2017	2016	2016-17
General obligation debt	\$ 91,154	\$ 90,798	0.4%
State Trust Fund Loans	11,975	5,225	129.2%
Premium on debt	2,270	2,323	-2.3%
Capital leases	1,969	-	N/A
Other post-employment benefits	86,985	18,743	364.1%
Pension benefits	12,392	877	0.0%
Compensated absences	379	374	1.3%
Total	\$ 207,124	\$ 118,340	75.0%

The district participates in the Wisconsin Retirement System (the "WRS"), a cost-sharing multiple employer pension plan, in addition to maintaining a separate supplemental pension plan. As a result, the district reports their proportionate share of the WRS net pension asset or liability. The WRS operates on a different fiscal year from the district; therefore, the pension information included in the district's annual financial report is derived from the WRS's year ended December 31, 2015. The district reported a pension liability of \$8 million as of June 30, 2017. The District implemented GASB Statement Nos. 73, 74, and 75 in 2016-17 resulting in the increase in other post-employment benefits and pension benefits listed above.

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 Marc Duff, 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, 2017
(With summarized financial information as of June 30, 2016)

	Governmental Activities	
	2017	2016
ASSETS		
Cash and investments	\$ 55,249,917	\$ 48,128,280
Receivables		
Taxes	18,213,658	19,274,879
Accounts	286,233	398,247
Due from other governments	9,549,483	11,146,284
Inventories and prepaid items	1,715,361	2,181,789
Capital assets		
Land	4,072,735	3,228,786
Construction in progress	7,628,036	43,919,208
Site improvements	9,638,678	8,417,523
Buildings	198,789,281	144,505,287
Machinery and equipment	28,724,510	26,651,615
Less: Accumulated depreciation	(82,697,465)	(76,869,738)
TOTAL ASSETS	251,170,427	230,982,160
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	56,542,620	83,495,758
Deferred outflows related to other post-employment benefits	206,645	-
Loss on advance refunding	49,118	77,187
TOTAL DEFERRED OUTFLOWS OF RESOURCES	56,798,383	83,572,945
LIABILITIES		
Accounts payable	8,633,894	11,620,317
Accrued payroll liabilities	16,080,542	15,986,249
Accrued interest payable	736,835	610,087
Unearned revenues	55,498	110,736
Other liabilities	47,160	18,670
Long-term obligations		
Due within one year	9,868,916	8,123,739
Due in more than one year	97,878,538	90,596,431
Other post-employment benefits liability	86,984,840	18,742,797
Pension liability	12,391,426	16,656,387
TOTAL LIABILITIES	232,677,649	162,465,413
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension	25,468,699	33,386,470
NET POSITION		
Net investment in capital assets	63,608,105	53,417,473
Restricted for		
Private gifts and donations	480,641	366,143
Grant expenditures	77,471	67,609
Debt service	1,043,697	682,200
Community service programs	843,856	212,339
Food service	2,046,411	1,989,900
Construction of capital assets	11,069,891	7,940,105
Unrestricted	(29,347,610)	54,027,453
TOTAL NET POSITION	\$ 49,822,462	\$ 118,703,222

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, 2017
(With summarized financial information for the year ended June 30, 2016)

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	
				2017	2016
Governmental Activities					
Instruction	\$ 150,963,269	\$ 735,359	\$ 32,905,665	\$ (117,322,245)	\$ (118,913,220)
Support services	118,320,768	1,723,106	21,037,198	(95,560,464)	(90,608,256)
Other					
Interest and fiscal charges	2,582,579	-	-	(2,582,579)	(2,622,834)
Community services	850,740	105,151	-	(745,589)	(664,963)
Non-program transactions	20,194,263	-	23,406	(20,170,857)	(15,029,101)
Total Other	<u>23,627,582</u>	<u>105,151</u>	<u>23,406</u>	<u>(23,499,025)</u>	<u>(18,316,898)</u>
Total Governmental Activities	<u>292,911,619</u>	<u>2,563,616</u>	<u>53,966,269</u>	<u>(236,381,734)</u>	<u>(227,838,374)</u>
General revenues					
Property taxes, levied for general purposes				74,526,577	78,689,657
Property taxes, levied for debt service				10,004,771	6,929,312
Other taxes				873,293	-
State and federal aids not restricted to specific functions				148,476,365	141,035,265
Interest and investment earnings				142,295	59,417
Miscellaneous				755,696	1,272,182
Total General Revenues				<u>234,778,997</u>	<u>227,985,833</u>
Change in net position				<u>(1,602,737)</u>	<u>147,459</u>
Net position - July 1, as originally reported				118,703,222	-
Cumulative change in accounting principle				<u>(67,278,023)</u>	<u>-</u>
Net position - July 1, as restated				<u>51,425,199</u>	<u>118,555,763</u>
Net position - June 30				<u>\$ 49,822,462</u>	<u>\$ 118,703,222</u>

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

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2017

(With summarized financial information as of June 30, 2016)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds	
				2017	2016
ASSETS					
Cash and investments	\$ 40,649,655	\$ 11,339,266	\$ 3,260,996	\$ 55,249,917	\$ 48,128,280
Receivables					
Taxes	18,213,658	-	-	18,213,658	19,274,879
Accounts	244,562	-	41,671	286,233	398,247
Due from other funds	3,470,593	1,758,000	1,580,576	6,809,169	8,038,428
Due from other governments	9,008,859	-	540,624	9,549,483	11,146,284
Inventories	543,155	-	-	543,155	784,252
Prepaid items	1,172,206	-	-	1,172,206	1,397,537
TOTAL ASSETS	\$ 73,302,688	\$ 13,097,266	\$ 5,423,867	\$ 91,823,821	\$ 89,167,907
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 8,633,894	\$ -	\$ -	\$ 8,633,894	\$ 11,620,317
Accrued payroll liabilities	16,080,542	-	-	16,080,542	15,986,249
Due to other funds	4,640,836	2,027,375	140,958	6,809,169	8,038,428
Unearned revenues	1,500	-	53,998	55,498	110,736
Other deposits payable	47,160	-	-	47,160	18,670
Total Liabilities	29,403,932	2,027,375	194,956	31,626,263	35,774,400
Fund Balances					
Nonspendable					
Inventories	543,155	-	-	543,155	784,252
Prepaid items	1,172,206	-	-	1,172,206	1,397,537
Restricted					
Private gifts and donations	-	-	480,641	480,641	366,143
Grant expenditures	-	-	77,471	77,471	67,609
Food service	-	-	2,046,411	2,046,411	1,989,900
Construction of capital assets	-	11,069,891	-	11,069,891	7,940,105
Debt service funds	-	-	1,780,532	1,780,532	1,292,287
Community service programs	-	-	843,856	843,856	212,339
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	150,000	-	-	150,000	-
Subsequent years' expenditures	1,087,264	-	-	1,087,264	1,750,000
General fund	22,946,131	-	-	22,946,131	19,593,335
Total Fund Balances	43,898,756	11,069,891	5,228,911	60,197,558	53,393,507
TOTAL LIABILITIES AND FUND BALANCES	\$ 73,302,688	\$ 13,097,266	\$ 5,423,867	\$ 91,823,821	\$ 89,167,907

(Continued)

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Balance Sheet (Continued)

Governmental Funds

June 30, 2017

(With summarized financial information as of June 30, 2016)

	Total Governmental Funds	
	2017	2016
<u>Reconciliation to the Statement of Net Position</u>		
Total Fund Balances from previous page	\$ 60,197,558	\$ 53,393,507
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.	166,155,775	149,852,681
Deferred outflow of resources is reported in the statement of net position for loss on advance refinancing.	49,118	77,187
The District's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements:		
Deferred outflows of resources	64,410,521	83,495,758
Net pension liability	(7,979,824)	(15,779,061)
Deferred inflows of resources	(33,336,600)	(33,386,470)
The District's supplemental pension plan is not an available resource; therefore, is not reported in the fund financial statements:		
Pension liability	(4,411,602)	(877,326)
The District's other post-employment benefit liability is not an available resource; therefore, is not reported in the fund financial statements:		
Deferred outflows of resources	206,645	-
Other post employment benefit liability	(86,984,840)	(18,742,797)
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	(103,128,634)	(96,023,480)
Premium on long-term debt	(2,270,248)	(2,322,693)
Capital leases payable	(1,969,348)	-
Compensated absences	(379,224)	(373,997)
Accrued interest payable	(736,835)	(610,087)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 11)	<u>\$ 49,822,462</u>	<u>\$ 118,703,222</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, 2017
(With summarized financial information for the year ended June 30, 2016)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds	
				2017	2016
Revenues					
Property taxes	\$ 73,799,870	\$ -	\$ 11,604,771	\$ 85,404,641	\$ 85,618,969
Other local sources	910,670	24,327	1,824,863	2,759,860	2,603,480
Interdistrict sources	196,895	-	-	196,895	202,218
Intermediate sources	313,294	-	-	313,294	5,440
State sources	170,978,928	-	171,513	171,150,441	162,529,800
Federal sources	21,823,557	-	8,925,488	30,749,045	31,015,087
Other sources	513,334	-	215,375	728,709	1,266,428
Total Revenues	268,536,548	24,327	22,742,010	291,302,885	283,241,422
Expenditures					
Instruction					
Regular instruction	90,666,315	-	66,746	90,733,061	92,711,247
Vocational instruction	5,223,331	-	1,250	5,224,581	5,111,062
Special education instruction	37,532,869	-	-	37,532,869	38,533,219
Other instruction	6,684,455	-	499,217	7,183,672	7,212,834
Total Instruction	140,106,970	-	567,213	140,674,183	143,568,362
Support Services					
Pupil services	17,370,892	-	331	17,371,223	16,987,669
Instructional staff services	17,783,072	-	381,262	18,164,334	18,546,749
General administration services	3,001,129	-	53,516	3,054,645	3,254,336
School administration services	13,180,839	-	201,346	13,382,185	12,984,033
Business services	5,105,744	-	-	5,105,744	2,489,306
Operation and maintenance of plant	31,540,971	11,644,541	659,677	43,845,189	77,550,594
Pupil transportation services	8,760,899	-	87,369	8,848,268	8,564,858
Food services	-	-	9,021,395	9,021,395	9,162,837
Central services	9,277,792	-	23,470	9,301,262	8,547,036
Insurance	964,273	-	-	964,273	1,020,879
Other support services	337,292	-	-	337,292	345,664
Total Support Services	107,322,903	11,644,541	10,428,366	129,395,810	159,453,961
Debt Service					
Principal	420,541	-	12,869,846	13,290,387	5,172,075
Interest and fiscal charges	65,126	-	2,685,618	2,750,744	2,508,184
Total Debt Service	485,667	-	15,555,464	16,041,131	7,680,259
Community Services					
Non-program					
General tuition payments	19,253,654	-	-	19,253,654	14,057,836
Special education tuition payments	674,574	-	-	674,574	919,444
Revenue transits to others	-	-	-	-	18,127
Adjustments and refunds	266,035	-	-	266,035	151,133
Total Non-program	20,194,263	-	-	20,194,263	15,146,540
Total Expenditures	268,109,803	11,644,541	27,390,389	307,144,733	326,550,305
Excess of Revenues Over (Under) Expenditures	426,745	(11,620,214)	(4,648,379)	(15,841,848)	(43,308,883)
Other Financing Sources (Uses)					
Long-term debt issued	-	14,750,000	5,225,000	19,975,000	43,015,000
Capital leases	2,389,889	-	-	2,389,889	-
Premium on long term debt issued	-	-	270,537	270,537	1,029,080
Sale of capital assets	10,473	-	-	10,473	1,022
Transfers in	13,525	-	467,000	480,525	43,953
Transfers out	(467,000)	-	(13,525)	(480,525)	(43,953)
Total Other Financing Sources (Uses)	1,946,887	14,750,000	5,949,012	22,645,899	44,045,102
Net Change in Fund Balances	2,373,632	3,129,786	1,300,633	6,804,051	736,219
Fund Balances - July 1	41,525,124	7,940,105	3,928,278	53,393,507	52,657,288
Fund Balances - June 30	\$ 43,898,756	\$ 11,069,891	\$ 5,228,911	\$ 60,197,558	\$ 53,393,507

(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, 2017
 (With summarized financial information as of June 30, 2016)

	Total Governmental Funds	
	2017	2016
Reconciliation to the Statement of Activities		
Net Change in Fund Balances from previous page	\$ 6,804,051	\$ 736,219
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	\$ 23,121,028	
Depreciation expense reported in the statement of activities	<u>(6,361,981)</u>	
Amount in which depreciation is less than capital outlays	16,759,047	48,391,880
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.	(455,953)	-
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:	(5,227)	593,274
Changes in the pension liability (asset) and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plans.		
Wisconsin Retirement System	(11,236,130)	(9,320,168)
Supplemental pension plan	(133,571)	(209,910)
Change in the OPEB and related deferred outflows of resources as a result of employer contributions and related other post-employment costs of the plan	(4,158,080)	(1,057,181)
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	(19,975,000)	(43,015,000)
Capital leases issued by the District	(2,389,889)	-
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 as does not affect the statement of activities. The amount of long-term principal payments:		
General obligation debt retired by District	12,869,846	5,172,075
Capital leases retired by the District	420,541	-
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.	(126,748)	(237,322)
Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of the net position, 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	52,445	(812,964)
Loss on advance refunding	<u>(28,069)</u>	<u>(93,444)</u>
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see page 12)	<u>\$ (1,602,737)</u>	<u>\$ 147,459</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

Fiduciary Funds

June 30, 2017

(With summarized financial information as of June 30, 2016)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Agency Fund	Total Fiduciary Funds	
			Pupil Activity	2017	2016
ASSETS					
Cash and investments	\$ 38,673	\$ 7,950,102	\$ 1,000,487	\$ 8,989,262	\$ 8,569,510
Accounts receivable	16,415	1,549,434	-	1,565,849	1,096,430
TOTAL ASSETS	\$ 55,088	\$ 9,499,536	\$ 1,000,487	\$ 10,555,111	\$ 9,665,940
LIABILITIES					
Accounts payable	\$ 16,415	\$ 604,754	\$ -	\$ 621,169	\$ 66,818
Due to student organizations	-	-	1,000,487	1,000,487	939,336
TOTAL LIABILITIES	16,415	604,754	1,000,487	1,621,656	1,006,154
NET POSITION					
Restricted for					
Scholarships	38,673	-	-	38,673	44,805
Employee benefits	-	8,894,782	-	8,894,782	8,614,981
TOTAL NET POSITION	38,673	8,894,782	-	8,933,455	8,659,786
TOTAL LIABILITIES AND NET POSITION	\$ 55,088	\$ 9,499,536	\$ 1,000,487	\$ 10,555,111	\$ 9,665,940

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, 2017

(With summarized financial information for the year ended June 30, 2016)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Total Fiduciary Funds	
			2017	2016
ADDITIONS				
Other local sources	\$ 73,771	\$ -	\$ 73,771	\$ 151,158
Contributions				
Employer	-	4,882,415	4,882,415	7,009,892
Plan members	-	430,892	430,892	357,372
Investment earnings	-	51,804	51,804	40,748
Total Additions	73,771	5,365,111	5,438,882	7,559,170
DEDUCTIONS				
Trust fund disbursements	79,903	5,085,310	5,165,213	7,169,299
Change in Net Position	(6,132)	279,801	273,669	389,871
Net Position - July 1	44,805	8,614,981	8,659,786	8,269,915
Net Position - June 30	\$ 38,673	\$ 8,894,782	\$ 8,933,455	\$ 8,659,786

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, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Racine Unified School District, Racine, Wisconsin (the "District") 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 No. 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.

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 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. The District has no enterprise or 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.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

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*. 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.

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

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

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 price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

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.

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.

f. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items, and are accounted for on the consumption method.

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.

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

g. Capital Assets

Capital assets, which include property, buildings, machinery and equipment, and site improvements assets are reported 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.

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

Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition 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:

<u>Assets</u>	Governmental Activities Years
Site improvements	20
Buildings	50
Machinery and equipment	3 - 20

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. Expenditures for these benefits are recognized as paid in the fund financial statements.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Deferred Outflows/Inflows of Resources

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) until then. The District has several items that qualifies for reporting in this category. One item relates to the District's pension plans, including its proportionate share of the Wisconsin Retirement System pension plan and its supplemental pension plan. One portion of that item includes District contributions to the Wisconsin Retirement System pension plan subsequent to the measurement date which are recognized as expenditures in the subsequent year. The remaining portion of this item is deferred and amortized over the expected remaining service lives of the pension plan participants. The second item relates to the District's other post-employment benefits plan. This item is deferred and amortized over the expected remaining service lives of the other post-employment benefits plan participants. The third is a deferred charge on refunding which results from the difference in the carrying value of refunded debt and its reacquisition price.

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 item that qualifies for reporting in this category on the statement of net position. The item is related to the District's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

j. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the 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.

k. Other Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the District's Other Postemployment Benefit Plan (the "Plan") and additions to/deductions from the Plan's fiduciary net position have been determined on the same basis as they are reported by the Plan. For this purpose, the Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

l. Pensions

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

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. 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 FINANCIAL 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, and capital related deferred outflows of resources less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets and any capital related deferred inflows of resources.
- 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.

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2017

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

The Board of Education has adopted a policy that fund balance in the amount of 15% - 20% of the ensuing year's budgeted general fund expenditures be maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Budgeted 2017-18 General Fund Expenditures	\$	275,876,307
Minimum Fund Balance %		(x) 15% - 20%
Minimum Fund Balance Amount		\$41,381,446 to \$55,175,261

The District's general fund balance of \$43,898,756 is within the range of the above minimum fund balance amount.

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, 2016, 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".

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

The carrying amount of the District's cash and investments totaled \$64,239,179 on June 30, 2017 as summarized below:

Petty cash funds	\$ 500
Deposits with financial institutions	12,825,075
Investments	
Wisconsin Investment Series Cooperative (WISC)	
Cash management series	109,190
Investment series	49,282,685
Negotiable certificates of deposit	1,986,116
Wisconsin local government investment pool	35,613
	<u>\$ 64,239,179</u>

Reconciliation to the basic financial statements:

District-wide Statement of Net Position	
Cash and investments	\$ 55,249,917
Fiduciary funds Statement of Net Position	
Private purpose trust fund	38,673
Employee benefit trust fund	7,950,102
Agency fund	1,000,487
	<u>\$ 64,239,179</u>

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following fair value measurements as of June 30, 2017:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
Negotiable certificates of deposit	\$ 1,986,116	\$ -	\$ -

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

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

Custodial Credit Risk

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

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for 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 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, 2017, \$7,867,671 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. \$7,867,671 was collateralized with securities held by the pledging financial institution or its trust department or agent but not in the District's name.

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. Presented on the following page is the actual rating as of year-end for each investment type.

Investment Type	Amount	Exempt From Disclosure	Rating as of Year End		
			AAA	Aa	Not Rated
Wisconsin local government investment pool	\$ 35,613	\$ -	\$ -	\$ -	\$ 35,613
WISC Investments					
Cash management series	109,190	-	109,190	-	-
Investment series	49,282,685	-	49,282,685	-	-
Negotiable certificates of deposit	1,986,116	-	-	-	1,986,116
Totals	\$51,413,604	\$ -	\$49,391,875	\$ -	\$ 2,021,729

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.

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NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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	\$ 35,613	\$ 35,613	\$ -	\$ -	\$ -
WISC Investments					
Cash management series	109,190	109,190	-	-	-
Investment series	49,282,685	49,282,685	-	-	-
Negotiable certificates of deposit	1,986,116	992,486	993,630	-	-
Totals	\$51,413,604	\$50,419,974	\$ 993,630	\$ -	\$ -

Investment in Wisconsin Local Government Investment Pool

The District has investments in the Wisconsin local government investment pool of \$35,613 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, 2017, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

Investment in Wisconsin Investment Series Cooperative

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$51,377,991 at year end, which includes investments in the Cash Management Series, Investment Series, and various negotiable certificates of deposit. The Cash Management Series has no minimum investment period, allows check writing privileges, and the average dollar weighted maturity is ninety (90) days or less. The Investment Series requires a 14 day minimum investment period and one business day withdrawal notice, and the average dollar weighted maturity is 120 days or less.

WISC is organized by and operated exclusively for Wisconsin public schools, technical colleges, and municipal entities. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin intergovernmental Cooperation Statute, Wisconsin Statutes, Section 66.0301. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin law. WISC investments are valued at amortized cost, which approximates market 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, 2017 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 3,228,786	\$ 843,949	\$ -	\$ 4,072,735
Work in progress	43,919,208	7,628,036	43,919,208	7,628,036
Total capital assets, not being depreciated	<u>47,147,994</u>	<u>8,471,985</u>	<u>43,919,208</u>	<u>11,700,771</u>
Capital assets, being depreciated:				
Site improvements	8,417,523	1,221,155	-	9,638,678
Buildings	144,505,287	54,283,994	-	198,789,281
Machinery and equipment	26,651,615	3,063,102	990,207	28,724,510
Total capital assets being depreciated	<u>179,574,425</u>	<u>58,568,251</u>	<u>990,207</u>	<u>237,152,469</u>
Less accumulated depreciation for:				
Site improvements	3,115,901	341,008	-	3,456,909
Buildings	59,584,638	4,231,876	-	63,816,514
Machinery and equipment	14,169,199	1,789,097	534,254	15,424,042
Total accumulated depreciation	<u>76,869,738</u>	<u>6,361,981</u>	<u>534,254</u>	<u>82,697,465</u>
Total capital assets, being depreciated, net	<u>102,704,687</u>	<u>52,206,270</u>	<u>455,953</u>	<u>154,455,004</u>
Governmental activities capital assets, net	<u>\$ 149,852,681</u>	<u>\$ 60,678,255</u>	<u>\$ 44,375,161</u>	<u>166,155,775</u>
Less:				
Related general obligation debt outstanding				98,357,192
Capital leases				1,969,348
Capital related deferred outflows of resources				(49,118)
Capital related debt premium				<u>2,270,248</u>
Net investment in capital assets				<u>\$ 63,608,105</u>

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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	
Instruction	
Regular instruction	\$ 20,818
Vocational instruction	49,769
Special education instruction	5,450
Total instruction	76,037
Support Services	
Pupil services	704
Instructional staff services	2,563
General administration services	7,682
School administration services	5,556
Operation and maintenance of plant	5,135,613
Pupil transportation	24,836
Food service	132,312
Business services	639,346
Central services	337,332
Total support services	6,285,944
Total depreciation expense - governmental activities	\$ 6,361,981

3. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the District as of June 30, 2017 are detailed below:

	Interfund Receivables	Interfund Payables
Pooled cash balances		
General Fund	\$ 3,470,593	\$ 4,640,836
Special Revenue Funds		
Trust	480,641	-
Special projects	-	137,038
Community service	843,856	-
Food service	227,134	-
Debt Service Funds		
Non-referendum debt service	28,945	-
Referendum debt service	-	3,920
Capital Projects Fund	1,758,000	2,027,375
Totals	\$ 6,809,169	\$ 6,809,169

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NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Interfund transfers for the year ended June 30, 2017 were as follows:

	Transfer to:		Total
	General	Non-Referendum Debt Service	
Transfers from:			
General Fund	\$ -	\$ 467,000	\$ 467,000
Special Revenue Fund			
Special projects	13,525	-	13,525
Total	\$ 13,525	\$ 467,000	\$ 480,525

The special projects transfer to the general fund 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. The non-referendum debt service transfer is for levy management.

4. Short-term Obligations

The District issued tax and revenue anticipation promissory note revolving credit loan 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. The loan was approved October 31, 2016 with any unpaid principal balance outstanding due November 1, 2017. Interest on the outstanding balance accrues at the LIBOR index plus 1.5%. Short-term debt activity for the year ended June 30, 2017 was as follows:

	Outstanding 7/1/16	Issued	Retired	Outstanding 6/30/17
Issued 10/31/16, due 11/1/2017	\$ -	\$ 5,000,000	\$ 5,000,000	\$ -

Total interest paid for the year on short-term debt totaled \$1,745.

5. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2017:

	Outstanding 7/1/16	Issued	Retired	Outstanding 6/30/17	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 71,094,000	\$ 8,000,000	\$ 4,726,000	\$ 74,368,000	\$ 5,231,000
Notes	19,704,480	-	2,918,846	16,785,634	2,970,634
State trust fund notes	5,225,000	11,975,000	5,225,000	11,975,000	819,334
Total	96,023,480	19,975,000	12,869,846	103,128,634	9,020,968
Premium	2,322,693	270,537	322,982	2,270,248	267,652
Capital leases	-	2,389,889	420,541	1,969,348	580,296
Compensated absences	373,997	5,227	-	379,224	-
Governmental activities					
Long-term obligations	\$ 98,720,170	\$ 22,640,653	\$ 13,613,369	\$ 107,747,454	\$ 9,868,916

Total interest paid during the year on long-term debt totaled \$2,559,230.

RACINE UNIFIED SCHOOL DISTRICT

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NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

General Obligation Debt

Detail of the outstanding general obligation debt follows:

	Issue Amount	Issue Date	Average Interest Rates (%)	Dates of Maturity	Outstanding 06/30/17
General Obligation Bonds					
Promissory Bonds	\$ 5,945,000	09/03/08	4.00 - 4.25%	04/01/19	\$ 3,555,000
Refunding Bonds	5,880,000	07/11/11	4.00 - 5.00%	04/01/31	5,880,000
Refunding Bonds	10,000,000	01/03/13	2.50 - 2.75%	04/01/28	10,000,000
Refunding Bonds	2,020,000	06/10/13	3.38%	04/01/27	1,840,000
Refunding Bonds	8,980,000	04/06/15	2.00 - 3.00%	04/01/24	8,980,000
School Building & Improvement	9,700,000	07/07/15	2.75%	04/01/29	9,700,000
School Building & Improvement	28,090,000	01/05/16	0.05 - 3.00%	04/01/27	25,180,000
Qualified School Construction					
Promissory Bonds	1,794,000	11/09/09	0.00%	09/15/19	1,233,000
School Building & Improvement	8,000,000	05/15/17	2.00 - 3.00%	04/01/34	8,000,000
Subtotal					<u>74,368,000</u>
General Obligation Notes					
Qualified Zone Academy					
Promissory Notes	1,728,000	04/15/08	1.00%	04/14/18	180,634
Promissory Notes	1,610,000	04/05/10	3.00 - 3.625%	04/01/20	465,000
Promissory Notes	995,000	07/11/11	3.00 - 3.50%	04/01/20	430,000
Promissory Notes	21,735,000	06/10/13	2.00 - 3.00%	04/01/23	15,710,000
Subtotal					<u>16,785,634</u>
State Trust Fund Loan	6,750,000	06/20/17	3.50%	03/15/27	6,750,000
State Trust Fund Loan	5,225,000	03/04/17	4.00%	03/15/36	5,225,000
Subtotal					<u>11,975,000</u>
Total General Obligation Debt					<u><u>\$ 103,128,634</u></u>

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

Annual principal and interest maturities of the outstanding general obligation debt of \$103,128,634 on June 30, 2017 are detailed below:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2018	\$ 9,020,968	\$ 2,856,299	\$ 11,877,267
2019	8,941,741	2,670,469	11,612,210
2020	9,721,199	2,432,536	12,153,735
2021	9,109,776	2,198,284	11,308,060
2022	9,335,405	1,971,505	11,306,910
2023-2027	39,086,133	6,366,205	45,452,338
2028-2032	15,118,920	1,472,633	16,591,553
2033-2036	2,794,492	208,370	3,002,862
	<u>\$ 103,128,634</u>	<u>\$ 20,176,301</u>	<u>\$ 123,304,935</u>

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2017 was \$760,819,043 as follows:

Equalized valuation of the District	\$8,629,039,800
Statutory limitation percentage	<u>(x) 10%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	862,903,980
Total outstanding general obligation debt	\$ 103,128,634
Less: Amounts available for financing general obligation debt	
Debt service fund ⁽¹⁾	<u>1,043,697</u>
Net outstanding general obligation debt applicable to debt limitation	102,084,937
Legal Margin for New Debt	<u>\$ 760,819,043</u>

(1) Less accrued interest.

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

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, 2017:

Year Ending June 30,	Governmental Activities
2018	\$ 645,230
2019	645,230
2020	806,537
Total Minimum Lease Payments	2,096,997
Less: Amount representing interest	127,649
Present Value of Future Minimum Lease Payments	<u>\$ 1,969,348</u>

6. Pension Liability

The District reports pension related balances at June 30, 2017, as summarized below:

	Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Wisconsin Retirement System (WRS)	\$ 7,979,824	\$ 64,410,521	\$ 33,336,600
Supplemental pension plan	(4,411,602)	-	-
Total Pension Liability	<u>\$ 3,568,222</u>	<u>\$ 64,410,521</u>	<u>\$ 33,336,600</u>

a. WRS Pension Plan

1. Plan Description

The WRS is a cost-sharing, multiple-employer, defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, 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.

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

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.

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NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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

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

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

The WRS also provides death and disability benefits for employees.

a. Post-Retirement Adjustments

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2007	3.0%	10%
2008	6.6%	0%
2009	(2.1)%	(42)%
2010	(1.3)%	22%
2011	(1.2)%	11%
2012	(7.0)%	(7)%
2013	(9.6)%	9%
2014	4.7%	25%
2015	2.9%	2%
2016	0.5%	(5)%

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NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

b. Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Starting on January 1, 2016, the Executives and Elected Officials category was merged into the General Employee Category. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$9,048,479 in contributions from the District.

Contribution rates as of June 30, 2017 are:

Employee Category	Employee	Employer
General (including teachers)	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

c. Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions.

At June 30, 2017, the District reported a liability of \$7,979,824 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the District's proportion was 0.96814477%, which was a decrease of 0.00288598% from its proportion measured as of December 31, 2015.

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

For the year ended June 30, 2017, the District recognized pension expense of \$20,407,463.

At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,042,708	\$ 25,095,858
Net differences between projected and actual earnings on pension plan investments	39,721,039	-
Changes in assumptions	8,343,215	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	372,841
Employer contributions subsequent to the measurement date	5,435,658	-
Total	\$ 56,542,620	\$ 25,468,699

\$5,435,658 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2017	\$ 18,594,069	\$ 8,137,978
2018	18,594,069	8,137,978
2019	15,231,445	8,105,403
2020	(1,326,495)	1,086,364
2021	13,874	976
Total	\$ 51,106,962	\$ 25,468,699

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

d. Actuarial Assumptions

The total pension liability in the December 31, 2016, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2015
Measurement Date of Net Pension Liability (Asset):	December 31, 2016
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012–2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 actuarial valuation.

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

	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
Core Fund Asset Class				
Global Equities	50%	45%	8.3%	5.4%
Fixed Income	24.5%	37%	4.2%	1.4%
Inflation Sensitive Assets	15.5%	20%	4.3%	1.5%
Real Estate	8%	7%	6.5%	3.6%
Private Equity/Debt	8%	7%	9.4%	6.5%
Multi-Asset	4%	4%	6.6%	3.7%
Total Core Fund	110%	120%	7.4%	4.5%
Variable Fund Asset Class				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30%	30%	8.5%	5.6%
Total Variable Fund	100%	100%	7.9%	5%

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

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

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NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.78%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
District's proportionate share of the net pension liability (asset)	\$ 104,979,706	\$ 7,979,824	\$ (66,714,479)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://etf.wi.gov/publications/cafr.htm>.

e. Payables to the Pension Plan

At June 30, 2017 the District reported a payable of \$1,903,407 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2017.

b. Pension Plan - Supplemental 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. The plan does not issue separate financial statements.

b. Benefits Provided

A summary of eligibility requirements and plan benefits follows:

Administrators who retire from the district after attaining age 55 and completing 10 years of services with the District or age 62 and five years of services, are eligible to receive a monthly benefit equal to the WRS pension, unreduced for early retirement, minus the WRS pension as reduced for early retirement. The benefit is paid in the form of ten year certain annuity for the life of the employee.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Clerical employees hired prior to July 1, 2014 who retired after attaining age 58 and completing 25 years of service are eligible to receive a benefit equal to 50% of the unemployment compensation rate in effect at retirement for 26 weeks.

c. Employees Covered by Benefit Terms

At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	64
Active employees	251
	315

d. 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.

e. Pension Liabilities, Pension Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

Component	Amount
Total Pension Liability at July 1, 2016	\$ 4,278,031
Changes for the year:	
Service cost	218,464
Interest	131,604
Benefit payments	(216,497)
Net changes	133,571
Total Pension Liability at June 30, 2017	\$ 4,411,602

For the year ended June 30, 2017, the District recognized pension expense of \$133,571. The District has no deferred outflows or inflows of resources related to its supplemental pension plan.

f. Actuarial Assumptions

The District's total pension liability was measured as of July 1, 2016 and rolled forward to June 30, 2017.

Actuarial Assumptions. The total pension liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation Date	July 1, 2016
Actuarial cost method	Individual Entry Age normal
Amortization method	Level percentage of salary, open basis
Actuarial assumptions:	
Discount rate	3.0%
Inflation	N/A

Single Discount rate. A single discount rate of 3.0% was used to measure the total pension liability. This single discount rate was based on the 20 year tax exempt AA muni bond rates.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Sensitivity of the District's total pension liability to changes in the discount rate. The following presents the District's total pension liability at July 1, 2016 calculated using the discount rate of 3.0%, as well as what the District's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.0%) or 1-percentage-point higher (4.0%) than the current rate.

	1% Decrease to Discount Rate (2.0%)	Current Discount Rate (3.0%)	1% Increase to Discount Rate (4.0%)
Total Pension Liability	\$ 4,932,724	\$ 4,411,602	\$ 3,974,188

The sensitivity of the District's total pension liability was determined based on the actuarial date while the total pension liability of \$4,411,602 was based on the District's fiscal year ended June 30, 2017, as rolled forward by the District's actuary. Sensitivity information as of June 30, 2016 was not available.

g. Payable to the Supplemental Pension Plan

At June 30, 2017, the District reported a payable of \$0 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2017.

NOTE C - OTHER INFORMATION

1. 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, 2017

NOTE C - OTHER INFORMATION (Continued)

At June 30, 2017, the District has reported a liability of \$3,518,602 which represents reported and unreported claims which were incurred on or before June 30, 2017, 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 for the year ended June 30, 2017 with comparative totals for the prior year follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability June 30
2016	\$ 3,270,570	\$ 37,048,556	\$ 36,644,417	\$ 3,674,709
2017	3,674,709	33,781,447	33,937,554	3,518,602

2. Other Postemployment Benefits Other Than Pension Benefits (OPEB)

a. Plan Description

The Plan is a single-employer defined benefit postemployment health plan that covers retired employees of the District. Eligible retired employees have access to group medical coverage through the District's group plan. District paid medical benefits are paid for as indicated below. All employees of the District are eligible for the Plan if they meet the following age and service requirements below.

b. Benefits Provided

The District provides medical (including prescription drugs) and dental coverage for retired employees through the district's self-insured plans.

c. At June 30, 2017, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	355
Active employees	2,177
	<u>2,532</u>

d. Contributions

Certain retired plan members and beneficiaries currently receiving benefits are required to contribute specified amounts monthly towards the cost of insurance premiums based on the employee group and their retirement date. District paid medical and dental benefits are paid until the retiree or surviving spouse becomes eligible for Medicare.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

e. Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2016.

Actuarial Assumptions. The total OPEB liability in the July 1, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	N/A
Salary Increases:	2.0% per year
Investment Rate of Return:	3.0%
Healthcare cost trend rates:	Medical and Drug Trend - 2.0% for 2017 increasing to 6.0% for 2018-2019, and decreasing to 5.5% thereafter. Dental Trend - level at 4.0%

Mortality rates are a blend of those from the "Wisconsin Retirement System 2012-2014 Experience Study" and the MP-2015 generational improvement scale.

The actuarial assumptions used in the July 1, 2016 valuation were based on the "Wisconsin Retirement System 2012-2014 Experience Study".

The long-term expected rate of return on OPEB plan investments was valued at 3.0%. A blend of expected earnings on District funds and the current yield for 20 year tax-exempt AA Municipal bond rate or higher as of the measurement date was used for all years of benefit payments.

Discount rate. The discount rate used to measure the total OPEB liability was 3.0%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan's fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

f. Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at July 1, 2016	\$ 91,235,096	\$ 8,614,981	\$ 82,620,115
Changes for the year:			
Service cost	6,789,109	-	6,789,109
Interest	2,940,726	-	2,940,726
Contributions - employer	-	5,313,306	(5,313,306)
Net investment income	-	51,804	(51,804)
Benefit payments	(5,085,310)	(5,085,310)	-
Net changes	4,644,525	279,800	4,364,725
Balance at June 30, 2017	<u>\$ 95,879,621</u>	<u>\$ 8,894,781</u>	<u>\$ 86,984,840</u>

Sensitivity of the net OPEB liability to changes in the discount rate. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.0%) or 1-percentage-point higher (4.0%) than the current rate:

	1% Decrease to Discount Rate (2.0%)	Current Discount Rate (3.0%)	1% Increase to Discount Rate (4.0%)
Net OPEB Liability	\$ 95,938,618	\$ 86,984,840	\$ 78,910,005

Sensitivity of the net OPEB liability to changes in the healthcare cost trend rates. The following presents the net OPEB liability of the District, as well as what the District's net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower (5.0% decreasing to 1.0%) or 1-percentage-point higher (7.0% decreasing to 3.0%) than the current healthcare cost trend rates:

	1% Decrease (5.0% decreasing to 1.0%)	Healthcare Cost Trend Rates (6.0% decreasing to 2.0%)	1% Increase (7.0% decreasing to 3.0%)
Net OPEB liability	\$ 73,790,795	\$ 86,984,840	\$ 103,519,968

OPEB plan fiduciary net position. Information about the OPEB plan's fiduciary net position is presented in the Employee Benefit Trust Fund in these financial statements.

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

- g. OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended June 30, 2017, the District recognized OPEB expense of \$4,158,080. At June 30, 2017, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 206,645	\$ -
Changes in assumptions	-	-
Net difference between projected and actual earnings on OPEB plan investments	-	-
District contributions subsequent to the measurement date	-	-
Total	\$ 206,645	\$ -

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended June 30	Deferred Outflows of Resources	Deferred Inflows of Resources
2018	\$ 41,329	\$ -
2019	41,329	-
2020	41,329	-
2021	41,329	-
2022	41,329	-
Total	\$ 206,645	\$ -

- h. Payable to the OPEB Plan

At June 30, 2017, the District reported a payable of \$0 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2017.

3. 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.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2017

NOTE C - OTHER INFORMATION (Continued)

4. 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.

5. Cumulative Effect of Change in Accounting Principles

The District has adopted GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68 and Amendments to Certain Provisions of GASB Statements 67 and 68*, No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the year ended June 30, 2017. These statements revised and established new financial reporting requirements for governments that provide their employees with postemployment benefits. Financial statements for the year ended June 30, 2016 have not been restated.

The cumulative effect of change in accounting principle was to decrease net position by \$67,278,023 as follows:

Other postemployment liability		
Balance previously reported	\$ 18,742,797	
Actuarially determined balance	<u>(82,620,115)</u>	
Change in other postemployment liability		\$ (63,877,318)
Total supplemental pension liability		
Balance previously reported	877,326	
Actuarially determined balance	<u>(4,278,031)</u>	
Change in other postemployment liability		<u>(3,400,705)</u>
Total cumulative effect of change in accounting principle		<u><u>\$ (67,278,023)</u></u>

6. Upcoming Accounting Pronouncements

In January 2017, the GASB issued GASB Statement No. 84, *Fiduciary Activities*. The Statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. This statement is effective for reporting periods beginning after June 15, 2018. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

In June 2017, the GASB issued GASB Statement No. 87, *Leases*. The Statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement is effective for reporting periods beginning after December 15, 2019. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 73,799,870	\$ 73,799,870	\$ 73,799,870	\$ -
Other local sources	934,886	961,689	910,670	(51,019)
Interdistrict sources	118,000	118,000	177,829	59,829
Intermediate sources	300,000	300,000	311,903	11,903
State sources	159,666,323	159,449,790	158,592,655	(857,135)
Federal sources	16,115,929	16,041,958	14,960,560	(1,081,398)
Other sources	305,195	305,195	513,334	208,139
Total Revenues	251,240,203	250,976,502	249,266,821	(1,709,681)
Expenditures				
Instruction				
Regular instruction	93,887,741	93,097,671	90,666,150	2,431,521
Vocational instruction	5,460,539	5,405,777	5,223,331	182,446
Other instruction	6,832,561	6,852,906	6,609,638	243,268
Total Instruction	106,180,841	105,356,354	102,499,119	2,857,235
Support Services				
Pupil services	11,802,007	11,899,181	11,594,989	304,192
Instructional staff services	15,416,303	14,550,632	13,707,172	843,460
General administration services	3,122,467	3,068,456	3,000,779	67,677
School administration services	13,569,510	13,630,874	13,180,839	450,035
Business services	4,941,903	4,927,049	4,858,440	68,609
Operation and maintenance of plant	30,706,537	30,568,733	31,521,957	(953,224)
Pupil transportation services	5,212,777	5,232,839	5,185,565	47,274
Central services	8,810,169	9,216,929	9,250,964	(34,035)
Insurance	751,003	710,593	722,919	(12,326)
Other support services	444,084	386,795	337,292	49,503
Total Support Services	94,776,760	94,192,081	93,360,916	831,165
Debt service	486,267	485,767	485,667	100
Non-program				
General tuition payments	19,609,066	19,578,513	19,253,654	324,859
Indirect costs	128,400	113,400	266,035	(152,635)
Total Non-program	19,737,466	19,691,913	19,519,689	172,224
Total Expenditures	221,181,334	219,726,115	215,865,391	3,860,724
Excess of Revenues Over Expenditures	30,058,869	31,250,387	33,401,430	2,151,043
Other Financing Sources (Uses)				
Capital leases	2,383,067	2,383,067	2,389,889	6,822
Sale of capital assets	5,000	5,000	10,473	5,473
Transfers in	215,963	212,896	29,688	(183,208)
Transfers out	(34,026,694)	(34,165,936)	(33,457,848)	708,088
Total Other Financing Sources (Uses)	(31,422,664)	(31,564,973)	(31,027,798)	537,175
Net Change in Fund Balance	(1,363,795)	(314,586)	2,373,632	2,688,218
Fund Balance - July 1	41,525,124	41,525,124	41,525,124	-
Fund Balance - June 30	\$ 40,161,329	\$ 41,210,538	\$ 43,898,756	\$ 2,688,218

See Notes to Required Supplementary Information.

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, 2017

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interdistrict sources	\$ 42,430	\$ 42,430	\$ 19,066	\$ (23,364)
Intermediate sources	-	-	1,391	1,391
State sources	12,248,880	12,248,880	12,386,273	137,393
Federal sources	7,061,375	7,154,670	6,862,997	(291,673)
Total Revenues	19,352,685	19,445,980	19,269,727	(176,253)
Expenditures				
Instruction				
Regular instruction	-	-	165	(165)
Vocational instruction	53,000	-	-	-
Special education instruction	38,090,234	38,175,806	37,532,869	642,937
Other instruction	75,275	75,275	74,817	458
Total Instruction	38,218,509	38,251,081	37,607,851	643,230
Support Services				
Pupil services	5,788,875	5,809,914	5,775,903	34,011
Instructional staff services	4,050,144	4,018,327	4,075,900	(57,573)
General administration services	17,000	17,000	350	16,650
Business services	150,000	247,583	247,304	279
Operation and maintenance of plant	10,900	10,900	19,014	(8,114)
Pupil transportation services	4,003,205	3,658,205	3,575,334	82,871
Central services	18,130	18,130	26,828	(8,698)
Insurance	204,260	204,267	241,354	(37,087)
Total Support Services	14,242,514	13,984,326	13,961,987	22,339
Non-program				
Special education tuition payments	662,380	726,615	674,574	52,041
Total Expenditures	53,123,403	52,962,022	52,244,412	717,610
Excess of Revenues Under Expenditures	(33,770,718)	(33,516,042)	(32,974,685)	541,357
Other Financing Sources (Uses)				
Transfers in	33,959,552	33,698,936	32,990,848	(708,088)
Transfers out	(188,834)	(182,894)	(16,163)	166,731
Total Other Financing Sources (Uses)	33,770,718	33,516,042	32,974,685	(541,357)
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	\$ -	\$ -	\$ -	\$ -

See Notes to Required Supplementary Information.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of Changes in Net OPEB Liability and Related Ratios
Last 10 Fiscal Years*

	2017
Total OPEB Liability	
Service cost	\$ 6,789,109
Interest	2,940,726
Benefit payments	<u>(5,085,310)</u>
Net change in total OPEB liability	4,644,525
Total OPEB liability - beginning	<u>91,235,096</u>
Total OPEB liability - ending (a)	<u><u>\$ 95,879,621</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	\$ 5,313,306
Net investment income	51,804
Benefit payments	<u>(5,085,310)</u>
Net change in plan fiduciary net position	279,800
Plan fiduciary net position - beginning	<u>8,614,981</u>
Plan fiduciary net position - ending (b)	<u><u>\$ 8,894,781</u></u>
District's net OPEB liability - ending (a) - (b)	<u><u>\$ 86,984,840</u></u>
Plan fiduciary net position as a percentage of the total OPEB liability	9.28%
Covered-employee payroll	\$ 142,709,888
District's net OPEB liability as a percentage of covered-employee payroll	60.95%

* The amounts presented for each fiscal year were determined as of the prior fiscal year end.
Amounts for prior years were not available.

See Notes to Required Supplementary Information.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of Employer Contributions
Other Postemployment Benefits
Last 10 Fiscal Years

	2017	
Actuarially determined contribution (ADC)	\$ 12,352,496	
Contributions in relation to the ADC	5,313,306	
Contribution deficiency (excess)	\$ 7,039,190	
 Covered-employee payroll	 \$ 142,709,888	
 Contributions as a percentage of covered-employee payroll		 3.72%

Key Methods and Assumption Used to Calculate ADC

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Amortization method	21 year Level Dollar
Discount rate	3.00%
Inflation	N/A

* The amounts presented for each fiscal year were determined as of the prior fiscal year end.
Amounts for prior years were not available.

See Notes to Required Supplementary Information.

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Racine Unified School District
 Wisconsin Retirement System
 Last 10 Fiscal Years

Fiscal Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered- Employee Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
6/30/15	0.95793451%	\$ (23,529,492)	\$ 133,929,709	17.57%	102.74%
6/30/16	0.97103075%	15,779,061	141,579,733	11.14%	98.20%
6/30/17	0.96814477%	7,979,824	137,001,261	5.82%	99.12%

Schedule of Contributions
 Wisconsin Retirement System
 Last 10 Fiscal Years

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered- Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
6/30/15	\$ 9,375,049	\$ 9,375,049	\$ -	\$ 133,929,709	7.00%
6/30/16	9,651,718	9,651,718	-	141,579,733	6.82%
6/30/17	9,048,479	9,048,479	-	137,001,261	6.60%

See Notes to Required Supplementary Information.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of Changes in Pension Liability and Related Ratios
Supplemental Pension Benefit
Last 10 Fiscal Years*

	2017
Total Pension Liability	
Service cost	\$ 218,464
Interest	131,604
Benefit payments	(216,497)
Net change in total pension liability	133,571
Total pension liability - beginning	4,278,031
Total pension liability - ending	\$ 4,411,602
Covered-employee payroll	\$ 15,600,736
District's net pension liability as a percentage of covered-employee payroll	28.28%

* The amounts presented for each fiscal year were determined as of the prior fiscal year end. Information for prior years is not available.

See Notes to Required Supplementary Information.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

NOTE A - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 73, 74, AND 75

The District implemented GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That are Not Within the Scope of GASB Statement 68*, Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans* and Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions* for the fiscal year ended June 30, 2017. Information for prior years is not available.

NOTE B - WISCONSIN RETIREMENT SYSTEM PENSION PLAN

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

The amounts reported for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year. The District is required to present the last ten fiscal years of data; however accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

NOTE C - BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented in accordance with generally accepted accounting principles, except the District adopts a separate budget for the special education special revenue fund. An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below:

	General Fund	Special Education Fund
Revenues		
Actual amounts (budgetary basis)	\$ 249,266,821	\$ 19,269,727
Reclassification of special education	19,269,727	(19,269,727)
Total Revenues	<u>268,536,548</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	215,865,391	52,244,412
Reclassification of special education	52,244,412	(52,244,412)
Total Expenditures	<u>268,109,803</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	33,401,430	(32,974,685)
Reclassification of special education	(32,974,685)	32,974,685
Excess of Revenues Over (Under) Expenditures	<u>426,745</u>	<u>-</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(31,027,798)	32,974,685
Reclassification of special education	32,974,685	(32,974,685)
Total Other Financing Sources (Uses)	<u>1,946,887</u>	<u>-</u>
Net Change in Fund Balance		
Actual amounts (budgetary basis)	<u>2,373,632</u>	<u>-</u>
Fund Balance - July 1		
Actual amounts (budgetary basis)	<u>41,525,124</u>	<u>-</u>
Fund Balance - June 30		
Actual amounts (budgetary basis)	<u>\$ 43,898,756</u>	<u>\$ -</u>

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

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, 2017. In addition, no District funds had deficit fund equity as of June 30, 2017.

SUPPLEMENTARY INFORMATION

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Combining Balance Sheet
 Nonmajor Governmental Funds
 June 30, 2017

	Special Revenue Funds			
	Trust	Special Projects	Community Service	Food Service
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ 1,505,489
Accounts receivable	-	-	-	41,671
Due from other funds	480,641	-	843,856	227,134
Due from other governments	-	214,509	-	326,115
TOTAL ASSETS	\$ 480,641	\$ 214,509	\$ 843,856	\$ 2,100,409
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	\$ -	\$ 137,038	\$ -	\$ -
Unearned revenues	-	-	-	53,998
Total Liabilities	-	137,038	-	53,998
Fund Balances				
Fund Balances				
Restricted				
Private gifts and donations	480,641	-	-	-
Food service programs	-	-	-	2,046,411
Grant expenditures	-	77,471	-	-
Debt service	-	-	-	-
Community service programs	-	-	843,856	-
Total Fund Balances	480,641	77,471	843,856	2,046,411
TOTAL LIABILITIES AND FUND BALANCES	\$ 480,641	\$ 214,509	\$ 843,856	\$ 2,100,409

Debt Service Funds		Total Nonmajor Governmental Funds
Non-Referendum Debt Service	Referendum Debt Service	
\$ 1,678,795	\$ 76,712	\$ 3,260,996
-	-	41,671
28,945	-	1,580,576
-	-	540,624
<hr/>		
<u>\$ 1,707,740</u>	<u>\$ 76,712</u>	<u>\$ 5,423,867</u>

\$ -	\$ 3,920	\$ 140,958
-	-	53,998
-	3,920	194,956

-	-	480,641
-	-	2,046,411
-	-	77,471
1,707,740	72,792	1,780,532
-	-	843,856
<u>1,707,740</u>	<u>72,792</u>	<u>5,228,911</u>
<hr/>		
<u>\$ 1,707,740</u>	<u>\$ 76,712</u>	<u>\$ 5,423,867</u>

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, 2017

	Special Revenue Funds			
	Trust	Special Projects	Community Service	Food Service
Revenues				
Property taxes	\$ -	\$ -	\$ 1,600,000	\$ -
Other local sources	511,306	-	109,627	1,187,064
State sources	-	-	-	171,513
Federal sources	-	703,909	-	8,221,579
Other sources	-	-	-	155,840
Total Revenues	511,306	703,909	1,709,627	9,735,996
Expenditures				
Instruction				
Regular instruction	66,746	-	-	-
Vocational instruction	1,250	-	-	-
Other instruction	12,885	486,332	-	-
Total Instruction	80,881	486,332	-	-
Support Services				
Pupil services	331	-	-	-
Instructional staff services	233,229	148,033	-	-
General administration services	37,477	-	16,039	-
School administration services	7,373	-	193,973	-
Operation and maintenance of plant	808	-	779	658,090
Pupil transportation services	36,709	34,110	16,550	-
Food services	-	-	-	9,021,395
Central services	-	12,047	11,423	-
Total Support Services	315,927	194,190	238,764	9,679,485
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Debt Service	-	-	-	-
Community Services				
	-	-	839,346	-
Total Expenditures	396,808	680,522	1,078,110	9,679,485
Excess of Revenues Over (Under) Expenditures	114,498	23,387	631,517	56,511
Other Financing Sources (Uses)				
Long-term debt issued	-	-	-	-
Premium on long term debt issued	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(13,525)	-	-
Total Other Financing Sources (Uses)	-	(13,525)	-	-
Net Change in Fund Balances	114,498	9,862	631,517	56,511
Fund Balances - July 1	366,143	67,609	212,339	1,989,900
Fund Balances - June 30	\$ 480,641	\$ 77,471	\$ 843,856	\$ 2,046,411

Debt Service Funds		Total Nonmajor Governmental Funds
Non-Referendum Debt Service	Referendum Debt Service	
\$ 8,055,697	\$ 1,949,074	\$ 11,604,771
14,483	2,383	1,824,863
-	-	171,513
-	-	8,925,488
59,535	-	215,375
<u>8,129,715</u>	<u>1,951,457</u>	<u>22,742,010</u>
-	-	66,746
-	-	1,250
-	-	499,217
-	-	<u>567,213</u>
-	-	331
-	-	381,262
-	-	53,516
-	-	201,346
-	-	659,677
-	-	87,369
-	-	9,021,395
-	-	23,470
-	-	<u>10,428,366</u>
11,204,846	1,665,000	12,869,846
2,466,367	219,251	2,685,618
<u>13,671,213</u>	<u>1,884,251</u>	<u>15,555,464</u>
-	-	839,346
<u>13,671,213</u>	<u>1,884,251</u>	<u>27,390,389</u>
<u>(5,541,498)</u>	<u>67,206</u>	<u>(4,648,379)</u>
5,225,000	-	5,225,000
270,537	-	270,537
467,000	-	467,000
-	-	(13,525)
<u>5,962,537</u>	<u>-</u>	<u>5,949,012</u>
421,039	67,206	1,300,633
<u>1,286,701</u>	<u>5,586</u>	<u>3,928,278</u>
<u>\$ 1,707,740</u>	<u>\$ 72,792</u>	<u>\$ 5,228,911</u>

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Pupil Activity Funds
Schedule of Changes in Assets and Liabilities
June 30, 2017

Pupil Activity Funds				
	Balance 07/01/16	Additions	Deletions	Balance 06/30/17
ASSETS				
Cash and investments	\$ 939,336	\$ 2,889,811	\$ 2,828,660	\$ 1,000,487
LIABILITIES				
Due to student organizations				
Senior high schools	\$ 521,409	\$ 1,811,549	\$ 1,722,928	\$ 610,030
Middle schools	147,605	471,626	495,908	123,323
Elementary schools	228,062	503,812	501,259	230,615
Early Childhood schools	4,572	13,439	16,017	1,994
P-COC	2,389	5,549	7,530	408
REAL School	35,299	83,836	85,018	34,117
TOTAL LIABILITIES	\$ 939,336	\$ 2,889,811	\$ 2,828,660	\$ 1,000,487

RACINE UNIFIED SCHOOL DISTRICT
RACINE, WISCONSIN
Schedule of Charter School Authorizer Services and Costs
For the Year Ended June 30, 2017

		Racine Civil Leaders Academy	REAL School	Total
	<u>Function</u>			
Services Provided				
Undifferentiated curriculum	110000	\$ 720,263	\$ -	\$ 720,263
Regular curriculum	120000	224,327	1,374,737	1,599,064
Vocational curriculum	132000	-	87,354	87,354
Physical curriculum	140000	42,843	101,823	144,666
Special education	150000	162,154	282,139	444,293
Co-curriculum activities	160000	320	4,185	4,505
Pupil services	212000	28,268	41,496	69,764
Guidance	213000	24,481	94,057	118,538
Health services	214000	8,604	53,564	62,168
Psychological services	215000	20,030	-	20,030
Occupational therapy	218100	4,133	4,133	8,266
Physical therapy	218200	-	1,378	1,378
Other pupil services	219000	1,607	-	1,607
Instructional staff training	221300	195	100	295
Non-common school funds	222000	-	-	-
General administration	230000	-	-	-
Building administration	240000	118,361	178,821	297,182
General operations	253000	165,226	276,034	441,260
Pupil transportation	256000	890	2,608	3,498
		<u>\$ 1,521,702</u>	<u>\$ 2,502,429</u>	<u>\$ 4,024,131</u>
	<u>Object</u>			
Operating Activity				
Employee salaries	100	\$ 1,074,735	\$ 1,594,537	\$ 2,669,272
Employee benefits	200	435,516	783,548	1,219,064
Purchased services	300	3,376	101,065	104,441
Non-capital objects	400	7,755	23,279	31,034
Capital objects	900	320	-	320
		<u>\$ 1,521,702</u>	<u>\$ 2,502,429</u>	<u>\$ 4,024,131</u>

**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, 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, 2017, and the related notes to the financial statements, which collectively comprise the 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 30, 2017.

Internal Control Over Financial Reporting

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

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

Compliance and Other Matters

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
November 30, 2017

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 THE UNIFORM GUIDANCE 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 the Racine Unified School District's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) 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 the Racine Unified School District's major federal and state programs for the year ended June 30, 2017. The 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 federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the 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; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, the Uniform Guidance and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the 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 the Racine Unified School District's compliance.

Opinion on Each Major Federal and State Program

In our opinion, the 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, 2017.

Report on Internal Control Over Compliance

Management of the 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 the 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 or state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Racine Unified School District's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
November 30, 2017

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2017

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	Revenues			Total Expenditures	Subrecipient Payment
				(Accrued) Deferred Revenue 7/1/2016	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/2017		
U.S. DEPARTMENT OF AGRICULTURE								
Child Nutrition Cluster								
School Breakfast Program	10.553	WI DPI	2017-514620-SB-546	\$ (39,474)	\$ 1,759,790	\$ 67,103	\$ 1,787,419	\$ -
National School Lunch Program	10.555	WI DPI	2017-514620-NSL-547	(124,722)	5,347,200	178,164	5,400,642	-
National School Lunch Program	10.555	WI DPI	Unknown	-	643,230	-	643,230	-
National School Lunch Program	10.555	WI DPI	2017-514620-NSL-Snacks-561	-	2,854	152	3,006	-
National School Lunch Program	10.555	WI DPI	2017-514620-NSL-Snacks-566	(5,625)	74,813	6,757	75,945	-
Total National School Lunch Program				(130,347)	6,068,097	185,073	6,122,823	-
Summer Food Service Program for Children	10.559	WI DPI	2017-514620-SFSP-586	-	164,069	70,886	234,955	-
Total Child Nutrition Cluster				(169,821)	7,991,956	323,062	8,145,197	-
Child and Adult Care Food Program								
Child and Adult Care Food Program	10.558	WI DPI	2017-514620-CAFP-003	-	2,936	44	2,980	-
Fresh Fruit and Vegetable Program	10.582	WI DPI	2017-514620-FF&V-376	(2,134)	63,928	3,010	64,804	-
Fresh Fruit and Vegetable Program	10.582	WI DPI	2016-514620-FF&VP-594	-	8,599	-	8,599	-
Total Fresh Fruit and Vegetable Program				(2,134)	72,527	3,010	73,403	-
Total U.S. Department of Agriculture				(171,955)	8,067,419	326,116	8,221,580	-
U.S. DEPARTMENT OF JUSTICE								
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	WI DPI	FY 17-514620-730-599-Bully	(4,076)	4,076	13,913	13,913	-
U.S. DEPARTMENT OF EDUCATION								
Title I Grants to Local Educational Agencies								
Title I Grants to Local Educational Agencies	84.010	WI DPI	17-514620-Title 1-141	(751,916)	5,530,999	2,426,796	7,205,879	-
Title I Grants to Local Educational Agencies	84.010	CESA 1	Unknown	1,392	-	-	1,392	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	17-514620-TI-Delinquent-140	(99,763)	181,222	7,534	88,993	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2017-514620-Focus-145	(43,420)	105,697	29,284	91,561	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2016-514620-Cohort 1-154	(3,604)	36,167	3,291	35,854	-
Total Title I Grants to Local Educational Agencies				(897,311)	5,854,085	2,466,905	7,423,679	-
Special Education Cluster (IDEA)								
Special Education Grants to States	84.027	WI DPI	2017-514620-IDEA-341	(1,189,911)	5,184,829	1,386,874	5,381,792	-
Special Education Grants to States	84.027	WI DPI	2017-514620-IDEA-342	-	59,816	-	59,816	-
Special Education Grants to States	84.027	CESA	Unknown	-	3,122	(1,500)	1,622	-
Total Special Education - Grants to States				(1,189,911)	5,247,767	1,385,374	5,443,230	-
Special Education - Preschool Grants	84.173	WI DPI	17-514620-Pre-S-347	(73,932)	299,077	96,658	321,803	-
Total Special Education Cluster (IDEA)				(1,263,843)	5,546,844	1,482,032	5,765,033	-
Career and Technical Education – Basic Grants to States								
Education for Homeless Children and Youth	84.196	WI DPI	2017-514620-CP-CTE-400	(142,061)	142,061	222,249	222,249	-
Fund for the Improvement of Education	84.215	City of Racine	2017-514620-Homeless-335	(50,000)	92,028	9,897	51,925	-
Twenty-First Century Community Learning Centers	84.287	WI DPI	Unknown	(6,379)	26,085	6,671	26,377	-
Special Education - Parent Information Centers	84.328	United Way Higher Expectations	17-514620-367-CLC	(304,978)	774,672	207,837	677,531	-
Transition to Teaching Grant Program	84.350	WI DPI	Unknown	-	35,062	-	35,062	-
English Language Acquisition State Grants	84.365	WI DPI	A593-00000-514620	(12,500)	12,500	-	-	-
Supporting Effective Instruction State Grants	84.367	WI DPI	17-514620-Title III A-391	(168,315)	376,659	187,377	395,721	-
School Improvement Grants	84.377	WI DPI	17-514620-Title II-365	(266,687)	1,189,195	291,659	1,214,167	-
			2017-514620-SIG-151	(781,969)	2,220,637	757,310	2,195,978	-
Total U.S. Department of Education				(3,894,043)	16,269,828	5,631,937	18,007,722	-

(Continued)

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2017

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	Revenues			Total Expenditures	Subrecipient Payment
				(Accrued) Deferred Revenue 7/1/2016	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/2017		
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Pregnancy Assistance Fund Program	93.500	WI DPI	17-514620-InSPIRE-591	(64,543)	200,163	81,449	217,069	-
Medicaid Cluster								
Medical Assistance Program	93.778	WI DHS	44211100	-	3,590,184	-	3,590,184	-
Total Medicaid Cluster				-	3,590,184	-	3,590,184	-
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and Substance Abuse and Mental Health Services Projects of Regional and National Significance	93.079 93.243	WI DHS State of Wisconsin	2016-17-514620-WILY-334 None	(6,478) (284,048)	11,537 817,399	1,946 188,480	7,005 721,831	- -
Total U.S. Department of Health and Human Services				(355,069)	4,619,283	271,875	4,536,089	-
TOTAL EXPENDITURES OF FEDERAL AWARDS				<u>\$ (4,425,143)</u>	<u>\$ 28,960,606</u>	<u>\$ 6,243,841</u>	<u>\$ 30,779,304</u>	<u>\$ -</u>
Reconciliation to Basic Financial Statements								
Federal sources							\$ 30,749,045	
Federal awards reported with local sources							35,062	
Non-grant related federal revenues							(12,255)	
Miscellaneous adjustment							7,452	
Total Federal Awards							<u>\$ 30,779,304</u>	

The notes to the schedule of expenditures of federal awards are an integral part of this schedule.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of State Financial Assistance
For the Year Ended June 30, 2017

Grantor Agency/State Program Title	State I.D. Number	Pass-through Agency	State Identifying Number	Revenues			Total Expenditures	Subrecipient Payments
				(Accrued) Deferred Revenue 7/1/2016	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/2017		
DEPARTMENT OF PUBLIC INSTRUCTION								
Special Education and School Age Parents	255.101	Direct Program	514620-100	\$ -	\$ 11,881,611	\$ -	\$ 11,881,611	\$ -
State School Lunch Aid	255.102	Direct Program	514620-107	-	95,003	-	95,003	-
Common School Fund Library Aid	255.103	Direct Program	514620-104	-	785,091	-	785,091	-
Bilingual Bicultural Aid	255.106	Direct Program	514620-111	-	464,837	-	464,837	-
General Transportation Aid	255.107	Direct Program	514620-102	-	418,678	-	418,678	-
Equalization Aids	255.201	Direct Program	514620-116	(2,309,020)	140,930,065	2,405,986	141,027,031	-
Integration Transfer	255.205	Direct Program	514620-105	-	6,623,014	-	6,623,014	-
High Cost Special Education Aid	255.210	Direct Program	514620-119	-	365,088	-	365,088	-
Peer Review and Mentoring	255.301	Direct Program	514620-141	(17,519)	22,381	17,667	22,529	-
Alcohol and Other Drug Abuse	255.306	Direct Program	514620-143	(23,977)	23,977	25,777	25,777	-
State School Breakfast Aid	255.344	Direct Program	514620-108	-	76,510	-	76,510	-
Tuition Payments by State	255.401	Direct Program	514620-157	-	95,065	-	95,065	-
Tuition Payments by State	255.401	Direct Program	514620-158	-	136,868	-	136,868	-
Total Tuition Payments by State				-	231,933	-	231,933	-
Student Achievement Guarantee in Education (SAGE)	255.504	Direct Program	514620-160	-	1,577,783	-	1,577,783	-
Aid for High Poverty School District	255.926	Direct Program	514620-121	-	1,377,075	-	1,377,075	-
Educator Effective Evaluation System	255.940	Direct Program	514620-154	(126,531)	238,587	16,611	128,667	-
Per Pupil Aid	255.945	Direct Program	514620-113	(3,096,150)	8,180,900	-	5,084,750	-
Career and Technical Education Incentive Grants	255.950	Direct Program	514620-151	-	60,871	-	60,871	-
Aid for Special Ed Transition Grant BBL	255.960	Direct Program	514620-168	-	2,706	-	2,706	-
Assessments of Reading Readiness	255.956	Direct Program	514620-166	-	57,388	-	57,388	-
Total Department of Public Instruction				(5,573,197)	173,413,498	2,466,041	170,306,342	-
TOTAL STATE PROGRAMS				\$ (5,573,197)	\$ 173,413,498	\$ 2,466,041	\$ 170,306,342	\$ -
Reconciliation to Basic Financial Statements								
Governmental Funds								
State sources							\$ 171,150,441	
Revenues not considered state financial assistance							(826,320)	
Tax-exempt computer aids							(17,779)	
Miscellaneous								
Total State Awards							<u>\$ 170,306,342</u>	

The notes to the schedule of state financial assistance are an integral part of this schedule.

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, 2017

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 Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the *State Single Audit Guidelines*. 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 2016-2017 eligible costs under the State Special Education Program as reported by the District are \$46,264,669.

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.

NOTE E - INDIRECT COSTS

The District has not elected to charge a de minimis indirect rate of 10% of modified total direct costs.

NOTE F - PASS THROUGH ENTITIES

Federal awards have been passed through the following entries:

- WI DHS - Wisconsin Department of Health Services
- WI DPI - Wisconsin Department of Public Instruction
- CESA 1 - Cooperative Educational Services Agency No. 1

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2017

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?	None Reported
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?	None Reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	No

Identification of major federal and state programs:

CFDA Number	Name of Federal Programs
	<i>Special Education Cluster (IDEA)</i>
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
84.367	Improving Teacher Quality State Grants

State ID Number	Name of State Programs
255.101	Special Education and School Age Parents
255.103	Common School Fund Library Aid
255.107	General Transportation Aid for Public and Non-Profit School Pupils
255.201	General Equalization Aids
255.205	Integration Transfer
255.504	Student Achievement Guarantee in Education
255.945	Per Pupil Adjustment Aid

Audit threshold used to determine between Type A and Type B federal programs:	\$923,379
Audit threshold used to determine between Type A and Type B state programs:	\$250,000
Auditee qualified as low-risk auditee	Yes

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of Findings and Questioned Costs (Continued)
For the Year Ended June 30, 2017

Section II - Financial Statement Findings

There are no findings to be reported.

Section III – Federal Award and State Financial Assistance Findings

There are no findings to be reported.

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2017

Section IV - Other Issues

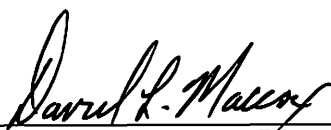
Does the auditors' report or the notes to the financial statement include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? _____ Yes X No

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	_____ 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 30, 2017

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of Prior Year Audit Findings and Corrective Action Plan
For the Year Ended June 30, 2017

Status of Prior Year Audit Finding

All findings noted in the 2016 Schedule of Findings and Questioned Costs have been reported to the proper federal and state agencies. The current status of the prior year audit findings, as provided by management, follows:

Finding No.	Prior Year Audit Finding
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2016-001 Special Education Aid Allowable Costs

The finding has been resolved.

Corrective Action Plan

None required.