

**RACINE UNIFIED SCHOOL DISTRICT  
RACINE, WISCONSIN**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2011**

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

June 30, 2011

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**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

June 30, 2011

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

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Racine Unified School District ("the District") as of and for the year ended June 30, 2011, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Education and management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the District's 2010 financial statements and, in our report dated October 29, 2010 we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the District's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A.2, the District has implemented GASB Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, for the fiscal year ended June 30, 2011. The District changed the financial reporting of the activities of the Special Education program from being reported as a special revenue fund to being included as part of the General Fund effective July 1, 2010.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2011, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

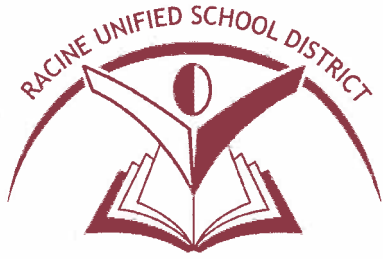
Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the schedule of funding progress and the schedule of employer contributions on pages 3 through 9 and 46 through 47 be presented to supplement the basic financial statements. Such information, although not part of the financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's response to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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



Certified Public Accountants  
Green Bay, Wisconsin  
November 30, 2011

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



**Racine Unified School District**  
3109 Mt. Pleasant Street, Racine, WI 53404  
Financial and Budget Services

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Management's Discussion and Analysis  
For the Year Ended June 30, 2011

**FINANCIAL HIGHLIGHTS**

- The District's overall financial position, as reflected in total net assets, decreased \$3,342,331 during the 2010-11 fiscal year. (See pages 11 -12)
- The District continued to implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-retirement Benefits Other than Pensions during the 2011 year. The actuarially determined expense was \$1,175,838 greater than the District's post-retirement plan contributions for the year compared to \$2,631,867 for the prior year. (See page 42)
- The District's governmental fund balance reported an decrease of \$4,486,006 compared to an increase of \$6,059,953 in the prior year. \$3,369,081 of the decrease was in the Capital Projects Fund (See page 15 and 52)
- The amount of tax and revenue anticipation notes (TRANS) issued during the 2011 fiscal year was decreased by \$5,200,000. (See page 13)

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements**

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

## **Fund Financial Statements**

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

## **Notes to the Financial Statements**

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



## FINANCIAL ANALYSIS

### The District as a Whole

#### Net Assets

Table 1, below, provides a summary of the District's statement of net assets for the year ended June 30, 2011 with a comparison to the prior year.

<b>Table 1</b>							
<b>Condensed Statement of Net Assets</b>							
<b>(in thousands of dollars)</b>							
	Governmental Activities		Business-type Activities		Totals School District		%
	2011	2010	2011	2010	2011	2010	2010-11
<b>Assets</b>							
Current assets	\$ 85,994	\$ 93,771	\$ 1,127	\$ 833	\$ 87,121	\$ 94,604	-7.9%
Capital assets	79,253	70,427	340	339	79,593	70,766	12.5%
<b>Total Assets</b>	<b>165,247</b>	<b>164,198</b>	<b>1,467</b>	<b>1,172</b>	<b>166,714</b>	<b>165,370</b>	<b>0.8%</b>
<b>Liabilities</b>							
Long-term debt	50,764	42,756	-	-	50,764	42,756	18.7%
Other liabilities	62,011	65,331	34	36	62,045	65,367	-5.1%
<b>Total Liabilities</b>	<b>112,775</b>	<b>108,087</b>	<b>34</b>	<b>36</b>	<b>112,809</b>	<b>108,123</b>	<b>4.2%</b>
<b>Net Assets</b>							
Invested in capital assets, net of related debt	66,207	60,022	340	339	66,547	60,361	10.2%
Restricted	249	1,214	1,093	797	1,342	2,011	-33.3%
Unrestricted	(13,984)	(5,125)	-	-	(13,984)	(5,125)	-172.9%
<b>Total Net Assets</b>	<b>\$ 52,472</b>	<b>\$ 56,111</b>	<b>\$ 1,433</b>	<b>\$ 1,136</b>	<b>\$ 53,905</b>	<b>\$ 57,247</b>	<b>-6.2%</b>

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

## Change in Net Assets

Table 2, below, shows the changes in net assets for the fiscal year ended June 30, 2011 with a comparison to the prior year.

	Governmental Activities		Business-type Activities		Totals School District		% Change
	2011	2010	2011	2010	2011	2010	2010-11
<b>Revenues</b>							
Program Revenues							
Charges for services	\$ 845	\$ 989	\$ 2,028	\$ 2,119	\$ 2,873	\$ 3,108	-7.6%
Operating grants and contributions	47,312	44,995	5,998	5,392	53,310	50,387	5.8%
General Revenues							
Property taxes	78,079	75,873	-	-	78,079	75,873	2.9%
State Formula aid	137,211	133,733	-	-	137,211	133,733	2.6%
Interest	25	67	-	-	25	67	-62.7%
Other	1,739	1,827	51	-	1,790	1,827	-2.0%
<b>Total Revenues</b>	<b>265,211</b>	<b>257,484</b>	<b>8,077</b>	<b>7,511</b>	<b>273,288</b>	<b>264,995</b>	<b>3.1%</b>
<b>Expenses</b>							
Instruction	168,435	159,858	-	-	168,435	159,858	5.4%
Pupil and instructional services	32,505	24,809	-	-	32,505	24,809	31.0%
Administration and business	48,291	52,116	7,780	7,205	56,071	59,321	-5.5%
Central services and Insurance	10,605	9,727	-	-	10,605	9,727	9.0%
Interest on debt	1,335	1,644	-	-	1,335	1,644	-18.8%
Non-program	6,909	6,030	-	-	6,909	6,030	14.6%
Miscellaneous	771	660	-	-	771	660	16.8%
<b>Total Expenses</b>	<b>268,851</b>	<b>254,844</b>	<b>7,780</b>	<b>7,205</b>	<b>276,631</b>	<b>262,049</b>	<b>5.3%</b>
Increase (Decrease) in Net Assets	\$ (3,640)	\$ 2,640	\$ 297	\$ 306	\$ (3,343)	\$ 2,946	

General revenues (all revenue except operating grants and contributions and charges for services) provide about 82% of the funding for governmental activities and 0% of the funding for business-type activities. Racine Unified School district relies on property taxes for 29% 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
	2011	2010	2011	2010	2010-11
Instruction	\$ 168,435	\$ 159,858	\$ 132,156	\$ 124,989	-5.4%
Pupil and instructional services	32,505	24,809	21,660	17,373	-19.8%
Administration and business	48,291	52,116	47,371	48,794	3.0%
Central services and insurance	10,605	9,727	10,597	9,198	-13.2%
Interest on debt	1,335	1,644	1,335	1,644	23.1%
Non-program	6,909	6,030	6,909	5,856	-15.2%
Miscellaneous	771	660	666	482	-27.6%
Totals	\$ 268,851	\$ 254,844	\$ 220,694	\$ 208,336	-5.6%

### Business-Type Activities

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

- Federal and state reimbursement for meals, including payments for free and reduced lunches, was \$6.0 million while charges for services were \$2.0 million. Overall revenues increased by \$514 thousand.
- Expenses increased by \$573 thousand to \$7.8 million.
- The food service operation reported a gain of \$247 thousand compared to a gain of \$306 thousand for the prior year.

## Governmental Funds

The District completed the year with a total governmental fund balance of \$23.8 million, an decrease of \$4.5 million from the prior year.

- Total general fund revenue for the year was \$2.7 million less than budget due primarily to lower stimulus funding from the federal government.
- Total general fund program expenditures, including non-program transactions, was less than the budget by \$1.7 million.
- The debt service funds fund balance had a net decrease of \$685 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 20<sup>th</sup> of the subsequent year. The typical debt service schedule for the District requires interest payments prior to January 20<sup>th</sup> with an additional interest payment and principal payment occurring in March of each year.
- For fiscal year 2010-2011, the capital projects funds fund balance decreased by \$3.4 million as debt proceeds that were received in fiscal year 2010 were expended in fiscal year 2011.

## **CAPITAL ASSET AND DEBT ADMINISTRATION**

### **Capital Assets**

At the end of the 2011 fiscal year, the District had net capital assets of \$79.6 million in a broad range of capital assets, including buildings, sites, furniture, and equipment (see Table 4). 2010-11 activity consisted primarily of equipment purchases as well as building improvements currently under construction. Additional information about capital assets can be found in the notes to the financial statements.

	Governmental Activities		Business-type Activities		Totals School District		% Change 2010-11
	2011	2010	2011	2010	2011	2010	
Land	\$ 2,565	\$ 1,843	\$ -	\$ -	\$ 2,565	\$ 1,843	39.2%
Work in progress	12,605	2,784	-	-	12,605	2,784	352.8%
Site improvements	619	697	-	-	619	697	-11.2%
Buildings	55,783	55,794	-	-	55,783	55,794	0.0%
Machinery and equipment	7,681	9,309	340	339	8,021	9,648	-16.9%
<b>Total</b>	<b>\$ 79,253</b>	<b>\$ 70,427</b>	<b>\$ 340</b>	<b>\$ 339</b>	<b>\$ 79,593</b>	<b>\$ 70,766</b>	<b>12.5%</b>

## Long-Term Debt and Other Obligations

At year end, the district had \$29.6 million in general obligation debt outstanding, an increase of 8.5% from last year. Additional information about the district's long-term liabilities is presented in the notes to the financial statements.

	Governmental Activities		Business-type Activities		Totals School District		% Change
	2011	2010	2011	2010	2011	2010	2010-11
General obligation debt	\$ 29,596	\$ 27,277	\$ -	\$ -	\$ 29,596	\$ 27,277	8.5%
Premium on debt	81	95	-	-	81	95	-14.7%
Capital leases	6,696	2,386	-	-	6,696	2,386	180.6%
Loss on advance refunding	(814)	(977)	-	-	(814)	(977)	0.0%
Other post-employment benefits	13,891	12,715	-	-	13,891	12,715	9.2%
Compensated absences	1,314	1,260	-	-	1,314	1,260	4.3%
<b>Total</b>	<b>\$ 50,764</b>	<b>\$ 42,756</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 50,764</b>	<b>\$ 42,756</b>	<b>15.8%</b>

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

## **BASIC FINANCIAL STATEMENTS**

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Statement of Net Assets  
June 30, 2011  
(With summarized information for June 30, 2010)

	Governmental Activities	Business-type Activities	Totals	
			2011	2010
<b>ASSETS</b>				
Cash and investments	\$ 44,724,600	\$ -	\$ 44,724,600	\$ 53,884,597
Receivables				
Taxes	18,323,934	-	18,323,934	18,292,097
Accounts	6,241,581	6,227	6,247,808	8,510,108
Internal balances	(895,169)	895,169	-	-
Due from other governments	12,541,896	225,978	12,767,874	10,831,666
Inventories and prepaid items	4,618,273	-	4,618,273	2,678,038
Deferred charges - issuance costs	438,887	-	438,887	407,837
Capital assets				
Land	2,564,682	-	2,564,682	1,842,595
Site improvements	4,192,252	-	4,192,252	4,456,602
Buildings	118,221,404	-	118,221,404	116,089,680
Machinery and equipment	20,155,805	1,300,415	21,456,220	27,966,352
Construction in progress	12,605,315	-	12,605,315	2,784,419
Less: Accumulated depreciation	(78,486,731)	(960,911)	(79,447,642)	(82,374,162)
<b>TOTAL ASSETS</b>	<b>165,246,729</b>	<b>1,466,878</b>	<b>166,713,607</b>	<b>165,369,829</b>
<b>LIABILITIES</b>				
Short-term notes payable	28,300,000	-	28,300,000	33,500,000
Accounts payable	7,460,507	333	7,460,840	7,505,689
Accrued payroll liabilities	24,653,652	13	24,653,665	22,040,309
Accrued interest payable	389,435	-	389,435	449,505
Unearned revenues	1,207,004	33,549	1,240,553	1,871,094
Long-term obligations				
Due within one year	12,288,047	-	12,288,047	6,816,262
Due in more than one year	38,476,259	-	38,476,259	35,939,831
<b>TOTAL LIABILITIES</b>	<b>112,774,904</b>	<b>33,895</b>	<b>112,808,799</b>	<b>108,122,690</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	66,206,805	339,504	66,546,309	60,359,973
Restricted for				
Debt service	134,315	-	134,315	1,095,462
Special revenue trusts	114,145	-	114,145	119,737
Food service	-	1,093,479	1,093,479	797,353
Unrestricted (deficit)	(13,983,440)	-	(13,983,440)	(5,125,386)
<b>TOTAL NET ASSETS</b>	<b>\$ 52,471,825</b>	<b>\$ 1,432,983</b>	<b>\$ 53,904,808</b>	<b>\$ 57,247,139</b>

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

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

Statement of Activities

Year Ended June 30, 2011

(With summarized financial information for the year ended June 30, 2010)

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction	\$ 168,433,714	\$ 666,238	\$ 35,612,096	\$ -
Support services	91,992,157	73,692	11,700,344	-
Interest and fiscal charges	1,335,475	-	-	-
Community services	180,968	105,096	-	-
Non-program transactions	6,909,126	-	-	-
<b>Total Governmental Activities</b>	<b>268,851,440</b>	<b>845,026</b>	<b>47,312,440</b>	<b>-</b>
<b>Business-type Activities</b>				
School food service program	7,779,836	2,027,716	5,998,196	-
<b>Total School District</b>	<b>\$ 276,631,276</b>	<b>\$ 2,872,742</b>	<b>\$ 53,310,636</b>	<b>\$ -</b>

General revenues

Property taxes, levied for general purposes

Property taxes, levied for debt service

Other taxes

State and federal aids not restricted to specific functions

Interest and investment earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in net assets

Net assets - July 1, as previously reported

Prior period adjustment

Net assets - July 1, adjusted

Net assets - June 30

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



Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-type Activities	Totals	
		2011	2010
\$ (132,155,380)	\$ -	\$ (132,155,380)	\$ (124,989,381)
(80,218,121)	-	(80,218,121)	(75,879,842)
(1,335,475)	-	(1,335,475)	(1,643,763)
(75,872)	-	(75,872)	32,884
(6,909,126)	-	(6,909,126)	(5,856,001)
(220,693,974)	-	(220,693,974)	(208,336,103)
-	246,076	246,076	306,276
(220,693,974)	246,076	(220,447,898)	(208,029,827)
74,399,509	-	74,399,509	72,707,602
3,679,016	-	3,679,016	3,165,006
31,813	-	31,813	66,459
137,210,638	-	137,210,638	133,732,537
25,955	-	25,955	67,285
1,758,636	-	1,758,636	1,236,975
(51,116)	51,116	-	-
217,054,451	51,116	217,105,567	210,975,864
(3,639,523)	297,192	(3,342,331)	2,946,037
56,111,348	1,135,791	57,247,139	54,065,130
-	-	-	235,972
56,111,348	1,135,791	57,247,139	54,301,102
\$ 52,471,825	\$ 1,432,983	\$ 53,904,808	\$ 57,247,139

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Balance Sheet  
Governmental Funds  
June 30, 2011  
(With summarized information for June 30, 2010)

	General	Other Governmental Funds	Total Governmental Funds	
			2011	2010
<b>ASSETS</b>				
Cash and investments	\$ 44,594,904	\$ 129,696	\$ 44,724,600	\$ 53,884,597
Receivables				
Taxes	18,323,934	-	18,323,934	18,292,097
Accounts	6,241,581	-	6,241,581	8,503,881
Due from other funds	969,905	3,515,294	4,485,199	12,474,646
Due from other governments	12,176,980	364,916	12,541,896	10,658,752
Inventories	1,428,676	-	1,428,676	2,355,551
Prepaid items	2,551,652	637,945	3,189,597	337,487
<b>TOTAL ASSETS</b>	<b>\$ 86,287,632</b>	<b>\$ 4,647,851</b>	<b>\$ 90,935,483</b>	<b>\$ 106,507,011</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Short-term notes payable	\$ 28,300,000	\$ -	\$ 28,300,000	\$ 33,500,000
Accounts payable	7,379,402	81,105	7,460,507	7,505,349
Accrued salaries and related items	24,653,652	-	24,653,652	22,040,309
Accrued interest payable	130,052	-	130,052	207,155
Due to other funds	4,410,463	969,905	5,380,368	13,128,882
Deferred revenues	1,207,004	-	1,207,004	1,835,410
<b>Total Liabilities</b>	<b>66,080,573</b>	<b>1,051,010</b>	<b>67,131,583</b>	<b>78,217,105</b>
<b>Fund Balances</b>				
<b>Nonspendable</b>				
Inventories and prepaid items	3,980,328	637,945	4,618,273	2,693,038
<b>Restricted</b>				
Trust fund	-	114,145	114,145	119,737
Special projects fund	-	32,945	32,945	35,427
Construction of capital assets	-	2,004,222	2,004,222	6,011,248
Debt service funds	-	653,081	653,081	1,337,812
<b>Assigned</b>				
Community service fund	-	154,503	154,503	302,131
<b>Unassigned, reported in</b>				
General fund	16,226,731	-	16,226,731	17,790,513
<b>Total Fund Balances</b>	<b>20,207,059</b>	<b>3,596,841</b>	<b>23,803,900</b>	<b>28,289,906</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 86,287,632</b>	<b>\$ 4,647,851</b>	<b>\$ 90,935,483</b>	<b>\$ 106,507,011</b>

(Continued)

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Balance Sheet (Continued)  
 Governmental Funds  
 June 30, 2011  
 (With summarized information for June 30, 2010)

Total Governmental Funds	
2011	2010

Reconciliation to the Statement of Net Assets

Total Fund Balances from previous page \$ 23,803,900    \$ 28,289,906

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

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds. 79,252,727    70,427,048

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	(29,596,497)	(27,276,858)
Premium on long-term debt	(80,561)	(95,668)
Capital leases payable	(6,696,071)	(2,386,075)
Other post-employment benefits	(13,890,613)	(12,714,775)
Compensated absences	(1,314,243)	(1,260,193)
Accrued interest payable	(259,383)	(242,350)
Loss on advance refunding	813,679	977,476
Debt issuance costs	438,887	392,837

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

\$ 52,471,825    \$ 56,111,348

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  
 Year Ended June 30, 2011  
 (With summarized financial information for the year ended June 30, 2010)

	General	Other Governmental Funds	Total Governmental Funds	
			2011	2010
<b>Revenues</b>				
Property taxes	\$ 74,399,509	\$ 3,679,016	\$ 78,078,525	\$ 75,872,608
Other local sources	691,975	272,644	964,619	1,114,590
Interdistrict sources	110,637	-	110,637	162,933
Intermediate sources	1,600	-	1,600	3,845
State sources	159,511,110	-	159,511,110	149,313,150
Federal sources	24,286,321	574,166	24,860,487	29,177,399
Other sources	2,426,877	131,232	2,558,109	1,306,967
<b>Total Revenues</b>	<b>261,428,029</b>	<b>4,657,058</b>	<b>266,085,087</b>	<b>256,951,492</b>
<b>Expenditures</b>				
<b>Instruction</b>				
Regular instruction	113,578,964	525,597	114,104,561	102,643,485
Vocational instruction	5,136,344	-	5,136,344	4,784,726
Special education instruction	43,036,503	-	43,036,503	40,325,997
Other instruction	7,012,118	6,797	7,018,915	6,858,138
<b>Total Instruction</b>	<b>168,763,929</b>	<b>532,394</b>	<b>169,296,323</b>	<b>154,612,346</b>
<b>Support Services</b>				
Pupil services	15,816,874	809	15,817,683	15,189,470
Instructional staff services	13,498,111	148,418	13,646,529	12,885,923
General administration services	2,373,788	11,308	2,385,096	2,255,437
School administration services	12,237,652	947	12,238,599	11,167,968
Business services	2,906,288	-	2,906,288	3,135,827
Operation and maintenance of plant	26,099,592	9,971,625	36,071,217	26,714,629
Pupil transportation services	8,252,208	25,643	8,277,851	8,391,381
Central services	8,306,467	7,970	8,314,437	8,323,347
Insurance	931,084	-	931,084	1,353,085
Other support services	595,092	-	595,092	514,741
<b>Total Support Services</b>	<b>91,017,156</b>	<b>10,166,720</b>	<b>101,183,876</b>	<b>89,931,808</b>
<b>Community Services</b>	<b>-</b>	<b>178,351</b>	<b>178,351</b>	<b>143,792</b>
<b>Debt Service</b>				
Principal	2,230,626	3,630,361	5,860,987	4,473,230
Interest and fiscal charges	216,039	999,763	1,215,802	1,390,140
Payment to refunded bond escrow agent	-	-	-	211,989
<b>Total Debt Service</b>	<b>2,446,665</b>	<b>4,630,124</b>	<b>7,076,789</b>	<b>6,075,359</b>
<b>Non-program</b>				
General tuition payments	5,912,904	-	5,912,904	5,396,775
Special education tuition payments	406,351	-	406,351	238,486
Adjustments and refunds	589,871	-	589,871	395,136
<b>Total Non-program</b>	<b>6,909,126</b>	<b>-</b>	<b>6,909,126</b>	<b>6,030,397</b>
<b>Total Expenditures</b>	<b>269,136,876</b>	<b>15,507,589</b>	<b>284,644,465</b>	<b>256,793,702</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(7,708,847)</b>	<b>(10,850,531)</b>	<b>(18,559,378)</b>	<b>157,790</b>
<b>Other Financing Sources (Uses)</b>				
Long-term debt issued	-	5,950,000	5,950,000	10,724,000
Capital leases	7,675,957	-	7,675,957	2,390,211
Premium and accrued interest from debt refinancing	-	-	-	8,127
Payment to refunded bond escrow agent	-	-	-	(7,220,175)
Sale of capital assets	-	447,415	447,415	-
Transfers in	19,940	263,542	283,482	2,808,851
Transfers out	(263,542)	(19,940)	(283,482)	(2,808,851)
<b>Total Other Financing Sources (Uses)</b>	<b>7,432,355</b>	<b>6,641,017</b>	<b>14,073,372</b>	<b>5,902,163</b>
<b>Net Change in Fund Balances</b>	<b>(276,492)</b>	<b>(4,209,514)</b>	<b>(4,486,006)</b>	<b>6,059,953</b>
Fund Balances - July 1	20,483,551	7,806,355	28,289,906	21,993,981
Prior period adjustment	-	-	-	235,972
<b>Fund Balances - June 30</b>	<b>\$ 20,207,059</b>	<b>\$ 3,596,841</b>	<b>\$ 23,803,900</b>	<b>\$ 28,289,906</b>

(Continued)

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)

Governmental Funds

Year Ended June 30, 2011

(With summarized financial information for the year ended June 30, 2010)

	Total Governmental Funds	
	2011	2010
<u>Reconciliation to the Statement of Activities</u>		
Net Change in Fund Balances from previous page	\$ (4,486,006)	\$ 6,059,953
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	\$ 13,900,287	
Depreciation expense reported in the statement of activities	<u>(3,739,053)</u>	
Amount in which depreciation is (greater) less than capital outlays	10,161,234	779,018
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.	(1,335,555)	(500)
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:	(54,050)	(104,403)
The District's contributions to its employee benefit trust fund to finance its post-retirement benefits have been less than the annual required contribution (ARC). The payments to the employee benefit trust fund are recorded as an expenditure when paid in the governmental statements. The statement of activities reports the ARC as the expense. The difference is:	(1,175,838)	(2,631,867)
The District issued debt during the year. The amount of the debt is reported in the governmental funds as a source of financing. In the statement of net asset, however, debt constitutes a long-term liability. The amount of debt issued is:		
General obligation debt issued by District	(5,950,000)	(10,724,000)
Capital leases issued by the District	(6,540,622)	(2,390,211)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities. The amount of long-term debt principal payments:		
General obligation debt retired by District	3,630,361	10,104,933
Capital leases retired by the District	2,230,626	1,313,297
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.	(17,033)	95,964
Governmental funds report debt premiums, discounts and issuance costs as other financing sources (uses) or expenditures. However, in the statement of net assets, they are deferred and reported as other assets or deductions from long-term debt and allocated over the life of the debt on the statement of activities and included in interest expense.		
Premium on long-term debt	15,107	16,236
Loss on advance refunding	(163,797)	(115,423)
Debt issuance costs	46,050	(38,390)
Change in Net Assets of Governmental Activities as Reported on the Statement of Activities (see pages 11 - 12)	<u>\$ (3,639,523)</u>	<u>\$ 2,364,607</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 Balance  
 Budget and Actual  
 General Fund  
 Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 74,871,226	\$ 74,399,509	\$ 74,399,509	\$ -
Other local sources	776,489	853,819	691,975	(161,844)
Interdistrict sources	143,251	117,667	110,637	(7,030)
Intermediate sources	3,900	1,600	1,600	-
State sources	159,598,024	159,331,061	159,511,110	180,049
Federal sources	24,039,617	28,186,907	24,286,321	(3,900,586)
Other sources	1,085,614	1,283,594	2,426,877	1,143,283
<b>Total Revenues</b>	<b>260,518,121</b>	<b>264,174,157</b>	<b>261,428,029</b>	<b>(2,746,128)</b>
<b>Expenditures</b>				
<b>Instruction</b>				
Regular instruction	112,725,457	113,299,162	113,578,964	(279,802)
Vocational instruction	5,144,888	5,112,798	5,136,344	(23,546)
Special education instruction	42,407,255	43,044,367	43,036,503	7,864
Other instruction	6,962,355	7,071,005	7,012,118	58,887
<b>Total Instruction</b>	<b>167,239,955</b>	<b>168,527,332</b>	<b>168,763,929</b>	<b>(236,597)</b>
<b>Support Services</b>				
Pupil services	15,471,999	15,745,540	15,816,874	(71,334)
Instructional staff services	12,689,894	14,421,860	13,498,111	923,749
General administration services	2,206,581	2,397,602	2,373,788	23,814
School administration services	11,472,478	11,756,335	12,237,652	(481,317)
Business services	2,956,983	3,013,917	2,906,288	107,629
Operation and maintenance of plant	26,988,704	26,675,711	26,099,592	576,119
Pupil transportation services	8,933,085	8,997,263	8,252,208	745,055
Food services	11,750	-	-	-
Central services	8,203,806	8,981,540	8,306,467	675,073
Insurance	753,030	820,764	931,084	(110,320)
Other support services	552,369	567,744	595,092	(27,348)
<b>Total Support Services</b>	<b>90,240,679</b>	<b>93,378,276</b>	<b>91,017,156</b>	<b>2,361,120</b>
<b>Debt service</b>	<b>2,570,157</b>	<b>2,654,052</b>	<b>2,446,665</b>	<b>207,387</b>
<b>Non-program</b>				
General tuition payments	6,355,308	5,927,187	5,912,904	14,283
Special education tuition payments	266,349	266,349	406,351	(140,002)
Indirect costs	39,024	39,024	589,871	(550,847)
<b>Total Non-program</b>	<b>6,660,681</b>	<b>6,232,560</b>	<b>6,909,126</b>	<b>(676,566)</b>
<b>Total Expenditures</b>	<b>266,711,472</b>	<b>270,792,220</b>	<b>269,136,876</b>	<b>1,655,344</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(6,193,351)</b>	<b>(6,618,063)</b>	<b>(7,708,847)</b>	<b>(1,090,784)</b>
<b>Other Financing Sources (Uses)</b>				
Capital leases	7,370,256	7,560,935	7,675,957	115,022
Transfers in	329,811	441,801	19,940	(421,861)
Transfers out	(305,724)	(424,166)	(263,542)	160,624
<b>Total Other Financing Sources (Uses)</b>	<b>7,394,343</b>	<b>7,578,570</b>	<b>7,432,355</b>	<b>(146,215)</b>
<b>Net Change in Fund Balance</b>	<b>1,200,992</b>	<b>960,507</b>	<b>(276,492)</b>	<b>(1,236,999)</b>
<b>Fund Balance - July 1</b>	<b>20,483,551</b>	<b>20,483,551</b>	<b>20,483,551</b>	<b>-</b>
<b>Fund Balance - June 30</b>	<b>\$ 21,684,543</b>	<b>\$ 21,444,058</b>	<b>\$ 20,207,059</b>	<b>\$ (1,236,999)</b>

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Statement of Net Assets -  
 Food Service (Nonmajor) Proprietary Fund  
 June 30, 2011  
 (With comparative totals for June 30, 2010)

	2011	2010
<b>ASSETS</b>		
Receivables		
Accounts	\$ 6,227	\$ 6,227
Due from other funds	895,169	654,236
Due from other governments	225,978	172,914
Capital assets		
Machinery and equipment	1,300,415	1,624,026
Less: Accumulated depreciation	(960,911)	(1,285,588)
<b>TOTAL ASSETS</b>	<u>1,466,878</u>	<u>1,171,815</u>
<b>LIABILITIES</b>		
Accounts payable	333	340
Accrued payroll liabilities	13	-
Unearned revenues	33,549	35,684
<b>TOTAL LIABILITIES</b>	<u>33,895</u>	<u>36,024</u>
<b>NET ASSETS</b>		
Invested in capital assets, net of related debt	339,504	338,438
Unrestricted	1,093,479	797,353
<b>TOTAL NET ASSETS</b>	<u>\$ 1,432,983</u>	<u>\$ 1,135,791</u>

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Statement of Revenues, Expenses and Changes in Net Assets -  
Food Service (Nonmajor) Proprietary Fund  
Year Ended June 30, 2011  
(With comparative totals for year ended June 30, 2010)

	2011	2010
Operating Revenues		
Food sales	\$ 2,002,810	\$ 2,096,289
State sources	125,032	115,766
Federal sources	5,873,164	5,275,899
Other sources	24,906	22,931
Total Operating Revenues	<u>8,025,912</u>	<u>7,510,885</u>
Operating Expenses		
Salaries and wages	531,650	454,544
Employer paid benefits	326,083	276,012
Purchased services	6,266,690	5,918,885
Supplies and materials	582,885	463,280
Depreciation	71,049	91,808
Total Operating Expenses	<u>7,778,357</u>	<u>7,204,529</u>
Operating Income	<u>247,555</u>	<u>306,356</u>
Nonoperating Expense		
Interest expense	<u>(1,479)</u>	<u>(80)</u>
Income before Transfers	246,076	306,276
Transfers In	<u>51,116</u>	<u>-</u>
Change in Net Assets	297,192	306,276
Net Assets - July 1	<u>1,135,791</u>	<u>829,515</u>
Net Assets - June 30	<u>\$ 1,432,983</u>	<u>\$ 1,135,791</u>

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



**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Statement of Cash Flows  
Food Service (Nonmajor) Proprietary Fund  
Year Ended June 30, 2011  
(With comparative totals for year ended June 30, 2010)

	2011	2010
Cash Flows from Operating Activities		
Cash received from user charges	\$ 2,025,581	\$ 2,112,260
Cash received from other government payments	5,543,457	5,113,397
Cash payments to employees	(857,720)	(730,556)
Cash payments to suppliers	(6,447,907)	(5,976,250)
Net Cash Provided for Operating Activities	<u>263,411</u>	<u>518,851</u>
Cash Flows from Noncapital Financing Activities		
Change in temporary cash advance	<u>(240,933)</u>	<u>(389,397)</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(20,999)	(127,203)
Principal payments on long-term debt	-	(2,171)
Interest payments on long-term debt	(1,479)	(80)
Net Cash Used by Capital and Related Financing Activities	<u>(22,478)</u>	<u>(129,454)</u>
Change in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents - July 1	<u>-</u>	<u>-</u>
Cash and Cash Equivalents - June 30	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided for Operating Activities:		
Operating income	\$ 247,555	\$ 306,356
Adjustments to reconcile change in operating income to net cash provided for operating activities		
Depreciation	71,049	91,808
Changes in assets and liabilities		
Accounts receivable	-	(2,186)
Due from other governments	(53,064)	127,307
Accounts payable	(7)	340
Accrued payroll liabilities	13	-
Unearned revenue	(2,135)	(4,774)
Net Cash Provided for Operating Activities	<u>\$ 263,411</u>	<u>\$ 518,851</u>
Noncash Activities:		
Commodities Received From U.S. Department of Agriculture	<u>\$ 401,675</u>	<u>\$ 405,575</u>

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Statement of Net Assets  
 Fiduciary Funds  
 June 30, 2011  
 (With summarized information for June 30, 2010)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Agency Fund	Total Fiduciary Funds	
			Pupil Activity	2011	2010
<b>ASSETS</b>					
Cash and investments	\$ 210,769	\$ 4,771,882	\$ 1,033,126	\$ 6,015,777	\$ 8,167,627
Accounts receivable	-	2,494,045	-	2,494,045	80,039
<b>TOTAL ASSETS</b>	<b>\$ 210,769</b>	<b>\$ 7,265,927</b>	<b>\$ 1,033,126</b>	<b>\$ 8,509,822</b>	<b>\$ 8,247,666</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 193,681	\$ 4,022,330	\$ -	\$ 4,216,011	\$ 4,098,637
Due to student organizations	-	-	1,033,126	1,033,126	1,081,736
<b>TOTAL LIABILITIES</b>	<b>193,681</b>	<b>4,022,330</b>	<b>1,033,126</b>	<b>5,249,137</b>	<b>5,180,373</b>
<b>NET ASSETS</b>					
Restricted for					
Scholarships	17,088	-	-	17,088	54,650
Employee benefits	-	3,243,597	-	3,243,597	3,012,643
<b>TOTAL NET ASSETS</b>	<b>17,088</b>	<b>3,243,597</b>	<b>-</b>	<b>3,260,685</b>	<b>3,067,293</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>\$ 210,769</b>	<b>\$ 7,265,927</b>	<b>\$ 1,033,126</b>	<b>\$ 8,509,822</b>	<b>\$ 8,247,666</b>

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

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

Statement of Changes in Net Assets

Fiduciary Funds

Year Ended June 30, 2011

(With summarized financial information for the year ended June 30, 2010)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Total Fiduciary Funds	
			2011	2010
<b>ADDITIONS</b>				
Other local sources	\$ -	\$ 10,566	\$ 10,566	\$ 20,209
Other	-	9,583,529	9,583,529	9,335,741
Total Additions	-	9,594,095	9,594,095	9,355,950
<b>DEDUCTIONS</b>				
Trust fund disbursements	37,562	9,127,170	9,164,732	8,705,702
Adjustments and refunds	-	235,971	235,971	252,784
Total Deductions	37,562	9,363,141	9,400,703	8,958,486
Change in Net Assets	(37,562)	230,954	193,392	397,464
Net Assets - July 1, as previously reported	54,650	3,012,643	3,067,293	2,905,801
Prior period adjustment	-	-	-	(235,972)
Net Assets - July 1, adjusted	54,650	3,012,643	3,067,293	2,669,829
Net Assets - June 30	\$ 17,088	\$ 3,243,597	\$ 3,260,685	\$ 3,067,293

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, 2011

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

1. Reporting Entity

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

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

2. District-Wide and Fund Financial Statements

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

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

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

The District reports the following major governmental funds:

**GENERAL FUND**

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

The District implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions" for the year ended June 30, 2011. The District changed the financial reporting of the Special Education program from being reported as a special revenue fund to being included as part of the General Fund.

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2011

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

The District reports the following nonmajor governmental funds:

The District reports the following special revenue funds, including the purpose and significant revenue source:

Fund	Purpose	Significant Revenue
Trust	To account for trust funds that can be used for district operations.	3rd party donations
Special Projects	Accounts for the resources restricted for direct federally funded programs	Direct federal grants
Community Service	Programs which are not elementary or secondary educational programs but have the primary function of serving the community.	Property taxes and student fees

**DEBT SERVICE FUNDS**

These funds are used to account for financial resources for, and the payment of, general long-term debt principal, interest and related costs.

**CAPITAL PROJECTS FUND**

This fund is used to account for financial resources to be used for the acquisition or construction of major capital facilities.

The District reports no major proprietary funds. The District uses an enterprise fund to account for their food service operations.

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*.

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2011

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

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to employee benefit programs and claims and judgments, are recorded only when payment is due.

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

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the district-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities, subject to this same limitation. The District has elected not to follow subsequent private-sector guidance.

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

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

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

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2011

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

4. Assets, Liabilities and Net Assets or Equity

a. Cash and Investments

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

b. Accounts Receivable

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

c. Property Taxes

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

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

d. Interfund Receivables and Payables

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

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

e. Inventories

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

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2011

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

f. Prepaid Items

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

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

g. Capital Assets

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

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

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

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

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

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

h. Compensated Absences

The District's policy allows employees to earn varying amounts of sick pay for each year employed, accumulating to varying maximum amounts. The District employees are also granted vacation days in varying amounts based on length of service. Upon retirement or termination of employment, the employees are paid for the unused portion. All vacation leave is accrued when incurred in the district-wide statements and proprietary fund financial statements. Expenditures for these benefits are recognized as paid in the fund financial statements.



**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2011

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

i. Deferred Revenues

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

j. Long-term Obligations

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

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

k. Fund Equity

**GOVERNMENTAL FUND FINANCIAL STATEMENTS**

For the year ended June 30, 2011, the District implemented GASB Statement No. 54 "Fund Balance Reporting and Governmental Fund Type Definitions". The Statement provides more clearly defined fund balance classifications that comprise a hierarchy based primarily on the extent to which the district is bound to honor constraints on the specific purposes for which fund balance amounts can be spent. 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. Unassigned amounts are only reported in the General Fund.

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2011

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

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

**DISTRICT-WIDE AND PROPRIETARY FUND STATEMENTS**

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

- Invested in capital assets, net of related debt - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets - Amount of net assets that are subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- Unrestricted net assets - Net assets that are neither classified as restricted nor as invested in capital assets, net of related debt.

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, 2010, from which the summarized information was derived.

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2011

**NOTE B - STEWARDSHIP AND COMPLIANCE**

Budgets and Budgetary Accounting

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

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

- Based upon requests from District staff, District administration recommends budget proposals to the Board of Education.
- The Board of Education prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.
- A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.
- Pursuant to the public budget hearing, the Board of Education may make alterations to the proposed budget.
- Once the Board of Education (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire Board of Education.
- Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a reserved fund balance in the fund financial statements.
- Encumbrance accounting is used by the District as an extension of formal budgetary control during the year. Encumbrances outstanding at year end (e.g., purchase orders, contracts) are reported as reservations of fund balances in the fund financial statements.
- 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, 2011. In addition, no District funds had deficit fund equity as of June 30, 2011.

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2011

**NOTE C - DETAILED NOTES ON ALL FUNDS**

1. Cash and Investments

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

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

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

The carrying amount of the District's cash and investments totaled \$50,740,377 on June 30, 2011 as summarized below:

Petty cash funds	\$	800
Deposits with financial institutions		5,083,356
Deposits with trustee		912,284
Investments		
Repurchase agreements		44,711,126
Wisconsin local government investment pool		32,811
		\$ 50,740,377

Reconciliation to the basic financial statements:

Basic financial statements	\$	44,724,600
Cash and investments		
Fiduciary funds		
Private purpose trust fund		210,769
Employee benefit trust fund		4,771,882
Agency fund		1,033,126
		\$ 50,740,377

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2011

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

Custodial Credit Risk

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

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

On June 30, 2011, none of the District's deposits with financial institutions were in excess of federal depository insurance limits.

On June 30, 2011, the District held repurchase agreement investments of \$44,711,126 of which the underlying securities are held by the investment's counterparty, not in the name of the District.

Credit Risk

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

Investment Type	Amount	Exempt From Disclosure	Rating as of Year End		
			AAA	Aa	Not Rated
Wisconsin local government investment pool	\$ 32,811	\$ -	\$ -	\$ -	\$ 32,811
<b>Totals</b>	<b>\$ 32,811</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 32,811</b>

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2011

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

Interest Rate Risk

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

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

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Repurchase agreements	\$ 44,711,126	\$ 44,711,126	\$ -	\$ -	\$ -
Wisconsin local government investment pool	32,811	32,811	-	-	-
<b>Totals</b>	<b>\$ 44,743,937</b>	<b>\$ 44,743,937</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Investment in Wisconsin Local Government Investment Pool

The District has investments in the Wisconsin local government investment pool of \$32,811 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, 2011, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2011

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

2. Capital Assets

Capital asset activity for the year ended June 30, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Adjustments	Ending Balance
<b>Governmental activities:</b>					
Capital assets, not being depreciated:					
Sites	\$ 1,842,595	\$ 722,087	\$ -	\$ -	\$ 2,564,682
Work in progress	2,784,419	12,104,441	2,283,545	-	12,605,315
Total capital assets, not being depreciated	<u>4,627,014</u>	<u>12,826,528</u>	<u>2,283,545</u>	<u>-</u>	<u>15,169,997</u>
Capital assets, being depreciated:					
Site improvements	4,456,602	-	264,350	-	4,192,252
Buildings	116,089,680	3,199,112	209,153	(858,235)	118,221,404
Machinery and equipment	26,342,326	158,192	7,457,507	1,112,794	20,155,805
Total capital assets being depreciated	<u>146,888,608</u>	<u>3,357,304</u>	<u>7,931,010</u>	<u>254,559</u>	<u>142,569,461</u>
Less accumulated depreciation for:					
Site improvements	3,759,706	58,313	245,993	1,312	3,573,338
Buildings	60,295,820	2,306,524	147,593	(16,230)	62,438,521
Machinery and equipment	17,033,048	1,374,216	6,267,955	335,563	12,474,872
Total accumulated depreciation	<u>81,088,574</u>	<u>3,739,053</u>	<u>6,661,541</u>	<u>320,645</u>	<u>78,486,731</u>
Total capital assets, being depreciated, net	<u>65,800,034</u>	<u>(381,749)</u>	<u>1,269,469</u>	<u>(66,086)</u>	<u>64,082,730</u>
Governmental activities capital assets, net	<u>\$ 70,427,048</u>	<u>\$ 12,444,779</u>	<u>\$ 3,553,014</u>	<u>\$ (66,086)</u>	<u>79,252,727</u>
Less related long-term debt outstanding, net of debt proceeds of \$2,642,567)					<u>13,045,922</u>
Invested in capital assets, net of related debt					<u>\$ 66,206,805</u>
<b>Business-type activities:</b>					
Capital assets, being depreciated:					
Machinery and equipment	\$ 1,624,026	\$ 20,999	\$ 572,004	\$ 227,394	\$ 1,300,415
Less accumulated depreciation for:					
Machinery and equipment	1,285,588	71,049	572,004	176,278	960,911
Total capital assets, being depreciated, net	<u>338,438</u>	<u>(50,050)</u>	<u>-</u>	<u>51,116</u>	<u>339,504</u>
Business-type activities capital assets, net	<u>\$ 338,438</u>	<u>\$ (50,050)</u>	<u>\$ -</u>	<u>\$ 51,116</u>	<u>\$ 339,504</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2011

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

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

Governmental activities	
Regular instruction	\$ 668,972
Vocational instruction	135,662
Special education instruction	4,152
Other instruction	35,904
Pupil services	13,924
Instructional staff services	11,501
General administration services	4,574
Operation and maintenance of plant	1,796,961
Central services	1,067,403
Total depreciation expense - governmental activities	<u>\$ 3,739,053</u>
Business-type activities	
Food service	<u>\$ 71,049</u>

3. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the District as of June 30, 2011 are detailed below:

	Interfund Receivables	Interfund Payables
Pooled cash balances		
General Fund	\$ 637,934	\$ 4,410,463
Special Revenue Funds		
Trust	114,145	-
Community service	154,503	-
Debt Service Funds		
Non-referendum debt service	232,471	-
Referendum debt service	420,610	-
Capital Projects Fund	2,593,565	637,934
Enterprise Fund		
Food service	895,169	-
Temporary cash advances to finance operating cash deficit		
General Fund	331,971	-
Special Revenue Funds		
Special projects	-	331,971
Totals	<u>\$ 5,380,368</u>	<u>\$ 5,380,368</u>



**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2011

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

Interfund transfers for the year ended June 30, 2011 were as follows:

	Transfer to:		
	General	Non-Referendum Debt Service	Total
Transfers from:			
General Fund	\$ -	\$ 263,542	\$ 263,542
Special Revenue Funds			
Special projects	19,940	-	19,940
Total	<u>\$ 19,940</u>	<u>\$ 263,542</u>	<u>\$ 283,482</u>

Interfund transfers included indirect cost reimbursements returned to the general fund and a transfer to the non-referendum debt service fund to cover debt service payments.

4. Short-term Obligations

The District issued tax and revenue anticipation promissory notes in advance of property tax collections. The notes are needed because District expenses for the year begin in July whereas tax collections are not received until January. Short-term debt activity for the year ended June 30, 2011 was as follows:

	Outstanding 7/1/10	Issued	Retired	Outstanding 6/30/11
Tax and revenue anticipation notes				
Issued 8/3/09; due on 7/12/10; interest 2.00%	\$ 23,500,000	\$ -	\$ 23,500,000	\$ -
Issued 8/3/09; due on 7/12/10; interest 2.00%	10,000,000	-	10,000,000	-
Issued 11/1/10; due on 2/1/11; interest 1.0%	-	750,000	750,000	-
Issued 11/1/10; due on 2/1/11; interest 1.75%	-	6,750,000	6,750,000	-
Issued 7/18/10; due on 7/18/11; interest 2.25%	-	28,300,000	-	28,300,000
	<u>\$ 33,500,000</u>	<u>\$ 35,800,000</u>	<u>\$ 41,000,000</u>	<u>\$ 28,300,000</u>

Total interest paid for the year on short-term debt totaled \$178,625.

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2011

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

5. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2011:

	Outstanding 7/1/10	Issued	Retired	Outstanding 6/30/11	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Debt					
Bonds	\$ 20,785,000	\$ -	\$ 2,465,000	\$ 18,320,000	\$ 2,380,000
Notes	5,819,978	5,950,000	493,481	11,276,497	6,480,166
State trust fund notes	671,880	-	671,880	-	-
Total	27,276,858	5,950,000	3,630,361	29,596,497	8,860,166
Premium	95,668	-	15,107	80,561	9,946
Loss on advance refunding	(977,476)	-	(163,797)	(813,679)	(163,797)
Capital leases	2,386,075	6,540,622	2,230,626	6,696,071	2,267,489
Other post-employment benefits	12,714,775	10,759,367	9,583,529	13,890,613	-
Compensated absences	1,260,193	1,314,243	1,260,193	1,314,243	1,314,243
Governmental activities Long-term obligations	<u>\$ 42,756,093</u>	<u>\$ 24,564,232</u>	<u>\$ 16,556,019</u>	<u>\$ 50,764,306</u>	<u>\$ 12,288,047</u>

Total interest paid during the year on long-term debt totaled \$984,288.

General Obligation Debt

Detail of the outstanding general obligation debt follows:

	Issue Amount	Issue Date	Average Interest Rates (%)	Dates of Maturity	Outstanding 6/30/11
General Obligation Notes	\$ 2,200,000	02/01/06	4.00%	04/01/13	\$ 695,000
General Obligation Qualified Zone					
Academy Notes	1,728,000	04/15/08	1.00%	04/14/18	1,227,497
General Obligation Bonds	8,420,000	09/03/08	4.35 - 5.45%	04/01/16	6,790,000
General Obligation Bonds	5,945,000	09/03/08	4.00 - 4.25%	04/01/19	5,945,000
General Obligation Bonds	7,320,000	07/28/09	2.00 - 4.05%	04/01/15	5,585,000
General Obligation Qualified School Construction					
Promissory Notes	1,794,000	11/09/09	0.00%	09/15/19	1,794,000
General Obligation Notes	1,610,000	04/05/10	2.00 - 3.625%	04/01/20	1,610,000
Note Anticipation Note	5,950,000	11/15/10	1.00%	08/15/11	5,950,000
Total General Obligation Debt					<u>\$ 29,596,497</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2011

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

Annual principal and interest maturities of the outstanding general obligation debt of \$29,596,497 on June 30, 2011 are detailed below:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2012	\$ 8,860,166	\$ 915,112	\$ 9,775,278
2013	3,091,868	770,855	3,862,723
2014	3,218,586	656,721	3,875,307
2015	3,140,322	532,075	3,672,397
2016	3,512,075	399,174	3,911,249
2017-2020	7,773,480	504,890	8,278,370
	<u>\$ 29,596,497</u>	<u>\$ 3,778,827</u>	<u>\$ 33,375,324</u>

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2011 was \$900,003,049 as follows:

Equalized valuation of the District	\$9,289,464,650
Statutory limitation percentage	(x) 10%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	<u>928,946,465</u>
Total outstanding general obligation debt	\$ 29,596,497
Less: Amounts available for financing general obligation debt	
Debt service fund	<u>653,081</u>
Net outstanding general obligation debt applicable to debt limitation	28,943,416
Legal Margin for New Debt	<u><u>\$ 900,003,049</u></u>

Capital Leases

The cost of equipment acquired under capital leases as of June 30, 2011 was approximately \$6,540,622.

The following is a schedule by years of future minimum lease payments due under capital leases together with the present value of the net minimum lease payments as of June 30, 2011:

Year Ending June 30,	Governmental Activities
2012	\$ 2,267,489
2013	2,267,489
2014	2,225,711
Total Minimum Lease Payments	6,760,689
Less: Amount representing interest	64,618
Present Value of Future Minimum Lease Payments	<u><u>\$ 6,696,071</u></u>

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2011

**NOTE D - PRIOR PERIOD ADJUSTMENT**

During the Wisconsin Department of Public Instruction's review of the District's 2009 financial statements, they proposed and the District posted an adjustment which lowered expenditures in the District's general fund by \$235,972 and reduced District contributions to their Employee Benefit Trust Fund by a similar amount. Accordingly, an increase in general fund balance and governmental activities of \$235,972 and a decrease in the Employee Benefit Trust Fund by a similar amount are reported in the District's annual financial statements.

**NOTE E - OTHER INFORMATION**

1. Retirement Commitments

All eligible District employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. The WRS operates on a calendar year which differs from the District's fiscal year ended June 30, 2011. All permanent employees expected to work over 600 hours a year (440 hours for teachers and school district educational support personnel) are eligible to participate in the WRS. Covered employees in the General category are required by statute to contribute 6.5% of their salary to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for District employees covered by the WRS for the year ended June 30, 2011 was \$129,662,320; the employer's total payroll was \$134,689,295. The total required contribution for the year ended June 30, 2011 was \$14,639,214, which consisted of \$6,411,971, or 4.95% of covered payroll from the employer and \$8,227,243, or 6.35% of covered payroll from employees. The required contribution for employees for the year ended June 30, 2011 was financed by the District. Total contributions for the years ending December 31, 2009 and 2008 were \$13,389,544 and \$12,736,861 respectively, equal to the required contributions for each year.

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

The WRS also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2011

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

2. Risk Management

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

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

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

At June 30, 2011, the District has reported a liability of \$4,654,900 which represents reported and unreported claims which were incurred on or before June 30, 2011, but were not paid by the District as of that date. The amounts not reported to the District were estimated using data provided by the plan administrators. Changes in the program's claim liability amount for the year ended June 30, 2011 with comparative totals for the prior year follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability June 30
2010	\$ 3,953,425	\$ 46,296,720	\$ 46,715,245	\$ 3,534,900
2011	3,534,900	51,673,311	50,553,311	4,654,900

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2011

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

3. Other Postemployment Benefits

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

a. Plan Descriptions and Contribution Information

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

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

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

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

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2011

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

b. Annual OPEB Cost and Net OPEB Obligation

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

	Normal Cost	Interest Cost	Amortization of AAL	Annual Required Contribution
Teachers	\$ 4,391,013	\$ 451,426	\$ 4,637,517	\$ 9,479,956
Administrators	258,012	31,428	370,557	659,997
Building service	135,688	23,164	327,592	486,444
Clerical	47,096	6,154	75,980	129,230
Educational assistants	96,627	9,834	100,047	206,508
<b>Total</b>	<u>\$ 4,928,436</u>	<u>\$ 522,006</u>	<u>\$ 5,511,693</u>	<u>\$ 10,962,135</u>
Interest on net OPEB				635,739
Adjustment to annual required contribution				<u>(838,507)</u>
Annual OPEB cost (expense)				10,759,367
Contributions made				<u>9,583,529</u>
Change in net OPEB obligation				1,175,838
OPEB obligation - beginning of year				<u>12,714,775</u>
OPEB obligation - end of year				<u>\$ 13,890,613</u>

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

Valuation date	July 1, 2010
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar
Remaining amortization period	27 years
Actuarial assumptions:	
Investment rate of return	5.00%
Healthcare cost trend rate	-12.5% initial 5.5% ultimate

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2011

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

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

Fiscal Year Ended	Annual OPEB Cost	Annual Required Contribution (ARC)	Annual OPEB Cost Contributed	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2008	\$ 12,360,611	\$ 12,360,611	\$ 8,324,129	67.34%	\$ 7,341,033
6/30/2009	11,772,854	11,772,854	9,030,979	76.71%	10,082,908
6/30/2010	11,772,854	11,772,854	9,140,987	77.64%	12,714,775
6/30/2011	10,759,367	10,962,135	9,583,529	87.42%	13,890,613

c. Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2006	\$ -	\$ 105,676,225	\$ 105,676,225	0.0%	\$106,000,000	100.0%
7/1/2008	1,961,309	97,647,304	95,685,995	2.0%	101,073,000	94.7%
7/1/2010	3,012,643	87,755,940	84,743,297	3.4%	139,479,307	60.8%

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



**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2011

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

4. Pension Plan

a. Plan Description

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

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

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

b. Funding Policy

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

c. Annual Pension Cost and Net Pension Obligation

The District's annual pension costs for the year ended June 30, 2011 and related actuarial assumptions used for the current year are as follows:

Annual required contribution	\$ 279,293
Interest on net pension obligation	6,205
Adjustment to annual required	<u>86,469</u>
Annual pension cost	371,967
Contributions made	<u>204,912</u>
Change in net pension obligation	167,055
Net pension asset beginning of year	<u>29,006</u>
Net pension asset end of year	<u><u>\$ 196,061</u></u>

The annual required contribution for the current year was determined as part of the July 1, 2010 actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 5.0% investment rate of return (net of administrative expenses) and (b) projected salary increases 3% per year. The investment rate of return has an inflation component of 2.5% per year. It was assumed that employees would not have any other service within the WRS prior to hire by the District. The unfunded actuarial accrued liability is being amortized, as a level dollar amount, on a closed basis. The remaining amortization period at June 30, 2011 was 26 years. The net pension asset was not recorded in the government-wide financial statements as of June 30, 2011.

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2011

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

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/08	\$ 196,921	114.3%	\$ (21,433)
6/30/09	196,921	113.3%	(47,551)
6/30/10	237,735	67.8%	29,007
6/30/11	371,967	55.1%	196,061

d. Funding Status and Funding Progress

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

5. Contingencies

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

6. Limitation on School District Revenues

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

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

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

7. Subsequent Events

On July 11, 2011, the District issued \$5,880,000 in General Obligation Refunding Bonds to refund the 2010 Note Anticipation Note issue, which were previously due in 2011. Annual principal and interest payments range from \$375,000 to \$620,000 from 2020 to 2031. These bonds bear interest from 4.00% to 5.00%.

In addition, on July 11, 2011, the District issued \$995,000 in General Obligation Refunding Bonds to fund additional upcoming capital projects. Annual principal and interest payments range from \$50,000 to \$145,000 from 2013 to 2020. These bonds bear interest from 2.00% to 3.50%.

**REQUIRED SUPPLEMENTAL INFORMATION**

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

Schedule of Funding Progress

June 30, 2011

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

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

See notes to required supplemental information.

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Employer Contributions  
 Other Post-Employment Benefit Plan  
 June 30, 2011

Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2008	\$ 8,324,129	\$ 12,360,611	67.34%
2009	9,030,979	11,772,854	76.71%
2010	9,140,987	11,772,854	77.64%
2011	9,583,529	10,962,135	87.42%

See notes to required supplemental information.

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Required Supplemental Information  
June 30, 2011

**NOTE A - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NO. 45**

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

**NOTE B - CHANGE IN ACTUARIAL ASSUMPTIONS**

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

**SUPPLEMENTAL INFORMATION**

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2011

	Special Revenue Funds		
	Trust	Special Projects	Community Service
<b>ASSETS</b>			
Cash and investments	\$ -	\$ -	\$ -
Due from other funds	114,145	-	154,503
Due from other governments	-	364,916	-
Prepaid items	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 114,145</b>	<b>\$ 364,916</b>	<b>\$ 154,503</b>
<b>LIABILITIES AND FUND BALANCES</b>			
<b>Liabilities</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to other funds	-	331,971	-
<b>Total Liabilities</b>	<b>-</b>	<b>331,971</b>	<b>-</b>
<b>Fund Balances</b>			
<b>Fund Balances</b>			
<b>Nonspendable</b>			
Inventories and prepaid items	-	-	-
<b>Restricted</b>			
Trust fund	114,145	-	-
Special projects fund	-	32,945	-
Construction of capital assets	-	-	-
Debt service funds	-	-	-
<b>Assigned</b>			
Community service fund	-	-	154,503
<b>Total Fund Balances</b>	<b>114,145</b>	<b>32,945</b>	<b>154,503</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 114,145</b>	<b>\$ 364,916</b>	<b>\$ 154,503</b>



Debt Service Funds		Capital Projects	Total Nonmajor Governmental Funds
Non-Referendum Debt Service	Referendum Debt Service		
\$ -	\$ -	\$ 129,696	\$ 129,696
232,471	420,610	2,593,565	3,515,294
-	-	-	364,916
-	-	637,945	637,945
<hr/>			
\$ 232,471	\$ 420,610	\$ 3,361,206	\$ 4,647,851

\$ -	\$ -	\$ 81,105	\$ 81,105
-	-	637,934	969,905
-	-	719,039	1,051,010

-	-	637,945	637,945
-	-	-	114,145
-	-	-	32,945
-	-	2,004,222	2,004,222
232,471	420,610	-	653,081
-	-	-	154,503
<hr/>			
232,471	420,610	2,642,167	3,596,841
<hr/>			
\$ 232,471	\$ 420,610	\$ 3,361,206	\$ 4,647,851

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

Combining Statement of Revenues, Expenditures and Changes in Fund Balances

Nonmajor Governmental Funds

Year Ended June 30, 2011

	Special Revenue Funds		
	Trust	Special Projects	Community Service
<b>Revenues</b>			
Property taxes	\$ -	\$ -	\$ -
Other local sources	134,160	-	105,096
Federal sources	-	574,166	-
Other sources	-	-	-
<b>Total Revenues</b>	<u>134,160</u>	<u>574,166</u>	<u>105,096</u>
<b>Expenditures</b>			
Instruction			
Regular instruction	87,321	438,276	-
Other instruction	434	6,363	-
<b>Total Instruction</b>	<u>87,755</u>	<u>444,639</u>	<u>-</u>
Support Services			
Pupil services	180	629	-
Instructional staff services	51,817	96,601	-
General administration services	-	-	11,308
School administration services	-	210	737
Operation and maintenance of plant	-	-	43,344
Pupil transportation services	-	6,662	18,981
Central services	-	7,967	3
<b>Total Support Services</b>	<u>51,997</u>	<u>112,069</u>	<u>74,373</u>
Community Services	-	-	178,351
Debt Service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
<b>Total Debt Service</b>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total Expenditures</b>	<u>139,752</u>	<u>556,708</u>	<u>252,724</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(5,592)</u>	<u>17,458</u>	<u>(147,628)</u>
<b>Other Financing Sources (Uses)</b>			
Long-term debt issued	-	-	-
Sale of capital assets	-	-	-
Transfers in	-	-	-
Transfers out	-	(19,940)	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(19,940)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>(5,592)</u>	<u>(2,482)</u>	<u>(147,628)</u>
<b>Fund Balances - July 1</b>	<u>119,737</u>	<u>35,427</u>	<u>302,131</u>
<b>Fund Balances - June 30</b>	<u>\$ 114,145</u>	<u>\$ 32,945</u>	<u>\$ 154,503</u>

Debt Service Funds		Capital Projects	Total Nonmajor Governmental Funds
Non-Referendum Debt Service	Referendum Debt Service		
\$ 1,189,911	\$ 2,489,105	\$ -	\$ 3,679,016
2,835	-	30,553	272,644
-	-	-	574,166
-	-	131,232	131,232
<u>1,192,746</u>	<u>2,489,105</u>	<u>161,785</u>	<u>4,657,058</u>
-	-	-	525,597
-	-	-	6,797
-	-	-	<u>532,394</u>
-	-	-	809
-	-	-	148,418
-	-	-	11,308
-	-	-	947
-	-	9,928,281	9,971,625
-	-	-	25,643
-	-	-	7,970
-	-	9,928,281	<u>10,166,720</u>
-	-	-	178,351
1,165,361	2,465,000	-	3,630,361
139,099	860,664	-	999,763
<u>1,304,460</u>	<u>3,325,664</u>	<u>-</u>	<u>4,630,124</u>
<u>1,304,460</u>	<u>3,325,664</u>	<u>9,928,281</u>	<u>15,507,589</u>
<u>(111,714)</u>	<u>(836,559)</u>	<u>(9,766,496)</u>	<u>(10,850,531)</u>
-	-	5,950,000	5,950,000
-	-	447,415	447,415
263,542	-	-	263,542
-	-	-	(19,940)
<u>263,542</u>	<u>-</u>	<u>6,397,415</u>	<u>6,641,017</u>
151,828	(836,559)	(3,369,081)	(4,209,514)
80,643	1,257,169	6,011,248	7,806,355
<u>\$ 232,471</u>	<u>\$ 420,610</u>	<u>\$ 2,642,167</u>	<u>\$ 3,596,841</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Pupil Activity Funds  
 Schedule of Changes in Assets and Liabilities  
 Year Ended June 30, 2011

	Pupil Activity Funds			
	Balance 07/01/10	Additions	Deletions	Balance 06/30/11
<b>ASSETS</b>				
Cash and investments	\$ 1,081,736	\$ 2,517,285	\$ 2,565,895	\$ 1,033,126
	<hr/>			
<b>LIABILITIES</b>				
Due to student organizations				
Senior high schools	\$ 612,573	\$ 1,239,510	\$ 1,266,471	\$ 585,612
Middle schools	212,253	594,274	612,279	194,248
Elementary schools	226,657	578,934	578,005	227,586
Early Childhood schools	5,775	20,355	18,027	8,103
Lighted Schoolhouse	5,867	24,182	29,045	1,004
P-COC	1,401	11,862	10,473	2,790
Mack Center	2,376	100	210	2,266
REAL School	14,834	48,068	51,385	11,517
	<hr/>			
<b>TOTAL LIABILITIES</b>	<b>\$ 1,081,736</b>	<b>\$ 2,517,285</b>	<b>\$ 2,565,895</b>	<b>\$ 1,033,126</b>
	<hr/>			

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

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

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Racine Unified School District as of and for the year ended June 30, 2011, which collectively comprise the Racine Unified School District's basic financial statements and have issued our report thereon dated November 30, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

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

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

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2011-01 that we consider to be a significant deficiency in internal control over financial reporting. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

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

We noted certain matters that we reported to management of the Racine Unified School District, Wisconsin in a separate letter dated November 30, 2011.

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

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



Certified Public Accountants  
Green Bay, Wisconsin  
November 30, 2011

**FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**



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

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

**Compliance**

We have audited Racine Unified School District, Wisconsin's ("the District") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2011. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

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

In our opinion, Racine Unified School District complied, in all material respects, with the requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2011.

### **Internal Control Over Compliance**

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with the requirements that could have a direct and material effect on a major federal and state program to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

*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.

Our consideration of the 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 deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items 2011-02, 2011-03 and 2011-04. *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.

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

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



Certified Public Accountants  
Green Bay, Wisconsin  
November 30, 2011

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Expenditures of Federal Awards  
 Year Ended June 30, 2011

Federal Grantor/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number
<u>U.S. Department of Agriculture</u>		
<i>Child Nutrition Cluster</i>		
School Breakfast Program		10.553
July 1, 2009 - June 30, 2010	Wisconsin Department of Public Instruction	
July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction	
National School Lunch Program		10.555
July 1, 2009 - June 30, 2010	Wisconsin Department of Public Instruction	
July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction	
Donated Commodities	Wisconsin Department of Public Instruction	
Total National School Lunch Program		
Special Milk Program for Children		10.556
July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction	
Summer Food Service Program for Children		10.559
July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction	
<i>Total Child Nutrition Cluster</i>		
Total U.S. Department of Agriculture		
<u>U.S. Department of Justice</u>		
Gang Resistance Education And Training Program	City of Racine	16.737
<u>U.S. Department of Education</u>		
<i>Title I, Part A Cluster</i>		
Title I Grants to Local Educational Agencies		84.010
Basic Grant		
July 1, 2009 - June 30, 2010	Wisconsin Department of Public Instruction	
July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction	
Neglected and Delinquent Youth		
July 1, 2009 - June 30, 2010	Wisconsin Department of Public Instruction	
July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction	
State Program Improvement		
July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction	
Detention Center		
July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction	
Total Title I Grants to Local Educational Agencies		
ARRA - Title I Grants to Local Educational Agencies		84.389
Basic Grant		
July 1, 2009 - September 30, 2011	Wisconsin Department of Public Instruction	
Supplemental Grant		
July 1, 2009 - September 30, 2011	Wisconsin Department of Public Instruction	
Delinquent		
July 1, 2009 - September 30, 2011	Wisconsin Department of Public Instruction	
Total ARRA - Title I Grants to Local Educational Agencies		
<i>Total Title I Cluster</i>		

(Continued)

Accrued Receivable (Deferred Revenue) 7/1/10	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/11	Total Revenues	Total Expenditures
\$ (29,941)	\$ 29,941	\$ -	\$ -	\$ -
-	930,014	46,788	976,802	976,802
(142,972)	142,972	-	-	-
-	4,162,397	179,005	4,341,402	4,341,402
-	401,675	-	401,675	401,675
(142,972)	4,707,044	179,005	4,743,077	4,743,077
-	5,239	185	5,424	5,424
-	147,861	-	147,861	147,861
(172,913)	5,820,099	225,978	5,873,164	5,873,164
(172,913)	5,820,099	225,978	5,873,164	5,873,164
-	1,722	-	1,722	1,722
(2,584,178)	2,584,178	-	-	-
-	4,588,113	2,412,684	7,000,797	7,000,797
(195,400)	195,400	-	-	-
-	98,637	167,912	266,549	266,549
-	8,874	133,898	142,772	142,772
-	-	40,810	40,810	40,810
(2,779,578)	7,475,202	2,755,304	7,450,928	7,450,928
(1,065,114)	2,539,456	1,383,197	2,857,539	2,857,539
(162,325)	162,325	663,786	663,786	663,786
(67,789)	67,789	65,816	65,816	65,816
(1,295,228)	2,769,570	2,112,799	3,587,141	3,587,141
(4,074,806)	10,244,772	4,868,103	11,038,069	11,038,069

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Expenditures of Federal Awards (Continued)  
 Year Ended June 30, 2011

Federal Grantor/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number
<u>U.S. Department of Education (Continued)</u>		
Career and Technical Education - Basic Grants to States July 1, 2009 - June 30, 2010 July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.048
<i>Special Education Cluster (IDEA)</i>		
Special Education - Grants to States IDEA Flow Thru July 1, 2009 - June 30, 2010 July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.027
IDEA High Cost Special Education Aid July 1, 2009 - June 30, 2010 July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	
IDEA Discretionary Grant - Disportionality July 1, 2009 - June 30, 2010	Wisconsin Department of Public Instruction	
Total Special Education - Grants to States		
Special Education - Preschool Grants July 1, 2009 - June 30, 2010 July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.173
ARRA - Special Education - Grants to States February 2, 2009 - September 30, 2011	Wisconsin Department of Public Instruction	84.391
ARRA - Special Education - Preschool Grants February 2, 2009 - September 30, 2011	Wisconsin Department of Public Instruction	84.392
Total Special Education Cluster		
Safe and Drug-Free Schools and Communities - National Programs July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction	84.184
Safe and Drug-Free Schools and Communities - State Grants July 1, 2009 - June 30, 2010 July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.186
<i>Education for Homeless Children Cluster</i>		
Education for Homeless Children and Youth July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction	84.196
ARRA - Title X - C Homeless Education July 1, 2009 - June 30, 2009 July 1, 2009 - June 30, 2010	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.387
Total Education for Homeless Children Cluster		
Fund for the Improvement of Education July 1, 2010 - June 30, 2011	City of Racine	84.215k
<i>Twenty-First Century Community Learning Centers</i>		
Twenty-First Century Community Learning Centers July 1, 2009 - June 30, 2010 July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.287
Twenty-First Century Community Learning Centers July 1, 2009 - June 30, 2010 July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.287

(Continued)

Accrued Receivable (Deferred Revenue) 7/1/10	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/11	Total Revenues	Total Expenditures
(126,391)	126,391	-	-	-
-	-	271,397	271,397	271,397
(306,597)	306,597	-	-	-
-	3,341,120	2,185,215	5,526,335	5,526,335
(2,505)	2,505	-	-	-
-	337,676	-	337,676	337,676
(780,730)	780,730	-	-	-
(1,089,832)	4,768,628	2,185,215	5,864,011	5,864,011
(89,926)	89,926	-	-	-
-	121,156	90,885	212,041	212,041
(484,381)	2,396,979	780,527	2,693,125	2,693,125
(29,000)	119,045	44,174	134,219	134,219
(1,693,139)	7,495,734	3,100,801	8,903,396	8,903,396
-	-	24,127	24,127	24,127
(52,531)	52,531	-	-	-
-	-	46,284	46,284	46,284
-	-	41,840	41,840	41,840
(7,342)	7,342	-	-	-
-	31,857	-	31,857	31,857
(7,342)	39,199	41,840	73,697	73,697
-	25,307	30,487	55,794	55,794
(126,756)	126,756	-	-	-
-	96,473	100,479	196,952	196,952
(100,745)	100,745	-	-	-
-	87,470	74,039	161,509	161,509

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Expenditures of Federal Awards (Continued)  
 Year Ended June 30, 2011

Federal Grantor/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number
<u>U.S. Department of Education (Continued)</u>		
Twenty-First Century Community Learning Centers		84.287
July 1, 2009 - June 30, 2010	Wisconsin Department of Public Instruction	
July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction	
Total Twenty-First Century Community Learning Centers		
English Language Acquisition Grants		84.365
July 1, 2009 - June 30, 2010	Wisconsin Department of Public Instruction	
July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction	
Educational Technology State Grants		84.318
July 1, 2009 - June 30, 2010	Wisconsin Department of Public Instruction	
July 1, 2009 - June 30, 2010	Mequon-Thiensville School District	
July 1, 2010 - June 30, 2011	Mequon-Thiensville School District	
Total Education Technology State Grants		
Reading First State Grants		84.357
July 1, 2009 - June 30, 2010	Wisconsin Department of Public Instruction	
Improving Teacher Quality State Grants		84.367
July 1, 2008 - June 30, 2009	Wisconsin Department of Public Instruction	
July 1, 2009 - June 30, 2010	Wisconsin Department of Public Instruction	
Education Jobs Bill		84.410
July 1, 2010 - June 30, 2011	Wisconsin Department of Administration	
Total U.S. Department of Education		
<u>U.S. Department of Health and Human Services</u>		
Medical Assistance - Student Based Services Benefit		93.778
July 1, 2009 - June 30, 2010	Wisconsin Department of Health Services	
July 1, 2010 - June 30, 2011	Wisconsin Department of Health Services	
Center for Disease Control - Basic Grant		93.938
July 1, 2009 - June 30, 2010	Wisconsin Department of Health Services	
Total U.S. Department of Health and Human Services		
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		
Reconciliation to Basic Financial Statements		
Governmental Funds		
Federal sources		
Federal awards reported with interdistrict sources		
Proprietary Fund		
Federal sources		
Total Federal Awards		

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

Accrued Receivable (Deferred Revenue) 7/1/10	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/11	Total Revenues	Total Expenditures
-	-	-	-	-
(227,501)	411,444	159,911	518,372	518,372
(134,420)	134,420	-	-	-
-	130,905	251,580	382,485	382,485
(20,510)	20,510	-	-	-
(21,246)	21,246	-	-	-
-	-	5,996	5,996	5,996
(41,756)	41,756	5,996	5,996	5,996
(94,018)	94,018	-	-	-
(44,404)	44,404	-	-	-
-	307,480	694,113	1,001,593	1,001,593
-	299,482	133,691	433,173	433,173
(6,496,308)	19,447,843	9,802,848	22,754,383	22,754,383
(477,385)	477,385	-	-	-
-	1,218,561	891,567	2,110,128	2,110,128
-	250	-	250	250
(477,385)	1,696,196	891,567	2,110,378	2,110,378
<u>\$ (7,146,606)</u>	<u>\$ 26,965,860</u>	<u>\$ 10,920,393</u>	<u>\$ 30,739,647</u>	<u>\$ 30,739,647</u>

\$ 24,860,487  
5,996

5,873,164  
\$ 30,739,647



**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Schedule of State Financial Assistance  
Year Ended June 30, 2011

State Grantor/Program Name/Grant Period	Pass-through Agency	State I.D. Number
<u>Wisconsin Department of Public Instruction</u>		
<u>Cost Reimbursement Programs</u>		
Preschool to Grade Five Program		255.305
July 1, 2009 - June 30, 2010	Direct Program	
July 1, 2010 - June 30, 2011	Direct Program	
Youth Alcohol and Other Drug Abuse		255.312
July 1, 2008 - June 30, 2009	Direct Program	
July 1, 2009 - June 30, 2010	Direct Program	
Alternative Education		255.330
July 1, 2009 - June 30, 2010	Direct Program	
Wallace Fellows Wisconsin Urban Schools Grant		255.910
July 1, 2009 - June 30, 2010	Direct Program	
July 1, 2010 - June 30, 2011	Direct Program	
Grant for Project Lead the Way		255.923
July 1, 2010 - June 30, 2011	Project Lead the Way	
AODA Mini Grants		255.312
July 1, 2010 - June 30, 2011	Cooperative Educational Services Agency (CESA) No. 1	
Total Cost Reimbursement Programs		
<u>Entitlement Programs</u>		
Special Education and School Age Parents	Direct Program	255.101
State Lunch	Direct Program	255.102
Common School Fund Library	Direct Program	255.103
Bilingual - Bicultural Aid	Direct Program	255.106
Pupil Transportation Aid	Direct Program	255.107
Charter Schools State Aid	Direct Program	255.109
General Equalization Aids		255.201
July 1, 2009 - June 30, 2010	Direct Program	
July 1, 2010 - June 30, 2011	Direct Program	
Integration Transfer	Direct Program	255.205
Children At Risk	Direct Program	255.207
High Cost Special Education Aid	Direct Program	255.210
State Breakfast Program	Direct Program	255.344
Mentoring for Initial Educators	Direct Program	255.355
Tuition Payments by State	Direct Program	255.401
Student Achievement Guarantee in Education (SAGE) Program	Direct Program	255.504
Aid for High Poverty School District	Direct Program	255.926
Total Entitlement Programs		
Total Wisconsin Department of Public Instruction		
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		
Reconciliation to Basic Financial Statements		
Governmental Funds		
State sources		
State awards reported with intermediate sources		
Proprietary Fund		
State sources		
Revenues not considered state financial assistance		
Tax-exempt computer aids		
Disability user charge from the state		
Total State Awards		

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

(Accrued Receivable) Deferred Revenue 7/1/10	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/11	Total Revenues	Total Expenditures
\$ (475,332)	\$ 475,332	\$ -	\$ -	\$ -
-	865,750	448,021	1,313,771	1,313,771
(55,156)	55,156	-	-	-
-	-	112,201	112,201	112,201
(15,169)	15,169	-	-	-
1,385	71,129	-	72,514	72,514
-	9,685	-	9,685	9,685
-	5,416	-	5,416	5,416
-	1,600	-	1,600	1,600
<u>(544,272)</u>	<u>1,499,237</u>	<u>560,222</u>	<u>1,515,187</u>	<u>1,515,187</u>
-	12,896,878	-	12,896,878	12,896,878
-	83,492	-	83,492	83,492
-	895,370	-	895,370	895,370
-	476,479	-	476,479	476,479
-	412,055	-	412,055	412,055
-	1,316,101	-	1,316,101	1,316,101
(2,129,877)	2,129,877	-	-	-
-	126,926,189	2,177,126	129,103,315	129,103,315
-	7,658,226	-	7,658,226	7,658,226
-	358,139	-	358,139	358,139
-	93,077	-	93,077	93,077
-	41,540	-	41,540	41,540
-	22,875	-	22,875	22,875
-	413,218	-	413,218	413,218
-	1,485,101	-	1,485,101	1,485,101
-	2,403,618	-	2,403,618	2,403,618
<u>(2,129,877)</u>	<u>157,612,235</u>	<u>2,177,126</u>	<u>157,659,484</u>	<u>157,659,484</u>
<u>(2,674,149)</u>	<u>159,111,472</u>	<u>2,737,348</u>	<u>159,174,671</u>	<u>159,174,671</u>
<u>\$ (2,674,149)</u>	<u>\$ 159,111,472</u>	<u>\$ 2,737,348</u>	<u>\$ 159,174,671</u>	<u>\$ 159,174,671</u>

\$ 159,511,110

1,600

125,032

(449,097)

(13,974)

\$ 159,174,671

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

Notes to the Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance  
Year Ended June 30, 2011

**NOTE A - BASIS OF PRESENTATION**

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

**NOTE B - SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM**

The 2010-2011 eligible costs under the State Special Education Program as reported by the District are \$47,973,161.

**NOTE C - FOOD DISTRIBUTION**

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

**NOTE D - OVERSIGHT AGENCIES**

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Schedule of Findings and Questioned Costs  
Year Ended June 30, 2011

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

Basic Financial Statements

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

Federal Awards and State Financial Assistance

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

CFDA Number	Name of Federal Programs
	<i>Title I, Part A Cluster</i>
84.010	Title I Grants to Local Educational Agencies
84.389	ARRA - Title I Grants to Local Educational Agencies
	<i>Special Education Cluster (IDEA)</i>
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
84.391	ARRA - Special Education - Grants to States
84.392	ARRA - Special Education - Preschool Grants
84.367	Improving Teacher Quality State Grants
84.410	Education Jobs Bill

State ID Number	Name of State Programs
255.101	Special Education and School Age Parents
255.103	Common School Fund Library
255.109	Charter Schools State Aid
	<i>General Aids Cluster (255.2xx)</i>
255.201	General Equalization Aids
255.205	Integration Transfer
255.312	Youth Alcohol and Other Drug Abuse
255.504	Student Achievement Guarantee in Education Program

Audit threshold used to determine between Type A and Type B federal programs:	\$922,189
Audit threshold used to determine between Type A and Type B state programs:	\$100,000
Auditee qualified as low-risk auditee	No

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 Year Ended June 30, 2011

**Section II - Financial Statement Findings**

Finding No.	Internal Control Deficiencies
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**2011-01                      Year End Financial Reporting**

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

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

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

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

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 Year Ended June 30, 2011

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

Finding No.	Internal Control Deficiencies
<b>2011-02</b>	<p><b>Reporting – Special Education Student Counts</b></p> <p><i>Federal CFDA #84.027 Special Education – Grants to States (IDEA, Part B)</i>  <i>Federal CFDA #84.391 Special Education – Grants to States (IDEA, Part B), Recovery Act</i></p> <p>Criteria: Federal and state compliance regulations require the District to report an unduplicated count of children with disabilities currently receiving special education services to the Wisconsin Department of Public Instruction (WDPI).</p> <p>Condition: During our review of a sample of students from the list reported to the WDPI, it was noted that one student included on the list had withdrawn from school before the count date.</p> <p>Questioned            Costs: There are no questioned costs.</p> <p>Cause: The list of students sent to WDPI was a report generated from the District's IEP software program. The report was not reviewed by District personnel for potential pupils not receiving services prior to submission.</p> <p>Effect: The District incorrectly reported the total number of students receiving special education services in at least one instance; it was not considered possible to accurately determine the actual number of students who should have been reported and the related questioned costs.</p> <p>Recommendation: We recommend the District develop procedures to review the report prior to submission to the WDPI and verify that it is including the appropriate students.</p>

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 Year Ended June 30, 2011

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

Finding No.	Compliance Findings
<b>2011-03</b>	<p><b>Allowable Costs/Cost Principles – Time and Effort Reporting</b></p> <p><i>Federal CFDA #84.027 Special Education – Grants to States (IDEA, Part B)</i>  <i>Federal CFDA #84.173 Special Education – Preschool Grants (IDEA Preschool)</i>  <i>Federal CFDA #84.391 ARRA – Special Education – Grants to States (IDEA, Part B)</i>  <i>Federal CFDA #84.392 ARRA – Special Education – Preschool Grants (IDEA Preschool)</i></p> <p>Criteria: OMB Circular A-87, <i>Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, Paragraph C.1</i> provides "To be allowable under Federal awards, costs must...be adequately documented. Further, <i>Attachment B, Section 8(h), Support of salaries and wages</i> states:</p> <p>(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.</p> <p>(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation...Such documentary support will be required where employees work on (a) More than one Federal award, (b) a Federal award and a non-Federal award...</p> <p>(5) Personnel Activity reports or equivalent documentation must meet the following standards: (a) They must reflect an after-the-fact distribution of the actual activity of each employee, (b) They must account for the total activity of which each employee is compensated, (c) They must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee...</p> <p>Condition: The District charged costs to the federal program that could not adequately be documented by semi-annual certifications or personal activity reports.</p> <p>Questioned Costs: There are no questioned costs.</p> <p>Cause: At the present time, procedures to obtain time and effort reporting data required for employees working in federal and state grants with single and multiple cost objectives are not operating effectively.</p> <p>Effect: The District may be submitting reimbursement for expenditures that are not allowable, or not spent in the period of availability.</p> <p>Recommendation: We recommend that the District implement an internal control process that would ensure all time and effort reporting data is obtained by personnel involved in federal grants for single and multiple cost objectives to support the salaries and benefits charged to each federal grant.</p>

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 Year Ended June 30, 2011

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

Finding No.	Compliance Findings
<b>2011-04</b>	<p><b>Special Tests – Title I Comparability Requirements</b></p> <p><i>Federal CFDA #84.010 Title I Grants to Local Educational Agencies</i>  <i>Federal CFDA #84.389 ARRA – Title I Grants to Local Educational Agencies</i></p> <p><b>Criteria:</b> An LEA may receive funds under Title I, Part A only if state and local funds will be used in participating schools to provide service that, taken as a whole, are at least comparable to services that the LEA is providing in schools not receiving Title I, Part A or MEP funds.</p> <p><b>Condition:</b> The District did not monitor comparability requirements under the program during the fiscal year. Two schools using Title I funds did not meet comparability requirements based on actual expenditures.</p> <p><b>Cause:</b> The District does not identify specific procedures or methodologies and assigned personnel in place to measure and demonstrate the comparability compliance requirements under the program.</p> <p><b>Effect:</b> If condition remains unresolved, the District will continue to be out of compliance.</p> <p><b>Questioned Costs:</b> There are no questioned costs.</p> <p><b>Recommendation:</b> We recommend the District establish written procedures to at a minimum include the District's timeline for demonstrating comparability, identification of the office responsible for making comparability calculations, the measure and process used to determine whether schools are comparable, and how and when the District makes adjustments in schools that are not comparable.</p>



**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 Year Ended June 30, 2011

**Section IV - Other Issues**

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

Does the audit report show audit issues (i.e., material non-compliance, non-material non-compliance, questioned costs, material weakness, significant deficiency, management letter comment, excess revenue or excess reserve) related to grants/contracts with funding agencies that require audits to be in accordance with the *State Single Audit Guidelines*:

Department of Public Instruction	_____ <u>  X  </u>	Yes	_____ <u>  X  </u>	No
Department of Administration	_____	Yes	_____ <u>  X  </u>	No
Department of Health Services	_____	Yes	_____ <u>  X  </u>	No

Was a Management Letter or other document conveying audit comments issued as a result of this audit? \_\_\_\_\_   X   Yes      \_\_\_\_\_ No

Name and signature of shareholder

  
 \_\_\_\_\_  
 David L. Maccoux, CPA

Date of report

November 30, 2011

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Prior Year Audit Findings and Corrective Action Plan  
 June 30, 2011

**Status of Prior Year Audit Finding**

Finding No.	
<b>2010-01</b>	<b>Lack of a Children At Risk District Plan</b>
	The District has taken appropriate steps during 2010-2011 to develop a District plan for the Children at Risk program.

**Corrective Action Plan for Audit Findings**

Finding No.	
<b>2011-01</b>	<b>Year End Financial Reporting</b>
Management Response:	The District will review the benefit and cost of contracting with an accounting firm other than the firm used to conduct the audit, for the preparation of OPEB and GASB 34 financial statement adjustments and preparation. The District does and will continue to review the financial reports prepared and be responsible for their accuracy.
<b>2011-02</b>	<b>Reporting - Special Education Student Counts</b>
Management Response:	The procedure for submitting WDPI Special Education Student Count Reports will include a review by the Special Education staff in order to verify the data prior to submission.
<b>2011-03</b>	<b>Reporting - Time and Effort Reporting</b>
Management Response:	The District has a system for time and effort reporting for Title 1 grants. This system will be expanded to include Special Education grants and be modified where needed to meet the semi-annual or monthly requirements.
<b>2011-04</b>	<b>Special Tests - Title I Comparability Requirements</b>
Management Response:	The District will review its comparability policy and make improvements where needed. The District will establish written procedures for monitoring actual expenditures as they relate to comparability requirements for grant expenditures. These procedures will include checks throughout the year to monitor if comparability is being met so adjustments can be made before the end of the fiscal year.