

Racine Unified School District  
Racine, Wisconsin

**ANNUAL FINANCIAL REPORT**

June 30, 2019



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# Racine Unified School District

## Racine, Wisconsin

JUNE 30, 2019

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# Racine Unified School District

## Racine, Wisconsin

JUNE 30, 2019

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## Independent auditors' report

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

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Racine Unified School District, Racine, Wisconsin (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

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

### AUDITORS' RESPONSIBILITY

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

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

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

### OPINIONS

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2019, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **OTHER MATTERS**

### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the budgetary comparison information and the schedules relating to pensions and other postemployment benefits on pages 49 through 55 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The combining and individual nonmajor fund financial statements presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards and schedule of expenditures of state awards are presented for purposes of additional analysis, as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, and are also not a required part of the basic financial statements.

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

### **Prior Year Summarized Financial Information**

The 2018 financial statements were audited by Schenck SC, whose practice became part of CliftonLarsonAllen LLP, as of January 1, 2019, and whose report dated November 28, 2018, expressed unmodified opinions on those respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information from which the prior year summarized financial information was derived.

## **OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS**

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2019, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely 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 effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

**CliftonLarsonAllen LLP**

Green Bay, Wisconsin  
November 30, 2019

## MANAGEMENT'S DISCUSSION AND ANALYSIS

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Management's Discussion and Analysis  
For the Year Ended June 30, 2019

### FINANCIAL HIGHLIGHTS

- The District's overall financial position, as reflected in total net position, decreased \$4,696,517 during the 2018-2019 fiscal year.
- The District's governmental fund balance reported a decrease of \$9,378,313 compared to an increase of \$15,159,822 in the prior year. While the General and Other Governmental funds increased in fund balance by \$3,234,345, the Capital Project Fund decreased by \$12,612,658. The increase in the General Fund was primarily due to savings from compensation costs for employees and deferred building maintenance projects. The decrease in the Capital Projects Fund was due to expending debt proceeds for planned capital projects.
- The District's reported capital assets increased by \$8,684,859 over the prior year. The increases were primarily due to the improvements to school buildings. (See page 30)

### OVERVIEW OF THE FINANCIAL STATEMENTS

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

#### Government-Wide Financial Statements

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



## Fund Financial Statements

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

## Notes to the Financial Statements

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

FINANCIAL ANALYSIS

The District as a Whole

Net Position

Table 1, below, provides a summary of the District's statement of net position for the year ended June 30, 2019 with a comparison to the prior year.

<b>Table 1</b>			
<b>Condensed Statement of Net Assets</b>			
<b>(in thousands of dollars)</b>			
	School District		%
	2019	2018	Change 2018-19
<b>Assets</b>			
Current assets	\$ 92,478	\$ 110,319	-16.2%
Net pension asset	-	28,518	-100.0%
Capital assets	191,336	182,651	4.8%
<b>Total Assets</b>	<b>283,814</b>	<b>321,488</b>	<b>-11.7%</b>
<b>Deferred Outflows</b>			
Related to pension	85,727	47,291	81.3%
Related to other			
post-employment benefits	1,167	996	17.2%
Loss on advance refunding	-	21	-100.0%
<b>Total Deferred Outflows</b>	<b>86,894</b>	<b>48,308</b>	<b>79.9%</b>
<b>Liabilities</b>			
Long-term obligations	233,886	238,391	-1.9%
Other liabilities	27,398	35,955	-23.8%
<b>Total Liabilities</b>	<b>261,284</b>	<b>274,346</b>	<b>-4.8%</b>
<b>Deferred Inflows</b>			
Related to pension	46,445	56,522	-17.8%
Related to other			
post-employment benefits	28,921	173	16617.3%
<b>Total Deferred Inflows</b>	<b>75,366</b>	<b>56,695</b>	<b>32.9%</b>
<b>Net Position</b>			
Net investment in			
capital assets	69,948	64,830	7.9%
Restricted	12,691	6,648	90.9%
Unrestricted	(48,581)	(32,723)	48.5%
<b>Total Net Position</b>	<b>\$ 34,058</b>	<b>\$ 38,755</b>	<b>-12.1%</b>

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

### Change in Net Position

Table 2, below, shows the changes in net position for the fiscal year ended June 30, 2019 with a comparison to the prior year.

<b>Table 2</b>			
<b>Changes in Net Position</b>			
<b>(in thousands of dollars)</b>			
	School District		%
	2019	2018	Change 2018-19
<b>Revenues</b>			
Program Revenues			
Charges for services	\$ 2,229	\$ 2,670	-16.5%
Operating grants and contributions	59,841	55,470	7.9%
General Revenues			
Property taxes	91,285	87,559	4.3%
Other taxes	222	-	N/A
State Formula aid	153,024	147,569	3.7%
Interest	959	615	55.9%
Other	1,011	1,862	-45.7%
<b>Total Revenues</b>	<b>308,571</b>	<b>295,745</b>	<b>4.3%</b>
<b>Expenses</b>			
Instruction	152,367	146,021	4.3%
Pupil and instructional services	49,172	51,711	-4.9%
Administration and business	61,800	64,272	-3.8%
Central services and insurance	11,490	8,573	34.0%
Interest on debt	3,746	3,373	11.1%
Non-program	32,544	26,497	22.8%
Community services	2,149	1,175	82.9%
<b>Total Expenses</b>	<b>313,268</b>	<b>301,622</b>	<b>3.7%</b>
Cumulative Change in Accounting Principle	-	(5,190)	-100.0%
<b>Change in Net Position</b>	<b>\$ (4,697)</b>	<b>\$ (11,067)</b>	<b>-135.6%</b>

General revenues (all revenue except operating grants and contributions and charges for services) provide about 80% of the funding for governmental activities. Racine Unified School District relies on state general aid and property taxes for 50% and 30%, respectively, of its governmental activities.

## Governmental Activities

### Net Cost of Governmental Activities

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

	Total Cost of Services		Net Cost of Services		% Change
	2019	2018	2019	2018	2018-19
Instruction	\$ 152,367	\$ 146,021	\$ 110,040	\$ 110,178	-0.1%
Pupil and instructional services	49,172	51,711	42,016	41,926	0.2%
Administration and business	61,800	64,272	49,891	52,353	-4.7%
Central services and insurance	11,490	8,573	11,303	8,330	35.7%
Interest on debt	3,746	3,373	3,746	3,373	11.1%
Non-program	32,544	26,497	32,229	26,251	22.8%
Community services	2,149	1,175	1,973	1,071	84.2%
<b>Totals</b>	<b>\$ 313,268</b>	<b>\$ 301,622</b>	<b>\$ 251,198</b>	<b>\$ 243,482</b>	<b>3.2%</b>

### Governmental Funds

The District completed the year with a total governmental fund balance of \$66 million, a decrease of \$9.4 million from the prior year.

- Total general fund revenue for the year was \$895 thousand below budget largely due to \$1 million in reduced state grant claim revenue.
- Total general fund program expenditures, including non-program transactions, was less than the budget by \$3.5 million primarily due to lower employee compensation costs and delayed building maintenance projects and expenses.
- The original and final general fund budget forecasted a decrease in general fund balance of \$2.25 million while the actual results showed an increase of \$285 thousand.
- The debt service funds fund balance had a net decrease of \$527 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 April of each year.
- For fiscal year 2018-2019, the capital projects funds fund balance decreased by \$12.6 million as previously issued debt was expended on various construction projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2019 fiscal year, the District had net capital assets of \$191.3 million in a broad range of capital assets, including buildings, sites, furniture, and equipment (see Table 4). Additional information about capital assets can be found in the notes to the financial statements.

<b>Table 4</b>			
<b>Net Capital Assets</b>			
<b>(in thousands of dollars)</b>			
	Totals		%
	School District		Change
	2019	2018	2018-19
Land	\$ 3,824	\$ 3,824	0.0%
Work in progress	14,319	12,085	18.5%
Site improvements	21,938	11,579	89.5%
Buildings	138,890	140,287	-1.0%
Machinery and equipment	12,365	14,876	-16.9%
<b>Total</b>	<b>\$ 191,336</b>	<b>\$ 182,651</b>	<b>4.8%</b>

Long-Term Debt and Other Obligations

At year end, the district had \$116.5 million in general obligation debt outstanding, a reduction of \$10.9 million from last year. Additional information about the District's long-term liabilities is presented in the notes to the financial statements.

<b>Table 5</b>			
<b>Outstanding Long-term Obligations</b>			
<b>(in thousands of dollars)</b>			
	Totals		%
	School District		Change
	2019	2018	2018-19
General obligation debt	\$ 116,547	\$ 127,477	-8.6%
Premium on debt	3,746	4,124	-9.2%
Capital leases	3,457	4,371	-20.9%
Other post-employment benefits	72,240	97,473	-25.9%
Pension benefits	37,485	4,544	724.9%
Compensated absences	411	402	2.2%
<b>Total</b>	<b>\$ 233,886</b>	<b>\$ 238,391</b>	<b>-1.9%</b>

The district participates in the Wisconsin Retirement System (the "WRS"), a cost-sharing multiple employer pension plan, in addition to maintaining a separate supplemental pension plan. As a result, the district reports their proportionate share of the WRS net pension asset or liability. The WRS operates on a different fiscal year from the district; therefore, the pension information included in the district's annual financial report is derived from the WRS's year ended December 31, 2018. The district reported a net pension liability of \$33.2 million as of June 30, 2019.

#### **CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

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

## BASIC FINANCIAL STATEMENTS

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# Racine Unified School District

## Racine, Wisconsin

### STATEMENT OF NET POSITION

JUNE 30, 2019

WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2018

	<b>Governmental Activities</b>	
	<b>2019</b>	<b>2018</b>
<b>ASSETS</b>		
Cash and investments	\$ 57,968,996	\$ 77,049,759
Receivables		
Taxes	19,675,868	18,517,006
Accounts	908,988	519,387
Due from other governments	10,454,786	10,926,566
Inventories and prepaid items	3,469,611	3,305,995
Net pension asset	-	28,518,405
Capital assets		
Nondepreciable	18,142,275	15,909,082
Depreciable, net	173,193,434	166,741,768
Total assets	<u>283,813,958</u>	<u>321,487,968</u>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>		
Loss on advance refunding	-	21,049
Pension related amounts	85,726,715	47,291,296
Other postemployment related amounts	1,166,711	996,251
Total deferred outflows of resources	<u>86,893,426</u>	<u>48,308,596</u>
<b>LIABILITIES</b>		
Accounts payable	10,270,421	18,362,521
Accrued and other current liabilities	9,931,741	9,264,780
Accrued interest payable	898,365	993,241
Unearned revenues	102,921	55,150
Deposits payable	3,142,909	4,502,595
Health and dental claims payable	3,051,190	2,776,287
Long-term obligations		
Due in one year	13,327,578	12,176,075
Due in more than one year	110,833,297	124,198,951
Other postemployment benefits liability	72,239,952	97,473,101
Net pension liability, due in one year	204,000	191,000
Net pension liability	37,281,370	4,352,786
Total liabilities	<u>261,283,744</u>	<u>274,346,487</u>
<b>DEFERRED INFLOWS OF RESOURCES</b>		
Pension related amounts	46,444,481	56,522,281
Other postemployment related amounts	28,921,118	173,238
Total deferred inflows of resources	<u>75,365,599</u>	<u>56,695,519</u>
<b>NET POSITION</b>		
Net investment in capital assets	69,948,326	64,829,966
Restricted	12,691,528	35,166,445
Unrestricted	(48,581,813)	(61,241,853)
Total net position	<u>\$ 34,058,041</u>	<u>\$ 38,754,558</u>

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



# Racine Unified School District

## Racine, Wisconsin

### STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	
				2019	2018
<b>GOVERNMENTAL ACTIVITIES</b>					
Instruction	\$ 152,366,721	\$ 845,338	\$ 41,481,028	\$ (110,040,355)	\$ (110,178,263)
Support services	122,461,920	1,206,152	18,045,582	(103,210,186)	(102,608,619)
Pupil services	31,226,453	2,574	691,335	(30,532,544)	(29,210,289)
Instructional staff services	17,945,926	312,396	6,150,483	(11,483,047)	(12,715,638)
General administration services	3,221,106	-	-	(3,221,106)	(3,342,505)
School administration services	13,295,164	6,590	362,319	(12,926,255)	(13,190,330)
Business services	2,820,427	-	63,501	(2,756,926)	(2,359,811)
Operation and maintenance of plant	25,327,404	128,178	373,111	(24,826,115)	(27,176,115)
Pupil transportation services	9,308,910	-	113,821	(9,195,089)	(8,573,475)
Food services	7,826,410	756,414	10,104,262	3,034,266	2,289,294
Central services	6,107,662	-	19,560	(6,088,102)	(7,065,698)
Insurance	879,447	-	-	(879,447)	(988,541)
Other support services	4,503,011	-	167,190	(4,335,821)	(275,511)
Total support services	<u>122,461,920</u>	<u>1,206,152</u>	<u>18,045,582</u>	<u>(103,210,186)</u>	<u>(102,608,619)</u>
Community services	2,149,024	177,097	-	(1,971,927)	(1,071,009)
Non-program	32,544,024	-	314,862	(32,229,162)	(26,251,598)
Interest and fiscal charges	<u>3,746,165</u>	<u>-</u>	<u>-</u>	<u>(3,746,165)</u>	<u>(3,372,988)</u>
<b>Total governmental activities</b>	<b><u>\$ 313,267,854</u></b>	<b><u>\$ 2,228,587</u></b>	<b><u>\$ 59,841,472</u></b>	<b><u>(251,197,795)</u></b>	<b><u>(243,482,477)</u></b>
General revenues					
Property taxes				91,284,553	87,558,796
Other taxes				222,219	-
State and federal aids not restricted to specific functions				153,024,413	147,568,753
Interest and investment earnings				959,313	615,352
Gain on disposal of capital assets				34,861	39,410
Miscellaneous				<u>975,919</u>	<u>1,822,652</u>
Total general revenues				<u>246,501,278</u>	<u>237,604,963</u>
<b>Change in net position</b>				<u>(4,696,517)</u>	<u>(5,877,514)</u>
<b>Net position - July 1, previously reported</b>				38,754,558	49,822,462
<b>Cumulative effect of change in accounting principle</b>				-	<u>(5,190,390)</u>
<b>Net position - July 1, restated</b>				<u>38,754,558</u>	<u>44,632,072</u>
<b>Net position - June 30</b>				<u>\$ 34,058,041</u>	<u>\$ 38,754,558</u>

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

# Racine Unified School District

## Racine, Wisconsin

### BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2019

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018

	General	Capital Projects	Other Governmental Funds	Totals	
				2019	2018
<b>ASSETS</b>					
Cash and investments	\$ 47,235,118	\$ 6,860,066	\$ 3,873,812	\$ 57,968,996	\$ 77,049,759
Receivables					
Taxes	19,675,868	-	-	19,675,868	18,517,006
Accounts	891,520	-	17,468	908,988	519,387
Due from other funds	1,705,298	5,344,334	6,708,243	13,757,875	29,147,979
Due from other governments	10,007,616	-	447,170	10,454,786	10,926,566
Inventories and prepaid items	3,457,482	-	12,129	3,469,611	3,305,995
Total assets	<u>\$ 82,972,902</u>	<u>\$ 12,204,400</u>	<u>\$ 11,058,822</u>	<u>\$ 106,236,124</u>	<u>\$ 139,466,692</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 8,314,455	\$ 143,712	\$ 1,812,254	\$ 10,270,421	\$ 18,362,521
Accrued and other current liabilities	9,931,741	-	-	9,931,741	9,264,780
Due to other funds	13,303,898	94,001	359,976	13,757,875	29,147,979
Unearned revenues	42,582	-	60,339	102,921	55,150
Deposits payable	3,142,909	-	-	3,142,909	4,502,595
Health and dental claims payable	3,051,190	-	-	3,051,190	2,776,287
Total liabilities	<u>37,786,775</u>	<u>237,713</u>	<u>2,232,569</u>	<u>40,257,057</u>	<u>64,109,312</u>
Fund balances					
Nonspendable	3,457,482	-	-	3,457,482	3,305,995
Restricted	-	6,966,687	8,826,253	15,792,940	25,457,108
Assigned	18,000,000	5,000,000	-	23,000,000	24,685,000
Unassigned	23,728,645	-	-	23,728,645	21,909,277
Total fund balances	<u>45,186,127</u>	<u>11,966,687</u>	<u>8,826,253</u>	<u>65,979,067</u>	<u>75,357,380</u>
Total liabilities and fund balances	<u>\$ 82,972,902</u>	<u>\$ 12,204,400</u>	<u>\$ 11,058,822</u>	<u>\$ 106,236,124</u>	<u>\$ 139,466,692</u>

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

# Racine Unified School District

## Racine, Wisconsin

### BALANCE SHEET GOVERNMENTAL FUNDS

JUNE 30, 2019

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018

	2019	2018
<b>RECONCILIATION TO THE STATEMENT OF NET POSITION</b>		
Total fund balances as shown on previous page	\$ 65,979,067	\$ 75,357,380
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	191,335,709	182,650,850
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.		
Loss on advance refunding	-	21,049
Deferred outflows related to pensions	85,726,715	47,291,296
Deferred inflows related to pensions	(46,444,481)	(56,522,281)
Deferred outflows related to other postemployment benefits	1,166,711	996,251
Deferred inflows related to other postemployment benefits	(28,921,118)	(173,238)
Long-term assets are not considered available; therefore, are not reported in the funds:		
Net pension asset	-	28,518,405
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and notes payable	(116,547,000)	(129,879,804)
Debt premium	(3,745,943)	(4,123,608)
Capital leases	(3,457,488)	(1,969,348)
Compensated absences	(410,444)	(402,266)
Other postemployment benefits liability	(72,239,952)	(97,473,101)
Net pension liability	(37,485,370)	(4,543,786)
Accrued interest on long-term obligations	(898,365)	(993,241)
Net position of governmental activities as reported on the statement of net position (see page 11)	\$ 34,058,041	\$ 38,754,558

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

# Racine Unified School District

## Racine, Wisconsin

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

	General	Capital Projects	Other Governmental Funds	Totals	
				2019	2018
<b>REVENUES</b>					
Property taxes	\$ 72,324,218	\$ -	\$ 19,182,554	\$ 91,506,772	\$ 87,558,796
Other local sources	1,806,227	307,221	2,091,166	4,204,614	3,907,040
Interdistrict sources	218,443	-	-	218,443	211,212
Intermediate sources	1,500	-	-	1,500	500
State sources	184,534,090	-	157,985	184,692,075	174,698,590
Federal sources	18,097,905	-	9,135,485	27,233,390	27,708,362
Other sources	594,825	-	30,224	625,049	1,624,164
Total revenues	<u>277,577,208</u>	<u>307,221</u>	<u>30,597,414</u>	<u>308,481,843</u>	<u>295,708,664</u>
<b>EXPENDITURES</b>					
Instruction					
Regular instruction	90,254,339	-	145,541	90,399,880	89,820,836
Vocational instruction	5,105,333	-	26,841	5,132,174	5,142,834
Special education instruction	37,759,640	-	-	37,759,640	36,928,770
Other instruction	7,246,769	12,100	1,006,955	8,265,824	8,064,355
Total instruction	<u>140,366,081</u>	<u>12,100</u>	<u>1,179,337</u>	<u>141,557,518</u>	<u>139,956,795</u>
Support services					
Pupil services	18,059,832	-	46,702	18,106,534	17,965,094
Instructional staff services	17,783,859	-	184,526	17,968,385	21,254,580
General administration services	3,125,034	-	96,072	3,221,106	3,303,688
School administration services	13,018,455	-	164,251	13,182,706	13,180,811
Business services	2,698,960	-	121,467	2,820,427	2,633,068
Operation and maintenance of plant	24,931,497	15,967,979	624,638	41,524,114	50,430,020
Pupil transportation services	9,176,172	-	132,738	9,308,910	8,765,327
Food services	-	-	8,085,611	8,085,611	8,664,928
Central services	6,093,825	-	13,837	6,107,662	10,901,932
Insurance	879,447	-	-	879,447	988,541
Other support services	4,503,011	-	-	4,503,011	418,938
Total support services	<u>100,270,092</u>	<u>15,967,979</u>	<u>9,469,842</u>	<u>125,707,913</u>	<u>138,506,927</u>
Debt service					
Principal	1,337,064	-	10,930,000	12,267,064	9,601,264
Interest and fiscal charges	152,663	-	4,044,994	4,197,657	3,467,797
Total debt service	<u>1,489,727</u>	<u>-</u>	<u>14,974,994</u>	<u>16,464,721</u>	<u>13,069,061</u>
Community service					
-	-	-	2,103,441	2,103,441	1,143,476
Non-program					
General tuition payments	12,482,521	-	-	12,482,521	10,706,751
Special education tuition payments	1,539,496	-	-	1,539,496	955,639
Adjustments and refunds	191,842	-	5,518	197,360	1,019,987
Voucher payments	18,324,647	-	-	18,324,647	13,814,694
Total non-program	<u>32,538,506</u>	<u>-</u>	<u>5,518</u>	<u>32,544,024</u>	<u>26,497,071</u>
Total expenditures	<u>274,664,406</u>	<u>15,980,079</u>	<u>27,733,132</u>	<u>318,377,617</u>	<u>319,173,330</u>
Excess of revenues over (under) expenditures	<u>2,912,802</u>	<u>(15,672,858)</u>	<u>2,864,282</u>	<u>(9,895,774)</u>	<u>(23,464,666)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term debt issued	-	-	-	-	44,525,000
Capital lease issued	422,400	-	-	422,400	2,983,100
Premium on debt issued	-	-	-	-	2,232,644
Payment to current bondholder	-	-	-	-	(11,155,666)
Proceeds from sale of capital assets	34,861	60,200	-	95,061	39,410
Transfers in	32,792	3,000,000	117,000	3,149,792	132,856
Transfers out	(3,117,000)	-	(32,792)	(3,149,792)	(132,856)
Total other financing sources (uses)	<u>(2,626,947)</u>	<u>3,060,200</u>	<u>84,208</u>	<u>517,461</u>	<u>38,624,488</u>
<b>Net change in fund balances</b>	<u>285,855</u>	<u>(12,612,658)</u>	<u>2,948,490</u>	<u>(9,378,313)</u>	<u>15,159,822</u>
<b>Fund balances - July 1</b>	<u>44,900,272</u>	<u>24,579,345</u>	<u>5,877,763</u>	<u>75,357,380</u>	<u>60,197,558</u>
<b>Fund balances - June 30</b>	<u>\$ 45,186,127</u>	<u>\$ 11,966,687</u>	<u>\$ 8,826,253</u>	<u>\$ 65,979,067</u>	<u>\$ 75,357,380</u>

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

# Racine Unified School District

## Racine, Wisconsin

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

	<u>2019</u>	<u>2018</u>
<b>RECONCILIATION TO THE STATEMENT OF ACTIVITIES</b>		
Net change in fund balances as shown on previous page	\$ (9,378,313)	\$ 15,159,822
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 assets reported as capital outlay reported in governmental fund statements	16,727,935	26,864,615
Depreciation expense reported in the statement of activities	(8,043,076)	(7,189,701)
Net book value of disposals	-	(3,179,839)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Long-term debt issued	-	(44,525,000)
Capital leases issued	(422,400)	(2,983,100)
Premium on debt issued	377,665	(2,232,644)
Principal repaid	10,930,000	20,176,634
Capital leases paid	1,337,064	580,296
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Accrued interest on long-term debt	94,876	(256,406)
Amortization of premiums, discounts and loss on advance refunding	(21,049)	351,215
Compensated absences	(8,178)	(23,042)
Net pension asset	(28,518,405)	28,518,405
Net pension liability	(32,941,584)	7,847,640
Deferred outflows of resources related to pensions	38,435,419	(9,251,324)
Deferred inflows of resources related to pensions	10,077,800	(31,053,582)
Other postemployment benefits	25,233,149	(4,788,554)
Deferred outflows of resources related to other postemployment benefits	170,460	107,051
Deferred inflows of resources related to other postemployment benefits	(28,747,880)	-
Change in net position of governmental activities as reported in the statement of activities (see pages 12)	<u>\$ (4,696,517)</u>	<u>\$ (5,877,514)</u>

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

# Racine Unified School District

## Racine, Wisconsin

### STATEMENT OF NET POSITION

#### FIDUCIARY FUNDS

JUNE 30, 2019

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2018

	Private Purpose Trust	Employee Benefit Trust	Agency Pupil Activity	Totals	
				2019	2018
<b>ASSETS</b>					
Cash and investments	\$ 190,361	\$ 5,186,003	\$ 631,377	\$ 6,007,741	\$ 10,038,269
Accounts receivable	-	4,416,023	-	4,416,023	179,043
Total assets	190,361	9,602,026	631,377	10,423,764	10,217,312
<b>LIABILITIES</b>					
Accounts payable	7,699	3,249	-	10,948	-
Due to student organizations	-	-	631,377	631,377	883,887
Total liabilities	7,699	3,249	631,377	642,325	883,887
<b>NET POSITION</b>					
Restricted	\$ 182,662	\$ 9,598,777	\$ -	\$ 9,781,439	\$ 9,333,425

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

# Racine Unified School District

## Racine, Wisconsin

### STATEMENT OF CHANGES IN NET POSITION FIDUCIARY FUNDS

FOR THE YEAR ENDED JUNE 30, 2019

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2018

	Private Purpose Trust	Employee Benefit Trust	Totals	
			2019	2018
<b>ADDITIONS</b>				
Other local sources	\$ 153,242	\$ -	\$ 153,242	\$ 63,759
Contributions				
Employer	-	4,817,172	4,817,172	5,404,302
Investment earnings	-	133,828	133,828	118,463
Total additions	<u>153,242</u>	<u>4,951,000</u>	<u>5,104,242</u>	<u>5,586,524</u>
<b>DEDUCTIONS</b>				
Trust fund disbursements	58,382	4,586,391	4,644,773	5,148,131
Administrative expenditures	-	11,455	11,455	38,423
Total deductions	<u>58,382</u>	<u>4,597,846</u>	<u>4,656,228</u>	<u>5,186,554</u>
<b>Change in net position</b>	94,860	353,154	448,014	399,970
<b>Net position - July 1</b>	<u>87,802</u>	<u>9,245,623</u>	<u>9,333,425</u>	<u>8,933,455</u>
<b>Net position - June 30</b>	<u>\$ 182,662</u>	<u>\$ 9,598,777</u>	<u>\$ 9,781,439</u>	<u>\$ 9,333,425</u>

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

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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#### NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

##### A. REPORTING ENTITY

The District is organized as a unified school district. The District, governed by an elected nine member 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 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.

##### B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities* are primarily supported by taxes and intergovernmental revenues.

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 or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects 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 primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

##### Capital Projects Fund

This fund accounts for the acquisition or construction of major capital facilities.

Additionally, the District reports the following fund types:

- ▶ The *private purpose trust fund* is used to account for resources legally held in trust for scholarship awards. 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 postemployment 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, 2019

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#### C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

The district-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as is the fiduciary 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 compensated absences and claims and judgments, are recorded only when payment is due.

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

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

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

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

#### D. ASSETS, LIABILITIES, DEFERRED OUTFLOWS/INFLOWS OF RESOURCES, AND NET POSITION OR FUND BALANCE

##### 1. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the price that would be received to sell an asset in an orderly transaction between market participants at the measurement date.

##### 2. 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 January 31 and a final payment no later than the following July 31. On or before January 15, and by the 20<sup>th</sup> 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.

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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**3. Accounts Receivable**

Accounts receivable are recorded at gross amounts 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.

**4. 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.

**5. Inventories**

Inventories are recorded at cost, which approximates market, using the first-in, first-out 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 funds in the fund financial statements are classified as nonspendable fund balance to indicate that they do not represent spendable available financial resources.

**6. Prepaid Items**

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

Prepaid items of governmental funds in the fund financial statements are classified as nonspendable fund balance to indicate that they do not represent spendable available financial resources.

**7. Capital Assets**

Capital assets, which include property, plant, and equipment, are reported in the district-wide financial statements. Capital assets are defined by the District as assets with an initial, individual cost of \$5,000 or higher and an estimated useful life in excess of a year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated acquisition value at the date of donation.

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

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

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

**8. Compensated Absences**

It is the District's policy to permit employees to accumulate earned but unused vacation and sick leave benefits in accordance with employee handbook policies and/or bargaining unit agreements. All vacation and sick leave is accrued when incurred in the district-wide financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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#### 9. **Deferred Outflows/Inflows of Resources**

Deferred outflows of resources are a consumption of net position by the government that is applicable to a future reporting period. Deferred inflows of resources are an acquisition of net position by the government that is applicable to a future reporting period. The recognition of those outflows and inflows as expenses or expenditures and revenues are deferred until the future periods to which the outflows and inflows are applicable.

#### 10. **Long-term Obligations**

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are expensed as incurred.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

#### 11. **Pensions**

##### ***Wisconsin Retirement System***

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

##### ***Supplemental Pension Plan***

Qualifying teachers and administrators are provided with a supplemental pension. The supplemental pension is a single employer defined benefit plan administered by the District. For purposes of measuring the supplemental pension liability, related deferred outflows and inflows and pension expense, the District has used values provided by their actuary. Benefit payments are recognized when due and payable in accordance with the benefit terms.

#### 12. **Other Postemployment Benefits Other Than Pensions (OPEB)**

##### ***Defined Benefit Plan***

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

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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#### *Local Retiree Life Insurance Fund*

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to other post-employment benefits, OPEB expense, and information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIFs fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

### 13. Fund Equity

#### *Governmental Fund Financial Statements*

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

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

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

#### *District-wide Statements*

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

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

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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#### E. 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.

#### F. PRIOR YEAR INFORMATION

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the District's financial position and operations. The comparative amounts may be summarized in total and 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 government's financial statements for the year ended June 30, 2018, from which the summarized information was derived.

#### G. RECLASSIFICATIONS

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

### NOTE 2: DETAILED NOTES ON ALL FUNDS

#### A. CASH AND INVESTMENTS

The debt service 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 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 \$63,976,737 on June 30, 2019 as summarized below:

Petty cash and cash on hand	\$ 600
Deposits with financial institutions	5,206,010
Investments	
Wisconsin Investment Series Cooperative (WISC)	58,577,749
Wisconsin Local Government Investment Pool	192,378
	<u>\$ 63,976,737</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	\$ 57,968,996
Fiduciary fund statement of net position	
Private purpose trust	190,361
Employee benefit trust	5,186,003
Pupil activity agency fund	631,377
	<u>\$ 63,976,737</u>

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

#### 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 policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for the combined amount of all time and savings deposits and \$250,000 for interest-bearing and noninterest-bearing 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 for the combined amount of all deposit accounts per official custodian per depository institution. Deposits with credit unions are insured by the National Credit Union Share Insurance Fund (NCUSIF) in the amount of \$250,000 per credit union member. 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. This coverage has been considered in determining custodial credit risk.

As of June 30, 2019, \$2,329,107 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. \$2,329,107 was collateralized with securities held by the pledging financial institution or its trust department or agent but not in the District's name.

#### Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investment in securities to the top two ratings assigned by nationally recognized statistical rating organizations. Presented below is the actual rating as of the year-end for each investment type.

Investment Type	Amount	Exempt from Disclosure	AAA	Aa	Not Rated
WISC Investments					
Cash management series	\$ 66	\$ -	\$ 66	\$ -	\$ -
Investment series	58,577,683	-	58,577,683	-	-
Wisconsin Local Government					
Investment Pool	192,378	-	-	-	192,378
Totals	\$ 58,770,127	\$ -	\$ 58,577,749	\$ -	\$ 192,378

#### 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.

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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
WISC Investments					
Cash management series	\$ 66	\$ 66	\$ -	\$ -	\$ -
Investment series	58,577,683	58,577,683	-	-	-
Wisconsin Local Government Investment Pool	192,378	192,378	-	-	-
Totals	<u>\$ 58,770,127</u>	<u>\$ 58,770,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

#### Investment in Wisconsin Investment Series Cooperation

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$58,577,749 at year-end consisting of \$66 invested in the Cash Management Series and \$58,577,683 invested in the Investment Series. The Cash Management Series has no minimum investment period, allows check writing privileges, and the average dollar weighted maturity is ninety (90) days or less. The Investment Series requires a 14 day minimum investment period and one business day withdrawal notice, and the average dollar weighted maturity is one hundred twenty (120) days or less.

WISC is organized by and operated exclusively for Wisconsin public schools, technical colleges, and municipal entities. WISC is not registered with the Securities and Exchange Commission, but operates under Wisconsin International Cooperative Statute, Wisconsin Statute, Section 66.031. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin law. WISC investments are valued at amortized cost, which approximates market value.

#### Investment in Wisconsin Local Government Investment Pool

The District has investments in the Wisconsin Local Government Investment Pool ("LGIP") of \$192,378 at year-end. The 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, 2019, 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, 2019

#### B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2019 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental activities:</b>				
Capital assets, nondepreciable:				
Land	\$ 3,823,598	\$ -	\$ -	\$ 3,823,598
Construction in progress	12,085,484	14,318,677	12,085,484	14,318,677
Total capital assets, nondepreciable	<u>15,909,082</u>	<u>14,318,677</u>	<u>12,085,484</u>	<u>18,142,275</u>
Capital assets, depreciable:				
Site improvements	15,547,769	11,416,830	-	26,964,599
Buildings	203,859,056	2,476,789	-	206,335,845
Machinery and equipment	32,691,387	601,123	308,178	32,984,332
Subtotals	<u>252,098,212</u>	<u>14,494,742</u>	<u>308,178</u>	<u>266,284,776</u>
Less accumulated depreciation for:				
Site improvements	3,969,112	1,057,297	-	5,026,409
Buildings	63,572,130	3,873,971	-	67,446,101
Machinery and equipment	17,815,202	3,111,808	308,178	20,618,832
Subtotals	<u>85,356,444</u>	<u>8,043,076</u>	<u>308,178</u>	<u>93,091,342</u>
Total capital assets, depreciable, net	<u>166,741,768</u>	<u>6,451,666</u>	<u>-</u>	<u>173,193,434</u>
Governmental activities capital assets, net	<u>\$ 182,650,850</u>	<u>\$ 20,770,343</u>	<u>\$ 12,085,484</u>	191,335,709
Less: Capital related debt				114,183,953
Less: Capital leases				3,457,488
Less: Debt premium				<u>3,745,943</u>
Net investment in capital assets				<u>\$ 69,948,325</u>



# Racine Unified School District

## Racine, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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

Governmental activities	
Instruction	
Regular instruction	\$ 12,186
Vocational instruction	31,532
Special education instruction	5,123
Co-Curricular Activities	12,583
Support services	
Pupil services	2,105
Instructional staff services	12,308
General administration services	3,896
School administration services	7,824
Operation and maintenance of plant	5,417,396
Pupil transportation	31,553
Food service	162,675
Business services	827,324
Central services	1,516,571
Total depreciation expense - governmental activities	<u>\$ 8,043,076</u>

### C. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables between individual funds of the District, as reported in the fund financial statements, as of June 30, 2019 are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Pooled cash		
Governmental funds		
General	\$ 1,705,298	\$ 13,303,898
Capital Projects	5,344,334	94,001
Non-Referendum Debt Service	-	183,655
Trust	701,861	-
Special Projects	-	176,321
Community Service	3,423,394	-
Food Service	2,582,988	-
Totals	<u>\$ 13,757,875</u>	<u>\$ 13,757,875</u>

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

Interfund transfers for the year ended June 30, 2019 were as follows:

Funds	Transfer In	Transfer Out
General	\$ 32,792	\$ 3,117,000
Non-Referendum Debt Service	117,000	-
Special Projects	-	32,792
Capital Projects	3,000,000	-
	<u>\$ 3,149,792</u>	<u>\$ 3,149,792</u>

Interfund transfers were made for the following purposes:

Debt service payments	\$ 117,000
Indirect costs	32,792
Future capital expenditures	3,000,000
	<u>\$ 3,149,792</u>

#### D. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2019:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
<b>Governmental activities:</b>					
General obligation debt					
Bonds	\$ 113,662,000	\$ -	\$ 8,040,000	\$ 105,622,000	\$ 8,212,000
Notes	13,815,000	-	2,890,000	10,925,000	3,065,000
Total general obligation debt	<u>127,477,000</u>	<u>-</u>	<u>10,930,000</u>	<u>116,547,000</u>	<u>11,277,000</u>
Debt premium	4,123,608	-	377,665	3,745,943	371,950
Capital leases	4,372,152	422,400	1,337,064	3,457,488	1,617,061
Compensated absences	402,266	8,178	-	410,444	61,567
Governmental activities					
Long-term obligations	<u>\$ 136,375,026</u>	<u>\$ 430,578</u>	<u>\$ 12,644,729</u>	<u>\$ 124,160,875</u>	<u>\$ 13,327,578</u>

Total interest paid during the year on long-term debt totaled \$4,191,617.

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

#### General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 6/30/19</u>
General Obligation Bonds					
Refunding Bonds	07/11/11	04/01/31	4.00 - 5.00%	\$ 5,880,000	\$ 5,880,000
Refunding Bonds	01/03/13	04/01/28	2.50 - 2.75%	10,000,000	10,000,000
Refunding Bonds	06/10/13	04/01/27	3.375%	2,020,000	1,470,000
Refunding Bonds	04/06/15	04/01/24	2.00 - 3.00%	8,980,000	8,980,000
School Building & Improvement	07/07/15	04/01/29	2.75%	9,700,000	9,700,000
School Building & Improvement	01/05/16	04/01/27	0.05 - 3.00%	28,090,000	20,115,000
Qualified School Construction					
Promissory Bonds	11/09/09	09/15/19	0.00%	1,794,000	532,000
School Building & Improvement	05/15/17	04/01/34	2.00 - 3.00%	8,000,000	7,195,000
School Building & Improvement	01/08/18	04/01/37	3.125 - 5.00%	14,600,000	14,015,000
School Building & Improvement	03/26/18	04/01/37	3.00 - 5.00%	29,925,000	27,735,000
Subtotal					<u>105,622,000</u>
General Obligation Notes					
Promissory Notes	04/05/10	04/01/20	3.00 - 3.625%	1,610,000	160,000
Promissory Notes	07/11/11	04/01/20	2.00 - 3.50%	995,000	145,000
Promissory Notes	06/10/13	04/01/23	1.00 - 3.00%	21,735,000	10,620,000
Subtotal					<u>10,925,000</u>
Total outstanding general obligation debt					<u>\$ 116,547,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$116,547,000 on June 30, 2019 are detailed below:

<u>Year Ended</u> <u>June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2020	\$ 11,277,000	\$ 3,588,875	\$ 14,865,875
2021	10,720,000	3,303,500	14,023,500
2022	11,025,000	3,022,700	14,047,700
2023	10,575,000	2,693,300	13,268,300
2024	10,775,000	2,350,400	13,125,400
2025 - 2029	46,035,000	6,932,850	52,967,850
2030 - 2034	11,095,000	1,871,025	12,966,025
2035 - 2037	5,045,000	313,619	5,358,619
	<u>\$ 116,547,000</u>	<u>\$ 24,076,269</u>	<u>\$ 140,623,269</u>

For governmental activities, the other long-term liabilities are generally funded by the General Fund.

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

#### Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2019 was \$824,059,319 as follows:

Equalized valuation of the District		\$ 9,393,745,600
Statutory limitation percentage		<u>(x) 10%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		939,374,560
Total outstanding general obligation debt applicable to debt limitation	\$ 116,547,000	
Less: Amounts available for financing general obligation debt		
Debt service fund, less accrued interest	<u>1,231,759</u>	
Net outstanding general obligation debt applicable to debt limitation		<u>115,315,241</u>
Legal margin for new debt		<u><u>\$ 824,059,319</u></u>

#### Capital Lease

The District is obligated under various leases accounted for as capital leases that were used to finance the acquisition of capital assets.

The following is a schedule of the minimum lease payments under the lease agreements and the present values of the minimum lease payments at June 30, 2019:

<u>Year Ending</u>	<u>Governmental Activities</u>
2020	\$ 1,727,807
2021	921,270
2022	921,270
2023	<u>76,733</u>
Subtotal	3,647,080
Less: Amount representing interest	<u>189,592</u>
Present value of future minimum lease payments	<u><u>\$ 3,457,488</u></u>

#### Unused Line of Credit

As of June 30, 2019, the District has an unused line of credit of \$15,000,000.

#### E. PENSION PLANS

The District reports pension related balances at June 30, 2019, as summarized below:

	<u>Pension Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>	<u>Expense</u>
Wisconsin Retirement System (WRS)	\$ 33,239,953	\$ 85,674,599	\$ 45,981,538	\$ 22,342,044
Supplemental or stipend pension plan	4,245,417	52,116	462,943	262,661
Total pension liability	<u><u>\$ 37,485,370</u></u>	<u><u>\$ 85,726,715</u></u>	<u><u>\$ 46,444,481</u></u>	<u><u>\$ 22,604,705</u></u>

##### 1. WRS Pension Plan Description

The WRS is a cost-sharing, multiple-employer, defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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

For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement plan participants if hired on or before December 31, 2016) are entitled to a retirement benefit based on a formula factor, their final average earnings, and creditable service. The factors influencing the benefit are 1) final average earnings, 2) years of creditable service, and 3) a formula factor.

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

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

The WRS also provides death and disability benefits for employees.

#### **Post-Retirement Adjustments**

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2009	(2.1)%	(42)%
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

#### **Contributions**

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

During the year ending June 30, 2019, WRS recognized \$9,393,990 in contributions from the District.

Contribution rates for the reporting period are:

<b>Employee Category</b>	<b>Employee</b>	<b>Employer</b>
General (including teachers, executives and elected officials)	6.7%	6.7%
Protective with Social Security	6.7%	10.7%
Protective without Social Security	6.7%	14.9%

#### **Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions**

At June 30, 2019, the District reported a liability of \$33,239,953 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2018, the District's proportion was 0.93431373%, which was a decrease of 0.02618697% from its proportion measured as of December 31, 2017.

For the year ended June 30, 2019, the District recognized pension expense of \$22,342,044.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 25,888,889	\$ 45,762,247
Net differences between projected and actual earnings on pension plan investments	48,544,672	-
Changes in assumptions	5,603,041	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	208,874	219,291
Employer contributions subsequent to the measurement date	5,429,123	-
Total	<u>\$ 85,674,599</u>	<u>\$ 45,981,538</u>

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

\$5,429,123 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2020. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Expense
2020	\$ 12,325,875
2021	3,122,612
2022	5,464,516
2023	13,350,935
Total	<u>\$ 34,263,938</u>

#### Actuarial Assumptions

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

Actuarial valuation date:	December 31, 2017
Actuarial cost method:	Entry Age
Asset valuation method:	Fair Value
Long-term expected rate of return:	7.0%
Discount rate:	7.0%
Salary increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Post-retirement adjustments*	1.9%

\* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.9% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The total pension liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.

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

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

#### JUNE 30, 2019

	<u>Current Asset Allocation %</u>	<u>Long-term Expected Nominal Rate of Return %</u>	<u>Long-term Expected Real Rate of Return %</u>
<b>Core Fund Asset Class</b>			
Global equities	49%	8.1%	5.5%
Fixed income	24.5%	4.0%	1.5%
Inflation sensitive assets	15.5%	3.8%	1.3%
Real estate	9%	6.5%	3.9%
Private equity/debt	8%	9.4%	6.7%
Multi-asset	4%	6.7%	4.1%
Total Core Fund	110%	7.3%	4.7%
<b>Variable Fund Asset Class</b>			
U.S. equities	70%	7.6%	5.0%
International equities	30%	8.5%	5.9%
Total Variable Fund	100%	8.0%	5.4%

New England Pension Consultants Long Term US CPI (Inflation) Forecast: 2.5%

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

**Single Discount Rate.** A single discount rate of 7.0% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.0% and a long-term bond rate of 3.71%. Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan’s fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

**Sensitivity of the District’s proportionate share of the net pension liability (asset) to changes in the discount rate.** The following presents the District’s proportionate share of the net pension liability (asset) calculated using the discount rate of 7.0 percent, as well as what the District’s proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.0 percent) or 1-percentage-point higher (8.0 percent) than the current rate:

	<u>1% Decrease to Discount Rate (6.0%)</u>	<u>Current Discount Rate (7.0%)</u>	<u>1% Increase to Discount Rate (8.0%)</u>
District's proportionate share of the net pension liability (asset)	\$ 132,099,058	\$ 33,239,953	\$ (40,269,458)



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

**Payable to the Pension Plan**

At June 30, 2019, the District reported a payable of \$1,840,521 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2019.

**2. Supplemental or Stipend Pension Plan**

**Pension Description**

The plan, a single-employer pension plan, is a defined pension plan established to provide benefits after early retirement. The plan is administered by the District. The plan does not issue separate financial statements.

**Benefits Provided**

A summary of eligibility requirements and plan benefits follows:

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

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

**Employees Covered by Benefit Terms**

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	89
Active employees	210
	299
	299

**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.

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

Component	Amount
Total pension liability at July 1, 2018	\$ 4,543,786
Changes for the year:	
Service cost	153,709
Interest	150,033
Benefit payments	(191,284)
Effective of Assumption Changes	(462,943)
Differences Between Expected and Actual Experience	52,116
Net changes	(298,369)
Total pension liability at June 30, 2019	\$ 4,245,417

For the year ended June 30, 2019, the District recognized pension expense \$262,661.

# Racine Unified School District

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### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 52,116	\$ -
Changes in assumptions	-	462,943
Total	<u>\$ 52,116</u>	<u>\$ 462,943</u>

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

Year Ended June 30,	Expense
2020	\$ (41,082)
2021	(41,082)
2022	(41,082)
2023	(41,082)
2024	(41,082)
Thereafter	(205,417)
Total	<u>\$ (410,827)</u>

#### Actuarial Assumptions

The District's total pension liability was determined by an actuarial valuation as of July 1, 2018 and rolled forward to a measurement date of June 30, 2019.

The total pension liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2018
Actuarial cost method	Individual entry age normal
Amortization method	Level percentage of salary, open basis
Actuarial assumptions:	
Discount rate	3.50%
Inflation	N/A

**Single Discount Rate.** A single discount rate of 3.5% was used to measure the total pension liability. This single discount rate was based on the 20 year tax exempt AA muni bond rates.

**Sensitivity of the District's total pension liability to changes in the discount rate.** The following presents the District's total pension liability at July 1, 2018 calculated using the discount rate of 3.5%, as well as what the District's total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.5%) or 1-percentage-point higher (4.5%) than the current rate.

	1% Decrease to Discount Rate (2.5%)	Current Discount Rate (3.5%)	1% Increase to Discount Rate (4.5%)
Total pension liability	\$ 4,739,526	\$ 4,245,417	\$ 3,823,865

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

#### JUNE 30, 2019

The sensitivity of the District’s total pension liability was determined based on the actuarial date while the total pension liability of \$4,245,417 was based on the District’s fiscal year ended June 30, 2019. Sensitivity information as of June 30, 2019 was not available.

**Payable to the Supplemental Pension Plan**

At June 30, 2019, the District reported a payable of \$0 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2019.

**F. OTHER POSTEMPLOYMENT BENEFITS**

The District reports OPEB related balances at June 30, 2019 as summarized below:

	<b>OPEB Liability</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>	<b>Expense</b>
Local Retiree Life Insurance Fund (LRLIF)	\$ 5,212,460	\$ 621,917	\$ 1,647,895	\$ 475,296
Single-employer defined OPEB plan	67,027,492	544,794	27,273,223	5,889,314
Total OPEB liability	<u>\$ 72,239,952</u>	<u>\$ 1,166,711</u>	<u>\$ 28,921,118</u>	<u>\$ 6,364,610</u>

**1. Single-employer Defined Postemployment Benefit Plan**  
*Plan Description*

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

Teachers	Age 55 and 15 years of service
Administrators	Age 55 and 10 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

**Benefits Provided**

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

**Employees Covered by Benefit Terms**

At June 30, 2019, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	304
Active employees	<u>2,130</u>
	<u>2,434</u>

**Contributions**

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

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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**Net OPEB Liability**

The District’s net OPEB liability was measured as of June 30, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018, rolled forward to the measurement date of June 30, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

**Actuarial Assumptions.** The total OPEB liability in the July 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	N/A
Salary increases:	2.0% per year
Investment rate of return:	3.50%
Healthcare cost trend rates:	Medical and Drug Trend - 4.40% for 2019 increasing to 5.5% for 2020-21, and decreasing to 5.0% thereafter.
Dental cost trend rates:	level at 4.0%

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

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

The long-term expected rate of return on OPEB plan investments was valued at 3.5%. A blend of expected earnings on District funds and the current yield for 20 year tax-exempt AA Municipal bond rate or higher as of the measurement date was used for all years of benefit payments.

**Discount Rate.** The discount rate used to measure the total OPEB liability was 3.5%. The projection of cash flows used to determine the discount rate assumed that District contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

# Racine Unified School District

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### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

#### Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at July 1, 2018	\$ 100,407,346	\$ 9,245,623	\$ 91,161,723
Changes for the year:			
Service cost	4,886,398	-	4,886,398
Interest	2,746,709	-	2,746,709
Contributions - employer	-	4,817,172	(4,817,172)
Net investment income	-	133,828	(133,828)
Benefit payments	(4,586,391)	(4,586,391)	-
Effective of Assumption Changes	(25,016,422)	-	(25,016,422)
Effective of Plan Changes	456,885	-	456,885
Administrative Costs	(11,455)	(11,455)	-
Difference between Expected and Actual Experience	(2,256,801)	-	(2,256,801)
Net changes	(23,781,077)	353,154	(24,134,231)
Balance at June 30, 2019	<u>\$ 76,626,269</u>	<u>\$ 9,598,777</u>	<u>\$ 67,027,492</u>

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

	1% Decrease to Discount Rate (2.5%)	Current Discount Rate (3.5%)	1% Increase to Discount Rate (4.5%)
Net OPEB liability	\$ 74,783,013	\$ 67,027,492	\$ 59,999,140

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

	1% Decrease (5.0% decreasing to 1.0%)	Healthcare Cost Trend Rates (6.0% decreasing to 2.0%)	1% Increase (7.0% decreasing to 3.0%)
Net OPEB liability	\$ 55,771,574	\$ 67,027,492	\$ 81,324,090

**OPEB plan fiduciary net position.** Information about the OPEB plan's fiduciary net position is presented in the Employee Benefit Trust Fund in these financial statements. Plan fiduciary net position was 12.53% of the total OPEB liability.

**Investments.** The Plan does not have a separate investment policy from the District. At June 30, 2019, the Plan had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Plan investments. The Plan's investments at June 30, 2019 are entirely in cash, certificates of deposit and in short-term investments in the Wisconsin Investment Series Cooperative. The asset allocation policy is to invest entirely in cash and short-term investments. The investment in the Wisconsin Investment Series Cooperative has an expected rate of return of approximately 2.5%. For the year ended June 30, 2019, the annual money-weighted rate of return, net of investment expenses, was .15%, and this is assumed to be the best estimate of the long-term arithmetic rate of return for the Plan's investments.

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## Racine, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

#### JUNE 30, 2019

**OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

For the year ended June 30, 2019, the District recognized OPEB expense of \$5,889,314. At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 2,256,801
Changes in assumptions	-	25,016,422
Net difference between projected and actual earnings on OPEB plan investments	544,794	-
Total	<u>\$ 544,794</u>	<u>\$ 27,273,223</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in other postemployment benefits expense as follows:

Year Ended June 30,	Expense
2020	\$ (1,839,128)
2021	(1,839,128)
2022	(1,839,128)
2023	(1,839,128)
2024	(1,880,458)
Thereafter	(17,491,459)
Total	<u>\$ (26,728,429)</u>

**Payable to the OPEB Plan**

At June 30, 2019, the District reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended June 30, 2019.

**2. Local Retiree Life Insurance Fund**

**Plan Description**

The LRLIF is a cost-sharing, multiple-employer defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides postemployment life insurance benefits for all eligible employees.

**OPEB Plan Fiduciary Net Position**

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

**Benefits Provided**

The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

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### NOTES TO BASIC FINANCIAL STATEMENTS

#### JUNE 30, 2019

**Contributions**

The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member’s working lifetime funds a post-retirement benefit.

Employers are required to pay the following contributions based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the employee premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates as of June 30, 2019 are:

<u>Coverage Type</u>	<u>Employer Contribution</u>
50% Post-retirement coverage	40% of employee contribution
25% Post-retirement coverage	20% of employee contribution

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2018 are listed below:

<b>Life Insurance Employee Contribution Rates For the Year Ended December 31, 2018</b>	
<u>Attained Age</u>	<u>Basic</u>
Under 30	\$0.05
30 - 34	0.06
35 - 39	0.07
40 - 44	0.08
45 - 49	0.12
50 - 54	0.22
55 - 59	0.39
60 - 64	0.49
65 - 69	0.57

During the year ending June 30, 2019, LRLIF recognized \$38,672 in contributions from the employer.

**OPEB Liabilities, OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB**

At June 30, 2019, the District reported a liability of \$5,212,460 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2017 rolled forward to December 31, 2018. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The District’s proportion of the net OPEB liability was based on the District’s share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2018, the District’s proportion was 2.02006900%, which was a decrease of 0.07772400% from its proportion measured as of December 31, 2017.

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JUNE 30, 2019

For the year ended June 30, 2019, the District recognized OPEB expense of \$475,296.

At June 30, 2019, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 264,424
Net differences between projected and actual earnings on OPEB plan investments	124,569	-
Changes in assumptions	497,348	1,129,855
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	253,616
Total	<u>\$ 621,917</u>	<u>\$ 1,647,895</u>

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

<u>Year Ended June 30,</u>	<u>Expense</u>
2020	\$ 145,122
2021	145,122
2022	145,122
2023	162,618
2024	168,403
Thereafter	259,591
	<u>\$ 1,025,978</u>

**Actuarial assumptions.** The total OPEB liability in the January 1, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date:	January 1, 2018
Actuarial cost method:	Entry age normal
20 year tax-exempt municipal bond yield:	4.10%
Long-term expected rate of return:	5.00%
Discount rate:	4.22%
Salary increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. Based on this experience study, actuarial assumptions used to measure the total pension liability changed from prior year, including the discount rate, long-term expected rate of return, post-retirement adjustment, wage inflation rate, mortality and separation rates. The total pension liability for December 31, 2018 is based upon a roll-forward of the liability calculated from the December 31, 2017 actuarial valuation.



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**Long-term expected return on plan assets.** The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A- Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return %</u>
U.S. Government Bonds	Barclays Government	1%	1.44%
U.S. Credit Bonds	Barclays Credit	40%	2.69%
U.S. Long Credit Bonds	Barclays Long Credit	4%	3.01%
U.S. Mortgages	Barclays MBS	54%	2.25%
U.S. Municipal Bonds	Bloomberg Barclays Muni	1.0%	1.68%
Inflation			2.30%
Long-term expected rate of return			5.00%

**Single discount rate.** A single discount rate of 4.22% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 3.63% for the prior year. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient.

**Sensitivity of the District's proportionate share of net OPEB liability to changes in the discount rate.** The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 4.22%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.22%) or 1-percentage-point higher (5.22%) than the current rate:

	<u>1% Decrease to Discount Rate (3.22%)</u>	<u>Current Discount Rate (4.22%)</u>	<u>1% Increase to Discount Rate (5.22%)</u>
District's proportionate share of the net OPEB liability	\$ 7,415,069	\$ 5,212,460	\$ 3,513,647

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

#### **Payable to the OPEB Plan**

At June 30, 2019, the District reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended June 30, 2019.

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

#### G. FUND EQUITY

##### Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At June 30, 2019, nonspendable fund balance was as follows:

	<u>General</u>
Nonspendable	
Inventories and prepaid items	<u>\$ 3,457,482</u>

##### Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2019, restricted fund balance was as follows:

Special Revenue Funds	
Restricted for	
Private gifts and donations	\$ 670,499
Grant expenditures	66,426
Community service programs	3,313,164
Food service	<u>2,646,039</u>
Total Special Revenue Funds restricted fund balance	<u>6,696,128</u>
Debt Service Funds	
Restricted for	
Non-Referendum	2,130,125
Capital Projects Fund	
Restricted for construction of capital assets	<u>6,966,687</u>
Total restricted fund balance	<u>\$ 15,792,940</u>

##### Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At June 30, 2019, fund balance was assigned as follows:

General Fund	
Assigned for	
Referendum	\$ 10,000,000
Health care cost stabilization	<u>8,000,000</u>
Subtotal	<u>18,000,000</u>
Capital Projects Fund	
Assigned for subsequent year's expenditures	<u>5,000,000</u>
Total	<u>\$ 23,000,000</u>

# Racine Unified School District

## Racine, Wisconsin

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#### JUNE 30, 2019

**Minimum General Fund Balance Policy**

The District has also adopted a minimum fund balance policy of 15-20% of subsequent year budgeted expenditures for the General Fund. The minimum fund balance is maintained for cash flow and working capital purposes. The minimum fund balance amount is calculated as follows:

Budgeted 2019-2020 General Fund Expenditures	\$	286,499,220
Minimum fund balance %		(x) 15 - 20%
Minimum fund balance amount		<u>\$42,974,883 - \$57,299,844</u>

The District’s General Fund balance of \$45,186,127 is within the range of the minimum fund balance amount.

**Net Position**

The District reports restricted net position at June 30, 2019 as follows:

Governmental activities		
Restricted for		
Debt service	\$	1,231,760
Private gifts and donations		670,499
Community services		3,313,164
Food service		2,646,039
Grant expenditures		66,426
Construction of capital assets		<u>4,763,640</u>
Total restricted net position	\$	<u>12,691,528</u>

**NOTE 3: OTHER INFORMATION**

**A. RISK MANAGEMENT**

The District is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the government carries commercial insurance. The District completes an annual review of its insurance coverage to ensure adequate coverage. A description of the County’s risk management programs 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.

In addition to the above, the District reports the following risk management program in its general fund:

**Self-funded Insurance Program**

The District has a self-insured workman’s compensation benefit plan for its employees. The Plan administrator, Hays Corporation (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 fiscal year ending June 30, 2019.

# Racine Unified School District

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### NOTES TO BASIC FINANCIAL STATEMENTS

**JUNE 30, 2019**

Accounting and budgeting requirements for the Plan are established by the Wisconsin Department of Public Instruction. Currently, the Plan is accounted for in the General Fund of the District.

As part of the workman’s compensation coverage of the Plan, the District purchases stop-loss coverage, which pays claims in excess of \$1 million per individual.

At June 30, 2019, the District has reported a liability of \$3,051,190 which represents reported and unreported claims which were incurred on or before June 30, 2019, but were not paid by the District as of that date. The amounts not reported to the District were determined by the Plan administrator. Changes in the claims liability for the years ended June 30, 2018 and June 30, 2019 are as follows:

	<u>Liability July 1</u>	<u>Current Year Claims and Changes in Estimates</u>	<u>Claims Payments</u>	<u>Liability June 30</u>
2019	\$ 2,776,287	\$ 34,650,474	\$ 34,375,571	\$ 3,051,190
2018	3,518,602	32,643,451	33,385,766	2,776,287

#### **B. CONTINGENCIES**

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.

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 the 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.

#### **C. 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 resolution of the school board or by referendum prior to August 12, 1993.
- ▶ A referendum on or after August 12, 1993.

#### **D. LINE OF CREDIT**

The District has a \$15,000,000 line of credit with Johnson Bank. Borrowings under this agreement provide for a variable interest rate of 3.78% as of October 29, 2018 and are unsecured. There was no balance outstanding on this line of credit as of June 30, 2019, nor was there any amounts borrowed during 2018-2019.

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2019

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#### E. UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

#### F. SUBSEQUENT EVENT

The District issued \$5,390,000 in Taxable General Obligation Refunding Bonds dated October 16, 2019 to refunded principal maturities of \$5,115,000 from 2022 through 2031. The District is scheduled to have principal payments ranging from \$65,000 to \$585,000 beginning in 2020 at interest rates ranging from 2.36% to 2.88%.

## REQUIRED SUPPLEMENTARY INFORMATION

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# Racine Unified School District

## Racine, Wisconsin

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Property taxes	\$ 72,324,218	\$ 72,324,218	\$ 72,324,218	\$ -
Other local sources	1,601,279	1,601,279	1,791,908	190,629
Interdistrict sources	228,440	228,440	218,443	(9,997)
State sources	173,114,426	173,114,426	172,209,894	(904,532)
Federal sources	12,773,448	12,773,448	12,306,297	(467,151)
Other sources	298,597	298,597	594,825	296,228
Total revenues	260,340,408	260,340,408	259,445,585	(894,823)
<b>EXPENDITURES</b>				
Instruction				
Regular instruction	91,090,556	91,090,556	90,254,339	836,217
Vocational instruction	5,512,839	5,512,839	5,100,578	412,261
Other instruction	7,243,254	7,243,254	7,157,812	85,442
Total instruction	103,846,649	103,846,649	102,512,729	1,333,920
Support services				
Pupil services	12,330,021	12,330,021	12,066,695	263,326
Instructional staff services	15,565,693	15,565,693	14,735,600	830,093
General administration services	3,102,404	3,102,404	3,059,586	42,818
School administration services	13,046,210	13,046,210	13,018,455	27,755
Business services	2,667,670	2,667,670	2,549,455	118,215
Operations and maintenance of plant	25,940,687	25,940,687	24,904,678	1,036,009
Pupil transportation services	5,598,731	5,598,731	5,526,550	72,181
Central services	6,092,081	6,092,081	6,070,626	21,455
Insurance	668,919	668,919	628,199	40,720
Other support services	5,042,327	5,042,327	4,502,819	539,508
Total support services	90,054,743	90,054,743	87,062,663	2,992,080
Debt service				
Principal	1,337,064	1,337,064	1,337,064	-
Interest and fiscal charges	152,663	152,663	152,663	-
Total debt service	1,489,727	1,489,727	1,489,727	-
Non-program				
General tuition payments	11,891,661	11,891,661	12,482,521	(590,860)
Special education tuition payments	500	500	-	500
Adjustments and refunds	128,864	128,864	191,842	(62,978)
Voucher payments	18,166,631	18,166,631	18,324,647	(158,016)
Total non-program	30,187,656	30,187,656	30,999,010	(811,354)
Total expenditures	225,578,775	225,578,775	222,064,129	3,514,646
Excess of revenues over expenditures	34,761,633	34,761,633	37,381,456	2,619,823
<b>OTHER FINANCING SOURCES (USES)</b>				
Capital lease issued	422,400	422,400	422,400	-
Proceeds from sale of capital assets	32,477	32,477	34,861	2,384
Transfers in	73,533	73,533	40,982	(32,551)
Transfers out	(37,544,191)	(37,544,191)	(37,593,844)	(49,653)
Total other financing sources (uses)	(37,015,781)	(37,015,781)	(37,095,601)	(79,820)
<b>Net change in fund balance</b>	(2,254,148)	(2,254,148)	285,855	2,540,003
<b>Fund balance - July 1</b>	44,900,272	44,900,272	44,900,272	-
<b>Fund balance - June 30</b>	\$ 42,646,124	\$ 42,646,124	\$ 45,186,127	\$ 2,540,003

See notes to required supplementary information.

# Racine Unified School District

## Racine, Wisconsin

### SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - SPECIAL EDUCATION SPECIAL REVENUE FUND - BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2019

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
<b>REVENUES</b>				
Other local sources	\$ -	\$ -	\$ 14,319	\$ 14,319
Intermediate sources	2,000	2,000	1,500	(500)
State sources	12,299,329	12,299,329	12,324,196	24,867
Federal sources	5,884,583	5,884,583	5,791,608	(92,975)
Total revenues	18,185,912	18,185,912	18,131,623	(54,289)
<b>EXPENDITURES</b>				
Instruction				
Vocational instruction	875	875	4,755	(3,880)
Special education instruction	37,988,879	37,988,879	37,759,640	229,239
Other instruction	78,479	78,479	88,957	(10,478)
Total instruction	38,068,233	38,068,233	37,853,352	214,881
Support services				
Pupil services	6,177,787	6,177,787	5,993,137	184,650
Instructional staff services	3,122,241	3,122,241	3,048,259	73,982
General administration services	60,000	60,000	65,448	(5,448)
Business services	159,833	159,833	149,505	10,328
Operations and maintenance of plant	27,157	27,157	26,819	338
Pupil transportation services	3,042,545	3,042,545	3,649,622	(607,077)
Central services	30,250	30,250	23,199	7,051
Insurance	274,511	274,511	251,248	23,263
Other support services	20	20	192	(172)
Total support services	12,894,344	12,894,344	13,207,429	(313,085)
Non-program				
Special education tuition payments	1,577,100	1,577,100	1,539,496	37,604
Total expenditures	52,539,677	52,539,677	52,600,277	(60,600)
Excess of revenues under expenditures	(34,353,765)	(34,353,765)	(34,468,654)	(114,889)
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	34,394,732	34,394,732	34,476,844	82,112
Transfers out	(40,967)	(40,967)	(8,190)	32,777
Total other financing sources (uses)	34,353,765	34,353,765	34,468,654	114,889
<b>Net change in fund balance</b>	-	-	-	-
<b>Fund balance - July 1</b>	-	-	-	-
<b>Fund balance - June 30</b>	\$ -	\$ -	\$ -	\$ -

See notes to required supplementary information.



# Racine Unified School District

## Racine, Wisconsin

### SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS LAST 10 FISCAL YEARS \*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total OPEB liability			
Service cost	\$ 4,886,398	\$ 6,594,042	\$ 6,789,109
Interest	2,746,709	3,067,184	2,940,726
Changes of benefit terms	456,885	-	-
Differences between expected and actual experience	(2,256,801)	-	-
Changes of assumptions	(25,016,422)	-	-
Benefit payments	(4,597,846)	(5,133,501)	(5,085,310)
Net change in total OPEB liability	(23,781,077)	4,527,725	4,644,525
Total OPEB liability - beginning	<u>100,407,346</u>	<u>95,879,621</u>	<u>91,235,096</u>
Total OPEB liability - ending (a)	<u>\$ 76,626,269</u>	<u>\$ 100,407,346</u>	<u>\$ 95,879,621</u>
Plan fiduciary net position			
Contributions - employer	\$ 4,817,172	\$ 5,404,302	\$ 5,313,306
Net investment income	133,828	118,463	51,804
Benefit payments	(4,597,846)	(5,133,501)	(5,085,310)
Administrative expenses	-	(38,422)	-
Net change in plan fiduciary net position	353,154	350,842	279,800
Plan fiduciary net position - beginning	<u>9,245,623</u>	<u>8,894,781</u>	<u>8,614,981</u>
Plan fiduciary net position - ending (b)	<u>\$ 9,598,777</u>	<u>\$ 9,245,623</u>	<u>\$ 8,894,781</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 67,027,492</u>	<u>\$ 91,161,723</u>	<u>\$ 86,984,840</u>
Plan fiduciary net position as a percentage of the total OPEB liability	12.53%	9.21%	9.28%
Covered-employee payroll	\$ 142,356,149	\$ 135,687,306	\$ 142,709,888
District's net OPEB liability as a percentage of covered-employee payroll	47.08%	67.19%	60.95%
Weighted-average investment income	0.15%	0.12%	0.06%

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

See notes to required supplementary information.

# Racine Unified School District

## Racine, Wisconsin

### SCHEDULE OF EMPLOYER CONTRIBUTIONS OTHER POSTEMPLOYMENT BENEFIT PLAN LAST 10 FISCAL YEARS \*

	<b>2019</b>	<b>2018</b>	<b>2017</b>
Actuarially determined contribution (ADC)	\$ 9,750,795	\$ 12,151,576	\$ 12,352,496
Contributions in relation to the ADC	4,814,252	5,404,302	5,313,306
Contribution deficiency (excess)	<u>\$ 4,936,543</u>	<u>\$ 6,747,274</u>	<u>\$ 7,039,190</u>
Covered-employee payroll	\$ 142,356,149	\$ 135,687,306	\$ 142,709,888
Contributions as a percentage of covered-employee payroll	3.38%	3.98%	3.72%

#### Key Methods and Assumption Used to Calculate ADC

Actuarial cost method	Entry Age Normal
Asset valuation method	Market Value
Amortization method	21 year Level Dollar
Discount rate	3.50%
Inflation	N/A

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

See notes to required supplementary information.

# Racine Unified School District

## Racine, Wisconsin

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Plan Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/2014	0.95793451%	\$ (23,529,492)	\$ 133,929,709	17.57%	102.74%
12/31/2015	0.97103075%	15,779,061	141,579,733	11.14%	98.20%
12/31/2016	0.96814477%	7,979,824	137,001,261	5.82%	99.12%
12/31/2017	0.96050070%	(28,518,405)	138,308,351	20.62%	102.93%
12/31/2018	0.93431373%	33,239,953	141,548,127	23.48%	96.45%

### SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/15	\$ 9,284,346	\$ 9,284,346	\$ -	\$ 134,625,534	6.90%
6/30/16	10,011,629	10,011,629	-	149,510,190	6.70%
6/30/17	9,244,652	9,244,652	-	137,699,728	6.71%
6/30/18	9,414,240	9,414,240	-	139,616,362	6.74%
6/30/19	9,393,990	9,393,990	-	141,701,323	6.63%

See notes to required supplementary information.

# Racine Unified School District

## Racine, Wisconsin

### SCHEDULE OF PROPORTIONATE SHARE OF THE NET OPEB LIABILITY (ASSET) LOCAL RETIREE LIFE INSURANCE FUND LAST 10 FISCAL YEARS

Plan Fiscal Year Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered-Employee Payroll (Plan Year)	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/17	2.09779300%	\$ 6,311,378	\$ 88,218,197	7.15%	44.81%
12/31/18	2.02006900%	5,212,460	92,710,000	5.62%	48.69%

### SCHEDULE OF CONTRIBUTIONS LOCAL RETIREE LIFE INSURANCE FUND LAST 10 FISCAL YEARS

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered-employee Payroll (Fiscal Year)	Contributions as a Percentage of Covered-employee Payroll
6/30/2018	\$ 39,042	\$ 39,042	\$ -	\$ 139,616,362	0.03%
6/30/2019	38,672	38,672	-	141,701,323	0.03%

See notes to required supplementary information.

# Racine Unified School District

## Racine, Wisconsin

### SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS SUPPLEMENTAL PENSION LAST 10 FISCAL YEARS \*

	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total pension liability			
Service cost	\$ 153,709	\$ 204,839	\$ 218,464
Interest	150,033	132,981	131,604
Differences between expected and actual experience	52,116	-	-
Changes in assumptions	(462,943)	-	-
Benefit payments	<u>(191,284)</u>	<u>(205,636)</u>	<u>(216,497)</u>
Net change in total pension liability	(298,369)	132,184	133,571
Total OPEB liability - beginning	<u>4,543,786</u>	<u>4,411,602</u>	<u>4,278,031</u>
Total OPEB liability - ending	<u>\$ 4,245,417</u>	<u>\$ 4,543,786</u>	<u>\$ 4,411,602</u>
Covered payroll	\$ 19,724,097	\$ 20,460,635	\$ 15,600,736
District's net pension liability as a percentage of covered payroll	21.52%	22.21%	28.28%

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

*See notes to required supplementary information.*

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

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#### A. OTHER POSTEMPLOYMENT BENEFITS

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

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

#### B. PENSION BENEFITS

##### Wisconsin Retirement System (WRS)

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

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

##### Supplemental Pension Plan

There were no changes of benefit terms.

There are no assets accumulated in a trust for the supplemental pension plan.

#### C. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2019.

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2019

#### Budgetary Information

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

	<u>General</u>	<u>Special Education</u>
Revenues		
Actual amounts (budgetary basis)	\$ 259,445,585	\$ 18,131,623
Reclassification of special education	18,131,623	(18,131,623)
Total revenues	<u>277,577,208</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	222,064,129	52,600,277
Reclassification of special education	52,600,277	(52,600,277)
Total expenditures	<u>274,664,406</u>	<u>-</u>
Excess of revenues over (under) expenditures		
Actual amounts (budgetary basis)	37,381,456	(34,468,654)
Reclassification of special education	(34,468,654)	34,468,654
Excess of revenues over (under) expenditures	<u>2,912,802</u>	<u>-</u>
Other financing sources (uses)		
Actual amounts (budgetary basis)	(37,095,601)	34,468,654
Reclassification of special education	34,468,654	(34,468,654)
Total other financing sources (uses)	<u>(2,626,947)</u>	<u>-</u>
Net change in fund balance		
Actual amounts (budgetary basis)	<u>285,855</u>	<u>-</u>
Fund balance - July 1		
Actual amounts (budgetary basis)	<u>44,900,272</u>	<u>-</u>
Fund balance - June 30		
Actual amounts (budgetary basis)	<u>\$ 45,186,127</u>	<u>\$ -</u>

## SUPPLEMENTARY INFORMATION

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# Racine Unified School District

## Racine, Wisconsin

### COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2019

	Special Revenue			
	Donations	Special Projects	Community Service	Food Service
<b>ASSETS</b>				
Cash and investments	\$ -	\$ -	\$ -	\$ 1,560,032
Receivables				
Accounts	15,809	-	-	1,659
Due from other funds	701,861	-	3,423,394	2,582,988
Due from other governments	-	257,894	-	189,276
Inventories and prepaid items	-	-	-	12,129
<b>Total assets</b>	<b>\$ 717,670</b>	<b>\$ 257,894</b>	<b>\$ 3,423,394</b>	<b>\$ 4,346,084</b>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 47,171	\$ 15,147	\$ 110,230	\$ 1,639,706
Due to other funds	-	176,321	-	-
Unearned revenues	-	-	-	60,339
<b>Total liabilities</b>	<b>47,171</b>	<b>191,468</b>	<b>110,230</b>	<b>1,700,045</b>
Fund balances				
Restricted	670,499	66,426	3,313,164	2,646,039
<b>Total fund balances</b>	<b>670,499</b>	<b>66,426</b>	<b>3,313,164</b>	<b>2,646,039</b>
<b>Total liabilities and fund balances</b>	<b>\$ 717,670</b>	<b>\$ 257,894</b>	<b>\$ 3,423,394</b>	<b>\$ 4,346,084</b>

<u>Debt Service Non-Referendum Debt Service</u>	<u>Debt Service Referendum Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 2,313,780	\$ -	\$ 3,873,812
-	-	17,468
-	-	6,708,243
-	-	447,170
-	-	12,129
<u>\$ 2,313,780</u>	<u>\$ -</u>	<u>\$ 11,058,822</u>
\$ -	\$ -	\$ 1,812,254
183,655	-	359,976
-	-	60,339
<u>183,655</u>	<u>-</u>	<u>2,232,569</u>
<u>2,130,125</u>	<u>-</u>	<u>8,826,253</u>
<u>2,130,125</u>	<u>-</u>	<u>8,826,253</u>
<u>\$ 2,313,780</u>	<u>\$ -</u>	<u>\$ 11,058,822</u>

# Racine Unified School District

## Racine, Wisconsin

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	Special Revenue			
	Donations	Special Projects	Community Service	Food Service
<b>REVENUES</b>				
Property taxes	\$ -	\$ -	\$ 5,000,000	\$ -
Other local sources	994,762	-	177,097	801,046
State sources	-	-	-	157,985
Federal sources	-	891,589	-	8,243,896
Other sources	-	-	-	377
Total revenues	<u>994,762</u>	<u>891,589</u>	<u>5,177,097</u>	<u>9,203,304</u>
<b>EXPENDITURES</b>				
Instruction				
Regular instruction	145,541	-	-	-
Vocational instruction	26,841	-	-	-
Other instruction	363,144	643,811	-	-
Total instruction	<u>535,526</u>	<u>643,811</u>	<u>-</u>	<u>-</u>
Support services				
Pupil services	25,606	21,096	-	-
Instructional staff services	38,305	146,221	-	-
General administration services	76,719	-	19,353	-
School administration services	17,375	-	146,876	-
Business services	-	-	106,369	15,098
Operation and maintenance of plant	-	-	42,639	581,999
Pupil transportation services	74,828	47,669	10,241	-
Food services	-	-	-	8,085,611
Central services	2,540	-	11,297	-
Total support services	<u>235,373</u>	<u>214,986</u>	<u>336,775</u>	<u>8,682,708</u>
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total debt service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Community service	-	-	2,103,441	-
Non-program				
Adjustments and refunds	5,271	-	-	247
Total expenditures	<u>776,170</u>	<u>858,797</u>	<u>2,440,216</u>	<u>8,682,955</u>
Excess of revenues over (under) expenditures	<u>218,592</u>	<u>32,792</u>	<u>2,736,881</u>	<u>520,349</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	(32,792)	-	-
Total other financing sources (uses)	<u>-</u>	<u>(32,792)</u>	<u>-</u>	<u>-</u>
<b>Net change in fund balances</b>	218,592	-	2,736,881	520,349
<b>Fund balances - July 1</b>	<u>451,907</u>	<u>66,426</u>	<u>576,283</u>	<u>2,125,690</u>
<b>Fund balances - June 30</b>	<u>\$ 670,499</u>	<u>\$ 66,426</u>	<u>\$ 3,313,164</u>	<u>\$ 2,646,039</u>

<u>Debt Service Non-Referendum Debt Service</u>	<u>Debt Service Referendum Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 12,345,115	\$ 1,837,439	\$ 19,182,554
111,385	6,876	2,091,166
-	-	157,985
-	-	9,135,485
29,847	-	30,224
<u>12,486,347</u>	<u>1,844,315</u>	<u>30,597,414</u>
-	-	145,541
-	-	26,841
-	-	1,006,955
-	-	<u>1,179,337</u>
-	-	46,702
-	-	184,526
-	-	96,072
-	-	164,251
-	-	121,467
-	-	624,638
-	-	132,738
-	-	8,085,611
-	-	13,837
-	-	<u>9,469,842</u>
9,115,000	1,815,000	10,930,000
3,964,757	80,237	4,044,994
<u>13,079,757</u>	<u>1,895,237</u>	<u>14,974,994</u>
-	-	2,103,441
-	-	5,518
<u>13,079,757</u>	<u>1,895,237</u>	<u>27,733,132</u>
(593,410)	(50,922)	2,864,282
117,000	-	117,000
-	-	(32,792)
<u>117,000</u>	<u>-</u>	<u>84,208</u>
(476,410)	(50,922)	2,948,490
<u>2,606,535</u>	<u>50,922</u>	<u>5,877,763</u>
<u>\$ 2,130,125</u>	<u>\$ -</u>	<u>\$ 8,826,253</u>

# Racine Unified School District

## Racine, Wisconsin

### SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES PUPIL ACTIVITY FUNDS FOR THE YEAR ENDED JUNE 30, 2019

	<u>Balance 7/1/2018</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2019</u>
<b>ASSETS</b>				
Cash	\$ 883,887	\$ 2,393,009	\$ 2,645,519	\$ 631,377
<b>LIABILITIES</b>				
Due to student organizations				
Senior high schools	\$ 588,789	\$ 1,316,352	\$ 1,475,525	\$ 429,616
Middle schools	76,280	393,390	419,844	49,826
Elementary schools	183,076	589,343	654,534	117,885
Early childhood schools	2,258	5,359	6,879	738
P-COC	257	7,412	6,086	1,583
REAL school	33,227	81,153	82,651	31,729
Total liabilities	<u>\$ 883,887</u>	<u>\$ 2,393,009</u>	<u>\$ 2,645,519</u>	<u>\$ 631,377</u>

ADDITIONAL INDEPENDENT AUDITORS' REPORT  
FOR BASIC FINANCIAL STATEMENTS

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## Independent auditors' report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with *Government Auditing Standards*

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Racine Unified School District, Racine, Wisconsin, (the "District") as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated November 30, 2019.

### **INTERNAL CONTROL OVER FINANCIAL REPORTING**

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

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

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

### **COMPLIANCE AND OTHER MATTERS**

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

**PURPOSE OF THIS REPORT**

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

A handwritten signature in cursive script that reads "CliftonLarsonAllen LLP".

CliftonLarsonAllen LLP

Green Bay, Wisconsin  
November 30, 2019



## FEDERAL AND STATE AWARDS

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## Independent auditors' report on compliance for each major federal and state program and on internal control over compliance required by the Uniform Guidance and the *State Single Audit Guidelines*

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

### **REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM**

We have audited the Racine Unified School District, Racine, Wisconsin's (the "District's") compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2019. 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.

#### **MANAGEMENT'S RESPONSIBILITY**

Management is responsible for compliance with federal and state statutes, regulations, and the terms and conditions of its federal and state awards applicable to its federal and state programs.

#### **AUDITORS' RESPONSIBILITY**

Our responsibility is to express an opinion on compliance for each of the District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, Uniform Guidance and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about the District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

#### **OPINION ON EACH MAJOR FEDERAL AND STATE PROGRAM**

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2019.

## REPORT ON INTERNAL CONTROL OVER COMPLIANCE

Management of the District is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the District's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal or state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal or state program and to test and report on internal control over compliance in accordance with the Uniform Guidance and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

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

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

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



CliftonLarsonAllen LLP

Green Bay, Wisconsin  
November 30, 2019

Racine Unified School District  
Racine, Wisconsin

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/18	Value or Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/19	Total Expenditures	Subrecipient Payments
<b>U.S. DEPARTMENT OF AGRICULTURE</b>								
<i>Child Nutrition Cluster</i>								
School Breakfast Program	10.553	WI DPI	2018-514620-SB-546	\$ (84,176)	\$ 84,176	\$ -	\$ -	\$ -
School Breakfast Program	10.553	WI DPI	2019-514620-SB-546	-	1,941,469	56,520	1,997,989	-
Total School Breakfast Program				(84,176)	2,025,645	56,520	1,997,989	-
National School Lunch Program	10.555	WI DPI	2018-514620-NSL-547	(235,733)	235,733	-	-	-
National School Lunch Program	10.555	WI DPI	2019-514620-NSL-547	-	5,282,473	131,683	5,414,156	-
Donated Commodities 17-18	10.555	WI DPI	2019-514620-NSL-547	-	519,234	-	519,234	-
Total National School Lunch Program				(235,733)	6,037,440	131,683	5,933,390	-
NSL Snack Program	10.555	WI DPI	2018-514620-NSL-Snacks-561	(736)	736	-	-	-
NSL Snack Program	10.555	WI DPI	2019-514620-NSL-Snacks-561	-	3,091	-	3,091	-
Total NSL Snack Program				(736)	3,827	-	3,091	-
NSL Area Eligible Snack Program	10.555	WI DPI	2018-514620-NSL-Snacks-566	(8,413)	8,413	-	-	-
NSL Area Eligible Snack Program	10.555	WI DPI	2019-514620-NSL-Snacks-566	-	79,254	-	79,254	-
Total NSL Area Eligible Snack Program				(8,413)	87,667	-	79,254	-
Summer Food Service Program for Children	10.559	WI DPI	2019-514620-SFSP-586	-	146,723	-	146,723	-
Total Child Nutrition Cluster				(329,058)	8,301,302	188,203	8,160,447	-
Child and Adult Care Food Program	10.558	WI DPI	2019-514620-CCI-551	-	10,273	-	10,273	-
Fresh Fruit and Vegetable Program	10.582	WI DPI	2018-514620-FF&V-376	(15,791)	15,791	-	-	-
Fresh Fruit and Vegetable Program	10.582	WI DPI	2019-514620-FF&V-376	-	72,103	1,073	73,176	-
Total Fresh Fruit and Vegetable Program				(15,791)	87,894	1,073	73,176	-
Total U.S. Department of Agriculture				(344,849)	8,399,469	189,276	8,243,896	-
<b>U.S. DEPARTMENT OF EDUCATION</b>								
Title I Grants to Local Educational Agencies	84.010	WI DPI	18-514620-TI-Delinquent-140	(17,725)	17,725	-	-	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2019-514620-TI-Delinquent-140	-	52,023	18,098	70,121	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	18-514620-Title I-141	(3,200,270)	3,200,270	-	-	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2019-514620-Title I-141	-	2,927,290	3,095,711	6,023,001	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2018-514620-Focus-145	(71,227)	71,227	-	-	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2019-514620-Focus-145	-	-	32,442	32,442	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2018-514620-Cohort I-154	(247)	247	-	-	-
Total Title I Grants to Local Educational Agencies				(3,289,469)	6,268,782	3,146,251	6,125,564	-
<i>Special Education Cluster (IDEA)</i>								
Special Education Grants to States	84.027	WI DPI	2018-514620-IDEA-341	(1,187,454)	1,187,454	-	-	-
Special Education Grants to States	84.027	WI DPI	2019-514620-IDEA-341	-	2,564,075	1,924,278	4,488,353	-
Special Education Grants to States	84.027	WI DPI	2019-514620-IDEA-342	-	51,348	-	51,348	-
Special Education Grants to States	84.027	CESA	Not Available	1,000	500	-	1,500	-
Special Education Preschool Grants	84.173	WI DPI	18-514620-Pre-S-347	(53,094)	53,094	-	-	-
Special Education Preschool Grants	84.173	WI DPI	2019-514620-Pre-S-347	-	104,453	116,039	220,492	-
Total Special Education Cluster (IDEA)				(1,239,548)	3,960,924	2,040,317	4,761,693	-

Racine Unified School District  
Racine, Wisconsin

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2019

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/18	Value or Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/19	Total Expenditures	Subrecipient Payments
Career and Technical Education - Basic Grants to States	84.048	WI DPI	2018-514620-CP-CTE-400	(78,841)	78,841	-	-	-
Career and Technical Education - Basic Grants to States	84.048	WI DPI	2019-514620-CP-CTE-400	-	18,696	244,210	262,906	-
Total Career and Technical Education - Basic Grants to States				(78,841)	97,537	244,210	262,906	-
Education for Homeless Children and Youth	84.196	WI DPI	2018-514620-Homeless-335	(21,390)	21,390	-	-	-
Education for Homeless Children and Youth	84.196	WI DPI	2019-514620-Homeless-335	-	41,831	16,115	57,946	-
Total Education for Homeless Children and Youth				(21,390)	63,221	16,115	57,946	-
Javits Gifted and Talented Students Education	84.206A	WI DPI	Not available	(103,400)	103,400	-	-	-
Fund for the Improvement of Education Afterschool Program	84.215K	City of Racine	Not available	(23,070)	23,070	-	-	-
Fund for the Improvement of Education Afterschool Program	84.215K	City of Racine	FY19 P620	-	12,357	16,262	28,619	-
Twenty-First Century Community Learning Centers	84.287	WI DPI	18-514620-367-CLC	(1,049,187)	1,049,187	-	-	-
Twenty-First Century Community Learning Centers	84.287	WI DPI	2019-514620-CLC-367	-	621,338	241,632	862,970	-
Total Twenty-First Century Community Learning Centers				(1,049,187)	1,670,525	241,632	862,970	-
English Language Acquisition State Grants	84.365	WI DPI	18-514620-Title III A-391	(140,972)	140,972	-	-	-
English Language Acquisition State Grants	84.365	WI DPI	2019-514620-Title III A-391	-	220,376	88,640	309,016	-
Total English Language Acquisition State Grants				(140,972)	361,348	88,640	309,016	-
Supporting Effective Instruction State Grants	84.367	WI DPI	18-514620-Title II-365	(593,749)	593,749	-	-	-
Supporting Effective Instruction State Grants	84.367	WI DPI	2019-514620-Title II-365	-	224,489	411,092	635,581	-
Total Improving Teacher Quality State Grants				(593,749)	818,238	411,092	635,581	-
School Improvement Grants	84.377	WI DPI	2018-514620-SIG-151	(199,662)	199,662	-	-	-
School Improvement Grants	84.377	WI DPI	2019-514620-SIG-151	-	274,094	119,525	393,619	-
Total School Improvement Grants				(199,662)	473,756	119,525	393,619	-
Hurricane Education Recovery	84.938	WI DPI	2018 Not available - 374 & 375	(149,738)	149,738	-	-	-
Student Support and Academic Enrichment Program	84.424	WI DPI	2019-514620-Title IV A-381	-	443,424	-	443,424	-
Total U.S. Department of Education				(6,889,026)	14,446,320	6,324,044	13,881,338	-
<b>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</b>								
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	WI DPI	2018-19-514620-WILY-334	(6,463)	6,463	-	-	-
Pregnancy Assistance Fund Program	93.500	WI DPI	18-514620-InSPIRE-591	(229,511)	229,511	-	-	-
Pregnancy Assistance Fund Program	93.500	WI DPI	2019-52289-InSPIRE-591	-	72,026	75,723	147,749	-
Total Pregnancy Assistance Fund Program				(229,511)	301,537	75,723	147,749	-
Safe Schools-Healthy Students	93.243	Direct Program	Not available	(157,473)	157,473	-	-	-

Racine Unified School District  
 Racine, Wisconsin

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
 FOR THE YEAR ENDED JUNE 30, 2019

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/18	Value or Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/19	Total Expenditures	Subrecipient Payments
<i>Medicaid Cluster</i> Medical Assistance Program	93.778	WI DHS	44211100	-	4,859,567	-	4,859,567	-
Total U.S. Department of Health and Human Services				(393,447)	5,325,040	75,723	5,007,316	-
<b>TOTAL FEDERAL AWARDS</b>				<u>\$ (7,627,322)</u>	<u>\$ 28,170,829</u>	<u>\$ 6,589,043</u>	<u>\$ 27,132,550</u>	<u>\$ -</u>
Reconciliation to the basic financial statements								
Federal sources							\$ 27,233,390	
Intermediate sources							1,500	
Less: non-grant related revenues							(102,340)	
Total expenditures of federal awards							<u>\$ 27,132,550</u>	

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

# Racine Unified School District Racine, Wisconsin

## SCHEDULE OF EXPENDITURES OF STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2019

Grantor Agency/State Program Title	State I.D. Number	Pass-Through Agency	State Identifying Number	(Accrued) Deferred Revenue 7/1/18	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/19	Total Expenditures	Subrecipient Payments
<b>WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION</b>								
Special Education and School Age Parents	255.101	Direct Program	514620-100	\$ -	\$ 11,573,589	\$ -	\$ 11,573,589	\$ -
State School Lunch Aid	255.102	Direct Program	514620-107	-	89,419	-	89,419	-
Common School Fund Library Aid	255.103	Direct Program	514620-104	-	872,373	-	872,373	-
Bilingual Bicultural Aid Lea	255.106	Direct Program	514620-111	-	374,356	-	374,356	-
General Transportation Aid	255.107	Direct Program	514620-102	-	351,283	-	351,283	-
Equalization Aids	255.201	Direct Program	514620-116	(2,395,155)	147,112,391	2,463,557	147,180,793	-
Integration Transfer - Resident	255.205	Direct Program	514620-105	-	4,407,381	-	4,407,381	-
High Cost Special Education Aid	255.210	Direct Program	514620-119	-	548,484	-	548,484	-
Aid for School Mental Health Programs	255.227	Direct Program	514620-176	-	113,616	-	113,616	-
Special Education Transition Readiness Grant	255.257	Direct Program	514620-174	-	24,500	27,500	52,000	-
Personal Electronic Computing Device	255.296	Direct Program	514620-175	-	178,125	-	178,125	-
School base mental health services grant	255.297	Direct Program	514620-297	-	41,667	33,333	75,000	-
Peer Review and Mentoring	255.301	Direct Program	514620-387	(23,744)	31,064	12,808	20,128	-
Alcohol and Other Drug Abuse	255.306	Direct Program	514620-395	(24,706)	32,231	13,410	20,935	-
AODA Program Grants	255.321	Direct Program	514620-388	-	-	650	650	-
State School Breakfast Aid	255.344	Direct Program	514620-108	-	68,566	-	68,566	-
Tuition Payments by State	255.401	Direct Program	514620-157	-	226,452	-	226,452	-
Tuition Payments Spec Education	255.401	Direct Program	514620-158	-	112,123	-	112,123	-
Total Tuition Payments by State				-	338,575	-	338,575	-
Student Achievement Guarantee in Education (SAGE)	255.504	Direct Program	514620-160	-	1,428,451	-	1,428,451	-
Aid for High Poverty School District	255.926	Direct Program	514620-121	-	1,702,380	-	1,702,380	-
Educator Effective Evaluation System	255.940	Direct Program	514620-154	(16,148)	16,148	118,553	118,553	-
Per Pupil Aid	255.945	Direct Program	514620-113	-	12,808,590	-	12,808,590	-
Career and Technical Education Incentive Grants	255.950	Direct Program	514620-151	-	158,000	-	158,000	-
Assessments of Reading Readiness	255.956	Direct Program	514620-166	-	53,588	-	53,588	-
Robotics League Participation Grants	255.959	Direct Program	514620-167	-	-	-	-	-
Aid for Special Ed Transition Grant BBL	255.960	Direct Program	514620-168	-	38,000	-	38,000	-
Total Wisconsin Department of Public Instruction				(2,459,753)	182,362,777	2,669,811	182,572,835	-
<b>Wisconsin Department of Justice</b>								
School Safety Grant	455.206	Direct Program		-	23,693	305,280	328,973	-
School Safety Grant	455.206	Direct Program		-	246,896	31,547	278,443	-
Total Wisconsin Department of Justice				-	270,589	336,827	607,416	-
<b>TOTAL STATE PROGRAMS</b>				<b>\$ (2,459,753)</b>	<b>\$ 182,633,366</b>	<b>\$ 3,006,638</b>	<b>\$ 183,180,251</b>	<b>\$ -</b>

Reconciliation to the basic financial statements	
State sources	\$ 184,692,075
Less: State sources not considered state financial assistance	
State tax computer aid	(1,436,240)
Payment in lieu of taxes and other revenues	(75,584)
Total expenditures of state awards	<u>\$ 183,180,251</u>

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

# Racine Unified School District

## Racine, Wisconsin

### NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2019

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#### **NOTE 1: BASIS OF PRESENTATION**

The accompanying schedules of expenditures of federal and state awards for the Racine Unified School District are presented in accordance with the requirements of Title 2 *U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance) and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration.

The schedules of expenditures of federal and state awards include all federal and state awards of the District. Because the schedules present only a selected portion of the operations of the District, it is not intended to and does not present the financial position, changes in net position, or cash flows of the District.

#### **NOTE 2: SIGNIFICANT ACCOUNTING POLICIES**

Revenues and expenditures in the schedules are presented in accordance with the modified accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the District's 2019 fund financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and *State Single Audit Guidelines*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Accrued revenue at year-end consists of federal and state program expenditures scheduled for reimbursement to the District in the succeeding year while unearned revenue represents advances for federal and state programs that exceed recorded District expenditures. Because of subsequent program adjustments, these amounts may differ from the prior year's ending balances.

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

#### **NOTE 3: SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM**

The 2018-2019 eligible costs under the State Special Education Program as reported by the District are \$47,934,920. Compiled information required by compliance requirement 1-1 of the Special Education Audit Program was reported to the Wisconsin Department of Public Instruction.

#### **NOTE 4: 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 5: OVERSIGHT AGENCIES**

The federal and state oversight agencies for the District are as follows:

Federal - U.S. Department of Health and Human Services  
State - Wisconsin Department of Public Instruction

#### **NOTE 6: PASS THROUGH ENTITIES**

Federal awards have been passed through the following entities:

WI DHS - Wisconsin Department of Health Services  
WI DPI - Wisconsin Department of Public Instruction  
CESA - Cooperative Educational Service Agency



# Racine Unified School District

## Racine, Wisconsin

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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#### SECTION I: SUMMARY OF AUDITORS' RESULTS

##### BASIC FINANCIAL STATEMENTS

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency(ies) identified?	None Reported
Noncompliance material to basic financial statements noted?	No

##### FEDERAL AND STATE AWARDS

Internal control over major programs:	
▶ Material weakness(es) identified?	No
▶ Significant deficiency(ies) identified?	None Reported
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a)?	No
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	No
Identification of major federal programs:	

<u>CFDA Number</u>	<u>Name of Federal Program</u>
84.010	Title I Grants to Local Educational Agencies

Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program</u>
255.106	Bilingual Bicultural Aid Lea
255.201	Equalization Aids
255.205	Integration Transfer - Resident
455.206	School Safety Grant

##### Audit threshold used to determine between Type A and Type B programs:

Federal Awards	\$813,977
State Awards	\$250,000
Auditee qualified as low-risk auditee	Yes

# Racine Unified School District

## Racine, Wisconsin

### SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2019

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#### SECTION II: FINANCIAL STATEMENT FINDINGS

There are no findings related to the basic financial statements required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended June 30, 2019.

#### SECTION III: FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no audit findings and questioned costs required to be reported under the Uniform Guidance and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration for the year ended June 30, 2019.

#### SECTION IV: OTHER ISSUES

- |  |     |
|--|-----|
| 1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern?   | No  |
| 2. Does the audit report show audit issues (i.e. material non-compliance, non-material non-compliance, questioned cost, material weakness, significant deficiencies, management letter comment, excess revenue or excess reserve) related to grant/contracts with funding agencies that require audits to be in accordance with the <i>State Single Audit Guidelines</i> : |     |
| Department of Health Services  | No  |
| Department of Public Instruction   | No  |
| 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit?  | Yes |

4. Name and signature of partner



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David L. Maccoux, CPA

5. Date of report

November 30, 2019

# Racine Unified School District Racine, Wisconsin

## **SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2019**

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### **PRIOR YEAR AUDIT FINDINGS**

None required.

### **CORRECTIVE ACTION PLAN**

None required.

Investment advisory services are offered through CliftonLarsonAllen Wealth Advisors, LLC,  
an SEC-registered investment advisor. | CliftonLarsonAllen LLP

