

**RACINE UNIFIED SCHOOL DISTRICT
RACINE, WISCONSIN**

ANNUAL FINANCIAL REPORT

JUNE 30, 2016

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

June 30, 2016

Table of Contents

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 10
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12 - 13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14 - 15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16 - 17
Statement of Net Position - Fiduciary Funds	18
Statement of Changes in Net Position - Fiduciary Funds	19
Notes to Basic Financial Statements	20 - 42
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund - Budgetary Basis	43
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Education Special Revenue Fund - Budgetary Basis	44
Schedule of Employer Contributions	45
Schedule of Funding Progress	46
Schedule of Proportionate Share of Net Pension Liability (Asset) - Wisconsin Retirement System	47
Schedule of Contributions - Wisconsin Retirement System	48
Notes to Required Supplemental Information	49 - 51
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	52 - 53
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	54 - 55
Schedule of Changes in Assets and Liabilities - Pupil Activity Funds	56

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

June 30, 2016

Table of Contents

	<u>Page No.</u>
ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	57 - 58
FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE	
Independent Auditors' Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance Required by the Uniform Guidance and the <i>State Single Audit Guidelines</i>	59 - 60
Schedule of Expenditures of Federal Awards	61 - 66
Schedule of State Financial Assistance	67
Notes to the Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance	68
Schedule of Findings and Questioned Costs	69 - 71
Schedule of Prior Year Audit Findings and Corrective Action Plan	72

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, ("the District) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2016, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note B.1., the District implemented GASB Statement No. 72, *Fair Value Measurement and Application*. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the budgetary comparison information and the schedules relating to pensions and other postemployment benefits on pages 43 through 48 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

Report on Summarized Financial Information

We have previously audited the District's 2015 financial statements, and our report dated November 13, 2015, expressed unmodified opinions on those respective financial statements of the governmental activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2015, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 19, 2016, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants
Green Bay, Wisconsin
December 19, 2016

MANAGEMENT'S DISCUSSION AND ANALYSIS



Racine Unified School District

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

Management's Discussion and Analysis For the Year Ended June 30, 2016

FINANCIAL HIGHLIGHTS

- The District's overall financial position, as reflected in total net position, increased \$147,459 during the 2015-2016 fiscal year. (See pages 12 - 13)
- The District continued to apply GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-retirement Benefits Other than Pensions during the 2016 year. The actuarially determined expense was \$1,057,181 greater than the District's post-retirement plan contributions for the year compared to \$202,540 greater for the prior year. (See page 39)
- The District's governmental fund balance reported an increase of \$736,219 compared to an increase of \$9,536,049 in the prior year. The increases primarily were in the General Fund of \$820,579 and Capital Project Funds of \$330,592. The increase in the General Fund was a planned increase, with the final approved budget projecting a surplus of \$1,104,725. The increase in the Capital Projects was due primarily to timing on the receipt of debt proceeds and the spending of capital funds.
- The District's reported capital assets increased by \$48,391,880 over the prior year. The increases were primarily due to the construction of two new school buildings and a large addition and improvements to another school building. (See page 9)

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, 2016 with a comparison to the prior year.

Table 1			
Condensed Statement of Net Assets			
(in thousands of dollars)			
	School District		%
	2016	2015	Change 2015-16
Assets			
Current assets	\$ 81,129	\$ 109,436	-25.9%
Capital assets	149,853	101,461	47.7%
Total Assets	230,982	210,897	9.5%
Deferred Outflows			
Related to pension	83,496	20,354	310.2%
Loss on advance refunding	77	171	-55.0%
Total Deferred Outflows	83,573	20,525	307.2%
Liabilities			
Long-term obligations	134,120	79,011	69.7%
Other liabilities	28,346	33,622	-15.7%
Total Liabilities	162,466	112,633	44.2%
Deferred Inflows			
Related to pension	33,386	233	14228.8%
Net Position			
Net investment in capital assets	53,417	45,571	17.2%
Restricted	11,258	29,427	-61.7%
Unrestricted	54,028	43,558	-24.0%
Total Net Position	\$ 118,703	\$ 118,556	0.1%

(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, 2016 with a comparison to the prior year.

	School District		%
	2016	2015	Change 2015-16
Revenues			
Program Revenues			
Charges for services	\$ 2,349	\$ 2,401	-2.2%
Operating grants and contributions	52,989	52,032	1.8%
General Revenues			
Property taxes	85,619	77,093	11.1%
State Formula aid	141,035	140,778	0.2%
Interest	59	15	293.3%
Other	1,272	8,874	-85.7%
Total Revenues	283,323	281,193	0.8%
Expenses			
Instruction	151,003	144,769	4.3%
Pupil and instructional services	42,490	37,791	12.4%
Administration and business	61,336	65,316	-6.1%
Central services and Insurance	9,863	9,511	3.7%
Interest on debt	2,623	1,916	36.9%
Non-program	15,146	10,564	43.4%
Community services	715	104	587.5%
Total Expenses	283,176	269,971	4.7%
Change in Accounting Principle	-	43,087	
Change in Net Position	\$ 147	\$ 54,309	

General revenues (all revenue except operating grants and contributions and charges for services) provide about 90% of the funding for governmental activities. Racine Unified School District relies on state formula 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
	2016	2015	2016	2015	2015-16
Instruction	\$ 151,003	\$ 144,769	\$ 118,913	\$ 103,044	-13.3%
Pupil and instructional services	42,490	37,791	29,900	34,886	16.7%
Administration and business	61,336	65,316	50,971	55,886	9.6%
Central services and insurance	9,863	9,511	9,737	9,370	-3.8%
Interest on debt	2,623	1,916	2,623	1,916	-27.0%
Non-program	15,146	10,564	15,029	10,564	-29.7%
Community services	715	104	665	(128)	-119.2%
Totals	\$ 283,176	\$ 269,971	\$ 227,838	\$ 215,538	-5.4%

Governmental Funds

The District completed the year with a total governmental fund balance of \$53.4 million, an increase of \$736 thousand from the prior year.

- Total general fund revenue for the year was \$2.1 million below budget.
- Total general fund program expenditures, including non-program transactions, was less than the budget by \$1.8 million.
- The original general fund budget forecasted a decrease in general fund balance of \$2.4 million while the final budget forecast an increase of \$1.1 million while the actual results showed a \$.8 million increase.
- The debt service funds fund balance had a net increase of \$.3 million. The debt service fund balance will fluctuate from year to year because the fund balance must be at least equal to the amount of debt payments that are scheduled prior to January 20th of the subsequent year. The typical debt service schedule for the District requires interest payments prior to January 20th with an additional interest payment and principal payment occurring in March of each year.
- For fiscal year 2015-2016, the capital projects funds fund balance increased by \$331 thousand as debt was issued to fund various projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2016 fiscal year, the District had net capital assets of \$149.9 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.

Table 4			
Net Capital Assets			
(in thousands of dollars)			
	Totals		%
	School District		Change
	2016	2015	2015-16
Land	\$ 3,229	\$ 2,475	30.5%
Work in progress	43,919	3,301	1230.5%
Site improvements	5,302	4,984	6.4%
Buildings	84,921	77,629	9.4%
Machinery and equipment	12,482	13,072	-4.5%
Total	\$ 149,853	\$ 101,461	47.7%

Long-Term Debt and Other Obligations

At year end, the district had \$96 million in general obligation debt outstanding, an increase of \$38 million from last year. Additional information about the District's long-term liabilities is presented in the notes to the financial statements.

	Totals		%
	School District		Change
	2016	2015	2015-16
General obligation debt	\$ 90,798	\$ 58,181	56.1%
State Trust Fund Loans	5,225	-	N/A
Premium on debt	2,323	1,510	53.8%
Other post-employment benefits	18,743	17,686	6.0%
Pension benefits	877	667	0.0%
Compensated absences	374	967	-61.3%
Total	\$ 118,340	\$ 79,011	49.8%

The district participates in the Wisconsin Retirement System (the "WRS"), a cost-sharing multiple employer pension plan, in addition to maintaining a separate supplemental pension plan. As a result, the district reports their proportionate share of the WRS net pension asset or liability. The WRS operates on a different fiscal year from the district; therefore, the pension information included in the district's annual financial report is derived from the WRS's year ended December 31, 2015. The district reported a pension asset of \$23.5 million as of June 30, 2015; however, due to differences in projected and actual investment return, expected results and other factors, the district reported a net pension liability of \$15.8 million accounting for the increase in pension benefits noted above.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Statement of Net Position
June 30, 2016
(With summarized financial information as of June 30, 2015)

	Governmental Activities	
	2016	2015
ASSETS		
Cash and investments	\$ 48,128,280	\$ 54,052,395
Receivables		
Taxes	19,274,879	17,531,652
Accounts	398,247	1,891,807
Due from other governments	11,146,284	10,095,915
Inventories and prepaid items	2,181,789	2,334,808
Other assets		
Net pension asset	-	23,529,492
Capital assets		
Land	3,228,786	2,474,986
Construction in progress	43,919,208	3,301,497
Site improvements	8,417,523	7,811,575
Buildings	144,505,287	134,520,726
Machinery and equipment	26,651,615	25,672,069
Less: Accumulated depreciation	(76,869,738)	(72,320,052)
TOTAL ASSETS	230,982,160	210,896,870
DEFERRED OUTFLOWS OF RESOURCES		
Deferred outflows related to pension	83,495,758	20,353,678
Loss on advance refunding	77,187	170,631
TOTAL DEFERRED OUTFLOWS OF RESOURCES	83,572,945	20,524,309
LIABILITIES		
Accounts payable	11,620,317	10,601,408
Accrued payroll liabilities	15,986,249	22,595,711
Accrued interest payable	610,087	372,765
Unearned revenues	110,736	52,170
Other liabilities	18,670	-
Long-term obligations		
Due within one year	8,123,739	4,883,831
Due in more than one year	109,339,228	73,459,340
Net pension liability	16,656,387	667,416
TOTAL LIABILITIES	162,465,413	112,632,641
DEFERRED INFLOWS OF RESOURCES		
Deferred inflows related to pension	33,386,470	232,775
NET POSITION		
Net investment in capital assets	58,938,151	45,571,092
Restricted for		
Private gifts and donations	366,143	45,740
Grant expenditures	67,609	216,873
Debt service	682,200	577,994
Community service programs	212,339	209,542
Food service	1,989,900	3,083,806
Construction of capital assets	1,763,419	1,763,408
Pension benefits	-	23,529,492
Unrestricted	54,683,461	43,557,816
TOTAL NET POSITION	\$ 118,703,222	\$ 118,555,763

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, 2016
(With summarized financial information for the year ended June 30, 2015)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instruction	\$ 151,003,024	\$ 911,785	\$ 31,178,019	\$ -
Support services	113,688,616	1,386,555	21,693,805	-
Other				
Interest and fiscal charges	2,622,834	-	-	-
Community services	715,347	50,384	-	-
Non-program transactions	15,146,540	726	116,713	-
Total Other	18,484,721	51,110	116,713	-
Total School District	\$ 283,176,361	\$ 2,349,450	\$ 52,988,537	\$ -

General revenues

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Other taxes
- State and federal aids not restricted to specific functions
- Interest and investment earnings
- Miscellaneous

Transfers

Total General Revenues

Change in net position

Net position - July 1

Net position - June 30

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

Net (Expense) Revenue and Changes in Net Position		
Total School District		
Governmental Activities		Business-type Activities
2016	2015	2015

\$ (118,913,220)	\$ (103,043,866)	\$ -
(90,608,256)	(100,141,818)	-
(2,622,834)	(1,915,768)	-
(664,963)	127,628	-
(15,029,101)	(10,563,896)	-
(18,316,898)	(12,352,036)	-
(227,838,374)	(215,537,720)	-
78,689,657	71,791,303	-
6,929,312	5,301,399	-
-	35,334	-
141,035,265	140,778,026	-
59,417	15,256	-
1,272,182	8,837,973	-
-	3,332,908	(3,332,908)
227,985,833	230,092,199	(3,332,908)
147,459	14,554,479	(3,332,908)
118,555,763	104,001,284	3,332,908
\$ 118,703,222	\$ 118,555,763	\$ -

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2016

(With summarized financial information as of June 30, 2015)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds	
				2016	2015
ASSETS					
Cash and investments	\$ 36,401,819	\$ 9,674,177	\$ 2,052,284	\$ 48,128,280	\$ 54,052,395
Receivables					
Taxes	19,274,879	-	-	19,274,879	17,531,652
Accounts	327,986	-	70,261	398,247	1,891,807
Due from other funds	4,052,347	2,318,275	1,667,806	8,038,428	8,714,207
Due from other governments	10,656,023	-	490,261	11,146,284	10,095,915
Inventories	784,252	-	-	784,252	860,619
Prepaid items	1,397,537	-	-	1,397,537	1,474,189
TOTAL ASSETS	\$ 72,894,843	\$ 11,992,452	\$ 4,280,612	\$ 89,167,907	\$ 94,620,784
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 11,563,199	\$ -	\$ 57,118	\$ 11,620,317	\$ 10,601,408
Accrued payroll liabilities	15,986,249	-	-	15,986,249	22,595,711
Due to other funds	3,742,333	4,052,347	243,748	8,038,428	8,714,207
Unearned revenues	59,268	-	51,468	110,736	52,170
Other deposits payable	18,670	-	-	18,670	-
Total Liabilities	31,369,719	4,052,347	352,334	35,774,400	41,963,496
Fund Balances					
Nonspendable					
Inventories	784,252	-	-	784,252	860,619
Prepaid items	1,397,537	-	-	1,397,537	1,474,189
Restricted					
Private gifts and donations	-	-	366,143	366,143	45,740
Grant expenditures	-	-	67,609	67,609	216,873
Food service	-	-	1,989,900	1,989,900	3,083,806
Construction of capital assets	-	7,940,105	-	7,940,105	6,763,408
Debt service funds	-	-	1,292,287	1,292,287	950,759
Community service programs	-	-	212,339	212,339	209,542
Committed					
Construction of capital assets	-	-	-	-	846,105
Assigned					
Referendum	10,000,000	-	-	10,000,000	10,000,000
Health care cost stabilization	8,000,000	-	-	8,000,000	8,000,000
Construction of capital assets	-	-	-	-	450,000
Capital projects - referendum	-	-	-	-	800,000
Subsequent years' expenditures	1,750,000	-	-	1,750,000	2,000,000
Unassigned, reported in					
General fund	19,593,335	-	-	19,593,335	16,956,247
Total Fund Balances	41,525,124	7,940,105	3,928,278	53,393,507	52,657,288
TOTAL LIABILITIES AND FUND BALANCES	\$ 72,894,843	\$ 11,992,452	\$ 4,280,612	\$ 89,167,907	\$ 94,620,784

(Continued)

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Balance Sheet (Continued)

Governmental Funds

June 30, 2016

(With summarized financial information as of June 30, 2015)

Total Governmental Funds	
2016	2015

Reconciliation to the Statement of Net Position

Total Fund Balances from previous page

\$ 53,393,507 \$ 52,657,288

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

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

149,852,681 101,460,801

Deferred outflow of resources is reported in the statement of net position for loss on advance refinancing.

77,187 170,631

The District's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements:

Net pension asset

- 23,529,492

Deferred outflows of resources

83,495,758 20,353,678

Net pension liability

(15,779,061) -

Deferred inflows of resources

(33,386,470) (232,775)

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

Bonds and notes payable

(96,023,480) (58,180,555)

Premium on long-term debt

(2,322,693) (1,509,729)

Other post-employment benefits

(18,742,797) (17,685,616)

Pension benefits

(877,326) (667,416)

Compensated absences

(373,997) (967,271)

Accrued interest payable

(610,087) (372,765)

Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 11)

\$ 118,703,222 \$ 118,555,763

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, 2016
(With summarized financial information for the year ended June 30, 2015)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds	
				2016	2015
Revenues					
Property taxes	\$ 77,839,657	\$ -	\$ 7,779,312	\$ 85,618,969	\$ 77,092,702
Other local sources	835,340	37,140	1,731,000	2,603,480	2,243,676
Interdistrict sources	202,218	-	-	202,218	198,786
Intermediate sources	5,440	-	-	5,440	9,993
State sources	162,358,621	-	171,179	162,529,800	162,337,312
Federal sources	21,987,583	-	9,027,504	31,015,087	30,332,563
Other sources	1,015,950	-	250,478	1,266,428	8,965,396
Total Revenues	264,244,809	37,140	18,959,473	283,241,422	281,180,428
Expenditures					
Instruction					
Regular instruction	92,581,213	-	130,034	92,711,247	94,199,316
Vocational instruction	5,110,562	-	500	5,111,062	4,742,722
Special education instruction	38,533,219	-	-	38,533,219	38,086,131
Other instruction	6,642,691	-	570,143	7,212,834	7,599,127
Total Instruction	142,867,685	-	700,677	143,568,362	144,627,296
Support Services					
Pupil services	16,985,707	-	1,962	16,987,669	16,204,544
Instructional staff services	18,327,719	-	219,030	18,546,749	17,294,476
General administration services	3,226,313	-	28,023	3,254,336	2,874,174
School administration services	12,830,699	-	153,334	12,984,033	12,235,366
Business services	2,489,266	-	40	2,489,306	2,371,070
Operation and maintenance of plant	33,188,760	42,721,548	1,640,286	77,550,594	44,034,465
Pupil transportation services	8,509,099	-	55,759	8,564,858	8,645,278
Food services	-	-	9,162,837	9,162,837	8,548,276
Central services	8,527,545	-	19,491	8,547,036	8,231,577
Insurance	1,020,879	-	-	1,020,879	877,076
Other support services	345,664	-	-	345,664	364,690
Total Support Services	105,451,651	42,721,548	11,280,762	159,453,961	121,680,992
Debt Service					
Principal	-	-	5,172,075	5,172,075	4,943,443
Interest and fiscal charges	3,329	-	2,504,855	2,508,184	2,000,343
Total Debt Service	3,329	-	7,676,930	7,680,259	6,943,786
Community Services					
Non-program	-	-	701,183	701,183	103,241
General tuition payments	14,057,836	-	-	14,057,836	9,629,928
Special education tuition payments	919,444	-	-	919,444	619,766
Revenue transits to others	18,127	-	-	18,127	16,431
Adjustments and refunds	151,133	-	-	151,133	297,771
Total Non-program	15,146,540	-	-	15,146,540	10,563,896
Total Expenditures	263,469,205	42,721,548	20,359,552	326,550,305	283,919,211
Excess of Revenues Over (Under) Expenditures	775,604	(42,684,408)	(1,400,079)	(43,308,883)	(2,738,783)
Other Financing Sources (Uses)					
Long-term debt issued	-	43,015,000	-	43,015,000	23,180,000
Premium on long term debt issued	-	-	1,029,080	1,029,080	427,253
Payment to current noteholder	-	-	-	-	(14,200,000)
Sale of capital assets	1,022	-	-	1,022	11,625
Transfers in	43,953	-	-	43,953	8,763,626
Transfers out	-	-	(43,953)	(43,953)	(5,907,672)
Total Other Financing Sources (Uses)	44,975	43,015,000	985,127	44,045,102	12,274,832
Net Change in Fund Balances	820,579	330,592	(414,952)	736,219	9,536,049
Fund Balances - July 1	40,704,545	7,609,513	4,343,230	52,657,288	43,121,239
Fund Balances - June 30	\$ 41,525,124	\$ 7,940,105	\$ 3,928,278	\$ 53,393,507	\$ 52,657,288

(Continued)

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
For the Year Ended June 30, 2016
(With summarized financial information as of June 30, 2015)

	Total Governmental Funds	
	2016	2015
<u>Reconciliation to the Statement of Activities</u>		
Net Change in Fund Balances from previous page	\$ 736,219	\$ 9,536,049
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay reported in governmental fund statements	\$ 52,975,566	
Depreciation expense reported in the statement of activities	<u>(4,583,686)</u>	
Amount in which depreciation is less than capital outlays	48,391,880	10,217,962
In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the loss on the disposal is reported.	-	(2,090,620)
Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. The accrual of these benefits (increased) decreased by:	593,274	667,417
Changes in the net pension liability (asset) and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan.	(9,320,168)	563,142
The District's contributions to its employee benefit trust fund to finance its post-retirement benefits have been less than the annual required contribution (ARC). The payments to the employee benefit trust fund are recorded as an expenditure when paid in the governmental statements. The statement of activities reports the ARC as the expense. The difference is:	(1,057,181)	(202,540)
The District maintains a pension plan for employees and funds it on a pay-as-you-go basis. The payments made for benefits throughout the year are recorded as an expenditure when paid in the governmental statements. The statement of activities reports the annual required contribution as the expense. The difference is:	(209,910)	(234,650)
The District issued debt during the year. The amount of the debt is reported in the governmental funds as a source of financing. In the statement of net position, however, debt constitutes a long-term liability. The amount of debt issued is:		
General obligation debt issued by District	(43,015,000)	(23,180,000)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position as does not affect the statement of activities. The amount of long-term principal payments:		
General obligation debt retired by District	5,172,075	18,660,322
Capital leases retired by the District	-	483,121
Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid. In the statement of activities interest is reported as it accrues.	(237,322)	22,421
Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of the net position, they are deferred and reported as other assets or deductions from long-term debt and allocated over the life of the debt on the statement of activities and included in interest expense		
Premium on long-term debt	(812,964)	(213,442)
Loss on advance refunding	(93,444)	(151,657)
The book value of capital assets transferred from business-type activities to governmental activities due to the reclassification of the food service fund from a proprietary fund to a special revenue fund.	-	476,954
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see pages 12 - 13)	<u>\$ 147,459</u>	<u>\$ 14,554,479</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, 2016

(With summarized financial information as of June 30, 2015)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Agency Fund	Total Fiduciary Funds	
			Pupil Activity	2016	2015
ASSETS					
Cash and investments	\$ 44,805	\$ 7,585,369	\$ 939,336	\$ 8,569,510	\$ 6,560,198
Accounts receivable	66,818	1,029,612	-	1,096,430	7,131,833
TOTAL ASSETS	\$ 111,623	\$ 8,614,981	\$ 939,336	\$ 9,665,940	\$ 13,692,031
LIABILITIES					
Accounts payable	\$ 66,818	\$ -	\$ -	\$ 66,818	\$ 4,262,702
Due to student organizations	-	-	939,336	939,336	1,159,414
TOTAL LIABILITIES	66,818	-	939,336	1,006,154	5,422,116
NET POSITION					
Restricted for					
Scholarships	44,805	-	-	44,805	28,501
Employee benefits	-	8,614,981	-	8,614,981	8,241,414
TOTAL NET POSITION	44,805	8,614,981	-	8,659,786	8,269,915
TOTAL LIABILITIES AND NET POSITION	\$ 111,623	\$ 8,614,981	\$ 939,336	\$ 9,665,940	\$ 13,692,031

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, 2016

(With summarized financial information for the year ended June 30, 2015)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Total Fiduciary Funds	
			2016	2015
ADDITIONS				
Other local sources	\$ 151,158	\$ -	\$ 151,158	\$ 246,269
Contributions				
Employer	-	7,009,892	7,009,892	7,849,077
Plan members	-	357,372	357,372	348,645
Investment earnings	-	40,748	40,748	17,380
Total Additions	151,158	7,408,012	7,559,170	8,461,371
DEDUCTIONS				
Trust fund disbursements	134,854	7,034,445	7,169,299	7,792,429
Change in Net Position	16,304	373,567	389,871	668,942
Net Position - July 1	28,501	8,241,414	8,269,915	7,600,973
Net Position - June 30	\$ 44,805	\$ 8,614,981	\$ 8,659,786	\$ 8,269,915

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, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

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

In accordance with GAAP, the basic financial statements are required to include the District (the primary government) and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 61.

2. District-Wide and Fund Financial Statements

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

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

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

The District reports the following major governmental funds:

GENERAL FUND

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

CAPITAL PROJECTS FUND

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

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the District reports the following fund types:

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

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

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

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

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

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

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

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

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

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

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

a. Cash and Investments

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

b. Accounts Receivable

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

c. Property Taxes

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

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

d. Interfund Receivables and Payables

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

e. Inventories

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

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

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Prepaid Items

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

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

g. Capital Assets

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

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

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

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

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

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

h. Compensated Absences

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

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense) until then. The District has two items that qualify for reporting in this category. One is the deferred charge on refunding reported in the district-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt. The second item is related to the District's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one item that qualifies for reporting in this category on the statement of net position. The item is related to the District's proportionate share of the Wisconsin Retirement System pension plan and is deferred and amortized over the expected remaining service lives of the pension plan participants.

j. Long-term Obligations

In the district-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bond. Issuance costs are expensed during the current period.

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

k. Pensions

For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by 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.

l. 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.

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

- Committed fund balance - Amounts that are constrained for specific purposes by action of the Board of Education. These constraints can only be removed or changed by the Board of Education using the same action that was used to create them.
- Assigned fund balance - Amounts that are constrained for specific purposes by action of District management. The Board of Education has authorized the Chief Financial Officer to assign fund balance. Residual amounts in any governmental fund, other than the General Fund, are also reported as assigned.
- Unassigned fund balance - Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

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

DISTRICT-WIDE FINANCIAL STATEMENTS

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

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

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

Budgeted 2016-17 General Fund Expenditures	\$	270,220,290
Minimum Fund Balance %		(x) 15% - 20%
Minimum Fund Balance Amount		\$40,533,044 to \$54,044,058

The District's general fund balance of \$41,525,124 is within the range of the above minimum fund balance amount.

5. Use of Estimates

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

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2016

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Summarized Information

The basic financial statements include certain prior-year summarized information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2015, from which the summarized information was derived.

7. Reclassifications

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

NOTE B - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

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

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

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

The carrying amount of the District's cash and investments totaled \$56,697,790 on June 30, 2016 as summarized below:

Petty cash funds	\$	400
Deposits with financial institutions		51,651,598
Deposits with trustee		717,582
Investments		
Wisconsin Investment Series Cooperative (WISC)		
Cash management series		551,257
Negotiable certificates of deposit		3,735,217
Wisconsin local government investment pool		41,736
		\$ 56,697,790

Reconciliation to the basic financial statements:

District-wide Statement of Net Position		
Cash and investments	\$	48,128,280
Fiduciary funds Statement of Net Position		
Private purpose trust fund		44,805
Employee benefit trust fund		7,585,369
Agency fund		939,336
		\$ 56,697,790

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Fair Value Measurements

The District implemented GASB Statement No. 72, *Fair Value Measurement and Application*, for the year ending June 30, 2016. The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs.

The District has the following fair value measurements as of June 30, 2016:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
Negotiable certificates of deposit	\$ 3,735,217	\$ -	\$ -

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

Custodial Credit Risk

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

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

On June 30, 2016, none of the District's deposits with financial institutions were in excess of federal and state depository insurance limits.

Credit Risk

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

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Investment Type	Amount	Exempt From Disclosure	Rating as of Year End		
			AAA	Aa	Not Rated
Wisconsin local government investment pool	\$ 41,736	\$ -	\$ -	\$ -	\$ 41,736
WISC Investments					
Cash management series	551,257	-	551,257	-	-
Negotiable certificates of deposit	3,735,217	-	-	-	3,735,217
Totals	\$ 4,328,210	\$ -	\$ 551,257	\$ -	\$ 3,776,953

Interest Rate Risk

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

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

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Wisconsin local government investment pool	\$ 41,736	\$ 41,736	\$ -	\$ -	\$ -
WISC Investments					
Cash management series	551,257	551,257	-	-	-
Negotiable certificates of deposit	3,735,217	3,735,217	-	-	-
Totals	\$ 4,328,210	\$ 4,328,210	\$ -	\$ -	\$ -

Investment in Wisconsin Local Government Investment Pool

The District has investments in the Wisconsin local government investment pool of \$41,736 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2016, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

Investment in Wisconsin Investment Series Cooperative

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$551,257 at year end consisting of Cash Management 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.

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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

2. Capital Assets

Capital asset activity for the year ended June 30, 2016 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 2,474,986	\$ 753,800	\$ -	\$ 3,228,786
Work in progress	3,301,497	42,622,075	2,004,364	43,919,208
Total capital assets, not being depreciated	<u>5,776,483</u>	<u>43,375,875</u>	<u>2,004,364</u>	<u>47,147,994</u>
Capital assets, being depreciated:				
Site improvements	7,811,575	605,948	-	8,417,523
Buildings	134,520,726	9,984,561	-	144,505,287
Machinery and equipment	25,672,069	1,013,546	34,000	26,651,615
Total capital assets being depreciated	<u>168,004,370</u>	<u>11,604,055</u>	<u>34,000</u>	<u>179,574,425</u>
Less accumulated depreciation for:				
Site improvements	2,827,293	288,608	-	3,115,901
Buildings	56,891,775	2,692,863	-	59,584,638
Machinery and equipment	12,600,984	1,602,215	34,000	14,169,199
Total accumulated depreciation	<u>72,320,052</u>	<u>4,583,686</u>	<u>34,000</u>	<u>76,869,738</u>
Total capital assets, being depreciated, net	<u>95,684,318</u>	<u>7,020,369</u>	<u>-</u>	<u>102,704,687</u>
Governmental activities capital assets, net	<u>\$ 101,460,801</u>	<u>\$ 50,396,244</u>	<u>\$ 2,004,364</u>	149,852,681
Less:				
Related general obligation debt outstanding				89,236,794
Capital related debt premium				<u>1,677,736</u>
Net investment in capital assets				<u>\$ 58,938,151</u>

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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

Governmental activities	
Instruction	
Regular instruction	\$ 18,666
Vocational instruction	57,580
Special education instruction	5,572
Total instruction	<u>81,818</u>
Support Services	
Pupil services	777
Instructional staff services	2,828
General administration services	9,667
School administration services	6,130
Operation and maintenance of plant	3,915,118
Central services	567,348
Total support services	<u>4,501,868</u>
Total depreciation expense - governmental activities	<u>\$ 4,583,686</u>

3. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the District as of June 30, 2016 are detailed below:

	Interfund Receivables	Interfund Payables
Pooled cash balances		
General Fund	\$ 4,052,347	\$ 3,742,333
Special Revenue Funds		
Trust	366,143	-
Special projects	-	243,748
Community service	212,339	-
Food service	348,003	-
Debt Service Funds		
Non-referendum debt service	735,735	-
Referendum debt service	5,586	-
Capital Projects Fund	2,318,275	4,052,347
Totals	<u>\$ 8,038,428</u>	<u>\$ 8,038,428</u>

Interfund transfers for the year ended June 30, 2016 were as follows:

	Transfer to:
	General
Transfers from:	
Special Revenue Fund	
Special projects	<u>\$ 43,953</u>

The special projects transfer to the general fund is used to move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them.

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

4. Short-term Obligations

The District issued tax and revenue anticipation promissory notes in advance of property tax collections. The notes are needed because District expenses for the year begin in July whereas tax collections are not received until January. Short-term debt activity for the year ended June 30, 2016 was as follows:

	Outstanding 7/1/15	Issued	Retired	Outstanding 6/30/16
Issued 10/30/15; due 11/01/16	\$ -	\$ 1,000,000	\$ 1,000,000	\$ -

Total interest paid for the year on short-term debt totaled \$145.

5. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2016:

	Outstanding 7/1/15	Issued	Retired	Outstanding 6/30/16	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 36,879,000	\$ 37,790,000	\$ 3,575,000	\$ 71,094,000	\$ 4,546,000
Notes	21,301,555	-	1,597,075	19,704,480	2,918,846
State trust fund notes	-	5,225,000	-	5,225,000	490,838
Total	58,180,555	43,015,000	5,172,075	96,023,480	7,955,684
Premium	1,509,729	1,029,080	216,116	2,322,693	168,055
Other post-employment benefits					
Pension benefits	17,685,616	9,692,348	8,635,167	18,742,797	-
Compensated absences	667,416	460,565	250,655	877,326	-
Governmental activities Long-term obligations	967,271	-	593,274	373,997	-
	<u>\$ 79,010,587</u>	<u>\$ 54,196,993</u>	<u>\$ 14,867,287</u>	<u>\$ 118,340,293</u>	<u>\$ 8,123,739</u>

Total interest paid during the year on long-term debt totaled \$2,053,333.

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

General Obligation Debt

Detail of the outstanding general obligation debt follows:

	Issue Amount	Issue Date	Average Interest Rates (%)	Dates of Maturity	Outstanding 6/30/16
General Obligation Bonds					
Promissory Bonds	\$ 5,945,000	09/03/08	4.00 - 4.25%	04/01/19	\$ 5,220,000
Refunding Bonds	5,880,000	07/11/11	4.00 - 5.00%	04/01/31	5,880,000
Refunding Bonds	10,000,000	01/03/13	2.50 - 2.75%	04/01/28	10,000,000
Refunding Bonds	2,020,000	06/10/13	3.38%	04/01/23	2,020,000
Refunding Bonds	8,980,000	04/06/15	2.00 - 3.00%	04/01/24	8,980,000
School Building & Improvement	9,700,000	07/07/15	2.75%	04/01/29	9,700,000
School Building & Improvement	28,090,000	01/05/16	0.05 - 3.00%	04/01/27	27,710,000
Qualified School Construction					
Promissory Bonds	1,794,000	11/09/09	0.00%	09/15/19	1,584,000
Subtotal					<u>71,094,000</u>
General Obligation Notes					
Qualified Zone Academy					
Promissory Notes	1,728,000	04/15/08	1.00%	04/14/18	359,480
Promissory Notes	1,610,000	04/05/10	2.50 - 3.625%	04/01/20	610,000
Promissory Notes	995,000	07/11/11	3.00 - 3.50%	04/01/20	565,000
Promissory Notes	21,735,000	06/10/13	2.00 - 3.00%	04/01/27	18,170,000
Subtotal					<u>19,704,480</u>
State Trust Fund Loan	5,225,000	06/15/16	3.00%	03/15/26	5,225,000
Total General Obligation Debt					<u>\$ 96,023,480</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$96,023,480 on June 30, 2016 are detailed below:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2017	\$ 7,955,684	\$ 2,558,801	\$ 10,514,485
2018	8,032,687	2,431,731	10,464,418
2019	8,095,035	2,182,769	10,277,804
2020	8,786,124	1,965,304	10,751,428
2021	8,154,260	1,755,093	9,909,353
2022-2026	34,509,690	5,784,150	40,293,840
2027-2031	20,490,000	1,314,463	21,804,463
	<u>\$ 96,023,480</u>	<u>\$ 17,992,311</u>	<u>\$ 114,015,791</u>

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2016 was \$747,487,810 as follows:

Equalized valuation of the District		\$8,428,290,900
Statutory limitation percentage		(x) 10%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		842,829,090
Total outstanding general obligation debt	\$ 96,023,480	
Less: Amounts available for financing general obligation debt		
Debt service fund ⁽¹⁾	682,200	
Net outstanding general obligation debt applicable to debt limitation		95,341,280
Legal Margin for New Debt		\$ 747,487,810

(1) Less interest payments due October 2016

6. WRS Pension Plan

a. 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.

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 State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

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

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

The WRS also provides death and disability benefits for employees.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

b. Post-Retirement Adjustments

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
2007	3.0%	10%
2008	6.6%	0%
2009	(2.1)%	(42)%
2010	(1.3)%	22%
2011	(1.2)%	11%
2012	(7.0)%	(7)%
2013	(9.6)%	9%
2014	4.7%	25%
2015	2.9%	2%

c. 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. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$9,651,718 in contributions from the District.

Contribution rates as of June 30, 2016 are:

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

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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

At June 30, 2016, the District reported a liability of \$15,779,061 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. 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, 2015, the District's proportion was 0.97103075%, which was an increase of 0.01309624% from its proportion measured as of December 31, 2014.

For the year ended June 30, 2016, the District recognized pension expense of \$18,997,623.

At June 30, 2016, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 2,633,368	\$ 33,206,765
Changes in assumptions	11,039,718	-
Net differences between projected and actual earnings on pension plan investments	64,487,110	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	109,186	179,705
Employer contributions subsequent to the measurement date	5,226,376	-
Total	\$ 83,495,758	\$ 33,386,470

\$5,226,376 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 in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2016	\$ 20,309,965	\$ 8,089,168
2017	20,309,965	8,089,168
2018	20,309,965	8,089,168
2019	16,982,804	8,056,594
2020	356,683	1,062,372
Total	\$ 78,269,382	\$ 33,386,470

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

e. Actuarial Assumption

The total pension liability in the December 31, 2015, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Asset	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

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

	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Nominal Rate of Return %	Long-Term Expected Real Rate of Return %
<u>Core Fund Asset Class</u>				
U.S. Equities	27%	23%	7.6%	4.7%
International Equities	24.5%	22%	8.5%	5.6%
Fixed Income	27.5%	37%	4.4%	1.6%
Inflation Sensitive Assets	10%	20%	4.2%	1.4%
Real Estate	7%	7%	6.5%	3.6%
Private Equity/Debt	7%	7%	9.4%	6.5%
Multi-Asset	4%	4%	6.7%	3.8%
Total Core Fund	107%	120%	7.4%	4.5%
<u>Variable Fund Asset Class</u>				
U.S. Equities	70%	70%	7.6%	4.7%
International Equities	30%	30%	8.5%	5.6%
Total Variable Fund	100%	100%	7.9%	5.0%

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.57%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
District's proportionate share of the net pension liability (asset)	\$ 110,674,637	\$ 15,779,061	\$ (58,336,076)

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>.

f. Payable to the WRS

At June 30, 2016 the District reported a payable of \$1,811,771 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2016.

NOTE C - OTHER INFORMATION

1. Risk Management

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

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE C - OTHER INFORMATION (Continued)

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

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

At June 30, 2016, the District has reported a liability of \$3,674,709 which represents reported and unreported claims which were incurred on or before June 30, 2016, but were not paid by the District as of that date. The amounts not reported to the District were estimated using data provided by the plan administrators. Changes in the program's claim liability amount for the year ended June 30, 2016 with comparative totals for the prior year follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability June 30
2015	\$ 3,311,474	\$ 35,646,995	\$ 35,687,899	\$ 3,270,570
2016	3,270,570	37,048,556	36,644,417	3,674,709

2. Other Postemployment Benefits

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

a. Plan Descriptions and Contribution Information

Membership of the Plan at July 1, 2014, the date of the latest actuarial valuation:

	Active Employees	Retirees Receiving Benefits	Total
Teachers	1,403	345	1,748
Administrators	112	36	148
Building service	161	37	198
Clerical	119	14	133
Educational assistants	276	9	285
Total	2,071	441	2,512

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE C - OTHER INFORMATION (Continued)

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

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

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

b. Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$ 10,296,037
Interest on net OPEB	707,425
Adjustment to annual required contribution	<u>(1,311,114)</u>
Annual OPEB cost (expense)	9,692,348
Contributions made	
Employer	<u>8,635,167</u>
Change in net OPEB obligation	1,057,181
OPEB obligation - beginning of year	<u>17,685,616</u>
OPEB obligation - end of year	<u><u>\$ 18,742,797</u></u>

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

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE C - OTHER INFORMATION (Continued)

Valuation date	July 1, 2014
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar on a closed basis
Remaining amortization period	23 years
Actuarial assumptions:	
Investment rate of return	4.00%
Healthcare cost trend rate	2.3% initial 5.5% ultimate

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

Fiscal Year Ended	Annual OPEB Cost	Annual Required Contribution (ARC)	Annual OPEB Cost Contributed	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2014	\$ 10,252,259	\$ 10,690,627	\$ 9,044,574	84.60%	\$ 17,483,076
6/30/2015	9,790,358	10,358,017	9,587,818	92.56%	17,685,616
6/30/2016	9,692,348	10,296,037	8,635,167	83.87%	18,742,797

c. Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)-Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ([b - a] / c)
7/1/2010	\$ 3,012,643	\$ 87,755,940	\$ 84,743,297	3.4%	\$ 139,479,307	60.76%
7/1/2012	7,199,332	85,113,538	77,914,206	8.5%	136,498,539	57.08%
7/1/2014	7,571,761	78,462,827	70,891,066	9.7%	140,812,740	50.34%

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

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2016

NOTE C - OTHER INFORMATION (Continued)

3. Pension Plan

a. Plan Description

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

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

Clerical employees hired prior to July 1, 2014 who retire from the District, after attaining age 58 and completing 25 years of service are eligible to receive a retirement benefit equal to the equivalent of the unemployment compensation rate in effect on the date of retirement for 26 weeks. The plan does not issue separate financial statements.

b. Funding Policy

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

c. Annual Pension Cost and Net Pension Obligation

The District's annual pension costs for the year ended June 30, 2016 and related actuarial assumptions used for the current year are as follows:

Annual required contribution	\$ 484,570
Interest on net pension obligation	26,697
Adjustment to annual required contribution	<u>(50,702)</u>
Annual pension cost	460,565
Contributions made	<u>250,655</u>
Change in net pension obligation	209,910
Net pension obligation beginning of year	<u>667,416</u>
Net pension obligation end of year	<u><u>\$ 877,326</u></u>

The annual required contribution for the current year was determined as part of the July 1, 2014 actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 4.0% investment rate of return (net of administrative expenses) and (b) projected salary increases 3% per year. The investment rate of return has an inflation component of 2.5% per year. It was assumed that employees would not have any other service within the WRS prior to hire by the District. The unfunded actuarial accrued liability is being amortized, as a level dollar amount, on a closed basis. The remaining amortization period at June 30, 2016 was 21 years.

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2016

NOTE C - OTHER INFORMATION (Continued)

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/14	\$ 349,493	61.6%	\$ 432,766
6/30/15	451,092	48.0%	667,416
6/30/16	460,565	54.4%	877,326

d. Funding Status and Funding Progress

As of July 1, 2014, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$3,803,354. With no plan assets, the unfunded actuarial accrued liability was also \$3,803,354.

4. Contingencies

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

5. Limitation on School District Revenues

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

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

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

6. Subsequent Event

The District entered into a capital lease after the fiscal year end. The lease was for a period of 48 months, with monthly payments of \$53,919 including interest starting July 1, 2016 and concluding on June 1, 2020. Interest is 0.33%.

REQUIRED SUPPLEMENTARY INFORMATION

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
General Fund - Budgetary Basis
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 77,839,657	\$ 77,839,657	\$ 77,839,657	\$ -
Other local sources	794,900	847,184	835,340	(11,844)
Interdistrict sources	118,000	118,000	165,488	47,488
Intermediate sources	-	-	5,163	5,163
State sources	150,339,731	150,152,590	149,532,160	(620,430)
Federal sources	16,318,287	16,951,857	15,388,739	(1,563,118)
Other sources	1,019,964	974,040	1,015,950	41,910
Total Revenues	246,430,539	246,883,328	244,782,497	(2,100,831)
Expenditures				
Instruction				
Regular instruction	94,317,736	93,266,889	92,581,213	685,676
Vocational instruction	5,005,331	5,209,241	5,065,666	143,575
Other instruction	6,685,856	6,675,924	6,573,988	101,936
Total Instruction	106,008,923	105,152,054	104,220,867	931,187
Support Services				
Pupil services	11,764,024	11,587,264	11,370,451	216,813
Instructional staff services	15,632,766	15,306,892	14,253,293	1,053,599
General administration services	3,117,713	3,087,298	3,214,283	(126,985)
School administration services	12,313,258	12,371,894	12,830,699	(458,805)
Business services	2,400,593	2,365,978	2,427,858	(61,880)
Operation and maintenance of plant	32,959,349	32,871,709	33,180,098	(308,389)
Pupil transportation services	5,534,882	4,963,742	4,895,293	68,449
Central services	9,365,463	8,962,882	8,501,178	461,704
Insurance	698,072	763,318	788,119	(24,801)
Other support services	366,440	403,336	345,664	57,672
Total Support Services	94,152,560	92,684,313	91,806,936	877,377
Debt service	2,500	5,684	3,329	2,355
Non-program				
General tuition payments	14,045,692	14,060,085	14,057,836	2,249
Indirect costs	134,198	160,498	151,133	9,365
Total Non-program	14,179,890	14,220,583	14,208,969	11,614
Total Expenditures	214,343,873	212,062,634	210,240,101	1,822,533
Excess of Revenues Over Expenditures	32,086,666	34,820,694	34,542,396	(278,298)
Other Financing Sources (Uses)				
Sale of capital assets	5,000	5,000	1,022	(3,978)
Transfers in	337,542	71,487	66,030	(5,457)
Transfers out	(34,796,097)	(33,792,456)	(33,788,869)	3,587
Total Other Financing Sources (Uses)	(34,453,555)	(33,715,969)	(33,721,817)	(5,848)
Net Change in Fund Balance	(2,366,889)	1,104,725	820,579	(284,146)
Fund Balance - July 1	40,704,545	40,704,545	40,704,545	-
Fund Balance - June 30	\$ 38,337,656	\$ 41,809,270	\$ 41,525,124	\$ (284,146)

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, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interdistrict sources	\$ 42,430	\$ 42,430	\$ 36,730	\$ (5,700)
Intermediate sources	-	-	277	277
State sources	12,704,709	12,804,485	12,826,461	21,976
Federal sources	7,581,300	7,096,684	6,598,844	(497,840)
Total Revenues	20,328,439	19,943,599	19,462,312	(481,287)
Expenditures				
Instruction				
Vocational instruction	57,000	53,000	44,896	8,104
Special education instruction	39,453,421	38,651,754	38,533,219	118,535
Other instruction	62,673	62,412	68,703	(6,291)
Total Instruction	39,573,094	38,767,166	38,646,818	120,348
Support Services				
Pupil services	5,803,558	5,718,532	5,615,256	103,276
Instructional staff services	4,260,788	4,083,134	4,074,426	8,708
General administration services	27,910	17,000	12,030	4,970
Business services	91,500	91,500	61,408	30,092
Operation and maintenance of plant	13,900	13,900	8,662	5,238
Pupil transportation services	4,075,415	3,875,415	3,613,806	261,609
Central services	24,130	24,130	26,367	(2,237)
Insurance	218,814	218,814	232,760	(13,946)
Total Support Services	14,516,015	14,042,425	13,644,715	397,710
Non-program				
Revenue transits to others	-	-	18,127	(18,127)
Special education tuition payments	746,454	903,546	919,444	(15,898)
Total Non-program	746,454	903,546	937,571	(34,025)
Total Expenditures	54,835,563	53,713,137	53,229,104	484,033
Excess of Revenues Under Expenditures	(34,507,124)	(33,769,538)	(33,766,792)	2,746
Other Financing Sources (Uses)				
Transfers in	34,796,097	33,792,456	33,788,869	(3,587)
Transfers out	(288,973)	(22,918)	(22,077)	841
Total Other Financing Sources (Uses)	34,507,124	33,769,538	33,766,792	(2,746)
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	\$ -	\$ -	\$ -	\$ -

See Notes to Required Supplementary Information.

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Schedule of Employer Contributions
 For the Year Ended June 30, 2016

Other Post-Employment Benefit Plan			
Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2014	\$ 9,044,574	\$ 10,690,627	84.60%
2015	9,587,818	10,358,017	92.56%
2016	8,635,167	10,296,037	83.87%

Pension Plan			
Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2014	\$ 215,304	\$ 346,026	62.22%
2015	216,442	465,864	46.46%
2016	250,655	484,570	51.73%

See Notes to Required Supplementary Information.

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Schedule of Funding Progress

For the Year Ended June 30, 2016

Other Post-Employment Benefit Plan						
Actuarial Valuation Date July 1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2010	\$ 3,012,643	\$ 87,755,940	3.43%	\$ 84,743,297	\$ 139,479,307	60.76%
2012	7,199,332	85,113,538	8.46%	77,914,206	136,498,539	57.08%
2014	7,571,761	78,462,827	9.65%	70,891,066	140,812,740	50.34%

Pension Plan						
Actuarial Valuation Date July 1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2010	\$ -	\$ 3,001,764	0.00%	\$ 3,001,764	N/A	N/A
2012	-	3,674,467	0.00%	3,674,467	N/A	N/A
2014	-	3,803,354	0.00%	3,803,354	N/A	N/A

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*

	2015	2016
Proportion of the net pension liability (asset)	0.95793451%	0.97103075%
Proportionate share of the net pension liability (asset)	\$ (23,529,492)	\$ 15,779,061
Covered-employee payroll	\$ 133,929,709	\$ 141,579,733
Plan fiduciary net position as a percentage of the total pension liability (asset)	102.74%	98.20%

* The District implemented GASB Statement Nos. 68 and 71 for the year ended June 30, 2015. Information for prior years is not available. The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

See Notes to Required Supplementary Information.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of Contributions
Wisconsin Retirement System
Last 10 Fiscal Years*

	2015	2016
Contractually required contributions	\$ 9,375,049	\$ 9,651,718
Contributions in relation to the contractually required contributions	\$ 9,375,049	\$ 9,651,718
Contribution deficiency (excess)	\$ -	\$ -
Covered-employee payroll	\$ 133,929,709	\$ 141,579,733
Contributions as a percentage of covered-employee payroll	7.00%	6.82%

* The District implemented GASB Statement Nos. 68 and 71 for the year ended June 30, 2015. Information for the prior years is not available. The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

See Notes to Required Supplementary Information.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

NOTE A – WISCONSIN RETIREMENT SYSTEM

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

NOTE B - BUDGETARY INFORMATION

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

	General Fund	Special Education Fund
Revenues		
Actual amounts (budgetary basis)	\$ 244,782,497	\$ 19,462,312
Reclassification of special education	19,462,312	(19,462,312)
Total Revenues	<u>264,244,809</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	210,240,101	53,229,104
Reclassification of special education	53,229,104	(53,229,104)
Total Expenditures	<u>263,469,205</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	34,542,396	(33,766,792)
Reclassification of special education	(33,766,792)	33,766,792
Excess of Revenues Over (Under) Expenditures	<u>775,604</u>	<u>-</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(33,721,817)	33,766,792
Reclassification of special education	33,766,792	(33,766,792)
Total Other Financing Sources (Uses)	<u>44,975</u>	<u>-</u>
Net Change in Fund Balance		
Actual amounts (budgetary basis)	<u>820,579</u>	<u>-</u>
Fund Balance - July 1		
Actual amounts (budgetary basis)	<u>40,704,545</u>	<u>-</u>
Fund Balance - June 30		
Actual amounts (budgetary basis)	<u>\$ 41,525,124</u>	<u>\$ -</u>

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

NOTE B - BUDGETARY INFORMATION (Continued)

Budgets and Budgetary Accounting

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

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

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

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2016. In addition, no District funds had deficit fund equity as of June 30, 2016.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2016

NOTE C - CHANGE IN ACTUARIAL ASSUMPTIONS

The July 1, 2014 actuarial valuation for the other post-employment benefits differs from the July 1, 2012 actuarial valuation due to the following factors:

- 1) The eligibility requirement for administrators decreased from twenty years to ten years.
- 2) Medical trend started at 2.3% in the July 1, 2014 study compared to a (2%) in the July 1, 2012 study.
- 3) The July 1, 2014 study assumed 15% of clerical and educational assistants, 35% of building service employees, 45% of administrators, and 35% of teachers would continue with family coverage upon retirement. The previous study assumed 25% of clerical and educational assistants, 40% of building service employees, 40% of administrators, and 40% of teachers would continue with family coverage upon retirement.

The July 1, 2014 actuarial valuation for the pension benefits differs from the July 1, 2012 actuarial valuation due to the following factors:

- 1) Eligibility requirements for administrators changed from age 55 and 20 years of service to age 55 and 10 years of service or age 62 and five years of service.
- 2) Eligibility requirements for clerical employees was changed from age 62 to age 58 and 25 years of service.
- 3) Only clerical employees hired prior to July 1, 2014 are eligible for the benefit.

SUPPLEMENTARY INFORMATION

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds			
	Trust	Special Projects	Community Service	Food Service
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ 1,501,318
Accounts receivable	-	-	-	70,261
Due from other funds	366,143	-	212,339	348,003
Due from other governments	-	311,357	-	178,904
TOTAL ASSETS	<u>\$ 366,143</u>	<u>\$ 311,357</u>	<u>\$ 212,339</u>	<u>\$ 2,098,486</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 57,118
Due to other funds	-	243,748	-	-
Unearned revenues	-	-	-	51,468
Total Liabilities	<u>-</u>	<u>243,748</u>	<u>-</u>	<u>108,586</u>
Fund Balances				
Fund Balances				
Restricted				
Private gifts and donations	366,143	-	-	-
Food service programs	-	-	-	1,989,900
Grant expenditures	-	67,609	-	-
Debt service	-	-	-	-
Community service programs	-	-	212,339	-
Total Fund Balances	<u>366,143</u>	<u>67,609</u>	<u>212,339</u>	<u>1,989,900</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 366,143</u>	<u>\$ 311,357</u>	<u>\$ 212,339</u>	<u>\$ 2,098,486</u>

Debt Service Funds		Total Nonmajor Governmental Funds
Non-Referendum Debt Service	Referendum Debt Service	
\$ 550,966	\$ -	\$ 2,052,284
-	-	70,261
735,735	5,586	1,667,806
-	-	490,261
<hr/>		
\$ 1,286,701	\$ 5,586	\$ 4,280,612

\$ -	\$ -	\$ 57,118
-	-	243,748
-	-	51,468
<hr/>		
-	-	352,334

-	-	366,143
-	-	1,989,900
-	-	67,609
1,286,701	5,586	1,292,287
-	-	212,339
<hr/>		
1,286,701	5,586	3,928,278
<hr/>		
\$ 1,286,701	\$ 5,586	\$ 4,280,612

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, 2016

	Special Revenue Funds			
	Trust	Special Projects	Community Service	Food Service
Revenues				
Property taxes	\$ -	\$ -	\$ 850,000	\$ -
Other local sources	550,766	-	50,384	1,129,192
State sources	-	-	-	171,179
Federal sources	-	810,980	-	8,216,524
Other sources	-	-	-	191,070
Total Revenues	550,766	810,980	900,384	9,707,965
Expenditures				
Instruction				
Regular instruction	130,034	-	-	-
Vocational instruction	500	-	-	-
Other instruction	2,614	567,529	-	-
Total Instruction	133,148	567,529	-	-
Support Services				
Pupil services	78	1,884	-	-
Instructional staff services	75,388	143,642	-	-
General administration services	13,548	-	14,475	-
School administration services	-	-	153,334	-
Business services	-	-	-	40
Operation and maintenance of plant	-	-	1,292	1,638,994
Pupil transportation services	8,201	30,102	17,456	-
Food services	-	-	-	9,162,837
Central services	-	9,644	9,847	-
Total Support Services	97,215	185,272	196,404	10,801,871
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Debt Service	-	-	-	-
Community Services				
	-	-	701,183	-
Total Expenditures	230,363	752,801	897,587	10,801,871
Excess of Revenues Over (Under) Expenditures	320,403	58,179	2,797	(1,093,906)
Other Financing Sources (Uses)				
Premium on long term debt issued	-	-	-	-
Transfers out	-	(43,953)	-	-
Total Other Financing Sources (Uses)	-	(43,953)	-	-
Net Change in Fund Balances	320,403	14,226	2,797	(1,093,906)
Fund Balances - July 1	45,740	53,383	209,542	3,083,806
Fund Balances - June 30	\$ 366,143	\$ 67,609	\$ 212,339	\$ 1,989,900

Debt Service Funds		Total Nonmajor Governmental Funds
Non-Referendum Debt Service	Referendum Debt Service	
\$ 3,650,539	\$ 3,278,773	\$ 7,779,312
658	-	1,731,000
-	-	171,179
-	-	9,027,504
59,408	-	250,478
<u>3,710,605</u>	<u>3,278,773</u>	<u>18,959,473</u>
-	-	130,034
-	-	500
-	-	570,143
<u>-</u>	<u>-</u>	<u>700,677</u>
-	-	1,962
-	-	219,030
-	-	28,023
-	-	153,334
-	-	40
-	-	1,640,286
-	-	55,759
-	-	9,162,837
-	-	19,491
<u>-</u>	<u>-</u>	<u>11,280,762</u>
2,187,075	2,985,000	5,172,075
2,131,714	373,141	2,504,855
<u>4,318,789</u>	<u>3,358,141</u>	<u>7,676,930</u>
-	-	701,183
<u>4,318,789</u>	<u>3,358,141</u>	<u>20,359,552</u>
<u>(608,184)</u>	<u>(79,368)</u>	<u>(1,400,079)</u>
1,029,080	-	1,029,080
-	-	(43,953)
<u>1,029,080</u>	<u>-</u>	<u>985,127</u>
420,896	(79,368)	(414,952)
865,805	84,954	4,343,230
<u>\$ 1,286,701</u>	<u>\$ 5,586</u>	<u>\$ 3,928,278</u>

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Pupil Activity Funds
Schedule of Changes in Assets and Liabilities
June 30, 2016

	Pupil Activity Funds			
	Balance 07/01/15	Additions	Deletions	Balance 06/30/16
ASSETS				
Cash and investments	\$ 1,159,414	\$ 3,362,517	\$ 3,582,595	\$ 939,336
LIABILITIES				
Due to student organizations				
Senior high schools	\$ 615,229	\$ 2,123,377	\$ 2,284,019	\$ 454,587
Middle schools	190,605	568,874	599,034	160,445
Elementary schools	315,821	537,182	573,906	279,097
Early Childhood schools	2,939	13,991	12,358	4,572
Lighted Schoolhouse	5,550	11,791	16,993	348
P-COC	2,456	6,049	6,116	2,389
Mack Center	2,988	1,669	2,341	2,316
Racine Civil Leaders	680	2,046	2,443	283
REAL School	23,146	97,538	85,385	35,299
TOTAL LIABILITIES	\$ 1,159,414	\$ 3,362,517	\$ 3,582,595	\$ 939,336

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

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

To the Board of Education
Racine Unified School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Racine Unified School District, as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the Racine Unified School District's basic financial statements, and have issued our report thereon included an emphasis of matter paragraph as indicated on page 2 dated December 19, 2016.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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 Racine Unified School 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 Racine Unified School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Racine Unified School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants
Green Bay, Wisconsin
December 19, 2016

FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR
FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE
REQUIRED BY THE UNIFORM GUIDANCE AND THE STATE SINGLE AUDIT GUIDELINES**

To the Board of Education
Racine Unified School District

Report on Compliance for Each Major Federal and State Program

We have audited Racine Unified School District's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of Racine Unified School District's major federal and state programs for the year ended June 30, 2016. Racine Unified School District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

Opinion on Each Major Federal and State Program

In our opinion, Racine Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2016.

Other Matter

The results of our auditing procedures disclosed an instance of noncompliance with state awards, which is required to be reported in accordance with the *State Single Audit Guidelines* and which is described in the accompanying schedule of findings and questioned costs as item 2016-001.

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

Report on Internal Control Over Compliance

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

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected, on a timely basis. A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2016-001 to be a significant deficiency.

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

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



Certified Public Accountants
Green Bay, Wisconsin
December 19, 2016

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number	Pass-through Entity Identifying Number
<u>U.S. Department of Agriculture</u>			
<i>Child Nutrition Cluster</i>			
School Breakfast Program		10.553	A546-00000-514620
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction		
National School Lunch Program		10.555	A547-00000-514620
Food Service Aid Lunch NSL			
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction		
NSL Snack Program			
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction	10.555	A561-00000-514620
NSL Area Eligible Snack Program			
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction	10.555	A566-00000-514620
Donated Commodities			
Total National School Lunch Program			
Summer Food Service Program for Children			
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction	10.559	A586-00000-514620
<i>Total Child Nutrition Cluster</i>			
USDA FFVP Public Aid Oct	Wisconsin Department of Public Instruction	10.582	A376-00000-514620
July 1, 2015 - June 30, 2016			
Total U.S. Department of Agriculture			
<u>U.S. Department of Justice</u>			
National Institute of Justice Research, Evaluation, and Development Project Grants	Wisconsin Department of Public Instruction	16.560	A599-00000-514620
<u>U.S. Department of Education</u>			
Title I Grants to Local Educational Agencies		84.010	
Basic Grant			A141-00000-514620
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction		
July 1, 2014 - June 30, 2015	CESA		None
Neglected and Delinquent Youth			A140-00000-514620
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction		
Title I Focus Schools Grant			A145-00000-514620
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction		
Academic Parent Teacher Team Continuation Grant			A154-00000-514620
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction		
Total Title I Grants to Local Educational Agencies			
<i>Special Education Cluster (IDEA)</i>			
Special Education - Grants to States			
IDEA Flow Thru		84.027	A341-00000-514620
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction		
IDEA High Cost Special Education Aid		84.027	A341-00000-514620
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction		

(Continued)

Accrued Receivable (Deferred Revenue) 7/1/15	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/16	Total Revenues	Total Expenditures	Subrecipient Payments
\$ (83,356)	\$ 83,356	\$ -	\$ -	\$ -	\$ -
-	1,797,964	39,474	1,837,438	1,837,438	-
(239,129)	239,129	-	-	-	-
-	5,428,403	124,722	5,553,125	5,553,125	-
-	1,602	-	1,602	1,602	-
-	62,056	5,625	67,681	67,681	-
-	546,489	-	546,489	546,489	-
(239,129)	6,277,679	130,347	6,168,897	6,168,897	-
-	193,149	-	193,149	193,149	-
(322,485)	8,352,148	169,821	8,199,484	8,199,484	-
-	14,906	2,134	17,040	17,040	-
(322,485)	8,367,054	171,955	8,216,524	8,216,524	-
-	-	4,076	4,076	4,076	-
(3,107,204)	3,107,204	-	-	-	-
-	6,446,032	751,916	7,197,948	7,197,948	-
1,669	-	(1,392)	277	277	-
(13,611)	13,611	-	-	-	-
-	-	99,763	99,763	99,763	-
(50,156)	50,156	-	-	-	-
-	49,857	43,420	93,277	93,277	-
(8,438)	8,438	-	-	-	-
-	18,271	3,604	21,875	21,875	-
(3,177,740)	9,693,569	897,311	7,413,140	7,413,140	-
(658,543)	658,543	-	-	-	-
-	4,508,740	905,002	5,413,742	5,413,742	-
-	41,435	-	41,435	41,435	-

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2016

Federal Grantor/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number	Pass-through Entity Identifying Number
<u>U.S. Department of Education (Continued)</u>			
<i>Special Education Cluster (IDEA) (continued)</i>			
Special Education - Grants to States			
IDEA Discretionary Grant - Disportionality July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction	84.027	A341-00000-514620
July 1, 2015 - June 30, 2016			
IDEA Discretionary Grant - Disportionality July 1, 2015 - June 30, 2016	University of Wisconsin-Extension	84.027	None
Total Special Education - Grants to States			
Special Education - Preschool Grants		84.173	A347-00000-514620
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction		
Total Special Education Cluster (IDEA)			
Career and Technical Education - Basic Grants to States		84.048	A400-00000-514620
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction		
Safe and Drug-Free Schools and Communities - National Programs		84.184	A592-00000-514620
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		
Education for Homeless Children and Youth		84.196	A335-00000-514620
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction		
Total Education for Homeless Children and Youth			
Fund for the Improvement of Education			
Afterschool Program		84.215k	None
July 1, 2014 - June 30, 2015	City of Racine		
July 1, 2015 - June 30, 2016	City of Racine		
Total Fund for the Improvement of Education			
ESEA V-B Charter Schools Federal Aids		84.282	A360-00000-514620
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction		
Twenty-First Century Community Learning Centers			
Twenty-First Century Community Learning Centers			
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction	84.287	A367-00000-514620
July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction		

(Continued)

Accrued Receivable (Deferred Revenue) 7/1/15	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/16	Total Revenues	Total Expenditures	Subrecipient Payments
(188,612)	188,612	-	-	-	-
-	731,064	284,909	1,015,973	1,015,973	-
-	9,428	-	9,428	9,428	-
(847,155)	6,137,822	1,189,911	6,480,578	6,480,578	-
(78,075)	78,075	-	-	-	-
-	138,041	73,932	211,973	211,973	-
(925,230)	6,353,938	1,263,843	6,692,551	6,692,551	-
(114,586)	114,586	-	-	-	-
-	69,403	142,061	211,464	211,464	-
(70,659)	70,659	-	-	-	-
(44,344)	44,344	-	-	-	-
-	-	50,000	50,000	50,000	-
(44,344)	44,344	50,000	50,000	50,000	-
(4,745)	4,745	-	-	-	-
-	27,045	6,379	33,424	33,424	-
(4,745)	31,790	6,379	33,424	33,424	-
(36,347)	36,347	-	-	-	-
-	81,435	-	81,435	81,435	-
(391,730)	391,730	-	-	-	-
-	472,577	304,978	777,555	777,555	-

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2016

Federal Grantor/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number	Pass-through Entity Identifying Number
<u>U.S. Department of Education (Continued)</u>			
Transition to Teaching Grant Program July 1, 2014 - June 30, 2015 July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.350	A593-00000-514620
English Language Acquisition Grants July 1, 2014 - June 30, 2015 July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.365	A391-00000-514620
Improving Teacher Quality State Grants July 1, 2014 - June 30, 2015 July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.367	A365-00000-514620
School Improvement Grants (P151) July 1, 2014 - June 30, 2015 July 1, 2015 - June 30, 2016 Total School Improvement Grants	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.377	A151-00000-514620
Total U.S. Department of Education			
<u>U.S. Department of Health and Human Services</u>			
Teen Parents Dropout Prevention July 1, 2014 - June 30, 2015 July 1, 2015 - June 30, 2016	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	93.500	A591-00000-514620
<i>Medicaid Cluster</i>			
Medical Assistance - Student Based Services Benefit July 1, 2014 - June 30, 2015 July 1, 2015 - June 30, 2016 <i>Total Medicaid Cluster</i>	Wisconsin Department of Health Services Wisconsin Department of Health Services	93.778	44211100
Center for Disease Control - Basic Grant July 1, 2014 - June 30, 2015 July 1, 2015 - June 30, 2016	Wisconsin Department of Health Services Wisconsin Department of Health Services	93.079	A334-00000-514620
Safe Schools-Healthy Students July 1, 2015 - June 30, 2016 July 1, 2015 - June 30, 2016	State of Wisconsin State of Wisconsin	93.243	None
Total U.S. Department of Health and Human Services			
TOTAL FEDERAL FINANCIAL ASSISTANCE			
Reconciliation to Basic Financial Statements			
Federal sources			
Federal awards reported with intermediate sources			
Total Federal Awards			

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

Accrued Receivable (Deferred Revenue) 7/1/15	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/16	Total Revenues	Total Expenditures	Subrecipient Payments
13,794	(13,794)	-	-	-	-
-	7,000	12,500	19,500	19,500	-
(52,958)	52,958	-	-	-	-
-	77,606	168,315	245,921	245,921	-
(459,632)	459,632	-	-	-	-
-	1,033,489	266,687	1,300,176	1,300,176	-
(739,280)	739,280	-	-	-	-
-	1,568,313	781,969	2,350,282	2,350,282	-
(739,280)	2,307,593	781,969	2,350,282	2,350,282	-
(6,003,457)	21,284,862	3,894,043	19,175,448	19,175,448	-
(148,689)	148,689	-	-	-	-
-	136,231	64,543	200,774	200,774	-
(222,002)	222,002	-	-	-	-
-	2,534,469	-	2,534,469	2,534,469	-
(222,002)	2,756,471	-	2,534,469	2,534,469	-
(7,000)	7,000	-	-	-	-
-	-	6,478	6,478	6,478	-
(786,389)	786,389	-	-	-	-
-	593,547	284,048	877,595	877,595	-
(1,164,080)	4,428,327	355,069	3,619,316	3,619,316	-
<u>\$ (7,490,022)</u>	<u>\$ 34,080,243</u>	<u>\$ 4,425,143</u>	<u>\$ 31,015,364</u>	<u>\$ 31,015,364</u>	<u>\$ -</u>

\$ 31,015,087
 277
\$ 31,015,364

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Schedule of State Financial Assistance

For the Year Ended June 30, 2016

State Grantor/Program Name/Grant Period	Pass-through Agency	State I.D. Number	State Identifying Number	(Accrued Receivable) Deferred Revenue 7/1/15	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/16	Total Revenues	Total Expenditures	Subrecipient Payments
Wisconsin Department of Public Instruction									
Cost Reimbursement Programs									
Alcohol & Other Drug Abuse July 1, 2014 - June 30, 2015	Direct Program	255.306	514620-143	\$ (23,902)	\$ 23,902	\$ -	\$ -	\$ -	\$ -
July 1, 2015 - June 30, 2016				-	-	23,977	23,977	23,977	-
Peer Review and Mentoring July 1, 2015 - June 30, 2016	Direct Program	255.301	514620-141	-	-	17,519	17,519	17,519	-
Total Cost Reimbursement Programs				(23,902)	23,902	41,496	41,496	41,496	-
Entitlement Programs									
Special Education and School Age Parents	Direct Program	255.101	514620-100	-	12,511,540	-	12,511,540	12,511,540	-
State Lunch	Direct Program	255.102	514620-107	-	92,330	-	92,330	92,330	-
Common School Fund Library	Direct Program	255.103	514620-104	-	936,214	-	936,214	936,214	-
Bilingual - Bicultural Aid	Direct Program	255.106	514620-111	-	619,220	-	619,220	619,220.00	-
Pupil Transportation Aid	Direct Program	255.107	514620-102	-	412,181	-	412,181	412,181.00	-
General Equalization Aids		255.201	514620-116						
July 1, 2014 - June 30, 2015	Direct Program			(2,308,285)	2,308,285	-	-	-	-
July 1, 2015 - June 30, 2016	Direct Program			-	129,878,000	2,309,020	132,187,020	132,187,020	-
Integration Transfer	Direct Program	255.205	514620-105	-	7,708,641	-	7,708,641	7,708,641	-
High Cost Special Education Aid	Direct Program	255.210	514620-119	-	172,327	-	172,327	172,327	-
State Breakfast Program	Direct Program	255.344	514620-108	-	78,849	-	78,849	78,849	-
Tuition Payments by State	Direct Program	255.401	514620-157	-	96,769	-	96,769	96,769	-
Tuition Payments by State - FUND 27	Direct Program	255.401	514620-158	-	142,594	-	142,594	142,594	-
Student Achievement Guarantee in Education (SAGE) Program	Direct Program	255.504	514620-160	-	1,663,503	-	1,663,503	1,663,503	-
Aid for High Poverty School District	Direct Program	255.926	514620-121	-	1,377,075	-	1,377,075	1,377,075	-
Per Pupil Adjustment Aid	Direct Program	255.945	514620-113	-	-	3,096,150	3,096,150	3,096,150	-
Educator Effective Eval Sys Grants Public	Direct Program	255.940	514620-154	-	-	126,531	126,531	126,531	-
CTE Technical Incentive Grant	Direct Program	255.950	514620-151	-	112,099	-	112,099	112,099	-
Total Entitlement Programs				(2,308,285)	158,109,627	5,531,701	161,333,043	161,333,043	-
Total Wisconsin Department of Public Instruction				\$ (2,332,187)	\$ 158,133,529	\$ 5,573,197	\$ 161,374,539	\$ 161,374,539	\$ -

Reconciliation to Basic Financial Statements

Governmental Funds

State sources

\$ 162,529,800

Revenues not considered state financial assistance

Tax-exempt computer aids

(1,139,604)

Miscellaneous

(15,657)

Total State Awards

\$ 161,374,539

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

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to the Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance
For the Year Ended June 30, 2016

NOTE A - BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards and schedule of state financial assistance include the federal and state grant activity of the Racine Unified School District and are presented on the modified accrual basis of accounting. The information in these schedules is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance)* and the *State Single Audit Guidelines*. Therefore, some amounts presented in these schedules may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2015-2016 eligible costs under the State Special Education Program as reported by the District are \$12,278,848.

NOTE C - FOOD DISTRIBUTION

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

NOTE D - OVERSIGHT AGENCIES

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

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2016

Section I - Summary of Auditors' Results

Basic Financial Statements

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

Federal Awards and State Financial Assistance

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?	No
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	Yes

Identification of major federal and state programs:

CFDA Number	Name of Federal Programs
84.010	Title I Grants to Local Educational Agencies
255.106	Bilingual - Bicultural Education Aid
255.201	General Equalization Aids
255.205	Integration Transfer
255.945	Per Pupil Adjustment Aid

Audit threshold used to determine between Type A and Type B federal programs:	\$750,000
Audit threshold used to determine between Type A and Type B state programs:	\$250,000
Auditee qualified as low-risk auditee	Yes

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2016

Section II - Financial Statement Findings

There are no findings to be reported.

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

Finding No.	<i>State Single Audit Guidelines</i> Finding and Internal Control Deficiency
-------------	--

2016-001 Special Education Aid Allowable Costs

State ID #: 255.101

Condition: Wisconsin Department of Public Instruction identified twenty seven individuals that did not appear to have valid licenses for the year ended June 30, 2016. The District reviewed this listing and provided correspondence to the Wisconsin Department of Public Instruction for eight of the individuals.

Criteria: The *State Single Audit Guidelines* (SSAG) require that employees and contractors hired by the District be appropriately licensed for their actual assignment in order to be eligible for special education categorical aid.

Cause: The District's human capital, special education and finance departments all monitor special education licenses and position assignments to ensure only eligible teachers are claimed for special education categorical aids; however, due to the size of the District and the integration of three departments create opportunities for reporting errors.

Effect: The District may receive special education reimbursement for employees not appropriately licensed or in positions not directly related to the special education program.

Questioned Costs: Questioned costs of \$1,456,708 were reported to the Wisconsin Department of Public Instruction. The District did adjust for an additional \$81,521 by moving them from an 011 aidable coding when filing its annual special education report.

Recommendation: We recommend the District's human capital department develop procedures to ensure only employees with valid licenses and approval of the special education department are coded to special education positions. We also recommend the District consider creating an additional procedure to have a District employee familiar with the program, such as the special education director, review annually all employees coded to special education positions and project 011 expenditure accounts to evaluate their proper assignment. This step should include a review of the WUFAR coding in comparison to Wisconsin Department of Public Instruction's "Valid Reporting and License Codes for Special Education and Pupil Services Staff SPED/SAP Categorical Aid Eligibility" report and make any adjustments necessary.

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Schedule of Findings and Questioned Costs (Continued)
 For the Year Ended June 30, 2016

Section IV - Other Issues

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

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

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

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

Name and signature of shareholder



 David L. Maccoux, CPA

Date of report

December 19, 2016

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Schedule of Prior Year Audit Findings and Corrective Action Plan
 For the Year Ended June 30, 2016

Status of Prior Year Audit Finding

All findings noted in the 2015 Schedule of Findings and questioned Costs have been reported to the proper federal and state agencies. Management has implemented appropriate controls and review procedures, as recommended in finding 2015-001.

Corrective Action Plan for Audit Findings

Finding No.	
-------------	--

2016-001 Special Education Aid Allowable Cost

Management Response: Management agrees with the recommendation on process improvements related to validating licenses for special education and other staff. During the past fiscal year the District experienced a noticeable number special education staff that did not maintain a valid license for their position. It should be noted that the District experienced challenges with the management of staff licensing due to systemic problems with online licensing processes at the Wisconsin Department of Public Instruction. These problems caused the filing of the PI-1202 Fall Staff Report to be delayed until May of 2016 which could have aided in an earlier validation of staff licensing. While the District understands process improvements are needed to properly assure staff are properly licensed and coded to proper accounts, the issues at the state level exacerbated issues faced by the District.

The auditor's report suggests out of \$1,456,708 of staff costs that were attributed to staff that did not have proper special education licenses, only \$81,521 in adjustments were made. The following can be noted:

- 1) Four staff obtained valid licenses confirming \$171,660.14 of aided costs.
- 2) Five staff had valid licenses, but had coding errors on the PI-1202 report confirming \$466,676.68 of aided costs.
- 3) Three staff were terminated due to their lack of a valid license.
- 4) Five staff applied for licenses and the status was unresolved.

District review validated that \$638,336.82 of staff expenses can be attributed to licensed staff. It should also be noted that the District was told by staff at the Department of Public Instruction to maintain the expense for non-licensed individuals in aided account categories since they would subsequently make adjustments to state categorical aid.

The District will implement processes to assure proper licensing and coding for positions. The Department of Human Resources is dedicating staff to focus on staff licensing and implementing procedures to more promptly resolve licensing discrepancies. Efforts will be coordinated between Human Resources, Finance, and Special Education departments to review licenses, proper assignments, and assure the proper coding of staff expenses correct accounts.