

Racine Unified School District
Racine, Wisconsin
ANNUAL FINANCIAL REPORT

June 30, 2018

Racine Unified School District

Racine, Wisconsin

JUNE 30, 2018

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Racine Unified School District

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Independent auditors' report

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

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Racine Unified School District, Racine, Wisconsin (the "District") as of and for the year ended June 30, 2018, 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, 2018, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

CHANGE IN ACCOUNTING PRINCIPLE

For the year ended June 30, 2017, the District early implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for its single-employer defined postemployment health plan. In the current year, the Local Retiree Life Insurance Fund (LRLIF), a multiple-employer defined benefit OPEB plan, completed an actuarial study under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans*, which identified a net OPEB liability for the Plan. The District recorded its proportionate share of this liability as of December 31, 2016 as a cumulative effect of change in accounting principle in the 2018 district-wide financial statements. 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 51 through 57 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 expenditures of state awards are presented for purposes of additional analysis, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, and are also not a required part of the basic financial statements.

The supplementary information and the schedules of expenditures of federal and state awards are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information and the schedules of expenditures of federal and state awards 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 2017 financial statements, and our report dated November 30, 2017, 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, 2017, is consistent, in all material respects, with the audited financial statements from which it has been derived.

OTHER REPORTING REQUIRED BY GOVERNMENT AUDITING STANDARDS

In accordance with *Government Auditing Standards*, we have also issued our report dated November 28, 2018, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants

Green Bay, Wisconsin
November 28, 2018

Management's Discussion and Analysis
For the Year Ended June 30, 2018

FINANCIAL HIGHLIGHTS

- The District's overall financial position, as reflected in total net position, decreased \$11,067,904 during the 2017-2018 fiscal year. A cumulative effect of change in accounting principle due to the implementation of GASB Statement No. 75 decreased net position an additional \$5,190,390. (See page 12).
- The District's governmental fund balance reported an increase of \$15,159,822 compared to an increase of \$6,804,051 in the prior year. The increases primarily were in the General Fund of \$1,001,516 and Capital Project Fund of \$13,509,454. The increase in the General Fund was primarily due to savings from health insurance costs for employees and retirees and classroom furniture purchases that were deferred until the 2017-18 fiscal year. The increase in the Capital Projects Fund was due primary due to timing on the receipt of debt proceeds for capital projects and the spending of capital funds.
- The District's reported capital assets increased by \$16,495,075 over the prior year. The increases were primarily due to the construction of a large addition and improvements to school buildings. (See page 30)

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

Fund Financial Statements

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

Notes to the Financial Statements

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

FINANCIAL ANALYSIS

The District as a Whole

Net Position

Table 1, below, provides a summary of the District's statement of net position for the year ended June 30, 2018 with a comparison to the prior year.

Table 1			
Condensed Statement of Net Assets			
(in thousands of dollars)			
	School District		%
	2018	2017	Change 2017-18
Assets			
Current assets	\$ 110,319	\$ 85,014	29.8%
Net pension asset	28,518	-	#DIV/0!
Capital assets	182,651	166,156	9.9%
Total Assets	321,488	251,170	28.0%
Deferred Outflows			
Related to pension	47,291	56,543	-16.4%
Related to other			
post-employment benefits	996	207	N/A
Loss on advance refunding	21	49	-57.1%
Total Deferred Outflows	48,308	56,799	-14.9%
Liabilities			
Long-term obligations	238,391	207,124	15.1%
Other liabilities	35,955	25,554	40.7%
Total Liabilities	274,346	232,678	17.9%
Deferred Inflows			
Related to pension	56,522	25,469	121.9%
Related to other			
post-employment benefits	173	-	#DIV/0!
Total Deferred Outflows	56,695	25,469	122.6%
Net Position			
Net investment in			
capital assets	64,830	63,608	1.9%
Restricted	6,648	15,562	-57.3%
Unrestricted	(32,723)	(29,348)	11.5%
Total Net Position	\$ 38,755	\$ 49,822	-22.2%

(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, 2018 with a comparison to the prior year.

Table 2			
Changes in Net Position			
(in thousands of dollars)			
	School District		%
	2018	2017	Change 2017-18
Revenues			
Program Revenues			
Charges for services	\$ 2,670	\$ 2,564	4.1%
Operating grants and contributions	55,470	53,966	2.8%
General Revenues			
Property taxes	87,559	85,405	2.5%
State Formula aid	147,569	148,476	-0.6%
Interest	615	142	333.1%
Other	1,862	756	146.3%
Total Revenues	295,745	291,309	1.5%
Expenses			
Instruction	146,021	150,963	-3.3%
Pupil and instructional services	51,711	47,334	9.2%
Administration and business	64,272	60,852	5.6%
Central services and insurance	8,573	10,136	-15.4%
Interest on debt	3,373	2,583	30.6%
Non-program	26,497	20,194	31.2%
Community services	1,175	850	38.2%
Total Expenses	301,622	292,912	2.9%
Cumulative Change in Accounting Principle	(5,190)	(67,278)	-92.3%
Change in Net Position	\$ (11,067)	\$ (68,881)	-522.4%

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

Governmental Activities

Net Cost of Governmental Activities

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

	Total Cost of Services		Net Cost of Services		% Change
	2018	2017	2018	2017	2017-18
Instruction	\$ 146,021	\$ 150,963	\$ 110,178	\$ 117,322	6.5%
Pupil and instructional services	51,711	47,334	41,926	35,040	-16.4%
Administration and business	64,272	60,852	52,353	50,781	-3.0%
Central services and insurance	8,573	10,136	8,330	9,739	16.9%
Interest on debt	3,373	2,583	3,373	2,583	-23.4%
Non-program	26,497	20,194	26,251	20,171	-23.2%
Community services	1,175	850	1,071	746	-30.3%
Totals	\$ 301,622	\$ 292,912	\$ 243,482	\$ 236,382	-2.9%

Governmental Funds

The District completed the year with a total governmental fund balance of \$75.4 million, an increase of \$15.2 million from the prior year.

- Total general fund revenue for the year was \$856 thousand above budget largely due to a \$1 million adjustment to inventory.
- Total general fund program expenditures, including non-program transactions, was less than the budget by \$2.1 million primarily due to lower employee and retiree health insurance costs and delayed classroom furniture acquisitions.
- The original general fund budget forecasted a decrease in general fund balance of \$3.7 million while the final budget forecast a decrease of \$1.5 million while the actual results showed a \$1 million increase.
- The debt service funds fund balance had a net increase of \$877 thousand. The debt service fund balance will fluctuate from year to year because the fund balance must be at least equal to the amount of debt payments that are scheduled prior to January 20th of the subsequent year. The typical debt service schedule for the District requires interest payments prior to January 20th with an additional interest payment and principal payment occurring in March of each year.
- For fiscal year 2017-2018, the capital projects funds fund balance increased by \$13.5 million as debt was issued to fund various construction projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2018 fiscal year, the District had net capital assets of \$182.7 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
	2018	2017	2017-18
Land	\$ 3,824	\$ 4,073	-6.1%
Work in progress	12,085	7,628	58.4%
Site improvements	11,579	6,182	87.3%
Buildings	140,287	134,972	3.9%
Machinery and equipment	14,876	13,301	11.8%
Total	\$ 182,651	\$ 166,156	9.9%

Long-Term Debt and Other Obligations

At year end, the district had \$127 million in general obligation debt outstanding, an increase of \$24.3 million from last year. Additional information about the District's long-term liabilities is presented in the notes to the financial statements.

Table 5			
Outstanding Long-term Obligations			
(in thousands of dollars)			
	Totals		%
	School District		Change
	2018	2017	2017-18
General obligation debt	\$ 127,477	\$ 91,154	39.8%
State Trust Fund Loans	-	11,975	-100.0%
Premium on debt	4,124	2,270	81.7%
Capital leases	4,371	1,969	N/A
Other post-employment benefits	97,473	86,985	12.1%
Pension benefits	4,544	12,392	0.0%
Compensated absences	402	379	6.1%
Total	\$ 238,391	\$ 207,124	15.1%

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, 2017. The district reported a net pension asset of \$28.5 million as of June 30, 2018. The District implemented GASB Statement No. 75 in 2017-18 resulting in the increase in other post-employment benefits and pension benefits listed above.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

Racine Unified School District

Racine, Wisconsin

STATEMENT OF NET POSITION

JUNE 30, 2018

WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2017

	Governmental Activities	
	2018	2017
ASSETS		
Cash and investments	\$ 77,049,759	\$ 54,614,075
Receivables		
Taxes	18,517,006	18,213,658
Accounts	519,387	286,233
Due from other governments	10,926,566	9,549,483
Inventories and prepaid items	3,305,995	2,351,203
Net pension asset	28,518,405	-
Capital assets		
Nondepreciable	15,909,082	11,700,771
Depreciable	166,741,768	154,455,004
Total assets	321,487,968	251,170,427
DEFERRED OUTFLOWS OF RESOURCES		
Loss on advance refunding	21,049	49,118
Pension related amounts	47,291,296	56,542,620
Other postemployment related amounts	996,251	206,645
Total deferred outflows of resources	48,308,596	56,798,383
LIABILITIES		
Accounts payable	18,362,521	8,633,894
Accrued and other current liabilities	9,264,780	8,681,193
Accrued interest payable	993,241	736,835
Unearned revenues	55,150	55,498
Deposits payable	4,502,595	3,927,907
Health and dental claims payable	2,776,287	3,518,602
Long-term obligations		
Due in one year	12,176,075	9,601,264
Due in more than one year	124,198,951	98,146,190
Other postemployment benefits liability	97,473,101	86,984,840
Net pension liability	4,543,786	12,391,426
Total liabilities	274,346,487	232,677,649
DEFERRED INFLOWS OF RESOURCES		
Pension related amounts	56,522,281	25,468,699
Other postemployment related amounts	173,238	-
Total deferred inflows of resources	56,695,519	25,468,699
NET POSITION		
Net investment in capital assets	64,829,966	63,608,105
Restricted	6,648,040	6,255,525
Unrestricted	(32,723,448)	(20,041,168)
Total net position	\$ 38,754,558	\$ 49,822,462

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, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

Functions/Programs	Expenses	Program Revenues		Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	
				2018	2017
GOVERNMENTAL ACTIVITIES					
Instruction	\$ 146,020,538	\$ 887,691	\$ 34,954,584	\$ (110,178,263)	\$ (117,322,245)
Support services	124,556,860	1,678,487	20,269,754	(102,608,619)	(95,560,464)
Community services	1,175,086	104,077	-	(1,071,009)	(745,589)
Non-program	26,497,071	-	245,473	(26,251,598)	(20,170,857)
Interest and fiscal charges	3,372,988	-	-	(3,372,988)	(2,582,579)
Total governmental activities	\$ 301,622,543	\$ 2,670,255	\$ 55,469,811	(243,482,477)	(236,381,734)
General revenues					
Property taxes				87,558,796	84,531,348
Other taxes				-	873,293
State and federal aids not restricted to specific functions				147,568,753	148,476,365
Interest and investment earnings				615,352	142,295
Gain on disposal of capital assets				39,410	10,473
Miscellaneous				1,822,652	745,223
Total general revenues				237,604,963	234,778,997
Change in net position				(5,877,514)	(1,602,737)
Net position - July 1, previously reported				49,822,462	51,425,199
Cumulative effect of change in accounting principle				(5,190,390)	-
Net position - July 1, restated				44,632,072	51,425,199
Net position - June 30				\$ 38,754,558	\$ 49,822,462

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

Racine Unified School District

Racine, Wisconsin

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017

	<u>General</u>	<u>Capital Projects</u>	<u>Non- Referendum Debt Service</u>
ASSETS			
Cash and investments	\$ 26,697,905	\$ 36,411,665	\$ 10,624,314
Receivables			
Taxes	18,517,006	-	-
Accounts	472,320	-	-
Due from other funds	25,825,239	2,032,525	-
Due from other governments	9,532,530	-	-
Inventories and prepaid items	3,305,995	-	-
	<u>\$ 84,350,995</u>	<u>\$ 38,444,190</u>	<u>\$ 10,624,314</u>
Total assets			
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 18,362,521	\$ -	-
Accrued and other current liabilities	9,264,780	-	-
Due to other funds	4,543,041	13,864,845	8,017,779
Unearned revenues	1,499	-	-
Deposits payable	4,502,595	-	-
Health and dental claims payable	2,776,287	-	-
	<u>39,450,723</u>	<u>13,864,845</u>	<u>8,017,779</u>
Total liabilities			
Fund balances			
Nonspendable	3,305,995	-	-
Restricted	-	19,579,345	2,606,535
Assigned	19,685,000	5,000,000	-
Unassigned	21,909,277	-	-
	<u>44,900,272</u>	<u>24,579,345</u>	<u>2,606,535</u>
Total fund balances			
Total liabilities and fund balances	<u>\$ 84,350,995</u>	<u>\$ 38,444,190</u>	<u>\$ 10,624,314</u>

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

Other Governmental Funds	Totals	
	2018	2017
\$ 3,315,875	\$ 77,049,759	\$ 55,249,917
-	18,517,006	18,213,658
47,067	519,387	286,233
1,290,215	29,147,979	6,809,169
1,394,036	10,926,566	9,549,483
-	3,305,995	1,715,361
<u>\$ 6,047,193</u>	<u>\$ 139,466,692</u>	<u>\$ 91,823,821</u>
\$ -	\$ 18,362,521	\$ 8,633,894
-	9,264,780	8,634,033
2,722,314	29,147,979	6,809,169
53,651	55,150	55,498
-	4,502,595	3,975,067
-	2,776,287	3,518,602
<u>2,775,965</u>	<u>64,109,312</u>	<u>31,626,263</u>
-	3,305,995	1,715,361
3,271,228	25,457,108	11,298,802
-	24,685,000	24,237,264
-	21,909,277	22,946,131
<u>3,271,228</u>	<u>75,357,380</u>	<u>60,197,558</u>
<u>\$ 6,047,193</u>	<u>\$ 139,466,692</u>	<u>\$ 91,823,821</u>

Racine Unified School District

Racine, Wisconsin

BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017

	2018	2017
RECONCILIATION TO THE STATEMENT OF NET POSITION		
Total fund balances as shown on previous page	\$ 75,357,380	\$ 60,197,558
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	182,650,850	166,155,775
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.		
Loss on advance refunding	21,049	49,118
Deferred outflows related to pensions	47,291,296	56,542,620
Deferred inflows related to pensions	(56,522,281)	(25,468,699)
Deferred outflows related to other postemployment benefits	996,251	206,645
Deferred inflows related to other postemployment benefits	(173,238)	-
Long-term assets are not considered available; therefore, are not reported in the funds:		
Net pension asset	28,518,405	-
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and notes payable	(127,477,000)	(103,128,634)
Debt premium	(4,123,608)	(2,270,248)
Capital leases	(4,372,152)	(1,969,348)
Compensated absences	(402,266)	(379,224)
Other postemployment benefits liability	(97,473,101)	(86,984,840)
Net pension liability	(4,543,786)	(12,391,426)
Accrued interest on long-term obligations	(993,241)	(736,835)
Net position of governmental activities as reported on the statement of net position (see page 11)	\$ 38,754,558	\$ 49,822,462

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, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

	General	Capital Projects	Non- Referendum Debt Service
REVENUES			
Property taxes	\$ 75,538,118	\$ -	\$ 9,062,848
Other local sources	1,740,465	274,497	87,738
Interdistrict sources	211,212	-	-
Intermediate sources	500	-	-
State sources	174,533,840	-	-
Federal sources	18,678,257	-	-
Other sources	1,472,304	-	59,599
Total revenues	<u>272,174,696</u>	<u>274,497</u>	<u>9,210,185</u>
EXPENDITURES			
Instruction			
Regular instruction	89,698,210	-	-
Vocational instruction	5,113,879	-	-
Special education instruction	36,928,770	-	-
Other instruction	7,191,984	-	-
Total instruction	<u>138,932,843</u>	<u>-</u>	<u>-</u>
Support services			
Pupil services	17,933,655	-	-
Instructional staff services	20,946,909	-	-
General administration services	3,237,884	-	-
School administration services	13,000,479	-	-
Business services	2,550,401	-	-
Operation and maintenance of plant	29,370,972	20,265,043	-
Pupil transportation services	8,689,981	-	-
Food services	-	-	-
Central services	10,893,614	-	-
Insurance	988,541	-	-
Other support services	418,938	-	-
Total support services	<u>108,031,374</u>	<u>20,265,043</u>	<u>-</u>
Debt service			
Principal	580,296	-	7,280,968
Interest and fiscal charges	64,934	-	3,249,400
Total debt service	<u>645,230</u>	<u>-</u>	<u>10,530,368</u>
Community service	-	-	-
Non-program			
General tuition payments	10,706,751	-	-
Special education tuition payments	955,639	-	-
Adjustments and refunds	1,008,015	-	-
Voucher payments	13,814,694	-	-
Total non-program	<u>26,485,099</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>274,094,546</u>	<u>20,265,043</u>	<u>10,530,368</u>
Excess of revenues over (under) expenditures	<u>(1,919,850)</u>	<u>(19,990,546)</u>	<u>(1,320,183)</u>
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	-	33,500,000	11,025,000
Capital lease issued	2,983,100	-	-
Premium on debt issued	-	-	2,232,644
Payment to current bondholder	-	-	(11,155,666)
Proceeds from sale of capital assets	39,410	-	-
Transfers in	15,856	-	117,000
Transfers out	(117,000)	-	-
Total other financing sources (uses)	<u>2,921,366</u>	<u>33,500,000</u>	<u>2,218,978</u>
Net change in fund balances	<u>1,001,516</u>	<u>13,509,454</u>	<u>898,795</u>
Fund balances - July 1	<u>43,898,756</u>	<u>11,069,891</u>	<u>1,707,740</u>
Fund balances - June 30	<u>\$ 44,900,272</u>	<u>\$ 24,579,345</u>	<u>\$ 2,606,535</u>

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

Other Governmental Funds	Totals	
	2018	2017
\$ 2,957,830	\$ 87,558,796	\$ 85,404,641
1,804,340	3,907,040	2,759,860
-	211,212	196,895
-	500	313,294
164,750	174,698,590	171,150,441
9,030,105	27,708,362	30,749,045
92,261	1,624,164	728,709
<u>14,049,286</u>	<u>295,708,664</u>	<u>291,302,885</u>
122,626	89,820,836	90,733,061
28,955	5,142,834	5,224,581
-	36,928,770	37,532,869
872,371	8,064,355	7,183,672
<u>1,023,952</u>	<u>139,956,795</u>	<u>140,674,183</u>
31,439	17,965,094	17,371,223
307,671	21,254,580	18,164,334
65,804	3,303,688	3,054,645
180,332	13,180,811	13,382,185
82,667	2,633,068	5,105,744
794,005	50,430,020	43,845,189
75,346	8,765,327	8,848,268
8,664,928	8,664,928	9,021,395
8,318	10,901,932	9,301,262
-	988,541	964,273
-	418,938	337,292
<u>10,210,510</u>	<u>138,506,927</u>	<u>129,395,810</u>
1,740,000	9,601,264	13,290,387
153,463	3,467,797	2,750,744
<u>1,893,463</u>	<u>13,069,061</u>	<u>16,041,131</u>
<u>1,143,476</u>	<u>1,143,476</u>	<u>839,346</u>
-	10,706,751	10,557,667
-	955,639	674,574
11,972	1,019,987	266,035
-	13,814,694	8,695,987
<u>11,972</u>	<u>26,497,071</u>	<u>20,194,263</u>
<u>14,283,373</u>	<u>319,173,330</u>	<u>307,144,733</u>
<u>(234,087)</u>	<u>(23,464,666)</u>	<u>(15,841,848)</u>
-	44,525,000	19,975,000
-	2,983,100	2,389,889
-	2,232,644	270,537
-	(11,155,666)	-
-	39,410	10,473
-	132,856	480,525
<u>(15,856)</u>	<u>(132,856)</u>	<u>(480,525)</u>
<u>(15,856)</u>	<u>38,624,488</u>	<u>22,645,899</u>
(249,943)	15,159,822	6,804,051
<u>3,521,171</u>	<u>60,197,558</u>	<u>53,393,507</u>
<u>\$ 3,271,228</u>	<u>\$ 75,357,380</u>	<u>\$ 60,197,558</u>

Racine Unified School District

Racine, Wisconsin

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018 WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

	<u>2018</u>	<u>2017</u>
RECONCILIATION TO THE STATEMENT OF ACTIVITIES		
Net change in fund balances as shown on previous page	\$ 15,159,822	\$ 6,804,051
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital assets reported as capital outlay reported in governmental fund statements	26,864,615	23,121,028
Depreciation expense reported in the statement of activities	(7,189,701)	(6,361,981)
Net book value of disposals	(3,179,839)	(455,953)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Long-term debt issued	(44,525,000)	(19,975,000)
Capital leases issued	(2,983,100)	(2,389,889)
Premium on debt issued	(2,232,644)	52,445
Principal repaid	20,176,634	12,869,846
Capital leases paid	580,296	420,541
Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:		
Accrued interest on long-term debt	(256,406)	(126,748)
Amortization of premiums, discounts and loss on advance refunding	351,215	(28,069)
Compensated absences	(23,042)	(5,227)
Net pension asset	28,518,405	-
Net pension liability	7,847,640	7,665,666
Deferred outflows of resources related to pensions	(9,251,324)	(19,085,237)
Deferred inflows of resources related to pensions	(31,053,582)	49,870
Other postemployment benefits	(4,788,554)	(4,364,725)
Deferred outflows of resources related to other postemployment benefits	107,051	206,645
Change in net position of governmental activities as reported in the statement of activities (see pages 12)	<u>\$ (5,877,514)</u>	<u>\$ (1,602,737)</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, 2018

WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017

	Private Purpose Trust	Employee Benefit Trust	Agency Pupil Activity	Totals	
				2018	2017
ASSETS					
Cash and investments	\$ 80,817	\$ 9,073,565	\$ 883,887	\$ 10,038,269	\$ 8,989,262
Accounts receivable	6,985	172,058	-	179,043	1,565,849
Total assets	87,802	9,245,623	883,887	10,217,312	10,555,111
LIABILITIES					
Accounts payable	-	-	-	-	621,169
Due to student organizations	-	-	883,887	883,887	1,000,487
Total liabilities	-	-	883,887	883,887	1,621,656
NET POSITION					
Restricted	\$ 87,802	\$ 9,245,623	\$ -	\$ 9,333,425	\$ 8,933,455

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, 2018

WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017

	Private Purpose Trust	Employee Benefit Trust	Totals	
			2018	2017
ADDITIONS				
Other local sources	\$ 63,759	\$ -	\$ 63,759	\$ 73,771
Contributions				
Employer	-	5,404,302	5,404,302	4,882,415
Investment earnings	-	118,463	118,463	51,804
Total additions	<u>63,759</u>	<u>5,522,765</u>	<u>5,586,524</u>	<u>5,007,990</u>
DEDUCTIONS				
Trust fund disbursements	14,630	5,133,501	5,148,131	4,734,321
Administrative expenditures	-	38,423	38,423	-
Total deductions	<u>14,630</u>	<u>5,171,924</u>	<u>5,186,554</u>	<u>4,734,321</u>
Change in net position	49,129	350,841	399,970	273,669
Net position - July 1	<u>38,673</u>	<u>8,894,782</u>	<u>8,933,455</u>	<u>8,659,786</u>
Net position - June 30	<u>\$ 87,802</u>	<u>\$ 9,245,623</u>	<u>\$ 9,333,425</u>	<u>\$ 8,933,455</u>

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

Racine Unified School District

Racine, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

The District is organized as a unified school district. The District, governed by an elected nine member board, operates grades K through 12 and is comprised of all or parts of ten taxing districts. In accordance with GAAP, the basic financial statements are required to include the District and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards established in GASB Statement No. 61.

B. DISTRICT-WIDE AND FUND FINANCIAL STATEMENTS

The district-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services. The District has no business-type activities.

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

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

The District reports the following major governmental funds:

General Fund

This is the District's primary operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

Capital Projects Fund

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

Non-Referendum Debt Service Fund

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt not issued through a referendum.

Racine Unified School District

Racine, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

Additionally, the District reports the following fund types:

- ▶ The *private purpose trust fund* is used to account for resources legally held in trust for scholarship awards. Only earnings on the invested resources may be used to support the scholarships.
- ▶ The *employee benefit trust fund* is used to account for resources legally held in trust for other postemployment benefits.
- ▶ The District accounts for assets held as an agent for various student and parent organizations in an *agency fund*.

C. MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

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

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

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

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

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

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

Racine Unified School District

Racine, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

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

1. Cash and Investments

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

2. Property Taxes

The aggregate District tax levy is apportioned and certified in November of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes must be paid in full or in two or more installments with the first installment payable the subsequent January 31 and a final payment no later than the following July 31. On or before January 15, and by the 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.

3. Accounts Receivable

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

4. Interfund Receivables and Payables

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

5. Inventories

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

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

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Racine Unified School District

Racine, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

6. Prepaid Items

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

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

7. Capital Assets

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

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

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

Assets	Governmental Activities Years
Site improvements	20
Buildings	50
Machinery and equipment	3 - 20

8. Compensated Absences

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

9. Deferred Outflows/Inflows of Resources

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

10. Long-term Obligations

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

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

Racine Unified School District

Racine, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

11. Pensions

Wisconsin Retirement System

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

Supplemental Pension Plan

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

12. Other Postemployment Benefits Other Than Pensions (OPEB)

Defined Benefit Plan

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

Local Retiree Life Insurance Fund

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

13. Fund Equity

Governmental Fund Financial Statements

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

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

Racine Unified School District

Racine, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

- ▶ **Unassigned fund balance.** Amounts that are available for any purpose. Positive unassigned amounts are only reported in the General Fund.

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

District-wide Statements

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

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

E. USE OF ESTIMATES

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

F. PRIOR YEAR INFORMATION

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the District's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2017, from which the summarized information was derived.

G. RECLASSIFICATIONS

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

NOTE 2: DETAILED NOTES ON ALL FUNDS

A. CASH AND INVESTMENTS

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

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

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

Racine Unified School District

Racine, Wisconsin

NOTES TO BASIC FINANCIAL STATEMENTS

JUNE 30, 2018

The carrying amount of the District's cash and investments totaled \$87,088,028 on June 30, 2018 as summarized below:

Petty cash and cash on hand	\$ 600
Deposits with financial institutions	6,244,993
Investments	
Negotiable certificates of deposit	990,077
Wisconsin Investment Series Cooperative (WISC)	79,774,571
Wisconsin Local Government Investment Pool	77,787
	<u>\$ 87,088,028</u>

Reconciliation to the basic financial statements:

Government-wide statement of net position	
Cash and investments	\$ 77,049,759
Fiduciary fund statement of net position	
Private purpose trust	80,817
Employee benefit trust	9,073,565
Pupil activity agency fund	883,887
	<u>\$ 87,088,028</u>

Fair Value Measurements

The District categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant observable inputs; Level 3 inputs are significant unobservable inputs. The District has the following fair value measurements as of June 30, 2018:

	Fair Value Measurements Using:		
	Level 1	Level 2	Level 3
Investments			
Negotiable certificates of deposit	<u>\$ 990,077</u>	<u>\$ -</u>	<u>\$ -</u>

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

Custodial Credit Risk

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

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

As of June 30, 2018, \$2,690,090 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. \$2,690,090 was collateralized with securities held by the pledging financial institution or its trust department or agent but not in the District's name.

Credit Risk

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

<u>Investment Type</u>	<u>Amount</u>	<u>Exempt from Disclosure</u>	<u>AAA</u>	<u>Aa</u>	<u>Not Rated</u>
WISC Investments					
Cash management series	\$ 112	\$ -	\$ 112	\$ -	\$ -
Investment series	79,774,459	-	79,774,459	-	-
Negotiable certificates of deposit	990,077	-	-	-	990,077
Wisconsin Local Government Investment Pool	77,787	-	-	-	77,787
Totals	<u>\$ 80,842,435</u>	<u>\$ -</u>	<u>\$ 79,774,571</u>	<u>\$ -</u>	<u>\$ 1,067,864</u>

Interest Rate Risk

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

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

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
WISC Investments					
Cash management series	\$ 112	\$ 112	\$ -	\$ -	\$ -
Investment series	79,774,459	79,774,459	-	-	-
Negotiable certificates of deposit	990,077	990,077	-	-	-
Wisconsin Local Government Investment Pool	77,787	77,787	-	-	-
Totals	<u>\$ 80,842,435</u>	<u>\$ 80,842,435</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

Investment in Wisconsin Investment Series Cooperation

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$79,774,571 at year-end consisting of \$112 invested in the Cash Management Series and \$79,774,459 invested in the Investment Series. The Cash Management Series has no minimum investment period, allows check writing privileges, and the average dollar weighted maturity is ninety (90) days or less. The Investment Series requires a 14 day minimum investment period and one business day withdrawal notice, and the average dollar weighted maturity is one hundred twenty (120) days or less.

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

Investment in Wisconsin Local Government Investment Pool

The District has investments in the Wisconsin Local Government Investment Pool ("LGIP") of \$77,787 at year-end. The LGIP is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2018, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

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B. CAPITAL ASSETS

Capital asset activity for the year ended June 30, 2018 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Governmental activities:				
Capital assets, nondepreciable:				
Land	\$ 4,072,735	\$ -	\$ 249,137	\$ 3,823,598
Construction in progress	7,628,036	12,085,484	7,628,036	12,085,484
Total capital assets, nondepreciable	<u>11,700,771</u>	<u>12,085,484</u>	<u>7,877,173</u>	<u>15,909,082</u>
Capital assets, depreciable:				
Site improvements	9,638,678	6,149,091	240,000	15,547,769
Buildings	198,789,281	11,956,607	6,886,832	203,859,056
Machinery and equipment	28,724,510	4,301,469	334,592	32,691,387
Subtotals	<u>237,152,469</u>	<u>22,407,167</u>	<u>7,461,424</u>	<u>252,098,212</u>
Less accumulated depreciation for:				
Site improvements	3,456,909	683,032	170,829	3,969,112
Buildings	63,816,514	3,889,503	4,133,887	63,572,130
Machinery and equipment	15,424,042	2,617,166	226,006	17,815,202
Subtotals	<u>82,697,465</u>	<u>7,189,701</u>	<u>4,530,722</u>	<u>85,356,444</u>
Total capital assets, depreciable, net	<u>154,455,004</u>	<u>15,217,466</u>	<u>2,930,702</u>	<u>166,741,768</u>
Governmental activities capital assets, net	<u>\$ 166,155,775</u>	<u>\$ 27,302,950</u>	<u>\$ 10,807,875</u>	182,650,850
Less: Capital related debt				109,346,173
Less: Capital leases				4,372,152
Less: Debt premium				4,123,608
Add: Capital related deferred outflows of resources				<u>(21,049)</u>
Net investment in capital assets				<u>\$ 64,829,966</u>

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

Governmental activities

Instruction

Regular instruction	\$ 20,104
Vocational instruction	37,544
Special education instruction	5,263

Support services

Pupil services	2,389
Instructional staff services	4,045
General administration services	6,378
School administration services	5,365
Operation and maintenance of plant	5,048,535
Pupil transportation	28,238
Food service	154,444
Business services	886,199
Central services	991,197

Total depreciation expense - governmental activities	<u>\$ 7,189,701</u>
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C. INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables between individual funds of the District, as reported in the fund financial statements, as of June 30, 2018 are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Pooled cash		
Governmental funds		
General	\$ 25,825,239	\$ 4,543,041
Capital Projects	2,032,525	13,864,845
Non-Referendum Debt Service	-	8,017,779
Trust	451,736	-
Special Projects	-	982,761
Community Service	575,722	-
Food Service	262,757	-
Referendum Debt Service	-	1,739,553
Totals	<u>\$ 29,147,979</u>	<u>\$ 29,147,979</u>

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Interfund transfers for the year ended June 30, 2018 were as follows:

<u>Funds</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General	\$ 15,856	\$ 117,000
Non-Referendum Debt Service	117,000	-
Special Projects	-	15,856
	<u>\$ 132,856</u>	<u>\$ 132,856</u>

Interfund transfers were made for the following purposes:

Debt service payments	\$ 117,000
Indirect costs	15,856
	<u>\$ 132,856</u>

D. LONG-TERM OBLIGATIONS

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2018:

	<u>Beginning Balance</u>	<u>Issued</u>	<u>Retired</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
Governmental activities:					
General obligation debt					
Bonds	\$ 74,368,000	\$ 44,525,000	\$ 5,231,000	\$ 113,662,000	\$ 8,040,000
Notes	16,785,634	-	2,970,634	13,815,000	2,890,000
State trust fund loans	11,975,000	-	11,975,000	-	-
Total general obligation debt	<u>103,128,634</u>	<u>44,525,000</u>	<u>20,176,634</u>	<u>127,477,000</u>	<u>10,930,000</u>
Debt premium	2,270,248	2,232,644	379,284	4,123,608	-
Capital leases	1,969,348	2,983,100	580,296	4,372,152	1,246,075
Compensated absences	379,224	23,042	-	402,266	-
Governmental activities Long-term obligations	<u>\$ 107,747,454</u>	<u>\$ 49,763,786</u>	<u>\$ 21,136,214</u>	<u>\$ 136,375,026</u>	<u>\$ 12,176,075</u>

Total interest paid during the year on long-term debt totaled \$2,921,233.

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General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 6/30/18</u>
General Obligation Bonds					
Promissory Bonds	09/03/08	04/01/19	4.00 - 4.25%	\$ 5,945,000	\$ 1,815,000
Refunding Bonds	07/11/11	04/01/31	4.00 - 5.00%	5,880,000	5,880,000
Refunding Bonds	01/03/13	04/01/28	2.50 - 2.75%	10,000,000	10,000,000
Refunding Bonds	06/10/13	04/01/27	3.375%	2,020,000	1,655,000
Refunding Bonds	04/06/15	04/01/24	2.00 - 3.00%	8,980,000	8,980,000
School Building & Improvement	07/07/15	04/01/29	2.75%	9,700,000	9,700,000
School Building & Improvement	01/05/16	04/01/27	0.05 - 3.00%	28,090,000	22,675,000
Qualified School Construction					
Promissory Bonds	11/09/09	09/15/19	0.00%	1,794,000	882,000
School Building & Improvement	05/15/17	04/01/34	2.00 - 3.00%	8,000,000	7,550,000
School Building & Improvement	01/08/18	04/01/37	3.125-5.00%	14,600,000	14,600,000
School Building & Improvement	03/26/18	04/01/37	3.00 - 5.00%	29,925,000	29,925,000
Subtotal					<u>113,662,000</u>
General Obligation Notes					
Promissory Notes	04/05/10	04/01/20	3.00 - 3.625%	1,610,000	315,000
Promissory Notes	07/11/11	04/01/20	2.00 - 3.50%	995,000	290,000
Promissory Notes	06/10/13	04/01/23	1.00 - 3.00%	21,735,000	13,210,000
Subtotal					<u>13,815,000</u>
Total outstanding general obligation debt					<u>\$ 127,477,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$127,477,000 on June 30, 2018 are detailed below:

<u>Year Ended</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
June 30, 2019	\$ 10,930,000	\$ 4,038,954	\$ 14,968,954
2020	11,277,000	3,588,875	14,865,875
2021	10,720,000	3,303,500	14,023,500
2022	11,025,000	3,022,700	14,047,700
2023	10,575,000	2,693,300	13,268,300
2024 - 2028	47,455,000	8,488,838	55,943,838
2029 - 2033	18,080,000	2,430,663	20,510,663
2034 - 2037	7,415,000	548,394	7,963,394
	<u>\$ 127,477,000</u>	<u>\$ 28,115,224</u>	<u>\$ 155,592,224</u>

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

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Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2018 was \$771,212,176 as follows:

Equalized valuation of the District		\$ 8,970,249,600
Statutory limitation percentage		<u>(x) 10%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		897,024,960
Total outstanding general obligation debt applicable to debt limitation	\$ 127,477,000	
Less: Amounts available for financing general obligation debt		
Debt service fund, less accrued interest	<u>1,664,216</u>	
Net outstanding general obligation debt applicable to debt limitation		<u>125,812,784</u>
Legal margin for new debt		<u>\$ 771,212,176</u>

Capital Lease

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

The following is a schedule of the minimum lease payments under the lease agreements and the present values of the minimum lease payments at June 30, 2018:

Year Ending	Governmental Activities
2019	\$ 1,384,981
2020	1,613,538
2021	807,001
2022	807,001
2023	<u>67,250</u>
Subtotal	4,679,771
Less: Amount representing interest	<u>307,619</u>
Present value of future minimum lease payments	<u>\$ 4,372,152</u>

E. PENSION PLANS

The District reports pension related balances at June 30, 2018, as summarized below:

	Pension Asset	Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources
Wisconsin Retirement System (WRS)	\$ 28,518,405	\$ -	\$ 47,291,296	\$ 56,522,281
Supplemental or stipend pension plan	-	4,543,786	-	-
Total pension liability	<u>\$ 28,518,405</u>	<u>\$ 4,543,786</u>	<u>\$ 47,291,296</u>	<u>\$ 56,522,281</u>

1. WRS Pension Plan Description

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

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

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

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

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

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

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments

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

<u>Year</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2007	3%	10%
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2	4

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Contributions

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

During the reporting period ending December 31, 2017, the WRS recognized \$9,442,381 in contributions from the District.

Contribution rates for the reporting period are:

Employee Category	Employee	Employer
General (including teachers, executives and elected officials)	6.8%	6.8%
Protective with Social Security	6.8%	10.6%
Protective without Social Security	6.8%	14.9%

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

At June 30, 2018, the District reported an asset of \$28,518,405 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2017, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. 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 asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 0.96050070%, which was a decrease of 0.00764407% from its proportion measured as of December 31, 2016.

For the year ended June 30, 2018, the District recognized pension expense of \$12,211,785.

At June 30, 2018, 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	\$ 36,233,345	\$ 16,948,758
Net differences between projected and actual earnings on pension plan investments	-	39,195,895
Changes in assumptions	5,634,680	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	377,628
Employer contributions subsequent to the measurement date	5,423,271	-
Total	\$ 47,291,296	\$ 56,522,281

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\$5,423,271 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year Ended June 30,	Expense
2018	\$ 2,926,849
2019	(376,651)
2020	(9,839,715)
2021	(7,432,905)
2022	68,166
Total	<u>\$ (14,654,256)</u>

Actuarial Assumptions

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

Actuarial valuation date:	December 31, 2016
Measurement date of net pension liability (asset):	December 31, 2017
Actuarial cost method:	Entry Age
Asset valuation method:	Fair Value
Long-term expected rate of return:	7.2%
Discount rate:	7.2%
Salary increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.6%
Mortality	Wisconsin 2012 Mortality Table
Post-retirement adjustments*	2.1%

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

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 - 2014. The total pension liability for December 31, 2017 is based upon a roll-forward of the liability calculated from the December 31, 2016 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:

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	Current Asset Allocation %	Long-term Expected Nominal Rate of Return %	Long-term Expected Real Rate of Return %
Core Fund Asset Class			
Global equities	50%	8.2%	5.3%
Fixed income	24.5%	4.2%	1.4%
Inflation sensitive assets	15.5%	3.8%	1.0%
Real estate	8%	6.5%	3.6%
Private equity/debt	8%	9.4%	6.5%
Multi-asset	4%	6.5%	3.6%
Total Core Fund	110%	7.3%	4.4%
Variable Fund Asset Class			
U.S. equities	70%	7.5%	4.6%
International equities	30%	7.8%	4.9%
Total Variable Fund	100%	7.9%	5%

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

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

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 3.31%. 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 members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the District's proportionate share of the net pension liability (asset) to changes in the discount rate. The following presents the District's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.2 percent, as well as what the District's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1-percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
District's proportionate share of the net pension liability (asset)	\$ 73,786,851	\$ (28,518,405)	\$ (106,273,566)

Racine Unified School District

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

Payable to the Pension Plan

At June 30, 2018, the District reported a payable of \$1,894,533 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2018.

2. Supplemental or Stipend Pension Plan

Pension Description

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

Benefits Provided

A summary of eligibility requirements and plan benefits follows:

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

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

Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	64
Active employees	251
	<u>315</u>

Funding Policy

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

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

<u>Component</u>	<u>Amount</u>
Total pension liability at July 1, 2017	<u>\$ 4,411,602</u>
Changes for the year:	
Service cost	204,839
Interest	132,981
Benefit payments	<u>(205,636)</u>
Net changes	<u>132,184</u>
Total pension liability at June 30, 2018	<u>\$ 4,543,786</u>

For the year ended June 30, 2018, the District recognized pension expense of \$337,820.

At June 30, 2018, the District has no deferred outflows or inflows of resources related to its supplemental pension plan.

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Actuarial Assumptions

The District’s total pension liability was measured as of July 1, 2017 and rolled forward to June 30, 2018.

The total pension liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Valuation date	July 1, 2017
Actuarial cost method	Individual entry age normal
Amortization method	Level percentage of salary, open basis
Actuarial assumptions:	
Discount rate	3.0%
Inflation	N/A

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

Sensitivity of the District’s total pension liability to changes in the discount rate. The following presents the District’s total pension liability at July 1, 2017 calculated using the discount rate of 3.0%, as well as what the District’s total pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.0%) or 1-percentage-point higher (4.0%) than the current rate.

	1% Decrease to Discount Rate <u>(2.0%)</u>	Current Discount Rate <u>(3.0%)</u>	1% Increase to Discount Rate <u>(4.0%)</u>
Total pension liability	\$ 5,080,522	\$ 4,543,786	\$ 4,093,266

The sensitivity of the District’s total pension liability was determined based on the actuarial date while the total pension liability of \$4,543,786 was based on the District’s fiscal year ended June 30, 2018, as rolled forward by the District’s actuary. Sensitivity information as of June 30, 2017 was not available.

Payable to the Supplemental Pension Plan

At June 30, 2018, the District reported a payable of \$0 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2018.

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NOTES TO BASIC FINANCIAL STATEMENTS

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F. OTHER POSTEMPLOYMENT BENEFITS

For the year ended June 30, 2017, the District early implemented GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, for its single-employer defined postemployment health plan. In the current year, the Local Retiree Life Insurance Fund (LRLIF), a multiple-employer defined benefit OPEB plan, completed an actuarial study under GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans*, which identified a net OPEB liability for the Plan. The District recorded its proportionate share of this liability as of December 31, 2016 as a cumulative effect of change in accounting principle in the 2018 district-wide financial statements. Financial statements for the year ended June 30, 2017 have not been restated.

The cumulative effect of this change was to decrease the June 30, 2017 net position by \$5,190,390 as follows:

Other postemployment liability	
OPEB asset balance previously reported	\$ -
Actuarially determined balance	5,190,390
Change in other postemployment liability	<u><u>\$ (5,190,390)</u></u>

The District reports OPEB related balances at June 30, 2018 as summarized below:

	<u>OPEB Liability</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Local Retiree Life Insurance Fund (LRLIF)	\$ 6,311,378	\$ 682,555	\$ 173,238
Single-employer defined OPEB plan	91,161,723	313,696	-
Total OPEB liability	<u><u>\$ 97,473,101</u></u>	<u><u>\$ 996,251</u></u>	<u><u>\$ 173,238</u></u>

1. Single-employer Defined Postemployment Benefit Plan

Plan Description

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

Teachers	Age 55 and 15 years of service
Administrators	Age 55 and 10 years of service; Age 62 and 5 years of service
Building service	Age 55 and 25 years of service; Age 58 and 25 years of service
Clerical	Age 58 and 30 years of service; Age 60 and 25 years of service or Age 62
Educational assistants	Age 58 and 30 years of service; Age 60 and 25 years of service or Age 62 and 20 years of service

Benefits Provided

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

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Employees Covered by Benefit Terms

At June 30, 2018, the following employees were covered by the benefit terms:

Inactive employees or beneficiaries currently receiving benefit payments	355
Active employees	2,177
	2,532

Contributions

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

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2017.

Actuarial Assumptions. The total OPEB liability in the July 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Inflation:	N/A
Salary increases:	2.0% per year
Investment rate of return:	3.00%
Healthcare cost trend rates:	Medical and Drug Trend - 2.0% for 2017 increasing to 6.0% for 2018-19, and decreasing to 5.0% thereafter.
Dental cost trend rates:	level at 4.0%

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

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

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

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

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Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at July 1, 2017	\$ 95,879,621	\$ 8,894,781	\$ 86,984,840
Changes for the year:			
Service cost	6,594,042	-	6,594,042
Interest	3,067,184	-	3,067,184
Contributions - employer	-	5,404,302	(5,404,302)
Net investment income	-	118,463	(118,463)
Benefit payments	(5,133,501)	(5,133,501)	-
Administrative costs	-	(38,422)	38,422
Net changes	<u>4,527,725</u>	<u>350,842</u>	<u>4,176,883</u>
Balance at June 30, 2018	<u>\$ 100,407,346</u>	<u>\$ 9,245,623</u>	<u>\$ 91,161,723</u>

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

	1% Decrease to Discount Rate (2.0%)	Current Discount Rate (3.0%)	1% Increase to Discount Rate (4.0%)
Net OPEB liability	\$ 101,109,423	\$ 91,161,723	\$ 81,521,839

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

	1% Decrease (5.0% decreasing to 1.0%)	Healthcare Cost Trend Rates (6.0% decreasing to 2.0%)	1% Increase (7.0% decreasing to 3.0%)
Net OPEB liability	\$ 75,633,340	\$ 91,161,723	\$ 109,830,059

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

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

For the year ended June 30, 2018, the District recognized OPEB expense of \$9,435,711. At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	<u>\$ 313,696</u>	<u>\$ -</u>

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

<u>Year Ended June 30,</u>	<u>Expense</u>
2019	\$ 71,005
2020	71,005
2021	71,005
2022	71,005
2023	29,676
Total	<u>\$ 313,696</u>

Payable to the OPEB Plan

At June 30, 2018, the District reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended June 30, 2018.

2. Local Retiree Life Insurance Fund

Plan Description

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

OPEB Plan Fiduciary Net Position

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

Benefits Provided

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

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Contributions

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

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

Contribution rates as of June 30, 2018 are:

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

Employee contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating employees must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The employee contribution rates in effect for the year ended December 31, 2017 are listed below:

Life Insurance	
Employee Contribution Rates	
For the Year Ended December 31, 2017	
<u>Attained Age</u>	<u>Basic</u>
Under 30	\$0.05
30 - 34	0.06
35 - 39	0.07
40 - 44	0.08
45 - 49	0.12
50 - 54	0.22
55 - 59	0.39
60 - 64	0.49
65 - 69	0.57

During the reporting period, the LRLIF recognized \$39,837 in contributions from the employer.

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

At June 30, 2018, the District reported a liability of \$6,311,378 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2017, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of December 31, 2016 rolled forward to December 31, 2017. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2017, the District's proportion was 2.09779300%, which was a decrease of 0.040045% from its proportion measured as of December 31, 2016.

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For the year ended June 30, 2018, the District recognized OPEB expense of \$654,945.

At June 30, 2018, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 88,926
Net differences between projected and actual earnings on OPEB plan investments	72,673	-
Changes in assumptions	609,882	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	84,312
Total	<u>\$ 682,555</u>	<u>\$ 173,238</u>

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

<u>Year Ended June 30,</u>	<u>Expense</u>
2019	\$ 85,035
2020	85,035
2021	85,035
2022	85,035
2023	66,867
Thereafter	102,310
	<u>\$ 509,317</u>

Actuarial assumptions. The total OPEB liability in the January 1, 2017 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial valuation date:	January 1, 2017
Measurement date of net OPEB liability (asset):	December 31, 2017
Actuarial cost method:	Entry age normal
20 year tax-exempt municipal bond yield:	3.44%
Long-term expected rate of return:	5.00%
Discount rate:	3.63%
Salary increases:	
Inflation	3.20%
Seniority/Merit	0.2% - 5.6%
Mortality:	Wisconsin 2012 Mortality Table

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

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Long-term Expected Geometric Real Rate of Return %</u>
U.S. Government Bonds	Barclays Government	1%	1.13%
U.S. Credit Bonds	Barclays Credit	65%	2.61%
U.S. Long Credit Bonds	Barclays Long Credit	3%	3.08%
U.S. Mortgages	Barclays MBS	31%	2.19%
Inflation			2.30%
Long-term expected rate of return			5.00%

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

Sensitivity of the District’s proportionate share of net OPEB liability to changes in the discount rate. The following presents the District’s proportionate share of the net OPEB liability calculated using the discount rate of 3.63%, as well as what the District’s proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.63%) or 1-percentage-point higher (4.63%) than the current rate:

	<u>1% Decrease to Discount Rate (2.63%)</u>	<u>Current Discount Rate (3.63%)</u>	<u>1% Increase to Discount Rate (4.63%)</u>
District’s proportionate share of the net OPEB liability	\$ 8,920,376	\$ 6,311,378	\$ 4,309,246

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

Payable to the OPEB Plan

At June 30, 2018, the District reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended June 30, 2018.

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NOTES TO BASIC FINANCIAL STATEMENTS

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G. FUND EQUITY

Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At June 30, 2018, nonspendable fund balance was as follows:

	<u>General</u>
Nonspendable	
Inventories and prepaid items	<u>\$ 3,305,995</u>

Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2018, restricted fund balance was as follows:

Special Revenue Funds	
Restricted for	
Private gifts and donations	\$ 451,907
Grant expenditures	66,426
Community service programs	576,283
Food service	2,125,690
Total Special Revenue Funds restricted fund balance	<u>3,220,306</u>
Debt Service Funds	
Restricted for	
Non-Referendum	2,606,535
Referendum	50,922
Total Debt Service Funds restricted fund balance	<u>2,657,457</u>
Capital Projects Fund	
Restricted for construction of capital assets	<u>19,579,345</u>
Total restricted fund balance	<u>\$ 25,457,108</u>

Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At June 30, 2018, fund balance was assigned as follows:

General Fund	
Assigned for	
Referendum	\$ 10,000,000
Health care cost stabilization	8,000,000
Construction of capital assets	200,000
Subsequent years' expenditures	1,485,000
Subtotal	<u>19,685,000</u>
Capital Projects Fund	
Assigned for subsequent year's expenditures	<u>5,000,000</u>
Total	<u>\$ 24,685,000</u>

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Minimum General Fund Balance Policy

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

Budgeted 2018-2019 General Fund Expenditures	\$	287,383,611
Minimum fund balance %		(x) 15 - 20%
Minimum fund balance amount		<u>\$43,107,542 - \$57,476,722</u>

The District's General Fund balance of \$44,900,272 is within the range of the minimum fund balance amount.

Net Position

The District reports restricted net position at June 30, 2018 as follows:

Governmental activities		
Restricted for		
Debt service	\$	1,664,216
Private purpose trust funds		451,907
Community services		576,283
Food services		2,125,690
Grant expenditures		66,426
Construction of capital assets		<u>1,763,518</u>
 Total restricted net position		 <u>\$ 6,648,040</u>

NOTE 3: OTHER INFORMATION

A. RISK MANAGEMENT

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

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

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

Self-funded Insurance Program

The District has a self-insured workman's compensation benefit plan for its employees. The Plan administrator, Hays Corporation (administrator), is responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30, 2018.

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

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

At June 30, 2018, the District has reported a liability of \$2,776,287 which represents reported and unreported claims which were incurred on or before June 30, 2018, but were not paid by the District as of that date. The amounts not reported to the District were determined by the Plan administrator. Changes in the claims liability for the years ended June 30, 2017 and June 30, 2018 are as follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claims Payments	Liability June 30
2018	\$ 3,518,602	\$ 32,643,451	\$ 33,385,766	\$ 2,776,287
2017	3,674,709	33,781,447	33,937,554	3,518,602

B. CONTINGENCIES

The District participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. Accordingly, the District’s compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the District expects such amounts, if any, to be immaterial.

From time to time, the District is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and the legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the District’s financial position or results of operations.

C. LIMITATION ON SCHOOL DISTRICT REVENUES

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

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

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

D. UPCOMING ACCOUNTING PRONOUNCEMENTS

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

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

REQUIRED SUPPLEMENTARY INFORMATION

Racine Unified School District

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SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE BUDGET AND ACTUAL - GENERAL FUND - BUDGETARY BASIS FOR THE YEAR ENDED JUNE 30, 2018

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Property taxes	\$ 75,538,118	\$ 75,538,118	\$ 75,538,118	\$ -
Other local sources	1,341,373	1,460,893	1,734,422	273,529
Interdistrict sources	140,000	145,019	184,902	39,883
State sources	161,976,780	161,786,076	162,140,499	354,423
Federal sources	13,620,891	14,157,349	13,246,215	(911,134)
Other sources	334,942	372,800	1,472,304	1,099,504
Total revenues	<u>252,952,104</u>	<u>253,460,255</u>	<u>254,316,460</u>	<u>856,205</u>
EXPENDITURES				
Instruction				
Regular instruction	92,549,177	89,941,904	89,698,210	243,694
Vocational instruction	5,441,256	5,389,729	5,113,879	275,850
Other instruction	7,164,994	7,091,458	7,115,942	(24,484)
Total instruction	<u>105,155,427</u>	<u>102,423,091</u>	<u>101,928,031</u>	<u>495,060</u>
Support services				
Pupil services	12,480,754	12,088,801	12,044,815	43,986
Instructional staff services	14,913,188	17,903,605	16,940,124	963,481
General administration services	3,334,300	3,284,762	3,222,364	62,398
School administration services	13,115,081	12,974,858	13,000,479	(25,621)
Business services	2,513,603	2,431,959	2,405,633	26,326
Operations and maintenance of plant	28,974,383	29,036,543	29,347,502	(310,959)
Pupil transportation services	5,442,446	5,381,782	5,464,660	(82,878)
Central services	10,569,978	11,540,746	10,862,015	678,731
Insurance	713,782	724,875	742,580	(17,705)
Other support services	352,258	634,806	418,938	215,868
Total support services	<u>92,409,773</u>	<u>96,002,738</u>	<u>94,449,110</u>	<u>1,553,628</u>
Debt service				
Principal	580,296	580,296	580,296	-
Interest and fiscal charges	67,494	64,994	64,934	60
Total debt service	<u>647,790</u>	<u>645,290</u>	<u>645,230</u>	<u>60</u>
Non-program				
General tuition payments	10,667,656	10,679,656	10,706,751	(27,095)
Adjustments and refunds	113,000	673,902	1,008,015	(334,113)
Total non-program	<u>24,986,375</u>	<u>25,559,277</u>	<u>25,529,460</u>	<u>29,817</u>
Total expenditures	<u>223,199,365</u>	<u>224,630,395</u>	<u>222,551,831</u>	<u>2,078,564</u>
Excess of revenues over expenditures	<u>29,752,739</u>	<u>28,829,860</u>	<u>31,764,629</u>	<u>2,934,769</u>
OTHER FINANCING SOURCES (USES)				
Capital lease issued	700,000	3,491,845	2,983,100	(508,745)
Proceeds from sale of capital assets	32,021	32,021	39,410	7,389
Transfers in	88,319	88,319	15,856	(72,463)
Transfers out	(34,280,759)	(33,924,505)	(33,801,479)	123,026
Total other financing sources (uses)	<u>(33,460,419)</u>	<u>(30,312,320)</u>	<u>(30,763,113)</u>	<u>(450,793)</u>
Net change in fund balance	<u>(3,707,680)</u>	<u>(1,482,460)</u>	<u>1,001,516</u>	<u>2,483,976</u>
Fund balance - July 1	<u>43,898,756</u>	<u>43,898,756</u>	<u>43,898,756</u>	<u>-</u>
Fund balance - June 30	<u>\$ 40,191,076</u>	<u>\$ 42,416,296</u>	<u>\$ 44,900,272</u>	<u>\$ 2,483,976</u>

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, 2018

	Budget		Actual	Variance Final Budget - Positive (Negative)
	Original	Final		
REVENUES				
Other local sources	\$ -	\$ -	\$ 6,043	\$ 6,043
Interdistrict sources	26,309	26,309	26,310	1
Intermediate sources	-	-	500	500
State sources	12,369,347	12,376,823	12,393,341	16,518
Federal sources	6,070,489	6,097,265	5,432,042	(665,223)
Total revenues	18,466,145	18,500,397	17,858,236	(642,161)
EXPENDITURES				
Instruction				
Special education instruction	37,515,889	37,010,725	36,928,770	81,955
Other instruction	75,847	74,926	76,042	(1,116)
Total instruction	37,591,736	37,085,651	37,004,812	80,839
Support services				
Pupil services	5,956,017	5,896,220	5,888,840	7,380
Instructional staff services	4,197,493	4,144,644	4,006,785	137,859
General administration services	17,000	17,000	15,520	1,480
Business services	237,452	245,594	144,768	100,826
Operations and maintenance of plant	19,681	25,000	23,470	1,530
Pupil transportation services	3,598,000	3,601,626	3,225,321	376,305
Central services	16,288	17,488	31,599	(14,111)
Insurance	249,688	249,688	245,961	3,727
Total support services	14,291,619	14,197,260	13,582,264	614,996
Non-program				
Special education tuition payments	675,765	955,765	955,639	126
Total expenditures	52,559,120	52,238,676	51,542,715	695,961
Excess of revenues under expenditures	(34,092,975)	(33,738,279)	(33,684,479)	53,800
OTHER FINANCING SOURCES				
Transfers in	34,163,759	33,807,505	33,684,479	(123,026)
Net change in fund balance	-	-	-	-
Fund balance - July 1	-	-	-	-
Fund balance - June 30	\$ -	\$ -	\$ -	\$ -

See notes to required supplementary information.

Racine Unified School District

Racine, Wisconsin

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

	<u>2018</u>	<u>2017</u>
Total OPEB liability		
Service cost	\$ 6,594,042	\$ 6,789,109
Interest	3,067,184	2,940,726
Benefit payments	(5,133,501)	(5,085,310)
Net change in total OPEB liability	<u>4,527,725</u>	<u>4,644,525</u>
Total OPEB liability - beginning	<u>95,879,621</u>	<u>91,235,096</u>
Total OPEB liability - ending (a)	<u>\$ 100,407,346</u>	<u>\$ 95,879,621</u>
Plan fiduciary net position		
Contributions - employer	\$ 5,404,302	\$ 5,313,306
Net investment income	118,463	51,804
Benefit payments	(5,133,501)	(5,085,310)
Administrative expenses	(38,422)	-
Net change in plan fiduciary net position	<u>350,842</u>	<u>279,800</u>
Plan fiduciary net position - beginning	<u>8,894,781</u>	<u>8,614,981</u>
Plan fiduciary net position - ending (b)	<u>\$ 9,245,623</u>	<u>\$ 8,894,781</u>
District's net OPEB liability - ending (a) - (b)	<u>\$ 91,161,723</u>	<u>\$ 86,984,840</u>
Plan fiduciary net position as a percentage of the total OPEB liability	9.21%	9.28%
Covered-employee payroll	\$ 135,687,306	\$ 142,709,888
District's net OPEB liability as a percentage of covered-employee payroll	67.19%	60.95%

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

See notes to required supplementary information.

Racine Unified School District

Racine, Wisconsin

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

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

Key Methods and Assumption Used to Calculate ADC

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

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

See notes to required supplementary information.

Racine Unified School District

Racine, Wisconsin

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

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

SCHEDULE OF CONTRIBUTIONS WISCONSIN RETIREMENT SYSTEM LAST 10 FISCAL YEARS

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

See notes to required supplementary information.

Racine Unified School District

Racine, Wisconsin

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

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

See notes to required supplementary information.

Racine Unified School District

Racine, Wisconsin

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

	<u>2018</u>	<u>2017</u>
Total pension liability		
Service cost	\$ 204,839	\$ 218,464
Interest	132,981	131,604
Benefit payments	<u>(205,636)</u>	<u>(216,497)</u>
Net change in total pension liability	132,184	133,571
Total OPEB liability - beginning	4,411,602	4,278,031
Total OPEB liability - ending	<u>\$ 4,543,786</u>	<u>\$ 4,411,602</u>
Covered-employee payroll	\$ 20,460,635	\$ 15,600,736
District's net pension liability as a percentage of covered-employee payroll	22.21%	28.28%

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

See notes to required supplementary information.

Racine Unified School District

Racine, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2018

A. OTHER POSTEMPLOYMENT BENEFITS

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

B. WISCONSIN RETIREMENT SYSTEM

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

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

C. BUDGETS AND BUDGETARY ACCOUNTING

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

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

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

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2018.

Racine Unified School District

Racine, Wisconsin

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

JUNE 30, 2018

Budgetary Information

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

	<u>General</u>	<u>Special Education</u>
Revenues		
Actual amounts (budgetary basis)	\$ 254,316,460	\$ 17,858,236
Reclassification of special education	17,858,236	(17,858,236)
Total revenues	<u>272,174,696</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	222,551,831	51,542,715
Reclassification of special education	51,542,715	(51,542,715)
Total expenditures	<u>274,094,546</u>	<u>-</u>
Excess of revenues over (under) expenditures		
Actual amounts (budgetary basis)	31,764,629	(33,684,479)
Reclassification of special education	(33,684,479)	33,684,479
Excess of revenues over (under) expenditures	<u>(1,919,850)</u>	<u>-</u>
Other financing sources (uses)		
Actual amounts (budgetary basis)	(30,763,113)	33,684,479
Reclassification of special education	33,684,479	(33,684,479)
Total other financing sources (uses)	<u>2,921,366</u>	<u>-</u>
Net change in fund balance		
Actual amounts (budgetary basis)	<u>1,001,516</u>	<u>-</u>
Fund balance - July 1		
Actual amounts (budgetary basis)	<u>43,898,756</u>	<u>-</u>
Fund balance - June 30		
Actual amounts (budgetary basis)	<u>\$ 44,900,272</u>	<u>\$ -</u>

SUPPLEMENTARY INFORMATION

Racine Unified School District

Racine, Wisconsin

COMBINING BALANCE SHEET NONMAJOR GOVERNMENTAL FUNDS JUNE 30, 2018

	Special Revenue			
	Trust	Special Projects	Community Service	Food Service
ASSETS				
Cash and investments	\$ -	\$ -	\$ -	\$ 1,525,400
Receivables				
Accounts	171	-	561	46,335
Due from other funds	451,736	-	575,722	262,757
Due from other governments	-	1,049,187	-	344,849
	<u>-</u>	<u>1,049,187</u>	<u>-</u>	<u>344,849</u>
Total assets	<u>\$ 451,907</u>	<u>\$ 1,049,187</u>	<u>\$ 576,283</u>	<u>\$ 2,179,341</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Due to other funds	\$ -	\$ 982,761	\$ -	\$ -
Unearned revenues	-	-	-	53,651
	<u>-</u>	<u>-</u>	<u>-</u>	<u>53,651</u>
Total liabilities	<u>-</u>	<u>982,761</u>	<u>-</u>	<u>53,651</u>
Fund balances				
Restricted	451,907	66,426	576,283	2,125,690
	<u>451,907</u>	<u>66,426</u>	<u>576,283</u>	<u>2,125,690</u>
Total fund balances	<u>451,907</u>	<u>66,426</u>	<u>576,283</u>	<u>2,125,690</u>
Total liabilities and fund balances	<u>\$ 451,907</u>	<u>\$ 1,049,187</u>	<u>\$ 576,283</u>	<u>\$ 2,179,341</u>

<u>Debt Service Referendum Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 1,790,475	\$ 3,315,875
-	47,067
-	1,290,215
-	1,394,036
<u>\$ 1,790,475</u>	<u>\$ 6,047,193</u>
\$ 1,739,553	\$ 2,722,314
-	53,651
<u>1,739,553</u>	<u>2,775,965</u>
<u>50,922</u>	<u>3,271,228</u>
<u>50,922</u>	<u>3,271,228</u>
<u>\$ 1,790,475</u>	<u>\$ 6,047,193</u>

Racine Unified School District

Racine, Wisconsin

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	Special Revenue			
	Trust	Special Projects	Community Service	Food Service
REVENUES				
Property taxes	\$ -	\$ -	\$ 1,100,000	\$ -
Other local sources	509,257	-	107,122	1,174,198
State sources	-	-	-	164,750
Federal sources	-	1,095,703	-	7,934,402
Other sources	-	-	-	92,261
Total revenues	509,257	1,095,703	1,207,122	9,365,611
EXPENDITURES				
Instruction				
Regular instruction	122,626	-	-	-
Vocational instruction	28,955	-	-	-
Other instruction	44,790	827,581	-	-
Total instruction	196,371	827,581	-	-
Support services				
Pupil services	3,557	-	27,882	-
Instructional staff services	81,706	210,043	15,922	-
General administration services	52,278	-	13,526	-
School administration services	369	1,735	178,228	-
Business services	-	-	64,781	17,886
Operation and maintenance of plant	189,823	-	664	603,518
Pupil transportation services	11,422	40,257	23,667	-
Food services	-	-	-	8,664,928
Central services	1,769	-	6,549	-
Total support services	340,924	252,035	331,219	9,286,332
Debt service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total debt service	-	-	-	-
Community service	-	-	1,143,476	-
Non-program				
Adjustments and refunds	696	11,276	-	-
Total expenditures	537,991	1,090,892	1,474,695	9,286,332
Excess of revenues over (under) expenditures	(28,734)	4,811	(267,573)	79,279
OTHER FINANCING SOURCES (USES)				
Transfers out	-	(15,856)	-	-
Total other financing sources (uses)	-	(15,856)	-	-
Net change in fund balances	(28,734)	(11,045)	(267,573)	79,279
Fund balances - July 1	480,641	77,471	843,856	2,046,411
Fund balances - June 30	\$ 451,907	\$ 66,426	\$ 576,283	\$ 2,125,690

<u>Debt Service Referendum Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 1,857,830	\$ 2,957,830
13,763	1,804,340
-	164,750
-	9,030,105
-	92,261
<u>1,871,593</u>	<u>14,049,286</u>
-	122,626
-	28,955
-	872,371
-	<u>1,023,952</u>
-	31,439
-	307,671
-	65,804
-	180,332
-	82,667
-	794,005
-	75,346
-	8,664,928
-	8,318
-	<u>10,210,510</u>
1,740,000	1,740,000
153,463	153,463
<u>1,893,463</u>	<u>1,893,463</u>
-	1,143,476
-	<u>11,972</u>
<u>1,893,463</u>	<u>14,283,373</u>
<u>(21,870)</u>	<u>(234,087)</u>
-	<u>(15,856)</u>
-	<u>(15,856)</u>
(21,870)	(249,943)
<u>72,792</u>	<u>3,521,171</u>
<u>\$ 50,922</u>	<u>\$ 3,271,228</u>

Racine Unified School District

Racine, Wisconsin

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES PUPIL ACTIVITY FUNDS FOR THE YEAR ENDED JUNE 30, 2018

	<u>Balance 7/1/2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 6/30/2018</u>
ASSETS				
Cash	\$ 1,000,487	\$ 2,757,640	\$ 2,874,240	\$ 883,887
LIABILITIES				
Due to student organizations				
Senior high schools	\$ 610,030	\$ 1,792,023	\$ 1,813,264	\$ 588,789
Middle schools	123,323	434,308	481,351	76,280
Elementary schools	230,615	431,700	479,239	183,076
Early childhood schools	1,994	9,174	8,910	2,258
P-COC	408	6,694	6,845	257
REAL school	34,117	83,741	84,631	33,227
Total liabilities	<u>\$ 1,000,487</u>	<u>\$ 2,757,640</u>	<u>\$ 2,874,240</u>	<u>\$ 883,887</u>

ADDITIONAL INDEPENDENT AUDITORS' REPORT
FOR BASIC FINANCIAL STATEMENTS

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Racine Unified School District, Racine, Wisconsin (the "District") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon which includes an emphasis of matter paragraph as indicated on page 2 dated November 28, 2018.

INTERNAL CONTROL OVER FINANCIAL REPORTING

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

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

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

COMPLIANCE AND OTHER MATTERS

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

PURPOSE OF THIS REPORT

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



Certified Public Accountants

Green Bay, Wisconsin
November 28, 2018

FEDERAL AND STATE AWARDS

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

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

REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL AND STATE PROGRAM

We have audited the Racine Unified School District's (the "District's") compliance with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2018. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

MANAGEMENT'S RESPONSIBILITY

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

AUDITORS' RESPONSIBILITY

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

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

OPINION ON EACH MAJOR FEDERAL AND STATE PROGRAM

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2018.

REPORT ON INTERNAL CONTROL OVER COMPLIANCE

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies 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.

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



Certified Public Accountants

Green Bay, Wisconsin
November 28, 2018

Racine Unified School District
Racine, Wisconsin

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/17	Value or Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/18	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF AGRICULTURE								
<i>Child Nutrition Cluster</i>								
School Breakfast Program	10.553	WI DPI	2017-514620-SB-546	\$ (67,103)	\$ 67,103	\$ -	\$ -	\$ -
School Breakfast Program	10.553	WI DPI	2018-514620-SB-546	-	1,671,311	84,176	1,755,487	-
Total School Breakfast Program				(67,103)	1,738,414	84,176	1,755,487	-
National School Lunch Program	10.555	WI DPI	2017-514620-NSL-547	(178,164)	178,164	-	-	-
National School Lunch Program	10.555	WI DPI	2018-514620-NSL-547	-	4,989,002	235,733	5,224,735	-
Donated Commodities 17-18	10.555	WI DPI	Unknown	-	676,823	-	676,823	-
Total National School Lunch Program				(178,164)	5,843,989	235,733	5,901,558	-
NSL Snack Program	10.555	WI DPI	2017-514620-NSL-Snacks-561	(152)	152	-	-	-
NSL Snack Program	10.555	WI DPI	2018-514620-NSL-Snacks-561	-	4,773	736	5,509	-
Total NSL Snack Program				(152)	4,925	736	5,509	-
NSL Area Eligible Snack Program	10.555	WI DPI	2017-514620-NSL-Snacks-566	(6,757)	6,757	-	-	-
NSL Area Eligible Snack Program	10.555	WI DPI	2018-514620-NSL-Snacks-566	-	80,294	8,413	88,707	-
Total NSL Area Eligible Snack Program				(6,757)	87,051	8,413	88,707	-
Summer Food Service Program for Children	10.559	WI DPI	2017-514620-SFSP-586	(70,886)	70,886	-	-	-
Summer Food Service Program for Children	10.559	WI DPI	2018-514620-SFSP-586	-	72,976	-	72,976	-
Total Summer Food Service Program for Children				(70,886)	143,862	-	72,976	-
<i>Total Child Nutrition Cluster</i>				(323,062)	7,818,241	329,058	7,824,237	-
Child and Adult Care Food Program	10.558	WI DPI	2017-514620-CACFP-003	(44)	44	-	-	-
Child and Adult Care Food Program	10.558	WI DPI	2018-514620-CCI-551	-	10,796	-	10,796	-
Total Child and Adult Care Food Program				(44)	10,840	-	10,796	-
Team Nutrition Grants	10.574	WI DPI	Not available	-	450	-	450	-
Fresh Fruit and Vegetable Program	10.582	WI DPI	2017-514620-FF&V-376	(3,010)	3,010	-	-	-
Fresh Fruit and Vegetable Program	10.582	WI DPI	2018-514620-FF&V-376	-	72,257	15,791	88,048	-
Fresh Fruit and Vegetable Program	10.582	WI DPI	2018-514620-FF&V-594	-	10,871	-	10,871	-
Total Fresh Fruit and Vegetable Program				(3,010)	86,138	15,791	98,919	-
Total U.S. Department of Agriculture				(326,116)	7,915,669	344,849	7,934,402	-
U.S. DEPARTMENT OF JUSTICE								
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	WI DPI	FY 17-514620-730 599-Bully	(13,913)	13,913	-	-	-
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560	WI DPI	FY 18-514620-730 599-Bully	-	10,990	-	10,990	-
Total National Institute of Justice Research, Evaluation, and Development Project Grants				(13,913)	24,903	-	10,990	-

Racine Unified School District
Racine, Wisconsin

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/17	Value or Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/18	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF EDUCATION								
Title I Grants to Local Educational Agencies	84.010	WI DPI	17-514620-TI-Delinquent-140	(7,534)	7,534	-	-	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2018-514620-TI-Delinquent-140	-	52,457	17,725	70,182	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	17-514620-Title I-141	(2,426,796)	2,426,796	-	-	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2018-514620-Title I-141	-	3,125,313	3,200,270	6,325,583	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2017-514620-Focus-145	(29,284)	29,284	-	-	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2018-514620-Focus-145	-	15,235	71,227	86,462	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2017-514620-Cohort I-154	(3,291)	3,291	-	-	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2018-514620-Cohort I-154	-	3,694	247	3,941	-
Total Title I Grants to Local Educational Agencies				<u>(2,466,905)</u>	<u>5,663,604</u>	<u>3,289,469</u>	<u>6,486,168</u>	<u>-</u>
<i>Special Education Cluster (IDEA)</i>								
Special Education Grants to States	84.027	WI DPI	2017-514620-IDEA-341	(1,386,874)	1,386,874	-	-	-
Special Education Grants to States	84.027	WI DPI	2018-514620-IDEA-341	-	3,458,140	1,187,454	4,645,594	-
Special Education Grants to States	84.027	WI DPI	2018-514620-IDEA-342	-	48,620	-	48,620	-
Special Education Grants to States	84.027	CESA	Not Available	1,500	-	(1,000)	500	-
Special Education Preschool Grants	84.173	WI DPI	17-514620-Pre-S-347	(96,658)	96,658	-	-	-
Special Education Preschool Grants	84.173	WI DPI	2018-514620-Pre-S-347	-	173,193	53,094	226,287	-
Total Special Education Cluster (IDEA)				<u>(1,482,032)</u>	<u>5,163,485</u>	<u>1,239,548</u>	<u>4,921,001</u>	<u>-</u>
Career and Technical Education - Basic Grants to States	84.048	WI DPI	2017-514620-CP-CTE-400	(222,249)	222,249	-	-	-
Career and Technical Education - Basic Grants to States	84.048	WI DPI	2018-514620-CP-CTE-400	-	153,422	78,841	232,263	-
Total Career and Technical Education - Basic Grants to States				<u>(222,249)</u>	<u>375,671</u>	<u>78,841</u>	<u>232,263</u>	<u>-</u>
Education for Homeless Children and Youth	84.196	WI DPI	2017-514620-Homeless-335	(9,897)	9,897	-	-	-
Education for Homeless Children and Youth	84.196	WI DPI	2018-514620-Homeless-335	-	38,173	21,390	59,563	-
Total Education for Homeless Children and Youth				<u>(9,897)</u>	<u>48,070</u>	<u>21,390</u>	<u>59,563</u>	<u>-</u>
Javits Gifted and Talented Students Education	84.206A	WI DPI	Not available	-	-	103,400	103,400	-
Fund for the Improvement of Education Afterschool Program	84.215K	City of Racine	Not available	(6,671)	20,674	23,070	37,073	-
Twenty-First Century Community Learning Centers	84.287	WI DPI	17-514620-367-CLC	(207,837)	207,837	-	-	-
Twenty-First Century Community Learning Centers	84.287	WI DPI	2018-514620-CLC-367	-	9,443	1,049,187	1,058,630	-
Total Twenty-First Century Community Learning Centers				<u>(207,837)</u>	<u>217,280</u>	<u>1,049,187</u>	<u>1,058,630</u>	<u>-</u>
English Language Acquisition State Grants	84.365	WI DPI	17-514620-Title III A-391	(187,377)	187,377	-	-	-
English Language Acquisition State Grants	84.365	WI DPI	2018-514620-Title III A-391	-	280,182	140,972	421,154	-
Total English Language Acquisition State Grants				<u>(187,377)</u>	<u>467,559</u>	<u>140,972</u>	<u>421,154</u>	<u>-</u>

Racine Unified School District
Racine, Wisconsin

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/17	Value or Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/18	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF EDUCATION (Continued)								
Improving Teacher Quality State Grants	84.367	WI DPI	17-514620-Title II-365	(291,659)	291,659	-	-	-
Improving Teacher Quality State Grants	84.367	WI DPI	2018-514620-Title II-365	-	405,716	593,748	999,464	-
Total Improving Teacher Quality State Grants				<u>(291,659)</u>	<u>697,375</u>	<u>593,748</u>	<u>999,464</u>	<u>-</u>
School Improvement Grants	84.377	WI DPI	2017-514620-SIG-151	(757,310)	757,310	-	-	-
School Improvement Grants	84.377	WI DPI	2018-514620-SIG-151	-	710,737	199,662	910,399	-
Total School Improvement Grants				<u>(757,310)</u>	<u>1,468,047</u>	<u>199,662</u>	<u>910,399</u>	<u>-</u>
Student Support and Academic Enrichment Program	84.424	WI DPI	2018-514620-Title-IV A-381	-	70,250	-	70,250	-
Hurricane Education Recovery	84.938	WI DPI	Not available	-	-	149,738	149,738	-
Total U.S. Department of Education				<u>(5,631,937)</u>	<u>14,192,015</u>	<u>6,889,025</u>	<u>15,449,103</u>	<u>-</u>
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	WI DPI	2016-17-514620-WILY-334	(1,946)	1,946	-	-	-
Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance	93.079	WI DPI	2018-514620-WILY-334	-	-	6,463	6,463	-
Total Cooperative Agreements to Promote Adolescent Health through School-Based HIV/STD Prevention and School-Based Surveillance				<u>(1,946)</u>	<u>1,946</u>	<u>6,463</u>	<u>6,463</u>	<u>-</u>
Pregnancy Assistance Fund Program	93.500	WI DPI	17-514620-InSPIRE-591	(81,449)	81,449	26,000	26,000	-
Pregnancy Assistance Fund Program	93.500	WI DPI	2018-52289-InSPIRE-591	-	2,994	203,511	206,505	-
Total Pregnancy Assistance Fund Program				<u>(81,449)</u>	<u>84,443</u>	<u>229,511</u>	<u>232,505</u>	<u>-</u>
Safe Schools-Healthy Students	93.243	State of Wisconsin	Not available	(188,480)	188,480	-	-	-
Safe Schools-Healthy Students	93.243	State of Wisconsin	Not available	-	90,622	157,473	248,095	-
Total Safe Schools-Healthy Students				<u>(188,480)</u>	<u>279,102</u>	<u>157,473</u>	<u>248,095</u>	<u>-</u>
<i>Medicaid Cluster</i>								
Medical Assistance Program	93.778	WI DHS	44211100	-	3,766,824	-	3,766,824	-
Total Medicaid Cluster				<u>-</u>	<u>3,766,824</u>	<u>-</u>	<u>3,766,824</u>	<u>-</u>
Total U.S. Department of Health and Human Services				<u>(271,875)</u>	<u>4,132,315</u>	<u>393,447</u>	<u>4,253,887</u>	<u>-</u>
TOTAL FEDERAL AWARDS				<u>\$ (6,243,841)</u>	<u>\$ 26,264,902</u>	<u>\$ 7,627,321</u>	<u>\$ 27,648,382</u>	<u>\$ -</u>
Reconciliation to the basic financial statements								
Federal sources							\$ 27,708,362	
Intermediate sources							500	
Less: non-grant related revenues							(60,480)	
Total federal awards							<u>\$ 27,648,382</u>	

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

Racine Unified School District
Racine, Wisconsin

SCHEDULE OF EXPENDITURES OF STATE AWARDS
FOR THE YEAR ENDED JUNE 30, 2018

Grantor Agency/State Program Title	State I.D. Number	Pass-Through Agency	State Identifying Number	(Accrued) Deferred Revenue 7/1/17	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/18	Total Expenditures	Subrecipient Payments
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION								
Special Education and School Age Parents	255.101	Direct Program	514620-100	\$ -	\$ 11,834,225	\$ -	\$ 11,834,225	\$ -
State School Lunch Aid	255.102	Direct Program	514620-107	-	92,660	-	92,660	-
Common School Fund Library Aid	255.103	Direct Program	514620-104	-	858,494	-	858,494	-
Bilingual Bicultural Aid Lea	255.106	Direct Program	514620-111	-	499,918	-	499,918	-
General Transportation Aid	255.107	Direct Program	514620-102	-	393,483	-	393,483	-
Equalization Aids	255.201	Direct Program	514620-116	(2,405,986)	141,226,420	2,395,155	141,215,589	-
Integration Transfer - Resident	255.205	Direct Program	514620-105	-	5,514,697	-	5,514,697	-
High Cost Special Education Aid	255.210	Direct Program	514620-119	-	391,497	-	391,497	-
Peer Review and Mentoring	255.301	Direct Program	514620-141	(17,667)	17,667	23,744	23,744	-
Alcohol and Other Drug Abuse	255.306	Direct Program	514620-143	(24,987)	24,987	24,706	24,706	-
AODA Program Grants	255.321	Direct Program	514620-142	(790)	790	-	-	-
State School Breakfast Aid	255.344	Direct Program	514620-108	-	72,090	-	72,090	-
Tuition Payments by State	255.401	Direct Program	514620-157	-	220,502	-	220,502	-
Tuition Payments by State	255.401	Direct Program	514620-158	-	101,619	-	101,619	-
Total Tuition Payments by State				-	322,121	-	322,121	-
Student Achievement Guarantee in Education (SAGE)	255.504	Direct Program	514620-160	-	1,543,059	-	1,543,059	-
Aid for High Poverty School District	255.926	Direct Program	514620-121	-	1,702,380	-	1,702,380	-
Educator Effective Evaluation System	255.940	Direct Program	514620-154	(16,611)	121,212	16,148	120,749	-
Per Pupil Aid	255.945	Direct Program	514620-113	-	9,001,800	-	9,001,800	-
Career and Technical Education Incentive Grants	255.950	Direct Program	514620-151	-	109,593	-	109,593	-
Assessments of Reading Readiness	255.956	Direct Program	514620-166	-	58,518	-	58,518	-
Robotics League Participation Grants	255.959	Direct Program	514620-167	-	2,671	-	2,671	-
Aid for Special Ed Transition Grant BBL	255.960	Direct Program	514620-168	-	66,000	-	66,000	-
Total Wisconsin Department of Public Instruction				(2,466,041)	173,854,282	2,459,753	173,847,994	-
TOTAL STATE AWARDS				<u>\$ (2,466,041)</u>	<u>\$ 173,854,282</u>	<u>\$ 2,459,753</u>	<u>\$ 173,847,994</u>	<u>\$ -</u>
Reconciliation to the basic financial statements								
State sources							\$ 174,698,590	
Less: State sources not considered state financial assistance								
State tax computer aid							(838,467)	
Payment in lieu of taxes and other revenues							(12,129)	
Total state awards							<u>\$ 173,847,994</u>	

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

Racine Unified School District

Racine, Wisconsin

NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL AND STATE AWARDS FOR THE YEAR ENDED JUNE 30, 2018

NOTE 1: BASIS OF PRESENTATION

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

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

NOTE 2: SIGNIFICANT ACCOUNTING POLICIES

Revenues and expenditures in the schedules are presented in accordance with the modified accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the District's 2018 fund financial statements. Accrued revenue at year-end consists of federal and state program expenditures scheduled for reimbursement to the District in the succeeding year while unearned revenue represents advances for federal and state programs that exceed recorded District expenditures. Because of subsequent program adjustments, these amounts may differ from the prior year's ending balances.

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

NOTE 3: SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2017 - 2018 eligible costs under the State Special Education Program as reported by the District are \$46,679,211. Compiled information required by compliance requirement 1-1 of the Special Education Audit Program was reported to the Wisconsin Department of Public Instruction.

NOTE 4: FOOD DISTRIBUTION

Nonmonetary assistance is reported in the schedule of expenditures of federal awards at the fair market value of the commodities received and disbursed.

NOTE 5: OVERSIGHT AGENCIES

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

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

NOTE 6: PASS THROUGH ENTITIES

Federal awards have been passed through the following entities:

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

Racine Unified School District

Racine, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

SECTION I: SUMMARY OF AUDITORS' RESULTS

BASIC FINANCIAL STATEMENTS

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

FEDERAL AND STATE AWARDS

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

Identification of major federal programs:

<u>CFDA Number</u>	<u>Name of Federal Program</u>
	<i>Child Nutrition Cluster</i>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
84.287	Twenty-First Century Community Learning Centers
84.377	School Improvement Grants
	<i>Medicaid Cluster</i>
93.778	Medical Assistance

Identification of major state programs:

<u>State ID Number</u>	<u>Name of State Program</u>
255.201	Equalization Aids
255.205	Integration Transfer Resident
255.210	High Cost Special Education Aid
255.401	Full Time Open Enrollment Transfer Payments
255.926	Aid for High Poverty School District

Racine Unified School District

Racine, Wisconsin

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED JUNE 30, 2018

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

Federal Awards	\$829,451
State Awards	\$250,000

Auditee qualified as low-risk auditee Yes

SECTION II: FINANCIAL STATEMENT FINDINGS

There are no findings related to the basic financial statements required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended June 30, 2018.

SECTION III: FEDERAL AND STATE AWARD FINDINGS AND QUESTIONED COSTS

There are no audit findings and questioned costs required to be reported under the Uniform Guidance and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration for the year ended June 30, 2018.

SECTION IV: OTHER ISSUES

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

4. Name and signature of partner



David L. Maccoux, CPA

5. Date of report

November 28, 2018

Racine Unified School District Racine, Wisconsin

SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN FOR THE YEAR ENDED JUNE 30, 2018

PRIOR YEAR AUDIT FINDINGS

None required.

CORRECTIVE ACTION PLAN

None required.