

**RACINE UNIFIED SCHOOL DISTRICT  
RACINE, WISCONSIN**

**ANNUAL FINANCIAL REPORT**

**JUNE 30, 2014**

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

June 30, 2014

Table of Contents

	<u>Page No.</u>
INDEPENDENT AUDITORS' REPORT	1 - 3
MANAGEMENT'S DISCUSSION AND ANALYSIS	4 - 10
BASIC FINANCIAL STATEMENTS	
District-wide Financial Statements	
Statement of Net Position	11
Statement of Activities	12 - 13
Fund Financial Statements	
Balance Sheet - Governmental Funds	14 - 15
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	16 - 17
Statement of Net Position - Food Service (Nonmajor) Proprietary Fund	18
Statement of Revenues, Expenses and Changes in Net Position - Food Service (Nonmajor) Proprietary Fund	19
Statement of Cash Flows - Food Service (Nonmajor) Proprietary Fund	20
Statement of Net Position - Fiduciary Funds	21
Statement of Changes in Net Position - Fiduciary Funds	22
Notes to Basic Financial Statements	23 - 43
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund - Budgetary Basis	44
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Special Education Special Revenue Fund - Budgetary Basis	45
Schedule of Funding Progress	46
Schedule of Employer Contributions - Other Post-Employment Benefit Plan	47
Notes to Required Supplemental Information	48 - 49
SUPPLEMENTARY INFORMATION	
Combining Balance Sheet - Nonmajor Governmental Funds	50 - 51
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	52 - 53
Schedule of Changes in Assets and Liabilities - Pupil Activity Funds	54

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

June 30, 2014

Table of Contents

	<u>Page No.</u>
<b>ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS</b>	
Independent Auditors' Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	55 - 56
<b>FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE</b>	
Independent Auditors' Report on Compliance for Each Major Federal and State Program and on Internal Control Over Compliance Required by OMB Circular A-133 and the <i>State Single Audit Guidelines</i>	57 - 58
Schedule of Expenditures of Federal Awards	59 - 64
Schedule of State Financial Assistance	65 - 66
Notes to the Schedule of Expenditures of Federal Awards and the Schedule of State Financial Assistance	67
Schedule of Findings and Questioned Costs	68 - 70
Schedule of Prior Year Audit Findings and Corrective Action Plan	71



## 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, the business-type activities, each major fund, and the aggregate remaining fund information of the Racine Unified School District ("the District") as of and for the year ended June 30, 2014, 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, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of funding progress and the schedule of employer contributions on pages 4 through 10 and 44 through 47 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the District's basic financial statements. The financial information listed in the table of contents as supplementary information is presented for purposes of additional analysis and is not a required part of the basic financial statements. The schedule of expenditures of federal awards and schedule of state financial assistance are presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration and are also not a required part of the basic financial statements.

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

## **Report on Summarized Financial Information**

We have previously audited the District's 2013 financial statements, and our report dated November 12, 2013, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type 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, 2013, is consistent, in all material respects, with the audited financial statements from which it has been derived.

**Report Issued in Accordance with *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2014, 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 14, 2014

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



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

---

Management's Discussion and Analysis  
For the Year Ended June 30, 2014

**FINANCIAL HIGHLIGHTS**

- The District's overall financial position, as reflected in total net position, decreased \$1,623,467 during the 2013-14 fiscal year. (See pages 12 -13)
- The District continued to implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-retirement Benefits Other than Pensions during the 2014 year. The actuarially determined expense was \$1,207,685 greater than the District's post-retirement plan contributions for the year compared to \$305,426 less for the prior year. (See page 40)
- The District's governmental fund balance reported a decrease of \$38,514,949 compared to an increase of \$44,796,340 in the prior year. Decreases were reported in the General Fund (\$5,476,568), Capital Projects Fund (\$19,041,088) and Debt Service Funds (\$13,926,641). The decreases in the Capital Projects and Debt Service Funds result from 2012-13 debt proceeds spent on capital improvements or debt retirement in the current fiscal year. (See pages 16 - 17)

**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 three types of funds: governmental, proprietary, and fiduciary. Governmental funds are: general, special revenue, special education, special project, debt service, and capital projects. The District has one proprietary fund, the food service fund. The District has three fiduciary funds. A private purpose trust fund accounts for financial resources to benefit specified beneficiaries, an employee benefit trust fund accounts for District and retiree contributions for post-retirement health and dental coverage and an agency fund to account for funds of student organizations.
- Financial information is presented separately on the Balance Sheet and the Statement of Revenue, Expenditures, and Changes in Fund Balance for the general fund 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 proprietary fund statements for the District's food service program are prepared on the same basis of accounting and measurement focus as the district-wide financial statements. In addition, the District provides a statement of cash flows for the proprietary funds.
- The District serves as a trustee, or fiduciary, for student organizations and for certain trust beneficiaries. The assets of these funds do not directly benefit nor are under the direct control of the District. The District's responsibility is limited to ensuring the assets reported in these funds are used only for their intended purposes. Fiduciary activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.
- The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement for the general fund has been provided to demonstrate compliance with this budget.

## **Notes to the Financial Statements**

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

## FINANCIAL ANALYSIS

### The District as a Whole

#### Net Position

Table 1, below, provides a summary of the District's statement of net position for the year ended June 30, 2014 with a comparison to the prior year.

<b>Table 1</b>							
<b>Condensed Statement of Net Assets</b>							
<b>(in thousands of dollars)</b>							
	Governmental Activities		Business-type Activities		Totals School District		%
	2014	2013	2014	2013	2014	2013	Change 2013-14
<b>Assets</b>							
Current assets	\$ 77,320	\$ 110,405	\$ 2,902	\$ 2,288	\$ 80,222	\$ 112,693	-28.8%
Capital assets	92,857	75,024	477	529	93,334	75,553	23.5%
<b>Total Assets</b>	<b>170,177</b>	<b>185,429</b>	<b>3,379</b>	<b>2,817</b>	<b>173,556</b>	<b>188,246</b>	<b>-7.8%</b>
<b>Deferred Outflows</b>							
Loss on advance refunding	322	486	-	-	322	486	-33.7%
<b>Liabilities</b>							
Long-term debt	74,991	93,710	-	5	74,991	93,715	-20.0%
Other liabilities	34,594	28,781	46	80	34,640	28,861	20.0%
<b>Total Liabilities</b>	<b>109,585</b>	<b>122,491</b>	<b>46</b>	<b>85</b>	<b>109,631</b>	<b>122,576</b>	<b>-11.8%</b>
<b>Deferred Inflows</b>							
Technology claims	-	286	-	-	-	286	-100.0%
<b>Net Position</b>							
Net investment in capital assets	44,197	42,772	477	524	44,674	43,296	3.2%
Restricted	866	599	2,856	2,208	3,722	2,807	32.6%
Unrestricted	15,851	19,767	-	-	15,851	19,767	19.8%
<b>Total Net Position</b>	<b>\$ 60,914</b>	<b>\$ 63,138</b>	<b>\$ 3,333</b>	<b>\$ 2,732</b>	<b>\$ 64,247</b>	<b>\$ 65,870</b>	<b>-2.5%</b>

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

## Change in Net Position

Table 2, below, shows the changes in net position for the fiscal year ended June 30, 2014 with a comparison to the prior year.

	Governmental Activities		Business-type Activities		Totals School District		% Change
	2014	2013	2014	2013	2014	2013	2012-13
<b>Revenues</b>							
Program Revenues							
Charges for services	\$ 1,252	\$ 1,245	\$ 1,615	\$ 1,662	\$ 2,867	\$ 2,907	-1.4%
Operating grants and contributions	43,268	39,429	7,077	6,861	50,345	46,290	8.8%
General Revenues							
Property taxes	78,729	84,340	-	-	78,729	84,340	-6.7%
State Formula aid	131,163	122,853	-	-	131,163	122,853	6.8%
Interest	16	17	-	-	16	17	-5.9%
Other	4,635	1,813	-	-	4,635	1,813	155.7%
<b>Total Revenues</b>	<b>259,063</b>	<b>249,697</b>	<b>8,692</b>	<b>8,523</b>	<b>267,755</b>	<b>258,220</b>	<b>3.7%</b>
<b>Expenses</b>							
Instruction	147,957	137,307	-	-	147,957	137,307	7.8%
Pupil and instructional services	33,802	30,411	-	-	33,802	30,411	11.2%
Administration and business	55,059	51,059	8,091	7,821	63,150	58,880	7.3%
Central services and insurance	12,576	8,457	-	-	12,576	8,457	48.7%
Interest on debt	1,942	2,293	-	-	1,942	2,293	-15.3%
Non-program	9,108	8,445	-	-	9,108	8,445	7.9%
Miscellaneous	843	897	-	-	843	897	-6.0%
<b>Total Expenses</b>	<b>261,287</b>	<b>238,869</b>	<b>8,091</b>	<b>7,821</b>	<b>269,378</b>	<b>246,690</b>	<b>8.4%</b>
<b>Change in Net Position</b>	<b>\$ (2,224)</b>	<b>\$ 10,828</b>	<b>\$ 601</b>	<b>\$ 702</b>	<b>\$ (1,623)</b>	<b>\$ 11,530</b>	

General revenues (all revenue except operating grants and contributions and charges for services) provide about 83% of the funding for governmental activities and 0% of the funding for business-type activities. Racine Unified School District relies on property taxes for 30% 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
	2014	2013	2014	2013	2013-14
Instruction	\$ 147,957	\$ 137,307	\$ 106,247	\$ 99,044	-6.8%
Pupil and instructional services	33,802	30,411	31,963	28,608	-10.5%
Administration and business	55,059	51,059	54,569	50,600	-7.3%
Central services and insurance	12,576	8,457	12,224	8,455	-30.8%
Interest on debt	1,942	2,293	1,942	2,293	18.1%
Non-program	9,108	8,445	9,108	8,445	-7.3%
Miscellaneous	843	897	713	751	5.3%
<b>Totals</b>	<b>\$ 261,287</b>	<b>\$ 238,869</b>	<b>\$ 216,766</b>	<b>\$ 198,196</b>	<b>-8.6%</b>

**Business-Type Activities**

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

- Federal and state reimbursement for meals, including payments for free and reduced lunches, was \$7.1 million while charges for services were \$1.6 million. Overall revenues increased by \$216 thousand.
- Expenses increased by \$270 thousand to \$8.1 million.
- The food service operation reported a gain of \$601 thousand compared to a gain of \$702 thousand for the prior year.

**Governmental Funds**

The District completed the year with a total governmental fund balance of \$43.1 million, a decrease of \$38.5 million from the prior year.

- Total general fund revenue for the year was \$55 thousand greater than budget.
- Total general fund program expenditures, including non-program transactions, was less than the budget by \$1.1 million.
- The original general fund budget forecasted a decrease in general fund balance of \$4.9 million while the final budget forecast a decrease of \$7.6 million while the actual results showed a \$5.5 million decrease.
- The debt service funds fund balance had a net decrease of \$13.9 million, due to \$14 million of debt proceeds received in 2013 and used to refund the note anticipation notes due in 2014. The debt service fund balance will fluctuate from year to year because the fund balance must be at least equal to the amount of debt payments that are scheduled prior to January 20<sup>th</sup> of the subsequent year. The typical debt service schedule for the District requires interest payments prior to January 20<sup>th</sup> with an additional interest payment and principal payment occurring in March of each year.
- For fiscal year 2013-2014, the capital projects funds fund balance decreased by \$19.0 million as debt proceeds were spent in 2013-14.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of the 2014 fiscal year, the District had net capital assets of \$93.3 million in a broad range of capital assets, including buildings, sites, furniture, and equipment (see Table 4). Additional information about capital assets can be found in the notes to the financial statements.

	Governmental Activities		Business-type Activities		Totals School District		% Change
	2013	2013	2013	2013	2013	2012	2012-13
Land	\$ 2,475	\$ 2,475	\$ -	\$ -	\$ 2,475	\$ 2,475	0.0%
Work in progress	2,555	13,477	-	-	2,555	13,477	-81.0%
Site improvements	4,125	2,378	-	-	4,125	2,378	73.5%
Buildings	73,953	46,697	-	-	73,953	46,697	58.4%
Machinery and equipment	9,749	9,997	477	529	10,226	10,526	-2.9%
<b>Total</b>	<b>\$ 92,857</b>	<b>\$ 75,024</b>	<b>\$ 477</b>	<b>\$ 529</b>	<b>\$ 93,334</b>	<b>\$ 75,553</b>	<b>23.5%</b>

## Long-Term Debt and Other Obligations

At year end, the district had \$53.7 million in general obligation debt outstanding, a decrease of \$4.6 million from last year. Additional information about the District's long-term liabilities is presented in the notes to the financial statements.

	Governmental Activities		Business-type Activities		Totals School District		% Change
	2014	2013	2014	2013	2014	2012	2012-13
General obligation debt	\$ 53,661	\$ 58,224	\$ -	\$ -	\$ 53,661	\$ 58,224	-7.8%
Note anticipation note	-	14,000	-	-	-	14,000	-100.0%
Premium on debt	1,296	1,426	-	-	1,296	1,426	-9.1%
Capital leases	483	2,087	-	5	483	2,092	-76.9%
Other post-employment benefits	17,483	16,275	-	-	17,483	16,275	7.4%
Pension benefits	433	299	-	-	433	299	0.0%
Compensated absences	1,635	1,399	-	-	1,635	1,399	16.9%
<b>Total</b>	<b>\$ 74,991</b>	<b>\$ 93,710</b>	<b>\$ -</b>	<b>\$ 5</b>	<b>\$ 74,991</b>	<b>\$ 93,715</b>	<b>-20.0%</b>

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

## **BASIC FINANCIAL STATEMENTS**

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

Statement of Net Position

June 30, 2014

(With summarized financial information as of June 30, 2013)

	Governmental Activities	Business-type Activities	Totals	
			2014	2013
<b>ASSETS</b>				
Cash and investments	\$ 49,620,364	\$ -	\$ 49,620,364	\$ 77,440,402
Receivables				
Taxes	17,836,062	-	17,836,062	19,405,318
Accounts	719,987	21,543	741,530	2,197,551
Internal balances	(2,486,319)	2,486,319	-	-
Due from other governments	10,007,132	394,056	10,401,188	11,572,519
Inventories and prepaid items	1,622,926	-	1,622,926	2,077,020
Capital assets				
Land	2,474,986	-	2,474,986	2,474,986
Construction in progress	2,555,486	-	2,555,486	13,477,164
Site improvements	8,132,806	-	8,132,806	6,198,941
Buildings	128,879,497	-	128,879,497	99,494,531
Machinery and equipment	25,126,503	1,583,436	26,709,939	25,686,095
Less: Accumulated depreciation	(74,312,773)	(1,106,482)	(75,419,255)	(71,778,986)
<b>TOTAL ASSETS</b>	<b>170,176,657</b>	<b>3,378,872</b>	<b>173,555,529</b>	<b>188,245,541</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on advance refunding	322,288	-	322,288	486,085
<b>LIABILITIES</b>				
Short-term notes payable	-	-	-	14,000,000
Accounts payable	11,877,166	-	11,877,166	7,151,179
Accrued payroll liabilities	22,279,897	-	22,279,897	21,368,429
Accrued interest payable	395,186	-	395,186	297,855
Unearned revenues	56,850	45,964	102,814	42,888
Long-term obligations				
Due within one year	4,596,705	-	4,596,705	7,394,369
Due in more than one year	70,394,110	-	70,394,110	72,320,543
<b>TOTAL LIABILITIES</b>	<b>109,584,914</b>	<b>45,964</b>	<b>109,630,878</b>	<b>122,575,263</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Technology claims	-	-	-	285,957
<b>NET POSITION</b>				
Net investment in capital assets	44,196,662	476,954	44,673,616	43,295,955
Restricted for				
Private gifts and donations	188,670	-	188,670	184,665
Grant expenditures	33,216	-	33,216	32,965
Debt service	534,872	-	534,872	196,613
Community service programs	110,060	-	110,060	184,968
Food service	-	2,855,954	2,855,954	2,208,169
Unrestricted	15,850,551	-	15,850,551	19,767,071
<b>TOTAL NET POSITION</b>	<b>\$ 60,914,031</b>	<b>\$ 3,332,908</b>	<b>\$ 64,246,939</b>	<b>\$ 65,870,406</b>

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, 2014

(With summarized financial information for the year ended June 30, 2013)

Functions/Programs	Expenses	Program Revenues		Capital Grants and Contributions
		Charges for Services	Operating Grants and Contributions	
<b>Governmental Activities</b>				
Instruction	\$ 147,956,754	\$ 808,233	\$ 40,900,547	\$ -
Support services	101,437,575	314,126	2,367,120	-
Other				
Interest and fiscal charges	1,941,682	-	-	-
Community services	842,709	129,915	-	-
Non-program transactions	9,107,811	-	-	-
Total Other	<u>11,892,202</u>	<u>129,915</u>	<u>-</u>	<u>-</u>
<b>Total Governmental Activities</b>	<u>261,286,531</u>	<u>1,252,274</u>	<u>43,267,667</u>	<u>-</u>
<b>Business-type Activities</b>				
School food service program	<u>8,090,891</u>	<u>1,614,513</u>	<u>7,077,123</u>	<u>-</u>
<b>Total School District</b>	<u>\$ 269,377,422</u>	<u>\$ 2,866,787</u>	<u>\$ 50,344,790</u>	<u>\$ -</u>

General revenues

Property taxes, levied for general purposes

Property taxes, levied for debt service

Other taxes

State and federal aids not restricted to specific functions

Interest and investment earnings

Miscellaneous

Total General Revenues

Change in net position

Cumulative change in accounting principle

Net position - July 1

Net position - June 30

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

Net (Expense) Revenue and Changes in Net Position			
Governmental Activities	Business-type Activities	Totals	
		2014	2013
\$ (106,247,974)	\$ -	\$ (106,247,974)	\$ (99,044,156)
(98,756,329)	-	(98,756,329)	(87,663,919)
(1,941,682)	-	(1,941,682)	(2,292,528)
(712,794)	-	(712,794)	(750,677)
(9,107,811)	-	(9,107,811)	(8,444,699)
(11,762,287)	-	(11,762,287)	(11,487,904)
(216,766,590)	-	(216,766,590)	(198,195,979)
-	600,745	600,745	702,161
(216,766,590)	600,745	(216,165,845)	(197,493,818)
72,349,144	-	72,349,144	79,942,824
6,380,047	-	6,380,047	4,396,739
30,328	-	30,328	36,383
131,162,789	-	131,162,789	122,852,654
15,814	-	15,814	17,990
4,604,256	-	4,604,256	1,777,219
214,542,378	-	214,542,378	209,023,809
(2,224,212)	600,745	(1,623,467)	11,529,991
-	-	-	(322,460)
63,138,243	2,732,163	65,870,406	54,662,875
\$ 60,914,031	\$ 3,332,908	\$ 64,246,939	\$ 65,870,406

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2014

(With summarized financial information as of June 30, 2013)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds	
				2014	2013
<b>ASSETS</b>					
Cash and investments	\$ 47,862,489	\$ 1,757,875	\$ -	\$ 49,620,364	\$ 77,440,402
Receivables					
Taxes	17,836,062	-	-	17,836,062	19,405,318
Accounts	719,987	-	-	719,987	2,186,700
Due from other funds	711,228	850,253	4,245,610	5,807,091	20,756,840
Receivable from fiduciary funds	-	-	-	-	-
Due from other governments	9,863,959	-	158,173	10,022,132	11,360,686
Inventories	1,101,230	-	-	1,101,230	1,406,653
Prepaid items	506,696	15,000	-	521,696	669,836
<b>TOTAL ASSETS</b>	<b>\$ 78,601,651</b>	<b>\$ 2,623,128</b>	<b>\$ 4,403,783</b>	<b>\$ 85,628,562</b>	<b>\$ 133,226,435</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 11,877,166	\$ -	\$ -	\$ 11,877,166	\$ 7,114,190
Accrued payroll liabilities	22,279,897	-	-	22,279,897	21,368,429
Due to other funds	3,066,811	2,084,820	3,141,779	8,293,410	22,821,671
Unearned revenues	56,850	-	-	56,850	-
<b>Total Liabilities</b>	<b>37,280,724</b>	<b>2,084,820</b>	<b>3,141,779</b>	<b>42,507,323</b>	<b>51,304,290</b>
Deferred Inflows of Resources					
Technology claims	-	-	-	-	285,957
Fund Balances					
Nonspendable					
Inventories	1,101,230	-	-	1,101,230	1,406,653
Prepaid items	506,696	15,000	-	521,696	669,836
Restricted					
Private gifts and donations	-	-	188,670	188,670	184,665
Grant expenditures	-	-	33,216	33,216	32,965
Debt service funds	-	-	930,058	930,058	14,856,699
Community service programs	-	-	110,060	110,060	184,968
Assigned					
Referendum	10,000,000	-	-	10,000,000	10,000,000
Health care cost stabilization	8,000,000	-	-	8,000,000	8,000,000
Construction of capital assets	600,000	-	-	600,000	600,000
Unassigned, reported in					
General fund	21,113,001	523,308	-	21,636,309	45,700,402
<b>Total Fund Balances</b>	<b>41,320,927</b>	<b>538,308</b>	<b>1,262,004</b>	<b>43,121,239</b>	<b>81,636,188</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 78,601,651</b>	<b>\$ 2,623,128</b>	<b>\$ 4,403,783</b>	<b>\$ 85,628,562</b>	<b>\$ 133,226,435</b>

(Continued)

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin  
 Balance Sheet (Continued)  
 Governmental Funds  
 June 30, 2014

(With summarized financial information as of June 30, 2013)

	Total Governmental Funds	
	2014	2013
<u>Reconciliation to the Statement of Net Position</u>		
Total Fund Balances from previous page	\$ 43,121,239	\$ 81,636,188
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	92,856,505	75,024,184
Deferred outflow of resources is reported in the statement of net position for loss on advance refinancing.	322,288	486,085
Some liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	(53,660,877)	(72,224,463)
Premium on long-term debt	(1,296,287)	(1,426,192)
Capital leases payable	(483,121)	(2,086,648)
Other post-employment benefits	(17,483,076)	(16,275,391)
Pension benefits	(432,766)	(298,577)
Compensated absences	(1,634,688)	(1,399,088)
Accrued interest payable	(395,186)	(297,855)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 11)	<u>\$ 60,914,031</u>	<u>\$ 63,138,243</u>

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

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2014

(With summarized financial information for the year ended June 30, 2013)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds	
				2014	2013
<b>Revenues</b>					
Property taxes	\$ 71,499,144	\$ -	\$ 7,230,047	\$ 78,729,191	\$ 84,339,563
Other local sources	735,079	14,946	281,350	1,031,375	1,249,576
Interdistrict sources	266,799	-	-	266,799	121,632
Intermediate sources	6,338	-	-	6,338	-
State sources	150,439,409	-	-	150,439,409	142,282,729
Federal sources	22,997,955	-	641,985	23,639,940	19,998,353
Other sources	4,903,790	-	-	4,903,790	2,159,560
<b>Total Revenues</b>	<b>250,848,514</b>	<b>14,946</b>	<b>8,153,382</b>	<b>259,016,842</b>	<b>250,151,413</b>
<b>Expenditures</b>					
<b>Instruction</b>					
Regular instruction	95,467,321	-	15,040	95,482,361	87,628,985
Vocational instruction	4,822,832	-	-	4,822,832	4,706,525
Special education instruction	39,804,326	-	-	39,804,326	37,985,311
Other instruction	6,354,039	-	449,738	6,803,777	6,905,112
<b>Total Instruction</b>	<b>146,448,518</b>	<b>-</b>	<b>464,778</b>	<b>146,913,296</b>	<b>137,225,933</b>
<b>Support Services</b>					
Pupil services	15,278,631	-	2,209	15,280,840	14,102,226
Instructional staff services	14,239,359	-	164,502	14,403,861	13,276,869
General administration services	2,798,579	-	90,163	2,888,742	2,184,686
School administration services	10,952,695	-	130,804	11,083,499	10,729,347
Business services	2,476,051	-	-	2,476,051	4,981,447
Operation and maintenance of plant	31,523,257	19,058,374	1,222	50,582,853	39,951,740
Pupil transportation services	8,899,890	-	31,829	8,931,719	8,865,490
Central services	11,869,886	-	53,877	11,923,763	6,328,407
Insurance	804,953	-	-	804,953	763,082
Other support services	363,771	-	-	363,771	1,795,524
<b>Total Support Services</b>	<b>99,207,072</b>	<b>19,058,374</b>	<b>474,606</b>	<b>118,740,052</b>	<b>102,978,818</b>
<b>Debt Service</b>					
Principal	2,028,341	-	18,563,586	20,591,927	4,565,722
Interest and fiscal charges	67,357	-	1,743,102	1,810,459	2,025,877
<b>Total Debt Service</b>	<b>2,095,698</b>	<b>-</b>	<b>20,306,688</b>	<b>22,402,386</b>	<b>6,591,599</b>
<b>Community Services</b>					
Non-program	-	-	841,150	841,150	937,939
General tuition payments	8,586,684	-	-	8,586,684	7,824,641
Special education tuition payments	377,286	-	-	377,286	492,800
Adjustments and refunds	91,720	-	52,121	143,841	127,258
<b>Total Non-program</b>	<b>9,055,690</b>	<b>-</b>	<b>52,121</b>	<b>9,107,811</b>	<b>8,444,699</b>
<b>Total Expenditures</b>	<b>256,806,978</b>	<b>19,058,374</b>	<b>22,139,343</b>	<b>298,004,695</b>	<b>256,178,988</b>
<b>Excess of Revenues Under Expenditures</b>	<b>(5,958,464)</b>	<b>(19,043,428)</b>	<b>(13,985,961)</b>	<b>(38,987,853)</b>	<b>(6,027,575)</b>
<b>Other Financing Sources (Uses)</b>					
Long-term debt issued	-	-	-	-	57,755,000
Capital leases	424,814	-	-	424,814	1,750,142
Premium on long term debt issued	-	-	-	-	1,318,773
Payment to current noteholder	-	-	-	-	(10,000,000)
Sale of capital assets	45,750	2,340	-	48,090	-
Transfers in	11,332	-	-	11,332	23,196
Transfers out	-	-	(11,332)	(11,332)	(23,196)
<b>Total Other Financing Sources (Uses)</b>	<b>481,896</b>	<b>2,340</b>	<b>(11,332)</b>	<b>472,904</b>	<b>50,823,915</b>
<b>Net Change in Fund Balances</b>	<b>(5,476,568)</b>	<b>(19,041,088)</b>	<b>(13,997,293)</b>	<b>(38,514,949)</b>	<b>44,796,340</b>
<b>Fund Balances - July 1</b>	<b>46,797,495</b>	<b>19,579,396</b>	<b>15,259,297</b>	<b>81,636,188</b>	<b>36,839,848</b>
<b>Fund Balances - June 30</b>	<b>\$ 41,320,927</b>	<b>\$ 538,308</b>	<b>\$ 1,262,004</b>	<b>\$ 43,121,239</b>	<b>\$ 81,636,188</b>

(Continued)

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)  
Governmental Funds  
For the Year Ended June 30, 2014  
(With summarized financial information as of June 30, 2013)

Total Governmental Funds	
2014	2013

Reconciliation to the Statement of Activities

Net Change in Fund Balances from previous page	\$ (38,514,949)	\$ 44,796,340
<p>Amounts reported for governmental activities in the statement of activities are different because:</p>		
<p>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.</p>		
Capital outlay reported in governmental fund statements	\$ 21,796,247	
Depreciation expense reported in the statement of activities	<u>(3,933,103)</u>	
Amount in which depreciation is (greater) less than capital outlays	17,863,144	12,490,461
<p>In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the loss on the disposal is reported.</p>		
	(30,823)	-
<p>Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. The accrual of these benefits (increased) decreased by:</p>		
	(235,600)	(129,233)
<p>The District's contributions to its employee benefit trust fund to finance its post-retirement benefits have been less than the annual required contribution (ARC). The payments to the employee benefit trust fund are recorded as an expenditure when paid in the governmental statements. The statement of activities reports the ARC as the expense. The difference is:</p>		
	(1,207,685)	305,426
<p>The District maintains a pension plan for employees and funds it on a pay-as-you-go basis. The payments made for benefits throughout the year are recorded as an expenditure when paid in the governmental statements. The statement of activities reports the annual required contribution as the expense. The difference is:</p>		
	(134,189)	(110,320)
<p>The District issued debt during the year. The amount of the debt is reported in the governmental funds as a source of financing. In the statement of net position, however, debt constitutes a long-term liability. The amount of debt issued is:</p>		
General obligation debt issued by District	-	(47,755,000)
Capital leases issued by the District	(424,814)	(1,750,142)
<p>Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of long-term debt principal payments:</p>		
General obligation debt retired by District	18,563,586	3,141,868
Capital leases retired by the District	2,028,341	1,222,764
<p>Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid. In the statement of activities interest is reported as it accrues.</p>		
	(97,331)	(34,418)
<p>Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of the net assets, they are deferred and reported as other assets or deductions from long-term debt and allocated over the life of the debt on the statement of activities and included in interest expense</p>		
Premium on long-term debt	129,905	(1,186,119)
Loss on advance refunding	<u>(163,797)</u>	<u>(163,797)</u>
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see pages 12 - 13)	<u>\$ (2,224,212)</u>	<u>\$ 10,827,830</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  
Food Service Proprietary Fund  
June 30, 2014  
(With summarized financial information as of June 30, 2013)

	2014	2013
<b>ASSETS</b>		
Receivables		
Accounts	\$ 21,543	\$ 10,851
Due from other funds	2,488,500	2,064,831
Due from other governments	394,056	211,833
Inventories and prepaid items	-	531
Capital assets		
Machinery and equipment	1,583,436	1,586,783
Less: Accumulated depreciation	(1,106,482)	(1,058,236)
<b>TOTAL ASSETS</b>	<b>3,381,053</b>	<b>2,816,593</b>
<b>LIABILITIES</b>		
Accounts payable	-	36,989
Due to other funds	2,181	-
Unearned revenues	45,964	42,888
Long-term obligations		
Due within one year	-	2,246
Due in more than one year	-	2,307
<b>TOTAL LIABILITIES</b>	<b>48,145</b>	<b>84,430</b>
<b>NET POSITION</b>		
Net investment in capital assets	476,954	523,994
Unrestricted	2,855,954	2,208,169
<b>TOTAL NET POSITION</b>	<b>\$ 3,332,908</b>	<b>\$ 2,732,163</b>

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Statement of Revenues, Expenses and Changes in Net Position  
Food Service Proprietary Fund  
For the Year Ended June 30, 2014  
(With summarized financial information for the year ended June 30, 2013)

	2014	2013
Operating Revenues		
Food sales	\$ 1,521,084	\$ 1,655,406
State sources	153,172	148,009
Federal sources	6,923,951	6,713,302
Other sources	93,429	6,461
Total Operating Revenues	<u>8,691,636</u>	<u>8,523,178</u>
Operating Expenses		
Salaries and wages	360,641	363,041
Employer paid benefits	168,625	167,159
Purchased services	6,733,641	6,361,792
Supplies and materials	754,764	861,691
Depreciation	72,884	67,185
Total Operating Expenses	<u>8,090,555</u>	<u>7,820,868</u>
Operating Income	<u>601,081</u>	<u>702,310</u>
Nonoperating Expense		
Interest expense	<u>(336)</u>	<u>(149)</u>
Change in Net Position	600,745	702,161
Net Position - July 1	<u>2,732,163</u>	<u>2,030,002</u>
Net Position - June 30	<u>\$ 3,332,908</u>	<u>\$ 2,732,163</u>

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



**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

Statement of Cash Flows

Food Service Proprietary Fund

For the Year Ended June 30, 2014

(With summarized financial information for the year ended June 30, 2013)

	2014	2013
Cash Flows from Operating Activities		
Cash received from user charges	\$ 1,606,897	\$ 1,656,769
Cash received from other government payments	6,365,375	6,318,331
Cash payments to employees	(529,266)	(530,200)
Cash payments to suppliers	(6,995,338)	(6,677,448)
Net Cash Provided for Operating Activities	<u>447,668</u>	<u>767,452</u>
Cash Flows from Noncapital Financing Activities		
Change in temporary cash advance	<u>(421,488)</u>	<u>(480,222)</u>
Cash Flows from Capital and Related Financing Activities		
Capital lease paid	(4,553)	(1,016)
Acquisition of capital assets	(21,291)	(286,065)
Interest payments on long-term debt	(336)	(149)
Net Cash Used by Capital and Related Financing Activities	<u>(26,180)</u>	<u>(287,230)</u>
Change in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents - July 1	-	-
Cash and Cash Equivalents - June 30	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided for Operating Activities:		
Operating income	\$ 601,081	\$ 702,310
Adjustments to reconcile change in operating income to net cash provided for operating activities		
Depreciation	72,884	67,185
Changes in assets and liabilities		
Accounts receivable	(10,692)	(5,705)
Due from other governments	(182,223)	(33,057)
Prepaid items	531	(531)
Accounts payable	(36,989)	36,643
Unearned revenue	3,076	607
Net Cash Provided for Operating Activities	<u>\$ 447,668</u>	<u>\$ 767,452</u>
Noncash Activities:		
Commodities Received From U.S. Department of Agriculture	\$ 529,525	\$ 509,923
Capital assets purchased under capital leases	-	5,569

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, 2014

(With summarized financial information as of June 30, 2013)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Agency Fund	Total Fiduciary Funds	
			Pupil Activity	2014	2013
<b>ASSETS</b>					
Cash and investments	\$ 40,151	\$ 7,660,688	\$ 1,171,137	\$ 8,871,976	\$ 10,043,043
Accounts receivable	229,433	3,933,403	-	4,162,836	2,583,509
<b>TOTAL ASSETS</b>	<b>\$ 269,584</b>	<b>\$ 11,594,091</b>	<b>\$ 1,171,137</b>	<b>\$ 13,034,812</b>	<b>\$ 12,626,552</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 240,372	\$ 4,022,330	\$ -	\$ 4,262,702	\$ 4,198,921
Due to student organizations	-	-	1,171,137	1,171,137	1,167,197
<b>TOTAL LIABILITIES</b>	<b>240,372</b>	<b>4,022,330</b>	<b>1,171,137</b>	<b>5,433,839</b>	<b>5,366,118</b>
<b>NET POSITION</b>					
Restricted for					
Scholarships	29,212	-	-	29,212	61,102
Employee benefits	-	7,571,761	-	7,571,761	7,199,332
<b>TOTAL NET POSITION</b>	<b>29,212</b>	<b>7,571,761</b>	<b>-</b>	<b>7,600,973</b>	<b>7,260,434</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 269,584</b>	<b>\$ 11,594,091</b>	<b>\$ 1,171,137</b>	<b>\$ 13,034,812</b>	<b>\$ 12,626,552</b>

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

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

Statement of Changes in Net Position

Fiduciary Funds

For the Year Ended June 30, 2014

(With summarized financial information for the year ended June 30, 2013)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Total Fiduciary Funds	
			2014	2013
<b>ADDITIONS</b>				
Other local sources	\$ 183,001	\$ -	\$ 183,001	\$ 248,928
Contributions				
Employer	-	7,376,458	7,376,458	6,405,986
Plan members	-	319,840	319,840	300,485
Investment earnings	-	5,939	5,939	16,578
<b>Total Additions</b>	<u>183,001</u>	<u>7,702,237</u>	<u>7,885,238</u>	<u>6,971,977</u>
<b>DEDUCTIONS</b>				
Trust fund disbursements	214,891	7,329,808	7,544,699	6,107,504
<b>Change in Net Position</b>	<u>(31,890)</u>	<u>372,429</u>	<u>340,539</u>	<u>864,473</u>
<b>Net Position - July 1</b>	<u>61,102</u>	<u>7,199,332</u>	<u>7,260,434</u>	<u>6,395,961</u>
<b>Net Position - June 30</b>	<u>\$ 29,212</u>	<u>\$ 7,571,761</u>	<u>\$ 7,600,973</u>	<u>\$ 7,260,434</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, 2014

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

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

1. Reporting Entity

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

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

2. District-Wide and Fund Financial Statements

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

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

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

The District reports the following major governmental funds:

**GENERAL FUND**

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

**CAPITAL PROJECTS FUND**

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

The District reports one major proprietary fund. The District uses an enterprise fund to account for their food service operations.

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2014

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

Additionally, the District reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2014

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

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

a. Cash and Investments

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

b. Accounts Receivable

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

c. Property Taxes

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

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

d. Interfund Receivables and Payables

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

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

e. Inventories

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

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2014

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

f. Prepaid Items

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

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

g. Capital Assets

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

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

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

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

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

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

h. Compensated Absences

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2014

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

i. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the district-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

In addition to liabilities, the statement of net position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as an inflow of resources (revenue) until that time. The District has one type of item that qualifies for reporting in this category, technology claims. This amount will be recognized as an inflow of resources in the subsequent year.

j. Long-term Obligations

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

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



**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2014

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

k. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

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

The Board of Education current policy under Coherent Governance is that the general fund balance will increase by \$1 million per year. The current general fund balance represents 21% of the 2014-15 budgeted expenditures.

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2014

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

5. Use of Estimates

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

6. Summarized Information

The basic financial statements include certain prior-year summarized information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2013, from which the summarized information was derived.

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

1. Cash and Investments

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

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

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

The carrying amount of the District's cash and investments totaled \$58,492,340 on June 30, 2014 as summarized below:

Petty cash funds	\$ 894
Deposits with financial institutions	53,997,082
Deposits with trustee	884,483
Investments	
Wisconsin Investment Series Cooperative (WISC)	
Cash management series	319,801
Investment series	1,202
Negotiable certificates of deposit	1,494,396
Wisconsin local government investment pool	1,794,482
	\$ 58,492,340

Reconciliation to the basic financial statements:

District-wide Statement of Net Position	
Cash and investments	\$ 49,620,364
Fiduciary funds Statement of Net Position	
Private purpose trust fund	40,151
Employee benefit trust fund	7,660,688
Agency fund	1,171,137
	\$ 58,492,340

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2014

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

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

Custodial Credit Risk

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

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

On June 30, 2014, \$34,196 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits.

Credit Risk

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

Investment Type	Amount	Exempt From Disclosure	Rating as of Year End		
			AAA	Aa	Not Rated
Wisconsin local government investment pool	\$ 1,794,482	\$ -	\$ -	\$ -	\$ 1,794,482
WISC Investments					
Cash management series	319,801	-	319,801	-	-
Investment series	1,202	-	1,202	-	-
Negotiable certificates of deposit	1,494,396	-	-	-	1,494,396
<b>Totals</b>	<b>\$ 3,609,881</b>	<b>\$ -</b>	<b>\$ 321,003</b>	<b>\$ -</b>	<b>\$ 3,288,878</b>

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2014

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

Interest Rate Risk

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

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

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Wisconsin local government investment pool	\$ 1,794,482	\$ 1,794,482	\$ -	\$ -	\$ -
WISC Investments					
Cash management series	319,801	319,801	-	-	-
Investment series	1,202	1,202	-	-	-
Negotiable certificates of deposit	1,494,396	1,494,396	-	-	-
<b>Totals</b>	<b>\$ 3,609,881</b>	<b>\$ 3,609,881</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Investment in Wisconsin Local Government Investment Pool

The District has investments in the Wisconsin local government investment pool of \$1,794,482 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2014, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

Investment in Wisconsin Investment Series Cooperative

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$321,003 at year end consisting of \$319,801 invested in the Cash Management Series and \$1,202 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 intergovernmental Cooperation Statute, Wisconsin Statutes, Section 66.0301. WISC is governed by the Wisconsin Investment Series Cooperative Commission in accordance with the terms of the Intergovernmental Cooperation Agreement. WISC invests District funds in accordance with Wisconsin law. WISC investments are valued at amortized cost, which approximates market value.

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2014

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

2. Capital Assets

Capital asset activity for the year ended June 30, 2014 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 2,474,986	\$ -	\$ -	\$ 2,474,986
Work in progress	13,477,164	2,555,485	13,477,163	2,555,486
Total capital assets, not being depreciated	<u>15,952,150</u>	<u>2,555,485</u>	<u>13,477,163</u>	<u>5,030,472</u>
Capital assets, being depreciated:				
Site improvements	6,198,941	1,933,865	-	8,132,806
Buildings	99,494,531	29,390,202	5,236	128,879,497
Machinery and equipment	24,099,312	1,393,858	366,667	25,126,503
Total capital assets being depreciated	<u>129,792,784</u>	<u>32,717,925</u>	<u>371,903</u>	<u>162,138,806</u>
Less accumulated depreciation for:				
Site improvements	3,821,188	186,620	-	4,007,808
Buildings	52,797,093	2,134,796	5,236	54,926,653
Machinery and equipment	14,102,469	1,611,687	335,844	15,378,312
Total accumulated depreciation	<u>70,720,750</u>	<u>3,933,103</u>	<u>341,080</u>	<u>74,312,773</u>
Total capital assets, being depreciated, net	<u>59,072,034</u>	<u>28,784,822</u>	<u>30,823</u>	<u>87,826,033</u>
Governmental activities capital assets, net	<u>\$ 75,024,184</u>	<u>\$ 31,340,307</u>	<u>\$ 13,507,986</u>	92,856,505
Less:				
Related general obligation debt outstanding				47,685,877
Capital leases				483,121
Capital related debt premium				<u>490,845</u>
Net investment in capital assets				<u>\$ 44,196,662</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Machinery and equipment	\$ 1,586,783	\$ 22,910	\$ 26,257	\$ 1,583,436
Less accumulated depreciation for:				
Machinery and equipment	<u>1,058,236</u>	<u>72,884</u>	<u>24,638</u>	<u>1,106,482</u>
Business-type activities capital assets, net	<u>\$ 528,547</u>	<u>\$ (49,974)</u>	<u>\$ 1,619</u>	<u>\$ 476,954</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2014

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

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

Governmental activities	
Instruction	
Regular instruction	\$ 161,661
Vocational instruction	55,642
Special education instruction	7,882
Total instruction	<u>225,185</u>
Support Services	
Pupil services	6,315
Instructional staff services	11,626
General administration services	7,808
School administration services	2,973
Operation and maintenance of plant	3,097,962
Central services	581,234
Total support services	<u>3,707,918</u>
Total depreciation expense - governmental activities	<u>\$ 3,933,103</u>
Business-type activities	
Food service	<u>\$ 72,884</u>

3. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the District as of June 30, 2014 are detailed below:

	Interfund Receivables	Interfund Payables
Pooled cash balances		
General Fund	\$ 711,228	\$ 3,066,811
Special Revenue Funds		
Trust	188,670	-
Special projects	82,286	207,243
Community service	110,060	-
Debt Service Funds		
Non-referendum debt service	3,680,135	2,934,536
Referendum debt service	184,459	-
Capital Projects Fund	850,253	2,084,820
Enterprise Fund		
Food service	2,488,500	2,181
Totals	<u>\$ 8,295,591</u>	<u>\$ 8,295,591</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2014

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

Interfund transfers for the year ended June 30, 2014 were as follows:

	Transfer to:
Transfers from:	General
Special Revenue Fund	
Special projects	\$ 11,332

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

4. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2014:

	Outstanding 7/1/13	Issued	Retired	Outstanding 6/30/14	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Debt					
Bonds	\$ 31,375,000	\$ -	\$ 2,575,000	\$ 28,800,000	\$ 2,695,000
Notes	26,849,463	-	1,988,586	24,860,877	1,765,322
Total	58,224,463	-	4,563,586	53,660,877	4,460,322
Note Anticipation Note	14,000,000	-	14,000,000	-	-
Premium	1,426,192	-	129,905	1,296,287	-
Capital leases	2,086,648	424,814	2,028,341	483,121	136,383
Other post-employment benefits	16,275,391	10,252,259	9,044,574	17,483,076	-
Pension benefits	298,577	349,493	215,304	432,766	-
Compensated absences	1,399,088	235,600	-	1,634,688	-
Governmental activities Long-term obligations	\$ 93,710,359	\$ 11,262,166	\$ 29,981,710	\$ 74,990,815	\$ 4,596,705
<b>Business-type activities:</b>					
Capital leases	\$ 4,553	\$ -	\$ 4,553	\$ -	\$ -

Total interest paid during the year on long-term debt totaled \$1,809,334.

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2014

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

General Obligation Debt

Detail of the outstanding general obligation debt follows:

	Issue Amount	Issue Date	Average Interest Rates (%)	Dates of Maturity	Outstanding 6/30/14
<b>General Obligation Bonds</b>					
Promissory Bonds	\$ 8,420,000	09/03/08	4.35 - 5.45%	04/01/16	\$ 3,480,000
Promissory Bonds	5,945,000	09/03/08	4.00 - 4.25%	04/01/19	5,945,000
Promissory Bonds	7,320,000	07/28/09	2.00 - 4.05%	04/01/15	1,475,000
Refunding Bonds	5,880,000	07/11/11	4.00 - 5.00%	04/01/31	5,880,000
Refunding Bonds	10,000,000	01/03/13	2.50 - 2.75%	04/01/28	10,000,000
Refunding Bonds	2,020,000	06/10/13	3.38%	04/01/23	2,020,000
Subtotal					<u>28,800,000</u>
<b>General Obligation Notes</b>					
Qualified Zone Academy					
Promissory Notes	1,728,000	04/15/08	1.00%	04/14/18	\$ 711,877
Qualified School Construction					
Promissory Notes	1,794,000	11/09/09	0.00%	09/15/19	1,794,000
Promissory Notes	1,610,000	04/05/10	2.00 - 3.625%	04/01/20	1,020,000
Promissory Notes	995,000	07/11/11	2.00 - 3.50%	04/01/20	820,000
Promissory Notes	21,735,000	06/10/13	1.00 - 3.00%	04/01/27	20,515,000
Subtotal					<u>24,860,877</u>
Total General Obligation Debt					<u>\$ 53,660,877</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$53,660,877 on June 30, 2014 are detailed below:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2015	\$ 4,460,322	\$ 1,655,225	\$ 6,115,547
2016	4,792,075	1,495,924	6,287,999
2017	4,934,846	1,312,233	6,247,079
2018	5,061,634	1,161,644	6,223,278
2019	5,055,000	1,001,813	6,056,813
2020-2024	14,287,000	3,325,188	17,612,188
2025-2029	13,850,000	1,569,400	15,419,400
2030-2032	1,220,000	82,800	1,302,800
	<u>\$ 53,660,877</u>	<u>\$ 11,604,227</u>	<u>\$ 65,265,104</u>



**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2014

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

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2014 was \$737,731,280 as follows:

Equalized valuation of the District		\$7,908,572,850
Statutory limitation percentage		<u>(x) 10%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		790,857,285
Total outstanding general obligation debt	\$ 53,660,877	
Less: Amounts available for financing general obligation debt		
Debt service fund <sup>(1)</sup>	<u>534,872</u>	
Net outstanding general obligation debt applicable to debt limitation		<u>53,126,005</u>
Legal Margin for New Debt		<u><u>\$ 737,731,280</u></u>

(1) Less interest payments due October 2014

Capital Leases

The following is a schedule by years of future minimum lease payments due under capital leases together with the present value of the net minimum lease payments as of June 30, 2014:

Year Ending June 30,	Governmental Activities
2015	\$ 154,280
2016	154,280
2017	104,154
2018	94,041
2019	<u>15,665</u>
Total Minimum Lease Payments	522,420
Less: Amount representing interest	<u>39,299</u>
Present Value of Future Minimum Lease Payments	<u><u>\$ 483,121</u></u>

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2014

**NOTE C - OTHER INFORMATION**

1. Retirement Commitments

All eligible District employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 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. 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. Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Effective the first day of the first pay period on or after June 29, 2011, the employee required contribution was changed to one-half of the actuarially determined contribution rate for employees in the General Employment category, including Teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates are as follows:

	2013		2014	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	6.65%	6.65%	7.00%	7.00%

The payroll for District employees covered by the WRS for the year ended June 30, 2014 was \$132,600,048; the employer's total payroll was \$138,925,595. The total required contribution for the year ended June 30, 2014 was \$18,090,870, which consisted of \$9,058,332 or 6.65% of covered payroll from the employer for July 1, 2013 through December 31, 2013 and 7.00% of payroll from the employer for January 1, 2014 through June 30, 2014, and \$9,058,332, or 6.65% of payroll from employees for July 1, 2013 through December 31, 2013 and 7.00% of payroll from the employees for January 1, 2014 through June 30, 2014. Total contributions for the years ended June 30, 2013 and 2012 were 16,166,816 and \$15,493,606 respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 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.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2014

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

2. Risk Management

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

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

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

At June 30, 2014, the District has reported a liability of \$3,311,474 which represents reported and unreported claims which were incurred on or before June 30, 2014, but were not paid by the District as of that date. The amounts not reported to the District were estimated using data provided by the plan administrators. Changes in the program's claim liability amount for the year ended June 30, 2014 with comparative totals for the prior year follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability June 30
2013	\$ 2,542,900	\$ 31,840,413	\$ 31,675,313	\$ 2,708,000
2014	2,708,000	32,506,071	31,902,597	3,311,474

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2014

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

3. Other Postemployment Benefits

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

a. Plan Descriptions and Contribution Information

Membership of the Plan at July 1, 2012, the date of the latest actuarial valuation:

	Active Employees	Retirees Receiving Benefits	Total
Teachers	1,418	331	1,749
Administrators	89	39	128
Building service	168	41	209
Clerical	124	10	134
Educational assistants	252	9	261
<b>Total</b>	<b>2,051</b>	<b>430</b>	<b>2,481</b>

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

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

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2014

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

b. Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$ 10,690,627
Interest on net OPEB	651,016
Adjustment to annual required contribution	<u>(1,089,384)</u>
Annual OPEB cost (expense)	10,252,259
Contributions made	
Employer	<u>9,044,574</u>
Change in net OPEB obligation	1,207,685
OPEB obligation - beginning of year	<u>16,275,391</u>
OPEB obligation - end of year	<u><u>\$ 17,483,076</u></u>

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

Valuation date	July 1, 2012
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar on a closed basis
Remaining amortization period	24 years
Actuarial assumptions:	
Investment rate of return	4.00%
Healthcare cost trend rate	-2.0% initial 5.5% ultimate

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

Fiscal Year Ended	Annual OPEB Cost	Annual Required Contribution (ARC)	Annual OPEB Cost Contributed	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2012	\$ 10,944,434	\$ 10,962,135	\$ 7,981,678	72.81%	\$ 16,580,817
6/30/2013	10,102,957	10,479,586	8,185,188	78.11%	16,275,391
6/30/2014	10,252,259	10,690,627	9,044,574	84.60%	17,483,076

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2014

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

c. Funded Status and Funding Progress

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

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

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

4. Pension Plan

a. Plan Description

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

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

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

b. Funding Policy

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2014

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

c. Annual Pension Cost and Net Pension Obligation

The District's annual pension costs for the year ended June 30, 2014 and related actuarial assumptions used for the current year are as follows:

Annual required contribution	\$ 346,026
Interest on net pension obligation	25,105
Adjustment to annual required	<u>(21,638)</u>
Annual pension cost	349,493
Contributions made	<u>215,304</u>
Change in net pension obligation	134,189
Net pension obligation beginning of year	<u>298,577</u>
Net pension obligation end of year	<u><u>\$ 432,766</u></u>

The annual required contribution for the current year was determined as part of the July 1, 2012 actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 4.0% investment rate of return (net of administrative expenses) and (b) projected salary increases 3% per year. The investment rate of return has an inflation component of 2.5% per year. It was assumed that employees would not have any other service within the WRS prior to hire by the District. The unfunded actuarial accrued liability is being amortized, as a level dollar amount, on a closed basis. The remaining amortization period at June 30, 2014 was 23 years.

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/12	\$ 280,631	73.0%	\$ 188,257
6/30/13	345,683	68.1%	298,577
6/30/14	349,493	61.6%	432,766

d. Funding Status and Funding Progress

As of July 1, 2012, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$3,674,467. With no plan assets, the unfunded actuarial accrued liability was also \$3,674,467.

5. Contingencies

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2014

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

6. Limitation on School District Revenues

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

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

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

7. Subsequent Event

The District issued \$9,200,000 in Note Anticipation Notes dated August 11, 2014. A payment of \$9,200,000 is due July 15, 2015 with interest of \$145,104, or 1.70%.



**REQUIRED SUPPLEMENTARY INFORMATION**

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund - Budgetary Basis  
For the Year Ended June 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 71,435,402	\$ 71,499,144	\$ 71,499,144	\$ -
Other local sources	645,062	625,554	735,079	109,525
Interdistrict sources	174,000	118,435	205,468	87,033
Intermediate sources	3,000	-	-	-
State sources	137,505,149	137,721,042	137,639,636	(81,406)
Federal sources	13,896,791	15,690,779	15,985,438	294,659
Other sources	419,769	5,258,884	4,903,790	(355,094)
<b>Total Revenues</b>	<b>224,079,173</b>	<b>230,913,838</b>	<b>230,968,555</b>	<b>54,717</b>
<b>Expenditures</b>				
<b>Instruction</b>				
Regular instruction	94,144,283	95,495,170	95,467,321	27,849
Vocational instruction	4,805,500	4,669,227	4,765,729	(96,502)
Other instruction	6,466,232	6,239,235	6,290,271	(51,036)
<b>Total Instruction</b>	<b>105,416,015</b>	<b>106,403,632</b>	<b>106,523,321</b>	<b>(119,689)</b>
<b>Support Services</b>				
Pupil services	9,745,863	9,966,009	9,779,786	186,223
Instructional staff services	12,216,438	12,318,834	10,935,358	1,383,476
General administration services	2,304,619	2,750,144	2,748,554	1,590
School administration services	10,959,152	10,587,534	10,952,695	(365,161)
Business services	2,296,583	2,200,964	2,339,572	(138,608)
Operation and maintenance of plant	26,131,294	30,582,324	31,513,436	(931,112)
Pupil transportation services	5,388,897	5,149,314	5,104,755	44,559
Central services	7,955,285	12,538,826	11,865,574	673,252
Insurance	629,310	657,722	600,444	57,278
Other support services	438,916	445,381	363,771	81,610
<b>Total Support Services</b>	<b>78,066,357</b>	<b>87,197,052</b>	<b>86,203,945</b>	<b>993,107</b>
<b>Debt service</b>				
<b>Total Debt service</b>	<b>1,272,836</b>	<b>2,119,274</b>	<b>2,095,698</b>	<b>23,576</b>
<b>Non-program</b>				
General tuition payments	9,058,936	8,744,853	8,586,684	158,169
Indirect costs	382,210	128,346	91,720	36,626
<b>Total Non-program</b>	<b>9,441,146</b>	<b>8,873,199</b>	<b>8,678,404</b>	<b>194,795</b>
<b>Total Expenditures</b>	<b>194,196,354</b>	<b>204,593,157</b>	<b>203,501,368</b>	<b>1,091,789</b>
<b>Excess of Revenues Over Expenditures</b>	<b>29,882,819</b>	<b>26,320,681</b>	<b>27,467,187</b>	<b>1,146,506</b>
<b>Other Financing Sources (Uses)</b>				
Capital leases	-	-	424,814	424,814
Sale of capital assets	-	45,500	45,750	250
Transfers in	176,000	213,849	110,899	(102,950)
Transfers out	(34,985,211)	(34,221,360)	(33,525,218)	696,142
<b>Total Other Financing Sources (Uses)</b>	<b>(34,809,211)</b>	<b>(33,962,011)</b>	<b>(32,943,755)</b>	<b>1,018,256</b>
<b>Net Change in Fund Balance</b>	<b>(4,926,392)</b>	<b>(7,641,330)</b>	<b>(5,476,568)</b>	<b>2,164,762</b>
<b>Fund Balance - July 1</b>	<b>46,797,495</b>	<b>46,797,495</b>	<b>46,797,495</b>	<b>-</b>
<b>Fund Balance - June 30</b>	<b>\$ 41,871,103</b>	<b>\$ 39,156,165</b>	<b>\$ 41,320,927</b>	<b>\$ 2,164,762</b>

The notes to the required supplementary information are an integral part of this schedule.

**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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Interdistrict sources	\$ 43,000	\$ 43,000	\$ 61,331	\$ 18,331
Intermediate sources	-	7,500	6,338	(1,162)
State sources	12,633,800	12,339,420	12,799,773	460,353
Federal sources	7,462,297	6,893,783	7,012,517	118,734
<b>Total Revenues</b>	<b>20,139,097</b>	<b>19,283,703</b>	<b>19,879,959</b>	<b>596,256</b>
<b>Expenditures</b>				
<b>Instruction</b>				
Vocational instruction	44,441	48,443	57,103	(8,660)
Special education instruction	41,334,256	39,748,038	39,804,326	(56,288)
Other instruction	63,788	60,999	63,768	(2,769)
<b>Total Instruction</b>	<b>41,442,485</b>	<b>39,857,480</b>	<b>39,925,197</b>	<b>(67,717)</b>
<b>Support Services</b>				
Pupil services	5,293,429	5,525,787	5,498,845	26,942
Instructional staff services	3,659,165	3,579,676	3,304,001	275,675
General administration services	25,000	45,680	50,025	(4,345)
Business services	174,975	140,825	136,479	4,346
Operation and maintenance of plant	29,413	22,213	9,821	12,392
Pupil transportation services	3,903,487	3,665,687	3,795,135	(129,448)
Central services	4,850	7,700	4,312	3,388
Insurance	264,704	287,993	204,509	83,484
<b>Total Support Services</b>	<b>13,355,023</b>	<b>13,275,561</b>	<b>13,003,127</b>	<b>272,434</b>
<b>Non-program</b>				
Special education tuition payments	180,000	383,188	377,286	5,902
<b>Total Expenditures</b>	<b>54,977,508</b>	<b>53,516,229</b>	<b>53,305,610</b>	<b>210,619</b>
<b>Excess of Revenues Under Expenditures</b>	<b>(34,838,411)</b>	<b>(34,232,526)</b>	<b>(33,425,651)</b>	<b>806,875</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	34,985,211	34,338,921	33,525,218	(813,703)
Transfers out	(146,800)	(106,395)	(99,567)	6,828
<b>Total Other Financing Sources (Uses)</b>	<b>34,838,411</b>	<b>34,232,526</b>	<b>33,425,651</b>	<b>(806,875)</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - July 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

The notes to the required supplementary information are an integral part of this schedule.

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Schedule of Funding Progress  
For the Year Ended June 30, 2014

Other Post-Employment Benefit Plan						
Actuarial Valuation Date July 1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	\$ 1,961,309	\$ 97,647,304	2.01%	\$ 95,685,995	\$ 101,073,000	94.67%
2010	3,012,643	87,755,940	3.43%	84,743,297	139,479,307	60.76%
2012	7,199,332	85,113,538	8.46%	77,914,206	136,498,539	57.08%

Pension Plan						
Actuarial Valuation Date July 1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2008	\$ -	\$ 2,603,083	0.00%	\$ 2,603,083	N/A	N/A
2010	-	3,001,764	0.00%	3,001,764	N/A	N/A
2012	-	3,674,467	0.00%	3,674,467	N/A	N/A

The notes to the required supplementary information are an integral part of this schedule.

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Schedule of Employer Contributions  
For the Year Ended June 30, 2014

Other Post-Employment Benefit Plan			
Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2012	\$ 7,981,678	\$ 10,962,135	72.81%
2013	10,408,383	10,479,586	99.32%
2014	9,044,574	10,690,627	84.60%

Pension Plan			
Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2012	\$ 288,435	\$ 279,293	103.27%
2013	235,363	346,026	68.02%
2014	215,304	346,026	62.22%

The notes to the required supplementary information are an integral part of this schedule.

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Required Supplementary Information  
 For the Year Ended June 30, 2014

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

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

**NOTE B - CHANGE IN ACTUARIAL ASSUMPTIONS**

The District changed the investment rate of return from 5.0% in the July 1, 2010 actuarial valuation to 4.0% in the July 1, 2012 actuarial valuation.

**NOTE C - BUDGETARY INFORMATION**

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

	General Fund	Special Education Fund
<b>Revenues</b>		
Actual amounts (budgetary basis)	\$ 230,968,555	\$ 19,879,959
Reclassification of special education	19,879,959	(19,879,959)
<b>Total Revenues</b>	<u>250,848,514</u>	<u>-</u>
<b>Expenditures</b>		
Actual amounts (budgetary basis)	203,501,368	53,305,610
Reclassification of special education	53,305,610	(53,305,610)
<b>Total Expenditures</b>	<u>256,806,978</u>	<u>-</u>
<b>Excess of Revenues Over (Under) Expenditures</b>		
Actual amounts (budgetary basis)	27,467,187	(33,425,651)
Reclassification of special education	(33,425,651)	33,425,651
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>(5,958,464)</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>		
Actual amounts (budgetary basis)	(32,943,755)	33,425,651
Reclassification of special education	33,425,651	(33,425,651)
<b>Total Other Financing Sources (Uses)</b>	<u>481,896</u>	<u>-</u>
<b>Net Change in Fund Balance</b>		
Actual amounts (budgetary basis)	<u>(5,476,568)</u>	<u>-</u>
<b>Fund Balance - January 1</b>		
Actual amounts (budgetary basis)	<u>46,797,495</u>	<u>-</u>
<b>Fund Balance - December 31</b>		
Actual amounts (budgetary basis)	<u>\$ 41,320,927</u>	<u>\$ -</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2014

**NOTE C - BUDGETARY INFORMATION (Continued)**

Budgets and Budgetary Accounting

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

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

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

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2014. In addition, no District funds had deficit fund equity as of June 30, 2014.

## **SUPPLEMENTARY INFORMATION**



**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Combining Balance Sheet  
Nonmajor Governmental Funds  
June 30, 2014

	Special Revenue Funds		
	Trust	Special Projects	Community Service
<b>ASSETS</b>			
Due from other funds	\$ 188,670	\$ 82,286	\$ 110,060
Due from other governments	-	158,173	-
<b>TOTAL ASSETS</b>	<u>\$ 188,670</u>	<u>\$ 240,459</u>	<u>\$ 110,060</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Due to other funds	\$ -	\$ 207,243	\$ -
Fund Balances			
Fund Balances			
Restricted			
Private gifts and donations	188,670	-	-
Grant expenditures	-	33,216	-
Debt service	-	-	-
Community service programs	-	-	110,060
Total Fund Balances	<u>188,670</u>	<u>33,216</u>	<u>110,060</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 188,670</u>	<u>\$ 240,459</u>	<u>\$ 110,060</u>

Debt Service Funds		Total Nonmajor Governmental Funds
Non-Referendum Debt Service	Referendum Debt Service	
\$ 3,680,135	\$ 184,459	\$ 4,245,610
-	-	158,173
<u>\$ 3,680,135</u>	<u>\$ 184,459</u>	<u>\$ 4,403,783</u>

<u>\$ 2,934,536</u>	<u>\$ -</u>	<u>\$ 3,141,779</u>
---------------------	-------------	---------------------

-	-	188,670
-	-	33,216
745,599	184,459	930,058
-	-	110,060
<u>745,599</u>	<u>184,459</u>	<u>1,262,004</u>
<u>\$ 3,680,135</u>	<u>\$ 184,459</u>	<u>\$ 4,403,783</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, 2014

	Special Revenue Funds		
	Trust	Special Projects	Community Service
Revenues			
Property taxes	\$ -	\$ -	\$ 850,000
Other local sources	151,435	-	129,915
Federal sources	-	641,985	-
Total Revenues	151,435	641,985	979,915
Expenditures			
Instruction			
Regular instruction	15,040	-	-
Other instruction	-	449,738	-
Total Instruction	15,040	449,738	-
Support Services			
Pupil services	-	2,209	-
Instructional staff services	37,269	125,778	1,455
General administration services	26,000	2,000	62,163
School administration services	-	-	130,804
Operation and maintenance of plant	-	-	1,222
Pupil transportation services	-	24,966	6,863
Central services	17,000	25,711	11,166
Total Support Services	80,269	180,664	213,673
Debt Service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
Total Debt Service	-	-	-
Community Services	-	-	841,150
Non-program			
Adjustments and refunds	52,121	-	-
Total Expenditures	147,430	630,402	1,054,823
Excess of Revenues Over (Under) Expenditures	4,005	11,583	(74,908)
Other Financing Uses			
Transfers out	-	(11,332)	-
Net Change in Fund Balances	4,005	251	(74,908)
Fund Balances - July 1	184,665	32,965	184,968
Fund Balances - June 30	\$ 188,670	\$ 33,216	\$ 110,060

Debt Service Funds		Total Nonmajor
Non-Referendum Debt Service	Referendum Debt Service	Governmental Funds
\$ 3,146,421	\$ 3,233,626	\$ 7,230,047
-	-	281,350
-	-	641,985
<u>3,146,421</u>	<u>3,233,626</u>	<u>8,153,382</u>
-	-	15,040
-	-	449,738
-	-	<u>464,778</u>
-	-	2,209
-	-	164,502
-	-	90,163
-	-	130,804
-	-	1,222
-	-	31,829
-	-	53,877
-	-	<u>474,606</u>
15,988,586	2,575,000	18,563,586
1,134,248	608,854	1,743,102
<u>17,122,834</u>	<u>3,183,854</u>	<u>20,306,688</u>
-	-	841,150
-	-	52,121
<u>17,122,834</u>	<u>3,183,854</u>	<u>22,139,343</u>
(13,976,413)	49,772	(13,985,961)
-	-	(11,332)
(13,976,413)	49,772	(13,997,293)
14,722,012	134,687	15,259,297
<u>\$ 745,599</u>	<u>\$ 184,459</u>	<u>\$ 1,262,004</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Pupil Activity Funds  
Schedule of Changes in Assets and Liabilities  
For the Year Ended June 30, 2014

Pupil Activity Funds			
Balance 07/01/13	Additions	Deletions	Balance 06/30/14
\$ 1,167,197	\$ 3,708,957	\$ 3,705,017	\$ 1,171,137

**ASSETS**

Cash and investments

	\$ 1,167,197	\$ 3,708,957	\$ 3,705,017	\$ 1,171,137
--	--------------	--------------	--------------	--------------

**LIABILITIES**

Due to student organizations

Senior high schools

	\$ 655,949	\$ 2,285,931	\$ 2,315,283	\$ 626,597
--	------------	--------------	--------------	------------

Middle schools

	215,231	661,102	676,342	199,991
--	---------	---------	---------	---------

Elementary schools

	259,425	626,771	582,991	303,205
--	---------	---------	---------	---------

Early Childhood schools

	6,551	15,092	19,148	2,495
--	-------	--------	--------	-------

Lighted Schoolhouse

	2,972	34,397	31,459	5,910
--	-------	--------	--------	-------

P-COC

	1,086	10,017	8,266	2,837
--	-------	--------	-------	-------

Mack Center

	4,116	616	1,301	3,431
--	-------	-----	-------	-------

REAL School

	21,867	75,031	70,227	26,671
--	--------	--------	--------	--------

**TOTAL LIABILITIES**

	\$ 1,167,197	\$ 3,708,957	\$ 3,705,017	\$ 1,171,137
--	--------------	--------------	--------------	--------------

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



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

To the Board of Education  
Racine Unified School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Racine Unified School District, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the Racine Unified School District's basic financial statements, and have issued our report thereon dated November 14, 2014.

**Internal Control Over Financial Reporting**

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A material weakness is a deficiency, or 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. However, material weaknesses may exist that have not been identified. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs as item 2014-001 that we consider to be a significant deficiency.



## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the Racine Unified School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of 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*.

## **Racine Unified School District's Response to Findings**

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

## **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 Racine Unified School District's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Racine Unified School District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Certified Public Accountants  
Green Bay, Wisconsin  
November 14, 2014



## **FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR  
FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE  
REQUIRED BY OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT GUIDELINES**

To the Board of Education  
Racine Unified School District

**Report on Compliance for Each Major Federal and State Program**

We have audited Racine Unified School District's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of Racine Unified School District's major federal and state programs for the year ended June 30, 2014. Racine Unified School District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal and state programs.

***Auditors' Responsibility***

Our responsibility is to express an opinion on compliance for each of Racine Unified School District's major federal and state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, OMB Circular A-133 and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal or state program occurred. An audit includes examining, on a test basis, evidence about Racine Unified School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

***Opinion on Each Major Federal and State Program***

In our opinion, Racine Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2014.

## Report on Internal Control Over Compliance

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

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133 and the *State Single Audit Guidelines*. Accordingly, this report is not suitable for any other purpose.



Certified Public Accountants  
Green Bay, Wisconsin  
November 14, 2014

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2014

Federal Grantor/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number
<u>U.S. Department of Agriculture</u>		
<i>Child Nutrition Cluster</i>		
School Breakfast Program		10.553
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
National School Lunch Program		10.555
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
Donated Commodities	Wisconsin Department of Public Instruction	
Total National School Lunch Program		
Special Milk Program for Children		10.556
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
July 1, 2013 - June 30, 2014		
Summer Food Service Program for Children		10.559
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
Total <i>Child Nutrition Cluster</i> and U.S. Department of Agriculture		
<u>U.S. Department of Education</u>		
<i>Title I, Part A Cluster</i>		
Title I Grants to Local Educational Agencies		84.010
Basic Grant		
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
Neglected and Delinquent Youth		
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
Title I Focus Schools Grant Program Improvement		
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
Title I Priority Schools Grant		
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
Academic Achievement AWD - Spotlight Schools		
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
Total Title I Grants to Local Educational Agencies		
<i>Total Title I, Part A Cluster</i>		
Career and Technical Education - Basic Grants to States		84.048
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
<i>Special Education Cluster (IDEA)</i>		
Special Education - Grants to States		
IDEA Flow Thru		84.027
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
IDEA High Cost Special Education Aid		
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
IDEA Discretionary		
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	

(Continued)

Accrued Receivable (Deferred Revenue) 7/1/13	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/14	Total Revenues	Total Expenditures
----------------------------------------------------------	------------------	-----------------------------------------------------------	-------------------	-----------------------

\$ (46,012)	\$ 46,012	\$ -	\$ -	\$ -
-	1,236,252	91,222	1,327,474	1,327,474
(165,677)	165,677	-	-	-
-	4,572,444	302,595	4,875,039	4,875,039
-	529,525	-	529,525	529,525
(165,677)	5,267,646	302,595	5,404,564	5,404,564
(144)	144	-	-	-
-	3,244	239	3,483	3,483
-	188,430	-	188,430	188,430
(211,833)	6,741,728	394,056	6,923,951	6,923,951

(3,948,471)	3,948,471	-	-	-
-	5,393,056	1,683,249	7,076,305	7,076,305
(74,076)	74,076	-	-	-
-	118,946	39,757	158,703	158,703
(23,520)	23,520	-	-	-
-	32,437	42,017	74,454	74,454
(290,733)	290,733	-	-	-
-	11,410	31,711	43,121	43,121
(4,336,800)	9,892,649	1,796,734	7,352,583	7,352,583
(4,336,800)	9,892,649	1,796,734	7,352,583	7,352,583

(246,572)	246,572	-	-	-
-	122,798	110,796	233,594	233,594

(1,632,792)	1,632,792	-	-	-
-	1,902,783	2,931,698	4,834,481	4,834,481
-	43,118	-	43,118	43,118
(7,831)	7,831	-	-	-

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Expenditures of Federal Awards (Continued)  
 For the Year Ended June 30, 2014

Federal Grantor/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number
<u>U.S. Department of Education (Continued)</u>		
<i>Special Education Cluster (IDEA)</i>		
Special Education - Grants to States (Continued)		
IDEA Discretionary Grant - Disproportionality		
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
July 1, 2013 - June 30, 2014		
Total Special Education - Grants to States		
Special Education - Preschool Grants		84.173
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
<i>Total Special Education Cluster (IDEA)</i>		
Safe and Drug-Free Schools and Communities - National Programs		84.184
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
<i>Education for Homeless Children Cluster</i>		
Education for Homeless Children and Youth		84.196
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
<i>Total Education for Homeless Children Cluster</i>		
Fund for the Improvement of Education		84.215k
NSF Grand Challenges Grant	UWM	
July 1, 2013 - June 30, 2014		
Afterschool Program		
July 1, 2012 - June 30, 2013	City of Racine	
Youth Gang Diversion Prog Grant		
July 1, 2013 - June 30, 2014	City of Racine	
Total Fund for the Improvement of Education		
ESEA V-B Charter Schools Federal Aids		84.282
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
Twenty-First Century Community Learning Centers		
Twenty-First Century Community Learning Centers		84.287
July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction	
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
Twenty-First Century Community Learning Centers		84.287
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
Twenty-First Century Community Learning Centers		84.287
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
Twenty-First Century Community Learning Centers		84.287
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
Twenty-First Century Community Learning Centers		84.287
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
Twenty-First Century Community Learning Centers		84.287
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
Total Twenty-First Century Community Learning Centers		

(Continued)

Accrued Receivable (Deferred Revenue) 7/1/13	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/14	Total Revenues	Total Expenditures
(488,926)	488,926	-	-	-
-	176,882	428,062	604,944	604,944
(2,129,549)	4,252,332	3,359,760	5,482,543	5,482,543
(88,840)	88,840	-	-	-
-	165,464	76,319	241,783	241,783
(2,218,389)	4,506,636	3,436,079	5,724,326	5,724,326
(191,906)	191,906	-	-	-
-	199,626	43,914	243,540	243,540
(19,775)	19,775	-	-	-
-	45,000	-	45,000	45,000
(19,775)	64,775	-	45,000	45,000
-	5,681	-	5,681	5,681
(11,760)	11,760	-	-	-
(29,242)	29,242	-	-	-
(41,002)	46,683	-	5,681	5,681
-	-	80,549	80,549	80,549
(50,602)	50,602	-	-	-
-	95,346	37,779	133,125	133,125
(7,504)	7,504	-	-	-
-	45,876	14,811	60,687	60,687
(119,963)	119,963	-	-	-
-	104,756	29,211	133,967	133,967
(129,039)	129,039	-	-	-
-	144,629	43,061	187,690	187,690
-	47,450	16,838	64,288	64,288
(46,834)	46,834	-	-	-
-	45,756	16,474	62,230	62,230
(353,942)	837,755	158,174	641,987	641,987

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2014

Federal Grantor/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number
<u>U.S. Department of Education (Continued)</u>		
Transition to Teaching Grant Program		84.350
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
English Language Acquisition Grants		84.365
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
Improving Teacher Quality State Grants		84.367
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
ARRA - School Improvement Grants		84.388
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
Safe and Healthy Students		84.410
July 1, 2013 - June 30, 2014	State of Wisconsin	
Total U.S. Department of Education		
<u>U.S. Department of Health and Human Services</u>		
Teen Parents Dropout Prevention		93.500
July 1, 2013 - June 30, 2014	State of Wisconsin	
Medical Assistance - Student Based Services Benefit		93.778
July 1, 2013 - June 30, 2014	Wisconsin Department of Health Services	
Nutrition, Physical Activity, and Obesity Programs		93.548
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
Center for Disease Control - Basic Grant		93.938
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction	
Total U.S. Department of Health and Human Services		
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		
Reconciliation to Basic Financial Statements		
Governmental Funds		
Federal sources		
Federal awards reported with intermediate sources		
Proprietary Fund		
Federal sources		
Total Federal Awards		



Accrued Receivable (Deferred Revenue) 7/1/13	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/14	Total Revenues	Total Expenditures
(36,330)	36,330	-	-	-
-	-	73,966	73,966	73,966
(71,829)	71,829	-	-	-
-	297,157	38,358	335,515	335,515
(1,208,781)	1,208,781	-	-	-
-	803,051	385,575	1,188,626	1,188,626
-	1,266,050	1,192,747	2,458,797	2,458,797
-	-	22,226	22,226	22,226
<u>(8,725,326)</u>	<u>19,792,598</u>	<u>7,339,118</u>	<u>18,406,390</u>	<u>18,406,390</u>
-	-	49,505	49,505	49,505
-	5,182,545	-	5,182,545	5,182,545
-	250	-	250	250
-	4,300	(2,800)	1,500	1,500
-	<u>5,187,095</u>	<u>46,705</u>	<u>5,233,800</u>	<u>5,233,800</u>
<u>\$ (8,937,159)</u>	<u>\$ 31,721,421</u>	<u>\$ 7,779,879</u>	<u>\$ 30,564,141</u>	<u>\$ 30,564,141</u>

\$ 23,639,940  
250

6,923,951  
\$ 30,564,141

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Schedule of State Financial Assistance  
For the Year Ended June 30, 2014

State Grantor/Program Name/Grant Period	Pass-through Agency	State I.D. Number
-----------------------------------------	---------------------	-------------------

Wisconsin Department of Public Instruction

Cost Reimbursement Programs

Alcohol & Other Drug Abuse	Direct Program	255.306
July 1, 2012 - June 30, 2013		
July 1, 2013 - June 30, 2014		
Peer Review and Mentoring	Direct Program	255.301
July 1, 2012 - June 30, 2013		
July 1, 2013 - June 30, 2014		
AODA Mini Grants		255.312
July 1, 2013 - June 30, 2014	CESA No. 1	
Total Cost Reimbursement Programs		

Entitlement Programs

Special Education and School Age Parents	Direct Program	255.101
State Lunch	Direct Program	255.102
Common School Fund Library	Direct Program	255.103
Bilingual - Bicultural Aid	Direct Program	255.106
Pupil Transportation Aid	Direct Program	255.107
General Equalization Aids		255.201
July 1, 2012 - June 30, 2013	Direct Program	
July 1, 2013 - June 30, 2014	Direct Program	
Integration Transfer	Direct Program	255.205
High Cost Special Education Aid	Direct Program	255.210
State Breakfast Program	Direct Program	255.344
Tuition Payments by State	Direct Program	255.401
Student Achievement Guarantee in Education (SAGE) Program	Direct Program	255.504
Aid for High-Poverty School District	Direct Program	255.926
Per Pupil Aid	Direct Program	255.945
Educator Effective Evaluation System		255.940
Total Entitlement Programs		

Total Wisconsin Department of Public Instruction

**TOTAL STATE FINANCIAL ASSISTANCE**

Reconciliation to Basic Financial Statements

Governmental Funds		
State sources		
Proprietary Fund		
State sources		
Revenues not considered state financial assistance		
Tax-exempt computer aids		
Miscellaneous		
Total State Awards		

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

(Accrued Receivable) Deferred Revenue 7/1/13	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/14	Total Revenues	Total Expenditures
----------------------------------------------------------	------------------	-----------------------------------------------------------	-------------------	-----------------------

\$ (3,000)	\$ 3,000	\$ -	\$ -	\$ -
-	-	25,000	25,000	25,000
(9,989)	9,989	-	-	-
-	-	1,164	1,164	1,164
-	-	4,573	4,573	4,573
<u>(12,989)</u>	<u>12,989</u>	<u>30,737</u>	<u>30,737</u>	<u>30,737</u>

-	12,407,173	-	12,407,173	12,407,173
-	87,646	-	87,646	87,646.00
-	766,531	-	766,531	766,531
-	468,080	-	468,080	468,080.00
-	373,825	-	373,825	373,825.00
(2,126,095)	2,126,095	-	-	-
-	119,321,683	2,165,188	121,486,871	121,486,871
-	9,253,331	-	9,253,331	9,253,331
-	166,001	-	166,001	166,001
-	65,526	-	65,526	65,526
-	357,907	-	357,907	357,907
-	1,739,384	-	1,739,384	1,739,384
-	1,244,580	-	1,244,580	1,244,580
-	1,575,000	-	1,575,000	1,575,000
-	135,920	-	135,920	135,920
<u>(2,126,095)</u>	<u>150,088,682</u>	<u>2,165,188</u>	<u>150,127,775</u>	<u>150,127,775</u>

<u>(2,139,084)</u>	<u>150,101,671</u>	<u>2,195,925</u>	<u>150,158,512</u>	<u>150,158,512</u>
--------------------	--------------------	------------------	--------------------	--------------------

<u>\$ (2,139,084)</u>	<u>\$ 150,101,671</u>	<u>\$ 2,195,925</u>	<u>\$ 150,158,512</u>	<u>\$ 150,158,512</u>
-----------------------	-----------------------	---------------------	-----------------------	-----------------------

\$ 150,439,409

153,172

(422,587)

(11,482)

\$ 150,158,512

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

Notes to the Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance  
For the Year Ended June 30, 2014

**NOTE A - BASIS OF PRESENTATION**

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

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

The 2013-2014 eligible costs under the State Special Education Program as reported by the District are \$47,388,225.

**NOTE C - FOOD DISTRIBUTION**

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

**NOTE D - OVERSIGHT AGENCIES**

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2014

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

Basic Financial Statements

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

Federal Awards and State Financial Assistance

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

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

State ID Number	Name of State Programs
255.101	Special Education and School Age Parents
255.103	Common School Library
255.107	Pupil Transportation Aid
	<i>General Aids Cluster (255.2xx)</i>
255.201	General Equalization Aids
255.205	Integration Transfer
255.504	Student Achievement Guarantee in Education (SAGE) Program
255.940	Educator Effective Evaluation System
255.945	Per Pupil Aid

Audit threshold used to determine between Type A and Type B federal programs:	\$916,924
Audit threshold used to determine between Type A and Type B state programs:	\$100,000
Auditee qualified as low-risk auditee	Yes

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended June 30, 2014

**Section II - Financial Statement Findings**

Finding No.	Internal Control Deficiencies
-------------	-------------------------------

**2014-001      Preparation of Annual Financial Report**

**Condition:** Current District staff maintains accounting records which reflect the District's financial transactions; however, preparing the District's annual financial report, including note disclosures, involves the selection and application of specific accounting principles which would require additional experience and knowledge. The District contracts with us and our knowledge of applicable accounting principles, financial statement formats, and note disclosures to assist in the preparation of the annual financial report in an efficient manner.

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

**Cause:** District management has determined that the additional costs associated with training staff to become experienced in applicable accounting principles and note disclosures outweigh the derived benefits.

**Effect:** Without our involvement, the District may not be able to completely prepare an annual financial report in accordance with accounting principles generally accepted in the United States of America.

**Recommendation:** We recommend the District continue reviewing the annual financial report. While it may not be cost beneficial to train additional staff to completely prepare the report, a thorough review of this information by appropriate staff of the District is necessary to obtain a complete and adequate understanding of the District's annual financial report.

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

There are no findings to be reported.

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended June 30, 2014

**Section IV - Other Issues**

Does the auditors' report or the notes to the financial statement include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern?

\_\_\_\_\_ Yes        X   No

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

Department of Public Instruction  
 Department of Health Services

  X   Yes      \_\_\_\_\_ No  
 \_\_\_\_\_ Yes        X   No

Was a Management Letter or other document conveying audit comments issued as a result of this audit?

  X   Yes      \_\_\_\_\_ No

Name and signature of shareholder

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

Date of report

November 14, 2014

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Prior Year Audit Findings and Corrective Action Plan  
 For the Year Ended June 30, 2014

**Status of Prior Year Audit Finding**

All findings noted in the 2013 Schedule of Findings and questioned Costs have been reported to the proper federal and state agencies. Management continues to review the financial reports prepared and be responsible for their accuracy as outlined in finding 2014-001.

Findings 2013-02 and 2013-03 have been resolved.

**Corrective Action Plan for Audit Findings**

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

**2014-001      Preparation of Annual Financial Report**

Management Response: The District has reviewed and will continue to review the financial reports prior to issuance and work to communicate questions and to mutually understand the financial reports.