

**RACINE UNIFIED SCHOOL DISTRICT
RACINE, WISCONSIN**

ANNUAL FINANCIAL REPORT

JUNE 30, 2015

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

June 30, 2015

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RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

June 30, 2015

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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, 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, 2015, 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, 2015, 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.

Emphasis of Matter

As discussed in Note C.7., the District implemented GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - An Amendment of GASB Statement No. 27 and Statement No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date - an Amendment of GASB Statement No. 68*. Our opinions are not modified with respect to this matter.

As described in Note A.2., the District reclassified food service operations from an enterprise fund to a special revenue fund as of July 1, 2014. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information and the schedules relating to pensions and other post-employment benefits on pages 4 through 10 and 47 through 52 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 2014 financial statements, and our report dated November 14, 2014, 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, 2014, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 13, 2015, 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 13, 2015

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, 2015

FINANCIAL HIGHLIGHTS

- The District's overall financial position, as reflected in total net position, increased \$11,221,571 during the 2014-2015 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 \$202,540 greater than the District's post-retirement plan contributions for the year compared to \$1,207,685 greater for the prior year. (See page 42)
- The District's governmental fund balance reported a increase of \$9,536,049 compared to an decrease of \$38,514,949 in the prior year. The increases primarily were in the Capital Projects Fund of \$7,071,205 and Food Service of \$3,083,806. The increase in capital projects results from long-term debt being issued in the current year. The increase in food service was due primary to a reclassification of activities from an enterprise fund to a special revenue fund (\$2,855,954) and current year operations (\$227,852).

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. The proprietary is only shown for comparative purposes, as the District has transferred its proprietary fund, the food service fund, to a special revenue governmental fund during 2015. Governmental funds are: general, special revenue, special education, special project, debt service, and capital projects. The District has three fiduciary funds. A private purpose trust fund accounts for financial resources to benefit specified beneficiaries, an employee benefit trust fund accounts for District and retiree contributions for post-retirement health and dental coverage and an agency fund to account for funds of student organizations.
- Financial information is presented separately on the Balance Sheet and the Statement of Revenue, Expenditures, and Changes in Fund Balance for the general fund and capital projects fund as they are considered to be major funds. Data for all other funds is combined into a single aggregated column. Data for each of these individual non-major funds is provided separately as supplementary information.
- The District serves as a trustee, or fiduciary, for student organizations and for certain trust beneficiaries. The assets of these funds do not directly benefit nor are under the direct control of the District. The District's responsibility is limited to ensuring the assets reported in these funds are used only for their intended purposes. Fiduciary activities are excluded from the district-wide financial statements because the District cannot use these assets to finance its operations.
- The District adopts an annual appropriated budget for its general fund. A budgetary comparison statement for the general fund has been provided to demonstrate compliance with this budget.

Notes to the Financial Statements

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

FINANCIAL ANALYSIS

The District as a Whole

Net Position

Table 1, below, provides a summary of the District's statement of net position for the year ended June 30, 2015 with a comparison to the prior year.

Table 1							
Condensed Statement of Net Assets							
(in thousands of dollars)							
	Governmental Activities		Business-type Activities		Totals School District		%
	2015	2014	2015	2014	2015	2014	2014-15
Assets							
Current assets	\$ 109,436	\$ 77,320	\$ -	\$ 2,902	\$ 109,436	\$ 80,222	36.4%
Capital assets	101,461	92,857	-	477	101,461	93,334	8.7%
Total Assets	210,897	170,177	-	3,379	210,897	173,556	21.5%
Deferred Outflows							
Related to pension	20,354	-	-	-	20,354	-	0.0%
Loss on advance refunding	171	322	-	-	171	322	-46.9%
Total Deferred Outflows	20,525	322	-	-	20,525	322	-46.9%
Liabilities							
Long-term debt	79,011	74,991	-	-	79,011	74,991	5.4%
Other liabilities	33,622	34,594	-	46	33,622	34,640	-2.9%
Total Liabilities	112,633	109,585	-	46	112,633	109,631	2.7%
Deferred Inflows							
Related to pension	233	-	-	-	233	-	0.0%
Net Position							
Net investment in capital assets	45,571	44,197	-	477	45,571	44,674	2.0%
Restricted	49,548	866	-	2,856	49,548	3,722	1231.2%
Unrestricted	23,437	15,851	-	-	23,437	15,851	-47.9%
Total Net Position	\$ 118,556	\$ 60,914	-	\$ 3,333	\$ 118,556	\$ 64,247	45.8%

(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, 2015 with a comparison to the prior year.

	Governmental Activities		Business-type Activities		Totals School District		% Change
	2015	2014	2015	2014	2015	2014	2014-15
Revenues							
Program Revenues							
Charges for services	\$ 2,401	\$ 1,252	\$ -	\$ 1,615	\$ 2,401	\$ 2,867	-16.3%
Operating grants and contributions	52,032	43,268	-	7,077	52,032	50,345	3.4%
General Revenues							
Property taxes	77,093	78,729	-	-	77,093	78,729	-2.1%
State Formula aid	140,778	131,163	-	-	140,778	131,163	7.3%
Interest	15	16	-	-	15	16	-6.3%
Other	8,874	4,635	-	-	8,874	4,635	91.5%
Total Revenues	281,193	259,063	-	8,692	281,193	267,755	5.0%
Expenses							
Instruction	144,769	147,957	-	-	144,769	147,957	-2.2%
Pupil and instructional services	37,791	33,802	-	-	37,791	33,802	11.8%
Administration and business	65,316	55,059	-	8,091	65,316	63,150	3.4%
Central services and Insurance	9,511	12,576	-	-	9,511	12,576	-24.4%
Interest on debt	1,916	1,942	-	-	1,916	1,942	-1.3%
Non-program	10,668	9,108	-	-	10,668	9,108	17.1%
Miscellaneous	-	843	-	-	-	843	-100.0%
Total Expenses	269,971	261,287	-	8,091	269,971	269,378	0.2%
Transfers	3,333	-	(3,333)	-	-	-	
Change in Accounting Principle	43,087	-	-	-	43,087	-	0.0%
Change in Net Position	\$ 57,642	\$ (2,224)	\$ (3,333)	\$ 601	\$ 54,309	\$ (1,623)	

General revenues (all revenue except operating grants and contributions and charges for services) provide about 80% of the funding for governmental activities and 0% of the funding for business-type activities. Racine Unified School District relies on property taxes for 27% 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
	2015	2014	2015	2014	2014-15
Instruction	\$ 144,769	\$ 147,957	\$ 103,044	\$ 106,247	3.1%
Pupil and instructional services	37,791	33,802	34,886	31,963	-8.4%
Administration and business	65,316	55,059	55,886	54,569	-2.4%
Central services and insurance	9,511	12,576	9,370	12,224	30.5%
Interest on debt	1,916	1,942	1,916	1,942	1.4%
Non-program	10,668	9,108	10,436	9,108	-12.7%
Miscellaneous	-	843	-	713	
Totals	\$ 269,971	\$ 261,287	\$ 215,538	\$ 216,766	0.6%

Governmental Funds

The District completed the year with a total governmental fund balance of \$43.1 million, a decrease of \$9.5 million from the prior year.

- Total general fund revenue for the year was \$1.5 million below budget.
- Total general fund program expenditures, including non-program transactions, was less than the budget by \$1.6 million.
- The original general fund budget forecasted a decrease in general fund balance of \$3.6 million while the final budget forecast a decrease of \$2.0 million while the actual results showed a \$.6 million decrease.
- The debt service funds fund balance had a net increase of \$.21 million. The debt service fund balance will fluctuate from year to year because the fund balance must be at least equal to the amount of debt payments that are scheduled prior to January 20th of the subsequent year. The typical debt service schedule for the District requires interest payments prior to January 20th with an additional interest payment and principal payment occurring in March of each year.
- For fiscal year 2014-2015, the capital projects funds fund balance increased by \$7.1 million as debt was issued to fund various projects.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2015 fiscal year, the District had net capital assets of \$101.5 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 2014-15
	2015	2014	2015	2014	2015	2014	
Land	\$ 2,475	\$ 2,475	\$ -	\$ -	\$ 2,475	\$ 2,475	0.0%
Work in progress	3,301	2,555	-	-	3,301	2,555	29.2%
Site improvements	4,984	4,125	-	-	4,984	4,125	20.8%
Buildings	77,629	73,953	-	-	77,629	73,953	5.0%
Machinery and equipment	13,072	9,749	-	477	13,072	10,226	27.8%
Total	\$ 101,461	\$ 92,857	\$ -	\$ 477	\$ 101,461	\$ 93,334	8.7%

Long-Term Debt and Other Obligations

At year end, the district had \$58.1 million in general obligation debt outstanding, an increase of \$4.5 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
	2015	2014	2015	2014	2015	2014	2014-15
General obligation debt	\$ 58,181	\$ 53,661	\$ -	\$ -	\$ 58,181	\$ 53,661	8.4%
Premium on debt	1,510	1,296	-	-	1,510	1,296	16.5%
Capital leases	-	483	-	-	-	483	-100.0%
Other post-employment benefits	17,686	17,483	-	-	17,686	17,483	1.2%
Pension benefits	667	433	-	-	667	433	0.0%
Compensated absences	967	1,635	-	-	967	1,635	-40.9%
Total	\$ 79,011	\$ 74,991	\$ -	\$ -	\$ 79,011	\$ 74,991	5.4%

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

BASIC FINANCIAL STATEMENTS

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Statement of Net Position
June 30, 2015
(With summarized financial information as of June 30, 2014)

	Governmental Activities	Business-type Activities	Totals	
			2015	2014
ASSETS				
Cash and investments	\$ 54,052,395	\$ -	\$ 54,052,395	\$ 49,620,364
Receivables				
Taxes	17,531,652	-	17,531,652	17,836,062
Accounts	1,891,807	-	1,891,807	741,530
Due from other governments	10,095,915	-	10,095,915	10,401,188
Inventories and prepaid items	2,334,808	-	2,334,808	1,622,926
Other assets				
Net pension asset	23,529,492	-	23,529,492	-
Capital assets				
Land	2,474,986	-	2,474,986	2,474,986
Construction in progress	3,301,497	-	3,301,497	2,555,486
Site improvements	7,811,575	-	7,811,575	8,132,806
Buildings	134,520,726	-	134,520,726	128,879,497
Machinery and equipment	25,672,069	-	25,672,069	26,709,939
Less: Accumulated depreciation	(72,320,052)	-	(72,320,052)	(75,419,255)
TOTAL ASSETS	210,896,870	-	210,896,870	173,555,529
DEFERRED OUTFLOWS OF RESOURCES				
Deferred outflows related to pension	20,353,678	-	20,353,678	-
Loss on advance refunding	170,631	-	170,631	322,288
TOTAL DEFERRED OUTFLOWS OF RESOURCES	20,524,309	-	20,524,309	322,288
LIABILITIES				
Accounts payable	10,601,408	-	10,601,408	11,862,166
Accrued payroll liabilities	22,595,711	-	22,595,711	22,279,897
Accrued interest payable	372,765	-	372,765	395,186
Unearned revenues	52,170	-	52,170	102,814
Long-term obligations				
Due within one year	4,883,831	-	4,883,831	4,596,705
Due in more than one year	74,126,756	-	74,126,756	70,394,110
TOTAL LIABILITIES	112,632,641	-	112,632,641	109,630,878
DEFERRED INFLOWS OF RESOURCES				
Deferred inflows related to pension	232,775	-	232,775	-
NET POSITION				
Net investment in capital assets	45,571,092	-	45,571,092	44,673,616
Restricted for				
Private gifts and donations	45,740	-	45,740	188,670
Grant expenditures	216,873	-	216,873	33,216
Debt service	577,994	-	577,994	534,872
Community service programs	209,542	-	209,542	110,060
Food service	3,083,806	-	3,083,806	2,855,954
Construction of capital assets	1,763,408	-	1,763,408	-
Pension benefits	43,650,395	-	43,650,395	-
Unrestricted	23,436,913	-	23,436,913	15,850,551
TOTAL NET POSITION	\$ 118,555,763	\$ -	\$ 118,555,763	\$ 64,246,939

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, 2015

(With summarized financial information for the year ended June 30, 2014)

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
Instruction	\$ 144,768,786	\$ 699,599	\$ 41,025,321	\$ -
Support services	112,618,109	1,470,229	11,006,062	-
Other				
Interest and fiscal charges	1,915,768	-	-	-
Community services	103,922	231,550	-	-
Non-program transactions	10,563,896	-	-	-
Total Other	12,583,586	231,550	-	-
Total Governmental Activities	269,970,481	2,401,378	52,031,383	-
Business-type Activities				
School food service program	-	-	-	-
Total School District	\$ 269,970,481	\$ 2,401,378	\$ 52,031,383	\$ -

General revenues

Property taxes, levied for general purposes

Property taxes, levied for debt service

Other taxes

State and federal aids not restricted to specific functions

Interest and investment earnings

Miscellaneous

Transfers

Total General Revenues and Transfers

Change in net position

Net position - July 1, as originally reported

Cumulative change in accounting principle

Net position - July 1, as restated

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	
		2015	2014
\$ (103,043,866)	\$ -	\$ (103,043,866)	\$ (106,247,974)
(100,141,818)	-	(100,141,818)	(98,756,329)
(1,915,768)	-	(1,915,768)	(1,941,682)
127,628	-	127,628	(712,794)
(10,563,896)	-	(10,563,896)	(9,107,811)
(12,352,036)	-	(12,352,036)	(11,762,287)
(215,537,720)	-	(215,537,720)	(216,766,590)
-	-	-	600,745
(215,537,720)	-	(215,537,720)	(216,165,845)
71,791,303	-	71,791,303	72,349,144
5,301,399	-	5,301,399	6,380,047
35,334	-	35,334	30,328
140,778,026	-	140,778,026	131,162,789
15,256	-	15,256	15,814
8,837,973	-	8,837,973	4,604,256
3,332,908	(3,332,908)	-	-
230,092,199	(3,332,908)	226,759,291	214,542,378
14,554,479	(3,332,908)	11,221,571	(1,623,467)
60,914,031	3,332,908	64,246,939	65,870,406
43,087,253	-	43,087,253	-
104,001,284	3,332,908	107,334,192	65,870,406
\$ 118,555,763	\$ -	\$ 118,555,763	\$ 64,246,939

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2015

(With summarized financial information as of June 30, 2014)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds	
				2015	2014
ASSETS					
Cash and investments	\$ 49,046,527	\$ 5,005,868	\$ -	\$ 54,052,395	\$ 49,620,364
Receivables					
Taxes	17,531,652	-	-	17,531,652	17,836,062
Accounts	814,891	986,814	90,102	1,891,807	719,987
Due from other funds	-	1,810,831	6,903,376	8,714,207	5,807,091
Due from other governments	9,376,955	-	718,960	10,095,915	10,022,132
Inventories	860,619	-	-	860,619	1,101,230
Prepaid items	1,474,189	-	-	1,474,189	521,696
TOTAL ASSETS	\$ 79,104,833	\$ 7,803,513	\$ 7,712,438	\$ 94,620,784	\$ 85,628,562
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 10,368,511	\$ 194,000	\$ 38,897	\$ 10,601,408	\$ 11,877,166
Accrued payroll liabilities	22,595,711	-	-	22,595,711	22,279,897
Due to other funds	5,434,397	-	3,279,810	8,714,207	8,293,410
Unearned revenues	1,669	-	50,501	52,170	56,850
Total Liabilities	38,400,288	194,000	3,369,208	41,963,496	42,507,323
Fund Balances					
Nonspendable					
Inventories	860,619	-	-	860,619	1,101,230
Prepaid items	1,474,189	-	-	1,474,189	521,696
Restricted					
Private gifts and donations	-	-	45,740	45,740	188,670
Grant expenditures	163,490	-	53,383	216,873	33,216
Food service	-	-	3,083,806	3,083,806	-
Construction of capital assets	-	1,763,408	-	1,763,408	523,308
Debt service funds	-	-	950,759	950,759	930,058
Community service programs	-	-	209,542	209,542	110,060
Committed					
Construction of capital assets	-	5,846,105	-	5,846,105	-
Assigned					
Referendum	10,000,000	-	-	10,000,000	10,000,000
Health care cost stabilization	8,000,000	-	-	8,000,000	8,000,000
Construction of capital assets	450,000	-	-	450,000	600,000
Capital projects - referendum	800,000	-	-	800,000	-
Subsequent years' expenditures	2,000,000	-	-	2,000,000	-
Unassigned, reported in					
General fund	16,956,247	-	-	16,956,247	21,113,001
Total Fund Balances	40,704,545	7,609,513	4,343,230	52,657,288	43,121,239
TOTAL LIABILITIES AND FUND BALANCES	\$ 79,104,833	\$ 7,803,513	\$ 7,712,438	\$ 94,620,784	\$ 85,628,562

(Continued)

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Balance Sheet (Continued)

Governmental Funds

June 30, 2015

(With summarized financial information as of June 30, 2014)

	Total Governmental Funds	
	2015	2014
<u>Reconciliation to the Statement of Net Position</u>		
Total Fund Balances from previous page	\$ 52,657,288	\$ 43,121,239
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.	101,460,801	92,856,505
Deferred outflow of resources is reported in the statement of net position for loss on advance refinancing.	170,631	322,288
The District's proportionate share of the Wisconsin Retirement System pension plan is not an available financial resource; therefore, it is not reported in the fund financial statements:		
Net pension asset	23,529,492	-
Deferred outflows of resources	20,353,678	-
Deferred inflows of resources	(232,775)	-
Some liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	(58,180,555)	(53,660,877)
Premium on long-term debt	(1,509,729)	(1,296,287)
Capital leases payable	-	(483,121)
Other post-employment benefits	(17,685,616)	(17,483,076)
Pension benefits	(667,416)	(432,766)
Compensated absences	(967,271)	(1,634,688)
Accrued interest payable	(372,765)	(395,186)
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 11)	\$ 118,555,763	\$ 60,914,031

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, 2015
(With summarized financial information for the year ended June 30, 2014)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds	
				2015	2014
Revenues					
Property taxes	\$ 71,791,303	\$ -	\$ 5,301,399	\$ 77,092,702	\$ 78,729,191
Other local sources	663,864	730	1,579,082	2,243,676	1,031,375
Interdistrict sources	198,786	-	-	198,786	266,799
Intermediate sources	9,993	-	-	9,993	6,338
State sources	162,180,352	-	156,960	162,337,312	150,439,409
Federal sources	21,656,099	-	8,676,464	30,332,563	23,639,940
Other sources	7,082,845	1,607,395	275,156	8,965,396	4,903,790
Total Revenues	263,583,242	1,608,125	15,989,061	281,180,428	259,016,842
Expenditures					
Instruction					
Regular instruction	94,146,437	-	52,879	94,199,316	95,482,361
Vocational instruction	4,739,249	-	3,473	4,742,722	4,822,832
Special education instruction	38,086,131	-	-	38,086,131	39,804,326
Other instruction	6,937,920	-	661,207	7,599,127	6,803,777
Total Instruction	143,909,737	-	717,559	144,627,296	146,913,296
Support Services					
Pupil services	16,189,751	-	14,793	16,204,544	15,280,840
Instructional staff services	17,039,186	-	255,290	17,294,476	14,403,861
General administration services	2,830,925	-	43,249	2,874,174	2,888,742
School administration services	12,231,339	-	4,027	12,235,366	11,083,499
Business services	2,367,570	-	3,500	2,371,070	2,476,051
Operation and maintenance of plant	34,682,253	8,726,920	625,292	44,034,465	50,582,853
Pupil transportation services	8,590,046	-	55,232	8,645,278	8,931,719
Food services	-	-	8,548,276	8,548,276	-
Central services	8,161,644	-	69,933	8,231,577	11,923,763
Insurance	877,076	-	-	877,076	804,953
Other support services	364,690	-	-	364,690	363,771
Total Support Services	103,334,480	8,726,920	9,619,592	121,680,992	118,740,052
Debt Service					
Principal	483,121	-	4,460,322	4,943,443	20,591,927
Interest and fiscal charges	32,687	-	1,967,656	2,000,343	1,810,459
Total Debt Service	515,808	-	6,427,978	6,943,786	22,402,386
Community Services					
	-	-	103,241	103,241	841,150
Non-program					
General tuition payments	9,629,928	-	-	9,629,928	8,586,684
Special education tuition payments	619,766	-	-	619,766	377,286
Revenue transits to others	16,431	-	-	16,431	-
Adjustments and refunds	282,771	15,000	-	297,771	143,841
Total Non-program	10,548,896	15,000	-	10,563,896	9,107,811
Total Expenditures	258,308,921	8,741,920	16,868,370	283,919,211	298,004,695
Excess of Revenues Over (Under) Expenditures	5,274,321	(7,133,795)	(879,309)	(2,738,783)	(38,987,853)
Other Financing Sources (Uses)					
Long-term debt issued	-	14,200,000	8,980,000	23,180,000	-
Capital leases	-	-	-	-	424,814
Premium on long term debt issued	-	-	427,253	427,253	-
Payment to current noteholder	-	-	(14,200,000)	(14,200,000)	-
Sale of capital assets	11,625	-	-	11,625	48,090
Transfers in	2,672	5,000	8,755,954	8,763,626	11,332
Transfers out	(5,905,000)	-	(2,672)	(5,907,672)	(11,332)
Total Other Financing Sources (Uses)	(5,890,703)	14,205,000	3,960,535	12,274,832	472,904
Net Change in Fund Balances	(616,382)	7,071,205	3,081,226	9,536,049	(38,514,949)
Fund Balances - July 1	41,320,927	538,308	1,262,004	43,121,239	81,636,188
Fund Balances - June 30	\$ 40,704,545	\$ 7,609,513	\$ 4,343,230	\$ 52,657,288	\$ 43,121,239

(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, 2015
(With summarized financial information as of June 30, 2014)

	Total Governmental Funds	
	2015	2014
<u>Reconciliation to the Statement of Activities</u>		
Net Change in Fund Balances from previous page	\$ 9,536,049	\$ (38,514,949)
Amounts reported for governmental activities in the statement of activities are different because:		
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.		
Capital outlay reported in governmental fund statements	\$ 14,415,082	
Depreciation expense reported in the statement of activities	<u>(4,197,120)</u>	
Amount in which depreciation is less than capital outlays	10,217,962	17,863,144
In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the loss on the disposal is reported.	(2,090,620)	(30,823)
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:	667,417	(235,600)
Changes in the net pension asset and related deferred inflows and outflows of resources as a result of employer contributions, changes in assumptions and proportionate share and the difference between the expected and actual experience of the pension plan.	563,142	-
The District's contributions to its employee benefit trust fund to finance its post-retirement benefits have been less than the annual required contribution (ARC). The payments to the employee benefit trust fund are recorded as an expenditure when paid in the governmental statements. The statement of activities reports the ARC as the expense. The difference is:	(202,540)	(1,207,685)
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:	(234,650)	(134,189)
The District issued debt during the year. The amount of the debt is reported in the governmental funds as a source of financing. In the statement of net position, however, debt constitutes a long-term liability. The amount of debt issued is:		
General obligation debt issued by District	(23,180,000)	-
Capital leases issued by the District	-	(424,814)
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position as does not affect the statement of activities. The amount of long-term principal payments:		
General obligation debt retired by District	18,660,322	18,563,586
Capital leases retired by the District	483,121	2,028,341
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.	22,421	(97,331)
Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of the net position, they are deferred and reported as other assets or deductions from long-term debt and allocated over the life of the debt on the statement of activities and included in interest expense		
Premium on long-term debt	(213,442)	129,905
Loss on advance refunding	(151,657)	(163,797)
The book value of capital assets transferred from business-type activities to governmental activities due to the reclassification of the food service fund from a proprietary fund to a special revenue fund.	<u>476,954</u>	<u>-</u>
Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see pages 12 - 13)	<u>\$ 14,554,479</u>	<u>\$ (2,224,212)</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, 2015
(With summarized financial information as of June 30, 2014)

	2015	2014
ASSETS		
Receivables		
Accounts	\$ -	\$ 21,543
Due from other funds	-	2,488,500
Due from other governments	-	394,056
Capital assets		
Machinery and equipment	-	1,583,436
Less: Accumulated depreciation	-	(1,106,482)
TOTAL ASSETS	<u>-</u>	<u>3,381,053</u>
LIABILITIES		
Due to other funds	-	2,181
Unearned revenues	-	45,964
TOTAL LIABILITIES	<u>-</u>	<u>48,145</u>
NET POSITION		
Net investment in capital assets	-	476,954
Unrestricted	-	2,855,954
TOTAL NET POSITION	<u>\$ -</u>	<u>\$ 3,332,908</u>

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

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Statement of Revenues, Expenses and Changes in Net Position
Food Service Proprietary Fund
For the Year Ended June 30, 2015
(With summarized financial information for the year ended June 30, 2014)

	2015	2014
Operating Revenues		
Food sales	\$ -	\$ 1,521,084
State sources	-	153,172
Federal sources	-	6,923,951
Other sources	-	93,429
Total Operating Revenues	<u>-</u>	<u>8,691,636</u>
Operating Expenses		
Salaries and wages	-	360,641
Employer paid benefits	-	168,625
Purchased services	-	6,733,641
Supplies and materials	-	754,764
Depreciation	-	72,884
Total Operating Expenses	<u>-</u>	<u>8,090,555</u>
Operating Income	<u>-</u>	<u>601,081</u>
Nonoperating Expense		
Interest expense	-	(336)
Income before Transfers	-	600,745
Transfers Out	<u>(3,332,908)</u>	<u>-</u>
Change in Net Position	(3,332,908)	600,745
Net Position - July 1	<u>3,332,908</u>	<u>2,732,163</u>
Net Position - June 30	<u>\$ -</u>	<u>\$ 3,332,908</u>

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

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Statement of Cash Flows
Food Service (Nonmajor) Proprietary Fund
For the Year Ended June 30, 2015
(With summarized financial information for the year ended June 30, 2014)

	2015	2014
Cash Flows from Operating Activities		
Cash received from user charges	\$ -	\$ 1,606,897
Cash received from other government payments	-	6,365,375
Cash payments to employees	-	(529,266)
Cash payments to suppliers	-	(6,995,338)
Net Cash Provided for Operating Activities	<u>-</u>	<u>447,668</u>
Cash Flows from Noncapital Financing Activities		
Change in temporary cash advance	3,332,908	(421,488)
Transfer to other funds	(3,332,908)	-
Net Cash Flows from Noncapital Financing Activities	<u>-</u>	<u>(421,488)</u>
Cash Flows from Capital and Related Financing Activities		
Capital lease paid	-	(4,553)
Acquisition of capital assets	-	(21,291)
Interest payments on long-term debt	-	(336)
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(26,180)</u>
Change in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents - July 1	<u>-</u>	<u>-</u>
Cash and Cash Equivalents - June 30	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided for Operating Activities:		
Operating income	\$ -	\$ 601,081
Adjustments to reconcile change in operating income to net cash provided for operating activities		
Depreciation	-	72,884
Changes in assets and liabilities		
Accounts receivable	-	(10,692)
Due from other governments	-	(182,223)
Prepaid items	-	531
Accounts payable	-	(36,989)
Unearned revenue	-	3,076
Net Cash Provided for Operating Activities	<u>\$ -</u>	<u>\$ 447,668</u>
Noncash Activities:		
Commodities Received From U.S. Department of Agriculture	\$ -	\$ 529,525

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, 2015

(With summarized financial information as of June 30, 2014)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Agency Fund Pupil Activity	Total Fiduciary Funds	
				2015	2014
ASSETS					
Cash and investments	\$ 39,787	\$ 5,360,997	\$ 1,159,414	\$ 6,560,198	\$ 8,871,976
Accounts receivable	229,086	6,902,747	-	7,131,833	4,162,836
TOTAL ASSETS	\$ 268,873	\$ 12,263,744	\$ 1,159,414	\$ 13,692,031	\$ 13,034,812
LIABILITIES					
Accounts payable	\$ 240,372	\$ 4,022,330	\$ -	\$ 4,262,702	\$ 4,262,702
Due to student organizations	-	-	1,159,414	1,159,414	1,171,137
TOTAL LIABILITIES	240,372	4,022,330	1,159,414	5,422,116	5,433,839
NET POSITION					
Restricted for					
Scholarships	28,501	-	-	28,501	29,212
Employee benefits	-	8,241,414	-	8,241,414	7,571,761
TOTAL NET POSITION	28,501	8,241,414	-	8,269,915	7,600,973
TOTAL LIABILITIES AND NET POSITION	\$ 268,873	\$ 12,263,744	\$ 1,159,414	\$ 13,692,031	\$ 13,034,812

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, 2015

(With summarized financial information for the year ended June 30, 2014)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Total Fiduciary Funds	
			2015	2014
ADDITIONS				
Other local sources	\$ 246,269	\$ -	\$ 246,269	\$ 183,001
Contributions				
Employer	-	7,849,077	7,849,077	7,376,458
Plan members	-	348,645	348,645	319,840
Investment earnings	-	17,380	17,380	5,939
Total Additions	<u>246,269</u>	<u>8,215,102</u>	<u>8,461,371</u>	<u>7,885,238</u>
DEDUCTIONS				
Trust fund disbursements	<u>246,980</u>	<u>7,545,449</u>	<u>7,792,429</u>	<u>7,544,699</u>
Change in Net Position	(711)	669,653	668,942	340,539
Net Position - July 1	<u>29,212</u>	<u>7,571,761</u>	<u>7,600,973</u>	<u>7,260,434</u>
Net Position - June 30	<u>\$ 28,501</u>	<u>\$ 8,241,414</u>	<u>\$ 8,269,915</u>	<u>\$ 7,600,973</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, 2015

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 no major proprietary funds.

Food service operations had been accounted for as an enterprise fund. As of July 1, 2014, food service operations are accounted for as a special revenue fund, as its significant revenues are intergovernmental revenue.

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to Basic Financial Statements

June 30, 2015

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, 2015

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, 2015

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
<u>Assets</u>	Cost	
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
<u>Assets</u>	Years	
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, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Deferred Outflows/Inflows of Resources

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

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

j. Long-term Obligations

In the district-wide financial statements, 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.

k. Pensions

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

l. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

- Nonspendable fund balance - Amounts that are not in spendable form (such as inventory, prepaid items, or long-term receivables) or are legally or contractually required to remain intact.
- Restricted fund balance - Amounts that are constrained for specific purposes by external parties (such as grantor or bondholders), through constitutional provisions, or by enabling legislation.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

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

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

Budgeted 2015-16 General Fund Expenditures	\$	265,208,160
Minimum Fund Balance %		(x) 15% - 20%
Minimum Fund Balance Amount		\$39,781,000 to \$53,042,000

The District's general fund balance of \$40,704,545 is within the range of the above minimum fund balance amount.

5. Use of Estimates

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

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

6. Summarized Information

The basic financial statements include certain prior-year summarized information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2014, from which the summarized information was derived.

7. Reclassifications

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

NOTE B - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

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

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

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

The carrying amount of the District's cash and investments totaled \$60,612,593 on June 30, 2015 as summarized below:

Petty cash funds	\$ 899
Deposits with financial institutions	58,198,913
Deposits with trustee	383,590
Investments	
Wisconsin Investment Series Cooperative (WISC)	
Cash management series	249,666
Negotiable certificates of deposit	1,742,968
Wisconsin local government investment pool	36,557
	\$ 60,612,593

Reconciliation to the basic financial statements:

District-wide Statement of Net Position	
Cash and investments	\$ 54,052,395
Fiduciary funds Statement of Net Position	
Private purpose trust fund	39,787
Employee benefit trust fund	5,360,997
Agency fund	1,159,414
	\$ 60,612,593

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

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, 2015, none of the District's deposits with financial institutions were in excess of federal and state depository insurance limits.

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The District does not have an additional credit risk policy. 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	\$ 36,557	\$ -	\$ -	\$ -	\$ 36,557
WISC Investments					
Cash management series	249,666	-	249,666	-	-
Negotiable certificates of deposit	1,742,968	-	-	-	1,742,968
Totals	<u>\$ 2,029,191</u>	<u>\$ -</u>	<u>\$ 249,666</u>	<u>\$ -</u>	<u>\$ 1,779,525</u>

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

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	\$ 36,557	\$ 36,557	\$ -	\$ -	\$ -
WISC Investments					
Cash management series	249,666	249,666	-	-	-
Negotiable certificates of deposit	1,742,968	1,742,968	-	-	-
Totals	\$ 2,029,191	\$ 2,029,191	\$ -	\$ -	\$ -

Investment in Wisconsin Local Government Investment Pool

The District has investments in the Wisconsin local government investment pool of \$36,557 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, 2015, 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 \$249,666 at year end consisting of Cash Management Series. The Cash Management Series has no minimum investment period, allows check writing privileges, and the average dollar weighted maturity is ninety (90) days or less.

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, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

2. Capital Assets

Capital asset activity for the year ended June 30, 2015 was as follows:

	Beginning Balance	Transfers	Increases	Decreases	Ending Balance
Governmental activities:					
Capital assets, not being depreciated:					
Land	\$ 2,474,986	\$ -	\$ -	\$ -	\$ 2,474,986
Work in progress	2,555,486	-	11,552,537	10,806,526	3,301,497
Total capital assets, not being depreciated	<u>5,030,472</u>	<u>-</u>	<u>11,552,537</u>	<u>10,806,526</u>	<u>5,776,483</u>
Capital assets, being depreciated:					
Site improvements	8,132,806	-	1,135,137	1,456,368	7,811,575
Buildings	128,879,497	-	6,940,132	1,298,903	134,520,726
Machinery and equipment	25,126,503	1,583,436	5,593,802	6,631,672	25,672,069
Total capital assets being depreciated	<u>162,138,806</u>	<u>1,583,436</u>	<u>13,669,071</u>	<u>9,386,943</u>	<u>168,004,370</u>
Less accumulated depreciation for:					
Site improvements	4,007,808	-	232,404	1,412,919	2,827,293
Buildings	54,926,653	-	2,479,101	513,979	56,891,775
Machinery and equipment	15,378,312	1,106,482	1,485,615	5,369,425	12,600,984
Total accumulated depreciation	<u>74,312,773</u>	<u>1,106,482</u>	<u>4,197,120</u>	<u>7,296,323</u>	<u>72,320,052</u>
Total capital assets, being depreciated, net	<u>87,826,033</u>	<u>476,954</u>	<u>9,471,951</u>	<u>2,090,620</u>	<u>95,684,318</u>
Governmental activities capital assets, net	<u>\$ 92,856,505</u>	<u>\$ 476,954</u>	<u>\$ 21,024,488</u>	<u>\$ 12,897,146</u>	<u>101,460,801</u>
Less:					
Related general obligation debt outstanding					55,170,555
Capital related deferred outflows of resources					(65,375)
Capital related debt premium					<u>784,529</u>
Net investment in capital assets					<u>\$ 45,571,092</u>
Business-type activities:					
Capital assets, being depreciated:					
Machinery and equipment	\$ 1,583,436	\$ (1,583,436)	\$ -	\$ -	\$ -
Less accumulated depreciation for:					
Machinery and equipment	1,106,482	(1,106,482)	-	-	-
Business-type activities capital assets, net	<u>\$ 476,954</u>	<u>\$ (476,954)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

The transfer column represents capital assets and related accumulated depreciation transferred from business-type activities to governmental activities due to the reclassification of food service operations from an enterprise fund to a special revenue fund.

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

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	\$ 21,971
Vocational instruction	56,683
Special education instruction	3,238
Total instruction	<u>81,892</u>
Support Services	
Pupil services	819
Instructional staff services	2,980
General administration services	10,185
School administration services	4,537
Operation and maintenance of plant	3,512,971
Central services	583,736
Total support services	<u>4,115,228</u>
Total depreciation expense - governmental activities	<u>\$ 4,197,120</u>

3. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the District as of June 30, 2015 are detailed below:

	Interfund Receivables	Interfund Payables
Pooled cash balances		
General Fund	\$ -	\$ 5,434,397
Special Revenue Funds		
Trust	45,740	-
Special projects	-	343,092
Community service	209,542	-
Food service	2,762,799	2,182
Debt Service Funds		
Non-referendum debt service	3,800,341	2,934,536
Referendum debt service	84,954	-
Capital Projects Fund	1,810,831	-
Totals	<u>\$ 8,714,207</u>	<u>\$ 8,714,207</u>

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Interfund transfers for the year ended June 30, 2015 were as follows:

	Transfer to:				Total
	General	Capital Projects	Food Service - Governmental Fund	Non-Referendum Debt Service	
Transfers from:					
General Fund	\$ -	\$ 5,000	\$ -	\$ 5,900,000	\$ 5,905,000
Special Revenue Fund					
Special projects	2,672	-	-	-	2,672
Enterprise Funds					
Food Service	-	-	2,855,954	-	2,855,954
Total	\$ 2,672	\$ 5,000	\$ 2,855,954	\$ 5,900,000	\$ 8,763,626

The special projects transfer to the general fund is used to move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them. The capital projects fund transfer was to start the capital improvement capital projects fund. The food service fund was transferred from an enterprise fund to a governmental special revenue fund resulting in the transfer listed above, which does not include the net investment in capital assets that was transferred as well on the government-wide statements. The transfer from the general fund to the non-referendum debt service was to finance debt payments of the District.

4. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2015:

	Outstanding 7/1/14	Issued	Retired	Outstanding 6/30/15	Due Within One Year
Governmental activities:					
General Obligation Debt					
Bonds	\$ 28,800,000	\$ 8,980,000	\$ 2,695,000	\$ 35,085,000	\$ 2,985,000
Notes	24,860,877	-	1,765,322	23,095,555	1,807,075
Total	53,660,877	8,980,000	4,460,322	58,180,555	4,792,075
Note Anticipation Note	-	14,200,000	14,200,000	-	-
Premium	1,296,287	343,347	129,905	1,509,729	91,756
Capital leases	483,121	-	483,121	-	-
Other post-employment benefits	17,483,076	9,790,358	9,587,818	17,685,616	-
Pension benefits	432,766	451,092	216,442	667,416	-
Compensated absences	1,634,688	-	667,417	967,271	-
Governmental activities Long-term obligations	\$ 74,990,815	\$ 33,764,797	\$ 29,745,025	\$ 79,010,587	\$ 4,883,831

Total interest paid during the year on long-term debt totaled \$1,769,934.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

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 6/30/15
General Obligation Bonds					
Promissory Bonds	\$ 8,420,000	09/03/08	5.30 - 5.45%	04/01/16	\$ 2,260,000
Promissory Bonds	5,945,000	09/03/08	4.00 - 4.25%	04/01/19	5,945,000
Refunding Bonds	5,880,000	07/11/11	4.00 - 5.00%	04/01/31	5,880,000
Refunding Bonds	10,000,000	01/03/13	2.50 - 2.75%	04/01/28	10,000,000
Refunding Bonds	2,020,000	06/10/13	3.38%	04/01/23	2,020,000
Refunding Bonds	8,980,000	04/06/15	2.00 - 3.00%	04/01/24	8,980,000
Subtotal					<u>35,085,000</u>
General Obligation Notes					
Qualified Zone Academy					
Promissory Notes	1,728,000	04/15/08	1.00%	04/14/18	536,555
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	2.50 - 3.625%	04/01/20	750,000
Promissory Notes	995,000	07/11/11	2.00 - 3.50%	04/01/20	695,000
Promissory Notes	21,735,000	06/10/13	2.00 - 3.00%	04/01/27	19,320,000
Subtotal					<u>23,095,555</u>
Total General Obligation Debt					<u>\$ 58,180,555</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$58,180,555 on June 30, 2015 are detailed below:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2016	\$ 4,792,075	\$ 1,700,246	\$ 6,492,321
2017	4,934,846	1,519,433	6,454,279
2018	5,061,634	1,368,844	6,430,478
2019	5,055,000	1,209,013	6,264,013
2020	5,682,000	1,044,038	6,726,038
2021-2025	19,835,000	3,434,450	23,269,450
2026-2030	12,200,000	1,142,700	13,342,700
2031	620,000	27,900	647,900
	<u>\$ 58,180,555</u>	<u>\$ 11,446,624</u>	<u>\$ 69,627,179</u>

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

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, 2015 was \$746,546,364 as follows:

Equalized valuation of the District		\$8,041,489,250
Statutory limitation percentage		(x) 10%
		804,148,925
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		804,148,925
Total outstanding general obligation debt	\$ 58,180,555	
Less: Amounts available for financing general obligation debt		
Debt service fund ⁽¹⁾	577,994	
Net outstanding general obligation debt applicable to debt limitation		57,602,561
Legal Margin for New Debt		\$ 746,546,364

(1) Less interest payments due October 2015

5. WRS Pension Plan

a. Plan Description

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

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

Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

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

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

The WRS also provides death and disability benefits for employees.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

b. Post-Retirement Adjustments

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2005	2.6%	7%
2006	0.8%	3%
2007	3.0%	10%
2008	6.6%	0%
2009	(2.1)%	(42)%
2010	(1.3)%	22%
2011	(1.2)%	11%
2012	(7.0)%	(7)%
2013	(9.6)%	9%
2014	4.7%	25%

c. Contributions

Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is one-half of the actuarially determined contribution rate for general category employees, including teachers, and Executives and Elected Officials. Required contributions for protective employees are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

During the reporting period, the WRS recognized \$9,375,049 in contributions from the District.

Contribution rates as of June 30, 2015 are:

Employee Category	Employee	Employer
General (including teachers)	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

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

At June 30, 2015, the District reported an asset of \$23,529,492 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension asset was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the District's proportion was .95793451%, which was an increase of .00763924% from its proportion measured as of December 31, 2013.

For the year ended June 30, 2015, the District recognized pension expense of \$9,284,278.

At June 30, 2015, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 3,411,044	\$ -
Changes in assumptions		
Net differences between projected and actual earnings on pension plan investments	11,394,116	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	-	232,775
Employer contributions subsequent to the measurement date	5,548,518	-
Total	<u>\$ 20,353,678</u>	<u>\$ 232,775</u>

\$5,548,518 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension asset in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31	Deferred Outflows of Resources	Deferred Inflows of Resources
2015	\$ 3,375,396	\$ 53,070
2016	3,375,096	53,070
2017	3,375,396	53,070
2018	3,375,396	53,070
2019	1,303,576	20,495

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

e. Actuarial Assumption

The total pension liability in the December 31, 2014, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Asset	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

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

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

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

Asset Class	Long-Term Real Rate of Return	Target Allocation
US Equities	5.3%	21%
International Equities	5.7%	23%
Fixed Income	1.7%	36%
Inflation Sensitive Assets	2.3%	20%
Real Estate	4.2%	7%
Private Equity/Debt	6.9%	7%
Multi-Asset	3.9%	6%
Cash	0.9%	-20%

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE B - DETAILED NOTES ON ALL FUNDS (Continued)

Single Discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

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

	1% Decrease to Discount Rate (6.2%)	Current Discount Rate (7.2%)	1% Increase to Discount Rate (8.2%)
District's proportionate share of the net pension liability (asset)	\$ 66,380,749	\$ (23,529,492)	\$ (94,536,966)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

f. Payable to the WRS

At June 30, 2015 the District reported a payable of \$3,111,362 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2015.

NOTE C - OTHER INFORMATION

1. Risk Management

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

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE C - OTHER INFORMATION (Continued)

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

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

At June 30, 2015, the District has reported a liability of \$3,270,570 which represents reported and unreported claims which were incurred on or before June 30, 2015, 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, 2015 with comparative totals for the prior year follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability June 30
2014	\$ 2,708,000	\$ 32,506,071	\$ 31,902,597	\$ 3,311,474
2015	3,311,474	\$ 35,646,995	35,687,899	3,270,570

2. Other Postemployment Benefits

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

a. Plan Descriptions and Contribution Information

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

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

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE C - OTHER INFORMATION (Continued)

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

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

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

b. Annual OPEB Cost and Net OPEB Obligation

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

Annual Required Contribution	\$ 10,358,017
Interest on net OPEB	699,323
Adjustment to annual required contribution	(1,266,982)
Annual OPEB cost (expense)	<u>9,790,358</u>
Contributions made	
Employer	<u>9,587,818</u>
Change in net OPEB obligation	202,540
OPEB obligation - beginning of year	<u>17,483,076</u>
OPEB obligation - end of year	<u><u>\$ 17,685,616</u></u>

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

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Notes to Basic Financial Statements
 June 30, 2015

NOTE C - OTHER INFORMATION (Continued)

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

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

Fiscal Year Ended	Annual OPEB Cost	Annual Required Contribution (ARC)	Annual OPEB Cost Contributed	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2013	\$ 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
6/30/2015	9,790,358	10,358,017	9,587,818	92.56%	17,685,616

c. Funded Status and Funding Progress

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

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

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

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE C - OTHER INFORMATION (Continued)

3. Pension Plan

a. Plan Description

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

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

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

b. Funding Policy

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

c. Annual Pension Cost and Net Pension Obligation

The District's annual pension costs for the year ended June 30, 2015 and related actuarial assumptions used for the current year are as follows:

Annual required contribution	\$ 465,864
Interest on net pension obligation	17,311
Adjustment to annual required contribution	<u>(32,083)</u>
Annual pension cost	451,092
Contributions made	<u>216,442</u>
Change in net pension obligation	234,650
Net pension obligation beginning of year	<u>432,766</u>
Net pension obligation end of year	<u><u>\$ 667,416</u></u>

The annual required contribution for the current year was determined as part of the July 1, 2014 actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 4.0% investment rate of return (net of administrative expenses) and (b) projected salary increases 3% per year. The investment rate of return has an inflation component of 2.5% per year. It was assumed that employees would not have any other service within the WRS prior to hire by the District. The unfunded actuarial accrued liability is being amortized, as a level dollar amount, on a closed basis. The remaining amortization period at June 30, 2015 was 22 years.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE C - OTHER INFORMATION (Continued)

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/13	\$ 345,683	68.1%	\$ 298,577
6/30/14	349,493	61.6%	432,766
6/30/15	451,092	48.0%	667,416

d. Funding Status and Funding Progress

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

4. Contingencies

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

5. Limitation on School District Revenues

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

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

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

6. Subsequent Event

The District issued \$9,700,000 in General Obligation Bonds dated July 7, 2015 for school building and improvement. Principal payments ranging from \$2,895,000 to \$3,450,000 are due beginning in 2027 through 2029 at an interest rate of 2.75%.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Basic Financial Statements
June 30, 2015

NOTE C - OTHER INFORMATION (Continued)

7. Cumulative Effect of Change in Accounting Principle

The District has adopted GASB Statement No. 68, *Accounting and Financial Reporting for Pensions* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – An Amendment of GASB Statement No. 68*, which revised and established new financial reporting requirements for governments that provide their employees with pension benefits. The new standards recognize pension costs as employment services are provided, rather than when the pensions are funded. Financial statements for the year ended June 30, 2014, have not been restated. The cumulative effect of this change was to increase the June 30, 2015 net position of the governmental activities by \$43,087,253.

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Property taxes	\$ 71,791,303	\$ 71,791,303	\$ 71,791,303	\$ -
Other local sources	659,843	628,562	663,864	35,302
Interdistrict sources	159,240	159,240	117,202	(42,038)
State sources	148,730,125	148,947,340	149,102,645	155,305
Federal sources	16,181,279	16,806,860	15,716,011	(1,090,849)
Other sources	5,911,968	7,607,905	7,082,845	(525,060)
Total Revenues	243,433,758	245,941,210	244,473,870	(1,467,340)
Expenditures				
Instruction				
Regular instruction	97,786,578	94,508,616	94,146,437	362,179
Vocational instruction	4,753,170	4,661,564	4,685,358	(23,794)
Other instruction	6,638,409	6,984,576	6,873,399	111,177
Total Instruction	109,178,157	106,154,756	105,705,194	449,562
Support Services				
Pupil services	11,042,481	10,761,262	10,700,359	60,903
Instructional staff services	13,715,454	14,533,212	13,269,463	1,263,749
General administration services	2,521,031	2,722,106	2,819,836	(97,730)
School administration services	12,203,942	12,248,149	12,231,339	16,810
Business services	2,384,600	2,325,034	2,278,724	46,310
Operation and maintenance of plant	31,341,913	34,381,305	34,675,356	(294,051)
Pupil transportation services	5,693,869	5,300,280	4,879,968	420,312
Food services	34,035	34,035	-	34,035
Central services	9,239,330	8,192,803	8,144,880	47,923
Insurance	671,848	671,848	669,011	2,837
Other support services	497,358	479,358	364,690	114,668
Total Support Services	89,345,861	91,649,392	90,033,626	1,615,766
Debt service	173,314	173,314	515,808	(342,494)
Non-program				
General tuition payments	9,489,959	9,616,937	9,629,928	(12,991)
Indirect costs	140,844	140,844	282,771	(141,927)
Total Non-program	9,630,803	9,757,781	9,912,699	(154,918)
Total Expenditures	208,328,135	207,735,243	206,167,327	1,567,916
Excess of Revenues Over Expenditures	35,105,623	38,205,967	38,306,543	100,576
Other Financing Sources (Uses)				
Sale of capital assets	5,000	11,234	11,625	391
Transfers in	117,523	117,523	96,212	(21,311)
Transfers out	(38,834,467)	(40,335,959)	(39,030,762)	1,305,197
Total Other Financing Sources (Uses)	(38,711,944)	(40,207,202)	(38,922,925)	1,284,277
Net Change in Fund Balance	(3,606,321)	(2,001,235)	(616,382)	1,384,853
Fund Balance - July 1	41,320,927	41,320,927	41,320,927	-
Fund Balance - June 30	\$ 37,714,606	\$ 39,319,692	\$ 40,704,545	\$ 1,384,853

See Notes to Required Supplementary Information.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Special Education Special Revenue Fund - Budgetary Basis
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Revenues				
Interdistrict sources	\$ 61,330	\$ 61,330	\$ 81,584	\$ 20,254
Intermediate sources	8,556	10,161	9,993	(168)
State sources	13,097,662	12,940,032	13,077,707	137,675
Federal sources	6,846,531	5,614,324	5,940,088	325,764
Total Revenues	20,014,079	18,625,847	19,109,372	483,525
Expenditures				
Instruction				
Vocational instruction	56,975	56,975	53,891	3,084
Special education instruction	39,058,577	38,077,350	38,086,131	(8,781)
Other instruction	63,189	62,157	64,521	(2,364)
Total Instruction	39,178,741	38,196,482	38,204,543	(8,061)
Support Services				
Pupil services	5,840,989	5,754,858	5,489,392	265,466
Instructional staff services	4,044,992	3,954,861	3,769,723	185,138
General administration services	28,315	21,100	11,089	10,011
Business services	100,000	90,000	88,846	1,154
Operation and maintenance of plant	20,200	11,200	6,897	4,303
Pupil transportation services	3,886,207	3,816,207	3,710,078	106,129
Central services	14,550	16,300	16,764	(464)
Insurance	234,539	234,539	208,065	26,474
Total Support Services	14,169,792	13,899,065	13,300,854	598,211
Non-program				
Revenue transits to others	-	-	16,431	(16,431)
Special education tuition payments	497,497	522,497	619,766	(97,269)
Total Expenditures	53,846,030	52,618,044	52,141,594	476,450
Excess of Revenues Under Expenditures	(33,831,951)	(33,992,197)	(33,032,222)	959,975
Other Financing Sources (Uses)				
Transfers in	33,934,467	34,100,468	33,125,762	(974,706)
Transfers out	(102,516)	(108,271)	(93,540)	14,731
Total Other Financing Sources (Uses)	33,831,951	33,992,197	33,032,222	(959,975)
Net Change in Fund Balance	-	-	-	-
Fund Balance - July 1	-	-	-	-
Fund Balance - June 30	\$ -	\$ -	\$ -	\$ -

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, 2015

Other Post-Employment Benefit Plan			
Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2013	\$ 10,408,383	\$ 10,479,586	99.32%
2014	9,044,574	10,690,627	84.60%
2015	9,587,818	10,358,017	92.56%

Pension Plan			
Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2013	\$ 235,363	\$ 346,026	68.02%
2014	215,304	346,026	62.22%
2015	216,442	465,864	46.46%

See Notes to Required Supplementary Information.

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Schedule of Funding Progress

For the Year Ended June 30, 2015

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

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

See Notes to Required Supplementary Information.

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Schedule of Proportionate Share of the Net Pension Asset
 Wisconsin Retirement System
 Last 10 Fiscal Years*

	2015
Proportion of the net pension asset	0.96%
Proportionate share of the net pension asset	\$ 23,529,492
Covered-employee payroll	\$ 133,929,709
Plan fiduciary net position as a percentage of the total pension asset	102.74%

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

See Notes to Required Supplementary Information.

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

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

* The amounts presented for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

See Notes to Required Supplementary Information.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

NOTE A - GOVERNMENTAL ACCOUNTING STANDARDS BOARD STATEMENT NOS. 68 AND 71

The District implemented GASB Statement No. 68, Accounting and Financial Reporting for Pensions – *An Amendment of GASB Statement No. 27* and Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* for the fiscal year ended June 30, 2015. Information for prior years is not available.

NOTE B - BUDGETARY INFORMATION

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

	General Fund	Special Education Fund
Revenues		
Actual amounts (budgetary basis)	\$ 244,473,870	\$ 19,109,372
Reclassification of special education	19,109,372	(19,109,372)
Total Revenues	<u>263,583,242</u>	<u>-</u>
Expenditures		
Actual amounts (budgetary basis)	206,167,327	52,141,594
Reclassification of special education	52,141,594	(52,141,594)
Total Expenditures	<u>258,308,921</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures		
Actual amounts (budgetary basis)	38,306,543	(33,032,222)
Reclassification of special education	(33,032,222)	33,032,222
Excess of Revenues Over (Under) Expenditures	<u>5,274,321</u>	<u>-</u>
Other Financing Sources (Uses)		
Actual amounts (budgetary basis)	(38,922,925)	33,032,222
Reclassification of special education	33,032,222	(33,032,222)
Total Other Financing Sources (Uses)	<u>(5,890,703)</u>	<u>-</u>
Net Change in Fund Balance		
Actual amounts (budgetary basis)	<u>(616,382)</u>	<u>-</u>
Fund Balance - July 1		
Actual amounts (budgetary basis)	<u>41,320,927</u>	<u>-</u>
Fund Balance - June 30		
Actual amounts (budgetary basis)	<u>\$ 40,704,545</u>	<u>\$ -</u>

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

NOTE B - BUDGETARY INFORMATION (Continued)

Budgets and Budgetary Accounting

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

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

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

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2015. In addition, no District funds had deficit fund equity as of June 30, 2015.

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Notes to Required Supplementary Information
For the Year Ended June 30, 2015

NOTE C - CHANGE IN ACTUARIAL ASSUMPTIONS

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

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

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

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

SUPPLEMENTARY INFORMATION

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Combining Balance Sheet

Nonmajor Governmental Funds

June 30, 2015

	Special Revenue Funds			
	Trust	Special Projects	Community Service	Food Service
ASSETS				
Accounts Receivable	\$ -	\$ -	\$ -	\$ 90,102
Due from other funds	45,740	-	209,542	2,762,799
Due from other governments	-	396,475	-	322,485
TOTAL ASSETS	\$ 45,740	\$ 396,475	\$ 209,542	\$ 3,175,386
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ 38,897
Due to other funds	-	343,092	-	2,182
Unearned revenues	-	-	-	50,501
Total Liabilities	-	343,092	-	91,580
Fund Balances				
Fund Balances				
Restricted				
Private gifts and donations	45,740	-	-	-
Food service programs	-	-	-	3,083,806
Grant expenditures	-	53,383	-	-
Debt service	-	-	-	-
Community service programs	-	-	209,542	-
Total Fund Balances	45,740	53,383	209,542	3,083,806
TOTAL LIABILITIES AND FUND BALANCES	\$ 45,740	\$ 396,475	\$ 209,542	\$ 3,175,386

Debt Service Funds		Total Nonmajor Governmental Funds
Non-Referendum Debt Service	Referendum Debt Service	
\$ -	\$ -	\$ 90,102
3,800,341	84,954	6,903,376
-	-	718,960
<hr/>		
\$ 3,800,341	\$ 84,954	\$ 7,712,438

\$ -	\$ -	\$ 38,897
2,934,536	-	3,279,810
-	-	50,501
<hr/>		
2,934,536	-	3,369,208

-	-	45,740
-	-	3,083,806
-	-	53,383
865,805	84,954	950,759
-	-	209,542
<hr/>		
865,805	84,954	4,343,230
<hr/>		
\$ 3,800,341	\$ 84,954	\$ 7,712,438

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, 2015

	Special Revenue Funds			
	Trust	Special Projects	Community Service	Food Service
Revenues				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other local sources	99,828	-	231,550	1,247,704
State sources	-	-	-	156,960
Federal sources	-	912,370	-	7,764,094
Other sources	-	-	-	235,129
Total Revenues	<u>99,828</u>	<u>912,370</u>	<u>231,550</u>	<u>9,403,887</u>
Expenditures				
Instruction				
Regular instruction	52,879	-	-	-
Vocational instruction	3,473	-	-	-
Other instruction	-	661,207	-	-
Total Instruction	<u>56,352</u>	<u>661,207</u>	<u>-</u>	<u>-</u>
Support Services				
Pupil services	3,779	11,014	-	-
Instructional staff services	78,898	176,392	-	-
General administration services	24,000	-	19,249	-
School administration services	-	-	4,027	-
Business services	-	-	-	3,500
Operation and maintenance of plant	-	-	1,033	624,259
Pupil transportation services	24,729	30,503	-	-
Food services	-	-	-	8,548,276
Central services	55,000	10,415	4,518	-
Total Support Services	<u>186,406</u>	<u>228,324</u>	<u>28,827</u>	<u>9,176,035</u>
Debt Service				
Principal	-	-	-	-
Interest and fiscal charges	-	-	-	-
Total Debt Service	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Community Services	-	-	103,241	-
Total Expenditures	<u>242,758</u>	<u>889,531</u>	<u>132,068</u>	<u>9,176,035</u>
Excess of Revenues Over (Under) Expenditures	<u>(142,930)</u>	<u>22,839</u>	<u>99,482</u>	<u>227,852</u>
Other Financing Sources (Uses)				
Long-term debt issued	-	-	-	-
Premium on long term debt issued	-	-	-	-
Payment to current noteholder	-	-	-	-
Transfers in	-	-	-	2,855,954
Transfers out	-	(2,672)	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(2,672)</u>	<u>-</u>	<u>2,855,954</u>
Net Change in Fund Balances	(142,930)	20,167	99,482	3,083,806
Fund Balances - July 1	<u>188,670</u>	<u>33,216</u>	<u>110,060</u>	<u>-</u>
Fund Balances - June 30	<u>\$ 45,740</u>	<u>\$ 53,383</u>	<u>\$ 209,542</u>	<u>\$ 3,083,806</u>

Debt Service Funds		Total Nonmajor
Non-Referendum	Referendum	Governmental
Debt Service	Debt Service	Funds
\$ 2,209,342	\$ 3,092,057	\$ 5,301,399
-	-	1,579,082
-	-	156,960
-	-	8,676,464
40,027	-	275,156
<u>2,249,369</u>	<u>3,092,057</u>	<u>15,989,061</u>
-	-	52,879
-	-	3,473
-	-	661,207
-	-	<u>717,559</u>
-	-	14,793
-	-	255,290
-	-	43,249
-	-	4,027
-	-	3,500
-	-	625,292
-	-	55,232
-	-	8,548,276
-	-	69,933
-	-	<u>9,619,592</u>
1,765,322	2,695,000	4,460,322
1,471,094	496,562	1,967,656
<u>3,236,416</u>	<u>3,191,562</u>	<u>6,427,978</u>
-	-	103,241
<u>3,236,416</u>	<u>3,191,562</u>	<u>16,868,370</u>
<u>(987,047)</u>	<u>(99,505)</u>	<u>(879,309)</u>
8,980,000	-	8,980,000
427,253	-	427,253
(14,200,000)	-	(14,200,000)
5,900,000	-	8,755,954
-	-	(2,672)
<u>1,107,253</u>	<u>-</u>	<u>3,960,535</u>
120,206	(99,505)	3,081,226
745,599	184,459	1,262,004
<u>\$ 865,805</u>	<u>\$ 84,954</u>	<u>\$ 4,343,230</u>

RACINE UNIFIED SCHOOL DISTRICT
 Racine, Wisconsin
 Pupil Activity Funds
 Schedule of Changes in Assets and Liabilities
 June 30, 2015

Pupil Activity Funds				
	Balance 07/01/14	Additions	Deletions	Balance 06/30/15
ASSETS				
Cash and investments	\$ 1,171,137	\$ 3,367,941	\$ 3,379,664	\$ 1,159,414
LIABILITIES				
Due to student organizations				
Senior high schools	\$ 626,597	\$ 2,016,414	\$ 2,027,782	\$ 615,229
Middle schools	199,991	638,662	648,048	190,605
Elementary schools	303,205	596,091	583,475	315,821
Early Childhood schools	2,495	13,742	13,298	2,939
Lighted Schoolhouse	5,910	23,237	23,597	5,550
P-COC	2,837	6,038	6,419	2,456
Mack Center	3,431	1,192	1,635	2,988
Racine Civil Leaders	-	4,979	4,299	680
REAL School	26,671	67,586	71,111	23,146
TOTAL LIABILITIES	\$ 1,171,137	\$ 3,367,941	\$ 3,379,664	\$ 1,159,414

**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, 2015, 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 which included emphasis of matter paragraphs as indicated on page 2 dated November 13, 2015.

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 2015-001 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 from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 13, 2015

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, 2015. 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, 2015.

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 13, 2015

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2015

Federal Grantor/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number	Accrued Receivable (Deferred Revenue) 7/1/14	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/15	Total Revenues	Total Expenditures
U.S. Department of Agriculture							
<i>Child Nutrition Cluster</i>							
School Breakfast Program		10.553					
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		\$ (91,222)	\$ 91,222	\$ -	\$ -	\$ -
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	1,646,973	83,356	1,730,329	1,730,329
National School Lunch Program		10.555					
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(302,595)	302,595	-	-	-
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	5,040,273	239,129	5,279,402	5,279,402
Donated Commodities	Wisconsin Department of Public Instruction		-	566,064	-	566,064	566,064
Total National School Lunch Program			(302,595)	5,908,932	239,129	5,845,466	5,845,466
Special Milk Program for Children		10.556					
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(239)	239	-	-	-
Summer Food Service Program for Children		10.559					
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	188,299	-	188,299	188,299
<i>Total Child Nutrition Cluster</i>			(394,056)	7,835,665	322,485	7,764,094	7,764,094
Total U.S. Department of Agriculture			(394,056)	7,835,665	322,485	7,764,094	7,764,094
U.S. Department of Education							
<i>Title I, Part A Cluster</i>							
Title I Grants to Local Educational Agencies		84.010					
Basic Grant							
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(1,683,249)	1,683,249	-	-	-
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	4,505,641	3,107,204	7,612,845	7,612,845
July 1, 2014 - June 30, 2015	CESA		-	8,662	(1,669)	6,993	6,993
Neglected and Delinquent Youth							
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(39,757)	39,757	-	-	-
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	122,438	13,611	136,049	136,049
Title I Focus Schools Grant							
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(42,017)	42,017	-	-	-
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	33,967	50,156	84,123	84,123
Acad Achvt AWD - Spotlight Schools							
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(31,711)	31,711	-	-	-
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	-	8,438	8,438	8,438
<i>Total Title I Grants to Local Educational Agencies</i>			(1,796,734)	6,467,442	3,177,740	7,848,448	7,848,448
<i>Total Title I, Part A Cluster</i>			(1,796,734)	6,467,442	3,177,740	7,848,448	7,848,448
Special Education Cluster (IDEA)							
Special Education - Grants to States		84.027					
IDEA Flow Thru							
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(2,931,698)	2,931,698	-	-	-
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	3,127,212	658,543	3,785,755	3,785,755
Transition Improvement							
July 1, 2014 - June 30, 2015	CESA		-	3,000	-	3,000	3,000
IDEA High Cost Special Education Aid							
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	39,709	-	39,709	39,709

(Continued)

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2015

Federal Grantor/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number	Accrued Receivable (Deferred Revenue) 7/1/14	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/15	Total Revenues	Total Expenditures
<i>U.S. Department of Education (Continued)</i>							
<i>Special Education Cluster (IDEA) (continued)</i>							
Special Education - Grants to States		84.027					
IDEA Discretionary Grant - Disproportionality							
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(428,062)	428,062	-	-	-
July 1, 2014 - June 30, 2015			-	298,859	188,612	487,471	487,471
Total Special Education - Grants to States			(3,359,760)	6,828,540	847,155	4,315,935	4,315,935
Special Education - Preschool Grants		84.173					
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(76,319)	76,319	-	-	-
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	114,219	78,075	192,294	192,294
Total Special Education Cluster (IDEA)			(3,436,079)	7,019,078	925,230	4,508,229	4,508,229
Career and Technical Education - Basic Grants to States		84.048					
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(110,796)	110,796	-	-	-
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	78,202	114,586	192,788	192,788
Safe and Drug-Free Schools and Communities - National Programs		84.184					
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(43,914)	43,914	-	-	-
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	96,787	70,659	167,446	167,446
Education for Homeless Children		84.196					
Education for Homeless Children and Youth							
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	5,656	44,344	50,000	50,000
Fund for the Improvement of Education		84.215k					
Afterschool Program							
July 1, 2014 - June 30, 2015	City of Racine		-	11,193	4,745	15,938	15,938
ESEA V-B Charter Schools Federal Aids		84.282					
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(80,549)	80,549	-	-	-
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	181,649	36,347	217,996	217,996
Twenty-First Century Community Learning Centers		84.287					
Twenty-First Century Community Learning Centers							
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(37,779)	37,779	-	-	-
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	111,196	-	111,196	111,196
Twenty-First Century Community Learning Centers							
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(14,811)	14,811	-	-	-
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	33,980	391,730	425,710	425,710
Twenty-First Century Community Learning Centers							
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(29,211)	29,211	-	-	-
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	67,342	-	67,342	67,342
Twenty-First Century Community Learning Centers							
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(43,061)	43,061	-	-	-
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	109,307	-	109,307	109,307

(Continued)

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of Expenditures of Federal Awards (Continued)
For the Year Ended June 30, 2015

Federal Grantor/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number	Accrued Receivable (Deferred Revenue) 7/1/14	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/15	Total Revenues	Total Expenditures
U.S. Department of Education (Continued)							
Twenty-First Century Community Learning Centers (Continued)							
Twenty-First Century Community Learning Centers		84.287					
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(16,838)	16,838	-	-	-
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	111,832	-	111,832	111,832
Twenty-First Century Community Learning Centers		84.287					
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(16,474)	16,474	-	-	-
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	71,046	-	71,046	71,046
Total Twenty-First Century Community Learning Centers			(158,174)	662,877	391,730	896,433	896,433
Transition to Teaching Grant Program		84.350					
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(73,966)	73,966	-	-	-
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	-	(13,794)	(13,794)	(13,794)
English Language Acquisition Grants		84.365					
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(38,358)	38,358	-	-	-
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	260,132	52,958	313,090	313,090
Improving Teacher Quality State Grants		84.367					
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(385,575)	385,575	-	-	-
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	926,642	459,632	1,386,274	1,386,274
School Improvement Grants Cluster							
School Improvement Grants		84.377					
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	1,173,370	739,280	1,912,650	1,912,650
ARRA-SIG Priority Grants		84.388					
July 1, 2013 - June 30, 2014	Wisconsin Department of Public Instruction		(1,192,747)	1,192,747	-	-	-
July 1, 2014 - June 30, 2015	Wisconsin Department of Public Instruction		-	88,944	-	88,944	88,944
Total School Improvement Grants Cluster			(1,192,747)	2,455,061	739,280	2,001,594	2,001,594
Safe and Healthy Students		84.410					
July 1, 2014 - June 30, 2015	State of Wisconsin		(22,226)	74,306	786,389	838,469	838,469
Total U.S. Department of Education			(7,339,118)	18,972,183	6,789,846	18,422,911	18,422,911
U.S. Department of Health and Human Services							
Teen Parents Dropout Prevention		93.500					
July 1, 2013 - June 30, 2014	State of Wisconsin		(49,505)	49,505	-	-	-
July 1, 2014 - June 30, 2015			-	112,440	148,689	261,129	261,129
Medical Assistance - Student Based Services Benefit		93.778					
July 1, 2014 - June 30, 2015	Wisconsin Department of Health Services		-	3,662,620	222,002	3,884,622	3,884,622
Center for Disease Control - Basic Grant		93.079					
July 1, 2014 - June 30, 2015	Wisconsin Department of Health Services		2,800	-	7,000	9,800	9,800
Total U.S. Department of Health and Human Services			(46,705)	3,824,565	377,691	4,155,551	4,155,551
TOTAL FEDERAL FINANCIAL ASSISTANCE			\$ (7,779,879)	\$ 30,632,413	\$ 7,490,022	\$ 30,342,556	\$ 30,342,556
Reconciliation to Basic Financial Statements							
Federal sources						\$ 30,332,563	
Federal awards reported with intermediate sources						9,993	
Total Federal Awards						\$ 30,342,556	

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

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of State Financial Assistance
For the Year Ended June 30, 2015

State Grantor/Program Name/Grant Period	Pass-through Agency	State I.D. Number	(Accrued Receivable) Deferred Revenue 7/1/14	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/15	Total Revenues	Total Expenditures
Wisconsin Department of Public Instruction							
Cost Reimbursement Programs							
Alcohol & Other Drug Abuse	Direct Program	255.306	\$ (25,000)	\$ 25,000	\$ -	-	-
July 1, 2013 - June 30, 2014			-	5,573	23,902	29,475	29,475
July 1, 2014 - June 30, 2015							
Peer Review and Mentoring	Direct Program	255.301	(1,164)	1,164	-	-	-
July 1, 2013 - June 30, 2014			-	36,247	-	36,247	36,247
July 1, 2014 - June 30, 2015							
AODA Mini Grants		255.312					
July 1, 2013 - June 30, 2014	CESA No. 1		(4,573)	4,573	-	-	-
Total Cost Reimbursement Programs			(30,737)	72,557	23,902	65,722	65,722
Entitlement Programs							
Special Education and School Age Parents	Direct Program	255.101	-	12,542,092	-	12,542,092	12,542,092
State Lunch	Direct Program	255.102	-	89,313	-	89,313	89,313
Common School Fund Library	Direct Program	255.103	-	864,052	-	864,052	864,052
Bilingual - Bicultural Aid	Direct Program	255.106	-	482,366	-	482,366	482,366.00
Pupil Transportation Aid	Direct Program	255.107	-	394,460	-	394,460	394,460.00
General Equalization Aids		255.201					
July 1, 2013 - June 30, 2014	Direct Program		(2,165,188)	2,165,188	-	-	-
July 1, 2014 - June 30, 2015	Direct Program		-	129,219,749	2,308,285	131,528,034	131,528,034
Integration Transfer	Direct Program	255.205	-	8,802,062	-	8,802,062	8,802,062
High Cost Special Education Aid	Direct Program	255.210	-	242,516	-	242,516	242,516
State Breakfast Program	Direct Program	255.344	-	67,647	-	67,647	67,647
Tuition Payments by State	Direct Program	255.401	-	158,649	-	158,649	158,649
Tuition Payments by State - FUND 27	Direct Program	255.401	-	293,099	-	293,099	293,099
Student Achievement Guarantee in Education (SAGE) Program	Direct Program	255.504	-	1,676,281	-	1,676,281	1,676,281
Aid for High Poverty School District	Direct Program	255.926	-	1,244,580	-	1,244,580	1,244,580
Per Pupil Adjustment Aid	Direct Program	255.945	-	3,128,400	-	3,128,400	3,128,400
Educator Effective Eval Sys Grants Public	Direct Program	255.940	-	139,360	-	139,360	139,360
CTE Technical Incentive Grant	Direct Program	255.950	-	164,000	-	164,000	164,000
WI Partnership Childhood Fitness	Direct Program	255.938	-	1,000	-	1,000	1,000
Total Entitlement Programs			(2,165,188)	161,674,814	2,308,285	161,817,911	161,817,911
Total Wisconsin Department of Public Instruction			(2,195,925)	161,747,371	2,332,187	161,883,633	161,883,633
TOTAL STATE FINANCIAL ASSISTANCE			\$ (2,195,925)	\$ 161,747,371	\$ 2,332,187	\$ 161,883,633	\$ 161,883,633
Reconciliation to Basic Financial Statements							
Governmental Funds							
State sources						\$ 162,337,312	
Revenues not considered state financial assistance							(447,930)
Tax-exempt computer aids							(5,749)
Miscellaneous							
Total State Awards							<u>\$ 161,883,633</u>

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

RACINE UNIFIED SCHOOL DISTRICT

Racine, Wisconsin

Notes to the Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance
For the Year Ended June 30, 2015

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 2014-2015 eligible costs under the State Special Education Program as reported by the District are \$47,237,504.

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, 2015

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>Child Nutrition Cluster</i>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.559	Summer Food Service Program for Children
	<i>School Improvement Grants Cluster</i>
84.377	School Improvement Grants
84.378	ARRA-SIG Priority Grants
93.778	Medical Assistance - School Based Services Benefit

State ID Number	Name of State Programs
255.101	Special Education and School Age Parents
	<i>General Aids Cluster (255.2xx)</i>
255.201	General Equalization Aids
255.205	Integration Transfer
255.210	State High Cost Special Education
255.401	Tuition Payments by State
255.926	Aid for High-Poverty School District
255.945	Per Pupil Aid

Audit threshold used to determine between Type A and Type B federal programs:	\$910,276
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, 2015

Section II - Financial Statement Findings

Finding No.	Internal Control Deficiencies
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2015-001 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, 2015

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

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

Name and signature of shareholder



David L. Maccoux, CPA

Date of report

November 13, 2015

RACINE UNIFIED SCHOOL DISTRICT
Racine, Wisconsin
Schedule of Prior Year Audit Findings and Corrective Action Plan
For the Year Ended June 30, 2015

Status of Prior Year Audit Finding

All findings noted in the 2014 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 2015-001.

Corrective Action Plan for Audit Findings

Finding No.	
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2015-001 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.