

**RACINE UNIFIED SCHOOL DISTRICT
RACINE, WISCONSIN**

**FINANCIAL STATEMENTS AND
SUPPLEMENTARY INFORMATION**

YEAR ENDED JUNE 30, 2020



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**RACINE UNIFIED SCHOOL DISTRICT
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INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Racine Unified School District, Racine, Wisconsin (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

To the Board of Education
Racine Unified School District

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2020, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Prior-Year Comparative Information

We have previously audited the District's 2019 financial statements, and we expressed unmodified opinions on the respective financial statements of the governmental activities, each major fund, and the aggregate remaining fund information in our report dated November 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019, is consistent, in all material respects, with the audited financial statements from which it has been derived.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 10 and the budgetary comparison information and the schedules relating to pensions and other postemployment benefits on pages 59 through 65 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

To the Board of Education
Racine Unified School District

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

Other Reporting Required By Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 21, 2020, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the District's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



CliftonLarsonAllen LLP

Green Bay, Wisconsin
December 21, 2020

**RACINE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

FINANCIAL HIGHLIGHTS

- The District's overall financial position, as reflected in total net position, increased \$12,495,839 during the 2019-2020 fiscal year.
- The District's governmental fund balance reported an increase of \$5,332,958 compared to a decrease of \$9,378,313 in the prior year. While the Capital Project and Other Governmental funds increased in fund balance by \$5,764,175, the General Fund decreased by \$431,217. The decrease in the General Fund was primarily due to an inventory adjustment of over \$1,600,000. The increase in the Capital Projects Fund was due to an interfund transfer of General Funds to the Long-Term Capital Improvement Fund for planned capital projects.
- The District's reported capital assets decreased by \$3,224,419 over the prior year. The decrease was primarily due to higher accumulated depreciation for site improvements, buildings, and machinery and equipment. (See page 30)

OVERVIEW OF THE FINANCIAL STATEMENTS

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

Government-Wide Financial Statements

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

Fund Financial Statements

- The District also produces fund financial statements, the Balance Sheet and the Statement of Revenue, Expenditures, and Changes in Fund Balance.
- A fund is a group of related accounts that is used to maintain control over resources that have been segregated for specific activities. The District, like other state and local governments, uses fund accounting to demonstrate compliance with finance related legal requirements. Fund statements generally report operations in more detail than the district-wide statements.

**RACINE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

- The District has two types of funds: governmental, and fiduciary. Governmental funds are: general, special revenue, special education, special project, debt service, and capital projects. The District has three fiduciary funds. A private purpose trust fund accounts for financial resources to benefit specified beneficiaries, an employee benefit trust fund accounts for District and retiree contributions for post-retirement health and dental coverage and an agency fund to account for funds of student organizations.
- Financial information is presented separately on the Balance Sheet and the Statement of Revenue, Expenditures, and Changes in Fund Balance for the general fund and capital projects fund as they are considered to be major funds. Data for all other funds is combined into a single aggregated column. Data for each of these individual nonmajor 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.

**RACINE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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, 2020 with a comparison to the prior year.

Table 1 Condensed Statement of Net Assets (in thousands of dollars)			
	School District		%
	2020	2019	Change 2019-20
Assets			
Current Assets	\$ 98,995	\$ 92,478	7.0%
Net Pension Asset	29,428	-	N/A
Capital Assets	188,111	191,336	-1.7%
Total Assets	316,534	283,814	11.5%
Deferred Outflows			
Related to Pension	63,789	85,727	-25.6%
Related to Other			
Postemployment Benefits	3,838	1,167	228.9%
Loss on Advance Refunding	252	-	N/A
Total Deferred Outflows	67,879	86,894	-21.9%
Liabilities			
Long-Term Obligations	193,658	233,886	-17.2%
Other Liabilities	28,403	27,398	3.7%
Total Liabilities	222,061	261,284	-15.0%
Deferred Inflows			
Related to Pension	88,824	46,445	91.2%
Related to Other			
Postemployment Benefits	26,971	28,921	-6.7%
Total Deferred Outflows	115,795	75,366	53.6%
Net Position			
Net Investment in			
Capital Assets	77,651	69,948	11.0%
Restricted	49,975	12,691	293.8%
Unrestricted	(81,069)	(48,581)	66.9%
Total Net Position	\$ 46,557	\$ 34,058	36.7%

**RACINE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

(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, 2020 with a comparison to the prior year.

Table 2 Changes in Net Position (in thousands of dollars)			
	School District		%
	2020	2019	Change 2019-20
Revenues			
Program Revenues			
Charges for Services	\$ 1,913	\$ 2,229	-14.2%
Operating Grants and Contributions	62,346	59,841	4.2%
General Revenues			
Property Taxes	93,466	91,285	2.4%
Other Taxes	23	222	-89.6%
State Formula Aid	156,753	153,024	2.4%
Interest	577	959	-39.8%
Other	523	1,011	-48.3%
Total Revenues	315,601	308,571	2.3%
Expenses			
Instruction	143,086	152,367	-6.1%
Pupil and Instructional Services	45,196	49,172	-8.1%
Administration and Business	63,483	61,800	2.7%
Central Services and Insurance	5,710	11,490	-50.3%
Interest on Debt	3,020	3,746	-19.4%
Nonprogram	39,108	32,544	20.2%
Community Services	3,499	2,149	62.8%
Total Expenses	303,102	313,268	-3.4%
Change in Net Position	\$ 12,499	\$ (4,697)	137.6%

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

**RACINE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

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		%
	2020	2019	2020	2019	Change 2019-20
Instruction	\$ 143,086	\$ 152,367	\$ 100,192	\$ 110,178	-9.1%
Pupil and Instructional Services	45,196	49,172	34,218	41,926	-18.4%
Administration and Business	63,483	61,800	53,499	52,353	2.2%
Central Services and Insurance	5,710	11,490	5,682	8,330	-31.8%
Interest on Debt	3,020	3,746	3,020	3,373	-10.5%
Nonprogram	39,108	32,544	38,836	26,251	47.9%
Community Services	3,499	2,149	3,396	1,071	217.1%
Totals	\$ 303,102	\$ 313,268	\$ 238,843	\$ 243,482	-1.9%

Governmental Funds

The District completed the year with a total governmental fund balance of \$71 million, an increase of \$5.3 million from the prior year.

- Total general fund revenue for the year was \$453 thousand below budget largely due to \$410,962 in reduced federal grant claim and Medicaid revenue.
- Total general fund program expenditures, including nonprogram transactions, was less than the budget by \$33 thousand. Savings in operational expenses offset an equivalent amount of higher expenses related to non-program transactions.
- The final general fund budget forecasted an increase in general fund balance of \$246,998 while the actual results showed a decrease of \$431,217.
- The debt service funds fund balance had a net decrease of \$551 thousand. The debt service fund balance will fluctuate from year to year because the fund balance must be at least equal to the amount of debt payments that are scheduled prior to January 20th of the subsequent year. The typical debt service schedule for the District requires interest payments prior to January 20th with an additional interest payment and principal payment occurring in April of each year.
- For fiscal year 2019-2020, the capital projects funds fund balance increased by \$1,970,867 million due to a General Fund transfer into the Long-Term Capital Improvement Fund.

**RACINE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

At the end of the 2020 fiscal year, the District had net capital assets of \$188.1 million in a broad range of capital assets, including buildings, sites, furniture, and equipment (see Table 4). Additional information about capital assets can be found in the notes to the financial statements.

Table 4 Net Capital Assets (in thousands of dollars)			
	Totals School District		%
	2020	2019	Change 2019-20
Land	\$ 3,824	\$ 3,824	0.0%
Work in Progress	2,772	14,319	-80.6%
Site Improvements	35,321	21,938	61.0%
Buildings	135,504	138,890	-2.4%
Machinery and Equipment	10,690	12,365	-13.5%
Total	\$ 188,111	\$ 191,336	-1.7%

Long-Term Debt and Other Obligations

At year-end, the district had \$105.5 million in general obligation debt outstanding, a reduction of \$11.1 million from last year. Additional information about the District's long-term liabilities is presented in the notes to the financial statements.

Table 5 Outstanding Long-term Obligations (in thousands of dollars)			
	Totals School District		%
	2020	2019	Change 2019-20
General Obligation Debt	\$ 105,480	\$ 116,547	-9.5%
Premium on Debt	3,276	3,746	-12.5%
Capital Leases	1,998	3,457	-42.2%
Other Postemployment Benefits	77,867	72,240	7.8%
Pension Benefits	4,344	37,485	-88.4%
Compensated Absences	693	411	68.6%
Total	\$ 193,658	\$ 233,886	-17.2%

**RACINE UNIFIED SCHOOL DISTRICT
MANAGEMENT'S DISCUSSION AND ANALYSIS
YEAR ENDED JUNE 30, 2020**

The district participates in the Wisconsin Retirement System (the WRS), a cost-sharing multiple employer pension plan, in addition to maintaining a separate supplemental pension plan. As a result, the district reports their proportionate share of the WRS net pension asset or liability. The WRS operates on a different fiscal year from the district; therefore, the pension information included in the district's annual financial report is derived from the WRS's year ended December 31, 2019. The district reported a net pension asset of \$29.4 million as of June 30, 2020.

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.

RACINE UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION
JUNE 30, 2020
(WITH COMPARATIVE AMOUNTS AS OF JUNE 30, 2019)

	Governmental Activities	
	2020	2019
ASSETS		
Cash and Investments	\$ 67,095,344	\$ 57,968,996
Receivables		
Taxes	20,784,209	19,675,868
Accounts	505,683	908,988
Due from Other Governments	9,196,701	10,454,786
Inventories and Prepaid Items	1,409,074	3,469,611
Net Pension Asset	29,428,534	-
Capital Assets		
Nondepreciable	6,595,481	18,142,275
Depreciable, Net	181,515,809	173,193,434
Total Assets	316,530,835	283,813,958
DEFERRED OUTFLOWS OF RESOURCES		
Loss on Advance Refunding	252,083	-
Pension Related Amounts	63,788,442	85,726,715
Other Postemployment Related Amounts	3,838,297	1,166,711
Total Deferred Outflows of Resources	67,878,822	86,893,426
LIABILITIES		
Accounts Payable	12,110,447	10,270,421
Accrued and Other Current Liabilities	8,889,946	9,931,741
Accrued Interest Payable	724,378	898,365
Unearned Revenues	74,756	102,921
Deposits Payable	3,448,104	3,142,909
Health and Dental Claims Payable	3,155,733	3,051,190
Long-Term Obligations		
Due in One Year	12,265,775	13,327,578
Due in More Than One Year	99,180,765	110,833,297
Other Postemployment Benefits Liability	77,866,623	72,239,952
Net Pension Liability, Due in One Year	204,000	204,000
Net Pension Liability	4,140,288	37,281,370
Total Liabilities	222,060,815	261,283,744
DEFERRED INFLOWS OF RESOURCES		
Pension Related Amounts	88,823,548	46,444,481
Other Postemployment Related Amounts	26,971,414	28,921,118
Total Deferred Inflows of Resources	115,794,962	75,365,599
NET POSITION		
Net Investment in Capital Assets	77,651,069	69,948,326
Restricted	49,974,987	12,691,528
Unrestricted	(81,072,176)	(48,581,813)
Total Net Position	\$ 46,553,880	\$ 34,058,041

See accompanying Notes to Financial Statements.

**RACINE UNIFIED SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position	
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	
					2020	2019
GOVERNMENTAL ACTIVITIES						
Instruction	\$ 143,085,438	\$ 874,713	\$ 42,019,208	\$ -	\$ (100,191,517)	\$ (110,040,355)
Support Services	114,392,320	936,426	20,054,801	-	(93,401,093)	(103,210,186)
Pupil Services	27,804,373	4,118	578,745	-	(27,221,510)	(30,532,544)
Instructional Staff Services	17,391,962	214,585	10,181,193	-	(6,996,184)	(11,483,047)
General Administration Services	2,970,154	-	-	-	(2,970,154)	(3,221,106)
School Administration Services	12,438,363	15,813	-	-	(12,422,550)	(12,926,255)
Business Services	2,351,396	-	73,918	-	(2,277,478)	(2,756,926)
Operation and Maintenance of Plant	24,755,854	115,971	409,252	-	(24,230,631)	(24,826,115)
Pupil Transportation Services	9,837,568	-	60,496	-	(9,777,072)	(9,195,089)
Food Services	6,719,938	585,939	8,538,476	-	2,404,477	3,034,266
Central Services	4,500,078	-	28,080	-	(4,471,998)	(6,088,102)
Insurance	1,210,016	-	-	-	(1,210,016)	(879,447)
Other Support Services	4,412,618	-	184,641	-	(4,227,977)	(4,335,821)
Total Support Services	<u>114,392,320</u>	<u>936,426</u>	<u>20,054,801</u>	<u>-</u>	<u>(93,401,093)</u>	<u>(103,210,186)</u>
Community Services	3,498,756	102,262	-	-	(3,396,494)	(1,971,927)
Nonprogram	39,108,127	-	271,717	-	(38,836,410)	(32,229,162)
Interest and Fiscal Charges	3,020,204	-	-	-	(3,020,204)	(3,746,165)
Total Governmental Activities	<u>\$ 303,104,845</u>	<u>\$ 1,913,401</u>	<u>\$ 62,345,726</u>	<u>\$ -</u>	<u>(238,845,718)</u>	<u>(251,197,795)</u>
GENERAL REVENUES						
Property Taxes					93,465,547	91,284,553
Other Taxes					23,445	222,219
State and Federal Aids not Restricted to Specific Functions					156,752,898	153,024,413
Interest and Investment Earnings					577,098	959,313
Gain on Disposal of Capital Assets					2,972	34,861
Miscellaneous					519,597	975,919
Total General Revenues					<u>251,341,557</u>	<u>246,501,278</u>
CHANGE IN NET POSITION					12,495,839	(4,696,517)
Net Position - Beginning of Year					<u>34,058,041</u>	<u>38,754,558</u>
NET POSITION - END OF YEAR					<u>\$ 46,553,880</u>	<u>\$ 34,058,041</u>

See accompanying Notes to Financial Statements.

RACINE UNIFIED SCHOOL DISTRICT
BALANCE SHEET — GOVERNMENTAL FUNDS
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)

	General	Capital Projects	Other Governmental Funds	Totals	
				2020	2019
ASSETS					
Cash and Investments	\$ 54,672,810	\$ 9,363,955	\$ 3,058,579	\$ 67,095,344	\$ 57,968,996
Receivables					
Taxes	20,784,209	-	-	20,784,209	19,675,868
Accounts	412,430	-	93,253	505,683	908,988
Due from Other Funds	1,120,270	5,698,983	9,446,786	16,266,039	13,757,875
Due from Other Governments	8,921,826	-	274,875	9,196,701	10,454,786
Inventories and Prepaid Items	1,409,074	-	-	1,409,074	3,469,611
Total Assets	<u>\$ 87,320,619</u>	<u>\$ 15,062,938</u>	<u>\$ 12,873,493</u>	<u>\$ 115,257,050</u>	<u>\$ 106,236,124</u>
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts Payable	\$ 11,920,749	\$ 21,454	\$ 168,244	\$ 12,110,447	\$ 10,270,421
Accrued and Other Current Liabilities	8,889,946	-	-	8,889,946	9,931,741
Due to Other Funds	15,145,769	1,103,930	16,340	16,266,039	13,757,875
Unearned Revenues	5,408	-	69,348	74,756	102,921
Deposits Payable	3,448,104	-	-	3,448,104	3,142,909
Health and Dental Claims Payable	3,155,733	-	-	3,155,733	3,051,190
Total Liabilities	42,565,709	1,125,384	253,932	43,945,025	40,257,057
FUND BALANCES					
Nonspendable	1,409,074	-	-	1,409,074	3,457,482
Restricted	7,670	8,937,554	12,619,561	21,564,785	15,792,940
Assigned	-	5,000,000	-	5,000,000	23,000,000
Unassigned	43,338,166	-	-	43,338,166	23,728,645
Total Fund Balances	<u>44,754,910</u>	<u>13,937,554</u>	<u>12,619,561</u>	<u>71,312,025</u>	<u>65,979,067</u>
Total Liabilities and Fund Balances	<u>\$ 87,320,619</u>	<u>\$ 15,062,938</u>	<u>\$ 12,873,493</u>	<u>\$ 115,257,050</u>	<u>\$ 106,236,124</u>

See accompanying Notes to Financial Statements.

**RACINE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)**

	2020	2019
Reconciliation to the Statement of Net Position		
Total fund balances as shown on previous page	\$ 71,312,025	\$ 65,979,067
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the funds.	188,111,290	191,335,709
Some deferred outflows and inflows of resources reflect changes in long-term liabilities and are not reported in the funds.		
Loss on Advance Refunding	252,083	-
Deferred Outflows Related to Pensions	63,788,442	85,726,715
Deferred Inflows Related to Pensions	(88,823,548)	(46,444,481)
Deferred Outflows Related to Other Postemployment Benefits	3,838,297	1,166,711
Deferred Inflows Related to Other Postemployment Benefits	(26,971,414)	(28,921,118)
Long-term assets are not considered available; therefore, are not reported in the funds:		
Net Pension Asset	29,428,534	-
Long-term liabilities are not due and payable in the current period and, therefore, are not reported in the funds:		
Bonds and Notes Payable	(105,480,000)	(116,547,000)
Debt Premium	(3,275,887)	(3,745,943)
Capital Leases	(1,998,288)	(3,457,488)
Compensated Absences	(692,365)	(410,444)
Other Postemployment Benefits Liability	(77,866,623)	(72,239,952)
Net Pension Liability	(4,344,288)	(37,485,370)
Accrued Interest on Long-Term Obligations	(724,378)	(898,365)
Net Position of Governmental Activities as Reported on the Statement of Net Position (See Page 11)	\$ 46,553,880	\$ 34,058,041

See accompanying Notes to Financial Statements.

RACINE UNIFIED SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES —
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)

	General	Capital Projects	Other Governmental Funds	Totals	
				2020	2019
REVENUES					
Property Taxes	\$ 69,421,527	\$ -	\$ 24,067,465	\$ 93,488,992	\$ 91,506,772
Other Local Sources	1,443,629	135,084	2,068,497	3,647,210	4,204,614
Interdistrict Sources	243,981	-	-	243,981	218,443
Intermediate Sources	-	-	-	-	1,500
State Sources	189,647,081	-	166,173	189,813,254	184,692,075
Federal Sources	20,738,922	-	7,540,738	28,279,660	27,233,390
Other Sources	22,220	-	111,549	133,769	625,049
Total Revenues	281,517,360	135,084	33,954,422	315,606,866	308,481,843
EXPENDITURES					
Instruction					
Regular Instruction	89,962,447	-	69,600	90,032,047	90,399,880
Vocational Instruction	4,754,109	-	26,315	4,780,424	5,132,174
Special Education Instruction	38,608,789	-	-	38,608,789	37,759,640
Other Instruction	7,208,719	-	761,994	7,970,713	8,265,824
Total Instruction	140,534,064	-	857,909	141,391,973	141,557,518
Support Services					
Pupil Services	18,145,343	-	36,819	18,182,162	18,106,534
Instructional Staff Services	17,130,732	-	261,230	17,391,962	17,968,385
General Administration Services	3,177,260	-	83,042	3,260,302	3,221,106
School Administration Services	12,220,070	-	160,504	12,380,574	13,182,706
Business Services	2,311,197	-	40,199	2,351,396	2,820,427
Operation and Maintenance of Plant	23,928,745	2,008,605	3,397,340	29,334,690	41,524,114
Pupil Transportation Services	9,801,256	-	36,312	9,837,568	9,308,910
Food Services	-	-	7,016,359	7,016,359	8,085,611
Central Services	4,497,096	-	2,982	4,500,078	6,107,662
Insurance	1,210,016	-	-	1,210,016	879,447
Other Support Services	4,411,025	-	1,593	4,412,618	4,503,011
Total Support Services	96,832,740	2,008,605	11,036,380	109,877,725	125,707,913
Debt Service					
Principal	1,459,200	-	11,342,000	12,801,200	12,267,064
Interest and Fiscal Charges	107,300	-	3,593,560	3,700,860	4,197,657
Total Debt Service	1,566,500	-	14,935,560	16,502,060	16,464,721
Community Service	-	-	3,456,525	3,456,525	2,103,441
Nonprogram					
General Tuition Payments	13,315,284	-	-	13,315,284	12,482,521
Special Education Tuition Payments	1,638,979	-	-	1,638,979	1,539,496
Adjustments and Refunds	1,728,617	-	22,321	1,750,938	197,360
Voucher Payments	22,367,726	-	-	22,367,726	18,324,647
Revenue Transits to Others	35,200	-	-	35,200	-
Total Nonprogram	39,085,806	-	22,321	39,108,127	32,544,024
Total Expenditures	278,019,110	2,008,605	30,308,695	310,336,410	318,377,617
EXCESS OF REVENUES OVER (UNDER)					
EXPENDITURES	3,498,250	(1,873,521)	3,645,727	5,270,456	(9,895,774)
OTHER FINANCING SOURCES (USES)					
Long-Term Debt Issued	-	-	5,390,000	5,390,000	-
Capital Lease Issued	-	-	-	-	422,400
Payment to Advance Refunding Escrow Agent	-	-	(5,330,470)	(5,330,470)	-
Proceeds from Sale of Capital Assets	2,972	-	-	2,972	95,061
Transfers In	28,949	3,844,388	117,000	3,990,337	3,149,792
Transfers Out	(3,961,388)	-	(28,949)	(3,990,337)	(3,149,792)
Total Other Financing Sources (Uses)	(3,929,467)	3,844,388	147,581	62,502	517,461
NET CHANGE IN FUND BALANCES					
	(431,217)	1,970,867	3,793,308	5,332,958	(9,378,313)
Fund Balances - Beginning of Year	45,186,127	11,966,687	8,826,253	65,979,067	75,357,380
FUND BALANCES - END OF YEAR	\$ 44,754,910	\$ 13,937,554	\$ 12,619,561	\$ 71,312,025	\$ 65,979,067

See accompanying Notes to Financial Statements.

RACINE UNIFIED SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)

	2020	2019
Reconciliation to the Statement of Activities		
Net change in fund balances as shown on previous page	\$ 5,332,958	\$ (9,378,313)
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.</p>		
Capital Assets Reported as Capital Outlay Reported in Governmental Fund Statements	5,198,811	16,727,935
Depreciation Expense Reported in the Statement of Activities	(8,423,230)	(8,043,076)
<p>Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.</p>		
Long-Term Debt Issued	(5,390,000)	-
Capital Leases Issued	-	(422,400)
Premium on Debt Issued	-	377,665
Principal Repaid	11,342,000	10,930,000
Payment to Advance Refunding Escrow Agent	5,330,470	-
Capital Leases Paid	1,459,200	1,337,064
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds:</p>		
Accrued Interest on Long-Term Debt	173,987	94,876
Amortization of Premiums, Discounts and Loss on Advance Refunding	506,669	(21,049)
Compensated Absences	(281,921)	(8,178)
Net Pension Asset	29,428,534	(28,518,405)
Net Pension Liability	33,141,082	(32,941,584)
Deferred Outflows of Resources Related to Pensions	(21,938,273)	38,435,419
Deferred Inflows of Resources Related to Pensions	(42,379,067)	10,077,800
Other Postemployment Benefits	(5,626,671)	25,233,149
Deferred Outflows of Resources Related to Other Postemployment Benefits	2,671,586	170,460
Deferred Inflows of Resources Related to Other Postemployment Benefits	1,949,704	(28,747,880)
Change in Net Position of Governmental Activities as Reported in the Statement of Activities (See page 12)	\$ 12,495,839	\$ (4,696,517)

See accompanying Notes to Financial Statements.

RACINE UNIFIED SCHOOL DISTRICT
STATEMENT OF NET POSITION — FIDUCIARY FUNDS
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)

	Private	Employee	Agency	Totals	
	Purpose Trust	Benefit Trust	Pupil Activity	2020	2019
ASSETS					
Cash and Investments	\$ 205,726	\$ 5,576,131	\$ 136,951	\$ 5,918,808	\$ 6,007,741
Accounts Receivable	7,044	4,385,606	-	4,392,650	4,416,023
Total Assets	<u>212,770</u>	<u>9,961,737</u>	<u>136,951</u>	<u>10,311,458</u>	<u>10,423,764</u>
LIABILITIES					
Accounts Payable	-	-	-	-	10,948
Due to Student Organizations	-	-	136,951	136,951	631,377
Total Liabilities	<u>-</u>	<u>-</u>	<u>136,951</u>	<u>136,951</u>	<u>642,325</u>
NET POSITION					
Restricted	<u>\$ 212,770</u>	<u>\$ 9,961,737</u>	<u>\$ -</u>	<u>\$ 10,174,507</u>	<u>\$ 9,781,439</u>

See accompanying Notes to Financial Statements.

RACINE UNIFIED SCHOOL DISTRICT
STATEMENT OF CHANGES IN NET POSITION — FIDUCIARY FUNDS
JUNE 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)

	Private Purpose Trust	Employee Benefit Trust	Totals	
			2020	2019
ADDITIONS				
Other Local Sources Contributions	\$ 97,571	\$ -	\$ 97,571	\$ 153,242
Employer	-	4,587,375	4,587,375	4,817,172
Investment Earnings	-	136,771	136,771	133,828
Total Additions	97,571	4,724,146	4,821,717	5,104,242
DEDUCTIONS				
Trust Fund Disbursements	67,463	4,350,010	4,417,473	4,644,773
Administrative Expenditures	-	11,176	11,176	11,455
Total Deductions	67,463	4,361,186	4,428,649	4,656,228
CHANGE IN NET POSITION	30,108	362,960	393,068	448,014
Net Position - Beginning of year	182,662	9,598,777	9,781,439	9,333,425
NET POSITION - END OF YEAR	\$ 212,770	\$ 9,961,737	\$ 10,174,507	\$ 9,781,439

See accompanying Notes to Financial Statements.

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

The District is organized as a unified school district. The District, governed by an elected nine member board, operates grades K through 12 and is comprised of all or parts of ten taxing districts. In accordance with GAAP, the basic financial statements are required to include the District and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards.

B. District-Wide and Fund Financial Statements

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

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

Separate financial statements are provided for governmental and fiduciary funds, even though the latter are excluded from the district-wide financial statements. Governmental funds include general, special revenue, debt service and capital projects funds. Major individual governmental funds are reported as separate columns in the fund financial statements.

The District reports the following major governmental funds:

General Fund

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

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. District-Wide and Fund Financial Statements (Continued)

Capital Projects Fund

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

Additionally, the District reports the following fund types:

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

C. Measurement Focus and Basis of Accounting

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

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

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

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

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus and Basis of Accounting (Continued)

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

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

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

1. Cash and Investments

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

2. Property Taxes

The aggregate District tax levy is apportioned and certified in November of the current fiscal year for collection to comprising municipalities based on the immediate past October 1 full or "equalized" taxable property values. As permitted by a collecting municipality's ordinance, taxes must be paid in full or in two or more installments with the first installment payable the subsequent January 31 and a final payment no later than the following July 31. On or before January 15, and by the 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 nonpayment of a scheduled installment, and full receipt of the entire levy is assured within sixty days of fiscal year-end, meeting the availability criteria necessary for property tax revenue recognition by accounting principles generally accepted in the United States of America.

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

3. Accounts Receivable

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

4. Interfund Receivables and Payables

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

5. Inventories

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

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

6. Prepaid Items

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

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

7. Capital Assets

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

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

7. Capital Assets (Continued)

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

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

Assets	Governmental Activities Years
Site improvements	20
Buildings	50
Machinery and Equipment	3 to 20

8. Compensated Absences

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

9. Deferred Outflows/Inflows of Resources

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

10. Long-Term Obligations

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

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

10. Long-Term Obligations (Continued)

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

11. Pensions

Wisconsin Retirement System

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

Supplemental Pension Plan

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

12. Other Postemployment Benefits Other Than Pensions (OPEB)

Defined Benefit Plan

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

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

12. Other Postemployment Benefits Other Than Pensions (OPEB) (Continued)

Local Retiree Life Insurance Fund

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

13. Fund Equity

Governmental Fund Financial Statements

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

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

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources, and Net Position or Fund Balance (Continued)

13. Fund Equity (Continued)

Governmental Fund Financial Statements (Continued)

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

District-wide Statements

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

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

E. Use of Estimates

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

F. Prior Year Information

Comparative amounts for the prior year have been presented in the basic financial statements to provide an understanding of changes in the District's financial position and operations. The comparative amounts may be summarized in total and not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the government's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS

A. Cash and Investments

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

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

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

The carrying amount of the District's cash and investments totaled \$73,014,152 on June 30, 2020 as summarized below:

Petty Cash and Cash on Hand	\$ 375
Deposits with Financial Institutions	10,668,521
Investments	
Wisconsin Investment Series Cooperative (WISC)	62,137,485
Wisconsin Local Government Investment Pool	207,771
Total	\$ 73,014,152

Reconciliation to the basic financial statements:

Government-Wide Statement of Net Position	
Cash and Investments	\$ 67,095,344
Fiduciary Fund Statement of Net Position	
Private Purpose Trust	205,726
Employee Benefit Trust	5,576,131
Pupil Activity Agency Fund	136,951
Total	\$ 73,014,152

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Custodial Credit Risk

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

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

As of June 30, 2020, \$7,666,354 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits. This was collateralized with securities held by a safekeeping agent but not in the District's name.

Credit Risk

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

Investment Type	Amount	Exempt from Disclosure	AAA	Aa	Not Rated
WISC Investments					
Cash Management Series	\$ 2,729,862	\$ -	\$ 2,729,862	\$ -	\$ -
Investment Series	59,407,623	-	59,407,623	-	-
Wisconsin Local Government					
Investment Pool	207,771	-	-	-	207,771
Totals	<u>\$ 62,345,256</u>	<u>\$ -</u>	<u>\$ 62,137,485</u>	<u>\$ -</u>	<u>\$ 207,771</u>

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (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
WISC Investments					
Cash Management Series	\$ 2,729,862	\$ 2,729,862	\$ -	\$ -	\$ -
Investment Series	59,407,623	59,407,623	-	-	-
Wisconsin Local Government Investment Pool	207,771	207,771	-	-	-
Totals	\$ 62,345,256	\$ 62,345,256	\$ -	\$ -	\$ -

Investment in Wisconsin Investment Series Cooperation

The District has investments in the Wisconsin Investment Series Cooperative (WISC) of \$62,137,485 at year-end consisting of \$2,729,862 invested in the Cash Management Series and \$59,407,623 invested in the Investment Series. The Cash Management Series has no minimum investment period, allows check writing privileges, and the average dollar weighted maturity is ninety (90) days or less. The Investment Series requires a 14 day minimum investment period and one business day withdrawal notice, and the average dollar weighted maturity is one hundred twenty (120) days or less.

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

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

A. Cash and Investments (Continued)

Investment in Wisconsin Local Government Investment Pool

The District has investments in the Wisconsin Local Government Investment Pool (LGIP) of \$207,771 at year-end. The LGIP is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2020, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

B. Capital Assets

Capital asset activity for the year ended June 30, 2020 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental Activities:				
Capital Assets, Nondepreciable:				
Land	\$ 3,823,598	\$ -	\$ -	\$ 3,823,598
Construction in Progress	14,318,677	2,602,204	14,148,998	2,771,883
Total Capital Assets, Nondepreciable	<u>18,142,275</u>	<u>2,602,204</u>	<u>14,148,998</u>	<u>6,595,481</u>
Capital Assets, Depreciable:				
Site Improvements	26,964,599	15,214,989	-	42,179,588
Buildings	206,335,845	450,762	-	206,786,607
Machinery and Equipment	32,984,332	1,079,854	847,878	33,216,308
Subtotals	<u>266,284,776</u>	<u>16,745,605</u>	<u>847,878</u>	<u>282,182,503</u>
Less Accumulated Depreciation for:				
Site Improvements	5,026,409	1,832,412	-	6,858,821
Buildings	67,446,101	3,837,160	-	71,283,261
Machinery and Equipment	20,618,832	2,753,658	847,878	22,524,612
Subtotals	<u>93,091,342</u>	<u>8,423,230</u>	<u>847,878</u>	<u>100,666,694</u>
Total Capital Assets, Depreciable, Net	<u>173,193,434</u>	<u>8,322,375</u>	<u>-</u>	<u>181,515,809</u>
Governmental Activities Capital Assets, Net	<u>\$ 191,335,709</u>	<u>\$ 10,924,579</u>	<u>\$ 14,148,998</u>	188,111,290
Less: Capital Related Debt				105,186,046
Less: Capital Leases				1,998,288
Less: Debt Premium				<u>3,275,887</u>
Net Investment in Capital Assets				<u>\$ 77,651,069</u>

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

B. Capital Assets (Continued)

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

Governmental Activities	
Instruction	
Regular Instruction	\$ 11,907
Vocational Instruction	33,435
Special Education Instruction	6,402
Co-Curricular Activities	24,086
Support Services	
Pupil Services	3,511
Instructional Staff Services	16,290
General Administration Services	1,569
School Administration Services	7,292
Operation and Maintenance of Plant	6,218,091
Pupil Transportation	19,671
Food Service	179,238
Business Services	409,278
Central Services	1,457,047
Other Support Services	35,413
Total Depreciation Expense -	<u>35,413</u>
Governmental Activities	<u>\$ 8,423,230</u>

C. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables between individual funds of the District, as reported in the fund financial statements, as of June 30, 2020 are detailed below:

	<u>Interfund Receivables</u>	<u>Interfund Payables</u>
Pooled Cash		
Governmental Funds		
General	\$ 1,120,270	\$ 15,145,769
Capital Projects	5,698,983	1,103,930
Other Governmental Funds		
Nonreferendum Debt Service	103,967	-
Donations	1,120,069	-
Special Projects	-	16,340
Community Service	7,131,705	-
Food Service	1,091,045	-
Totals	<u>\$ 16,266,039</u>	<u>\$ 16,266,039</u>

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

C. Interfund Receivables, Payables, and Transfers (Continued)

Interfund transfers for the year ended June 30, 2020 were as follows:

Funds	Transfer In	Transfer Out
General	\$ 28,949	\$ 3,961,388
Capital Projects	3,844,388	-
Other Governmental Funds		
Nonreferendum Debt Service	117,000	-
Special Projects	-	28,949
Total	<u>\$ 3,990,337</u>	<u>\$ 3,990,337</u>

Interfund transfers were made for the following purposes:

Debt Service Payments	\$ 117,000
Indirect Costs	28,949
Future Capital Expenditures	3,844,388
Total	<u>\$ 3,990,337</u>

D. Long-Term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2020:

	Beginning Balance	Issued	Retired	Ending Balance	Due Within One Year
Governmental Activities:					
General Obligation Debt					
Bonds	\$ 105,622,000	\$ 5,390,000	\$ 13,392,000	\$ 97,620,000	\$ 7,950,000
Notes	10,925,000	-	3,065,000	7,860,000	2,830,000
Total General Obligation Debt	<u>116,547,000</u>	<u>5,390,000</u>	<u>16,457,000</u>	<u>105,480,000</u>	<u>10,780,000</u>
Debt Premium	3,745,943	-	470,056	3,275,887	360,419
Capital Leases	3,457,488	-	1,459,200	1,998,288	1,022,728
Compensated Absences	410,444	281,921	-	692,365	102,628
Governmental Activities					
Long-Term Obligations	<u>\$ 124,160,875</u>	<u>\$ 5,671,921</u>	<u>\$ 18,386,256</u>	<u>\$ 111,446,540</u>	<u>\$ 12,265,775</u>

Total interest paid during the year on long-term debt totaled \$3,750,256.

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

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 6/30/20
General Obligation Bonds					
Refunding Bonds	07/11/11	04/01/31	4.00 - 5.00%	\$ 5,880,000	\$ 390,000
Refunding Bonds	01/03/13	04/01/28	2.50 - 2.75%	10,000,000	10,000,000
Refunding Bonds	06/10/13	04/01/27	3.375%	2,020,000	1,285,000
Refunding Bonds	04/06/15	04/01/24	2.00 - 3.00%	8,980,000	7,270,000
Refunding Bonds	10/26/19	10/01/31	4.00-5.00%	5,390,000	5,325,000
School Building & Improvement	07/07/15	04/01/29	2.75%	9,700,000	9,700,000
School Building & Improvement	01/05/16	04/01/27	0.05 - 3.00%	28,090,000	17,505,000
School Building & Improvement	05/15/17	04/01/34	2.00 - 3.00%	8,000,000	6,765,000
School Building & Improvement	01/08/18	04/01/37	3.125 - 5.00%	14,600,000	13,485,000
School Building & Improvement	03/26/18	04/01/37	3.00 - 5.00%	29,925,000	25,895,000
Subtotal					<u>97,620,000</u>
General Obligation Notes					
Promissory Notes	06/10/13	04/01/23	1.00 - 3.00%	21,735,000	7,860,000
Total Outstanding General Obligation Debt					<u>\$ 105,480,000</u>

Annual principal and interest maturities of the outstanding general obligation debt of \$105,480,000 on June 30, 2020 are detailed below:

<u>Year Ended June 30,</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2021	\$ 10,780,000	\$ 3,439,394	\$ 14,219,394
2022	11,085,000	2,916,894	14,001,894
2023	10,625,000	2,592,393	13,217,393
2024	10,820,000	2,255,165	13,075,165
2025	10,135,000	1,919,906	12,054,906
2026-2030	37,995,000	5,174,913	43,169,913
2031-2035	10,740,000	1,496,428	12,236,428
2036-2037	3,300,000	152,969	3,452,969
Total	<u>\$ 105,480,000</u>	<u>\$ 19,948,062</u>	<u>\$ 125,428,062</u>

Advance Refunding

The District advance refunded a general obligation bond issue from 2011. The District issued \$5,390,000 of general obligation refunding bonds to provide resources to purchase U.S. Government and Local Government Series securities that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded debt. As a result, the refunded bonds are considered to be defeased and the liability has been removed from the financial statements. This advance refunding was undertaken to reduce total debt service payments over the next 11 years by \$889,973 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$786,844.

At June 30, 2020, \$5,115,000 of outstanding general obligation bonds are considered defeased.

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

D. Long-Term Obligations (Continued)

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2020 was \$915,066,560 as follows:

Equalized Valuation of the District	\$ 10,205,465,600
Statutory Limitation Percentage	<u>(x) 10%</u>
General Obligation Debt Limitation, per Section 67.03 of the Wisconsin Statutes	1,020,546,560
Total Outstanding General Obligation Debt Applicable to Debt Limitation	<u>105,480,000</u>
Legal Margin for New Debt	<u><u>\$ 915,066,560</u></u>

Capital Lease

The District is obligated under various leases accounted for as capital leases that were used to finance the acquisition of capital assets. The cost of the capital assets under the capital leases are \$3,405,500 and the related accumulated depreciation is \$1,618,270 as of June 30, 2020.

The following is a schedule of the minimum lease payments under the lease agreements and the present values of the minimum lease payments as of June 30, 2020:

<u>Year Ending June 30,</u>	<u>Governmental Activities</u>
2021	\$ 1,082,578
2022	921,270
2023	<u>76,772</u>
Subtotal	2,080,620
Less: Amount representing interest	<u>82,332</u>
Present value of future minimum lease payments	<u><u>\$ 1,998,288</u></u>

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans

The District reports pension related balances as of and for the year ended June 30, 2020, as summarized below:

	Pension Asset	Pension Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Expense
Wisconsin Retirement System (WRS)	\$ 29,428,534	\$ -	\$ 63,741,538	\$ 88,406,899	\$ 10,973,296
Supplemental or Stipend Pension Plan	-	4,344,288	46,904	416,649	258,689
Total Pension Liability	<u>\$ 29,428,534</u>	<u>\$ 4,344,288</u>	<u>\$ 63,788,442</u>	<u>\$ 88,823,548</u>	<u>\$ 11,231,985</u>

1. WRS Pension Plan Description

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

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

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

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

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

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

1. WRS Pension Plan Description (Continued)

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

The WRS also provides death and disability benefits for employees.

Post-Retirement Adjustments

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

<u>Year Ending June 30,</u>	<u>Core Fund Adjustment</u>	<u>Variable Fund Adjustment</u>
2010	(1.3) %	22 %
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2
2016	0.5	(5)
2017	2.0	4
2018	2.4	17
2019	0.0	(10)

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

1. WRS Pension Plan Description (Continued)

Contributions

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

During the year ending June 30, 2020, WRS recognized \$9,346,726 in contributions from the District.

Contribution rates for the reporting period are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General (Including Teachers, Executives and Elected Officials)	6.75 %	6.75 %
Protective with Social Security	6.75	11.65
Protective without Social Security	6.75	16.25

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

At June 30, 2020, the District reported an asset of \$29,428,534 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2019, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2018 rolled forward to December 31, 2019. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net pension liability was based on the District's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was 0.91266650%, which was a decrease of 0.02164723% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized pension expense of \$10,973,296.

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

1. WRS Pension Plan Description (Continued)

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

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 55,862,086	\$ 27,955,235
Net Differences Between Projected and Actual		
Earnings on Pension Plan Investments	-	60,162,387
Changes in Assumptions	2,293,264	-
Changes in Proportion and Differences Between		
Employer Contributions and Proportionate Share		
of Contributions	155,753	289,277
Employer Contributions Subsequent to the		
Measurement Date	5,430,435	-
Total	<u>\$ 63,741,538</u>	<u>\$ 88,406,899</u>

\$5,430,435 reported as deferred outflows related to pension resulting from the District's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended June 30, 2021. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year Ended June 30,</u>	<u>Expense</u>
2021	\$ (8,955,280)
2022	(6,667,029)
2023	1,037,358
2024	(15,510,845)
Total	<u>\$ (30,095,796)</u>

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

1. WRS Pension Plan Description (Continued)

Actuarial Assumptions

The total pension liability in the December 31, 2018, actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Assumptions (Continued)

Actuarial Valuation Date:	December 31, 2018
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	7.0%
Discount Rate:	7.0%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.1% - 5.6%
Mortality	Wisconsin 2018 Mortality Table
Post-Retirement Adjustments*	1.9%

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

Actuarial assumptions are based upon an experience study conducted in 2019 that covered a three-year period from January 1, 2015 to December 31, 2017. The total pension liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the December 31, 2018 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 geometric real rates of return for each major asset class are summarized in the following table:

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

1. WRS Pension Plan Description (Continued)

	<u>Current Asset Allocation %</u>	<u>Long-Term Expected Nominal Rate of Return %</u>	<u>Long-term Expected Real Rate of Return %</u>
Core Fund Asset Class			
Global Equities	49.0 %	8.0 %	5.1 %
Fixed Income	24.5	4.9	2.1
Inflation Sensitive Assets	15.5	4.0	1.2
Real Estate	9.0	6.3	3.5
Private Equity/Debt	8.0	10.6	7.6
Multi-Asset	4.0	6.9	4.0
Cash	<u>(10.0)</u>	0.9	N/A
Total Core Fund	100.0 %	7.5 %	4.6 %
Variable Fund Asset Class			
U.S. Equities	70.0 %	7.5 %	4.6 %
International Equities	30.0	8.2	5.3
Total Variable Fund	100.0 %	7.8 %	4.9 %

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

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

Single Discount Rate. A single discount rate of 7.0% was used to measure the total pension liability for the current and prior year. This single discount rate was based on the expected rate of return on pension plan investments of 7.0% and a long-term bond rate of 2.75% (Source: Fixed-income municipal bonds with 20 years to maturity that include only federally tax-exempt municipal bonds as reported in Fidelity Index's "20-year Municipal GO AA Index" as of December 31, 2019. In describing this index, Fidelity notes that the Municipal Curves are constructed using option-adjusted analytics of a diverse population of over 10,000 tax exempt securities.). Because of the unique structure of WRS, the 7.00% expected rate of return implies that a dividend of approximately 1.9% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan members contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate.

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

1. WRS Pension Plan Description (Continued)

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

	1% Decrease to Discount Rate (6.0%)	Current Discount Rate (7.0%)	1% Increase to Discount Rate (8.0%)
District's Proportionate Share of the Net Pension Liability (Asset)	\$ 75,783,735	\$ (29,428,534)	\$ (108,086,806)

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Payable to the Pension Plan

At June 30, 2020, the District reported a payable of \$1,847,406 for the outstanding amount of contributions to the pension plan for the year ended June 30, 2020.

2. Supplemental or Stipend Pension Plan

Pension Description

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

Benefits Provided

A summary of eligibility requirements and plan benefits follows:

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

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

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

2. Supplemental or Stipend Pension Plan (Continued)

Employees Covered by Benefit Terms

At July 1, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	62
Active Employees	<u>237</u>
Total	<u><u>299</u></u>

Funding Policy

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

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

<u>Component</u>	<u>Amount</u>
Total Pension Liability at July 1, 2019	<u>\$ 4,245,417</u>
Changes for the Year:	
Service Cost	147,927
Interest	151,844
Benefit Payments	(200,900)
Effective of Assumption Changes	-
Differences Between Expected and Actual Experience	-
Net Changes	<u>98,871</u>
Total Pension Liability at June 30, 2020	<u><u>\$ 4,344,288</u></u>

For the year ended June 30, 2020, the District recognized pension expense \$258,689.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to pension from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 46,904	\$ -
Changes in Assumptions	-	416,649
Total	<u><u>\$ 46,904</u></u>	<u><u>\$ 416,649</u></u>

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

2. Supplemental or Stipend Pension Plan (Continued)

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

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

<u>Year Ended June 30,</u>	<u>Expense</u>
2021	\$ (41,082)
2022	(41,082)
2023	(41,082)
2024	(41,082)
Thereafter	(205,417)
Total	<u>\$ (369,745)</u>

Actuarial Assumptions

The District's total pension liability was determined by an actuarial valuation as of July 1, 2018 and rolled forward to a measurement date of June 30, 2020.

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

Valuation Date	July 1, 2018
Actuarial Cost Method	Individual entry age normal
Amortization Method	Level percentage of salary, open basis
Actuarial Assumptions:	
Discount Rate	3.50%
Inflation	N/A

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

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

	1% Decrease to Discount Rate (2.5%)	Current Discount Rate (3.5%)	1% Increase to Discount Rate (4.5%)
Total Pension Liability	\$ 4,849,903	\$ 4,344,288	\$ 3,912,917

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

E. Pension Plans (Continued)

2. Supplemental or Stipend Pension Plan (Continued)

Payable to the Supplemental Pension Plan

At June 30, 2020, the District reported a payable of \$0 for the outstanding amount of contributions to the Plan required for the year ended June 30, 2020.

F. Other Postemployment Benefits

The District reports OPEB related balances as of and for the year ended June 30, 2020 as summarized below:

	OPEB Liability	Deferred Outflows of Resources	Deferred Inflows of Resources	Expense
Local Retiree Life Insurance Fund (LRLIF)	\$ 8,367,651	\$ 3,244,707	\$ 1,646,278	\$ 820,678
Single-Employer Defined OPEB Plan	69,498,972	593,590	25,325,136	5,467,254
Total OPEB Liability	<u>\$ 77,866,623</u>	<u>\$ 3,838,297</u>	<u>\$ 26,971,414</u>	<u>\$ 6,287,932</u>

1. Single-Employer Defined Postemployment Benefit Plan

Plan Description

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

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

Benefits Provided

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

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Other Postemployment Benefits (Continued)

1. Single-Employer Defined Postemployment Benefit Plan (Continued)

Employees Covered by Benefit Terms

At July 1, 2018, the following employees were covered by the benefit terms:

Inactive Employees or Beneficiaries Currently Receiving Benefit Payments	304
Active Employees	2,130
Total	2,434

Contributions

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

Net OPEB Liability

The District's net OPEB liability was measured as of June 30, 2020, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 1, 2018, rolled forward to the measurement date of June 30, 2020. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date.

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

Inflation:	N/A
Salary Increases:	2.0% per year
Investment Rate of Return:	0.035
Healthcare Cost Trend Rates:	Medical and Drug Trend - 5.5% for 2020-2021 and decreasing to 5.0% thereafter.
Dental Cost Trend Rates:	level at 4.0%

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

The actuarial assumptions used in the July 1, 2018 valuation were based on the "Wisconsin Retirement System 2014 - 2014 Experience Study".

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Other Postemployment Benefits (Continued)

1. Single-Employer Defined Postemployment Benefit Plan (Continued)

Net OPEB Liability (Continued)

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

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

Changes in the Net OPEB Liability

	Increase (Decrease)		
	Total OPEB Liability (a)	Plan Fiduciary Net Position (b)	Net OPEB Liability (a) - (b)
Balance at July 1, 2019	\$ 76,626,269	\$ 9,598,777	\$ 67,027,492
Changes for the Year:			
Service Cost	4,749,957	-	4,749,957
Interest	2,852,463	-	2,852,463
Contributions - Employer	-	4,994,169	(4,994,169)
Net Investment Income	-	136,771	(136,771)
Benefit Payments	(4,767,980)	(4,767,980)	-
Net changes	2,834,440	362,960	2,471,480
Balance at June 30, 2020	\$ 79,460,709	\$ 9,961,737	\$ 69,498,972

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

	1% Decrease to Discount Rate (2.5%)	Current Discount Rate (3.5%)	1% Increase to Discount Rate (4.5%)
Net OPEB Liability	\$ 77,538,345	\$ 69,498,972	\$ 62,207,609

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Other Postemployment Benefits (Continued)

1. Single-Employer Defined Postemployment Benefit Plan (Continued)

Changes in the Net OPEB Liability (Continued)

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

	1% Decrease (5.0% decreasing to 1.0%)	Healthcare Cost Trend Rates (6.0% decreasing to 2.0%)	1% Increase (7.0% decreasing to 3.0%)
Net OPEB Liability	\$ 57,823,664	\$ 69,498,972	\$ 84,321,380

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

Investments. The Plan does not have a separate investment policy from the District. At June 30, 2020, the Plan had no investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total Plan investments. The Plan's investments at June 30, 2020 are entirely in cash, certificates of deposit and in short-term investments in the Wisconsin Investment Series Cooperative. The asset allocation policy is to invest entirely in cash and short-term investments. The investment in the Wisconsin Investment Series Cooperative has an expected rate of return of approximately 2.5%. For the year ended June 30, 2020, the annual money-weighted rate of return, net of investment expenses, was .18%, and this is assumed to be the best estimate of the long-term arithmetic rate of return for the Plan's investments.

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

For the year ended June 30, 2020, the District recognized OPEB expense of \$5,467,254. At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	\$ -	\$ 2,095,601
Changes in Assumptions	-	23,229,535
Net Difference Between Projected and Actual Earnings on OPEB Plan Investments	593,590	-
Total	<u>\$ 593,590</u>	<u>\$ 25,325,136</u>

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Other Postemployment Benefits (Continued)

1. Single-Employer Defined Postemployment Benefit Plan (Continued)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB (Continued)

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

<u>Year Ended June 30,</u>	<u>Expense</u>
2021	\$ (1,799,311)
2022	(1,799,311)
2023	(1,799,311)
2024	(1,840,641)
2025	(1,908,271)
Thereafter	<u>(15,584,701)</u>
Total	<u>\$ (24,731,546)</u>

Payable to the OPEB Plan

At June 30, 2020, the District reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended June 30, 2020.

2. Local Retiree Life Insurance Fund

Plan Description

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

OPEB Plan Fiduciary Net Position

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can be found at <https://etfonline.wi.gov/ETFGASBPublicWeb/gasb75Local.do>.

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

Benefits Provided

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

Contributions

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

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

Contribution rates as of June 30, 2020 are:

Coverage Type	Employer Contribution
50% Post-Retirement Coverage	40% of employee contribution
25% Post-Retirement Coverage	20% of employee contribution

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the year ended December 31, 2019 are listed below:

Life Insurance Employee Contribution Rates For the Year Ended December 31, 2019		
Attained Age	Basic	Supplemental
Under 30	\$0.05	\$0.05
30 - 34	0.06	0.06
35 - 39	0.07	0.07
40 - 44	0.08	0.08
45 - 49	0.12	0.12
50 - 54	0.22	0.22
55 - 59	0.39	0.39
60 - 64	0.49	0.49
65 - 69	0.57	0.57

* Disabled Members under age 70 receive a waiver-of-premium benefit.

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

Contributions (Continued)

During the year ending June 30, 2020, LRLIF recognized \$38,851 in contributions from the employer.

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

At June 30, 2020, the District reported a liability of \$8,367,651 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2019, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2019 rolled forward to December 31, 2019. No material changes in assumptions or benefits terms occurred between the actuarial valuation date and the measurement date. The District's proportion of the net OPEB liability was based on the District's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2019, the District's proportion was 1.96507000%, which was a decrease of 0.0549990% from its proportion measured as of December 31, 2018.

For the year ended June 30, 2020, the District recognized OPEB expense of \$820,678.

At June 30, 2020, the District reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ -	\$ 374,860
Net Differences Between Projected and Actual Earnings on OPEB Plan Investments	157,844	-
Changes in Assumptions	3,086,863	920,379
Changes in Proportion and Differences Between Employer Contributions and Proportionate Share of Contributions	-	351,039
Total	<u>\$ 3,244,707</u>	<u>\$ 1,646,278</u>

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

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

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

<u>Year Ended June 30,</u>	<u>Expense</u>
2021	\$ 267,893
2022	267,893
2023	250,874
2024	233,344
2025	186,489
Thereafter	391,936
Total	<u>\$ 1,598,429</u>

Actuarial assumptions. The total OPEB liability in the January 1, 2019 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial Valuation Date:	January 1, 2019
Actuarial Cost Method:	Entry age normal
20 Year Tax-Exempt Municipal Bond Yield:	2.74%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	2.87%
Salary Increases:	
Inflation	3.00%
Seniority/Merit	0.1% - 5.6%
Mortality:	Wisconsin 2018 Mortality Table

Actuarial assumptions are based upon an experience study conducted in 2018 that covered a three-year period from January 1, 2015 to December 31, 2017. The total OPEB liability for December 31, 2019 is based upon a roll-forward of the liability calculated from the January 1, 2019 actuarial valuation.

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

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

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

Asset Class	Index	Target Allocation	Long-Term Expected Geometric Real Rate of Return %
U.S. Credit Bonds	Barclays Credit	45.0 %	2.12 %
U.S. Long Credit Bonds	Barclays Long Credit	5.0	2.90
U.S. Mortgages	Barclays MBS	50.0	1.53
Inflation			2.20 %
Long-term expected rate of return			4.25 %

The long-term expected rate of return decreased slightly from 5.00% in the prior year to 4.25% in the current year. This change was primarily based on the target asset allocation and capital market expectations. The expected inflation rate also decreased slightly from 2.30% in the prior year to 2.20% in the current year. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation.

Single discount rate. A single discount rate of 2.87% was used to measure the total OPEB liability for the current year, as opposed to a discount rate of 4.22% for the prior year. The significant change in the discount rate was primarily caused by the decrease in the municipal bond rate from 4.10% as of December 31, 2018 to 2.74% as of December 31, 2019. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive employees. Therefore, the discount rate for calculating the total OPEB liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

F. Other Postemployment Benefits (Continued)

2. Local Retiree Life Insurance Fund (Continued)

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

projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2036.

The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and that contributions are made by plan members retiring prior to age 65.

Sensitivity of the District's proportionate share of net OPEB liability to changes in the discount rate. The following presents the District's proportionate share of the net OPEB liability calculated using the discount rate of 2.87%, as well as what the District's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (1.87%) or 1-percentage-point higher (3.87%) than the current rate:

	1% Decrease to Discount Rate (1.87%)	Current Discount Rate (2.87%)	1% Increase to Discount Rate (3.87%)
District's Proportionate Share of the Net OPEB Liability	\$ 11,554,324	\$ 8,367,651	\$ 5,943,213

Payable to the OPEB Plan

At June 30, 2020, the District reported a payable of \$0 for the outstanding amount of contribution to the Plan required for the year ended June 30, 2020.

G. Fund Equity

Nonspendable Fund Balance

In the fund financial statements, portions of the governmental fund balances are amounts that cannot be spent because they are either 1) not in spendable form or 2) legally or contractually required to be maintained intact. At June 30, 2020, nonspendable fund balance was as follows:

Nonspendable	General
Inventories and Prepaid Items	\$ 1,409,074

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Fund Equity (Continued)

Restricted Fund Balance

In the fund financial statements, portions of governmental fund balances are not available for appropriation or are legally restricted for use for a specific purpose. At June 30, 2020, restricted fund balance was as follows:

General Fund		
Restricted for		
Grant Expenditures	\$	<u>7,670</u>
Special Revenue Funds		
Restricted for		
Private Gifts and Donations		1,205,809
Grant Expenditures		66,426
Community Service Programs		6,978,542
Food Service		<u>2,789,193</u>
Total Special Revenue Funds Restricted		<u>11,039,970</u>
Fund Balance		<u>11,039,970</u>
Debt Service Funds		
Restricted for		
Nonreferendum		1,579,591
Capital Projects Fund		
Restricted for Construction of Capital Assets		<u>8,937,554</u>
Total Restricted Fund Balance	<u>\$</u>	<u><u>21,564,785</u></u>

Assigned Fund Balance

Portions of governmental fund balances have been assigned to represent tentative management plans that are subject to change. At June 30, 2020, fund balance was assigned as follows:

Capital Projects Fund		
Assigned for Subsequent Year's Expenditures	\$	<u><u>5,000,000</u></u>

Minimum General Fund Balance Policy

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

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 2 DETAILED NOTES ON ALL FUNDS (CONTINUED)

G. Fund Equity (Continued)

Minimum General Fund Balance Policy (Continued)

Budgeted 2020-2021 General Fund Expenditures	\$	286,016,633
Minimum Fund Balance %		(x) 15 - 20%
Minimum Fund Balance Amount		<u>\$42,902,495 - \$57,203,327</u>

The District's General Fund balance of \$44,757,766 is within the range of the minimum fund balance amount.

Net Position

The District reports restricted net position at June 30, 2020 as follows:

Governmental Activities		
Restricted for		
Debt Service	\$	855,213
Private Gifts and Donations		1,205,809
Community Services		6,978,542
Food Service		2,789,193
Grant Expenditures		74,096
Construction of Capital Assets		8,643,600
Pension benefits		<u>29,428,534</u>
Total Restricted Net Position		<u>\$ 49,974,987</u>

NOTE 3 OTHER INFORMATION

A. Risk Management

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

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

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

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 OTHER INFORMATION (CONTINUED)

A. Risk Management (Continued)

Self-funded Insurance Program

The District has a self-insured workman's compensation benefit plan for its employees. The Plan administrator, Hays Corporation (administrator), is responsible for the approval, processing, and payment of claims, after which they bill the District for reimbursement. The District is also responsible for a monthly administrative fee. The Plan reports on a fiscal year ending June 30, 2020.

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

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

At June 30, 2020, the District has reported a liability of \$3,155,733 which represents reported and unreported claims which were incurred on or before June 30, 2020, but were not paid by the District as of that date. The amounts not reported to the District were determined by the Plan administrator. Changes in the claims liability for the years ended June 30, 2019 and June 30, 2020 are as follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claims Payments	Liability June 30
2020	\$ 3,051,190	34,195,466	\$ 34,090,923	\$ 3,155,733
2019	2,776,287	34,650,474	34,375,571	3,051,190

B. Contingencies

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

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

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 OTHER INFORMATION (CONTINUED)

C. Limitation on School District Revenues

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

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

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

D. Line of Credit

The District has a \$15,000,000 line of credit with Johnson Bank. Borrowings under this agreement provide for a variable interest rate as of November 1, 2019 and are unsecured. There was no balance outstanding on this line of credit as of June 30, 2020, nor was there any amounts borrowed during 2019-2020.

E. Upcoming Accounting Pronouncements

In May 2020, the GASB issued Statement No. 95, *Postponement of the Effective Dates of Certain Authoritative Guidance*. The statement provides temporary relief to governments and other stakeholders in light of the COVID-19 pandemic. This statement is effective for reporting periods beginning after June 15, 2018.

The following standards are expected to be implemented as of June 30, 2021:

In January 2017, the GASB issued Statement No. 84, *Fiduciary Activities*. The statement establishes criteria for identifying fiduciary activities and addresses financial reporting for these activities. This statement, as amended, is effective for reporting periods beginning after December 15, 2019. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

In August 2018, the GASB issued Statement No. 90, *Majority Equity Interests*. The statement objective is to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. This statement, as amended, is effective for reporting periods beginning after December 15, 2019. The District does not anticipate the standard to have any impact on the financial statements when adopted.

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO BASIC FINANCIAL STATEMENTS
JUNE 30, 2020**

NOTE 3 OTHER INFORMATION (CONTINUED)

E. Upcoming Accounting Pronouncements (Continued)

The following standards are considered significant to the District will be implemented after the June 30, 2021 financial statements:

In June 2017, the GASB issued Statement No. 87, Leases. The statement establishes a single model for lease accounting based on the principle that leases are financings of the right to use an underlying asset. This statement, as amended, is effective for reporting periods beginning after June 15, 2021. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

In May 2020, the GASB issued Statement No. 96, *Subscription-Based Information Technology Arrangements*. The statement provides guidance on the accounting and financial reporting for subscription-based information technology arrangements for government end users. This statement is effective for periods beginning after June 15, 2022. The District is currently evaluating the impact this standard will have on the financial statements when adopted.

F. Subsequent Events

The District recognized the following subsequent events:

The District issued \$12,570,000 in Taxable General Obligation Refunding Bonds dated October 19, 2020. The District is scheduled to have principal payments ranging from \$195,000 to \$1,045,000 beginning in 2021 at interest rates ranging from 0.48%-2.22%.

The District issued \$16,500,000 in Taxable General Obligation Refunding Bonds dated October 19, 2020. The District is scheduled to have principal payments ranging from \$1,500,000 to \$3,465,000 beginning in 2021 at an interest rate of 2%.

The District issued \$2,288,763 in a capital lease starting August 13, 2020 and maturing on August 1, 2024 with monthly payments of \$50,174.

**RACINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE —
BUDGET AND ACTUAL — GENERAL FUND — BUDGETARY BASIS
YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Property Taxes	\$ 69,398,082	\$ 69,421,527	\$ 69,421,527	\$ -
Other Local Sources	1,531,750	1,393,869	1,428,112	34,243
Interdistrict Sources	228,500	220,000	243,981	23,981
State Sources	177,251,549	177,004,401	177,092,934	88,533
Federal Sources	16,883,340	15,001,114	14,590,152	(410,962)
Other Sources	159,889	210,988	22,220	(188,768)
Total Revenues	<u>265,453,110</u>	<u>263,251,899</u>	<u>262,798,926</u>	<u>(452,973)</u>
EXPENDITURES				
Instruction				
Regular Instruction	90,682,378	90,607,403	89,962,447	644,956
Vocational Instruction	5,190,553	4,992,190	4,747,675	244,515
Other Instruction	7,098,282	6,966,321	7,128,095	(161,774)
Total Instruction	<u>102,971,213</u>	<u>102,565,914</u>	<u>101,838,217</u>	<u>727,697</u>
Support Services				
Pupil Services	12,605,920	11,968,900	11,714,615	254,285
Instructional Staff Services	16,674,749	14,852,975	14,678,610	174,365
General Administration Services	2,960,925	3,215,885	3,144,140	71,745
School Administration Services	12,273,749	12,139,977	12,220,070	(80,093)
Business Services	2,413,306	2,401,718	2,213,891	187,827
Operations and Maintenance of Plant	25,177,428	24,103,500	23,921,041	182,459
Pupil Transportation Services	5,896,144	5,775,413	5,908,535	(133,122)
Central Services	4,863,247	4,342,746	4,465,795	(123,049)
Insurance	865,000	868,500	923,355	(54,855)
Other Support Services	5,180,927	5,193,591	4,406,819	786,772
Total Support Services	<u>88,911,395</u>	<u>84,863,205</u>	<u>83,596,871</u>	<u>1,266,334</u>
Debt Service				
Principal	1,337,047	1,337,047	1,459,200	(122,153)
Interest and Fiscal Charges	155,180	152,680	107,300	45,380
Total Debt Service	<u>1,492,227</u>	<u>1,489,727</u>	<u>1,566,500</u>	<u>(76,773)</u>
Nonprogram				
General Tuition Payments	13,270,147	13,145,453	13,315,284	(169,831)
Adjustments and Refunds	63,000	76,656	1,728,617	(1,651,961)
Voucher Payments	22,340,583	22,340,583	22,367,726	(27,143)
Revenue Transits to Others	-	-	35,200	(35,200)
Total Nonprogram	<u>35,673,730</u>	<u>35,562,692</u>	<u>37,446,827</u>	<u>(1,884,135)</u>
Total Expenditures	<u>229,048,565</u>	<u>224,481,538</u>	<u>224,448,415</u>	<u>33,123</u>
EXCESS OF REVENUES OVER EXPENDITURES	36,404,545	38,770,361	38,350,511	(419,850)
OTHER FINANCING SOURCES (USES)				
Proceeds from Sale of Capital Assets	30,000	30,000	2,972	(27,028)
Transfers In	280,143	30,252	28,949	(1,303)
Transfers Out	(36,714,688)	(38,583,615)	(38,813,649)	(230,034)
Total Other Financing Sources (Uses)	<u>(36,404,545)</u>	<u>(38,523,363)</u>	<u>(38,781,728)</u>	<u>(258,365)</u>
NET CHANGE IN FUND BALANCE	-	246,998	(431,217)	(678,215)
Fund Balance - Beginning of Year	45,186,127	45,186,127	45,186,127	-
FUND BALANCE - END OF YEAR	<u>\$ 45,186,127</u>	<u>\$ 45,433,125</u>	<u>\$ 44,754,910</u>	<u>\$ (678,215)</u>

See Notes to Required Supplementary Information.

**RACINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE —
BUDGET AND ACTUAL — SPECIAL EDUCATION SPECIAL REVENUE FUND —
BUDGETARY BASIS
YEAR ENDED JUNE 30, 2020**

	Budget		Actual	Variance
	Original	Final		Final Budget - Positive (Negative)
REVENUES				
Other Local Sources	\$ 14,000	\$ 14,000	\$ 15,517	\$ 1,517
State Sources	12,948,000	12,823,015	12,554,147	(268,868)
Federal Sources	7,139,001	6,460,383	6,148,770	(311,613)
Total Revenues	<u>20,101,001</u>	<u>19,297,398</u>	<u>18,718,434</u>	<u>(578,964)</u>
EXPENDITURES				
Instruction				
Vocational Instruction	8,280	6,800	6,434	366
Special Education Instruction	39,141,852	38,743,675	38,608,789	134,886
Other Instruction	80,345	80,345	80,624	(279)
Total Instruction	<u>39,230,477</u>	<u>38,830,820</u>	<u>38,695,847</u>	<u>134,973</u>
Support Services				
Pupil Services	6,550,996	6,531,346	6,430,728	100,618
Instructional Staff Services	2,596,695	2,521,102	2,452,122	68,980
General Administration Services	30,000	40,000	33,120	6,880
Business Services	96,221	96,221	97,306	(1,085)
Operations and Maintenance of Plant	11,085	8,400	7,704	696
Pupil Transportation Services	3,611,404	4,134,704	3,892,721	241,983
Central Services	33,000	31,447	31,301	146
Insurance	272,125	272,125	286,661	(14,536)
Other Support Services	4,020	4,018	4,206	(188)
Total Support Services	<u>13,205,546</u>	<u>13,639,363</u>	<u>13,235,869</u>	<u>403,494</u>
Nonprogram				
Special Education Tuition Payments	1,412,920	1,449,442	1,638,979	(189,537)
Total Expenditures	<u>53,848,943</u>	<u>53,919,625</u>	<u>53,570,695</u>	<u>348,930</u>
EXCESS OF REVENUES UNDER EXPENDITURES	<u>(33,747,942)</u>	<u>(34,622,227)</u>	<u>(34,852,261)</u>	<u>(230,034)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	33,997,688	34,622,227	34,852,261	230,034
Transfers Out	(249,746)	-	-	-
Total Other Financing Sources (Uses)	<u>33,747,942</u>	<u>34,622,227</u>	<u>34,852,261</u>	<u>230,034</u>
NET CHANGE IN FUND BALANCE	-	-	-	-
Fund Balance - Beginning of Year	-	-	-	-
FUND BALANCE - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See Notes to Required Supplementary Information.

**RACINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN NET OPEB LIABILITY AND RELATED RATIOS
LAST 10 FISCAL YEARS***

	2020	2019	2018	2017
Total OPEB Liability				
Service Cost	\$ 4,749,957	\$ 4,886,398	\$ 6,594,042	\$ 6,789,109
Interest	2,852,463	2,746,709	3,067,184	2,940,726
Changes of Benefit Terms	-	456,885	-	-
Differences Between Expected and Actual Experience	-	(2,256,801)	-	-
Changes of Assumptions	-	(25,016,422)	-	-
Benefit Payments	(4,767,980)	(4,597,846)	(5,133,501)	(5,085,310)
Net Change in Total OPEB Liability	2,834,440	(23,781,077)	4,527,725	4,644,525
Total OPEB Liability - Beginning	76,626,269	100,407,346	95,879,621	91,235,096
Total OPEB Liability - Ending (a)	<u>\$ 79,460,709</u>	<u>\$ 76,626,269</u>	<u>\$ 100,407,346</u>	<u>\$ 95,879,621</u>
Plan Fiduciary Net Position				
Contributions - Employer	\$ 4,994,169	\$ 4,817,172	\$ 5,404,302	\$ 5,313,306
Net Investment Income	136,771	133,828	118,463	51,804
Benefit Payments	(4,767,980)	(4,597,846)	(5,133,501)	(5,085,310)
Administrative Expenses	-	-	(38,422)	-
Net Change in Plan Fiduciary Net Position	362,960	353,154	350,842	279,800
Plan Fiduciary Net Position - Beginning	9,598,777	9,245,623	8,894,781	8,614,981
Plan Fiduciary Net Position - Ending (b)	<u>\$ 9,961,737</u>	<u>\$ 9,598,777</u>	<u>\$ 9,245,623</u>	<u>\$ 8,894,781</u>
District's Net OPEB Liability - Ending (a) - (b)	<u>\$ 69,498,972</u>	<u>\$ 67,027,492</u>	<u>\$ 91,161,723</u>	<u>\$ 86,984,840</u>
Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability	12.54%	12.53%	9.21%	9.28%
Covered-Employee Payroll	\$ 140,340,049	\$ 142,356,149	\$ 135,687,306	\$ 142,709,888
District's Net OPEB Liability as a Percentage of Covered-Employee Payroll	49.52%	47.08%	67.19%	60.95%
Weighted-Average Investment Income	0.18%	0.15%	0.12%	0.06%

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

**RACINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EMPLOYER CONTRIBUTIONS —
OTHER POSTEMPLOYMENT BENEFIT PLAN
LAST 10 FISCAL YEARS***

	2020	2019	2018	2017
Actuarially Determined Contribution (ADC)	\$ 9,609,579	\$ 9,750,795	\$ 12,151,576	\$ 12,352,496
Contributions in Relation to the ADC	4,997,089	4,814,252	5,404,302	5,313,306
Contribution Deficiency (Excess)	<u>\$ 4,612,490</u>	<u>\$ 4,936,543</u>	<u>\$ 6,747,274</u>	<u>\$ 7,039,190</u>
 Covered-Employee Payroll	 \$ 140,340,049	 \$ 142,356,149	 \$ 135,687,306	 \$ 142,709,888
 Contributions as a Percentage of Covered-Employee Payroll	 3.56%	 3.38%	 3.98%	 3.72%

Key Methods and Assumption Used to Calculate ADC

Actuarial Cost Method	Entry Age Normal	Entry Age Normal
Asset Valuation Method	Market Value	Market Value
Amortization Method	18 year Level Dollar	21 year Level Dollar
Discount Rate	3.50%	3.00%
Asset Earnings Rate	3.50%	3.00%

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

**RACINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) —
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS**

Plan Year Ending	Proportion of the Net Pension Liability (Asset)	Proportionate Share of the Net Pension Liability (Asset)	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of the Total Pension Liability (Asset)
12/31/2014	0.95793451%	\$ (23,529,492)	\$ 133,929,709	17.57 %	102.74 %
12/31/2015	0.97103075%	15,779,061	141,579,733	11.14	98.20
12/31/2016	0.96814477%	7,979,824	137,001,261	5.82	99.12
12/31/2017	0.96050070%	(28,518,405)	138,308,351	20.62	102.93
12/31/2018	0.93431373%	33,239,953	141,548,127	23.48	96.45
12/31/2019	0.91266650%	(29,428,534)	141,347,768	20.82	102.96

**SCHEDULE OF CONTRIBUTIONS —
WISCONSIN RETIREMENT SYSTEM
LAST 10 FISCAL YEARS**

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
6/30/15	\$ 9,284,346	\$ 9,284,346	\$ -	\$ 134,625,534	6.90 %
6/30/16	10,011,629	10,011,629	-	149,510,190	6.70
6/30/17	9,244,652	9,244,652	-	137,699,728	6.71
6/30/18	9,414,240	9,414,240	-	139,616,362	6.74
6/30/19	9,393,990	9,393,990	-	141,701,323	6.63
6/30/20	9,346,726	9,346,726	-	140,659,391	6.64

See Notes to Required Supplementary Information.

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

Plan Fiscal Year Ending	Proportion of the Net OPEB Liability (Asset)	Proportionate Share of the Net OPEB Liability (Asset)	Covered- Employee Payroll (Plan Year)	Proportionate Share of the Net OPEB Liability (Asset) as a Percentage of Covered- Employee Payroll	Plan Fiduciary Net Position as a Percentage of the Total OPEB Liability (Asset)
12/31/17	2.09779300%	\$ 6,311,378	\$ 88,218,197	7.15 %	44.81 %
12/31/18	2.02006900%	5,212,460	92,710,000	5.62	48.69
12/31/19	1.96507000%	8,367,651	90,717,000	9.22	37.58

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

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered-employee Payroll (Fiscal Year)	Contributions as a Percentage of Covered-employee Payroll
6/30/2018	\$ 39,042	\$ 39,042	-	\$ 139,616,362	0.03 %
6/30/2019	38,672	38,672	-	141,701,323	0.03
6/30/2020	38,851	38,851	-	140,659,391	0.03

See Notes to Required Supplementary Information.

**RACINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF CHANGES IN TOTAL PENSION LIABILITY AND RELATED RATIOS —
SUPPLEMENTAL PENSION
LAST 10 FISCAL YEARS***

	<u>2020</u>	<u>2019</u>	<u>2018</u>	<u>2017</u>
Total Pension Liability				
Service Cost	\$ 147,927	\$ 153,709	\$ 204,839	\$ 218,464
Interest	151,844	150,033	132,981	131,604
Differences Between Expected and Actual Experience	-	52,116	-	-
Changes in Assumptions	-	(462,943)	-	-
Benefit Payments	<u>(200,900)</u>	<u>(191,284)</u>	<u>(205,636)</u>	<u>(216,497)</u>
Net Change in Total Pension Liability	98,871	(298,369)	132,184	133,571
Total Pension Liability - Beginning	<u>4,245,417</u>	<u>4,543,786</u>	<u>4,411,602</u>	<u>4,278,031</u>
Total Pension Liability - Ending	<u>\$ 4,344,288</u>	<u>\$ 4,245,417</u>	<u>\$ 4,543,786</u>	<u>\$ 4,411,602</u>
 Covered Payroll	 \$ 18,709,116	 \$ 19,724,097	 \$ 20,460,635	 \$ 15,600,736
 District's Net Pension Liability as a Percentage of Covered Payroll	 23.22%	 21.52%	 22.21%	 28.28%

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

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 1 OTHER POSTEMPLOYMENT BENEFITS

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

Several actuarial assumptions changed from the prior year, including the single discount rate, long-term expected rate of return and expected inflation. Please refer to the Actuarial Assumptions section above for additional details.

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

NOTE 2 PENSION BENEFITS

Wisconsin Retirement System (WRS)

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

No significant changes in assumptions were noted from the prior year.

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

Supplemental Pension Plan

There were no changes of benefit terms.

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

NOTE 3 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.

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

- 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, 2020.

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
JUNE 30, 2020**

NOTE 3 BUDGETS AND BUDGETARY ACCOUNTING (CONTINUED)

Budgetary Information

Budgetary information is derived from the annual operating budget and is presented in accordance with generally accepted accounting principles, except the District adopts a budget for the special education special revenue fund in accordance with requirements from the Wisconsin Department of Public Instruction. In accordance with generally accepted accounting principles, these funds are included as part of the general fund in these financial statements. An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP General Fund basis is summarized below:

	<u>General</u>	<u>Special Education</u>
Revenues		
Actual Amounts (Budgetary Basis)	\$ 262,798,926	\$ 18,718,434
Reclassification of Special Education	18,718,434	(18,718,434)
Total Revenues	<u>281,517,360</u>	<u>-</u>
Expenditures		
Actual Amounts (Budgetary Basis)	224,445,559	53,570,695
Reclassification of Special Education	53,570,695	(53,570,695)
Total Expenditures	<u>278,016,254</u>	<u>-</u>
Excess of Revenues Over (Under) Expenditures		
Actual Amounts (Budgetary Basis)	38,353,367	(34,852,261)
Reclassification of Special Education	(34,852,261)	34,852,261
Excess of Revenues Over (Under) Expenditures	<u>3,501,106</u>	<u>-</u>
Other Financing Sources (Uses)		
Actual Amounts (Budgetary Basis)	(38,781,728)	34,852,261
Reclassification of Special Education	34,852,261	(34,852,261)
Total Other Financing Sources (Uses)	<u>(3,929,467)</u>	<u>-</u>
Net Change in Fund Balance		
Actual Amounts (Budgetary Basis)	<u>(428,361)</u>	<u>-</u>
Fund Balance - July 1		
Actual Amounts (Budgetary Basis)	<u>45,186,127</u>	<u>-</u>
Fund Balance - June 30		
Actual Amounts (Budgetary Basis)	<u>\$ 44,757,766</u>	<u>\$ -</u>

**RACINE UNIFIED SCHOOL DISTRICT
COMBINING BALANCE SHEET — NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2020**

	Special Revenue			
	Donations	Special Projects	Community Service	Food Service
ASSETS				
Cash and Investments	\$ -	\$ -	\$ -	\$ 1,582,955
Receivables				
Accounts	88,438	-	1,201	3,614
Due from Other Funds	1,120,069	-	7,131,705	1,091,045
Due from Other Governments	-	82,766	-	192,109
	<u>-</u>	<u>82,766</u>	<u>-</u>	<u>192,109</u>
Total Assets	<u>\$ 1,208,507</u>	<u>\$ 82,766</u>	<u>\$ 7,132,906</u>	<u>\$ 2,869,723</u>
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts Payable	\$ 2,698	\$ -	\$ 154,364	\$ 11,182
Due to Other Funds	-	16,340	-	-
Unearned Revenues	-	-	-	69,348
	<u>-</u>	<u>-</u>	<u>-</u>	<u>69,348</u>
Total Liabilities	2,698	16,340	154,364	80,530
FUND BALANCES				
Restricted	1,205,809	66,426	6,978,542	2,789,193
Total Fund Balances	<u>1,205,809</u>	<u>66,426</u>	<u>6,978,542</u>	<u>2,789,193</u>
Total Liabilities and Fund Balances	<u>\$ 1,208,507</u>	<u>\$ 82,766</u>	<u>\$ 7,132,906</u>	<u>\$ 2,869,723</u>

<u>Debt Service</u> <u>Nonreferendum</u> <u>Debt Service</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
\$ 1,475,624	\$ 3,058,579
-	93,253
103,967	9,446,786
<u>-</u>	<u>274,875</u>
<u>\$ 1,579,591</u>	<u>\$ 12,873,493</u>

\$ -	\$ 168,244
-	16,340
<u>-</u>	<u>69,348</u>
-	253,932
<u>1,579,591</u>	<u>12,619,561</u>
<u>1,579,591</u>	<u>12,619,561</u>
<u>\$ 1,579,591</u>	<u>\$ 12,873,493</u>

**RACINE UNIFIED SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES — NONMAJOR GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2020**

	Special Revenue			
	Donations	Special Projects	Community Service	Food Service
REVENUES				
Property Taxes	\$ -	\$ -	\$ 10,000,000	\$ -
Other Local Sources	1,319,912	-	102,262	608,862
State Sources	-	-	-	166,173
Federal Sources	-	603,327	-	6,937,411
Other Sources	-	-	1,475	6,504
Total Revenues	1,319,912	603,327	10,103,737	7,718,950
EXPENDITURES				
Instruction				
Regular Instruction	69,600	-	-	-
Vocational Instruction	26,315	-	-	-
Other Instruction	360,736	401,258	-	-
Total Instruction	456,651	401,258	-	-
Support Services				
Pupil Services	36,819	-	-	-
Instructional Staff Services	93,156	168,074	-	-
General Administration Services	67,568	-	15,474	-
School Administration Services	36,450	-	124,054	-
Business Services	27,325	-	-	12,874
Operation and Maintenance of Plant	-	-	2,828,592	568,748
Pupil Transportation Services	18,395	5,046	12,871	-
Food Services	25,000	-	-	6,991,359
Central Services	2,556	-	426	-
Other Support Services	-	-	417	1,176
Total Support Services	307,269	173,120	2,981,834	7,574,157
Debt Service				
Principal	-	-	-	-
Interest and Fiscal Charges	-	-	-	-
Total Debt Service	-	-	-	-
Community Service	-	-	3,456,525	-
Nonprogram				
Adjustments and Refunds	20,682	-	-	1,639
Total Expenditures	784,602	574,378	6,438,359	7,575,796
EXCESS OF REVENUES OVER (UNDER) EXPENDITURES	535,310	28,949	3,665,378	143,154
OTHER FINANCING SOURCES (USES)				
Long-Term Debt Issued	-	-	-	-
Payment to Advance Refunding Escrow Agent	-	-	-	-
Transfers In	-	-	-	-
Transfers Out	-	(28,949)	-	-
Total Other Financing Sources (Uses)	-	(28,949)	-	-
NET CHANGE IN FUND BALANCES	535,310	-	3,665,378	143,154
Fund Balance - Beginning of Year	670,499	66,426	3,313,164	2,646,039
FUND BALANCE - END OF YEAR	\$ 1,205,809	\$ 66,426	\$ 6,978,542	\$ 2,789,193

<u>Debt Service</u> <u>Nonreferendum</u> <u>Debt Service</u>	<u>Total</u> <u>Nonmajor</u> <u>Governmental</u> <u>Funds</u>
\$ 14,067,465	\$ 24,067,465
37,461	2,068,497
-	166,173
-	7,540,738
103,570	111,549
<u>14,208,496</u>	<u>33,954,422</u>
-	69,600
-	26,315
-	761,994
<u>-</u>	<u>857,909</u>
-	36,819
-	261,230
-	83,042
-	160,504
-	40,199
-	3,397,340
-	36,312
-	7,016,359
-	2,982
-	1,593
<u>-</u>	<u>11,036,380</u>
11,342,000	11,342,000
3,593,560	3,593,560
<u>14,935,560</u>	<u>14,935,560</u>
-	3,456,525
<u>-</u>	<u>22,321</u>
<u>14,935,560</u>	<u>30,308,695</u>
(727,064)	3,645,727
5,390,000	5,390,000
(5,330,470)	(5,330,470)
117,000	117,000
-	(28,949)
<u>176,530</u>	<u>147,581</u>
(550,534)	3,793,308
<u>2,130,125</u>	<u>8,826,253</u>
<u>\$ 1,579,591</u>	<u>\$ 12,619,561</u>



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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Racine Unified School District, Racine, Wisconsin, (the District) as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the District's basic financial statements, and have issued our report thereon dated December 21, 2020.

Internal Control Over Financial Reporting

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

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

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

To the Board of Education
Racine Unified School District

Compliance and Other Matters

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

Purpose of this Report

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



CliftonLarsonAllen LLP

Green Bay, Wisconsin
December 21, 2020



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

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

Report On Compliance for Each Major Federal And State Program

We have audited the Racine Unified School District, Racine, Wisconsin's (the District's) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of the District's major federal and state programs for the year ended June 30, 2020. The District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

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

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

To the Board of Education
Racine Unified School District

Opinion on Each Major Federal and State Program

In our opinion, the District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2020.

Report On Internal Control Over Compliance

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

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

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

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



CliftonLarsonAllen LLP

Green Bay, Wisconsin
December 21, 2020

**RACINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2020**

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/19	Value or Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/20	Total Expenditures	Subrecipient Payments
U.S. DEPARTMENT OF AGRICULTURE								
<i>Child Nutrition Cluster</i>								
School Breakfast Program	10.553	WI DPI	2019-514620-SB-546	\$ (56,520)	\$ 56,520	\$ -	\$ -	\$ -
School Breakfast Program	10.553	WI DPI	2020-514620-DPI-SB-SEVERE-546	-	1,291,653	-	1,291,653	-
COVID 19- School Breakfast Program	10.553	WI DPI	2020-514620-DPI-SB-SEVERE-546	-	95,482	-	95,482	-
Total School Breakfast Program				<u>(56,520)</u>	<u>1,443,655</u>	<u>-</u>	<u>1,387,135</u>	<u>-</u>
National School Lunch Program	10.555	WI DPI	2019-514620-NSL-547	(131,683)	131,683	-	-	-
National School Lunch Program	10.555	WI DPI	2020-514620-DPI-NSL-547	-	3,484,577	-	3,484,577	-
COVID 19- National School Lunch Program	10.555	WI DPI	2020-514620-DPI-NSL-547	-	257,929	-	257,929	-
Donated Commodities 19-20	10.555	WI DPI	2020-514620-DPI-NSL-547	-	568,954	-	568,954	-
Total National School Lunch Program				<u>(131,683)</u>	<u>4,443,143</u>	<u>-</u>	<u>4,311,460</u>	<u>-</u>
NSL Snack Program	10.555	WI DPI	2020-514620-DPI-SK_NSL-561	-	1,641	-	1,641	-
COVID 19- NSL Snack Program	10.555	WI DPI	2020-514620-DPI-SK_NSL-561	-	83	1,640	1,723	-
Total NSL Snack Program				<u>-</u>	<u>1,724</u>	<u>1,640</u>	<u>3,364</u>	<u>-</u>
NSL Area Eligible Snack Program	10.555	WI DPI	2020-514620-DPI-NSLAE-566	-	64,444	-	64,444	-
COVID 19- NSL Area Eligible Snack Program	10.555	WI DPI	2020-514620-DPI-NSLAE-566	-	87,906	20,760	108,666	-
Total NSL Area Eligible Snack Program				<u>-</u>	<u>152,350</u>	<u>20,760</u>	<u>173,110</u>	<u>-</u>
Summer Food Service Program for Children	10.559	WI DPI	2020-514620-DPI-SFSP-566	-	107,113	-	107,113	-
COVID 19- Summer Food Service Program for Children	10.559	WI DPI	2020-514620-DPI-SFSP-566	-	693,075	172,928	866,003	-
Total NSL Area Eligible Snack Program				<u>-</u>	<u>800,188</u>	<u>172,928</u>	<u>973,116</u>	<u>-</u>
<i>Total Child Nutrition Cluster</i>								
Child and Adult Care Food Program	10.558	WI DPI	2020-514620-CCI-551	-	28,698	-	28,698	-
Team Nutrition Grants	10.574	WI DPI	Not available	-	(450)	-	(450)	-
Fresh Fruit and Vegetable Program	10.582	WI DPI	2019-514620-FF&V-376	(1,073)	1,073	-	-	-
Fresh Fruit and Vegetable Program	10.582	WI DPI	2020-514620-20FFVP-OCT-376	-	60,978	-	60,978	-
Total Fresh Fruit and Vegetable Program				<u>(1,073)</u>	<u>62,051</u>	<u>-</u>	<u>60,978</u>	<u>-</u>
Total U.S. Department of Agriculture				<u>(189,276)</u>	<u>6,931,359</u>	<u>195,328</u>	<u>6,937,411</u>	<u>-</u>
U.S. DEPARTMENT OF EDUCATION								
Title I Grants to Local Educational Agencies	84.010	WI DPI	2019-514620-TI-Delinquent-140	(18,098)	18,098	-	-	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2020-514620-TI-D Delin-140	-	27,694	13,314	41,008	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2019-514620-Title I-141	(3,095,711)	3,095,711	-	-	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2020-514620-TIA-141	-	5,993,416	2,550,162	8,543,578	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2019-514620-Focus-145	(32,442)	32,442	-	-	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2020-514620-Focus-145	-	108,952	43,131	152,083	-
Title I Grants to Local Educational Agencies	84.010	WI DPI	2020-514620-Cohort I-154	-	196,064	-	196,064	-
Total Title I Grants to Local Educational Agencies				<u>(3,146,251)</u>	<u>9,472,377</u>	<u>2,606,607</u>	<u>8,932,733</u>	<u>-</u>
<i>Special Education Cluster (IDEA)</i>								
Special Education Grants to States	84.027	WI DPI	2019-514620-IDEA-341	(1,924,278)	1,924,278	-	-	-
Special Education Grants to States	84.027	WI DPI	2020-514620-DPI-IDEA-F-341	-	3,389,683	1,114,212	4,503,895	-
Special Education Grants to States	84.027	WI DPI	2020-514620-DPI-IDEA-F-341	-	333,262	520,959	854,221	-
Total Special Education Grants to States				<u>(1,924,278)</u>	<u>5,647,223</u>	<u>1,635,171</u>	<u>5,358,116</u>	<u>-</u>
Special Education Preschool Grants	84.173	WI DPI	2019-514620-Pre-S-347	(116,039)	116,039	-	-	-
Special Education Preschool Grants	84.173	WI DPI	2020-514620-DPI-IDEA-P-347	-	156,133	54,145	210,278	-
Total Special Education Cluster (IDEA)				<u>(2,040,317)</u>	<u>5,919,395</u>	<u>1,689,316</u>	<u>5,568,394</u>	<u>-</u>

The Notes to the Schedules of Expenditures of Federal and State Awards are an integral part of this schedule.

**RACINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/19	Value or Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/20	Total	Subrecipient
							Expenditures	Payments
Career and Technical Education - Basic Grants to States	84.048	WI DPI	2019-514620-CP-CTE-400	(244,210)	244,210	-	-	-
Career and Technical Education - Basic Grants to States	84.048	WI DPI	2020-514620-CTE-400	-	134,959	18,461	153,420	-
Total Career and Technical Education - Basic Grants to States				(244,210)	379,169	18,461	153,420	-
Education for Homeless Children and Youth	84.196	WI DPI	2019-514620-Homeless-335	(16,115)	16,115	-	-	-
Education for Homeless Children and Youth	84.196	WI DPI	2020-514620-DPI-EHCY-335	-	46,495	15,344	61,839	-
Total Education for Homeless Children and Youth				(16,115)	62,610	15,344	61,839	-
Fund for the Improvement of Education Afterschool Program	84.215K	City of Racine	FY19 P620	(16,262)	16,262	-	-	-
Twenty-First Century Community Learning Centers	84.287	WI DPI	2019-514620-CLC-367	(241,632)	241,632	-	-	-
Twenty-First Century Community Learning Centers	84.287	WI DPI	2020-514620-CLC DPI-367	-	520,562	82,766	603,328	-
Total Twenty-First Century Community Learning Centers				(241,632)	762,194	82,766	603,328	-
English Language Acquisition State Grants	84.365	WI DPI	2019-514620-Title III A-391	(88,640)	88,640	-	-	-
English Language Acquisition State Grants	84.365	WI DPI	2020-514620-DPI-T3 -391	-	187,407	52,073	239,480	-
Total English Language Acquisition State Grants				(88,640)	276,047	52,073	239,480	-
Supporting Effective Instruction State Grants	84.367	WI DPI	2019-514620-Title II-365	(411,092)	411,092	-	-	-
Supporting Effective Instruction State Grants	84.367	WI DPI	2020-514620-TIIA-365	-	1,022,830	399,144	1,421,974	-
Total Improving Teacher Quality State Grants				(411,092)	1,433,922	399,144	1,421,974	-
School Improvement Grants	84.377	WI DPI	2019-514620-SIG-151	(119,525)	119,525	-	-	-
Hurricane Education Recovery	84.938	WI DPI	2020 Not available - 374 & 375	-	3,939	-	3,939	-
Student Support and Academic Enrichment Program	84.424	WI DPI	2020-514620-TIVA - DPI-381	-	218,473	94,158	312,631	-
Education Stabilization Fund	84.425	WI DPI	Not available	-	-	226,721	226,721	-
Total U.S. Department of Education				(6,324,044)	18,663,913	5,184,590	17,524,459	-
U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES								
Pregnancy Assistance Fund Program	93.500	WI DPI	2019-52289-InSPIRE-591	(75,723)	75,723	-	-	-
Pregnancy Assistance Fund Program	93.500	WI DPI	2020-514620-DPI-Inspir-591	-	107,722	39,666	147,388	-
Total Pregnancy Assistance Fund Program				(75,723)	183,445	39,666	147,388	-

The Notes to the Schedules of Expenditures of Federal and State Awards are an integral part of this schedule.

**RACINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Grantor Agency/Federal Program Title	CFDA Number	Pass-Through Agency	Pass-Through Entity Identifying Number	(Accrued) Deferred Revenue 7/1/19	Value or Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/20	Total Expenditures	Subrecipient Payments
<i>Medicaid Cluster</i>								
Medical Assistance Program	93.778	WI DHS	44211100	-	3,631,791	-	3,631,791	-
<i>Total Medicaid Cluster</i>				-	3,631,791	-	3,631,791	-
Total U.S. Department of Health and Human Services				(75,723)	3,815,236	39,666	3,779,179	-
Total Federal Awards				<u>\$ (6,589,043)</u>	<u>\$ 29,410,508</u>	<u>\$ 5,419,584</u>	<u>\$ 28,241,049</u>	<u>\$ -</u>
Reconciliation to the Basic Financial Statements								
Federal Sources							\$ 28,279,660	
Less: Nongrant Related Revenues							(38,611)	
Total Expenditures of Federal Awards							<u>\$ 28,241,049</u>	

The Notes to the Schedules of Expenditures of Federal and State Awards are an integral part of this schedule.

**RACINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF STATE AWARDS
YEAR ENDED JUNE 30, 2020**

Grantor Agency/State Program Title	State I.D. Number	Pass-Through Agency	State Identifying Number	(Accrued) Deferred Revenue 7/1/19	Cash Received (Refunded)	Accrued (Deferred) Revenue 6/30/20	Total Expenditures	Subrecipient Payments
WISCONSIN DEPARTMENT OF PUBLIC INSTRUCTION								
Special Education and School Age Parents	255.101	Direct Program	514620-100	\$ -	\$ 11,963,898	\$ -	\$ 11,963,898	\$ -
State School Lunch Aid	255.102	Direct Program	514620-107	-	89,403	-	89,403	-
Common School Fund Library Aid	255.103	Direct Program	514620-104	-	1,040,822	-	1,040,822	-
Bilingual Bicultural Aid Lea	255.106	Direct Program	514620-111	-	371,399	-	371,399	-
General Transportation Aid	255.107	Direct Program	514620-102	-	401,548	-	401,548	-
Equalization Aids	255.201	Direct Program	514620-116	(2,463,557)	152,053,679	2,431,857	152,021,979	-
Integration Transfer - Resident	255.205	Direct Program	514620-105	-	3,303,678	-	3,303,678	-
High Cost Special Education Aid	255.210	Direct Program	514620-119	-	378,234	-	378,234	-
Aid for School Mental Health Programs	255.227	Direct Program	514620-176	-	253,755	-	253,755	-
Special Education Transition Readiness Grant	255.257	Direct Program	514620-174	(27,500)	27,500	-	-	-
School base mental health services grant	255.297	Direct Program	514620-297	(33,333)	33,333	58,750	58,750	-
Peer Review and Mentoring	255.301	Direct Program	514620-387	(12,808)	35,078	308	22,578	-
Alcohol and Other Drug Abuse	255.306	Direct Program	514620-395	(13,410)	13,410	24,986	24,986	-
AODA Program Grants	255.321	Direct Program	514620-388	(650)	650	-	-	-
State School Breakfast Aid	255.344	Direct Program	514620-108	-	76,770	-	76,770	-
Tuition Payments by State	255.401	Direct Program	514620-157	-	182,634	-	182,634	-
Tuition Payments Spec Education	255.401	Direct Program	514620-158	-	119,015	-	119,015	-
Total Tuition Payments by State				-	301,649	-	301,649	-
Student Achievement Guarantee in Education (SAGE)	255.504	Direct Program	514620-160	-	1,375,512	-	1,375,512	-
Early College Credit Program	255.445	Direct Program	514620-178	-	350	-	350	-
Aid for High Poverty School District	255.926	Direct Program	514620-121	-	1,434,892	-	1,434,892	-
Educator Effective Evaluation System	255.940	Direct Program	514620-154	(118,553)	222,392	13,109	116,948	-
Per Pupil Aid	255.945	Direct Program	514620-113	-	14,250,852	-	14,250,852	-
Supplemental Per Pupil Aid	244.245	Direct Program	514620-181	-	64,472	-	64,472	-
Career and Technical Education Incentive Grants	255.950	Direct Program	514620-151	-	115,503	-	115,503	-
Assessments of Reading Readiness	255.956	Direct Program	514620-166	-	51,783	-	51,783	-
Robotics League Participation Grants	255.959	Direct Program	514620-167	-	2,125	4,359	6,484	-
Aid for Special Ed Transition Grant BBL	255.960	Direct Program	514620-168	-	93,000	-	93,000	-
Total Wisconsin Department of Public Instruction				(2,669,811)	187,955,687	2,533,369	187,819,245	-
Wisconsin Department of Justice								
School Safety Grant	455.206	Direct Program		(305,280)	420,641	208,467	323,828	-
School Safety Grant	455.206	Direct Program		(31,547)	53,254	179,741	201,448	-
Total Wisconsin Department of Justice				(336,827)	473,895	388,208	525,276	-
Total State Programs				\$ (3,006,638)	\$ 188,429,582	\$ 2,921,577	\$ 188,344,521	\$ -
Reconciliation to the Basic Financial Statements								
State Sources							\$ 189,813,254	
State Grants Reported in Other Sources							350	
Less: State Sources not Considered State Financial Assistance								
State Tax Computer Aid							(1,427,241)	
Payment in Lieu of Taxes and Other Revenues							(41,842)	
Total Expenditures of State Awards							<u>\$ 188,344,521</u>	

The Notes to the Schedules of Expenditures of Federal and State Awards are an integral part of this schedule.

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
YEAR ENDED JUNE 30, 2020**

NOTE 1 BASIS OF PRESENTATION

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

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

NOTE 2 SIGNIFICANT ACCOUNTING POLICIES

Revenues and expenditures in the schedules are presented in accordance with the modified accrual basis of accounting and are generally in agreement with revenues and expenditures reported in the District's 2020 fund financial statements. Such expenditures are recognized following the cost principles contained in the Uniform Guidance and *State Single Audit Guidelines*, wherein certain types of expenditures are not allowable or are limited as to reimbursement. Accrued revenue at year-end consists of federal and state program expenditures scheduled for reimbursement to the District in the succeeding year while unearned revenue represents advances for federal and state programs that exceed recorded District expenditures. Because of subsequent program adjustments, these amounts may differ from the prior year's ending balances.

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

NOTE 3 SPECIAL EDUCATION AND SCHOOL AGE PARENTS PROGRAM

The 2019-2020 eligible costs under the State Special Education Program as reported by the District are \$48,083,942. Compiled information required by compliance requirement 1-1 of the Special Education Audit Program was reported to the Wisconsin Department of Public Instruction.

NOTE 4 FOOD DISTRIBUTION

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

**RACINE UNIFIED SCHOOL DISTRICT
NOTES TO THE SCHEDULES OF EXPENDITURES OF FEDERAL
AND STATE AWARDS
YEAR ENDED JUNE 30, 2020**

NOTE 5 OVERSIGHT AGENCIES

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

Federal - U.S. Department of Health and Human Services

State - Wisconsin Department of Public Instruction

NOTE 6 PASS THROUGH ENTITIES

Federal awards have been passed through the following entities:

WI DHS - Wisconsin Department of Health Services

WI DPI - Wisconsin Department of Public Instruction

**RACINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2020**

Section I – Summary of Auditors’ Results

Financial Statements

1. Type of auditor’s report issued: Unmodified
2. Internal control over financial reporting:
- Material weakness(es) identified? _____ Yes X No
 - Were significant deficiency(ies) identified not considered to be a material weakness(es)? _____ Yes X None reported
3. Noncompliance material to basic financial statements noted? _____ Yes X No

Federal and State Awards

1. Internal control over compliance:
- Material weakness(es) identified? _____ Yes X No
 - Were significant deficiency(ies) identified not considered to be a material weakness(es)? _____ Yes X None reported
2. Type of auditor’s report issued on compliance for major programs: Unmodified
3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR 200.516(a) _____ Yes X No
4. Any audit findings disclosed that are required to be reported in accordance with the *State Single Audit Guidelines*?

Identification of major federal programs:

CFDA Number(s)	Name of Federal Program or Cluster
84.027	Special Education Cluster (IDEA)
84.173	Special Education Grants to States
84.367	Special Education Preschool Grants
	Supporting Effective Instruction State Grants

**RACINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Identification of major state programs:

State ID Number(s)	Name of State Program
255.101	Special Education and School Age Parents
255.103	Common School Library Fund
255.107	General Transportation and Non-Profit School Pupils
255.201	General Equalization Aids
255.205	Integration Transfer
255.227	Aid for School Mental Health Programs
255.504	Student Achievement Guarantee in Education (SAGE)
255.945	Per Pupil Adjustment Aid

**RACINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

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

Federal Awards:	<u>\$847,231</u>
State Awards	<u>\$250,000</u>

Auditee qualify as low-risk auditee? X Yes No

Section II – Financial Statement Findings

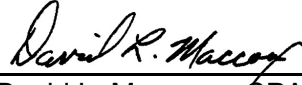
There are no findings related to the basic financial statements required to be reported under governmental auditing standards generally accepted in the United States of America for the year ended June 30, 2020.

Section III – Federal and State Award Findings and Questioned Costs

There are no audit findings and questioned costs required to be reported under the Uniform Guidance and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration for the year ended June 30, 2020.

**RACINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS (CONTINUED)
YEAR ENDED JUNE 30, 2020**

Section IV – Other Issues

- | | |
|--|---|
| 1. Does the auditor have substantial doubt as to the auditee's ability to continue as a going concern? | No |
| 2. Does the audit report show audit issues (i.e. material noncompliance, nonmaterial, noncompliance, questioned cost, material weakness, significant deficiencies, management letter comment, excess revenue or excess reserve) related to grant/contracts with funding agencies that require audits to be in accordance with the <i>State Single Audit Guidelines</i> : | |
| Department of Health Services | No |
| Department of Public Instruction | No |
| 3. Was a Management Letter or other document conveying audit comments issued as a result of this audit? | Yes |
| 4. Name and signature of partner | 

David L. Maccoux, CPA |
| 5. Date of report | December 21, 2020 |

**RACINE UNIFIED SCHOOL DISTRICT
SCHEDULE OF PRIOR YEAR AUDIT FINDINGS AND CORRECTIVE ACTION PLAN
YEAR ENDED JUNE 30, 2020**

PRIOR YEAR AUDIT FINDINGS

None required.

CORRECTIVE ACTION PLAN

None required.