

PRELIMINARY OFFICIAL STATEMENT DATED DECEMBER 11, 2012

NEW ISSUE  
Bank Qualified

Moody's Rated "Aa3"  
See "RATINGS" herein

*In the opinion of Quarles & Brady LLP, Bond Counsel, assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended, under existing law interest on the Bonds is excludable from gross income and is not an item of tax preference for federal income tax purposes. The Bonds are "qualified tax-exempt obligations". See "TAX EXEMPTION" herein for a more detailed discussion of some of the federal income tax consequences of owning the Bonds. The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.*

**\$10,000,000\***  
**RACINE UNIFIED SCHOOL DISTRICT**  
**Racine County, Wisconsin**  
**General Obligation Refunding Bonds**

Dated: January 3, 2013

Due: April 1, 2023-2028

The \$10,000,000\* General Obligation Refunding Bonds (the "Bonds") will be dated January 3, 2013 and will be in the denomination of \$5,000 each or any multiple thereof, and will mature serially on April 1 of the years 2023 through 2028. Interest on the Bonds shall be payable commencing on April 1, 2013 and semi-annually thereafter on October 1 and April 1 of each year.

**MATURITY SCHEDULE\***

(April 1)	Amount*	Rate	Yield	CUSIP <sup>(1)</sup> Base 750046
2023	\$795,000			
2024	1,740,000			
2025	1,785,000			
2026	1,840,000			
2027	1,890,000			
2028	1,950,000			

The Bonds are being issued pursuant to Chapter 67 of the Wisconsin Statutes. The Bonds will be general obligations of Racine Unified School District (the "District") for which its full faith and credit and taxing powers are pledged which taxes may, under current law, be levied without limitation as to rate or amount. The proceeds from the sale of the Bonds will be used for the public purpose of current refunding certain outstanding obligations of the District. (See "THE FINANCING PLAN" herein.)

The Bonds maturing April 1, 2023 and thereafter are subject to call and prior redemption on April 1, 2021 or any date thereafter, in whole or in part, from maturities selected by the District, and by lot within each maturity at par plus accrued interest to the date of redemption.

The Financial Advisor to the District is: **BAIRD**

The Bonds will be issued only as fully registered Bonds and will be registered in the name of Cede & Co. as nominee of The Depository Trust Company, New York, New York ("DTC"). DTC will act as the securities depository of the Bonds. Individual purchases will be made in book-entry form only in denominations of \$5,000 principal amount or any integral multiple thereof. Purchasers of the Bonds will not receive certificates representing their interest in the Bonds purchased. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

*The District's Bonds are offered when, as and if issued subject to the approval of legality by Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel. Quarles & Brady LLP will also act as Disclosure Counsel for the District. The anticipated settlement date for the Bonds is on or about January 3, 2013.*

**SALE DATE: DECEMBER 17, 2012**

**SALE TIME: 10:00 A.M. CT**

\*Preliminary, subject to change.

<sup>(1)</sup> CUSIP data herein provided by Standard & Poor's CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc Copyright 2012. American Bankers Association.

This Preliminary Official Statement and the information contained herein are subject to completion and amendment. These securities may not be sold, nor may offers to buy be accepted, prior to the time the Official Statement is delivered in final form. Under no circumstances shall this Preliminary Official Statement constitute an offer to sell or the solicitation of an offer to buy these securities, nor shall there be any sale of these securities, in any jurisdiction in which such offer, solicitation, or sale would be unlawful prior to registration or qualification under the securities laws of any such jurisdiction. This Preliminary Official Statement is in a form deemed final as of its date for purposes of SEC Rule 15c2-12(b) (1), except for the omission of certain information described in the rule, but is subject to revision, amendment, and completion in a Final Official Statement.

**RACINE UNIFIED SCHOOL DISTRICT**  
(Racine County, Wisconsin)

**SCHOOL BOARD**

Dennis Wiser, President  
Pastor Melvin Hargrove, Vice President  
Don J. Nielsen, Treasurer  
Dr. Gretchen L. Warner, Clerk  
Chris Eperjesy, Member\*  
Pamela Handrow, Member  
Susan F. Kutz, Member  
Julie L. McKenna, Member  
Kim Plache, Member

**ADMINISTRATION**

Dr. Ann Laing, Superintendent  
David Hazen, Chief Financial Officer  
Kathy Irish, Director of Financial Services  
Dr. Bethel Cager, Secondary Superintendent  
Jeff Weiss, Elementary Assistant Superintendent

**PROFESSIONAL SERVICES**

**School District Attorney:** Von Briesen, Purtell & Roper s.c., Racine, Wisconsin  
**Financial Advisor:** Robert W. Baird & Co., Milwaukee, Wisconsin  
**Bond Counsel:** Quarles & Brady LLP, Milwaukee, Wisconsin  
**Disclosure Counsel:** Quarles & Brady LLP, Milwaukee, Wisconsin  
**Paying Agent Contact:** School District Officials, Racine Unified School District, Wisconsin\*\*

*\*Chris Eperjesy has replaced William S. Van Atta, who resigned as of October, 2012.*

*\*\*The contact person for paying agent matters is Kathy Irish, Director of Financial Services*

## REGARDING USE OF THIS OFFICIAL STATEMENT

This Official Statement is being distributed in connection with the sale of the Bonds referred to in this Official Statement and may not be used, in whole or in part, for any other purpose. No dealer, broker, salesman or other person is authorized to make any representations concerning the Bonds other than those contained in this Official Statement, and if given or made, such other information or representations may not be relied upon as statements of Racine Unified School District (the "District"). This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy, nor shall there be any sale of the Bonds by any person in any jurisdiction in which it is unlawful to make such an offer, solicitation or sale.

For purposes of compliance with Rule 15c2-12 of the Securities and Exchange Commission, this document, as the same may be supplemented or amended by the District, from time to time (collectively, the "Official Statement"), may be treated as a final Official Statement with respect to the Bonds described herein that is deemed final by the District as of the date hereof (or of any such supplement or amendment).

Unless otherwise indicated, the District is the source of the information contained in this Official Statement. Certain information in this Official Statement has been obtained by the District or on its behalf from The Depository Trust Company and other non-District sources that the District believes to be reliable. No representation or warranty is made, however, as to the accuracy or completeness of such information. Nothing contained in this Official Statement is a promise of or representation by Robert W. Baird & Co. Incorporated (the "Financial Advisor"). The Financial Advisor has provided the following sentence of inclusion in this Official Statement. The Financial Advisor has reviewed the information in this Official Statement in accordance with, and as part of, its responsibilities to investors under the federal securities laws as applied to the facts and circumstances of this transaction, but the Financial Advisor does not guarantee the accuracy or completeness of such information. The information and opinions expressed in this Official Statement are subject to change without notice. Neither the delivery of this Official Statement nor any sale made under this Official Statement shall, under any circumstances, create any implication that there has been no change in the financial condition or operations of the District or other information in this Official Statement, since the date of this Official Statement.

This Official Statement contains statements that are "forward-looking statements" as that term is defined in Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. When used in this Official Statement, the words "estimate," "intend," "project" or "projection," "expect" and similar expressions are intended to identify forward-looking statements. Forward-looking statements are subject to risks and uncertainties, some of which are discussed herein, that could cause actual results to differ materially from those contemplated in such forward-looking statements. Investors and prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this Official Statement.

This Official Statement should be considered in its entirety. No one factor should be considered more or less important than any other by reason of its position in this Official Statement. Where statutes, ordinances, reports or other documents are referred to in this Official Statement, reference should be made to those documents for more complete information regarding their subject matter.

The Bonds will not be registered under the Securities Act of 1933, as amended, or the securities laws of any state of the United States, and will not be listed on any stock or other securities exchange. Neither the Securities and Exchange Commission nor any other federal, state, municipal or other governmental entity shall have passed upon the accuracy or adequacy of this Official Statement.

**IN CONNECTION WITH THE OFFERING OF THE BONDS, THE UNDERWRITER MAY OR MAY NOT OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE BONDS AT LEVELS ABOVE THOSE WHICH MIGHT OTHERWISE PREVAIL IN THE OPEN MARKET. SUCH STABILIZING, IF COMMENCED, MAY BE DISCONTINUED AT ANY TIME WITHOUT NOTICE. THE PRICES AND OTHER TERMS RESPECTING THE OFFERING AND SALE OF THE BONDS MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE BONDS ARE RELEASED FOR SALE AND THE BONDS MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE BONDS INTO INVESTMENT ACCOUNTS.**

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## SUMMARY

<b>District:</b>	Racine Unified School District, Racine County, Wisconsin.
<b>Issue:</b>	\$10,000,000* General Obligation Refunding Bonds.
<b>Dated Date:</b>	January 3, 2013.
<b>Interest Due:</b>	Commencing April 1, 2013 and on October 1 and April 1 thereafter. Interest on the Bonds will be computed on the basis of a 30-day month and a 360-day year.
<b>Principal Due:</b>	April 1 of the years 2023 through 2028.
<b>Redemption Provisions:</b>	The Bonds maturing on and after April 1, 2023 shall be subject to call and prior payment on April 1, 2021 or on any date thereafter at par plus accrued interest. The amounts and maturities of the Bonds to be redeemed shall be selected by the District. If less than the entire principal amount of any maturity is to be redeemed, the Bonds of that maturity which are to be redeemed shall be selected by lot. Notice of such call shall be given by sending a notice thereof by registered or certified mail, facsimile or electronic transmission or overnight express delivery not less than thirty (30) days nor more than sixty (60) days prior to the date fixed for redemption to the registered owner of each Bond to be redeemed at the address shown on the registration books.
<b>Security:</b>	The full faith, credit and resources of the District are pledged to the payment of the principal of and the interest on the Bonds as the same become due and, for said purposes, there are levied without limitation on all the taxable property in the District, direct, annual irrevocable taxes in each year and in such amounts which will be sufficient to meet such principal and interest payments when due. Under current law, such taxes may be levied without limitation as to rate or amount.
<b>Purpose:</b>	The proceeds from the sale of the Bonds will be used for the public purpose of current refunding certain outstanding obligations of the District. (See "THE FINANCING PLAN" herein.)
<b>Tax Status:</b>	Interest on the Bonds is excludable from gross income for federal income tax purposes. (See "TAX EXEMPTION" herein.)
<b>Bank Qualification:</b>	The Bonds shall be "qualified tax-exempt obligations."
<b>Credit Ratings:</b>	This issue has been assigned a "Aa3" rating by Moody's Investors Service, Inc. (See "RATINGS" herein.)
<b>Bond Years:</b>	130,584.44 years.
<b>Average Life:</b>	13.058 years.
<b>Record Date:</b>	The 15th day of the calendar month next preceding the interest payment date.

*Information set forth on this page is qualified by the entire Official Statement. A full review of the entire Official Statement should be made by potential investors.*

*\*Preliminary, subject to change.*

## INTRODUCTORY STATEMENT

This Official Statement presents certain information relating to the Racine Unified School District, Wisconsin (the "District" and the "State" respectively) in connection with the sale of the District's \$10,000,000\* General Obligation Refunding Bonds (the "Bonds"). The Bonds are issued pursuant to the Constitution and laws of the State and the resolution (the "Resolution") adopted by the School Board (the "Board") and other proceedings and determinations related thereto.

All summaries of statutes, documents and the Resolution contained in this Official Statement are subject to all the provisions of, and are qualified in their entirety by reference to such statutes, documents and the Resolution, and references herein to the Bonds are qualified in their entirety by reference to the form thereof included in the Resolution. Copies of the Resolution may be obtained from the Financial Advisor upon request.

## THE FINANCING PLAN

By way of a resolution adopted May 21, 2012 (the "Authorizing Resolution"), the Board authorized the issuance of general obligation promissory notes in an amount not to exceed \$42,250,000 for the public purpose of paying the cost of energy conservation and efficiency projects, technology upgrades and improvements, remodeling, rehabilitations and repairs at all District facilities, including maintenance projects and related equipment (the "Project").

On October 15, 2012, the District authorized the issuance of \$10,000,000 Note Anticipation Notes (the "Notes"), which provided interim financing for a portion of the cost of the Project. The Notes are dated November 1, 2012, are due to mature on November 1, 2013 and are callable at par on February 1, 2013 or any date thereafter.

The proceeds of the Bonds will be used for the purpose of current refunding the Notes on or about February 1, 2013.

The District intends to issue \$24,000,000 of the amount authorized by the Authorizing Resolution in Spring, 2013. The District intends to issue the remaining portion of the amount by the Authorizing Resolution in 2014.

## REDEMPTION PROVISIONS

### Optional Redemption

The Bonds maturing April 1, 2023 and thereafter are subject to call and prior redemption on April 1, 2021 or any date thereafter, in whole or in part, from maturities selected by the District, and by lot within each maturity at par plus accrued interest to the date of redemption.

## ESTIMATED SOURCES AND USES\*

### Sources of Funds

Par Amount of Bonds	\$10,000,000
Reoffering Premium	228,632
Total Sources of Funds:	<u>\$10,228,632</u>

### Uses of Funds

Amount Needed to Payoff Notes and Interest on 2/1/2013	\$10,068,750
Costs of Issuance (including Underwriter's Discount) and Rounding	159,882
Total Uses of Funds:	<u>\$10,228,632</u>

\*Preliminary, subject to change.

**CONSTITUTIONAL AND STATUTORY CONSIDERATIONS AND LIMITATIONS  
CONCERNING THE DISTRICT'S POWER TO INCUR INDEBTEDNESS**

The Constitution and laws of the State limit the power of the District (and other municipalities of the State) to issue obligations and to contract indebtedness. Such constitutional and legislative limitations include the following, in summary form and as generally applicable to the District.

**Purpose**

The District may not borrow money or issue notes or bonds therefor for any purpose except those specified by statute, which include among others the purposes for which the Bonds are being issued.

**General Obligation Bonds**

The principal amount of every sum borrowed by the District and secured by an issue of bonds may be payable at one time in a single payment or at several times in two or more installments; however, no installment may be made payable later than the termination of twenty years immediately following the date of said bonds. The Board of the District is required to levy a direct, annual, irrevocable tax sufficient in amount to pay the interest on such bonds as it falls due and also to pay and discharge the principal thereof at maturity. Bonds issued by the District to refinance or refund outstanding notes or bonds issued by the District may be payable no later than twenty years following the original date of such notes or bonds.

**Refunding Bonds**

In addition to being authorized to issue bonds, the District is authorized to borrow money using refunding bonds for refunding existing debt. To evidence such indebtedness, the District must issue to the lender its refunding bonds (with interest) payable within a period not exceeding twenty years following the initial date of the debt to be refunded. Such refunding bonds constitute a general obligation of the District. Refunding bonds are not subject to referendum.

**Promissory Notes**

The District is also authorized to borrow money using notes for any public purpose. To evidence such indebtedness, the District must issue to the lender its promissory notes (with interest) payable within a period not exceeding ten years following the date of said notes. Such notes constitute a general obligation of the District. Notes issued by the District to refinance or refund outstanding notes issued by the District may be payable no later than twenty years following the original date of such notes, or ten years, whichever is less.

**Bond or Note Anticipation Notes**

In anticipation of issuing general obligation bonds or notes, the District is authorized to borrow money using bond or note anticipation notes. The bond or note anticipation notes shall in no event be general obligations of the District, and do not constitute an indebtedness of the District, nor a charge against its general credit or taxing power. The bond or note anticipation notes are payable only from (a) proceeds of the bond or note anticipation notes set aside for payment of interest on the bond or note anticipation notes as they become due, and (b) proceeds to be derived from the issuance and sale of general obligation bonds or notes which proceeds are pledged for the payment of the principal of and interest on the bond or note anticipation notes. The maximum term of any bond or note anticipation notes (including any refunding) is five years.

**Temporary Borrowing**

The Board of the District may, on its own motion, borrow money in such sums as may be needed to meet the immediate expenses of maintaining the schools in the District during the then current school year. No such loan or loans shall be made to extend beyond November 1 of the following year nor in any amount exceeding one-half of the estimated receipts for the operation and maintenance of the District for the current school year in which the loan is made.

**Debt Limit**

The District has the power to contract indebtedness for purposes specified by statute so long as the principal amount thereof does not exceed ten percent of the equalized value of taxable property within the District. For information with respect to the District's percent of legal debt incurred, see the caption "INDEBTEDNESS OF THE DISTRICT - Debt Limit," herein.

## THE RESOLUTIONS

The following is a summary of the Resolution adopted by the District pursuant to the procedures prescribed by Wisconsin Statutes. Reference is made to the Resolution for a complete recital of their terms.

### **The Authorizing Resolution, Interim Financing**

By way of a resolution adopted May 21, 2012, the Board authorized the issuance of general obligation promissory notes in an amount not to exceed \$42,250,000 for the public purpose of paying the cost of the Project.

As required by the Wisconsin Statutes, notice of the adoption of the Authorizing Resolution was published in the required newspaper on May 25, 2012. The Authorizing Resolution was subject to referendum if, within 30 days after publication of notice of adoption of the Authorizing Resolution a sufficient petition requesting a referendum would have been filed by the electors of the District. The petition period expired on June 25, 2012.

By way of a resolution adopted on October 15, 2012, the Board authorized the issuance of its Notes for the purpose of providing interim financing for a portion of the Project, which Notes were issued November 1, 2012.

### **Award Resolution**

By way of a resolution to be adopted on December 17, 2012, (the "Award Resolution") the Board will authorize the issuance of the Bonds and accept the bid (or reject all bids) of the Underwriter for the purchase of the Bonds, in accordance with bid specifications, provide the details and form of the Bonds, and set out certain covenants with respect thereto. The Award Resolution pledges the full faith, credit and resources of the District to payments of the principal of and interest on the Bonds. Pursuant to the Award Resolution, the amount of direct, annual, irrevocable taxes levied for collection in the years 2013 through 2028 which will be sufficient to meet the principal and interest payments on the Bonds when due will be specified (or monies to pay such debt service will otherwise be appropriated). The Award Resolution establishes separate and distinct from all other funds of the District a debt service fund with respect to payment of principal of and interest on the Bonds.

## THE DISTRICT

The administration of the District is exercised by a School Board. The Board consists of nine members who are elected at large for staggered three-year terms of office. The Board elects a President, Vice President, Clerk and Treasurer from among its members for one-year terms. The Board is empowered to employ a Superintendent to conduct the affairs and programs of the District.

Unified School Districts hold an annual public hearing prior to adopting the budget for the ensuing year. The Board shall present at the annual hearing a full, itemized written report. The report shall state all receipts and expenditures of the District since the last annual hearing, the current cash balance of the District, the amount of the deficit and the bills payable of the District, the amount necessary to be raised by taxation for the support of the schools of the District for the ensuing year and the amount required to pay the principal and interest of any debt due during the ensuing year. The report shall also include the budget summary. The Board has the power and duty, among other things, to make rules for the organization, gradation, and government of the schools of the District, enter into agreements with other governmental units, tax for operation and maintenance, engage employees (including a Superintendent) and purchase school equipment.



**School Board**

<u>Name</u>	<u>Expiration of Term</u>
Dennis Wiser, President	April, 2014
Pastor Melvin Hargrove, Vice President	April, 2014
Don J. Nielsen, Treasurer	April, 2015
Dr. Gretchen L. Warner, Clerk	April, 2015
Chris Eperjesy, Member*	April, 2013
Pamela Handrow, Member	April, 2014
Susan F. Kutz, Member	April, 2013
Julie L. McKenna, Member	April, 2013
Kim Plache, Member	April, 2015

\*Chris Eperjesy has replaced William S. Van Atta, who resigned as of October, 2012.

Source: The District.

**Administration**

<u>Name</u>	<u>Title</u>	<u>Years of Service</u>
Dr. Ann Laing	Superintendent	25
David Hazen	Chief Financial Officer	4
Kathy Irish	Director of Financial Services	4
Dr. Bethel Cager	Secondary Superintendent STET	5
Jeff Weiss	Elementary Assistant Superintendent	10

Source: The District.

**District Facilities**

<u>Facility</u>	<u>Constructed</u>	<u>Additions</u>
<b><u>Elementary Schools</u></b>		
Olympia Brown	1956	
Steven Bull Fine Arts	1913	
Caddy Vista*	1956	1966
N.D. Fratt	1915	1925, 1988
Julian Thomas**	1857	1897, 1954/2003
Giese	1965	
Gifford	1967	
Goodland	1962	
Janes	1857	1897, 1958, 1961
Jefferson Lighthouse	1901	1956, 1958, 1967, 1992
Jerstad-Agerholm	1951	1963
Johnson	1955	1966, 1991
Dr. Jones	1968	
Knapp	1911	1925
Mitchell	1935	1938, 1955, 1992
North Park	1952	1958, 1962
Red Apple	1872	1921, 1980
Roosevelt	1925	1929, 1954, 1967
Schulte	1968	
E.H. Wadewitz	1958	1963
West Ridge	1961	1965, 1991
Wind Point	1957	1959, 1967
Winslow***	1856	1897, 1954

\* Closed June 30, 1998.

\*\*Formerly Garfield Early Childhood.

\*\*\*Closed June 30, 2005. The District currently uses the facility for programs.

**Middle Schools**

Gilmore	1973-1974	
Jerstad-Agerholm	1960	
McKinley	1921	1976
Middle School Academy	1872	1921, 1980
Mitchell	1935	1974, 1992
Starbuck	1961	2001

**High Schools**

Brown Alternative Center	1956	
J.I. Case	1966	
William Horlick	1928	1961, 1965, 1987
Mack Center	1949	1954
Washington Park	1927-1929	1969

**Combined Senior High and Middle Schools**

Walden III	1860	1872, 1921
Walden III/Kindergarten		
REAL School Charter School	Leased Facility	

Source: *The District.*

**School Enrollments**

<u>Year</u>	<u>Total</u>
2008-09	21,074
2009-10	21,158
2010-11	21,627
2011-12	21,467
2012-13	21,691
2013-14*	21,147
2014-15*	20,959
2015-16*	20,793
2016-17*	20,605
2017-18*	22,210

\*Projected Enrollments based on current enrollment trends.

Source: *The District.*

**Employment Relations**

<u>Department</u>	<u>2012-13*</u>
Teachers	1,690
Administrators	112
Educational Assistants	460
Secretarial/Clerical	168
Building and grounds	195
TOTAL	<u>2,625</u>

\*Full Time Equivalent.

Source: *The District.*

## Labor Contracts

<u>Organization</u>	<u>Represents</u>	<u>Expiration Date</u>
Racine Education Association	1,580 Members (teachers & nurses)	June 30, 2013
Racine Education Association	Educational Assistants	June 30, 2013
Racine Educational Aides Association	Instructional Aides	June 30, 2013
The Service Employees' International Union Local 152, Secretarial/Clerical	Secretarial and Clerical members	June 30, 2013
The Service Employees' International Union Local 152, Building Service Employees	Building Service Employees	June 30, 2013
Allied Trades Local 108 Painters of Racine Unified Schools	Members	June 30, 2013
Milwaukee and Southeastern Wisconsin District Council of Carpenters Local 161	Members	June 30, 2013

Source: *The District*.

The District considers its relationship with the employee groups to be very good.

All eligible District personnel are covered by the Municipal Employment Relations Act ("MERA") of the Wisconsin Statutes. Pursuant to that law, employees have rights to organize and, after significant changes were made to the law in 2011, very limited rights to collectively bargain with municipal employers. MERA was amended by 2011 Wisconsin Act 10 (the "Act") and by 2011 Wisconsin Act 32.

Certain legal challenges were brought with respect to the Act. On May 26, 2011, the Dane County Circuit Court (the "Circuit Court") issued a decision which voided the legislative action taken with respect to the Act due to violations of the State's Open Meetings Law. However, on June 14, 2011, the Supreme Court of Wisconsin overturned the Circuit Court's decision by vacating and declaring all orders and judgments of the Circuit Court with respect to the Act to be void. As a result, the Act took effect on June 29, 2011, the day after it was published in accordance with State statutes. On September 14, 2012, the Circuit Court issued a decision which declared that certain portions of the Act violate State Constitutional rights to freedom of speech and association and equal protection, including portions of the Act that prohibit collectively bargaining with municipal employees with respect to any factor or condition of employment except total base wages. On September 18, 2012, the State Attorney General filed an appeal to the Circuit Court's decision and requested a stay on the enforcement of the decision until such an appeal is decided. On October 22, 2012, the Circuit Court denied the motion for a stay until the appeal is decided. As a consequence, until the appeal is decided, local governments and school districts may be prohibited from following the portions of the Act that have been found unconstitutional. The outcome of these legal proceedings cannot be predicted at this time.

As a result of the 2011 amendments to MERA, the District was prohibited from bargaining collectively with municipal employees with respect to any factor or condition of employment except total base wages. Even then, the District is limited to increasing the base wages only by any increase in the previous year's consumer price index (unless the District were to seek approval for a higher increase through a referendum). Ultimately, the District could unilaterally implement the wages for a collective bargaining unit. However, these limitations on collective bargaining have been held unconstitutional by the Circuit Court as described in the above paragraph.

Under the changes to MERA, impasse resolution procedures were removed from the law for municipal employees of the type employed by the District, including binding interest arbitration. Strikes by any municipal employee or labor organization are expressly prohibited. As a practical matter, it is anticipated that strikes will be rare. Furthermore, if strikes do occur, they may be enjoined by the courts. Additionally, because the only legal subject of bargaining is the base wage rates, all bargaining over items such as just cause, benefits, and terms of conditions of employment are prohibited and cannot be included in a collective bargaining agreement.

### **Pension Plan**

All employees in the District are covered under the Wisconsin Retirement System established under Chapter 40 of the Wisconsin Statutes. The total retirement plan contributions for the year ended June 30, 2011 and 2012 were \$14,639,214 and \$15,493,606 respectively. The amounts of such contributions were determined by the Wisconsin Retirement Fund and were previously funded entirely by the District. Pursuant to the changes to MERA discussed above, retirement benefits are now shared equally between employer and employee. District pension costs have been reduced by approximately \$7,385,345.

### **Supplemental Pension Benefits**

The District provides supplemental pension benefits through a single-employer defined benefit plan to employees who have terminated their employment with the District and have satisfied specified eligibility standards. Membership of the plan consisted of 62 retirees receiving benefits and 110 active plan members as of July 1, 2010, the date of the latest actuarial valuation.

Pension benefit calculations are required to be updated every two years and prepared in accordance with Statements No. 27 and No. 50 of the Governmental Accounting Standards Board ("GASB 27" and "GASB 50") regarding pension disclosures. A new actuarial valuation for the District for the plan with a valuation date of July 1, 2012 is not yet completed but is underway.

The District is required to expense the estimated yearly cost of providing post-retirement benefits and such annual accrual expense is referred to as the "annual required contribution." As shown in the District's Audited Financial Statements for the year ended June 30, 2012 ("Fiscal Year 2012"), the District's annual required contribution was \$279,293. For Fiscal Year 2012, contributions to the plan totaled \$288,435, which was 103.27% of the annual required contribution. The District's current funding practice is to make annual contributions to the plan in the amounts at least equal to the benefits paid to retirees in a particular year on a "pay-as-you-go" basis.

As of July 1, 2010, the actuarial accrued liability for benefits was \$3,001,764 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$3,001,764 and a funded ratio of actuarial value of assets to actuarial accrued liability (the "Funded Ratio") of 0%.

For more information, see Note D in "Appendix A - Audited Financial Statements for the Year Ended June 30, 2012."

### **Other Post Employment Benefits**

The District provides "other post-employment benefits" ("OPEB") (i.e., post-employment benefits, other than pension benefits, owed to its employees and former employees) through a single-employer defined benefit plan to employees who have terminated their employment with the District and have satisfied specified eligibility standards. Membership of the plan consisted of 485 retirees receiving benefits and 2,352 active plan members as of July 1, 2010 the date of the latest actuarial valuation. OPEB calculations are required to be updated every two years and prepared in accordance with Statement No. 45 of the Governmental Accounting Standards Board ("GASB 45") regarding retiree health and life insurance benefits, and related standards. An OPEB study for the District was last completed as of July 1, 2010.

Since the date of the last actuarial study, the District has changed its post-employment health benefits, including increasing required contributions from plan members. The information summarized in the remainder of this section, below, is taken from the District's audited financial statements for Fiscal Year 2012. Potential investors should note that, per the above-described changes limiting post-employment health benefits, the District anticipates that the annual required contribution and actuarial accrued liability for benefits described below will decrease in the future.

The District is required to expense the estimated yearly cost of providing post-retirement benefits representing a level of funding that, if paid on an ongoing basis, is projected to cover costs and amortize unfunded actuarial liabilities over a given period not to exceed 30 years. Such annual accrual expense is referred to as the "annual required contribution." As shown in the District's Financial Statements for Fiscal Year 2012, the District's annual required contribution was \$10,962,135. For Fiscal Year 2012, contributions to the plan totaled \$8,254,230, which was 75.3% of the annual required contribution. The District's current funding practice has been to fully fund the yearly amount of benefit premiums on a "pay-as-you-go-basis" with additional contributions made to accumulate assets for future benefits.

The plan's Funded Ratio as of the most recent actuarial valuation date, July 1, 2010, was 3.4%. As of July 1, 2010 the actuarial accrued liability was \$87,755,940, and the actuarial value of assets was \$3,012,643, resulting in an UAAL of \$84,743,297.

For more information, see Note D in "Appendix A - Basic Financial Statements and Related Notes for the Year Ended June 30, 2012" attached hereto.

## GENERAL INFORMATION

### Location

The District encompasses approximately 100 square miles of Racine County, and includes the City of Racine, Villages of Caledonia, Elmwood Park, Mount Pleasant, North Bay, Sturtevant and Wind Point. It is located 25 miles south of Milwaukee and 60 miles north of Chicago and is bounded on the east by Lake Michigan. The District is easily accessible via Interstate Highway 94 and State highways 11, 20, 31, 32, 36 and 38. Based on 2010 census, the District's population is 139,193\*.

### Mission Statement

"The mission of the Racine Unified School District, in partnership with a community rich in cultural diversity, is to prepare every student to perform successfully in a global society through outstanding instruction and curriculum."

### Education

The District offers a comprehensive educational program for students in the kindergarten through the twelfth grades, operates six high schools, seven middle schools and 21 elementary schools. The enrollment for the 2012-13 school year is 21,691.

The District offers a variety of special programs and services which promote the District's ultimate goal. A few of the many accomplishments and programs offered are as followed:

- One of the special programs offered at the District is the Fine Arts Program. This program is designed to develop the interest of students in the areas of art, music, dance, creative language, art skills and drama while providing a solid academic program.
- In a continuing effort to obtain proficiency in a second language, the District offers a well articulated five-year program in French, German, and Spanish and a four-year program in Latin. Russian is currently offered at Horlick and Walden III, with the District working on expanding this program with a federal grant.
- The District was the first district in Wisconsin to implement the 60/20 Year-Round Education program at the elementary and middle school levels. Year-Round Education schedules the 180-day school year over a 12-month period: Students attend school for approximately 60 days, then break for 20 days. This cycle occurs three times per year. The voluntary program, started in July 1994, is another effort to provide excellence in education for all students.  
\*Source: U.S. Census Bureau.
- 51.9 percent of the District's high school seniors attend a four-year college or university compared to the state average of 48 percent.

\*Source: U.S. Census Bureau.

### **Racine Area Manufacturers and Commerce (RAMAC)**

Since the Racine Area Manufacturers and Commerce (RAMAC) was developed several years ago, more than 750 companies have signed a voluntary commitment promise to help ensure a quality education for every child in the Racine area. One of the education programs of the RAMAC include the Mentor Program. Mentors are matched with third grade students and are encouraged to remain with their student through middle and high school. The RAMAC also gives out teacher of the year and programs of the year awards.

### **Post-Secondary Education**

Opportunities for post-secondary and adult continuing education are available at the following post-secondary educational facilities located within 30 miles of the District: Alverno College, Medical College of Wisconsin, Cardinal Stritch University, Carthage College, Concordia College, Marquette University, Milwaukee School of Engineering, Mount Mary College, University of Wisconsin-Milwaukee and the University of Wisconsin-Parkside.

### **Gateway Technical College-Racine Campus**

The Racine campus is located on 15 acres near the shore of Lake Michigan. The Technical Building, Lake Hall and Main Hall provide facilities for classrooms, labs, student lounges and a number of student and support services. The Racine building houses several instructional programs, conference facilities and a child care lab, which serve the dual purpose of providing a laboratory for the Child Care and Development program and quality, convenient child care for Gateway students.

## **DEMOGRAPHIC AND ECONOMIC INFORMATION**

### **Population**

	<u>Racine County</u>	<u>City of Racine</u>	<u>Village of Caledonia</u>	<u>Village of Mount Pleasant</u>
Estimate, 2012	195,386	78,830	24,731	26,220
Estimate, 2011	195,225	78,700	24,722	26,211
Census, 2010	195,408	78,860	24,705	26,197
Estimate, 2009	196,380	80,100	25,200	26,100
Estimate, 2008	196,321	80,320	25,110	26,040

Source: Wisconsin Department of Administration, Demographics Services Center.

### **Per Return Adjusted Gross Income**

	<u>State of Wisconsin</u>	<u>Racine County</u>	<u>City of Racine</u>	<u>Village of Caledonia</u>	<u>Village of Mount Pleasant</u>
2010	\$46,958	\$47,358	\$38,432	\$64,879	\$58,318
2009	45,372	46,215	38,090	63,407	55,671
2008	47,046	50,061	39,750	67,885	59,740
2007	48,985	49,266	39,542	69,167	62,151
2006	48,107	48,154	39,680	68,072	62,131

Source: Wisconsin Department of Revenue, Division of Research and Policy.

### Unemployment Rate

	<u>State of Wisconsin</u>	<u>Racine MSA</u>
September, 2012	6.2%	7.7%
September, 2011	6.8	8.3
Average, 2011	7.5%	8.9%
Average, 2010	8.5	10.1
Average, 2009	8.7	10.4
Average, 2008	4.8	5.7
Average, 2007	4.8	5.7

Source: Wisconsin Department of Workplace Development.

### Residential Building Permit Valuations

<u>Village of Caledonia</u> <sup>(1)</sup>			<u>Village of Mount Pleasant</u> <sup>(2)</sup>		
<u>Year</u>	<u>Number</u>	<u>Valuations</u>	<u>Year</u>	<u>Number</u>	<u>Valuations</u>
2012*	18	\$4,172,820	2012*	23	\$4,912,395
2011	14	5,099,660	2011	29	5,452,220
2010	31	7,196,780	2010	38	7,742,601
2009	27	6,709,967	2009	45	8,946,073
2008	37	10,201,452	2008	73	15,374,099

<sup>(1)</sup>The Town of Caledonia became a Village in the fall of 2005.

<sup>(2)</sup>The Town of Mount Pleasant became a Village on September 16, 2003.

\*As of September 2012.

	<u>City of Racine</u>	
<u>Year</u>	<u>Number</u>	<u>Valuations</u>
2012*	--	--
2011	7	\$850,195
2010	13	4,835,000
2009	8	1,034,000
2008	13	1,943,700

\*2012 data is not available.

Source: U.S. Census Bureau.

### **Largest Employers**

Listed below are the largest employers in the Racine County area.

<u>Employer Name</u>	<u>Type of Business</u>	<u>Number of Employees</u>
CNH Global <sup>(1)</sup>	Manufacturer of agricultural and construction equipment and implements	4,510
All Saints Health Care Center	Health care services	2,691
The District	Education	2,625
SC Johnson & Son, Inc.	Manufacturer of commercial and institutional cleaning products	1,496
City of Racine <sup>(2)</sup>	Municipal government	1,255
Wheaton Franciscan Healthcare	Hospital	1,079
Gateway Technical College <sup>(2)</sup>	Vocational education	1,034
Regency Mall	Retail shopping center (119 stores)	1,000+
In-Sink-Erator Division, Emerson Electric Company	Manufacturer of household and commercial disposer systems, hot water dispensers	1,000
Racine County	Government	830
Twin Disc Inc.	Manufactures hydraulic torque converters	800
Modine Manufacturing	Heat exchanger manufacturing	650
Wal-Mart	Retail Store	600-1,247
Rudd Lighting	Manufactures industrial, commercial & residential lighting fixtures	450

<sup>(1)</sup> Formerly known as J.I. Case Corporation.

<sup>(2)</sup> Includes full and part-time.

Source: 2012 Wisconsin Manufacturers and Business Service Directories. Employer contacts February 2012 and the District.

### **Largest Taxpayers**

<u>Name of Business</u>	<u>Type of Business</u>	<u>2011 Assessed Valuation</u>	<u>2011 Equalized Valuations</u>
S.C. Johnson & Son, Inc. <sup>(1)</sup>	Manufacturer of commercial & institutional cleaning products	\$118,727,500	\$121,811,821
Racine Joint Venture <sup>(2)</sup>	Regency Mall shopping center	114,200,900	113,927,474
Centerpoint Properties Trust	Manufacturing property	57,853,700	60,746,846
Continental 63 & 81 Fund, LLC	Wal-Mart, Menards	54,222,600	57,011,842
All Saints Health Care	Hospitals and medical centers	41,602,900	41,833,844
Case Equipment Corp. <sup>(2) (3) (4)</sup>	Manufacturer of agricultural & construction equipment & implements	30,492,800	32,091,891
Aurora Medical Group	Health care	30,017,800	31,003,131
Inland Southeast Mount Pleasant	Village Center Strip Mall	27,619,300	30,168,543
Bombardier Motor Corp of America	Manufacturer of aircraft	19,666,900	20,111,361
High Ridge Improvements	DLC Management Corporation	16,400,000	16,360,734
	TOTAL	<u>\$510,804,400</u>	<u>\$525,067,487</u>

The above taxpayers represent 5.52% of the District's 2011 Equalized Value (TID IN) (\$9,516,668,300).

The District's 2012 Equalized Value (TID IN) is \$8,836,261,200.

<sup>(1)</sup> Valuations include parcels in the City of Racine, Villages of Caledonia, Sturtevant and Mount Pleasant.

<sup>(2)</sup> City of Racine.

<sup>(3)</sup> Village of Mt. Pleasant.

<sup>(4)</sup> Formerly J.I. Case Corporation, also known as CNH Global.

Source: Racine County Treasurer's Office February 2012.



## TAX LEVIES, RATES AND COLLECTIONS

Personal property taxes, special assessments, special charges and special taxes must be paid to the town, city or village treasurer in full by January 31. Real property taxes may be paid in full by January 31 or in two equal installments payable by January 31 and July 31. Municipalities also have the option of adopting payment plans which allow taxpayers to pay their real property taxes and special assessments in three or more installments, provided that the first installment is paid by January 31, one-half of the taxes are paid by April 30 and the remainder is paid by July 31. Amounts paid on or before January 31 are paid to the town, city or village treasurer. Amounts paid after January 31 are paid to the county treasurer unless the municipality has authorized payment in three or more installments in which case payment is made to the town, city or village treasurer. Any amounts paid after July 31 are paid to the county treasurer. For municipalities which have not adopted an installment payment plan, the town, city or village treasurer settles with other taxing jurisdictions for collections through the preceding month on January 15 and February 20. For municipalities which have adopted an installment payment plan, the town, city or village treasurer settles with other taxing jurisdictions for collections through the preceding month on January 15, February 15 and the 15th day of each month following a month in which an installment payment is due. On or before October 15, the county treasurer must settle in full with the underlying taxing districts for all real property taxes and special taxes. The County Board may authorize its County Treasurer to also settle in full with the underlying taxing districts for all special assessments and special charges. The county may then recover any tax delinquencies by enforcing the lien on the property and retain any penalties or interest on the delinquencies for which it has settled. Since, in practice, all delinquent real estate taxes are withheld from the county's share of taxes; the District receives 100 percent of the real estate taxes it levies.

Set forth below are the taxes levied and the tax rate per \$1,000 equalized value on all taxable property within the District.

Levy/Collection Year	District Tax Rate	District Levy	Uncollected Taxes as of August 20th of Each Year	Percent of Levy Collected
2012/2013	\$10.05	\$84,375,032	-To be collected-	
2011/2012	8.94	81,570,578	-0-	100.00%
2010/2011	8.41	78,110,338	-0-	100.00
2009/2010	7.85	75,939,066	-0-	100.00
2008/2009	7.22	70,100,949	-0-	100.00

Source: Wisconsin Department of Public Instruction.

### **2012-13 Proportionate Amounts of Local Tax Revenue Per Municipality Based on 2012 Equalized Valuation**

Municipality	2012 Equalized Valuation (TID OUT)	Percent of Levy	Amount of Levy
City of Racine	\$3,407,156,050	40.595908%	\$34,252,810
Village of Caledonia	1,996,039,300	23.782600	20,066,576
Village of Mount Pleasant	2,349,445,700	27.993400	23,619,440
Village of Elmwood Park	37,230,400	0.443596	374,285
Village of North Bay	35,443,400	0.422304	356,319
Village of Sturtevant	331,336,000	3.947834	3,330,986
Village of Wind Point	236,205,000	2.814358	2,374,615
<b>TOTAL</b>	<b>\$8,392,855,850</b>	<b>100.000000%</b>	<b>\$84,375,032</b>

Source: Wisconsin Department of Revenue.

## EQUALIZED VALUATIONS

The State of Wisconsin, Department of Revenue, Supervisor of Assessments Office determines all equalized valuations of property in the State of Wisconsin. Equalized valuations are the State's estimate of full market value. The State determines assessed valuations of all manufacturing property in the State. Residential and commercial properties located within the School District are assessed annually by the local assessors.

Set forth in the table below are equalized valuations of property located within the District for the years 2008 through 2012. The District's Equalized Valuation (TID IN) has decreased by 12.83 percent since 2008. The average annual percentage change is -3.38 percent.

Year	Equalized Valuation (TID IN)	Equalized Valuation (TID OUT)
2012	\$8,836,261,200	\$8,392,855,850
2011	9,516,668,300	9,127,325,650
2010	9,687,428,500	9,289,464,650
2009	10,135,180,900	9,677,597,050
2008	10,137,082,900	9,714,572,950

Source: Wisconsin Department of Revenue.

### **Tax Increment Districts**

The City of Racine and the Villages of Sturtevant, Caledonia and Mount Pleasant have created Tax Increment Districts (TID) under Wisconsin Statute 66.46. TID valuations totaling \$443,405,350 have been excluded from the District's tax base for 2012.

	Creation Date	Base Value	2012 Value	Increment
<u>City of Racine</u>				
TID #2	1983	\$2,394,700	\$33,581,200	\$31,186,500
TID #5	1985	0	16,329,100	16,329,100
TID #6	1987	21,660,400	43,046,900	21,386,500
TID #7	1989	1,899,600	43,365,500	41,465,900
TID #8	1990	11,338,350	32,915,300	21,576,950
TID #9	2000	877,600	30,571,100	29,693,500
TID #10	2003	1,180,400	787,300	*
TID #11	2005	3,179,700	2,529,200	*
TID #12	2006	378,000	6,719,200	6,341,200
TID #13	2006	312,300	9,785,100	9,472,800
TID #14	2006	4,103,200	4,445,900	342,700
TID #15	2006	0	0	*
TID #16	2009	38,217,400	40,488,400	2,271,000
<u>Village of Sturtevant</u>				
TID #3	1994	9,157,700	172,822,500	163,664,800
<u>Village of Caledonia</u>				
TID #1	2007	14,038,300	12,651,600	*
TID #2	2007	337,500	300,400	*
TID #3	2011	28,644,200	27,939,500	*
<u>Village of Mount Pleasant</u>				
TID #1	2006	4,292,700	46,827,200	42,534,500
TID #2	2007	99,636,000	156,775,900	57,139,900
				\$443,405,350

\*Indicates zero or negative value.

Source: Wisconsin Department of Revenue.

## INDEBTEDNESS OF THE DISTRICT

### Direct Indebtedness

Set forth below is the direct indebtedness of the District including principal and interest payments due on existing debt, as well as debt service on the Bonds. Interest on the Bonds has been estimated using an average rate of 2.91 percent. The bond years on the Bonds are 130,584.44 years and the average life is 13.058 years.

Year	Outstanding Bonds and Notes		New Issue		Total Debt Service Requirements*
	Principal	Interest	Principal*	Interest*	
2012	\$2,910,166	\$1,179,738			\$4,089,904
2013	3,141,868	1,007,233		\$214,703	4,363,804
2014	3,343,586	886,102		288,408	4,518,096
2015	3,475,322	754,838		288,408	4,518,567
2016	3,783,075	606,801		288,408	4,678,283
2017	2,474,846	488,070		288,408	3,251,323
2018	2,560,634	407,269		288,408	3,256,311
2019	2,647,000	320,313		288,408	3,255,720
2020	680,000	263,738		288,408	1,232,145
2021	390,000	243,000		288,408	921,408
2022	405,000	227,100		288,408	920,508
2023	425,000	210,500	\$795,000	278,470	1,708,970
2024	440,000	192,650	1,740,000	244,608	2,617,258
2025	500,000	170,800	1,785,000	196,139	2,651,939
2026	500,000	145,800	1,840,000	145,835	2,631,635
2027	515,000	120,425	1,890,000	91,725	2,617,150
2028	540,000	94,050	1,950,000	31,688	2,615,738
2029	570,000	67,725	--	--	637,725
2030	600,000	41,400	--	--	641,400
2031	620,000	13,950	--	--	633,950
	<u>30,521,497</u>	<u>7,441,500</u>	<u>10,000,000</u>	<u>3,798,835</u>	<u>51,761,832</u>
Less 2012 Sinking Funds	<u>(2,910,166)</u>	<u>(1,179,738)</u>	<u>0</u>	<u>0</u>	<u>(4,089,904)</u>
<b>TOTAL</b>	<b><u>\$27,611,331</u></b>	<b><u>\$6,261,762</u></b>	<b><u>\$10,000,000</u></b>	<b><u>\$3,798,835</u></b>	<b><u>\$47,671,928</u></b>

\*Preliminary, subject to change.

### Other Financings

The District has borrowed annually for cash flow purposes as follows:

<u>Amount</u>	<u>Dated</u>	<u>Due</u>
\$19,500,000	October 9, 2012	January 28, 2013
15,500,000	October 27, 2011	February 3, 2012
19,000,000	July 28, 2011	June 28, 2012
10,000,000	December 3, 2010	Line of Credit
7,500,000	November 1, 2010	February 1, 2011
28,300,000	July 29, 2010	July 18, 2011
33,500,000	August 3, 2009	July 12, 2010

### Future Financing

The District intends to issue \$24,000,000 of the amount authorized by the Authorizing Resolution in Spring, 2013. The District intends to issue the remaining portion of the amount authorized by the Authorizing Resolution in 2014.

### **Default Record**

The District has never defaulted on any prior debt repayment obligations.

### **Overlapping and Underlying Indebtedness**

Set forth below is information relating to the outstanding overlapping and underlying indebtedness of the District.

<u>Entity</u>	<u>Amount of Debt (Net of 2012 Principal Payments)</u>	<u>Percent Chargeable to District</u>	<u>Outstanding Debt Chargeable to District</u>
Gateway Technical College District*	\$47,735,000	22.08%	\$10,539,888
Racine County	57,990,000	62.59	36,295,941
City of Racine*	98,510,000	100.00	98,510,000
Total Villages	72,174,021	100.00	72,185,933
	<u>\$276,409,021</u>		<u>\$217,531,762</u>

*\*Gateway Technical College District anticipates issuing \$1,500,000 General Obligation Promissory Notes in January, 2013. This amount is not included in the figure above. The City of Racine anticipates issuing \$10,760,000 General Obligation Refunding Bonds in December, 2012. This amount is not included in the figure above.*

*Source: Wisconsin Department of Revenue. Information provided by each municipal entity through publicly available disclosure documents available on EMMA.msrb.org and the Wisconsin Department of Public Instruction and direct inquiries.*

### **Statistical Summary**

The following table is a statistical summary of certain information relating to the District which reflects direct, overlapping and underlying bonded indebtedness net of all 2012 principal payments and refunded maturities.

2012 Equalized Valuation as certified by Wisconsin Department of Revenue	\$8,836,261,200
Direct Bonded Indebtedness Including the Bonds*	\$37,611,331
Direct, Overlapping and Underlying Bonded Indebtedness Including the Bonds*	\$255,143,093
Direct Bonded Indebtedness as a Percentage of Equalized Valuation*	0.43%
Direct, Overlapping and Underlying Bonded Indebtedness as a Percentage of Equalized Valuation*	2.89%
Population of the District (2010 Census**)	139,193
Direct Bonded Indebtedness Per Capita*	\$270.21
Direct, Overlapping and Underlying Bonded Indebtedness Per Capita*	\$1,833.02

*\*Preliminary, subject to change.*

*\*\*Source: U.S. Census Bureau.*

**Debt Limit**

As described under the caption "CONSTITUTIONAL AND STATUTORY CONSIDERATIONS AND LIMITATIONS CONCERNING THE DISTRICT'S POWER TO INCUR INDEBTEDNESS--Debt Limit," the total indebtedness of the District may not exceed ten percent of the equalized value of property in the District. The table below reflects direct bonded indebtedness net of all 2012 principal payments and refunded maturities and is a comparison of the outstanding indebtedness of the District as a percentage of the applicable debt limit.

Equalized Valuation (2012) as certified by Wisconsin Department of Revenue	\$8,836,261,200
Legal Debt Percentage Allowed	<u>10.00%</u>
Legal Debt Limit	\$883,626,120
Direct Bonded Indebtedness Including the Bonds*	<u>\$37,611,331</u>
Unused Margin of Indebtedness*	\$846,014,789
Percent of Legal Debt Incurred*	4.26%
Percentage of Legal Debt Available*	95.74%

*\*Preliminary, subject to change.*

**FINANCIAL INFORMATION**

The financial operations of the District are conducted primarily through a series of state mandated funds. All revenues except those attributable to the building funds and other funds authorized by State law are accounted for in the general fund, and any lawful expenditure of the District must be made from the appropriate fund and recorded therein.

As in other areas of the United States, the financing of public education in the State is subject to changing legislation, variations in public opinion, examination of financing methods through litigation and other matters. For these reasons the District cannot anticipate with certainty all of the factors which may influence the financing of its future activities.

**Budgeting Process**

The District is required by State law to annually formulate a budget and to hold an annual meeting thereon prior to the determination of the amounts to be financed in whole or in part by general property taxes, funds on hand or estimated revenues from other sources. Such budget must list existing indebtedness of the District and all anticipated revenue from all sources during the ensuing year and must also list all proposed appropriations for each department, activity and reserve account of the District during the ensuing year. The budget must show actual revenues and expenditures for the preceding year, actual revenues and expenditures for not less than the first six months of the current year and estimated revenues and expenditures for the balance of the current year.

As part of the budgeting process, budget requests are submitted during the last half of the fiscal year by the teachers and departmental administrators of each school to their respective principals, who thereafter review and revise such requests and submit them, with their recommendations, to the Superintendent of the District. After review and adjustment by the administrative staff of the District, the proposed budget is presented to the full Board, at which time the proposed budget is reviewed with the District's administrative staff. After further review and adjustment, the proposed budget is again submitted to the full Board each year. The proposed budget is formally adopted by the Board after the annual meeting is held.

**GENERAL FUND SUMMARY  
FOR YEARS ENDED JUNE 30**

	2012-13 BUDGET <sup>(1)</sup>	2011-12 ACTUAL <sup>(1)</sup>	2010-11 ACTUAL <sup>(1)</sup>	2009-10 ACTUAL	2008-09 ACTUAL
<b>Revenues</b>					
Local Sources	\$79,365,310	\$76,642,568	\$74,399,509	\$72,707,602	\$61,351,939
Other Local Sources	654,341	679,091	691,975	730,336	963,837
Interdistrict Sources	100,000	80,686	110,637	162,595	147,491
Intermediate Sources	1,600	4,996	1,600	3,845	4,933
State Sources	141,609,552	144,341,854	159,511,110	136,279,538	126,635,694
Federal Sources	23,902,891	18,601,270	24,286,321	18,266,693	29,746,803
Other Sources	1,155,852	1,365,791	2,426,877	1,301,817	610,259
<b>Total Revenues</b>	<b>246,789,546</b>	<b>241,716,256</b>	<b>261,428,029</b>	<b>229,452,426</b>	<b>219,460,956</b>
<b>Expenditures</b>					
Instruction	144,503,682	133,388,162	168,763,929	113,398,734	112,642,948
Support Service	92,194,967	80,878,377	91,017,156	76,168,429	67,702,614
Non-Program	8,747,240	7,117,600	6,909,126	5,791,911	4,814,891
Debt Service	1,343,657	7,444,672	2,446,665	1,581,593	918,147
<b>Total Expenditures</b>	<b>246,789,546</b>	<b>228,828,811</b>	<b>269,136,876</b>	<b>196,940,667</b>	<b>186,078,600</b>
Excess of revenues over (under) expenditures	0	12,887,445	(7,708,847)	32,511,759	33,382,356
<b>Other financing sources (uses)</b>					
Proceeds from capital leases	—	—	7,675,957	2,390,211	1,130,000
Operating transfers in	31,024	23,935	19,940	195,997	151,768
Operating transfers (out)	—	—	(263,542)	(30,665,338)*	(33,457,048)*
<b>Net other financing sources (uses)</b>	<b>31,024</b>	<b>23,935</b>	<b>7,432,355</b>	<b>(28,079,130)</b>	<b>(32,175,280)</b>
Revenues and other sources over (under) expenditures and other uses (Net Change in Fund Balance)	31,024	12,911,380	(276,492)	4,432,629	1,207,076
Fund balances - beginning of year	33,118,445	20,207,065	20,483,551	16,050,922	14,607,874
Fund balances - end of year	<b>\$33,149,469</b>	<b>\$33,118,445</b>	<b>\$20,207,059</b>	<b>\$20,483,551</b>	<b>\$15,814,950</b>

<sup>(1)</sup>The 2011 Actual, 2012 Actual and 2013 Budget figures reflect the District's adoption of Statement No. 54 of the Governmental Accounting Standards Board, which include what was previously separately identified as the special education fund within the general fund.

\*These "Operating Transfers Out" are the result of a requirement by the State of Wisconsin Department of Public Instruction to move the accounting for special education costs from the general fund to a special revenue fund and to show the net cost of special education as an operating transfer from the general fund to the special revenue fund, rather than as general fund expenditures.

The amounts shown for the year ended June 30, 2009 through June 30, 2012 are excerpts from the audit report that has been prepared by Schenck S.C., Certified Public Accountants, Green Bay, Wisconsin (the "Auditor"). The amounts shown for the year ended June 30, 2013 are shown on a budgetary basis, and such amounts have been provided by the District. The comparative statement of revenues, expenditures and changes in fund balances should be read in conjunction with the other financial statements and notes thereto appearing in Appendix A to this Official Statement.

## **Financial Statements**

A copy of the District's Basic Financial Statements and Related Notes for the fiscal year ended June 30, 2012, including the accompanying independent auditor's report, is included as Appendix A to this Official Statement. Potential purchasers should read such financial statements in their entirety for more complete information concerning the District's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The District has not requested the Auditor to perform any additional examination, assessment or evaluation with respect to such financial statements since the date thereof, nor has the District requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the District since the date of the financial statements, in connection with the issuance of the Bonds, the District represents that there has been no material adverse change in the financial position or results of operations of the District, nor has the District incurred any material liabilities, which would make such financial statements misleading.

## **UNDERWRITING**

The Bonds have been purchased at a public sale by a group of Underwriters for whom \_\_\_\_\_ is acting as Managing Underwriter. The Underwriter intends to offer the Bonds to the public initially at the prices which produce the yields set forth on the first page of this Official Statement plus accrued interest from January 3, 2013, which prices may subsequently change without any requirement of prior notice. The Underwriter reserves the right to join with dealers and other underwriters in offering the Bonds to the public. The Underwriter may offer and sell the Bonds to certain dealers (including dealers depositing the Bonds into investment trusts) at prices lower than the public offering prices. In connection with this offering, the Underwriter may over allocate or effect transactions which stabilize or maintain the market price of the Bonds at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

## **RATINGS**

This issue has been assigned a "Aa3" rating by Moody's Investors Service, Inc. Standard & Poor's, a division of the McGraw-Hill Companies, has rated certain outstanding long-term debt of the District "AA-". No application has been submitted to Standard & Poor's in connection with the Bonds. Such ratings reflect only the views of such organizations and explanations of the significance of such ratings may be obtained from the rating agencies furnishing the same. Generally, a rating agency bases its rating on the information and materials furnished to it and on investigations, studies and assumptions of its own. There is no assurance that such ratings will continue for any given period of time or that they will not be revised downward or withdrawn entirely by such rating agencies, if in the judgment of such rating agencies circumstances so warrant. Any such downward revision or withdrawal of such ratings may have an adverse effect on the market price of the Bonds.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Bonds, and the rating assigned by the rating agency should be evaluated independently. Except as may be required by the Undertaking described under the heading "Continuing Disclosure" neither the District nor the Underwriter undertakes responsibility to bring to the attention of the owners of the Bonds any proposed change in or withdrawal of such rating or to oppose any such revision or withdrawal.

## **REVENUE LIMITS ON WISCONSIN SCHOOL DISTRICTS**

The Wisconsin Statutes impose revenue limits on Wisconsin school districts, including the District. In general terms, for the 2012-13 school year, a school district may increase its revenue limit by \$50.00 per pupil. Similar limitations may be imposed for future school years. A school district, which wishes to exceed the revenue limit, must obtain approval at a referendum.

The revenue limit is increased by funds needed for payment of debt service on general obligation debt authorized before the effective date of the revenue limit statutes (August 12, 1993) (the "Effective Date") and debt service on obligations issued to refund such debt. Debt authorized after the Effective Date is exempt from the revenue limits if approved at a referendum, as is debt service on obligations issued to refund such debt.

The payment of debt service on the Bonds by the District is subject to the revenue limits.

## **TAX EXEMPTION**

Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, will deliver a legal opinion with respect to the federal income tax exemption applicable to the interest on the Bonds under existing law substantially in the following form:

"The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Bonds is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The District has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the District comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds."

The interest on the Bonds is not exempt from present Wisconsin income or franchise taxes.

Prospective purchasers of the Bonds should be aware that ownership of the Bonds may result in collateral federal income tax consequences to certain taxpayers. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the Bonds should consult their tax advisors as to collateral federal income tax consequences.

From time to time legislation is proposed, and there are or may be legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Bonds. It cannot be predicted whether, or in what form, any proposal that could alter one or more of the federal tax matters referred to above or adversely affect the market value of the Bonds may be enacted. Prospective purchasers of the Bonds should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

## **QUALIFIED TAX-EXEMPT OBLIGATIONS**

The Bonds are "qualified tax-exempt obligations" for purposes of Section 265 of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.



## CONTINUING DISCLOSURE

In order to assist the Underwriters in complying with Rule 15c2-12 promulgated by the Securities and Exchange Commission (the "SEC"), pursuant to the Securities Exchange Act of 1934 (the "Rule"), the District shall covenant pursuant to a Resolution adopted by the Governing Body to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the Bonds to provide certain financial information and operating data relating to the District annually to the Municipal Securities Rulemaking Board (the "MSRB"), and to provide notices of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to the MSRB. **The undertaking provides that the annual report will be filed not later than 270 days after the end of each fiscal year. The District's fiscal year ends June 30<sup>th</sup>.** The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the District at the time the Bonds are delivered. Such Certificate will be in substantially the form attached hereto as Appendix B. A failure by the District to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

The District is required to file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system. Investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

The District did not file its operating data information, which the District had agreed to file under previous continuing disclosure undertaking agreements as described in the Rule, for the fiscal year ended June 30, 2008 through 2011 within the time specified. As of the date of this Official Statement, the District has filed the operating data in the manner prescribed by the MSRB. The District has established procedures to ensure filing of audited financial information and operating data are made in a timely manner in the future.

## BOOK-ENTRY-ONLY SYSTEM

The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the Bonds. The Bonds will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Bond certificate will be issued for each maturity of the Bonds, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

DTC, the world's largest securities depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instruments (from over 100 countries) that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities, through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

Purchases of Bonds under the DTC system must be made by or through Direct Participants, which will receive a credit for the Bonds on DTC's records. The ownership interest of each actual purchaser of each Bond ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Bonds are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Bonds, except in the event that use of the book-entry system for the Bonds is discontinued.

To facilitate subsequent transfers, all Bonds deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co., or such other name as may be requested by an authorized representative of DTC. The deposit of Bonds with DTC and their registration in the name of Cede & Co. or such other DTC nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Bonds; DTC's records reflect only the identity of the Direct Participants to whose accounts such Bonds are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of the Bonds may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Bonds, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Bonds may wish to ascertain that the nominee holding the Bonds for their benefit has agreed to obtain and transmit notices to Beneficial Owners. In the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of notices be provided directly to them.

Redemption notices shall be sent to DTC. If less than all of the Bonds within an issue are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such issue to be redeemed.

Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to Bonds unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to the District as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Bonds are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Bonds will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts upon DTC's receipt of funds and corresponding detail information from District or Agent, on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with Bonds held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or the District, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of District or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

DTC may discontinue providing its services as depository with respect to the Bonds at any time by giving reasonable notice to the District or Agent. Under such circumstances, in the event that a successor depository is not obtained, Bond certificates are required to be printed and delivered.

The District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Bond certificates will be printed and delivered to DTC. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that the District believes to be reliable, but the District takes no responsibility for the accuracy thereof.

**LITIGATION**

There is no controversy or litigation of any nature now pending or, to the knowledge of the District, threatened, restraining or enjoining the issuance, sale, execution or delivery of the Bonds, or in any way contesting or affecting the validity of the Bonds or any proceedings of the District taken with respect to the issuance or sale thereof.

**LEGAL MATTERS**

Legal matters incident to the authorization and issuance of the Bonds are subject to the unqualified approving legal opinion of Quarles & Brady LLP, Bond Counsel. Such opinion will be issued on the basis of the law existing at the time of the issuance of the Bonds. A copy of such opinion will be available at the time of the delivery of the Bonds.

Quarles & Brady LLP has also been retained by the District to serve as Disclosure Counsel to the District. Although, as Disclosure Counsel to the District, Quarles & Brady LLP has assisted the District with certain disclosure matters, Quarles & Brady LLP has not undertaken to independently verify the accuracy, completeness or sufficiency of this Official Statement or other offering material relating to the Securities and assumes no responsibility whatsoever nor shall have any liability to any other party for the statements or information contained or incorporated by reference in this Official Statement.

**FINANCIAL ADVISOR**

Robert W. Baird & Co., Milwaukee, Wisconsin has acted as Financial Advisor to the District in connection with the issuance of the Bonds.

**MISCELLANEOUS**

Any statement made in this Official Statement involving matters of opinion or of estimates, whether or not so expressly stated, are set forth as such and not as representations of fact, and no representation is made that any of the estimates will be realized.

The execution and delivery of this Official Statement by its Clerk has been duly authorized by the District.

In accordance with the Rule, the Preliminary Official Statement is deemed final except for the omission of certain information described in the Rule.

**AUTHORIZATION**

This Official Statement has been approved for distribution to prospective purchasers and the Underwriter of the Bonds. The District, acting through its Clerk, will provide to the Underwriter of the Bonds at the time of delivery of the Bonds, a certificate confirming to the Underwriter that, to the best of its knowledge and belief, the Official Statement with respect to the Bonds, together with any supplements thereto, at the time of the adoption of the Award Resolution and at the time of delivery of the Bonds, was true and correct in all material respects and did not at any time contain an untrue statement of a material fact or omit to state a material fact required to be stated, where necessary to make the statements in light of the circumstances under which they were made, not misleading.

**RACINE UNIFIED SCHOOL DISTRICT**

By /s/ \_\_\_\_\_  
District Clerk

## **APPENDIX A**

### **BASIC FINANCIAL STATEMENTS**

### **AND RELATED NOTES**

**For year ended June 30, 2012**

### **RACINE UNIFIED SCHOOL DISTRICT**

### **RACINE COUNTY, WISCONSIN**

**Schenck, S.C.  
Certified Public Accountants  
Green Bay, Wisconsin**

*A copy of the District's Basic Financial Statements and Related Notes for the fiscal year ended June 30, 2012, including the accompanying independent auditor's report, is included as Appendix A to this Official Statement. Potential purchasers should read such financial statements in their entirety for more complete information concerning the District's financial position. Such financial statements have been audited by the Auditor, to the extent and for the periods indicated thereon. The District has not requested the Auditor to perform any additional examination, assessment or evaluation with respect to such financial statements since the date thereof, nor has the District requested that the Auditor consent to the use of such financial statements in this Official Statement. Although the inclusion of the financial statements in this Official Statement is not intended to demonstrate the fiscal condition of the District since the date of the financial statements, in connection with the issuance of the Bonds, the District represents that there has been no material adverse change in the financial position or results of operations of the District, nor has the District incurred any material liabilities, which would make such financial statements misleading.*

**RACINE UNIFIED SCHOOL DISTRICT**  
**RACINE, WISCONSIN**  
**ANNUAL FINANCIAL REPORT**  
**JUNE 30, 2012**

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 June 30, 2012  
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RACINE UNIFIED SCHOOL DISTRICT  
 Racine, Wisconsin  
 June 30, 2012

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**INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS  
 AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL  
 AWARDS AND SCHEDULE OF STATE FINANCIAL ASSISTANCE**

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Racine Unified School District ("the District") as of and for the year ended June 30, 2012, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the District's Board of Education and management. Our responsibility is to express an opinion on these financial statements based on our audit. The prior year summarized information has been derived from the District's 2011 financial statements and, in our report dated November 30, 2011 we expressed unqualified opinions on the respective financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information.

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 basic financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing 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 over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 2, 2012, on our consideration of the District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.



principles generally accepted in the United States of America require that the management's and analysis, the budgetary comparison information, the schedule of funding progress and the employer contributions on pages 3 through 9 and 44 through 48 be presented to supplement the financial statements. Such information, although not part of the financial statements, is required by the International Accounting Standards Board, who considers it to be an essential part of financial reporting for financial statements in an appropriate operational, economic, or historical context. We have applied auditing 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 preparation of the information and comparing the information for consistency with management's responses, the basic financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited nature of the procedures performed on the information does not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the basic financial statements. The financial information listed in the table of contents as supplemental information and the accompanying schedule of expenditures of federal awards and schedule of state financial statements as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, are presented for purposes of additional analysis and are not a required part of the financial statements. The supplemental information and schedules of expenditures of federal awards and state financial statements are the responsibility of management and were derived from and relate directly to the accounting and other records used to prepare the financial statements. The information has been audited in accordance with 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 financial statements or to the 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 financial statements as a whole.



Public Accountants  
Wisconsin  
2012

## MANAGEMENT'S DISCUSSION AND ANALYSIS



Unified School District  
100 Pleasant Street, Racine, WI 53404  
Human Resources and Budget Services

Management's Discussion and Analysis  
For the Year Ended June 30, 2012

**FINANCIAL HIGHLIGHTS**

The District's overall financial position, as reflected in total net assets, increased \$758,067 during the 2011-12 fiscal year. (See pages 11 -12)

The District continued to implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-retirement Benefits Other than Pensions during the 2012 year. The actuarially determined expense was \$2,690,204 greater than the District's post-retirement contributions for the year compared to \$1,175,838 for the prior year. (See page 40)

The District's governmental fund balance reported an increase of \$13,035,948 compared to a decrease of \$4,486,006 in the prior year. \$3,369,091 of the prior year decrease was in the Capital Projects Fund. (See pages 15 - 16)

The amount of tax and revenue anticipation notes (TRANS) reported at year end was zero, down from \$28,300,000 at year end the previous year. (See pages 13 and 34)

**OVERVIEW OF THE FINANCIAL STATEMENTS**

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

**Government-Wide Financial Statements**

The government-wide financial statements are the Statement of Net Assets 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 Assets presents information on all of the District's assets and liabilities, with the difference between the two reported as net assets.

The Statement of Activities presents information showing how the District's net assets changed during the year.

**Fund Financial Statements**

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

**Notes to the Financial Statements**

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



**FINANCIAL ANALYSIS**

**District as a Whole**

**Assets**

Table 1, below, provides a summary of the District's statement of net assets for the year ended June 30, 2012 with a comparison to the prior year.

	Governmental Activities		Business-type Activities		Totals School District		% Change 2011-12
	2012	2011	2012	2011	2012	2011	
Plant assets	\$ 62,358	\$ 85,994	\$ 1,768	\$ 1,127	\$ 64,126	\$ 87,121	-26.4%
Capital assets	62,534	79,253	304	340	62,838	79,593	-21.1%
Other Assets	124,892	165,247	2,072	1,467	126,964	166,714	-23.8%
<b>Liabilities</b>							
Long-term debt	46,800	50,764	-	-	46,800	50,764	-7.8%
Other liabilities	25,459	62,011	43	34	25,502	62,045	-58.9%
Other Liabilities	72,259	112,775	43	34	72,302	112,809	-56.0%
<b>Net Assets</b>	<b>\$ 52,633</b>	<b>\$ 52,472</b>	<b>\$ 2,029</b>	<b>\$ 1,433</b>	<b>\$ 54,662</b>	<b>\$ 53,805</b>	<b>1.4%</b>

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

**Change in Net Assets**

Table 2, below, shows the changes in net assets for the fiscal year ended June 30, 2012 with a comparison to the prior year.

	Governmental Activities		Business-type Activities		Totals School District		% Change 2011-12
	2012	2011	2012	2011	2012	2011	
<b>Revenues</b>							
Program Revenues							
Charges for services	\$ 1,117	\$ 945	\$ 1,844	\$ 2,028	\$ 2,961	\$ 2,873	3.1%
Operating grants and contributions	38,222	47,312	6,460	5,998	44,682	53,310	-16.2%
General Revenues							
Property taxes	81,491	78,079	-	-	81,491	78,079	4.4%
State Formula aid	125,362	137,211	-	-	125,362	137,211	-8.0%
Interest	30	25	-	-	30	25	20.0%
Other	1,471	1,739	-	51	1,471	1,790	-17.8%
<b>Total Revenue</b>	<b>247,693</b>	<b>266,211</b>	<b>8,304</b>	<b>8,077</b>	<b>255,997</b>	<b>273,288</b>	<b>-6.3%</b>
<b>Expenses</b>							
Instruction	136,310	168,435	-	-	136,310	168,435	-19.1%
Pupil and instructional services	28,070	32,505	-	-	28,070	32,505	-13.6%
Administration and business	45,011	48,291	7,707	7,780	52,718	56,071	-6.0%
Central services and							
Insurance	6,747	10,605	-	-	6,747	10,605	-36.4%
Interest on debt	3,611	1,335	-	-	3,611	1,335	170.5%
Non-program	7,445	6,909	-	-	7,445	6,909	7.8%
Miscellaneous	20,338	771	-	-	20,338	771	2537.9%
<b>Total Expenses</b>	<b>247,532</b>	<b>268,851</b>	<b>7,707</b>	<b>7,780</b>	<b>255,239</b>	<b>276,631</b>	<b>-8.4%</b>
<b>Increase (Decrease) in Net Assets</b>	<b>\$ 161</b>	<b>\$ (3,640)</b>	<b>\$ 597</b>	<b>\$ 297</b>	<b>\$ 758</b>	<b>\$ (3,343)</b>	

General revenues (all revenue except operating grants and contributions and charges for services) provide about 84% of the funding for governmental activities and 0% of the funding for business-type activities. Racine Unified School district relies on property taxes for 33% of its governmental activities.

**ital Activities**

**Governmental Activities**

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

**Table 3  
Total and Net Cost of Governmental Activities  
(in thousands of dollars)**

	Total Cost of Services		Net Cost of Services		% Change 2011-12
	2012	2011	2012	2011	
	\$ 136,310	\$ 168,435	\$ 107,270	\$ 132,156	
Additional services and business	29,070	32,505	19,094	21,660	13.8%
Depreciation and insurance	45,011	48,291	44,077	47,371	7.5%
Interest	5,747	10,605	6,722	10,597	57.6%
Utilities	3,611	1,335	3,433	1,335	-81.1%
Wages	7,445	6,909	7,445	6,909	-7.2%
	20,338	771	20,152	666	-96.7%
<b>Total</b>	<b>\$ 247,532</b>	<b>\$ 268,851</b>	<b>\$ 208,193</b>	<b>\$ 220,604</b>	<b>6.0%</b>

**Business-Type Activities**

The district's business-type activities (food service program) was comprised of charges and federal and state reimbursements (see Table 2).

Food and state reimbursement for meals, including payments for free and reduced lunches, was \$1.5 million while charges for services were \$1.8 million. Overall revenues increased by \$0.3 million.

Expenses decreased by \$71 thousand to \$7.7 million.

The food service operation reported a gain of \$597 thousand compared to a gain of \$247 thousand for the prior year.

**Governmental Funds**

The District completed the year with a total governmental fund balance of \$36.8 million, an increase of \$13.0 million from the prior year.

- Total general fund revenue for the year was \$4.1 million less than budget due primarily to lower reimbursements for expenditures from the federal government.
- Total general fund program expenditures, including non-program transactions, was less than the budget by \$5.4 million.
- The debt service funds fund balance had a net increase of \$6 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 20<sup>th</sup> of the subsequent year. The typical debt service schedule for the District requires interest payments prior to January 20<sup>th</sup> with an additional interest payment and principal payment occurring in March of each year.
- For fiscal year 2011-2012, the capital projects funds fund balance decreased by \$831 thousand as ASC and building repair debt revenues from 2011 were expended.

**CAPITAL ASSET AND DEBT ADMINISTRATION**

**Capital Assets**

At the end of the 2012 fiscal year, the District had net capital assets of \$62.8 million in a broad range of capital assets, including buildings, sites, furniture, and equipment (see Table 4). 2011-12 activity primarily consisted of two building sales. Additional information about capital assets can be found in the notes to the financial statements.

**Table 4  
Net Capital Assets  
(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Totals School District		% Change 2011-12
	2012	2011	2012	2011	2012	2011	
	Land	\$ 2,475	\$ 2,565	\$ -	\$ -	\$ 2,475	
Work in progress	287	12,605	-	-	287	12,605	-97.7%
Site improvements	2,387	619	-	-	2,387	619	285.6%
Buildings	47,555	55,783	-	-	47,555	55,783	-14.8%
Machinery and equipment	9,830	7,881	304	340	10,134	8,021	26.3%
<b>Total</b>	<b>\$ 62,534</b>	<b>\$ 79,253</b>	<b>\$ 304</b>	<b>\$ 340</b>	<b>\$ 62,838</b>	<b>\$ 79,593</b>	<b>-21.1%</b>

**Debt and Other Obligations**

the district had \$27.6 million in general obligation debt outstanding, a decrease of 6.7% r. Additional information about the district's long-term liabilities is presented in the notes al statements.

**Table 5  
Outstanding Long-term Obligations  
(in thousands of dollars)**

	Governmental Activities		Business-type Activities		Totals School District		% Change 2011-12
	2012	2011	2012	2011	2012	2011	
tion debt	\$ 27,611	\$ 29,596	\$ -	\$ -	\$ 27,611	\$ 29,596	-6.7%
ebt	240	81	-	-	240	81	196.3%
ca	1,559	6,696	-	-	1,559	6,696	-76.7%
ployment	(650)	(814)	-	-	(650)	(814)	-20.1%
its	16,581	13,891	-	-	16,581	13,891	19.4%
	189	-	-	-	189	-	0.0%
	1,270	1,314	-	-	1,270	1,314	-3.3%
	\$ 46,800	\$ 50,764	\$ -	\$ -	\$ 46,800	\$ 50,764	-7.8%

**CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT**

report is designed to provide our citizens, taxpayers, customers, investors and creditors d overview of the district's finances and to demonstrate the district's accountability for the ives. If you have questions about this report or need additional financial information, l Hazen, Chief Financial Officer, Racine Unified School District, 3109 Mount Pleasant St., 3404.

**BASIC FINANCIAL STATEMENTS**

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Statement of Net Assets  
 June 30, 2012  
 (With summarized information as of June 30, 2011)

	Governmental Activities	Business-type Activities	Totals	
			2012	2011
Investments	\$ 27,632,937	\$ -	\$ 27,632,937	\$ 44,724,600
Accounts receivable	19,018,070	-	19,018,070	18,323,934
Prepaid expenses	3,913,223	5,146	3,918,369	6,247,808
Due from governments	(1,584,609)	1,584,609	-	-
Due for prepaid claims	11,013,372	178,776	11,192,148	12,767,874
Due from issuance costs	2,042,291	-	2,042,291	4,818,273
Due from	322,460	-	322,460	438,887
Due in progress	286,766	-	286,766	12,605,315
Due from investments	2,474,986	-	2,474,986	2,564,882
Due from investments	6,060,174	-	6,060,174	4,192,252
Due from equipment	98,501,082	-	98,501,082	119,221,404
Due from related depreciation	23,038,641	1,305,749	24,344,390	21,456,220
Due from	(67,827,926)	(1,001,651)	(68,829,577)	(79,447,642)
<b>TOTALS</b>	<b>124,891,467</b>	<b>2,072,629</b>	<b>126,964,096</b>	<b>166,713,607</b>
Accounts payable	-	-	-	28,300,000
Accounts payable	4,592,826	346	4,593,172	7,460,840
Accounts payable	19,482,156	-	19,482,156	24,653,665
Accounts payable	263,437	-	263,437	389,435
Accounts payable	1,120,454	42,281	1,162,735	1,240,553
Accounts payable	5,061,815	-	5,061,815	12,288,047
Accounts payable	41,737,906	-	41,737,906	39,476,259
<b>TOTALS</b>	<b>72,258,594</b>	<b>42,627</b>	<b>72,301,221</b>	<b>112,808,799</b>
Capital assets, net of related debt	42,398,814	304,088	42,702,912	66,546,309
Grants and donations	124,313	-	124,313	114,145
Expenditures	32,605	-	32,605	32,945
Due from service programs	385,900	-	385,900	134,315
Due from	1,094,182	-	1,094,182	154,503
Due from	-	1,725,904	1,725,904	1,093,479
Deficit	8,587,059	-	8,587,059	(14,170,888)
<b>NET ASSETS</b>	<b>\$ 52,632,873</b>	<b>\$ 2,030,002</b>	<b>\$ 54,662,875</b>	<b>\$ 53,904,808</b>

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Statement of Activities  
 For the Year Ended June 30, 2012  
 (With summarized financial information for the year ended June 30, 2011)

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities</b>			
Instruction	\$ 136,310,443	\$ 679,492	\$ 28,360,780
Support Services			
Support services	100,111,194	103,149	9,860,745
Interest and fiscal charges	3,611,310	178,377	-
Community services	54,034	156,372	-
Non-program transactions	7,444,672	-	-
<b>Total Governmental Activities</b>	<b>247,531,653</b>	<b>1,117,390</b>	<b>38,221,525</b>
<b>Business-type Activities</b>			
School food service program	7,707,375	1,844,311	6,460,083
<b>Total School District</b>	<b>\$ 255,239,028</b>	<b>\$ 2,961,701</b>	<b>\$ 44,681,608</b>
<b>General revenues</b>			
Property taxes, levied for general purposes			
Property taxes, levied for debt service			
Other taxes			
State and federal aids not restricted to specific functions			
Interest and investment earnings			
Miscellaneous			
<b>Total General Revenues</b>			
<b>Change in net assets</b>			
<b>Net assets - July 1</b>			
<b>Net assets - June 30</b>			

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Balance Sheet  
 Governmental Funds  
 June 30, 2012  
 (With summarized information as of June 30, 2011)

Net (Expense) Revenue and Changes in Net Assets			
Business-type Activities	Totals		
	2012	2011	
\$ -	\$ (107,270,171)	\$ (132,155,380)	
-	(90,147,300)	(80,218,121)	
-	(3,432,933)	(1,335,475)	
-	102,338	(75,872)	
-	(7,444,672)	(6,909,126)	
-	(208,192,738)	(220,683,974)	
597,019	597,019	246,076	
597,019	(207,595,719)	(220,447,898)	
-	77,492,566	74,399,609	
-	3,998,575	3,679,016	
-	79,637	31,813	
-	125,362,139	137,210,638	
-	30,124	25,955	
-	1,390,743	1,758,636	
-	208,353,766	217,105,567	
597,019	758,067	(3,342,331)	
1,432,963	53,904,808	57,247,139	
\$ 2,030,002	\$ 54,662,875	\$ 53,904,808	

	General	Other Governmental Funds	Total Governmental Funds	
			2012	2011
<b>ASSETS</b>				
Cash and investments	\$ 27,632,937	\$ -	\$ 27,632,937	\$ 44,724,600
Receivables				
Taxes	19,018,070	-	19,018,070	18,323,934
Accounts	3,843,061	70,162	3,913,223	6,241,581
Due from other funds	272,535	3,603,642	3,876,177	4,485,199
Due from other governments	10,708,232	305,140	11,013,372	12,541,896
Inventories	1,591,068	-	1,591,068	1,428,676
Prepaid items	436,223	15,000	451,223	3,189,597
<b>TOTAL ASSETS</b>	<b>\$ 63,502,126</b>	<b>\$ 3,993,944</b>	<b>\$ 67,496,070</b>	<b>\$ 90,935,483</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Short-term notes payable	\$ -	\$ -	\$ -	\$ 28,300,000
Accounts payable	4,592,826	-	4,592,826	7,460,507
Accrued salaries and related items	19,482,158	-	19,482,158	24,653,652
Accrued interest payable	-	-	-	130,052
Due to other funds	5,188,251	272,535	5,460,786	5,380,368
Deferred revenues	1,120,454	-	1,120,454	1,207,004
<b>Total Liabilities</b>	<b>30,383,687</b>	<b>272,535</b>	<b>30,656,222</b>	<b>67,131,583</b>
<b>Fund Balances</b>				
<b>Nonspendable</b>				
Inventories	1,591,068	-	1,591,068	1,428,676
Prepaid items	436,223	15,000	451,223	3,189,597
<b>Restricted</b>				
Private gifts and donations	-	124,313	124,313	114,145
Grant expenditures	-	32,605	32,605	32,945
Construction of capital assets	-	1,795,972	1,795,972	2,004,222
Debt service funds	-	659,337	659,337	653,081
Community service programs	-	1,094,182	1,094,182	154,503
<b>Assigned</b>				
Referendum generated fund balance	10,000,000	-	10,000,000	-
Health care cost stabilization	8,000,000	-	8,000,000	-
Construction of capital assets	600,000	-	600,000	-
<b>Unassigned, reported in</b>				
General fund	12,491,148	-	12,491,148	16,226,731
<b>Total Fund Balances</b>	<b>33,118,439</b>	<b>3,721,409</b>	<b>36,839,848</b>	<b>23,803,900</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 63,502,126</b>	<b>\$ 3,993,944</b>	<b>\$ 67,496,070</b>	<b>\$ 90,935,483</b>

(Continued)

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Balance Sheet (Continued)  
 Governmental Funds  
 June 30, 2012  
 (With summarized information as of June 30, 2011)

	Total Governmental Funds	
	2012	2011
Reconciliation to the Statement of Net Assets		
Total Fund Balances from previous page	\$ 36,839,848	\$ 23,803,900
Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	62,533,723	79,252,727
Some liabilities including bonds and notes payable, are not due and payable in the reporting period and therefore are not reported in the funds.		
Bonds payable	(27,811,331)	(29,596,497)
Prepaid long-term debt	(240,073)	(80,561)
Capital assets payable	(1,559,270)	(6,696,071)
Other employment benefits	(16,580,817)	(13,890,613)
Pension benefits	(188,257)	-
Compensated absences	(1,269,855)	(1,314,243)
Accrued interest payable	(263,437)	(259,383)
Loss on advance refunding	649,882	813,679
Debt issuance costs	322,460	438,887
Net Assets of Governmental Activities as Reported on the Statement of Net Assets (see page 10)	<u>\$ 52,632,873</u>	<u>\$ 52,471,825</u>

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Statement of Revenues, Expenditures and Changes in Fund Balances  
 Governmental Funds  
 For the Year Ended June 30, 2012  
 (With summarized financial information for the year ended June 30, 2011)

	General	Other Governmental Funds	Total Governmental Funds	
			2012	2011
<b>Revenues</b>				
Property taxes	\$ 76,642,668	\$ 4,648,575	\$ 81,491,143	\$ 78,078,525
Other local sources	579,091	328,205	1,007,296	964,619
Interdistrict sources	80,696	-	80,696	110,837
Intermediate sources	4,998	-	4,998	1,600
State sources	144,341,854	-	144,341,854	159,511,110
Federal sources	18,001,270	640,540	19,241,810	24,860,487
Other sources	1,365,791	-	1,365,791	2,558,109
Total Revenues	<u>241,716,256</u>	<u>5,817,320</u>	<u>247,533,576</u>	<u>266,085,087</u>
<b>Expenditures</b>				
Instruction				
Regular instruction	86,160,232	387,923	86,548,155	114,104,561
Vocational instruction	4,330,759	-	4,330,759	5,136,344
Special education instruction	36,482,621	-	36,482,621	43,036,503
Other instruction	6,414,550	89,694	6,504,244	7,018,915
Total Instruction	<u>133,388,162</u>	<u>477,617</u>	<u>133,865,779</u>	<u>169,296,323</u>
Support Services				
Pupil services	13,284,393	1,006	13,285,399	15,817,683
Instructional staff services	11,530,881	186,450	11,517,331	13,646,529
General administration services	2,174,104	55,973	2,230,077	2,385,066
School administration services	10,343,165	320	10,343,485	12,238,599
Business services	2,454,448	-	2,454,448	2,906,288
Operation and maintenance of plant	24,741,593	2,774,860	27,516,453	36,071,217
Pupil transportation services	8,538,016	8,655	8,546,671	8,277,851
Central services	5,893,991	6,723	5,900,714	8,314,437
Insurance	1,379,672	-	1,379,672	931,084
Other support services	738,116	1,157	739,273	595,092
Total Support Services	<u>80,878,377</u>	<u>3,035,234</u>	<u>83,913,611</u>	<u>101,183,876</u>
Debt Service				
Principal	3,367,959	8,860,166	12,228,125	5,860,987
Interest and fiscal charges	626,936	1,191,608	2,018,544	1,215,802
Payment to lease defeasance escrow agent	2,922,705	-	2,922,705	-
Total Debt Service	<u>7,117,600</u>	<u>10,051,774</u>	<u>17,169,374</u>	<u>7,076,789</u>
Community Services	-	57,589	57,589	178,351
Non-program				
General tuition payments	7,154,552	-	7,154,552	5,912,904
Special education tuition payments	235,464	-	235,464	406,351
Adjustments and refunds	54,656	-	54,656	589,871
Total Non-program	<u>7,444,672</u>	<u>-</u>	<u>7,444,672</u>	<u>6,909,126</u>
Total Expenditures	<u>228,826,811</u>	<u>13,622,194</u>	<u>242,451,005</u>	<u>284,644,465</u>
Excess of Revenues Over (Under) Expenditures	<u>12,887,445</u>	<u>(7,804,874)</u>	<u>5,082,571</u>	<u>(18,559,378)</u>
Other Financing Sources (Uses)				
Long-term debt issued	-	6,875,000	6,875,000	5,950,000
Capital leases	-	-	-	7,875,957
Premium on long term debt issued	-	178,377	178,377	-
Sale of capital assets	-	900,000	900,000	447,415
Transfers in	23,935	-	23,935	283,482
Transfers out	-	(23,935)	(23,935)	(283,482)
Total Other Financing Sources (Uses)	<u>23,935</u>	<u>7,929,442</u>	<u>7,953,377</u>	<u>14,073,372</u>
Net Change in Fund Balances	<u>12,911,380</u>	<u>124,568</u>	<u>13,035,948</u>	<u>(4,486,006)</u>
Fund Balances - July 1	<u>20,207,059</u>	<u>3,996,841</u>	<u>23,803,900</u>	<u>28,289,906</u>
Fund Balances - June 30	<u>\$ 33,118,439</u>	<u>\$ 3,721,409</u>	<u>\$ 36,839,848</u>	<u>\$ 23,803,900</u>

(Continued)

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)  
 Governmental Funds  
 For the Year Ended June 30, 2012  
 (With summarized financial information for the year ended June 30, 2011)

Total Governmental Funds	
2012	2011

**Reconciliation to the Statement of Activities**

Net Change in Fund Balances from previous page	\$	13,035,948	\$	(4,486,006)
Amounts reported for governmental activities in the statement of activities are different because:				
Governmental funds report capital outlays as expenditures. However in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense.				
Capital outlay reported in governmental fund statements	\$	7,767,321		
Depreciation expense reported in the statement of activities		(3,307,592)		
Amount in which depreciation is (greater) less than capital outlays		4,460,729	10,161,234	
In governmental funds the entire proceeds, if any, from the disposal of capital assets is reported as an other financing source. In the statement of activities only the loss on the disposal is reported.		(21,163,733)	(1,335,555)	
Certain employee benefits are reported in the governmental funds when amounts are paid. The statement of activities reports the value of benefits earned during the year. The accrual of these benefits (increased) decreased by:		44,388	(54,060)	
The District's contributions to its employee benefit trust fund to finance its post-retirement benefits have been less than the annual required contribution (ARC). The payments to the employee benefit trust fund are recorded as an expenditure when paid in the governmental statements. The statement of activities reports the ARC as the expense. The difference is:		(2,690,204)	(1,175,838)	
The District maintains a pension plan for employees and funds it on a pay-as-you-go basis. The payments made for benefits throughout the year are recorded as an expenditure when paid in the governmental statements. The statement of activities reports the annual required contribution as the expense. The difference is:		(188,257)		
The District issued debt during the year. The amount of the debt is reported in the governmental funds as a source of financing. In the statement of net asset, however, debt constitutes a long-term liability. The amount of debt issued is:		(6,875,000)	(5,950,000)	
General obligation debt issued by District			(6,540,622)	
Capital leases issued by the District				
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities. The amount of long-term debt principal payments:		8,860,166	3,530,361	
General obligation debt retired by District		5,136,801	2,230,626	
Capital leases retired by the District				
Interest payments on outstanding debt are reported in the governmental funds as an expenditure when paid. In the statement of activities interest is reported as it accrues.		(4,054)	(17,033)	
Governmental funds report debt premiums, discounts and issuance costs as other financing sources (uses) or expenditures. However, in the statement of the net assets, they are deferred and reported as other assets or deductions from long-term debt and allocated over the life of the debt on the statement of activities and included in interest expense.				
Premium on long-term debt		(159,512)	15,107	
Loss on advance refunding		(163,797)	(163,797)	
Debt issuance costs		(116,427)	46,050	
Change in Net Assets of Governmental Activities as Reported on the Statement of Activities (see pages 11 - 12)	\$	161,048	\$	(3,639,523)

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Statement of Net Assets -  
 Food Service Proprietary Fund  
 June 30, 2012  
 (With comparative totals as of June 30, 2011)

**ASSETS**

	2012	2011
Receivables		
Accounts	\$ 5,146	\$ 6,227
Due from other funds	1,584,809	895,169
Due from other governments	178,776	225,978
Capital assets		
Machinery and equipment	1,305,749	1,300,415
Less: Accumulated depreciation	(1,001,651)	(960,911)

**TOTAL ASSETS**

2,072,629      1,466,878

**LIABILITIES**

Accounts payable	346	333
Accrued payroll liabilities	-	13
Unearned revenues	42,281	33,549

**TOTAL LIABILITIES**

42,627      33,895

**NET ASSETS**

Invested in capital assets, net of related debt	304,098	339,504
Unrestricted	1,725,904	1,093,479

**TOTAL NET ASSETS**

\$ 2,030,002      \$ 1,432,883

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Statement of Revenues, Expenses and Changes in Net Assets -  
 Food Service Proprietary Fund  
 For the Year Ended June 30, 2012  
 (With comparative totals for the year ended June 30, 2011)

	2012	2011
Revenues	\$ 1,820,554	\$ 2,002,810
Sales	142,328	125,032
Licenses	6,317,755	5,873,164
Miscellaneous	23,757	24,006
Total Revenues	<u>8,304,394</u>	<u>8,025,912</u>
Expenses		
Salaries and wages	364,489	531,650
Social Security and benefits	151,565	326,083
Utilities	6,132,406	6,266,690
Supplies and materials	995,423	582,885
Depreciation	63,492	71,049
Total Expenses	<u>7,707,375</u>	<u>7,778,357</u>
Change in net assets	<u>597,019</u>	<u>247,555</u>
Expense recognition	-	(1,479)
Transfers	597,019	246,076
	-	51,116
Assets	597,019	297,192
July 1	<u>1,432,983</u>	<u>1,135,791</u>
June 30	<u>\$ 2,030,002</u>	<u>\$ 1,432,983</u>

These basic financial statements are an integral part of this statement.

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Statement of Cash Flows  
 Food Service Proprietary Fund  
 For the Year Ended June 30, 2012  
 (With comparative totals for the year ended June 30, 2011)

	2012	2011
Cash Flows from Operating Activities		
Cash received from user charges	\$ 1,854,124	\$ 2,025,581
Cash received from other government payments	6,038,228	5,543,457
Cash payments to employees	(516,067)	(857,720)
Cash payments to suppliers	(6,655,759)	(6,447,907)
Net Cash Provided for Operating Activities	<u>717,526</u>	<u>263,411</u>
Cash Flows from Noncapital Financing Activities		
Change in temporary cash advance	<u>(689,440)</u>	<u>(240,933)</u>
Cash Flows from Capital and Related Financing Activities		
Acquisition of capital assets	(28,086)	(20,999)
Interest payments on long-term debt	-	(1,479)
Net Cash Used by Capital and Related Financing Activities	<u>(28,086)</u>	<u>(22,478)</u>
Change in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents - July 1	-	-
Cash and Cash Equivalents - June 30	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided for Operating Activities:		
Operating Income	\$ 597,019	\$ 247,555
Adjustments to reconcile change in operating income to net cash provided for operating activities:		
Depreciation	63,492	71,049
Changes in assets and liabilities:		
Accounts receivable	1,081	-
Due from other governments	47,202	(53,064)
Accounts payable	-13	(7)
Accrued payroll liabilities	(13)	13
Unearned revenue	8,732	(2,135)
Net Cash Provided for Operating Activities	<u>\$ 717,526</u>	<u>\$ 263,411</u>
Noncash Activities:		
Commodities Received From U.S. Department of Agriculture	<u>\$ 469,057</u>	<u>\$ 401,675</u>

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



**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Statement of Net Assets  
 Fiduciary Funds  
 June 30, 2012  
 (With summarized information as of June 30, 2011)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Agency Fund Pupil Activity	Total Fiduciary Funds	
				2012	2011
				Investments available	\$ 42,435
Other	155,655	-	-	155,655	2,494,045
<b>Total</b>	<b>\$ 198,090</b>	<b>\$ 8,561,849</b>	<b>\$ 1,100,728</b>	<b>\$ 9,860,667</b>	<b>\$ 8,509,822</b>
Liabilities	\$ 176,592	\$ 2,187,386	\$ -	\$ 2,363,978	\$ 4,216,011
Other organizations	-	-	1,100,728	1,100,728	1,033,126
<b>Total Liabilities</b>	<b>176,592</b>	<b>2,187,386</b>	<b>1,100,728</b>	<b>3,464,706</b>	<b>5,249,137</b>
Assets	21,498	-	-	21,498	17,088
Benefits	-	6,374,463	-	6,374,463	3,243,597
<b>Total Assets</b>	<b>21,498</b>	<b>6,374,463</b>	<b>-</b>	<b>6,395,961</b>	<b>3,260,685</b>
<b>Total Net Assets</b>	<b>\$ 198,090</b>	<b>\$ 8,561,849</b>	<b>\$ 1,100,728</b>	<b>\$ 9,860,667</b>	<b>\$ 8,509,822</b>

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Statement of Changes in Net Assets  
 Fiduciary Funds  
 For the Year Ended June 30, 2012  
 (With summarized financial information for the year ended June 30, 2011)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Total Fiduciary Funds	
			2012	2011
<b>ADDITIONS</b>				
Other local sources	\$ 174,404	\$ -	\$ 174,404	\$ -
Contributions				
Employer	-	7,981,678	7,981,678	9,345,879
Plan members	-	272,552	272,552	237,650
Investment earnings	-	12,120	12,120	10,566
<b>Total Additions</b>	<b>174,404</b>	<b>8,266,350</b>	<b>8,440,754</b>	<b>9,594,095</b>
<b>DEDUCTIONS</b>				
Trust fund disbursements	169,994	5,135,484	5,305,478	9,164,732
Adjustments and refunds	-	-	-	235,971
<b>Total Deductions</b>	<b>169,994</b>	<b>5,135,484</b>	<b>5,305,478</b>	<b>9,400,703</b>
Change in Net Assets	4,410	3,130,866	3,135,276	193,392
Net Assets - July 1	17,088	3,243,597	3,260,685	3,067,293
<b>Net Assets - June 30</b>	<b>\$ 21,498</b>	<b>\$ 6,374,463</b>	<b>\$ 6,395,961</b>	<b>\$ 3,260,685</b>

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

1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

Reporting Entity

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

In accordance with GAAP, the basic financial statements are required to include the District (the primary government) and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement Nos. 14 and 39.

District-Wide and Fund Financial Statements

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

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

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

The District reports the following major governmental funds:

GENERAL FUND

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Additionally, the District reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

Assets, Liabilities and Net Assets or Equity

Cash and Investments

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

Accounts Receivable

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

Property Taxes

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

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

Interfund Receivables and Payables

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

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

Inventories

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

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

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

f. Prepaid Items

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

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

g. Capital Assets

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

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

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

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

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

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

h. Compensated Absences

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

i. Deferred Revenues

The District reports deferred revenues on its balance sheet. Deferred revenues arise when potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received by the District before it has a legal claim to them as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the District has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and the revenue is recognized.

j. Long-term Obligations

In the district-wide financial statements, and proprietary fund statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. For the district-wide statements and the proprietary fund statements, bond issuance costs are reported as deferred charges while bond discounts and premiums and gains and losses are included with long-term obligations. Issuance costs, bond premiums and discounts are amortized over the life of the issue using the straight-line method. Gains or losses on advanced refundings are amortized over the remaining life of the old debt or life of the new debt, whichever is shorter.

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

k. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (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 AND PROPRIETARY FUND STATEMENTS

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

- Invested in capital assets, net of related debt - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets - Amount of net assets that are 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 assets - Net assets that are neither classified as restricted nor as invested in capital assets, net of related debt.

The Board of Education current policy under Coherent Governance is that the general fund balance will increase by \$1 million per year which it did for the year ended June 30, 2012. The current general fund balance represents 13.8% of the 2012-13 budgeted expenditures.

5. Use of Estimates

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

6. Summarized Information

The basic financial statements include certain prior-year summarized information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2011, from which the summarized information was derived.

RACINE UNIFIED SCHOOL DISTRICT  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2012

I - STEWARDSHIP AND COMPLIANCE

Budgetary Accounting

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

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

Based upon requests from District staff, District administration recommends budget proposals to the Board of Education.

The Board of Education prepares a proposed budget including proposed expenditures and the means of financing them for the July 1 through June 30 fiscal year.

A public notice is published containing a summary of the budget and identifying the time and place where a public hearing will be held on the proposed budget.

Pursuant to the public budget hearing, the Board of Education may make alterations to the proposed budget.

Once the Board of Education (following the public hearing) adopts the budget, no changes may be made in the amount of tax to be levied or in the amount of the various appropriations and the purposes of such appropriations unless authorized by a 2/3 vote of the entire Board of Education.

Appropriations lapse at year end unless authorized as a carryover by the Board of Education. The portion of fund balance representing carryover appropriations is reported as a committed or assigned fund balance in the fund financial statements.

Encumbrance accounting is used by the District as an extension of formal budgetary control during the year.

The DPI requires the District to separate special education revenues and expenditures from other general fund amounts.

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2012. In addition, no District funds had deficit fund equity as of June 30, 2012.

RACINE UNIFIED SCHOOL DISTRICT  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2012

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

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

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

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

The carrying amount of the District's cash and investments totaled \$37,337,949 on June 30, 2012 as summarized below:

Petty cash funds	\$ 1,194
Deposits with financial institutions	29,121,199
Deposits with trustee	863,349
Investments	
Wisconsin Investment Series Cooperative (WISC)	
Investment series	7,320,328
Wisconsin local government investment pool	31,879
	<u>\$ 37,337,949</u>

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$ 27,632,937
Fiduciary funds	
Private purpose trust fund	42,435
Employee benefit trust fund	8,561,849
Agency fund	1,100,728
	<u>\$ 37,337,949</u>

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

RACINE UNIFIED SCHOOL DISTRICT  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2012

D - DETAILED NOTES ON ALL FUNDS (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 risk policy.

Deposits with financial institutions within the State of Wisconsin are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 for time and savings deposits and \$250,000 for 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 per official custodian per depository institution. In addition, the District's non-interest bearing transaction accounts are fully insured through December 31, 2012. Also, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

On June 30, 2012, none of the District's deposits with financial institutions were in excess of federal depository insurance limits.

Credit Risk

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

Investment Type	Amount	Exempt From Disclosure	Rating as of Year End		
			AAA	Aa	Not Rated
Wisconsin local government investment pool	\$ 31,879	\$ -	\$ -	\$ -	\$ 31,879
Wisconsin Investment Series Cooperative (WISC) Term series	7,320,328	-	7,320,328	-	-
<b>Totals</b>	<b>\$ 7,352,207</b>	<b>\$ -</b>	<b>\$ 7,320,328</b>	<b>\$ -</b>	<b>\$ 31,879</b>

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NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Interest Rate Risk

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

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

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
Wisconsin local government investment pool	\$ 31,879	\$ 31,879	\$ -	\$ -	\$ -
Wisconsin Investment Series Cooperative (WISC) Term series	7,320,328	7,320,328	-	-	-
<b>Totals</b>	<b>\$ 7,352,207</b>	<b>\$ 7,352,207</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

Investment in Wisconsin Local Government Investment Pool

The District has investments in the Wisconsin local government investment pool of \$31,879 at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At June 30, 2012, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

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

Capital Assets

Capital asset activity for the year ended June 30, 2012 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Sites	\$ 2,564,682	\$ -	\$ 89,696	\$ 2,474,986
Work in progress	12,605,315	-	12,318,549	286,766
Total capital assets, not being depreciated	15,169,997	-	12,408,245	2,761,752
Capital assets, being depreciated:				
Site improvements	4,192,252	1,872,322	4,400	6,060,174
Buildings	118,221,404	14,970,516	34,890,838	98,501,082
Machinery and equipment	20,155,805	3,243,032	360,196	23,038,641
Total capital assets being depreciated	142,569,461	20,085,870	35,055,434	127,599,897
Less accumulated depreciation for:				
Site improvements	3,573,338	103,888	4,400	3,672,826
Buildings	62,438,521	2,104,514	13,596,801	50,946,234
Machinery and equipment	12,474,872	1,094,190	360,196	13,208,866
Total accumulated depreciation	78,486,731	3,302,592	13,961,397	67,827,926
Total capital assets, being depreciated, net	64,082,730	16,783,278	21,094,037	59,771,971
Governmental activities capital assets, net	\$ 79,252,727	\$ 16,783,278	\$ 33,502,282	62,533,723
Less related long-term debt outstanding				20,134,009
Invested in capital assets, net of related debt				\$ 42,399,814
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Machinery and equipment	\$ 1,300,415	\$ 28,086	\$ 22,752	\$ 1,305,749
Less accumulated depreciation for:				
Machinery and equipment	960,911	63,492	22,752	1,001,651
Business-type activities capital assets, net	\$ 339,504	\$ (35,406)	\$ -	\$ 304,098

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

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

<b>Governmental activities</b>	
Regular instruction	\$ 299,386
Vocational instruction	70,714
Special education instruction	9,403
Other instruction	2,827
Pupil services	5,053
Instructional staff services	36,581
General administration services	2,904
Operation and maintenance of plant	2,160,105
Central services	715,619
Total depreciation expense - governmental activities	<u>\$ 3,302,592</u>
<b>Business-type activities</b>	
Food service	<u>\$ 63,492</u>

**3. Interfund Receivable, Payables, and Transfers**

Interfund receivables and payables between individual funds of the District as of June 30, 2012 are detailed below:

	Interfund Receivables	Interfund Payables
<b>Pooled cash balances:</b>		
General Fund	\$ 272,535	\$ 5,188,251
Special Revenue Funds		
Trust	124,313	-
Special projects	-	272,535
Community service	1,094,182	-
Debt Service Funds		
Non-referendum debt service	281,401	-
Referendum debt service	377,936	-
Capital Projects Fund	1,725,810	-
Enterprise Fund		
Food service	1,584,609	-
Totals	<u>\$ 5,460,786</u>	<u>\$ 5,460,786</u>

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DETAILED NOTES ON ALL FUNDS (Continued)

fund transfers for the year ended June 30, 2012 were as follows:

Transfer to:
General

Transfers from:  
Special Revenue Funds  
Special projects

\$ 23,935

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

Short-term Obligations

District issued tax and revenue anticipation promissory notes in advance of property tax collections. Notes are needed because District expenses for the year begin in July whereas tax collections are received until January. Short-term debt activity for the year ended June 30, 2012 was as follows:

	Outstanding 7/1/11	Issued	Retired	Outstanding 6/30/12
Tax and revenue anticipation notes issued 7/18/10; due on 7/18/11; interest 2.25%	\$ 28,300,000	\$ -	\$ 28,300,000	\$ -
Notes issued 7/28/11; due on 6/28/12; interest 1.50%	-	19,000,000	19,000,000	-
Notes issued 10/27/11; due on 2/3/12; interest 1.0%	-	15,500,000	15,500,000	-
	<u>\$ 28,300,000</u>	<u>\$ 34,500,000</u>	<u>\$ 62,800,000</u>	<u>\$ -</u>

Total interest paid for the year on short-term debt totaled \$851,289.

RACINE UNIFIED SCHOOL DISTRICT  
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NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

5. Long-term Obligations

The following is a summary of changes in long-term obligations of the District for the year ended June 30, 2012:

	Outstanding 7/1/11	Issued	Retired	Outstanding 6/30/12	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Debt					
Bonds	\$ 18,320,000	\$ 5,880,000	\$ 2,380,000	\$ 21,820,000	\$ 2,465,000
Notes	11,276,497	995,000	6,480,166	5,791,331	676,068
Total	29,596,497	6,875,000	8,860,166	27,611,331	3,141,068
Premium	80,561	178,377	18,865	240,073	18,885
Loss on advance refunding	(813,679)	-	(163,797)	(649,882)	(163,797)
Capital leases	6,686,071	-	5,136,801	1,569,270	795,024
Other post-employment benefits	13,680,813	10,962,135	8,271,931	16,580,817	-
Pension benefits	-	188,257	-	188,257	-
Compensated absences	1,314,243	1,269,855	1,314,243	1,269,855	1,269,855
Governmental activities Long-term obligations	<u>\$ 50,764,306</u>	<u>\$ 19,473,624</u>	<u>\$ 23,438,209</u>	<u>\$ 46,799,721</u>	<u>\$ 5,061,815</u>

Total interest paid during the year on long-term debt totaled \$1,122,819.

General Obligation Debt

Detail of the outstanding general obligation debt follows:

	Issue Amount	Issue Date	Average Interest Rates (%)	Dates of Maturity	Outstanding 6/30/12
General Obligation Notes	\$ 2,200,000	02/01/06	4.00%	04/01/13	\$ 355,000
General Obligation Qualified Zone Academy Notes	1,728,000	04/15/08	1.00%	04/14/18	1,057,331
General Obligation Bonds	8,420,000	09/03/08	4.35 - 5.45%	04/01/16	5,740,000
General Obligation Bonds	5,945,000	09/03/08	4.00 - 4.25%	04/01/19	5,945,000
General Obligation Bonds	7,320,000	07/28/09	2.00 - 4.05%	04/01/15	4,255,000
General Obligation Qualified School Construction Promissory Notes	1,794,000	11/09/09	0.00%	09/15/19	1,794,000
General Obligation Notes	1,610,000	04/06/10	2.00 - 3.625%	04/01/20	1,590,000
General Obligation Notes	995,000	07/11/11	2.00 - 3.50%	04/01/20	995,000
General Obligation Refunding Bonds	5,880,000	07/11/11	4.00 - 5.00%	04/01/31	5,880,000
Total General Obligation Debt					<u>\$ 27,611,331</u>



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- DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$27,611,331 on June 30, 2012 are detailed below:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2013	\$ 3,141,868	\$ 1,063,943	\$ 4,205,811
2014	3,343,586	948,809	4,292,395
2015	3,285,322	821,663	4,086,985
2016	3,642,075	686,262	4,328,337
2017	2,474,846	525,571	3,000,417
2018-2022	7,033,634	1,575,407	8,609,041
2023-2027	2,380,000	895,900	3,275,900
2028-2031	2,330,000	270,900	2,600,900
	<u>\$ 27,611,331</u>	<u>\$ 6,788,455</u>	<u>\$ 34,399,786</u>

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2012 was \$885,517,134 as follows:

Equalized valuation of the District	\$9,127,325,650
Statutory limitation percentage	(x) 10%
General obligation debt limitation, per Section 87.03 of the Wisconsin Statutes	912,732,565
Total outstanding general obligation debt	\$ 27,611,331
Less: Amounts available for financing general obligation debt	
Debt service fund	395,900
Net outstanding general obligation debt applicable to debt limitation	27,215,431
Legal Margin for New Debt	<u>\$ 885,517,134</u>

Capital Leases

The cost of equipment acquired under capital leases as of June 30, 2012 was approximately \$6,540,622.

The following is a schedule by years of future minimum lease payments due under capital leases together with the present value of the net minimum lease payments as of June 30, 2012:

Year Ending June 30,	Governmental Activities
2013	\$ 795,024
2014	768,450
Total Minimum Lease Payments	1,563,474
Less: Amount representing interest	4,204
Present Value of Future Minimum Lease Payments	<u>\$ 1,559,270</u>

RACINE UNIFIED SCHOOL DISTRICT  
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NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Advance Refunding

During 2012, the District advance refunded two capital leases from 2011. The District purchased U.S. Government that were placed in an irrevocable trust for the purpose of generating resources for all future debt service payments of the refunded leases. As a result, the leases 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 two years by \$2,914,522 and to obtain an economic gain (difference between the present value of the debt service payments of the refunded and refunding bonds) of \$3,717.

At June 30, 2012, \$2,859,080 of outstanding leases are considered defeased.

NOTE D - OTHER INFORMATION

1. Retirement Commitments

All eligible District employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year (440 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Employees hired to work nine or ten months per year, (e.g. teachers contracts), but expected to return year after year are considered to have met the one-year requirement.

Prior to June 29, 2011, covered employees in the General/Teacher/Educational Support Personnel category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employees were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

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

	2011		2012	
	Employee	Employer	Employee	Employer
General (including Teachers)	5.8%	5.8%	5.9%	5.9%
Executives & Elected Officials	6.65%	6.65%	7.05%	7.05%
Protective with Social Security	5.8%	8.9%	5.9%	9.0%
Protective without Social Security	5.8%	11.2%	5.9%	11.3%

RACINE UNIFIED SCHOOL DISTRICT  
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- OTHER INFORMATION (Continued)

The payroll for District employees covered by the WRS for the year ended June 30, 2012 was \$132,424,669; the employer's total payroll was \$134,286,820. The total required contribution for the year ended June 30, 2012 was \$15,493,606, which consisted of \$7,746,803 or 5.8% of covered payroll from the employer for July 1, 2011 through December 31, 2011 and 5.9% of covered payroll from the employer for January 1, 2012 through June 30, 2012, and \$7,746,803, or 5.8% of covered payroll from the employer for January 1, 2011 through December 31, 2011 and 5.9% of covered payroll from the employer for January 1, 2012 through June 30, 2012. Total contributions for the years ended June 30, 2011 and 2010 were \$14,639,214 and \$13,389,544, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest year's earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

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

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

Risk Management

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

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

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

RACINE UNIFIED SCHOOL DISTRICT  
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NOTE D - OTHER INFORMATION (Continued)

At June 30, 2012, the District has reported a liability of \$2,542,900 which represents reported and unreported claims which were incurred on or before June 30, 2012, but were not paid by the District as of that date. The amounts not reported to the District were estimated using data provided by the plan administrators. Changes in the program's claim liability amount for the year ended June 30, 2012 with comparative totals for the prior year follows:

	Liability July 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability June 30
2011	\$ 3,534,900	\$ 51,873,311	\$ 50,553,311	\$ 4,654,900
2012	4,654,900	25,318,156	27,430,156	2,542,900

3. Other Postemployment Benefits

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

a. Plan Descriptions and Contribution Information

Membership of the Plan at July 1, 2010, the date of the latest actuarial valuation:

	Active Employees	Retirees Receiving Benefits	Total
Teachers	1,556	402	1,958
Administrators	109	38	147
Building service	183	30	213
Clerical	146	8	154
Educational assistants	358	7	365
Total	2,352	485	2,837

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OTHER INFORMATION (Continued)

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

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

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

Annual OPEB Cost and Net OPEB Obligation

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

	Normal Cost	Interest Cost	Amortization of AAL	Annual Required Contribution
Teachers	\$ 4,391,013	\$ 451,426	\$ 4,637,517	\$ 9,479,956
Administrators	258,012	31,428	370,557	659,997
Building service	135,688	23,164	327,592	486,444
Clerical	47,086	6,154	75,980	129,230
Educational assistants	96,627	9,834	100,047	206,508
<b>Total</b>	<b>\$ 4,928,436</b>	<b>\$ 522,006</b>	<b>\$ 5,511,693</b>	<b>\$ 10,962,136</b>

  

Interest on net OPEB	58,792
Adjustment to annual required contribution	(78,493)
Annual OPEB cost (expense)	10,944,434
Contributions made:	
Employer	7,981,678
Plan members	272,552
Change in net OPEB obligation	2,690,204
OPEB obligation - beginning of year	13,890,613
OPEB obligation - end of year	<u>\$ 16,580,817</u>

RACINE UNIFIED SCHOOL DISTRICT  
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NOTE D - OTHER INFORMATION (Continued)

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

Valuation date	July 1, 2010
Actuarial cost method	Projected Unit Credit
Amortization method	Level Dollar on a closed basis
Remaining amortization period	26 years
Actuarial assumptions:	
Investment rate of return	5.00%
Healthcare cost trend rate	-12.5% initial 5.8% ultimate

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

Fiscal Year Ended	Annual OPEB Cost	Annual Required Contribution (ARC)	Annual OPEB Cost Contributed	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2010	\$ 11,772,854	\$ 11,772,854	\$ 9,140,987	77.64%	\$ 12,714,775
6/30/2011	10,759,367	10,962,135	9,583,529	87.42%	13,890,613
6/30/2012	10,944,434	10,962,135	7,981,678	72.81%	16,580,817

c. Funded Status and Funding Progress

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

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL)- Entry Age (b)	Unfunded AAL (UAAL) (b - a)	Funded Ratio (a / b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b - a) / c)
7/1/2010	\$ 3,012,643	\$ 87,755,940	\$ 84,743,297	3.4%	\$ 139,479,307	60.76%

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

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OTHER INFORMATION (Continued)

Plan

Plan Description

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

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

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

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.

Annual Pension Cost and Net Pension Obligation

The District's annual pension costs for the year ended June 30, 2012 and related actuarial assumptions used for the current year are as follows:

Annual required contribution	\$ 279,293
Interest on net pension obligation	14,977
Adjustment to annual required	<u>(13,639)</u>
Annual pension cost	280,631
Contributions made	<u>288,436</u>
Change in net pension obligation	(7,804)
Net pension obligation beginning of year	196,061
Net pension obligation end of year	<u>\$ 188,257</u>

The annual required contribution for the current year was determined as part of the July 1, 2010 actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 0% investment rate of return (net of administrative expenses) and (b) projected salary increases 3% per year. The investment rate of return has an inflation component of 2.5% per year. It was assumed that employees would not have any other service within the WRS prior to hire by the District. The unfunded actuarial accrued liability is being amortized, as a level dollar amount, on a closed basis. The remaining amortization period at June 30, 2012 was 26 years.

RACINE UNIFIED SCHOOL DISTRICT  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2012

NOTE D - OTHER INFORMATION (Continued)

Trend Information

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
8/30/10	\$ 237,735	67.8%	\$ 29,007
8/30/11	371,967	55.1%	196,061
6/30/12	280,631	102.8%	188,257

d. Funding Status and Funding Progress

As of July 1, 2010, the most recent actuarial valuation date, the plan was unfunded. The actuarial accrued liability for benefits was \$3,001,764. With no plan assets, the unfunded actuarial accrued liability was also \$3,001,764.

5. Contingencies

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

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

6. Limitation on School District Revenues

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

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

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

7. Subsequent Event

On November 1, 2012, the District issued \$10,000,000 of general obligation note anticipation notes to finance improvements and major maintenance repairs to the District's schools. The interest rate is 2.75% and the maturity date is November 1, 2013.

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 General Fund - Budgetary Basis  
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 76,642,568	\$ 76,642,568	\$ 76,642,568	\$ -
Other local sources	647,637	700,568	679,091	(21,477)
Interdistrict sources	-	104,640	80,686	(23,954)
Intermediate sources	5,000	5,000	4,996	(4)
State sources	131,231,512	131,364,365	131,365,296	931
Federal sources	16,775,075	16,575,016	12,188,835	(4,376,181)
Other sources	-	772,290	1,365,791	593,501
<b>Total Revenues</b>	<b>225,301,992</b>	<b>226,164,447</b>	<b>222,337,263</b>	<b>(3,827,184)</b>
<b>Expenditures</b>				
<b>Instruction</b>				
Regular instruction	96,786,121	88,979,779	86,159,320	2,820,459
Vocational instruction	4,745,215	4,536,451	4,293,241	243,210
Other instruction	6,280,589	6,168,612	6,414,550	(245,938)
<b>Total Instruction</b>	<b>107,811,925</b>	<b>99,684,842</b>	<b>96,867,111</b>	<b>2,817,731</b>
<b>Support Services</b>				
Pupil services	8,544,888	8,225,114	8,056,908	168,206
Instructional staff services	7,717,223	9,374,778	8,783,949	590,829
General administration services	2,078,852	2,072,604	2,151,957	(79,353)
School administration services	11,115,735	10,316,546	10,343,165	(26,619)
Business services	2,756,819	2,382,242	2,323,938	58,304
Operation and maintenance of plant	26,368,844	25,293,565	24,718,148	575,417
Pupil transportation services	5,193,164	5,188,473	4,799,494	388,979
Central services	6,847,582	6,308,656	5,681,388	627,268
Insurance	1,234,961	890,139	1,193,724	(303,585)
Other support services	600,644	619,346	651,850	(32,504)
<b>Total Support Services</b>	<b>72,458,712</b>	<b>70,671,463</b>	<b>68,704,521</b>	<b>1,966,942</b>
Debt service	3,674,262	6,621,178	6,652,917	(31,739)
<b>Non-program</b>				
General tuition payments	5,649,479	7,128,718	7,154,552	(25,834)
Indirect costs	86,645	442,645	54,856	387,889
<b>Total Non-program</b>	<b>5,736,124</b>	<b>7,571,363</b>	<b>7,209,208</b>	<b>362,156</b>
<b>Total Expenditures</b>	<b>189,681,023</b>	<b>184,548,846</b>	<b>179,433,757</b>	<b>5,115,089</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>35,620,969</b>	<b>41,615,601</b>	<b>42,903,506</b>	<b>1,287,905</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	239,083	178,989	61,535	(117,454)
Transfers out	(32,958,865)	(31,434,085)	(30,053,661)	1,380,424
<b>Total Other Financing Sources (Uses)</b>	<b>(32,719,782)</b>	<b>(31,255,096)</b>	<b>(29,992,126)</b>	<b>1,262,970</b>
<b>Net Change in Fund Balance</b>	<b>2,901,187</b>	<b>10,360,505</b>	<b>12,911,380</b>	<b>2,550,875</b>
Fund Balance - July 1	20,207,059	20,207,059	20,207,059	-
Fund Balance - June 30	<b>\$ 23,108,246</b>	<b>\$ 20,567,564</b>	<b>\$ 33,118,439</b>	<b>\$ 2,550,875</b>

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

REQUIRED SUPPLEMENTAL INFORMATION

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Revenues, Expenditures and Changes in Fund Balance  
 Budget and Actual  
 Special Education Special Revenue Fund - Budgetary Basis  
 For the Year Ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
Resources	\$ 12,343,530	\$ 12,747,896	\$ 12,976,558	\$ 228,662
Resources	8,449,406	5,733,426	6,402,435	669,009
Revenues	20,792,936	18,481,322	19,378,993	897,671
Expenditures				
Instruction	-	-	912	(912)
Instructional Instruction	60,000	41,000	37,518	3,482
Instructional Instruction	39,542,288	37,566,022	36,482,621	1,083,401
Instructional Instruction	39,602,288	37,607,022	36,521,051	1,085,971
Instructional Services				
Instructional Services	5,300,715	5,209,917	5,227,485	(17,568)
Instructional Staff Services	4,219,831	2,229,923	2,540,932	(317,009)
Instructional Administration Services	-	25,000	22,147	2,853
Instructional Support Services	82,000	139,746	130,508	9,238
Instructional Operation and Maintenance of Plant	46,200	25,980	23,445	2,535
Instructional Transportation Services	3,787,063	3,678,701	3,738,522	(59,821)
Instructional Other Services	20,600	83,600	212,603	(129,003)
Instructional Office	217,382	207,997	185,948	22,049
Instructional Support Services	-	-	86,266	(86,266)
Instructional Rental and Interest	-	379,176	464,883	(85,507)
Instructional Support Services	13,673,791	11,980,040	12,638,539	(658,499)
Instructional Program				
Instructional Special Education Tuition Payments	257,739	132,034	235,464	(103,430)
Instructional Other Expenditures	53,533,816	49,719,096	49,395,054	324,042
Revenues Under Expenditures	(32,740,882)	(31,237,774)	(30,016,061)	1,221,713
Financing Sources				
Financing Income	32,958,865	31,434,085	30,053,661	(1,380,424)
Financing Out	(217,983)	(196,311)	(37,600)	158,711
Financing Sources (Uses)	32,740,882	31,237,774	30,016,061	(1,221,713)
Change in Fund Balance	-	-	-	-
Balance - July 1	-	-	-	-
Balance - June 30	\$ -	\$ -	\$ -	\$ -

The required supplemental information are an integral part of this schedule.

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Funding Progress  
 For the Year Ended June 30, 2012

Other Post-Employment Benefit Plan						
Actuarial Valuation Date July 1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2006	\$ -	\$ 105,676,225	0.00%	\$ 105,676,225	\$ 106,000,000	99.69%
2008	1,961,309	97,647,304	2.01%	95,685,995	101,073,000	94.67%
2010	3,012,643	87,755,940	3.43%	84,743,297	139,479,307	60.76%

Pension Plan						
Actuarial Valuation Date July 1	(1) Actuarial Value of Assets	(2) Actuarial Accrued Liability (AAL) Entry Age Normal	(3) Funded Ratio (1) / (2)	(4) Unfunded Actuarial Accrued Liability (UAAL) (2) - (1)	(5) Covered Payroll	UAAL as a Percentage of Covered Payroll (4) / (5)
2006	\$ -	\$ 2,328,523	0.00%	\$ 2,328,523	N/A	N/A
2008	-	2,603,083	0.00%	2,603,083	N/A	N/A
2010	-	3,001,764	0.00%	3,001,764	N/A	N/A

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

RACINE UNIFIED SCHOOL DISTRICT  
 Racine, Wisconsin  
 Schedule of Employer Contributions  
 For the Year Ended June 30, 2012

Other Post-Employment Benefit Plan			
Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2010	\$ 9,140,987	\$ 11,772,854	77.64%
2011	9,583,529	10,962,135	87.42%
2012	7,981,678	10,962,135	72.81%

Pension Plan			
Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2010	\$ 161,177	\$ 237,735	67.80%
2011	204,912	279,293	73.37%
2012	288,435	279,293	103.27%

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

RACINE UNIFIED SCHOOL DISTRICT  
 Racine, Wisconsin  
 Notes to Required Supplemental Information  
 For the Year Ended June 30, 2012

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

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

**NOTE B - CHANGE IN ACTUARIAL ASSUMPTIONS**

The District changed the investment rate of return from 5.5% in the July 1, 2008 actuarial valuation to 5.0% in the July 1, 2010 actuarial valuation.

**NOTE C - BUDGETARY INFORMATION**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note B to the financial statements; however, the District adopts a budget for the special education special revenue fund which is reported with the general fund in accordance with generally accepted accounting principles. An explanation of the differences between Revenues, Expenditures, and Other Financing Sources (Uses) for budgetary funds on budgetary fund basis and a GAAP general fund basis is summarized below:

	General Fund	Special Education Fund
<b>Revenues</b>		
Actual amounts (budgetary basis)	\$ 222,337,263	\$ 19,378,993
Reclassification of special education	19,378,993	(19,378,993)
<b>Total Revenues</b>	<u>241,716,256</u>	<u>-</u>
<b>Expenditures</b>		
Actual amounts (budgetary basis)	179,433,757	49,395,054
Reclassification of special education	49,395,054	(49,395,054)
<b>Total Expenditures</b>	<u>228,828,811</u>	<u>-</u>
<b>Excess of Revenues Over (Under) Expenditures</b>		
Actual amounts (budgetary basis)	42,903,506	(30,016,061)
Reclassification of special education	(30,016,061)	30,016,061
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>12,887,445</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>		
Actual amounts (budgetary basis)	(29,992,126)	30,016,061
Reclassification of special education	30,016,061	(30,016,061)
<b>Total Other Financing Sources (Uses)</b>	<u>23,935</u>	<u>-</u>
<b>Net Change in Fund Balance</b>		
Actual amounts (budgetary basis)	12,911,380	-
<b>Fund Balance - January 1</b>		
Actual amounts (budgetary basis)	20,207,059	-
<b>Fund Balance - December 31</b>		
Actual amounts (budgetary basis)	<u>\$ 33,118,439</u>	<u>\$ -</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2012

**SUPPLEMENTAL INFORMATION**

	Special Revenue Funds		
	Trust	Special Projects	Community Service
<b>ASSETS</b>			
Receivables			
Accounts	\$ -	\$ -	\$ -
Due from other funds	124,313	-	1,094,182
Due from other governments	-	305,140	-
Prepaid items	-	-	-
<b>TOTAL ASSETS</b>	<b>\$ 124,313</b>	<b>\$ 305,140</b>	<b>\$ 1,094,182</b>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Due to other funds	\$ -	\$ 272,535	\$ -
Fund Balances			
Fund Balances			
Nonspendable	-	-	-
Prepaid items	-	-	-
Restricted			
Private gifts and donations	124,313	-	-
Grant expenditures	-	32,605	-
Construction of capital assets	-	-	-
Debt service	-	-	-
Community service programs	-	-	1,094,182
<b>Total Fund Balances</b>	<b>124,313</b>	<b>32,605</b>	<b>1,094,182</b>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 124,313</b>	<b>\$ 305,140</b>	<b>\$ 1,094,182</b>



**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Combining Statement of Revenues, Expenditures and Changes in Fund Balances  
 Nonmajor Governmental Funds  
 For the Year Ended June 30, 2012

Non-Re Debt	Funds		Total Nonmajor Governmental Funds
	Referendum Debt Service	Capital Projects	
\$	-	\$ 70,	\$ 70,162
	377,936	1,725,	3,603,642
	-	-	305,140
	-	15,	15,000
<u>\$</u>	<u>377,936</u>	<u>\$ 1,810,</u>	<u>\$ 3,993,944</u>
\$	-	\$ -	\$ 272,535
	-	15,000	15,000
	-	-	124,313
	-	-	32,605
	-	1,795,972	1,795,972
	377,936	-	659,337
	-	-	1,094,182
<u>\$</u>	<u>377,936</u>	<u>1,810,972</u>	<u>3,721,409</u>
<u>\$</u>	<u>377,936</u>	<u>\$ 1,810,972</u>	<u>\$ 3,993,944</u>

	Special Revenue Funds		
	Trust	Special Projects	Community Service
<b>Revenues</b>			
Property taxes	\$ -	\$ -	\$ 850,000
Other local sources	122,000	-	156,372
Federal sources	-	640,540	-
<b>Total Revenues</b>	<u>122,000</u>	<u>640,540</u>	<u>1,006,372</u>
<b>Expenditures</b>			
<b>Instruction</b>			
Regular instruction	23,121	364,802	-
Other instruction	-	89,694	-
<b>Total Instruction</b>	<u>23,121</u>	<u>454,496</u>	<u>-</u>
<b>Support Services</b>			
Pupil services	-	1,006	-
Instructional staff services	40,711	145,739	-
General administration services	48,000	-	7,973
School administration services	-	326	(6)
Operation and maintenance of plant	-	-	-
Pupil transportation services	-	8,655	-
Central services	-	6,723	-
Other support services	-	-	1,157
<b>Total Support Services</b>	<u>88,711</u>	<u>162,449</u>	<u>9,124</u>
<b>Debt Service</b>			
Principal	-	-	-
Interest and fiscal charges	-	-	-
<b>Total Debt Service</b>	<u>-</u>	<u>-</u>	<u>-</u>
Community Services	-	-	57,569
<b>Total Expenditures</b>	<u>111,832</u>	<u>616,945</u>	<u>66,693</u>
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>10,168</u>	<u>23,595</u>	<u>939,679</u>
<b>Other Financing Sources (Uses)</b>			
Long term debt issued	-	-	-
Premium on long term debt issued	-	-	-
Sale of capital assets	-	-	-
Transfers out	-	(23,935)	-
<b>Total Other Financing Sources (Uses)</b>	<u>-</u>	<u>(23,935)</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>10,168</u>	<u>(340)</u>	<u>939,679</u>
<b>Fund Balances - July 1</b>	<u>114,145</u>	<u>32,945</u>	<u>154,503</u>
<b>Fund Balances - June 30</b>	<u>\$ 124,313</u>	<u>\$ 32,605</u>	<u>\$ 1,094,182</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Pupil Activity Funds  
 Schedule of Changes in Assets and Liabilities  
 For the Year Ended June 30, 2012

Service Fund Number	Service Funds		Total Nonmajor Governmental Funds
	Referendum Debt Service	Capital Projects	
157	\$ 3,126,308	\$ -	\$ 4,848,575
178	-	48,755	328,205
-	-	-	640,540
145	3,126,308	48,755	5,817,320
-	-	-	387,923
-	-	-	89,694
-	-	-	477,617
-	-	-	1,006
-	-	-	186,450
-	-	-	55,973
-	-	-	320
-	-	2,774,950	2,774,950
-	-	-	8,655
-	-	-	6,723
-	-	-	1,157
-	-	2,774,950	3,035,234
66	2,380,000	-	8,860,166
126	788,982	-	1,191,608
92	3,168,982	-	10,051,774
-	-	-	57,569
92	3,168,982	2,774,950	13,622,194
147	(42,674)	(2,726,195)	(7,804,674)
100	-	995,000	6,875,000
177	-	-	178,377
-	-	900,000	900,000
-	-	-	(23,935)
177	-	1,895,000	7,929,442
130	(42,674)	(831,195)	124,568
71	420,610	2,642,167	3,596,841
01	\$ 377,936	\$ 1,810,972	\$ 3,721,409

**ASSETS**

Cash and investments

Pupil Activity Funds			
Balance 07/01/11	Additions	Deletions	Balance 06/30/12
\$ 1,033,126	\$ 3,294,630	\$ 3,227,028	\$ 1,100,728

**LIABILITIES**

Due to student organizations

Senior high schools  
 Middle schools  
 Elementary schools  
 Early Childhood schools  
 Lighted Schoolhouse  
 P-COC  
 Mack Center  
 REAL School

\$ 585,612	\$ 1,818,795	\$ 1,764,422	\$ 639,985
194,248	693,082	699,572	187,758
227,586	640,941	633,271	235,256
8,103	22,812	21,567	9,348
1,004	41,478	33,209	9,273
2,790	11,777	12,388	2,179
2,266	1,576	1,150	2,692
11,517	64,169	61,449	14,237

**TOTAL LIABILITIES**

\$ 1,033,126	\$ 3,294,630	\$ 3,227,028	\$ 1,100,728
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**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 the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Racine Unified School District as of and for the year ended June 30, 2012, which collectively comprise the Racine Unified School District's basic financial statements and have issued our report thereon dated November 2, 2012. 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.

Internal Control Over Financial Reporting

Management of Racine Unified School District is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the District's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of the internal control over financial reporting 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 financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified a certain deficiency in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs as item 2012-01 that we consider to be a significant deficiency in internal control over financial reporting. 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.

Compliance and Other Matters

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

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



certain matters that we reported to management of the Racine Unified School District, Wisconsin in a letter dated November 2, 2012.

The District's response to the finding identified in our audit is described in the accompanying schedule of prior findings and corrective action plan. We did not audit the District's response and, accordingly, we do not have an opinion on it.

This report is intended solely for the information and use of the Board of Education, management and federal and state funding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

  
Public Accountants  
Wisconsin  
November 2, 2012

## FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE

**REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR FEDERAL AND STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133 AND THE STATE SINGLE AUDIT GUIDELINES**

Board of Education  
Racine Unified School District  
Wisconsin

We audited Racine Unified School District, Wisconsin's ("the District") compliance with the types of requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 and its 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 its major federal and state programs for the year ended June 30, 2012. The District's major federal and state programs are identified in the summary of results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal and state programs is the responsibility of the District's management. Our responsibility is to express an opinion on the District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration. Those standards, OMB Circular A-133 and the *State Single Audit Guidelines* require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the 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 the 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. Our audit does not provide an absolute guarantee of the District's compliance with those requirements.

In our opinion, Racine Unified School District complied, in all material respects, with the 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, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with requirements, which are required to be reported in accordance with OMB Circular A-133 and the *State Single Audit Guidelines* and which are described in the accompanying schedule of findings and questioned costs for 2012-02, 2012-03 and 2012-04.

**Internal Control Over Compliance**

The management of the District is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal and state programs. In planning and performing our audit, we considered the District's internal control over compliance with requirements that could have a direct and material effect on a major federal and state program to determine the nature, timing, and extent of auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133 and the *State Single Audit Guidelines*, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the District's internal control over compliance.

Our consideration of the internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal or state program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal or state program will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses.

A significant deficiency in internal control over compliance is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal or state program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiencies in internal control over compliance as described in the accompanying schedule of findings and questioned costs as items 2012-02, 2012-03, and 2012-04 to be significant deficiencies.

The District's responses to the findings identified in our audit are described in the accompanying schedule of prior year audit findings and corrective action plan. We did not audit the District's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of, management, the Board of Education, others within the District, and federal and state awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Certified Public Accountants  
Green Bay, Wisconsin  
November 2, 2012

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2012

Federal Agency/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number
Department of Agriculture Supplemental Nutrition Assistance Program - June 30, 2012	Wisconsin Department of Public Instruction	10.500
Department of Agriculture Breakfast Program 0 - June 30, 2011 1 - June 30, 2012	Wisconsin Department of Public Instruction	10.553
Department of Agriculture School Lunch Program 0 - June 30, 2011 1 - June 30, 2012	Wisconsin Department of Public Instruction	10.555
Department of Agriculture Specialized School Lunch Program Program for Children 0 - June 30, 2011 1 - June 30, 2012	Wisconsin Department of Public Instruction	10.556
Department of Agriculture Child Nutrition Program for Children 1 - June 30, 2012	Wisconsin Department of Public Instruction	10.558
Department of Agriculture Nutrition Cluster	Wisconsin Department of Public Instruction	10.559
Department of Education Cluster Grants to Local Educational Agencies	Wisconsin Department of Public Instruction	84.010
010 - June 30, 2011	Wisconsin Department of Public Instruction	84.389
011 - June 30, 2012	Wisconsin Department of Public Instruction	84.389
010 - June 30, 2011 and Delinquent Youth	Wisconsin Department of Public Instruction	84.389
011 - June 30, 2012	Wisconsin Department of Public Instruction	84.389
010 - June 30, 2011 Program Improvement	Wisconsin Department of Public Instruction	84.389
011 - June 30, 2012	Wisconsin Department of Public Instruction	84.389
010 - June 30, 2011 Center	Wisconsin Department of Public Instruction	84.389
011 - June 30, 2012	Wisconsin Department of Public Instruction	84.389
Grants to Local Educational Agencies	Wisconsin Department of Public Instruction	84.389
009 - September 30, 2011 Title I Grant	Wisconsin Department of Public Instruction	84.389
009 - September 30, 2011	Wisconsin Department of Public Instruction	84.389
009 - September 30, 2011 Title I Grants to Local Educational Agencies Part A Cluster	Wisconsin Department of Public Instruction	84.389

Accrued Receivable (Deferred Revenue) 7/1/11	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/12	Total Revenues	Total Expenditures
\$ -	\$ 3,000	\$ -	\$ 3,000	\$ 3,000
(46,788)	46,788	-	-	-
-	1,110,269	39,443	1,149,712	1,149,712
(179,005)	179,005	-	-	-
-	4,388,327	139,237	4,527,564	4,527,564
-	469,057	-	469,057	469,057
(179,005)	5,036,389	139,237	4,996,621	4,996,621
(185)	185	-	-	-
-	5,964	96	6,060	6,060
-	162,362	-	162,362	162,362
(225,978)	6,361,957	178,776	6,314,755	6,314,755
(225,978)	6,364,957	178,776	6,317,755	6,317,755
(2,412,684)	2,412,684	-	-	-
-	2,556,934	4,169,105	6,726,039	6,726,039
(167,912)	167,912	-	-	-
-	51,473	78,826	130,299	130,299
(133,898)	133,898	-	-	-
(40,810)	40,810	-	-	-
-	215	-	215	215
(2,755,304)	5,363,928	4,247,931	6,856,553	6,856,553
(1,383,195)	1,551,864	-	168,669	168,669
(663,786)	827,875	-	163,889	163,889
(65,816)	65,816	-	-	-
(2,112,797)	2,445,355	-	332,558	332,558
(4,868,101)	7,809,281	4,247,931	7,189,111	7,189,111

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Expenditures of Federal Awards (Continued)  
 For the Year Ended June 30, 2012

Fe	/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number
U:	<b>Division of Education (Continued)</b>		
Ca	Elementary Education - Basic Grants to States	Wisconsin Department of Public Instruction	84.048
J	June 30, 2011	Wisconsin Department of Public Instruction	
J	June 30, 2012	Wisconsin Department of Public Instruction	
Sp	<b>Special Education Cluster (IDEA)</b>		
8	Special Education - Grants to States	Wisconsin Department of Public Instruction	84.027
	Thru		
	10 - June 30, 2011	Wisconsin Department of Public Instruction	
	11 - June 30, 2012	Wisconsin Department of Public Instruction	
	Cost Special Education Aid	Wisconsin Department of Public Instruction	
	11 - June 30, 2012	Wisconsin Department of Public Instruction	
	Disproportionality Grant - Disproportionality	Wisconsin Department of Public Instruction	
	11 - June 30, 2012	Wisconsin Department of Public Instruction	
	Special Education - Grants to States		
5	Special Education - Preschool Grants	Wisconsin Department of Public Instruction	84.173
	10 - June 30, 2011	Wisconsin Department of Public Instruction	
	11 - June 30, 2012	Wisconsin Department of Public Instruction	
7	Elementary Education - Grants to States	Wisconsin Department of Public Instruction	84.391
	2009 - September 30, 2011	Wisconsin Department of Public Instruction	
7	Elementary Education - Preschool Grants	Wisconsin Department of Public Instruction	84.392
	2009 - September 30, 2011	Wisconsin Department of Public Instruction	
	Education Cluster (IDEA)		
Sa	Free Schools and Communities - National Programs	Wisconsin Department of Public Instruction	84.184
4	June 30, 2012	Wisconsin Department of Public Instruction	
Sa	Free Schools and Communities - State Grants	Wisconsin Department of Public Instruction	84.186
4	June 30, 2011	Wisconsin Department of Public Instruction	
Ed	<b>Homeless Children</b>		
I	Homeless Children and Youth	Wisconsin Department of Public Instruction	84.196
	1 - June 30, 2011	Wisconsin Department of Public Instruction	
	1 - June 30, 2012	Wisconsin Department of Public Instruction	
	Program for Homeless Children		
Fu	Improvement of Education	City of Racine	84.215k
4	June 30, 2011	City of Racine	
	1 - June 30, 2012	City of Racine	
Tv	Century Community Learning Centers	Wisconsin Department of Public Instruction	84.287
7	Century Community Learning Centers	Wisconsin Department of Public Instruction	84.287
	1 - June 30, 2011	Wisconsin Department of Public Instruction	
	1 - June 30, 2012	Wisconsin Department of Public Instruction	
	Century Community Learning Centers	Wisconsin Department of Public Instruction	84.287
	1 - June 30, 2011	Wisconsin Department of Public Instruction	
	1 - June 30, 2012	Wisconsin Department of Public Instruction	

Accrued Receivable (Deferred Revenue) 7/1/11	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/12	Total Revenues	Total Expenditures
(271,397)	271,397	-	-	-
-	43,435	188,040	231,475	231,475
(2,185,215)	2,185,215	-	-	-
-	1,182,333	351,252	1,533,585	1,533,585
-	57,079	-	57,079	57,079
-	125,198	302,897	428,095	428,095
(2,185,215)	3,549,825	654,149	2,018,759	2,018,759
(90,885)	90,885	-	-	-
-	40,440	75,430	115,870	115,870
(780,527)	1,014,538	-	234,011	234,011
(44,174)	51,276	-	7,102	7,102
(3,100,801)	4,746,964	729,579	2,375,742	2,375,742
(24,127)	53,975	177,215	207,063	207,063
(46,284)	46,284	-	-	-
(41,840)	41,840	-	-	-
-	28,360	33,845	62,195	62,195
(41,840)	70,190	33,845	62,195	62,195
(30,487)	30,487	-	-	-
-	25,860	19,292	44,952	44,952
(100,479)	100,479	-	-	-
-	141,998	78,555	220,553	220,553
(74,039)	74,039	-	-	-
-	28,742	38,611	67,353	67,353

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Expenditures of Federal Awards (Continued)  
 For the Year Ended June 30, 2012

Federal Award Title/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number
<b>Department of Education (Continued)</b>		
Century Community Learning Centers 0 - June 30, 2011 1 - June 30, 2012	Wisconsin Department of Public Instruction Wisconsin Department of Public Instruction	84.287
Century Community Learning Centers 1 - June 30, 2012	Wisconsin Department of Public Instruction	84.287
First Century Community Learning Centers		
<b>Education State Grants Cluster</b>		
Technology State Grants 0 - June 30, 2011	Mequon-Thiensville School District	84.318
National Technology State Grants 1 - 2009 - September 30, 2011	Wisconsin Department of Public Instruction	84.386
National Technology State Grants Cluster		
<b>Teaching Grant Program</b>		
1 - June 30, 2012	Wisconsin Department of Public Instruction	84.350
<b>Language Acquisition Grants</b>		
0 - June 30, 2011	Wisconsin Department of Public Instruction	84.365
1 - June 30, 2012	Wisconsin Department of Public Instruction	
<b>Teacher Quality State Grants</b>		
0 - June 30, 2011	Wisconsin Department of Public Instruction	84.367
1 - June 30, 2012	Wisconsin Department of Public Instruction	
<b>Workforce Investment Act</b>		
1 - June 30, 2011	Wisconsin Department of Administration	84.410
1 - June 30, 2012	Wisconsin Department of Administration	
<b>Department of Education</b>		
<b>Department of Health and Human Services</b>		
State - Student Based Services Benefit - June 30, 2011 - June 30, 2012	Wisconsin Department of Health Services Wisconsin Department of Health Services	93.778
State - Basic Grant - June 30, 2012	Wisconsin Department of Health Services	93.938
<b>Department of Health and Human Services</b>		
<b>STATE FINANCIAL ASSISTANCE</b>		
<b>Reconciliation of Basic Financial Statements</b>		
State Financial Funds		\$ 18,241,810
State Financial Funds		6,317,755
State Financial Awards		<u>\$ 25,559,565</u>
See the Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance.		

Accrued Receivable (Deferred Revenue) 7/1/11	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/12	Total Revenues	Total Expenditures
(159,911)	159,911	-	-	-
-	68,626	82,506	151,132	151,132
-	70,373	86,662	157,035	157,035
(334,429)	644,168	286,334	596,073	596,073
(5,996)	5,996	-	-	-
-	84,897	-	84,897	84,897
(5,996)	90,893	-	84,897	84,897
-	-	26,536	26,536	26,536
(251,580)	251,580	-	-	-
-	141,998	96,586	238,584	238,584
(694,113)	694,113	-	-	-
-	460,738	744,584	1,205,322	1,205,322
(133,691)	133,691	-	-	-
-	2,513,062	15,064	2,528,126	2,528,126
(9,802,846)	18,027,916	6,565,006	14,790,076	14,790,076
(891,567)	891,567	-	-	-
-	2,767,531	1,683,953	4,451,484	4,451,484
-	250	-	250	250
(891,567)	3,659,348	1,683,953	4,451,734	4,451,734
<u>\$(10,920,391)</u>	<u>\$ 28,052,221</u>	<u>\$ 8,427,735</u>	<u>\$ 25,559,565</u>	<u>\$ 25,559,565</u>



**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of State Financial Assistance  
 For the Year Ended June 30, 2012

State	/Program Name/Grant Period	Pass-through Agency	State I.D. Number
Wisconsin	Department of Public Instruction Reimbursement Programs		
	1 to Grade Five Program 2009 - June 30, 2010	Direct Program	255.305
	Alcohol and Other Drug Abuse 2010 - June 30, 2011	Direct Program	255.312
	Special Grants 2010 - June 30, 2011	Cooperative Educational Services Agency (CESA) No. 1	255.312
	Direct Reimbursement Programs		
Illinois	Programs:		
	Education and School Age Parents	Direct Program	255.101
	1	Direct Program	255.102
	School Fund Library	Direct Program	255.103
	Cultural Aid	Direct Program	255.106
	Transportation Aid	Direct Program	255.107
	Local State Aid	Direct Program	255.109
	Equalization Aids	Direct Program	255.201
	09 - June 30, 2010	Direct Program	
	10 - June 30, 2011	Direct Program	
	Transfer	Direct Program	255.205
	Special Education Aid	Direct Program	255.210
	Fast Program	Direct Program	255.344
	For Initial Educators	Direct Program	255.355
	Grants by State	Direct Program	255.401
	Homeless Guarantee in 1 (SAGE) Program	Direct Program	255.504
	1 Poverty School District	Direct Program	255.926
	Ship Childhood Fitness Programs	Direct Program	255.938
	Wisconsin Department of Public Instruction		
	STATE FINANCIAL ASSISTANCE		
Revised	1 to Basic Financial Statements		
	State Funds		
	Revenues		\$ 144,341,854
	Revenues reported with intermediate sources		4,996
	Fund		
	Revenues		142,328
	Not considered state financial assistance		
	Computer aids		(455,283)
	User charge from the state		(14,266)
	Awards		<u>\$ 144,019,629</u>
See	the Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance.		

(Accrued Receivable) Deferred Revenue 7/1/11	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/12	Total Revenues	Total Expenditures
\$ (448,021)	\$ 448,021	\$ -	\$ -	\$ -
(112,201)	112,201	-	-	-
-	4,996	-	4,996	4,996
<u>(560,222)</u>	<u>565,218</u>	<u>-</u>	<u>4,996</u>	<u>4,996</u>
-	12,730,235	-	12,730,235	12,730,235
-	83,655	-	83,655	83,655
-	846,939	-	846,939	846,939
-	466,326	-	466,326	466,326
-	412,272	-	412,272	412,272
-	1,000,000	-	1,000,000	1,000,000
(2,177,126)	2,177,126	-	-	-
-	115,617,000	2,309,617	117,926,617	117,926,617
-	6,980,239	-	6,980,239	6,980,239
-	206,250	-	206,250	206,250
-	58,674	-	58,674	58,674
-	33,990	-	33,990	33,990
-	293,433	-	293,433	293,433
-	1,491,199	-	1,491,199	1,491,199
-	1,483,804	-	1,483,804	1,483,804
-	1,000	-	1,000	1,000
<u>(2,177,126)</u>	<u>143,882,142</u>	<u>2,309,617</u>	<u>144,014,633</u>	<u>144,014,633</u>
<u>(2,737,348)</u>	<u>144,447,360</u>	<u>2,309,617</u>	<u>144,019,629</u>	<u>144,019,629</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Attachments to the Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance  
 For the Year Ended June 30, 2012

**- BASIS OF PRESENTATION**

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

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

2011-2012 eligible costs under the State Special Education Program as reported by the District are \$87,639.

**- FOOD DISTRIBUTION**

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

**- OVERSIGHT AGENCIES**

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2012

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

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

Federal Awards and State Financial Assistance	
Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for major programs	Unqualified
Any audit findings disclosed that are required to be reported in accordance with Section 510(1) of Circular A-133?	Yes
Any audit findings disclosed that are required to be reported in accordance with the <i>State Single Audit Guidelines</i> ?	Yes
Identification of major federal and state programs:	

CFDA Number	Name of Federal Programs
	<i>Child Nutrition Cluster</i>
10.553	School Breakfast Program
10.555	National School Lunch Program
10.556	Special Milk Program for Children
10.559	Summer Food Service Program for Children
	<i>Title I, Part A Cluster</i>
84.010	Title I Grants to Local Educational Agencies
84.389	ARRA - Title I Grants to Local Educational Agencies
	<i>Special Education Cluster (IDEA)</i>
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
84.391	ARRA - Special Education - Grants to States
84.392	ARRA - Special Education - Preschool Grants
84.410	ARRA - Education Jobs Bill
93.778	Medical Assistance - Student Based Services Benefit

State ID Number	Name of State Programs
255.101	Special Education and School Age Parents
255.107	Pupil Transportation Aid
255.109	Charter Schools State Aid
	<i>General Aids Cluster (255.2xx)</i>
255.201	General Equalization Aids
255.205	Integration Transfer
255.210	High Cost Special Education

Audit threshold used to determine between Type A and Type B federal programs:	\$756,000
Audit threshold used to determine between Type A and Type B state programs:	\$100,000
Auditee qualified as low-risk auditee	No

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended June 30, 2012

**Section II - Financial Statement Findings**

Internal Control Deficiencies
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**Year End Financial Reporting**

- n: While the current staff of the District maintains financial records which accurately report revenues and expenditures throughout the year, preparing year-end financial statements, including OPEB disclosures and GASB 34 conversion entries necessary to prepare financial statements, require additional expertise and staff time to develop. The District contracts with Schenck and our knowledge of current accounting principles and regulatory requirements of the Wisconsin Department of Public Instruction to prepare required GASB 34 conversion journal entries and financial reports for the District in an efficient manner.
  
- a: The review of financial statements by staff with expertise in financial reporting is an internal control intended to prevent, detect and correct a potential misstatement in the financial statements or notes.
  
- b: The additional costs associated with hiring staff experienced in preparing year end GASB 34 conversion entries and financial statements, including additional training time outweigh the derived benefits.
  
- d: The financial statements of the District could be misstated and not detected and corrected in a timely manner by District personnel without adequate review. Under present procedures, the District does review and approve financial reports prepared by Schenck prior to issuance.
  
- n: We recommend the District continue reviewing the financial reports prepared by Schenck. While it may not be cost beneficial to hire additional staff to prepare these items, a thorough review of this information by appropriate staff of the District is necessary to obtain an adequate understanding of the District's financial report.

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended June 30, 2012

**Section III - Federal Award and State Financial Assistance Findings and Questioned Costs (Continued)**

Finding No.	Compliance Findings
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**2012-02 Allowable Costs/Cost Principles – Time and Effort Reporting**

*Federal CFDA #84.027 Special Education – Grants to States (IDEA, Part B)*  
*Federal CFDA #84.391 Special Education – Grants to States (IDEA, Part B)*  
*Federal CFDA #84.173 Special Education – Preschool Grants*  
*Federal CFDA #84.192 Special Education – Preschool Grants*

**Criteria:** OMB Circular A-87, *Cost Principles for State, Local, and Indian Tribal Governments, Attachment A, Paragraph C.1* provides "To be allowable under Federal awards, costs must...be adequately documented. Further, Attachment B, Section 8(h), *Support of salaries and wages* states:

(3) Where employees are expected to work solely on a single Federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employee or supervisory official having first-hand knowledge of the work performed by the employee.

(4) Where employees work on multiple activities or cost objectives, a distribution of their salaries or wages will be supported by personnel activity reports or equivalent documentation. Such documentary support will be required where employees work on (a) More than one Federal award, (b) a Federal award and a non-Federal award....

(5) Personnel Activity reports or equivalent documentation must meet the following standards: (a) They must reflect an after-the-fact distribution of the actual activity of each employee, (b) They must account for the total activity of which each employee is compensated, (c) They must be prepared at least monthly and must coincide with one or more pay periods, and (d) they must be signed by the employee....

**Condition:** The District charged costs to the federal program for one employee that could not adequately be documented by a personal activity reports. This person is no longer employed by the District.

**Questioned Costs:** The total salary and benefits charged to this grant for this employee is \$13,808.

**Cause:** Procedures to obtain time and effort reporting data required for employees working in federal and state grants with single and multiple cost objectives are not operating effectively.

**Effect:** The District may be submitting reimbursement for expenditures that are not allowable, or not spent in the period of availability.

**Recommendation:** We recommend that the District implement an internal control procedure that would ensure all time and effort reporting data is obtained by personnel involved in federal grants for single and multiple cost objectives to support the salaries and benefits charged to each federal grant.

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended June 30, 2012

**I - Federal Award and State Financial Assistance Findings and Questioned Costs (Continued)**

Finding No.	Compliance Findings
012-03	<p><b>Title I Eligibility for Group of Individuals or Area of Service Delivery</b></p> <p><i>Federal CFDA #84.010 Title I Grants to Local Educational Agencies</i>  <i>Federal CFDA #84.389 ARRA- Title I Grants to Local Educational Agencies</i></p> <p><b>Criteria:</b> An LEA must determine which school attendance areas are eligible to participate in Title I Part A. A school attendance area is generally eligible to participate if the percentage of children from low-income families is at least as high as the percentage of children from low-income families in the LEA as a whole or at least 35 percent. An LEA may also designate and serve a school in an ineligible attendance area if the percentage of children from low-income families enrolled in that school is equal to or greater than the percentage of such children in a participating school attendance area.</p> <p><b>Condition:</b> The District was not able to provide the low income targeting data report used to complete the eligibility report required by the State of Wisconsin Department of Public Instruction for this federal grant.</p> <p><b>Cause:</b> Due to staff turnover, the District did not retain the low income targeting data report used to complete the eligibility report. The District's data system, NUTRIKIDS POS, is a live system and cannot reproduce the low income targeting data report used to determine eligibility at that point in time. The District was able to substantiate the amounts reported with a current report from their data system.</p> <p><b>Effect:</b> If the cause is not resolved, the District may report incorrect data information to the oversight agency in the future.</p> <p><b>Questioned Costs:</b> There are no questioned costs.</p> <p><b>Recommendation:</b> We recommend the District establish procedures to retain a copy of the data used to prepare the eligibility report.</p>

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended June 30, 2012

**Section III - Federal Award and State Financial Assistance Findings and Questioned Costs (Continued)**

Finding No.	Compliance Findings
2012-04	<p><b>Pupil Transportation Reporting Classifications</b></p> <p><i>State ID #255.107 General Transportation Aid for Public &amp; Non-Public School Pupils</i></p> <p><b>Criteria:</b> The requirements for state transportation aid are detailed in Section 121.53 of the Wisconsin Statutes. These requirements contain provisions that require school districts to count pupils who were actually transported once during the school year with home to school distance using the most direct route. In addition, all students who attend 1-90 should be properly classified.</p> <p><b>Condition:</b> The count of pupils receiving transportation from the School District has not been recorded accurately for the year ended June 30, 2012. Using a sample of 25 students, two students were misclassified as over 90 days and three students were misclassified as 1-90 days. In addition, the documentation for students 1-90 days enrolled did not include which mileage category the student was included in for auditor verification. Finally, upon review of the LEA's annual transportation report in comparison to the complete list of pupils, it was noted that there were 93 duplicated pupils, leading to an over reporting of students receiving transportation services.</p> <p><b>Cause:</b> The District does not identify specific procedures for reviewing the documentation received from the system before applying the data to the report. In addition, duplicate entries were not removed prior to report submission due to change in addresses. The system then creates a separate entry for that pupil.</p> <p><b>Effect:</b> The District incorrectly reported students transported by category in which pupil transportation aid for the following year is calculated with.</p> <p><b>Questioned Costs:</b> There are no questioned costs.</p> <p><b>Recommendation:</b> We recommend the preparer of the transportation report review the generated reports for accuracy and make any adjustments to the data. In addition, we recommend that the transportation report be reviewed by an employee not involved in the preparation process before the report is submitted to DPI. The review should be documented by a sign off on the draft report. The draft report, final report and supporting documentation should be retained for a proper audit trail.</p>

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended June 30, 2012

**Section IV - Other Issues**

auditor's report of the notes to the financial statement include  
 with regard to substantial doubt as to the auditee's ability to  
 as a going concern?

Yes  No

audit report show audit issues (i.e., material non-compliance, non-  
 ion-compliance, questioned costs, material weakness, significant  
 r, management letter comment, excess revenue or excess reserve)  
 grants/contracts with funding agencies that require audits to be in  
 ce with the *State Single Audit Guidelines*;  
 rtment of Public Instruction  
 rtment of Administration  
 rtment of Health Services

Yes  No  
 Yes  No  
 Yes  No

management Letter or other document conveying audit comments  
 a result of this audit?

Yes  No

signature of shareholder

  
 David L. Maccoux, CPA

port

November 2, 2012

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Prior Year Audit Findings and Corrective Action Plan  
 For the Year Ended June 30, 2012

**Status of Prior Year Audit Finding**

All findings noted in the 2011 Schedule of Findings and questioned Costs have been reported to the proper  
 federal and state agencies. Management continues to review the financial reports prepared and be responsible  
 for their accuracy as outline in finding 2011-01.

For finding 2011-03, the District evaluated and changed their control procedures to better account for federal time  
 and effort reporting requirements. Although improved, an error was noted and this will be repeated as finding  
 2012-03.

For findings 2011-02 and 2011-04, these findings have been resolved.

**Corrective Action Plan for Audit Findings**

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

**2012-01 Year End Financial Reporting**

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

**2012-02 Allowable Costs/Cost Principles - Time and Effort Reporting**

Management Response: The Special education department added staff in early 2012 to assist with Special  
 Education accounting. The staff has implemented a time and effort reporting system that  
 will obtain documentation to support cost allocations to grants.

**2012-03 Title I Eligibility for Group of Individuals or Area of Service Delivery**

Management Response: Changes in the organization during the year changed the staff responsible for the report.  
 A procedure has been developed for the future that utilizes readily available reports for  
 verification.

**2012-04 Pupil Transportation Reporting Classifications**

Management Response: Changes In data entry for the District's student data system, Skyward, caused issues with  
 using the data for the District's transportation data system, Edulog. In prior years, student  
 data information was downloaded daily into the transportation system. When this is done  
 all duplicate records are eliminated. Last year the district was not able to download the  
 Skyward data as there were many issues with the student data base versus the  
 transportation system. To maintain the accuracy of the transportation student information  
 was key entered. Until daily downloads can resume, a report has been developed and will  
 be used to identify duplicate records in the Edulog transportation software. This report  
 will be run prior to gathering information for the state reports. This will be done until we  
 are unable to do a daily download of the student data base system, which automatically  
 removes all duplicate records. When the state report is complete it will be reviewed and  
 verified with the immediate supervisor of the transportation department. Reports and  
 supporting documentation will be maintained as required by the State.

**APPENDIX B**

**FORM OF CONTINUING DISCLOSURE CERTIFICATE**

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the Racine Unified School District, Racine County, Wisconsin (the "Issuer") in connection with the issuance of \$10,000,000 General Obligation Refunding Bonds, dated January 3, 2013 (the "Securities"). The Securities are being issued pursuant to a Resolution adopted by the Governing Body of the Issuer on December 17, 2012 (the "Resolution") and delivered to \_\_\_\_\_ (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

Section 1(a). Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Securities in order to assist the Participating Underwriters within the meaning of the Rule (defined herein) in complying with SEC Rule 15c2-12(b)(5). References in this Disclosure Certificate to holders of the Securities shall include the beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule.

Section 1(b). Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at [www.emma.msrb.org](http://www.emma.msrb.org) in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Final Official Statement" means the Final Official Statement dated December 17, 2012 delivered in connection with the Securities, which is available from the MSRB.

"Fiscal Year" means the fiscal year of the Issuer.

"Governing Body" means the School Board of the Issuer or such other body as may hereafter be the chief legislative body of the Issuer.

"Issuer" means the Racine Unified School District, Wisconsin which is the obligated person with respect to the Securities.

"Issuer Contact" means the Chief Financial Officer of the Issuer who can be contacted at 3109 Mount Pleasant Street, Racine, Wisconsin 53404, phone (262) 619-4663, fax (262) 664-8716.

"Material Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board located at 1900 Duke Street, Suite 600, Alexandria, Virginia 22314.

"Participating Underwriter" means any of the original underwriter(s) of the Securities (including the Purchaser) required to comply with the Rule in connection with the offering of the Securities.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof.

"SEC" means the Securities and Exchange Commission.

### Section 3. Provision of Annual Report and Audited Financial Statements.

(a) The Issuer shall, not later than 270 days after the end of the Fiscal Year, commencing with the year that ends June 30, 2013, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 270 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

(b) If the Issuer is unable or fails to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of that fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Report. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements, current general fund budget summary and updates of the following sections of the Final Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

1. Tax Levies, Rates and Collections
2. Equalized Valuations
3. Indebtedness of the District — Direct Indebtedness



Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet website or filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
7. Modification to rights of holders of the Securities, if material;
8. Securities calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified in subsection (a)12. above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) When a Material Event occurs, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the Material Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Material Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(c) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolution and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Securities.

Section 7. Issuer Contact; Agent. Information may be obtained from the Issuer Contact. Additionally, the Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertakings to violate the Rule. The provisions of this Disclosure Certificate constituting the Undertaking or any provision hereof, shall be null and void in the event that the Issuer delivers to the MSRB an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Securities. The provisions of this Disclosure Certificate constituting the Undertaking may be amended without the consent of the holders of the Securities, but only upon the delivery by the Issuer to the MSRB of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this Disclosure Certificate and by the Issuer with the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or

including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 10. Default. (a) Except as described in the Final Official Statement, in the previous five years, the Issuer has not failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events.

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Securities may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Securities and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and holders from time to time of the Securities, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 3rd day of January, 2013.

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Dennis Wiser  
District President

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Gretchen L. Warner  
District Clerk

**APPENDIX C**

**FORM OF LEGAL OPINION**

Quarles & Brady LLP  
411 East Wisconsin Avenue  
Milwaukee, WI 53202

January 3, 2013

Re: Racine Unified School District, Wisconsin ("Issuer")  
\$10,000,000 General Obligation Refunding Bonds,  
dated January 3, 2013 ("Bonds")

We have acted as bond counsel to the Issuer in connection with the issuance of the Bonds. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The Bonds are numbered from R-1 and upward; bear interest at the rates set forth below; and mature on April 1 of each year, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2023	\$ 795,000	____%
2024	1,740,000	____
2025	1,785,000	____
2026	1,840,000	____
2027	1,890,000	____
2028	1,950,000	____

Interest is payable semi-annually on April 1 and October 1 of each year commencing on April 1, 2013.

The Bonds are subject to redemption prior to maturity, at the option of the Issuer, on April 1, 2021 or on any date thereafter. Said Bonds are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer and within each maturity, by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

We further certify that we have examined a sample of the Bonds and find the same to be in proper form.

Based upon and subject to the foregoing, it is our opinion under existing law that:

1. The Bonds have been duly authorized and executed by the Issuer and are valid and binding general obligations of the Issuer.

2. All the taxable property in the territory of the Issuer is subject to the levy of ad valorem taxes to pay principal of, and interest on, the Bonds, without limitation as to rate or amount. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Bonds except to the extent that necessary funds have been irrevocably deposited into the debt service fund account established for the payment of the principal of and interest on the Bonds.

3. The interest on the Bonds is excludable for federal income tax purposes from the gross income of the owners of the Bonds. The interest on the Bonds is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals. However, for purposes of computing the alternative minimum tax imposed on corporations, the interest on the Bonds is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Bonds in order for interest on the Bonds to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Bonds to be included in gross income retroactively to the date of issuance of the Bonds. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Bonds.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds other than as expressly set forth herein.

The rights of the owners of the Bonds and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and may be subject to the exercise of judicial discretion in accordance with general principles of equity, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

QUARLES & BRADY LLP

## **APPENDIX D**

### **OFFICIAL NOTICE OF SALE AND BID FORM FOR**

**RACINE UNIFIED SCHOOL DISTRICT  
Racine County, Wisconsin  
\$10,000,000\* General Obligation Refunding Bonds**

#### **Sale Data:**

**Sale Date and Time:** Monday, December 17, 2012  
10:00 a.m. Central Time

**Place:** Robert W. Baird & Co.  
Public Finance Department  
777 East Wisconsin Avenue, 25<sup>th</sup> Floor  
Milwaukee, Wisconsin 53202

Attention: Ms. Katherine Voss  
Phone: (414) 765-3827  
Fax: (414) 298-7354

Bids will also be accepted electronically  
via PARITY

*\*Preliminary, subject to change.*

OFFICIAL NOTICE OF SALE

\$10,000,000\*  
RACINE UNIFIED SCHOOL DISTRICT  
RACINE COUNTY, WISCONSIN  
GENERAL OBLIGATION REFUNDING BONDS  
DATED JANUARY 3, 2013

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NOTICE IS HEREBY GIVEN that bids will be received by the School Board, Racine Unified School District, Racine County, Wisconsin for the purchase of all but no part of its Bonds electronically via PARITY (as described below) or at the offices of the District's financial advisor, Robert W. Baird & Co. Incorporated ("Baird"), 777 East Wisconsin Avenue, 25th Floor, Milwaukee, WI 53202, Attention: Kathy Voss until 10:00 a.m. (Central Time) on

December 17, 2012

at which time the bids will be publicly opened and read. Bids may be mailed or delivered to Baird at the address set forth above, faxed to Baird at (414) 298-7354, or submitted electronically via PARITY, as described below. Signed bids, without final price or coupons, may be submitted to Baird prior to the time of sale. The bidder shall be responsible for submitting to Baird the final bid price and coupons, by telephone (414) 765-3827 or fax (414) 298-7354 for inclusion in the submitted bid. Bids which are mailed or delivered should be plainly marked "Bid for Racine Unified School District Bonds". Bids will only be considered if the required good faith deposit has been received. A meeting of the School Board will be held on said date for the purpose of taking action on such bids as may be received.

Dates and Maturities: The Bonds will be dated January 3, 2013 and will mature on April 1 of each year, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount*</u>
2023	\$ 795,000
2024	1,740,000
2025	1,785,000
2026	1,840,000
2027	1,890,000
2028	1,950,000

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\* Preliminary, subject to change. The District reserves the right, after bids are opened and prior to the award, to increase or reduce the principal amount of the Bonds offered for sale. Any such increase or reduction will be made in multiples of \$5,000 in any maturity. In the event the principal amount is increased or reduced, any premium offered or any discount taken by the successful bidder will be increased or reduced by a percentage equal to the percentage by which the principal amount of the Bonds is increased or reduced.



Interest: Interest on the Bonds will be payable semi-annually on April 1 and October 1 of each year, commencing on April 1, 2013 to the registered owners of the Bonds appearing of record in the bond register as of the close of business on the fifteenth day (whether or not a business day) of the immediately preceding month. Interest will be computed upon the basis of a 360-day year of twelve 30-day months and will be rounded pursuant to rules of the MSRB.

Optional Redemption: The Bonds will be subject to redemption prior to maturity, at the option of the District, on April 1, 2021 or on any date thereafter. Said Bonds will be redeemable as a whole or in part, and if in part, from maturities selected by the District and within each maturity, by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

No Term Bond Option: Bids for the Bonds may not provide for term bonds.

Security and Purpose: The Bonds are general obligations of the District. The principal of and interest on the Bonds will be payable from ad valorem taxes, which may be levied without limitation as to rate or amount upon all of the taxable property located in the District. The Bonds will be issued for the purpose of paying the cost of refunding certain outstanding obligations of the District, to wit: Note Anticipation Notes, dated November 1, 2012.

Registration: The Bonds will be issued as fully-registered Bonds without coupons and, when issued, will be registered only in the name of CEDE & CO., as nominee for The Depository Trust Company, New York, New York ("DTC").

DTC Book Entry Only System: UTILIZATION OF DTC IS REQUIRED. BIDS FOR THE BONDS MAY NOT PROVIDE FOR THE BONDS TO BE ISSUED ON A NON-DTC BASIS. DTC will act as securities depository of the Bonds. A single Bond certificate for each maturity will be issued to DTC and immobilized in its custody. Individual purchases may be made in book-entry form only pursuant to the rules and procedures established between DTC and its participants, either in the denomination of \$5,000 or any integral multiple thereof or in the denomination of \$100,000 or more as specified in the Bonds. Individual purchasers will not receive certificates evidencing their ownership of the Bonds purchased. The successful bidder shall be required to deposit the Bond certificates with DTC as a condition to delivery of the Bonds. The District will make payments of principal and interest on the Bonds to DTC or its nominee as registered owner of the Bonds in same-day funds. Transfer of those payments to participants of DTC will be the responsibility of DTC; transfer of the payments to beneficial owners by DTC participants will be the responsibility of such participants and other nominees of beneficial owners all as required by DTC rules and procedures. No assurance can be given by the District that DTC, its participants and other nominees of beneficial owners will make prompt transfer of the payments as required by DTC rules and procedures. The District assumes no liability for failures of DTC, its participants or other nominees to promptly transfer payments to beneficial owners of the Bonds.

Depository: In the event that the securities depository relationship with DTC for the Bonds is terminated and the District does not appoint a successor depository, the District will prepare, authenticate and deliver, at its expense, fully-registered certificated Bonds in the

denomination of \$5,000 or any integral multiple thereof in the aggregate principal amount of Bonds of the same maturities and with the same interest rate or rates then outstanding to the beneficial owners of the Bonds.

Fiscal Agent: The Bonds shall be distributed to the owners in fully-registered form by the fiscal agent for the District (the "Fiscal Agent") in the denomination of \$5,000 or any integral multiple thereof. Such Fiscal Agent will be designated by the District at the time of the sale of the Bonds. The Bonds shall be payable as to interest by check or draft of the Fiscal Agent mailed to the registered owners whose names appear on the books of the Fiscal Agent at the close of business on the fifteenth day of each calendar month next preceding each interest payment date and as to principal by presentation of the Bonds at the office of the Fiscal Agent. The District will pay all costs relating to the registration of the Bonds.

Qualified Tax-Exempt Obligations: The Bonds will be deemed to be "qualified tax-exempt obligations" pursuant to the provisions of Section 265(b)(3)(D)(ii) of the Internal Revenue Code of 1986, as amended. The District Clerk or other officer of the District charged with the responsibility for issuing the Bonds, shall provide an appropriate certificate of the District as of the date of delivery and payment for the Bonds confirming the "qualified" status.

Bid Specifications: Bids will be received on an interest rate basis in integral multiples of One-Twentieth (1/20) or One-Eighth (1/8) of One Percent (1%). All Bonds of the same maturity shall bear the same interest rate. No bid for less than One Hundred Percent (100%) of the principal amount of the Bonds (\$10,000,000) nor more than One Hundred One and Twenty-Five One Hundredths Percent (101.25%) of the principal amount of the Bonds (\$10,125,000) plus accrued interest to the date of delivery will be considered. The Bonds will be awarded to a responsible bidder whose proposal results in the lowest true interest cost to the District. The initial reoffering prices for the Bonds must not result in an original issue premium which exceeds an amount equal to the sum of (i) \$200,000, plus (ii) any original issue premium that is attributable exclusively to reasonable underwriter's compensation, less (iii) costs of issuance payable by the underwriter in the amount of \$75,900.

**The underwriter shall be responsible for paying all costs of issuance on behalf of the District. These costs include the financial advisor fee, attorney fees, rating agency fee, and the fees for preparing and printing the Preliminary and Final Official Statement and other miscellaneous expenses of the District incurred in connection with the offering and delivery of the Bonds. The total of these costs is \$75,900.**

Type of Bid – Amount: Bids must be submitted either: (1) to Robert W. Baird & Co. Incorporated as set forth herein; or (2) electronically via PARITY, in accordance with this Official Notice of Sale, within a one hour period prior to the time of sale, but no bids will be received after the time established above for the opening of bids. If any provisions in this Notice are conflicting with any instructions or directions set forth in PARITY, this Official Notice of Sale shall control. The normal fee for use of PARITY may be obtained from PARITY, and such fee shall be the responsibility of the bidder. For further information about PARITY, potential bidders may contact Robert W. Baird & Co. Incorporated, 25th Floor, 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202 or PARITY, c/o i-Deal LLC, 1359 Broadway, 2nd Floor, New York, New York 10018, telephone (212) 849-5021. The District and Robert W. Baird &

Co. Incorporated assume no responsibility or liability for bids submitted through PARITY. Each bidder shall be solely responsible for making necessary arrangements to access PARITY for purposes of submitting its electronic bid in a timely manner and in compliance with the requirements of the Official Notice of Sale. Neither the District, its agents nor PARITY shall have any duty or obligation to undertake registration to bid for any prospective bidder or to provide or ensure electronic access to any qualified prospective bidder, and neither the District, its agents nor PARITY shall be responsible for a bidder's failure to register to bid or for any failure in the proper operation of, or have any liability for any delays or interruptions of or any damages caused by the services of PARITY. The District is using the services of PARITY solely as a communication mechanism to conduct the electronic bidding for the Bonds, and PARITY is not an agent of the District.

The District may regard the electronic transmission of the bid via the electronic service (including information about the purchase price for the Bonds and interest rate or rates to be borne by the Bonds and any other information included in such transmission) as though the same information were submitted on the bid form and executed on behalf of the bidder by a duly authorized signatory. If the bid is accepted by the District, the terms of the bid form, this Official Notice of Sale, and the information transmitted through the electronic service shall form a contract, and the bidder shall be bound by the terms of such contract.

For information purposes only, bidders are requested to state in their electronic bids the true interest cost to the District, as described in this Official Notice of Sale and in the written form of Official Bid Form. All electronic bids shall be deemed to incorporate the provisions of this Official Notice of Sale and the form of Official Bid Form.

Good Faith Deposit: A cashier's check in the amount of \$200,000 may be submitted contemporaneously with the bid *or, in the alternative, a deposit in the amount of \$200,000 shall be made by the winning bidder by federal wire transfer as directed by the District Clerk or District Treasurer to be received by the District no later than 1:00 p.m. prevailing Central Time on the day of the bid opening (December 17, 2012) as a guarantee of good faith on the part of the bidder to be forfeited as liquidated damages if such bid be accepted and the bidder fails to take up and pay for the Bonds.* The good faith deposit will be applied to the purchase price of the Bonds. In the event the successful bidder fails to honor its accepted bid, the good faith deposit will be retained by the District. No interest shall be allowed on the good faith deposit. Payment for the balance of the purchase price of the Bonds shall be made at the closing. Good faith checks of unsuccessful bidders will be returned by overnight delivery for next day receipt sent not later than the first business day following the sale.

Bond Insurance at Bidder's Option: If the Bonds qualify for issuance of any policy of municipal bond insurance or commitment therefor at the option of the bidder, the purchase of any such insurance policy or the issuance of any such commitment shall be at the sole option and expense of the successful bidder. Any increased costs of issuance of the Bonds resulting from such purchase of insurance shall be paid by the successful bidder, except that, if the District has requested and received a rating on the Bonds from a rating agency, the District will pay that rating fee. Any other rating agency fees shall be the responsibility of the successful bidder. Failure of the municipal bond insurer to issue the policy after the Bonds have been awarded to

the successful bidder shall not constitute cause for failure or refusal by the successful bidder to accept delivery on the Bonds.

Delivery: The Bonds will be delivered in printed form, one Bond per maturity, registered in the name of CEDE & CO., as nominee of The Depository Trust Company, securities depository of the Bonds for the establishment of book-entry accounts at the direction of the successful bidder, within approximately forty-five (45) days after the award. Payment at the time of delivery must be made in federal or other immediately available funds. In the event delivery is not made within forty-five (45) days after the date of the sale of the Bonds, the successful bidder may, prior to tender of the Bonds, at its option, be relieved of its obligation under the contract to purchase the Bonds and its good faith deposit shall be returned, but no interest shall be allowed thereon.

Legality: The successful bidder will be furnished without cost, the unqualified approving legal opinion of Quarles & Brady LLP of Milwaukee, Wisconsin. A transcript of the proceedings relative to the issuance of the Bonds (including an arbitrage certificate and a no-litigation certificate) will be furnished to the successful bidder without cost. A Continuing Disclosure Certificate will be delivered at closing setting forth the details and terms of the District's undertaking and such Certificate is a condition of closing.

CUSIP Numbers: The District will assume no obligation for the assignment of CUSIP numbers on the Bonds or for the correctness of any numbers printed thereon. The District will permit such numbers to be assigned and printed at the expense of the successful bidder, but neither the failure to print such numbers on any Bonds nor any error with respect thereto will constitute cause for failure or refusal by the successful bidder to accept delivery of the Bonds.

Reoffering Prices: Simultaneously with or before delivery of the Bonds, the successful bidder shall furnish to the District a certificate, made on the best knowledge, information and belief of the successful bidder, acceptable to bond counsel, stating the initial reoffering prices to the public of each maturity of the Bonds and further stating that a substantial amount of each maturity of the Bonds was sold to the public or final purchasers thereof (not including bond houses and brokers or similar persons or organizations acting in the capacity of underwriters or wholesalers) at or below such initial reoffering prices. The initial reoffering prices for the Bonds must not result in an original issue premium which exceeds an amount equal to the sum of (i) \$200,000, plus (ii) any original issue premium that is attributable exclusively to reasonable underwriter's compensation, less (iii) costs of issuance payable by the underwriter in the amount of \$75,900.

Official Statement: Bidders may obtain a copy of the Preliminary Official Statement by request to the District's financial advisor prior to the bid opening. By submitting a bid, the successful bidder agrees to supply to the District within 24 hours after the award of the Bonds all necessary pricing information and any underwriter identification necessary to complete the Preliminary Official Statement. Within seven days of the award of the Bonds, the successful bidder will be provided with an electronic copy of the Official Statement in pdf format and up to 10 copies of the Official Statement without cost. If the successful bidder is the manager of an underwriting syndicate, the successful bidder shall be responsible for distributing copies of the Official Statement to syndicate members.

Certification Regarding Official Statement: The District will deliver, at closing, a certificate, executed by appropriate officers of the District acting in their official capacities, to the effect that the facts contained in the Official Statement relating to the District and the Bonds are true and correct in all material respects, and that the Official Statement does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements therein, in light of the circumstances under which they were made, not misleading. The District also agrees to notify the successful bidder of any material developments impacting the District or the Bonds of which the District becomes aware within 60 days after the delivery of the Bonds.

Undertaking to Provide Continuing Disclosure: In order to assist bidders in complying with SEC Rule 15c2-12, as amended, the District will covenant to undertake (pursuant to a Resolution to be adopted by the School Board), to provide annual reports and timely notice of certain events for the benefit of holders of the Bonds. The details and terms of the undertaking are set forth in a Continuing Disclosure Certificate to be executed and delivered by the District, a form of which is included in the Preliminary Official Statement and in the Final Official Statement.

Irregularities: The District reserves the right to reject any and all bids and to waive any and all irregularities.

Information: The internet address for the Preliminary Official Statement is: [www.bairdbondsales.com](http://www.bairdbondsales.com). Copies of the Preliminary Official Statement and additional information may be obtained by addressing inquiries to: Robert W. Baird & Co. Incorporated, 777 East Wisconsin Avenue, Milwaukee, Wisconsin 53202; Attention: Kathy Voss, (414) 298-7702 or the undersigned.

David Hazen  
Chief Financial Officer  
Racine Unified School District  
3109 Mount Pleasant Street  
Racine, WI 53404  
Phone: (262) 619-4663

**BID FORM  
 RACINE UNIFIED SCHOOL DISTRICT  
 RACINE COUNTY, WISCONSIN  
 \$10,000,000\* General Obligation Refunding Bonds**

Mr. Dennis Wisner, President  
 and Members of the School Board  
 RACINE UNIFIED SCHOOL DISTRICT  
 3109 Mount Pleasant Street  
 Racine, WI 53404

Dear Mr. Wisner and Members of the School Board:

For all but no part of your issue of \$10,000,000\* General Obligation Refunding Bonds (the "Bonds") said bid being no less than \$10,000,000 (100% of par) nor more than \$10,125,000 (101.25% of par) we offer to pay a price of \$\_\_\_\_\_. The dated and delivery date of the Bonds is January 3, 2013. The Bonds shall bear interest as follows:

(April 1)	Rate
2023	_____ %
2024	_____ %
2025	_____ %
2026	_____ %
2027	_____ %
2028	_____ %

This bid is made subject to all the terms and conditions of the Official Notice of Sale heretofore received and the Official Notice of Sale heretofore published, all terms and conditions which are made a part hereof as fully as though set forth in full in this bid.

**The underwriter shall be responsible for paying all costs of issuance on behalf of the Issuer. These costs include the Financial Advisor fee, Attorney fees, Rating Agency fee, and the fees for preparing and printing the Preliminary and Final Official Statement and other miscellaneous expenses of the District incurred in connection with the offering and delivery of the Bonds. The total of these costs is \$75,900.**

**Good Faith Deposit:** A cashier's check in the amount of \$200,000 may be submitted contemporaneously with the bid or, in the alternative, a deposit in the amount of \$200,000 shall be made by the winning bidder by federal wire transfer as directed by the District Clerk or District Treasurer to be received by the District no later than 1:00 p.m. prevailing Central Time on the day of the bid opening (December 17, 2012) as a guarantee of good faith on the part of the bidder to be forfeited as liquidated damages if such bid be accepted and the bidder fails to take up and pay for the Bonds.

\_\_\_\_\_ Managing Underwriter

Direct Contact and Phone Number: \_\_\_\_\_

By: \_\_\_\_\_

Please attach a list of account members

For your information, but not as a condition of this bid, the above interest rates result in:

Net Interest Cost \$ \_\_\_\_\_ True Interest Rate \_\_\_\_\_ %

The foregoing offer is hereby accepted this 17<sup>th</sup> day of December 2012 by the Members of the School Board and in recognition therefore is signed by the Officers empowered and authorized to make such acceptance.

\_\_\_\_\_ President

\_\_\_\_\_ District Clerk

*\*Preliminary, subject to change. The District reserves the right, after bids are opened and prior to award, to increase or reduce the principal amount of the Bonds offered for sale. Any such increase or reduction will be made in multiples of \$5,000 in any of the maturities. In the event the principal amount of the Bonds is increased or reduced, any premium offered or any discount taken by the successful bidder will be increased or reduced by a percentage equal to the percentage by which the principal amount of the Bonds is increased or reduced.*