

FINAL OFFICIAL STATEMENT DATED JULY 21, 2014

NEW ISSUE  
Bank Qualified

Moody's Rated "MIG 1"  
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 Notes is excludable from gross income and is not an item of tax preference for federal income tax purposes. The Notes 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 Notes. The interest on the Notes is not exempt from present Wisconsin income or franchise taxes.*

**\$9,200,000**  
**RACINE UNIFIED SCHOOL DISTRICT**  
**Racine County, Wisconsin**  
**Note Anticipation Notes**

Dated: August 11, 2014

Due: July 15, 2015

The \$9,200,000 Note Anticipation Notes (the "Notes") will be dated August 11, 2014, will be in the denomination of \$5,000 each or any multiple thereof, and will mature on July 15, 2015. Interest on the Notes shall be payable at maturity on July 15, 2015.

**MATURITY SCHEDULE**

				CUSIP <sup>(1)</sup>
(July 15)	Amount	Rate	Yield	Base
2015	\$9,200,000	1.70%	0.20%	750046
				KK9

The Notes are being issued by Racine Unified School District, Wisconsin (the "District") pursuant to Chapter 67 of the Wisconsin Statutes. The proceeds from the sale of the Notes will provide interim financing for the remaining portion of energy conservation and efficiency projects, technology upgrades and improvements, remodeling, rehabilitations and repairs at all District facilities, including maintenance projects and related equipment. (See "THE FINANCING PLAN" herein.)

The 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 Notes are payable only from (a) any proceeds of the Notes set aside for payment of interest on the same as it becomes due; and (b) proceeds to be derived from the issuance and sale of general obligation promissory notes which the District has authorized and has covenanted to issue and which proceeds are pledged for the payment of principal of and interest on the Notes.

The Notes are subject to call and prior redemption on February 11, 2015 or any date thereafter, in whole or in part, by lot, at par plus accrued interest to the date of redemption. (See "REDEMPTION PROVISIONS" herein.)

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

The Notes will be issued only as fully registered Notes 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 Notes. 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 Notes will not receive certificates representing their interest in the Notes purchased. (See "BOOK-ENTRY-ONLY SYSTEM" herein.)

***The District's Notes 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 Notes is on or about August 11, 2014.***

**Jefferies**

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

**SCHOOL BOARD**

Dennis Wiser, President  
Chris Eperjesy, Vice President  
Guadalupe Rendon, Treasurer  
Pamela Handrow, Clerk  
Dr. Michael Frontier, Member  
Pastor Melvin Hargrove, Member  
Julie L. McKenna, Member  
Don J. Nielsen, Member  
Kim Plache, Member

**ADMINISTRATION**

Dr. LaDarla Haws, Superintendent  
David Hazen, Chief Operations Officer  
Marc Duff, Deputy Financial Officer  
Kathy Irish, Director of Financial Services

**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\*

*\*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 Notes 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 Notes 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 the Racine Unified School District, Wisconsin (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 Notes by any person in any jurisdiction in which it is unlawful to make such an offer, solicitation or sale.

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 for 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 Notes 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 NOTES, THE UNDERWRITER MAY OR MAY NOT OVERALLOT OR EFFECT TRANSACTIONS THAT STABILIZE OR MAINTAIN THE MARKET PRICES OF THE NOTES 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 NOTES MAY BE CHANGED FROM TIME TO TIME BY THE UNDERWRITER AFTER THE NOTES ARE RELEASED FOR SALE AND THE NOTES MAY BE OFFERED AND SOLD AT PRICES OTHER THAN THE INITIAL OFFERING PRICES, INCLUDING SALES TO DEALERS WHO MAY SELL THE NOTES INTO INVESTMENT ACCOUNTS.**

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## SUMMARY

<b>District:</b>	Racine Unified School District, Racine County, Wisconsin.
<b>Issue:</b>	\$9,200,000 Note Anticipation Notes.
<b>Dated Date:</b>	August 11, 2014.
<b>Interest Due:</b>	Interest on the Notes will be due at maturity on July 15, 2015 and will be computed on the basis of a 30-day month and a 360-day year.
<b>Principal Due:</b>	July 15, 2015.
<b>Redemption Provisions:</b>	The Notes are subject to call and prior redemption on February 11, 2015 or any date thereafter, in whole or in part, by lot, at par plus accrued interest to the date of redemption. The amount of the Notes to be redeemed shall be selected by the District. If less than the entire principal amount is to be redeemed, the Notes which are to be redeemed shall be selected by lot. Notice of such call shall be given by mailing a notice thereof by registered or certified mail, facsimile, electronic transmission, overnight delivery or in any other manner required by DTC, 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 Note to be redeemed at the address shown on the registration books. (See "REDEMPTION PROVISIONS" herein.)
<b>Security:</b>	The 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 Notes are payable only from (a) any proceeds of the Notes set aside for payment of interest on the same as it becomes due; and (b) proceeds to be derived from the issuance and sale of general obligation promissory notes which the District has authorized and has covenanted to issue and which proceeds are pledged for the payment of principal of and interest on the Notes.
<b>Purpose:</b>	The proceeds from the sale of the Notes will provide interim financing for the remaining portion of energy conservation and efficiency projects, technology upgrades and improvements, remodeling, rehabilitations and repairs at all District facilities, including maintenance projects and related equipment. (See "THE FINANCING PLAN" herein.)
<b>Tax Status:</b>	Interest on the Notes is excludable from gross income for federal income tax purposes. (See "TAX EXEMPTION" herein.)
<b>Credit Ratings:</b>	This issue has been assigned a "MIG 1" rating by Moody's Investors Service, Inc. (See "RATINGS" herein.)
<b>Bank Qualification:</b>	The Notes shall be "qualified tax-exempt obligations."
<b>Bond Years:</b>	8,535.56 years.
<b>Average Life:</b>	0.928 years.
<b>Record Date:</b>	The last 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.

## **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 \$9,200,000 Note Anticipation Notes (the "Notes"). The Notes are issued pursuant to the Constitution and laws of the State and the resolutions (the "Resolutions") adopted by the School Board (the "Board") and other proceedings and determinations related thereto.

All summaries of statutes, documents and the Resolutions 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 Resolutions, and references herein to the Notes are qualified in their entirety by reference to the form thereof included in the Resolutions. Copies of the Resolutions 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 "2012 NANs"), which provided interim financing for a portion of the cost of the Project. The 2012 NANs were dated November 1, 2012, were due to mature on November 1, 2013 and were callable at par on February 1, 2013 or any date thereafter.

On December 17, 2012, the District authorized the issuance of \$10,000,000 General Obligation Refunding Bonds (the "2012 Bonds"), which provided permanent financing for the 2012 NANs. The 2012 Bonds are dated January 3, 2013 and are callable at par on April 1, 2021 or any date thereafter.

On March 18, 2013, the District authorized the issuance of \$14,000,000 Note Anticipation Notes (the "2013 NANs"), which provided temporary, short-term interim financing for a portion of the cost of the Project. The 2013 NANs are dated April 8, 2013, were due to mature on January 8, 2014 and were callable at par on July 8, 2013 or any date thereafter.

On May 20, 2013, the District authorized the issuance of \$21,735,000 General Obligation Promissory Notes (the "2013 Notes"), which provided permanent financing for an \$11,970,000 portion of the 2013 NANs and paid an additional \$10,000,000 portion of the Project. The 2013 Notes are dated June 10, 2013 and are callable at par on April 1, 2021 or any date thereafter.

On May 20, 2013, the District authorized the issuance of \$2,020,000 Taxable General Obligation Refunding Bonds (Qualified Energy Conservation Bonds-Direct Payment) (the "2013 Bonds"), which provided permanent financing for a \$2,030,000 portion of the 2013 NANs. The 2013 Bonds are dated June 10, 2013 and are not subject to optional call and prior redemption.

The Board authorized the issuance of and awarded the sale of the Notes on July 21, 2014. The Notes will provide interim financing for the remaining portion of the cost of the Project. The Notes are dated August 11, 2014, are due to mature on July 15, 2015 and are callable at par on February 11, 2015 or any date thereafter.

The District intends to refund the Notes on or about February 11, 2015.

## REDEMPTION PROVISIONS

### Optional Redemption

The Notes are subject to call and prior redemption on February 11, 2015 or any date thereafter, in whole or in part, by lot, at par plus accrued interest to the date of redemption.

## ESTIMATED SOURCES AND USES

### **Sources of Funds**

Par Amount of Notes	\$9,200,000
Reoffering Premium	68,908
Total Sources of Funds:	<u>\$9,268,908</u>

### **Uses of Funds**

Deposit to Project Construction Fund	\$9,200,000
Costs of Issuance (Including Underwriter's Discount)	65,504
Bid Premium available for Debt Service	3,404
Total Uses of Funds:	<u>\$9,268,908</u>

## 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 Notes 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 School 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 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 are summaries of certain provisions of the Resolutions adopted by the District pursuant to the procedures prescribed by Wisconsin Statutes. Reference is made to the Resolutions for a complete recital of their terms.

**The Authorizing Resolution, Interim Financing**

By way of the Authorizing 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 with no sufficient petition having been filed.

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

The District adopted a resolution on December 17, 2012 and issued its 2012 Bonds dated January 3, 2013 for the purpose of refunding the 2012 NANs in order to provide permanent financing for the portion of the Project financed by the 2012 NANs.

By way of a resolution adopted on March 18, 2013, the Board authorized the issuance of its 2013 NANs for the purpose of providing temporary, short-term interim financing for an additional portion of the Project, which 2013 NANs were issued April 8, 2013.

The District adopted a resolution on May 20, 2013 and issued its 2013 Notes dated June 10, 2013 for the purpose of refunding a portion of the 2013 NANs in order to provide permanent financing for a portion of the Project financed by the 2013 NANs and to provide permanent financing for such portion of the Project.

The District adopted a resolution on May 20, 2013 and issued its 2013 Bonds dated June 10, 2013 for the purpose of refunding the remaining portion of the 2013 NANs in order to provide permanent financing for such portion of the Project financed by the 2013 NANs.

**Award Resolution**

By way of the resolution adopted on July 21, 2014 (the "Award Resolution"), the District accepted the bid of the Underwriter for the purchase of the Notes, which resulted in the lowest interest cost to the District, provided the details and form of the Notes, and set out certain covenants with respect thereto. Pursuant to the Award Resolution, the District will covenant to issue general obligation promissory notes as soon as practicable, as necessary to pay the Notes. The District will also covenant to maintain sufficient debt issuance capacity to permit such notes to be issued.

**THE DISTRICT**

The administration of the District is exercised by a 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 Wisner, President	April, 2017
Chris Eperjesy, Vice President	April, 2016
Pamala Handrow, Clerk	April, 2017
Guadalupe Rendon, Treasurer	April, 2015
Dr. Michael Frontier, Member	April, 2016
Pastor Melvin Hargrove, Member	April, 2017
Julie L. McKenna, Member	April, 2016
Don J. Nielsen, Member	April, 2015
Kim Plache, Member	April, 2015

Source: The District.

**Administration**

<u>Name</u>	<u>Title</u>	<u>Years of Service</u>
Dr. LaDarla Haws	Superintendent	1*
David Hazen	Chief Operations Officer	6
Marc Duff	Deputy Financial Officer	6
Kathy Irish	Director of Financial Services	6

\*Dr. Haws was previously the Instructional Superintendent for the District of Columbia Public Schools in Washington D.C.

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
Racine Civil Leaders Academy	1856	
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
Turning Point Academy	1856	

## **High Schools**

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

## **Combined Senior High and Middle Schools**

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

Source: The District.

**School Enrollments**

<u>Year</u>	<u>Total</u>
2009-10	21,158
2010-11	21,627
2011-12	21,467
2012-13	21,691
2013-14	21,238
2014-15*	20,936
2015-16*	20,415
2016-17*	20,051
2017-18*	19,754
2018-19*	19,389

*\*Projected Enrollments based on current enrollment trends.*

*Source: The District.*

**Employment Relations**

<u>Department</u>	<u>2014-15*</u>
Teachers	1,663
Administrators	145
Educational Assistants	351
Secretarial/Clerical	150
Building and grounds	188
TOTAL	<u>2,497</u>

*\*Full Time Equivalents. Represent budgeted employment numbers.*

*Source: The District.*

**Labor Contracts**

<u>Organization</u>	<u>Represents</u>	<u>Expiration Date*</u>
Racine Education Association	Teachers and Nurses	June 30, 2015
Racine Education Association	Educational Assistants	June 30, 2015
Racine Educational Aides Association	Instructional Aides	June 30, 2015
The Service Employees' International Union Local 152, Secretarial/Clerical	Secretarial and Clerical members	June 30, 2015
The Service Employees' International Union Local 152, Building Service Employees	Building Service Employees	June 30, 2015
Allied Trades Local 108 Painters of Racine Unified Schools	Members	June 30, 2015
Milwaukee and Southeastern Wisconsin District Council of Carpenters Local 161	Members	June 30, 2015

*\*Contracts cover base wages only.*

*Source: The District.*

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

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.

Due to the changes described above, the Board was free to unilaterally determine and promulgate policies, benefits and other terms and conditions of employment. Accordingly, the Board approved an Employee Handbook, which became effective July 1, 2013 for all employee groups. The Employee Handbook sets forth policies, procedures and benefits for employees of the nature that were previously set forth in labor contracts. The Employee Handbook's terms are subject to change at the sole discretion of the District and are not subject to grievance or arbitration by the unions. However, individual employees are allowed to file a grievance if they are disciplined or terminated. However, under the changes to MERA, the Board, rather than an arbitrator, is the final decision-maker regarding any grievance, though the grievance must be heard by an impartial hearing officer before reaching the Board.

### **Pension Plan**

All employees of 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, 2012 and June 30, 2013 were \$15,493,606 and \$16,166,816 respectively. The amounts of such contributions were determined by the Wisconsin Retirement Fund and are in accordance with the actuarially determined requirement. Pursuant to the amendments of MERA discussed herein, District employees are now required to contribute half of such actuarially determined contributions.

### **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 63 retirees receiving benefits and 127 active plan members as of July 1, 2012, 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.

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, 2013 ("Fiscal Year 2013"), the District's annual required contribution was \$346,026. For Fiscal Year 2013, contributions to the plan totaled \$235,363, which was 68.0% 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, 2012, the actuarial accrued liability for benefits was \$3,674,467 and the actuarial value of assets was \$0, resulting in an unfunded actuarial accrued liability ("UAAL") of \$3,674,467 and a funded ratio of actuarial value of assets to actuarial accrued liability (the "Funded Ratio") of 0%.

For more information, see Note C in "Appendix A - Audited Financial Statements for the Year Ended June 30, 2013."

### **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 430 retirees receiving benefits and 2,051 active plan members as of July 1, 2012, 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 in March, 2013, with a valuation date of July 1, 2012.

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 2013, the District's annual required contribution was \$10,479,586. For Fiscal Year 2013, contributions to the plan totaled \$10,408,383, which was 99.3% 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, 2012, was 8.5%. As of July 1, 2012 the actuarial accrued liability was \$85,113,538, and the actuarial value of assets was \$7,199,332, resulting in an UAAL of \$77,914,206.

For more information, see Note C in "Appendix A - Basic Financial Statements and Related Notes for the Year Ended June 30, 2013" 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 and 38. Based on 2012 census estimate, the District's population is 138,758\*.

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

### **Mission Statement**

"Educate every student to succeed."

### **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 2013-14 school year was 21,238.

The District offers a variety of special programs and services which promote the District's mission. 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.
- 53.3\* percent of the District's high school seniors for the 2011-12 school year planned to attend a four-year college or university upon high school completion.

*\*Source: Wisconsin Department of Public Instruction.*

### **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 University Wisconsin, Marquette University, Milwaukee School of Engineering, Mount Mary University, 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, 2013	195,174	78,700	24,680	26,180
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

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>
2012	\$49,900	\$52,220	\$44,070	\$80,180	\$58,410
2011	47,640	48,530	39,210	70,250	58,770
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

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

**Unemployment Rate**

	<u>State of Wisconsin</u>	<u>Racine MSA</u>
April, 2014	5.9%	7.4%
April, 2013	7.0	8.7
Average, 2013	6.7%	8.6%
Average, 2012	6.9	8.5
Average, 2011	7.5	9.1
Average, 2010	8.5	10.1
Average, 2009	8.7	10.4

Source: Wisconsin Department of Workplace Development.

**Residential Building Permit Valuations**

<u>Village of Caledonia</u>			<u>Village of Mount Pleasant</u>		
<u>Year*</u>	<u>Number</u>	<u>Valuations</u>	<u>Year</u>	<u>Number</u>	<u>Valuations</u>
2013	9	\$1,900,998	2014*	7	\$1,535,278
2012	20	4,513,020	2013	56	14,004,386
2011	14	5,099,660	2012	31	6,898,495
2010	31	7,196,780	2011	29	5,452,220
2009	27	6,709,967	2010	38	7,742,601

\*2014 data is not available.

\*As of April, 2014.

<u>City of Racine</u>		
<u>Year*</u>	<u>Number</u>	<u>Valuations</u>
2013	5	\$875,000
2012	11	1,930,927
2011	7	850,195
2010	13	4,835,000
2009	8	1,034,000

\*2014 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>
SC Johnson & Son, Inc.	Manufacturer of commercial and institutional cleaning products	2,720 <sup>(1)</sup>
All Saints Health Care	Hospitals and medical centers	2,701
The District	Education	2,640
CNH Global <sup>(2)</sup>	Manufacturer of agricultural & construction Equipment & implements	2,208
Racine County	County Government	1,147 <sup>(3)</sup>
Gateway Technical College	Vocational education	1,126 <sup>(4)</sup>
City of Racine	Municipal government	1,110 <sup>(4)</sup>
Wheaton Franciscan Healthcare	Hospital	1,079
In-Sink-Erator Division, Emerson Electric Company	Manufacturer of household and commercial disposer systems, hot water dispensers	1,000
Cree, Inc. <sup>(5)</sup>	Manufactures industrial, commercial & residential; lighting fixtures	1,000

<sup>(1)</sup> Information provided by SC Johnson representative March 2014.

<sup>(2)</sup> Formerly known as J.I. Case Corporation.

<sup>(3)</sup> Includes 818 full-time equivalents and 329 full-time contract workers.

<sup>(4)</sup> Includes full and part-time.

<sup>(5)</sup> Cree, Inc. acquired Rudd Lighting in August 2011.

Source: 2013 Wisconsin Manufacturers and Business Service Directories, Wisconsin WorkNet Workforce and Labor Market Information System, direct employer inquiries 2014 and SalesGenie 2013.

**Largest Taxpayers**

<u>Name of Business</u>	<u>Type of Business</u>	<u>2013 Assessed Valuation</u>	<u>2013 Equalized Valuations</u>
S.C. Johnson & Son, Inc. <sup>(1)</sup>	Manufacturer of commercial & institutional cleaning products	\$117,338,650	\$112,768,521
Racine Joint Venture <sup>(2)</sup>	Regency Mall shopping center	113,149,900	109,249,687
Centerpoint Properties Trust	Manufacturing property	75,302,300	73,773,470
Continental 63 & 81 Fund, LLC	Wal-Mart, Menards	44,365,000	44,120,047
All Saints Health Care	Hospitals and medical centers	44,151,800	42,651,730
Aurora Medical Group	Health care	33,543,200	33,100,358
CNH Global <sup>(2) (3) (4)</sup>	Manufacturer of agricultural & construction equipment & implements	32,872,100	31,965,685
Inland Southeast Mount Pleasant	Village Center Strip Mall	26,024,500	25,449,344
Bombardier Motor Corporation of America	Manufacturer of motorized recreational products	20,068,700	19,300,538
High Ridge Improvements	DLC Management Corporation	16,400,000	15,834,701
		<u>\$523,216,150</u>	<u>\$508,214,081</u>

The above taxpayers represent 6.13% of the District's 2013 Equalized Value (TID IN) (\$8,284,859,200).

<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

Source: Racine County Treasurer's Office January 2014.

**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.

<u>Levy/Collection Year</u>	<u>District Tax Rate</u>	<u>District Levy</u>	<u>Uncollected Taxes as of August 20th of Each Year</u>	<u>Percent of Levy Collected</u>
2013/2014	\$9.96	\$78,759,519	-In process of collection-	
2012/2013	10.05	84,375,032	-0-	100.00%
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

Source: Wisconsin Department of Public Instruction.

**2013-14 Proportionate Amounts of Local Tax Revenue Per Municipality Based on 2013 Equalized Valuation**

<u>Municipality</u>	<u>2013 Equalized Valuation (TID OUT)</u>	<u>Percent of Levy</u>	<u>Amount of Levy</u>
City of Racine	\$3,139,701,950	39.699981%	\$31,267,514
Village of Caledonia	1,918,184,300	24.254494	19,102,723
Village of Mount Pleasant	35,041,000	0.443076	348,965
Village of Elmwood Park	2,253,733,100	28.497343	22,444,370
Village of North Bay	33,674,700	0.425800	335,358
Village of Sturtevant	304,597,500	3.851485	3,033,411
Village of Wind Point	223,640,300	2.827821	2,227,178
<b>TOTAL</b>	<b>\$7,908,572,850</b>	<b>100.000000%</b>	<b>\$78,759,519</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 2009 through 2013. The District's Equalized Valuation (TID IN) has decreased by 18.26 percent since 2009. The average annual percentage change is -4.91 percent.

<u>Year</u>	<u>Equalized Valuation (TID IN)</u>	<u>Equalized Valuation (TID OUT)</u>
2013	\$8,284,859,200	\$7,908,572,850
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

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 66.1105. TID valuations totaling \$376,286,350 have been excluded from the District's tax base for 2013.

	<u>Creation Date</u>	<u>Base Value</u>	<u>2013 Value</u>	<u>Increment</u>
<u>City of Racine</u>				
TID #2	1983	\$2,394,700	\$65,604,400	\$63,209,700
TID #8	1990	11,338,350	31,915,300	20,576,950
TID #9	2000	877,600	28,898,500	28,020,900
TID #10	2003	1,180,400	787,300	*
TID #11	2005	3,179,700	2,264,200	*
TID #12	2006	378,000	6,396,000	6,018,000
TID #13	2006	312,300	8,557,600	8,245,300
TID #14	2006	4,103,200	4,278,100	174,900
TID #15	2006	0	0	*
TID #16	2009	38,217,400	38,183,100	*
TID #17	2012	1,324,600	1,330,000	5,400
<u>Village of Sturtevant</u>				
TID #3	1994	9,157,700	194,584,200	185,426,500
<u>Village of Caledonia</u>				
TID #1	2007	14,038,300	13,032,700	*
TID #3	2011	28,632,700	32,112,400	3,479,700
<u>Village of Mount Pleasant</u>				
TID #1	2006	4,292,700	48,141,200	43,848,500
TID #2	2007	99,636,000	116,916,500	17,280,500
<b>TOTAL</b>				<b><u><u>\$376,286,350</u></u></b>

\*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. The Notes are not general obligation debt of the District and therefore are not included in the table below. However, the District shall covenant to maintain sufficient debt issuance capacity to permit general obligation refunding bonds or notes to be issued in an amount sufficient to repay the Notes.

Year	Outstanding Bonds and Notes		Debt Service Requirements	Less: Projected Offsetting Revenues**	Total Debt Service Requirements
	Principal*	Interest			
2014	\$4,563,586	\$1,908,845	\$6,472,431	(\$77,599)	\$6,394,833
2015	4,670,322	1,576,450	6,246,772	(63,913)	6,182,859
2016	4,933,075	1,404,963	6,338,038	(63,913)	6,274,126
2017	5,114,846	1,237,832	6,352,678	(63,913)	6,288,766
2018	5,245,634	1,082,631	6,328,266	(63,913)	6,264,353
2019	5,422,000	919,325	6,341,325	(63,913)	6,277,412
2020	3,625,000	782,500	4,407,500	(63,913)	4,343,587
2021	3,405,000	692,063	4,097,063	(63,913)	4,033,150
2022	3,475,000	619,013	4,094,013	(63,913)	4,030,100
2023	3,550,000	541,181	4,091,181	(63,913)	4,027,268
2024	2,375,000	469,075	2,844,075	(63,913)	2,780,162
2025	2,480,000	402,913	2,882,913	(63,913)	2,819,000
2026	2,520,000	332,475	2,852,475	(63,913)	2,788,562
2027	2,580,000	226,450	2,806,450	(31,956)	2,774,494
2028	2,475,000	118,238	2,593,238	--	2,593,238
2029	570,000	67,725	637,725	--	637,725
2030	600,000	41,400	641,400	--	641,400
2031	620,000	13,950	633,950	--	633,950
	<u>58,224,464</u>	<u>12,437,028</u>	<u>70,661,492</u>	<u>(876,509)</u>	<u>69,784,983</u>
Less 2014 Sinking Funds	<u>(4,563,586)</u>	<u>(1,908,845)</u>	<u>(6,472,431)</u>	<u>77,599</u>	<u>(6,394,833)</u>
<b>TOTAL</b>	<u><u>\$53,660,878</u></u>	<u><u>\$10,528,183</u></u>	<u><u>\$64,189,061</u></u>	<u><u>(\$798,910)</u></u>	<u><u>\$63,390,151</u></u>

\*Amounts include mandatory sinking fund deposits for the Subsidy Obligations.

\*\* Assumed direct payment interest credit from the United States Treasury in connection with the \$2,020,000 Taxable General Obligation Refunding Bonds (Qualified Energy Conservation Bonds-Direct Payment), dated June 10, 2013 (the "Subsidy Obligations"). Receipt of the credits is expected in some amount but not assured. The Budget Control Act of 2011 (the "BCA") requires the Director of the United States Office of Management and Budget ("OMB") to calculate cuts each year for the next ten years to federal programs necessary to reduce spending to levels specified in the BCA, which cuts are referred to as sequestration. The Bipartisan Budget Act of 2013, as amended by U.S. Senate, 113th Congress, 2nd Session S.25, extends the reduction of subsidy payments for an additional three years through fiscal year 2024. The reductions to the subsidy payments in fiscal year 2014, as reported by OMB, will be 7.2% (reflected in the table above). Such cuts may be avoided or mitigated if Congress takes action to postpone or change the provisions of BCA. The District cannot predict whether any such cuts to the subsidy amounts it expects to receive will occur in the future.

### **Other Financings**

The District has borrowed for short-term cash flow purposes in the past five years 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

*\*The Line of Credit is in place but has not been used.*

The District has not borrowed for short-term cash flow purposes for the 2013-14 fiscal year and does not plan to borrow for short-term cash flow purposes for the 2014-15 fiscal year.

### **Future Financing**

The District intends to refund the Notes on or about February 11, 2015. The District is in the preliminary stages of considering whether to seek referendum approval for additional borrowing in November, 2014 but has not made any final determination. The District has no additional plans to issue long-term general obligation debt within the next twelve months.

### **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 2014 Principal Payments)</u>	<u>Percent Chargeable to District</u>	<u>Outstanding Debt Chargeable to District</u>
Gateway Technical College District	\$56,655,000	21.58%	\$12,226,149
Racine County	59,640,000	61.65	36,768,060
City of Racine*	95,575,000	100.00	95,575,000
Total Villages	68,175,990	100.00	68,854,716
	<u>\$280,045,990</u>		<u>\$213,423,925</u>

*\*The City of Racine anticipates issuing \$11,200,000 Note Anticipation Notes in August, 2014. This amount is not included in the figure shown 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 2014 principal payments.

2013 Equalized Valuation as certified by Wisconsin Department of Revenue	\$8,284,859,200
Direct Bonded Indebtedness	\$53,660,878
Direct, Overlapping and Underlying Bonded Indebtedness	\$267,084,803
Direct Bonded Indebtedness as a Percentage of Equalized Valuation	0.65%
Direct, Overlapping and Underlying Bonded Indebtedness as a Percentage of Equalized Valuation	3.22%
Population of the District (2012 Estimate**)	138,758
Direct Bonded Indebtedness Per Capita	\$386.72
Direct, Overlapping and Underlying Bonded Indebtedness Per Capita	\$1,924.82

\* The Notes are not general obligation debt of the District and therefore are not included in the table above.

\*\*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 as of the closing of the Notes and is a comparison of the outstanding indebtedness of the District as a percentage of the applicable debt limit.

Equalized Valuation (2013) as certified by Wisconsin Department of Revenue	\$8,284,859,200
Legal Debt Percentage Allowed	<u>10.00%</u>
Legal Debt Limit	\$828,485,920
Direct Bonded Indebtedness	<u>\$53,660,878</u>
Unused Margin of Indebtedness	\$774,825,042
Percent of Legal Debt Incurred	6.48%
Percentage of Legal Debt Available	93.52%

\* The Notes are not general obligation debt of the District and therefore are not included in the table above.

## **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.

### **Financial Statements**

A copy of the District's Basic Financial Statements and Related Notes for the fiscal year ended June 30, 2013, 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 (defined herein), 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 Notes, 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.

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

	2014-15 BUDGET <sup>(1)</sup>	2013-14 BUDGET <sup>(1)</sup>	2012-13 ACTUAL <sup>(1)</sup>	2011-12 ACTUAL <sup>(1)</sup>	2010-11 ACTUAL <sup>(1)</sup>
<b>Revenues</b>					
Local Sources	\$61,905,865	\$72,312,887	\$79,142,824	\$76,642,568	\$74,399,509
Other Local Sources	—	—	877,075	679,091	691,975
Interdistrict Sources	—	—	121,632	80,686	110,637
Intermediate Sources	—	118,435	0	4,996	1,600
State Sources	163,520,406	149,887,789	142,282,729	144,341,854	159,511,110
Federal Sources	23,911,961	21,892,928	19,109,528	18,601,270	24,286,321
Other Sources	19,069	724,484	2,159,560	1,365,791	2,426,877
<b>Total Revenues</b>	<u>249,357,301</u>	<u>244,936,523</u>	<u>243,693,348</u>	<u>241,716,256</u>	<u>261,428,029</u>
<b>Expenditures</b>					
Instruction	145,981,549	147,084,085	136,635,762	133,388,162	168,763,929
Support Service	95,629,485	96,921,001	85,388,720	80,878,377	91,017,156
Non-Program	10,073,736	9,193,619	8,444,699	7,444,672	6,909,126
Debt Service	--	—	1,318,449	7,117,600	2,446,665
<b>Total Expenditures</b>	<u>251,684,770</u>	<u>253,198,705</u>	<u>231,787,630</u>	<u>228,828,811</u>	<u>269,136,876</u>
Excess of revenues over (under) expenditures	<u>(2,327,469)</u>	<u>(8,262,182)</u>	<u>11,905,718</u>	<u>12,887,445</u>	<u>(7,708,847)</u>
<b>Other financing sources (uses)</b>					
Proceeds from capital leases	--	--	1,750,142	—	7,675,957
Operating transfers in	20,007	31,727	23,196	23,935	19,940
Operating transfers (out)	--	--	—	—	(263,542)
<b>Net other financing sources (uses)</b>	<u>20,007</u>	<u>31,727</u>	<u>1,773,338</u>	<u>23,935</u>	<u>7,432,355</u>
Revenues and other sources over (under) expenditures and other uses (Net Change in Fund Balance)	(2,307,462) <sup>(2)</sup>	(8,230,455) <sup>(3)</sup>	13,679,056	12,911,380	(276,492)
Fund balances - beginning of year	38,567,040	46,797,495	33,118,439	20,207,059	20,483,551
Fund balances - end of year	<u>\$36,259,578</u>	<u>\$38,567,040</u>	<u>\$46,797,495</u>	<u>\$33,118,439</u>	<u>\$20,207,059</u>

<sup>(1)</sup>These 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.

<sup>(2)</sup>Represents planned use of fund balance for a variety of expenditures.

<sup>(3)</sup>Represents planned use of fund balance for a variety of expenditures including technology equipment, music department equipment and other expenditures.

The amounts shown for the year ended June 30, 2011 through June 30, 2013 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 years ended June 30, 2014 and June 30, 2015 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.

## UNDERWRITING

The Notes have been purchased at a public sale by a group of Underwriters for whom Jefferies LLC, New York, New York is acting as Managing Underwriter (the "Underwriter"). The Underwriter intends to offer the Notes 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 August 11, 2014, 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 Notes to the public. The Underwriter may offer and sell the Notes to certain dealers (including dealers depositing the Notes 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 Notes at a level above that which might otherwise prevail in the open market. Such stabilizing, if commenced, may be discontinued at any time.

The reoffering yield shown on the cover of this Official Statement has been provided by the Underwriter, and not by the District.

## RATINGS

This issue has been assigned a "MIG 1" rating by Moody's Investors Service, Inc. ("Moody's"). In addition, Moody's has affirmed the District's "Aa3" rating on its outstanding long-term debt. 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 Notes. 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 Notes.

Such rating is not to be construed as a recommendation of the rating agency to buy, sell or hold the Notes, 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 Notes 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 2013-14 school year and the 2014-15 school year, a school district may not increase its average revenues per pupil by more than \$75.00 per pupil in each school year. 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 Notes by the District is subject to the revenue limits. If the District is unable to access the debt market when the principal on the Notes comes due, the principal of the Notes would have to be paid from amounts available within the revenue limits and the remaining funds available for the District's operations may be strained.

Section 121.91(4)(o) of the Wisconsin Statutes allows a school board, to annually adopt a resolution to increase its revenue limit by the amount spent by a school district in that school year on a project to implement energy efficiency measures or to purchase energy efficiency products, including the payment of debt service on bonds or notes issued to finance the project, if the requirements set forth in Section 121.91(4)(o) of the Wisconsin Statutes are met. The Notes are being issued to provide interim financing for the purpose of paying the remaining cost of the Project as described herein. The Board may adopt a resolution to increase its revenue limit in the future. However, it cannot be predicted whether the Board will adopt such a resolution in future years or whether any future State legislation will alter or amend the energy revenue limit exception.

## 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 Notes under existing law substantially in the following form:

"The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes 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 Notes is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes 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 Notes to be included in gross income retroactively to the date of issuance of the Notes. 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 Notes."

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

Prospective purchasers of the Notes should be aware that ownership of the Notes 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 Notes 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 Notes. 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 Notes may be enacted. Prospective purchasers of the Notes 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.

### **Note Premium**

To the extent that the initial offering price of the Notes is more than the principal amount payable at maturity, such Notes ("Premium Notes") will be considered to have bond premium.

Any Premium Note purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. The amortizable bond premium of each Premium Note is calculated on a daily basis from the issue date of such Premium Note until its stated maturity date (or call date, if any) on the basis of a constant interest rate compounded at each accrual period (with straight line interpolation between the compounding dates). An owner of a Premium Note that has amortizable Note premium is not allowed any deduction for the amortizable bond premium; rather the amortizable bond premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Premium Notes. During each taxable year, such an owner must reduce his or her tax basis in such Premium Note by the amount of the amortizable bond premium that is allocable to the portion of such taxable year during which the holder held such Premium Note. The adjusted tax basis in a Premium Note will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Premium Note.

Owners of Premium Notes who did not purchase such Premium Notes in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium Notes. Owners of Premium Notes should consult their own tax advisors with respect to the state and local tax consequences of owning the Premium Notes.

## DESIGNATION AS QUALIFIED TAX-EXEMPT OBLIGATIONS

The District will designate the Notes as "qualified tax-exempt obligations" for purposes of Section 265 of the Internal Revenue Code of 1986, as amended, 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 SEC 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 the Award Resolution adopted by the Governing Body to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the Notes to provide notices of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the Municipal Securities Rulemaking Board (the "MSRB") to the MSRB. The detail and terms of the Undertaking, as well as the information to be contained in 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 Notes are delivered 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 Notes (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 Notes in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Notes 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 years ended June 30, 2009 through 2011 within the time specified. On July 28, 2014 a failure to file notice was submitted to EMMA stating as such. As of the date of this Official Statement, the District has filed the operating data in the manner prescribed by the MSRB. The District timely filed its audited financial statements for the fiscal years ended June 30, 2011 and June 30, 2012 on EMMA; however, such information was not properly associated on EMMA with all of the CUSIPs of the District's outstanding obligations. The District has since taken corrective action to associate the filings on EMMA with all of the proper CUSIPs. Except to the extent the preceding is deemed to be material, in the previous five years, the District has not failed to comply in all material respects with any previous undertakings under the Rule. 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 Notes. The Notes 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 Note certificate will be issued for each maturity of the Notes, 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 Notes under the DTC system must be made by or through Direct Participants, which will receive a credit for the Notes on DTC’s records. The ownership interest of each actual purchaser of each Note (“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 Notes 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 Notes, except in the event that use of the book-entry system for the Notes is discontinued.

To facilitate subsequent transfers, all Notes 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 Notes 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 Notes; DTC’s records reflect only the identity of the Direct Participants to whose accounts such Notes 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 Notes may wish to take certain steps to augment the transmission to them of notices of significant events with respect to the Notes, such as redemptions, tenders, defaults, and proposed amendments to the Security documents. For example, Beneficial Owners of Notes may wish to ascertain that the nominee holding the Notes 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 Notes 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 Notes unless authorized by a Direct Participant in accordance with DTC’s MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to 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 Notes are credited on the record date (identified in a listing attached to the Omnibus Proxy).

Redemption proceeds, distributions, and dividend payments on the Notes 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 securities 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 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 Notes at any time by giving reasonable notice to District or Agent. Under such circumstances, in the event that a successor depository is not obtained, Note certificates are required to be printed and delivered.

District may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Note 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 District believes to be reliable, but 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 Notes, or in any way contesting or affecting the validity of the Notes 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 Notes are subject to the unqualified approving legal opinion of Bond Counsel. Such opinion will be issued on the basis of the law existing at the time of the issuance of the Notes. A copy of such opinion will be available at the time of the delivery of the Notes.

Quarles & Brady LLP has also been retained by the District to serve as Disclosure Counsel to the District with respect to the Notes. 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 Notes 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. Further, Quarles & Brady LLP makes no representation as to the suitability of the Notes for any investor.

Quarles & Brady LLP from time to time serves as counsel to the Financial Advisor with respect to issuers other than the District and transactions other than the issuance of the Notes.

## **MUNICIPAL BANKRUPTCY**

Municipalities (including school districts such as the District) are prohibited from filing for bankruptcy under Chapter 11 (reorganization) or Chapter 7 (liquidation) of the U.S. Bankruptcy Code (11 U.S.C. §§ 101-1532) (the "Bankruptcy Code"). Instead, the Bankruptcy Code permits municipalities to file a petition under Chapter 9 of the Bankruptcy Code, but only if certain requirements are met. These requirements include that the municipality must be "specifically authorized" under State law to file for relief under Chapter 9. For these purposes, "State law" may include, without limitation, statutes of general applicability enacted by the State legislature, special legislation applicable to a particular municipality, and/or executive orders issued by an appropriate officer of the State's executive branch.

As of the date hereof, Wisconsin law contains no express authority for municipalities to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code.

Nevertheless, there can be no assurance (a) that State law will not change in the future, while the Notes are outstanding, in a way that would allow the District to file for bankruptcy relief under Chapter 9 of the Bankruptcy Code; or (b) even absent such a change in State law, that an executive order or other executive action could not effectively authorize the District to file for relief under Chapter 9. If, in the future, the District were to file a bankruptcy case under Chapter 9, the relevant bankruptcy court would need to consider whether the District could properly do so, which would involve questions regarding State law authority as well as other questions such as whether the District is a municipality for bankruptcy purposes. If the relevant bankruptcy court concluded that the District could properly file a bankruptcy case, and that determination was not reversed, vacated, or otherwise substantially altered on appeal, then the rights of holders of the Notes could be modified in bankruptcy proceedings. Such modifications could be adverse to holders of the Notes, and there could ultimately be no assurance that holders of the Notes would be paid in full or in part on the Notes. Further, under such circumstances, there could be no assurance that the Notes would not be treated as general, unsecured debt by a bankruptcy court, meaning that claims of holders of the Notes could be viewed as having no priority (a) over claims of other creditors of the District; (b) to any particular assets of the District, or (c) to revenues otherwise designated for payment to holders of the Notes.

Moreover, if the District were determined not to be a "municipality" for the purposes of the Bankruptcy Code, no representations can be made regarding whether it would still be eligible for voluntary or involuntary relief under Chapters of the Bankruptcy Code other than Chapter 9 or under similar federal or state law or equitable proceeding regarding insolvency or providing for protection from creditors. In any such case, there can be no assurance that the consequences described above for the holders of the Notes would not occur.

#### **FINANCIAL ADVISOR**

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

#### **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 Notes. The District, acting through its President and Clerk, will provide to the Underwriter of the Notes at the time of delivery of the Notes, a certificate confirming to the Underwriter that, to the best of its knowledge and belief, the Official Statement with respect to the Notes, together with any supplements thereto, at the time of the adoption of the Award Resolution and at the time of delivery of the Notes, 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/ Pamala Handrow  
District Clerk

## **APPENDIX A**

### **BASIC FINANCIAL STATEMENTS**

### **AND RELATED BONDS**

**For year ended June 30, 2013**

### **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, 2013, 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 Notes, 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, 2013**

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

June 30, 2013

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**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

June 30, 2013

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## INDEPENDENT AUDITORS' REPORT

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Racine Unified School District ("the District") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the District's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

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

### ***Auditors' Responsibility***

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

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

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

## **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the District as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

## **Emphasis of Matter**

As described in Note A.4.i. to the financial statements, the District adopted new accounting guidance, GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, for the year ended June 30, 2013. Our opinions are not modified with respect to this matter.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, the budgetary comparison information, the schedule of funding progress and the schedule of employer contributions on pages 4 through 10, 44 through 45 and 46 through 47 be presented to supplement the basic financial statements. Such information, although not part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### *Other Information*

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

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

## **Report on Summarized Financial Information**

We have previously audited the District's 2012 financial statements, and our report dated November 2, 2012, expressed unmodified opinions on those respective financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2012, is consistent, in all material respects, with the audited financial statements from which it has been derived.

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

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2013, on our consideration of the District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the District's internal control over financial reporting and compliance.



Certified Public Accountants  
Green Bay, Wisconsin  
November 12, 2013

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



## Racine Unified School District

3109 Mount Pleasant Street, Racine, WI 53404  
Financial and Budget Services

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### Management's Discussion and Analysis For the Year Ended June 30, 2013

#### FINANCIAL HIGHLIGHTS

- The District's overall financial position, as reflected in total net position, increased \$11,529,991 during the 2012-13 fiscal year. (See pages 12 -13)
- The District continued to implement GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-retirement Benefits Other than Pensions during the 2013 year. The actuarially determined expense was \$305,426 less than the District's post-retirement plan contributions for the year compared to \$2,690,204 greater for the prior year. (See page 40)
- The District's governmental fund balance reported an increase of \$44,796,340 compared to an increase of \$13,035,948 in the prior year. An increase was reported in the General Fund (\$13,679,056), Capital Projects Fund (\$17,768,424) and Debt Service Funds (\$14,197,362). The increases in the Capital Projects and Debt Service Funds result from remaining debt proceeds to be spent on capital improvements or debt retirement in the following fiscal year. (See pages 16 - 17)

#### OVERVIEW OF THE FINANCIAL STATEMENTS

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

##### Government-Wide Financial Statements

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

## **Fund Financial Statements**

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

## **Notes to the Financial Statements**

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

## FINANCIAL ANALYSIS

### The District as a Whole

#### Net Position

Table 1, below, provides a summary of the District's statement of net position for the year ended June 30, 2013 with a comparison to the prior year.

<b>Table 1</b>							
<b>Condensed Statement of Net Assets</b>							
<b>(in thousands of dollars)</b>							
	Governmental Activities		Business-type Activities		Totals School District		%
	2013	2012	2013	2012	2013	2012	2012-13
<b>Assets</b>							
Current assets	\$ 110,405	\$ 62,358	\$ 2,288	\$ 1,768	\$ 112,693	\$ 64,126	75.7%
Capital assets	75,024	62,534	529	304	75,553	62,838	20.2%
<b>Total Assets</b>	<b>185,429</b>	<b>124,892</b>	<b>2,817</b>	<b>2,072</b>	<b>188,246</b>	<b>126,964</b>	<b>48.3%</b>
<b>Deferred Outflows</b>							
Loss on advance refunding	486	650	-	-	486	650	-25.2%
<b>Liabilities</b>							
Long-term debt	93,710	47,450	5	-	93,715	47,450	97.5%
Other liabilities	28,781	24,342	80	43	28,861	24,385	18.4%
<b>Total Liabilities</b>	<b>122,491</b>	<b>71,792</b>	<b>85</b>	<b>43</b>	<b>122,576</b>	<b>71,835</b>	<b>41.4%</b>
<b>Deferred Inflows</b>							
Technology claims	286	1,117	-	-	286	1,117	-74.4%
<b>Net Position</b>							
Net investment in capital assets	42,772	42,399	524	304	43,296	42,703	1.4%
Restricted	599	1,647	2,208	1,725	2,807	3,372	-16.8%
Unrestricted	19,767	8,587	-	-	19,767	8,587	-130.2%
<b>Total Net Position</b>	<b>\$ 63,138</b>	<b>\$ 52,633</b>	<b>\$ 2,732</b>	<b>\$ 2,029</b>	<b>\$ 65,870</b>	<b>\$ 54,662</b>	<b>17.0%</b>

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

## Change in Net Position

Table 2, below, shows the changes in net position for the fiscal year ended June 30, 2013 with a comparison to the prior year.

	Governmental Activities		Business-type Activities		Totals School District		% Change
	2013	2012	2013	2012	2013	2012	2012-13
<b>Revenues</b>							
Program Revenues							
Charges for services	\$ 1,245	\$ 1,117	\$ 1,662	\$ 1,844	\$ 2,907	\$ 2,961	-1.8%
Operating grants and contributions	39,429	38,222	6,861	6,460	46,290	44,682	3.6%
General Revenues							
Property taxes	84,340	81,491	-	-	84,340	81,491	3.5%
State Formula aid	122,853	125,362	-	-	122,853	125,362	-2.0%
Interest	17	30	-	-	17	30	-43.3%
Other	1,813	1,471	-	-	1,813	1,471	23.2%
<b>Total Revenues</b>	<b>249,697</b>	<b>247,693</b>	<b>8,523</b>	<b>8,304</b>	<b>258,220</b>	<b>255,997</b>	<b>0.9%</b>
<b>Expenses</b>							
Instruction	137,307	136,310	-	-	137,307	136,310	0.7%
Pupil and instructional services	30,411	28,070	-	-	30,411	28,070	8.3%
Administration and business	51,059	45,011	7,821	7,707	58,880	52,718	11.7%
Central services and insurance	8,457	6,747	-	-	8,457	6,747	25.3%
Interest on debt	2,293	3,611	-	-	2,293	3,611	-36.5%
Non-program	8,445	7,445	-	-	8,445	7,445	13.4%
Miscellaneous	897	20,338	-	-	897	20,338	-95.6%
<b>Total Expenses</b>	<b>238,869</b>	<b>247,532</b>	<b>7,821</b>	<b>7,707</b>	<b>246,690</b>	<b>255,239</b>	<b>-3.5%</b>
<b>Change in Net Position</b>	<b>\$ 10,828</b>	<b>\$ 161</b>	<b>\$ 702</b>	<b>\$ 597</b>	<b>\$ 11,530</b>	<b>\$ 758</b>	

General revenues (all revenue except operating grants and contributions and charges for services) provide about 87% 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.

## Governmental Activities

### Net Cost of Governmental Activities

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

	Total Cost of Services		Net Cost of Services		% Change
	2013	2012	2013	2012	2012-13
Instruction	\$ 137,307	\$ 136,310	\$ 99,044	\$ 107,270	8.3%
Pupil and instructional services	30,411	28,070	28,608	19,064	-33.4%
Administration and business	51,059	45,011	50,600	44,077	-12.9%
Central services and insurance	8,457	6,747	8,455	6,722	-20.5%
Interest on debt	2,293	3,611	2,293	3,433	49.7%
Non-program	8,445	7,445	8,445	7,445	-11.8%
Miscellaneous	897	20,338	751	20,182	2587.4%
<b>Totals</b>	<b>\$ 238,869</b>	<b>\$ 247,532</b>	<b>\$ 198,196</b>	<b>\$ 208,193</b>	<b>5.0%</b>

### Business-Type Activities

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

- Federal and state reimbursement for meals, including payments for free and reduced lunches, was \$6.9 million while charges for services were \$1.7 million. Overall revenues increased by \$219 thousand.
- Expenses increased by \$114 thousand to \$7.8 million.
- The food service operation reported a gain of \$702 thousand compared to a gain of \$597 thousand for the prior year.

## Governmental Funds

The District completed the year with a total governmental fund balance of \$81.6 million, an increase of \$44.8 million from the prior year.

- Total general fund revenue for the year was \$227 thousand 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 \$6.1 million.
- The debt service funds fund balance had a net increase of \$14.2 million, which includes \$14 million of debt proceeds to refund the note anticipation notes due in 2014. The debt service fund balance will fluctuate from year to year because the fund balance must be at least equal to the amount of debt payments that are scheduled prior to January 20<sup>th</sup> of the subsequent year. The typical debt service schedule for the District requires interest payments prior to January 20<sup>th</sup> with an additional interest payment and principal payment occurring in March of each year.
- For fiscal year 2012-2013, the capital projects funds fund balance increased by \$17.8 million due to remaining debt proceeds to be spent in 2013-14.

## CAPITAL ASSET AND DEBT ADMINISTRATION

### Capital Assets

At the end of the 2013 fiscal year, the District had net capital assets of \$75.5 million in a broad range of capital assets, including buildings, sites, furniture, and equipment (see Table 4). Additional information about capital assets can be found in the notes to the financial statements.

	Governmental Activities		Business-type Activities		Totals School District		% Change 2012-13
	2013	2012	2013	2012	2013	2012	
Land	\$ 2,475	\$ 2,475	\$ -	\$ -	\$ 2,475	\$ 2,475	0.0%
Work in progress	13,477	287	-	-	13,477	287	4595.8%
Site improvements	2,378	2,387	-	-	2,378	2,387	-0.4%
Buildings	46,697	47,555	-	-	46,697	47,555	-1.8%
Machinery and equipment	9,997	9,830	529	304	10,526	10,134	3.9%
<b>Total</b>	<b>\$ 75,024</b>	<b>\$ 62,534</b>	<b>\$ 529</b>	<b>\$ 304</b>	<b>\$ 75,553</b>	<b>\$ 62,838</b>	<b>20.2%</b>

## Long-Term Debt and Other Obligations

At year end, the district had \$58.2 million in general obligation debt outstanding, an increase of \$30.613 million from last year. Additional information about the District's long-term liabilities is presented in the notes to the financial statements.

	Governmental Activities		Business-type Activities		Totals School District		% Change
	2013	2012	2013	2012	2013	2012	2012-13
General obligation debt	\$ 58,224	\$ 27,611	\$ -	\$ -	\$ 58,224	\$ 27,611	110.9%
Note anticipation note	14,000	-	-	-	14,000	-	#DIV/0!
Premium on debt	1,426	240	-	-	1,426	240	494.2%
Capital leases	2,087	1,559	5	-	2,092	1,559	34.2%
Other post-employment benefits	16,275	16,581	-	-	16,275	16,581	-1.8%
Pension benefits	299	189	-	-	299	189	0.0%
Compensated absences	1,399	1,270	-	-	1,399	1,270	10.2%
<b>Total</b>	<b>\$ 93,710</b>	<b>\$ 47,450</b>	<b>\$ 5</b>	<b>\$ -</b>	<b>\$ 93,715</b>	<b>\$ 47,450</b>	<b>97.5%</b>

### CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

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

## **BASIC FINANCIAL STATEMENTS**

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Statement of Net Position  
June 30, 2013  
(With summarized information as of June 30, 2012)

	Governmental Activities	Business-type Activities	Totals	
			2013	2012
<b>ASSETS</b>				
Cash and investments	\$ 77,440,402	\$ -	\$ 77,440,402	\$ 27,632,937
Receivables				
Taxes	19,405,318	-	19,405,318	19,018,070
Accounts	2,186,700	10,851	2,197,551	3,918,369
Internal balances	(2,064,831)	2,064,831	-	-
Due from other governments	11,360,686	211,833	11,572,519	11,192,148
Inventories and prepaid items	2,076,489	531	2,077,020	2,042,291
Deferred charges - issuance costs	-	-	-	322,460
Capital assets				
Construction in progress	13,477,164	-	13,477,164	286,766
Land	2,474,986	-	2,474,986	2,474,986
Site improvements	6,198,941	-	6,198,941	6,060,174
Buildings	99,494,531	-	99,494,531	98,501,082
Machinery and equipment	24,099,312	1,586,783	25,686,095	24,344,390
Less: Accumulated depreciation	(70,720,750)	(1,058,236)	(71,778,986)	(68,829,577)
<b>TOTAL ASSETS</b>	<b>185,428,948</b>	<b>2,816,593</b>	<b>188,245,541</b>	<b>126,964,096</b>
<b>DEFERRED OUTFLOWS OF RESOURCES</b>				
Loss on advance refunding	486,085	-	486,085	649,882
<b>LIABILITIES</b>				
Accounts payable	7,114,190	36,989	7,151,179	4,593,172
Accrued payroll liabilities	21,368,429	-	21,368,429	19,482,156
Accrued interest payable	297,855	-	297,855	263,437
Unearned revenues	-	42,888	42,888	45,803
Long-term obligations				
Due within one year	21,392,123	2,246	21,394,369	5,225,612
Due in more than one year	72,318,236	2,307	72,320,543	42,223,991
<b>TOTAL LIABILITIES</b>	<b>122,490,833</b>	<b>84,430</b>	<b>122,575,263</b>	<b>71,834,171</b>
<b>DEFERRED INFLOWS OF RESOURCES</b>				
Technology claims	285,957	-	285,957	1,116,932
<b>NET POSITION</b>				
Net investment in capital assets	42,771,961	523,994	43,295,955	42,702,912
Restricted for				
Private gifts and donations	184,665	-	184,665	124,313
Grant expenditures	32,965	-	32,965	32,605
Debt service	196,613	-	196,613	395,900
Community service programs	184,968	-	184,968	1,094,182
Food service	-	2,208,169	2,208,169	1,725,904
Unrestricted	19,767,071	-	19,767,071	8,587,059
<b>TOTAL NET POSITION</b>	<b>\$ 63,138,243</b>	<b>\$ 2,732,163</b>	<b>\$ 65,870,406</b>	<b>\$ 54,662,875</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, 2013  
 (With summarized financial information for the year ended June 30, 2012)

Functions/Programs	Expenses	Program Revenues	
		Charges for Services	Operating Grants and Contributions
<b>Governmental Activities</b>			
Instruction	\$ 137,307,913	\$ 825,235	\$ 37,438,522
Support Services			
Support services	89,927,172	273,347	1,989,906
Other			
Interest and fiscal charges	2,292,528	-	-
Community services	897,457	146,780	-
Non-program transactions	8,444,699	-	-
Total Other	<u>11,634,684</u>	<u>146,780</u>	<u>-</u>
<b>Total Governmental Activities</b>	<u>238,869,769</u>	<u>1,245,362</u>	<u>39,428,428</u>
<b>Business-type Activities</b>			
School food service program	<u>7,821,017</u>	<u>1,661,867</u>	<u>6,861,311</u>
<b>Total School District</b>	<u>\$ 246,690,786</u>	<u>\$ 2,907,229</u>	<u>\$ 46,289,739</u>

General revenues  
 Property taxes, levied for general purposes  
 Property taxes, levied for debt service  
 Other taxes  
 State and federal aids not restricted to specific functions  
 Interest and investment earnings  
 Miscellaneous  
 Total General Revenues

Change in net position

Cumulative change in accounting principle

Net position - July 1

Net position - June 30

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

Capital Grants and Contributions	Net (Expense) Revenue and Changes in Net Position			
	Governmental Activities	Business-type Activities	Totals	
			2013	2012
\$ -	\$ (99,044,156)	\$ -	\$ (99,044,156)	\$ (107,270,171)
-	(87,663,919)	-	(87,663,919)	(90,147,300)
-	(2,292,528)	-	(2,292,528)	(3,432,933)
-	(750,677)	-	(750,677)	102,338
-	(8,444,699)	-	(8,444,699)	(7,444,672)
-	(11,487,904)	-	(11,487,904)	(10,775,267)
-	(198,195,979)	-	(198,195,979)	(208,192,738)
-	-	702,161	702,161	597,019
<u>\$ -</u>	<u>(198,195,979)</u>	<u>702,161</u>	<u>(197,493,818)</u>	<u>(207,595,719)</u>
	79,942,824	-	79,942,824	77,492,568
	4,396,739	-	4,396,739	3,998,575
	36,383	-	36,383	79,637
	122,852,654	-	122,852,654	125,362,139
	17,990	-	17,990	30,124
	1,777,219	-	1,777,219	1,390,743
	<u>209,023,809</u>	<u>-</u>	<u>209,023,809</u>	<u>208,353,786</u>
	10,827,830	702,161	11,529,991	758,067
	(322,460)	-	(322,460)	-
	<u>52,632,873</u>	<u>2,030,002</u>	<u>54,662,875</u>	<u>53,904,808</u>
<u>\$</u>	<u>63,138,243</u>	<u>\$ 2,732,163</u>	<u>\$ 65,870,406</u>	<u>\$ 54,662,875</u>

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

Balance Sheet

Governmental Funds

June 30, 2013

(With summarized financial information as of June 30, 2012)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds	
				2013	2012
<b>ASSETS</b>					
Cash and investments	\$ 57,906,845	\$ 19,533,557	\$ -	\$ 77,440,402	\$ 27,632,937
Receivables					
Taxes	19,405,318	-	-	19,405,318	19,018,070
Accounts	2,186,700	-	-	2,186,700	3,913,223
Due from other funds	-	2,595,972	18,160,868	20,756,840	3,876,177
Due from other governments	10,965,743	-	394,943	11,360,686	11,013,372
Inventories	1,406,653	-	-	1,406,653	1,591,068
Prepaid items	654,836	15,000	-	669,836	451,223
<b>TOTAL ASSETS</b>	<b>\$ 92,526,095</b>	<b>\$ 22,144,529</b>	<b>\$ 18,555,811</b>	<b>\$ 133,226,435</b>	<b>\$ 67,496,070</b>
<b>LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ 7,114,190	\$ -	\$ -	\$ 7,114,190	\$ 4,592,826
Accrued payroll liabilities	21,368,429	-	-	21,368,429	19,482,156
Due to other funds	16,960,024	2,565,133	3,296,514	22,821,671	5,460,786
Unearned revenues	-	-	-	-	3,522
<b>Total Liabilities</b>	<b>45,442,643</b>	<b>2,565,133</b>	<b>3,296,514</b>	<b>51,304,290</b>	<b>29,539,290</b>
Deferred Inflows of Resources					
Technology claims	285,957	-	-	285,957	1,116,932
Fund Balances					
Nonspendable					
Inventories	1,406,653	-	-	1,406,653	1,591,068
Prepaid items	654,836	15,000	-	669,836	451,223
Restricted					
Private gifts and donations	-	-	184,665	184,665	124,313
Grant expenditures	-	-	32,965	32,965	32,605
Construction of capital assets	-	-	-	-	1,795,972
Debt service funds	-	-	14,856,699	14,856,699	659,337
Community service programs	-	-	184,968	184,968	1,094,182
Assigned					
Referendum	10,000,000	-	-	10,000,000	10,000,000
Health care cost stabilization	8,000,000	-	-	8,000,000	8,000,000
Construction of capital assets	600,000	-	-	600,000	600,000
Unassigned, reported in					
General fund	26,136,006	19,564,396	-	45,700,402	12,491,148
<b>Total Fund Balances</b>	<b>46,797,495</b>	<b>19,579,396</b>	<b>15,259,297</b>	<b>81,636,188</b>	<b>36,839,848</b>
<b>TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND FUND BALANCES</b>	<b>\$ 92,526,095</b>	<b>\$ 22,144,529</b>	<b>\$ 18,555,811</b>	<b>\$ 133,226,435</b>	<b>\$ 67,496,070</b>

(Continued)

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin  
 Balance Sheet (Continued)  
 Governmental Funds  
 June 30, 2013

(With summarized financial information as of June 30, 2012)

Reconciliation to the Statement of Net Position

	Total	
	2013	2012
Total Fund Balances from previous page	\$ 81,636,188	\$ 36,839,848
Amounts reported for governmental activities in the statement of net position are different because:		
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	75,024,184	62,533,723
Deferred outflow of resources is reported in the statement of net position for loss on advance refinancing.	486,085	649,882
Some liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported in the funds.		
Bonds and notes payable	(72,224,463)	(27,611,331)
Premium on long-term debt	(1,426,192)	(240,073)
Capital leases payable	(2,086,648)	(1,559,270)
Other post-employment benefits	(16,275,391)	(16,580,817)
Pension benefits	(298,577)	(188,257)
Compensated absences	(1,399,088)	(1,269,855)
Accrued interest payable	(297,855)	(263,437)
Debt issuance costs	-	322,460
Net Position of Governmental Activities as Reported on the Statement of Net Position (see page 11)	<u>\$ 63,138,243</u>	<u>\$ 52,632,873</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, 2013

(With summarized financial information for the year ended June 30, 2012)

	General	Capital Projects	Other Governmental Funds	Total Governmental Funds	
				2013	2012
<b>Revenues</b>					
Property taxes	\$ 79,142,824	\$ 800,000	\$ 4,396,739	\$ 84,339,563	\$ 81,491,143
Other local sources	877,075	3,165	369,336	1,249,576	1,007,296
Interdistrict sources	121,632	-	-	121,632	80,686
Intermediate sources	-	-	-	-	4,996
State sources	142,282,729	-	-	142,282,729	144,341,854
Federal sources	19,109,528	-	888,825	19,998,353	19,241,810
Other sources	2,159,560	-	-	2,159,560	1,365,791
<b>Total Revenues</b>	<b>243,693,348</b>	<b>803,165</b>	<b>5,654,900</b>	<b>250,151,413</b>	<b>247,533,576</b>
<b>Expenditures</b>					
<b>Instruction</b>					
Regular instruction	87,593,931	-	35,054	87,628,985	86,548,155
Vocational instruction	4,701,633	-	4,892	4,706,525	4,330,759
Special education instruction	37,985,311	-	-	37,985,311	36,482,621
Other instruction	6,354,887	-	550,225	6,905,112	6,504,244
<b>Total Instruction</b>	<b>136,635,762</b>	<b>-</b>	<b>590,171</b>	<b>137,225,933</b>	<b>133,865,779</b>
<b>Support Services</b>					
Pupil services	14,092,641	-	9,585	14,102,226	13,285,399
Instructional staff services	12,961,878	-	314,991	13,276,869	11,517,331
General administration services	2,160,373	-	24,313	2,184,686	2,230,077
School administration services	10,607,831	-	121,516	10,729,347	10,343,485
Business services	4,981,447	-	-	4,981,447	2,454,446
Operation and maintenance of plant	22,915,876	17,034,741	1,123	39,951,740	27,516,543
Pupil transportation services	8,817,790	-	47,700	8,865,490	8,546,671
Central services	6,292,278	-	36,129	6,328,407	5,900,714
Insurance	763,082	-	-	763,082	1,379,672
Other support services	1,795,524	-	-	1,795,524	739,273
<b>Total Support Services</b>	<b>85,388,720</b>	<b>17,034,741</b>	<b>555,357</b>	<b>102,978,818</b>	<b>83,913,611</b>
<b>Debt Service</b>					
Principal	1,222,764	201,090	3,141,868	4,565,722	12,228,125
Interest and fiscal charges	95,685	-	1,930,192	2,025,877	2,018,544
Payment to lease defeasance escrow agent	-	-	-	-	2,922,705
<b>Total Debt Service</b>	<b>1,318,449</b>	<b>201,090</b>	<b>5,072,060</b>	<b>6,591,599</b>	<b>17,169,374</b>
<b>Community Services</b>	<b>-</b>	<b>-</b>	<b>937,939</b>	<b>937,939</b>	<b>57,569</b>
<b>Non-program</b>					
General tuition payments	7,824,641	-	-	7,824,641	7,154,552
Special education tuition payments	492,800	-	-	492,800	235,464
Adjustments and refunds	127,258	-	-	127,258	54,656
<b>Total Non-program</b>	<b>8,444,699</b>	<b>-</b>	<b>-</b>	<b>8,444,699</b>	<b>7,444,672</b>
<b>Total Expenditures</b>	<b>231,787,630</b>	<b>17,235,831</b>	<b>7,155,527</b>	<b>256,178,988</b>	<b>242,451,005</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>11,905,718</b>	<b>(16,432,666)</b>	<b>(1,500,627)</b>	<b>(6,027,575)</b>	<b>5,082,571</b>
<b>Other Financing Sources (Uses)</b>					
Long-term debt issued	-	33,755,000	24,000,000	57,755,000	6,875,000
Capital leases	1,750,142	-	-	1,750,142	-
Premium on long term debt issued	-	446,090	872,683	1,318,773	178,377
Payment to current noteholder	-	-	(10,000,000)	(10,000,000)	-
Sale of capital assets	-	-	-	-	900,000
Transfers in	23,196	-	-	23,196	23,935
Transfers out	-	-	(23,196)	(23,196)	(23,935)
<b>Total Other Financing Sources (Uses)</b>	<b>1,773,338</b>	<b>34,201,090</b>	<b>14,849,487</b>	<b>50,823,915</b>	<b>7,953,377</b>
<b>Net Change in Fund Balances</b>	<b>13,679,056</b>	<b>17,768,424</b>	<b>13,348,860</b>	<b>44,796,340</b>	<b>13,035,948</b>
<b>Fund Balances - July 1</b>	<b>33,118,439</b>	<b>1,810,972</b>	<b>1,910,437</b>	<b>36,839,848</b>	<b>23,803,900</b>
<b>Fund Balances - June 30</b>	<b>\$ 46,797,495</b>	<b>\$ 19,579,396</b>	<b>\$ 15,259,297</b>	<b>\$ 81,636,188</b>	<b>\$ 36,839,848</b>

(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, 2013  
 (With summarized financial information for the year ended June 30, 2012)

	Total	
	2013	2012
<u>Reconciliation to the Statement of Activities</u>		
Net Change in Fund Balances from previous page	\$ 44,796,340	\$ 13,035,948
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	\$ 15,687,635	
Depreciation expense reported in the statement of activities	<u>(3,197,174)</u>	
Amount in which depreciation is (greater) less than capital outlays	12,490,461	4,464,729
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.	-	(21,183,733)
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:	(129,233)	44,388
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:	305,426	(2,690,204)
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:	(110,320)	(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 position, however, debt constitutes a long-term liability. The amount of debt issued is:		
General obligation debt issued by District	(47,755,000)	(6,875,000)
Capital leases issued by the District	(1,750,142)	-
Repayment of principal on long-term debt is reported in the governmental funds as an expenditure, but is reported as a reduction in long-term debt in the statement of net position and does not affect the statement of activities. The amount of long-term debt principal payments:		
General obligation debt retired by District	3,141,868	8,860,166
Capital leases retired by the District	1,222,764	5,136,801
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.	(34,418)	(4,054)
Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of the net assets, they are deferred and reported as other assets or deductions from long-term debt and allocated over the life of the debt on the statement of activities and included in interest expense.		
Premium on long-term debt	(1,186,119)	(159,512)
Loss on advance refunding	(163,797)	(163,797)
Debt issuance costs	<u>-</u>	<u>(116,427)</u>
<b>Change in Net Position of Governmental Activities as Reported on the Statement of Activities (see pages 12 - 13)</b>	<b><u>\$ 10,827,830</u></b>	<b><u>\$ 161,048</u></b>

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Statement of Net Position  
 Food Service Proprietary Fund  
 June 30, 2013  
 (With comparative totals as of June 30, 2012)

	2013	2012
<b>ASSETS</b>		
Receivables		
Accounts	\$ 10,851	\$ 5,146
Due from other funds	2,064,831	1,584,609
Due from other governments	211,833	178,776
Inventories and prepaid items	531	-
Capital assets		
Machinery and equipment	1,586,783	1,305,749
Less: Accumulated depreciation	<u>(1,058,236)</u>	<u>(1,001,651)</u>
<b>TOTAL ASSETS</b>	<u>2,816,593</u>	<u>2,072,629</u>
<b>LIABILITIES</b>		
Accounts payable	36,989	346
Unearned revenues	42,888	42,281
Long-term obligations		
Due within one year	2,246	-
Due in more than one year	<u>2,307</u>	<u>-</u>
<b>TOTAL LIABILITIES</b>	<u>84,430</u>	<u>42,627</u>
<b>NET POSITION</b>		
Net investment in capital assets	523,994	304,098
Unrestricted	<u>2,208,169</u>	<u>1,725,904</u>
<b>TOTAL NET POSITION</b>	<u>\$ 2,732,163</u>	<u>\$ 2,030,002</u>

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Statement of Revenues, Expenses and Changes in Net Position  
Food Service Proprietary Fund  
For the Year Ended June 30, 2013  
(With comparative totals for the year ended June 30, 2012)

	2013	2012
Operating Revenues		
Food sales	\$ 1,655,406	\$ 1,820,554
State sources	148,009	142,328
Federal sources	6,713,302	6,317,755
Other sources	6,461	23,757
Total Operating Revenues	<u>8,523,178</u>	<u>8,304,394</u>
Operating Expenses		
Salaries and wages	363,041	364,489
Employer paid benefits	167,159	151,565
Purchased services	6,361,792	6,132,406
Supplies and materials	861,691	995,423
Depreciation	67,185	63,492
Total Operating Expenses	<u>7,820,868</u>	<u>7,707,375</u>
Operating Income	<u>702,310</u>	<u>597,019</u>
Nonoperating Expense		
Interest expense	<u>(149)</u>	<u>-</u>
Change in Net Position	702,161	597,019
Net Position - July 1	<u>2,030,002</u>	<u>1,432,983</u>
Net Position - June 30	<u>\$ 2,732,163</u>	<u>\$ 2,030,002</u>

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Statement of Cash Flows  
Food Service Proprietary Fund  
For the Year Ended June 30, 2013  
(With comparative totals for the year ended June 30, 2012)

	2013	2012
Cash Flows from Operating Activities		
Cash received from user charges	\$ 1,656,769	\$ 1,854,124
Cash received from other government payments	6,318,331	6,038,228
Cash payments to employees	(530,200)	(516,067)
Cash payments to suppliers	(6,677,448)	(6,658,759)
Net Cash Provided for Operating Activities	<u>767,452</u>	<u>717,526</u>
Cash Flows from Noncapital Financing Activities		
Change in temporary cash advance	<u>(480,222)</u>	<u>(689,440)</u>
Cash Flows from Capital and Related Financing Activities		
Capital lease paid	(1,016)	-
Acquisition of capital assets	(286,065)	(28,086)
Interest payments on long-term debt	(149)	-
Net Cash Used by Capital and Related Financing Activities	<u>(287,230)</u>	<u>(28,086)</u>
Change in Cash and Cash Equivalents	-	-
Cash and Cash Equivalents - July 1	<u>-</u>	<u>-</u>
Cash and Cash Equivalents - June 30	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of Operating Income to Net Cash Provided for Operating Activities:		
Operating income	\$ 702,310	\$ 597,019
Adjustments to reconcile change in operating income to net cash provided for operating activities		
Depreciation	67,185	63,492
Changes in assets and liabilities		
Accounts receivable	(5,705)	1,081
Due from other governments	(33,057)	47,202
Accounts payable	36,643	13
Accrued payroll liabilities	-	(13)
Unearned revenue	607	8,732
Net Cash Provided for Operating Activities	<u>\$ 767,452</u>	<u>\$ 717,526</u>
Noncash Activities:		
Commodities Received From U.S. Department of Agriculture	\$ 509,923	\$ 469,057
Capital assets purchased under capital leases	5,569	-

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

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

Statement of Net Position

Fiduciary Funds

June 30, 2013

(With summarized information as of June 30, 2012)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Agency Fund Pupil Activity	Total Fiduciary Funds	
				2013	2012
<b>ASSETS</b>					
Cash and investments	\$ 41,389	\$ 8,834,457	\$ 1,167,197	\$ 10,043,043	\$ 9,705,012
Accounts receivable	196,304	2,387,205	-	2,583,509	155,655
<b>TOTAL ASSETS</b>	<b>\$ 237,693</b>	<b>\$ 11,221,662</b>	<b>\$ 1,167,197</b>	<b>\$ 12,626,552</b>	<b>\$ 9,860,667</b>
<b>LIABILITIES</b>					
Accounts payable	\$ 176,591	\$ 4,022,330	\$ -	\$ 4,198,921	\$ 2,363,978
Due to student organizations	-	-	1,167,197	1,167,197	1,100,728
<b>TOTAL LIABILITIES</b>	<b>176,591</b>	<b>4,022,330</b>	<b>1,167,197</b>	<b>5,366,118</b>	<b>3,464,706</b>
<b>NET POSITION</b>					
Restricted for					
Scholarships	61,102	-	-	61,102	21,498
Employee benefits	-	7,199,332	-	7,199,332	6,374,463
<b>TOTAL NET POSITION</b>	<b>61,102</b>	<b>7,199,332</b>	<b>-</b>	<b>7,260,434</b>	<b>6,395,961</b>
<b>TOTAL LIABILITIES AND NET POSITION</b>	<b>\$ 237,693</b>	<b>\$ 11,221,662</b>	<b>\$ 1,167,197</b>	<b>\$ 12,626,552</b>	<b>\$ 9,860,667</b>

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

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

Statement of Changes in Net Position

Fiduciary Funds

For the Year Ended June 30, 2013

(With summarized financial information for the year ended June 30, 2012)

	Private Purpose Trust Fund	Employee Benefit Trust Fund	Total Fiduciary Funds	
			2013	2012
<b>ADDITIONS</b>				
Other local sources	\$ 248,928	\$ -	\$ 248,928	\$ 174,404
Contributions				
Employer	-	6,405,986	6,405,986	7,981,678
Plan members	-	300,485	300,485	272,552
Investment earnings	-	16,578	16,578	12,120
Total Additions	<u>248,928</u>	<u>6,723,049</u>	<u>6,971,977</u>	<u>8,440,754</u>
<b>DEDUCTIONS</b>				
Trust fund disbursements	<u>209,324</u>	<u>5,898,180</u>	<u>6,107,504</u>	<u>5,305,478</u>
Change in Net Position	39,604	824,869	864,473	3,135,276
Net Position - July 1	<u>21,498</u>	<u>6,374,463</u>	<u>6,395,961</u>	<u>3,260,685</u>
Net Position - June 30	<u>\$ 61,102</u>	<u>\$ 7,199,332</u>	<u>\$ 7,260,434</u>	<u>\$ 6,395,961</u>

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2013

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

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

1. Reporting Entity

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

In accordance with GAAP, the basic financial statements are required to include the District (the primary government) and any separate component units that have a significant operational or financial relationship with the District. The District has not identified any component units that are required to be included in the basic financial statements in accordance with standards established by GASB Statement Nos. 61.

2. District-Wide and Fund Financial Statements

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

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

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

The District reports the following major governmental funds:

GENERAL FUND

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

CAPITAL PROJECTS FUND

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

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2013

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

Additionally, the District reports the following fund types:

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

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

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

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

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

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

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

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

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

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

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2013

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

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

a. Cash and Investments

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

b. Accounts Receivable

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

c. Property Taxes

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

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

d. Interfund Receivables and Payables

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

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

e. Inventories

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

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2013

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

f. Prepaid Items

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

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

g. Capital Assets

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

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

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

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

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

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

h. Compensated Absences

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2013

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

i. Deferred Outflows/Inflows of Resources

The District implemented GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* for the year ended June 30, 2013. In addition to assets, the statement of net position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expense/expenditure) until then. The District only has one item that qualifies for reporting in this category. It is the deferred charge on refunding reported in the government-wide statement of net position. A deferred charge on refunding results from the difference in the carrying value of refunded debt and its reacquisition price. This amount is deferred and amortized over the shorter of the life of the refunded or refunding debt.

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

j. Long-term Obligations

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

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
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June 30, 2013

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

k. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

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

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

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

DISTRICT-WIDE AND PROPRIETARY FUND STATEMENTS

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

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

The Board of Education current policy under Coherent Governance is that the general fund balance will increase by \$1 million per year which it did for the year ended June 30, 2013. The current general fund balance represents 24% of the 2013-14 budgeted expenditures.

**RACINE UNIFIED SCHOOL DISTRICT**  
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Notes to Basic Financial Statements  
June 30, 2013

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

5. Use of Estimates

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

6. Summarized Information

The basic financial statements include certain prior-year summarized information in total but not at the level of detail required for a presentation in conformity with generally accepted accounting principles. Accordingly, such information should be read in conjunction with the District's financial statements for the year ended June 30, 2012, from which the summarized information was derived.

7. Reclassifications

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

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

1. Cash and Investments

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

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

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

The carrying amount of the District's cash and investments totaled \$87,483,445 on June 30, 2013 as summarized below:

Petty cash funds	\$ 1,116
Deposits with financial institutions	68,595,212
Deposits with trustee	855,791
Investments	
Wisconsin Investment Series Cooperative (WISC)	
Investment series	18,000,000
Wisconsin local government investment pool	31,326
	\$ 87,483,445

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2013

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

Reconciliation to the basic financial statements:

District-wide Statement of Net Position	
Cash and investments	\$ 77,440,402
Fiduciary funds Statement of Net Position	
Private purpose trust fund	41,389
Employee benefit trust fund	8,834,457
Agency fund	1,167,197
	\$ 87,483,445

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

Custodial Credit Risk

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

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

On June 30, 2013, \$9,941 of the District's deposits with financial institutions were in excess of federal and state depository insurance limits.

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
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June 30, 2013

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

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	\$ 31,326	\$ -	\$ -	\$ -	\$ 31,326
Wisconsin Investment Series Cooperative (WISC)					
Term series	18,000,000	-	18,000,000	-	-
<b>Totals</b>	<b>\$ 18,031,326</b>	<b>\$ -</b>	<b>\$ 18,000,000</b>	<b>\$ -</b>	<b>\$ 31,326</b>

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	\$ 31,326	\$ 31,326	\$ -	\$ -	\$ -
Wisconsin Investment Series Cooperative (WISC)					
Term series	18,000,000	18,000,000	-	-	-
<b>Totals</b>	<b>\$ 18,031,326</b>	<b>\$ 18,031,326</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 \$31,326 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, 2013, the fair value of the District's share of the LGIP's assets was substantially equal to the carrying value.

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2013

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

2. Capital Assets

Capital asset activity for the year ended June 30, 2013 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
<b>Governmental activities:</b>				
Capital assets, not being depreciated:				
Sites	\$ 2,474,986	\$ -	\$ -	\$ 2,474,986
Work in progress	286,766	13,477,163	286,765	13,477,164
Total capital assets, not being depreciated	<u>2,761,752</u>	<u>13,477,163</u>	<u>286,765</u>	<u>15,952,150</u>
Capital assets, being depreciated:				
Site improvements	6,060,174	143,567	4,800	6,198,941
Buildings	98,501,082	993,449	-	99,494,531
Machinery and equipment	23,038,641	1,360,221	299,550	24,099,312
Total capital assets being depreciated	<u>127,599,897</u>	<u>2,497,237</u>	<u>304,350</u>	<u>129,792,784</u>
Less accumulated depreciation for:				
Site improvements	3,672,826	153,162	4,800	3,821,188
Buildings	50,946,234	1,850,859	-	52,797,093
Machinery and equipment	13,208,866	1,193,153	299,550	14,102,469
Total accumulated depreciation	<u>67,827,926</u>	<u>3,197,174</u>	<u>304,350</u>	<u>70,720,750</u>
Total capital assets, being depreciated, net	<u>59,771,971</u>	<u>(699,937)</u>	<u>-</u>	<u>59,072,034</u>
Governmental activities capital assets, net	<u>\$ 62,533,723</u>	<u>\$ 12,777,226</u>	<u>\$ 286,765</u>	75,024,184
Less:				
Related general obligation debt outstanding, net of \$19,579,396 of available debt proceeds				29,625,067
Capital leases				2,086,648
Capital related debt premium				<u>540,508</u>
Net investment in capital assets				<u>\$ 42,771,961</u>
<b>Business-type activities:</b>				
Capital assets, being depreciated:				
Machinery and equipment	\$ 1,305,749	\$ 291,634	\$ 10,600	\$ 1,586,783
Less accumulated depreciation for:				
Machinery and equipment	1,001,651	67,185	10,600	1,058,236
Business-type activities capital assets, net	<u>\$ 304,098</u>	<u>\$ 224,449</u>	<u>\$ -</u>	528,547
Less capital leases				<u>4,553</u>
Invested in capital assets, net of related debt				<u>\$ 523,994</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2013

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

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

Governmental activities	
Regular instruction	\$ 200,488
Vocational instruction	53,836
Special education instruction	7,110
Other instruction	2,137
Pupil services	5,020
Instructional staff services	28,811
General administration services	3,940
Operation and maintenance of plant	2,363,942
Central services	531,890
Total depreciation expense - governmental activities	<u>\$ 3,197,174</u>
Business-type activities	
Food service	<u>\$ 67,185</u>

3. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the District as of June 30, 2013 are detailed below:

	Interfund Receivables	Interfund Payables
Pooled cash balances		
General Fund	\$ -	\$ 16,960,024
Special Revenue Funds		
Trust	184,665	-
Special projects	-	361,978
Community service	184,968	-
Debt Service Funds		
Non-referendum debt service	17,656,548	2,934,536
Referendum debt service	134,687	-
Capital Projects Fund	2,595,972	2,565,133
Enterprise Fund		
Food service	2,064,831	-
Totals	<u>\$ 22,821,671</u>	<u>\$ 22,821,671</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2013

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

Interfund transfers for the year ended June 30, 2013 were as follows:

Transfers from:

    Special Revenue Funds  
     Special projects

Transfer to:
General

\$ 23,196

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

4. Short-term Obligations

The District issued tax and revenue anticipation promissory notes in advance of property tax collections. The notes are needed because District expenses for the year begin in July whereas tax collections are not received until January. Short-term debt activity for the year ended June 30, 2013 was as follows:

Outstanding 7/1/12	Issued	Retired	Outstanding 6/30/13
\$ -	\$ 19,500,000	\$ 19,500,000	\$ -

Issued 10/9/12; due on 1/28/13;  
 interest 1.0%

Total interest paid for the year on short-term debt totaled \$29,714.

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2013

**NOTE B - 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, 2013:

	Outstanding 7/1/12	Issued	Retired	Outstanding 6/30/13	Due Within One Year
<b>Governmental activities:</b>					
General Obligation Debt					
Bonds	\$ 21,820,000	\$ 12,020,000	\$ 2,465,000	\$ 31,375,000	\$ 2,575,000
Notes	5,791,331	21,735,000	676,868	26,849,463	1,988,586
Total	27,611,331	33,755,000	3,141,868	58,224,463	4,563,586
Note Anticipation Note	-	24,000,000	10,000,000	14,000,000	14,000,000
Premium	240,073	1,318,773	132,654	1,426,192	36,534
Capital leases	1,559,270	1,750,142	1,222,764	2,086,648	1,392,915
Other post-employment benefits	16,580,817	10,479,586	10,785,012	16,275,391	-
Pension benefits	188,257	346,026	235,706	298,577	-
Compensated absences	1,269,855	129,233	-	1,399,088	1,399,088
Governmental activities Long-term obligations	<u>\$ 47,449,603</u>	<u>\$ 71,778,760</u>	<u>\$ 25,518,004</u>	<u>\$ 93,710,359</u>	<u>\$ 21,392,123</u>
<b>Business-type activities:</b>					
Capital leases	\$ -	\$ 5,569	\$ 1,016	\$ 4,553	\$ 2,246

Total interest paid during the year on long-term debt totaled \$1,186,789.

General Obligation Debt

Detail of the outstanding general obligation debt follows:

	Issue Amount	Issue Date	Average Interest Rates (%)	Dates of Maturity	Outstanding 6/30/13
General Obligation Qualified Zone					
Academy Notes	\$ 1,728,000	04/15/08	1.00%	04/14/18	\$ 885,463
General Obligation Bonds	8,420,000	09/03/08	4.35 - 5.45%	04/01/16	4,640,000
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	2,890,000
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	04/05/10	2.00 - 3.625%	04/01/20	1,490,000
General Obligation Notes	995,000	07/11/11	2.00 - 3.50%	04/01/20	945,000
General Obligation Refunding Bonds	5,880,000	07/11/11	4.00 - 5.00%	04/01/31	5,880,000
General Obligation Refunding Bonds	10,000,000	01/03/13	2.50 - 2.75%	04/01/28	10,000,000
General Obligation Refunding Bonds	2,020,000	06/10/13	3.38%	04/01/23	2,020,000
General Obligation Notes	21,735,000	06/10/13	1.00 - 3.00%	04/01/27	21,735,000
Total General Obligation Debt					<u>\$ 58,224,463</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2013

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

Annual principal and interest maturities of the outstanding general obligation debt of \$58,224,463 on June 30, 2013 are detailed below:

Year Ended June 30,	Governmental Activities		
	Principal	Interest	Total
2014	\$ 4,563,586	\$ 1,490,374	\$ 6,053,960
2015	4,460,322	1,655,225	6,115,547
2016	4,792,075	1,495,924	6,287,999
2017	4,934,846	1,312,233	6,247,079
2018	5,061,634	1,161,644	6,223,278
2019-2023	18,107,000	3,804,838	21,911,838
2024-2028	12,580,000	1,962,638	14,542,638
2029-2031	3,725,000	211,725	3,936,725
	<u>\$ 58,224,463</u>	<u>\$ 13,094,601</u>	<u>\$ 71,319,064</u>

Legal Margin for New Debt

The District's legal margin for creation of additional general obligation debt on June 30, 2013 was \$795,322,031 as follows:

Equalized valuation of the District	\$8,392,855,850
Statutory limitation percentage	<u>(x) 10%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	839,285,585
Total outstanding general obligation debt	\$ 58,224,463
Less: Amounts available for financing general obligation debt	
Debt service fund <sup>(1)</sup>	<u>14,260,909</u>
Net outstanding general obligation debt applicable to debt limitation	<u>43,963,554</u>
Legal Margin for New Debt	<u><u>\$ 795,322,031</u></u>

(1) Less interest payments due October 1, 2013

Capital Leases

The following is a schedule by years of future minimum lease payments due under capital leases together with the present value of the net minimum lease payments as of June 30, 2013:

Year Ending June 30,	Governmental Activities	Business-Type Activities
2014	\$ 1,392,915	\$ 2,246
2015	595,671	2,247
2016	149,243	538
2017	10,010	-
Total Minimum Lease Payments	2,147,839	5,031
Less: Amount representing interest	61,191	478
Present Value of Future Minimum Lease Payments	<u>\$ 2,086,648</u>	<u>\$ 4,553</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2013

**NOTE B - 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 Securities 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, \$1,438,702 of outstanding leases are considered defeased.

**NOTE C - OTHER INFORMATION**

1. Retirement Commitments

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

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for 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:

	2012		2013	
	<u>Employee</u>	<u>Employer</u>	<u>Employee</u>	<u>Employer</u>
General (including Teachers)	5.9%	5.9%	6.65%	6.65%
Executives & Elected Officials	7.05%	7.05%	7.0%	7.0%
Protective with Social Security	5.9%	9.0%	6.65%	9.75%
Protective without Social Security	5.9%	11.3%	6.65%	12.35%

The payroll for District employees covered by the WRS for the year ended June 30, 2013 was \$127,759,019; the employer's total payroll was \$131,535,863. The total required contribution for the year ended June 30, 2013 was \$16,166,816, which consisted of \$7,279,886 or 5.9% of covered payroll from the employer for July 1, 2012 through December 31, 2012 and 6.65% of payroll from the employer for January 1, 2013 through June 30, 2013, and \$8,886,930, or 5.9% of payroll from employees for July 1, 2012 through December 31, 2012 and 6.65% of payroll from the employees for January 1, 2013 through June 30, 2013. Total contributions for the years ended June 30, 2012 and 2011 were \$15,493,606 and \$14,639,214, respectively, equal to the required contributions for each year.

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2013

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

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.

2. Risk Management

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

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

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2013

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

At June 30, 2013, the District has reported a liability of \$2,607,000 which represents reported and unreported claims which were incurred on or before June 30, 2013, 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, 2013 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	\$ 51,673,311	\$ 50,553,311	\$ 4,654,900
2012	4,654,900	25,318,156	27,430,156	2,542,900
2013	2,542,900	31,840,413	31,776,313	2,607,000

3. Other Postemployment Benefits

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

a. Plan Descriptions and Contribution Information

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

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Notes to Basic Financial Statements  
 June 30, 2013

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

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

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

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

b. Annual OPEB Cost and Net OPEB Obligation

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

	Normal Cost	Interest Cost	Amortization of AAL	Annual Required Contribution
Teachers	\$ 4,641,260	\$ 344,932	\$ 3,982,052	\$ 8,968,244
Administrators	253,513	22,680	313,480	589,673
Building service	132,765	17,319	300,217	450,301
Clerical	122,273	11,254	159,080	292,607
Educational assistants	80,328	6,875	91,558	178,761
Total	<u>\$ 5,230,139</u>	<u>\$ 403,060</u>	<u>\$ 4,846,387</u>	<u>\$ 10,479,586</u>
Interest on net OPEB				574,305
Adjustment to annual required contribution				(950,934)
Annual OPEB cost (expense)				<u>10,102,957</u>
Contributions made				
Employer				<u>10,408,383</u>
Change in net OPEB obligation				(305,426)
OPEB obligation - beginning of year				<u>16,580,817</u>
OPEB obligation - end of year				<u><u>\$ 16,275,391</u></u>

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2013

**NOTE C - 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, 2012
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	4.00%
Healthcare cost trend rate	-2.0% initial 5.5% ultimate

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

Fiscal Year Ended	Annual OPEB Cost	Annual Required Contribution (ARC)	Annual OPEB Cost Contributed	Percentage of ARC Contributed	Net OPEB Obligation
6/30/2011	\$ 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
6/30/2013	10,102,957	10,479,586	10,408,383	99.32%	16,275,391

c. Funded Status and Funding Progress

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

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

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2013

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

4. Pension Plan

a. Plan Description

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

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

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

b. Funding Policy

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

c. Annual Pension Cost and Net Pension Obligation

The District's annual pension costs for the year ended June 30, 2013 and related actuarial assumptions used for the current year are as follows:

Annual required contribution	\$ 346,026
Interest on net pension obligation	12,004
Adjustment to annual required	<u>(12,347)</u>
Annual pension cost	345,683
Contributions made	<u>235,363</u>
Change in net pension obligation	110,320
Net pension obligation beginning of year	<u>188,257</u>
Net pension obligation end of year	<u><u>\$ 298,577</u></u>

The annual required contribution for the current year was determined as part of the July 1, 2012 actuarial valuation using the projected unit credit cost method. The actuarial assumptions included (a) 4.0% investment rate of return (net of administrative expenses) and (b) projected salary increases 3% per year. The investment rate of return has an inflation component of 2.5% per year. It was assumed that employees would not have any other service within the WRS prior to hire by the District. The unfunded actuarial accrued liability is being amortized, as a level dollar amount, on a closed basis. The remaining amortization period at June 30, 2013 was 24 years.

**Trend Information**

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
6/30/11	\$ 371,967	43.3%	\$ 196,061
6/30/12	280,631	73.0%	188,257
6/30/13	345,683	68.1%	298,577

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Basic Financial Statements  
June 30, 2013

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

d. Funding Status and Funding Progress

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

5. Contingencies

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

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. Cumulative Effect of Change in Accounting Principle

The District has adopted GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which requires debt issuance costs to be expensed in the period incurred, rather than recorded as assets and amortized over the life of the related debt issue. Financial statements for the year ended June 30, 2012, have not been restated. The cumulative effect of this change was to decrease the June 30, 2013 net position of the governmental activities by \$322,460.

**REQUIRED SUPPLEMENTARY INFORMATION**

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
General Fund - Budgetary Basis  
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
Property taxes	\$ 79,142,824	\$ 79,142,824	\$ 79,142,824	\$ -
Other local sources	876,827	802,367	877,075	74,708
Interdistrict sources	100,000	100,000	121,632	21,632
Intermediate sources	1,600	3,000	-	(3,000)
State sources	129,581,894	129,566,096	129,569,556	3,460
Federal sources	14,523,167	12,854,676	12,046,138	(808,538)
Other sources	1,569,402	1,675,069	2,159,560	484,491
<b>Total Revenues</b>	<b>225,795,714</b>	<b>224,144,032</b>	<b>223,916,785</b>	<b>(227,247)</b>
<b>Expenditures</b>				
<b>Instruction</b>				
Regular instruction	92,938,241	89,315,984	87,593,931	1,722,053
Vocational instruction	4,727,013	4,760,412	4,660,906	99,506
Other instruction	6,542,034	6,435,836	6,292,643	143,193
<b>Total Instruction</b>	<b>104,207,288</b>	<b>100,512,232</b>	<b>98,547,480</b>	<b>1,964,752</b>
<b>Support Services</b>				
Pupil services	9,311,036	9,124,820	8,844,325	280,495
Instructional staff services	11,461,301	10,575,873	9,710,796	865,077
General administration services	2,238,422	2,290,214	2,139,398	150,816
School administration services	11,185,753	11,024,136	10,607,831	416,305
Business services	4,653,812	4,664,541	4,836,405	(171,864)
Operation and maintenance of plant	26,558,148	24,786,765	22,906,273	1,880,492
Pupil transportation services	5,234,163	5,224,755	5,031,744	193,011
Central services	6,834,394	6,735,306	6,287,298	448,008
Insurance	740,755	660,755	546,363	114,392
Other support services	750,921	1,785,235	1,795,524	(10,289)
<b>Total Support Services</b>	<b>78,968,705</b>	<b>76,872,400</b>	<b>72,705,957</b>	<b>4,166,443</b>
<b>Debt service</b>				
Non-program	1,343,657	1,343,657	1,318,449	25,208
General tuition payments	8,064,961	7,472,282	7,824,641	(352,359)
Indirect costs	398,679	398,679	127,258	271,421
<b>Total Non-program</b>	<b>8,463,640</b>	<b>7,870,961</b>	<b>7,951,899</b>	<b>(80,938)</b>
<b>Total Expenditures</b>	<b>192,983,290</b>	<b>186,599,250</b>	<b>180,523,785</b>	<b>6,075,465</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>32,812,424</b>	<b>37,544,782</b>	<b>43,393,000</b>	<b>5,848,218</b>
<b>Other Financing Sources (Uses)</b>				
Capital leases	1,528,432	1,528,432	1,750,142	221,710
Transfers in	192,554	192,554	179,677	(12,877)
Transfers out	(34,533,410)	(33,859,532)	(31,643,763)	2,215,769
<b>Total Other Financing Sources (Uses)</b>	<b>(32,812,424)</b>	<b>(32,138,546)</b>	<b>(29,713,944)</b>	<b>2,424,602</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>5,406,236</b>	<b>13,679,056</b>	<b>8,272,820</b>
<b>Fund Balance - July 1</b>	<b>33,118,439</b>	<b>33,118,439</b>	<b>33,118,439</b>	<b>-</b>
<b>Fund Balance - June 30</b>	<b>\$ 33,118,439</b>	<b>\$ 38,524,675</b>	<b>\$ 46,797,495</b>	<b>\$ 8,272,820</b>

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Schedule of Revenues, Expenditures and Changes in Fund Balance  
Budget and Actual  
Special Education Special Revenue Fund - Budgetary Basis  
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Positive (Negative)
	Original	Final		
<b>Revenues</b>				
State sources	\$ 12,027,658	\$ 12,151,615	\$ 12,713,173	\$ 561,558
Federal sources	7,408,387	7,175,695	7,063,390	(112,305)
<b>Total Revenues</b>	<b>19,436,045</b>	<b>19,327,310</b>	<b>19,776,563</b>	<b>449,253</b>
<b>Expenditures</b>				
Instruction				
Vocational instruction	48,443	48,443	40,727	7,716
Special education instruction	40,249,620	39,495,620	37,985,311	1,510,309
Other instruction	-	50,414	62,244	(11,830)
<b>Total Instruction</b>	<b>40,298,063</b>	<b>39,594,477</b>	<b>38,088,282</b>	<b>1,506,195</b>
Support Services				
Pupil services	5,592,685	5,477,696	5,248,316	229,380
Instructional staff services	3,502,680	3,564,129	3,251,082	313,047
General administration services	25,000	25,000	20,975	4,025
Business services	178,184	177,139	145,042	32,097
Operation and maintenance of plant	24,200	7,200	9,603	(2,403)
Pupil transportation services	3,674,173	3,665,026	3,786,046	(121,020)
Central services	5,600	6,950	4,980	1,970
Insurance	223,740	224,095	216,719	7,376
<b>Total Support Services</b>	<b>13,226,262</b>	<b>13,147,235</b>	<b>12,682,763</b>	<b>464,472</b>
Non-program				
Special education tuition payments	283,600	283,600	492,800	(209,200)
<b>Total Expenditures</b>	<b>53,807,925</b>	<b>53,025,312</b>	<b>51,263,845</b>	<b>1,761,467</b>
<b>Excess of Revenues Under Expenditures</b>	<b>(34,371,880)</b>	<b>(33,698,002)</b>	<b>(31,487,282)</b>	<b>2,210,720</b>
<b>Other Financing Sources (Uses)</b>				
Transfers in	34,533,410	33,859,532	31,643,763	(2,215,769)
Transfers out	(161,530)	(161,530)	(156,481)	5,049
<b>Total Other Financing Sources (Uses)</b>	<b>34,371,880</b>	<b>33,698,002</b>	<b>31,487,282</b>	<b>(2,210,720)</b>
<b>Net Change in Fund Balance</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - July 1</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Fund Balance - June 30</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Funding Progress  
 For the Year Ended June 30, 2013

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

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

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Employer Contributions  
 For the Year Ended June 30, 2013

Other Post-Employment Benefit Plan			
Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2011	\$ 9,583,529	\$ 10,962,135	87.42%
2012	7,981,678	10,962,135	72.81%
2013	10,408,383	10,479,586	99.32%

Pension Plan			
Year Ended June 30,	Employer Contributions	Annual Required Contribution (ARC)	Percentage Contributed
2011	\$ 204,912	\$ 279,293	73.37%
2012	288,435	279,293	103.27%
2013	235,363	346,026	68.02%

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

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2013

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

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

**NOTE B - CHANGE IN ACTUARIAL ASSUMPTIONS**

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

**NOTE C - BUDGETARY INFORMATION**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note A 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)	\$ 223,916,785	\$ 19,776,563
Reclassification of special education	19,776,563	(19,776,563)
<b>Total Revenues</b>	<u>243,693,348</u>	<u>-</u>
<b>Expenditures</b>		
Actual amounts (budgetary basis)	180,523,785	51,263,845
Reclassification of special education	51,263,845	(51,263,845)
<b>Total Expenditures</b>	<u>231,787,630</u>	<u>-</u>
<b>Excess of Revenues Over (Under) Expenditures</b>		
Actual amounts (budgetary basis)	43,393,000	(31,487,282)
Reclassification of special education	(31,487,282)	31,487,282
<b>Excess of Revenues Over (Under) Expenditures</b>	<u>11,905,718</u>	<u>-</u>
<b>Other Financing Sources (Uses)</b>		
Actual amounts (budgetary basis)	(29,713,944)	31,487,282
Reclassification of special education	31,487,282	(31,487,282)
<b>Total Other Financing Sources (Uses)</b>	<u>1,773,338</u>	<u>-</u>
<b>Net Change in Fund Balance</b>		
Actual amounts (budgetary basis)	<u>13,679,056</u>	<u>-</u>
<b>Fund Balance - January 1</b>		
Actual amounts (budgetary basis)	<u>33,118,439</u>	<u>-</u>
<b>Fund Balance - December 31</b>		
Actual amounts (budgetary basis)	<u>\$ 46,797,495</u>	<u>\$ -</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Notes to Required Supplementary Information  
For the Year Ended June 30, 2013

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

Budgets and Budgetary Accounting

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

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

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

The District did not have any material violation of legal or contractual provisions for the fiscal year ended June 30, 2013. In addition, no District funds had deficit fund equity as of June 30, 2013.

## **SUPPLEMENTARY INFORMATION**

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Combining Balance Sheet  
 Nonmajor Governmental Funds  
 June 30, 2013

	Special Revenue Funds		
	Trust	Special Projects	Community Service
<b>ASSETS</b>			
Due from other funds	\$ 184,665	\$ -	\$ 184,968
Due from other governments	-	394,943	-
<b>TOTAL ASSETS</b>	<u>\$ 184,665</u>	<u>\$ 394,943</u>	<u>\$ 184,968</u>
<b>LIABILITIES AND FUND BALANCES</b>			
Liabilities			
Due to other funds	\$ -	\$ 361,978	\$ -
Fund Balances			
Fund Balances			
Restricted			
Private gifts and donations	184,665	-	-
Grant expenditures	-	32,965	-
Debt service	-	-	-
Community service programs	-	-	184,968
Total Fund Balances	<u>184,665</u>	<u>32,965</u>	<u>184,968</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 184,665</u>	<u>\$ 394,943</u>	<u>\$ 184,968</u>

Debt Service Funds		Total Nonmajor Governmental Funds
Non-Referendum Debt Service	Referendum Debt Service	
\$ 17,656,548	\$ 134,687	\$ 18,160,868
-	-	394,943
<hr/>		
\$ 17,656,548	\$ 134,687	\$ 18,555,811

\$ 2,934,536	\$ -	\$ 3,296,514
--------------	------	--------------

-	-	184,665
-	-	32,965
14,722,012	134,687	14,856,699
-	-	184,968
<hr/>		
14,722,012	134,687	15,259,297
<hr/>		
\$ 17,656,548	\$ 134,687	\$ 18,555,811

**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, 2013

	Special Revenue Funds		
	Trust	Special Projects	Community Service
<b>Revenues</b>			
Property taxes	\$ -	\$ -	\$ -
Other local sources	177,400	-	191,936
Federal sources	-	888,825	-
<b>Total Revenues</b>	<b>177,400</b>	<b>888,825</b>	<b>191,936</b>
<b>Expenditures</b>			
Instruction			
Regular instruction	4,607	30,447	-
Vocational instruction	4,892	-	-
Other instruction	-	550,225	-
<b>Total Instruction</b>	<b>9,499</b>	<b>580,672</b>	<b>-</b>
Support Services			
Pupil services	-	9,585	-
Instructional staff services	95,549	219,442	-
General administration services	12,000	-	12,313
School administration services	-	65	121,451
Operation and maintenance of plant	-	-	1,123
Pupil transportation services	-	25,626	22,074
Central services	-	29,879	6,250
<b>Total Support Services</b>	<b>107,549</b>	<b>284,597</b>	<b>163,211</b>
Debt Service			
Principal	-	-	-
Interest and fiscal charges	-	-	-
<b>Total Debt Service</b>	<b>-</b>	<b>-</b>	<b>-</b>
Community Services	-	-	937,939
<b>Total Expenditures</b>	<b>117,048</b>	<b>865,269</b>	<b>1,101,150</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>60,352</b>	<b>23,556</b>	<b>(909,214)</b>
<b>Other Financing Sources (Uses)</b>			
Long-term debt issued	-	-	-
Premium on long term debt issued	-	-	-
Payment to current noteholder	-	-	-
Transfers out	-	(23,196)	-
<b>Total Other Financing Sources (Uses)</b>	<b>-</b>	<b>(23,196)</b>	<b>-</b>
<b>Net Change in Fund Balances</b>	<b>60,352</b>	<b>360</b>	<b>(909,214)</b>
<b>Fund Balances - July 1</b>	<b>124,313</b>	<b>32,605</b>	<b>1,094,182</b>
<b>Fund Balances - June 30</b>	<b>\$ 184,665</b>	<b>\$ 32,965</b>	<b>\$ 184,968</b>

Debt Service Funds		Total Nonmajor Governmental Funds
Non-Referendum Debt Service	Referendum Debt Service	
\$ 1,469,920	\$ 2,926,819	\$ 4,396,739
-	-	369,336
-	-	888,825
<u>1,469,920</u>	<u>2,926,819</u>	<u>5,654,900</u>
-	-	35,054
-	-	4,892
-	-	550,225
<u>-</u>	<u>-</u>	<u>590,171</u>
-	-	9,585
-	-	314,991
-	-	24,313
-	-	121,516
-	-	1,123
-	-	47,700
-	-	36,129
<u>-</u>	<u>-</u>	<u>555,357</u>
676,868	2,465,000	3,141,868
1,225,124	705,068	1,930,192
<u>1,901,992</u>	<u>3,170,068</u>	<u>5,072,060</u>
-	-	937,939
<u>1,901,992</u>	<u>3,170,068</u>	<u>7,155,527</u>
<u>(432,072)</u>	<u>(243,249)</u>	<u>(1,500,627)</u>
24,000,000	-	24,000,000
872,683	-	872,683
(10,000,000)	-	(10,000,000)
-	-	(23,196)
<u>14,872,683</u>	<u>-</u>	<u>14,849,487</u>
14,440,611	(243,249)	13,348,860
281,401	377,936	1,910,437
<u>\$ 14,722,012</u>	<u>\$ 134,687</u>	<u>\$ 15,259,297</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Pupil Activity Funds  
Schedule of Changes in Assets and Liabilities  
For the Year Ended June 30, 2013

	Pupil Activity Funds			
	Balance 07/01/12	Additions	Deletions	Balance 06/30/13
<b>ASSETS</b>				
Cash and investments	\$ 1,100,728	\$ 3,779,145	\$ 3,712,676	\$ 1,167,197
<b>LIABILITIES</b>				
Due to student organizations				
Senior high schools	\$ 639,985	\$ 2,230,801	\$ 2,214,837	\$ 655,949
Middle schools	187,758	705,834	678,361	215,231
Elementary schools	235,256	710,745	686,576	259,425
Early Childhood schools	9,348	17,899	20,696	6,551
Lighted Schoolhouse	9,273	27,867	34,168	2,972
P-COC	2,179	12,949	14,042	1,086
Mack Center	2,692	3,208	1,784	4,116
REAL School	14,237	69,842	62,212	21,867
<b>TOTAL LIABILITIES</b>	<b>\$ 1,100,728</b>	<b>\$ 3,779,145</b>	<b>\$ 3,712,676</b>	<b>\$ 1,167,197</b>

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



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

To the Board of Education  
Racine Unified School District

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Racine Unified School District, as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Racine Unified School District's basic financial statements, and have issued our report thereon which included an emphasis of matter paragraph as indicated on page 2 dated November 12, 2013.

**Internal Control Over Financial Reporting**

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

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

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and questioned costs as items 2013-01 and 2013-02 that we consider to be significant deficiencies.



## **Compliance and Other Matters**

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

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

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

## **Purpose of this Report**

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



Certified Public Accountants  
Green Bay, Wisconsin  
November 12, 2013

**FEDERAL AWARDS AND STATE FINANCIAL ASSISTANCE**



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

To the Board of Education  
Racine Unified School District

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

We have audited Racine Unified School District's compliance with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration that could have a direct and material effect on each of Racine Unified School District's major federal and state programs for the year ended June 30, 2013. Racine Unified School District's major federal and state programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

**Management's Responsibility**

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

**Auditors' Responsibility**

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

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

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

In our opinion, Racine Unified School District complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal and state programs for the year ended June 30, 2013.



## Other Matters

The results of our auditing procedures disclosed an instance of noncompliance with the requirements referred to above that are required to be reported in accordance with the *State Single Audit Guidelines* and which is described in the accompanying schedule of findings and questioned costs as item 2013-03.

## Report on Internal Control Over Compliance

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

Our consideration of 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 material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. 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. 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 deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as items 2013-03 to be a significant deficiency.

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

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



Certified Public Accountants  
Green Bay, Wisconsin  
November 12, 2013

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Expenditures of Federal Awards  
 For the Year Ended June 30, 2013

Federal Grantor/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number
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U.S. Department of Agriculture

*Child Nutrition Cluster*

School Breakfast Program		10.553
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
National School Lunch Program		10.555
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
Donated Commodities	Wisconsin Department of Public Instruction	
Total National School Lunch Program		
Special Milk Program for Children		10.556
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	
July 1, 2012 - June 30, 2013		
Summer Food Service Program for Children		10.559
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
<i>Total Child Nutrition Cluster</i>		

Total U.S. Department of Agriculture

U.S. Department of Education

*Title I, Part A Cluster*

Title I Grants to Local Educational Agencies		84.010
Basic Grant		
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	P141
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
Neglected and Delinquent Youth		
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	P140
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
Title I Focus Schools Grant		
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	P145
Total Title I Grants to Local Educational Agencies		

*Total Title I, Part A Cluster*

(Continued)

Accrued Receivable (Deferred Revenue) 7/1/12	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/13	Total Revenues	Total Expenditures
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\$ (39,470)	\$ 39,470	\$ -	\$ -	\$ -
-	1,172,324	46,012	1,218,336	1,218,336
(139,210)	139,210	-	-	-
-	4,654,358	165,677	4,820,035	4,820,035
-	509,923	-	509,923	509,923
<u>(139,210)</u>	<u>5,303,491</u>	<u>165,677</u>	<u>5,329,958</u>	<u>5,329,958</u>
(96)	96	-	-	-
-	4,538	144	4,682	4,682
-	160,326	-	160,326	160,326
<u>(178,776)</u>	<u>6,680,245</u>	<u>211,833</u>	<u>6,713,302</u>	<u>6,713,302</u>
<u>(178,776)</u>	<u>6,680,245</u>	<u>211,833</u>	<u>6,713,302</u>	<u>6,713,302</u>

(4,169,105)	4,169,105	-	-	-
-	2,747,233	3,948,471	6,695,704	6,695,704
(78,826)	78,826	-	-	-
-	47,528	74,076	121,604	121,604
-	-	23,520	23,520	23,520
<u>(4,247,931)</u>	<u>7,042,692</u>	<u>4,046,067</u>	<u>6,840,828</u>	<u>6,840,828</u>
<u>(4,247,931)</u>	<u>7,042,692</u>	<u>4,046,067</u>	<u>6,840,828</u>	<u>6,840,828</u>

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Expenditures of Federal Awards (Continued)  
 For the Year Ended June 30, 2013

Federal Grantor/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number
<u>U.S. Department of Education (Continued)</u>		
Career and Technical Education - Basic Grants to States		84.048
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	P405
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
<i>Special Education Cluster (IDEA)</i>		
Special Education - Grants to States		
IDEA Flow Thru		84.027
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	P341
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
IDEA High Cost Special Education Aid		
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
IDEA Discretionary		
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	P342
IDEA Discretionary Grant - Disportionality		
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	CEIS
July 1, 2012 - June 30, 2013		
Total Special Education - Grants to States		
Special Education - Preschool Grants		84.173
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
Total Special Education Cluster (IDEA)		
Safe and Drug-Free Schools and Communities - National Programs		84.184
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	P592
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
<i>Education for Homeless Children</i>		
Education for Homeless Children and Youth		84.196
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	P335
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
Total Education for Homeless Children		
Fund for the Improvement of Education		84.215k
July 1, 2011 - June 30, 2012	City of Racine	
July 1, 2012 - June 30, 2013	City of Racine	
NSF Grand Challenges Grant	UWM	PRJ48JL
July 1, 2012 - June 30, 2013		
Afterschool Program		P620
July 1, 2012 - June 30, 2013	City of Racine	
Youth Gang Diversion Prog Grant		
July 1, 2012 - June 30, 2013	City of Racine	P625
Total Fund for the Improvement of Education		84.215k
Twenty-First Century Community Learning Centers		
Twenty-First Century Community Learning Centers		84.287
July 1, 2010 - June 30, 2011	Wisconsin Department of Public Instruction	P212
July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	

(Continued)

Accrued Receivable (Deferred Revenue) 7/1/12	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/13	Total Revenues	Total Expenditures
(188,040)	188,040	-	-	-
-	-	246,572	246,572	246,572
(351,252)	351,252	-	-	-
-	2,870,293	1,632,792	4,503,085	4,503,085
-	62,293	-	62,293	62,293
-	-	7,831	7,831	7,831
(302,897)	302,897	-	-	-
	571,070	488,926	1,059,996	1,059,996
(654,149)	4,157,805	2,129,549	5,633,205	5,633,205
(75,430)	75,430	-	-	-
-	172,681	88,840	261,521	261,521
(729,579)	4,405,916	2,218,389	5,894,726	5,894,726
(177,215)	177,215	-	-	-
-	-	191,906	191,906	191,906
(33,845)	33,845	-	-	-
-	32,200	19,775	51,975	51,975
(33,845)	66,045	19,775	51,975	51,975
(19,292)	19,292	-	-	-
-	36,855	29,242	66,097	66,097
-	4,500	-	4,500	4,500
-	25,632	11,760	37,392	37,392
-	29,242	-	29,242	29,242
(19,292)	115,521	41,002	137,231	137,231
(78,555)	78,555	-	-	-
-	176,753	50,602	227,355	227,355

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Schedule of Expenditures of Federal Awards (Continued)  
For the Year Ended June 30, 2013

Federal Grantor/Program Name/Grant Period	Pass-Through Agency	Federal Catalog Number
<u>U.S. Department of Education (Continued)</u>		
Twenty-First Century Community Learning Centers July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	84.287 P367
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
Twenty-First Century Community Learning Centers July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	84.287 P215
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
Twenty-First Century Community Learning Centers July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	84.287
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	P215
Twenty-First Century Community Learning Centers July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	P216
Total Twenty-First Century Community Learning Centers		
Transition to Teaching Grant Program July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	84.350 P593
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
English Language Acquisition Grants July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	84.365 P391
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
Improving Teacher Quality State Grants July 1, 2011 - June 30, 2012	Wisconsin Department of Public Instruction	84.367 P365
July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	
Title I Priority Schools Grant July 1, 2012 - June 30, 2013	Wisconsin Department of Public Instruction	84.377 P151
ARRA - Education Jobs Bill July 1, 2011 - June 30, 2012	Wisconsin Department of Administration	84.410
July 1, 2012 - June 30, 2013	Wisconsin Department of Administration	
Total U.S. Department of Education		
<u>U.S. Department of Health and Human Services</u>		
Medical Assistance - Student Based Services Benefit July 1, 2011 - June 30, 2012	Wisconsin Department of Health Services	93.778
July 1, 2012 - June 30, 2013	Wisconsin Department of Health Services	
Center for Disease Control - Basic Grant July 1, 2012 - June 30, 2013	Wisconsin Department of Health Services	93.938 P334
Total U.S. Department of Health and Human Services		
<b>TOTAL FEDERAL FINANCIAL ASSISTANCE</b>		
Reconciliation to Basic Financial Statements		
Governmental Funds		
Federal sources		
Federal awards reported with interdistrict sources		
Miscellaneous adjustment		
Proprietary Fund		
Federal sources		
Total Federal Awards		

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

Accrued Receivable (Deferred Revenue) 7/1/12	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/13	Total Revenues	Total Expenditures
(38,611)	38,611	-	-	-
-	42,079	7,504	49,583	49,583
(82,506)	82,506	-	-	-
-	140,720	119,963	260,683	260,683
(86,662)	86,662	-	-	-
-	79,182	129,039	208,221	208,221
-	29,516	46,834	76,350	76,350
(286,334)	754,584	353,942	822,192	822,192
(26,536)	26,536	-	-	-
-	-	36,330	36,330	36,330
(96,585)	96,585	-	-	-
-	218,420	71,829	290,249	290,249
(744,583)	744,583	-	-	-
-	135,664	1,208,781	1,344,445	1,344,445
-	-	290,733	290,733	290,733
(15,064)	15,064	-	-	-
-	1,690,513	-	1,690,513	1,690,513
(6,565,004)	15,677,378	8,725,326	17,837,700	17,837,700
(1,683,953)	1,683,953	-	-	-
-	2,228,659	-	2,228,659	2,228,659
-	250	-	250	250
(1,683,953)	3,912,862	-	2,228,909	2,228,909
<u>\$ (8,427,733)</u>	<u>\$ 26,270,485</u>	<u>\$ 8,937,159</u>	<u>\$ 26,779,911</u>	<u>\$ 26,779,911</u>

\$ 19,998,353  
70,597  
(2,341)

6,713,302  
\$ 26,779,911

**RACINE UNIFIED SCHOOL DISTRICT**  
Racine, Wisconsin  
Schedule of State Financial Assistance  
For the Year Ended June 30, 2013

State Grantor/Program Name/Grant Period	Pass-through Agency	State I.D. Number
<u>Wisconsin Department of Public Instruction</u>		
<u>Cost Reimbursement Programs</u>		
Alcohol & Other Drug Abuse July 1, 2012 - June 30, 2013	Direct Program	255.306
Peer Review and Mentoring July 1, 2012 - June 30, 2013	Direct Program	255.301
AODA Mini Grants July 1, 2012 - June 30, 2013	CESA No. 1	255.312
Total Cost Reimbursement Programs		
<u>Entitlement Programs</u>		
Special Education and School Age Parents	Direct Program	255.101
State Lunch	Direct Program	255.102
Common School Fund Library	Direct Program	255.103
Bilingual - Bicultural Aid	Direct Program	255.106
Pupil Transportation Aid	Direct Program	255.107
Charter Schools State Aid	Direct Program	255.109
General Equalization Aids July 1, 2011 - June 30, 2012	Direct Program	255.201
July 1, 2012 - June 30, 2013	Direct Program	
Integration Transfer	Direct Program	255.205
High Cost Special Education Aid	Direct Program	255.210
State Breakfast Program	Direct Program	255.344
Tuition Payments by State	Direct Program	255.401
Tuition Payments by State - FUND 27	Direct Program	255.401
Student Achievement Guarantee in Education (SAGE) Program	Direct Program	255.504
Aid for High Poverty School District	Direct Program	255.926
Per Pupil Adjustment Aid	Direct Program	255.925
WI Partnership Childhood Fitness	Direct Program	255.938
Total Entitlement Programs		
Total Wisconsin Department of Public Instruction		
<b>TOTAL STATE FINANCIAL ASSISTANCE</b>		
Reconciliation to Basic Financial Statements		
Governmental Funds		
State sources		
State awards reported with intermediate sources		
Proprietary Fund		
State sources		
Revenues not considered state financial assistance		
Tax-exempt computer aids		
Miscellaneous		
Total State Awards		

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

(Accrued Receivable) Deferred Revenue 7/1/12	Cash Received	Accrued Receivable (Deferred Revenue) 6/30/13	Total Revenues	Total Expenditures
--	------------------	---	-------------------	-----------------------

\$ -	\$ -	\$ 3,000	\$ 3,000	\$ 3,000
-	-	9,989	9,989	9,989
-	4,996	-	4,996	4,996
-	4,996	12,989	17,985	17,985
-	12,434,995	-	12,434,995	12,434,995
-	84,564	-	84,564	84,564.00
-	794,898	-	794,898	794,898
-	419,513	-	419,513	419,513.00
-	400,110	-	400,110	400,110.00
-	750,000	-	750,000	750,000
(2,309,617)	2,309,617	-	-	-
-	113,496,907	2,126,095	115,623,002	115,623,002
-	6,733,376	-	6,733,376	6,733,376
-	167,733	-	167,733	167,733
-	63,445	-	63,445	63,445
-	231,132	-	231,132	231,132
-	110,445	-	110,445	110,445
-	1,542,631	-	1,542,631	1,542,631
-	1,483,804	-	1,483,804	1,483,804
-	1,058,996	-	1,058,996	1,058,996
-	1,000	-	1,000	1,000
(2,309,617)	142,083,166	2,126,095	141,899,644	141,899,644
(2,309,617)	142,088,162	2,139,084	141,917,629	141,917,629
\$ (2,309,617)	\$ 142,088,162	\$ 2,139,084	\$ 141,917,629	\$ 141,917,629

\$ 142,282,729  
4,996

148,009

(496,276)

(21,829)

\$ 141,917,629

**RACINE UNIFIED SCHOOL DISTRICT**

Racine, Wisconsin

Notes to the Schedule of Expenditures of Federal Awards and Schedule of State Financial Assistance  
For the Year Ended June 30, 2013

**NOTE A - BASIS OF PRESENTATION**

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

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

The 2012-2013 eligible costs under the State Special Education Program as reported by the District are \$46,060,430.

**NOTE C - FOOD DISTRIBUTION**

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

**NOTE D - OVERSIGHT AGENCIES**

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2013

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

Basic Financial Statements

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

Federal Awards and State Financial Assistance

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiency(ies) identified?	Yes
Type of auditors' report issued on compliance for major programs	Unmodified
Any audit findings disclosed that are required to be reported in accordance with Section 510(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
	<i>Special Education Cluster (IDEA)</i>
84.027	Special Education - Grants to States
84.173	Special Education - Preschool Grants
84.287	Twenty-First Century Community Learning Centers

State ID Number	Name of State Programs
255.101	Special Education and School Age Parents
255.106	Bilingual Bicultural
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
255.401	Tuition Payments
255.925	Per Pupil Adjustment
255.926	Aid for High Poverty

Audit threshold used to determine between Type A and Type B federal programs:	\$803,397
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, 2013

**Section II - Financial Statement Findings**

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

**2013-01      Preparation of Annual Financial Report**

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

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

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

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

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

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended June 30, 2013

**Section II - Financial Statement Findings (continued)**

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

**2013-02 Timely Reconciliations of District's Financial Records**

**Condition:** The District proposed numerous adjusting journal entries which corrected certain general ledger balances that were considered significant to the District's financial statements after audit fieldwork started. In addition, a significant adjustment was necessary to correct interfund balances at year end.

**Criteria:** Numerous and significant adjusting journal entries to reflect adjustments necessary to correct variances is considered a deficiency in the District's internal controls.

**Cause:** The District does not have a formal process for reconciling balance sheet and key operating accounts throughout the year, including designating responsible persons and related timeframes. As a result, many account reconciliations were not done until year end, resulting in a number of adjustments after the start of the audit.

**Effect:** Periodic financial records prepared by the District may contain misstatements throughout the year.

**Recommendation:** We recommend the District create a process to identify key accounts which require monthly, quarterly and annual reconciliations, based on the magnitude and significance of transactions recorded through each account and operating cycles, and establish a checklist identifying who is responsible for completing, reviewing and approving reconciliations and the related timeframe. The account reconciliations should be completed on a rotational basis throughout the year versus year-end to assist in preparing accurate and timely financial statements.

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended June 30, 2013

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

Finding No.	Compliance Findings
-------------	---------------------

**2013-03 Pupil Transportation Reporting Classifications**

*State ID #255.107 General Transportation Aid for Public & Non-Public School Pupils*

**Criteria:** The requirements for state transportation aid are detailed in Section 121.58 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. Also, special education students who are reported on the annual report in Fund 27 are not to be included in the regular transportation tables.

**Condition:** Special education students were reported on both the annual report in fund 27 and on the regular annual Transportation Report PI-1547.

**Cause:** The District does not identify specific procedures for reviewing the documentation received from the system before applying the data to the report.

**Effect:** The District incorrectly reported students transported and reported in the fund 27 annual report on the regular transportation table in which pupil transportation aid for the following year is calculated with.

**Questioned Costs:** Questioned costs could not be determined.

**Recommendation:** 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.

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Findings and Questioned Costs (Continued)  
 For the Year Ended June 30, 2013

**Section IV - Other Issues**

Does the auditor's report of the notes to the financial statement include disclosure with regard to substantial doubt as to the auditee's ability to continue as a going concern? \_\_\_\_\_ Yes   X   No

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

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

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

Name and signature of shareholder

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

Date of report

November 12, 2013

**RACINE UNIFIED SCHOOL DISTRICT**  
 Racine, Wisconsin  
 Schedule of Prior Year Audit Findings and Corrective Action Plan  
 For the Year Ended June 30, 2013

**Status of Prior Year Audit Finding**

All findings noted in the 2012 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 2013-01 and 2013-02.

For findings 2012-02 and 2012-03, these findings have been resolved.

**Corrective Action Plan for Audit Findings**

Finding No.	
<b>2013-01</b>	<b>Preparation of Annual Financial Report</b>
Management Response:	The District has reviewed and will continue to review the financial reports prepared by Schenck, SC and work to communicate questions and to mutually understand the financial reports.
<b>2013-02</b>	<b>Timely Reconciliations of District's Financial Records</b>
Management Response:	The District will provide the Auditors a reconciled Trial Balance within three weeks of receiving the final Incurred But Not Reported liability estimate from the District's actuarial/insurance consultant. The District will continue to reconcile major cash accounts on a monthly basis and reconcile prior year accounts receivable and accounts payable after the first quarter of the new fiscal year. Payroll liabilities accounts will be monitored regularly and reconciled at year end.
<b>2013-03</b>	<b>Pupil Transportation Reporting Classifications</b>
Management Response:	During the audit this year it was discovered that special education students were counted on the state report. This was in error and has been corrected and resubmitted correct numbers without the special education students being counted. The information that is supplied to the State comes directly from Edulog, the District's computer based transportation system. The special education students are identified by a check mark in the program. The report has been adjusted to not include any students with a check mark. The report was re-run, verified and submitted. The report has been saved to eliminate students with a check mark to prevent future issues. This error has been corrected.

**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 \$9,200,000 Note Anticipation Notes, dated August 11, 2014 (the "Securities"). The Securities are being issued pursuant to Resolutions adopted by the Governing Body of the Issuer on May 21, 2012 and July 21, 2014 (collectively, the "Resolution") and delivered to Jefferies LLC (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide 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 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:

"Final Official Statement" means the Final Official Statement dated July 21, 2014 delivered in connection with the Securities, which is available from the MSRB.

"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 Operations Officer of the Issuer who can be contacted at 3109 Mount Pleasant Street, Racine, Wisconsin 53404, telephone: (262) 631-7112, facsimile: (262) 664-8716.

"Material Event" means any of the events listed in Section 3(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.

"SEC" means the Securities and Exchange Commission.

### Section 3. Reporting of Material Events.

(a) This Section 3 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 4. 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 5. 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 6. 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 and 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 7. 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 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 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 Certificate to update such information or include it in any future notice of occurrence of a Material Event.

Section 8. 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 9. 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 11th day of August, 2014.

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Dennis Wisner  
District President

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Pamala Handrow  
District Clerk

**APPENDIX C**

**FORM OF LEGAL OPINION**

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

August 11, 2014

Re: Racine Unified School District, Wisconsin ("Issuer")  
\$9,200,000 Note Anticipation Notes,  
dated August 11, 2014 ("Notes")

We have acted as bond counsel to the Issuer in connection with the issuance of the Notes. 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.

Pursuant to resolutions adopted by the Issuer on May 21, 2012 and July 21, 2014, the Issuer authorized the issuance and covenanted to issue general obligation promissory notes (the "Securities") and authorized the issuance of the Notes to provide interim financing for the public purpose of paying a portion of 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"). The Notes are issued in anticipation of the sale of the Securities.

The Notes are numbered from R-1 and upward; bear interest at the rate of 1.70% per annum; and mature on July 15, 2015. Interest is payable at maturity.

The Notes are subject to redemption prior to maturity, at the option of the Issuer, on February 11, 2015 or on any date thereafter. Said Notes are redeemable as a whole or in part, 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 Notes 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 Notes have been lawfully authorized and issued pursuant to the laws of the State of Wisconsin now in force and are valid and binding special obligations of the Issuer in accordance with their terms.

2. The Notes are payable only from any proceeds of the Notes set aside for payment of interest on the Notes as it becomes due and proceeds to be derived from the issuance and sale of the Securities which have been declared by the Issuer to constitute a special trust fund to be expended solely for the payment of principal of and interest on the Notes until paid.

3. The Notes do not constitute a general obligation of the Issuer, and no lien is created upon the Project or any other property of the Issuer as a result of the issuance of the Notes.

4. The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes 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 Notes is included in adjusted current earnings. The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes 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 Notes to be included in gross income retroactively to the date of issuance of the Notes. 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 Notes.

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

The rights of the owners of the Notes 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