

CITY OF RACINE

Racine, Wisconsin

FINANCIAL STATEMENTS

December 31, 2003

CITY OF RACINE

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INDEPENDENT AUDITORS' REPORT

To the Mayor and Common Council
City of Racine
Racine, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Racine, Wisconsin, as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Racine Water and Wastewater Utilities, both major enterprise funds, which represent 87 percent and 88 percent, respectively, of the assets and operating revenues of the business-type activities. We also did not audit the financial statements of the Downtown Racine Business Improvement District #1, the discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Racine Water and Wastewater Utilities or the Downtown Racine Business Improvement District #1, is based on the reports of the other auditors.

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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Racine, Wisconsin, as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Mayor and Common Council
City of Racine

In accordance with *Government Auditing Standards*, we have issued a report on our consideration of the City of Racine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management discussion and analysis on pages 3 through 15 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Racine's basic financial statements. The *combining and individual fund financial statements and schedules* are presented for purposes of additional analysis and are not a required part of the basic financial statements. The *combining and individual fund financial statements and schedules* have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Vickow, Krouse & Company, LLP

Milwaukee, Wisconsin
July 7, 2004

CITY OF RACINE

Racine, Wisconsin

Management's Discussion and Analysis

As management of the City of Racine, we offer readers of the City of Racine's financial statements this narrative overview and analysis of the financial activities of the City of Racine for the fiscal year ended December 31, 2003.

Financial Highlights

- The assets of the City of Racine exceeded its liabilities at the close of the most recent fiscal year by \$279,577,746 (net assets). Of this amount, \$14,199,974 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$ 565,553.
- As of the close of the current fiscal year, the City of Racine's governmental funds reported combined ending fund balances of \$47,755,160, a decrease of \$5,212,653, in comparison with the prior year. Approximately 43% of this amount, \$20,448,660, is available for spending at the government's discretion (unreserved fund balance). At year end, management had designated \$1,500,000 of the unreserved fund balance for use in the 2004 budget.
- At the end of the current fiscal year, unreserved-undesignated fund balance for the general fund was \$21,597,444 or 29% of total general fund expenditures.
- The City's total debt increased by \$87,299,276 during the current fiscal year due primarily to borrowings for:
 - \$7,900,000 for the 2003 capital improvement plan
 - \$16,895,000 for the payoff of the City's Wisconsin Retirement Prior Service Liability.
 - \$2,000,000 for the construction of TID #10
 - \$26,200,000 for various Water Utility projects
 - \$42,629,000 for the construction and expansion of the Wastewater Utility plant

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Racine's basic financial statements. The City of Racine's basic financial statements comprise three components: 1) government wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government wide financial statements are designed to provide readers with a broad overview of the City of Racine's finances, in a manner similar to private-sector business.

The statement of net assets presents information on all of the City of Racine's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Racine is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes).

CITY OF RACINE
Racine, Wisconsin

Management's Discussion and Analysis

Government-wide Financial Statements (*continued*)

Both the government-wide financial statements distinguish function of the City of Racine that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Racine include general government, community development, health, education and recreation, public works, and public safety. The business-type activities of the City of Racine include the Water Utility, Wastewater Utility, Transit System, Parking Utility, Golf Courses, Civic Centre, and Radio Repair.

The government-wide financial statements include not only the City of Racine itself (known as the primary government), but also a legally separate Business Improvement District for which the City of Racine is financially accountable. Financial information for this component unit is reported separately from the financial information presented in the primary government itself.

The government wide financial statements can be found on pages 17-19 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City of Racine, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City of Racine can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of the governmental funds is narrower than that of the government wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

CITY OF RACINE

Racine, Wisconsin

Management's Discussion and Analysis

Governmental Funds *(continued)*

The City of Racine maintains numerous governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, Other HUD fund, TIF fund, Refunding fund, and the Debt Service Fund, all of which are considered to be major funds. Data from the Other governmental funds are combined into a single, aggregate presentation. Nonmajor governmental fund data is provided in the form of combining worksheets elsewhere in the report.

The City of Racine adopts an annual appropriated budget for various funds. Amendments are made during the year to the adopted budgets. Budgetary comparison statements have been provided for all budgeted funds with both the adopted and amended budgets.

The basic governmental fund financial statements can be found on pages 20-26 of this report.

Proprietary Funds

The City of Racine maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business type activities in the government wide financial statements. The City of Racine uses enterprise funds to account for its Water, Wastewater, and Parking Utilities as well as its Transit System, Civic Centre, Golf Courses, and Radio Repair Facility. The Water Utility, Wastewater Utility, and Transit System are all considered to be major funds of the City of Racine.

The City uses internal service funds are used to account for the financing of goods or services provided by one department to other departments of the City on a cost reimbursement basis. The City uses internal service funds to account for its Equipment Maintenance Garage, Telephone System, and Health Insurance. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The basic proprietary fund financial statements can be found on pages 27-33 of this report.

Fiduciary Funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Racine's own programs. The City of Racine has two fiduciary funds. The most significant fiduciary fund, the Tax Collecting fund, records the tax roll and tax collections for other taxing jurisdictions within the City of Racine. The accounting used for fiduciary funds is much like that used for governmental funds.

The basic fiduciary financial statements can be found on page 34 of this report.

CITY OF RACINE
Racine, Wisconsin

Management's Discussion and Analysis

Notes to the Financial Statements

The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-79 of this report.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental and proprietary funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 80-104 of this report.

Government Wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. At December 31, 2003 and 2002 City's assets exceeded liabilities by \$279,577,746 and \$279,012,193 respectively. Net assets as of December 31, 2002 of the governmental activities has been restated as a result of a technical interpretation of the reporting treatment for the city's unfunded prior service liability to the Wisconsin Retirement System. See footnote IV I for further information on this restatement.

The largest portion of the City's net assets is its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City used these capital assets to provide services to citizens and therefore they are not available for future spending. Although the City's investment in capital assets is reported net of related debt, the resources need to repay this debt must be provided from other resources, since the capital assets can not be used to liquidate these liabilities. The City's investment in capital assets was \$238,738,435 and \$229,746,185 at December 31, 2003 and 2002.

An additional portion of the City of Racine's governmental activities net assets represents restricted net assets, or resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors. Restricted net assets was \$26,639,337 and \$36,133,062 and unrestricted net assets was \$14,199,974 and \$13,132,946 as of December 31, 2003 and 2002 respectively.

Similar to the prior year, at year-end, the City is able to report positive balances in all three categories of net assets for both the governmental and business type activities.

CITY OF RACINE

Racine, Wisconsin

Management's Discussion and Analysis

Government Wide Financial Analysis (continued)

Condensed financial information from the statements of net assets is presented below for the years ended December 31, 2003 and 2002. 2002 financial information has been restated to account for the addition of the pension liability. Amounts are expressed in thousands.

	2003	2002	2003	2002	2003	2002
	Governmental	Governmental	Business-type	Business-type	Total	Total
	Activities	Activities	Activities	Activities		
Current and other assets	\$ 111,498	\$ 110,052	\$ 61,768	\$ 40,490	\$ 173,266	\$ 150,542
Capital assets	<u>184,997</u>	<u>182,275</u>	<u>194,271</u>	<u>144,719</u>	<u>379,268</u>	<u>326,994</u>
Total assets	<u>296,495</u>	<u>292,327</u>	<u>256,039</u>	<u>185,209</u>	<u>552,534</u>	<u>477,536</u>
Current and other liabilities	49,469	47,126	10,060	7,230	59,529	54,356
Liabilities payable from restricted assets	-	-	3,853	2,356	3,853	2,356
Long-term liabilities	<u>93,693</u>	<u>91,800</u>	<u>115,880</u>	<u>50,012</u>	<u>209,573</u>	<u>141,812</u>
Total liabilities	143,162	138,926	129,793	59,598	272,955	198,524
Net assets:						
Invested in capital assets						
net of related debt	127,432	127,719	111,306	102,027	238,738	229,746
Restricted	20,223	23,120	6,416	13,013	26,639	36,133
Unrestricted	<u>5,677</u>	<u>2,562</u>	<u>8,524</u>	<u>10,571</u>	<u>14,201</u>	<u>13,133</u>
Total net assets	<u>\$ 153,332</u>	<u>\$ 153,401</u>	<u>\$ 126,246</u>	<u>\$ 125,611</u>	<u>\$ 279,578</u>	<u>\$ 279,012</u>

CITY OF RACINE

Racine, Wisconsin

Management's Discussion and Analysis

Government Wide Financial Analysis *(continued)*

Condensed financial information from the statement of activities is presented below for the year ended December 31, 2003 and 2002. Amounts are expressed in thousands.

	2003 Governmental Activities	2002 Governmental Activities	2003 Business-type Activities	2002 Business-type Activities	2003 Total	2002 Total
Revenues						
Program revenues						
Charges for services	\$ 25,058	\$ 25,733	\$ 24,851	\$ 24,064	\$ 49,909	\$ 49,797
Operating grants and contributions	11,107	11,140	4,844	6,421	15,951	17,561
Capital grants and contributions	1,391	3,126	4,494	997	5,885	4,123
General Revenues						
Taxes	35,970	35,103	1,371	-	37,341	35,103
Intergovernmental revenues not restricted to specific programs	32,126	30,784	-		32,126	30,784
Investment income	2,661	3,799	318	481	2,979	4,280
Other	1,351	964	210	215	1,561	1,179
Total revenues	<u>\$ 109,664</u>	<u>\$ 110,649</u>	<u>\$ 36,088</u>	<u>\$ 32,178</u>	<u>\$ 145,752</u>	<u>\$ 142,827</u>
Expenses						
General government	23,402	23,926	-	-	23,402	23,926
Community development	3,862	4,937	-	-	3,862	4,937
Health	2,839	2,671	-	-	2,839	2,671
Education and recreation	12,793	12,367	-	-	12,793	12,367
Public works	26,986	26,224	-	-	26,986	26,224
Public safety	39,101	39,031	-	-	39,101	39,031
Interest and fiscal charges	3,175	4,232	-	-	3,175	4,232
Water	-	-	10,664	10,213	10,664	10,213
Wastewater	-	-	10,224	8,538	10,224	8,538
Belle urban system	-	-	7,770	7,973	7,770	7,973
Other	-	-	2,491	2,620	2,491	2,620
Total expenses	<u>112,158</u>	<u>113,388</u>	<u>31,149</u>	<u>29,344</u>	<u>143,307</u>	<u>142,732</u>
Increase (decrease) in net assets before transfers	(2,494)	(2,739)	4,939	2,834	2,445	95
Transfers	<u>2,425</u>	<u>(3,367)</u>	<u>(2,425)</u>	<u>3,367</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(69)	(6,106)	2,514	6,201	2,445	95
Cumulative effect of change in accounting principle	-	-	(1,879)	-	(1,879)	-
Net assets-beginning of year, as restated	<u>153,401</u>	<u>159,507</u>	<u>125,611</u>	<u>119,410</u>	<u>279,012</u>	<u>278,917</u>
Net assets-end of year	<u>\$ 153,332</u>	<u>\$ 153,401</u>	<u>\$ 126,246</u>	<u>\$ 125,611</u>	<u>\$ 279,578</u>	<u>\$ 279,012</u>

CITY OF RACINE

Racine, Wisconsin

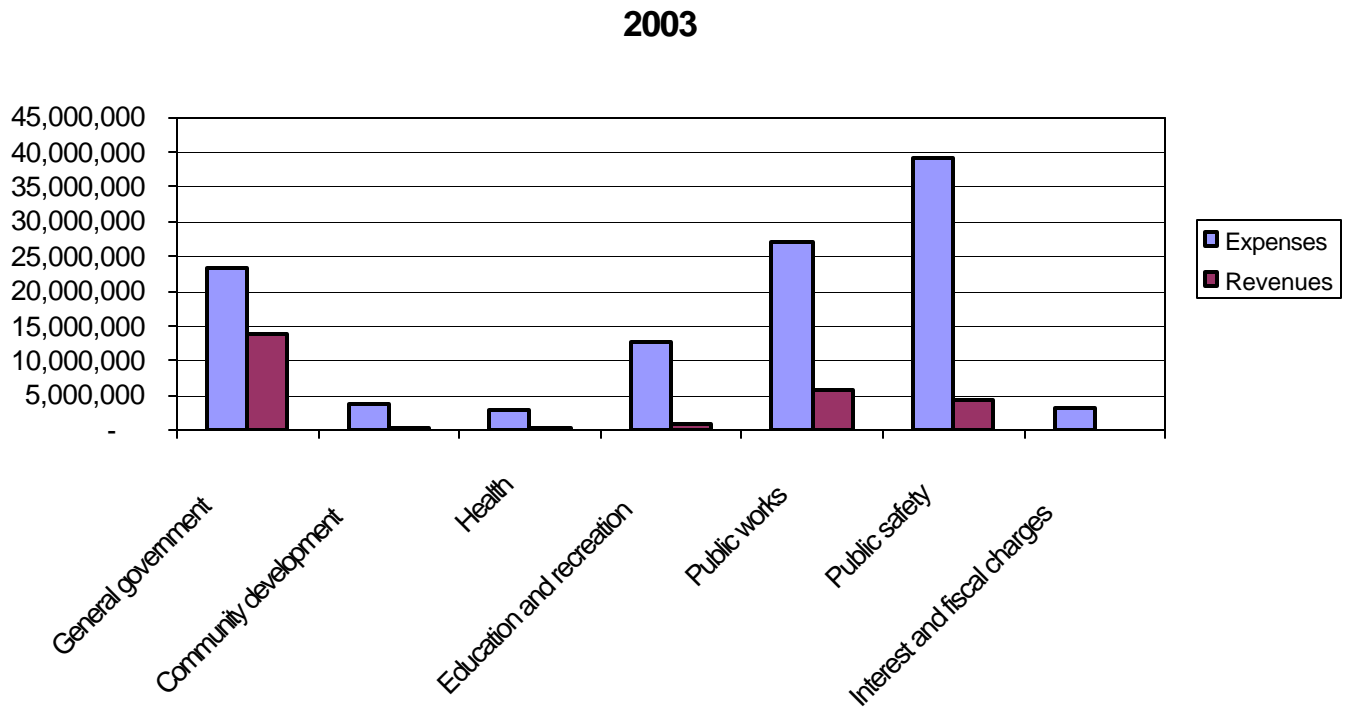
Management's Discussion and Analysis

Governmental Activities

The net assets in the governmental activities decreased by approximately \$ 69,000 during the fiscal year. The primary reason for this decrease was:

- \$2.8 million was an anticipated use of debt service reserves accumulated in previous years. The amount was used to pay principal and interest on long term obligations during 2003.
- \$1.1 million was use of capital project reserves from previous years for various City redevelopment projects.
- \$1.85 million was revenue recognized from the Water and Wastewater Utilities for their portion of the Wisconsin Retirement System Unfunded Pension liability.
- \$2.0 million was the deferral and amortization of the issue costs, premiums, discounts, and similar items associated with several debt issues during 2003.

Expenses and Program Revenues-Governmental Activities:

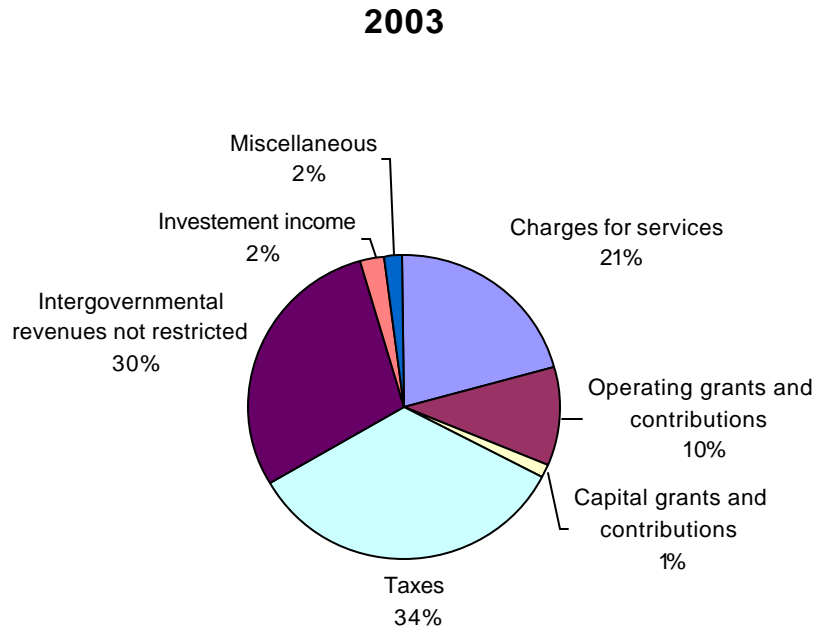


CITY OF RACINE
Racine, Wisconsin

Management's Discussion and Analysis

Governmental Activities *(continued)*

Program and General Revenues by Source – Governmental Activities:



Business-type activities

Business-type activities net assets increased by \$634,630 during the fiscal year 2003. Key elements of this increase are as follows:

- The Water and Wastewater utilities operating revenues and expenses were consistent with fiscal year 2002. The Water utility had an increase in net assets of \$2,277,901 while the wastewater utility had a decrease in net assets of \$(3,332,917). The decrease in net assets in the Wastewater utility is primarily the result of the \$1,812,358 transfer to the City in accordance with the revenue sharing agreement signed during 2002. In addition both the Water and Wastewater Utility experienced a reduction in net assets of \$991,736 and 886,987 respectively as a result of a cumulative effect of a change in account principle. The change in accounting principle is a result of the allocation of a portion of the City's unfunded pension liability to the Water and Wastewater Utility.

CITY OF RACINE

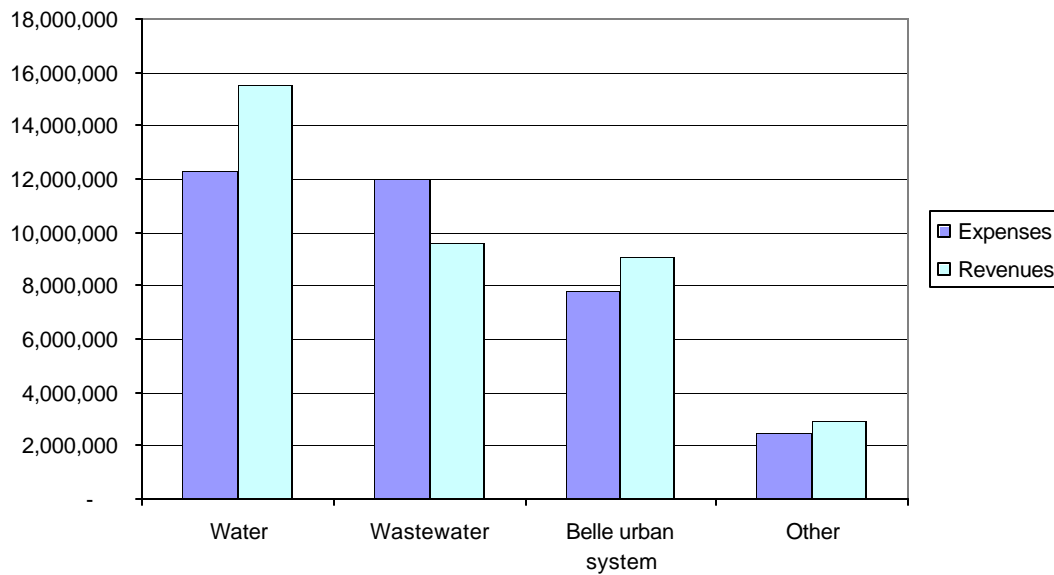
Racine, Wisconsin

Management's Discussion and Analysis

Business-type activities *(continued)*

- The Belle urban system had an increase in net assets of \$1,276,786 for fiscal year 2003. This increase was primarily a result of capital contributions from various funding agencies for the construction of the Transit Center.
- The Other enterprise funds contributed \$412,860 of the increase in business type net assets during 2003. This increase is due primarily to transfers from the City to cover the cost of capital projects during the year. The City transferred \$587,906 into the Other enterprise funds during 2003.

Expenses and Program Revenues – Business-type Activities:

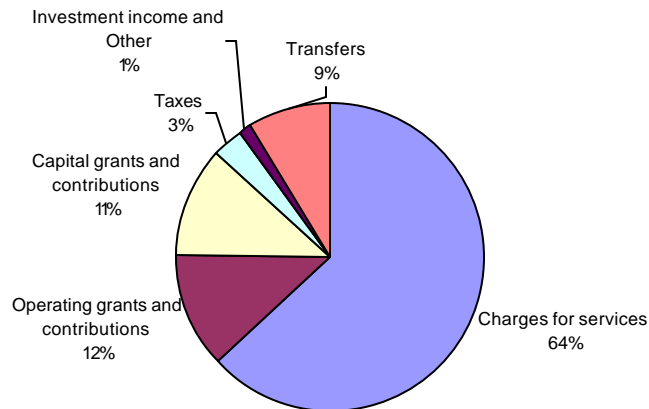


CITY OF RACINE
Racine, Wisconsin

Management's Discussion and Analysis

Business-Type Activities *(continued)*

Revenues by Source – Business-type Activities:



Financial Analysis of the Government's Funds

As noted earlier, the City of Racine uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds-The focus of the City of Racine's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Racine's financing requirements. In particular, unreserved, undesignated fund balance may serve as a useful measure a government's net resources available for spending at year end.

As of the end of the current fiscal year, the City of Racine's governmental funds reported combined ending fund balances of \$47,755,160. Approximately 40% of this amount, totaling \$18,948,660, constitutes unreserved, undesignated fund balance which is available for spending at the government's discretion. Management has designated \$1,500,000 of general fund balance to be used in the 2004 budget.

The general fund is the primary operating fund of the City of Racine. At the end of the current fiscal year, unreserved-undesignated fund balance of the general fund was \$21,597,444, while total fund balance totaled \$36,126,474. Unreserved-undesignated fund balance represents 29% of total general fund expenditures, while total fund balance represents 49% of total general fund expenditures.

CITY OF RACINE

Racine, Wisconsin

Management's Discussion and Analysis

Financial Analysis of the Government's Funds *(continued)*

Although the general fund was budgeted to use \$6.2 million of fund balances during 2003, the general fund used \$1.8 million for the year ended December 31, 2003. The resulting \$4.3 million positive variance is the result of both actual revenues exceeding budgeted amounts by \$1,288,769 and actual expenditures under budgeted amounts by \$3,033,138. The following details both the revenue and expenditures factors that contributed to the positive variance:

- Charges for services were \$545,660 over the budget of \$3,488,565. This is a result of several items. Landfill fees of \$585,587 exceeded the projected budget by approximately \$286,000. Landfill fees have been conservatively budgeted in the past in anticipation of the landfill closure within the next five years. Street lighting charges of \$67,417 exceeded the projected budget by approximately \$48,000. Traffic charges of \$96,562 exceeded the projected budget by approximately \$58,000.
- License and permits were \$458,268 over the budget of \$1,203,915. This is a result of an increase in various types of construction permits issued. Construction permits exceeded the projected budget by \$354,000. In addition animal licenses exceeded the projected budget by \$37,000, and cable franchise fees exceeded budget by \$35,000.
- Intergovernmental revenues were \$294,788 over the budget of \$35,586,841. This is a result of bridge aids, highway aids and Pecfa funds exceeding the projected budgets. Highway aids exceeded budget by \$127,000, bridge aids exceeded budget by \$27,000 and Pecfa funds received exceeded budget by \$35,000.
- Overall, almost all departments were under budget at the end of 2003. General government expenditures were \$954,121 under budget due primarily to legal claims and judgements under budget by \$510,000 due to few lawsuits in 2003. Open positions in the Finance and Human Resources department contributed to these departments being \$224,000 under budget. Amounts encumbered but not spent in the Information Systems department resulted in that department being \$200,000 under budget.
- Public safety expenditures were under budget by \$1,001,439. This is primarily a result of the police department being under budget by \$850,000. Salaries and fringes in the police department were under budget as a result of a significant decrease in overtime costs and various retirements resulting in a number of open positions. In addition to the police department, the emergency services department was \$166,000 under budget due to various open positions during the year.
- Capital outlays were \$296,489 under budget. The majority of these items were encumbered at the end of the year and will be carried over and spent in 2004.
- The contingency fund was not fully utilized in 2003 with \$265,000 remaining at December 31, 2003.

The Other HUD fund is another major governmental fund of the City of Racine. The fund accounts primarily for the City's housing and economic development loan program. Reserved fund balances in this fund totaled \$1,742,126 and \$1,617,297 at the end of fiscal year 2003 and 2002. Fund balance increased in the Other HUD fund during 2003 and 2002 due primarily to loan payoffs exceeding new loans during these years.

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Management's Discussion and Analysis

Financial Analysis of the Government's Funds (continued)

The Tax Increment Fund is another major governmental fund of the City of Racine. The fund accounts for the City's Tax Incremental Districts that have completed the construction phase of the district. Fund balances in this fund totaled \$(9,557,283) and \$(10,162,466) at the end of fiscal year 2003 and 2002 due to expenditures exceeding tax incremental revenues for the majority of the districts. Tax increment sharing increased fund balances during 2003 and 2002 by \$ 605,183 and \$61,960 respectively.

The refunding fund is a required major fund of the City in 2003. The fund accounted for the activity associated with both the current and advance debt refinancing done during 2003. The City refinanced various debt issues during the year to take advantage of lower interest rates and to level out the annual debt service payments.

The Debt service fund is another major governmental fund of the City of Racine. The fund accounts for principle and interest payments made on the City's outstanding debt obligations. The debt service fund has a total fund balance of at December 31, 2003 and 2002 of \$2,021,860 and \$4,902,000, all of which is reserved for the payment of debt service. The change in the fund balance during 2003 and 2002 was \$(2,880,140) and \$3,197,495 respectively. The majority of the decrease in 2003 resulted from an anticipated use of fund balance. The increase in fund balance during 2002 was a result of unspent bond proceeds transferred from the capital project funds.

The Other governmental funds are non major funds of the City of Racine. These funds account for various activities within the City including grant programs, special assessment and economic development activities, library and cemetery activities, endowments, and all the capital project funds of the city. The Other governmental funds have a restated total fund balance of \$17,421,983 and \$18,643,994 in 2003 and 2002 respectively. Reserved fund balance is \$10,513,484 and \$12,829,659 in 2003 and 2002 and unreserved is \$6,908,499 and \$5,814,335 in 2003 and 2002. The fund balances of these funds decreased by \$1,222,011 during 2003 due primarily to the expending of prior year bond funds for redevelopment.

Proprietary Funds – The City of Racine's proprietary funds provide the same type of information found in the government wide statements.

Unrestricted net assets for the Water utility at the end of 2003 and 2002 amounted to \$4,522,400 and \$2,941,709, for the Wastewater utility \$ 4,729,578 and \$8,190,835, for the Belle urban system \$(638,622) and \$(188,557), and for the Other enterprise funds \$(89,887) and \$(373,279). The total increase (decrease) in net assets for the Water Utility for 2003 and 2002 was \$2,277,901 and 1,554,904, for the Wastewater Utility \$(3,332,917) and \$(902,299), for the Belle urban system \$1,276,786 and \$(454,292), and for the Other Enterprise funds \$412,860 and \$6,002,116 respectively. Factors concerning the financial results of these funds have been addressed in the discussion of the City of Racine's business-type activities.

Capital Asset and Debt Administration

Capital Assets – The City of Racine's investment in capital assets for its governmental and business-type activities as of December 31, 2003 and 2002, amounts to \$379,267,999 and \$326,993,868 respectively, net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and improvements, machinery and equipment, and infrastructure. Infrastructure includes street, roads, bridges, sidewalks, drainage system, sewer lines, shoreline walls, and other infrastructure. Capital assets increased approximately \$52 million and \$35 million during 2003 and 2002. In 2003 approximately \$50 million of the increase came from the business-type activities due to the construction and expansion of the Wastewater utility facilities and the commencement of the Water Utility membrane project. Approximately \$2 million came from the governmental activities due primarily to the purchase of the Walker property and the new construction of tax incremental district #10.

CITY OF RACINE
Racine, Wisconsin

Management's Discussion and Analysis

Capital Asset and Debt Administration (continued)

Significant capital asset events during the current fiscal year included the following:

- Construction and expansion of the Wastewater treatment plant continued in 2003. In the Wastewater Utility, construction in progress totaled \$46,213,308 and \$15,288,434 at the end of 2003 and 2002. This is a multiple year project with many phases.
- Two phases of the construction of the Root River Pathway were completed during 2003. Phase III is anticipated to be completed in late 2004.
- The construction phase of TIF #9 was substantially completed during 2003. The construction phase of TIF #10 began in 2003 and is expected to be completed by the end of 2005. Construction in progress relating to TIF #10 is approximately \$1.2 million. Total project costs are anticipated to exceed \$5 million.
- Construction on the new off-street transit center and passenger depot began in 2003. Construction in progress relating to this project is approximately \$2.7 million at December 31, 2003. Total project costs are estimated at \$6 million with completion in 2005.

Long-term debt – At the end of 2003 and 2002, the City of Racine had total debt outstanding of \$209,722,648 and \$122,525,001. Of this amount, the debt backed by the full faith and credit of the government is \$91,239,250 and \$70,964,337 in 2003 and 2002 respectively. The remainder of the City's debt represents bonds secured solely by specified revenue sources (ie. revenue bonds). The City's total outstanding debt increased by approximately \$87 and \$15 million during 2003 and 2002. \$69 million of the increase in 2003 was a result of revenue bonds issued by the Water and Wastewater utilities for construction projects. \$17 million of the 2003 increase was a result of taxable general obligation bonds issued to payoff the City's unfunded Wisconsin Retirement pension liability. The increase in 2002 was due primarily to the borrowing associated with the construction and expansion of the Wastewater utility plant.

	Outstanding debt	
	2003	2002
Governmental Activities:		
General obligation bonds and notes	\$ 91,239,250	\$ 70,964,337
Business-Type Activities:		
Revenue bonds	<u>118,483,398</u>	<u>51,560,664</u>
Total	\$ 209,722,648	\$ 122,525,001

Economic Conditions and 2004 and 2005 Budget Outlook

Although there have not been any recent major layoffs or corporate closings in the city, Racine's unemployment rate remains significantly above the state and national average. In May of 2004 the City unemployment rate is 11% compared to a state rate of 4.8% and a county rate of 6.8%.

The assessed value of the City has increased over the last several years with a 5.0% and 4.9% increase in 2003 and 2002 respectively. The City anticipates another 5% increase in the assessed value in 2004.

CITY OF RACINE
Racine, Wisconsin

Management's Discussion and Analysis

Economic Conditions and 2004 and 2005 Budget Outlook (*continued*)

The City continues to carry a strong undesignated fund balance in the general fund and has developed internal policies to ensure that the balance remains above 20% of general fund expenditures. In addition, the City has implemented various planning tools and procedures to minimize tax rate fluctuations in future years.

Due to the budget issues at the state level, the City is anticipating no increase in the intergovernmental aids received from the state in 2004 or 2005. In addition the City faces 15-20% increases in health insurance costs in both 2004 and 2005.

The City used \$2.1 million of general fund and debt service fund balance to stabilize the 2003 tax rate. The 2003 City tax rate was \$12.05 per thousand. Due to the anticipated increases in health insurance costs, the use of fund balance in the 2004 budget, and increasing debt service requirements, difficult choices will have to be made in the preparation of the 2005 budget.

Requests for information

This financial report is designed to provide a general overview of the City of Racine's finances for all those with an interest in the government's finances. The financial report can be found at www.cityofracine.org Questions concerning any of the information provided in this report, or requests for additional information should be addressed to the City of Racine Finance Department, 730 Washington Avenue, Racine, WI 53403.

CITY OF RACINE

STATEMENT OF NET ASSETS December 31, 2003

	Primary Government			
	Governmental	Business		Component
	Activities	Type	Total	Unit
		Activities		
ASSETS				
Cash and investments	\$ 53,775,011	\$ 14,233,977	\$ 68,008,988	\$ 21,338
Receivables (net of allowance for uncollectible accounts)	50,714,345	7,894,015	58,608,360	-
Internal balances	271,706	(271,706)	-	-
Due from primary government	-	-	-	165,148
Due from other governments	2,724,455	3,513,102	6,237,557	-
Inventories	519,191	724,288	1,243,479	-
Prepaid items	173,424	84,520	257,944	-
Deferred charges	901,790	189,670	1,091,460	-
Advances to other funds	2,417,850	(2,417,850)	-	-
Restricted assets				
Cash and investments	-	37,773,261	37,773,261	-
Accrued interest receivable	-	44,405	44,405	-
Capital assets (net of accumulated depreciation)	<u>184,996,883</u>	<u>194,271,116</u>	<u>379,267,999</u>	<u>-</u>
TOTAL ASSETS	\$ 296,494,655	\$ 256,038,798	\$ 552,533,453	\$ 186,486
LIABILITIES				
Liabilities				
Accounts payable	\$ 3,817,500	\$ 8,302,608	\$ 12,120,108	\$ 500
Accrued compensation and other current liabilities	4,701,952	459,716	5,161,668	-
Due to other governments	215,023	72,828	287,851	-
Accrued interest payable	239,653	-	239,653	-
Unearned revenue	40,494,870	1,224,706	41,719,576	164,948
Liabilities payable from restricted assets				
Accrued interest payable	-	719,775	719,775	-
Current portion of long term debt	-	3,133,045	3,133,045	-
Noncurrent liabilities				
Due within one year	4,717,778	46,219	4,763,997	-
Due in more than one year	<u>88,975,640</u>	<u>115,834,394</u>	<u>204,810,034</u>	<u>-</u>
TOTAL LIABILITIES	<u>143,162,416</u>	<u>129,793,291</u>	<u>272,955,707</u>	<u>165,448</u>
NET ASSETS				
Invested in capital assets, net of related debt	127,432,418	111,306,017	238,738,435	-
Restricted	20,223,316	6,416,021	26,639,337	21,038
Unrestricted	<u>5,676,505</u>	<u>8,523,469</u>	<u>14,199,974</u>	<u>-</u>
TOTAL NET ASSETS	<u>\$ 153,332,239</u>	<u>\$ 126,245,507</u>	<u>\$ 279,577,746</u>	<u>\$ 21,038</u>

CITY OF RACINE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2003

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating		Capital Grants and Contributions	Primary Government		
			Grants and Contributions			Governmental Activities	Business-Type Activities	Component Unit
Primary Government								
Governmental activities	\$ 23,401,826	\$ 13,779,213	\$ 50,512	\$ -	-	\$ (9,572,101)	\$ -	\$ (9,572,101)
General government	3,862,338	281,870	2,812,366	298,727	-	(469,375)	-	(469,375)
Community development	2,839,251	350,622	812,719	-	-	(1,675,910)	-	(1,675,910)
Health	12,792,639	764,484	1,291,283	-	-	(10,736,872)	-	(10,736,872)
Education and recreation	26,985,837	5,637,209	4,906,831	1,092,394	-	(15,349,403)	-	(15,349,403)
Public works	39,100,905	4,243,074	1,233,436	-	-	(33,624,395)	-	(33,624,395)
Public safety	3,174,794	-	-	-	-	(3,174,794)	-	(3,174,794)
Interest and fiscal charges	112,157,590	25,056,472	11,107,147	1,391,121	-	(74,602,850)	-	(74,602,850)
Total Governmental Activities								
Business type activities								
Water	10,663,782	13,290,339	-	2,135,642	-	-	4,762,199	4,762,199
Wastewater	10,224,166	8,648,388	-	564,408	-	-	(1,011,370)	(1,011,370)
Belle urban system	7,769,927	1,167,752	4,843,583	1,794,068	-	-	35,476	35,476
Other	2,491,397	1,744,956	-	-	-	-	(746,441)	(746,441)
Total Business Type Activities	31,149,272	24,851,435	4,843,583	4,494,118	-	-	3,039,864	3,039,864

CITY OF RACINE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2003

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Unit
				Governmental Activities	Business-Type Activities	Total	
Total Primary Government	\$ 143,306,862	\$ 49,907,907	\$ 15,950,730	\$ 5,885,239	(74,602,850)	3,039,864	(71,562,986)
Component Unit							
Business Improvement District	\$ 149,393	\$ -	\$ -	\$ -	-	-	(149,393)
General Revenues							
Taxes							
Property taxes levied for general purposes				28,726,700	1,371,391	30,098,091	-
Property taxes levied for debt service				4,067,399	-	4,067,399	-
Property taxes levied for TIF				2,992,717	-	2,992,717	-
Other taxes				183,412	-	183,412	139,789
Intergovernmental revenues not restricted to specific programs				32,126,286	-	32,126,286	-
Investment income				2,661,287	317,547	2,978,834	-
Miscellaneous				1,350,809	209,714	1,560,523	-
Transfers				2,425,163	(2,425,163)	-	-
Total General Revenues and Transfers				74,533,773	(526,511)	74,007,262	139,789
Change in Net Assets before change in accounting principle				(69,077)	2,513,353	2,444,276	(9,604)
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE							
				-	(1,878,723)	(1,878,723)	-
NET ASSETS - Beginning of Year, as restated				153,401,316	125,610,877	279,012,193	30,642
NET ASSETS - END OF YEAR				\$ 153,332,239	\$ 126,245,507	\$ 279,577,746	\$ 21,038

CITY OF RACINE
Governmental Funds

BALANCE SHEET
December 31, 2003

	General Fund	Other HUD	Tax Incremental Districts	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 23,845,236	\$ 2,094,428	\$ -	\$ -	\$ 2,021,860	\$ 22,752,634	\$ 50,714,158
Receivables							
Property taxes	25,904,098	-	2,763,449	-	5,511,558	4,229,159	38,408,264
Special assessments and special charges - tax roll	-	-	-	-	-	272,669	272,669
Special assessments	50,389	-	-	-	-	1,014,914	1,065,303
Delinquent personal property taxes	93,739	-	-	-	-	-	93,739
Loans and notes	158,100	9,257,383	-	-	-	450,000	9,865,483
Interest	269,727	-	-	-	-	-	269,727
Accounts	628,518	-	-	-	-	80,263	708,781
Total Receivables - Net	27,104,571	9,257,383	2,763,449	-	5,511,558	6,047,005	50,683,966
Due from other funds	8,003,804	-	-	-	24,038	1,250	8,029,092
Due from other governments	-	224,811	-	-	-	2,499,644	2,724,455
Inventories	119,164	-	-	-	-	-	119,164
Prepaid items	173,424	-	-	-	-	-	173,424
Advances to other funds	9,372,534	-	-	-	1,848,144	754,455	11,975,133
TOTAL ASSETS	\$ 68,618,733	\$ 11,576,622	\$ 2,763,449	\$ -	\$ 9,405,600	\$ 32,054,988	\$ 124,419,392

See accompanying notes to financial statements.

CITY OF RACINE
Governmental Funds

BALANCE SHEET
December 31, 2003

	General Fund	Other HUD	Tax Increment Districts	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES							
Liabilities	\$		\$	\$	\$		
Accounts payable	878,519	102,674	-	-	-	2,688,486	3,669,679
Other accrued liabilities	705,601	282,575	-	-	-	179,444	1,167,620
Accrued compensation	1,398,441	-	-	-	-	-	1,398,441
Due to other funds	1,278,997	167,374	-	-	-	5,543,150	6,989,521
Due to other governments	171,248	41,853	-	-	-	1,923	215,024
Insurance claims payable	849,255	-	-	-	-	-	849,255
Advances from other funds	-	-	9,557,283	-	-	-	9,557,283
Deferred revenue	168,100	9,240,020	-	-	1,872,182	1,718,174	12,998,476
Deferred interest	1,239,057	-	-	-	-	-	1,239,057
Deferred property tax revenue	25,803,041	-	2,763,449	-	5,511,558	4,501,828	38,579,876
Total Liabilities	32,492,259	9,834,496	12,320,732	-	7,383,740	14,633,005	76,664,232

See accompanying notes to financial statements.

CITY OF RACINE
Governmental Funds

BALANCE SHEET
December 31, 2003

	General Fund	Other HUD	Tax Incremental Districts	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
Fund Balances							
Reserved for:							
Subsequent year's expenditures	\$ 56,441	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 56,441
Endowments	-	-	-	-	-	3,272,423	3,272,423
Inventories	119,164	-	-	-	-	-	119,164
Encumbrances	439,518	40,149	-	-	-	1,361,398	1,841,065
Prepaid Items	173,409	-	-	-	-	-	173,409
Community Development	-	1,701,977	-	-	-	-	1,701,977
Capital projects	-	-	-	-	-	5,125,208	5,125,208
Noncurrent receivables	4,107,020	-	-	-	-	-	4,107,020
Advance to other funds	8,133,478	-	-	-	-	754,455	8,887,933
Debt service	-	-	-	-	2,021,860	-	2,021,860
Unreserved (deficit), reported in:							
General fund							
Designated for subsequent year's expenditures	1,500,000	-	-	-	-	-	1,500,000
Undesignated	21,597,444	-	-	-	-	-	21,597,444
Special revenue funds	-	-	(9,557,283)	-	-	8,245,745	(1,311,538)
Capital project funds	-	-	-	-	-	(1,337,246)	(1,337,246)
Total Fund Balances	<u>36,126,474</u>	<u>1,742,126</u>	<u>(9,557,283)</u>	<u>-</u>	<u>2,021,860</u>	<u>17,421,983</u>	<u>47,755,160</u>
TOTAL LIABILITIES							
AND FUND BALANCES	<u>\$ 68,618,733</u>	<u>\$ 11,576,622</u>	<u>\$ 2,763,449</u>	<u>\$ -</u>	<u>\$ 9,405,600</u>	<u>\$ 32,054,988</u>	
Amounts reported for governmental activities in the statement of net assets are different because:							
Capital assets used in governmental funds are not financial resources and therefore are not reported in funds							183,099,939
Internal service fund net assets							3,185,880
Other long-term assets that are not available to pay for current period expenditures and therefore are deferred in funds							12,322,541
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds.							<u>(93,031,281)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES							<u>\$ 153,332,239</u>

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CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2003

	General Fund	Other HUD	Tax Increment	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 23,337,541	\$ -	\$ 2,598,675	\$ -	\$ 4,067,399	\$ 5,804,891	\$ 35,808,506
Special assessments	-	-	-	-	-	533,583	533,583
Intergovernmental	35,881,629	1,236,919	119,694	-	-	7,156,867	44,395,109
Licenses and permits	1,662,183	-	-	-	-	-	1,662,183
Fines and forfeitures	1,492,215	-	-	-	-	-	1,492,215
Investment income	1,025,523	30,423	106,845	-	-	1,498,496	2,661,287
Charges for services	4,034,225	-	-	-	-	1,723,568	5,757,793
Donations	-	-	-	-	-	110,909	110,909
Other	442,810	1,237,302	-	71,872	565,113	547,011	2,864,108
Total Revenues	67,876,126	2,504,644	2,825,214	71,872	4,632,512	17,375,325	95,285,693
EXPENDITURES							
Current							
General government	11,444,520	-	-	-	-	-	11,444,520
Community development	-	2,177,595	2,700	-	-	1,881,121	4,061,416
Health	2,036,307	-	-	-	-	814,424	2,850,731
Education and recreation	6,468,867	-	-	-	-	4,282,797	10,751,664
Public works	12,420,524	-	-	-	-	1,826,850	14,247,374
Public safety	37,467,726	-	-	-	-	1,052,319	38,520,045
Capital outlay	1,369,914	298,727	-	-	-	15,584,454	17,253,095
Debt Service	-	-	-	-	8,029,123	-	8,029,123
Principal	-	-	415,433	1,119,972	3,021,569	-	4,556,974
Interest	-	-	-	-	-	-	-
Total Expenditures	71,207,858	2,476,322	418,133	1,119,972	11,050,692	25,441,965	111,714,942
Excess (Deficiency) of Revenues over (under) Expenditures	(3,331,732)	28,322	2,407,081	(1,048,100)	(6,418,180)	(8,066,640)	(16,429,249)

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2003

	General Fund	Other HUD	Tax Increment	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,900,000	\$ 9,900,000
Refunding bonds issued	-	-	-	72,765,000	-	-	72,765,000
Premium on bonds issued	-	-	-	333,848	-	-	333,848
Payment to refunded bond escrow agent	-	-	-	(22,888,677)	-	-	(22,888,677)
Payment on current refunding	-	-	-	(49,318,738)	-	-	(49,318,738)
Transfers in	3,702,945	561,021	-	469,614	4,007,654	3,005,006	11,746,240
Transfers (out)	(2,211,727)	(464,514)	(1,801,898)	(312,947)	(469,614)	(6,060,377)	(11,321,077)
Total Other Financing Sources (Uses)	<u>1,491,218</u>	<u>96,507</u>	<u>(1,801,898)</u>	<u>1,048,100</u>	<u>3,538,040</u>	<u>6,844,629</u>	<u>11,216,596</u>
Net Change in Fund Balances	(1,840,514)	124,829	605,183	-	(2,880,140)	(1,222,011)	(5,212,653)
FUND BALANCES (DEFICIT) -							
Beginning of Year	<u>37,966,988</u>	<u>1,617,297</u>	<u>(10,162,466)</u>	<u>-</u>	<u>4,902,000</u>	<u>18,643,994</u>	<u>52,967,813</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 36,126,474</u>	<u>\$ 1,742,126</u>	<u>\$ (9,557,283)</u>	<u>\$ -</u>	<u>\$ 2,021,860</u>	<u>\$ 17,421,983</u>	<u>\$ 47,755,160</u>

CITY OF RACINE

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2003

Net change in fund balances - total governmental funds	\$ (5,212,653)
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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 these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$13,846,386) exceeded depreciation (\$10,676,595) in the current period, less loss on disposal (\$378,797)	2,790,994
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, have any effect on net assets. This amount is the net effect of the difference in the treatment of long-term debt.	(3,383,105)
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Governmental funds report the effects of issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the differences in the treatment of these items.	1,948,557
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Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds	491,069
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Revenues in the governmental funds that are not reported as revenues in the statement of activities	(1,152,118)
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Expenditures in the governmental funds that are not reported as expenses in the statement of activities	703,200
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Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds	1,872,182
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Internal service fund change in net assets	<u>1,872,797</u>
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Change in net assets of governmental activities	<u>\$ (69,077)</u>
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CITY OF RACINE

General Fund

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2003

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
REVENUES				
Taxes	\$ 23,353,161	\$ 23,363,161	\$ 23,337,541	\$ (25,620)
Intergovernmental	35,586,841	35,586,841	35,881,629	294,788
Licenses and permits	1,203,915	1,203,915	1,662,183	458,268
Fines and forfeitures	1,658,200	1,658,200	1,492,215	(165,985)
Investment income	990,000	990,000	1,025,523	35,523
Charges for services	3,488,165	3,488,565	4,034,225	545,660
Other	296,675	296,675	442,810	146,135
Total Revenues	<u>66,576,957</u>	<u>66,587,357</u>	<u>67,876,126</u>	<u>1,288,769</u>
EXPENDITURES				
Current				
General government	11,741,127	12,398,641	11,444,520	954,121
Health	2,155,443	2,160,865	2,036,307	124,558
Education and recreation	6,681,874	6,691,831	6,468,867	222,964
Public works	12,570,137	12,589,091	12,420,524	168,567
Public safety	38,373,945	38,469,165	37,467,726	1,001,439
Capital Outlay	1,080,873	1,666,403	1,369,914	296,489
Contingency	475,000	265,000	-	265,000
Total Expenditures	<u>73,078,399</u>	<u>74,240,996</u>	<u>71,207,858</u>	<u>3,033,138</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,501,442)</u>	<u>(7,653,639)</u>	<u>(3,331,732)</u>	<u>4,321,907</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,501,442	3,501,442	3,702,945	201,503
Transfers (out)	-	(2,000,000)	(2,211,727)	(211,727)
Total Other Financing Sources (Uses)	<u>3,501,442</u>	<u>1,501,442</u>	<u>1,491,218</u>	<u>(10,224)</u>
Net Change in Fund Balance	<u>\$ (3,000,000)</u>	<u>\$ (6,152,197)</u>	<u>(1,840,514)</u>	<u>\$ 4,311,683</u>
FUND BALANCE -				
Beginning of Year			<u>37,966,988</u>	
FUND BALANCE - END OF YEAR			<u>\$ 36,126,474</u>	

See accompanying notes to financial statements.

CITY OF RACINE
Proprietary Funds

STATEMENT OF NET ASSETS
December 31, 2003

	Business Type Activities- Enterprise Funds				Total	Governmental Activities- Service Funds
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds		
ASSETS						
Current Assets						
Cash and investments	\$ 3,542,646	\$ 9,859,011	\$ 200	\$ 832,120	\$ 14,233,977	\$ 3,060,853
Receivables						
Accounts	2,228,905	2,422,651	113,835	114,916	4,880,307	30,379
Taxes	904,595	856,667	821,077	403,629	2,985,968	-
Interest	3,088	6,969	-	-	10,057	-
Special assessments	17,683	-	-	-	17,683	-
Due from other governments	-	-	3,513,102	-	3,513,102	-
Due from other funds	2,692,627	3,706,586	-	100	6,399,313	42,382
Inventories	207,972	23,522	492,794	-	724,288	400,027
Unamortized debt discount	76,368	113,302	-	-	189,670	-
Prepaid items	47,996	36,524	-	-	84,520	-
Total Current Assets	9,721,880	17,025,232	4,941,008	1,350,765	33,038,885	3,533,641
Noncurrent Assets						
Restricted Assets						
Cash and investments	32,083,373	5,689,888	-	-	37,773,261	-
Accrued interest receivable	42,126	2,279	-	-	44,405	-
Capital assets						
Land, buildings and improvements	76,553,613	52,599,087	1,358,093	26,292,434	156,803,227	1,550,727
Equipment, furniture and vehicles	20,485,553	23,685,304	7,239,523	1,037,847	52,448,227	902,458
Less: Accumulated depreciation	(20,946,722)	(33,646,968)	(5,050,817)	(7,060,820)	(66,705,327)	(556,241)
Construction in progress	2,291,053	46,213,308	2,710,964	509,664	51,724,989	-
Total Noncurrent Assets	110,508,996	94,542,898	6,257,763	20,779,125	232,088,782	1,896,944
TOTAL ASSETS	\$120,230,876	\$111,568,130	\$11,198,771	\$22,129,890	\$265,127,667	\$ 5,430,585

CITY OF RACINE
Proprietary Funds

STATEMENT OF NET ASSETS
December 31, 2003

	Business Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds	Total	Internal Service Funds
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 475,932	\$ 6,091,384	\$ 1,526,409	\$ 208,883	\$ 8,302,608	\$ 147,822
Accrued compensation	-	-	-	20,720	20,720	-
Accrued liabilities	209,513	151,173	43,346	34,964	438,996	1,286,636
Advances from municipalities	-	72,828	-	-	72,828	-
Due to other funds	2,714,726	684,697	3,114,862	156,734	6,671,019	810,247
Deferred property tax revenue	-	-	821,077	403,629	1,224,706	-
Total Current Liabilities	<u>3,400,171</u>	<u>7,000,082</u>	<u>5,505,694</u>	<u>824,930</u>	<u>16,730,877</u>	<u>2,244,705</u>
Current liabilities payable from restricted assets						
Accrued interest	422,590	297,185	-	-	719,775	-
Current portion of long term debt	1,610,033	1,523,012	-	-	3,133,045	-
Total Current Liabilities - payable from restricted assets	<u>2,032,623</u>	<u>1,820,197</u>	<u>-</u>	<u>-</u>	<u>3,852,820</u>	<u>-</u>
Noncurrent Liabilities						
Compensated absences	401,127	417,343	73,936	46,016	938,422	-
Revenue bonds and notes payable	52,791,655	62,150,536	-	-	114,942,191	-
Advances from other funds	975,594	872,550	-	569,706	2,417,850	-
Total Noncurrent Liabilities	<u>54,168,376</u>	<u>63,440,429</u>	<u>73,936</u>	<u>615,722</u>	<u>118,298,463</u>	<u>-</u>
TOTAL LIABILITIES	<u>57,568,547</u>	<u>70,440,511</u>	<u>5,579,630</u>	<u>1,440,652</u>	<u>135,029,340</u>	<u>2,244,705</u>
NET ASSETS						
Investment in capital assets, net of related debt	53,682,269	30,586,860	6,257,763	20,779,125	111,306,017	1,896,944
Restricted	2,425,037	3,990,984	-	-	6,416,021	-
Unrestricted (deficit)	4,522,400	4,729,578	(638,622)	(89,887)	8,523,469	1,288,936
TOTAL NET ASSETS	<u>\$ 60,629,706</u>	<u>\$ 39,307,422</u>	<u>\$ 5,619,141</u>	<u>\$ 20,689,238</u>	<u>\$ 126,245,507</u>	<u>\$ 3,185,880</u>

See accompanying notes to financial statements.

CITY OF RACINE
Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2003

	Business Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 13,290,339	\$ 8,648,388	\$ 1,167,752	\$ 1,744,904	\$ 24,851,383	\$ 13,657,592
Other	-	-	64,258	52	64,310	-
Total Operating Revenues	<u>13,290,339</u>	<u>8,648,388</u>	<u>1,232,010</u>	<u>1,744,956</u>	<u>24,915,693</u>	<u>13,657,592</u>
OPERATING EXPENSES						
Public works	7,561,674	6,804,060	7,235,691	894,112	22,495,537	2,845,762
Education and recreation	-	-	-	895,395	895,395	-
General administration	-	-	-	-	-	10,862,591
Depreciation	2,127,396	1,767,643	534,236	664,740	5,094,015	76,442
Total Operating Expenses	<u>9,689,070</u>	<u>8,571,703</u>	<u>7,769,927</u>	<u>2,454,247</u>	<u>28,484,947</u>	<u>13,784,795</u>
Operating income (loss)	<u>3,601,269</u>	<u>76,685</u>	<u>(6,537,917)</u>	<u>(709,291)</u>	<u>(3,569,254)</u>	<u>(127,203)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	119,396	175,674	-	22,477	317,547	-
Interest expense	(799,143)	(780,488)	-	(37,150)	(1,616,781)	-
Intergovernmental interest reimbursement	-	564,408	-	-	564,408	-
Bond issue costs	-	(12,329)	-	-	(12,329)	-
Gain (loss) on sale of fixed assets	(58,540)	(859,646)	-	-	(918,186)	-
Amortization of bond discount	(117,029)	-	-	-	(117,029)	-
Subsidies from other governmental units	-	-	4,779,325	-	4,779,325	-
Tax Levy	-	-	822,473	548,918	1,371,391	-
Other	7,590	202,124	-	-	209,714	-
Total Nonoperating Revenues (Expenses)	<u>(847,726)</u>	<u>(710,257)</u>	<u>5,601,798</u>	<u>534,245</u>	<u>4,578,060</u>	<u>-</u>

CITY OF RACINE
Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2003

	Business Type Activities- Enterprise Funds					Governmental Activities-	
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds	Total	Internal Service Funds	
Income (loss) before capital contributions and transfers	2,753,543	(633,572)	(936,119)	(175,046)	1,008,806	(127,203)	
CAPITAL CONTRIBUTIONS							
TRANSFERS IN	2,135,642	-	1,794,068	-	3,929,710	-	
TRANSFERS (OUT)	-	-	418,837	587,906	1,006,743	2,000,000	
	(1,619,548)	(1,812,358)	-	-	(3,431,906)	-	
Change in Net Assets Before Change in Accounting Principle	3,269,637	(2,445,930)	1,276,786	412,860	2,513,353	1,872,797	
CUMULATIVE EFFECT OF CHANGE IN ACCOUNTING PRINCIPLE	(991,736)	(886,987)	-	-	(1,878,723)	-	
Change in Net Assets	2,277,901	(3,332,917)	1,276,786	412,860	634,630	1,872,797	
TOTAL NET ASSETS - Beginning of Year	58,351,805	42,640,339	4,342,355	20,276,378	125,610,877	1,313,083	
TOTAL NET ASSETS - END OF YEAR	<u>\$ 60,629,706</u>	<u>\$ 39,307,422</u>	<u>\$ 5,619,141</u>	<u>\$ 20,689,238</u>	<u>\$ 126,245,507</u>	<u>\$ 3,185,880</u>	

See accompanying notes to financial statements.

CITY OF RACINE
Proprietary Funds

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2003

	Business Type Activities- Enterprise Funds					Governmental Activities- Internal Service Fund
	Water Utility	Wastewater Utility	Belle Urban System	Other Enterprise	Totals	
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 12,184,186	\$ 8,424,551	\$ 1,231,099	\$ 1,787,809	\$ 23,627,645	\$ 13,634,516
Payments to suppliers	(6,536,417)	(3,462,578)	(4,766,620)	(1,513,586)	(16,279,201)	(12,306,796)
Payments to employees	(2,541,569)	(2,277,993)	(2,497,633)	(733,695)	(8,050,890)	(1,543,739)
Net Cash Provided (Used) by Operating Activities	3,106,200	2,683,980	(6,033,154)	(459,472)	(702,446)	(216,019)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer to other funds	(1,619,548)	(1,812,358)	-	-	(3,431,906)	-
Transfer from other funds	-	-	-	-	-	2,000,000
Miscellaneous receipts	-	766,532	-	-	766,532	-
Operating grants received	-	-	2,766,016	-	2,766,016	-
Operating subsidies received	-	-	3,179,949	548,918	3,728,867	-
Net Cash Provided (Used) by Noncapital Financing Activities	(1,619,548)	(1,045,826)	5,945,965	548,918	3,829,509	2,000,000
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from issuance of long-term debt	26,200,000	42,629,217	-	-	68,829,217	-
Principal paid on long-term debt	(1,110,758)	(795,724)	-	-	(1,906,482)	-
Principal paid on advances	-	-	-	(77,211)	(77,211)	-
Interest paid on long-term debt	(729,368)	(579,943)	-	-	(1,309,311)	-
Interest paid on advances	-	-	-	(37,150)	(37,150)	-
Transfer from other funds for capital purposes	-	-	-	587,906	587,906	-
Acquisition and construction of capital assets	(5,415,200)	(43,969,986)	(1,263,194)	(794,206)	(51,442,586)	(27,300)
Capital subsidies received	-	-	1,350,383	-	1,350,383	-
Proceeds from sale of capital assets	1,269,136	6,785	-	-	1,275,921	-
Net Cash Provided (Used) by Capital and Related Financing Activities	20,213,810	(2,709,651)	87,189	(320,661)	17,270,687	(27,300)

CITY OF RACINE
Proprietary Funds

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2003

	Business Type Activities- Enterprise Funds				Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban System	Other Enterprise	Internal Service Fund
CASH FLOW FROM INVESTING ACTIVITIES				Totals	
Purchase of investments	\$ (51,374,469)	\$ (55,599,363)	\$ -	\$ -	\$ (106,973,832)
Proceeds on redemption of investments	31,501,783	58,138,869	-	-	89,640,652
Investment income received	102,800	198,136	-	22,477	323,413
Net Cash Provided (Used) by Investing Activities	(19,769,886)	2,737,642	-	22,477	(17,009,767)
Net Increase (Decrease) in Cash and Cash Equivalents	1,930,576	1,666,145	-	(208,738)	1,756,681
CASH AND CASH EQUIVALENTS					
Beginning of Year	3,065,291	1,213,487	200	1,040,858	5,319,836
End of Year	4,995,867	2,879,632	200	832,120	8,707,819
	\$	\$	\$	\$	\$
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 3,601,269	\$ 76,685	\$ (6,537,917)	\$ (709,291)	\$ (3,569,254)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Depreciation and amortization	2,295,307	1,767,643	534,236	664,740	5,261,926
(Increase) decrease in accounts receivable	(252,508)	(441,628)	(911)	42,955	(652,092)
(Increase) decrease in other assets	5,894	-	-	-	5,894
(Increase) decrease in prepaid items	(39,845)	(27,924)	20,165	-	(47,604)
(Increase) decrease in inventories	(1,228)	241	53,606	-	52,619
(Increase) decrease in due from other funds	(853,645)	217,791	-	155,784	(480,070)
Increase (decrease) in accounts payable	(888,209)	982,498	-	(384,736)	(290,447)
Increase (decrease) in accrued liabilities	31,048	(13,966)	-	(1,897)	15,185
Increase (decrease) in other current liabilities	(7,421)	79,216	(102,333)	(1,280)	(31,818)
Increase (decrease) in deferred revenue	-	-	-	(155,884)	(155,884)
Increase (decrease) in due to other funds	(784,462)	43,424	-	(69,863)	(810,901)
Net Cash Provided (Used) by Operating Activities	3,106,200	2,683,980	(6,033,154)	(459,472)	(702,446)
	\$	\$	\$	\$	\$

CITY OF RACINE
Proprietary Funds

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2003

	Business Type Activities- Enterprise Funds					Governmental Activities- Internal Service Fund
	Water Utility	Wastewater Utility	Belle Urban System	Other Enterprise	Totals	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET						
Cash and investments	\$ 3,542,646	\$ 9,859,011	\$ 200	\$ 832,120	\$ 14,233,977	\$ 3,060,853
Unrestricted	32,083,373	5,689,888	-	-	37,773,261	-
Restricted	35,626,019	15,548,899	200	832,120	52,007,238	3,060,853
Total Cash and Investments	(30,630,152)	(12,669,267)	-	-	(43,299,419)	-
Less investments not meeting the definition of cash and cash equivalents						
TOTAL CASH AND CASH EQUIVALENTS END OF YEAR	\$ 4,995,867	\$ 2,879,632	\$ 200	\$ 832,120	\$ 8,707,819	\$ 3,060,853
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Estimated cost of fixed assets installed or financed by developers, customers or the City	\$ 2,135,642	\$ -	\$ -	\$ -	\$ 2,135,642	\$ -
NONCASH NONCAPITAL FINANCING ACTIVITIES						
Change in accounting principle - allocation of a portion of the unfunded pension liability	\$ 991,736	\$ 886,987	\$ -	\$ -	\$ 1,878,723	\$ -

CITY OF RACINE

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2003

	Agency Funds		
	Police Evidence	Tax Collecting	Total
ASSETS			
Cash and investments	\$ 199,146	\$ 32,498,400	\$ 32,697,546
Receivables			
Property taxes	<u>-</u>	<u>6,196,037</u>	<u>6,196,037</u>
TOTAL ASSETS	<u>\$ 199,146</u>	<u>\$ 38,694,437</u>	<u>\$ 38,893,583</u>
LIABILITIES			
Due to component unit	\$ -	\$ 165,148	\$ 165,148
Due to other governments	<u>199,146</u>	<u>38,529,289</u>	<u>38,728,435</u>
Total Liabilities	<u>199,146</u>	<u>38,694,437</u>	<u>38,893,583</u>
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

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CITY OF RACINE

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CITY OF RACINE

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CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Racine, Wisconsin conform to generally accepted accounting principles as applicable to governmental units.

A. REPORTING ENTITY

This report includes all of the funds of the City of Racine. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. The discretely presented component unit described below is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

Discretely Presented Component Unit

Business Improvement District

The government-wide financial statements include the Downtown Racine Business Improvement District #1, (BID) as a component unit. The BID, created in November 2001, has a separate nine member board appointed by the mayor and approved by the City council. The BID was designed to provide for and promote the continued vitality of the City's downtown business district through an aggressive marketing plan to promote existing businesses and attract new business. The BID has its own independent budgetary authority and assessment capabilities. However, the City can impose its will on the BID as the City must approve the BID operating budget and annual assessment. The City has no responsibility for fund deficits of the BID. As a component unit, the BID's financial statements have been presented as a discrete column in the City's financial statements. The financial information presented for the BID is for the fiscal year ended December 31, 2003. Separately issued financial statements of the BID may be obtained from the BID's office.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from the legally separate component unit for which the primary government is financially accountable.

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

Fund Financial Statements

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the City's management believes is particularly important to financial statement users may be reported as a major fund.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The City reports the following major governmental funds:

Major Governmental Funds

General Fund – accounts for the City's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Other HUD Special Revenue Fund – Accounts for resources legally restricted to supporting expenditures for the various HUD financed programs in the City.

Tax Increment Districts Special Revenue Fund – accounts for expenditures outlined in the TID's project plans and related revenues and proceeds from long-term borrowing.

Refunding Fund - used to account for the accumulation of resources for, and the current and advance refunding of, general long-term debt principal, interest, and related costs.

Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt other than enterprise fund debt.

The City reports the following major enterprise funds:

Major Enterprise Funds

Water Utility – accounts for operations of the water system.

Wastewater Utility – accounts for operations of the sewer system.

Belle Urban Transit Fund – accounts for operations of the Belle Urban Transit system.

The City reports the following non-major governmental and enterprise funds:

Non-Major Governmental Funds

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

Other Public Safety

Public Safety Grants

Special Assessments

Economic Development

Cemetery

Other Cemetery Fund

Trusts

Other

Harbor Commission

Health

2003 HUD

Library

Recycling

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The City reports the following non-major governmental and enterprise funds: (cont.)

Non-Major Governmental Funds (cont.)

Capital Projects Funds – used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities.

TIF #9

TIF #10

Assessment Projects

Sewer Agreement

Capital Projects 2002 and Prior

2003 Capital Projects

City Projects

Equipment Replacement

Permanent Funds – used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

Endowment

Enterprise Funds – may be used to report any activity for which a fee is charged to external uses for goods or services, and must be used for activities which meet certain debt or cost recovering criteria.

Parking Utility

Golf Courses

Civic Centre

Radio Repair

In addition, the City reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis.

Equipment Maintenance Garage

Health Insurance

Telephones

Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Police Evidence

Tax Collecting

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's Water and Wastewater Utilities and Belle Urban Transit and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues, except for reimbursable intergovernmental grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursable intergovernmental grants are considered to be available if they are collected within one year of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues. Delinquent special assessments being held for collection by the county are reported as receivables and reserved fund balance in the General Fund.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The City reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

The proprietary funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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 City's enterprise funds and the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits, Investments and Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of City funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

Investment of most trust funds including cemetery perpetual care funds, is regulated by Chapter 881 of the Wisconsin Statutes. Investment of library trust funds is regulated by Chapter 112. Those sections give broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average investment balances. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

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 December 31, 2003, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these financial statements.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

1. Deposits, Investments and Equivalents (cont.)

The Wisconsin Investment Trust (WIT) is a diversified investment fund sponsored by the League of Wisconsin Municipalities. The WIT is not registered with the Securities and Exchange Commission. It constitutes a contractual agreement among Wisconsin Municipalities for the joint exercise of their powers with respect to investment of municipal assets and the cooperative provision of investment management services. The WIT reports the fair value of its underlying assets annually. Participants in the WIT have the right to withdraw their funds in total with one day's notice. At December 31, 2003, the fair value of the WIT's assets was substantially equal to the City's share as reported in these financial statements.

See Note IV.A. for further information.

2. Receivables

Property taxes are levied in November on the assessed value as of the prior January 1. In addition to property taxes for the City, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund balance sheet.

Property tax calendar – 2003 tax roll:

Lien date and levy date	November 2003
Tax bills mailed	December 2003
Payment in full, or	
First installment due	January 31, 2004
Second installment due	March 31, 2004
Third installment due	May 31, 2004
Fourth installment due	July 31, 2004
Personal property taxes in full	January 31, 2004
Final settlement with County	August 15, 2004
Tax deed by County - 2003	
Delinquent real estate taxes	October 2006

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable of the Water and Wastewater Utilities has been made for those utilities because they have the right by law to place delinquent bills on the tax roll.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

2. Receivables (cont.)

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as “internal balances”.

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

The City has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made.

It is the City’s policy to record deferred revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as designated fund balance in the fund financial statements.

3. Inventories and Prepaid Items

Governmental fund inventories, if material, are recorded at cost based on the weighted average method using the consumption method of accounting. Inventory quantities at December 31, 2003 were determined by physical counts. Inventory amounts of governmental funds were offset by fund balance reserve amounts as they are not expendable available financial resources.

Proprietary fund inventories are generally used for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average method, and charged to operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements. Such amounts are offset by fund balance reserve accounts in governmental fund financial statements.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net assets.

5. Capital Assets

Government-Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$25,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair 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 assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Prior to January 2002, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but not required until January 1, 2006, when GASB 34 requires the City to retroactively report all major general infrastructure assets acquired since January 1, 1980. For the year ended December 31, 2003, the City has retroactively reported all network infrastructure acquired by its governmental fund types except for the land value of the right-of-way under the City streets which has not yet been retroactively reported.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. There was no interest capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

Depreciation of all exhaustible fixed assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation with a half year convention. The range of estimated useful lives by type of asset is as follows:

Buildings and Building Improvements	10-50 Years
Land Improvements	20 Years
Machinery and Equipment, including buses	3-25 Years
Infrastructure:	
Streets, Roads, and Bridges	30-50 Years
Sidewalks	20 Years
Drainage System	50 Years
Sewer Lines	50 Years
Shoreline Walls	50 Years
Other	15-100 Years

Fund Financial Statements

In the fund financial statements, fixed assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

6. Other Assets

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

7. Compensated Absences

The City's policy allows employees to earn varying amounts of vacation pay for each year employed. Upon retirement or termination of employment, the employee is entitled to payment in cash for any unused accrued vacation. Sick leave is earned at the rate of eight hours per month of full-time service to a maximum of 150 days. Employees are not compensated for unused sick leave upon termination of employment, except upon retirement or death. Upon retirement or death, accumulated sick leave, to a maximum of 70 days, is paid to the employee or the estate. Only benefits considered to be vested are disclosed in these statements.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

7. Compensated Absences (cont.)

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. In governmental fund financial statements, the cost of vacation and sick leave is recognized when payments are made to employees and liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2003 are determined on the basis of current salary rates and include salary related payments.

8. Long-Term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term debt consists primarily of notes and bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the issue using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the balance sheet.

The City has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$44,500,000 made up of thirteen issues.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

9. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

10. Equity Classifications

Government–Wide Statements

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either 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.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

The nature and purpose of each of the City’s reserves and designations are explained as follows:

1. Reserve for subsequent year’s expenses/expenditures – These reserves represent carryovers of 2003 budget appropriations, restricted under contractual agreements, to be utilized for specific purposes in the 2004 budget as legally authorized by City resolution.
2. Reserve for debt service – This reserve represents amounts provided for future payment of principal and interest on obligations of the City.
3. Reserve for capital projects – This reserve represents fully appropriated and legally authorized funds for future capital projects.
4. Reserve for endowments – To account for the segregation of donated monies, which may not be spent. However, the income earned may be spent for specific purposes.
5. Reserve for inventories – This reserve is discussed in Note (I)D3.
6. Reserve for prepaid items – This reserve is discussed in Note (I)D3.
7. Reserve for non-current receivables – This reserve represents receivable amounts that do not constitute expendable available financial resources.
8. Reserve for advance to other funds – This reserve represents advance amounts that do not constitute expendable available financial resources.
9. Reserve for encumbrances – This reserve represents the estimated amount of expenditures ultimately to result if unperformed contracts and open purchase orders at year end are fulfilled.
10. Reserve for community development – This reserve represents amounts provided for and restricted for certain community development projects and activities.
11. Designated for subsequent year’s expenditures – These amounts represent the amount of fund balances to be utilized in the 2004 budget as authorized by City resolution.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds”. The details of this \$10,450,359 difference are as follows:

Deferred revenue-loans	\$ 9,245,482
Deferred revenue-special assessments	1,204,877
Deferred revenue-debt service	<u>1,872,182</u>
Combined Adjustment for Long-Term Assets	<u>\$ 12,322,541</u>

Another element of that reconciliation states that “some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds”. In addition, interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported in the statement of net assets. The details of the \$94,979,838 difference are as follows:

Bonds and notes payable	\$ 90,192,483
Compensated absences	3,450,935
Accrued interest	239,653
Arbitrage rebate liability	50,000
Unamortized debt issue costs	<u>(901,790)</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 93,031,281</u>

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this \$3,383,105 difference are as follows:

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES (cont.)

Debt issued or incurred	
Issuance of general obligation bonds	\$ 82,665,000
Principal repayments	
General obligation debt	<u>(79,281,895)</u>
Net adjustment to decrease <i>net changes in fund balances - total</i> governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 3,383,105</u>

Another element of that reconciliation states that "Governmental funds report the effects of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities." The details of the \$ 1,948,557 differences are as follows:

Debt issuance costs incurred	\$ 953,417
Premium received	(333,848)
Deferred charge on refunding	1,383,677
Amortization of issuance costs	(51,627)
Amortization of premium	25,765
Amortization of deferred charge	<u>(28,827)</u>
Net adjustment to increase <i>net changes in fund balances-total</i> governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,948,557</u>

Another element of that reconciliation states that "Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds." The details of this \$491,069 difference are as follows:

Compensated absences	\$ 442,611
Loan writeoffs	(5,960)
Accrued interest	<u>54,418</u>
Net adjustment to increase <i>net changes in fund balances-total</i> governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 491,069</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Another element of that reconciliation states that “Revenues in the governmental funds that are not reported as revenues in the statement of activities.” The details of this \$1,152,118 difference are as follows:

Principal paid on economic development loans	\$ 955,431
Special assessments collections	<u>196,687</u>
Net adjustment to decrease <i>net changes in fund balances-total</i> governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 1,152,118</u>

Another element of that reconciliation states that “Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.” The net adjustment to increase net changes in fund balance-total governmental funds to arrive at changes in net assets governmental activities of \$ 1,872,182 represents amounts receivable from the Water and Wastewater Utilities for prior years unfunded pension liabilities.

Another element of that reconciliation states that “Expenditures in the governmental funds that are not reported as expenses in the statement of activities.” The net adjustment to increase net changes in fund balance – total governmental funds to arrive at changes in net assets governmental activities of \$703,200 represents the amount of economic development loans made during the year.

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. 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 I.

The City adopted annual Governmental Fund budgets for the following funds:

General Fund	Debt Service Fund:
Special Revenue Funds:	Currently Due
Health	Capital Project Funds:
Public Safety Grants	2003 Capital Projects
2003 HUD	Assessment Projects
Harbor Commission	Equipment Replacement
Library	
Cemetery	
Recycling	

These budgets are adopted in accordance with State Statutes. The budgeted amounts presented include any amendments made. Appropriation lapse at year-end unless specifically carried over. Carryovers to the following year include items encumbered at yearend. Carryovers to the following year were \$2,699,978. The City uses appropriation unit control (salaries and fringe benefits, operating and capital outlay) within department. All modifications/changes to appropriation units, capital outlay items and capital projects require Liaison Committee, Finance Committee and Common Council approval. Supplemental appropriations during the year were

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

\$1,114,231.

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

The following appropriation units have an excess of actual expenditures over appropriations for the year ended December 31, 2003:

<u>Fund</u>	<u>Department</u>	<u>Unit</u>	<u>Amount</u>
General Fund	Fire	Operating Expenditures	\$ 5,787
	Human Resources	Capital Outlay	324
	Emergency Services	Interdepartmental	6,873
	Municipal Judge	Interdepartmental	73
	Employee Benefits	Salaries and Fringes	100,382
	Police	Operating Expenditures	25,204
	Police	Interdepartmental	80,529
	Police	Capital Outlay	27,071
	Public Works	Salaries and Fringes	70,047
	Public Works	Interdepartmental	640
	Miscellaneous Unclassified	Operating Expenditures	73,088

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

Special Revenue Funds

Recycling Program – The fund deficit of \$299,506 is the result of expenditures in excess of revenues received from the State of Wisconsin for this mandated program. The continued operation of this program is dependent upon funding through tax levy.

Tax Incremental Districts – The accumulated fund deficits of \$9,557,283 are the result of expenditures exceeding available bond proceeds and tax increments. In future years, these deficits are expected to be offset as incremental tax revenues are collected.

2003 HUD - The deficit of \$5,965 is a result of expenditures in excess of revenues in the for the loan program. Funds will be transferred into this fund in 2004 to cover the deficit.

Capital Project Funds

City Projects – The fund deficit of \$837,477 is the result of expenditures for manhole reconstruction in excess of fees collected from customers. Revenues will be received from the Wastewater Utility in subsequent years to eliminate this deficit.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Total cash and investments in the basic financial statements consist of the following:

	Unrestricted	Restricted	Total
Cash on Hand	\$ 7,065	\$ -	\$ 7,065
Deposits	22,870,148	3,952,740	26,822,888
Investments	77,829,321	33,820,521	111,649,842
	<u>\$ 100,706,534</u>	<u>\$ 37,773,261</u>	<u>\$ 138,479,795</u>

The City's deposits and investments are categorized to give an indication of the level of custodial credit risk assumed by the entity at year end. Category 1 includes items that are insured or registered or which are collateralized by or evidenced by securities held by the City or its agent in the City's name. Category 2 includes deposits collateralized with securities held by the pledging financial institution's trust department or agent in the City's name, or uninsured and unregistered investments for which the securities are held by the counter party's trust department or agent in the City's name. Category 3 includes uncollateralized deposits, and uninsured and unregistered investments, with securities held by the counterparty or its trust department or agent but not in the City's name.

	Category			Totals	Carrying Amount/ Fair Value
	1	2	3		
U.S. Government Securities	\$ 101,322,648	\$ -	\$ 2,078,016	\$ 103,400,664	\$ 103,400,664
Equity securities	-	-	1,811,904	1,811,904	1,811,904
Certificates of Deposit	19,754	-	-	19,754	19,754
Local Deposits	8,685,119	-	9,156,004	17,841,123	26,822,888
Sub-Totals	<u>\$ 110,027,521</u>	<u>\$ -</u>	<u>\$ 13,045,924</u>	<u>\$ 123,073,445</u>	
Wisconsin Local Government Investment Pool					6,248,491
Wisconsin Investment Trust Pool					169,029
Petty cash					7,065
Total Deposits and Investments					<u>\$ 138,479,795</u>
Reconciliation to financial statements					
Per statement of net assets					
Cash and investments					\$ 68,008,988
Restricted Cash and investments					37,773,261
Per statement of fiduciary net assets – fiduciary funds					<u>32,697,546</u>
Total					<u>\$ 138,479,795</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

A. DEPOSITS AND INVESTMENTS (cont.)

The City had no significant type of investment during the year not included in the above schedule.

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing the amounts in Category 1 above.

Investments in the Wisconsin Local Government Investment Pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC and State of Wisconsin Guarantee Fund insurance.

One of the City's investment companies insures U.S. government securities to a maximum of \$150 million. These investments have been included in Category 1 above. The City's certificates of deposit are collateralized at 125 percent of value and are included in Category 1 above.

During 2003, the City experienced unrealized gains on investments in the amount of \$68,802 in the General Fund. This amount is included in investment income. It is the intent of the City to hold these investments to maturity.

Fluctuating cash flows during the year due to tax collections, receipt of state aids and/or proceeds from borrowing may have resulted in temporary balances exceeding insured amounts by substantially higher amounts.

The City is exposed to market risk through its participation in the Wisconsin Local Government Investment Pool and both market risk and credit risk through its investment in government securities, equity securities and the Wisconsin Investment Trust Pool.

B. RECEIVABLES

Receivables of the City are reported net of uncollectible amounts. Details relating to the uncollectible amounts are as follows:

	General Fund	Transit	Other Enterprise	Internal Service	Other Non Major	Total
Accounts receivable	\$ 728,025	\$ 47,546	\$ 20,950	\$ 30,257	\$ 222,449	\$ 1,049,227
Delinquent personal property	92,182	-	-	-	-	92,182
Total Uncollectibles	<u>\$ 820,207</u>	<u>\$ 47,546</u>	<u>\$ 20,950</u>	<u>\$ 30,257</u>	<u>\$ 222,449</u>	<u>\$ 1,141,409</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

B. RECEIVABLES (cont.)

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes receivable for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of *deferred revenue* and *unearned revenue* reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Property taxes receivable	\$ -	\$ 38,579,876	\$ 38,579,876
Loans receivable	9,245,484	-	9,245,484
Special assessments not yet due	1,204,875	-	1,204,875
Interest on loans and advances	-	1,661,734	1,661,734
Due from enterprise for debt service	1,872,182	-	1,872,182
Grant drawdowns prior to meeting all eligibility requirements	-	253,260	253,260
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 12,322,541</u>	<u>\$ 40,494,870</u>	<u>\$ 52,817,411</u>

The following receivable amounts are considered to be long-term receivables:

	General Fund	Other HUD	Other Non Major	Total
Special assessments	\$ -	\$ -	\$ 1,014,914	\$ 1,014,914
Delinquent personal property taxes	93,739	-	-	93,739
Loans and notes	107,893	8,124,814	450,000	8,682,707
	<u>\$ 201,632</u>	<u>\$ 8,124,814</u>	<u>\$ 1,464,914</u>	<u>\$ 9,791,360</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long Term Debt Accounts

- Redemption – Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve – Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Depreciation – Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.
- Improvement – Used to report proceeds of revenue bond issuances that are restricted for use in construction.

Equipment Replacement Account

The Wastewater Utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

Following is a list of restricted assets for the Water and Wastewater Utility at December 31, 2003:

	Water Utility	Wastewater Utility	Total
Bond redemption account	\$ 1,508,946	\$ 1,203,365	\$ 2,712,311
Bond reserve account	1,995,542	497,818	2,493,360
Bond depreciation account	796,839	996,028	1,792,867
Improvement account	27,824,172	-	27,824,172
Equipment replacement account	-	2,994,956	2,994,956
	<hr/>	<hr/>	<hr/>
Total Restricted Assets	32,125,499	5,692,167	37,817,666
Less: Liabilities payable from restricted assets	<u>29,700,462</u>	<u>1,701,183</u>	<u>31,401,645</u>
Restricted Net Assets	<u>\$ 2,425,037</u>	<u>\$ 3,990,984</u>	<u>\$ 6,416,021</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2003 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 7,028,393	\$ 1,282,355	\$ -	\$ 8,310,748
Construction in progress	8,899,523	4,000,290	6,348,281	6,551,532
Total Capital Assets Not Being Depreciated	<u>15,927,916</u>	<u>5,282,645</u>	<u>6,348,281</u>	<u>14,862,280</u>
Capital assets being depreciated				
Land improvements	7,242,471	97,381	-	7,339,852
Buildings	28,170,570	402,997	27,161	28,546,406
Machinery and equipment	26,440,268	2,531,861	910,662	28,061,467
Roads, streets, and bridges	115,813,566	4,768,942	1,099,129	119,483,379
Drainage system	48,541,878	1,665,637	-	50,207,515
Sidewalks	43,218,916	914,313	23,188	44,110,041
Sewer lines	27,411,665	1,495,591	93,442	28,813,814
Shoreline walls	8,803,704	1,827,590	-	10,631,294
Other	1,302,350	1,215,610	-	2,517,960
Total Capital Assets Being Depreciated	<u>306,945,388</u>	<u>14,919,922</u>	<u>2,153,582</u>	<u>319,711,728</u>
Less: accumulated depreciation for				
Land improvements	2,849,990	346,977	-	3,196,967
Buildings	10,782,875	576,948	25,700	11,334,123
Machinery and equipment	14,255,991	3,107,218	752,783	16,610,426
Roads, streets, and bridges	47,828,907	3,520,136	879,672	50,469,371
Drainage system	21,583,200	970,456	-	22,553,656
Sidewalks	27,501,191	1,459,459	23,188	28,937,462
Sewer lines	12,276,279	537,476	93,442	12,720,313
Shoreline walls	2,694,768	195,627	-	2,890,395
Other	825,671	38,741	-	864,412
Total Accumulated Depreciation	<u>140,598,872</u>	<u>10,753,038</u>	<u>1,774,785</u>	<u>149,577,125</u>
Total Capital Assets being Depreciated, Net	<u>166,346,516</u>	<u>4,166,884</u>	<u>378,797</u>	<u>170,134,603</u>
Governmental Activities Capital Assets, Net	<u>\$ 182,274,432</u>	<u>\$ 9,449,529</u>	<u>\$ 6,727,078</u>	<u>\$ 184,996,883</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 200,880
Education and recreation	1,891,886
Public works, which includes infrastructure	7,933,334
Public safety	<u>726,938</u>
Total Governmental Activities Depreciation Expense	<u>\$ 10,753,038</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 2,893,393	\$ -	\$ 1,327,678	\$ 1,565,715
Construction in progress	22,266,995	56,930,805	27,472,811	51,724,989
Total Capital Assets Not Being Depreciated	<u>25,160,388</u>	<u>56,930,805</u>	<u>28,800,489</u>	<u>53,290,704</u>
Capital assets being depreciated				
Land improvements	6,466,757	59,000	-	6,525,757
Improvements other than buildings	70,397,968	4,271,145	216,650	74,452,463
Buildings	61,840,635	13,922,584	1,503,927	74,259,292
Machinery and equipment	44,210,785	9,298,188	1,060,746	52,448,227
Total Capital Assets Being Depreciated	<u>182,916,145</u>	<u>27,550,917</u>	<u>2,781,323</u>	<u>207,685,739</u>
Less: accumulated depreciation for				
Land improvements	2,044,430	146,248	-	2,190,678
Improvements other than buildings	17,730,276	1,039,536	216,650	18,553,162
Buildings	23,088,202	1,790,761	663,194	24,215,769
Machinery and equipment	20,494,187	2,286,581	1,035,050	21,745,718
Total Accumulated Depreciation	<u>63,357,095</u>	<u>5,263,126</u>	<u>1,914,894</u>	<u>66,705,327</u>
Total Capital Assets being Depreciated, Net	<u>119,559,050</u>	<u>22,287,791</u>	<u>866,429</u>	<u>140,980,412</u>
Business-Type Activities Capital Assets, Net	<u>\$ 144,719,438</u>	<u>\$ 79,218,596</u>	<u>\$ 29,666,918</u>	<u>\$ 194,271,116</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities

Water	\$ 2,295,307
Wastewater	1,767,643
Belle Urban Transit	535,436
Other	<u>664,740</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 5,263,126</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount due Within One Year
General Fund	Enterprise Fund-Transit	\$ 3,114,862
General Fund	Enterprise Fund-Parking	88,000
General Fund	Enterprise Fund-Civic Center	68,734
General Fund	Internal Service Fund-Equipment Maint.	810,247
General Fund	Capital Projects-City Projects	1,456,855
General Fund	Special Revenue-Public Safety Grants	90,584
General Fund	Special Revenue-Recycling	218,268
General Fund	Special Revenue-Health	59,532
General Fund	Special Revenue-Other HUD	167,374
General Fund	Special Revenue-2003 HUD	277,739
General Fund	Special Revenue-Other	17,999
General Fund	Wastewater Utility	99,206
General Fund	Water Utility	1,534,404
Debt Service Fund	Water Utility	12,043
Debt Service Fund	Wastewater Utility	11,995
Wastewater Utility	Capital Projects-City Projects	2,539,899
Wastewater Utility	Water Utility	1,125,741
Wastewater Utility	General Fund	40,946
Water Utility	Wastewater Utility	572,302
Water Utility	General Fund	1,238,051
Water Utility	Special Revenue-Other	149
Water Utility	Special Revenue-2003 HUD	1,658
Water Utility	Capital Projects-City Projects	880,467
Enterprise-Radio Repair	Water Utility	100
Internal Service Fund-Equipment Maint.	Water Utility	6,226
Internal Service Fund-Equipment Maint.	Wastewater Utility	771
Internal Service Fund-Health Insurance	Water Utility	34,179
Internal Service Fund-Telephone	Water Utility	783
Internal Service Fund-Telephone	Wastewater Utility	423
Special Revenue-Other	Water Utility	1,250
		<u>\$ 14,470,787</u>

The principal purpose of these interfunds is to fund overdrafts on pooled cash. In addition, the balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the statement of net assets, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

The general fund is advancing funds to various Tax Incremental Financing (TIF) Districts and the Golf Course. The amount advanced to the TIF Districts is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. The General Fund is charging the Golf Course interest at 6% and repayment schedules have been established for these amounts advanced to the Golf Course. The General Fund is charging the TIF Districts interest at the City's blended investment rate. No repayment schedules have been established for the advances to the TIF Districts, the Water Utility and the Wastewater Utility.

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	Amount Due Within One Year
General Fund	Tax Increment District # 3	\$ 835,352	\$ -
General Fund	Tax Increment District # 5	1,075,172	-
General Fund	Tax Increment District # 6	5,075,944	-
General Fund	Tax Increment District # 7	444,638	-
General Fund	Tax Increment District # 8	1,371,722	-
General Fund	Golf Courses Enterprise Fund	569,706	75,064
Debt Service Fund	Wastewater Utility	872,550	
Debt Service Fund	Water Utility	975,594	
Special Assessment Fund	Tax Increment District # 8	754,455	-
		<u>\$ 11,975,133</u>	<u>\$ 75,064</u>

Repayment schedules for advances to the Golf Course with an established payment schedule follow:

2004	107,401
2005	107,401
2006	107,401
2007	107,401
2008	107,401
2009-2010	150,313
Sub-total	687,318
Amount representing interest	(120,571)
	<u>\$ 566,747</u>

In addition to the above, the General Fund has also advanced funds to the golf course that are to be repaid using surcharge fees charged by the golf courses. This advance does not have an established repayment schedule. The balance remaining on this advance at year end was \$2,959.

For the statement of net assets, interfund advance balances which are owed within the governmental activities or business-type activities are netted and eliminated.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount
General Fund	Special Revenue-Other	\$ 60,400
General Fund	Special Revenue-Other Public Safety	100,000
General Fund	Permanent	110,639
General Fund	Water	1,812,358
General Fund	Wastewater	1,619,548
Debt Service Fund	General Fund	211,387
Debt Service Fund	Capital Projects-2002 and Prior	1,384,992
Debt Service Fund	Special Revenue-TIF	1,801,898
Debt Service Fund	Capital Projects-TIF #9	279,624
Debt Service Fund	Capital Projects-TIF #10	16,806
Debt Service Fund	Refunding	312,947
Capital Projects-Assessment Projects	Special Revenue-Special Assessment	495,078
Capital Projects-TIF10	Capital Projects-2002 and Prior	177,160
Capital Projects-2002 and Prior	Capital Projects-2003	457
Enterprise-Civic Centre	Capital Projects-City Projects	44,500
Enterprise-Civic Centre	Capital Projects-2002 and Prior	419,248
Enterprise-Civic Centre	Capital Projects-2003	9,860
Enterprise-Transit	Capital Projects-City Projects	4,000
Enterprise-Transit	Capital Projects-2002 and Prior	414,837
Enterprise-Parking	Capital Projects-2002 and Prior	58,298
Enterprise-Parking	Capital Projects-2003	56,000
Internal Service-Health	General Fund	2,000,000
Refunding	Debt Service Fund	469,614
Special Revenue-Other	Special Revenue-2003 HUD	28,500
Special Revenue-Other	General Fund	154
Special Revenue-Health	Special Revenue-2003 HUD	17,781
Special Revenue-Health	Special Revenue-Other Public Safety	8,554
Special Revenue-Health	Special Revenue-Other HUD	7,670
Special Revenue-Other Public Safety	General Fund	58
Special Revenue-Other Public Safety	Special Revenue-Public Safety Grants	10,901
Special Revenue-Public Safety	General Fund	128
Special Revenue-Economic Development	Capital Projects-TIF #9	735,787
Special Revenue-Cemetery	Special Revenue-Other Cemetery	1,075,842
Special Revenue-2003 HUD	Special Revenue-Other HUD	446,936
Special Revenue-Other HUD	Special Revenue-Other HUD	9,908
Special Revenue-Other HUD	Special Revenue-2003 HUD	551,113
		<u>\$ 14,752,983</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (cont.)

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2003 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation					
bonds and notes payable	\$ 70,964,337	\$ 82,665,000	\$ 62,390,087	\$ 91,239,250	\$ 4,441,500
Add/(subtract)					
Deferred Amounts For:					
(Discounts)/Premiums	-	333,848	25,765	308,083	-
Refundings-Gains/(Loss)	-	(1,383,677)	(28,827)	(1,354,850)	-
Sub-total	70,964,337	81,615,171	62,387,025	90,192,483	4,441,500
Other Liabilities					
Vested compensated absences	3,893,546	-	442,611	3,450,935	226,278
Unfunded prior service liability	16,891,808	-	16,891,808	-	-
Arbitrage rebate	50,000	-	-	50,000	50,000
Total Other Liabilities	20,835,354	-	17,334,419	3,500,935	276,278
Total Governmental Activities					
Long-Term Liabilities	\$ 91,799,691	\$ 81,615,171	\$ 79,721,444	\$ 93,693,418	\$ 4,717,778

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable					
Revenue bonds	\$ 51,560,662	\$ 68,829,218	\$ 1,906,482	\$ 118,483,398	\$ 3,133,045
Add/(Subtract) Deferred Amounts For					
Refundings - Gains/(Losses)	(509,791)	-	(101,629)	(408,162)	-
Sub-total	<u>51,050,871</u>	<u>68,829,218</u>	<u>1,804,853</u>	<u>118,075,236</u>	<u>3,133,045</u>
Other Liabilities					
Vested compensated absences	<u>867,416</u>	<u>119,922</u>	<u>48,916</u>	<u>938,422</u>	<u>46,219</u>
Total Other Liabilities	<u>867,416</u>	<u>119,922</u>	<u>48,916</u>	<u>938,422</u>	<u>46,219</u>
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 51,918,287</u>	<u>\$ 68,949,140</u>	<u>\$ 1,853,769</u>	<u>\$ 119,013,658</u>	<u>\$ 3,179,264</u>

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2003, was \$152,622,350. Total general obligation debt outstanding at year end was \$91,239,250.

Debt Refunding

During 2003, the City issued the following general obligation refunding bonds:

\$8,650,000 of taxable general obligation refunding bonds for the purpose of current refunding the City's outstanding \$8,390,964 State Trust Fund Loan issued in 2000, in July 2003, an early call date for redemption.

\$16,895,000 of taxable general obligation refunding bonds for the purpose of current refunding the City's outstanding \$16,565,000 taxable note anticipation notes issued in July 2003 that were used to provide interim financing for the purpose of paying the unfunded prior service liability under the Wisconsin Retirement System.

\$7,900,000 of general obligation refunding bonds for the purpose of current refunding the City's outstanding \$7,900,000 bond anticipation notes issued in July 2003 that were used to provide interim financing for 2003 capital improvement plan.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt Refunding (cont.)

The City issued \$22,755,000 of general obligation refunding bonds with an average interest rate of 4.03% to advance refund the following debt issues.

<u>Date</u>	<u>Amount</u>	<u>Average Interest Rate</u>	<u>Type</u>
10/15/1991	\$ 300,000	5.45%	General Obligation Bonds
9/15/1995	625,000	4.62%	General Obligation Prommissory Notes
12/1/1996	2,300,000	4.85%	General Obligation Prommissory Notes
9/30/1997	2,575,000	4.73%	General Obligation Prommissory Notes
9/30/1998	3,600,000	4.27%	General Obligation Prommissory Notes
12/1/1999	4,720,000	5.08%	General Obligation Prommissory Notes
12/1/2001	7,385,000	3.91%	General Obligation Prommissory Notes
	<u>\$ 21,505,000</u>		

The net proceeds of \$22,419,064 plus an additional \$469,613 of sinking fund monies were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the general obligation debt refunded. As a result, the bonds and notes are considered defeased and the liability for those bonds and notes, amounting to \$21,505,000 has been removed from the governmental activities column of the statement of net assets.

The cash flow requirements on the refunded bonds and notes prior to the advance refunding was \$31,061,157 from 2003 through 2011. The cash flow requirements on the 2003 refunding bonds are \$33,972,312 from 2003 through 2018. The refunding resulted in an economic loss of \$1,172,052.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

<u>Type/Series</u>	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance Outstanding 12/31/2003</u>
General Obligation Bonds					
1987	11/ 01/87	11/01/07	7.0-8.7%	\$ 5,012,875	\$ 1,909,250
2001	4/15/01	04/15/11	4.00-4.63	5,205,000	3,985,000
2003	11/1/03	11/01/23	2.00-5.70	16,895,000	16,895,000
2003	11/1/03	11/01/17	2.00-5.00	7,900,000	7,900,000
2003	7/15/03	07/15/18	2.00-4.90	8,650,000	8,650,000
2003	7/15/03	07/15/18	2.75-4.20	<u>22,755,000</u>	<u>22,755,000</u>
				<u>66,417,875</u>	<u>62,094,250</u>
General Obligation Promissory Notes					
2001	12/1/01	12/01/11	2.50-4.00	9,500,000	1,055,000
2002	11/1/02	11/01/11	2.00-4.00	<u>9,000,000</u>	<u>9,000,000</u>
				<u>18,500,000</u>	<u>10,055,000</u>
Tax Incremental General Obligation Debt					
1991 (Tif #6)	10/01/91	10/01/11	5.00-7.00	3,945,000	725,000
1993 (Tif #7)	06/01/93	06/01/12	5.40-7.00	6,140,000	5,175,000
1993 (Tif #8)	06/01/93	06/01/12	5.40-7.00	6,065,000	5,085,000
2002 (Tif #9)	02/15/02	02/15/21	3.00-5.10	6,105,000	6,105,000
2003 (Tif #10)	7/30/03	7/30/06	2.50	<u>2,000,000</u>	<u>2,000,000</u>
				<u>24,255,000</u>	<u>19,090,000</u>
Total Governmental Activities - General Obligation Debt				<u>\$ 109,172,875</u>	<u>\$ 91,239,250</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	Governmental Activities General Obligation Debt		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2004	4,441,500	4,626,891	9,068,391
2005	4,720,000	3,864,384	8,584,384
2006	6,851,125	3,666,585	10,517,710
2007	5,076,625	3,398,668	8,475,293
2008	4,985,000	3,193,048	8,178,048
2009 – 2013	26,545,000	12,524,019	39,069,019
2014 – 2018	30,125,000	6,336,668	36,461,668
2019 – 2023	8,495,000	1,208,845	9,703,845
Totals	<u>\$ 91,239,250</u>	<u>\$ 38,819,108</u>	<u>\$ 130,058,358</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Business-Type Activities Revenue Debt

Revenue Debt

Revenue bonds are payable only from revenues derived from the operation of the Water and Wastewater Utilities.

Revenue debt payable at December 31, 2003 consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12/31/03
<u>Water Utility</u>					
Mortgage Revenue Bonds	5/1/1993	5/1/09	4.00-5.80	\$ 2,075,000	\$ 320,000
Mortgage Revenue Bonds	2/1/1995	2/1/15	5.90-6.60	5,000,000	680,000
Safe Drinking Water Loan	2/10/1999	2/10/18	2.64	12,594,655	10,054,850
Mortgage Revenue Bonds	10/1/2001	10/1/21	3.50-5.25	11,460,000	11,460,000
Mortgage Revenue Bonds	4/15/2001	4/15/21	4.00-5.38	6,235,000	6,095,000
Mortgage Revenue Bonds	11/7/2003	09/01/05	2.125	26,200,000	26,200,000
Total Water Utility				<u>63,564,655</u>	<u>54,809,850</u>
<u>Wastewater Utility</u>					
Mortgage Revenue Bonds	6/1/1993	6/1/08	2.80-5.80	4,880,000	1,850,000
State Cleanwater Fund Loans	4/27/1994	4/27/13	3.19	2,701,745	1,620,393
State Cleanwater Fund Loans	3/26/1997	3/26/16	3.00	1,158,993	860,472
State Cleanwater Fund Loans	5/27/1999	5/27/18	2.64	854,147	680,366
State Cleanwater Fund Loans	11/1/1999	11/1/19	2.64	797,249	675,211
State Cleanwater Fund Loans	9/27/2000	9/27/20	2.97	802,113	712,246
State Cleanwater Fund Loans	4/10/2002	4/10/21	2.75	3,786,634	3,632,222
State Cleanwater Fund Loans	7/24/2002	7/24/21	2.86	17,206,456	17,206,456
State Cleanwater Fund Loans	11/27/2002	11/27/22	2.87	36,436,182	36,436,182
Total Wastewater Utility				<u>68,623,519</u>	<u>63,673,548</u>
Total Business-Type Revenue Debt				<u>\$ 132,188,174</u>	<u>\$ 118,483,398</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Business-Type Activities		
	General Obligation Debt		
	Principal	Interest	Total
2004	\$ 3,133,045	\$ 3,449,918	\$ 6,582,963
2005	31,000,818	3,421,749	34,422,567
2006	4,970,187	2,699,690	7,669,877
2007	5,137,235	2,527,378	7,664,613
2008	5,092,037	2,348,470	7,440,507
2009-2013	25,259,240	9,294,705	34,553,945
2014-2018	26,158,835	5,033,138	31,191,973
2019-2023	17,732,001	1,131,245	18,863,246
Totals	<u>\$ 118,483,398</u>	<u>\$ 29,906,293</u>	<u>\$ 148,389,691</u>

Arbitrage Rebate Liability

The City has issued tax-exempt general obligation debt that is subject to arbitrage regulations. City management has reviewed the arbitrage regulations and believes that the potential for an arbitrage rebate liability exists. The City has engaged a third party to review the activity related to its debt issues and calculate the amount of any liability. As of December 31, 2003, the third party has not completed their analysis of the debt issues. Accordingly, the City has recorded \$50,000 as an estimated arbitrage rebate liability.

Other Debt Information

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

A statutory mortgage lien upon the City's utility system and any additions, improvements and extensions thereto is created by Section 66.066 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The City's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The City believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

During 2002, the Wastewater Utility was approved to borrow \$84,246,903 of State of Wisconsin Clean Water Fund loans for use in connection with the construction of the Wastewater Utility plant. At December 31, 2003, \$57,429,272 was drawn down on these loans and is included in long-term debt of the Utility with interest rates ranging from 2.75% to 2.867%.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the City defeased certain general obligation notes and bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old notes and bonds. Accordingly, the trust account assets and the liability for the defeased notes and bonds are not included in the City's financial statements. At December 31, 2003, \$3,095,000 of bonds outstanding are considered defeased. The bonds are callable from October 1, 2004 to October 2, 2006.

In prior years, the Water Utility defeased certain mortgage revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old rates and bonds. Accordingly, the trust account assets and the liability for the defeased rates and bonds are not included in the Water Utility's financial statements. At December 31, 2003, \$4,145,000 of bonds outstanding are considered defeased. The bonds are callable from September 1, 2003 to September 1, 2007.

Deferred Amount on Refunding

Deferred amounts on refunding arise from advance refunding of debt. The difference between the cost of the securities placed in trust for future payment of refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deduction from debt payable in the government-wide and proprietary fund statements. Amortization for 2003 was \$101,629 for the Water Utility.

G. LEASE DISCLOSURES

The Wastewater Utility leases a parcel of land from the Racine Commercial Airport Corporation. The lease, which is for 50 years expiring in 2052, is classified as an operating lease. Lease payments are the greater of \$35,000 adjusted annually for inflation or half of the property taxes levied on the Airport's real property. Rent expense for the lease was \$35,840 in 2003.

Future minimum payments for the next five years under the lease:

2004	\$	35,000
2005		35,000
2006		35,000
2007		35,000
2008		35,000
Thereafter		<u>1,505,000</u>
	\$	<u>1,680,000</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

H. NET ASSETS

Net assets reported on the government wide statement of net assets at December 31, 2003 includes the following:

Governmental Activities

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 184,996,883
Less: related long-term debt outstanding	(62,195,543)
Plus: funds borrowed but not spent	<u>4,631,078</u>
Total Invested in Capital Assets, Net of Related Debt	<u>127,432,418</u>
Restricted for	
Debt service	1,782,207
Permanent Funds	3,272,423
Funds borrowed but not spent	4,631,077
HUD loan program	<u>10,537,609</u>
Total Restricted	<u>20,223,316</u>
Unrestricted	<u>5,676,505</u>
Total Governmental Activities Net Assets	\$ 153,332,239

Business-Type Activities

Invested in capital assets, net of related debt	
Other Capital assets, net of accumulated depreciation	\$ 194,271,116
Less: related long-term debt outstanding	(114,366,739)
Plus: debt restricted assets	<u>31,401,640</u>
Total Invested in Capital Assets, Net of Related Debt	<u>111,306,017</u>
Restricted for (See Note IV C for details)	
Water	2,425,037
Wastewater	<u>3,990,984</u>
Total Restricted	<u>6,416,021</u>
Unrestricted	<u>8,523,469</u>
Total Net Assets	\$ 126,245,507

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE IV – DETAILED NOTES ON ALL FUNDS (cont.)

I. RESTATEMENT OF NET ASSETS

Net assets of the governmental activities has been restated as a result of a technical interpretation of the reporting treatment for the City's unfunded prior service liability to the Wisconsin Retirement System. The unfunded prior service liability was not reported as a liability in the 2002 government-wide financial statements but was disclosed in the notes to the financial statements. Upon further interpretation of the accounting literature, it was determined that this liability should be reported as a liability on the statement of net assets. Accordingly, the government-wide financial statements have been restated as follows:

Governmental Activities

Net assets - December 31, 2002 (as reported)	\$ 170,293,124
Adjustment to add Wisconsin Retirement System liability	<u>(16,891,808)</u>
Net assets - January 1, 2003 (as restated)	<u>\$ 153,401,316</u>

J. CHANGE IN ACCOUNTING PRINCIPLE

The Water and Wastewater Utilities participate in the Wisconsin Retirement System (WRS) through the City of Racine. An amount representing an unfunded pension liability had been allocated by the WRS to the City. During 2003, the City paid-off the unfunded liability with taxable bonds and, at the same time, allocated a portion of the liability to the Utilities. Since the liability had not been previously allocated to the Utilities, it was recorded as a change in the accounting principle. The cumulative effect of the change in the amount of \$ 991,736 and \$ 886,987 was recorded in the Statement of Revenue, Expense and Changes in Fund Net Assets of the Water and Wastewater Utilities, respectively.

K. COMPONENT UNIT

This report contains the Downtown Racine Business Improvement District #1 (BID), which is included as a component unit. Financial information is presented as a discrete column in the statement of net assets and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

a. Basis of Accounting/Measurement Focus

The BID follows the modified accrual basis of accounting and the flow of current financial resources measurement focus.

b. Transactions with the Primary Government

At December 31, 2003, the BID has a receivable of \$165,148 from the City's tax collection fund for a portion of the 2002 annual assessment and the entire

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

subsequent year's annual assessment.

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible City employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 5.2% of their salary (3.9% for Executives and Elected Officials, 3.8% for Protective Occupations with Social Security, and 3.3% for Protective Occupations without Social Security) to the plan. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for City employees covered by the system for the year ended December 31, 2003 was \$47,275,773; the employer's total payroll was \$49,204,568. The total required contribution for the year ended December 31, 2003 was \$4,924,511 or 11.8 percent of covered payroll. Of this amount, 100 percent was contributed by the employer for the current year. Total contributions for the years ending December 31, 2002 and 2001 were \$5,425,057 and \$5,229,997 respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) 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. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment 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 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

During the year ended December 31, 2003, the City issued taxable note anticipation notes to refund its outstanding pension related debt. Accordingly, the District had no pension related debt as of December 31, 2003.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

V – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The City is self-insured for medical coverage and workers compensation at December 31, 2003. The City purchases general and automobile liability insurance from the Cities and Villages Mutual Insurance Company. The City purchases commercial insurance for property and casualty claims. There have been no significant reductions in insurance coverage for any risk of loss in the past year and settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

Self Insurance

For health care claims, the uninsured risk of loss is \$25,000 per incident and \$1,000,000 in the aggregate for a policy year. The City has purchased commercial insurance for claims in excess of those amounts. Settled claims have not exceeded the commercial coverage in any of the past three years.

For workers compensation claims, the uninsured risk of loss is \$250,000 per incident and \$750,000 in the aggregate for a policy year. The City has purchased commercial insurance for claims in excess of those amounts. Settled claims have not exceeded the commercial coverage in any of the past three years.

All funds of the City participate in the risk management program. Amounts payable to the general fund are based on actuarial estimates of the amounts necessary to pay prior and current year claims.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported.

Claims Liability

	<u>Prior Year</u>	<u>Current Year</u>
Unpaid claims – Beginning of Year	\$ 865,000	\$ 1,100,000
Current year claims and changes in estimates	8,370,304	9,639,025
Claim payments	<u>8,135,304</u>	<u>9,579,025</u>
Unpaid Claims – End of Year	<u>\$ 1,100,000</u>	<u>\$ 1,160,000</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE V – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Public Entity Risk Pool

Wisconsin Municipal Insurance Commission (WMIC) Cities and Villages Mutual Insurance Company (CVMIC)

The WMIC is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes. It was created in August, 1987 for the purpose of facilitating the organization, establishment and capitalization of the CVMIC, and has numerous cities and villages as members.

The CVMIC is a municipal mutual insurance company established on September 19, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the cities and villages which make up the membership of the WMIC.

The WMIC provided for the capitalization of the CVMIC through the issuance of \$28,645,000 of WMIC revenue bonds, dated November 11, 1987 and refinanced on December 15, 1997 in the amount of \$22,800,000. The bonds are due in varying installments starting in 1998 and ending in 2007. Interest rates vary from 5.74% to 6.47%. The underlying security for the revenue bonds are general obligation bonds of each of the cities and villages participating in the enterprise. Each city and village assumed a proportionate share of the revenue bond obligation and delivered its general obligation bond in that proportionate amount to the WMIC. The principal and interest payments made by each municipality to the WMIC on its general obligation bond provides the revenue stream to make the principal and interest payments on the WMIC revenue bonds.

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities. The City's share of such losses is approximately 11.85%.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The City does not exercise any control over the activities of the agencies beyond the election of the officers and board.

Financial statements of WMIC and CVMIC are available from: Cities and Village Mutual Insurance Company, 1250 South Sunnyslope Road, Suite 105, Brookfield, WI 53005.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE V – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Public Entity Risk Pool (cont.)

Wisconsin Municipal Insurance Commission (WMIC)

Cities and Villages Mutual Insurance Company (CVMIC) (cont.)

The City shows the general obligation bond that it owes to WMIC in the governmental activities column of government-wide statement of net assets in the amount of \$1,909,250.

The City pays an annual premium to the mutual for its general liability insurance, which provides coverage up to \$10,000,000 per occurrence, less the City's retained liability. The City's retained liability is limited to \$175,000 per occurrence and an annual aggregate limit of \$750,000. An actuarially determined estimate has been recorded for this liability, as well as for claims incurred but not reported at December 31, 2003. A total liability of approximately \$849,255 at December 31, 2003 was recorded as claims payable in the governmental activities column of government-wide statement of net assets. Changes in the fund's claims loss liability follow:

	Beginning Balance	Incurred Claims	Claims Paid/ Settled	Ending Balance
2002	\$ 651,055	\$ 410,013	\$ 195,922	\$ 865,146
2003	865,146	394,404	410,295	849,255

C. COMMITMENTS AND CONTINGENCIES

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

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE V – OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (CONT.)

During the year, the Water Utility entered into contract agreements with various companies to perform professional services and construction activities. At December 31, 2003, contracts with these entities totaled \$26,881,013 of which \$5,862,012 was paid and \$21,019,001 is committed for future services to be performed.

During the year, the Wastewater Utility entered into contract agreements with various companies to perform professional services and construction activities related to the wastewater treatment plant expansion and regular maintenance. At December 31, 2003, contracts with these entities totaled \$74,264,054 of which \$51,432,498 was paid and \$22,831,556 is committed for future services to be performed.

D. OTHER POSTEMPLOYMENT BENEFITS

The City provides post employment health care and life benefits to retired employees and their dependents. The benefits can vary, depending upon the age and years of service of the retiree. Depending on the union contract, the City pays 100 percent of the health care costs for employees who retire with a combination of age and years of service between 75 and 80 years. The City also pays 100 percent of the Medicare premiums for those individuals. Life insurance premiums are paid to age 65 for those individuals who retire prior to age 65 and qualify as defined above. At December 31, 2003, the City had 690 retirees who received full health care coverage. In addition, 43 retirees who pay a percentage of their health care costs were covered under this benefit.

The City finances the plan on a “pay as you go basis”. The total cost in fiscal year 2003 was \$4,515,945 which includes health care, Medicare premiums and life insurance premiums. Employee contributions totaled \$119,548.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE V – OTHER INFORMATION (cont.)

E. ECONOMIC DEPENDENCY

The Water Utility had one major customer with sales of approximately \$2.9 million that accounted for 22% of the Utility's gross sales.

F. TAX INCREMENTAL FINANCING DISTRICTS

The City currently maintains separate special revenue and capital projects funds accounts for eight Tax Incremental Financing Districts (TID). The districts were created in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the districts were created, the property tax base within each district was "frozen" and subsequent incremental taxes resulting from any increases to the property tax base are available to finance district improvements, including principal and interest on debt issued by the City to finance such improvements. All eligible project expenditures for the districts are made from capital projects funds and must be incurred within ten years for districts created prior to October 1, 1995, and seven years for districts created thereafter. Special revenue funds are maintained to account for tax increment and other revenues used to finance principal and interest payments on outstanding debt applicable to the districts. Unless terminated by the City prior thereto, each TID must be terminated after 27 years for districts created prior to October 1, 1995, and 23 years for districts created thereafter.

	Creation Date	Expenditure Deadline	Termination Year	2002 Valuation Increase	2003 Increment Revenues	2003 Debt Service
TID No. 2	6/24/1983	6/24/1993	6/24/2010	\$ 35,324,400	\$ 897,319	\$ -
TID No. 3	6/24/1983	6/24/1993	6/24/2010	1,398,200	35,517	-
TID No. 5	9/17/1985	9/17/1995	9/17/2012	14,344,800	364,390	-
TID No. 6	3/3/1987	3/3/1997	3/3/2014	3,389,200	86,093	372,330
TID No. 7	3/21/1989	3/21/1999	3/21/2016	31,224,300	793,168	743,650
TID No. 8	7/17/1990	7/17/2000	7/17/2017	16,620,050	422,187	685,918
TID No. 9	6/6/2000	6/6/2007	6/6/2023	15,512,100	394,042	279,625
TID No. 10	4/28/2003	4/28/2010	4/23/2026	-	-	16,806
				<u>\$ 117,813,050</u>	<u>\$ 2,992,716</u>	<u>\$ 2,098,329</u>

Upon termination, the incremental tax base created by each TID will become part of the City's regular tax base. Any surplus remaining in the TID special revenue fund at the time of termination will be allocated among all affected taxing jurisdictions.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2003

NOTE V – OTHER INFORMATION (cont.)

G. INTERMUNICIPAL AGREEMENT

On April 25, 2002, the City of Racine, its Wastewater Commission, the Town of Mt. Pleasant and its Wastewater Utility, and the Town of Caledonia and its Wastewater Utility entered into an area-wide sewer service, revenue sharing, cooperation and settlement agreement. The Village of Sturtevant and North Park Utility also signed the Agreement in early May, 2002. This agreement will result in expansion of the City's wastewater plant to provide sewer service to serve new growth in the outlying communities, out to and two miles beyond I-94. Financing of the project is divided into deficiency work and new growth work. The costs of deficiency work will be shared among the communities through sewer rates, and the costs of new growth work will be paid based on capacity allocations as requested and agreed on by each party. As a result, City residents will pay for only a small portion of the new growth work while those communities that will receive growth will pay the vast majority of the new growth work. In addition, revenue sharing included as part of the agreement will provide an income stream to the City for a period of 30 years. It is based on a formula incorporating equalized value, population and municipal budgets. The City will receive approximately \$74,000,000 from the outlying communities over the period of 30 years, based on growth projections. In addition, the parties agreed to a transfer of Wastewater Utility reserve funds to the City, to the extent available, to complete the payoff of the value of assets transferred from the City to the Utility, and to compensate the City for provision of library, zoo and museum services that also benefit the outlying communities. The transfer of assets payment will be \$660,000 per year until paid off, in the year 2007, and an additional amount of approximately \$900,000 per year for the other elements, which will increase by 3% per year through 2007 with no increases in subsequent years. It is anticipated that utility reserves can support these payments for a period of at least 23 years. The agreement is for a period of 50 years and provides conditions for adding new territory and parties. For any such addition, the revenue sharing period would start fresh and continue for a full 30 year term. This agreement will result in enhanced cooperation among municipalities in this area and should provide a solid base for growth that will result in benefits to all parties.

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2003

	Special Revenue Funds			
	Other Public Safety	Public Safety Grants	Special Assessments	Economic Development
ASSETS				
Cash and investments	\$ 676,701	\$ 8,364	\$ 2,053,344	\$ 865,887
Receivables				
Property taxes	-	41,082	-	-
Special assessment - tax roll	-	-	272,669	-
Special assessment	-	-	1,014,914	-
Loans and notes	-	-	-	-
Accounts	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	169,735	-	-	-
Advances to other funds	-	-	754,455	-
TOTAL ASSETS	\$ 846,436	\$ 49,446	\$ 4,095,382	\$ 865,887
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 50,002	\$ -	\$ 1,190	\$ 20,713
Accrued liabilities	2,530	8,364	47,507	-
Due to other funds	90,584	-	-	-
Due to other governments	133	-	-	-
Deferred revenues	136,544	-	1,014,914	-
Deferred property tax revenue	-	41,082	272,669	-
Total Liabilities	<u>279,793</u>	<u>49,446</u>	<u>1,336,280</u>	<u>20,713</u>
Fund Balances				
Reserved				
Encumbrances	-	-	-	15,100
Endowments	-	-	-	-
Capital projects	-	-	-	-
Advances	-	-	754,455	-
Unreserved				
Designated for subsequent years expenditures	-	-	-	-
Undesignated (deficit)	<u>566,643</u>	<u>-</u>	<u>2,004,647</u>	<u>830,074</u>
Total Fund Balances	<u>566,643</u>	<u>-</u>	<u>2,759,102</u>	<u>845,174</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 846,436	\$ 49,446	\$ 4,095,382	\$ 865,887

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2003

Special Revenue Funds							
Other Cemetery	Cemetery	Trusts	Other	Harbor Commission	Health	2003 HUD	Library
\$ 1,145,842	\$ 1,610,297	\$ 1,348,767	\$ 646,262	\$ 49,321	\$ 138,602	\$ -	\$ 532,225
-	186,557	-	-	-	-	-	2,080,129
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	450,000	-	-	-	-
-	1,000	-	62,766	3,468	10	-	-
-	-	-	1,250	-	-	-	-
-	-	-	-	-	74,741	685,050	-
-	-	-	-	-	-	-	-
<u>\$ 1,145,842</u>	<u>\$ 1,797,854</u>	<u>\$ 1,348,767</u>	<u>\$ 1,160,278</u>	<u>\$ 52,789</u>	<u>\$ 213,353</u>	<u>\$ 685,050</u>	<u>\$ 2,612,354</u>
\$ -	\$ 31,480	\$ -	\$ 29,818	\$ 232	\$ 13,226	\$ 403,148	\$ 49,179
-	2,430	-	-	10,142	17,687	8,469	69,794
-	-	-	18,147	-	59,532	279,398	-
-	-	-	-	-	1,790	-	-
-	-	-	450,200	-	104,816	-	-
-	186,557	-	-	-	-	-	2,080,129
-	220,467	-	498,165	10,374	197,051	691,015	2,199,102
-	6,754	-	-	17	402	12,868	-
-	-	-	-	-	-	-	-
-	-	-	-	33,231	-	-	-
-	-	-	-	-	-	-	-
-	322,000	-	-	-	-	-	-
<u>1,145,842</u>	<u>1,248,633</u>	<u>1,348,767</u>	<u>662,113</u>	<u>9,167</u>	<u>15,900</u>	<u>(18,833)</u>	<u>413,252</u>
<u>1,145,842</u>	<u>1,577,387</u>	<u>1,348,767</u>	<u>662,113</u>	<u>42,415</u>	<u>16,302</u>	<u>(5,965)</u>	<u>413,252</u>
<u>\$ 1,145,842</u>	<u>\$ 1,797,854</u>	<u>\$ 1,348,767</u>	<u>\$ 1,160,278</u>	<u>\$ 52,789</u>	<u>\$ 213,353</u>	<u>\$ 685,050</u>	<u>\$ 2,612,354</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2003

	Special Revenue Funds		Capital Project Funds		
	Recycling	TIF #9	TIF #10	Assessment Projects	Sewer Agreement
ASSETS					
Cash and investments	\$ -	\$ 309,085	\$ 869,044	\$ 23,988	\$ 917,387
Receivables					
Property taxes	1,181,084	740,307	-	-	-
Special assessment - tax roll	-	-	-	-	-
Special assessment	-	-	-	-	-
Loans and notes	-	-	-	-	-
Accounts	-	-	910	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Advances to other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 1,181,084</u>	<u>\$ 1,049,392</u>	<u>\$ 869,954</u>	<u>\$ 23,988</u>	<u>\$ 917,387</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 68,717	\$ 5,471	\$ 23,489	\$ 23,988	\$ -
Accrued liabilities	12,521	-	-	-	-
Due to other funds	218,268	-	-	-	-
Due to other governments	-	-	-	-	-
Deferred revenues	-	-	-	-	-
Deferred property tax revenue	1,181,084	740,307	-	-	-
Total Liabilities	<u>1,480,590</u>	<u>745,778</u>	<u>23,489</u>	<u>23,988</u>	<u>-</u>
Fund Balances					
Reserved					
Encumbrances	2,954	4,496	-	292,935	-
Endowments	-	-	-	-	-
Capital projects	-	299,118	846,465	-	917,387
Advances	-	-	-	-	-
Unreserved					
Designated for subsequent years expenditures	-	-	-	-	-
Undesignated (deficit)	(302,460)	-	-	(292,935)	-
Total Fund Balances	<u>(299,506)</u>	<u>303,614</u>	<u>846,465</u>	<u>-</u>	<u>917,387</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,181,084</u>	<u>\$ 1,049,392</u>	<u>\$ 869,954</u>	<u>\$ 23,988</u>	<u>\$ 917,387</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2003

Capital Project Funds				Permanent Fund	Total Nonmajor
2002 and Prior	2003	City Projects	Equipment Replacement	Endowment Fund	Governmental Funds
\$ 2,074,733	\$ 3,485,090	\$ 2,661,839	\$ 63,433	\$ 3,272,423	\$ 22,752,634
-	-	-	-	-	4,229,159
-	-	-	-	-	272,669
-	-	-	-	-	1,014,914
-	-	-	-	-	450,000
1,289	820	10,000	-	-	80,263
-	-	-	-	-	1,250
-	-	1,570,118	-	-	2,499,644
-	-	-	-	-	754,455
<u>\$ 2,076,022</u>	<u>\$ 3,485,910</u>	<u>\$ 4,241,957</u>	<u>\$ 63,433</u>	<u>\$ 3,272,423</u>	<u>\$ 32,054,988</u>
\$ 352,922	\$ 1,394,837	\$ 220,074	\$ -	\$ -	\$ 2,688,486
-	-	-	-	-	179,444
-	29,561	4,847,660	-	-	5,543,150
-	-	-	-	-	1,923
-	-	11,700	-	-	1,718,174
-	-	-	-	-	4,501,828
<u>352,922</u>	<u>1,424,398</u>	<u>5,079,434</u>	<u>-</u>	<u>-</u>	<u>14,633,005</u>
306,885	449,218	206,834	62,935	-	1,361,398
-	-	-	-	3,272,423	3,272,423
1,416,215	1,612,294	-	498	-	5,125,208
-	-	-	-	-	754,455
-	-	-	-	-	322,000
-	-	(1,044,311)	-	-	6,586,499
<u>1,723,100</u>	<u>2,061,512</u>	<u>(837,477)</u>	<u>63,433</u>	<u>3,272,423</u>	<u>17,421,983</u>
<u>\$ 2,076,022</u>	<u>\$ 3,485,910</u>	<u>\$ 4,241,957</u>	<u>\$ 63,433</u>	<u>\$ 3,272,423</u>	<u>\$ 32,054,988</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2003

	Special Revenue Funds			
	Other Public Safety	Public Safety Grants	Special Assessments	Economic Development
REVENUES				
Taxes	\$ -	\$ 159,351	\$ -	\$ -
Special charges and assessments	-	-	533,583	-
Intergovernmental	669,459	123,942	-	-
Investment income	19,491	-	130,570	7,024
Charges for services	50,664	-	-	-
Donations	10,566	-	-	-
Other	102,536	-	-	-
Total Revenues	<u>852,716</u>	<u>283,293</u>	<u>664,153</u>	<u>7,024</u>
EXPENDITURES				
Current				
Community development	-	-	-	24,660
Health	-	-	-	-
Education and recreation	-	-	-	-
Public works	-	-	-	-
Public safety	730,911	283,421	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>730,911</u>	<u>283,421</u>	<u>-</u>	<u>24,660</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>121,805</u>	<u>(128)</u>	<u>664,153</u>	<u>(17,636)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long term debt	-	-	-	-
Proceeds from refunding bonds	-	-	-	-
Payment to escrow agent	-	-	-	-
Transfers in	10,959	128	-	735,787
Transfers (out)	(108,554)	(10,901)	(495,078)	-
Total Other Financing Sources (Uses)	<u>(97,595)</u>	<u>(10,773)</u>	<u>(495,078)</u>	<u>735,787</u>
Net Change in Fund Balances	24,210	(10,901)	169,075	718,151
FUND BALANCES (DEFICIT) -				
Beginning of Year	<u>542,433</u>	<u>10,901</u>	<u>2,590,027</u>	<u>127,023</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 566,643</u>	<u>\$ -</u>	<u>\$ 2,759,102</u>	<u>\$ 845,174</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2003

Special Revenue Funds							
Other Cemetery	Cemetery	Trusts	Other	Harbor Commission	Health	2003 HUD	Library
\$ -	\$ 79,481	\$ -	\$ 157,957	\$ 300,000	\$ -	\$ -	\$ 2,053,402
-	-	-	-	-	-	-	-
-	-	-	33,201	58,006	812,376	1,874,174	1,256,082
43,889	67,007	199,175	8,238	-	-	-	77,160
42,233	240,746	-	207,794	26,944	4,685	-	110,675
-	-	-	-	-	343	-	-
697	-	-	14,265	1,723	2,279	-	3
<u>86,819</u>	<u>387,234</u>	<u>199,175</u>	<u>421,455</u>	<u>386,673</u>	<u>819,683</u>	<u>1,874,174</u>	<u>3,497,322</u>
-	-	-	57,010	-	-	1,729,681	-
-	-	-	1,598	-	812,826	-	-
16,819	462,393	70,574	181,028	-	36,284	-	3,471,473
-	-	-	40,437	14,460	-	-	-
-	-	-	37,987	-	-	-	-
-	4,500	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>16,819</u>	<u>466,893</u>	<u>70,574</u>	<u>318,060</u>	<u>14,460</u>	<u>849,110</u>	<u>1,729,681</u>	<u>3,471,473</u>
<u>70,000</u>	<u>(79,659)</u>	<u>128,601</u>	<u>103,395</u>	<u>372,213</u>	<u>(29,427)</u>	<u>144,493</u>	<u>25,849</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,075,842	-	-	28,654	-	34,005	446,936	-
-	(1,075,842)	-	-	(60,400)	-	(597,394)	-
<u>1,075,842</u>	<u>(1,075,842)</u>	<u>-</u>	<u>28,654</u>	<u>(60,400)</u>	<u>34,005</u>	<u>(150,458)</u>	<u>-</u>
1,145,842	(1,155,501)	128,601	132,049	311,813	4,578	(5,965)	25,849
-	2,732,888	1,220,166	530,064	(269,398)	11,724	-	387,403
<u>\$ 1,145,842</u>	<u>\$ 1,577,387</u>	<u>\$ 1,348,767</u>	<u>\$ 662,113</u>	<u>\$ 42,415</u>	<u>\$ 16,302</u>	<u>\$ (5,965)</u>	<u>\$ 413,252</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2003

	Special Revenue Funds	Capital Project Funds		
	Recycling	TIF #9	TIF #10	Assessment Projects
REVENUES				
Taxes	\$ 1,667,658	\$ 394,042	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	382,205	263	-	-
Investment income	-	43,217	39,331	-
Charges for services	61,959	-	-	-
Donations	-	-	-	-
Other	-	-	910	-
Total Revenues	<u>2,111,822</u>	<u>437,522</u>	<u>40,241</u>	<u>-</u>
EXPENDITURES				
Current				
Community development	-	2,200	12,570	-
Health	-	-	-	-
Education and recreation	-	-	-	-
Public works	1,771,953	-	-	-
Public safety	-	-	-	-
Capital outlay	-	123,135	1,164,400	495,078
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Total Expenditures	<u>1,771,953</u>	<u>125,335</u>	<u>1,176,970</u>	<u>495,078</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>339,869</u>	<u>312,187</u>	<u>(1,136,729)</u>	<u>(495,078)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long term debt	-	-	2,000,000	-
Proceeds from refunding bonds	-	-	-	-
Payment to escrow agent	-	-	-	-
Transfers in	-	-	-	495,078
Transfers (out)	-	(1,015,411)	(16,806)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(1,015,411)</u>	<u>1,983,194</u>	<u>495,078</u>
Net Change in Fund Balances	339,869	(703,224)	846,465	-
FUND BALANCES (DEFICIT) -				
Beginning of Year	<u>(639,375)</u>	<u>1,006,838</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT) - END OF YEAR	\$ (299,506)	\$ 303,614	\$ 846,465	\$ -

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2003

Capital Project Funds					Permanent Fund	Total Nonmajor Governmental Funds
Sewer Agreement	Capital Projects		City Projects	Equipment Replacement	Endowment Fund	
	2002 and Prior	2003				
\$ -	\$ -	\$ -	\$ -	\$ 993,000	\$ -	\$ 5,804,891
-	-	-	-	-	-	533,583
954,765	-	-	992,394	-	-	7,156,867
17,622	259,893	61,518	155,870	-	368,491	1,498,496
-	-	-	977,868	-	-	1,723,568
-	-	-	100,000	-	-	110,909
-	-	-	379,785	42,813	2,000	547,011
<u>972,387</u>	<u>259,893</u>	<u>61,518</u>	<u>2,605,917</u>	<u>1,035,813</u>	<u>370,491</u>	<u>17,375,325</u>
55,000	-	-	-	-	-	1,881,121
-	-	-	-	-	-	814,424
-	-	-	-	-	44,226	4,282,797
-	-	-	-	-	-	1,826,850
-	-	-	-	-	-	1,052,319
-	3,130,948	5,833,689	3,860,324	972,380	-	15,584,454
-	-	-	-	-	-	-
-	-	-	-	-	-	-
<u>55,000</u>	<u>3,130,948</u>	<u>5,833,689</u>	<u>3,860,324</u>	<u>972,380</u>	<u>44,226</u>	<u>25,441,965</u>
<u>917,387</u>	<u>(2,871,055)</u>	<u>(5,772,171)</u>	<u>(1,254,407)</u>	<u>63,433</u>	<u>326,265</u>	<u>(8,066,640)</u>
-	-	7,900,000	-	-	-	9,900,000
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	177,617	-	-	-	-	3,005,006
-	(2,454,535)	(66,317)	(48,500)	-	(110,639)	(6,060,377)
-	(2,276,918)	7,833,683	(48,500)	-	(110,639)	6,844,629
917,387	(5,147,973)	2,061,512	(1,302,907)	63,433	215,626	(1,222,011)
-	6,871,073	-	465,430	-	3,056,797	18,643,994
<u>\$917,387</u>	<u>\$ 1,723,100</u>	<u>\$ 2,061,512</u>	<u>\$ (837,477)</u>	<u>\$ 63,433</u>	<u>\$ 3,272,423</u>	<u>\$ 17,421,983</u>

CITY OF RACINE
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2003

	Public Safety Grants		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 159,351	\$ 159,351	\$ -
Intergovernmental	123,942	123,942	-
Investment income	-	-	-
Charges for services	-	-	-
Other	-	-	-
Total Revenues	<u>283,293</u>	<u>283,293</u>	<u>-</u>
EXPENDITURES			
Current			
Community development	-	-	-
Health	-	-	-
Education and recreation	-	-	-
Public works	-	-	-
Public safety	283,293	283,421	(128)
Capital outlay	-	-	-
Total Expenditures	<u>283,293</u>	<u>283,421</u>	<u>(128)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>(128)</u>	<u>(128)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	128	128
Transfers (out)	-	(10,901)	(10,901)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(10,773)</u>	<u>(10,773)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(10,901)</u>	<u>\$ (10,901)</u>
FUND BALANCES (DEFICIT) - Beginning of Year		<u>10,901</u>	
FUND BALANCES (DEFICIT) - END OF YEAR		<u>\$ -</u>	

CITY OF RACINE

Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL For the Year Ended December 31, 2003

Cemetery				Health			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 79,481	\$ 79,481	\$ 79,481	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	633,234	1,066,602	812,376	(254,226)
90,000	90,000	67,007	(22,993)	-	-	-	-
220,000	220,000	240,746	20,746	-	-	4,685	4,685
-	-	-	-	-	-	2,622	2,622
<u>389,481</u>	<u>389,481</u>	<u>387,234</u>	<u>(2,247)</u>	<u>633,234</u>	<u>1,066,602</u>	<u>819,683</u>	<u>(246,919)</u>
-	-	-	-	-	-	-	-
-	-	-	-	633,234	1,084,150	812,826	271,324
456,481	459,672	462,393	(2,721)	-	42,869	36,284	6,585
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
33,000	82,325	4,500	77,825	-	-	-	-
<u>489,481</u>	<u>541,997</u>	<u>466,893</u>	<u>75,104</u>	<u>633,234</u>	<u>1,127,019</u>	<u>849,110</u>	<u>277,909</u>
<u>(100,000)</u>	<u>(152,516)</u>	<u>(79,659)</u>	<u>72,857</u>	<u>-</u>	<u>(60,417)</u>	<u>(29,427)</u>	<u>30,990</u>
-	-	-	-	-	42,869	34,005	34,005
-	-	(1,075,842)	(1,075,842)	-	-	-	-
-	-	(1,075,842)	(1,075,842)	-	42,869	34,005	34,005
<u>\$ (100,000)</u>	<u>\$ (152,516)</u>	<u>(1,155,501)</u>	<u>\$ (1,002,985)</u>	<u>\$ -</u>	<u>\$ (17,548)</u>	<u>4,578</u>	<u>\$ 64,995</u>
		<u>2,732,888</u>				<u>11,724</u>	
		<u>\$ 1,577,387</u>				<u>\$ 16,302</u>	

CITY OF RACINE
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2003

	2003 HUD			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	4,944,592	4,015,563	1,874,174	(2,141,389)
Investment income	-	-	-	-
Charges for services	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>4,944,592</u>	<u>4,015,563</u>	<u>1,874,174</u>	<u>(2,141,389)</u>
EXPENDITURES				
Current				
Community development	4,944,592	3,962,877	1,729,681	2,233,196
Health	-	-	-	-
Education and recreation	-	-	-	-
Public works	-	-	-	-
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>4,944,592</u>	<u>3,962,877</u>	<u>1,729,681</u>	<u>2,233,196</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>52,686</u>	<u>144,493</u>	<u>91,807</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	446,936	446,936
Transfers (out)	-	-	(597,394)	(597,394)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(150,458)</u>	<u>(150,458)</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ 52,686</u>	<u>(5,965)</u>	<u>\$ (58,651)</u>
FUND BALANCES (DEFICIT) - Beginning of Year			<u>-</u>	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ (5,965)</u>	

CITY OF RACINE

Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL For the Year Ended December 31, 2003

Library				Harbor Commission			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 2,053,402	\$ 2,053,402	\$ 2,053,402	\$ -	\$ 300,000	\$ 300,000	\$ 300,000	\$ -
1,057,846	1,231,286	1,256,082	24,796	-	-	58,006	58,006
-	-	77,160	77,160	-	-	-	-
100,000	100,000	110,675	10,675	28,500	28,500	26,944	(1,556)
-	58,684	3	(58,681)	-	-	1,723	1,723
<u>3,211,248</u>	<u>3,443,372</u>	<u>3,497,322</u>	<u>53,950</u>	<u>328,500</u>	<u>328,500</u>	<u>386,673</u>	<u>58,173</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,428,518	3,690,642	3,471,473	219,169	-	-	-	-
-	-	-	-	26,553	31,704	14,460	17,244
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,428,518</u>	<u>3,690,642</u>	<u>3,471,473</u>	<u>219,169</u>	<u>26,553</u>	<u>31,704</u>	<u>14,460</u>	<u>17,244</u>
-	-	-	-	-	-	-	-
<u>(217,270)</u>	<u>(247,270)</u>	<u>25,849</u>	<u>273,119</u>	<u>301,947</u>	<u>296,796</u>	<u>372,213</u>	<u>75,417</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(60,400)	(60,400)
-	-	-	-	-	-	(60,400)	(60,400)
<u>\$ (217,270)</u>	<u>\$ (247,270)</u>	<u>25,849</u>	<u>\$ 273,119</u>	<u>\$ 301,947</u>	<u>\$ 296,796</u>	<u>311,813</u>	<u>\$ 15,017</u>
		<u>387,403</u>				<u>(269,398)</u>	
		<u>\$ 413,252</u>				<u>\$ 42,415</u>	

CITY OF RACINE
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2003

	Recycling			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,667,658	\$ 1,667,658	\$ 1,667,658	\$ -
Intergovernmental	340,000	340,000	382,205	42,205
Investment income	-	-	-	-
Charges for services	44,000	44,000	61,959	17,959
Other	-	-	-	-
Total Revenues	<u>2,051,658</u>	<u>2,051,658</u>	<u>2,111,822</u>	<u>60,164</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	-	-	-
Public works	2,051,658	2,051,883	1,771,953	279,930
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>2,051,658</u>	<u>2,051,883</u>	<u>1,771,953</u>	<u>279,930</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>(225)</u>	<u>339,869</u>	<u>340,094</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (225)</u>	<u>339,869</u>	<u>\$ 340,094</u>
FUND BALANCES (DEFICIT) - Beginning of Year			<u>(639,375)</u>	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ (299,506)</u>	

CITY OF RACINE

Debt Service Fund

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL**

For the Year Ended December 31, 2003

	Currently Due		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Tax Levy	\$ 4,067,399	\$ 4,067,399	\$ -
Other	565,143	565,113	(30)
Total Revenues	<u>4,632,542</u>	<u>4,632,512</u>	<u>(30)</u>
EXPENDITURES			
Debt service			
Principal	8,029,123	8,029,123	-
Interest and fiscal charges	3,434,942	3,021,569	413,373
Total Expenditures	<u>11,464,065</u>	<u>11,050,692</u>	<u>413,373</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(6,831,523)</u>	<u>(6,418,180)</u>	<u>413,343</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,081,523	4,007,654	1,926,131
Transfers out	-	(469,614)	(469,614)
Total Other Financing Sources (Uses)	<u>2,081,523</u>	<u>3,538,040</u>	<u>1,456,517</u>
Net Change in Fund Balances	<u>\$ (4,750,000)</u>	<u>(2,880,140)</u>	<u>\$ 1,869,860</u>
FUND BALANCES - Beginning of Year		<u>4,902,000</u>	
FUND BALANCES - END OF YEAR		<u>\$ 2,021,860</u>	

CITY OF RACINE

Capital Project Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Year Ended December 31, 2003

	2003 Capital Projects			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Investment income	186,975	186,975	61,518	(125,457)
Other	-	-	-	-
Total Revenues	<u>186,975</u>	<u>186,975</u>	<u>61,518</u>	<u>(125,457)</u>
EXPENDITURES				
Capital outlay	<u>9,286,975</u>	<u>9,221,115</u>	<u>5,833,689</u>	<u>3,387,426</u>
Total Expenditures	<u>9,286,975</u>	<u>9,221,115</u>	<u>5,833,689</u>	<u>3,387,426</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(9,100,000)</u>	<u>(9,034,140)</u>	<u>(5,772,171)</u>	<u>3,261,969</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long-term debt	9,100,000	9,100,000	7,900,000	(1,200,000)
Transfers in	-	-	-	-
Transfers (out)	-	(65,860)	(66,317)	(457)
Total Other Financing Sources (Uses)	<u>9,100,000</u>	<u>9,034,140</u>	<u>7,833,683</u>	<u>(1,200,457)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>2,061,512</u>	<u>\$ 2,061,512</u>
FUND BALANCES - Beginning of Year			-	
FUND BALANCES - END OF YEAR			<u>\$ 2,061,512</u>	

CITY OF RACINE

Capital Project Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Year Ended December 31, 2003

Assessment Projects				Equipment Replacement		
Original Budget	Final Budget	Actual	Variance with Final Budget	Original and Final budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ 993,000	\$ 993,000	\$ -
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	59,000	42,813	(16,187)
-	-	-	-	1,052,000	1,035,813	(16,187)
1,185,000	1,304,548	495,078	809,470	1,052,000	972,380	79,620
1,185,000	1,304,548	495,078	809,470	1,052,000	972,380	79,620
(1,185,000)	(1,304,548)	(495,078)	809,470	-	63,433	63,433
-	-	-	-	-	-	-
1,185,000	1,185,000	495,078	(689,922)	-	-	-
-	-	-	-	-	-	-
1,185,000	1,185,000	495,078	(689,922)	-	-	-
\$ -	\$ (119,548)	-	\$ 119,548	\$ -	63,433	\$ 63,433
		-			-	
		\$ -			\$ 63,433	

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS
December 31, 2003

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Total
ASSETS					
Current Assets					
Cash and investments	\$ -	\$ 614,349	\$ -	\$ 217,771	\$ 832,120
Due from other funds	-	-	-	100	100
Receivables					
Accounts	8,218	-	36,806	69,892	114,916
Taxes	10,595	-	393,034	-	403,629
Total Current Assets	<u>18,813</u>	<u>614,349</u>	<u>429,840</u>	<u>287,763</u>	<u>1,350,765</u>
Noncurrent Assets					
Capital assets					
Land, buildings and improvements	16,437,871	3,509,323	6,209,214	136,026	26,292,434
Equipment, furniture and vehicles	728,934	-	296,000	12,913	1,037,847
Less: Accumulated depreciation	<u>(3,713,215)</u>	<u>(1,129,483)</u>	<u>(2,164,813)</u>	<u>(53,309)</u>	<u>(7,060,820)</u>
	13,453,590	2,379,840	4,340,401	95,630	20,269,461
Construction in progress	-	6,728	502,936	-	509,664
Total Capital Assets (net of accumulated depreciation)	<u>13,453,590</u>	<u>2,386,568</u>	<u>4,843,337</u>	<u>95,630</u>	<u>20,779,125</u>
TOTAL ASSETS	<u>\$ 13,472,403</u>	<u>\$ 3,000,917</u>	<u>\$ 5,273,177</u>	<u>\$ 383,393</u>	<u>\$ 22,129,890</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS
December 31, 2003

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Total
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 29,210	\$ -	\$ 179,548	\$ 125	\$ 208,883
Accrued compensation	10,013	-	6,766	3,941	20,720
Accrued liabilities	-	15,551	19,413	-	34,964
Due to other funds	88,000	-	68,734	-	156,734
Deferred property tax revenue	10,595	-	393,034	-	403,629
Total Current Liabilities	<u>137,818</u>	<u>15,551</u>	<u>667,495</u>	<u>4,066</u>	<u>824,930</u>
Noncurrent Liabilities					
Compensated absences	21,775	-	13,298	10,943	46,016
Advances from other funds	-	569,706	-	-	569,706
Total Noncurrent Liabilities	<u>21,775</u>	<u>569,706</u>	<u>13,298</u>	<u>10,943</u>	<u>615,722</u>
TOTAL LIABILITIES	<u>159,593</u>	<u>585,257</u>	<u>680,793</u>	<u>15,009</u>	<u>1,440,652</u>
NET ASSETS					
Invested in capital assets	13,453,590	2,386,568	4,843,337	95,630	20,779,125
Unrestricted (deficit)	<u>(140,780)</u>	<u>29,092</u>	<u>(250,953)</u>	<u>272,754</u>	<u>(89,887)</u>
TOTAL NET ASSETS	<u>\$ 13,312,810</u>	<u>\$ 2,415,660</u>	<u>\$ 4,592,384</u>	<u>\$ 368,384</u>	<u>\$ 20,689,238</u>

CITY OF RACINE

Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For the Year Ended December 31, 2003

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Total
OPERATING REVENUES					
Charges for services	\$ 937,554	\$ 152,821	\$ 390,301	\$ 264,228	\$ 1,744,904
Other	-	4	48	-	52
Total Operating Revenues	<u>937,554</u>	<u>152,825</u>	<u>390,349</u>	<u>264,228</u>	<u>1,744,956</u>
OPERATING EXPENSES					
Public works	640,725	-	-	253,387	894,112
Education and recreation	-	21,792	873,603	-	895,395
Depreciation	389,547	77,496	192,425	5,272	664,740
Total Operating Expenses	<u>1,030,272</u>	<u>99,288</u>	<u>1,066,028</u>	<u>258,659</u>	<u>2,454,247</u>
Operating income (loss)	<u>(92,718)</u>	<u>53,537</u>	<u>(675,679)</u>	<u>5,569</u>	<u>(709,291)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	-	22,477	-	-	22,477
Interest expense	-	(37,150)	-	-	(37,150)
Tax levy	-	-	548,918	-	548,918
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>(14,673)</u>	<u>548,918</u>	<u>-</u>	<u>534,245</u>
Income (Loss) Before Transfers	<u>(92,718)</u>	<u>38,864</u>	<u>(126,761)</u>	<u>5,569</u>	<u>(175,046)</u>
TRANSFERS IN	<u>114,298</u>	<u>-</u>	<u>473,608</u>	<u>-</u>	<u>587,906</u>
Change in Net Assets	<u>21,580</u>	<u>38,864</u>	<u>346,847</u>	<u>5,569</u>	<u>412,860</u>
TOTAL NET ASSETS, Beginning of Year	<u>13,291,230</u>	<u>2,376,796</u>	<u>4,245,537</u>	<u>362,815</u>	<u>20,276,378</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 13,312,810</u>	<u>\$ 2,415,660</u>	<u>\$ 4,592,384</u>	<u>\$ 368,384</u>	<u>\$ 20,689,238</u>

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CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2003

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Totals
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 956,990	\$ 152,824	\$ 398,232	\$ 279,763	\$ 1,787,809
Payments to suppliers	(685,359)	(21,199)	(702,645)	(104,383)	(1,513,586)
Payments to employees	(361,957)	-	(221,705)	(150,033)	(733,695)
Net Cash Provided (Used) by Operating Activities	(90,326)	131,625	(526,118)	25,347	(459,472)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES					
Operating subsidies received-City	-	-	548,918	-	548,918
Net Cash Provided (Used) by Noncapital Financing Activities	-	-	548,918	-	548,918
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Principle paid on advances	-	(77,211)	-	-	(77,211)
Interest paid on advances	-	(37,150)	-	-	(37,150)
Transfer from other funds for capital purposes	114,298	-	473,608	-	587,906
Acquisition and construction of capital assets	(291,070)	(6,728)	(496,408)	-	(794,206)
Net Cash Provided (Used) by Capital and Related Financing Activities	(176,772)	(121,089)	(22,800)	-	(320,661)
CASH FLOW FROM INVESTING ACTIVITIES					
Investment income received	-	22,477	-	-	22,477
Net Increase (Decrease) in Cash and Cash Equivalents	(267,098)	33,013	-	25,347	(208,738)
CASH AND CASH EQUIVALENTS,					
Beginning of Year	267,098	581,336	-	192,424	1,040,858
End of Year	\$ -	\$ 614,349	\$ -	\$ 217,771	\$ 832,120

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2003

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ (92,718)	\$ 53,537	\$ (675,679)	\$ 5,569	\$ (709,291)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:					
Depreciation	389,547	77,496	192,425	5,272	664,740
(Increase) decrease in accounts receivable	19,436	-	7,884	15,635	42,955
(Increase) decrease in due from other funds	-	-	155,884	(100)	155,784
Increase (decrease) in accounts payable	(495,547)	-	112,308	(1,497)	(384,736)
Increase (decrease) in accrued liabilities	(682)	-	(1,013)	(202)	(1,897)
Increase (decrease) in other current liabilities	1,638	592	(4,180)	670	(1,280)
Increase (decrease) in deferred revenue	-	-	(155,884)	-	(155,884)
Increase (decrease) in due to other funds	88,000	-	(157,863)	-	(69,863)
Net Cash Provided (Used) by Operating Activities	<u>\$ (90,326)</u>	<u>\$ 131,625</u>	<u>\$ (526,118)</u>	<u>\$ 25,347</u>	<u>\$ (459,472)</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2003

	Equipment Maintenance Garage	Health Insurance	Telephones	Total
ASSETS				
Current Assets				
Cash and investments	\$ -	\$ 3,001,351	\$ 59,502	\$ 3,060,853
Inventories	400,027	-	-	400,027
Receivables				
Accounts	29,155	-	1,224	30,379
Due from other funds	6,997	34,179	1,206	42,382
Total Current Assets	<u>436,179</u>	<u>3,035,530</u>	<u>61,932</u>	<u>3,533,641</u>
Noncurrent Assets				
Capital assets				
Land, buildings and improvements	1,550,727	-	-	1,550,727
Equipment, furniture and vehicles	247,892	-	654,566	902,458
Less: Accumulated depreciation	<u>(516,967)</u>	<u>-</u>	<u>(39,274)</u>	<u>(556,241)</u>
Total Capital Assets (Net of Accumulated Depreciation)	<u>1,281,652</u>	<u>-</u>	<u>615,292</u>	<u>1,896,944</u>
TOTAL ASSETS	<u>\$ 1,717,831</u>	<u>\$ 3,035,530</u>	<u>\$ 677,224</u>	<u>\$ 5,430,585</u>
LIABILITIES				
Current Liabilities				
Accounts payable	\$ 3,835	\$ 110,315	\$ 33,672	\$ 147,822
Accrued liabilities	50,065	1,236,571	-	1,286,636
Due to other funds	<u>810,247</u>	<u>-</u>	<u>-</u>	<u>810,247</u>
TOTAL LIABILITIES	<u>864,147</u>	<u>1,346,886</u>	<u>33,672</u>	<u>2,244,705</u>
NET ASSETS				
Invested in capital assets	1,281,652	-	615,292	1,896,944
Unrestricted (deficit)	<u>(427,968)</u>	<u>1,688,644</u>	<u>28,260</u>	<u>1,288,936</u>
TOTAL NET ASSETS	<u>\$ 853,684</u>	<u>\$ 1,688,644</u>	<u>\$ 643,552</u>	<u>\$ 3,185,880</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For the year ended December 31, 2003

	Equipment Maintenance Garage	Health Insurance	Telephones	Total
OPERATING REVENUES				
Charges for services and sales				
Labor charges	\$ 1,577,055	\$ -	\$ -	\$ 1,577,055
Machinery and equipment charges	454,974	-	-	454,974
Fuel and oil sales	667,938	-	-	667,938
Parts and supplies sales	427,124	-	-	427,124
Health insurance premiums	-	10,339,507	-	10,339,507
Telephone service sales	-	-	190,994	190,994
Total Operating Revenues	<u>3,127,091</u>	<u>10,339,507</u>	<u>190,994</u>	<u>13,657,592</u>
OPERATING EXPENSES				
Public Works				
Operating supplies and expenses	2,843,367	-	-	2,843,367
Office supplies and expenses	2,395	-	-	2,395
General administration				
Telephone expenses	-	-	211,728	211,728
Health insurance	-	10,650,863	-	10,650,863
Depreciation	50,259	-	26,183	76,442
Total Operating Expenses	<u>2,896,021</u>	<u>10,650,863</u>	<u>237,911</u>	<u>13,784,795</u>
Operating Income (loss)	231,070	(311,356)	(46,917)	(127,203)
TRANSFER IN	<u>-</u>	<u>2,000,000</u>	<u>-</u>	<u>2,000,000</u>
Change in Net Assets	231,070	1,688,644	(46,917)	1,872,797
TOTAL NET ASSETS - Beginning of Year	<u>622,614</u>	<u>-</u>	<u>690,469</u>	<u>1,313,083</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 853,684</u>	<u>\$ 1,688,644</u>	<u>\$ 643,552</u>	<u>\$ 3,185,880</u>

CITY OF RACINE
Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2003

	Equipment Maintenance Garage	Health Insurance	Telephones	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from customers and users	\$ 3,109,989	\$ 10,333,096	\$ 191,431	\$ 13,634,516
Payments to suppliers	(1,538,950)	(10,569,978)	(197,868)	(12,306,796)
Payments to employees	(1,543,739)	-	-	(1,543,739)
Net Cash Provided (Used) by Operating Activities	27,300	(236,882)	(6,437)	(216,019)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Transfer from other funds	-	2,000,000	-	2,000,000
Net Cash Provided by Noncapital Financing Activities	-	2,000,000	-	2,000,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Acquisition and construction of capital assets	(27,300)	-	-	(27,300)
Net Cash Used by Capital and Related Financing Activities	(27,300)	-	-	(27,300)
Net Increase (Decrease) in Cash and Cash Equivalents	-	1,763,118	(6,437)	1,756,681
CASH AND CASH EQUIVALENTS - Beginning of Year	-	1,238,233	65,939	1,304,172
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ -	\$ 3,001,351	\$ 59,502	\$ 3,060,853

CITY OF RACINE
Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2003

	Equipment Maintenance Garage	Health Insurance	Telephones	Total
RECONCILIATION OF OPERATING INCOME (LOSS)				
TO NET CASH PROVIDED (USED) BY				
OPERATING ACTIVITIES:				
Operating Income (loss)	\$ 231,070	\$ (311,356)	\$ (46,917)	\$ (127,203)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities				
Depreciation expense	50,259	-	26,183	76,442
(Increase) decrease in accounts receivable	(19,069)	-	(595)	(19,664)
(Increase) decrease in inventories	14,274	-	-	14,274
(Increase) decrease in due from other funds	1,967	(6,411)	1,032	(3,412)
Increase (decrease) in accounts payable	-	33,564	13,860	47,424
Increase (decrease) in accrued liabilities	5,664	47,321	-	52,985
Increase (decrease) in deferred revenue	(30,796)	-	-	(30,796)
Increase (decrease) in due to other funds	(226,069)	-	-	(226,069)
Total Adjustments	(203,770)	74,474	40,480	(88,816)
Net Cash Provided (Used) by Operating Activities	\$ 27,300	\$ (236,882)	\$ (6,437)	\$ (216,019)