

CITY OF RACINE

Racine, Wisconsin

FINANCIAL STATEMENTS

December 31, 2004

CITY OF RACINE

TABLE OF CONTENTS December 31, 2004

Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 16
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	17
Statement of Activities	18 – 19
Fund Financial Statements	
Balance Sheet – Governmental Funds	20 – 22
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	23 – 24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Revenues, Expenses, and Changes in Fund Balances – Budget and Actual – General Fund	26
Statement of Net Assets – Proprietary Funds	27 – 28
Statement of Revenues, Expenses, and Changes in Fund Net Assets – Proprietary Funds	29 – 30
Statement of Cash Flows – Proprietary Funds	31 – 33
Statement of Fiduciary Net Assets – Fiduciary Funds	34
Notes to Financial Statements	35 – 80
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	81 – 84
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	85 – 88

CITY OF RACINE

TABLE OF CONTENTS December 31, 2004

Combining and Individual Fund Statements and Schedules (continued)

Special Revenue Funds

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	89 – 92
--	---------

Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	93
--	----

Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	94 – 95
--	---------

Nonmajor Enterprise Funds

Combining Statement of Net Assets	96 – 97
-----------------------------------	---------

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	98
---	----

Combining Statement of Cash Flows	99 – 100
-----------------------------------	----------

Internal Service Funds

Combining Statement of Net Assets	101
-----------------------------------	-----

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	102
---	-----

Combining Statement of Cash Flows	103 – 104
-----------------------------------	-----------

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITORS' REPORT

THIS PAGE INTENTIONALLY LEFT BLANK



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, 2004, 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 80 percent and 89 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, a 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 units, each major fund, and the aggregate remaining fund information of the City of Racine, Wisconsin, as of December 31, 2004, 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 also issued our report dated May 24, 2005 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 grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit

The management discussion and analysis on pages 3 through 16 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, Krause + Company, LLP

Milwaukee, Wisconsin
May 24, 2005

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2004

Financial Highlights

- The assets of the City of Racine exceeded its liabilities at the close of the most recent fiscal year by \$285,965,435 (net assets). Of this amount, \$30,304,560 (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 \$6,837,689
- As of the close of the current fiscal year, the City of Racine's governmental funds reported combined ending fund balances of \$50,788,744, a increase of \$3,033,584, in comparison with the prior year. Approximately 48% of this amount, \$23,171,178, is available for spending at the government's discretion (unreserved fund balance). At year end, management had designated \$1,722,000 of the unreserved fund balance for use in the 2005 budget
- At the end of the current fiscal year, unreserved-undesignated fund balance for the general fund was \$24,486,559 or 33.5% of total general fund expenditures
- The City's total debt increased by approximately \$42.8 million during the current fiscal year due primarily to borrowings for:
 - \$6.9 million for the 2004 capital improvement plan
 - \$2.0 million for the construction of TID #10
 - \$18 million for various Water System improvements
 - \$23 million for the continued 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, Storm Water Utility, 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 and Redevelopment Authority for which the City of Racine is financially accountable. Financial information for these component units is reported separately from the financial information presented in the primary government itself.

The government wide financial statements can be found on pages 17 to 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 governmental fund financial statements can be found on pages 20 to 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, Storm Water 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 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. The Information Systems and Building Complex internal service funds were developed in the 2005 budget. A portion of the 2004 tax levy has been allocated to each of these funds as of December 31, 2004 and will be received by the funds in 2005. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

The proprietary fund financial statements can be found on pages 27 to 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 to 80 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 81 to 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, 2004 and 2003 City's assets exceeded liabilities by \$285,965,435 and \$275,757,007 respectively. Net assets as of December 31, 2004 of the governmental activities has been restated as a result of a determination that the City of Racine Redevelopment Authority should be reported as a discretely presented component unit of the City rather than a special revenue fund. In prior years the Redevelopment Authority was included in the Special Revenue-Other column of the financial statements.

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 \$227,999,548 and \$238,738,435 at December 31, 2004 and 2003.

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 were \$27,661,327 and \$26,878,990 and unrestricted net assets was \$30,304,560 and \$10,139,582 as of December 31, 2004 and 2003 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, 2004 and 2003. Amounts are expressed in thousands.

	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>
	<u>Governmental</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Business-type</u>	<u>Total</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>		
Current and other assets	\$ 116,184	\$ 111,048	\$ 68,284	\$ 61,768	\$ 184,468	\$ 172,816
Capital assets	<u>156,605</u>	<u>184,997</u>	<u>263,008</u>	<u>194,271</u>	<u>419,613</u>	<u>379,268</u>
Total assets	<u>272,789</u>	<u>296,045</u>	<u>331,292</u>	<u>256,039</u>	<u>604,081</u>	<u>552,084</u>
Current and other liabilities	51,150	49,470	9,696	10,060	60,846	59,530
Liabilities payable from restricted assets	-	-	23,386	3,853	23,386	3,853
Long-term liabilities	<u>99,386</u>	<u>93,693</u>	<u>134,497</u>	<u>115,880</u>	<u>233,883</u>	<u>209,573</u>
Total liabilities	<u>150,536</u>	<u>143,163</u>	<u>167,579</u>	<u>129,793</u>	<u>318,115</u>	<u>272,956</u>
Net assets:						
Invested in capital assets net of related debt	94,592	127,432	133,408	111,306	228,000	238,738
Restricted	15,668	15,592	11,993	6,416	27,661	22,008
Unrestricted	<u>11,992</u>	<u>9,858</u>	<u>18,312</u>	<u>8,524</u>	<u>30,304</u>	<u>18,382</u>
Total net assets	<u>\$ 122,252</u>	<u>\$ 152,882</u>	<u>\$ 163,713</u>	<u>\$ 126,246</u>	<u>\$ 285,965</u>	<u>\$ 279,128</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, 2004 and 2003. Amounts are expressed in thousands

	<u>2004</u> Governmental Activities	<u>2003</u> Governmental Activities	<u>2004</u> Business-type Activities	<u>2003</u> Business-type Activities	<u>2004</u> Total	<u>2003</u> Total
Revenues						
Program revenues						
Charges for services	\$ 26,944	\$ 25,058	\$ 27,908	\$ 24,851	\$ 54,852	\$ 49,909
Operating grants and contributions	11,148	11,107	4,612	4,844	15,760	15,951
Capital grants and contributions	1,545	1,391	10,291	4,494	11,836	5,885
General Revenues						
Taxes	38,756	35,970	1,225	1,371	39,981	37,341
Intergovernmental revenues not restricted to specific programs	31,103	32,126	-	-	31,103	32,126
Investment income	3,453	2,661	552	318	4,005	2,979
Other	1,022	1,351	201	210	1,223	1,561
Total revenues	<u>\$ 113,971</u>	<u>\$ 109,664</u>	<u>\$ 44,789</u>	<u>\$ 36,088</u>	<u>\$ 158,760</u>	<u>\$ 145,752</u>
Expenses						
General government	26,105	23,402	-	-	26,105	23,402
Community development	3,436	3,862	-	-	3,436	3,862
Health	2,735	2,839	-	-	2,735	2,839
Education and recreation	13,257	12,793	-	-	13,257	12,793
Public works	26,934	26,986	-	-	26,934	26,986
Public safety	40,389	39,101	-	-	40,389	39,101
Interest and fiscal charges	5,174	3,175	-	-	5,174	3,175
Water	-	-	11,711	10,664	11,711	10,664
Wastewater	-	-	10,868	10,224	10,868	10,224
Belle urban system	-	-	7,505	7,770	7,505	7,770
Other	-	-	3,809	2,491	3,809	2,491
Total expenses	<u>118,030</u>	<u>112,158</u>	<u>33,893</u>	<u>31,149</u>	<u>151,923</u>	<u>143,307</u>
Increase (decrease) in net assets before transfers	(4,059)	(2,494)	10,896	4,939	6,837	2,445
Transfers	<u>(26,571)</u>	<u>2,425</u>	<u>26,571</u>	<u>(2,425)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(30,630)	(69)	37,467	2,514	6,837	2,445
Cumulative effect of change in accounting principle	-	-	-	(1,879)	-	(1,879)
Net assets-beginning of year, as restated	<u>152,882</u>	<u>152,951</u>	<u>126,246</u>	<u>125,611</u>	<u>279,128</u>	<u>278,562</u>
Net assets-end of year	<u>\$ 122,252</u>	<u>\$ 152,882</u>	<u>\$ 163,713</u>	<u>\$ 126,246</u>	<u>\$ 285,965</u>	<u>\$ 279,128</u>

CITY OF RACINE

Racine, Wisconsin

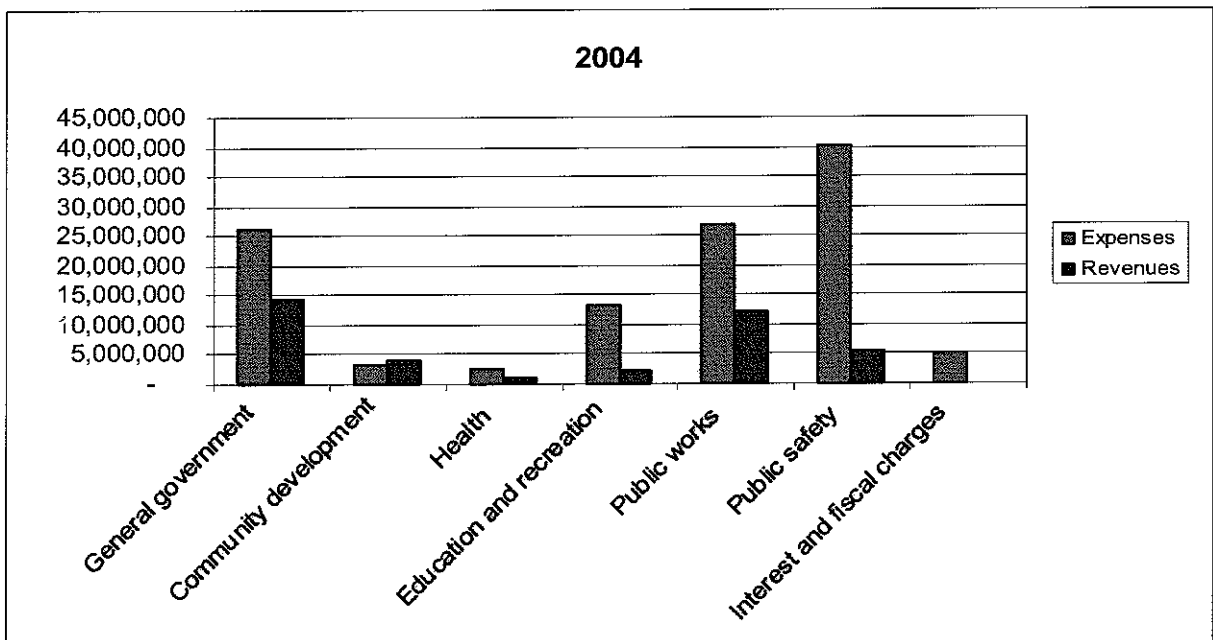
MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

The net assets in the governmental activities decreased by approximately \$30.6 million during the fiscal year. The primary reason for this decrease was:

- \$4 million was debt paid in excess of debt proceeds.
- The City of Racine Storm Water Utility was created in May 2004. Upon creation of the Utility, \$28.2 million of capital equipment and the infrastructure assets were transferred from the governmental activities to the business type activities.

Expenses and Program Revenues-Governmental Activities:



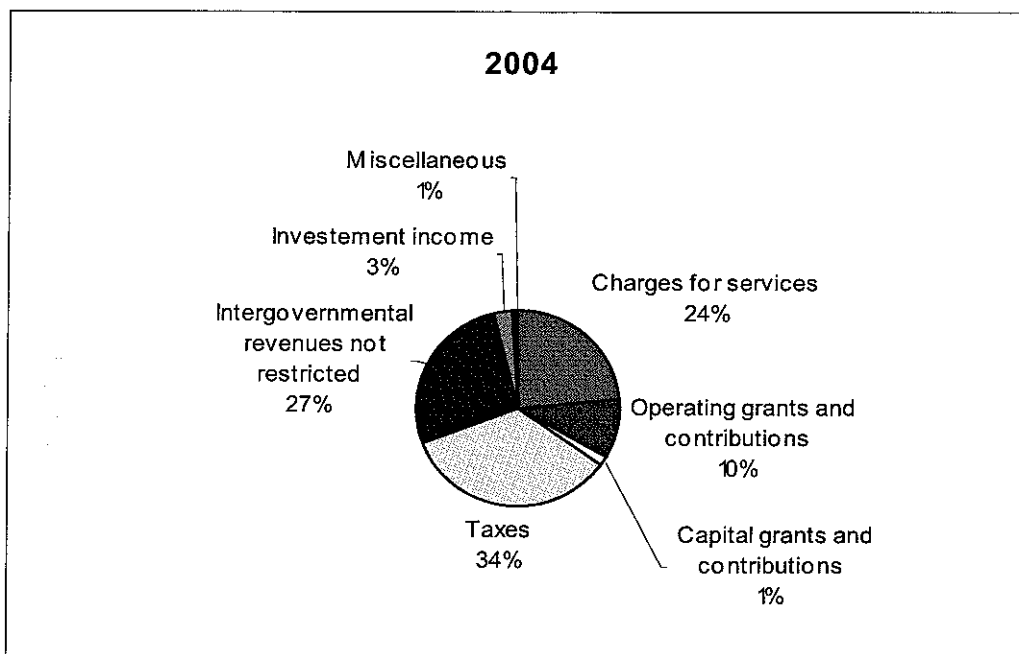
CITY OF RACINE

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 \$37.5 million during the fiscal year 2004. Key elements of this increase are as follows:

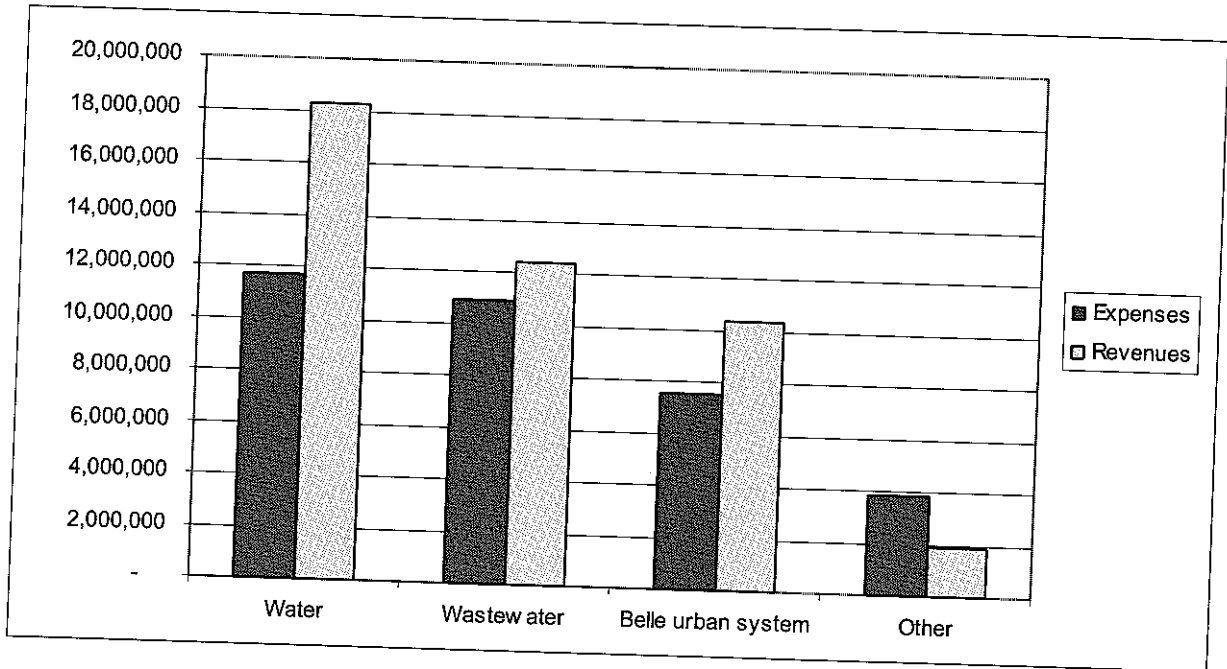
- The Water utility had an increase in net assets of \$5.3 million while the wastewater utility had an increase in net assets of \$228,344. The increase in net assets in the Water utility relates primarily to \$2.3 million of subsidies from other governmental units and \$2.2 million of capital contribution from developers or customers. Both of these items relate to the renovation and expansion of the water plant. The increase in net assets in the Wastewater Utility is due primarily to an increase in charges for services as a result of an increase in customer rates.
- The City of Racine Storm Water Utility was created in May 2004. Upon creation of the Utility, \$28.2 million of capital equipment and the infrastructure assets were transferred from the governmental activities to the business type activities.
- The Belle Urban Transit system has an increase in net assets of \$4.9 million during fiscal year 2004. The increase was primarily a result of \$4.6 million of capital contributions from various funding agencies for the construction of the Belle Urban Transit Center.

CITY OF RACINE
Racine, Wisconsin

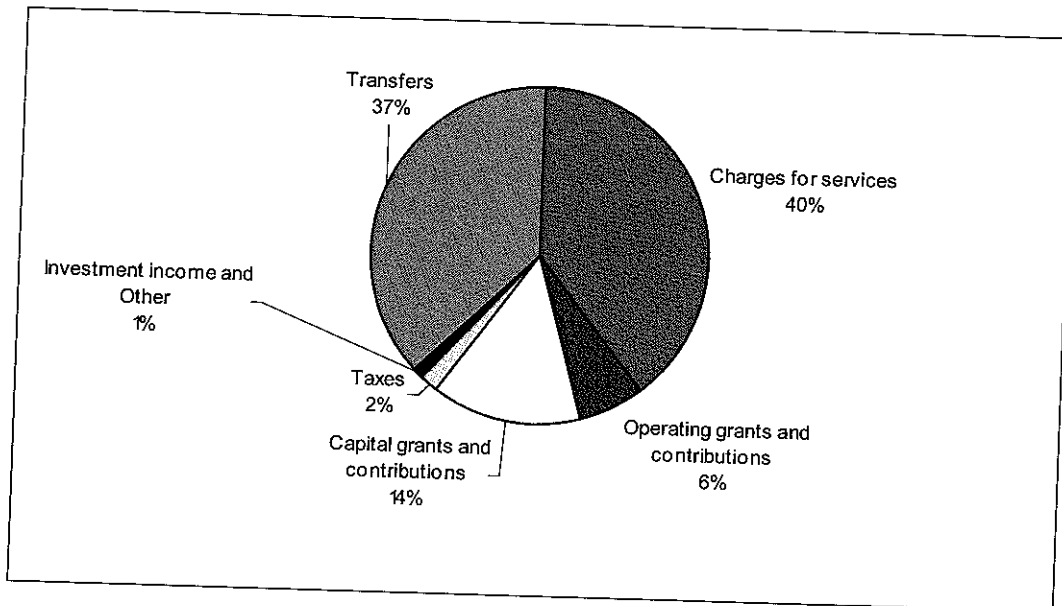
MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-type activities (continued)

Expenses and Program Revenues – Business-type Activities:



Revenues by Source – Business-type Activities:



CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 \$50,788,744. Approximately 39.5% of this amount \$20,062,272 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 2005 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 \$24,486,559, while total fund balance totaled \$36,460,364. Unreserved-undesignated fund balance represents 33.5% of total general fund expenditures, while total fund balance represents 49.9% of total general fund expenditures.

Although the general fund was budgeted to use \$1.9 million of fund balances during 2004, the general fund added \$333,890 to fund balance for the year ended December 31, 2004. The resulting \$2.2 million positive variance is the result of both actual revenues and transfers exceeding budgeted amounts by \$1.4 million and actual expenditures and transfers under budgeted amounts by approximately \$800,000. The following details both the revenue and expenditures factors that contributed to the positive variance:

- Charges for services were \$455,269 over the budget of \$3,766,201. This is a result of several items. Rescue fees of \$1.55 million exceeded the projected budget by approximately \$150,000. Rescue fees were conservatively budgeted in 2004 due to the unknown impact of the change in the medicare billing laws. Removal of junk auto fees of \$239,000 exceeded the projected budget by \$180,000 due to a significant increase in the fines written associated with abandoned vehicles. Street lighting charges of \$95,000 exceeded the projected budget by approximately \$65,000.
- License and permits were \$248,208 over the budget of \$1,305,560. This is a result of an increase in various types of construction permits issued. Construction permits including plumbing, building and electrical permits exceeded the projected budget by \$140,000. In addition cable franchise fees exceeded the amended budget by \$87,000 due to a transfer to the cable commission as approved by the Common Council.
- Intergovernmental revenues were \$263,987 over the budget of \$34,502,909. This is a result of bridge aids, and municipal services aids exceeding projected budgets. Municipal services aid exceeded the projected budget by \$70,000. Bridge maintenance aids exceeded the budget by \$41,000. In addition unanticipated Pecfa funds were received in the amount of \$150,000.
- The general government, education and recreation and public safety expenditures primarily contributed to the under budget status of the overall general fund expenditures. General government expenditures were \$504,391 under budget due primarily to legal claims and judgements under budget by \$100,000 due to few lawsuits in 2004. Unemployment and sick leave payouts were less than anticipated by \$190,000. Fewer professional studies were done and the City had less bad debt expense resulting in a \$115,000 positive variance.

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds (continued)

- Public safety expenditures were under budget by \$514,106. This is primarily a result of the police department being under budget by approximately \$400,000. Salaries and fringes in the police department were under budget as a result of a significant decrease in overtime costs and various retirements resulting up to ten open positions for most of the year. In addition to the police department, the fire department was \$135,000 under budget due to various open positions during the year.
- Capital outlays were \$ 159,284 under budget. The majority of these items were encumbered at the end of the year and will be carried over and spent in 2005.

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 \$2,170,307 and \$1,742,126 at the end of fiscal year 2004 and 2003. Fund balance increased in the Other HUD fund during 2004 and 2003 due primarily to loan payoffs exceeding new loans during these years.

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 \$(8,837,091) and \$(9,557,283) at the end of fiscal year 2004 and 2003 due to expenditures exceeding tax incremental revenues for the majority of the districts. Tax increment sharing increased fund balances during 2004 and 2003 by \$720,192 and \$605,183 respectively.

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, 2004 and 2003 of \$2,134,412 and \$2,021,860, all of which is reserved for the payment of debt service. The change in the fund balance during 2004 and 2003 was \$112,552 and \$(2,880,140) respectively. The increase in fund balance during 2004 was a result primarily of proceeds from an escrow account restructuring of approximately \$400,000 and unspent bond proceeds transferred from the capital project funds. The majority of the decrease in 2003 resulted from an anticipated use of fund balance.

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 total fund balance of \$18,860,752 and \$17,421,983 in 2004 and 2003 respectively. Reserved fund balance is \$12,839,042 and \$10,213,484 in 2004 and 2003 and unreserved is \$6,021,710 and \$6,908,499 in 2004 and 2003. The fund balances of these funds increased by \$1,438,769 during 2004 due primarily to unspent bond proceeds in the 2004 capital project fund and the TIF #10 capital project fund.

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 2004 and 2003 amounted to \$12,279,768 and \$4,522,400, for the Wastewater utility \$6,737,112 and \$4,729,578, for the Belle urban system \$(745,000) and \$(638,622), and for the Other enterprise funds \$40,145 and \$(89,887). The total increase (decrease) in net assets for the Water Utility for 2004 and 2003 was \$5,274,447 and \$2,277,901 the Wastewater Utility \$228,344 and \$(3,332,917), for the Belle urban system \$4,889,092 and \$1,276,786, and for the Other Enterprise funds \$27,075,658 and \$412,860 respectively. Factors concerning the financial results of these funds have been addressed in the discussion of the City of Racine's business-type activities.

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration

Capital Assets – The City of Racine's investment in capital assets for its governmental and business-type activities (net of related debt) as of December 31, 2004 and 2003, amounts to \$227,999,548 and \$238,738,435 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 \$54 million and \$52 million during 2004 and 2003. In 2004 approximately \$45 million of the increase came from the business-type activities due to the construction and expansion of the Wastewater utility facilities, the continuation of the Water Utility membrane project, and the construction of the Belle Urban Transit Center. Approximately \$8 million came from the governmental activities due primarily to the completion of the Root River Pathway, the continuation of the Lake Michigan Pathway, and the redevelopment of the Jacobson Textron site.

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

- Construction and expansion of the Wastewater treatment plant continued in 2004. In the Wastewater Utility, construction in progress totaled \$53,246,672 and \$46,213,308 at the end of 2004 and 2003. This is a multiple year project with many phases, the project is anticipated to be complete by the end of 2006.
- The final phase of the Root River Pathway project was completed in 2004. The Lake Michigan Bikepath project is now under way. Construction in progress relating to this project is approximately \$600,000 as of December 31, 2004.
- The construction phase of TIF #10 began in 2003 and continued in 2004. The redevelopment of the Jacobson Textron manufacturing site (TIF #10) is expected to be completed by the end of 2005. Construction in progress relating to TIF #10 is approximately \$3.3 million. Total project costs are anticipated to exceed \$5 million.
- Construction on the new off-street transit center was completed in 2004. Total project costs exceeded \$3.5 million. The passenger depot began in 2003 and will be completed in 2005. The Belle Urban Transit also purchased buses during 2004. Total cost exceeded \$3 million.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration (continued)

Long-term debt – At the end of 2004 and 2003, the City of Racine had total debt outstanding of \$251,062,634 and \$209,314,486. Of this amount, the debt backed by the full faith and credit of the government is \$95,677,750 and \$91,239,250 in 2004 and 2003 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 \$42 and \$87 million during 2004 and 2003. The majority of the increase in 2004 was a result of revenue bonds issued by the Water and Wastewater utilities for construction projects. Approximately \$7 million of the 2004 increase was a result of City's borrowing for the annual capital improvement plan.

	<u>Outstanding debt</u>	
	<u>2004</u>	<u>2003</u>
Governmental Activities:		
General obligation bonds and notes	\$ 95,677,750	\$ 91,239,250
Business-Type Activities:		
Revenue bonds	<u>155,384,884</u>	<u>118,075,236</u>
Total	<u>\$ 251,062,634</u>	<u>\$ 209,314,486</u>

Economic Conditions and 2005 and 2006 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 April of 2005 the City unemployment rate is 9.4% compared to a state rate of 4.7% and a county rate of 5.9%.

The assessed value of the City has increased over the last several years with a 7.8% and 5.0% increase in 2004 and 2003 respectively. The City anticipates another 7% increase in the assessed value in 2005.

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 2005 or 2006. In addition the City faces 15% increases in health insurance costs in both 2005 and 2006.

The City used \$2.16 million of general fund and debt service fund balance to stabilize the 2005 tax rate. The 2004 City tax rate was \$11.66 per thousand. Due to the anticipated increases in health insurance costs, the use of fund balance in the 2005 budget, and increasing debt service requirements, difficult choices will have to be made in the preparation of the 2006 budget.

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

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.

THIS PAGE INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

CITY OF RACINE

STATEMENT OF NET ASSETS December 31, 2004

	Primary Government			Component Units	
	Governmental Activities	Business Type Activities	Total	Business Improvement District	Redevelopment Authority
ASSETS					
Cash and investments	\$ 58,199,351	\$ 19,482,426	\$ 77,681,777	\$ 265	\$ 27,092
Receivables (net of allowance for uncollectible accounts)	52,072,390	11,875,386	63,947,776	-	450,000
Internal balances	(787,045)	787,045	-	-	-
Due from primary government	-	-	-	212,600	-
Due from other governments	1,461,893	3,191,821	4,653,714	-	-
Inventories	446,403	887,794	1,334,197	-	-
Prepaid items	-	7,445	7,445	-	-
Deferred charges	950,633	563,052	1,513,685	-	-
Advances to other funds	3,389,827	(3,389,827)	-	-	-
Advances to component unit	450,000	-	450,000	-	-
Restricted assets					
Cash and investments	-	34,787,034	34,787,034	-	-
Accrued interest receivable	-	90,967	90,967	-	-
Capital assets (net of accumulated depreciation)	156,605,253	263,008,420	419,613,673	11,779	704,090
TOTAL ASSETS	\$ 272,788,705	\$ 331,291,563	\$ 604,080,268	\$ 224,644	\$ 1,181,182
LIABILITIES					
Liabilities					
Accounts payable	\$ 3,396,210	\$ 4,506,589	\$ 7,902,799	\$ 26,382	\$ -
Accrued compensation and other current liabilities	5,230,060	554,535	5,784,595	-	-
Due to other governments	253,502	564,710	818,212	-	-
Accrued interest payable	198,470	-	198,470	-	-
Unearned revenue	42,072,152	4,070,578	46,142,730	176,300	-
Payable from restricted assets	-	-	-	-	-
Accrued interest payable	-	994,054	994,054	-	-
Current portion of long term debt	-	22,391,468	22,391,468	-	-
Noncurrent liabilities					
Due within one year	5,710,420	34,068	5,744,488	-	-
Due in more than one year	93,675,504	134,462,513	228,138,017	-	750,000
TOTAL LIABILITIES	150,536,318	167,578,515	318,114,833	202,682	750,000
NET ASSETS					
Invested in capital assets, net of related debt	94,591,597	133,407,951	227,999,548	11,779	704,090
Restricted	15,668,255	11,993,072	27,661,327	-	-
Unrestricted	11,992,535	18,312,025	30,304,560	10,183	(272,908)
TOTAL NET ASSETS	\$ 122,252,387	\$ 163,713,048	\$ 285,965,435	\$ 21,962	\$ 431,182

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF RACINE

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2004

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets				Component Units	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Business Improvement District	Redevelopment Authority
<u>Functions/Programs</u>									
Primary Government									
Governmental activities									
General government	\$ 26,104,903	\$ 14,205,655	\$ 163,043	\$ -	\$ (11,736,205)	\$ -	\$ (11,736,205)	\$ -	\$ -
Community development	3,436,135	364,655	2,628,938	1,146,422	703,880	-	703,880	-	-
Health	2,735,479	303,667	825,867	-	(1,605,945)	-	(1,605,945)	-	-
Education and recreation	13,256,394	862,660	1,421,509	-	(10,972,225)	-	(10,972,225)	-	-
Public works	26,933,873	6,846,834	4,864,098	398,750	(14,824,191)	-	(14,824,191)	-	-
Public safety	40,389,151	4,360,481	1,244,126	-	(34,784,544)	-	(34,784,544)	-	-
Interest and fiscal charges	5,173,994	-	-	-	(5,173,994)	-	(5,173,994)	-	-
Total Governmental Activities	118,029,929	26,943,952	11,147,581	1,545,172	(78,393,224)	-	(78,393,224)	-	-
Business type activities									
Water	11,710,577	13,689,286	-	4,564,831	-	6,543,540	6,543,540	-	-
Wastewater	10,868,548	11,210,650	-	1,173,354	-	1,515,456	1,515,456	-	-
Belle Urban Transit	7,505,355	1,152,912	4,612,532	4,552,700	-	2,812,789	2,812,789	-	-
Other	3,808,649	1,855,033	-	-	-	(1,953,616)	(1,953,616)	-	-
Total Business Type Activities	33,893,129	27,907,881	4,612,532	10,290,885	-	8,918,169	8,918,169	-	-

CITY OF RACINE

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2004

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units	
					Primary Government			Business Improvement District	
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total		Redevelopment Authority
Total Primary Government	\$ 151,923,058	\$ 54,851,833	\$ 15,760,113	\$ 11,836,057	(78,393,224)	8,918,169	(69,475,055)	-	-
Component Unit									
Business Improvement District	\$ 164,076	\$ -	\$ -	\$ -	-	-	-	(164,076)	-
Redevelopment Authority	33,778	-	-	-	-	-	-	-	(33,778)
	\$ 197,854	\$ -	\$ -	\$ -	-	-	-	(164,076)	(33,778)
General Revenues									
Taxes									
Property taxes levied for general purposes					29,479,449	1,224,706	30,704,155	-	-
Property taxes levied for debt service					5,511,558	-	5,511,558	-	-
Property taxes levied for TIF					3,503,756	-	3,503,756	-	-
Other taxes					261,285	-	261,285	165,000	-
Intergovernmental revenues not restricted to specific programs					31,103,371	-	31,103,371	-	-
Investment income					3,452,657	551,901	4,004,558	-	-
Miscellaneous					1,021,960	202,101	1,224,061	-	14,960
Transfers					(26,570,664)	26,570,664	-	-	-
Total General Revenues and Transfers					47,763,372	28,549,372	76,312,744	165,000	14,960
Change in Net Assets					(30,629,852)	37,467,541	6,837,689	924	(18,818)
NET ASSETS - Beginning of Year, as restated					152,882,239	126,245,507	279,127,746	21,038	450,000
NET ASSETS - END OF YEAR					\$ 122,252,387	\$ 163,713,048	\$ 285,965,435	\$ 21,962	\$ 431,182

CITY OF RACINE
Governmental Funds

BALANCE SHEET
December 31, 2004

	General Fund	Other HUD	Tax Increment Districts	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 28,233,199	\$ 2,740,363	\$ -	\$ -	\$ 2,126,508	\$ 21,962,558	\$ 55,062,628
Receivables							
Property taxes	27,299,803	-	3,150,390	-	5,653,367	3,960,678	40,064,238
Special assessments and special charges - tax roll	67,505	-	-	-	-	315,493	382,998
Special assessments	-	-	-	-	-	1,372,329	1,372,329
Delinquent personal property taxes	97,325	-	-	-	-	-	97,325
Loans and notes	158,100	8,657,362	-	-	-	-	8,815,462
Interest	280,316	-	-	-	-	-	280,316
Accounts	852,406	3,764	-	-	-	100,211	956,381
Total Receivables - Net	28,755,455	8,661,126	3,150,390	-	5,653,367	5,748,711	51,969,049
Due from other funds	4,620,156	-	-	-	7,904	2,688	4,630,748
Due from other governments	-	539,913	-	-	-	921,980	1,461,893
Inventories	97,149	-	-	-	-	-	97,149
Advances to component unit	-	-	-	-	-	450,000	450,000
Advances to other funds	8,574,320	-	-	-	1,848,144	1,804,454	12,226,918
TOTAL ASSETS	\$ 70,280,279	\$ 11,941,402	\$ 3,150,390	\$ -	\$ 9,635,923	\$ 30,890,391	\$ 125,898,385

See accompanying notes to financial statements.

CITY OF RACINE
Governmental Funds

BALANCE SHEET
December 31, 2004

	General Fund	Other HUD	Tax Increment Districts	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 810,132	\$ 320,078	\$ -	\$ -	\$ -	\$ 1,976,225	\$ 3,106,435
Other accrued liabilities	930,791	403,224	-	-	-	290,517	1,624,532
Accrued compensation	1,277,226	-	-	-	-	-	1,277,226
Due to other funds	1,246,125	393,523	-	-	-	3,816,576	5,456,224
Due to other governments	253,248	-	-	-	-	254	253,502
Insurance claims payable	914,951	-	-	-	-	-	914,951
Advances from other funds	-	-	8,837,091	-	-	-	8,837,091
Deferred revenue	158,100	8,654,270	-	-	1,848,144	1,985,389	12,645,903
Deferred interest	1,060,885	-	-	-	-	-	1,060,885
Deferred property tax revenue	27,168,457	-	3,150,390	-	5,653,367	3,960,678	39,932,892
Total Liabilities	33,819,915	9,771,095	11,987,481	-	7,501,511	12,029,639	75,109,641

See accompanying notes to financial statements.

CITY OF RACINE
Governmental Funds

BALANCE SHEET
December 31, 2004

	General Fund	Other HUD	Tax Increment Districts	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
Fund Balances							
Reserved for:							
Subsequent year's expenditures	\$ 138,423	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 138,423
Endowments	-	-	-	-	-	1,996,310	1,996,310
Inventories	97,149	-	-	-	-	-	97,149
Encumbrances	220,167	-	-	-	-	1,497,157	1,717,324
Community Development	-	2,170,307	-	-	-	-	2,170,307
Capital projects	-	-	-	-	-	7,091,121	7,091,121
Noncurrent receivables	2,504,631	-	-	-	-	-	2,504,631
Advance to other funds	7,513,435	-	-	-	-	2,254,454	9,767,889
Debt service	-	-	-	-	2,134,412	-	2,134,412
Unreserved (deficit), reported in:							
General fund							
Designated for subsequent year's expenditures	1,500,000	-	-	-	-	-	1,500,000
Undesignated	24,486,559	-	-	-	-	-	24,486,559
Permanent Funds	-	-	-	-	-	1,386,906	1,386,906
Special revenue funds							
Designated for subsequent year's expenditures	-	-	-	-	-	222,000	222,000
Undesignated	-	-	(8,837,091)	-	-	6,831,850	(2,005,241)
Capital project funds	-	-	-	-	-	(2,419,046)	(2,419,046)
Total Fund Balances	<u>36,460,364</u>	<u>2,170,307</u>	<u>(8,837,091)</u>	<u>-</u>	<u>2,134,412</u>	<u>18,860,752</u>	<u>50,788,744</u>
TOTAL LIABILITIES							
AND FUND BALANCES	<u>\$ 70,280,279</u>	<u>\$ 11,941,402</u>	<u>\$ 3,150,390</u>	<u>\$ -</u>	<u>\$ 9,635,923</u>	<u>\$ 30,890,391</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							154,731,644
Internal service fund net assets							3,719,456
Other long-term assets that are not available to pay for current period expenditures and therefore are deferred in funds							11,646,304
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds.							(98,633,761)
NET ASSETS OF GOVERNMENTAL ACTIVITIES							<u>\$ 122,252,387</u>

See accompanying notes to financial statements.

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2004

	General Fund	Other HUD	Tax Increment	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 25,896,035	-	\$ 2,763,449	-	\$ 5,511,558	\$ 4,413,917	\$ 38,584,959
Special assessments	-	-	-	-	-	1,343,552	1,343,552
Intergovernmental	34,766,896	3,195,360	43,979	-	-	5,488,318	43,494,553
Licenses and permits	1,553,768	-	-	-	-	-	1,553,768
Fines and forfeitures	1,538,791	-	-	-	-	-	1,538,791
Investment income	1,766,854	30,514	105,162	-	-	1,088,606	2,991,136
Charges for services	4,221,470	21,390	-	-	-	727,774	4,970,634
Donations	-	-	-	-	-	82,737	82,737
Other	382,986	1,623,922	19,464	3,227	1,152,563	400,127	3,582,289
Total Revenues	<u>70,126,800</u>	<u>4,871,186</u>	<u>2,932,054</u>	<u>3,227</u>	<u>6,664,121</u>	<u>13,545,031</u>	<u>98,142,419</u>
EXPENDITURES							
Current							
General government	12,925,323	-	-	-	-	-	12,925,323
Community development	-	3,820,578	2,300	-	-	88,986	3,911,864
Health	1,852,427	-	-	-	-	871,714	2,724,141
Education and recreation	6,123,767	-	-	-	-	4,545,410	10,669,177
Public works	12,688,825	-	-	-	-	2,131,996	14,820,821
Public safety	38,292,671	-	-	-	-	1,088,295	39,380,966
Capital outlay	679,782	566,422	-	-	-	10,634,986	11,881,190
Debt Service	-	-	-	-	4,441,500	-	4,441,500
Principal	-	-	-	-	4,626,893	-	5,098,757
Interest	-	-	365,264	106,600	-	-	-
Total Expenditures	<u>72,562,795</u>	<u>4,387,000</u>	<u>367,564</u>	<u>106,600</u>	<u>9,068,393</u>	<u>19,361,387</u>	<u>105,853,739</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,435,995)</u>	<u>484,186</u>	<u>2,564,490</u>	<u>(103,373)</u>	<u>(2,404,272)</u>	<u>(5,816,356)</u>	<u>(7,711,320)</u>

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2004

	General Fund	Other HUD	Tax Increment	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,100,000	\$ 9,100,000
Capital leases issued	-	-	-	-	-	323,000	323,000
Refunding bonds issued	-	-	-	6,880,000	-	-	6,880,000
Premium on bonds issued	-	-	-	367,567	-	-	367,567
Payment on current refunding	-	-	-	(7,137,472)	-	-	(7,137,472)
Transfers in	3,309,015	-	-	-	2,516,824	1,835,574	7,661,413
Transfers (out)	(539,130)	(56,005)	(1,844,298)	(6,722)	-	(4,003,449)	(6,449,604)
Total Other Financing Sources (Uses)	2,769,885	(56,005)	(1,844,298)	103,373	2,516,824	7,255,125	10,744,904
Net Change in Fund Balances	333,890	428,181	720,192	-	112,552	1,438,769	3,033,584
FUND BALANCES (DEFICIT) -							
Beginning of Year	36,126,474	1,742,126	(9,557,283)	-	2,021,860	17,421,983	47,755,160
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 36,460,364	\$ 2,170,307	\$ (8,837,091)	\$ -	\$ 2,134,412	\$ 18,860,752	\$ 50,788,744

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, 2004

Net change in fund balances - total governmental funds	\$	3,033,584
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 (\$9,792,127) exceeded depreciation (\$9,799,827) in the current period, less loss on disposal (\$114,433)		
		(122,133)
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. This amount is the net effect of the difference in the treatment of long-term debt.		
		(4,761,500)
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.		
		(446,515)
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.		
		(394,465)
Revenues in the governmental funds that are not reported as revenues in the statement of activities.		
		(958,794)
Expenditures in the governmental funds that are not reported as expenses in the statement of activities.		
		668,868
Capital contribution to Storm Water Utility		(28,182,473)
Internal service fund change in net assets		<u>533,576</u>
Change in net assets of governmental activities	\$	<u>(30,629,852)</u>

See accompanying notes to financial statements.

CITY OF RACINE

General Fund

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Year Ended December 31, 2004

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
REVENUES				
Taxes	\$ 25,853,025	\$ 25,853,025	\$ 25,896,035	\$ 43,010
Intergovernmental	34,502,909	34,502,909	34,766,896	263,987
Licenses and permits	1,290,560	1,305,560	1,553,768	248,208
Fines and forfeitures	1,595,600	1,595,600	1,538,791	(56,809)
Investment income	1,640,000	1,640,000	1,766,854	126,854
Charges for services	3,747,201	3,766,201	4,221,470	455,269
Other	211,275	227,275	382,986	155,711
Total Revenues	<u>68,840,570</u>	<u>68,890,570</u>	<u>70,126,800</u>	<u>1,236,230</u>
EXPENDITURES				
Current				
General government	13,045,246	13,429,714	12,925,323	504,391
Health	1,896,731	1,898,081	1,852,427	45,654
Education and recreation	6,351,936	6,313,839	6,123,767	190,072
Public works	12,528,210	12,569,043	12,688,825	(119,782)
Public safety	38,822,766	38,806,777	38,292,671	514,106
Capital Outlay	537,981	839,066	679,782	159,284
Contingency	300,000	39,550	-	39,550
Total Expenditures	<u>73,482,870</u>	<u>73,896,070</u>	<u>72,562,795</u>	<u>1,333,275</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(4,642,300)</u>	<u>(5,005,500)</u>	<u>(2,435,995)</u>	<u>2,569,505</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,142,300	3,142,300	3,309,015	166,715
Transfers (out)	-	-	(539,130)	(539,130)
Total Other Financing Sources (Uses)	<u>3,142,300</u>	<u>3,142,300</u>	<u>2,769,885</u>	<u>(372,415)</u>
Net Change in Fund Balance	<u>\$ (1,500,000)</u>	<u>\$ (1,863,200)</u>	<u>333,890</u>	<u>\$ 2,197,090</u>
FUND BALANCE -				
Beginning of Year			<u>36,126,474</u>	
FUND BALANCE - END OF YEAR			<u>\$ 36,460,364</u>	

CITY OF RACINE
Proprietary Funds

STATEMENT OF NET ASSETS
December 31, 2004

	Business Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds	Total	Internal Service Funds
ASSETS						
Current Assets						
Cash and investments	\$ 10,048,496	\$ 7,674,737	\$ 200	\$ 1,758,993	\$ 19,482,426	\$ 3,136,723
Receivables						
Accounts	2,372,381	2,799,709	568,157	113,428	5,853,675	24,564
Taxes	959,067	993,935	1,010,419	3,034,010	5,997,431	78,776
Interest	6,726	5,766	-	-	12,492	-
Special assessments	11,788	-	-	-	11,788	-
Due from other governments	2,338,373	-	853,448	-	3,191,821	-
Due from other funds	2,264,691	-	-	961	5,798,319	38,431
Inventories	246,609	3,532,667	-	-	887,794	349,254
Unamortized debt discount	457,356	28,798	612,387	-	563,052	-
Prepaid items	7,445	105,696	-	-	7,445	-
Total Current Assets	18,712,932	15,141,308	3,044,611	4,907,392	41,806,243	3,627,748
Noncurrent Assets						
Restricted Assets						
Cash and investments	28,827,715	5,959,319	-	-	34,787,034	-
Accrued interest receivable	68,048	22,919	-	-	90,967	-
Capital assets						
Land, buildings and improvements	84,467,893	62,683,290	5,407,268	77,376,910	229,935,361	1,550,727
Equipment, furniture and vehicles	20,594,644	25,313,009	10,320,775	1,767,711	57,996,139	962,738
Less: Accumulated depreciation	(22,937,884)	(34,123,876)	(5,804,565)	(31,579,219)	(94,445,544)	(639,856)
Construction in progress	14,786,688	53,246,672	1,329,755	159,349	69,522,464	-
Total Noncurrent Assets	125,807,104	113,101,333	11,253,233	47,724,751	297,886,421	1,873,609
TOTAL ASSETS	\$144,520,036	\$128,242,641	\$ 14,297,844	\$52,632,143	\$ 339,692,664	\$ 5,501,357

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2004

	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	\$ 1,278,499	\$ 2,125,963	\$ 1,044,402	\$ 57,725	\$ 4,506,589	\$ 289,775
Accrued compensation	-	-	58,304	26,174	84,478	-
Accrued liabilities	247,543	207,657	-	48,925	504,125	1,413,350
Advances from municipalities	-	564,710	-	-	564,710	-
Advances from other funds	21,719	19,425	-	130,190	171,334	-
Due to other funds	2,661,233	670,705	1,559,198	120,138	5,011,274	-
Deferred revenue	-	-	26,149	-	26,149	-
Deferred property tax revenue	-	-	1,010,419	3,034,010	4,044,429	78,776
Liabilities payable from restricted assets						
Accrued interest	596,401	397,653	-	-	994,054	-
Current portion of long term debt	18,314,686	4,076,782	-	-	22,391,468	-
Total Current Liabilities	23,120,081	8,062,895	3,698,472	3,417,162	38,298,610	1,781,901
Noncurrent Liabilities						
Compensated absences	429,860	386,633	91,139	38,592	946,224	-
Revenue bonds and notes payable	53,271,632	79,404,222	-	-	132,675,854	-
Unamortized bond premium	840,435	-	-	-	840,435	-
Advances from other funds	953,875	853,125	-	1,411,493	3,218,493	-
Total Noncurrent Liabilities	55,495,802	80,643,980	91,139	1,450,085	137,681,006	-
TOTAL LIABILITIES	78,615,883	88,706,875	3,789,611	4,867,247	175,979,616	1,781,901
NET ASSETS						
Investment in capital assets, net of related debt	47,215,898	27,214,069	11,253,233	47,724,751	133,407,951	1,873,609
Restricted	6,408,487	5,584,585	-	-	11,993,072	-
Unrestricted (deficit)	12,279,768	6,737,112	(745,000)	40,145	18,312,025	1,845,847
TOTAL NET ASSETS	\$ 65,904,153	\$ 39,535,766	\$ 10,508,233	\$ 47,764,896	\$ 163,713,048	\$ 3,719,456

See accompanying notes to financial statements.

CITY OF RACINE
Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended December 31, 2004

	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	\$ 13,689,286	\$ 11,210,650	\$ 1,092,717	\$ 1,853,548	\$ 27,846,201	\$ 16,787,123
Other	-	-	60,195	1,485	61,680	-
Total Operating Revenues	<u>13,689,286</u>	<u>11,210,650</u>	<u>1,152,912</u>	<u>1,855,033</u>	<u>27,907,881</u>	<u>16,787,123</u>
OPERATING EXPENSES						
Public works	7,622,707	7,107,068	6,751,608	1,140,643	22,622,026	3,052,937
Education and recreation	-	-	-	901,750	901,750	-
General administration	-	-	-	-	-	13,516,995
Depreciation	2,298,308	2,037,535	753,747	1,730,511	6,820,101	83,615
Total Operating Expenses	<u>9,921,015</u>	<u>9,144,603</u>	<u>7,505,355</u>	<u>3,772,904</u>	<u>30,343,877</u>	<u>16,653,547</u>
Operating income (loss)	<u>3,768,271</u>	<u>2,066,047</u>	<u>(6,352,443)</u>	<u>(1,917,871)</u>	<u>(2,435,996)</u>	<u>133,576</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	372,238	160,857	-	18,806	551,901	-
Interest expense	(1,714,845)	(1,572,745)	-	(32,337)	(3,319,927)	-
Intergovernmental interest reimbursement	-	1,173,354	-	-	1,173,354	-
Bond issue costs	-	(13,161)	-	-	(13,161)	-
Gain (loss) on sale of fixed assets	-	(138,039)	-	(3,408)	(141,447)	-
Amortization of bond discount	(74,717)	-	-	-	(74,717)	-
Subsidies from other governmental units	-	-	4,612,532	-	4,612,532	-
Tax Levy	-	-	821,077	403,629	1,224,706	-
Other	7,770	194,331	-	-	202,101	-
Total Nonoperating Revenues (Expenses)	<u>(1,409,554)</u>	<u>(195,403)</u>	<u>5,433,609</u>	<u>386,690</u>	<u>4,215,342</u>	<u>-</u>

CITY OF RACINE
Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended December 31, 2004

	Business Type Activities- Enterprise Funds				Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds	
Income (loss) before capital contributions and transfers	2,358,717	1,870,644	(918,834)	(1,531,181)	133,576
CAPITAL CONTRIBUTIONS					
TRANSFERS IN	4,564,831	-	4,552,700	28,182,473	-
TRANSFERS (OUT)	(1,649,101)	(1,642,300)	1,255,226	424,366	400,000
			-	-	-
Change in Net Assets	5,274,447	228,344	4,889,092	27,075,658	533,576
TOTAL NET ASSETS - Beginning of Year	60,629,706	39,307,422	5,619,141	20,689,238	3,185,880
TOTAL NET ASSETS - END OF YEAR	\$ 65,904,153	\$ 39,535,766	\$ 10,508,233	\$ 47,764,896	\$ 3,719,456

See accompanying notes to financial statements.

CITY OF RACINE
Proprietary Funds

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2004

	Business Type Activities- Enterprise Funds					Governmental Activities- Internal Service Fund
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals	
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 14,020,619	\$ 10,870,245	\$ 1,074,553	\$ 1,855,659	\$ 27,821,076	\$ 16,796,889
Payments to suppliers	(5,095,958)	(7,120,449)	(4,197,144)	(1,523,727)	(17,937,278)	(14,711,181)
Payments to employees	(2,640,625)	(2,263,888)	(2,519,286)	(694,430)	(8,118,229)	(2,349,558)
Net Cash Provided (Used) by Operating Activities	6,284,036	1,485,908	(5,641,877)	(362,498)	1,765,569	(263,850)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Transfers in (out)	(1,649,101)	(1,642,300)	-	-	(3,291,401)	400,000
Miscellaneous receipts	-	194,331	-	-	194,331	-
Operating grants received	-	-	6,034,225	-	6,034,225	-
Operating subsidies received (repayment)	-	-	(406,128)	403,629	(2,499)	-
Net Cash Provided (Used) by Noncapital Financing Activities	(1,649,101)	(1,447,969)	5,628,097	403,629	2,934,656	400,000
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Debt issued	28,689,389	21,390,468	-	-	50,079,857	-
Long term advances issued	-	-	-	1,050,000	1,050,000	-
Debt retired	(11,145,033)	(1,583,012)	-	-	(12,728,045)	-
Advances retired	(12,044)	(11,994)	-	(78,023)	(102,061)	-
Interest paid on long-term debt	(1,541,034)	(1,472,277)	-	-	(3,013,311)	-
Interest paid on advances	-	-	-	(32,337)	(32,337)	-
Transfer in	-	-	-	424,366	424,366	-
Acquisition and construction of capital assets	(18,247,896)	(21,590,740)	(6,274,812)	(525,233)	(46,638,681)	(60,280)
Connection charges received	521,427	-	-	-	521,427	-
Intergovernmental interest reimbursement	-	1,173,354	-	-	1,173,354	-
Capital subsidies received	-	-	6,288,592	-	6,288,592	-
Proceeds from sale of capital assets	-	-	-	28,163	28,163	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,735,191)	(2,094,201)	13,780	866,936	(2,948,676)	(60,280)

CITY OF RACINE
Proprietary Funds

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2004

	Business Type Activities- Enterprise Funds					Governmental Activities- Internal Service Fund
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals	
CASH FLOW FROM INVESTING ACTIVITIES						
Purchase of investments	\$ (55,192,584)	\$ (35,281,857)	-	\$ -	\$ (90,474,441)	\$ -
Proceeds on redemption of investments	54,141,092	36,588,688	-	-	90,729,780	-
Investment income received	350,448	141,420	-	18,806	510,674	-
Net Cash Provided (Used) by Investing Activities	(701,044)	1,448,251	-	18,806	766,013	-
Net Increase (Decrease) in Cash and Cash Equivalents	2,198,700	(608,011)	-	926,873	2,517,562	75,870
CASH AND CASH EQUIVALENTS						
Beginning of Year	4,995,867	2,879,632	200	832,120	8,707,819	3,060,853
End of Year	\$ 7,194,567	\$ 2,271,621	\$ 200	\$ 1,758,993	\$ 11,225,381	\$ 3,136,723
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ 3,768,271	\$ 2,066,047	\$ (6,352,443)	\$ (1,917,871)	\$ (2,435,996)	\$ 133,576
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and amortization	2,298,308	2,037,535	753,747	1,730,511	6,820,101	83,615
Bad debt expense	56,107	(514,326)	-	-	(458,219)	-
(Increase) decrease in accounts receivable	(254,055)	-	-	1,487	(252,568)	5,815
(Increase) decrease in taxes receivable	-	-	-	-	-	(78,776)
(Increase) decrease in other assets	30,899	-	-	-	30,899	-
(Increase) decrease in prepaid items	40,551	30,970	-	-	71,521	-
(Increase) decrease in inventories	(38,637)	(5,276)	-	-	(122,273)	-
(Increase) decrease in due from other funds	529,281	173,921	(78,360)	(2,631,242)	(2,047,633)	50,773
Increase (decrease) in accounts payable	(172,003)	(2,818,621)	(119,593)	(151,158)	(2,987,010)	3,951
Increase (decrease) in accrued liabilities	66,763	25,774	154,772	11,990	104,527	141,953
Increase (decrease) in deferred revenue	-	-	-	2,630,381	2,630,381	126,714
Increase (decrease) in due to other funds	(41,449)	489,884	-	(36,596)	411,839	78,776
Net Cash Provided (Used) by Operating Activities	\$ 6,284,036	\$ 1,485,908	\$ (5,641,877)	\$ (362,498)	\$ 1,765,569	\$ (263,850)

CITY OF RACINE
Proprietary Funds

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2004

	Business Type Activities- Enterprise Funds					Governmental Activities- Internal Service Fund
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET						
Cash and investments						
Unrestricted	\$ 10,048,496	\$ 7,674,737	\$ 200	\$ 1,758,993	\$ 19,482,426	\$ 3,136,723
Restricted	28,827,715	5,959,319	-	-	34,787,034	-
Total Cash and Investments	38,876,211	13,634,056	200	1,758,993	54,269,460	3,136,723
Less investments not meeting the definition of cash and cash equivalents	(31,681,644)	(11,362,435)	-	-	(43,044,079)	-
TOTAL CASH AND CASH EQUIVALENTS END OF YEAR	\$ 7,194,567	\$ 2,271,621	\$ 200	\$ 1,758,993	\$ 11,225,381	\$ 3,136,723
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Estimated cost of fixed assets installed or financed by developers, customers or the City	\$ 2,226,458	\$ -	\$ -	\$ 28,182,473	\$ 30,408,931	\$ -
Estimated cost of fixed assets installed or financed by the state government	\$ -	\$ -	\$ 86,421	\$ -	\$ 86,421	\$ -

CITY OF RACINE

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2004

	Agency Funds		
	Police Evidence	Tax Collecting	Total
ASSETS			
Cash and investments	\$ 227,772	\$ 34,834,207	\$ 35,061,979
Receivables			
Property taxes	-	5,828,143	5,828,143
TOTAL ASSETS	<u>227,772</u>	<u>40,662,350</u>	<u>40,890,122</u>
LIABILITIES			
Due to component unit	-	207,016	207,016
Due to other governments	227,772	40,455,334	40,683,106
Total Liabilities	<u>227,772</u>	<u>40,662,350</u>	<u>40,890,122</u>
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF RACINE

INDEX TO NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE	Page
I. Summary of Significant Accounting Policies	35
A. Reporting Entity	35
B. Government-Wide and Fund Financial Statements	36
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	39
D. Assets, Liabilities, and Net Assets or Equity	41
1. Deposits, Investments and Equivalents	41
2. Receivables	42
3. Inventories and Prepaid Items	43
4. Restricted Assets	44
5. Capital Assets	44
6. Other Assets	45
7. Compensated Absences	45
8. Long-Term Obligations/Conduit Debt	46
9. Claims and Judgments	47
10. Equity Classifications	47
II. Reconciliation of Government-Wide and Fund Financial Statements	49
A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Assets	49
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	49
III. Stewardship, Compliance, and Accountability	51
A. Budgetary Information	51
B. Excess Expenditures Over Appropriations	52
C. Deficit Balances	52
IV. Detailed Notes on All Funds	53
A. Deposits and Investments	53
B. Receivables	54
C. Restricted Assets	56
D. Capital Assets	57
E. Interfund Receivables/Payables and Transfers	60
F. Long-Term Obligations	63
G. Lease Disclosures	70
H. Net Assets	71
I. Component Units	72
J. Restatement of Net Assets	74
K. Storm Water Utility	74

CITY OF RACINE

INDEX TO NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE	<u>Page</u>
V Other Information	74
A. Employees' Retirement System	74
B. Risk Management	75
C. Commitments and Contingencies	79
D. Other Postemployment Benefits	79
E. Economic Dependency	80
F. Intermunicipal Agreement	80
G. Intergovernmental Retail Water Service Agreement	80

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

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. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. 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. A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: 1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; 2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by an individual organization that the specific primary government or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. Each 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 Units

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, 2004. Separately issued financial statements of the BID may be obtained from the BID's office.

Redevelopment Authority

The government-wide financial statements include the City of Racine Redevelopment Authority as a component unit. The Authority, created in February 1974, has a separate seven member board appointed by the mayor and approved by the City council. The Redevelopment Authority was created for the purpose of carrying out blight elimination, slum clearance, and urban renewal programs and projects as set forth in section 66.133 of Wisconsin State Statute. As a component unit, the Authority's financial statements as of December 31, 2004 have been presented as a discrete column in the City's financial statements.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 units 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 segments 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% 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% test is at least 5% 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, 2004

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

Other Cemetery

Cemetery

Trusts

Other

Harbor Commission

Health

2003 HUD

Library

Recycling

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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

Non-Major Governmental Funds (continued)

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

2004 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

Storm Water 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

Management Information Systems

Building Complex

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, 2004

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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, 2004

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Fund Financial Statements (continued)

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, 2004

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 book 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, 2004, 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, 2004

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

1. Deposits, Investments and Equivalents (continued)

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. During the year the City invested in the Wisconsin Investment Trust, but did not own any assets as of December 31, 2004.

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 – 2004 tax roll:

Lien date and levy date	November 2004
Tax bills mailed	December 2004
Payment in full, or	
First installment due	January 31, 2005
Second installment due	March 31, 2005
Third installment due	May 31, 2005
Fourth installment due	July 31, 2005
Personal property taxes in full	January 31, 2005
Final settlement with County	August 15, 2005
Tax deed by County – 2004	
Delinquent real estate taxes	October 2007

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, 2004

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Receivables (continued)

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, 2004 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, 2004

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, 2004, 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. During 2004, the City transferred both infrastructure and equipment associated with the City's drainage system to the Storm Water Utility.

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, 2004

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Capital Assets (continued)

Government-Wide Statements (continued)

Depreciation of all exhaustible capital 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
Sewer Lines	50 Years
Shoreline Walls	50 Years
Other	15-100 Years

Fund Financial Statements

In the fund financial statements, capital 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, 2004

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. *Compensated Absences* (continued)

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, 2004 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. The accounting in proprietary funds is the same as it is in the government wide statements.

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 \$47,699,383 made up of ten issues.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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, 2004

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Equity Classifications (continued)

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 2004 budget appropriations, restricted under contractual agreements, to be utilized for specific purposes in the 2005 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 2005 budget as authorized by City resolution.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

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 difference are as follows:

Deferred revenue-loans	\$ 8,178,790
Deferred revenue-debt service	1,848,144
Deferred revenue-special assessments	<u>1,619,370</u>
Combined Adjustment for Long-Term Assets	<u>\$ 11,646,304</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 difference are as follows:

Bonds and notes payable	\$ 95,126,341
Compensated absences	3,886,583
Accrued interest	198,470
Arbitrage rebate liability	50,000
Capital leases payable	323,000
Unamortized debt issue costs	<u>(950,633)</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 98,633,761</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 difference are as follows:

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

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

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 (continued)

Debt issued or incurred	
Issuance of general obligation bonds and capital leases	\$ 16,303,000
Principal repayments	
General obligation debt	<u>(11,541,500)</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>\$ 4,761,500</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 differences are as follows:

Debt issuance costs incurred	\$ 106,600
Premium received	(367,567)
Amortization of issuance costs	(57,757)
Amortization of premium	45,168
Amortization of deferred charge	<u>(172,959)</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>\$ (446,515)</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 difference are as follows:

Compensated absences	\$ (435,648)
Accrued interest	<u>41,183</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>\$ (394,465)</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

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

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 difference are as follows:

Principal paid on economic development loans	\$ (1,285,569)
Principal paid on debt service loans	(24,039)
Proceeds from sale of fixed assets	(63,680)
Special assessments collections	<u>414,494</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>\$ (958,794)</u>

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 \$668,868 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
Public Safety Grants	Capital Project Funds:
Harbor Commission	2004 Capital Projects
Library	Assessment Projects
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 year-end. Carryovers to the following year were \$5,310,293. 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 \$1,409,047.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (continued)

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

The following appropriation units have an excess of actual expenditures over appropriations for the year ended December 31, 2004:

General Fund	Assessors	Salaries and Fringes	\$	6,197
	City Attorney	Salaries and Fringes		2,159
	City Clerk	Salaries and Fringes		900
	City Clerk	Operating Expenditures		8,725
	City Clerk	Interdepartmental		152
	Finance Department	Capital Outlay		3,996
	Fire Department	Capital Outlay		400
	Fire Protection Services	Operating Expenditures		15,551
	Human Resources	Salaries and Fringes		8,222
	MIS	Salaries and Fringes		27,075
	MIS	Interdepartmental		21,238
	Mayor	Operating Expenditures		1,508
	Mayor	Interdepartmental		139
	Insurance	Operating Expenditures		1,431
	Police	Interdepartmental		125,760
	Purchasing	Salaries and Fringes		3,330
	Public Works	Salaries and Fringes		172,370
	Public Works	Interdepartmental		260,386

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 \$734,912 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 \$8,837,091 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.

Capital Project Funds

City Projects – The fund deficit of \$1,221,039 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.

Assessment Projects – The fund deficit of \$7,055 is the result of expenditures for assessment projects in excess of special assessments collected. Revenues will be received from citizens in subsequent years to eliminate this deficit.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

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	\$ 5,886	\$ -	\$ 5,886
Deposits	22,612,000	5,492,995	28,104,995
Investments	90,125,870	29,294,039	119,419,909
	<u>\$ 112,743,756</u>	<u>\$ 34,787,034</u>	<u>\$ 147,530,790</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 Agency Securities	\$ 105,796,733	\$-	\$ 2,112,598	\$ 107,909,331	\$ 107,909,331
Equity securities	-	-	2,047,117	2,047,117	2,047,117
Certificates of Deposit	-	-	20,464	20,464	20,464
Local Deposits	10,425,098	-	11,403,477	21,828,575	28,104,995
Sub-Totals	<u>\$ 116,221,831</u>	<u>\$-</u>	<u>\$ 15,583,656</u>	<u>\$ 131,805,487</u>	
Wisconsin Local Government Investment Pool					9,442,997
Petty cash					5,886
Total Deposits and Investments					<u>\$ 147,530,790</u>
Reconciliation to financial statements					
Per statement of net assets-Primary Government					
Cash and investments					\$ 77,681,777
Restricted Cash and investments					34,787,034
Per statement of fiduciary net assets – fiduciary funds					<u>35,061,979</u>
Total					<u>\$ 147,530,790</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

A. DEPOSITS AND INVESTMENTS (continued)

The City invested in the Wisconsin Investment Trust Pool during the year, but did not as of December 31, 2004.

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.

During 2004, the City experienced unrealized losses on investments in the amount of \$183,481 in the General Fund. This amount is included as a reduction 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	\$ 669,388	\$ 46,662	\$ 15,245	\$ 34,801	\$ 173,997	\$ 940,093
Delinquent personal property	92,673	-	-	-	-	92,673
Total Uncollectibles	<u>\$ 762,061</u>	<u>\$ 46,662</u>	<u>\$ 15,245</u>	<u>\$ 34,801</u>	<u>\$ 173,997</u>	<u>\$ 1,032,766</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

B. RECEIVABLES (continued)

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

	General Fund	Other HUD	Other Non Major	Total
Special assessments	\$ -	\$ -	\$ 1,372,329	\$ 1,372,329
Delinquent personal property taxes	97,325	-		97,325
Loans and notes	158,100	8,657,362	-	8,815,462
	<u>\$ 255,425</u>	<u>\$ 8,657,362</u>	<u>\$ 1,372,329</u>	<u>\$ 10,285,116</u>

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	\$ -	\$ 40,011,668	\$ 40,011,668
Loans receivable	8,178,790	-	8,178,790
Special assessments not yet due	1,619,370	75,639	1,695,009
Interest on loans and advances	-	1,694,464	1,694,464
Due from enterprise for debt service	1,848,144	-	1,848,144
Grant drawdowns prior to meeting all eligibility requirements	-	290,381	290,381
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 11,646,304</u>	<u>\$ 42,072,152</u>	<u>\$ 53,718,456</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

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, 2004:

	Water Utility	Wastewater Utility	Total
Bond redemption account	\$ 2,288,149	\$ 1,560,095	\$ 3,848,244
Bond reserve account	3,727,356	444,934	4,172,290
Bond depreciation account	792,432	990,520	1,782,952
Improvement account	21,890,875	-	21,890,875
Connection charges account	196,951	-	196,951
Equipment replacement account	-	2,986,689	2,986,689
Total Restricted Assets	28,895,763	5,982,238	34,878,001
Less: Restricted assets not funded by revenues	21,890,875	-	21,890,875
Less: Liabilities payable from restricted assets	596,401	397,653	994,054
Restricted Net Assets	\$ 6,408,487	\$ 5,584,585	\$ 11,993,072

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2004 was as follows:

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 8,310,748	\$ -	\$ -	\$ -	\$ 8,310,748
Construction in progress	6,551,532	6,818,660	4,470,135	(136,454)	8,763,603
Total Capital Assets Not Being Depreciated	14,862,280	6,818,660	4,470,135	(136,454)	17,074,351
Capital assets being depreciated					
Land improvements	7,339,852	226,621	110,853	-	7,455,620
Buildings	28,546,406	634,784	39,370	-	29,141,820
Machinery and equipment	28,061,467	1,016,609	934,789	(742,500)	27,400,787
Roads, streets, and bridges	119,483,379	1,481,599	417,769	-	120,547,209
Drainage system	50,207,515	-	-	(50,207,515)	-
Sidewalks	44,110,041	830,892	69,401	-	44,871,532
Sewer lines	28,813,814	-	-	-	28,813,814
Shoreline walls	10,631,294	3,002,031	-	-	13,633,325
Other	2,517,960	311,345	-	-	2,829,305
Total Capital Assets Being Depreciated	319,711,728	7,503,881	1,572,182	(50,950,015)	274,693,412
Less: accumulated depreciation for					
Land improvements	3,196,967	349,341	77,597	-	3,468,711
Buildings	11,334,123	605,076	26,817	-	11,912,382
Machinery and equipment	16,610,426	3,003,266	891,005	(350,340)	18,372,347
Roads, streets, and bridges	50,469,371	3,593,403	329,242	-	53,733,532
Drainage system	22,553,656	-	-	(22,553,656)	-
Sidewalks	28,937,462	1,450,979	69,401	-	30,319,040
Sewer lines	12,720,313	549,895	-	-	13,270,208
Shoreline walls	2,890,395	270,925	-	-	3,161,320
Other	864,412	60,558	-	-	924,970
Total Accumulated Depreciation	149,577,125	9,883,443	1,394,062	(22,903,996)	135,162,510
Total Capital Assets being Depreciated, Net	170,134,603	(2,379,562)	178,120	(28,046,019)	139,530,902
Governmental Activities Capital Assets, Net	\$ 184,996,883	\$ 4,439,098	\$ 4,648,255	\$ (28,182,473)	\$ 156,605,253

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 243,144
Education and recreation	1,966,249
Public works, which includes infrastructure	6,991,783
Public safety	<u>682,267</u>
Total Governmental Activities Depreciation Expense	<u>\$ 9,883,443</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

D. CAPITAL ASSETS (continued)

	Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Business-Type Activities					
Capital assets not being depreciated					
Land	\$ 1,565,715	\$ 2,028,839	\$ -	\$ -	\$ 3,594,554
Construction in progress	51,724,989	37,816,166	20,155,145	136,454	69,522,464
Total Capital Assets Not Being Depreciated	<u>53,290,704</u>	<u>39,845,005</u>	<u>20,155,145</u>	<u>136,454</u>	<u>73,117,018</u>
Capital assets being depreciated					
Land improvements	6,525,757	3,901,695	-	-	10,427,452
Improvements other than buildings	74,452,463	7,707,357	183,265	50,207,515	132,184,070
Buildings	74,259,292	9,577,539	107,545	-	83,729,286
Machinery and equipment	<u>52,448,227</u>	<u>6,844,169</u>	<u>2,038,757</u>	<u>742,500</u>	<u>57,996,139</u>
Total Capital Assets Being Depreciated	<u>207,685,739</u>	<u>28,030,760</u>	<u>2,329,567</u>	<u>50,950,015</u>	<u>284,336,947</u>
Less: accumulated depreciation for					
Land improvements	2,190,678	225,752	-	-	2,416,430
Improvements other than buildings	18,553,162	2,089,392	-	22,553,656	43,196,210
Buildings	24,215,769	1,981,076	254,255	-	25,942,590
Machinery and equipment	<u>21,745,718</u>	<u>2,674,540</u>	<u>1,880,283</u>	<u>350,340</u>	<u>22,890,315</u>
Total Accumulated Depreciation	<u>66,705,327</u>	<u>6,970,760</u>	<u>2,134,538</u>	<u>22,903,996</u>	<u>94,445,545</u>
Total Capital Assets being Depreciated, Net	<u>140,980,412</u>	<u>21,060,000</u>	<u>195,029</u>	<u>28,046,019</u>	<u>189,891,402</u>
Business-Type Activities Capital Assets, Net	<u>\$ 194,271,116</u>	<u>\$ 60,905,005</u>	<u>\$ 20,350,174</u>	<u>\$ 28,182,473</u>	<u>\$ 263,008,420</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities	
Water	\$ 2,448,967
Wastewater	2,037,535
Belle Urban Transit	753,747
Other	<u>1,730,511</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 6,970,760</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31 2004

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

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	\$ 1,559,198
General Fund	Enterprise Fund-Civic Center	120,138
General Fund	Capital Projects-2004	3,090
General Fund	Capital Projects-City Projects	141,819
General Fund	Special Revenue-Public Safety Grants	85,050
General Fund	Special Revenue-Recycling	671,765
General Fund	Special Revenue-Health	36,907
General Fund	Special Revenue-Other HUD	393,523
General Fund	Special Revenue-Harbor Commission	8,600
General Fund	Special Revenue-Other	8,132
General Fund	Wastewater Utility	58,962
General Fund	Water Utility	1,532,971
Debt Service Fund	Water Utility	4,173
Debt Service Fund	Wastewater Utility	3,732
Wastewater Utility	Capital Projects-City Projects	2,428,459
Wastewater Utility	Water Utility	1,083,414
Wastewater Utility	General Fund	20,795
Water Utility	Wastewater Utility	606,606
Water Utility	General Fund	1,225,330
Water Utility	Capital Projects-City Projects	432,754
Enterprise-Radio Repair	Water Utility	961
Internal Service Fund-Equipment Maint.	Water Utility	4,807
Internal Service Fund-Equipment Maint.	Wastewater Utility	1,000
Internal Service Fund-Health Insurance	Water Utility	31,444
Internal Service Fund-Telephone	Water Utility	775
Internal Service Fund-Telephone	Wastewater Utility	405
Special Revenue-Other	Water Utility	2,688
Subtotal - Fund Financial Statements		\$ 10,467,498
Less: Fund eliminations		(3,039,867)
Less: Government-wide eliminations		(6,640,586)
Total - internal balances - Government-Wide Statement of Net Assets		\$ 787,045

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, 2004

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (continued)

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. 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 City Projects fund is charging the Storm Water Utility interest at 4.5% and a repayment schedule has been established. A repayment schedule has been established for the advances to the Water and Wastewater Utility based on their percentage of the pension liability.

The following is a schedule of interfund advances:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>	<u>Amount Due Within One Year</u>
General Fund	Tax Increment District # 3	\$ 706,218	\$ -
General Fund	Tax Increment District # 5	760,691	-
General Fund	Tax Increment District # 6	4,897,771	-
General Fund	Tax Increment District # 7	346,234	-
General Fund	Tax Increment District # 8	1,371,723	-
General Fund	Golf Courses Enterprise Fund	491,683	79,670
Debt Service Fund	Wastewater Utility	872,550	19,425
Debt Service Fund	Water Utility	975,594	21,719
City Projects Fund	Storm Water Utility	1,050,000	50,520
Special Assessment Fund	Tax Increment District # 8	754,454	-
Subtotal-Fund financial statements		\$ 12,226,918	\$ 171,334
Less: fund eliminations		(8,837,091)	
Total advances to other funds-Government-Wide			
Statement of Net Assets		\$ 3,389,827	

Repayment schedules for advances with an established payment schedule follow:

	<u>Golf Course</u>	<u>Storm Water Utility</u>	<u>Water Utility</u>	<u>Wastewater Utility</u>
2005	\$ 107,401	\$ 97,770	\$ 71,576	\$ 64,016
2006	107,401	97,770	72,767	65,081
2007	107,401	97,770	74,023	66,204
2008	107,401	97,770	75,366	67,406
2009	107,401	97,770	75,552	68,466
2010-2023	42,912	977,692	1,235,299	1,103,931
Sub-total	579,917	1,466,542	1,604,583	1,435,104
Amount representing interest	(88,234)	(416,542)	(628,989)	(562,554)
	<u>\$ 491,683</u>	<u>\$ 1,050,000</u>	<u>\$ 975,594</u>	<u>\$ 872,550</u>

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, 2004

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (continued)

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount
General Fund	Special Revenue-Other	\$ 17,247
General Fund	Capital Projects-Special Assessments	367
General Fund	Water	1,649,101
General Fund	Wastewater	1,642,300
Debt Service Fund	Capital Projects-2002 and Prior	51,721
Debt Service Fund	Capital Projects-2003	28,600
Debt Service Fund	Capital Projects-2004	117
Debt Service Fund	Special Revenue-TIF	1,844,298
Debt Service Fund	Capital Projects-TIF #9	529,625
Debt Service Fund	Capital Projects-TIF #10	55,140
Debt Service Fund	Refunding	6,722
Debt Service Fund	Special Revenue-HUD	601
Capital Projects-Assessment Projects	Special Revenue-Special Assessment	1,207,796
Capital Projects-City Projects	Capital Projects-2002 and Prior	81,632
Capital Projects-City Projects	Capital Projects-City Projects	16,538
Capital Projects-2004	General Fund	44,103
Capital Projects-2004	Special Revenue-Other	125,000
Enterprise-Storm Water Utility	Capital Projects-2002 and Prior	321,941
Enterprise-Civic Centre	Capital Projects-2002 and Prior	63,872
Enterprise-Civic Centre	Capital Projects-2003	15,153
Enterprise-Transit	Capital Projects-2002 and Prior	1,025,619
Enterprise-Transit	Capital Projects-2003	211,600
Enterprise-Transit	Capital Projects-2004	18,007
Enterprise-Parking	Capital Projects-2002 and Prior	5,400
Enterprise-Parking	Capital Projects-2003	4,000
Enterprise-Parking	Capital Projects-2004	14,000
Internal Service-Health Insurance	General Fund	400,000
Special Revenue-Other	Special Revenue-HUD	19,000
Special Revenue-Other	General Fund	92,141
Special Revenue-Other	Special Revenue-Other	4,421
Special Revenue-Health	Special Revenue-HUD	31,040
Special Revenue-Public Safety	General Fund	2,889
Special Revenue-2003 HUD	Special Revenue-HUD	5,965
Special Revenue-Trusts	Special Revenue-Library	205,049
Subtotal - Fund Financial Statements		\$ 9,741,005
Less: Fund eliminations		(4,770,012)
Add: Government wide eliminations		21,599,671
Total transfers - Government-Wide Statement of Activities		<u>\$ 26,570,664</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS (continued)

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, 2004 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation					
bonds and notes payable	\$ 91,239,250	\$ 15,980,000	\$ 11,541,500	\$ 95,677,750	\$ 5,350,000
Add/(subtract)					
Deferred Amounts For:					
(Discounts)/Premiums	308,083	367,567	45,168	630,482	-
Refundings-Gains/(Loss)	(1,354,850)	-	(172,959)	(1,181,891)	-
Sub-total	90,192,483	16,347,567	11,413,709	95,126,341	5,350,000
Other Liabilities					
Vested compensated absences	3,450,935	660,334	224,686	3,886,583	234,333
Capital leases	-	323,000	-	323,000	76,087
Arbitrage rebate	50,000	-	-	50,000	50,000
Total Other Liabilities	3,500,935	983,334	224,686	4,259,583	360,420
Total Governmental Activities					
Long-Term Liabilities	\$ 93,693,418	\$ 17,330,901	\$ 11,638,395	\$ 99,385,924	\$ 5,710,420

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable					
Revenue bonds and loans	\$ 118,483,398	\$ 51,049,531	\$ 14,148,045	\$ 155,384,884	\$ 22,391,46
Add/(Subtract) Deferred Amounts For (Discounts)/Premiums	-	845,876	5,441	840,435	
Refundings - Gains/(Losses)	(408,162)	-	(90,600)	(317,562)	
Sub-total	<u>118,075,236</u>	<u>51,895,407</u>	<u>14,062,886</u>	<u>155,907,757</u>	<u>22,391,46</u>
Other Liabilities					
Vested compensated absences	<u>938,422</u>	<u>41,870</u>	<u>-</u>	<u>980,292</u>	<u>34,06</u>
Total Other Liabilities	<u>938,422</u>	<u>41,870</u>	<u>-</u>	<u>980,292</u>	<u>34,06</u>
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 119,013,658</u>	<u>\$ 51,937,277</u>	<u>\$ 14,062,886</u>	<u>\$ 156,888,049</u>	<u>\$ 22,425,53</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% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2004, was \$166,134,805. Total general obligation debt outstanding at year end was \$95,677,750.

Debt Refunding

During 2004, the City issued \$6,880,000 of general obligation refunding bonds with an interest rate ranging from 2.0-5.25% to current refund the \$7,100,000 of General Obligation Promissory Notes dated 7/15/04.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

General Obligation Debt (continued)

Type/Series	Date of Issue	Final Maturity Date	Interest Rates	Original Indebtedness	Balance Outstanding 12/31/2004
General Obligation Bonds					
1987	11/01/87	11/01/07	7.0-8.7%	\$ 5,012,875	\$ 1,492,750
2001	4/15/01	04/15/11	4.00-4.63	5,205,000	3,250,000
2003	11/1/03	11/01/23	2.00-5.70	16,895,000	16,620,000
2003	11/1/03	11/01/17	2.00-5.00	7,900,000	7,835,000
2003	7/15/03	07/15/18	2.00-4.90	8,650,000	8,320,000
2003	7/15/03	07/15/18	2.75-4.20	22,755,000	22,755,000
2004	11/5/04	11/05/19	2.00-5.25	6,880,000	6,880,000
				<u>73,297,875</u>	<u>67,152,750</u>
General Obligation Promissory Notes					
2002	11/1/02	11/01/11	2.00-4.00	9,000,000	8,785,000
				<u>9,000,000</u>	<u>8,785,000</u>
Tax Incremental General Obligation Debt					
1991 (Tif #6)	10/01/91	10/01/11	5.00-7.00	3,945,000	500,000
1993 (Tif #7)	06/01/93	06/01/12	5.40-7.00	6,140,000	4,725,000
1993 (Tif #8)	06/01/93	06/01/12	5.40-7.00	6,065,000	4,660,000
2002 (Tif #9)	02/15/02	02/15/21	3.00-5.10	6,105,000	5,855,000
2003 (Tif #10)	7/30/03	7/30/06	2.50	2,000,000	2,000,000
2004 (Tif #10)	08/24/04	08/24/06	2.50	2,000,000	2,000,000
				<u>26,255,000</u>	<u>19,740,000</u>
Total Governmental Activities - General Obligation Debt				<u>\$ 108,552,875</u>	<u>\$ 95,677,750</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

General Obligation Debt (continued)

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>
2005	\$ 5,350,000	\$ 4,257,566	\$ 9,607,566
2006	9,241,125	4,004,460	13,245,585
2007	5,306,625	3,666,793	8,973,418
2008	5,185,000	3,454,273	8,639,273
2009 – 2013	27,870,000	13,711,744	41,581,744
2014 – 2018	32,965,000	7,136,106	40,101,106
2019 – 2023	9,760,000	1,275,258	11,035,258
Totals	<u>\$ 95,677,750</u>	<u>\$ 37,506,200</u>	<u>\$ 133,183,950</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

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, 2004 consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12/31/04
<u>Water Utility</u>					
Mortgage Revenue Bonds	5/1/1993	5/1/09	4 00-5 80	\$ 2,075,000	\$ 170,000
Mortgage Revenue Bonds	2/1/1995	2/1/15	5 90-6 60	5,000,000	525,000
Safe Drinking Water Loan	2/10/1999	2/10/18	2 64	12,594,655	9,499,817
Mortgage Revenue Bonds	10/1/2001	10/1/21	3 50-5 25	11,460,000	11,010,000
Mortgage Revenue Bonds	4/15/2001	4/15/21	4 00-5 38	6,235,000	5,795,000
Mortgage Revenue Bonds	11/7/2003	09/01/05	2 125	26,200,000	16,665,000
Safe Drinking Water Loan	2004	05/01/24	2 365	6,099,063	6,099,063
Mortgage Revenue Bonds	11/1/2004	09/01/24	2 50-5 00	22,140,000	22,140,000
Total Water Utility				<u>91,803,718</u>	<u>71,903,880</u>
<u>Wastewater Utility</u>					
State Cleanwater Fund Loans	4/27/1994	4/27/13	3 19	2,701,745	1,480,278
State Cleanwater Fund Loans	3/26/1997	3/26/16	3 00	1,158,993	805,369
State Cleanwater Fund Loans	5/27/1999	5/27/18	2 64	854,147	642,809
State Cleanwater Fund Loans	11/1/1999	11/1/19	2 64	797,249	640,751
State Cleanwater Fund Loans	9/27/2000	9/27/20	2 97	802,113	679,433
State Cleanwater Fund Loans	4/10/2002	4/10/21	2 75	4,073,012	3,759,943
State Cleanwater Fund Loans	7/24/2002	7/24/21	2 86	17,761,694	17,067,386
State Cleanwater Fund Loans	11/27/2002	11/27/22	2 87	56,985,035	56,985,035
Refunding Revenue Bonds	11/5/2004	12/15/08	2 5-3 0	1,420,000	1,420,000
Total Wastewater Utility				<u>86,553,988</u>	<u>83,481,004</u>
Total Business-Type Revenue Debt				<u>\$ 178,357,706</u>	<u>\$ 155,384,884</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

Revenue Debt (continued)

Debt service requirements to maturity are as follows:

Years	Business-Type Activities General Obligation Debt		
	Principal	Interest	Total
2005	\$ 22,391,468	\$ 4,493,055	\$ 26,884,523
2006	6,985,342	4,346,911	11,332,253
2007	7,190,772	4,133,954	11,324,726
2008	7,189,882	3,908,141	11,098,023
2009	7,207,777	3,684,287	10,892,064
2010-2014	37,565,638	14,925,952	52,491,590
2015-2019	39,731,968	8,426,853	48,158,821
2020-2024	27,122,037	2,069,392	29,191,429
Totals	<u>\$ 155,384,884</u>	<u>\$ 45,988,545</u>	<u>\$ 201,373,429</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, 2004, 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, 2004, \$78,819,741 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, 2004

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

F. LONG-TERM OBLIGATIONS (continued)

CURRENT-YEAR DEFEASANCE OF DEBT

On November 5, 2004, the City of Racine issued \$1,420,000 in Wastewater Utility Refunding Revenue Bonds with an average interest rate of 2.75% to advance refund \$1,480,000 of 1993 Wastewater Refunding Revenue Bonds with an average rate of 5.74%. The net proceeds of \$1,422,125 (after payment of \$19,610 in underwriting fees, insurance, and other issue costs) plus an additional \$66,125 of Debt Service Reserve Funds 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 1993 bonds. As a result, this portion of the 1993 bonds have been removed from long-term debt.

The advance refunding resulted in a difference between reacquisition price and the net carrying amount of the old debt of \$37,963. This difference is reported in the financial statements as a deferred charge and is being charged to operations through the year 2008 using the straight-line method. The Utility completed the advance refunding to reduce its total debt service payments over the next 15 years by \$164,347 and to obtain an economic gain of \$87,721.

At December 31, 2004, \$1,480,000 of outstanding revenue bonds are considered defeased.

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, 2004, \$24,280,000 of bonds outstanding are considered defeased. The bonds are callable from October 1, 2006 to December 1, 2018.

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, 2004, \$3,385,000 of bonds outstanding are considered defeased. The bonds are callable from September 1, 2004 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 2004 was \$90,600 for the Business type activities and \$172,959 for the Governmental activities.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

DETAILED NOTES ON ALL FUNDS (continued)

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 \$36,473 in 2004.

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

2005	\$ 35,000
2006	35,000
2007	35,000
2008	35,000
2009	35,000
Thereafter	<u>1,470,000</u>
	<u>\$ 1,645,000</u>

During 2004, the City entered into a capital lease for the purchase of computer equipment. The lease expires on September 9, 2008 and bears interest at 3.94%. At December 31, 2004, the equipment has a cost of \$325,511 and accumulated depreciation of \$32,551.

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

2005	\$ 88,072
2006	88,072
2007	88,072
2008	<u>88,072</u>
	352,288
Less: Amount representing Interest	<u>(29,288)</u>
	<u>\$ 323,000</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

H. NET ASSETS

Net assets reported on the government wide statement of net assets at December 31, 2004 includes the following:

Governmental Activities

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 156,605,253
Less: related long-term debt outstanding	(68,085,368)
Plus: funds borrowed but not spent	<u>6,071,712</u>
Total Invested in Capital Assets, Net of Related Debt	<u>94,591,597</u>
Restricted for	
Debt service	1,935,942
Permanent Funds	
Nonexpendable	1,996,310
Expendable	1,386,906
HUD loan program	<u>10,349,097</u>
Total Restricted	<u>15,668,255</u>
Unrestricted	<u>11,992,535</u>
Total Governmental Activities Net Assets	<u>\$ 122,252,387</u>

Business-Type Activities

Invested in capital assets, net of related debt	
Other Capital assets, net of accumulated depreciation	\$ 263,008,420
Less: related long-term debt outstanding	(151,491,344)
Plus: debt restricted assets	<u>21,890,875</u>
Total Invested in Capital Assets, Net of Related Debt	<u>133,407,951</u>
Restricted for (See Note IV C for details)	
Water	6,408,487
Wastewater	<u>5,584,585</u>
Total Restricted	<u>11,993,072</u>
Unrestricted	<u>18,312,025</u>
Total Net Assets	<u>\$ 163,713,048</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

I. COMPONENT UNITS

This report contains the Downtown Racine Business Improvement District #1 (BID) and the Racine Redevelopment Authority, which are included as component units. 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.

CITY OF RACINE REDEVELOPMENT AUTHORITY

a. Basis of Accounting/Measurement Focus

The Redevelopment Authority follows the full accrual basis of accounting and the flow of economic resources measurement focus.

b. Transactions with the Primary Government

At December 31, 2004, the Redevelopment Authority has an advance from the City's economic development fund in the amount of \$450,000. There has been no amortization schedule established.

c. Cash and Investments

At December 31, 2004, the carrying value and bank balance of the Redevelopment Authority's deposits are \$27,092. Of that balance \$0 was covered by federal depository insurance.

d. Capital Assets

The Authority's capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual amounts are not available. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. The Authority's capital assets at December 31, 2004 consist of land and buildings that are being held for resale and are therefore not depreciable.

At December 31, 2004 the Authority had capital assets with a cost of \$704,090.

e. Long-term Liabilities

At December 31, 2004, the Redevelopment Authority has an advance payable to the City's economic development fund in the amount of \$450,000. There has been no amortization schedule established.

At December 31, 2004, the Authority has a mortgage payable in the amount of \$300,000 due in full in 2008. Interest is due quarterly at a rate of 6%.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

I. COMPONENT UNITS (continued)

DOWNTOWN RACINE BUSINESS IMPROVEMENT DISTRICT #1 (BID)

a Basis of Accounting/Measurement Focus

The BID follows the full accrual basis of accounting and the flow of economic resources measurement focus

b Transactions with the Primary Government

At December 31, 2004, the BID has a receivable of \$212,600 from the City's tax collection fund for a portion of the 2003 annual assessment and the entire subsequent year's annual assessment.

c Cash and Investments

At December 31, 2004, the carrying value and bank balance of the BID's deposits are \$265. Of that balance \$265 was covered by federal depository insurance.

d Capital Assets

The BID's capital assets are defined as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Equipment is depreciated using the straight line method over ten years.

At December 31, 2004 the District had capital assets with a cost of \$12,792 and accumulated depreciation of \$1,013. The District's net book value of capital assets was \$11,779.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE IV – DETAILED NOTES ON ALL FUNDS (continued)

J. RESTATEMENT OF NET ASSETS

Net assets of the governmental activities has been restated as a result of a determination that the City of Racine Redevelopment Authority should be reported as a component unit of the City rather than a special revenue fund. In prior years the Redevelopment Authority was included in the Special Revenue-Other column of the financial statements and did not have a fund balance at December 31, 2003.

Governmental Activities

Net assets - December 31, 2003 (as reported)	\$ 153,332,239
Determination of City of Racine Redevelopment Authority as a component unit	<u>(450,000)</u>
Net assets - January 1, 2004 (as restated)	<u>\$ 152,882,239</u>

K. STORM WATER UTILITY

In May 2004, the City Council approved the creation of a Storm Water Utility enterprise fund. Upon creation of the utility, \$28.2 million of capital equipment and the infrastructure assets were transferred from the governmental activities to the business type activities. The current year operating activity presented in the utility's financial statements represents expenses incurred from the creation of the utility through year end.

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 (2.6% for Executives and Elected Officials, 4.0% for Protective Occupations with Social Security, and 2.4% 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, 2004 was \$47,770,254; the employer's total payroll was \$49,465,565. The total required contribution for the year ended December 31, 2004 was \$5,356,178 or 11.2% of covered payroll. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ending December 31, 2003 and 2002 were \$4,924,511 and \$5,425,057 respectively, equal to the required contributions for each year.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM (CONTINUED)

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.

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, 2004. 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.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

V – OTHER INFORMATION (continued)

B. RISK MANAGEMENT (continued)

Self Insurance (continued)

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	\$ 1,100,000	\$ 1,160,000
Current year claims and changes in estimates	9,639,025	12,327,191
Claim payments	<u>9,579,025</u>	<u>12,197,191</u>
Unpaid Claims – End of Year	<u>\$ 1,160,000</u>	<u>\$ 1,290,000</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE V – OTHER INFORMATION (continued)

B. RISK MANAGEMENT (continued)

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, 2004

NOTE V – OTHER INFORMATION (continued)

B. RISK MANAGEMENT (continued)

Public Entity Risk Pool (continued)

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

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 \$1,492,750.

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, 2004. A total liability of approximately \$914,951 at December 31, 2004 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
2003	\$ 865,146	\$ 394,404	\$ 410,295	\$ 849,255
2004	849,255	769,172	703,476	914,951

Transit Mutual Insurance Corporation of Wisconsin (TMI)

The Transit Mutual Insurance Corporation of Wisconsin is a joint venture of Wisconsin municipalities which have joined together for the managing and funding of the first party property losses and third party liability claims of its member municipalities mass transit funds.

In 2004, the TMI is protected by a \$1,250,000 self-insurance policy. In addition to the TMI protection, the City of Racine, combined with other members of Wisconsin Municipal Transit Insurance Commission, are covered by a \$5,000,000 excess insurance policy issued by General Reinsurance Corporation effective January 1, 2004 through January 1, 2005.

Management consists of a board of directors comprised of one representative for each member. The municipality does not exercise any control over the activities of the agency beyond its representation on the board of directors.

Initial contributions are determined in advance of each membership year. The board of directors may require that supplemental contributions be made by members to ensure adequate funds are available to meet the obligations applicable to the membership year. Members have a contractual obligation to fund any deficit attributable to a membership year during which they were a member. The City's share of this joint venture is 9.10%. A list of the other members is available in the TMI report, which is available from: Transit Mutual Insurance Corporation of Wisconsin, P.O. Box 1772, Appleton, WI 54912-1772.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE V – OTHER INFORMATION (continued)

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.

During the year, the Water Utility entered into contract agreements with various companies to perform professional services and construction activities. At December 31, 2004, contracts with these entities totaled \$22,761,590 of which \$11,421,561 was paid and \$11,340,029 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, 2004, contracts with these entities totaled \$58,959,918 of which \$54,914,577 was paid and \$4,045,340 is committed for future services to be performed.

The Transit System entered into an agreement for architect services for the Transit Center Depot. The total amount of the contract is \$209,546. Services completed as of December 31, 2004 are \$193,530. The Transit System also signed an agreement for construction services for the Transit Center. The total amount of the contract is \$3,271,595. Services completed as of December 31, 2004 are \$3,269,600.

The City borrowed for the purpose of making various capital improvements. These monies, as well as other revenue sources, are reflected in the capital projects funds. Work that has been completed but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures. The balance of contract amounts plus open purchase orders is \$1,846,940 at year end and will be paid out of the reserved fund balance in the capital projects funds.

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% 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% 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, 2004, the City had 709 retirees who received full health care coverage. In addition, 40 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 2004 was \$6,878,595 which includes health care, Medicare premiums and life insurance premiums. Employee contributions totaled \$128,971.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2004

NOTE V – OTHER INFORMATION (continued)

E. ECONOMIC DEPENDENCY

The Water Utility had one major customer with sales of approximately \$3.1 million that accounted for 22% of the Utility's gross sales.

The Wastewater Utility had one major customer with sales of approximately \$1.7 million that accounted for 13% of the Utility's gross sales.

F. 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.

G. INTERGOVERNMENTAL RETAIL WATER SERVICE AGREEMENT

The Racine Water Utility entered into a intergovernmental retail water service agreement with the Village of Mount Pleasant. The agreement was reached to provide an equitable allocation of the cost expansion of existing and future water service facilities, which are necessary to continue providing high quality reliable water service, and allow for future growth needs. Projects designed to serve future growth funded through the water rates, contract connection charges and contract front foot charges for new mains installed in the Village that will directly and substantially serve future growth and development. Costs to remedy existing deficiencies in the water system may be recovered through the water sales.

The contract connection charges are deposited in an interest bearing segregated account and are restricted to pay future growth costs. Contract connection charges are recorded as revenue when received.

THIS PAGE INTENTIONALLY LEFT BLANK

**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2004

	Special Revenue Funds			
	Other Public Safety	Public Safety Grants	Special Assessments	Economic Development
ASSETS				
Cash and investments	\$ 677,372	\$ 2,161	\$ 1,861,001	\$ 361,998
Receivables				
Property taxes	-	42,090	-	-
Special assessment - tax roll	-	-	315,493	-
Special assessment	-	-	1,372,329	-
Accounts	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	119,068	-	-	-
Advances to component unit	-	-	-	450,000
Advances to other funds	-	-	754,454	-
TOTAL ASSETS	\$ 796,440	\$ 44,251	\$ 4,303,277	\$ 811,998
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 18,689	\$ -	\$ -	\$ 5,293
Accrued liabilities	1,006	2,161	17,126	-
Due to other funds	85,050	-	-	-
Due to other governments	-	-	-	-
Deferred revenues	82,735	-	1,687,822	-
Deferred property tax revenue	-	42,090	-	-
Total Liabilities	187,480	44,251	1,704,948	5,293
Fund Balances				
Reserved				
Encumbrances	21,526	-	-	-
Endowments	-	-	-	-
Capital projects	-	-	-	-
Advances	-	-	754,454	450,000
Unreserved				
Designated for subsequent years expenditures	-	-	-	-
Undesignated (deficit)	587,434	-	1,843,875	356,705
Total Fund Balances	608,960	-	2,598,329	806,705
TOTAL LIABILITIES AND FUND BALANCES	\$ 796,440	\$ 44,251	\$ 4,303,277	\$ 811,998

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2004

Special Revenue Funds							
Other Cemetery	Cemetery	Trusts	Other	Harbor Commission	Health	2003 HUD	Library
\$ 1,232,878	\$ 1,399,279	\$ 1,628,693	\$ 446,545	\$ 78,890	\$ 219,297	\$ -	\$ 481,851
-	190,980	-	-	-	-	-	2,048,773
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	27,433	-	17,278	-	-	-	5,500
-	-	-	2,688	-	-	-	-
-	-	-	-	-	52,275	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,232,878</u>	<u>\$ 1,617,692</u>	<u>\$ 1,628,693</u>	<u>\$ 466,511</u>	<u>\$ 78,890</u>	<u>\$ 271,572</u>	<u>\$ -</u>	<u>\$ 2,536,124</u>
\$ -	\$ 130,812	\$ 7,318	\$ 34,773	\$ 1,062	\$ 13,816	\$ -	\$ 26,163
-	3,247	-	565	10,142	20,390	-	90,176
-	-	-	8,081	8,600	36,907	-	-
-	-	-	212	-	-	-	42
-	-	-	113	-	189,487	-	-
-	190,980	-	-	-	-	-	2,048,773
-	325,039	7,318	43,744	19,804	260,600	-	2,165,154
-	9,953	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	222,000	-	-	-	-	-	-
1,232,878	1,060,700	1,621,375	422,767	59,086	10,972	-	370,970
<u>1,232,878</u>	<u>1,292,653</u>	<u>1,621,375</u>	<u>422,767</u>	<u>59,086</u>	<u>10,972</u>	<u>-</u>	<u>370,970</u>
<u>\$ 1,232,878</u>	<u>\$ 1,617,692</u>	<u>\$ 1,628,693</u>	<u>\$ 466,511</u>	<u>\$ 78,890</u>	<u>\$ 271,572</u>	<u>\$ -</u>	<u>\$ 2,536,124</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2004

	Special Revenue Funds		Capital Project Funds		
	Recycling	TIF #9	TIF #10	Assessment Projects	Sewer Agreement
ASSETS					
Cash and investments	\$ -	\$ 671,392	\$ 1,235,391	\$ 90,676	\$ 1,816,742
Receivables					
Property taxes	933,387	745,448	-	-	-
Special assessment - tax roll	-	-	-	-	-
Special assessment	-	-	-	-	-
Accounts	-	-	50,000	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	580,000	-	-
Advances to component unit	-	-	-	-	-
Advances to other funds	-	-	-	-	-
TOTAL ASSETS	\$ 933,387	\$ 1,416,840	\$ 1,865,391	\$ 90,676	\$ 1,816,742
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 57,331	\$ 9,650	\$ 323,475	\$ 97,731	\$ -
Accrued liabilities	5,816	-	-	-	139,888
Due to other funds	671,765	-	-	-	-
Due to other governments	-	-	-	-	-
Deferred revenues	-	-	-	-	-
Deferred property tax revenue	933,387	745,448	-	-	-
Total Liabilities	1,668,299	755,098	323,475	97,731	139,888
Fund Balances					
Reserved					
Encumbrances	-	11,502	-	-	477
Endowments	-	-	-	-	-
Capital projects	-	650,240	1,541,916	-	1,676,377
Advances	-	-	-	-	-
Unreserved					
Designated for subsequent years expenditures	-	-	-	-	-
Undesignated (deficit)	(734,912)	-	-	(7,055)	-
Total Fund Balances	(734,912)	661,742	1,541,916	(7,055)	1,676,854
TOTAL LIABILITIES AND FUND BALANCES	\$ 933,387	\$ 1,416,840	\$ 1,865,391	\$ 90,676	\$ 1,816,742

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2004

Capital Project Funds					Permanent Fund	Total Nonmajor
2002 and Prior	2003	2004	City Projects	Equipment Replacement	Endowment Fund	Governmental Funds
\$ 25,864	\$ 1,109,342	\$ 4,331,970	\$ 898,608	\$ -	\$ 3,392,608	\$ 21,962,558
-	-	-	-	-	-	3,960,678
-	-	-	-	-	-	315,493
-	-	-	-	-	-	1,372,329
-	-	-	-	-	-	100,211
-	-	-	-	-	-	2,688
-	-	-	170,637	-	-	921,980
-	-	-	-	-	-	450,000
-	-	-	1,050,000	-	-	1,804,454
<u>\$ 25,864</u>	<u>\$ 1,109,342</u>	<u>\$ 4,331,970</u>	<u>\$ 2,119,245</u>	<u>\$ -</u>	<u>\$ 3,392,608</u>	<u>\$ 30,890,391</u>
\$ 25,864	\$ 448,141	\$ 460,286	\$ 312,020	\$ -	\$ 3,801	\$ 1,976,225
-	-	-	-	-	-	290,517
-	-	3,090	3,003,032	-	51	3,816,576
-	-	-	-	-	-	254
-	-	-	25,232	-	-	1,985,389
-	-	-	-	-	-	3,960,678
<u>25,864</u>	<u>448,141</u>	<u>463,376</u>	<u>3,340,284</u>	<u>-</u>	<u>3,852</u>	<u>12,029,639</u>
-	324,957	982,250	140,952	-	5,540	1,497,157
-	-	-	-	-	1,996,310	1,996,310
-	336,244	2,886,344	-	-	-	7,091,121
-	-	-	1,050,000	-	-	2,254,454
-	-	-	-	-	-	222,000
-	-	-	(2,411,991)	-	1,386,906	5,799,710
-	<u>661,201</u>	<u>3,868,594</u>	<u>(1,221,039)</u>	<u>-</u>	<u>3,388,756</u>	<u>18,860,752</u>
<u>\$ 25,864</u>	<u>\$ 1,109,342</u>	<u>\$ 4,331,970</u>	<u>\$ 2,119,245</u>	<u>\$ -</u>	<u>\$ 3,392,608</u>	<u>\$ 30,890,391</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2004

	Special Revenue Funds			
	Other Public Safety	Public Safety Grants	Special Assessments	Economic Development
REVENUES				
Taxes	\$ -	\$ 41,082	\$ -	\$ -
Special charges and assessments	-	-	924,784	-
Intergovernmental	607,936	123,867	-	-
Investment income	15,811	-	122,239	18,478
Charges for services	94,568	-	-	-
Donations	27,424	-	-	-
Other	233,448	-	-	-
Total Revenues	<u>979,187</u>	<u>164,949</u>	<u>1,047,023</u>	<u>18,478</u>
EXPENDITURES				
Current				
Community development	-	-	-	56,947
Health	-	-	-	-
Education and recreation	-	-	-	-
Public works	-	-	-	-
Public safety	854,785	167,838	-	-
Capital outlay	82,085	-	-	-
Total Expenditures	<u>936,870</u>	<u>167,838</u>	<u>-</u>	<u>56,947</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>42,317</u>	<u>(2,889)</u>	<u>1,047,023</u>	<u>(38,469)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Capital leases issued	-	-	-	-
Transfers in	-	2,889	-	-
Transfers (out)	-	-	(1,207,796)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,889</u>	<u>(1,207,796)</u>	<u>-</u>
Net Change in Fund Balances	<u>42,317</u>	<u>-</u>	<u>(160,773)</u>	<u>(38,469)</u>
FUND BALANCES (DEFICIT) -				
Beginning of Year	<u>566,643</u>	<u>-</u>	<u>2,759,102</u>	<u>845,174</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 608,960</u>	<u>\$ -</u>	<u>\$ 2,598,329</u>	<u>\$ 806,705</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2004

Special Revenue Funds

Other Cemetery	Cemetery	Trusts	Other	Harbor Commission	Health	2003 HUD	Library
\$ -	\$ 186,557	\$ -	\$ 184,757	\$ -	\$ -	\$ -	\$ 2,080,129
-	-	-	-	-	-	-	-
-	-	-	3,000	3,080	799,756	-	1,389,307
43,629	55,276	139,247	6,135	-	-	-	40,739
49,922	272,577	-	121,015	25,919	4,800	-	132,227
4,040	-	-	23,662	-	26,111	-	-
-	-	-	118	1	4,677	-	8,188
<u>97,591</u>	<u>514,410</u>	<u>139,247</u>	<u>338,687</u>	<u>29,000</u>	<u>835,344</u>	-	<u>3,650,590</u>
-	-	-	32,039	-	-	-	-
-	-	-	-	-	871,714	-	-
10,487	459,597	57,164	448,127	-	-	-	3,487,823
-	-	-	32,858	12,329	-	-	-
-	-	14,524	51,148	-	-	-	-
-	339,547	-	-	-	-	-	-
<u>10,487</u>	<u>799,144</u>	<u>71,688</u>	<u>564,172</u>	<u>12,329</u>	<u>871,714</u>	-	<u>3,487,823</u>
<u>87,104</u>	<u>(284,734)</u>	<u>67,559</u>	<u>(225,485)</u>	<u>16,671</u>	<u>(36,370)</u>	-	<u>162,767</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	205,049	115,562	-	31,040	5,965	-
(68)	-	-	(129,423)	-	-	-	(205,049)
<u>(68)</u>	<u>-</u>	<u>205,049</u>	<u>(13,861)</u>	<u>-</u>	<u>31,040</u>	<u>5,965</u>	<u>(205,049)</u>
87,036	(284,734)	272,608	(239,346)	16,671	(5,330)	5,965	(42,282)
<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>\$ 1,232,878</u>	<u>\$ 1,292,653</u>	<u>\$ 1,621,375</u>	<u>\$ 422,767</u>	<u>\$ 59,086</u>	<u>\$ 10,972</u>	<u>\$ -</u>	<u>\$ 370,970</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2004

	Special Revenue Funds	Capital Project Funds		
	Recycling	TIF #9	TIF #10	Assessment Projects
REVENUES				
Taxes	\$ 1,181,085	\$ 740,307	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	443,572	121,841	580,000	-
Investment income	-	40,315	43,379	-
Charges for services	26,746	-	-	-
Donations	-	-	-	-
Other	-	-	146,200	-
Total Revenues	<u>1,651,403</u>	<u>902,463</u>	<u>769,579</u>	<u>-</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	-	-	-
Public works	2,086,809	-	-	-
Public safety	-	-	-	-
Capital outlay	-	14,710	2,018,988	1,214,851
Total Expenditures	<u>2,086,809</u>	<u>14,710</u>	<u>2,018,988</u>	<u>1,214,851</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(435,406)</u>	<u>887,753</u>	<u>(1,249,409)</u>	<u>(1,214,851)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	2,000,000	-
Capital leases issued	-	-	-	-
Transfers in	-	-	-	1,207,796
Transfers (out)	-	(529,625)	(55,140)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>(529,625)</u>	<u>1,944,860</u>	<u>1,207,796</u>
Net Change in Fund Balances	<u>(435,406)</u>	<u>358,128</u>	<u>695,451</u>	<u>(7,055)</u>
FUND BALANCES (DEFICIT) -				
Beginning of Year	<u>(299,506)</u>	<u>303,614</u>	<u>846,465</u>	<u>-</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (734,912)</u>	<u>\$ 661,742</u>	<u>\$ 1,541,916</u>	<u>\$ (7,055)</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2004

Sewer Agreement	Capital Project Funds			City Projects	Equipment Replacement	Permanent Fund	Total
	2002 and Prior	Capital Projects 2003	2004			Endowment Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,413,917
-	-	-	-	418,768	-	-	1,343,552
1,017,209	-	-	-	398,750	-	-	5,488,318
62,882	44,198	72,294	87,185	82,577	-	214,222	1,088,606
-	-	-	-	-	-	-	727,774
-	-	-	-	-	-	1,500	82,737
-	-	-	-	7,495	-	-	400,127
<u>1,080,091</u>	<u>44,198</u>	<u>72,294</u>	<u>87,185</u>	<u>907,590</u>	<u>-</u>	<u>215,722</u>	<u>13,545,031</u>
-	-	-	-	-	-	-	88,986
-	-	-	-	-	-	-	871,714
-	-	-	-	-	-	82,212	4,545,410
-	-	-	-	-	-	-	2,131,996
-	-	-	-	-	-	-	1,088,295
320,624	216,512	1,213,249	3,455,570	1,695,784	63,066	-	10,634,986
<u>320,624</u>	<u>216,512</u>	<u>1,213,249</u>	<u>3,455,570</u>	<u>1,695,784</u>	<u>63,066</u>	<u>82,212</u>	<u>19,361,387</u>
 759,467	 (172,314)	 (1,140,955)	 (3,368,385)	 (788,194)	 (63,066)	 133,510	 (5,816,356)
-	-	-	7,100,000	-	-	-	9,100,000
-	-	-	-	323,000	-	-	323,000
-	-	-	169,103	98,170	-	-	1,835,574
-	(1,550,786)	(259,356)	(32,124)	(16,538)	(367)	(17,177)	(4,003,449)
-	(1,550,786)	(259,356)	7,236,979	404,632	(367)	(17,177)	7,255,125
759,467	(1,723,100)	(1,400,311)	3,868,594	(383,562)	(63,433)	116,333	1,438,769
 917,387	 1,723,100	 2,061,512	 -	 (837,477)	 63,433	 3,272,423	 17,421,983
<u>\$ 1,676,854</u>	<u>\$ -</u>	<u>\$ 661,201</u>	<u>\$ 3,868,594</u>	<u>\$ (1,221,039)</u>	<u>\$ -</u>	<u>\$ 3,388,756</u>	<u>\$ 18,860,752</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, 2004**

	Public Safety Grants		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 41,082	\$ 41,082	\$ -
Intergovernmental	123,245	123,867	622
Investment income	-	-	-
Charges for services	-	-	-
Other	-	-	-
Total Revenues	<u>164,327</u>	<u>164,949</u>	<u>622</u>
EXPENDITURES			
Current			
Community development	-	-	-
Health	-	-	-
Education and recreation	-	-	-
Public works	-	-	-
Public safety	164,327	167,838	(3,511)
Capital outlay	-	-	-
Total Expenditures	<u>164,327</u>	<u>167,838</u>	<u>(3,511)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>(2,889)</u>	<u>(2,889)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	2,889	2,889
Transfers (out)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,889</u>	<u>2,889</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES (DEFICIT) - Beginning of Year		<u>-</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, 2004

Cemetery				Library			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 186,557	\$ 186,557	\$ 186,557	\$ -	\$ 2,080,129	\$ 2,080,129	\$ 2,080,129	\$ -
-	-	-	-	1,196,245	1,216,627	1,389,307	172,680
59,450	59,450	55,276	(4,174)	-	-	40,739	40,739
210,570	210,570	272,577	62,007	102,000	102,000	132,227	30,227
-	-	-	-	-	-	8,188	8,188
<u>456,577</u>	<u>456,577</u>	<u>514,410</u>	<u>57,833</u>	<u>3,378,374</u>	<u>3,398,756</u>	<u>3,650,590</u>	<u>251,834</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
456,577	456,577	459,597	(3,020)	3,378,374	3,398,756	3,487,823	(89,067)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>322,000</u>	<u>328,753</u>	<u>339,547</u>	<u>(10,794)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>778,577</u>	<u>785,330</u>	<u>799,144</u>	<u>(13,814)</u>	<u>3,378,374</u>	<u>3,398,756</u>	<u>3,487,823</u>	<u>(89,067)</u>
<u>(322,000)</u>	<u>(328,753)</u>	<u>(284,734)</u>	<u>44,019</u>	<u>-</u>	<u>-</u>	<u>162,767</u>	<u>162,767</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(205,049)	(205,049)
-	-	-	-	-	-	(205,049)	(205,049)
<u>\$ (322,000)</u>	<u>\$ (328,753)</u>	<u>(284,734)</u>	<u>\$ 44,019</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(42,282)</u>	<u>\$ (42,282)</u>
		<u>1,577,387</u>				<u>413,252</u>	
		<u>\$ 1,292,653</u>				<u>\$ 370,970</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, 2004**

	Harbor Commission			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	3,080	3,080
Investment income	-	-	-	-
Charges for services	28,924	28,924	25,919	(3,005)
Other	-	-	1	1
Total Revenues	<u>28,924</u>	<u>28,924</u>	<u>29,000</u>	<u>76</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	-	-	-
Public works	28,924	26,181	12,329	13,852
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>28,924</u>	<u>26,181</u>	<u>12,329</u>	<u>13,852</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>2,743</u>	<u>16,671</u>	<u>13,928</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>\$ 2,743</u>	<u>16,671</u>	<u>\$ 13,928</u>
FUND BALANCES (DEFICIT) - Beginning of Year			<u>42,415</u>	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ 59,086</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, 2004

Recycling			
Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 1,181,085	\$ 1,181,085	\$ 1,181,085	\$ -
340,000	340,000	443,572	103,572
-	-	-	-
28,800	28,800	26,746	(2,054)
-	-	-	-
<u>1,549,885</u>	<u>1,549,885</u>	<u>1,651,403</u>	<u>101,518</u>
-	-	-	-
-	-	-	-
-	-	-	-
1,549,885	1,552,839	2,086,809	(533,970)
-	-	-	-
-	-	-	-
<u>1,549,885</u>	<u>1,552,839</u>	<u>2,086,809</u>	<u>(533,970)</u>
-	(2,954)	(435,406)	(432,452)
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ -</u>	<u>\$ (2,954)</u>	<u>(435,406)</u>	<u>\$ (432,452)</u>
		<u>(299,506)</u>	
		<u>\$ (734,912)</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, 2004**

	Currently Due		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Tax Levy	\$ 5,511,558	\$ 5,511,558	\$ -
Other	564,487	1,152,563	588,076
Total Revenues	<u>6,076,045</u>	<u>6,664,121</u>	<u>588,076</u>
EXPENDITURES			
Debt service			
Principal	4,426,500	4,441,500	(15,000)
Interest and fiscal charges	4,705,468	4,626,893	78,575
Total Expenditures	<u>9,131,968</u>	<u>9,068,393</u>	<u>63,575</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(3,055,923)</u>	<u>(2,404,272)</u>	<u>651,651</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,423,923	2,516,824	92,901
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>2,423,923</u>	<u>2,516,824</u>	<u>92,901</u>
Net Change in Fund Balances	<u>\$ (632,000)</u>	112,552	<u>\$ 744,552</u>
FUND BALANCES - Beginning of Year		<u>2,021,860</u>	
FUND BALANCES - END OF YEAR		<u>\$ 2,134,412</u>	

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF RACINE

Capital Project Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL For the Year Ended December 31, 2004

	2004 Capital Projects			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Investment income	165,500	163,500	87,185	(76,315)
Other	-	-	-	-
Total Revenues	<u>165,500</u>	<u>163,500</u>	<u>87,185</u>	<u>(76,315)</u>
EXPENDITURES				
Capital outlay	<u>6,765,500</u>	<u>7,400,596</u>	<u>3,455,570</u>	<u>3,945,026</u>
Total Expenditures	<u>6,765,500</u>	<u>7,400,596</u>	<u>3,455,570</u>	<u>3,945,026</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(6,600,000)</u>	<u>(7,237,096)</u>	<u>(3,368,385)</u>	<u>3,868,711</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	6,600,000	7,100,000	7,100,000	-
Transfers in	-	169,103	169,103	-
Transfers (out)	-	(32,007)	(32,124)	(117)
Total Other Financing Sources (Uses)	<u>6,600,000</u>	<u>7,237,096</u>	<u>7,236,979</u>	<u>(117)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>3,868,594</u>	<u>\$ 3,868,594</u>
FUND BALANCES - Beginning of Year			<u>-</u>	
FUND BALANCES - END OF YEAR			<u>\$ 3,868,594</u>	

CITY OF RACINE

Capital Project Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - BUDGET AND ACTUAL For the Year Ended December 31, 2004

Assessment Projects			
Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,650,000	1,951,398	1,214,851	736,547
1,650,000	1,951,398	1,214,851	736,547
(1,650,000)	(1,951,398)	(1,214,851)	736,547
-	-	-	-
1,650,000	1,951,398	1,207,796	(743,602)
-	-	-	-
1,650,000	1,951,398	1,207,796	(743,602)
\$ -	\$ -	(7,055)	\$ (7,055)
		-	
		\$ (7,055)	

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS
December 31, 2004

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
ASSETS						
Current Assets						
Cash and investments	\$ 302,640	\$ 772,363	\$ 446,787	\$ -	\$ 237,203	\$ 1,758,993
Receivables						
Accounts	19,866	-	-	49,278	44,284	113,428
Taxes	10,595	2,590,415	-	433,000	-	3,034,010
Due from other funds	-	-	-	-	961	961
Total Current Assets	333,101	3,362,778	446,787	482,278	282,448	4,907,392
Noncurrent Assets						
Capital assets						
Land, buildings and improvements	16,451,871	50,375,384	3,679,811	6,733,818	136,026	77,376,910
Equipment, furniture and vehicles	728,934	729,864	-	296,000	12,913	1,767,711
Less: accumulated depreciation	(4,087,386)	(23,858,768)	(1,205,148)	(2,370,628)	(57,289)	(31,579,219)
	13,093,419	27,246,480	2,474,663	4,659,190	91,650	47,565,402
Construction in progress	-	159,349	-	-	-	159,349
Total Capital Assets (net of accumulated depreciation)	13,093,419	27,405,829	2,474,663	4,659,190	91,650	47,724,751
TOTAL ASSETS	\$ 13,426,520	\$ 30,768,607	\$ 2,921,450	\$ 5,141,468	\$ 374,098	\$ 52,632,143

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS
December 31, 2004

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 19,500	\$ 309	\$ 3,797	\$ 33,839	\$ 280	\$ 57,725
Accrued compensation	5,375	-	-	18,310	2,489	26,174
Accrued liabilities	2,678	-	16,160	30,087	-	48,925
Due to other funds	-	-	-	120,138	-	120,138
Advances from other funds	-	50,520	79,670	-	-	130,190
Deferred property tax revenue	10,595	2,590,415	-	433,000	-	3,034,010
Total Current Liabilities	<u>38,148</u>	<u>2,641,244</u>	<u>99,627</u>	<u>635,374</u>	<u>2,769</u>	<u>3,417,162</u>
Noncurrent Liabilities						
Compensated absences	27,043	-	-	-	11,549	38,592
Advances from other funds	-	999,480	412,013	-	-	1,411,493
Total Noncurrent Liabilities	<u>27,043</u>	<u>999,480</u>	<u>412,013</u>	<u>-</u>	<u>11,549</u>	<u>1,450,085</u>
TOTAL LIABILITIES	<u>65,191</u>	<u>3,640,724</u>	<u>511,640</u>	<u>635,374</u>	<u>14,318</u>	<u>4,867,247</u>
NET ASSETS						
Invested in capital assets	13,093,419	27,405,829	2,474,663	4,659,190	91,650	47,724,751
Unrestricted (deficit)	<u>267,910</u>	<u>(277,946)</u>	<u>(64,853)</u>	<u>(153,096)</u>	<u>268,130</u>	<u>40,145</u>
TOTAL NET ASSETS	<u>\$ 13,361,329</u>	<u>\$ 27,127,883</u>	<u>\$ 2,409,810</u>	<u>\$ 4,506,094</u>	<u>\$ 359,780</u>	<u>\$ 47,764,896</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended December 31, 2004

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
OPERATING REVENUES						
Charges for services	\$ 996,249	\$ -	\$ 127,402	\$ 526,510	\$ 203,387	\$ 1,853,548
Other	1,443	-	2	40	-	1,485
Total Operating Revenues	997,692	-	127,404	526,550	203,387	1,855,033
OPERATING EXPENSES						
Public works	608,997	323,636	-	-	208,010	1,140,643
Education and recreation	-	-	36,690	865,060	-	901,750
Depreciation	374,171	1,049,487	83,033	219,839	3,981	1,730,511
Total Operating Expenses	983,168	1,373,123	119,723	1,084,899	211,991	3,772,904
Operating income (loss)	14,524	(1,373,123)	7,681	(558,349)	(8,604)	(1,917,871)
NONOPERATING REVENUES (EXPENSES)						
Investment income	-	-	18,806	-	-	18,806
Interest expense	-	-	(32,337)	-	-	(32,337)
Gain (loss) on sale of fixed assets	-	(3,408)	-	-	-	(3,408)
Tax levy	10,595	-	-	393,034	-	403,629
Total Nonoperating Revenues (Expenses)	10,595	(3,408)	(13,531)	393,034	-	386,690
Income (Loss) Before Transfers	25,119	(1,376,531)	(5,850)	(165,315)	(8,604)	(1,531,181)
CAPITAL CONTRIBUTIONS						
TRANSFERS IN	-	28,182,473	-	-	-	28,182,473
	23,400	321,941	-	79,025	-	424,366
Change in Net Assets	48,519	27,127,883	(5,850)	(86,290)	(8,604)	27,075,658
TOTAL NET ASSETS, Beginning of Year	13,312,810	-	2,415,660	4,592,384	368,384	20,689,238
TOTAL NET ASSETS, END OF YEAR	\$ 13,361,329	\$ 27,127,883	\$ 2,409,810	\$ 4,506,094	\$ 359,780	\$ 47,764,896

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2004

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Totals
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 986,043	\$ -	\$ 127,404	\$ 514,078	\$ 228,134	\$ 1,855,659
Payments to suppliers	(350,950)	(323,328)	(32,284)	(754,059)	(63,106)	(1,523,727)
Payments to employees	(352,448)	-	-	(196,386)	(145,596)	(694,430)
Net Cash Provided (Used) by Operating Activities	282,645	(323,328)	95,120	(436,367)	19,432	(362,498)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Operating subsidies received-City	10,595	-	-	393,034	-	403,629
Net Cash Provided by Noncapital Financing Activities	10,595	-	-	393,034	-	403,629
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Advances retired	-	-	(78,023)	-	-	(78,023)
Long term advances issued	-	1,050,000	-	-	-	1,050,000
Interest paid on advances	-	-	(32,337)	-	-	(32,337)
Transfer in	23,400	321,941	-	79,025	-	424,366
Proceeds from sale of capital assets	-	28,163	-	-	-	28,163
Acquisition and construction of capital assets	(14,000)	(304,413)	(171,128)	(35,692)	-	(525,233)
Net Cash Provided (Used) by Capital and Related Financing Activities	9,400	1,095,691	(281,488)	43,333	-	866,936
CASH FLOW FROM INVESTING ACTIVITIES						
Investment income received	-	-	18,806	-	-	18,806
Net Increase (Decrease) in Cash and Cash Equivalents	302,640	772,363	(167,562)	-	19,432	926,873
CASH AND CASH EQUIVALENTS,						
Beginning of Year	-	-	614,349	-	217,771	832,120
End of Year	\$ 302,640	\$ 772,363	\$ 446,787	\$ -	\$ 237,203	\$ 1,758,993

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2004

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ 14,524	\$ (1,373,123)	\$ 7,681	\$ (558,349)	\$ (8,604)	\$ (1,917,871)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	374,171	1,049,487	83,033	219,839	3,981	1,730,511
(Increase) decrease in accounts receivable	(11,649)	-	-	(12,472)	25,608	1,487
(Increase) decrease in due from other funds	-	(2,590,415)	-	(39,966)	(861)	(2,631,242)
Increase (decrease) in accounts payable	(9,709)	308	3,797	(145,709)	155	(151,158)
Increase (decrease) in accrued liabilities	3,308	-	609	8,920	(847)	11,990
Increase (decrease) in deferred revenue	-	2,590,415	-	39,966	-	2,630,381
Increase (decrease) in due to other funds	(88,000)	-	-	51,404	-	(36,596)
Net Cash Provided (Used) by Operating Activities	\$ 282,645	\$ (323,328)	\$ 95,120	\$ (436,367)	\$ 19,432	\$ (362,498)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Estimated cost of fixed assets installed or financed by developers, customers or the City	\$ -	\$ 28,182,473	\$ -	\$ -	\$ -	\$ 28,182,473

CITY OF RACINE
Internal Service Funds

COMBINING STATEMENT OF NET ASSETS
December 31, 2004

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
ASSETS						
Current Assets						
Cash and investments	\$ 165,309	\$ -	\$ -	\$ 2,873,488	\$ 97,926	\$ 3,136,723
Inventories	349,254	-	-	-	-	349,254
Receivables						
Accounts	22,766	-	-	-	1,798	24,564
Taxes	-	27,976	50,800	-	-	78,776
Due from other funds	5,807	-	-	31,444	1,180	38,431
Total Current Assets	543,136	27,976	50,800	2,904,932	100,904	3,627,748
Noncurrent Assets						
Capital assets						
Land, buildings and improvements	1,550,727	-	-	-	-	1,550,727
Equipment, furniture and vehicles	308,172	-	-	-	654,566	962,738
Less: Accumulated depreciation	(574,398)	-	-	-	(65,458)	(639,856)
Total Capital Assets (Net of Accumulated Depreciation)	1,284,501	-	-	-	589,108	1,873,609
TOTAL ASSETS	\$ 1,827,637	\$ 27,976	\$ 50,800	\$ 2,904,932	\$ 690,012	\$ 5,501,357
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 26,584	\$ -	\$ -	\$ 222,360	\$ 40,831	\$ 289,775
Accrued liabilities	33,535	-	-	1,379,815	-	1,413,350
Deferred property tax	-	27,976	50,800	-	-	78,776
TOTAL LIABILITIES	60,119	27,976	50,800	1,602,175	40,831	1,781,901
NET ASSETS						
Invested in capital assets	1,284,501	-	-	-	589,108	1,873,609
Unrestricted	483,017	-	-	1,302,757	60,073	1,845,847
TOTAL NET ASSETS	\$ 1,767,518	\$ -	\$ -	\$ 1,302,757	\$ 649,181	\$ 3,719,456

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS For the Year Ended December 31, 2004

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
OPERATING REVENUES						
Charges for services and sales						
Labor charges	\$ 1,593,136	\$ -	\$ -	\$ -	\$ -	\$ 1,593,136
Machinery and equipment charges	1,118,168	-	-	-	-	1,118,168
Fuel and oil sales	776,820	-	-	-	-	776,820
Parts and supplies sales	531,603	-	-	-	-	531,603
Health insurance premiums	-	-	-	12,564,015	-	12,564,015
Telephone service sales	-	-	-	-	198,906	198,906
Other	4,475	-	-	-	-	4,475
Total Operating Revenues	<u>4,024,202</u>	<u>-</u>	<u>-</u>	<u>12,564,015</u>	<u>198,906</u>	<u>16,787,123</u>
OPERATING EXPENSES						
Public Works						
Operating supplies and expenses	3,050,632	-	-	-	-	3,050,632
Office supplies and expenses	2,305	-	-	-	-	2,305
General administration	-	-	-	-	-	-
Telephone expenses	-	-	-	-	167,093	167,093
Health insurance	-	-	-	13,349,902	-	13,349,902
Depreciation	57,431	-	-	-	26,184	83,615
Total Operating Expenses	<u>3,110,368</u>	<u>-</u>	<u>-</u>	<u>13,349,902</u>	<u>193,277</u>	<u>16,653,547</u>
Operating Income (loss)	913,834	-	-	(785,887)	5,629	133,576
TRANSFER IN						
Change in Net Assets	-	-	-	400,000	-	400,000
	913,834	-	-	(385,887)	5,629	533,576
TOTAL NET ASSETS - Beginning of Year	853,684	-	-	1,688,644	643,552	3,185,880
TOTAL NET ASSETS - END OF YEAR	<u>\$ 1,767,518</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,302,757</u>	<u>\$ 649,181</u>	<u>\$ 3,719,456</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS For the Year Ended December 31, 2004

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 4,031,781	\$ -	-	\$ 12,566,750	\$ 198,358	\$ 16,796,889
Payments to suppliers	(1,456,634)	-	-	(13,094,613)	(159,934)	(14,711,181)
Payments to employees	(2,349,558)	-	-	-	-	(2,349,558)
Net Cash Provided (Used) by Operating Activities	225,589	-	-	(527,863)	38,424	(263,850)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer in	-	-	-	400,000	-	400,000
Net Cash Provided by Noncapital Financing Activities	-	-	-	400,000	-	400,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Acquisition and construction of capital assets	(60,280)	-	-	-	-	(60,280)
Net Cash Used by Capital and Related Financing Activities	(60,280)	-	-	-	-	(60,280)
Net Increase (Decrease) in Cash and Cash Equivalents	165,309	-	-	(127,863)	38,424	75,870
CASH AND CASH EQUIVALENTS - Beginning of Year	-	-	-	3,001,351	59,502	3,060,853
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 165,309	\$ -	\$ -	\$ 2,873,488	\$ 97,926	\$ 3,136,723

CITY OF RACINE
Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2004

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating Income (loss)	\$ 913,834	\$ -	\$ -	\$ (785,887)	\$ 5,629	\$ 133,576
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities						
Depreciation expense	57,431	-	-	-	26,184	83,615
(Increase) decrease in accounts receivable	6,389	-	-	-	(574)	5,815
(Increase) decrease in taxes receivable	-	(27,976)	(50,800)	-	-	(78,776)
(Increase) decrease in inventories	50,773	-	-	-	-	50,773
(Increase) decrease in due from other funds	1,190	-	-	2,735	26	3,951
Increase (decrease) in accounts payable	22,749	-	-	112,045	7,159	141,953
Increase (decrease) in accrued liabilities	(16,530)	-	-	143,244	-	126,714
Increase (decrease) in deferred revenue	-	27,976	50,800	-	-	78,776
Increase (decrease) in due to other funds	(810,247)	-	-	-	-	(810,247)
Total Adjustments	(688,245)	-	-	258,024	32,795	(397,426)
Net Cash Provided (Used) by Operating Activities	\$ 225,589	\$ -	\$ -	\$ (527,863)	\$ 38,424	\$ (263,850)