

**CITY OF RACINE**

Racine, Wisconsin

**FINANCIAL STATEMENTS**

December 31, 2006

# CITY OF RACINE

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## **INDEPENDENT AUDITORS' REPORT**

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## INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Racine, Wisconsin, as of and for the year ended December 31, 2006, 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 of Racine'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 82 percent and 82 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. The financial statements of the City of Racine Water and Wastewater Utilities and the Downtown Racine Business Improvement District #1 were not audited in accordance with *Government Auditing Standards*.

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, 2006, and the respective changes in financial position and where applicable, cash flows 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 July 20, 2007 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, 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 and the other auditors 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 as listed in the table of contents 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 as listed in the table of contents 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  
July 20, 2007

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

**CITY OF RACINE**  
Racine, Wisconsin

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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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, 2006.

**Financial Highlights**

- The assets of the City of Racine exceeded its liabilities at the close of the most recent fiscal year by \$312,445,297 (net assets). Of this amount, \$33,809,872 (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 \$4,818,012.
- As of the close of the current fiscal year, the City of Racine's governmental funds reported combined ending fund balances of \$51,657,403, an increase of \$1,703,719, in comparison with the prior year. Approximately 50.5% of this amount, \$26,095,284, is available for spending at the government's discretion (unreserved fund balance). At year end, management had designated \$3,145,668 of the unreserved fund balance for use in the 2007 budget.
- At the end of the current fiscal year, unreserved-undesignated fund balance for the general fund was \$21,894,071 or 29% of total general fund expenditures.
- Total long term obligations decreased by approximately \$3.8 million for the fiscal year ended December 31, 2006. Long term obligation activity during the year included the following:
  - \$7.1 million for the 2006 capital improvement plan
  - \$13.1 million for the current refunding of \$13 million of general obligation bond anticipation notes
  - \$2.3 million for the expansion of the water membrane plant and the completion of the Wastewater Utility plant expansion
  - \$13.2 million for general repayments

**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**

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**Government-wide Financial Statements (*continued*)**

Both the government-wide financial statements distinguish functions 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 17-19 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**

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### **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, HUD fund, TIF fund, Refunding fund, and the Debt Service Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregate presentation. Nonmajor governmental fund data is provided in the form of combining worksheets elsewhere in the report.

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

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

### **Proprietary Funds**

The City of Racine maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business type activities in the government-wide financial statements. The City of Racine uses enterprise funds to account for its Water, Wastewater, 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, MIS, Building Complex, Telephone System, and Health Insurance. Individual fund data for the internal service funds is provided in the form of combining statements elsewhere in this report.

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

### **Fiduciary Funds**

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

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

# **CITY OF RACINE**

Racine, Wisconsin

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

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### **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 35-86 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 87-119 of this report.

### **Government-wide Financial Analysis**

Net assets may serve over time as a useful indicator of a government's financial position. December 31, 2006 and 2005 City's assets exceeded liabilities by \$312,445,298 and \$307,627,286 (as restated) respectively. The December 31, 2005 net assets of the governmental activities have been restated to include the land in the City right of way in the amount of \$15,015,547.

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 \$254,016,389 and \$258,496,011 (as restated) at December 31, 2006 and 2005.

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 \$24,619,036 and \$23,404,238 and unrestricted net assets was \$33,809,872 and \$25,727,037 as of December 31, 2006 and 2005 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, 2006 and 2005. Amounts are expressed in thousands.

	<u>2006</u>	(Restated) <u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	(Restated) <u>2005</u>
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
Current and other assets	\$ 126,159	\$ 119,933	\$ 88,824	\$ 98,589	\$ 214,983	\$ 218,522
Capital assets	<u>174,407</u>	<u>173,048</u>	<u>281,907</u>	<u>277,280</u>	<u>456,314</u>	<u>450,328</u>
Total assets	<u>300,566</u>	<u>292,981</u>	<u>370,731</u>	<u>375,869</u>	<u>671,297</u>	<u>668,850</u>
Current and other liabilities	56,209	53,018	6,751	9,179	62,960	62,197
Liabilities payable from restricted assets	-	-	11,660	9,656	11,660	9,656
Long-term liabilities	<u>104,131</u>	<u>102,732</u>	<u>180,101</u>	<u>186,637</u>	<u>284,232</u>	<u>289,369</u>
Total liabilities	<u>160,340</u>	<u>155,750</u>	<u>198,512</u>	<u>205,472</u>	<u>358,852</u>	<u>361,222</u>
Net assets:						
Invested in capital assets net of related debt	105,264	106,439	148,752	152,058	254,016	258,497
Restricted	14,615	14,921	10,004	8,483	24,619	23,404
Unrestricted	<u>20,347</u>	<u>15,871</u>	<u>13,463</u>	<u>9,856</u>	<u>33,810</u>	<u>25,727</u>
Total net assets	<u>\$ 140,226</u>	<u>\$ 137,231</u>	<u>\$ 172,219</u>	<u>\$ 170,397</u>	<u>\$ 312,445</u>	<u>\$ 307,628</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, 2006 and 2005. Amounts are expressed in thousands.

	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</u>	<u>2006</u>	<u>2005</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>		
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 32,914	\$ 28,813	\$ 34,283	\$ 32,654	\$ 67,197	\$ 61,467
Operating grants and contributions	11,107	11,114	4,890	4,566	15,997	15,680
Capital grants and contributions	3,558	3,411	5,535	8,254	9,093	11,665
General Revenues						
Taxes	41,968	40,444	1,422	1,454	43,390	41,898
Intergovernmental revenues not restricted to specific programs	30,851	31,123	-	-	30,851	31,123
Investment income	4,353	2,880	1,662	1,184	6,015	4,064
Other	850	663	150	182	1,000	845
Total revenues	<u>\$ 125,601</u>	<u>\$ 118,448</u>	<u>\$ 47,942</u>	<u>\$ 48,294</u>	<u>\$ 173,543</u>	<u>\$ 166,742</u>
<b>Expenses</b>						
General government	436	28,898	-	-	31,436	28,898
Community development	4,766	5,406	-	-	4,766	5,406
Health	2,960	2,936	-	-	2,960	2,936
Education and recreation	12,390	14,456	-	-	12,390	14,456
Public works	26,167	23,817	-	-	26,167	23,817
Public safety	42,985	41,159	-	-	42,985	41,159
Interest and fiscal charges	5,139	4,870	-	-	5,139	4,870
Water	-	-	14,450	12,721	14,450	12,721
Wastewater	-	-	14,049	12,933	14,049	12,933
Belle urban system	-	-	8,439	8,307	8,439	8,307
Other	-	-	5,945	4,753	5,945	4,753
Total expenses	<u>125,843</u>	<u>121,542</u>	<u>42,883</u>	<u>38,714</u>	<u>168,726</u>	<u>160,256</u>
Increase (decrease) in net assets before transfers	(242)	(3,094)	5,059	9,580	4,817	6,486
Transfers	<u>3,237</u>	<u>2,896</u>	<u>(3,237)</u>	<u>(2,896)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	2,995	(198)	1,822	6,684	4,817	6,486
Net assets-beginning of year, as restated	<u>137,231</u>	<u>137,429</u>	<u>170,397</u>	<u>163,713</u>	<u>307,628</u>	<u>301,142</u>
Net assets-end of year	<u>\$ 140,226</u>	<u>\$ 137,231</u>	<u>\$ 172,219</u>	<u>\$ 170,397</u>	<u>\$ 312,445</u>	<u>\$ 307,628</u>

**CITY OF RACINE**  
Racine, Wisconsin

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Governmental Activities**

The net assets in the governmental activities increased by approximately \$3 million during the fiscal year. The primary reasons for the increase are as follows:

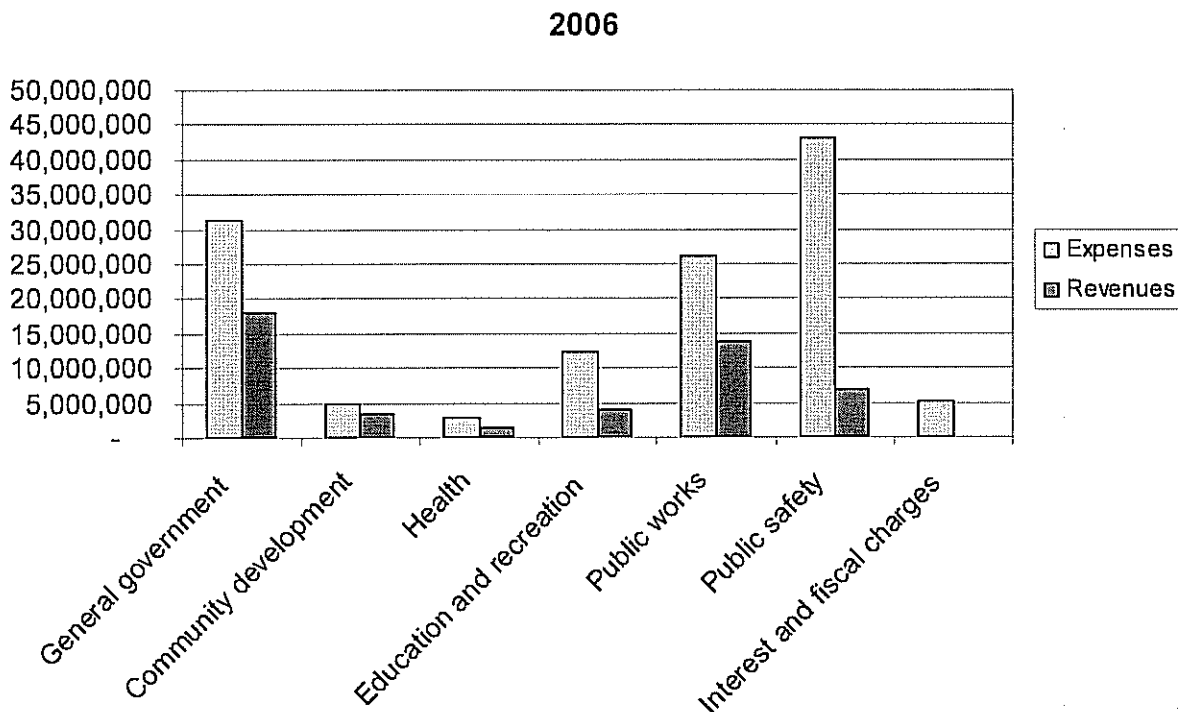
The non major other governmental funds accounted for the majority of the increases significant items contributing to the increase were:

1. Various funds including the special assessment, cemetery, trust, and endowment funds had unspent investment income in excess of \$750,000
2. The federal asset forfeiture program had approximately \$125,000 of forfeitures in excess of funds spent
3. The recycling program had approximately \$140,000 of intergovernmental revenues and tax levy in excess of funds spent.
4. Intergovernmental revenues in various funds were in excess of expenditures in the amount of \$600,000.

The general fund accounted for the majority of the rest of the increase. This was a result of actual revenues exceeding budgeted amounts and actual expenditures that were less than budgeted amounts. Discussion relating to the general fund revenues and expenditures can be found on page 13 of the management discussion and analysis.

There were no unusual expenses or revenues in the governmental activities in 2006. Further discussion regarding variances from budgeted amounts can be found later in the management discussion and analysis.

*Expenses and Program Revenues-Governmental Activities:*



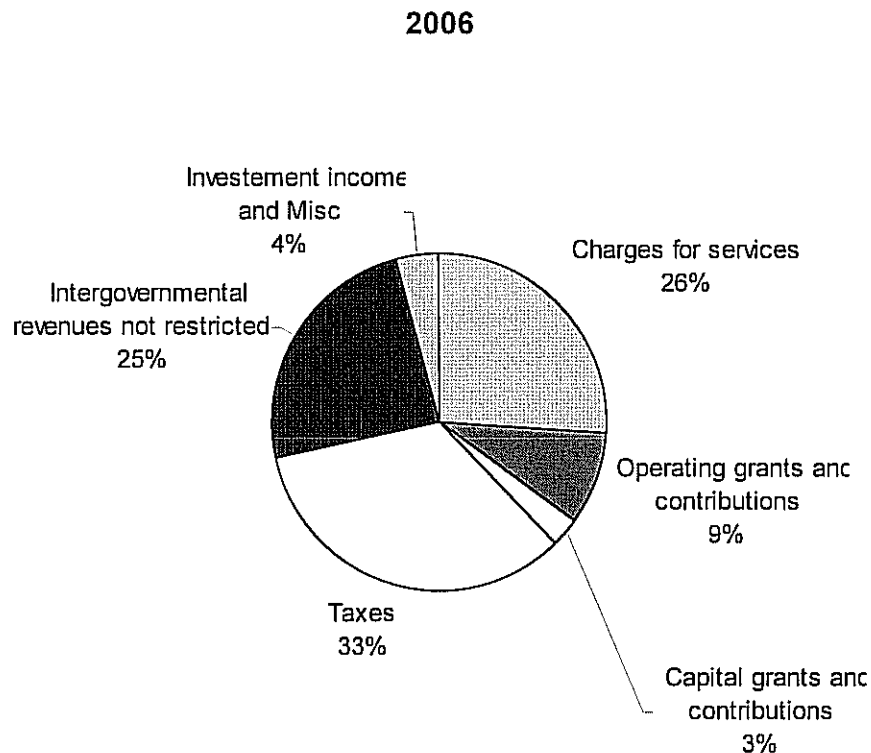
**CITY OF RACINE**  
Racine, Wisconsin

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Governmental Activities (continued)**

*Program and General Revenues by Source – Governmental Activities:*



**Business-type activities**

Business-type activities net assets increased by \$1.8 million during the fiscal year 2006. Key elements of this increase are as follows:

- The Water utility had an increase in net assets of approximately \$2.8 million. The increase in net assets in the Water utility relates primarily to \$2.7 million of capital contribution from developers or customers, and REC fees collected.
- The Belle Urban Transit system has a decrease in net assets of \$666,930 which relates primarily to operating revenues that were unable to cover escalating depreciation expense. Although the Transit system continues to initiate fee increases, it is anticipated that this will be continue to be the trend.
- The Other Enterprise Funds of the City had a decrease in net assets of \$361,042. The decrease in net assets relates primarily to operating revenues unable to cover escalating depreciation expense.

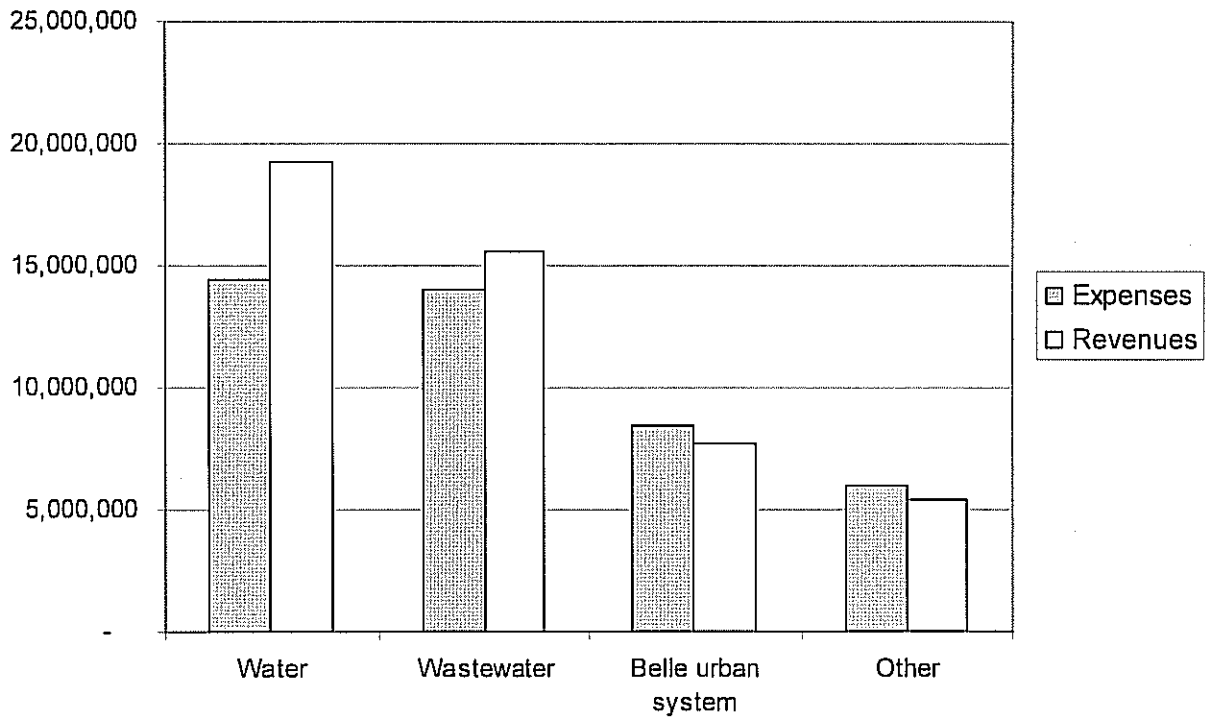
**CITY OF RACINE**  
Racine, Wisconsin

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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**Business-type activities (continued)**

*Expenses and Program Revenues – Business-type Activities:*



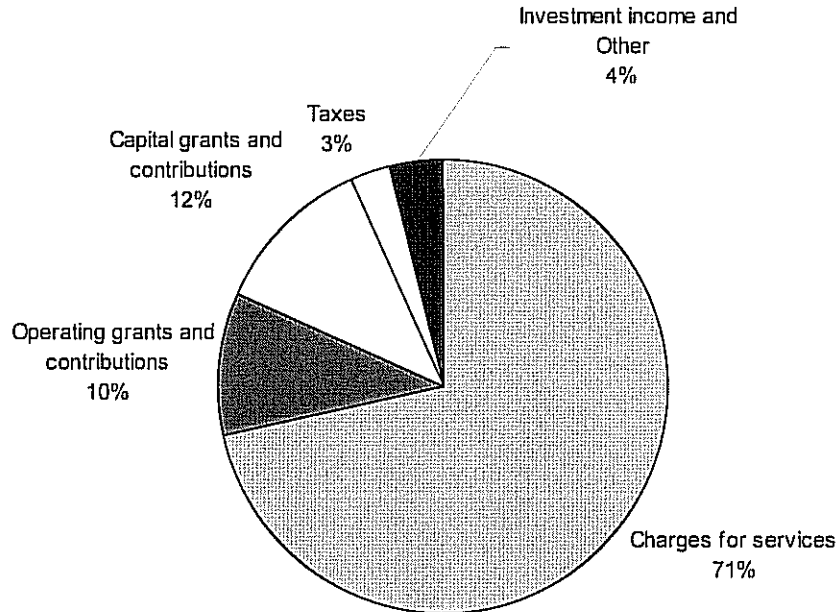
**CITY OF RACINE**  
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Business-Type Activities (continued)**

*Revenues by Source – Business-type Activities:*



**Financial Analysis of the Government's Funds**

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

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

As of the end of the current fiscal year, the City of Racine's governmental funds reported combined ending fund balances of \$51,657,403. Approximately 50.5% of this amount \$26,095,284 constitutes unreserved fund balance which is available for spending at the government's discretion. Management has designated \$3,145,668 of governmental fund balance to be used in the 2007 budget.

The general fund is the primary operating fund of the City of Racine. At the end of the current fiscal year, unreserved-undesignated fund balance of the general fund was \$21,894,071, while total fund balance totaled \$34,456,466. Unreserved-undesignated fund balance represents 29% of total general fund expenditures, while total fund balance represents 45.6% of total general fund expenditures.

## CITY OF RACINE

Racine, Wisconsin

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Although the general fund was budgeted to use \$2.8 million of fund balances during 2006, the general fund used \$583 thousand of fund balance for the year ended December 31, 2006. The resulting \$2.2 million positive variance is the result of both actual revenues exceeding budgeted amounts by \$1.0 and actual expenditures under budgeted amounts by approximately \$2.7 million. In addition, the general fund transferred \$1.2 million to the health insurance internal service fund to reduce the impact of unanticipated fluctuations in health insurance costs and \$350 thousand to the building complex internal service fund to cover unanticipated costs. The following details both the revenue and expenditures factors that contributed to the positive variance:

- Investment income was \$939,691, or 55.8% over the budget of \$1,685,000. The City's blended interest rate remained well above 4% during the year by continuing to stagger the maturities of long term investments. The staggered maturity schedules allows for appropriate cash flows while resulting in significant improvements in investment earnings.
- License and permits were \$252,733, or 17.4% over the budget of \$1,451,315. This is a result of building, electrical, and plumbing permits as well as cable franchise fees collected in excess of budget. Building, electrical, and plumbing permits exceeded budgeted amounts by approximately \$150,000 due to several large construction projects commencing in 2006. The large construction projects include the addition to the County jail, and City TID #12 and #13. Cable franchise fees exceeded the amended budget by approximately \$50,000 due to conservative budgeting to reflect the unknown effect of recent satellite competition in the market. The budget for franchise fee revenue has been increased in the 2007 budget.
- Fines and forfeitures were \$281,393, or 18.6% under the budget of \$1,513,600. This is a result of the aggressive budgeting of traffic violation fines. Traffic violation fine revenues were consistent with prior years revenues, but substantially under the 2006 budgeted values.
- Other revenues were \$166,918, or 55.2% over the budget of \$302,600. This is a result of interest and penalties on taxes, insurance rebates, and training reimbursements exceeding budgeted amounts. Interest and penalties on taxes exceeded budget by approximately \$44,000. During 2006, the City notified all delinquent tax payers after each installment date. This resulted in an increase in the number of citizens paying taxes due prior to July 31. Insurance rebates exceeded budgets by \$50,000, due to the receipt of several rebates for workers compensation insurance and liability insurance that were not anticipated. The City also received \$40,000 in training reimbursements that were not anticipated in the 2006 budget. The training reimbursements will continue in subsequent years and have been appropriately budgeted in 2007. The remaining difference from the budget was due primarily to sale of minor equipment for scrap. Scrap metal prices were at record highs during 2006, leading the City to dispose of many minor items that were not being utilized.
- With the exception of general government, all general fund expenditure categories were under budget in 2006. The general government category of expenditures was \$458,449, or 3.3% over the budget of \$13,830,300. This resulted primarily from several outstanding workers compensation claims. Outstanding claims resulted in a substantial increase in the City's incurred but not reported claims as of 12/31/2006. The City has increased the workers compensation budget in 2007 to reflect the increase in claims over the last several years.

**CITY OF RACINE**  
Racine, Wisconsin

**MANAGEMENT'S DISCUSSION AND ANALYSIS**

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

- All of the other general fund categories were under budget in 2006 primarily in the salary and fringe benefit appropriation units. Due to budget concerns resulting from levy limits and the reduction in state aids, the City instituted a new policy in 2005 that requires all open positions to be justified and analyzed prior to filling. This policy resulted in a number of funded positions that were left open throughout the City for several months throughout the year. In addition, the City continues to see many retirements each year. As positions are vacated they are either eliminated, or filled with individuals at a lesser rate of pay.
- Capital outlays were \$431,101 under budget. The majority of these items were encumbered at the end of the year and will be carried over and spent in 2007. The largest item encumbered as of year end were solid waste vehicles that were ordered prior to year end, but received in 2007.

The 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. Fund balances in this fund totaled \$2,132,250 and \$2,042,561 at the end of fiscal year 2006 and 2005, of which the majority is reserved for specific purposes. In 2006, fund balance increased in the HUD fund as a result of loan payoffs and interest payments exceeding new loans. In 2005, fund balance in the HUD fund decrease due primarily to new loans given exceeding loan payoffs.

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 \$(6,682,775) and \$(7,774,062) at the end of fiscal year 2006 and 2005 due to expenditures exceeding tax incremental revenues for the majority of the districts. Tax increment sharing increased fund balances during 2006 and 2005 by \$1,091,287 and \$1,063,029 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, 2006 and 2005 of \$808,668 and \$1,332,753, all of which is reserved for the payment of debt service. The change in the fund balance during 2006 and 2005 was \$(524,085) and \$(801,659) respectively. The decrease in fund balance during 2006 was a result of various factors including interest on debt in 2006 exceeding projections and an anticipated use of fund balance in the amount of \$429,652.

The Refunding Debt service fund is another major governmental fund of the City of Racine. The fund accounts for the accumulation of resources for, and the current and advance refunding of, general long-term obligation debt principal, interest, and related costs. During 2006, this fund accounted for the current refunding of the City's 2006 \$7,000,000 General Obligation Note anticipation notes, \$4,000,000 of 2004 Note anticipation Notes, and \$2,000,000 of 2005 Taxable Note Anticipation notes.

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 \$20,942,794 and \$19,312,927 in 2006 and 2005 respectively. Reserved fund balance is \$12,984,443 and \$13,669,929 in 2006 and 2005 and unreserved is \$7,958,351 and \$5,642,998 in 2006 and 2005. The fund balances of these funds increased by \$1,629,867 during 2006 due primarily to unspent bond and interest proceeds in the capital project funds, as well as unspent proceeds from the intergovernmental sewer agreement.

## CITY OF RACINE

Racine, Wisconsin

### MANAGEMENT'S DISCUSSION AND ANALYSIS

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

*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 2006 and 2005 amounted to \$6,232,491 and \$1,780,384, for the Wastewater utility \$7,490,769 and \$8,212,192, for the Belle urban system \$(1,536,447) and \$(1,405,934), and for the other enterprise funds \$1,276,298 and \$1,269,419. The total change in net assets for the Water Utility for 2006 and 2005 was \$2,835,579 and \$5,494,885 the Wastewater Utility \$14,741 and \$586,323, for the Belle urban system \$(666,930) and \$57,606, and for the Other Enterprise funds \$(361,042) and \$544,656 respectively. Factors concerning the financial results of these funds have been addressed in the discussion of the City of Racine's business-type activities.

#### **Capital Asset and Debt Administration**

*Capital Assets* – The City of Racine's investment in capital assets for its governmental and business-type activities as of December 31, 2006 and 2005 amounts to \$254,016,389 and \$258,496,011 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. As of December 31, 2006 and 2005, capital assets, net of accumulated depreciation totaled \$456,314,305 and \$450,328,144 respectively. Capital assets, net of accumulated depreciation increased approximately \$6 million and \$16 million during 2006 and 2005. In 2006 the increase came primarily from the business-type activities due to the construction of the Water Utility membrane plant.

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

- Construction of the Water Utility Membrane plant concluded in 2006.
- The Lake Michigan Bike Path project continues construction. The project is funded 80% by a CMAQ grant from the federal department of transportation. Total cost of the project has exceeded \$1.7 million.
- The construction phase of TIF #10 began in 2003 and continued in 2006. The redevelopment of the Jacobson Textron manufacturing site (TIF #10) is expected to be completed by the end of 2007. Construction in progress relating to TIF #10 is approximately \$5 million. Total project costs are anticipated to exceed \$6 million.
- Construction on the passenger depot concluded in 2006. Total cost of this project exceed \$1.3 million and was funded 80% by various grant funds.

**CITY OF RACINE**  
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**Capital Asset and Debt Administration (continued)**

*Long-term debt* – At the end of 2006 and 2005, the City of Racine had total debt outstanding of \$241,131,266 and \$244,930,874. Of this amount, the debt backed by the full faith and credit of the government is \$100,736,625 and \$99,307,750 in 2006 and 2005 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 decreased in 2006 by approximately \$3.8 million. The majority of the decrease in 2006 was a result of debt payoffs in the enterprise funds exceeding new debt issued.

	<u>Outstanding debt</u>	
	<u>2006</u>	<u>2005</u>
Governmental Activities:		
General obligation bonds and notes	\$ 100,736,625	\$ 99,307,750
Business-Type Activities:		
Revenue bonds	<u>140,394,641</u>	<u>145,623,124</u>
Total	<u>\$ 241,131,266</u>	<u>\$ 244,930,874</u>

**Economic Conditions and 2006 and 2007 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 2007, the City's unemployment rate is 10.9% compared to a state rate of 5.3% and a county rate of 6.7%.

The assessed value of the City has increased over the last several years with an 8.4% and 7.3% increase in 2006 and 2005 respectively. The City anticipates another 8% increase in the assessed value in 2007.

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, including 5 year planning for both capital and operational budgets.

Due to the budget issues at the state level, the City is anticipating no increase in the intergovernmental aids received from the state in 2007 or 2008. In addition the City faces 10%-15% increases in health insurance costs in both 2007 and 2008.

The City used \$3.6 million of general fund, debt service fund and other governmental fund balances to stabilize the 2007 tax rate. The 2007 City tax rate was \$10.83 per thousand. Due to the anticipated increases in health insurance costs, the use of fund balance in the 2007 budget, and increasing debt service requirements, difficult choices will have to be made in the preparation of the 2008 budget.

**Requests for information**

This financial report is designed to provide a general overview of the City of Racine's finances for all those with an interest in the government's finances. The financial report can be found at [www.cityofracine.org](http://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.

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## **BASIC FINANCIAL STATEMENTS**

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**CITY OF RACINE**

**STATEMENT OF NET ASSETS**  
December 31, 2006

	Primary Government				
	Governmental Activities	Business Type Activities	Total	Business Improvement District	Redevelopment Authority
ASSETS					
Cash and investments	\$ 59,741,730	\$ 15,195,717	\$ 74,937,447	\$ 16,714	\$ 69,264
Receivables (net of allowance for uncollectible accounts)	58,085,396	11,168,311	69,253,707	10,000	475,000
Internal balances	(806,967)	806,967	-	-	-
Due from primary government	-	-	-	187,500	-
Due from other governments	4,226,550	1,028,351	5,254,901	-	-
Inventories	451,446	895,615	1,347,061	-	-
Prepaid items	50,233	23,191	73,424	-	-
Deferred charges	924,478	1,680,526	2,605,004	-	-
Advances to other funds	3,036,664	(3,036,664)	-	-	-
Advances to component unit	450,000	-	450,000	-	-
Restricted assets					
Cash and investments	-	16,312,621	16,312,621	-	-
Accrued interest receivable	-	131,857	131,857	-	-
Plant capacity, current portion	-	2,235,930	2,235,930	-	-
Interest receivable - plant capacity	-	197,877	197,877	-	-
Plant capacity, long term	-	42,182,848	42,182,848	-	-
Capital assets					
Land	23,326,295	6,303,255	29,629,550	-	698,901
Construction in progress	13,662,526	1,251,492	14,914,018	-	-
Other capital assets (net of accumulated depreciation)	137,418,134	274,352,603	411,770,737	9,221	-
TOTAL ASSETS	\$ 300,566,485	\$ 370,730,497	\$ 671,296,982	\$ 223,435	\$ 1,243,165
LIABILITIES					
Liabilities					
Accounts payable	\$ 4,549,558	\$ 1,701,256	\$ 6,250,814	\$ 5,680	\$ -
Accrued compensation and other current liabilities	5,988,012	627,283	6,615,295	-	-
Due to other governments	191,557	-	191,557	-	-
Accrued interest payable	204,627	-	204,627	-	-
Unearned revenue	45,275,571	4,422,804	49,698,375	187,500	-
Liabilities payable from restricted assets					
Accounts payable	-	1,730,855	1,730,855	-	-
Accrued interest payable	-	1,040,103	1,040,103	-	-
Current portion of long term debt	-	7,844,926	7,844,926	-	-
Deferred capacity revenue, current portion	-	1,043,782	1,043,782	-	-
Noncurrent liabilities					
Deferred capacity revenue	-	45,933,552	45,933,552	-	-
Due within one year	6,515,998	53,267	6,569,265	-	-
Due in more than one year	97,614,731	134,113,803	231,728,534	-	1,050,000
TOTAL LIABILITIES	160,340,054	198,511,631	358,851,685	193,180	1,050,000
NET ASSETS					
Invested in capital assets, net of related debt	105,264,561	148,751,828	254,016,389	9,221	698,901
Restricted					
Debt service	604,041	-	604,041	-	-
Permanent funds	3,681,079	-	3,681,079	-	-
HUD loan program	10,329,989	-	10,329,989	-	-
Water	-	3,942,450	3,942,450	-	-
Wastewater	-	6,061,477	6,061,477	-	-
Unrestricted	20,346,761	13,463,111	33,809,872	21,034	(505,736)
TOTAL NET ASSETS	\$ 140,226,431	\$ 172,218,866	\$ 312,445,297	\$ 30,255	\$ 193,165

See accompanying notes to financial statements.

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# CITY OF RACINE

## STATEMENT OF ACTIVITIES For the Year Ended December 31, 2006

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating	Capital	Primary Government			Business Improvement District	Redevelopment Authority
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total		
Primary Government									
Governmental activities									
General government	\$ 31,435,885	\$ 18,181,897	\$ 20,000	\$ -	\$ (13,233,988)	\$ -	\$ (13,233,988)	\$ -	\$ -
Community development	4,766,093	302,436	2,386,827	643,573	(1,433,257)	-	(1,433,257)	-	-
Health	2,959,427	415,473	976,552	-	(1,567,402)	-	(1,567,402)	-	-
Education and recreation	12,390,408	945,911	1,426,672	1,514,660	(8,503,165)	-	(8,503,165)	-	-
Public works	26,167,116	7,562,070	5,028,904	1,331,577	(12,244,565)	-	(12,244,565)	-	-
Public safety	42,984,999	5,505,847	1,268,332	68,600	(36,142,220)	-	(36,142,220)	-	-
Interest and fiscal charges	5,138,880	-	-	-	(5,138,880)	-	(5,138,880)	-	-
Total Governmental Activities	125,842,808	32,913,634	11,107,287	3,558,410	(78,263,477)	-	(78,263,477)	-	-
Business type activities									
Water	14,449,762	15,692,460	-	2,680,872	-	3,923,570	3,923,570	-	-
Wastewater	14,049,094	12,473,984	-	2,346,475	-	771,365	771,365	-	-
Belle Urban Transit	8,438,953	1,201,978	4,889,976	507,157	-	(1,839,842)	(1,839,842)	-	-
Other	5,945,064	4,914,682	-	-	-	(1,030,382)	(1,030,382)	-	-
Total Business Type Activities	42,882,873	34,283,104	4,889,976	5,534,504	-	1,824,711	1,824,711	-	-

**CITY OF RACINE**

**STATEMENT OF ACTIVITIES**  
For the Year Ended December 31, 2006

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
			Operating	Capital	Primary Government			Business	
	Expenses	Charges for	Grants and	Grants and	Governmental	Business-Type	Total	Improvement	Redevelopment
		Services	Contributions	Contributions	Activities	Activities		District	Authority
Total Primary Government	\$ 168,725,681	\$ 67,196,738	\$ 15,997,263	\$ 9,092,914	(78,263,477)	1,824,711	(76,438,766)	-	-
Component Unit									
Business Improvement District	\$ 179,616	\$ 1,029	\$ 10,000	\$ -	-	-	-	(168,587)	-
Redevelopment Authority	141,507	9,926	-	-	-	-	-	-	(131,581)
	<u>\$ 321,123</u>	<u>\$ 10,955</u>	<u>\$ 10,000</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(168,587)</u>	<u>(131,581)</u>
General Revenues									
Taxes									
Property taxes levied for general purposes					31,693,253	1,422,130	33,115,383	-	-
Property taxes levied for debt service					6,366,525	-	6,366,525	-	-
Property taxes levied for TIF					3,814,157	-	3,814,157	-	-
Other taxes					93,758	-	93,758	173,550	-
Intergovernmental revenues not restricted to specific programs					30,851,070	-	30,851,070	-	-
Investment income					4,353,386	1,662,176	6,015,562	-	-
Miscellaneous					849,684	150,639	1,000,323	-	-
Transfers					<u>3,237,308</u>	<u>(3,237,308)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers					<u>81,259,141</u>	<u>(2,363)</u>	<u>81,256,778</u>	<u>173,550</u>	<u>-</u>
Change in Net Assets before change in accounting principle					2,995,664	1,822,348	4,818,012	4,963	(131,581)
NET ASSETS - Beginning of Year, as restated					<u>137,230,768</u>	<u>170,396,518</u>	<u>307,627,286</u>	<u>25,292</u>	<u>324,746</u>
NET ASSETS - END OF YEAR					<u>\$ 140,226,432</u>	<u>\$ 172,218,866</u>	<u>\$ 312,445,298</u>	<u>\$ 30,255</u>	<u>\$ 193,165</u>

**CITY OF RACINE**  
Governmental Funds

BALANCE SHEET  
December 31, 2006

	General Fund	HUD	Tax Increment Districts	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>ASSETS</b>							
Cash and investments	\$ 24,621,647	\$ 2,664,337	\$ 259,932	\$ -	\$ 800,943	\$ 24,193,478	\$ 52,540,337
Receivables							
Property taxes	31,954,791	-	3,269,171	-	6,903,058	3,944,515	46,071,535
Special assessments and special charges - tax roll	-	-	-	-	-	344,609	344,609
Special assessments	125,823	-	-	-	-	1,337,837	1,463,660
Delinquent personal property taxes	70,899	-	-	-	-	-	70,899
Loans and notes	158,100	8,474,110	-	-	-	-	8,632,210
Interest	360,677	-	-	-	-	-	360,677
Accounts	882,300	20,287	-	-	-	198,467	1,101,054
Total Receivables - Net	33,552,590	8,494,397	3,269,171	-	6,903,058	5,825,428	58,044,644
Due from other funds	8,208,900	-	-	-	7,725	42,276	8,258,901
Due from other governments	-	740,039	-	-	-	3,486,511	4,226,550
Inventories	114,229	-	-	-	-	-	114,229
Prepaid Items	30,233	20,000	-	-	-	-	50,233
Advances to component unit	-	-	-	-	-	450,000	450,000
Advances to other funds	6,515,709	-	-	-	1,762,520	2,617,254	10,895,483
<b>TOTAL ASSETS</b>	<b>\$ 73,043,308</b>	<b>\$ 11,918,773</b>	<b>\$ 3,529,103</b>	<b>\$ -</b>	<b>\$ 9,474,246</b>	<b>\$ 36,614,947</b>	<b>\$ 134,580,377</b>

# CITY OF RACINE

## Governmental Funds

### BALANCE SHEET

December 31, 2006

	General Fund	HUD	Tax Increment Districts	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>LIABILITIES AND FUND BALANCES</b>							
<b>Liabilities</b>							
Accounts payable	\$ 546,757	\$ 439,684	\$ -	\$ -	\$ -	\$ 3,043,076	\$ 4,029,517
Other accrued liabilities	952,986	456,441	-	-	-	207,324	1,616,751
Accrued compensation	1,355,469	-	-	-	-	-	1,355,469
Due to other funds	3,623,965	364,906	-	-	-	5,132,315	9,121,186
Due to other governments	140,104	51,382	-	-	-	71	191,557
Insurance claims payable	1,791,939	-	-	-	-	-	1,791,939
Advances from other funds	-	-	6,942,707	-	-	916,112	7,858,819
Deferred revenue	158,100	8,474,110	-	-	1,762,520	2,084,131	12,478,861
Deferred interest	522,395	-	-	-	-	-	522,395
Deferred property tax revenue	29,495,127	-	3,269,171	-	6,903,058	4,289,124	43,956,480
Total Liabilities	38,586,842	9,786,523	10,211,878	-	8,665,578	15,672,153	82,922,974
<b>Fund Balances</b>							
<b>Reserved for:</b>							
Subsequent year's expenditures	\$ 219,389	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 219,389
Endowments	-	-	-	-	-	1,395,369	1,395,369
Inventories	114,229	-	-	-	-	-	114,229
Prepaid items	30,233	20,000	-	-	-	-	50,233
Encumbrances	412,479	69,375	-	-	-	1,849,480	2,331,334
Community Development	-	1,822,875	-	-	-	-	1,822,875
Capital projects	-	-	-	-	-	6,672,340	6,672,340
Noncurrent receivables	3,087,116	-	-	-	-	-	3,087,116
Advance to other funds	5,993,312	-	-	-	-	3,067,254	9,060,566
Debt service	-	-	-	-	808,668	-	808,668

**CITY OF RACINE**  
Governmental Funds

BALANCE SHEET  
December 31, 2006

	General Fund	HUD	Tax Increment Districts	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Fund Balances (continued)</b>							
Unreserved (deficit), reported in:							
General fund							
Designated for subsequent year's							
expenditures	\$ 2,705,637	\$ -	\$ -	\$ -	\$ -	\$ -	2,705,637
Undesignated	21,894,071	-	-	-	-	-	21,894,071
Permanent Funds	-	-	-	-	-	2,285,710	2,285,710
Special revenue funds							
Designated for subsequent year's							
expenditures	-	-	-	-	-	294,549	294,549
Undesignated	-	220,000	(6,682,775)	-	-	7,426,233	963,458
Capital project funds							
Designated for subsequent year's							
expenditures	-	-	-	-	-	145,482	145,482
Undesignated	-	-	-	-	-	(2,193,623)	(2,193,623)
Total Fund Balances	<u>34,456,466</u>	<u>2,132,250</u>	<u>(6,682,775)</u>	<u>-</u>	<u>808,668</u>	<u>20,942,794</u>	<u>51,657,403</u>
<b>TOTAL LIABILITIES</b>							
<b>AND FUND BALANCES</b>	<u>\$ 73,043,308</u>	<u>\$ 11,918,773</u>	<u>\$ 3,529,103</u>	<u>\$ -</u>	<u>\$ 9,474,246</u>	<u>\$ 36,614,947</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							171,895,679
Internal service fund net assets							8,244,983
Other long-term assets that are not available to pay for current period expenditures and therefore are deferred in funds							11,721,422
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds.							(103,293,056)
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>							<u>\$ 140,226,431</u>

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**CITY OF RACINE**  
Governmental Funds

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
For the Year Ended December 31, 2006

	General Fund	Other HUD	Tax Increment	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>REVENUES</b>							
Taxes	\$ 28,033,696	\$ -	\$ 3,057,325	\$ -	\$ 6,366,525	\$ 4,312,346	\$ 41,769,892
Special assessments	-	-	-	-	-	1,977,013	1,977,013
Intergovernmental	34,675,483	2,761,488	42,394	-	-	7,445,858	44,925,223
Licenses and permits	1,704,048	-	-	-	-	-	1,704,048
Fines and forfeitures	1,232,207	-	-	-	-	411,112	1,643,319
Investment income	2,624,691	35,162	146,376	30,196	-	1,423,704	4,260,129
Charges for services	4,245,410	21,320	-	-	-	1,007,262	5,273,992
Donations	-	-	-	-	-	445,459	445,459
Other	469,518	1,272,823	62,798	-	702,565	152,801	2,660,505
Total Revenues	<u>72,985,053</u>	<u>4,090,793</u>	<u>3,308,893</u>	<u>30,196</u>	<u>7,069,090</u>	<u>17,175,555</u>	<u>104,659,580</u>
<b>EXPENDITURES</b>							
Current							
General government	14,288,749	-	-	-	-	-	14,288,749
Community development	-	3,556,840	-	-	-	406,156	3,962,996
Health	2,088,423	-	-	-	-	879,276	2,967,699
Education and recreation	6,263,889	-	-	-	-	4,597,458	10,861,347
Public works	10,726,770	-	-	-	-	1,494,013	12,220,783
Public safety	40,995,106	-	-	-	-	1,323,168	42,318,274
Capital outlay	1,234,821	412,246	-	-	-	12,659,246	14,306,313
Debt Service	-	-	-	-	-	-	-
Principal	-	-	-	-	5,750,240	-	5,750,240
Interest	-	-	363,183	341,750	4,271,511	-	4,976,444
Total Expenditures	<u>75,597,758</u>	<u>3,969,086</u>	<u>363,183</u>	<u>341,750</u>	<u>10,021,751</u>	<u>21,359,317</u>	<u>111,652,845</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,612,705)</u>	<u>121,707</u>	<u>2,945,710</u>	<u>(311,554)</u>	<u>(2,952,661)</u>	<u>(4,183,762)</u>	<u>(6,993,265)</u>

**CITY OF RACINE**  
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended December 31, 2006

	General Fund	Other HUD	Tax Increment	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>OTHER FINANCING SOURCES (USES)</b>							
Long-term debt issued	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,000,000	7,000,000
Refunding bonds issued	-	-	-	13,100,000	-	-	13,100,000
Premium on bonds issued	-	-	-	264,101	-	-	264,101
Payment on current refunding	-	-	-	(13,202,210)	-	-	(13,202,210)
Transfers in	3,492,216	-	-	157,856	2,428,576	612,356	6,691,004
Transfers (out)	(1,462,550)	(32,018)	(1,854,423)	(8,193)	-	(1,798,727)	(5,155,911)
Total Other Financing Sources (Uses)	<u>2,029,666</u>	<u>(32,018)</u>	<u>(1,854,423)</u>	<u>311,554</u>	<u>2,428,576</u>	<u>5,813,629</u>	<u>8,696,984</u>
<b>Net Change in Fund Balances</b>	(583,039)	89,689	1,091,287	-	(524,085)	1,629,867	1,703,719
<b>FUND BALANCES (DEFICIT) -</b>							
Beginning of Year	<u>35,039,506</u>	<u>2,042,561</u>	<u>(7,774,062)</u>	<u>-</u>	<u>1,332,753</u>	<u>19,312,927</u>	<u>49,953,685</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ 34,456,467</u>	<u>\$ 2,132,250</u>	<u>\$ (6,682,775)</u>	<u>\$ -</u>	<u>\$ 808,668</u>	<u>\$ 20,942,794</u>	<u>\$ 51,657,404</u>

## CITY OF RACINE

### RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES For the Year Ended December 31, 2006

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Net change in fund balances - total governmental funds	\$	1,703,719
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Amounts reported for governmental activities in the statement of activities are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$10,790,678) exceeded depreciation (\$9,257,033) in the current period, less loss on disposal (\$129,752)	1,403,893
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The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, have any effect on net assets. This amount is the net effect of the difference in the treatment of long-term debt.	(1,349,760)
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Governmental funds report the effects of issuance costs, premiums, discounts and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of the differences in the treatment of these items.	(222,006)
--	-----------

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	250,844
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Revenues in the governmental funds that are not reported as revenues in the statement of activities	(1,051,541)
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Expenditures in the governmental funds that are not reported as expenses in the statement of activities	863,851
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Internal service fund change in net assets	<u>1,396,664</u>
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Change in net assets of governmental activities	<u>\$ 2,995,664</u>
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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, 2006

	Budgeted Amounts			Variance with
	Original Budget	Final Budget	Actual	Final Budget
REVENUES				
Taxes	\$ 27,989,973	\$ 27,989,973	\$ 28,033,696	\$ 43,723
Intergovernmental	34,508,260	34,508,260	34,675,483	167,223
Licenses and permits	1,451,315	1,451,315	1,704,048	252,733
Fines and forfeitures	1,513,600	1,513,600	1,232,207	(281,393)
Investment income	1,685,000	1,685,000	2,624,691	939,691
Charges for services	4,202,113	4,202,113	4,245,410	43,297
Other	302,600	302,600	469,518	166,918
Total Revenues	71,652,861	71,652,861	72,985,053	1,332,192
EXPENDITURES				
Current				
General government	13,775,299	13,830,300	14,288,749	(458,449)
Health	2,150,186	2,155,323	2,088,423	66,900
Education and recreation	6,744,691	6,744,691	6,263,889	480,802
Public works	11,570,352	11,619,357	10,726,770	892,587
Public safety	41,511,333	41,561,984	40,995,106	566,878
Capital Outlay	1,572,500	1,665,922	1,234,821	431,101
Contingency	689,500	689,500	-	689,500
Total Expenditures	78,013,861	78,267,077	75,597,758	2,669,319
Excess (deficiency) of revenues over (under) expenditures	(6,361,000)	(6,614,216)	(2,612,705)	4,001,511
OTHER FINANCING SOURCES (USES)				
Transfers in	3,785,000	3,785,000	3,492,216	(292,784)
Transfers (out)	-	-	(1,462,550)	(1,462,550)
Total Other Financing Sources (Uses)	3,785,000	3,785,000	2,029,666	(1,755,334)
Net Change in Fund Balance	\$ (2,576,000)	\$ (2,829,216)	(583,039)	\$ 2,246,177
FUND BALANCE -				
Beginning of Year			35,039,506	
FUND BALANCE - END OF YEAR			\$ 34,456,467	

See accompanying notes to financial statements.

# CITY OF RACINE

## Proprietary Funds

### STATEMENT OF NET ASSETS

December 31, 2006

	Business Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds	Total	Internal Service Funds
<b>ASSETS</b>						
Current Assets						
Cash and investments	\$ 4,768,134	\$ 7,024,793	\$ 200	\$ 3,402,590	\$ 15,195,717	\$ 7,201,393
Receivables						
Accounts	3,002,546	3,372,323	161,438	192,322	6,728,629	40,752
Taxes	-	-	1,084,482	3,327,017	4,411,499	-
Interest	5,338	22,845	-	-	28,183	-
Due from other governments	-	-	1,028,351	-	1,028,351	-
Due from other funds	2,930,557	4,869,223	-	76	7,799,856	55,318
Inventories	249,861	53,734	581,321	10,699	895,615	337,217
Unamortized debt discount	-	-	-	-	-	-
Prepaid items	8,788	-	-	14,403	23,191	-
Total Current Assets	<u>10,965,224</u>	<u>15,342,918</u>	<u>2,855,792</u>	<u>6,947,107</u>	<u>36,111,041</u>	<u>7,634,680</u>
Noncurrent Assets						
Restricted Assets						
Cash and investments	9,496,583	6,816,038	-	-	16,312,621	-
Accrued interest receivable	79,851	52,006	-	-	131,857	-
Plant capacity, current portion	-	2,235,930	-	-	2,235,930	-
Interest receivable - plant capacity	-	197,877	-	-	197,877	-
Plant capacity, long term	-	42,182,848	-	-	42,182,848	-
Capital assets						
Land	2,973,172	99,950	627,953	2,602,180	6,303,255	1,558,627
Land and building improvements	112,679,982	97,640,052	6,832,993	76,152,812	293,305,839	-
Equipment, furniture and vehicles	32,339,041	47,020,051	11,176,940	1,950,936	92,486,968	2,445,678
Less: Accumulated depreciation	(27,681,085)	(41,598,184)	(7,240,268)	(34,920,667)	(111,440,204)	(1,602,680)
Construction in progress	182,355	144,448	37,738	886,951	1,251,492	109,651
Other assets						
Acquisition deposit	1,202,478	-	-	-	1,202,478	-
Unamortized bond issue costs	399,187	78,861	-	-	478,048	-
Total Noncurrent Assets	<u>131,671,564</u>	<u>154,869,877</u>	<u>11,435,356</u>	<u>46,672,212</u>	<u>344,649,009</u>	<u>2,511,276</u>
<b>TOTAL ASSETS</b>	<u>\$ 142,636,788</u>	<u>\$ 170,212,795</u>	<u>\$ 14,291,148</u>	<u>\$ 53,619,319</u>	<u>\$ 380,760,050</u>	<u>\$ 10,145,956</u>

# CITY OF RACINE

## Proprietary Funds

### STATEMENT OF NET ASSETS

December 31, 2006

	Business Type Activities- Enterprise Funds				Governmental Activities-	
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds	Total	Internal Service Funds
<b>LIABILITIES</b>						
Current Liabilities						
Accounts payable	\$ 354,070	\$ 276,638	\$ 426,531	\$ 644,017	\$ 1,701,256	\$ 520,040
Accrued compensation	-	-	79,860	24,199	104,059	-
Compensated absences	-	49,521	3,746	-	53,267	-
Accrued liabilities	208,171	216,557	-	98,496	523,224	1,263,110
Advances from other funds	25,535	22,838	-	143,591	191,964	-
Due to other funds	3,347,757	672,152	2,709,043	263,937	6,992,889	-
Deferred revenue	-	-	11,305	-	11,305	-
Deferred property tax revenue	-	-	1,084,482	3,327,017	4,411,499	-
Liabilities payable from restricted assets						
Accounts payable	1,730,855	-	-	-	1,730,855	-
Accrued interest	658,931	381,172	-	-	1,040,103	-
Current portion of long term debt	3,272,406	4,572,520	-	-	7,844,926	-
Deferred capacity revenue, current portion	-	1,043,782	-	-	1,043,782	-
Total Current Liabilities	<u>9,597,725</u>	<u>7,235,180</u>	<u>4,314,967</u>	<u>4,501,257</u>	<u>25,649,129</u>	<u>1,783,150</u>
Noncurrent Liabilities						
Compensated absences	506,050	357,784	77,272	39,001	980,107	117,823
Revenue bonds and notes payable	56,640,065	75,740,161	-	-	132,380,226	-
Deferred plant capacity revenue	-	45,933,552	-	-	45,933,552	-
Unamortized bond premium	753,470	-	-	-	753,470	-
Advances from other funds	904,861	809,288	-	1,130,551	2,844,700	-
Total Noncurrent Liabilities	<u>58,804,446</u>	<u>122,840,785</u>	<u>77,272</u>	<u>1,169,552</u>	<u>182,892,055</u>	<u>117,823</u>
TOTAL LIABILITIES	<u>68,402,171</u>	<u>130,075,965</u>	<u>4,392,239</u>	<u>5,670,809</u>	<u>208,541,184</u>	<u>1,900,973</u>
<b>NET ASSETS</b>						
Investment in capital assets, net of related debt	64,059,676	26,584,584	11,435,356	46,672,212	148,751,828	2,511,276
Restricted	3,942,450	6,061,477	-	-	10,003,927	-
Unrestricted (deficit)	6,232,491	7,490,769	(1,536,447)	1,276,298	13,463,111	5,733,707
TOTAL NET ASSETS	<u>\$ 74,234,617</u>	<u>\$ 40,136,830</u>	<u>\$ 9,898,909</u>	<u>\$ 47,948,510</u>	<u>\$ 172,218,866</u>	<u>\$ 8,244,983</u>

See accompanying notes to financial statements.

# CITY OF RACINE

## Proprietary Funds

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2006

	Business Type Activities- Enterprise Funds				Governmental Activities-	
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds	Total	Internal Service Funds
<b>OPERATING REVENUES</b>						
Charges for services	\$ 15,692,460	\$ 12,473,984	\$ 1,178,361	\$ 4,806,895	\$ 34,151,700	\$ 21,866,460
Other	-	-	23,617	107,787	131,404	126,665
Total Operating Revenues	<u>15,692,460</u>	<u>12,473,984</u>	<u>1,201,978</u>	<u>4,914,682</u>	<u>34,283,104</u>	<u>21,993,125</u>
<b>OPERATING EXPENSES</b>						
Public works	8,926,678	7,397,384	7,293,729	3,190,342	26,808,133	5,339,913
Education and recreation	-	-	-	937,489	937,489	-
General administration	-	-	-	-	-	16,695,205
Depreciation	<u>3,102,169</u>	<u>4,376,589</u>	<u>1,145,224</u>	<u>1,753,325</u>	<u>10,377,307</u>	<u>263,558</u>
Total Operating Expenses	<u>12,028,847</u>	<u>11,773,973</u>	<u>8,438,953</u>	<u>5,881,156</u>	<u>38,122,929</u>	<u>22,298,676</u>
Operating income (loss)	<u>3,663,613</u>	<u>700,011</u>	<u>(7,236,975)</u>	<u>(966,474)</u>	<u>(3,839,825)</u>	<u>(305,551)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income	900,949	590,563	-	170,664	1,662,176	-
Interest expense	(2,362,400)	(2,287,743)	-	(67,819)	(4,717,962)	-
Intergovernmental interest reimbursement	-	1,302,535	-	-	1,302,535	-
Plant capacity income	-	1,043,940	-	-	1,043,940	-
Bond issue costs	-	(13,417)	-	-	(13,417)	-
Gain (loss) on sale of fixed assets	-	26,039	-	3,911	29,950	-
Amortization of bond discount	(58,515)	-	-	-	(58,515)	-
Subsidies from other governmental units	-	-	4,889,976	-	4,889,976	-
Tax Levy	-	-	1,086,535	335,595	1,422,130	-
Other	<u>7,770</u>	<u>142,869</u>	<u>-</u>	<u>-</u>	<u>150,639</u>	<u>-</u>
Total Nonoperating Revenues (Expenses)	<u>(1,512,196)</u>	<u>804,786</u>	<u>5,976,511</u>	<u>442,351</u>	<u>5,711,452</u>	<u>-</u>

# CITY OF RACINE

## Proprietary Funds

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS For the Year Ended December 31, 2006

	Business Type Activities- Enterprise Funds				Governmental Activities-	
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds	Total	Internal Service Funds
Income (loss) before capital contributions and transfers	2,151,417	1,504,797	(1,260,464)	(524,123)	1,871,627	(305,551)
<b>CAPITAL CONTRIBUTIONS</b>	2,680,872	-	507,157	-	3,188,029	-
<b>TRANSFERS IN</b>	-		134,350	163,081	297,431	1,702,215
<b>TRANSFERS (OUT)</b>	(1,996,710)	(1,490,056)	(47,973)	-	(3,534,739)	-
Change in Net Assets	2,835,579	14,741	(666,930)	(361,042)	1,822,348	1,396,664
TOTAL NET ASSETS - Beginning of Year	71,399,038	40,122,089	10,565,839	48,309,552	170,396,518	6,848,319
<b>TOTAL NET ASSETS - END OF YEAR</b>	<u>\$ 74,234,617</u>	<u>\$ 40,136,830</u>	<u>\$ 9,898,909</u>	<u>\$ 47,948,510</u>	<u>\$ 172,218,866</u>	<u>\$ 8,244,983</u>

See accompanying notes to financial statements.

# CITY OF RACINE

## Proprietary Funds

### STATEMENT OF CASH FLOWS For the Year Ended December 31, 2006

	Business Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals	Internal Service Fund
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 15,625,477	\$ 12,694,592	\$ 1,179,110	\$ 4,821,339	\$ 34,320,518	\$ 21,966,842
Payments to suppliers	(6,436,170)	(4,299,698)	(4,934,586)	(2,361,359)	(18,031,813)	(18,909,260)
Payments to employees	(3,425,930)	(3,088,571)	(2,553,643)	(1,275,447)	(10,343,591)	(3,480,192)
Net Cash Provided (Used) by Operating Activities	<u>5,763,377</u>	<u>5,306,323</u>	<u>(6,309,119)</u>	<u>1,184,533</u>	<u>5,945,114</u>	<u>(422,610)</u>
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfer from (to) other funds	(1,996,710)	(1,490,056)	(47,973)	-	(3,534,739)	1,449,826
Advances retired	(23,479)	(20,999)	-	-	(44,478)	-
Interest on advances	(49,287)	(44,081)	-	-	(93,368)	-
Miscellaneous receipts	-	142,868	-	-	142,868	-
Operating grants received	-	-	4,594,506	-	4,594,506	-
Operating subsidies received (repayment)	-	-	1,310,731	335,595	1,646,326	-
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(2,069,476)</u>	<u>(1,412,268)</u>	<u>5,857,264</u>	<u>335,595</u>	<u>2,711,115</u>	<u>1,449,826</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Debt issued	868,140	1,438,994	-	-	2,307,134	-
Debt retired	(3,159,259)	(4,376,358)	-	-	(7,535,617)	-
Advances retired	-	-	-	(137,352)	(137,352)	-
Interest paid on long-term debt	(2,336,742)	(2,256,212)	-	-	(4,592,954)	-
Interest paid on advances	-	-	-	(67,819)	(67,819)	-
Transfer from other funds for capital purposes	-	-	-	163,081	163,081	252,389
Acquisition and construction of capital assets	(11,182,089)	(926,462)	(608,807)	(1,381,494)	(14,098,852)	(353,524)
Acquisition deposit	(1,202,478)	-	-	-	(1,202,478)	-
REC and other fees received	1,333,704	-	-	-	1,333,704	-
Intergovernmental interest reimbursement	-	1,302,535	-	-	1,302,535	-
Proceeds for plant capacity	-	2,279,288	-	-	2,279,288	-
Capital subsidies received	-	-	1,060,662	-	1,060,662	-
Proceeds from sale of capital assets	-	36,447	-	-	36,447	-
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(15,678,724)</u>	<u>(2,501,768)</u>	<u>451,855</u>	<u>(1,423,584)</u>	<u>(19,152,221)</u>	<u>(101,135)</u>

# CITY OF RACINE

## Proprietary Funds

### STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2006

	Business Type Activities- Enterprise Funds					Governmental Activities- Internal Service Fund
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals	
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Purchase of investments	\$ (38,961,846)	\$ (40,889,569)	\$ -	\$ -	\$ (79,851,415)	\$ -
Proceeds on redemption of investments	47,846,536	38,370,757	-	-	86,217,293	-
Investment income received	935,902	563,545	-	170,664	1,670,111	-
Net Cash Provided (Used) by Investing Activities	9,820,592	(1,955,267)	-	170,664	8,035,989	-
Net Increase (Decrease) in Cash and Cash Equivalents	(2,164,231)	(562,980)	-	267,208	(2,460,003)	926,081
<b>CASH AND CASH EQUIVALENTS</b>						
Beginning of Year	5,548,389	2,596,057	200	3,135,382	11,280,028	6,275,312
End of Year	\$ 3,384,158	\$ 2,033,077	\$ 200	\$ 3,402,590	\$ 8,820,025	\$ 7,201,393
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 3,663,613	\$ 700,011	\$ (7,236,975)	\$ (966,474)	\$ (3,839,825)	\$ (305,551)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and amortization	3,102,169	4,376,589	1,145,224	1,753,325	10,377,307	263,558
Bad debt expense	31,093	-	-	-	31,093	-
Non operating revenue	7,770	-	-	-	7,770	-
(Increase) decrease in accounts receivable	(54,471)	(423,397)	(22,868)	(93,267)	(594,003)	(13,712)
(Increase) decrease in other assets	5,894	-	-	-	5,894	-
(Increase) decrease in prepaid items	(4,703)	-	-	(14,403)	(19,106)	-
(Increase) decrease in inventories	17,360	(6,815)	(38,116)	(10,699)	(38,270)	(1,870)
(Increase) decrease in due from other funds	(51,375)	644,005	-	(198,639)	393,991	(12,570)
Increase (decrease) in accounts payable	(312,498)	43,844	(134,719)	369,735	(33,638)	210,636
Increase (decrease) in accrued liabilities	(121,284)	(75,556)	(21,665)	61,278	(157,227)	(505,564)
Increase (decrease) in deferred revenue	-	-	-	198,563	198,563	-
Increase (decrease) in due to other funds	(520,191)	47,642	-	85,114	(387,435)	(57,537)
Net Cash Provided (Used) by Operating Activities	\$ 5,763,377	\$ 5,306,323	\$ (6,309,119)	\$ 1,184,533	\$ 5,945,114	\$ (422,610)

**CITY OF RACINE**

Proprietary Funds

**STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2006

	Business Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals	Internal Service Fund
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET</b>						
Cash and investments						
Unrestricted	\$ 4,768,134	\$ 7,024,793	\$ 200	\$ 3,402,590	\$ 15,195,717	\$ 7,201,393
Restricted	<u>9,496,583</u>	<u>6,816,038</u>	<u>-</u>	<u>-</u>	<u>16,312,621</u>	<u>-</u>
Total Cash and Investments	14,264,717	13,840,831	200	3,402,590	31,508,338	7,201,393
Less investments not meeting the definition of cash and cash equivalents	<u>(10,880,559)</u>	<u>(11,807,754)</u>	<u>-</u>	<u>-</u>	<u>(22,688,313)</u>	<u>-</u>
<b>TOTAL CASH AND CASH EQUIVALENTS END OF YEAR</b>	<u>\$ 3,384,158</u>	<u>\$ 2,033,077</u>	<u>\$ 200</u>	<u>\$ 3,402,590</u>	<u>\$ 8,820,025</u>	<u>\$ 7,201,393</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Estimated cost of fixed assets installed or financed by developers, customers or the City	<u>\$ 1,347,168</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,347,168</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**CITY OF RACINE**

## Fiduciary Funds

## STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2006

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	Agency Funds		
	Police Evidence	Tax Collecting	Total
<b>ASSETS</b>			
Cash and investments	\$ 266,045	\$ 37,421,651	\$ 37,687,696
Receivables		-	
Property taxes	-	5,481,544	5,481,544
<b>TOTAL ASSETS</b>	<u>266,045</u>	<u>42,903,195</u>	<u>43,169,240</u>
<b>LIABILITIES</b>			
Due to component unit	-	187,500	187,500
Due to other governments	266,045	42,715,695	42,981,740
Total Liabilities	<u>266,045</u>	<u>42,903,195</u>	<u>43,169,240</u>
<b>NET ASSETS</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

# CITY OF RACINE

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December 31, 2006

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# CITY OF RACINE

## INDEX TO NOTES TO FINANCIAL STATEMENTS December 31, 2006

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# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of the City of Racine, Wisconsin conform to generally accepted accounting principles as applicable to governmental units. The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

#### 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 governments operations and are reported with similar funds of the primary government. The discretely presented component units described below are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

---

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

---

#### *A. REPORTING ENTITY (CONT.)*

##### *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, 2006. 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 Authorities financial statements as of December 31, 2006 have been presented as a discrete column in the City's financial statements.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

---

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

---

#### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS***

##### ***Government-Wide Financial Statements***

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. Likewise, the primary government is reported separately from the legally separate component 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 segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

##### ***Fund Financial Statements***

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

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

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

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

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

---

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

---

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

##### *Fund Financial Statements (cont.)*

The City reports the following major governmental funds:

##### *Major Governmental Funds*

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

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.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

---

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

---

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

##### *Fund Financial Statements (cont.)*

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

##### *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.

- Public Safety Grants
- Cemetery
- Library
- Harbor Commission
- HAZMAT
- Recycling
- CAR25
- State Asset Forfeiture
- Federal Asset Forfeiture
- Municipal Court
- Bulky Waste Site
- Special Assessments
- Other Cemetery
- Other Public Safety
- Trusts
- Economic Development
- Other
- Health

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

- Tax Incremental Districts
- City Projects
- 2003 Capital Projects
- 2004 Capital Projects
- 2005 Capital Projects
- 2006 Capital Projects
- Assessment Projects
- Intergovernmental Revenue Sharing

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

---

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

---

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

##### *Fund Financial Statements* (cont.)

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

##### *Non-Major Governmental Funds* (cont.)

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 users 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, 2006

---

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

---

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

##### ***Government-Wide Financial Statements***

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

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

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

##### ***Fund Financial Statements***

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

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

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

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

---

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

---

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

##### *Fund Financial Statements* (cont.)

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

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

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

Proprietary and fiduciary fund financial statements (other than agency funds) are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting and do not have a measurement focus.

The enterprise 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. Special assessments are recorded as receivables and contribution revenue when levied. 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, 2006

---

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

---

#### D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

##### *1. Deposits, Investments and Equivalents*

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

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

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

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

The City has adopted an investment policy. That policy follows the state statute for allowable investments. The investment policy does not address interest rate risk, investments highly sensitive to market changes and foreign currency risk. The investment policy does address custodial credit risk, credit risk and concentration of credit risk.

The investment policy states the following for custodial credit risk and credit risk: "Except as provided for in Authorized Institutions, certificates of deposit or any other time deposit may be collateralized in an amount equal to 100% of the investment less the amount insured by the Federal Deposit Insurance Corporation (FDIC), by federal government bonds or securities which are a direct obligation of or guaranteed as the principal and interest by the federal government, and/or bonds or securities which are obligations of an agency, commission, board or other instrumentality of the federal government, as guaranteed as to principal and interest." The policy further provides that the Finance Committee may designate primary local depositories in which all funds deposited will not be restricted as to the amount of deposit or collateralization.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

---

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

---

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

##### *1. Deposits, Investments and Equivalents (cont.)*

The policy also states that "Collateral shall be held by an independent third party with whom the City has a current custodial agreement. Where this is not practicable (i.e. book entry investments), verifiable evidence of specific pledged securities must be supplied to the City. All other securities purchased by the City shall be held by a third party custodian and approved by the Finance Committee, and evidenced by safekeeping receipts."

The investment policy states the following for concentration of credit risk: "The City shall diversify its investments by security type and institution. With the exception of government and agency securities and the Wisconsin Investment Trust, no more than 10% of the City's total investment portfolio will be invested in a single security type or no more than 10% shall be invested with a single financial institution, unless fully collateralized."

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2006, 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.

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 statement of fiduciary net assets.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

---

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

---

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

##### 2. *Receivables* (cont.)

Property tax calendar – 2006 tax roll:

Lien date and levy date	November 2006
Tax bills mailed	December 2006
Payment in full, or	
First installment due	January 31, 2007
Second installment due	March 31, 2007
Third installment due	May 31, 2007
Fourth installment due	July 31, 2007
Personal property taxes in full	January 31, 2007
Final settlement with County	August 15, 2007
Tax deed by County – 2006	
Delinquent real estate taxes	October 2009

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.

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.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

---

### NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

---

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

##### ***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, 2006 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.

##### ***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***

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. 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 capital 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, 2006, the City has retroactively reported all network infrastructure acquired by its governmental fund types.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

---

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

---

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

##### 5. *Capital Assets* (cont.)

###### *Government-Wide Statements* (cont.)

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.

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

##### 6. *Other Assets*

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

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

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

##### **7. *Compensated Absences* (cont.)**

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.

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, 2006 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 statement of net assets.

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 \$45,660,955 made up of nine issues.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

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

##### *9. Claims and Judgments*

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

##### *10. Equity Classifications*

###### *Government-Wide Statements*

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) 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, 2006

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

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

##### 10. *Equity Classifications* (cont.)

###### *Fund Statements*

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Reserved fund balance represents amounts that are not available for appropriation or are legally restricted by outside parties for use for specific purposes. 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 2006 budget appropriations, restricted under contractual agreements, to be utilized for specific purposes in the 2007 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 2007 budget as authorized by City resolution.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

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#### 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	\$ 8,197,739
Deferred revenue-donations	150,000
Deferred revenue-debt service	1,762,520
Deferred revenue-special assessments	<u>1,611,163</u>
Combined Adjustment for Long-Term Assets	<u>\$ 11,721,422</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	\$ (100,701,019)
Compensated absences	(3,094,090)
Arbitrage rebate liability	(50,000)
Capital leases payable	(167,798)
Unamortized debt issue costs	924,478
Accrued interest	<u>(204,627)</u>
Combined Adjustment for Long-Term Assets	<u>\$ (103,293,056)</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

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#### 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:

Debt issued or incurred	
Issuance of general obligation bonds	\$ (20,100,000)
Principal repayments	
General obligation debt and capital leases	<u>18,750,240</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (1,349,760)</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	\$ 71,210
Premium received	(264,101)
Discount received	130,999
Amortization of issuance costs	(66,957)
Amortization of premium	79,802
Amortization of deferred charge	<u>(172,959)</u>
Net adjustment to increase <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (222,006)</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

---

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

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	\$ 253,165
Accrued interest	<u>(2,321)</u>
Net adjustment to increase <i>net changes in fund balances-total</i> governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 250,844</u>

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	\$ (1,012,332)
Principal paid on debt service loans	(44,479)
Proceeds from sale of fixed assets	(134,301)
Special assessments collections	189,571
Donations made	<u>(50,000)</u>
Net adjustment to decrease <i>net changes in fund balances-total</i> governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (1,051,541)</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 \$863,851 represents the amount of economic development loans made during the year.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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### NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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#### 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
CAR25	Capital Project Funds:
Cemetery	Assessment Projects
State Asset Forfeiture	Intergovernmental Revenue Sharing
Harbor Commission	2006 Capital Projects
Federal Asset Forfeiture	
Public Safety Grants	
Library	
HAZMAT	
Bulky Waste Site	
Recycling	
Municipal Court	

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 \$3,897,284. 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 \$469,934.

#### B. EXCESS EXPENDITURES OVER APPROPRIATIONS

The following appropriation units have an excess of actual expenditures over appropriations for the year ended December 31, 2006:

<u>Fund</u>	<u>Department</u>	<u>Appropriation Unit</u>	<u>Amount</u>
General Fund	Assessors	Operating Expenditures	\$ 9,790
	City Attorney	Operating Expenditures	63,988
	City Clerk	Salaries and Fringes	51,932
	City Clerk	Operating Expenditures	5,202
	City Clerk	Interdepartmental	146
	Fire Department	Interdepartmental	8,881
	Human Resources	Interdepartmental	294
	City Administration	Operating Expenditures	10,366
	City Administration	Interdepartmental	92
	Insurance	Operating Expenditures	577,826
	Police	Operating Expenditures	43,034
	Misc. Unclassified	Operating Expenditures	4,181

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

---

#### 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 \$470,710 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.

**Municipal Court** – The fund deficit of \$22,976 is a result of budgeted revenues exceeding actual revenues. Funds will be transferred from the general fund in 2007.

**Tax Incremental Districts** – The accumulated fund deficits of \$6,682,775 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 \$1,072,116 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 \$50,344 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.

#### D. LIMITATIONS ON THE CITY'S TAX LEVY

As part of Wisconsin's Act 25 (2006), new legislation was passed that limits the City's future tax levies. Generally, the City is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the greater of the percentage change in the City's equalized value due to new construction or 2%. Changes in debt service from one year to the next are generally exempt from this limit.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

### NOTE IV – DETAILED NOTES ON ALL FUNDS

#### A. DEPOSITS AND INVESTMENTS

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

	Carrying Value	Bank Balance	Associated Risks
Demand deposits	\$ 23,242,442	\$ 11,361,606	Custodial credit
Savings deposits	16,409,344	16,409,344	Custodial credit
Certificates of deposit	222,260	222,260	Custodial credit
Petty cash	6,488	-	NA
Total cash	<u>\$ 39,880,534</u>	<u>\$ 27,993,210</u>	
Wisconsin Local Government Investment Pool	\$ 8,682,987		Credit, Interest Rate
Money market funds	196,087		Credit
Mutual funds-equities	2,393,237		Credit
Mutual funds-fixed income	3,554,505		Credit, Interest Rate
U.S. Government agency securities-Explicit	23,033,862		Custodial credit, Interest Rate
U.S. Government agency securities-Implicit	51,196,552		Credit, Custodial credit, Interest Rate, Concentration of credit
Total investments	<u>89,057,230</u>		
Total cash and investments	<u>\$ 128,937,764</u>		
Reconciliation to financial statements			
Per statement of net assets-Primary Government			
Cash and investments	\$ 74,937,447		
Restricted cash and investments	16,312,621		
Per statement of net assets-fiduciary funds	37,687,696		
	<u>\$ 128,937,764</u>		

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 for custodial credit.

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.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

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#### A. DEPOSITS AND INVESTMENTS (cont.)

##### Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City.

As of December 31, 2006 the City's carrying value of deposits was \$39,880,534, as compared to bank balances of \$27,993,210. Of the bank balances \$27,783,475 was insured by either federal depository insurance or collateralized by securities held by the bank or its correspondent bank but not in the City's name. \$209,735 was uninsured as of December 31, 2006.

##### Custodial Credit Risk for Investments

Custodial credit risk for investments is the risk that in the event of the failure of the counterparty, the City will not be able to recover the value of its investment or collateralized securities that are in the possession of an outside party.

As of December 31, 2006 the City's carrying value of investments subject to custodial credit risk was \$74,230,414. Of this investment balance, all amounts were covered by securities held by an agency in the City's name. The City does not have a formal policy addressing this type of deposit risk.

##### Credit Risk for Investments

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligation.

As indicated in Note 1, Wisconsin statutes requires municipalities to invest in securities which have a rating that is the highest or second highest rating category assigned by Standard & Poor's Corporation, Moody's Investor's Service, or other similar nationally recognized rating agency or if that security is senior to, or on a par with, a security of the same issuer which has such a rating.

The City's U.S. Government agencies as of December 31, 2006 were rated Aa3 by both Standard & Poor's and Moody's Investor's Service. As of December 31, 2006, the balance in these types of investments was \$74,230,414. The City also invests in mutual funds, and the local government investment pool which are not rated.

##### Concentration of Credit Risk for Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer.

At December 31, 2006, the City's investment portfolio had concentration of investments greater than 5% of the total portfolio as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Bank System	U.S. government agency notes	11.44%
Federal National Mortgage Association	U.S. government agency notes and mortgage backed securities	24.24%
Federal Home Loan Mortgage Corporation	U.S. government agency notes and mortgage backed securities	42.13%

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

#### A. DEPOSITS AND INVESTMENTS (cont.)

##### Interest Rate Risk for Investments

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investments subject to interest rate risk as of December 31, 2006 were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (days)</u>	<u>Duration (years)</u>
U.S. Government Agency-explicitly guaranteed	\$ 22,488,313	180	
U.S. Government Agency-explicitly guaranteed	545,549	245	
U.S. Government Agency-implicitly guaranteed	47,975,015		5.44
U.S. Government Agency-implicitly guaranteed	3,221,537	245	
Local Government Investment pool	8,682,987	27	
Mutual Funds-fixed income	1,242,256	47	
Mutual Funds-fixed income	2,312,249		3.41

During 2006, the City experienced unrealized losses on investments in the amount of \$127,862 in the General Fund. This amount is included in investment income. It is the intent of the City to hold these investments to maturity.

#### B. RECEIVABLES

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

	<u>General Fund</u>	<u>Transit</u>	<u>Other Enterprise</u>	<u>Internal Service</u>	<u>Other Non Major</u>	<u>Total</u>
Accounts receivable	\$ 436,690	\$ 7,090	\$ 70,398	\$ 23,593	\$ 1,738	\$ 539,509
Delinquent personal property	432,591	-	-	-	-	432,591
<b>Total Uncollectibles</b>	<b>\$ 869,281</b>	<b>\$ 7,090</b>	<b>\$ 70,398</b>	<b>\$ 23,593</b>	<b>\$ 1,738</b>	<b>\$ 972,100</b>

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

	<u>General Fund</u>	<u>Other HUD</u>	<u>Other Non Major</u>	<u>Total</u>
Special assessments	\$ 125,823	\$ -	\$ 1,337,837	\$ 1,463,660
Delinquent personal property taxes	70,899	-	-	70,899
Loans and notes	158,100	8,474,110	-	8,632,210
	<u>\$ 354,822</u>	<u>\$ 8,474,110</u>	<u>\$ 1,337,837</u>	<u>\$ 10,166,769</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

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#### B. RECEIVABLES (cont.)

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

	Unavailable	Unearned	Total
Property taxes receivable	\$ -	\$ 43,956,480	\$ 43,956,480
Loans receivable	8,197,739	158,100	8,355,839
Special assessments not yet due	1,611,163	(234,069)	1,377,094
Interest on loans and advances	-	798,766	798,766
Due from enterprise for debt service	1,762,520	-	1,762,520
Donations receivable	150,000	-	150,000
Grant drawdowns prior to meeting all eligibility requirements	-	596,294	596,294
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 11,721,422</u>	<u>\$ 45,275,571</u>	<u>\$ 56,996,993</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

#### C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

##### *Long Term Debt Accounts*

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

##### *Equipment Replacement Account*

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

Following is a list of restricted assets for the Water and Wastewater Utility at December 31, 2006:

	Water Utility	Wastewater Utility	Total
Bond redemption account	\$ 3,100,976	\$ 2,504,652	\$ 5,605,628
Bond reserve account	3,648,171	425,395	4,073,566
Bond depreciation account	782,268	977,815	1,760,083
Connection charges (Note V.H.)	718,137	-	718,137
Improvement Fund	1,326,882	-	1,326,882
Equipment replacement account	-	2,960,182	2,960,182
Plant capacity receivable (Note V.G.)	-	44,616,655	44,616,655
Total Restricted Assets	9,576,434	51,484,699	61,061,133
Less: Restricted assets not funded by revenues	4,975,053	45,042,050	50,017,103
Less: Liabilities payable from restricted assets	658,931	381,172	1,040,103
Restricted Net Assets	<u>\$ 3,942,450</u>	<u>\$ 6,061,477</u>	<u>\$ 10,003,927</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

#### **D. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2006 was as follows:

	Restated Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated				
Land	\$ 23,326,295	\$ -	\$ -	\$ 23,326,295
Construction in progress	<u>12,878,522</u>	<u>9,772,726</u>	<u>8,988,722</u>	<u>13,662,526</u>
Total Capital Assets Not Being Depreciated	<u>36,204,817</u>	<u>9,772,726</u>	<u>8,988,722</u>	<u>36,988,821</u>
Capital assets being depreciated				
Land improvements	7,475,467	244,017	-	7,719,484
Buildings	30,447,675	810,170	64,604	31,193,241
Machinery and equipment	27,534,614	1,744,955	1,105,282	28,174,287
Roads, streets, and bridges	122,321,007	4,176,917	1,173,014	125,324,910
Sidewalks	45,640,645	429,826	15,286	46,055,185
Sewer lines	29,425,179	1,510,103	76,741	30,858,541
Shoreline walls	14,636,910	-	-	14,636,910
Other	<u>2,950,291</u>	<u>1,444,208</u>	<u>-</u>	<u>4,394,499</u>
Total Capital Assets Being Depreciated	<u>280,431,788</u>	<u>10,360,196</u>	<u>2,434,927</u>	<u>288,357,057</u>
Less: accumulated depreciation for				
Land improvements	3,820,941	361,201	-	4,182,142
Buildings	12,530,360	688,770	62,427	13,156,703
Machinery and equipment	20,290,492	2,303,013	1,039,280	21,554,225
Roads, streets, and bridges	56,915,754	3,611,502	977,141	59,550,115
Sidewalks	31,712,305	1,421,708	-	33,134,013
Sewer lines	13,829,233	690,863	15,286	14,504,810
Shoreline walls	3,499,005	378,482	76,741	3,800,746
Other	<u>991,117</u>	<u>65,052</u>	<u>-</u>	<u>1,056,169</u>
Total Accumulated Depreciation	<u>143,589,207</u>	<u>9,520,591</u>	<u>2,170,875</u>	<u>150,938,923</u>
Total Capital Assets being Depreciated, Net	<u>136,842,581</u>	<u>10,612,331</u>	<u>264,052</u>	<u>137,418,134</u>
Governmental Activities Capital Assets, Net	<u>\$ 173,047,398</u>	<u>\$ 20,385,057</u>	<u>\$ 9,252,774</u>	<u>\$ 174,406,955</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

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#### *D. CAPITAL ASSETS* (cont.)

Depreciation expense was charged to functions as follows:

##### **Governmental Activities**

General government	\$ 291,394
Education and recreation	1,536,516
Public works, which includes infrastructure	7,052,695
Public safety	<u>639,986</u>
Total Governmental Activities Depreciation Expense	<u>\$ 9,520,591</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

#### D. CAPITAL ASSETS (cont.)

	Beginning <u>Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	Ending <u>Balance</u>
<b>Business-Type Activities</b>					
Capital assets not being depreciated					
Land	\$ 3,701,075	\$ -	\$ -	\$ 2,602,180	\$ 6,303,255
Construction in progress	26,997,286	16,390,413	42,136,207	-	1,251,492
Total Capital Assets Not Being Depreciated	30,698,361	16,390,413	42,136,207	2,602,180	7,554,747
Capital assets being depreciated					
Land improvements	10,452,318	137,756	27,600	(2,602,180)	7,960,294
Improvements other than buildings	138,266,667	9,572,730	122,696	-	147,716,701
Buildings	119,627,729	18,001,115	-	-	137,628,844
Machinery and equipment	80,691,181	13,248,876	1,453,089	-	92,486,968
Total Capital Assets Being Depreciated	349,037,895	40,960,477	1,603,385	(2,602,180)	385,792,807
Less: accumulated depreciation for					
Land improvements	2,721,541	300,989	27,600	-	2,994,930
Improvements other than buildings	44,735,470	2,290,330	122,696	15,980	46,919,084
Buildings	28,822,086	3,158,244	-	(15,980)	31,964,350
Machinery and equipment	26,177,413	4,827,108	1,442,681	-	29,561,840
Total Accumulated Depreciation	102,456,510	10,576,671	1,592,977	-	111,440,204
Total Capital Assets Depreciated, Net	246,581,385	30,383,806	10,408	(2,602,180)	274,352,603
Business-Type Activities Capital Assets, Net	\$ 277,279,746	\$ 46,774,219	\$ 42,146,615	\$ -	\$ 281,907,350

Depreciation expense was charged to functions as follows:

<b>Business-Type Activities</b>	
Water	\$ 3,301,533
Wastewater	4,376,589
Belle Urban Transit	1,145,224
Other	1,753,325
Total Business-Type Activities Depreciation Expense	<u>\$ 10,576,671</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

#### *E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS*

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

Receivable Fund	Payable Fund	Amount due Within One Year
General Fund	Enterprise Fund-Transit	\$ 2,709,043
General Fund	Enterprise Fund-Civic Center	263,937
General Fund	Special Revenue-Other Public Safety	127,083
General Fund	Special Revenue-Recycling	405,957
General Fund	Special Revenue-Municipal Court	15,943
General Fund	Special Revenue-Health	33,235
General Fund	Special Revenue-HUD	364,906
General Fund	Trust Accounts	8,386
General Fund	Wastewater Utility	46,008
General Fund	Water Utility	1,863,993
General Fund	TIF #14	10,792
General Fund	Capital Projects-City Projects	2,359,617
Debt Service Fund	Water Utility	4,078
Debt Service Fund	Wastewater Utility	3,647
Wastewater Utility	Capital Projects-City Projects	2,171,302
Wastewater Utility	Water Utility	1,389,516
Wastewater Utility	General Fund	1,308,405
Water Utility	Wastewater Utility	614,997
Water Utility	General Fund	2,315,560
Capital Projects-City Projects	Water Utility	39,838
Other Enterprise-Radio Repair	Water Utility	76
Internal Service Fund-Equipment Maint.	Water Utility	12,206
Internal Service Fund-Equipment Maint.	Wastewater Utility	2,299
Internal Service Fund-Health Insurance	Water Utility	33,764
Internal Service Fund-Health Insurance	Wastewater Utility	4,428
Internal Service Fund-Telephone	Water Utility	1,848
Internal Service Fund-Telephone	Wastewater Utility	773
Special Revenue-Other	Water Utility	2,438
Subtotal-Fund Financial Statements		\$ 16,114,075
Less: Fund eliminations		(5,330,508)
Less: Government-wide eliminations		(9,976,600)
		<u>\$ 806,967</u>

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

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

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

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

The general fund is advancing funds to various Tax Incremental Financing (TIF) Districts and the Golf Course. The amount advanced to the TIF Districts is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. The General Fund is charging the Golf Course interest at 6% and repayment schedules have been established for these amounts. 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 Intergovernmental Revenue Sharing fund is advancing funds to TID #12 to cover the shortfall in the TID. No interest is being charged on this advance and a repayment schedule has not been determined. 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:

Receivable Fund	Payable Fund	Amount	Amount Due Within One Year
General Fund	Tax Increment District # 3	\$ 439,096	\$ -
General Fund	Tax Increment District # 6	4,359,282	-
General Fund	Tax Increment District # 7	18,153	-
General Fund	Tax Increment District # 8	1,371,722	-
General Fund	Golf Courses Enterprise Fund	327,454	88,422
Debt Service Fund	Wastewater Utility	832,126	22,838
Debt Service Fund	Water Utility	930,396	25,535
City Projects Fund	Storm Water Utility	946,688	55,169
Intergovernmental Revenue Sharing	Tax Increment District #12	916,112	-
Special Assessment Fund	Tax Increment District # 8	754,454	-
Subtotal-Fund financial statements		10,895,483	\$ 191,964
Less: fund eliminations		(7,858,819)	
Total advance to other funds-government wide statements		\$ 3,036,664	

Repayment schedules for advances with an established payment schedule follow:

	Golf Course	Storm Water Utility	Water Utility	Wastewater Utility
2007	\$ 107,401	\$ 97,770	\$ 74,023	\$ 66,204
2008	107,401	97,770	75,366	67,406
2009	107,401	97,770	76,552	68,466
2010	42,912	97,770	78,053	69,809
2011	-	97,770	79,256	70,885
2012-2024	-	782,154	1,076,990	963,237
Sub-total	365,115	1,271,004	1,460,240	1,306,007
Amount representing interest	(37,661)	(324,316)	(529,844)	(473,881)
	\$ 327,454	\$ 946,688	\$ 930,396	\$ 832,126

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

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

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

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount
General Fund	Permanent	\$ 5,448
General Fund	Water Utility	1,996,710
General Fund	Wastewater Utility	1,490,056
Refunding	Capital Projects-TIF #10	76,101
Refunding	Capital Projects-TIF #11	74,355
Refunding	Capital Projects - 2006	7,400
Debt Service Fund	Refunding	8,193
Debt Service Fund	Special Revenue-TIF	1,854,423
Debt Service Fund	Capital Projects-TIF #9	514,025
Debt Service Fund	Capital Projects-TIF #11	51,936
Capital Projects-Assessment Projects	Special Revenue-Special Assessment	480,022
Enterprise-Transit	Capital Projects-2006	134,350
Enterprise-Parking	Capital Projects-2005	145,563
Enterprise-Parking	Capital Projects-2006	10,464
Enterprise-Civic Centre	Special Revenue-Other	7,054
Internal Service-Health Insurance	General Fund	1,119,826
Internal Service-Building Complex	General Fund	330,000
Internal Service-Information Systems	Capital Projects-2006	820
Internal Service-Information Systems	Capital Projects-2006	43,899
Internal Service-Information Systems	Capital Projects-2004	207,671
Special Revenue-Other	Enterprise - Transit	47,973
Special Revenue-Other Public Safety	General Fund	6,008
Special Revenue-Other	Special Revenue-Other	2,686
Special Revenue-Other	General Fund	6,716
Special Revenue-Bulky Waste Site	Special Revenue-Recycling	36,933
Special Revenue-Health	Special Revenue-HUD	30,268
Special Revenue-Other	Special Revenue-HUD	1,750
Subtotal-fund financial statements		8,690,650
Less: Fund eliminations		(4,858,480)
Add: Government wide eliminations		(594,862)
		<u>\$ 3,237,308</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

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

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

#### F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2006 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>GOVERNMENTAL ACTIVITIES</b>					
General obligation					
bonds and notes payable	\$ 99,307,750	\$ 20,100,000	\$ 18,671,125	\$ 100,736,625	\$ 6,086,625
Add/(subtract)					
Deferred Amounts For:					
(Discounts)/Premiums	747,066	133,102	79,802	800,366	-
Refundings-Gains/(Loss)	(1,008,931)	-	(172,959)	(835,972)	-
Sub-total	99,045,885	20,233,102	18,577,968	100,701,019	6,086,625
Other Liabilities					
Vested compensated absences	3,389,563	180,191	357,842	3,211,912	297,111
Capital leases	246,913	-	79,115	167,798	82,262
Arbitrage rebate	50,000	-	-	50,000	50,000
Total Other Liabilities	3,686,476	180,191	436,957	3,429,710	429,373
Total Governmental Activities					
Long-Term Liabilities	\$ 102,732,361	\$ 20,413,293	\$ 19,014,925	\$ 104,130,729	\$ 6,515,998

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

#### *F. LONG-TERM OBLIGATIONS (cont.)*

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
<b>BUSINESS-TYPE ACTIVITIES</b>					
Bonds and notes payable					
Revenue bonds	\$ 145,623,124	\$ 2,307,134	\$ 7,535,617	\$ 140,394,641	\$ 7,866,354
Add/(subtract)					
Deferred Amounts For:					
(Discounts)/Premiums	796,119	-	42,649	753,470	42,649
Refundings-Gains/(Loss)	(243,664)	-	(74,175)	(169,489)	(64,077)
Sub-total	146,175,579	2,307,134	7,504,091	140,978,622	7,844,926
Other Liabilities					
Vested compensated absences	1,020,416	141,825	128,867	1,033,374	53,267
Total Other Liabilities	1,020,416	141,825	128,867	1,033,374	53,267
Total Governmental Activities					
Long-Term Liabilities	\$ 147,195,995	\$ 2,448,959	\$ 7,632,958	\$ 142,011,996	\$ 7,898,193

#### *General Obligation Debt*

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

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2006, was \$196,285,485. Total general obligation debt outstanding at year end was \$100,736,625.

#### *Debt Refunding*

During 2006, the City issued the following refunding bonds to current refund the following issues:

			<u>Refunded Debt</u>		
<u>Amount</u>	<u>Type</u>	<u>Rate</u>	<u>Amount</u>	<u>Type</u>	<u>Rate</u>
\$ 7,130,000	G.O. Refunding Bonds	4.00-4.50	\$ 7,000,000	G.O. Note Anticipation Notes	4.00-4.50
3,970,000	G.O. Refunding Bonds	4.00-4.75	2,000,000	G.O. Note Anticipation Notes	4.00-4.75
			2,000,000	G.O. Note Anticipation Notes	
2,000,000	Taxable G.O. Refunding Bonds	5.55-6.38	2,000,000	Taxable Note Anticipation Notes	5.55-6.38

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

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#### *F. LONG-TERM OBLIGATIONS (cont.)*

##### *General Obligation Debt (cont.)*

<u>Type/Series</u>	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance Outstanding 12/31/2006</u>
General Obligation Bonds					
1987	11/01/87	11/01/07	7.0-8.7%	\$ 5,012,875	\$ 541,625
2001	4/15/01	04/15/11	4.00-4.63	5,205,000	2,545,000
2003	11/1/03	11/01/23	2.00-5.70	16,895,000	15,850,000
2003	11/1/03	11/01/17	2.00-5.00	7,900,000	7,110,000
2003	7/15/03	07/15/18	2.00-4.90	8,650,000	7,375,000
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	5,860,000
2005	10/15/05	12/01/19	3.50-4.75	6,980,000	6,550,000
2006	10/5/06	12/01/20	4.00-4.50	7,130,000	7,130,000
				<u>87,407,875</u>	<u>75,716,625</u>
General Obligation Promissory Notes					
2002	11/1/02	11/01/11	2.00-4.00	9,000,000	6,275,000
				<u>9,000,000</u>	<u>6,275,000</u>
Tax Incremental General Obligation Debt					
1993 (Tif #7)	06/01/93	06/01/12	5.40-7.00	6,140,000	3,725,000
1993 (Tif #8)	06/01/93	06/01/12	5.40-7.00	6,065,000	3,685,000
2002 (Tif #9)	02/15/02	02/15/21	3.00-5.10	6,105,000	5,365,000
2006 (Tif #10)	10/3/06	10/3/25	2.50	3,970,000	3,970,000
2006 (Tif #11)	6/26/06	6/26/25	3.75	2,000,000	2,000,000
				<u>24,280,000</u>	<u>18,745,000</u>
Total Governmental Activities - General Obligation Debt				<u>\$ 120,687,875</u>	<u>\$ 100,736,625</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

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#### *F. LONG-TERM OBLIGATIONS (cont.)*

##### *General Obligation Debt (cont.)*

Debt service requirements to maturity are as follows:

<u>Years</u>	Governmental Activities General Obligation Debt		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 6,086,625	\$ 4,605,776	\$ 10,692,401
2008	5,750,000	4,289,604	10,039,604
2009	6,085,000	4,058,008	10,143,008
2010	6,480,000	3,796,433	10,276,433
2011	7,055,000	3,507,733	10,562,733
2012 – 2016	36,410,000	12,904,675	49,314,675
2017 – 2021	27,770,000	4,463,578	32,233,578
2022 – 2025	<u>5,100,000</u>	<u>445,826</u>	<u>5,545,826</u>
Totals	<u>\$ 100,736,625</u>	<u>\$ 38,071,633</u>	<u>\$ 138,808,258</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

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#### *F. LONG-TERM OBLIGATIONS (cont.)*

##### *Business-Type Activities Revenue Debt*

##### **Revenue Debt**

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

Revenue debt payable at December 31, 2006 consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12/31/06
<u>Water Utility</u>					
Mortgage Revenue Bonds	2/1/1995	09/01/07	5.90-6.60	\$ 5,000,000	\$ 180,000
Safe Drinking Water Loan	2/10/1999	2/10/18	2.64	12,594,655	8,345,405
Mortgage Revenue Bonds	10/1/2001	10/1/21	3.50-5.25	11,460,000	10,100,000
Mortgage Revenue Bonds	4/15/2001	4/15/21	4.00-5.38	6,235,000	5,005,000
Safe Drinking Water Loan	12/22/2004	05/01/24	2.365	15,121,555	15,121,555
Mortgage Revenue Bonds	11/1/2004	09/01/24	2.50-5.00	22,140,000	21,330,000
Total Water Utility				<u>72,551,210</u>	<u>60,081,960</u>
<u>Wastewater Utility</u>					
State Cleanwater Fund Loans	4/27/1994	4/27/13	3.19	2,701,745	1,186,495
State Cleanwater Fund Loans	3/26/1997	3/26/16	3.00	1,158,993	690,159
State Cleanwater Fund Loans	5/27/1999	5/27/18	2.64	854,147	564,696
State Cleanwater Fund Loans	11/1/1999	11/1/19	2.64	797,249	569,077
State Cleanwater Fund Loans	9/27/2000	9/27/20	2.97	805,113	610,855
State Cleanwater Fund Loans	4/10/2002	4/10/21	2.75	4,073,012	3,402,168
State Cleanwater Fund Loans	7/24/2002	7/24/21	2.86	17,943,748	15,916,427
State Cleanwater Fund Loans	11/27/2002	11/27/22	2.87	60,724,848	56,747,804
Refunding Revenue Bonds	11/5/2004	12/15/08	2.5-3.0	1,420,000	625,000
Total Wastewater Utility				<u>90,478,855</u>	<u>80,312,681</u>
Total Business-Type Revenue Debt				<u>\$ 163,030,065</u>	<u>\$ 140,394,641</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

#### F. LONG-TERM OBLIGATIONS (cont.)

##### *Revenue Debt* (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	Business-Type Activities General Obligation Debt		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2007	\$ 7,866,354	\$ 4,491,173	\$ 12,357,527
2008	7,882,726	4,247,877	12,130,603
2009	7,918,327	4,006,088	11,924,415
2010	7,828,276	3,762,271	11,590,547
2011	8,057,697	3,516,638	11,574,335
2012-2016	43,071,271	14,547,200	57,618,471
2017-2021	44,352,199	6,306,054	50,658,253
2022-2026	13,417,791	652,167	14,069,958
	<u>\$ 140,394,641</u>	<u>\$ 41,529,468</u>	<u>\$ 181,924,109</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, 2006, 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.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

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#### *F. LONG-TERM OBLIGATIONS (cont.)*

##### *PRIOR-YEAR DEFEASANCE OF DEBT*

In prior years, the City defeased certain general obligation notes and bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old notes and bonds. Accordingly, the trust account assets and the liability for the defeased notes and bonds are not included in the City's financial statements. At December 31, 2006, \$7,630,000 of bonds outstanding is 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 bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Water Utility's financial statements. At December 31, 2006, \$3,385,000 of bonds outstanding is considered defeased. The bonds are callable on September 1, 2007.

In prior years, the Wastewater 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 bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the Wastewater Utility's financial statements. At December 31, 2006, \$1,090,000 of bonds outstanding is considered defeased. The bonds are callable from November 1, 2006 to November 1, 2008.

##### *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 2006 was \$74,175 for the Business type activities and \$172,959 for the Governmental activities.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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

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#### 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 \$39,062 in 2006.

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

2007	\$	35,000
2008		35,000
2009		35,000
2010		35,000
2011		35,000
Thereafter		<u>1,400,000</u>
	\$	<u>1,575,000</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, 2006 the equipment has a cost of \$325,511 and accumulated depreciation of \$162,755

Future minimum payments for the remaining years under the lease:

2007	\$	88,071
2008		<u>88,071</u>
		176,142
Less: Amount representing Interest		<u>(8,344)</u>
	\$	<u>167,798</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

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#### **H. NET ASSETS**

Net assets reported on the government wide statement of net assets at December 31, 2006 includes the following:

##### ***Governmental Activities***

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 174,406,955
Less: related long-term debt outstanding	(74,752,969)
Plus: funds borrowed but not spent	5,610,575
Total Invested in Capital Assets, Net of Related Debt	<u>105,264,561</u>
Restricted for	
Debt service	604,041
Permanent Funds	
Nonexpendable	1,395,369
Expendable	2,285,710
HUD loan program	10,329,989
Total Restricted	<u>14,615,109</u>
Unrestricted	<u>20,346,761</u>
Total Governmental Activities Net Assets	<u>\$ 140,226,431</u>

##### ***Business-Type Activities***

Invested in capital assets, net of related debt	
Other Capital assets, net of accumulated depreciation	\$ 281,907,350
Less: related long-term debt outstanding	(136,746,470)
Plus: debt restricted assets	3,590,948
Total Invested in Capital Assets, Net of Related Debt	<u>148,751,828</u>
Restricted for (See Note IV C for details)	
Water	3,942,450
Wastewater	6,061,477
Total Restricted	<u>10,003,927</u>
Unrestricted	<u>13,463,111</u>
Total Net Assets	<u>\$ 172,218,866</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

---

#### I. *COMPONENT UNIT*

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

##### b. Transactions with the Primary Government

At December 31, 2006, 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, 2006, the carrying value and bank balance of the Redevelopment Authority's deposits are \$69,264. 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, 2006 consist of land and buildings that are being held for resale and are therefore not depreciable.

At December 31, 2006 the Authority had capital assets with a cost of \$698,901.

##### e. Long-term Liabilities

At December 31, 2006, 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, 2006, the Authority has a two mortgages payable in the amount of \$300,000 each, due in full in 2008. Interest is due quarterly at a rate of 6%.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

---

#### *I. COMPONENT UNIT (CONT.)*

##### *DOWNTOWN RACINE BUSINESS IMPROVEMENT DISTRICT #1 (BID)*

#### a. Basis of Accounting/Measurement Focus

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

#### b. Transactions with the Primary Government

At December 31, 2006, the BID has a receivable of \$187,500 from the City's tax collection fund for the 2006 annual assessment which will be utilized for 2007 operations.

#### c. Cash and Investments

At December 31, 2006, the carrying value and bank balance of the BID's deposits are \$16,714. Of that balance \$16,714 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, 2006 the District had capital assets with a cost of \$12,792 and accumulated depreciation of \$3,571. The District's net book value of capital assets was \$9,221.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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

---

#### *J. RESTATEMENT OF NET ASSETS*

Net assets of the governmental activities have been restated to include the right-a-way land under the City's streets and roads.

#### **Governmental Activities**

Net assets - December 31, 2005 (as reported)	\$ 122,215,221
Retroactive reporting of land under city streets and roads	<u>15,015,547</u>
Net assets - January 1, 2006 (as restated)	<u>\$ 137,230,768</u>

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### NOTE V – OTHER INFORMATION

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#### *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 5.9% of their salary (2.9% for Executives and Elected Officials, 5.0% for Protective Occupations with Social Security, and 3.3% for Protective Occupations without Social Security) to the plan. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for City employees covered by the system for the year ended December 31, 2006 was \$48,118,461; the employer's total payroll was \$50,492,566. The total required contribution for the year ended December 31, 2006 was \$5,696,960 or 11.8 percent of covered payroll. Of this amount, 100 percent was contributed by the employer for the current year. Total contributions for the years ending December 31, 2005 and 2004 were \$5,548,811 and \$5,356,178 respectively, equal to the required contributions for each year.

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

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

---

### NOTE V – OTHER INFORMATION (cont.)

---

#### *A. EMPLOYEES' RETIREMENT SYSTEM (cont.)*

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. RACINE TRANSIT SYSTEM PENSION PLAN*

The Transit System's union employees participate in a cost-sharing, multiple-employer defined benefit plan. The Plan provides for retirement and related benefits for eligible employees of contributing employers that are signatory to collective bargaining agreements with local unions accepted by the Trustees of the Fund.

The Transit System makes contributions to the Fund, on behalf of their employee participants, at rates specified in their collective bargaining agreement. Contributions to the plan were \$494,516 and \$425,470 for the years ended December 31, 2006 and 2005, respectively.

The Plan provides several pension benefits. Benefit levels are generally based on the participant's contribution levels, length of vested service and age. Generally, at least 10 years of service are required to be eligible for any benefit level. The Plan's principal benefit has been a "20-Year Service Pension", which is available to participants who attain age 57 and have twenty years of service credits. Greater benefits apply to participants who accumulate 25, 30 or 35 years of contributory credit. Under certain conditions, partial pensions are available at reduced amounts where participation has been divided between the Plan and other pension plans that have reciprocal agreements with the Fund. The Plan also provides for a monthly disability benefit, a lump-sum disability benefit and various death benefits.

The amount shown as the "pension benefit obligation" below, is a standardized disclosure measure of the present value of pension benefits, estimated to be payable in the future as a result of employee service to date and applying other significant assumptions regarding mortality rates, age of retirement, and rates of termination for reasons other than death or retirement. The measure is intended to help users assess the funding status of the Plan on a going-concern basis, and to assess progress made in accumulating sufficient assets to pay benefits when due. The Plan does not make separate measurements of assets and pension benefit obligations for separate employers. The pension benefit obligation for the Plan as a whole at December 31, 1998, the date of the latest actuarial valuation, was \$22,966 million. The Plan's net assets available for benefits on that date (at market) were \$18,116 million, resulting in an unfunded pension benefit obligation of \$4,850 million. The Transit System's 2006 and 2005 contribution requirement approximated .0002 percent of total contributions required of all participating employers.

Ten-year historical trend information showing the Plan's progress in accumulating sufficient assets to pay benefits when due is presented in the Plan's December 31, 1998 actuarial report.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE V – OTHER INFORMATION (cont.)

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#### ***C. 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, 2006. The City purchases general and automobile liability insurance from the Cities and Villages Mutual Insurance Company. The City purchases commercial insurance for property and casualty claims. There have been no significant reductions in insurance coverage for any risk of loss in the past year and settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

#### ***Self Insurance***

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

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

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

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

#### ***Claims Liability***

	<u>Prior Year</u>	<u>Current Year</u>
Unpaid claims – Beginning of Year	\$ 1,290,000	\$ 1,740,000
Current year claims and changes in estimates	13,031,253	13,811,527
Claim payments	<u>12,581,253</u>	<u>14,401,527</u>
Unpaid Claims – End of Year	<u>\$ 1,740,000</u>	<u>\$ 1,150,000</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

---

### NOTE V – OTHER INFORMATION (cont.)

---

#### *C. RISK MANAGEMENT (cont.)*

##### *Public Entity Risk Pool*

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

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

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

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

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

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

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

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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### NOTE V – OTHER INFORMATION (cont.)

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#### *C. RISK MANAGEMENT (cont.)*

##### *Public Entity Risk Pool (cont.)*

##### *Wisconsin Municipal Insurance Commission (WMIC)*

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

The City shows the general obligation bond that it owes to WMIC in the governmental activities column of government-wide statement of net assets in the amount of \$541,625.

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, 2006. A total liability of approximately \$1.8 million at December 31, 2006 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:

	<u>Beginning Balance</u>	<u>Incurred Claims</u>	<u>Claims Paid/ Settled</u>	<u>Ending Balance</u>
2005	\$ 914,951	\$ 653,347	\$ 481,311	\$ 1,086,987
2006	1,086,987	1,444,685	739,733	1,791,939

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

---

### NOTE V – OTHER INFORMATION (cont.)

---

#### *C. RISK MANAGEMENT (cont.)*

##### *Public Entity Risk Pool (cont.)*

##### *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 2006, the TMI is protected by a \$2,000,000 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, 2006 through January 1, 2007.

TMI also provides physical damage of member vehicles up to \$10,000,000 per member for all vehicles, after deductibles. TMI insures the first \$500,000 with General Reinsurance providing the remaining coverage.

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 7.68%. 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, 2006

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### NOTE V – OTHER INFORMATION (cont.)

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#### *D. 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.

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 \$2,802,616.

During the year, the Water Utility entered into contract agreements with various companies to perform professional services and construction activities. At December 31, 2006, contracts with these entities totaled \$24,895,225 of which \$23,166,407 was paid and \$1,728,818 is committed for future services to be performed.

#### *E. OTHER POSTEMPLOYMENT BENEFITS*

The City provides post employment health care and life benefits to retired employees and their dependents. The benefits can vary, depending upon the age and years of service of the retiree. Depending on the union contract, the City pays 100 percent of the health care costs for employees who retire with a combination of age and years of service between 75 and 80 years. The City also pays 100 percent of the Medicare premiums for those individuals. Life insurance premiums are paid to age 65 for those individuals who retire prior to age 65 and qualify as defined above. At December 31, 2006, the City had 749 retirees who received full health care coverage. In 2006 various groups of retirees were began paying an estimated portion of the health care premiums. Required contributions range from 0%-5% based on labor negotiations and retirement date.

The City finances the plan on a "pay as you go basis". The total cost in fiscal year 2006 was \$7,922,254 which includes health care, Medicare premiums and life insurance premiums. Employee contributions totaled \$199,141.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS

December 31, 2006

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### NOTE V – OTHER INFORMATION (cont.)

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#### *F. ECONOMIC DEPENDENCY*

The Water Utility had one major customer with sales of approximately \$3.9 million that accounted for 25.2% of the Utility's gross sales.

The Wastewater Utility had one major customer with sales of approximately \$1.86 million that accounted for 15% of the Utility's gross sales.

#### *G. INTERMUNICIPAL AGREEMENT*

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

In 2005 the wastewater plant expansion was complete and the accounts receivable and deferred revenue were recognized for the plant capacity allocated to the participating municipalities in the amount of \$49,065,215.

Interest payments under the agreement are recorded as revenue when due. Principal payments are recorded as reduction of the accounts receivable. The deferred revenue will be amortized on a straight line basis over the term of the agreement. The capacity revenue recognized was \$1,043,940 for the year ended December 31, 2006.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS December 31, 2006

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### NOTE V – OTHER INFORMATION (cont.)

---

#### *H. INTERGOVERNMENTAL RETAIL WATER SERVICE AGREEMENT*

The Racine Water Utility entered into an 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 residential equivalent connection (REC) fees 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.

#### *I. SUBSEQUENT EVENTS*

On April 2, 2007, the Racine Water Utility issued waterworks system mortgage revenue bonds in the amount of \$18,890,000 with interest rates ranging from 4.00% to 4.75%. The maturity date of the bonds is September 1, 2026. The proceeds from the sale of the bonds will be used to advance refund a portion of the utilities outstanding \$11,460,000 waterworks system mortgage revenue bonds dated October 1, 2001. Additionally, the proceeds from the sale of the bonds will be used for financing various extension, replacement, repair and improvement projects throughout the water treatment and distribution system; acquiring wholesale customer assets; and acquiring vehicles and equipment.

Effective January 1, 2007, The Racine Water Utility purchased assets of the Village of Sturtevant Water Utility. The payment of \$1,202,478, related to the purchase was paid December 28, 2006. This payment is located on the Statement of Net Assets, under Other Assets, called Acquisition Deposit.

On July 17, 2007, the City Common Council authorized the issuance and sale of \$7,500,000 Note Anticipation Notes to finance various capital projects.

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**COMBINING AND INDIVIDUAL FUND STATEMENTS  
AND SCHEDULES**

**CITY OF RACINE**  
Nonmajor Governmental Funds

**COMBINING BALANCE SHEET**  
December 31, 2006

	Special Revenue Funds			
	Public Safety Grants	Cemetery	Library	Harbor Commission
<b>ASSETS</b>				
Cash and investments	\$ 4,402	\$ 1,169,597	\$ 547,567	\$ 50,869
Receivables				
Property taxes	56,150	207,688	2,063,224	-
Special assessment - tax roll	-	-	-	-
Special assessment	-	-	-	-
Accounts	-	450	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	29,789
Advances to component unit	-	-	-	-
Advances to other funds	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 60,552</u>	<u>\$ 1,377,735</u>	<u>\$ 2,610,791</u>	<u>\$ 80,658</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ 34,521	\$ 33,179	\$ -
Accrued liabilities	2,874	3,766	82,520	10,142
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Advances from other funds	-	-	-	-
Deferred revenues	-	-	-	-
Deferred property tax revenue	56,150	207,688	2,063,224	-
<b>Total Liabilities</b>	<u>59,024</u>	<u>245,975</u>	<u>2,178,923</u>	<u>10,142</u>
<b>Fund Balances</b>				
<b>Reserved</b>				
Encumbrances	-	11,350	-	-
Endowments	-	-	-	-
Capital projects	-	-	-	33,231
Advances	-	-	-	-
<b>Unreserved</b>				
Designated for subsequent years expenditures	-	78,594	146,455	-
Undesignated (deficit)	1,528	1,041,816	285,413	37,285
<b>Total Fund Balances</b>	<u>1,528</u>	<u>1,131,760</u>	<u>431,868</u>	<u>70,516</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 60,552</u>	<u>\$ 1,377,735</u>	<u>\$ 2,610,791</u>	<u>\$ 80,658</u>

**CITY OF RACINE**  
Nonmajor Governmental Funds

**COMBINING BALANCE SHEET**  
December 31, 2006

Special Revenue Funds						
HAZMAT	Recycling	CAR 25	State Asset Forfeiture	Federal Asset Forfeiture	Municipal Court	
\$ 269,915	\$ -	\$ 9,970	\$ 20,720	\$ 217,389	\$ -	
-	796,879	-	-	-	58,859	
-	-	-	-	-	-	
-	-	-	-	-	-	
967	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
<u>\$ 270,882</u>	<u>\$ 796,879</u>	<u>\$ 9,970</u>	<u>\$ 20,720</u>	<u>\$ 217,389</u>	<u>\$ 58,859</u>	
\$ 17,640	\$ 56,004	\$ -	\$ -	\$ 10,900	\$ 50	
-	8,749	1,195	-	-	6,983	
-	405,957	-	-	-	15,943	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	796,879	-	-	-	58,859	
<u>17,640</u>	<u>1,267,589</u>	<u>1,195</u>	<u>-</u>	<u>10,900</u>	<u>81,835</u>	
1,735	-	-	-	5,960	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	-	-	-	
-	-	-	9,000	60,500	-	
<u>251,507</u>	<u>(470,710)</u>	<u>8,775</u>	<u>11,720</u>	<u>140,029</u>	<u>(22,976)</u>	
<u>253,242</u>	<u>(470,710)</u>	<u>8,775</u>	<u>20,720</u>	<u>206,489</u>	<u>(22,976)</u>	
<u>\$ 270,882</u>	<u>\$ 796,879</u>	<u>\$ 9,970</u>	<u>\$ 20,720</u>	<u>\$ 217,389</u>	<u>\$ 58,859</u>	

**CITY OF RACINE**  
Nonmajor Governmental Funds  
  
**COMBINING BALANCE SHEET**  
December 31, 2006

	Special Revenue Funds			
	Bulky Waste Site	Special Assessments	Other Cemetery	Other Public Safety
<b>ASSETS</b>				
Cash and investments	\$ -	\$ 2,212,110	\$ 1,407,154	\$ 489,591
Receivables				
Property taxes	-	-	-	-
Special assessment - tax roll	-	344,609	-	-
Special assessment	-	1,337,837	-	-
Accounts	-	-	-	314
Due from other funds	-	-	-	-
Due from other governments	-	-	-	203,317
Advances to component unit	-	-	-	-
Advances to other funds	-	754,454	-	-
<b>TOTAL ASSETS</b>	<u>\$ -</u>	<u>\$ 4,649,010</u>	<u>\$ 1,407,154</u>	<u>\$ 693,222</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ -	\$ -	\$ -	\$ 64,184
Accrued liabilities	-	39,257	-	2,904
Due to other funds	-	-	-	127,083
Due to other governments	-	-	-	-
Advances from other funds	-	-	-	-
Deferred revenues	-	1,337,837	-	200,711
Deferred property tax revenue	-	344,609	-	-
<b>Total Liabilities</b>	<u>-</u>	<u>1,721,703</u>	<u>-</u>	<u>394,882</u>
<b>Fund Balances</b>				
<b>Reserved</b>				
Encumbrances	-	-	-	98,314
Endowments	-	-	-	-
Capital projects	-	-	-	-
Advances	-	754,454	-	-
<b>Unreserved</b>				
Designated for subsequent years expenditures	-	-	-	-
Undesignated (deficit)	-	2,172,853	1,407,154	200,026
<b>Total Fund Balances</b>	<u>-</u>	<u>2,927,307</u>	<u>1,407,154</u>	<u>298,340</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ -</u>	<u>\$ 4,649,010</u>	<u>\$ 1,407,154</u>	<u>\$ 693,222</u>

**CITY OF RACINE**  
Nonmajor Governmental Funds

COMBINING BALANCE SHEET  
December 31, 2006

Special Revenue Funds				Capital Project Funds		
Trusts	Economic Development	Other	Health	Tax Incremental Districts	City Projects	2003
\$ 1,980,634	\$ 142,323	\$ 277,930	\$ 413,728	\$ 2,827,353	\$ 419,088	\$ 169,835
-	-	-	-	761,715	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	14,328	1,871	-	180,537	-
-	-	2,438	-	-	39,838	-
-	-	-	54,684	810,132	2,388,589	-
-	450,000	-	-	-	-	-
-	-	-	-	-	946,688	-
<u>\$ 1,980,634</u>	<u>\$ 592,323</u>	<u>\$ 294,696</u>	<u>\$ 470,283</u>	<u>\$ 4,399,200</u>	<u>\$ 3,974,740</u>	<u>\$ 169,835</u>
\$ 500	\$ -	\$ 36,888	\$ 32,000	\$ 904,670	\$ 365,846	\$ 38,301
-	-	-	17,679	564	91	-
8,386	-	-	33,235	10,792	4,530,919	-
-	-	71	-	-	-	-
-	-	-	-	916,112	-	-
-	-	17,555	378,028	-	150,000	-
-	-	-	-	761,715	-	-
<u>8,886</u>	<u>-</u>	<u>54,514</u>	<u>460,942</u>	<u>2,593,853</u>	<u>5,046,856</u>	<u>38,301</u>
-	1,691	-	90	1,264,076	124,475	-
-	-	-	-	-	-	-
-	-	-	-	541,271	-	131,534
-	450,000	-	-	-	946,688	-
-	-	-	-	-	-	-
<u>1,971,748</u>	<u>140,632</u>	<u>240,182</u>	<u>9,251</u>	<u>-</u>	<u>(2,143,279)</u>	<u>-</u>
<u>1,971,748</u>	<u>592,323</u>	<u>240,182</u>	<u>9,341</u>	<u>1,805,347</u>	<u>(1,072,116)</u>	<u>131,534</u>
<u>\$ 1,980,634</u>	<u>\$ 592,323</u>	<u>\$ 294,696</u>	<u>\$ 470,283</u>	<u>\$ 4,399,200</u>	<u>\$ 3,974,740</u>	<u>\$ 169,835</u>

**CITY OF RACINE**  
Nonmajor Governmental Funds

**COMBINING BALANCE SHEET**  
December 31, 2006

	Capital Project Funds			
	2004	2005	2006	Assessment Projects
<b>ASSETS</b>				
Cash and investments	\$ 763,006	\$ 705,271	\$ 4,522,239	\$ -
Receivables				
Property taxes	-	-	-	-
Special assessment - tax roll	-	-	-	-
Special assessment	-	-	-	-
Accounts	-	-	-	-
Due from other funds	-	-	-	-
Due from other governments	-	-	-	-
Advances to component unit	-	-	-	-
Advances to other funds	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 763,006</u>	<u>\$ 705,271</u>	<u>\$ 4,522,239</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities</b>				
Accounts payable	\$ 254,415	\$ 18,498	\$ 1,123,198	\$ 50,344
Accrued liabilities	-	-	-	-
Due to other funds	-	-	-	-
Due to other governments	-	-	-	-
Advances from other funds	-	-	-	-
Deferred revenues	-	-	-	-
Deferred property tax revenue	-	-	-	-
<b>Total Liabilities</b>	<u>254,415</u>	<u>18,498</u>	<u>1,123,198</u>	<u>50,344</u>
<b>Fund Balances</b>				
Reserved				
Encumbrances	98,716	98,137	144,936	-
Endowments	-	-	-	-
Capital projects	409,875	588,636	3,254,105	-
Advances	-	-	-	-
Unreserved				
Designated for subsequent years expenditures	-	-	-	-
Undesignated (deficit)	-	-	-	(50,344)
<b>Total Fund Balances</b>	<u>508,591</u>	<u>686,773</u>	<u>3,399,041</u>	<u>(50,344)</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 763,006</u>	<u>\$ 705,271</u>	<u>\$ 4,522,239</u>	<u>\$ -</u>

**CITY OF RACINE**  
Nonmajor Governmental Funds

COMBINING BALANCE SHEET  
December 31, 2006

<u>Capital Projects Funds</u>	<u>Permanent Fund</u>	<u>Total Nonmajor Governmental Funds</u>
<u>Intergovernmental Revenue Sharing</u>	<u>Endowment Fund</u>	
\$ 1,889,770	\$ 3,683,017	\$ 24,193,478
-	-	3,944,515
-	-	344,609
-	-	1,337,837
-	-	198,467
-	-	42,276
-	-	3,486,511
-	-	450,000
916,112	-	2,617,254
<u>\$ 2,805,882</u>	<u>\$ 3,683,017</u>	<u>\$ 36,614,947</u>

\$ -	\$ 1,938	\$ 3,043,076
30,600	-	207,324
-	-	5,132,315
-	-	71
-	-	916,112
-	-	2,084,131
-	-	4,289,124
<u>30,600</u>	<u>1,938</u>	<u>15,672,153</u>

-	-	1,849,480
-	1,395,369	1,395,369
1,713,688	-	6,672,340
916,112	-	3,067,254
145,482	-	440,031
-	2,285,710	7,518,320
<u>2,775,282</u>	<u>3,681,079</u>	<u>20,942,794</u>
<u>\$ 2,805,882</u>	<u>\$ 3,683,017</u>	<u>\$ 36,614,947</u>

**CITY OF RACINE**  
Nonmajor Governmental Funds

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
For the Year Ended December 31, 2006

	Special Revenue Funds			
	Public Safety Grants	Cemetery	Library	Harbor Commission
<b>REVENUES</b>				
Taxes	\$ 48,650	\$ 207,768	\$ 2,060,768	\$ -
Special charges and assessments	-	-	-	-
Intergovernmental	129,049	-	1,386,246	-
Fines and Forfeitures	-	-	-	-
Investment income	-	59,367	64,695	-
Charges for services	-	292,603	112,917	26,206
Donations	-	-	-	-
Other	-	-	62	-
Total Revenues	<u>177,699</u>	<u>559,738</u>	<u>3,624,688</u>	<u>26,206</u>
<b>EXPENDITURES</b>				
Current				-
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	518,510	3,700,600	17,124
Public works	-	-	-	-
Public safety	176,171	-	-	-
Capital outlay	-	101,503	3,492	-
Total Expenditures	<u>176,171</u>	<u>620,013</u>	<u>3,704,092</u>	<u>17,124</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,528</u>	<u>(60,275)</u>	<u>(79,404)</u>	<u>9,082</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>1,528</u>	<u>(60,275)</u>	<u>(79,404)</u>	<u>9,082</u>
<b>FUND BALANCES (DEFICIT) -</b>				
Beginning of Year	<u>-</u>	<u>1,192,035</u>	<u>511,272</u>	<u>61,434</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ 1,528</u>	<u>\$ 1,131,760</u>	<u>\$ 431,868</u>	<u>\$ 70,516</u>

**CITY OF RACINE**  
Nonmajor Governmental Funds

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
For the Year Ended December 31, 2006

Special Revenue Funds					
HAZMAT	Recycling	CAR 25	State Asset Forfeiture	Federal Asset Forfeiture	Municipal Court
\$ -	\$ 973,020	\$ -	\$ -	\$ -	\$ 47,849
-	-	-	-	-	-
171,705	438,517	-	-	-	-
-	-	-	1,002	215,797	194,313
12,156	-	-	-	6,277	-
9,380	39,155	73,826	-	-	-
-	-	101	-	-	-
-	486	-	1,300	-	-
<u>193,241</u>	<u>1,451,178</u>	<u>73,927</u>	<u>2,302</u>	<u>222,074</u>	<u>242,162</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	70,700	-	-	-
-	1,266,941	-	-	-	-
176,178	-	-	4,049	6,211	265,138
49,205	-	-	-	90,911	-
<u>225,383</u>	<u>1,266,941</u>	<u>70,700</u>	<u>4,049</u>	<u>97,122</u>	<u>265,138</u>
<u>(32,142)</u>	<u>184,237</u>	<u>3,227</u>	<u>(1,747)</u>	<u>124,952</u>	<u>(22,976)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	(36,933)	-	-	-	-
-	(36,933)	-	-	-	-
(32,142)	147,304	3,227	(1,747)	124,952	(22,976)
<u>285,384</u>	<u>(618,014)</u>	<u>5,548</u>	<u>22,467</u>	<u>81,537</u>	<u>-</u>
<u>\$ 253,242</u>	<u>\$ (470,710)</u>	<u>\$ 8,775</u>	<u>\$ 20,720</u>	<u>\$ 206,489</u>	<u>\$ (22,976)</u>

**CITY OF RACINE**  
Nonmajor Governmental Funds

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
For the Year Ended December 31, 2006

	Special Revenue Funds			
	Bulky Waste Site	Special Assessments	Other Cemetery	Other Public Safety
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Special charges and assessments	-	865,285	-	-
Intergovernmental	-	-	-	577,074
Fines and Forfeitures	-	-	-	-
Investment income	-	100,089	62,067	4,621
Charges for services	4,920	-	57,644	128,535
Donations	-	-	750	19,384
Other	-	-	-	-
Total Revenues	<u>4,920</u>	<u>965,374</u>	<u>120,461</u>	<u>729,614</u>
<b>EXPENDITURES</b>				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	-	12,822	-
Public works	41,853	-	-	-
Public safety	-	-	-	647,634
Capital outlay	-	-	-	-
Total Expenditures	<u>41,853</u>	<u>-</u>	<u>12,822</u>	<u>647,634</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(36,933)</u>	<u>965,374</u>	<u>107,639</u>	<u>81,980</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	-	-	-	-
Transfers in	36,933	-	-	6,008
Transfers (out)	-	(480,022)	-	-
Total Other Financing Sources (Uses)	<u>36,933</u>	<u>(480,022)</u>	<u>-</u>	<u>6,008</u>
Net Change in Fund Balances	-	485,352	107,639	87,988
<b>FUND BALANCES (DEFICIT) -</b>				
Beginning of Year	<u>-</u>	<u>2,441,955</u>	<u>1,299,515</u>	<u>210,352</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 2,927,307</u>	<u>\$ 1,407,154</u>	<u>\$ 298,340</u>

**CITY OF RACINE**  
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended December 31, 2006

Special Revenue Funds				Capital Projects Funds
Trusts	Economic Development	Other	Health	Tax Incremental Districts
\$ -	\$ -	\$ 217,459	\$ -	\$ 756,832
-	-	-	-	-
-	-	-	701,487	580,173
-	-	-	-	-
172,681	6,379	5,258	2,379	166,461
-	-	235,978	5,475	20,623
137,626	-	28,745	137,439	56,883
-	-	1,500	4,010	99,508
<u>310,307</u>	<u>6,379</u>	<u>488,940</u>	<u>850,790</u>	<u>1,680,480</u>
-	965	234,405	-	-
-	-	90	879,186	-
123,159	-	106,562	-	-
-	-	185,219	-	-
-	-	47,787	-	-
-	-	-	-	2,575,576
<u>123,159</u>	<u>965</u>	<u>574,063</u>	<u>879,186</u>	<u>2,575,576</u>
<u>187,148</u>	<u>5,414</u>	<u>(85,123)</u>	<u>(28,396)</u>	<u>(895,096)</u>
-	-	-	-	-
-	-	59,125	30,268	-
-	-	(9,740)	-	(716,417)
-	-	49,385	30,268	(716,417)
187,148	5,414	(35,738)	1,872	(1,611,513)
<u>1,784,600</u>	<u>586,909</u>	<u>275,920</u>	<u>7,469</u>	<u>3,416,860</u>
<u>\$ 1,971,748</u>	<u>\$ 592,323</u>	<u>\$ 240,182</u>	<u>\$ 9,341</u>	<u>\$ 1,805,347</u>

**CITY OF RACINE**  
Nonmajor Governmental Funds

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
For the Year Ended December 31, 2006

	Capital Projects Funds		
	City Projects	2003	2004
<b>REVENUES</b>			
Taxes	\$ -	\$ -	\$ -
Special assessments	1,111,728	-	-
Intergovernmental	2,338,360	-	-
Fines and Forfeitures	-	-	-
Investment income	60,569	8,554	55,464
Charges for services	-	-	-
Donations	50,000	-	-
Other	24,935	-	-
Total Revenues	<u>3,585,592</u>	<u>8,554</u>	<u>55,464</u>
<b>EXPENDITURES</b>			
Current			
Community development	-	-	-
Health	-	-	-
Education and recreation	-	-	-
Public works	-	-	-
Public safety	-	-	-
Capital outlay	<u>3,238,163</u>	<u>22,135</u>	<u>621,578</u>
Total Expenditures	<u>3,238,163</u>	<u>22,135</u>	<u>621,578</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>347,429</u>	<u>(13,581)</u>	<u>(566,114)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-term debt issued	-	-	-
Transfers in	-	-	-
Transfers (out)	<u>-</u>	<u>-</u>	<u>(207,671)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(207,671)</u>
<b>Net Change in Fund Balances</b>	<b>347,429</b>	<b>(13,581)</b>	<b>(773,785)</b>
<b>FUND BALANCES (DEFICIT) -</b>			
Beginning of Year	<u>(1,419,545)</u>	<u>145,115</u>	<u>1,282,376</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<b><u>\$(1,072,116)</u></b>	<b><u>\$ 131,534</u></b>	<b><u>\$ 508,591</u></b>

**CITY OF RACINE**  
Nonmajor Governmental Funds

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
For the Year Ended December 31, 2006

Capital Projects Funds				Permanent Fund	Total Nonmajor Governmental Funds
2005	2006	Assessment Projects	Intergovernmental Revenue Sharing	Endowment Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,312,346
-	-	-	-	-	1,977,013
19,395	-	-	1,103,852	-	7,445,858
-	-	-	-	-	411,112
79,546	98,881	-	140,367	317,893	1,423,704
-	-	-	-	-	1,007,262
-	-	-	-	14,531	445,459
-	21,000	-	-	-	152,801
<u>98,941</u>	<u>119,881</u>	<u>-</u>	<u>1,244,219</u>	<u>332,424</u>	<u>17,175,555</u>
-	-	-	170,786	-	406,156
-	-	-	-	-	879,276
-	-	-	-	47,981	4,597,458
-	-	-	-	-	1,494,013
-	-	-	-	-	1,323,168
<u>1,198,166</u>	<u>3,523,907</u>	<u>413,302</u>	<u>821,308</u>	<u>-</u>	<u>12,659,246</u>
<u>1,198,166</u>	<u>3,523,907</u>	<u>413,302</u>	<u>992,094</u>	<u>47,981</u>	<u>21,359,317</u>
<u>(1,099,225)</u>	<u>(3,404,026)</u>	<u>(413,302)</u>	<u>252,125</u>	<u>284,443</u>	<u>(4,183,762)</u>
-	7,000,000	-	-	-	7,000,000
-	-	480,022	-	-	612,356
<u>(145,563)</u>	<u>(196,933)</u>	<u>-</u>	<u>-</u>	<u>(5,448)</u>	<u>(1,798,727)</u>
<u>(145,563)</u>	<u>6,803,067</u>	<u>480,022</u>	<u>-</u>	<u>(5,448)</u>	<u>5,813,629</u>
(1,244,788)	3,399,041	66,720	252,125	278,995	1,629,867
<u>1,931,561</u>	<u>-</u>	<u>(117,064)</u>	<u>2,523,157</u>	<u>3,402,084</u>	<u>19,312,927</u>
<u>\$ 686,773</u>	<u>\$ 3,399,041</u>	<u>\$ (50,344)</u>	<u>\$ 2,775,282</u>	<u>\$ 3,681,079</u>	<u>\$ 20,942,794</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, 2006

	Public Safety Grants		
	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 48,650	\$ 48,650	\$ -
Intergovernmental	132,293	129,049	(3,244)
Fines and Forfeitures	-	-	-
Investment income	-	-	-
Charges for services	-	-	-
Donations	-	-	-
Other	-	-	-
Total Revenues	<u>180,943</u>	<u>177,699</u>	<u>(3,244)</u>
<b>EXPENDITURES</b>			
Current			
Community development	-	-	-
Health	-	-	-
Education and recreation	-	-	-
Public works	-	-	-
Public safety	180,943	176,171	4,772
Capital outlay	-	-	-
Total Expenditures	<u>180,943</u>	<u>176,171</u>	<u>4,772</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>1,528</u>	<u>1,528</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers (out)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>1,528</u>	<u>\$ 1,528</u>
FUND BALANCES (DEFICIT) - Beginning of Year		<u>-</u>	
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>		<u>\$ 1,528</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, 2006

Cemetery				Library			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 207,768	\$ 207,768	\$ 207,768	\$ -	\$ 2,060,768	\$ 2,060,768	\$ 2,060,768	\$ -
-	-	-	-	1,512,018	1,512,018	1,386,246	(125,772)
-	-	-	-	-	-	-	-
52,000	52,000	59,367	7,367	40,000	40,000	64,695	24,695
266,630	266,630	292,603	25,973	120,000	120,000	112,917	(7,083)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	62	62
<u>526,398</u>	<u>526,398</u>	<u>559,738</u>	<u>33,340</u>	<u>3,732,786</u>	<u>3,732,786</u>	<u>3,624,688</u>	<u>(108,098)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
534,998	534,998	518,510	16,488	3,828,906	3,828,906	3,700,600	128,306
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
85,000	148,579	101,503	47,076	90,000	90,000	3,492	86,508
<u>619,998</u>	<u>683,577</u>	<u>620,013</u>	<u>63,564</u>	<u>3,918,906</u>	<u>3,918,906</u>	<u>3,704,092</u>	<u>214,814</u>
<u>(93,600)</u>	<u>(157,179)</u>	<u>(60,275)</u>	<u>96,904</u>	<u>(186,120)</u>	<u>(186,120)</u>	<u>(79,404)</u>	<u>106,716</u>
25,000	25,000	-	(25,000)	90,000	90,000	-	(90,000)
-	-	-	-	-	-	-	-
<u>25,000</u>	<u>25,000</u>	<u>-</u>	<u>(25,000)</u>	<u>90,000</u>	<u>90,000</u>	<u>-</u>	<u>(90,000)</u>
<u>\$ (68,600)</u>	<u>\$ (132,179)</u>	<u>(60,275)</u>	<u>\$ 71,904</u>	<u>\$ (96,120)</u>	<u>\$ (96,120)</u>	<u>(79,404)</u>	<u>\$ 16,716</u>
		<u>1,192,035</u>				<u>511,272</u>	
		<u>\$ 1,131,760</u>				<u>\$ 431,868</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, 2006

	Harbor Commission			
	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	26,750	26,750	26,206	(544)
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>26,750</u>	<u>26,750</u>	<u>26,206</u>	<u>(544)</u>
<b>EXPENDITURES</b>				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	25,725	25,725	17,124	8,601
Public works	-	-	-	-
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>25,725</u>	<u>25,725</u>	<u>17,124</u>	<u>8,601</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,025</u>	<u>1,025</u>	<u>9,082</u>	<u>8,057</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balance</b>	<u>\$ 1,025</u>	<u>\$ 1,025</u>	<u>9,082</u>	<u>\$ 8,057</u>
FUND BALANCES (DEFICIT) - Beginning of Year			<u>61,434</u>	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ 70,516</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, 2006

HAZMAT				Recycling			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ 973,020	\$ 973,020	\$ 973,020	\$ -
122,500	171,705	171,705	-	430,000	430,000	438,517	8,517
-	-	-	-	-	-	-	-
9,564	9,564	12,156	2,592	-	-	-	-
-	-	9,380	9,380	6,000	6,000	39,155	33,155
-	-	-	-	-	-	-	-
-	-	-	-	-	-	486	486
<u>132,064</u>	<u>181,269</u>	<u>193,241</u>	<u>11,972</u>	<u>1,409,020</u>	<u>1,409,020</u>	<u>1,451,178</u>	<u>42,158</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,409,020	1,409,020	1,266,941	142,079
132,064	185,346	176,178	9,168	-	-	-	-
-	49,205	49,205	-	-	-	-	-
<u>132,064</u>	<u>234,551</u>	<u>225,383</u>	<u>9,168</u>	<u>1,409,020</u>	<u>1,409,020</u>	<u>1,266,941</u>	<u>142,079</u>
-	(53,282)	(32,142)	21,140	-	-	184,237	184,237
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(36,933)	(36,933)
-	-	-	-	-	-	(36,933)	(36,933)
<u>\$ -</u>	<u>\$ (53,282)</u>	<u>(32,142)</u>	<u>\$ 21,140</u>	<u>\$ -</u>	<u>\$ -</u>	<u>147,304</u>	<u>\$ 147,304</u>
		<u>285,384</u>				<u>(618,014)</u>	
		<u>\$ 253,242</u>				<u>\$ (470,710)</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, 2006

CAR25				
	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	71,560	71,560	73,826	2,266
Donations	-	-	101	101
Other	-	-	-	-
Total Revenues	71,560	71,560	73,927	2,367
<b>EXPENDITURES</b>				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	71,560	71,560	70,700	860
Public works	-	-	-	-
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	71,560	71,560	70,700	860
Excess (Deficiency) of Revenues over (under) Expenditures	-	-	3,227	3,227
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balance	\$ -	\$ -	3,227	\$ 3,227
FUND BALANCES (DEFICIT) - Beginning of Year			5,548	
FUND BALANCES (DEFICIT) - END OF YEAR			\$ 8,775	

**CITY OF RACINE**  
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended December 31, 2006

State Asset Forfeiture				Federal Asset Forfeiture			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
3,000	3,000	1,002	(1,998)	175,900	175,900	215,797	39,897
-	-	-	-	-	-	6,277	6,277
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,000	5,000	1,300	(3,700)	-	-	-	-
8,000	8,000	2,302	(5,698)	175,900	175,900	222,074	46,174
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
15,000	15,000	4,049	10,951	10,000	10,000	6,211	3,789
-	-	-	-	217,670	217,670	90,911	126,759
15,000	15,000	4,049	10,951	227,670	227,670	97,122	130,548
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
(7,000)	(7,000)	(1,747)	5,253	(51,770)	(51,770)	124,952	176,722
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ (7,000)</u>	<u>\$ (7,000)</u>	(1,747)	<u>\$ 5,253</u>	<u>\$ (51,770)</u>	<u>\$ (51,770)</u>	124,952	<u>\$ 176,722</u>
		<u>22,467</u>				<u>81,537</u>	
		<u>\$ 20,720</u>				<u>\$ 206,489</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, 2006

	Bulky Waste Site			
	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	91,843	91,843	4,920	(86,923)
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>91,843</u>	<u>91,843</u>	<u>4,920</u>	<u>(86,923)</u>
<b>EXPENDITURES</b>				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	-	-	-
Public works	91,843	91,843	41,853	49,990
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>91,843</u>	<u>91,843</u>	<u>41,853</u>	<u>49,990</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>-</u>	<u>(36,933)</u>	<u>(36,933)</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	36,933	36,933
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>36,933</u>	<u>36,933</u>
<b>Net Change in Fund Balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES (DEFICIT) - Beginning of Year			<u>-</u>	
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>			<u>\$ -</u>	

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended December 31, 2006**

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**CITY OF RACINE**

## Debt Service Fund

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

For the Year Ended December 31, 2006

	Currently Due		
	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Tax Levy	\$ 6,366,525	\$ 6,366,525	\$ -
Other	805,192	702,565	(102,627)
Total Revenues	<u>7,171,717</u>	<u>7,069,090</u>	<u>(102,627)</u>
<b>EXPENDITURES</b>			
Debt service			
Principal	5,750,240	5,750,240	-
Interest and fiscal charges	4,219,577	4,271,511	(51,934)
Total Expenditures	<u>9,969,817</u>	<u>10,021,751</u>	<u>(51,934)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,798,100)</u>	<u>(2,952,661)</u>	<u>(154,561)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	2,368,448	2,428,576	60,128
Total Other Financing Sources (Uses)	<u>2,368,448</u>	<u>2,428,576</u>	<u>60,128</u>
<b>Net Change in Fund Balances</b>	<u>\$ (429,652)</u>	<u>(524,085)</u>	<u>\$ (94,433)</u>
<b>FUND BALANCES - Beginning of Year</b>		<u>1,332,753</u>	
<b>FUND BALANCES - END OF YEAR</b>		<u>\$ 808,668</u>	

# CITY OF RACINE

## Capital Project Funds

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Year Ended December 31, 2006

	2006 Capital Projects			
	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment income	49,300	49,300	98,881	49,581
Other	-	-	21,000	21,000
Total Revenues	<u>49,300</u>	<u>49,300</u>	<u>119,881</u>	<u>70,581</u>
<b>EXPENDITURES</b>				
Current-Community Development	-	-	-	-
Capital outlay	<u>6,461,050</u>	<u>6,461,050</u>	<u>3,523,907</u>	<u>2,937,143</u>
Total Expenditures	<u>6,461,050</u>	<u>6,461,050</u>	<u>3,523,907</u>	<u>2,937,143</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(6,411,750)</u>	<u>(6,411,750)</u>	<u>(3,404,026)</u>	<u>3,007,724</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	7,000,000	7,000,000	7,000,000	-
Transfers in	-	-	-	-
Transfers (out)	<u>(588,250)</u>	<u>(588,250)</u>	<u>(196,933)</u>	<u>391,317</u>
Total Other Financing Sources (Uses)	<u>6,411,750</u>	<u>6,411,750</u>	<u>6,803,067</u>	<u>391,317</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>3,399,041</u>	<u>\$ 3,399,041</u>
<b>FUND BALANCES - Beginning of Year</b>			<u>-</u>	
<b>FUND BALANCES - END OF YEAR</b>			<u>\$ 3,399,041</u>	

# CITY OF RACINE

## Capital Project Funds

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Year Ended December 31, 2006

Assessment Projects				Intergovernmental Revenue Sharing			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,088,779	1,088,779	1,103,852	15,073
-	-	-	-	10,000	10,000	-	(10,000)
-	-	-	-	35,221	35,221	140,367	105,146
-	-	-	-	-	-	-	-
-	-	-	-	1,134,000	1,134,000	1,244,219	110,219
-	-	-	-	459,000	459,477	170,786	288,691
1,650,000	1,753,607	413,302	1,340,305	822,000	822,000	821,308	692
1,650,000	1,753,607	413,302	1,340,305	1,281,000	1,281,477	992,094	289,383
(1,650,000)	(1,753,607)	(413,302)	1,340,305	(147,000)	(147,477)	252,125	399,602
-	-	-	-	-	-	-	-
1,650,000	1,753,607	480,022	(1,273,585)	-	-	-	-
-	-	-	-	-	-	-	-
1,650,000	1,753,607	480,022	(1,273,585)	-	-	-	-
\$ -	\$ -	66,720	\$ 66,720	\$ (147,000)	\$ (147,477)	252,125	\$ 399,602
		(117,064)				2,523,157	
		\$ (50,344)				\$2,775,282	

**CITY OF RACINE**  
Nonmajor Enterprise Funds

**COMBINING STATEMENT OF NET ASSETS**  
December 31, 2006

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
<b>ASSETS</b>						
Current Assets						
Cash and investments	\$ 1,019,733	\$ 1,729,417	\$ 383,885	\$ 47,508	\$ 222,047	\$ 3,402,590
Receivables						
Accounts	37,198	66,197	-	59,212	29,715	192,322
Taxes	10,595	3,017,422	-	299,000	-	3,327,017
Inventories	-	-	-	10,699	-	10,699
Prepaid expenses	-	-	-	14,403	-	14,403
Due from other funds	-	-	-	-	76	76
<b>Total Current Assets</b>	<b>1,067,526</b>	<b>4,813,036</b>	<b>383,885</b>	<b>430,822</b>	<b>251,838</b>	<b>6,947,107</b>
Noncurrent Assets						
Capital assets						
Land	1,014,105	-	1,432,654	140,421	15,000	2,602,180
Land and building improvements	15,713,994	51,429,284	2,282,060	6,606,448	121,026	76,152,812
Equipment, furniture and vehicles	717,940	909,083	-	311,000	12,913	1,950,936
Less: accumulated depreciation	(4,732,870)	(25,895,453)	(1,374,275)	(2,855,401)	(62,668)	(34,920,667)
	12,713,169	26,442,914	2,340,439	4,202,468	86,271	45,785,261
Construction in progress	20,922	666,584	184,964	14,481	-	886,951
<b>Total Capital Assets (net of accumulated depreciation)</b>	<b>12,734,091</b>	<b>27,109,498</b>	<b>2,525,403</b>	<b>4,216,949</b>	<b>86,271</b>	<b>46,672,212</b>
<b>TOTAL ASSETS</b>	<b>\$ 13,801,617</b>	<b>\$ 31,922,534</b>	<b>\$ 2,909,288</b>	<b>\$ 4,647,771</b>	<b>\$ 338,109</b>	<b>\$ 53,619,319</b>

**CITY OF RACINE**  
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS  
December 31, 2006

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
<b>LIABILITIES</b>						
Current Liabilities						
Accounts payable	\$ 56,803	\$ 455,350	\$ 76,525	\$ 52,690	\$ 2,649	\$ 644,017
Accrued compensation	5,137	12,695	-	6,367	-	24,199
Accrued liabilities	2,726	-	17,580	78,190	-	98,496
Due to other funds	-	-	-	263,937	-	263,937
Advances from other funds	-	55,169	88,422	-	-	143,591
Deferred property tax revenue	10,595	3,017,422	-	299,000	-	3,327,017
Total Current Liabilities	<u>75,261</u>	<u>3,540,636</u>	<u>182,527</u>	<u>700,184</u>	<u>2,649</u>	<u>4,501,257</u>
Noncurrent Liabilities						
Compensated absences	23,384	3,710	-	-	11,907	39,001
Advances from other funds	-	891,519	239,032	-	-	1,130,551
Total Noncurrent Liabilities	<u>23,384</u>	<u>895,229</u>	<u>239,032</u>	<u>-</u>	<u>11,907</u>	<u>1,169,552</u>
<b>TOTAL LIABILITIES</b>	<u>98,645</u>	<u>4,435,865</u>	<u>421,559</u>	<u>700,184</u>	<u>14,556</u>	<u>5,670,809</u>
<b>NET ASSETS</b>						
Invested in capital assets	12,734,091	27,109,498	2,525,403	4,216,949	86,271	46,672,212
Unrestricted (deficit)	<u>968,881</u>	<u>377,171</u>	<u>(37,674)</u>	<u>(269,362)</u>	<u>237,282</u>	<u>1,276,298</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 13,702,972</u>	<u>\$ 27,486,669</u>	<u>\$ 2,487,729</u>	<u>\$ 3,947,587</u>	<u>\$ 323,553</u>	<u>\$ 47,948,510</u>

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**CITY OF RACINE**  
Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS  
For the Year Ended December 31, 2006

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
<b>OPERATING REVENUES</b>						
Charges for services	\$ 1,132,249	\$ 2,794,669	\$ 141,118	\$ 511,040	\$ 227,819	\$ 4,806,895
Other	188	107,597	2	-	-	107,787
Total Operating Revenues	<u>1,132,437</u>	<u>2,902,266</u>	<u>141,120</u>	<u>511,040</u>	<u>227,819</u>	<u>4,914,682</u>
<b>OPERATING EXPENSES</b>						
Public works	778,986	2,172,736	-	-	238,620	3,190,342
Education and recreation	-	-	33,264	904,225	-	937,489
Depreciation	363,598	1,065,221	80,098	241,719	2,689	1,753,325
Total Operating Expenses	<u>1,142,584</u>	<u>3,237,957</u>	<u>113,362</u>	<u>1,145,944</u>	<u>241,309</u>	<u>5,881,156</u>
Operating income (loss)	<u>(10,147)</u>	<u>(335,691)</u>	<u>27,758</u>	<u>(634,904)</u>	<u>(13,490)</u>	<u>(966,474)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income	-	149,745	20,919	-	-	170,664
Interest expense	-	(44,977)	(22,842)	-	-	(67,819)
Gain (loss) on sale of fixed assets	3,911	-	-	-	-	3,911
Tax levy	10,595	-	-	325,000	-	335,595
Total Nonoperating Revenues (Expenses)	<u>14,506</u>	<u>104,768</u>	<u>(1,923)</u>	<u>325,000</u>	<u>-</u>	<u>442,351</u>
Income (Loss) Before Transfers	4,359	(230,923)	25,835	(309,904)	(13,490)	(524,123)
<b>CAPITAL CONTRIBUTIONS</b>	-	-	-	-	-	-
<b>TRANSFERS IN</b>	<u>156,027</u>	<u>-</u>	<u>-</u>	<u>7,054</u>	<u>-</u>	<u>163,081</u>
Change in Net Assets	160,386	(230,923)	25,835	(302,850)	(13,490)	(361,042)
TOTAL NET ASSETS, Beginning of Year	<u>13,542,586</u>	<u>27,717,592</u>	<u>2,461,894</u>	<u>4,250,437</u>	<u>337,043</u>	<u>48,309,552</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 13,702,972</u>	<u>\$ 27,486,669</u>	<u>\$ 2,487,729</u>	<u>\$ 3,947,587</u>	<u>\$ 323,553</u>	<u>\$ 47,948,510</u>

**CITY OF RACINE**  
Nonmajor Enterprise Funds

**COMBINING STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2006

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Totals
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 1,122,316	\$ 2,845,127	\$ 141,120	\$ 503,764	\$ 209,012	\$ 4,821,339
Payments to suppliers	(445,074)	(1,076,097)	43,381	(791,871)	(91,698)	(2,361,359)
Payments to employees	(385,815)	(743,084)	-	-	(146,548)	(1,275,447)
Net Cash Provided (Used) by Operating Activities	<u>291,427</u>	<u>1,025,946</u>	<u>184,501</u>	<u>(288,107)</u>	<u>(29,234)</u>	<u>1,184,533</u>
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Operating subsidies received-City	<u>10,595</u>	<u>-</u>	<u>-</u>	<u>325,000</u>	<u>-</u>	<u>335,595</u>
Net Cash Provided by Noncapital Financing Activities	<u>10,595</u>	<u>-</u>	<u>-</u>	<u>325,000</u>	<u>-</u>	<u>335,595</u>
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Advances retired	-	(52,793)	(84,559)	-	-	(137,352)
Interest paid on advances	-	(44,977)	(22,842)	-	-	(67,819)
Transfer from other funds for capital purposes	156,027	-	-	7,054	-	163,081
Acquisition and construction of capital assets	(202,333)	(939,710)	(196,920)	(42,531)	-	(1,381,494)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(46,306)</u>	<u>(1,037,480)</u>	<u>(304,321)</u>	<u>(35,477)</u>	<u>-</u>	<u>(1,423,584)</u>
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Investment income received	<u>-</u>	<u>149,745</u>	<u>20,919</u>	<u>-</u>	<u>-</u>	<u>170,664</u>
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	<u>255,716</u>	<u>138,211</u>	<u>(98,901)</u>	<u>1,416</u>	<u>(29,234)</u>	<u>267,208</u>
<b>CASH AND CASH EQUIVALENTS,</b>						
Beginning of Year	<u>764,017</u>	<u>1,591,206</u>	<u>482,786</u>	<u>46,092</u>	<u>251,281</u>	<u>3,135,382</u>
End of Year	<u>\$ 1,019,733</u>	<u>\$ 1,729,417</u>	<u>\$ 383,885</u>	<u>\$ 47,508</u>	<u>\$ 222,047</u>	<u>\$ 3,402,590</u>

**CITY OF RACINE**  
Nonmajor Enterprise Funds

**COMBINING STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2006

	<u>Parking Utility</u>	<u>Storm Water Utility</u>	<u>Golf Courses</u>	<u>Civic Centre</u>	<u>Radio Repair</u>	<u>Totals</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ (10,147)	\$ (335,691)	\$ 27,758	\$ (634,904)	\$ (13,490)	\$ (966,474)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	363,598	1,065,221	80,098	241,719	2,689	1,753,325
(Increase) decrease in accounts receivable	(10,121)	(57,139)	-	(7,276)	(18,731)	(93,267)
(Increase) decrease in inventories	-	-	-	(10,699)	-	(10,699)
(Increase) decrease in prepaids	-	-	-	(14,403)	-	(14,403)
(Increase) decrease in due from other funds	-	(224,563)	-	26,000	(76)	(198,639)
Increase (decrease) in accounts payable	(50,631)	347,585	75,825	(3,044)	-	369,735
Increase (decrease) in accrued liabilities	(1,272)	5,970	820	55,386	374	61,278
Increase (decrease) in deferred revenue	-	224,563	-	(26,000)	-	198,563
Increase (decrease) in due to other funds	-	-	-	85,114	-	85,114
Net Cash Provided (Used) by Operating Activities	<u>\$ 291,427</u>	<u>\$ 1,025,946</u>	<u>\$ 184,501</u>	<u>\$ (288,107)</u>	<u>\$ (29,234)</u>	<u>\$ 1,184,533</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Estimated cost of fixed assets installed or financed by developers, customers or the City	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

# CITY OF RACINE

## Internal Service Funds

### COMBINING STATEMENT OF NET ASSETS

December 31, 2006

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
<b>ASSETS</b>						
Current Assets						
Cash and investments	\$ 106,439	\$ 426,992	\$ 28,865	\$ 6,509,786	\$ 129,311	\$ 7,201,393
Inventories	337,217	-	-	-	-	337,217
Receivables						
Accounts	27,940	-	10,000	141	2,671	40,752
Due from other funds	14,505	-	-	38,192	2,621	55,318
Total Current Assets	<u>486,101</u>	<u>426,992</u>	<u>38,865</u>	<u>6,548,119</u>	<u>134,603</u>	<u>7,634,680</u>
Noncurrent Assets						
Capital assets						
Land, buildings and improvements	1,558,627	-	-	-	-	1,558,627
Equipment, furniture and vehicles	308,172	1,482,940	-	-	654,566	2,445,678
Less: Accumulated depreciation	(690,986)	(793,868)	-	-	(117,826)	(1,602,680)
	1,175,813	689,072	-	-	536,740	2,401,625
Construction in progress	-	109,651	-	-	-	109,651
Total Capital Assets (net of accumulated depreciation)	<u>1,175,813</u>	<u>798,723</u>	<u>-</u>	<u>-</u>	<u>536,740</u>	<u>2,511,276</u>
<b>TOTAL ASSETS</b>	<u>\$ 1,661,914</u>	<u>\$ 1,225,715</u>	<u>\$ 38,865</u>	<u>\$ 6,548,119</u>	<u>\$ 671,343</u>	<u>\$ 10,145,956</u>

# CITY OF RACINE

## Internal Service Funds

### COMBINING STATEMENT OF NET ASSETS

December 31, 2006

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
<b>LIABILITIES</b>						
Current Liabilities						
Accounts payable	\$ 17,480	\$ 98,268	\$ 30,381	\$ 362,920	\$ 10,991	\$ 520,040
Accrued liabilities	32,122	17,205	13,016	1,200,767	-	1,263,110
<b>TOTAL LIABILITIES</b>	<u>49,602</u>	<u>115,473</u>	<u>43,397</u>	<u>1,563,687</u>	<u>10,991</u>	<u>1,783,150</u>
Noncurrent Liabilities						
Compensated absences	77,696	16,544	23,583	-	-	117,823
Total Noncurrent Liabilities	<u>77,696</u>	<u>16,544</u>	<u>23,583</u>	<u>-</u>	<u>-</u>	<u>117,823</u>
<b>TOTAL LIABILITIES</b>	<u>127,298</u>	<u>132,017</u>	<u>66,980</u>	<u>1,563,687</u>	<u>10,991</u>	<u>1,900,973</u>
<b>NET ASSETS (LIABILITIES)</b>						
Invested in capital assets	1,175,813	798,723	-	-	536,740	2,511,276
Unrestricted	358,803	294,975	(28,115)	4,984,432	123,612	5,733,707
<b>TOTAL NET ASSETS</b>	<u>\$ 1,534,616</u>	<u>\$ 1,093,698</u>	<u>\$ (28,115)</u>	<u>\$ 4,984,432</u>	<u>\$ 660,352</u>	<u>\$ 8,244,983</u>

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# CITY OF RACINE

## Internal Service Funds

### COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS For the year ended December 31, 2006

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
<b>OPERATING REVENUES</b>						
Charges for services and sales						
Labor and equipment charges	\$ 1,769,624	\$ -	\$ -	\$ -	\$ -	\$ 1,769,624
Fuel, oil, parts and supplies sales	1,630,793	-	-	-	-	1,630,793
Health insurance premiums	-	-	-	15,298,051	-	15,298,051
Telephone service sales	-	-	-	-	193,462	193,462
Computer service sales	-	1,471,634	-	-	-	1,471,634
Facilities rent	-	-	1,502,896	-	-	1,502,896
Other	15,662	1,400	109,603	-	-	126,665
Total Operating Revenues	<u>3,416,079</u>	<u>1,473,034</u>	<u>1,612,499</u>	<u>15,298,051</u>	<u>193,462</u>	<u>21,993,125</u>
<b>OPERATING EXPENSES</b>						
Public Works						
Operating supplies and expenses	3,506,643	-	1,820,434	-	-	5,327,077
Office supplies and expenses	12,836	-	-	-	-	12,836
General administration						
Telephone expenses	-	-	-	-	170,425	170,425
Health insurance	-	-	-	15,283,262	-	15,283,262
Information systems	-	1,241,518	-	-	-	1,241,518
Depreciation	58,181	179,193	-	-	26,184	263,558
Total Operating Expenses	<u>3,577,660</u>	<u>1,420,711</u>	<u>1,820,434</u>	<u>15,283,262</u>	<u>196,609</u>	<u>22,298,676</u>
Operating Income (Loss) Before Transfers	(161,581)	52,323	(207,935)	14,789	(3,147)	(305,551)
<b>TRANSFER IN</b>	-	252,389	330,000	1,119,826	-	1,702,215
Change in Net Assets	(161,581)	304,712	122,065	1,134,615	(3,147)	1,396,664
TOTAL NET ASSETS - Beginning of Year	<u>1,696,197</u>	<u>788,986</u>	<u>(150,180)</u>	<u>3,849,817</u>	<u>663,499</u>	<u>6,848,319</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 1,534,616</u>	<u>\$ 1,093,698</u>	<u>\$ (28,115)</u>	<u>\$ 4,984,432</u>	<u>\$ 660,352</u>	<u>\$ 8,244,983</u>

# CITY OF RACINE

## Internal Service Funds

### COMBINING STATEMENT OF CASH FLOWS For the Year Ended December 31, 2006

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 3,406,332	\$ 1,473,034	\$ 1,602,499	\$ 15,293,182	\$ 191,795	\$ 21,966,842
Payments to suppliers	(1,280,912)	(547,719)	(1,260,735)	(15,623,692)	(196,202)	(18,909,260)
Payments to employees	(2,203,757)	(633,536)	(642,899)	-	-	(3,480,192)
Net Cash Provided (Used) by Operating Activities	(78,337)	291,779	(301,135)	(330,510)	(4,407)	(422,610)
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfer from other funds	-	-	330,000	1,119,826	-	1,449,826
Net Cash Provided by Noncapital Financing Activities	-	-	330,000	1,119,826	-	1,449,826
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Transfer from other funds for capital purposes	-	252,389	-	-	-	252,389
Acquisition and construction of capital assets	-	(353,524)	-	-	-	(353,524)
Net Cash Used by Capital and Related Financing Activities	-	(101,135)	-	-	-	(101,135)
<b>Net Increase (Decrease) in Cash and Cash Equivalents</b>	(78,337)	190,644	28,865	789,316	(4,407)	926,081
<b>CASH AND CASH EQUIVALENTS - Beginning of Year</b>	184,776	236,348	-	5,720,470	133,718	6,275,312
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 106,439</u>	<u>\$ 426,992</u>	<u>\$ 28,865</u>	<u>\$ 6,509,786</u>	<u>\$ 129,311</u>	<u>\$ 7,201,393</u>

### Internal Service Funds

**RECONCILIATION OF OPERATING INCOME (LOSS)  
TO NET CASH PROVIDED (USED) BY  
OPERATING ACTIVITIES:**

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