

CITY OF RACINE

Racine, Wisconsin

FINANCIAL STATEMENTS

December 31, 2007

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, 2007, 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 83 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, 2007, 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.

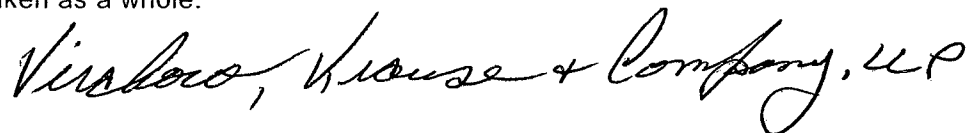
To the Mayor and Common Council
City of Racine

As described in Note I B, the City adopted the provisions of Governmental Accounting Standard Board Statement No. 45, *Accounting and Financial Reporting for Postemployment Benefits Other than Pensions*, effective January 1, 2007.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2008 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.

A handwritten signature in cursive script that reads "Vinsboro, Krouse & Company, LLP". The signature is written in dark ink and is positioned above the date and location text.

Milwaukee, Wisconsin
July 28, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

As management of the City of Racine, we offer readers of the City of Racine's financial statements this narrative overview and analysis of the financial activities of the City of Racine for the fiscal year ended December 31, 2007.

Financial Highlights

- The assets of the City of Racine exceeded its liabilities at the close of the most recent fiscal year by \$308,145,631 (net assets). Of this amount, \$18,923,705 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$4,376,271.
- As of the close of the current fiscal year, the City of Racine's governmental funds reported combined ending fund balances of \$54,277,295, an increase of \$2,619,891, in comparison with the prior year. Approximately 50.7% of this amount, \$27,532,788, is available for spending at the government's discretion (unreserved fund, undesignated fund balance). At year end, management had designated \$2,649,984 of the unreserved fund balance for use in the 2008 budget.
- At the end of the current fiscal year, unreserved-undesignated fund balance for the general fund was \$23,060,009 or 29.3% of total general fund expenditures.
- Total long term obligations increased by approximately \$5.7 million for the fiscal year ended December 31, 2007. Long term obligation activity during the year included the following:
 - \$7.5 million for the 2007 capital improvement plan
 - \$13.9 million for the current refunding of \$13.8 million of general obligation bond anticipation notes
 - \$13.2 million for general repayments
 - \$19 million of mortgage revenue bonds issued by the Water Utility. \$7.7 million of the bonds was used to refund existing debt and \$11.3 million was used for various Water Utility projects including main construction and the construction of a booster station.
- Effective January 1, 2007, the City of Racine was required to implement GASB Statement No. 45-*Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other than Pensions*. This statement establishes standards for the measurement, recognition, and display of postemployment benefits (OPEB) expense and related liabilities in the financial reports of local government employers. The implementation of GASB No. 45 resulted in the recognition of an OPEB obligation of over \$17 million for the City of Racine for the year ended December 31, 2007.

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Statements (*continued*)

Both the government-wide financial statements distinguish 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

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, 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

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 35-92 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 93-124 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, 2007 and 2006 City's assets exceeded liabilities by \$308,145,631 and \$312,521,902 (as restated) respectively.

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 \$263,640,829 and \$254,092,994 (as restated) at December 31, 2007 and 2006.

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 \$25,581,097 and \$24,619,036 and unrestricted net assets was \$18,923,705 and \$33,809,872 as of December 31, 2007 and 2006 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.

The significant reduction in the unrestricted net assets in 2007 is primarily the result of the implementation of GASB statement No. 45. The City's net OPEB obligation as of December 31, 2007 is \$17,415,473.

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, 2007 and 2006. Amounts are expressed in thousands.

	<u>2007</u>	(Restated) <u>2006</u>	<u>2007</u>	(Restated) <u>2006</u>	<u>2007</u>	(Restated) <u>2006</u>
	Governmental Activities	Governmental Activities	Business-type Activities	Business-type Activities	Total	Total
Current and other assets	\$ 132,843	\$ 126,159	\$ 91,817	\$ 88,824	\$ 224,660	\$ 214,983
Capital assets	176,453	174,282	290,696	282,109	467,149	456,391
Total assets	<u>309,296</u>	<u>300,441</u>	<u>382,513</u>	<u>370,933</u>	<u>691,809</u>	<u>671,374</u>
Current and other liabilities	59,017	56,209	6,990	6,751	66,007	62,960
Liabilities payable from restricted assets	-	-	11,264	11,660	11,264	11,660
Long-term liabilities	121,176	104,131	185,216	180,101	306,392	284,232
Total liabilities	<u>180,193</u>	<u>160,340</u>	<u>203,470</u>	<u>198,512</u>	<u>383,663</u>	<u>358,852</u>
Net assets:						
Invested in capital assets net of related debt	102,120	105,139	161,521	148,954	263,641	254,093
Restricted	14,688	14,615	10,894	10,004	25,582	24,619
Unrestricted	12,295	20,347	6,628	13,463	18,923	33,810
Total net assets	<u>\$ 129,103</u>	<u>\$ 140,101</u>	<u>\$ 179,043</u>	<u>\$ 172,421</u>	<u>\$ 308,146</u>	<u>\$ 312,522</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, 2007 and 2006. Amounts are expressed in thousands.

	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</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>		
Revenues						
Program revenues						
Charges for services	\$ 36,615	\$ 32,914	\$ 35,406	\$ 34,283	\$ 72,021	\$ 67,197
Operating grants and contributions	11,807	11,107	4,945	4,890	16,752	15,997
Capital grants and contributions	2,274	3,558	12,628	5,535	14,902	9,093
General Revenues						
Taxes	43,878	41,968	1,383	1,422	45,261	43,390
Intergovernmental revenues not restricted to specific programs	31,106	30,851	-	-	31,106	30,851
Investment income	5,465	4,353	1,820	1,662	7,285	6,015
Other	835	850	25	150	860	1,000
Total revenues	<u>131,980</u>	<u>125,601</u>	<u>56,207</u>	<u>47,942</u>	<u>188,187</u>	<u>173,543</u>
Expenses						
General government	33,855	31,436	-	-	33,855	31,436
Community development	5,285	4,766	-	-	5,285	4,766
Health	3,461	2,960	-	-	3,461	2,960
Education and recreation	14,016	12,390	-	-	14,016	12,390
Public works	27,711	26,292	-	-	27,711	26,292
Public safety	55,639	42,985	-	-	55,639	42,985
Interest and fiscal charges	5,218	5,139	-	-	5,218	5,139
Water	-	-	17,195	14,450	17,195	14,450
Wastewater	-	-	14,824	14,049	14,824	14,049
Belle urban system	-	-	8,782	8,439	8,782	8,439
Other	-	-	6,577	5,744	6,577	5,744
Total expenses	<u>145,185</u>	<u>125,968</u>	<u>47,378</u>	<u>42,682</u>	<u>192,563</u>	<u>168,650</u>
Increase (decrease) in net assets before transfers	(13,205)	(367)	8,829	5,260	(4,376)	4,893
Transfers	<u>2,207</u>	<u>3,237</u>	<u>(2,207)</u>	<u>(3,237)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(10,998)	2,870	6,622	2,023	(4,376)	4,893
Net assets-beginning of year, as restated	<u>140,101</u>	<u>137,231</u>	<u>172,421</u>	<u>170,398</u>	<u>312,522</u>	<u>307,629</u>
Net assets-end of year	<u>\$ 129,103</u>	<u>\$ 140,101</u>	<u>\$ 179,043</u>	<u>\$ 172,421</u>	<u>\$ 308,146</u>	<u>\$ 312,522</u>

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

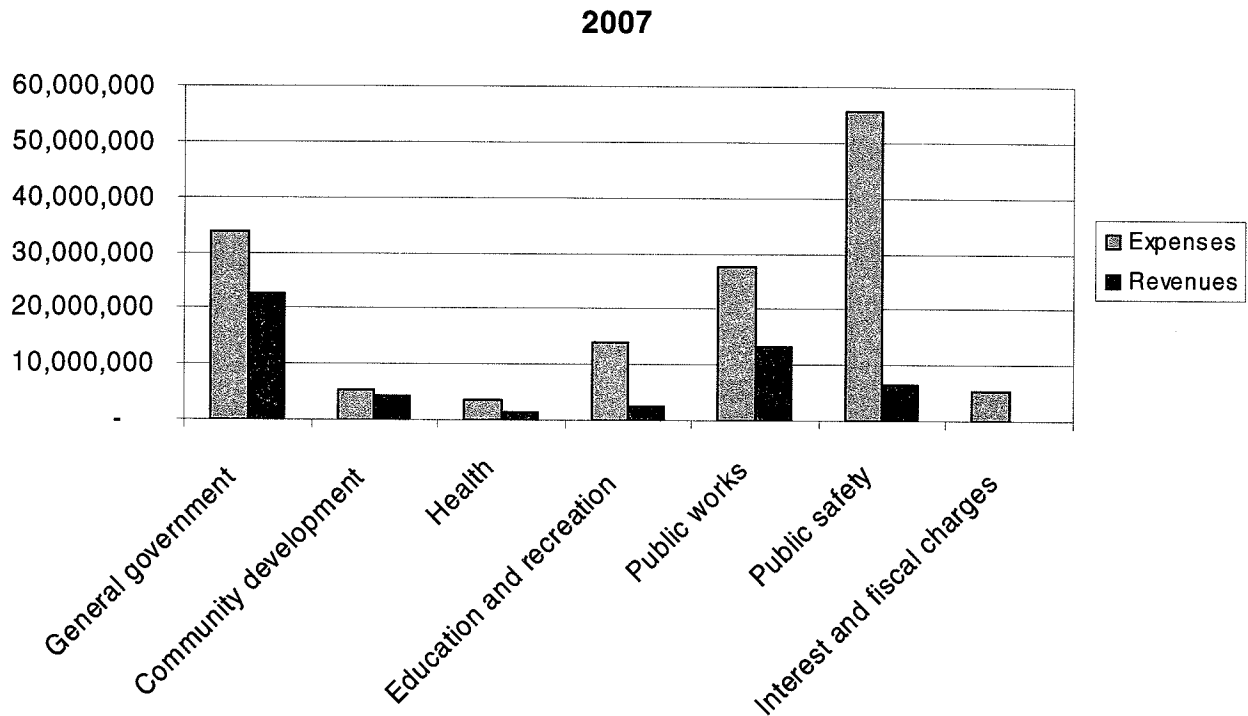
Governmental Activities

The net assets in the governmental activities decreased by approximately \$11 million during the fiscal year. The primary reasons for the decrease are as follows:

The implementation of GASB statement No. 45 resulted in the recognition of an OPEB obligation in the governmental funds of over \$15 million.

Aside from the recognition of the OPEB obligation the net assets of the governmental activities increased by approximately \$4 million during the fiscal year. The debt service fund reduction of principal accounted for the majority of the \$4 million increase

Expenses and Program Revenues-Governmental Activities:



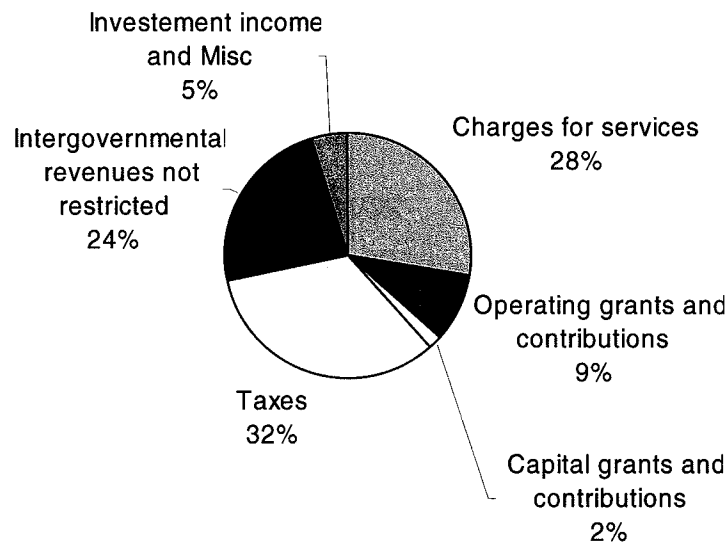
CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities *(continued)*

Program and General Revenues by Source – Governmental Activities:

2007



Business-type activities

Business-type activities net assets increased by \$6.6 million during the fiscal year 2007. Key elements of this increase are as follows:

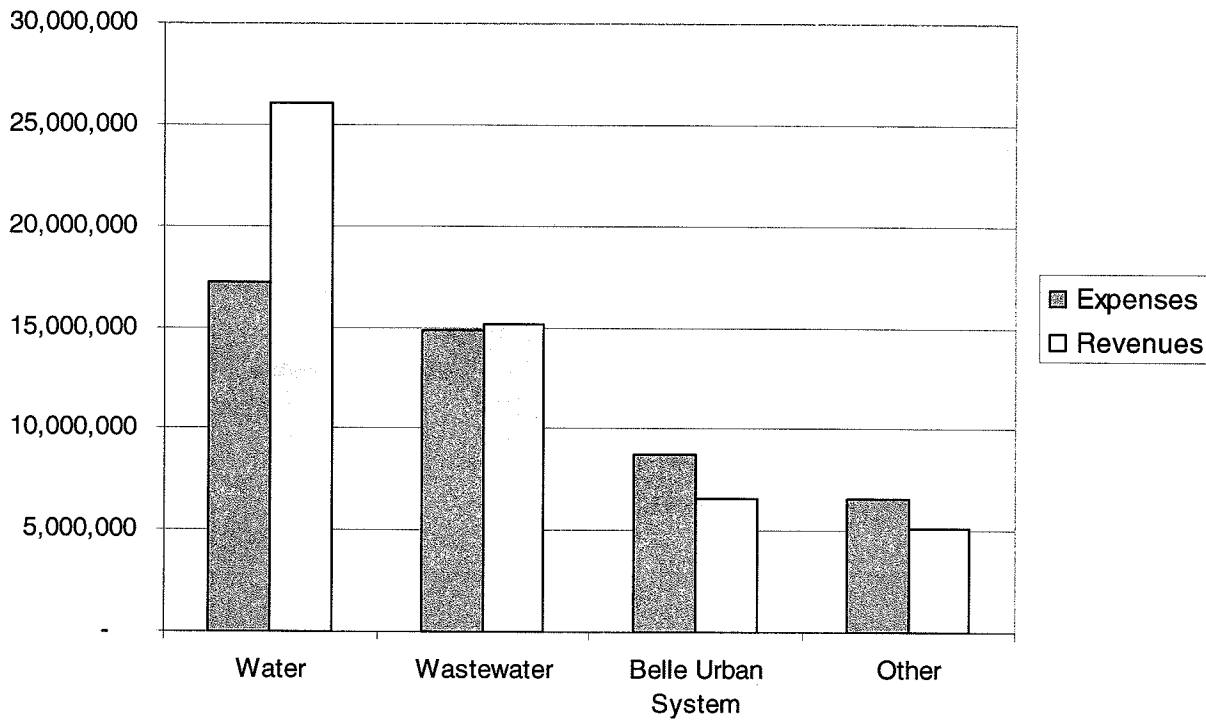
- The Water utility had an increase in net assets of approximately \$7.8 million. The increase in net assets in the Water utility relates primarily to \$10.0 million of capital contribution from developers or customers, and REC fees collected. The \$10 million of contributions was offset by the recognition of the Water Utility's OPEB obligation of approximately \$1.1 million.
- The Belle Urban Transit system has a decrease in net assets of \$997,719 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 \$602,354. The decrease in net assets relates primarily to operating revenues unable to cover escalating depreciation expense. In addition, the recognition of the OPEB obligation relating to the Other Enterprise Funds of the City accounted for approximately \$462,000 of the decrease in net assets.

CITY OF RACINE
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MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-type activities *(continued)*

Expenses and Program Revenues – Business-type Activities:

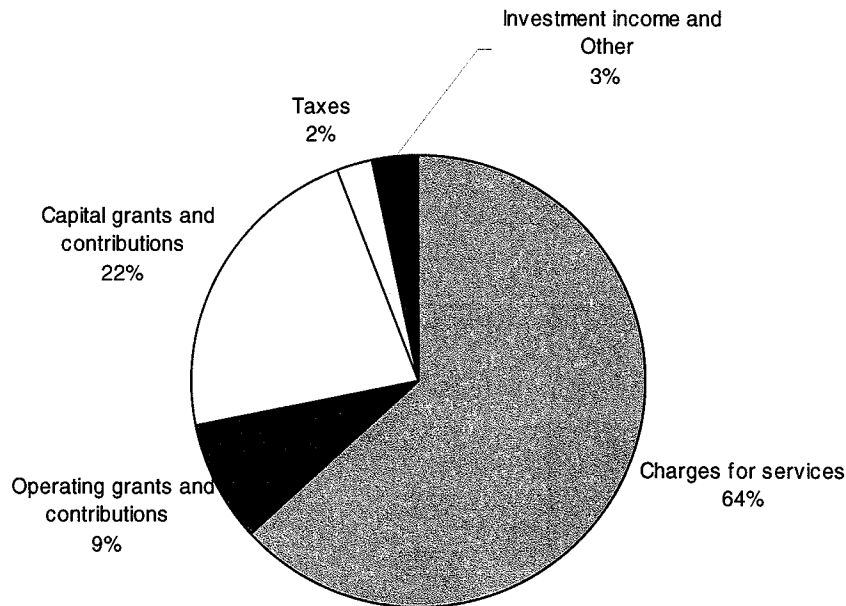


CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-Type Activities (continued)

Revenues by Source – Business-type Activities:



Financial Analysis of the Government's Funds

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

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

As of the end of the current fiscal year, the City of Racine's governmental funds reported combined ending fund balances of \$54,277,295. Approximately 50.7% of this amount \$27,532,788 constitutes unreserved, undesignated fund balance which is available for spending at the government's discretion. Management has designated \$2,649,984 of governmental fund balance to be used in the 2008 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 \$23,060,009, while total fund balance totaled \$35,141,675. Unreserved-undesignated fund balance represents 32% of total general fund expenditures, while total fund balance represents 45% of total general fund expenditures.

CITY OF RACINE
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MANAGEMENT'S DISCUSSION AND ANALYSIS

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

Although the general fund was budgeted to use \$3.3 million of fund balances during 2007, the general fund added \$685 thousand to fund balance for the year ended December 31, 2007. The resulting \$4.0 million positive variance is the result of both actual revenues exceeding budgeted amounts by \$2.5 million and actual expenditures under budgeted amounts by approximately \$1.6 million. The following details both the revenue and expenditures factors that contributed to the positive variance:

- Investment income was \$2,221,639, or 136% over the budget of \$1,635,000. The City invested an additional \$10 million in long term investments during the year as well as earning a blended interest rate well above 4% for the year. The City continues to invest funds long term and stagger the maturities of long term investments to achieve the most favorable rate of return. The staggered maturity schedules allows for appropriate cash flows while resulting in significant improvements in investment earnings.
- Fines and forfeitures were \$251,850, or 18.8% under the budget of \$1,496,000. 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 2007 budgeted values.
- Charges for services were \$271,185 or 5.1% over the budget of \$5.3 million. This is primarily a result of rescue squad billings exceeding budget by approximately \$170,000 and weed cutting billing exceeding budget by approximately \$80,000.
- All general fund expenditure categories were under budget in 2007. The general government category of expenditures was \$888,946 or 6% under the budget of \$14,929,570. This resulted primarily from the following:
 - Appropriations for training and professional services in the amount of \$71,000 were unspent in 2007 in the human resources department due to a departmental reorganization. These funds have been carried over to be spent in 2008.
 - The City's contingency budget was not fully spent in 2007. Unspent contingency was approximately \$340,000. The contingency budget has been reduced in the 2008 budget.
 - The City's unemployment expenditures were \$125,000 less than expected.
 - The City's worker's compensation and liability insurance claims were less than expected resulting in a positive variance of \$330,000. The City budgets using a 3 year average of claims. Worker's compensation claims have been rising significantly over the last few years and therefore the City increased the budget.
 - Various other general government departments were slightly under budget including finance and city administration.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

- All of the other general fund categories were under budget in 2007 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 2006 that requires all open positions to be justified and analyzed prior to filling. In 2007, 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 \$135,571 under budget. The majority of these items were encumbered at the end of the year and will be carried over and spent in 2008.

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 \$2,080,058 and \$2,132,250 at the end of fiscal year 2007 and 2006, of which the majority is reserved for specific purposes. In 2007, fund balance decreased in the HUD fund primarily as a result of the funding of the match dollars for the City's new IDA program in the amount of \$200,000.

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 (deficits) in this fund totaled \$(5,396,687) and \$(6,682,775) at the end of fiscal year 2007 and 2006 due to expenditures exceeding tax incremental revenues for the majority of the districts. Tax increment sharing increased fund balances during 2007 and 2006 by \$1,286,088 and \$1,091,287 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, 2007 and 2006 of \$1,342,683 and \$808,668, all of which is reserved for the payment of debt service. The change in the fund balance during 2007 and 2006 was \$534,015 and \$(524,085) respectively. The increase fund balance during 2007 was a result of the transfer of unspent bond proceeds from previous years.

The Refunding 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 2007, this fund accounted for the current refunding of the City's 2007 \$7,500,000 General Obligation Note anticipation notes, \$3,160,000 of Refunding Bonds, and \$3,175,000 of 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 \$21,109,566 and \$20,942,794 in 2007 and 2006 respectively. Reserved fund balance is \$13,440,100 and \$12,984,443 in 2007 and 2006 and unreserved is \$7,669,466 and \$7,958,351 in 2007 and 2006. The fund balances of these funds increased by \$166,772 during 2007.

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

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 2007 and 2006 amounted to \$3,234,999 and \$4,907,221, for the Wastewater utility \$4,439,883 and \$7,490,769, for the Belle urban system \$(1,713,267) and \$(1,536,447), and for the other enterprise funds \$666,765 and \$1,276,298. The total change in net assets for the Water Utility for 2007 and 2006 was \$7,815,915 and \$2,835,579 the Wastewater Utility \$406,649 and \$14,741, for the Belle urban system \$(997,719) and \$(666,930), and for the Other Enterprise funds \$(602,354) and \$(361,042) 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, 2007 and 2006 amounts to \$263,640,829 and \$254,093,389 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, 2007 and 2006, capital assets, net of accumulated depreciation totaled \$467,148,440 and \$456,391,305 respectively. Capital assets, net of accumulated depreciation increased approximately \$11 million and \$6 million during 2007 and 2006. In 2007 the increase came primarily from the business-type activities, specifically the Water Utility due to the purchase of another Utility's assets.

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

- The Racine Water Utility acquired another Utility's assets. The cost of the assets acquired exceeded \$10 million.
- The construction phase of TIF #10 continued in 2007 with the construction of the infrastructure. The cost of the infrastructure added during 2007 exceeded \$1 million.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration (continued)

Long-term debt – At the end of 2007 and 2006, the City of Racine had total debt outstanding of \$246,829,899 and \$241,131,266. Of this amount, the debt backed by the full faith and credit of the government is \$102,250,000 and \$100,736,625 in 2007 and 2006 respectively. The remainder of the City's debt represents bonds secured solely by specified revenue sources (ie. revenue bonds). The City's total outstanding debt increased in 2007 by approximately \$5.7 million. The majority of the increase in 2007 was a result of debt issued by the Water Utility for water main and booster station construction.

	<u>Outstanding debt</u>	
	<u>2007</u>	<u>2006</u>
Governmental Activities:		
General obligation bonds and notes	\$ 102,250,000	\$ 100,736,625
Business-Type Activities:		
Revenue bonds	<u>144,579,899</u>	<u>140,394,641</u>
Total	<u>\$ 246,829,899</u>	<u>\$ 241,131,266</u>

Economic Conditions and 2007 and 2008 Budget Outlook

Although there have not been any recent major layoffs or corporate closings in the City, Racine's unemployment rate remains significantly above the state and national average. In May of 2008, the City's unemployment rate is 12.0% compared to a state rate of 5.1% and a county rate of 7.5%.

The assessed value of the City has increased over the last several years with an 8.4% and 7.3% increase in 2007 and 2006 respectively. Due to current market conditions, the City anticipates only a 3% increase in the assessed value in 2008.

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 2008 or 2009. Due to a change in health care administrators, the implementation of a wellness program, and the creation of a free clinic, the City anticipates health insurance cost to increase only slightly in both 2008 and 2009.

The City used slightly over \$2.6 million of general fund, debt service fund and other governmental fund balances to stabilize the 2008 tax rate. The 2008 City tax rate was \$10.76 per thousand. Due to the union contract negotiations, the use of fund balance in the 2008 budget, and increasing debt service requirements, difficult choices will have to be made in the preparation of the 2009 budget.

Requests for information

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

BASIC FINANCIAL STATEMENTS

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CITY OF RACINE

STATEMENT OF NET ASSETS December 31, 2007

	Primary Government			Business Improvement District	Redevelopment Authority
	Governmental Activities	Business Type Activities	Total		
ASSETS					
Cash and investments	\$ 63,043,658	\$ 13,757,586	\$ 76,801,244	\$ 12,636	\$ 41,174
Receivables (net of allowance for uncollectible accounts)	62,448,416	11,266,180	73,714,596	-	450,000
Internal balances	(190,510)	190,510	-	-	-
Due from primary government	-	-	-	204,466	-
Due from other governments	2,483,658	1,045,061	3,528,719	-	-
Inventories	404,950	905,303	1,310,253	-	-
Prepaid items	82,752	34,120	116,872	-	-
Deferred charges	908,094	773,353	1,681,447	-	-
Advances to other funds	2,843,373	(2,843,373)	-	-	-
Advances to component unit	819,000	-	819,000	-	-
Restricted assets	-	-	-	-	-
Cash and investments	-	24,098,007	24,098,007	-	-
Accrued interest receivable	-	219,747	219,747	-	-
Plant capacity, current portion	-	3,187,848	3,187,848	-	-
Plant capacity, long term	-	39,182,961	39,182,961	-	-
Capital assets	-	-	-	-	-
Land	23,326,295	6,283,961	29,610,256	-	657,798
Construction in progress	15,005,769	4,501,464	19,507,233	-	-
Other capital assets (net of accumulated depreciation)	138,120,427	279,910,524	418,030,951	12,148	-
TOTAL ASSETS	\$ 309,295,882	\$ 382,513,252	\$ 691,809,134	\$ 229,250	\$ 1,148,972
LIABILITIES					
Liabilities					
Accounts payable	\$ 3,973,909	\$ 1,794,516	\$ 5,768,425	\$ 2,540	\$ 3,567
Accrued compensation and other current liabilities	6,092,183	640,981	6,733,164	-	800
Due to other governments	183,663	-	183,663	-	-
Accrued interest payable	194,758	-	194,758	-	-
Unearned revenue	48,572,955	4,553,926	53,126,881	204,466	-
Liabilities payable from restricted assets	-	-	-	-	-
Accounts payable	-	605,131	605,131	-	-
Accrued interest payable	-	1,142,049	1,142,049	-	-
Current portion of long term debt	-	8,473,833	8,473,833	-	-
Deferred capacity revenue, current portion	-	1,043,782	1,043,782	-	-
Noncurrent liabilities					
Plant capacity	-	44,889,611	44,889,611	-	-
OPEB obligation	15,102,839	2,312,634	17,415,473	-	-
Due within one year	6,578,882	46,245	6,625,127	-	-
Due in more than one year	99,493,999	137,967,607	237,461,606	-	819,000
TOTAL LIABILITIES	180,193,188	203,470,315	383,663,503	207,006	823,367
NET ASSETS					
Invested in capital assets, net of related debt	102,119,510	161,521,319	263,640,829	12,148	657,798
Restricted					
Debt service	1,147,925	-	1,147,925	-	-
Permanent funds	3,820,984	-	3,820,984	-	-
HUD loan program	9,718,950	-	9,718,950	-	-
Water	-	4,399,172	4,399,172	-	-
Wastewater	-	6,494,066	6,494,066	-	-
Unrestricted	12,295,325	6,628,380	18,923,705	10,096	(332,193)
TOTAL NET ASSETS	\$ 129,102,694	\$ 179,042,937	\$ 308,145,631	\$ 22,244	\$ 325,605

CITY OF RACINE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2007

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Business Improvement District	Redevelopment Authority
					Governmental Activities	Business-Type Activities	Total		
Primary Government									
Governmental activities									
General government	\$ 33,855,178	\$ 22,633,395	\$ 20,000	\$ -	\$ (11,201,783)	\$ -	\$ (11,201,783)	\$ -	\$ -
Community development	5,284,661	426,432	2,676,830	1,263,022	(918,377)	-	(918,377)	-	-
Health	3,461,487	402,214	1,098,699	-	(1,960,574)	-	(1,960,574)	-	-
Education and recreation	14,015,927	903,623	1,714,569	56,014	(11,341,721)	-	(11,341,721)	-	-
Public works	27,710,955	7,192,944	5,016,888	955,106	(14,546,017)	-	(14,546,017)	-	-
Public safety	55,638,996	5,056,390	1,280,391	-	(49,302,215)	-	(49,302,215)	-	-
Interest and fiscal charges	5,218,257	-	-	-	(5,218,257)	-	(5,218,257)	-	-
Total Governmental Activities	145,185,461	36,614,998	11,807,377	2,274,142	(94,488,944)	-	(94,488,944)	-	-
Business type activities									
Water	17,194,918	16,023,944	-	10,038,683	-	8,867,709	8,867,709	-	-
Wastewater	14,823,857	12,875,883	-	2,296,565	-	348,591	348,591	-	-
Belle Urban Transit	8,781,794	1,390,407	4,944,583	292,504	-	(2,154,300)	(2,154,300)	-	-
Other	6,576,617	5,115,795	-	-	-	(1,460,822)	(1,460,822)	-	-
Total Business Type Activities	47,377,186	35,406,029	4,944,583	12,627,752	-	5,601,178	5,601,178	-	-

CITY OF RACINE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2007

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Business Improvement District	Redevelopment Authority
					Governmental Activities	Business-Type Activities	Total		
Total Primary Government	\$ 192,562,647	\$ 72,021,027	\$ 16,751,960	\$ 14,901,894	(94,488,944)	5,601,178	(88,887,766)	-	-
Component Unit									
Business Improvement District	\$ 199,109	\$ 3,598	\$ -	\$ -	-	-	-	(195,511)	-
Redevelopment Authority	58,880	750	-	190,570	-	-	-	-	132,440
	<u>\$ 257,989</u>	<u>\$ 4,348</u>	<u>\$ -</u>	<u>\$ 190,570</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(195,511)</u>	<u>132,440</u>
General Revenues									
Taxes									
Property taxes levied for general purposes					32,559,575	1,383,482	33,943,057	-	-
Property taxes levied for debt service					6,903,058	-	6,903,058	-	-
Property taxes levied for TIF					4,030,886	-	4,030,886	-	-
Other taxes					383,967	-	383,967	187,500	-
Intergovernmental revenues not restricted to specific programs					31,105,715	-	31,105,715	-	-
Investment income					5,464,458	1,820,344	7,284,802	-	-
Miscellaneous					835,076	24,934	860,010	-	-
Transfers					2,207,447	(2,207,447)	-	-	-
Total General Revenues and Transfers					<u>83,490,182</u>	<u>1,021,313</u>	<u>84,511,495</u>	<u>187,500</u>	<u>-</u>
Change in Net Assets					(10,998,762)	6,622,491	(4,376,271)	(8,011)	132,440
NET ASSETS - Beginning of Year, as restated					<u>140,101,456</u>	<u>172,420,446</u>	<u>312,521,902</u>	<u>30,255</u>	<u>193,165</u>
NET ASSETS - END OF YEAR					<u>\$ 129,102,694</u>	<u>\$ 179,042,937</u>	<u>\$ 308,145,631</u>	<u>\$ 22,244</u>	<u>\$ 325,605</u>

CITY OF RACINE

Governmental Funds

BALANCE SHEET

December 31, 2007

	General Fund	HUD	Tax Increment Districts	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 26,367,824	\$ 2,264,049	\$ -	\$ -	\$ 1,335,099	\$ 23,723,878	\$ 53,690,850
Receivables							
Property taxes	33,314,766	-	3,450,025	-	8,061,037	5,287,123	50,112,951
Special assessments and special charges - tax roll	-	-	-	-	-	356,266	356,266
Special assessments	133,649	-	-	-	-	1,237,788	1,371,437
Delinquent personal property taxes	86,394	-	-	-	-	-	86,394
Loans and notes	158,100	7,882,764	-	-	-	-	8,040,864
Interest	407,527	-	-	-	-	-	407,527
Accounts	1,221,452	147	-	-	-	495,770	1,717,369
Total Receivables - Net	35,321,888	7,882,911	3,450,025	-	8,061,037	7,376,947	62,092,808
Due from other funds	7,755,379	-	-	-	7,584	19,620	7,782,583
Due from other governments	-	295,994	-	-	-	2,187,664	2,483,658
Inventories	49,017	-	-	-	-	-	49,017
Prepaid Items	68,252	14,500	-	-	-	-	82,752
Advances to component unit	-	109,000	-	-	-	710,000	819,000
Advances to other funds	5,645,744	-	-	-	1,714,148	2,524,606	9,884,498
TOTAL ASSETS	<u>\$ 75,208,104</u>	<u>\$ 10,566,454</u>	<u>\$ 3,450,025</u>	<u>\$ -</u>	<u>\$ 11,117,868</u>	<u>\$ 36,542,715</u>	<u>\$ 136,885,166</u>

CITY OF RACINE

Governmental Funds

BALANCE SHEET

December 31, 2007

	General Fund	HUD	Tax Increment Districts	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 1,189,361	\$ 142,557	\$ -	\$ -	\$ -	\$ 1,976,651	\$ 3,308,569
Other accrued liabilities	998,549	227,614	-	-	-	241,222	1,467,385
Accrued compensation	1,566,563	-	-	-	-	-	1,566,563
Due to other funds	3,894,353	178,126	-	-	-	3,946,808	8,019,287
Due to other governments	108,231	70,421	-	-	-	5,011	183,663
Insurance claims payable	1,456,986	-	-	-	-	-	1,456,986
Advances from other funds	-	-	5,396,687	-	-	1,644,438	7,041,125
Deferred revenue	158,100	7,867,678	-	-	1,714,148	1,975,630	11,715,556
Deferred interest	245,908	-	-	-	-	-	245,908
Deferred property tax revenue	30,448,378	-	3,450,025	-	8,061,037	5,643,389	47,602,829
Total Liabilities	40,066,429	8,486,396	8,846,712	-	9,775,185	15,433,149	82,607,871
Fund Balances							
Reserved for:							
Subsequent year's expenditures	\$ 169,766	\$ -	\$ -	\$ -	\$ -	\$ 99,350	\$ 269,116
Endowments	-	-	-	-	-	1,406,369	1,406,369
Inventories	49,017	-	-	-	-	-	49,017
Prepaid items	68,252	-	-	-	-	-	68,252
Encumbrances	63,756	22,469	-	-	-	1,292,987	1,379,212
Community Development	-	1,948,589	-	-	-	-	1,948,589
Capital projects	-	-	-	-	-	7,351,619	7,351,619
Noncurrent receivables	4,131,038	-	-	-	-	-	4,131,038
Advance to other funds	5,399,837	109,000	-	-	-	3,289,775	8,798,612
Debt service	-	-	-	-	1,342,683	-	1,342,683

CITY OF RACINE

Governmental Funds

BALANCE SHEET

December 31, 2007

	General Fund	HUD	Tax Increment Districts	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
Fund Balances (continued)							
Unreserved (deficit), reported in:							
General fund							
Designated for subsequent year's expenditures	\$ 2,200,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,200,000
Undesignated	23,060,009	-	-	-	-	-	23,060,009
Permanent Funds	-	-	-	-	-	2,414,615	2,414,615
Special revenue funds							
Designated for subsequent year's expenditures	-	-	-	-	-	449,984	449,984
Undesignated	-	-	(5,396,687)	-	-	8,158,334	2,761,647
Capital project funds							
Designated for subsequent year's expenditures	-	-	-	-	-	-	-
Undesignated	-	-	-	-	-	(3,353,467)	(3,353,467)
Total Fund Balances (Deficits)	<u>35,141,675</u>	<u>2,080,058</u>	<u>(5,396,687)</u>	<u>-</u>	<u>1,342,683</u>	<u>21,109,566</u>	<u>54,277,295</u>
TOTAL LIABILITIES							
AND FUND BALANCES	<u>\$ 75,208,104</u>	<u>\$ 10,566,454</u>	<u>\$ 3,450,025</u>	<u>\$ -</u>	<u>\$ 11,117,868</u>	<u>\$ 36,542,715</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	174,126,669
Internal service fund net assets	10,019,382
Other long-term assets that are not available to pay for current period expenditures and therefore are deferred in funds	11,018,838
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds.	<u>(120,339,490)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 129,102,694</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, 2007

	General Fund	HUD	Tax Increment Districts	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 29,307,576	\$ -	\$ 3,269,171	\$ -	\$ 6,903,058	\$ 3,944,515	\$ 43,424,320
Special assessments	-	-	-	-	-	2,034,192	2,034,192
Intergovernmental	34,724,300	3,097,129	65,169	-	-	6,620,800	44,507,398
Licenses and permits	1,694,090	-	-	-	-	-	1,694,090
Fines and forfeitures	1,244,150	-	-	-	-	366,088	1,610,238
Investment income	3,856,639	26,918	166,126	-	12,293	1,362,482	5,424,458
Charges for services	5,532,029	15,647	-	-	-	850,405	6,398,081
Donations	-	1,000	-	-	-	547,896	548,896
Other	417,235	1,152,719	-	-	816,210	130,384	2,516,548
Total Revenues	<u>76,776,019</u>	<u>4,293,413</u>	<u>3,500,466</u>	<u>-</u>	<u>7,731,561</u>	<u>15,856,762</u>	<u>108,158,221</u>
EXPENDITURES							
Current							
General government	14,040,624	-	-	-	-	-	14,040,624
Community development	-	3,649,810	7,906	-	-	342,157	3,999,873
Health	1,916,993	-	-	-	-	1,138,701	3,055,694
Education and recreation	6,659,669	-	-	-	-	4,482,305	11,141,974
Public works	11,928,545	-	-	-	-	1,284,290	13,212,835
Public safety	42,465,299	-	-	-	-	1,297,402	43,762,701
Capital outlay	1,803,608	446,159	-	-	-	12,727,635	14,977,402
Debt Service							
Principal	-	-	-	-	6,168,887	-	6,168,887
Interest	-	-	321,499	-	4,611,586	-	4,933,085
Total Expenditures	<u>78,814,738</u>	<u>4,095,969</u>	<u>329,405</u>	<u>-</u>	<u>10,780,473</u>	<u>21,272,490</u>	<u>115,293,075</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,038,719)</u>	<u>197,444</u>	<u>3,171,061</u>	<u>-</u>	<u>(3,048,912)</u>	<u>(5,415,728)</u>	<u>(7,134,854)</u>

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2007

	General Fund	HUD	Tax Increment Districts	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 7,615,106	7,615,106
Refunding bonds issued	-	-	-	13,935,000	-	-	13,935,000
Premium on bonds issued	-	-	-	213,603	-	-	213,603
Payment on current refunding	-	-	-	(14,140,766)	-	-	(14,140,766)
Transfers in	2,787,087	19,846	-	3,225	3,582,927	1,284,227	7,677,312
Transfers (out)	(63,160)	(269,482)	(1,884,973)	(11,062)	-	(3,316,833)	(5,545,510)
Total Other Financing Sources (Uses)	<u>2,723,927</u>	<u>(249,636)</u>	<u>(1,884,973)</u>	<u>-</u>	<u>3,582,927</u>	<u>5,582,500</u>	<u>9,754,745</u>
Net Change in Fund Balances	685,208	(52,192)	1,286,088	-	534,015	166,772	2,619,891
FUND BALANCES (DEFICIT) -							
Beginning of Year	<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>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 35,141,675</u>	<u>\$ 2,080,058</u>	<u>\$ (5,396,687)</u>	<u>\$ -</u>	<u>\$ 1,342,683</u>	<u>\$ 21,109,566</u>	<u>\$ 54,277,295</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, 2007

Net change in fund balances - total governmental funds	\$	2,619,891
--	----	-----------

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 (\$11,713,142) exceeded depreciation (\$8,840,089) in the current period, less loss on disposal (\$398,924)		2,474,129
---	--	-----------

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.		(16,649,058)
---	--	--------------

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.		(202,878)
--	--	-----------

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		(194,498)
---	--	-----------

Revenues in the governmental funds that are not reported as revenues in the statement of activities		(1,023,664)
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Expenditures in the governmental funds that are not reported as expenses in the statement of activities		202,917
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Internal service fund change in net assets		<u>1,774,399</u>
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Change in net assets of governmental activities	\$	<u>(10,998,762)</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, 2007

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
REVENUES				
Taxes	\$ 29,230,262	\$ 29,230,262	\$ 29,307,576	\$ 77,314
Intergovernmental	34,686,842	34,686,842	34,724,300	37,458
Licenses and permits	1,662,477	1,662,477	1,694,090	31,613
Fines and forfeitures	1,496,000	1,496,000	1,244,150	(251,850)
Investment income	1,635,000	1,635,000	3,856,639	2,221,639
Charges for services	5,260,844	5,260,844	5,532,029	271,185
Other	337,700	337,700	417,235	79,535
Total Revenues	<u>74,309,125</u>	<u>74,309,125</u>	<u>76,776,019</u>	<u>2,466,894</u>
EXPENDITURES				
Current				
General government	14,946,658	14,929,570	14,040,624	888,946
Health	2,077,986	2,047,986	1,916,993	130,993
Education and recreation	6,840,893	6,818,679	6,659,669	159,010
Public works	11,990,659	12,053,116	11,928,545	124,571
Public safety	42,647,300	42,617,923	42,465,299	152,624
Capital Outlay	1,271,000	1,939,179	1,803,608	135,571
Total Expenditures	<u>79,774,496</u>	<u>80,406,453</u>	<u>78,814,738</u>	<u>1,591,715</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,465,371)</u>	<u>(6,097,328)</u>	<u>(2,038,719)</u>	<u>4,058,609</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	2,759,736	2,759,736	2,787,087	27,351
Transfers (out)	-	-	(63,160)	(63,160)
Total Other Financing Sources (Uses)	<u>2,759,736</u>	<u>2,759,736</u>	<u>2,723,927</u>	<u>(35,809)</u>
Net Change in Fund Balance	<u>\$ (2,705,635)</u>	<u>\$ (3,337,592)</u>	685,208	<u>\$ 4,022,800</u>
FUND BALANCE -				
Beginning of Year			<u>34,456,467</u>	
FUND BALANCE - END OF YEAR			<u>\$ 35,141,675</u>	

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2007

	Business Type Activities- Enterprise Funds				Governmental Activities-	
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds	Total	Internal Service Funds
ASSETS						
Current Assets						
Cash and investments	\$ 3,952,613	\$ 6,893,776	\$ 200	\$ 2,910,997	\$ 13,757,586	\$ 9,352,808
Receivables						
Accounts	3,218,594	3,129,328	161,974	152,303	6,662,199	328,105
Taxes	-	-	1,097,445	3,446,676	4,544,121	27,500
Interest	21,038	38,822	-	-	59,860	-
Due from other governments	-	-	1,045,061	-	1,045,061	-
Due from other funds	3,163,876	4,370,650	-	39,272	7,573,798	74,165
Inventories	253,449	48,338	596,183	7,333	905,303	355,933
Unamortized debt discount	-	-	-	-	-	-
Prepaid items	7,022	-	10,905	16,193	34,120	-
Total Current Assets	<u>10,616,592</u>	<u>14,480,914</u>	<u>2,911,768</u>	<u>6,572,774</u>	<u>34,582,048</u>	<u>10,138,511</u>
Noncurrent Assets						
Restricted Assets						
Cash and investments	17,321,144	6,776,863	-	-	24,098,007	-
Accrued interest receivable	141,750	77,997	-	-	219,747	-
Plant capacity, current portion	-	3,187,848	-	-	3,187,848	-
Plant capacity, long term	-	39,182,961	-	-	39,182,961	-
Capital assets						
Land	3,042,397	99,950	539,434	2,602,180	6,283,961	1,558,627
Land and building improvements	126,086,229	97,723,210	7,193,215	77,797,666	308,800,320	-
Equipment, furniture and vehicles	32,877,569	46,866,487	11,219,175	1,934,391	92,897,622	2,659,470
Less: Accumulated depreciation	(31,239,110)	(45,560,681)	(8,404,424)	(36,583,203)	(121,787,418)	(1,892,273)
Construction in progress	257,860	3,046,610	67,057	1,129,937	4,501,464	-
Other assets						
Deferred debt expense	-	65,443	-	-	65,443	-
Unamortized bond issue costs	707,910	-	-	-	707,910	-
Total Noncurrent Assets	<u>149,195,749</u>	<u>151,466,688</u>	<u>10,614,457</u>	<u>46,880,971</u>	<u>358,157,865</u>	<u>2,325,824</u>
TOTAL ASSETS	<u>\$ 159,812,341</u>	<u>\$ 165,947,602</u>	<u>\$ 13,526,225</u>	<u>\$ 53,453,745</u>	<u>\$ 392,739,913</u>	<u>\$ 12,464,335</u>

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2007

	Business Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds	Total	Internal Service Funds
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 260,929	\$ 440,558	\$ 561,517	\$ 531,512	\$ 1,794,516	\$ 665,339
Accrued compensation	-	-	93,917	16,118	110,035	-
Compensated absences	31,332	14,913	-	-	46,245	-
Accrued liabilities	305,520	159,443	11,058	54,925	530,946	1,601,247
Advances from municipalities	-	-	-	-	-	-
Advances from other funds	27,882	24,937	-	152,906	205,725	-
Due to other funds	3,583,279	807,425	2,768,055	224,529	7,383,288	27,971
Deferred revenue	-	-	9,805	-	9,805	-
Deferred property tax revenue	-	-	1,097,445	3,446,676	4,544,121	27,500
Liabilities payable from restricted assets						
Accounts payable	605,131	-	-	-	605,131	-
Accrued interest	781,256	360,793	-	-	1,142,049	-
Current portion of long term debt	3,986,954	4,486,879	-	-	8,473,833	-
Deferred capacity revenue, current portion	-	1,043,782	-	-	1,043,782	-
Total Current Liabilities	9,582,283	7,338,730	4,541,797	4,426,666	25,889,476	2,322,057
Noncurrent Liabilities						
Compensated absences	503,334	379,373	83,238	41,063	1,007,008	122,896
OPEB obligation	1,091,897	758,776	-	461,961	2,312,634	-
Revenue bonds and notes payable	65,707,317	71,253,282	-	-	136,960,599	-
Deferred plant capacity	-	44,889,611	-	-	44,889,611	-
Advances from other funds	876,978	784,351	-	976,319	2,637,648	-
Total Noncurrent Liabilities	68,179,526	118,065,393	83,238	1,479,343	187,807,500	122,896
TOTAL LIABILITIES	77,761,809	125,404,123	4,625,035	5,906,009	213,696,976	2,444,953
NET ASSETS						
Investment in capital assets, net of related debt	74,416,361	29,609,530	10,614,457	46,880,971	161,521,319	2,325,824
Restricted	4,399,172	6,494,066	-	-	10,893,238	-
Unrestricted (deficit)	3,234,999	4,439,883	(1,713,267)	666,765	6,628,380	7,693,558
TOTAL NET ASSETS	\$ 82,050,532	\$ 40,543,479	\$ 8,901,190	\$ 47,547,736	\$ 179,042,937	\$ 10,019,382

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, 2007

	Business Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds	Total	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 15,510,750	\$ 12,406,659	\$ 1,364,656	\$ 5,088,289	\$ 34,370,354	\$ 24,438,492
Other	513,194	469,224	25,751	27,506	1,035,675	406,202
Total Operating Revenues	16,023,944	12,875,883	1,390,407	5,115,795	35,406,029	24,844,694
OPERATING EXPENSES						
Public works	10,715,198	8,243,872	7,596,292	3,868,485	30,423,847	5,638,148
Education and recreation	-	-	-	827,795	827,795	-
General administration	-	-	-	-	-	17,218,199
Depreciation	3,842,588	4,385,937	1,185,502	1,775,547	11,189,574	289,593
Total Operating Expenses	14,557,786	12,629,809	8,781,794	6,471,827	42,441,216	23,145,940
Operating income (loss)	1,466,158	246,074	(7,391,387)	(1,356,032)	(7,035,187)	1,698,754
NONOPERATING REVENUES (EXPENSES)						
Investment income	986,546	671,406	-	162,392	1,820,344	-
Interest expense	(2,579,174)	(2,179,590)	-	(60,254)	(4,819,018)	-
Intergovernmental interest reimbursement	-	1,252,624	-	-	1,252,624	-
Plant capacity income	-	1,043,941	-	-	1,043,941	-
Bond issue costs	(57,958)	(13,417)	-	-	(71,375)	-
Gain (loss) on sale of fixed assets	-	(1,041)	-	(44,536)	(45,577)	-
Amortization of bond discount	-	-	-	-	-	-
Subsidies from other governmental units	-	-	4,944,583	-	4,944,583	-
Tax Levy	-	-	1,084,482	299,000	1,383,482	-
Other	4,680	20,254	-	-	24,934	-
Total Nonoperating Revenues (Expenses)	(1,645,906)	794,177	6,029,065	356,602	5,533,938	-

CITY OF RACINE

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2007

	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	(179,748)	1,040,251	(1,362,322)	(999,430)	(1,501,249)	1,698,754
CAPITAL CONTRIBUTIONS	10,038,683	-	292,504	-	10,331,187	-
TRANSFERS IN	-	-	72,099	397,076	469,175	75,645
TRANSFERS (OUT)	(2,043,020)	(633,602)	-	-	(2,676,622)	-
Change in Net Assets	7,815,915	406,649	(997,719)	(602,354)	6,622,491	1,774,399
TOTAL NET ASSETS - Beginning of Year (as restated)	74,234,617	40,136,830	9,898,909	48,150,090	172,420,446	8,244,983
TOTAL NET ASSETS - END OF YEAR	<u>\$ 82,050,532</u>	<u>\$ 40,543,479</u>	<u>\$ 8,901,190</u>	<u>\$ 47,547,736</u>	<u>\$ 179,042,937</u>	<u>\$ 10,019,382</u>

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2007

	Business Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals	Internal Service Fund
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 15,574,577	\$ 13,617,451	\$ 1,383,232	\$ 5,116,619	\$ 35,691,879	\$ 24,538,493
Payments to suppliers	(5,932,084)	(2,556,889)	(4,911,580)	(2,938,104)	(16,338,657)	(19,326,286)
Payments to employees	(3,736,367)	(4,693,751)	(2,566,686)	(1,496,141)	(12,492,945)	(3,032,296)
Net Cash Provided (Used) by Operating Activities	5,906,126	6,366,811	(6,095,034)	682,374	6,860,277	2,179,911
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer from (to) other funds	(2,043,020)	(633,602)	-	-	(2,676,622)	-
Advances retired	(25,536)	(22,838)	-	-	(48,374)	-
Interest on advances	-	(43,367)	-	-	(43,367)	-
Miscellaneous receipts	4,680	20,255	-	-	24,935	-
Operating grants received	-	-	4,582,966	-	4,582,966	-
Operating subsidies received (repayment)	-	-	1,430,917	299,000	1,729,917	-
Net Cash Provided (Used) by Noncapital Financing Activities	(2,063,876)	(679,552)	6,013,883	299,000	3,569,455	-
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Debt issued	11,981,471	-	-	-	11,981,471	-
Debt retired	(3,323,834)	(4,572,520)	-	-	(7,896,354)	-
Advances retired	-	-	-	(144,917)	(144,917)	-
Interest paid on long-term debt	(2,456,849)	(2,156,602)	-	-	(4,613,451)	-
Interest paid on advances	-	-	-	(60,254)	(60,254)	-
Transfer from other funds for capital purposes	-	-	-	397,075	397,075	75,645
Acquisition and construction of capital assets	(5,718,183)	(3,287,712)	(347,574)	(1,840,773)	(11,194,242)	(104,141)
Bond issue costs paid	392,440	-	-	-	392,440	-
REC and other fees received	1,283,752	-	-	-	1,283,752	-
Intergovernmental interest reimbursement	-	1,043,941	-	-	1,043,941	-
Proceeds for plant capacity	-	2,454,529	-	-	2,454,529	-
Capital subsidies received	-	-	428,725	-	428,725	-
Proceeds from sale of capital assets	99,046	31,475	-	13,511	144,032	-
Net Cash Provided (Used) by Capital and Related Financing Activities	2,257,843	(6,486,889)	81,151	(1,635,358)	(5,783,253)	(28,496)

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2007

	Business Type Activities- Enterprise Funds					Governmental Activities- Internal Service Fund
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals	
CASH FLOW FROM INVESTING ACTIVITIES						
Purchase of investments	\$ (38,670,753)	\$ (27,134,141)	\$ -	\$ -	\$ (65,804,894)	\$ -
Proceeds on redemption of investments	34,289,006	27,852,025	-	-	62,141,031	-
Investment income received	908,947	629,438	-	162,391	1,700,776	-
Net Cash Provided (Used) by Investing Activities	(3,472,800)	1,347,322	-	162,391	(1,963,087)	-
Net Increase (Decrease) in Cash and Cash Equivalents	2,627,293	547,692	-	(491,593)	2,683,392	2,151,415
CASH AND CASH EQUIVALENTS						
Beginning of Year	3,384,158	2,033,077	200	3,402,590	8,820,025	7,201,393
End of Year	\$ 6,011,451	\$ 2,580,769	\$ 200	\$ 2,910,997	\$ 11,503,417	\$ 9,352,808
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ 1,466,158	\$ 246,074	\$ (7,391,387)	\$ (1,356,032)	\$ (7,035,187)	\$ 1,698,754
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Other postemployment benefits	1,091,897	758,776	-	461,961	2,312,634	-
Depreciation and amortization	3,842,588	4,385,937	1,185,502	1,775,547	11,189,574	289,593
Bad debt expense	-	-	-	-	-	-
Non operating revenue	-	-	-	-	-	-
(Increase) decrease in accounts receivable	(324,938)	97,786	(7,175)	29,425	(204,902)	(287,353)
(Increase) decrease in other assets	815,816	-	-	-	815,816	-
(Increase) decrease in prepaid items	-	-	(10,905)	(1,790)	(12,695)	-
(Increase) decrease in inventories	(3,588)	5,396	(14,862)	3,366	(9,688)	(18,716)
(Increase) decrease in due from other funds	(124,429)	643,782	-	(158,855)	360,498	(46,347)
Increase (decrease) in accounts payable	(1,218,806)	163,920	129,016	(109,856)	(1,035,726)	145,299
Increase (decrease) in accrued liabilities	125,906	(70,133)	14,777	(52,238)	18,312	370,710
Increase (decrease) in deferred revenue	-	-	-	130,254	130,254	-
Increase (decrease) in due to other funds	235,522	135,273	-	(39,408)	331,387	27,971
Net Cash Provided (Used) by Operating Activities	\$ 5,906,126	\$ 6,366,811	\$ (6,095,034)	\$ 682,374	\$ 6,860,277	\$ 2,179,911

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2007

	Business Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals	Internal Service Fund
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET						
Cash and investments						
Unrestricted	\$ 3,952,613	\$ 6,893,776	\$ 200	\$ 2,910,997	\$ 13,757,586	\$ 9,352,808
Restricted	17,321,144	6,776,863	-	-	24,098,007	-
Total Cash and Investments	21,273,757	13,670,639	200	2,910,997	37,855,593	9,352,808
Less investments not meeting the definition of cash and cash equivalents	(15,262,306)	(11,089,870)	-	-	(26,352,176)	-
TOTAL CASH AND CASH EQUIVALENTS END OF YEAR	<u>\$ 6,011,451</u>	<u>\$ 2,580,769</u>	<u>\$ 200</u>	<u>\$ 2,910,997</u>	<u>\$ 11,503,417</u>	<u>\$ 9,352,808</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Estimated cost of fixed assets installed						
or financed by developers, customers or the City	\$ 8,754,931	\$ -	\$ -	\$ -	\$ 8,754,931	\$ -
Refunding debt issued paid to escrow agent	\$ 7,695,000	\$ -	\$ -	\$ -	\$ 7,695,000	\$ -

See accompanying notes to financial statements.

CITY OF RACINE

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2007

	Agency Funds		
	Police Evidence	Tax Collecting	Total
ASSETS			
Cash and investments	\$ 341,715	\$ 39,413,532	\$ 39,755,247
Receivables			
Accounts	-	538	538
Property taxes	-	3,876,996	3,876,996
TOTAL ASSETS	<u>341,715</u>	<u>43,291,066</u>	<u>43,632,781</u>
LIABILITIES			
Due to component unit	-	204,466	204,466
Due to other governments	341,715	43,086,600	43,428,315
Total Liabilities	<u>341,715</u>	<u>43,291,066</u>	<u>43,632,781</u>
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF RACINE

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CITY OF RACINE

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CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Racine, Wisconsin conform to generally accepted accounting principles as applicable to governmental units. 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, 2007

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

A. REPORTING ENTITY (cont.)

Discretely Presented Component Unit

Business Improvement District

The government-wide financial statements include the Downtown Racine Business Improvement District #1, (BID) as a component unit. The BID, created in November 2001, has a separate nine member board appointed by the mayor and approved by the City council. The BID was designed to provide for and promote the continued vitality of the City's downtown business district through an aggressive marketing plan to promote existing businesses and attract new business. The BID has its own independent budgetary authority and assessment capabilities. However, the City can impose its will on the BID as the City must approve the BID operating budget and annual assessment. The City has no responsibility for fund deficits of the BID. As a component unit, the BID's financial statements have been presented as a discrete column in the City's financial statements. The financial information presented for the BID is for the fiscal year ended December 31, 2007. 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, 2007 have been presented as a discrete column in the City's financial statements.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

In June 2004 the Governmental Accounting Standards Board issued Statement No.45 *Accounting and Financial Reporting for Employers for Postemployment Benefits Other than Pensions*. This Statement establishes standards for the measurement, recognition, and display of other postemployment benefits expense/expenditures and related liabilities (assets), note disclosures, and if applicable required supplementary information in the financial reports of state and local governments. The City implemented this Statement effective January 1, 2007. See Note V.E.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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

Government-Wide Financial Statements (cont.)

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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, 2007

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, 2007

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
- Sanitary Sewer Maintenance
- Special Assessments
- Other Cemetery
- Other Public Safety
- Trusts
- Other
- Economic Development
- 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.

- City Projects
- Tax Incremental Districts
- 2003 Capital Projects
- 2004 Capital Projects
- 2005 Capital Projects
- 2006 Capital Projects
- 2007 Capital Projects
- Assessment Projects
- Intergovernmental Revenue Sharing

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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 uses for goods or services, and must be used for activities which meet certain debt or cost recovering criteria.

Parking Utility
Storm Water Utility
Golf Courses
Civic Centre
Radio Repair

In addition, the City reports the following fund types:

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

Equipment Maintenance Garage
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, 2007

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, 2007

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 proprietary funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds and the City's internal service funds are charges to customers for sales and services. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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, 2007

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, 2007, 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, 2007

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

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

2. *Receivables* (cont.)

Property tax calendar – 2007 tax roll:

Lien date and levy date	November 2007
Tax bills mailed	December 2007
Payment in full, or	
First installment due	January 31, 2008
Second installment due	March 31, 2008
Third installment due	May 31, 2008
Fourth installment due	July 31, 2008
Personal property taxes in full	January 31, 2008
Final settlement with County	August 15, 2008
Tax deed by County – 2007	
Delinquent real estate taxes	October 2010

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, 2007

NOTE I – 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, 2007 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.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

6. *Other Assets*

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

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

7. *Compensated Absences*

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

Only benefits considered to be vested are disclosed in these statements.

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, 2007 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 \$48,966,528 made up of nine issues.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

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

9. Claims and Judgments

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

10. Equity Classifications

Government–Wide Statements

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (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, 2007

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

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

10. *Equity Classifications* (cont.)

Fund Statements

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. 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 2007 budget appropriations, restricted under contractual agreements, to be utilized for specific purposes in the 2008 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 2008 budget as authorized by City resolution.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

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

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

Deferred revenue-loans	\$ 7,638,892
Deferred revenue-donations	150,000
Deferred revenue-debt service	1,714,148
Deferred revenue-special assessments	<u>1,515,798</u>
Combined Adjustment for Long-Term Assets	<u>\$ 11,018,838</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	\$ (102,400,888)
OPEB obligation	(15,102,839)
Compensated absences	(3,298,457)
Arbitrage rebate liability	(50,000)
Capital leases payable	(200,642)
Unamortized debt issue costs	908,094
Accrued interest	<u>(194,758)</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ (120,339,490)</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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	\$ (21,550,106)
OPEB obligation incurred	(15,102,839)
Principal repayments	
General obligation debt and capital leases	<u>20,003,887</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>\$ (16,649,058)</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	\$ 53,904
Premium received	(213,603)
Discount received	114,050
Amortization of issuance costs	(70,288)
Amortization of premium	86,019
Amortization of deferred charge	<u>(172,960)</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>\$ (202,878)</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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	\$ (204,368)
Accrued interest	<u>9,870</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>\$ (194,498)</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	\$ (761,764)
Principal paid on debt service loans	(48,372)
Proceeds from sale of fixed assets	(118,163)
Special assessments collections	<u>(95,365)</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>\$ (1,023,664)</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 \$202,917 represents the net amount of economic development loans made and written off during the year.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I.

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

General Fund	Debt Service Fund:
Special Revenue Funds:	Currently Due
CAR25	Capital Project Funds:
Cemetery	Assessment Projects
State Asset Forfeiture	Intergovernmental Revenue Sharing
Harbor Commission	2007 Capital Projects
Federal Asset Forfeiture	
Public Safety Grants	
Library	
HAZMAT	
Bulky Waste Site	
Recycling	
Bulky Waste Site	
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 \$3,340,876. The City uses appropriation unit control (salaries and fringe benefits, operating and capital outlay) within department. All modifications/changes to appropriation units, capital outlay items and capital projects require Liaison Committee, Finance Committee and Common Council approval. Supplemental appropriations during the year were \$1,241,927.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

The following appropriation units have an excess of actual expenditures over appropriations for the year ended December 31, 2007:

<u>Fund</u>	<u>Department</u>	<u>Appropriation Unit</u>	<u>Amount</u>
General Fund	Assessors	Salaries and Fringes	\$ 940
	Assessors	Interdepartmental	261
	City Attorney	Operating Expenditures	24,285
	City Development	Salaries and Fringes	6,157
	City Development	Interdepartmental	497
	Finance	Interdepartmental	24
	Fire Protection	Operating Expenditures	3,535
	City Adminsitration	Operating Expenditures	12,280
	Park and Recreation	Interdepartmental	17,019
	Police	Operating Expenditures	148,582
	Police	Capital Outlay	3,850
	Police and Fire Commission	Operating Expenditures	2,308
	Public Works	Salaries and Fringes	9,745
	Public Works	Interdepartmental	136,004

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 \$472,059 is the result of expenditures in excess of revenues received from the State of Wisconsin for this mandated program. The continued operation of this program is dependent upon funding through tax levy.

Tax Incremental Districts – The accumulated fund deficits of \$5,396,687 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 \$349,065 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 \$148,809 is the result of expenditures for assessment projects in excess of special assessments collected. Revenues will be received from citizens in subsequent years to eliminate this deficit.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

D. LIMITATIONS ON THE CITY'S TAX LEVY

As part of Wisconsin's Act 25 (2007), 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 of 3.86% for the 2007 levy collected in 2008 and 2% for the 2008 levy collected in 2009. Changes in debt service from one year to the next are generally exempt from this limit. The levy limit is set to expire after the 2008 levy.

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	\$ 25,800,931	\$ 11,523,069	Custodial credit
Savings deposits	14,876,770	14,876,770	Custodial credit
Certificates of deposit	23,013	23,013	Custodial credit
Petty cash	6,780	-	NA
Total cash	<u>\$ 40,707,494</u>	<u>\$ 26,422,852</u>	
Wisconsin Local Government Investment Pool	\$ 5,655,499		Credit, Interest Rate
Money market funds	186,244		Credit
Mutual funds-equities	2,344,167		Credit
Mutual funds-fixed income	8,632,151		Credit, Interest Rate
U.S. Government agency securities-Explicit	26,786,527		Custodial credit, Interest Rate
U.S. Government agency securities-Implicit	56,342,416		Credit, Custodial credit, Interest Rate, Concentration of credit
Total investments	<u>99,947,004</u>		
Total cash and investments	<u>\$ 140,654,498</u>		
Reconciliation to financial statements			
Per statement of net assets-Primary Government			
Cash and investments	\$ 76,801,244		
Restricted cash and investments	24,098,007		
Per statement of net assets-fiduciary funds	39,755,247		
	<u>\$ 140,654,498</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.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

A. DEPOSITS AND INVESTMENTS (cont.)

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.

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, 2007 the City's carrying value of deposits was \$40,707,494, as compared to bank balances of \$26,422,852. Of the bank balances \$25,807,640 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. \$615,212 was uninsured as of December 31, 2007.

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, 2007 the City's carrying value of investments subject to custodial credit risk was \$83,128,943. 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 I, 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, 2007 were rated Aa3 by both Standard & Poor's and Moody's Investor's Service. As of December 31, 2007, the balance in these types of investments was \$83,128,943. The City also invests in mutual funds, and the local government investment pool which are not rated.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

A. DEPOSITS AND INVESTMENTS (cont.)

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, 2007, 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	U.S. government agency notes	10.90%
Federal National Mortgage Association	U.S. government agency notes and mortgage backed securities	26.39%
Federal Home Loan Mortgage Corporation	U.S. government agency notes and mortgage backed securities	35.87%

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, 2007 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	\$ 26,352,176	180	
U.S. Government Agency-explicitly guaranteed	434,351	187	
U.S. Government Agency-implicitly guaranteed	52,883,211		5.125
U.S. Government Agency-implicitly guaranteed	3,459,205	187	
Local Government Investment pool	5,655,499	56	
Mutual Funds-fixed income	5,965,619	53	
Mutual Funds-fixed income	2,666,532		3.66

During 2007, the City experienced unrealized gains on investments in the amount of \$1,058,736 in the General Fund. This amount is included in investment income. It is the intent of the City to hold these investments to maturity.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

B. RECEIVABLES

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

	General Fund	Transit	Other Enterprise	Internal Service	Other Non Major	Total
Accounts receivable	\$ 351,467	\$ 13,710	\$ 15,247	\$ 64,187	\$ 3,708	\$ 448,319
Rescue runs	553,703	-	-	-	-	553,703
Delinquent personal property	88,302	-	-	-	-	88,302
 Total Uncollectibles	 <u>\$ 993,472</u>	 <u>\$ 13,710</u>	 <u>\$ 15,247</u>	 <u>\$ 64,187</u>	 <u>\$ 3,708</u>	 <u>\$ 1,090,324</u>

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

	General Fund	Other HUD	Other Non Major	Total
Special assessments	\$ 133,649	\$ -	\$ 1,237,788	\$ 1,371,437
Delinquent personal property taxes	86,394	-	-	86,394
Loans and notes	158,100	7,882,764	-	8,040,864
	<u>\$ 378,143</u>	<u>\$ 7,882,764</u>	<u>\$ 1,237,788</u>	<u>\$ 9,498,695</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

B. RECEIVABLES (cont.)

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

	Unavailable	Unearned	Total
Property taxes receivable	\$ -	\$ 47,630,329	\$ 47,630,329
Loans receivable	7,638,892	158,100	7,796,992
Special assessments not yet due	1,515,798	(278,010)	1,237,788
Interest on loans and advances	-	474,694	474,694
Due from enterprise for debt service	1,714,148	-	1,714,148
Donations receivable	150,000	-	150,000
Grant drawdowns prior to meeting all eligibility requirements	-	587,842	587,842
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 11,018,838</u>	<u>\$ 48,572,955</u>	<u>\$ 59,591,793</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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, 2007:

	Water Utility	Wastewater Utility	Total
Bond redemption account	\$ 3,046,239	\$ 2,680,081	\$ 5,726,320
Bond reserve account	4,661,000	222,482	4,883,482
Bond depreciation account	784,903	988,524	1,773,427
Impact Fund	1,282,353	-	1,282,353
Improvement Fund	7,688,399	-	7,688,399
Equipment replacement account	-	2,963,773	2,963,773
Plant capacity receivable	-	42,370,809	42,370,809
Total Restricted Assets	17,462,894	49,225,669	66,688,563
Reconciliation to restricted net assets			
Plant capacity receivable reported as deferred revenue	-	(42,370,809)	(42,370,809)
Accrued interest payable	(781,256)	(360,794)	(1,142,050)
Unexpended bond proceeds and interest	(7,688,399)	-	(7,688,399)
Bond reserve fund financed by bond proceeds	(4,594,067)	-	(4,594,067)
Restricted Net Assets	\$ 4,399,172	\$ 6,494,066	\$ 10,893,238

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007 was as follows:

	Restated Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 23,326,295	\$ -	\$ -	\$ 23,326,295
Construction in progress	13,537,549	9,536,748	8,068,528	15,005,769
Total Capital Assets Not Being Depreciated	36,863,844	9,542,995	8,074,775	38,332,064
Capital assets being depreciated				
Land improvements	7,719,484	622,758	77,960	8,264,282
Buildings	31,193,241	360,996	102,263	31,451,974
Machinery and equipment	28,174,287	2,295,401	1,089,504	29,380,184
Roads, streets, and bridges	125,324,910	3,792,975	1,576,230	127,541,655
Sidewalks	46,055,185	1,003,942	69,470	46,989,657
Sewer lines	30,858,541	33,255	1,881	30,889,915
Shoreline walls	14,636,910	2,103,096	-	16,740,006
Other	4,394,499	136,642	-	4,531,141
Total Capital Assets Being Depreciated	288,357,057	10,349,065	2,917,308	295,788,814
Less: accumulated depreciation for				
Land improvements	4,182,142	386,533	63,410	4,505,265
Buildings	13,156,703	727,481	56,001	13,828,183
Machinery and equipment	21,554,225	1,761,063	1,084,137	22,231,151
Roads, streets, and bridges	59,550,115	3,654,027	1,125,322	62,078,820
Sidewalks	33,134,013	1,400,300	69,469	34,464,844
Sewer lines	14,504,810	700,469	1,881	15,203,398
Shoreline walls	3,800,746	389,463	-	4,190,209
Other	1,056,169	110,348	-	1,166,517
Total Accumulated Depreciation	150,938,923	9,129,684	2,400,220	157,668,387
Total Capital Assets being Depreciated, Net	137,418,134	1,219,381	517,088	138,120,427
Governmental Activities Capital Assets, Net	\$ 174,281,978	\$ 10,762,376	\$ 8,591,863	\$ 176,452,491

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 342,680
Education and recreation	1,055,918
Public works, which includes infrastructure	7,123,148
Public safety	<u>607,938</u>
 Total Governmental Activities Depreciation Expense	 \$ <u>9,129,684</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

D. CAPITAL ASSETS (cont.)

	Restated Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Business-Type Activities					
Capital assets not being depreciated					
Land	\$ 6,303,255	\$ 69,225	\$ -	\$ (88,519)	\$ 6,283,961
Construction in progress	1,453,071	13,604,486	10,556,093	-	4,501,464
Total Capital Assets Not Being Depreciated	7,756,326	13,673,711	10,556,093	(88,519)	10,785,425
Capital assets being depreciated					
Land improvements	7,960,294	564,980	2,204	88,519	8,611,589
Improvements other than buildings	147,716,701	14,498,132	163,640	-	162,051,193
Buildings	137,628,844	577,441	68,747	-	138,137,538
Machinery and equipment	92,486,968	1,323,844	913,190	-	92,897,622
Total Capital Assets Being Depreciated	385,792,807	16,964,397	1,147,781	88,519	401,697,942
Less: accumulated depreciation for					
Land improvements	2,994,930	307,685	2,204	-	3,300,411
Improvements other than buildings	46,919,084	2,493,778	163,640	-	49,249,222
Buildings	31,964,350	2,939,276	61,835	-	34,841,791
Machinery and equipment	29,561,840	5,564,647	730,493	-	34,395,994
Total Accumulated Depreciation	111,440,204	11,305,386	958,172	-	121,787,418
Total Capital Assets Depreciated, Net	274,352,603	5,659,011	189,609	88,519	279,910,524
Business-Type Activities Capital Assets, Net	\$ 282,108,929	\$ 19,332,722	\$ 10,745,702	\$ -	\$ 290,695,949

Depreciation expense was charged to functions as follows:

Business-Type Activities	
Water	\$ 3,958,400
Wastewater	4,385,937
Belle Urban Transit	1,185,502
Other	1,775,547
Total Business-Type Activities Depreciation Expense	\$ 11,305,386

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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	\$ 2,768,055
General Fund	Enterprise Fund-Civic Center	224,529
General Fund	Special Revenue-Public Safety Grants	198,693
General Fund	Special Revenue-Recycling	444,015
General Fund	Special Revenue-Harbor Commission	1,825
General Fund	Special Revenue-Other	13,664
General Fund	Special Revenue-Health	69,163
General Fund	Special Revenue-HUD	178,126
General Fund	Trust Accounts	13,597
General Fund	Wastewater Utility	45,954
General Fund	Water Utility	1,955,274
General Fund	Capital Projects-Tax Incremental Districts	1,050,128
General Fund	Capital Projects-City Projects	792,356
Debt Service Fund	Water Utility	3,581
Debt Service Fund	Wastewater Utility	4,003
Wastewater Utility	Capital Projects-City Projects	1,363,367
Wastewater Utility	Water Utility	1,543,591
Wastewater Utility	General Fund	1,435,721
Wastewater Utility	Internal Service Fund-Building Maintenance	27,971
Water Utility	Wastewater Utility	705,244
Water Utility	General Fund	2,458,632
Capital Projects-City Projects	Water Utility	8,277
Capital Projects-City Projects	Wastewater Utility	7,580
Other Enterprise-Radio Repair	Water Utility	613
Other Enterprise-Parking	Wastewater Utility	38,659
Internal Service Fund-Equipment Maint.	Water Utility	30,716
Internal Service Fund-Equipment Maint.	Wastewater Utility	5,434
Internal Service Fund-Health Insurance	Water Utility	34,767
Internal Service Fund-Health Insurance	Wastewater Utility	-
Internal Service Fund-Telephone	Water Utility	2,275
Internal Service Fund-Telephone	Wastewater Utility	973
Special Revenue-Other	Water Utility	3,763
Subtotal-Fund Financial Statements		\$ 15,430,546
Less: Fund eliminations		(2,789,614)
Less: Government-wide eliminations		(12,450,422)
		<u>\$ 190,510</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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

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.

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	\$ 324,992	\$ -
General Fund	Tax Increment District # 6	3,432,015	-
General Fund	Tax Increment District # 7	-	-
General Fund	Tax Increment District # 8	1,371,722	-
General Fund	Tax Increment District # 13	220,998	-
General Fund	Tax Increment District # 14	58,311	-
General Fund	Golf Courses Enterprise Fund	237,706	95,255
Debt Service Fund	Wastewater Utility	809,288	24,937
Debt Service Fund	Water Utility	904,860	27,882
City Projects Fund	Storm Water Utility	891,519	57,651
Intergovernmental Revenue Sharing	Tax Increment District #12	1,173,555	-
Intergovernmental Revenue Sharing	Tax Increment District #15	191,574	-
Special Assessment Fund	Tax Increment District # 8	267,958	-
Subtotal-Fund financial statements		\$ 9,884,498	\$ 205,725
Less: fund eliminations		(7,041,125)	
Total advance to other funds-government wide statements		\$ 2,843,373	

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

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

Repayment schedules for advances with an established payment schedule follow:

	Golf Course	Storm Water Utility	Water Utility	Wastewater Utility
2008	\$ 107,401	\$ 97,770	\$ 75,366	\$ 67,406
2009	107,401	97,770	76,552	68,466
2010	42,912	97,770	78,882	69,809
2011	-	97,770	78,053	70,885
2012	-	97,770	80,885	72,342
2013-2025	-	684,386	996,105	890,894
Sub-total	257,714	1,173,236	1,385,843	1,239,802
Amount representing interest	(20,008)	(281,717)	(480,983)	(430,514)
	<u>\$ 237,706</u>	<u>\$ 891,519</u>	<u>\$ 904,860</u>	<u>\$ 809,288</u>

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount
General Fund	Permanent	\$ 10,465
General Fund	Special Revenue-Other	100,000
General Fund	Water	2,043,020
General Fund	Wastewater	633,602
Debt Service Fund	Refunding	11,062
Debt Service Fund	Capital Projects - 2003	138,367
Debt Service Fund	Capital Projects - 2004	335,768
Debt Service Fund	Capital Projects - 2005	375,586
Debt Service Fund	Special Revenue-TIF	1,884,972
Debt Service Fund	Capital Projects-TIF	837,172
Refunding Fund	Capital Projects - 2007	3,225
Capital Projects-Assessment Projects	Special Revenue-Special Assessment	743,887
Enterprise-Transit	Capital Projects-2005	72,099
Enterprise-Civic Centre	Capital Projects-2005	147,581
Enterprise-Parking	Capital Projects-2006	224,495
Enterprise-Civic Centre	Special Revenue-Other	25,000
Internal Service-Information Systems	Capital Projects-2005	8,826
Internal Service-Information Systems	Capital Projects-2006	66,819
Special Revenue-Other	Special Revenue-Other Public Safety	5,000
Special Revenue-Other	Special Revenue-HUD	240,000
Special Revenue-Other Public Safety	General Fund	24,208
Special Revenue-Municipal Court	General Fund	19,106
Special Revenue-Bulky Waste	Special Revenue-Recycling	28,286
Special Revenue-HUD	General Fund	19,846
Special Revenue-Cemetery	Special Revenue-Other Cemetery	99,571
Special Revenue-Library	Capital Projects-2006	86,625
Special Revenue-Library	Capital Projects - 2007	8,060
Special Revenue-Health	Special Revenue-HUD	29,483
Subtotal-fund financial statements		\$ 8,222,131
Less: Fund eliminations		(5,076,334)
Add: Government wide eliminations		(938,350)
		<u>\$ 2,207,447</u>

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.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2007 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation					
bonds and notes payable	\$ 100,736,625	\$ 21,435,000	\$ 19,921,625	\$ 102,250,000	\$ 6,060,000
Add/(subtract)					
Deferred Amounts For:					
(Discounts)/Premiums	800,366	99,553	86,019	813,900	-
Refundings-Gains/(Loss)	(835,972)	-	(172,960)	(663,012)	-
Sub-total	<u>100,701,019</u>	<u>21,534,553</u>	<u>19,834,684</u>	<u>102,400,888</u>	<u>6,060,000</u>
Other Liabilities					
Vested compensated absences	3,211,912	655,257	445,818	3,421,351	362,229
Capital leases	167,798	115,106	82,262	200,642	106,653
Arbitrage rebate	50,000	-	-	50,000	50,000
Total Other Liabilities	<u>3,429,710</u>	<u>770,363</u>	<u>528,080</u>	<u>3,671,993</u>	<u>518,882</u>
 Total Governmental Activities					
Long-Term Liabilities	<u>\$ 104,130,729</u>	<u>\$ 22,304,916</u>	<u>\$ 20,362,764</u>	<u>\$ 106,072,881</u>	<u>\$ 6,578,882</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

F. LONG-TERM OBLIGATIONS (cont.)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Bonds and notes payable					
Revenue bonds	\$ 140,394,641	\$ 19,561,612	\$ 15,376,354	\$ 144,579,899	\$ 8,335,919
Add/(subtract)					
Deferred Amounts For:					
(Discounts)/Premiums	753,470	604,703	66,672	1,291,501	72,885
Refundings-Gains/(Loss)	(169,489)	(374,712)	(107,233)	(436,968)	65,029
Sub-total	140,978,622	19,791,603	15,335,793	145,434,432	8,473,833
Other Liabilities					
Vested compensated absences	1,033,374	69,400	49,521	1,053,253	46,245
Total Other Liabilities	1,033,374	69,400	49,521	1,053,253	46,245
Total Governmental Activities					
Long-Term Liabilities	\$ 142,011,996	\$ 19,861,003	\$ 15,385,314	\$ 146,487,685	\$ 8,520,078

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, 2007, was \$202,713,325 Total general obligation debt outstanding at year end was \$102,250,000.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

<u>Type/Series</u>	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance Outstanding 12/31/2007</u>
General Obligation Bonds					
2001	4/15/01	04/15/11	4.00-4.63	\$ 5,205,000	\$ 1,925,000
2003	11/1/03	11/01/23	2.00-5.70	16,895,000	15,415,000
2003	11/1/03	11/01/17	2.00-5.00	7,900,000	6,710,000
2003	7/15/03	07/15/18	2.00-4.90	8,650,000	6,885,000
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	5,630,000
2005	10/15/05	12/01/19	3.50-4.75	6,980,000	6,150,000
2006	10/5/06	12/01/20	4.00-4.50	7,130,000	6,750,000
2007	11/13/07	12/01/21	4.00-5.00	7,610,000	7,610,000
				<u>90,005,000</u>	<u>79,830,000</u>
General Obligation Promissory Notes					
2002	11/1/02	11/01/11	2.00-4.00	9,000,000	5,020,000
				<u>9,000,000</u>	<u>5,020,000</u>
Tax Incremental General Obligation Debt					
2002 (Tif #9)	02/15/02	02/15/21	3.00-5.10	6,105,000	5,105,000
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
2007 (Tif #7)	11/13/07	06/01/12	4.00	3,170,000	3,170,000
2007 (Tif #8)	11/13/07	06/01/12	4.00	3,155,000	3,155,000
				<u>18,400,000</u>	<u>17,400,000</u>
Total Governmental Activities - General Obligation Debt				<u>\$ 117,405,000</u>	<u>\$ 102,250,000</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	Governmental Activities General Obligation Debt		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 6,060,000	\$ 4,528,470	\$ 10,588,470
2009	6,405,000	4,276,033	10,681,033
2010	6,790,000	4,023,258	10,813,258
2011	7,360,000	3,744,658	11,104,658
2012	7,540,000	3,436,974	10,976,974
2012 – 2016	31,585,000	10,625,425	42,210,425
2017 – 2021	31,410,000	4,975,341	36,385,341
2022 – 2025	5,100,000	445,825	5,545,825
Totals	<u>\$ 102,250,000</u>	<u>\$ 36,055,984</u>	<u>\$ 138,305,984</u>

Debt Refunding

During 2007, the City issued the following refunding bonds to current refund the following issues:

<u>Amount</u>	<u>Type</u>	<u>Rate</u>	<u>Amount</u>	<u>Refunded Debt</u> <u>Type</u>	<u>Rate</u>
\$ 7,610,000	G.O. Refunding Bonds	4.00-5.00	\$ 7,500,000	G.O. Note Anticipation Notes	4.00-4.50
6,325,000	G.O. Refunding Bonds	4.00	3,160,000	G.O. Refunding Bonds	5.80%
			3,175,000	G.O. Refunding Bonds	5.80%

On November 13, 2007, the City issued \$6.325 million in general obligation bonds with an average interest rate of 4 % to current refund 1993 general obligation refunding bonds with balances of \$3.16 million and \$3.175 million with an average interest rate of 5.8%. The net proceeds of \$6.362 million (including premium and net of underwriting fees and other issuance costs) were used to retire the 1993 debt issues.

The cash flow requirements on the refunded bonds and notes prior to the current refunding was \$7,476,730 from 2008 through 2012. The cash flow requirements on the 2007 refunding bonds are \$7,116,650 from 2008 through 2012. The current refunding resulted in a n economic gain (difference between the present values of the debt service payments on the old and new debt) of \$340,494.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

F. LONG-TERM OBLIGATIONS (cont.)

Business-Type Activities Revenue Debt

Revenue Debt

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

Revenue debt payable at December 31, 2007 consists of the following:

	Date of Issue	Final Maturity	Interest Rates	Original Indebted- ness	Balance 12/31/07
<u>Water Utility</u>					
Safe Drinking Water Loan	2/10/1999	2/10/18	2.64	\$ 12,594,655	\$ 7,745,242
Mortgage Revenue Bonds	10/1/2001	10/1/21	3.50-5.25	11,460,000	2,140,000
Mortgage Revenue Bonds	4/15/2001	4/15/21	4.00-5.38	6,235,000	4,485,000
Safe Drinking Water Loan	12/22/2004	05/01/24	2.365	16,666,035	15,019,496
Mortgage Revenue Bonds	11/1/2004	09/01/24	2.50-5.00	22,140,000	20,500,000
Mortgage Revenue Bonds	4/2/2007	09/01/21	4.00-4.75	18,980,000	18,950,000
Total Water Utility				<u>88,075,690</u>	<u>68,839,738</u>
<u>Wastewater Utility</u>					
State Cleanwater Fund Loans	4/27/1994	4/27/13	3.19	2,701,745	1,032,538
State Cleanwater Fund Loans	3/26/1997	3/26/16	3.00	1,158,993	629,951
State Cleanwater Fund Loans	5/27/1999	5/27/18	2.64	854,147	524,085
State Cleanwater Fund Loans	11/1/1999	11/1/19	2.64	797,249	531,816
State Cleanwater Fund Loans	9/27/2000	9/27/20	2.97	805,113	575,031
State Cleanwater Fund Loans	4/10/2002	4/10/21	2.75	4,073,012	3,215,868
State Cleanwater Fund Loans	7/24/2002	7/24/21	2.86	17,943,748	15,118,039
State Cleanwater Fund Loans	11/27/2002	11/27/22	2.87	60,724,848	53,902,833
Refunding Revenue Bonds	11/5/2004	12/15/08	2.5-3.0	1,420,000	210,000
Total Wastewater Utility				<u>90,478,855</u>	<u>75,740,161</u>
Total Business-Type Revenue Debt				<u>\$ 178,554,545</u>	<u>\$ 144,579,899</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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>
2008	\$ 8,335,919	\$ 4,709,947	\$ 13,045,866
2009	8,392,186	4,450,484	12,842,670
2010	8,322,818	4,188,182	12,511,000
2011	8,567,938	3,923,237	12,491,175
2012	8,847,669	3,647,334	12,495,003
2013-2017	46,509,392	13,821,692	60,331,084
2018-2022	46,991,992	6,014,664	53,006,656
2023-2026	8,611,985	666,846	9,278,831
	<u>\$ 144,579,899</u>	<u>\$ 41,422,386</u>	<u>\$ 186,002,285</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, 2007, 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, 2007

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

F. LONG-TERM OBLIGATIONS (cont.)

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, 2007, \$5,790,000 of bonds outstanding is considered defeased. The bonds are callable from October 1, 2007 to December 1, 2018.

On April 2, 2007, the Water Utility issued \$18.98 million of Waterworks System Mortgage Revenue Bonds with an average interest rate of 4.48%. A portion of the bonds, \$7.695 million was issued to advance refund \$7.48 million of outstanding 2001 Waterworks System Mortgage Revenue Bonds with an average interest rate of 5.09%. The net proceeds of \$7.835 million (after payment of underwriting fees and other issue costs) were used to purchase U.S. Government securities which have been placed in an irrevocable trust to provide for all future debt service payments on the 2001 bonds. As a result, the 2001 bonds are considered defeased and the liability for those bonds has been removed from the Utility financial statements. At December 31, 2007, \$7,480,000 of bonds outstanding is considered defeased. The bonds are callable September 1, 2011.

Although the advanced refunding resulted in the recognition of an accounting loss of \$374,712 for the year ended December 31, 2007, the Utility reduced its total debt service over the next 15 years by \$274,073 and obtained an economic gain (the difference between the present values of the debt service payments on the old debt and the new debt) of \$208,311.

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 2007 was \$107,233 for the Business type activities and \$172,960 for the Governmental activities.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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 \$39,833 in 2007.

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

2008	\$	35,000
2009		35,000
2010		35,000
2011		35,000
2012		35,000
Thereafter		<u>1,365,000</u>
	\$	<u>1,540,000</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%. During 2007, the City entered into a capital lease for defibulator equipment. The lease expires in 2012 and bears interest at 4%. At December 31, 2007 the computer equipment has a cost of \$325,511 and accumulated depreciation of \$230,857. At December 31, 2007 the defibulator equipment has a cost of \$115,106 and accumulated depreciation of \$11,511.

Future minimum payments for the remaining years under the leases:

	Computer Lease	Defibulator Lease	Total
2008	\$ 88,071	\$ 25,675	\$ 113,746
2009	-	25,675	25,675
2010	-	25,675	25,675
2011	-	25,675	25,675
2012	-	25,675	25,675
	<u>88,071</u>	<u>128,375</u>	<u>216,446</u>
Less: Amount representing interest	<u>(2,535)</u>	<u>(13,269)</u>	<u>(15,804)</u>
	<u>\$ 85,536</u>	<u>\$ 115,106</u>	<u>\$ 200,642</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

H. NET ASSETS

Net assets reported on the government wide statement of net assets at December 31, 2007 includes the following:

Governmental Activities

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 176,452,491
Less: related long-term debt outstanding	(78,251,540)
Plus: funds borrowed but not spent	3,918,559
Total Invested in Capital Assets, Net of Related Debt	<u>102,119,510</u>
Restricted for	
Debt service	1,147,925
Permanent Funds	
Nonexpendable	1,406,369
Expendable	2,414,615
HUD loan program	9,718,950
Total Restricted	<u>14,687,859</u>
Unrestricted	<u>12,295,325</u>
Total Governmental Activities Net Assets	<u>\$ 129,102,694</u>

Business-Type Activities

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 290,695,950
Less: related long-term debt outstanding	(129,174,631)
Total Invested in Capital Assets, Net of Related Debt	<u>161,521,319</u>
Restricted for	
Debt service	4,873,685
Depreciation fund	1,773,427
DNR equipment replacement fund	2,963,773
Impact fund	1,282,353
Total Restricted	<u>10,893,238</u>
Unrestricted	<u>6,628,380</u>
Total Business-Type Activities Net Assets	<u>\$ 179,042,937</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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, 2007, the Redevelopment Authority has advances from the City's in the amount of \$819,000. There has been no amortization schedule established.

c. Cash and Investments

At December 31, 2007, the carrying value and bank balance of the Redevelopment Authority's deposits are \$41,174. 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, 2007 consist of land and buildings that are being held for resale and are therefore not depreciable.

At December 31, 2007 the Authority had capital assets with a cost of \$657,798.

e. Long-term Liabilities

At December 31, 2007, the Redevelopment Authority has an advance payable to the City's in the amount of \$819,000. There has been no amortization schedule established.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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, 2007, the BID has a receivable of \$204,466 from the City's tax collection fund for the entire subsequent year's annual assessment.

c. Cash and Investments

At December 31, 2007, the carrying value and bank balance of the BID's deposits are \$12,636. Of that balance \$12,636 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, 2007 the District had capital assets with a cost of \$16,998 and accumulated depreciation of \$4,850. The District's net book value of capital assets was \$12,148.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

J. RESTATEMENT OF NET ASSETS

Net assets of the governmental activities and the business type activities have been restated as a result of a miscalculation of the City's construction in progress and the Storm Water Utility's construction in progress.

Governmental Activities

Net assets - December 31, 2006 (as reported)	\$ 140,226,432
Correction to prior year construction in progress-City	<u>(124,976)</u>
Net assets - January 1, 2007 (as restated)	<u>\$ 140,101,456</u>

Business Type Activities

Net assets - December 31, 2006 (as reported)	\$ 172,218,866
Correction to prior year construction in progress-Storm Water	<u>201,580</u>
Net assets - January 1, 2007 (as restated)	<u>\$ 172,420,446</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible City employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.0% of their salary (3.0% for Executives and Elected Officials, 5.1% for Protective Occupations with Social Security, and 3.4% for Protective Occupations without Social Security) to the plan. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for City employees covered by the system for the year ended December 31, 2007 was \$49,139,659; the employer's total payroll was \$51,262,788. The total required contribution for the year ended December 31, 2007 was \$5,912,860 or 12.03 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, 2006 and 2005 were \$5,696,960 and \$5,548,811 respectively, equal to the required contributions for each year.

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

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

NOTE V – OTHER INFORMATION (cont.)

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 \$500,351 and \$474,872 for the years ended December 31, 2007 and 2006, 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 2007 and 2006 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, 2007

NOTE V – OTHER INFORMATION (cont.)

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, 2007. 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	\$ 1,740,000	\$ 1,150,000
Current year claims and changes in estimates	13,811,527	13,977,187
Claim payments	<u>14,401,527</u>	<u>13,652,187</u>
Unpaid Claims – End of Year	<u>\$ 1,150,000</u>	<u>\$ 1,475,000</u>

In addition to the above claims liability the City of Racine Water and Wastewater Utility have recorded a claims liability for health insurance in the amount of \$164,000 and \$54,000 respectively.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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. In 2007, the revenue bonds were paid in full.

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, 2007

NOTE V – OTHER INFORMATION (cont.)

C. RISK MANAGEMENT (cont.)

Public Entity Risk Pool (cont.)

Wisconsin Municipal Insurance Commission (WMIC)

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

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, 2007. A total liability of approximately \$1,456,986 at December 31, 2007 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>
2006	\$ 1,086,987	\$ 1,444,685	\$ 739,733	\$ 1,791,939
2007	1,791,939	356,344	691,297	1,456,986

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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 2007, the TMI is protected by a \$1,250,000 self-insurance policy. In addition to the TMI protection, the City of Racine, combined with other members of Wisconsin Municipal Transit Insurance Commission, are covered by a \$5,000,000 excess insurance policy issued by General Reinsurance Corporation effective January 1, 2007 through January 1, 2008.

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 7.69%. 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, 2007

NOTE V – OTHER INFORMATION (cont.)

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 \$2,078,788.

During the year, the Water Utility entered into contract agreements with various companies to perform professional services and construction activities. At December 31, 2007, contracts with these entities totaled \$20,503,090 of which \$19,897,960 was paid and \$605,130 is committed for future services to be performed.

During the year, the Wastewater Utility entered into contract agreements with various companies to perform professional services and construction activities. At December 31, 2007, contracts with these entities totaled \$3,389,451 of which \$2,852,386 was paid and \$537,065 is committed for future services to be performed.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

NOTE V – OTHER INFORMATION (cont.)

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, 2007, the City had 748 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 of Racine administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides health insurance benefits for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through collective bargaining agreements or personnel policy guidelines, or past practice and state that eligible retirees and their spouses receive lifetime healthcare insurance at established contribution rates. The Retiree Health Plan does not issue a publicly available financial report

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the City and the union. Personnel policy guidelines and may be amended by action of the Common Council. The City makes the same monthly health insurance contribution on behalf of the retiree as it makes on behalf of all other active employees during that year. The amount of the City's contribution ranges from 95-100% based on the employee's year of retirement and bargaining unit. For fiscal year 2007, the City contributed \$7,744,876 to the plan. Eligible plan member contributions vary based on the specific collective bargaining agreement. Plan member contributions range from 0-5% of their premium costs. For fiscal year 2007, total member contributions were \$212,578.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the City's net OPEB obligation:

	Governmental Activities	Business Type Activities	Total
Annual required contribution	\$ 21,857,074	\$ 3,303,275	\$ 25,160,349
Interest on net OPEB obligation	-	-	-
Adjustment to annual required contribution	-	-	-
Annual OPEB Cost	21,857,074	3,303,275	25,160,349
Contribution made	(6,754,235)	(990,641)	(7,744,876)
Increase in net OPEB obligation	15,102,839	2,312,634	17,415,473
Net OPEB obligation beginning of year	-	-	-
Net OPEB obligation end of year	\$ 15,102,839	\$ 2,312,634	\$ 17,415,473

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2007 is as follows:

Fiscal Year Ended 12/31/2007	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Governmental Activities	21,857,074	30.90%	\$ 15,102,839
Business Type Activities	3,303,275	29.80%	2,312,634
			\$ 17,415,473

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (CONT)

The funded status of the plan as of December 31, 2007, the most recent actuarial valuation date, was as follows:

Schedule of Funding Progress as of June 30, 2008			
	Governmental <u>Activities</u>	Business <u>Type Activities</u>	<u>Total</u>
Actuarial accrued liability (AAL)	\$ 274,526,545	\$ 40,283,397	\$ 314,809,942
Actuarial value of plan assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 274,526,545</u>	<u>\$ 40,283,397</u>	<u>\$ 314,809,942</u>
Funded Ratio	-	-	-
Covered Payroll	35,327,017	6,419,770	41,746,787
UAAL as percentage of covered payroll	12.87%	15.94%	13.26%

The City is required to present the above information for the three most recent actuarial valuations. The above valuation was performed as of June 30, 2008 and was the first complete actuarial valuation performed under the requirements of GASB 45.

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan is understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December, 2007 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 4% investment rate of return and an annual healthcare cost trend rate of 11% initially, reduced by decrements to an ultimate rate of 4% after 2017. Retiree Health Plan's unfunded actuarial accrued liability is being amortized over 30 years from establishment.

F. ECONOMIC DEPENDENCY

One major customer accounted for 24.3% of Water Utility gross sales aggregating \$3,871,067 and 25.2% of gross sales aggregating \$3,941,468 in 2007 and 2006 respectively. Total accounts receivable from this customer totaled \$966 and \$236,575 respectively.

One major customer accounted for 16% of Wastewater Utility gross sales aggregating \$2,044,417 and 15% of gross sales aggregating \$1,860,447 in 2007 and 2006 respectively. Total accounts receivable from this customer totaled \$542,629 and \$690,609 respectively.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

NOTE V – OTHER INFORMATION (cont.)

G. INTERMUNICIPAL AGREEMENT

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

In 2005 the 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 \$1,043,941 for the year ended December 31, 2007.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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. INFILTRATION/INFLOW REMOVAL AGREEMENT

In 1994, the Wastewater Utility entered into an agreement with the City of Racine to periodically replace the manholes and upgrade other structures to promote infiltration/inflow removal in the City of Racine. As part of the agreement, the Utility paid the construction cost for the manhole replacement and upgrades and was allowed to place a special charge on the bills of the City residents to recover its costs. At December 31, 2007 the Wastewater Utility had unrecovered cost of \$1,363,367, which was reported as due from the City of Racine.

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**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2007

	Special Revenue Funds				
	Public Safety Grants	Cemetery	Library	Harbor Commission	HAZMAT
ASSETS					
Cash and investments	\$ 14,819	\$ 1,054,006	\$ 589,727	\$ -	\$ 254,304
Receivables					
Property taxes	47,224	209,845	2,057,588	-	-
Special assessment - tax roll	-	-	-	-	-
Special assessment	-	-	-	-	-
Accounts	-	1,506	3,465	73,721	456
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	-	-
Advances to component unit	-	-	-	-	-
Advances to other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 62,043</u>	<u>\$ 1,265,357</u>	<u>\$ 2,650,780</u>	<u>\$ 73,721</u>	<u>\$ 254,760</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ 108,504	\$ 44,368	\$ 975	\$ -
Accrued liabilities	3,554	3,999	93,597	10,142	755
Due to other funds	-	-	-	1,825	-
Due to other governments	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Deferred revenues	-	-	-	-	-
Deferred property tax revenue	47,224	209,845	2,057,588	-	-
Total Liabilities	<u>50,778</u>	<u>322,348</u>	<u>2,195,553</u>	<u>12,942</u>	<u>755</u>
Fund Balances (Deficits)					
Reserved					
Subsequent years expenditures	-	98,234	-	-	-
Encumbrances	-	33,254	-	29,859	-
Endowments	-	-	-	-	-
Capital projects	-	-	-	-	-
Advances	-	-	-	-	-
Unreserved					
Designated for subsequent years expenditures	-	149,080	204,257	-	-
Undesignated (deficit)	11,265	662,441	250,970	30,920	254,005
Total Fund Balances (Deficits)	<u>11,265</u>	<u>943,009</u>	<u>455,227</u>	<u>60,779</u>	<u>254,005</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 62,043</u>	<u>\$ 1,265,357</u>	<u>\$ 2,650,780</u>	<u>\$ 73,721</u>	<u>\$ 254,760</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2007

Special Revenue Funds							
Recycling	CAR 25	State Asset Forfeiture	Federal Asset Forfeiture	Municipal Court	Bulky Waste	Sanitary Sewer Maintenance	Special Assessments
\$ -	\$ 20,574	\$ 11,927	\$ 332,227	\$ 8,814	\$ -	\$ -	\$ 2,677,915
840,702	-	-	-	59,448	-	1,148,900	-
-	-	-	-	-	-	-	356,266
-	-	-	-	-	-	-	1,237,788
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	267,958
<u>\$ 840,702</u>	<u>\$ 20,574</u>	<u>\$ 11,927</u>	<u>\$ 332,227</u>	<u>\$ 68,262</u>	<u>\$ -</u>	<u>\$ 1,148,900</u>	<u>\$ 4,539,927</u>
\$ 20,649	\$ 2,611	\$ -	\$ -	\$ 1,054	\$ -	\$ -	\$ -
7,395	1,658	-	-	7,760	-	-	50,833
444,015	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,237,788
<u>840,702</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>59,448</u>	<u>-</u>	<u>1,148,900</u>	<u>356,266</u>
<u>1,312,761</u>	<u>4,269</u>	<u>-</u>	<u>-</u>	<u>68,262</u>	<u>-</u>	<u>1,148,900</u>	<u>1,644,887</u>
-	1,116	-	-	-	-	-	-
-	214	280	176	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	267,958
-	-	11,647	85,000	-	-	-	-
<u>(472,059)</u>	<u>14,975</u>	<u>-</u>	<u>247,051</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,627,082</u>
<u>(472,059)</u>	<u>16,305</u>	<u>11,927</u>	<u>332,227</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,895,040</u>
<u>\$ 840,702</u>	<u>\$ 20,574</u>	<u>\$ 11,927</u>	<u>\$ 332,227</u>	<u>\$ 68,262</u>	<u>\$ -</u>	<u>\$ 1,148,900</u>	<u>\$ 4,539,927</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2007

	Special Revenue Funds					
	Other Cemetery	Other Public Safety	Trusts	Economic Development	Other	Health
ASSETS						
Cash and investments	\$ 1,422,077	\$ 405,780	\$ 2,337,108	\$ 9,199	\$ 657,144	\$ 394,539
Receivables						
Property taxes	-	16,589	-	-	-	-
Special assessment - tax roll	-	-	-	-	-	-
Special assessment	-	-	-	-	-	-
Accounts	-	228,480	-	-	35,843	2,299
Due from other funds	-	-	-	-	3,763	-
Due from other governments	-	-	-	-	13,560	81,831
Advances to component unit	-	-	-	590,000	-	-
Advances to other funds	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 1,422,077</u>	<u>\$ 650,849</u>	<u>\$ 2,337,108</u>	<u>\$ 599,199</u>	<u>\$ 710,310</u>	<u>\$ 478,669</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ 62,168	\$ 8,602	\$ -	\$ 29,832	\$ 21,685
Accrued liabilities	-	408	-	-	-	25,347
Due to other funds	-	198,693	13,597	-	13,664	69,163
Due to other governments	-	-	-	-	5,011	-
Advances from other funds	-	-	-	-	-	-
Deferred revenues	-	93,203	-	-	146,728	347,911
Deferred property tax revenue	-	16,589	-	-	-	-
Total Liabilities	-	<u>371,061</u>	<u>22,199</u>	-	<u>195,235</u>	<u>464,106</u>
Fund Balances (Deficits)						
Reserved						
Subsequent years expenditures	-	-	-	-	-	-
Encumbrances	1,323	19,980	-	1,037	1,587	-
Endowments	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Advances	-	-	-	590,000	-	-
Unreserved						
Designated for subsequent years expenditures	-	-	-	-	-	-
Undesignated (deficit)	<u>1,420,754</u>	<u>259,808</u>	<u>2,314,909</u>	<u>8,162</u>	<u>513,488</u>	<u>14,563</u>
Total Fund Balances (Deficits)	<u>1,422,077</u>	<u>279,788</u>	<u>2,314,909</u>	<u>599,199</u>	<u>515,075</u>	<u>14,563</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,422,077</u>	<u>\$ 650,849</u>	<u>\$ 2,337,108</u>	<u>\$ 599,199</u>	<u>\$ 710,310</u>	<u>\$ 478,669</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2007

Capital Projects Funds						
Tax Incremental Districts	City Projects	2003	2004	2005	2006	2007
\$ 2,009,678	\$ 234,973	\$ 38,301	\$ 41,724	\$ 78,716	\$ 1,638,693	\$ 3,008,036
906,827	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	150,000	-	-	-	-	-
-	15,857	-	-	-	-	-
1,358,694	733,579	-	-	-	-	-
-	120,000	-	-	-	-	-
-	891,519	-	-	-	-	-
<u>\$ 4,275,199</u>	<u>\$ 2,145,928</u>	<u>\$ 38,301</u>	<u>\$ 41,724</u>	<u>\$ 78,716</u>	<u>\$ 1,638,693</u>	<u>\$ 3,008,036</u>
\$ 385,593	\$ 189,270	\$ 38,301	\$ 41,724	\$ 16,679	\$ 225,049	\$ 630,418
564	-	-	-	-	-	-
1,050,128	2,155,723	-	-	-	-	-
-	-	-	-	-	-	-
1,644,438	-	-	-	-	-	-
-	150,000	-	-	-	-	-
906,827	-	-	-	-	-	-
<u>3,987,550</u>	<u>2,494,993</u>	<u>38,301</u>	<u>41,724</u>	<u>16,679</u>	<u>225,049</u>	<u>630,418</u>
-	-	-	-	-	-	-
46,404	19,125	-	-	62,037	286,177	791,534
-	-	-	-	-	-	-
1,960,310	50,715	-	-	-	1,127,467	1,586,084
-	1,066,688	-	-	-	-	-
-	-	-	-	-	-	-
(1,719,065)	(1,485,593)	-	-	-	-	-
<u>287,649</u>	<u>(349,065)</u>	<u>-</u>	<u>-</u>	<u>62,037</u>	<u>1,413,644</u>	<u>2,377,618</u>
<u>\$ 4,275,199</u>	<u>\$ 2,145,928</u>	<u>\$ 38,301</u>	<u>\$ 41,724</u>	<u>\$ 78,716</u>	<u>\$ 1,638,693</u>	<u>\$ 3,008,036</u>

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CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2007

	Capital Projects Funds		Permanent	Total
	Intergovernmental		Fund	Nonmajor
	Assessment	Revenue	Endowment	Governmental
	Projects	Sharing	Fund	Funds
ASSETS				
Cash and investments	\$ -	\$ 2,662,613	\$ 3,820,984	\$ 23,723,878
Receivables				
Property taxes	-	-	-	5,287,123
Special assessment - tax roll	-	-	-	356,266
Special assessment	-	-	-	1,237,788
Accounts	-	-	-	495,770
Due from other funds	-	-	-	19,620
Due from other governments	-	-	-	2,187,664
Advances to component unit	-	-	-	710,000
Advances to other funds	-	1,365,129	-	2,524,606
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 4,027,742</u>	<u>\$ 3,820,984</u>	<u>\$ 36,542,715</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 148,809	\$ 360	\$ -	\$ 1,976,651
Accrued liabilities	-	35,210	-	241,222
Due to other funds	-	-	-	3,946,808
Due to other governments	-	-	-	5,011
Advances from other funds	-	-	-	1,644,438
Deferred revenues	-	-	-	1,975,630
Deferred property tax revenue	-	-	-	5,643,389
Total Liabilities	<u>148,809</u>	<u>35,570</u>	<u>-</u>	<u>15,433,149</u>
Fund Balances (Deficits)				
Reserved				
Subsequent years expenditures	-	-	-	99,350
Encumbrances	-	-	-	1,292,987
Endowments	-	-	1,406,369	1,406,369
Capital projects	-	2,627,043	-	7,351,619
Advances	-	1,365,129	-	3,289,775
Unreserved				
Designated for subsequent years expenditures	-	-	-	449,984
Undesignated (deficit)	(148,809)	-	2,414,615	7,219,482
Total Fund Balances (Deficits)	<u>(148,809)</u>	<u>3,992,172</u>	<u>3,820,984</u>	<u>21,109,566</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 4,027,742</u>	<u>\$ 3,820,984</u>	<u>\$ 36,542,715</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2007

	Special Revenue Funds			
	Public Safety Grants	Cemetery	Library	Harbor Commission
REVENUES				
Taxes	\$ 56,150	\$ 207,688	\$ 2,063,224	\$ -
Special charges and assessments	-	-	-	-
Intergovernmental	117,449	-	1,379,033	53,364
Fines and Forfeitures	-	-	-	-
Investment income	-	56,611	62,345	-
Charges for services	-	278,295	105,173	25,862
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>173,599</u>	<u>542,594</u>	<u>3,609,775</u>	<u>79,226</u>
EXPENDITURES				
Current				-
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	552,845	3,586,416	35,600
Public works	-	-	-	-
Public safety	163,862	-	-	-
Capital outlay	-	278,071	94,685	53,363
Total Expenditures	<u>163,862</u>	<u>830,916</u>	<u>3,681,101</u>	<u>88,963</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>9,737</u>	<u>(288,322)</u>	<u>(71,326)</u>	<u>(9,737)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Transfers in	-	99,571	94,685	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>99,571</u>	<u>94,685</u>	<u>-</u>
Net Change in Fund Balances	<u>9,737</u>	<u>(188,751)</u>	<u>23,359</u>	<u>(9,737)</u>
FUND BALANCES (DEFICIT) -				
Beginning of Year	<u>1,528</u>	<u>1,131,760</u>	<u>431,868</u>	<u>70,516</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 11,265</u>	<u>\$ 943,009</u>	<u>\$ 455,227</u>	<u>\$ 60,779</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2007

Special Revenue Funds					
HAZMAT	Recycling	CAR 25	State Asset Forfeiture	Federal Asset Forfeiture	Municipal Court
\$ -	\$ 796,879	\$ -	\$ -	\$ -	\$ 58,859
-	-	-	-	-	-
122,500	437,795	-	-	-	-
-	-	-	790	139,378	225,920
11,730	-	-	-	11,415	-
2,280	37,179	74,123	-	-	-
-	-	-	-	-	-
-	-	-	3,000	80,944	-
<u>136,510</u>	<u>1,271,853</u>	<u>74,123</u>	<u>3,790</u>	<u>231,737</u>	<u>284,779</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	66,593	-	-	-
-	1,244,916	-	-	-	-
135,747	-	-	12,583	-	280,909
-	-	-	-	105,999	-
<u>135,747</u>	<u>1,244,916</u>	<u>66,593</u>	<u>12,583</u>	<u>105,999</u>	<u>280,909</u>
-	-	-	-	-	-
<u>763</u>	<u>26,937</u>	<u>7,530</u>	<u>(8,793)</u>	<u>125,738</u>	<u>3,870</u>
-	-	-	-	-	-
-	-	-	-	-	19,106
-	(28,286)	-	-	-	-
<u>-</u>	<u>(28,286)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,106</u>
-	-	-	-	-	-
763	(1,349)	7,530	(8,793)	125,738	22,976
-	-	-	-	-	-
<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>\$ 254,005</u>	<u>\$ (472,059)</u>	<u>\$ 16,305</u>	<u>\$ 11,927</u>	<u>\$ 332,227</u>	<u>\$ -</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2007

	Special Revenue Funds			
	Bulky Waste Site	Sanitary Sewer Maintenance	Special Assessments	Other Cemetery
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special charges and assessments	-	-	543,810	-
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	127,812	68,549
Charges for services	10,650	-	-	45,845
Donations	-	-	-	100
Other	-	-	40,000	-
Total Revenues	<u>10,650</u>	<u>-</u>	<u>711,622</u>	<u>114,494</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	-	-	-
Public works	38,936	-	-	-
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>38,936</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(28,286)</u>	<u>-</u>	<u>711,622</u>	<u>114,494</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Transfers in	28,286	-	-	-
Transfers (out)	-	-	(743,889)	(99,571)
Total Other Financing Sources (Uses)	<u>28,286</u>	<u>-</u>	<u>(743,889)</u>	<u>(99,571)</u>
Net Change in Fund Balances	-	-	(32,267)	14,923
FUND BALANCES (DEFICIT) -				
Beginning of Year	<u>-</u>	<u>-</u>	<u>2,927,307</u>	<u>1,407,154</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,895,040</u>	<u>\$ 1,422,077</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2007

Special Revenue Funds					Capital Projects Funds
Other Public Safety	Trusts	Economic Development	Other	Health	Tax Incremental Districts
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 761,715
16,572	-	-	256,618	-	-
621,544	-	-	4,860	921,370	1,143,022
-	-	-	-	-	-
4,826	128,527	6,876	3,756	6,642	141,618
114,951	-	-	131,257	4,960	19,830
35,031	281,220	-	50,863	177,329	-
-	-	-	2,301	4,139	-
<u>792,924</u>	<u>409,747</u>	<u>6,876</u>	<u>449,655</u>	<u>1,114,440</u>	<u>2,066,185</u>
-	-	-	263,665	-	1,843
-	-	-	-	1,138,701	-
-	66,586	-	130,659	-	-
-	-	-	438	-	-
704,301	-	-	-	-	-
26,383	-	-	-	-	2,744,868
<u>730,684</u>	<u>66,586</u>	<u>-</u>	<u>394,762</u>	<u>1,138,701</u>	<u>2,746,711</u>
 62,240	 343,161	 6,876	 54,893	 (24,261)	 (680,526)
-	-	-	-	-	-
24,208	-	-	245,000	29,483	-
(105,000)	-	-	(25,000)	-	(837,172)
<u>(80,792)</u>	<u>-</u>	<u>-</u>	<u>220,000</u>	<u>29,483</u>	<u>(837,172)</u>
(18,552)	343,161	6,876	274,893	5,222	(1,517,698)
 298,340	 1,971,748	 592,323	 240,182	 9,341	 1,805,347
<u>\$ 279,788</u>	<u>\$ 2,314,909</u>	<u>\$ 599,199</u>	<u>\$ 515,075</u>	<u>\$ 14,563</u>	<u>\$ 287,649</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2007

	Capital Projects Funds		
	City Projects	2003	2004
REVENUES			
Taxes	\$ -	\$ -	\$ -
Special assessments	1,217,192	-	-
Intergovernmental	651,597	-	-
Fines and Forfeitures	-	-	-
Investment income	61,166	6,832	16,403
Charges for services	-	-	-
Donations	-	-	-
Other	-	-	-
Total Revenues	<u>1,929,955</u>	<u>6,832</u>	<u>16,403</u>
EXPENDITURES			
Current			
Community development	-	-	-
Health	-	-	-
Education and recreation	-	-	-
Public works	-	-	-
Public safety	-	-	-
Capital outlay	<u>1,322,010</u>	<u>-</u>	<u>189,226</u>
Total Expenditures	<u>1,322,010</u>	<u>-</u>	<u>189,226</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>607,945</u>	<u>6,832</u>	<u>(172,823)</u>
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	115,106	-	-
Transfers in	-	-	-
Transfers (out)	<u>-</u>	<u>(138,366)</u>	<u>(335,768)</u>
Total Other Financing Sources (Uses)	<u>115,106</u>	<u>(138,366)</u>	<u>(335,768)</u>
Net Change in Fund Balances	723,051	(131,534)	(508,591)
FUND BALANCES (DEFICIT) -			
Beginning of Year	<u>(1,072,116)</u>	<u>131,534</u>	<u>508,591</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (349,065)</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2007

Capital Projects Funds					Permanent Fund	Total Nonmajor Governmental Funds
2005	2006	2007	Assessment Projects	Intergovernmental Revenue Sharing	Endowment Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,944,515
-	-	-	-	-	-	2,034,192
-	-	-	-	1,168,266	-	6,620,800
-	-	-	-	-	-	366,088
29,448	145,196	139,374	-	142,733	190,623	1,362,482
-	-	-	-	-	-	850,405
-	-	-	-	-	3,353	547,896
-	-	-	-	-	-	130,384
<u>29,448</u>	<u>145,196</u>	<u>139,374</u>	<u>-</u>	<u>1,310,999</u>	<u>193,976</u>	<u>15,856,762</u>
-	-	-	-	76,649	-	342,157
-	-	-	-	-	-	1,138,701
-	-	-	-	-	43,606	4,482,305
-	-	-	-	-	-	1,284,290
-	-	-	-	-	-	1,297,402
<u>201,770</u>	<u>1,882,536</u>	<u>4,968,911</u>	<u>842,353</u>	<u>17,460</u>	<u>-</u>	<u>12,727,635</u>
<u>201,770</u>	<u>1,882,536</u>	<u>4,968,911</u>	<u>842,353</u>	<u>94,109</u>	<u>43,606</u>	<u>21,272,490</u>
<u>(172,322)</u>	<u>(1,737,340)</u>	<u>(4,829,537)</u>	<u>(842,353)</u>	<u>1,216,890</u>	<u>150,370</u>	<u>(5,415,728)</u>
-	-	7,500,000	-	-	-	7,615,106
-	-	-	743,888	-	-	1,284,227
<u>(452,414)</u>	<u>(248,057)</u>	<u>(292,845)</u>	<u>-</u>	<u>-</u>	<u>(10,465)</u>	<u>(3,316,833)</u>
<u>(452,414)</u>	<u>(248,057)</u>	<u>7,207,155</u>	<u>743,888</u>	<u>-</u>	<u>(10,465)</u>	<u>5,582,500</u>
(624,736)	(1,985,397)	2,377,618	(98,465)	1,216,890	139,905	166,772
<u>686,773</u>	<u>3,399,041</u>	<u>-</u>	<u>(50,344)</u>	<u>2,775,282</u>	<u>3,681,079</u>	<u>20,942,794</u>
<u>\$ 62,037</u>	<u>\$ 1,413,644</u>	<u>\$ 2,377,618</u>	<u>\$ (148,809)</u>	<u>\$ 3,992,172</u>	<u>\$ 3,820,984</u>	<u>\$ 21,109,566</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, 2007

	Public Safety Grants		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 56,150	\$ 56,150	\$ -
Intergovernmental	150,000	117,449	(32,551)
Fines and Forfeitures	-	-	-
Investment income	-	-	-
Charges for services	-	-	-
Donations	-	-	-
Other	-	-	-
Total Revenues	<u>206,150</u>	<u>173,599</u>	<u>(32,551)</u>
EXPENDITURES			
Current			
Community development	-	-	-
Health	-	-	-
Education and recreation	-	-	-
Public works	-	-	-
Public safety	206,150	163,862	42,288
Capital outlay	-	-	-
Total Expenditures	<u>206,150</u>	<u>163,862</u>	<u>42,288</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>9,737</u>	<u>9,737</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers (out)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>9,737</u>	<u>\$ 9,737</u>
FUND BALANCES (DEFICIT) - Beginning of Year		<u>1,528</u>	
FUND BALANCES (DEFICIT) - END OF YEAR		<u>\$ 11,265</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, 2007

Cemetery				Library			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 207,688	\$ 207,688	\$ 207,688	\$ -	\$ 2,063,224	\$ 2,063,224	\$ 2,063,224	\$ -
-	-	-	-	1,358,382	1,362,761	1,379,033	16,272
-	-	-	-	-	-	-	-
52,000	52,000	56,611	4,611	50,000	50,000	62,345	12,345
284,830	284,830	278,295	(6,535)	123,000	123,000	105,173	(17,827)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>544,518</u>	<u>544,518</u>	<u>542,594</u>	<u>(1,924)</u>	<u>3,594,606</u>	<u>3,598,985</u>	<u>3,609,775</u>	<u>10,790</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
563,112	564,511	552,845	11,666	3,719,561	3,745,440	3,586,416	159,024
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>111,000</u>	<u>428,076</u>	<u>278,071</u>	<u>150,005</u>	<u>51,500</u>	<u>116,508</u>	<u>94,685</u>	<u>21,823</u>
<u>674,112</u>	<u>992,587</u>	<u>830,916</u>	<u>161,671</u>	<u>3,771,061</u>	<u>3,861,948</u>	<u>3,681,101</u>	<u>180,847</u>
<u>(129,594)</u>	<u>(448,069)</u>	<u>(288,322)</u>	<u>159,747</u>	<u>(176,455)</u>	<u>(262,963)</u>	<u>(71,326)</u>	<u>191,637</u>
51,000	51,000	99,571	48,571	30,000	116,508	94,685	(21,823)
-	-	-	-	-	-	-	-
<u>51,000</u>	<u>51,000</u>	<u>99,571</u>	<u>48,571</u>	<u>30,000</u>	<u>116,508</u>	<u>94,685</u>	<u>(21,823)</u>
<u>\$ (78,594)</u>	<u>\$ (397,069)</u>	<u>(188,751)</u>	<u>\$ 208,318</u>	<u>\$ (146,455)</u>	<u>\$ (146,455)</u>	23,359	<u>\$ 169,814</u>
		<u>1,131,760</u>				<u>431,868</u>	
		<u>\$ 943,009</u>				<u>\$ 455,227</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, 2007

	Harbor Commission			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	146,008	53,364	(92,644)
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	26,750	26,750	25,862	(888)
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>26,750</u>	<u>172,758</u>	<u>79,226</u>	<u>(93,532)</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	22,025	22,025	35,600	(13,575)
Public works	-	-	-	-
Public safety	-	-	-	-
Capital outlay	-	146,008	53,363	92,645
Total Expenditures	<u>22,025</u>	<u>168,033</u>	<u>88,963</u>	<u>79,070</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>4,725</u>	<u>4,725</u>	<u>(9,737)</u>	<u>(14,462)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 4,725</u>	<u>\$ 4,725</u>	<u>(9,737)</u>	<u>\$ (14,462)</u>
FUND BALANCES (DEFICIT) - Beginning of Year			<u>70,516</u>	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ 60,779</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, 2007

HAZMAT				Recycling			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ 796,879	\$ 796,879	\$ 796,879	\$ -
122,500	122,500	122,500	-	430,000	430,000	437,795	7,795
-	-	-	-	-	-	-	-
-	-	11,730	11,730	-	-	-	-
-	-	2,280	2,280	20,000	20,000	37,179	17,179
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>122,500</u>	<u>122,500</u>	<u>136,510</u>	<u>14,010</u>	<u>1,246,879</u>	<u>1,246,879</u>	<u>1,271,853</u>	<u>24,974</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,246,879	1,246,879	1,244,916	1,963
122,500	124,235	135,747	(11,512)	-	-	-	-
-	-	-	-	-	-	-	-
<u>122,500</u>	<u>124,235</u>	<u>135,747</u>	<u>(11,512)</u>	<u>1,246,879</u>	<u>1,246,879</u>	<u>1,244,916</u>	<u>1,963</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	(1,735)	763	2,498	-	-	26,937	26,937
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(28,286)	(28,286)
-	-	-	-	-	-	(28,286)	(28,286)
<u>\$ -</u>	<u>\$ (1,735)</u>	<u>763</u>	<u>\$ 2,498</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(1,349)</u>	<u>\$ (1,349)</u>
		<u>253,242</u>				<u>(470,710)</u>	
		<u>\$ 254,005</u>				<u>\$ (472,059)</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, 2007

	CAR25			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	77,700	77,700	74,123	(3,577)
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>77,700</u>	<u>77,700</u>	<u>74,123</u>	<u>(3,577)</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	77,700	77,700	66,593	11,107
Public works	-	-	-	-
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>77,700</u>	<u>77,700</u>	<u>66,593</u>	<u>11,107</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>-</u>	<u>7,530</u>	<u>7,530</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>7,530</u>	<u>\$ 7,530</u>
FUND BALANCES (DEFICIT) - Beginning of Year			<u>8,775</u>	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ 16,305</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, 2007

State Asset Forfeiture				Federal Asset Forfeiture			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
6,000	6,000	790	(5,210)	175,000	175,000	139,378	(35,622)
-	-	-	-	2,500	2,500	11,415	8,915
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
5,000	5,000	3,000	(2,000)	-	-	80,944	80,944
11,000	11,000	3,790	(7,210)	177,500	177,500	231,737	54,237
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
20,000	20,000	12,583	7,417	10,000	15,960	-	15,960
-	-	-	-	228,000	228,000	105,999	122,001
20,000	20,000	12,583	7,417	238,000	243,960	105,999	137,961
-	-	-	-	-	-	-	-
(9,000)	(9,000)	(8,793)	207	(60,500)	(66,460)	125,738	192,198
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ (9,000)	\$ (9,000)	(8,793)	\$ 207	\$ (60,500)	\$ (66,460)	125,738	\$ 192,198
		20,720				206,489	
		\$ 11,927				\$ 332,227	

CITY OF RACINE
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2007

	Bulky Waste Site			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	38,500	38,500	10,650	(27,850)
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>38,500</u>	<u>38,500</u>	<u>10,650</u>	<u>(27,850)</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	-	-	-
Public works	37,261	37,261	38,936	(1,675)
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>37,261</u>	<u>37,261</u>	<u>38,936</u>	<u>(1,675)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,239</u>	<u>1,239</u>	<u>(28,286)</u>	<u>(29,525)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	28,286	28,286
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>28,286</u>	<u>28,286</u>
Net Change in Fund Balance	<u>\$ 1,239</u>	<u>\$ 1,239</u>	<u>-</u>	<u>\$ (1,239)</u>
FUND BALANCES (DEFICIT) - Beginning of Year			-	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ -</u>	

CITY OF RACINE

Special Revenue Funds

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

For the Year Ended December 31, 2007

Municipal Court			
Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 58,859	\$ 58,859	\$ 58,859	\$ -
-	-	-	-
220,000	220,000	225,920	5,920
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>278,859</u>	<u>278,859</u>	<u>284,779</u>	<u>5,920</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
278,859	278,859	280,909	(2,050)
-	-	-	-
<u>278,859</u>	<u>278,859</u>	<u>280,909</u>	<u>(2,050)</u>
-	-	3,870	3,870
-	-	19,106	19,106
-	-	-	-
-	-	19,106	19,106
<u>\$ -</u>	<u>\$ -</u>	<u>22,976</u>	<u>\$ 22,976</u>
		<u>(22,976)</u>	
		<u>\$ -</u>	

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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, 2007**

	Currently Due		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Tax Levy	\$ 6,903,058	\$ 6,903,058	\$ -
Investment Income	-	12,293	12,293
Other	705,272	816,210	110,938
Total Revenues	<u>7,608,330</u>	<u>7,731,561</u>	<u>123,231</u>
EXPENDITURES			
Debt service			
Principal	6,168,887	6,168,887	-
Interest and fiscal charges	4,611,588	4,611,586	2
Total Expenditures	<u>10,780,475</u>	<u>10,780,473</u>	<u>2</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(3,172,145)</u>	<u>(3,048,912)</u>	<u>123,233</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,722,145	3,582,927	860,782
Total Other Financing Sources (Uses)	<u>2,722,145</u>	<u>3,582,927</u>	<u>860,782</u>
Net Change in Fund Balances	<u>\$ (450,000)</u>	534,015	<u>\$ 984,015</u>
FUND BALANCES - Beginning of Year		<u>808,668</u>	
FUND BALANCES - END OF YEAR		<u>\$ 1,342,683</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, 2007**

	2007 Capital Projects			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment income	64,267	64,267	139,374	75,107
Other	-	-	-	-
Total Revenues	<u>64,267</u>	<u>64,267</u>	<u>139,374</u>	<u>75,107</u>
EXPENDITURES				
Current-Community Development	-	-	-	-
Capital outlay	<u>6,883,067</u>	<u>6,883,067</u>	<u>4,968,911</u>	<u>1,914,156</u>
Total Expenditures	<u>6,883,067</u>	<u>6,883,067</u>	<u>4,968,911</u>	<u>1,914,156</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(6,818,800)</u>	<u>(6,818,800)</u>	<u>(4,829,537)</u>	<u>1,989,263</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	7,507,000	7,507,000	7,500,000	(7,000)
Transfers in	-	-	-	-
Transfers (out)	<u>(688,200)</u>	<u>(688,200)</u>	<u>(292,845)</u>	<u>395,355</u>
Total Other Financing Sources (Uses)	<u>6,818,800</u>	<u>6,818,800</u>	<u>7,207,155</u>	<u>388,355</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>2,377,618</u>	<u>\$ 2,377,618</u>
FUND BALANCES (DEFICITS)- Beginning of Year			<u>-</u>	
FUND BALANCES (DEFICITS) - END OF YEAR			<u>\$ 2,377,618</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, 2007

Assessment Projects				Intergovernmental Revenue Sharing			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,168,266	1,168,266	1,168,266	-
-	-	-	-	-	-	-	-
-	-	-	-	150,000	150,000	142,733	(7,267)
-	-	-	-	-	-	-	-
-	-	-	-	1,318,266	1,318,266	1,310,999	(7,267)
-	-	-	-	55,000	94,184	76,649	17,535
2,047,974	2,055,695	842,353	1,213,342	1,408,748	1,408,748	17,460	1,391,288
2,047,974	2,055,695	842,353	1,213,342	1,463,748	1,502,932	94,109	1,408,823
(2,047,974)	(2,055,695)	(842,353)	1,213,342	(145,482)	(184,666)	1,216,890	1,401,556
-	-	-	-	-	-	-	-
2,047,974	2,055,695	743,888	(1,311,807)	-	-	-	-
-	-	-	-	-	-	-	-
2,047,974	2,055,695	743,888	(1,311,807)	-	-	-	-
\$ -	\$ -	(98,465)	\$ (98,465)	\$ (145,482)	\$ (184,666)	1,216,890	\$ 1,401,556
		(50,344)				2,775,282	
		<u>\$ (148,809)</u>				<u>\$ 3,992,172</u>	

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS
December 31, 2007

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
ASSETS						
Current Assets						
Cash and investments	\$ 1,262,036	\$ 1,190,737	\$ 219,964	\$ 33,897	\$ 204,363	\$ 2,910,997
Receivables						
Accounts	73,303	850	-	27,780	50,370	152,303
Taxes	-	3,163,676	-	283,000	-	3,446,676
Inventories	-	-	-	7,333	-	7,333
Prepaid expenses	-	-	-	16,193	-	16,193
Due from other funds	38,659	-	-	-	613	39,272
Total Current Assets	<u>1,373,998</u>	<u>4,355,263</u>	<u>219,964</u>	<u>368,203</u>	<u>255,346</u>	<u>6,572,774</u>
Noncurrent Assets						
Capital assets						
Land	1,014,105	-	1,432,654	140,421	15,000	2,602,180
Land and building improvements	15,760,487	52,720,894	2,577,331	6,617,928	121,026	77,797,666
Equipment, furniture and vehicles	717,940	892,538	-	311,000	12,913	1,934,391
Less: accumulated depreciation	(5,095,704)	(26,872,502)	(1,449,856)	(3,099,783)	(65,358)	(36,583,203)
	<u>12,396,828</u>	<u>26,740,930</u>	<u>2,560,129</u>	<u>3,969,566</u>	<u>83,581</u>	<u>45,751,034</u>
Construction in progress	154,184	825,172	-	150,581	-	1,129,937
Total Capital Assets (net of accumulated depreciation)	<u>12,551,012</u>	<u>27,566,102</u>	<u>2,560,129</u>	<u>4,120,147</u>	<u>83,581</u>	<u>46,880,971</u>
TOTAL ASSETS	<u>\$ 13,925,010</u>	<u>\$ 31,921,365</u>	<u>\$ 2,780,093</u>	<u>\$ 4,488,350</u>	<u>\$ 338,927</u>	<u>\$ 53,453,745</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS
December 31, 2007

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 25,103	\$ 377,876	\$ 18,394	\$ 110,139	\$ -	\$ 531,512
Accrued compensation	6,347	-	-	6,182	3,589	16,118
Accrued liabilities	9,083	17,430	43	28,369	-	54,925
Due to other funds	-	-	-	224,529	-	224,529
Advances from other funds	-	57,651	95,255	-	-	152,906
Deferred property tax revenue	-	3,163,676	-	283,000	-	3,446,676
Total Current Liabilities	<u>40,533</u>	<u>3,616,633</u>	<u>113,692</u>	<u>652,219</u>	<u>3,589</u>	<u>4,426,666</u>
Noncurrent Liabilities						
Compensated absences	27,514	-	-	-	13,549	41,063
OPEB ARC obligation	149,646	256,310	-	-	56,005	461,961
Advances from other funds	-	833,868	142,451	-	-	976,319
Total Noncurrent Liabilities	<u>177,160</u>	<u>1,090,178</u>	<u>142,451</u>	<u>-</u>	<u>69,554</u>	<u>1,479,343</u>
TOTAL LIABILITIES	<u>217,693</u>	<u>4,706,811</u>	<u>256,143</u>	<u>652,219</u>	<u>73,143</u>	<u>5,906,009</u>
NET ASSETS						
Invested in capital assets	12,551,012	27,566,102	2,560,129	4,120,147	83,581	46,880,971
Unrestricted (deficit)	<u>1,156,305</u>	<u>(351,548)</u>	<u>(36,179)</u>	<u>(284,016)</u>	<u>182,203</u>	<u>666,765</u>
TOTAL NET ASSETS	<u>\$ 13,707,317</u>	<u>\$ 27,214,554</u>	<u>\$ 2,523,950</u>	<u>\$ 3,836,131</u>	<u>\$ 265,784</u>	<u>\$ 47,547,736</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, 2007

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
OPERATING REVENUES						
Charges for services	\$ 1,148,637	\$ 3,017,485	\$ 171,733	\$ 483,414	\$ 267,020	\$ 5,088,289
Other	191	21,548	40	5,727	-	27,506
Total Operating Revenues	<u>1,148,828</u>	<u>3,039,033</u>	<u>171,773</u>	<u>489,141</u>	<u>267,020</u>	<u>5,115,795</u>
OPERATING EXPENSES						
Public works	1,006,145	2,489,350	50,890	-	322,100	3,868,485
Education and recreation	-	-	-	827,795	-	827,795
Depreciation	<u>362,833</u>	<u>1,087,857</u>	<u>77,785</u>	<u>244,383</u>	<u>2,689</u>	<u>1,775,547</u>
Total Operating Expenses	<u>1,368,978</u>	<u>3,577,207</u>	<u>128,675</u>	<u>1,072,178</u>	<u>324,789</u>	<u>6,471,827</u>
Operating income (loss)	<u>(220,150)</u>	<u>(538,174)</u>	<u>43,098</u>	<u>(583,037)</u>	<u>(57,769)</u>	<u>(1,356,032)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	-	151,616	10,776	-	-	162,392
Interest expense	-	(42,601)	(17,653)	-	-	(60,254)
Gain (loss) on sale of fixed assets	-	(44,536)	-	-	-	(44,536)
Tax levy	<u>-</u>	<u>-</u>	<u>-</u>	<u>299,000</u>	<u>-</u>	<u>299,000</u>
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>64,479</u>	<u>(6,877)</u>	<u>299,000</u>	<u>-</u>	<u>356,602</u>
Income (Loss) Before Transfers	(220,150)	(473,695)	36,221	(284,037)	(57,769)	(999,430)
TRANSFERS IN	<u>224,495</u>	<u>-</u>	<u>-</u>	<u>172,581</u>	<u>-</u>	<u>397,076</u>
Change in Net Assets	4,345	(473,695)	36,221	(111,456)	(57,769)	(602,354)
TOTAL NET ASSETS, Beginning of Year (as restated)	<u>13,702,972</u>	<u>27,688,249</u>	<u>2,487,729</u>	<u>3,947,587</u>	<u>323,553</u>	<u>48,150,090</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 13,707,317</u>	<u>\$ 27,214,554</u>	<u>\$ 2,523,950</u>	<u>\$ 3,836,131</u>	<u>\$ 265,784</u>	<u>\$ 47,547,736</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2007

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Totals
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 1,074,064	\$ 3,104,380	\$ 171,773	\$ 520,573	\$ 245,829	\$ 5,116,619
Payments to suppliers	(446,129)	(1,409,763)	(126,558)	(858,184)	(97,470)	(2,938,104)
Payments to employees	(430,372)	(899,726)	-	-	(166,043)	(1,496,141)
Net Cash Provided (Used) by Operating Activities	197,563	794,891	45,215	(337,611)	(17,684)	682,374
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Operating subsidies received-City	-	-	-	299,000	-	299,000
Net Cash Provided by Noncapital Financing Activities	-	-	-	299,000	-	299,000
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Advances retired	-	(55,169)	(89,748)	-	-	(144,917)
Interest paid on advances	-	(42,601)	(17,653)	-	-	(60,254)
Transfer from other funds for capital purposes	224,494	-	-	172,581	-	397,075
Proceeds from sale of capital assets	-	13,511	-	-	-	13,511
Acquisition and construction of capital assets	(179,754)	(1,400,928)	(112,510)	(147,581)	-	(1,840,773)
Net Cash Provided (Used) by Capital and Related Financing Activities	44,740	(1,485,187)	(219,911)	25,000	-	(1,635,358)
CASH FLOW FROM INVESTING ACTIVITIES						
Investment income received	-	151,616	10,775	-	-	162,391
Net Increase (Decrease) in Cash and Cash Equivalents	242,303	(538,680)	(163,921)	(13,611)	(17,684)	(491,593)
CASH AND CASH EQUIVALENTS,						
Beginning of Year	1,019,733	1,729,417	383,885	47,508	222,047	3,402,590
End of Year	\$ 1,262,036	\$ 1,190,737	\$ 219,964	\$ 33,897	\$ 204,363	\$ 2,910,997

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2007

	<u>Parking Utility</u>	<u>Storm Water Utility</u>	<u>Golf Courses</u>	<u>Civic Centre</u>	<u>Radio Repair</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (220,150)	\$ (538,174)	\$ 43,098	\$ (583,037)	\$ (57,769)	\$ (1,356,032)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Other postemployment benefits	149,646	256,310	-	-	56,005	461,961
Depreciation	362,833	1,087,857	77,785	244,383	2,689	1,775,547
(Increase) decrease in accounts receivable	(46,699)	65,347	-	31,432	(20,655)	29,425
(Increase) decrease in inventories	-	-	-	3,366	-	3,366
(Increase) decrease in prepaids	-	-	-	(1,790)	-	(1,790)
(Increase) decrease in due from other funds	(28,064)	(146,254)	-	16,000	(537)	(158,855)
Increase (decrease) in accounts payable	(31,700)	(77,474)	(58,131)	57,449	-	(109,856)
Increase (decrease) in accrued liabilities	11,697	1,025	(17,537)	(50,006)	2,583	(52,238)
Increase (decrease) in deferred revenue	-	146,254	-	(16,000)	-	130,254
Increase (decrease) in due to other funds	-	-	-	(39,408)	-	(39,408)
Net Cash Provided (Used) by Operating Activities	<u>\$ 197,563</u>	<u>\$ 794,891</u>	<u>\$ 45,215</u>	<u>\$ (337,611)</u>	<u>\$ (17,684)</u>	<u>\$ 682,374</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
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, 2007

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
ASSETS						
Current Assets						
Cash and investments	\$ 194,730	\$ 348,250	\$ 78,465	\$ 8,591,920	\$ 139,443	\$ 9,352,808
Inventories	355,933	-	-	-	-	355,933
Receivables						
Taxes	-	-	27,500	-	-	27,500
Accounts	46,104	-	10,000	267,555	4,446	328,105
Due from other funds	36,150	-	-	34,767	3,248	74,165
Total Current Assets	<u>632,917</u>	<u>348,250</u>	<u>115,965</u>	<u>8,894,242</u>	<u>147,137</u>	<u>10,138,511</u>
Noncurrent Assets						
Capital assets						
Land, buildings and improvements	1,558,627	-	-	-	-	1,558,627
Equipment, furniture and vehicles	308,172	1,696,732	-	-	654,566	2,659,470
Less: Accumulated depreciation	(749,167)	(999,096)	-	-	(144,010)	(1,892,273)
Total Capital Assets (net of accumulated depreciation)	<u>1,117,632</u>	<u>697,636</u>	<u>-</u>	<u>-</u>	<u>510,556</u>	<u>2,325,824</u>
TOTAL ASSETS	<u>\$ 1,750,549</u>	<u>\$ 1,045,886</u>	<u>\$ 115,965</u>	<u>\$ 8,894,242</u>	<u>\$ 657,693</u>	<u>\$ 12,464,335</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2007

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 85,241	\$ 97,339	\$ 26,123	\$ 443,906	\$ 12,730	\$ 665,339
Accrued liabilities	40,287	19,168	16,743	1,525,049	-	1,601,247
Due to other funds	-	-	27,971	-	-	27,971
Deferred tax revenue	-	-	27,500	-	-	27,500
Total Current Liabilities	<u>125,528</u>	<u>116,507</u>	<u>98,337</u>	<u>1,968,955</u>	<u>12,730</u>	<u>2,322,057</u>
Noncurrent Liabilities						
Compensated absences	90,405	2,787	29,704	-	-	122,896
Total Noncurrent Liabilities	<u>90,405</u>	<u>2,787</u>	<u>29,704</u>	<u>-</u>	<u>-</u>	<u>122,896</u>
TOTAL LIABILITIES	<u>215,933</u>	<u>119,294</u>	<u>128,041</u>	<u>1,968,955</u>	<u>12,730</u>	<u>2,444,953</u>
NET ASSETS						
Invested in capital assets	1,117,632	697,636	-	-	510,556	2,325,824
Unrestricted (deficit)	416,984	228,956	(12,076)	6,925,287	134,407	7,693,558
TOTAL NET ASSETS	<u>\$ 1,534,616</u>	<u>\$ 926,592</u>	<u>\$ (12,076)</u>	<u>\$ 6,925,287</u>	<u>\$ 644,963</u>	<u>\$ 10,019,382</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, 2007

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
OPERATING REVENUES						
Charges for services and sales						
Labor and equipment charges	\$ 1,843,651	\$ -	\$ -	\$ -	\$ -	\$ 1,843,651
Fuel, oil, parts and supplies sales	1,861,709	-	-	-	-	1,861,709
Health insurance premiums	-	-	-	17,122,560	-	17,122,560
Telephone service sales	-	-	-	-	195,661	195,661
Computer service sales	-	1,421,822	-	-	-	1,421,822
Facilities rent	-	-	1,993,089	-	-	1,993,089
Other	13,919	-	-	392,283	-	406,202
Total Operating Revenues	<u>3,719,279</u>	<u>1,421,822</u>	<u>1,993,089</u>	<u>17,514,843</u>	<u>195,661</u>	<u>24,844,694</u>
OPERATING EXPENSES						
Public Works						
Operating supplies and expenses	3,661,098	-	1,977,050	-	-	5,638,148
General administration						
Telephone expenses	-	-	-	-	184,866	184,866
Health insurance	-	-	-	15,573,988	-	15,573,988
Information systems	-	1,459,345	-	-	-	1,459,345
Depreciation	58,181	205,228	-	-	26,184	289,593
Total Operating Expenses	<u>3,719,279</u>	<u>1,664,573</u>	<u>1,977,050</u>	<u>15,573,988</u>	<u>211,050</u>	<u>23,145,940</u>
Operating Income (Loss) Before Transfers	-	(242,751)	16,039	1,940,855	(15,389)	1,698,754
TRANSFER IN	-	75,645	-	-	-	75,645
Change in Net Assets	-	(167,106)	16,039	1,940,855	(15,389)	1,774,399
TOTAL NET ASSETS - Beginning 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>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 1,534,616</u>	<u>\$ 926,592</u>	<u>\$ (12,076)</u>	<u>\$ 6,925,287</u>	<u>\$ 644,963</u>	<u>\$ 10,019,382</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2007

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 3,679,469	\$ 1,421,822	\$ 1,993,089	\$ 17,250,854	\$ 193,259	\$ 24,538,493
Payments to suppliers	(1,845,970)	(1,000,233)	(1,150,245)	(15,146,711)	(183,127)	(19,326,286)
Payments to employees	(1,745,208)	(471,835)	(793,244)	(22,009)	-	(3,032,296)
Net Cash Provided (Used) by Operating Activities	88,291	(50,246)	49,600	2,082,134	10,132	2,179,911
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Transfer from other funds for capital purposes	-	75,645	-	-	-	75,645
Acquisition and construction of capital assets	-	(104,141)	-	-	-	(104,141)
Net Cash Used by Capital and Related Financing Activities	-	(28,496)	-	-	-	(28,496)
Net Increase (Decrease) in Cash and Cash Equivalents	88,291	(78,742)	49,600	2,082,134	10,132	2,151,415
CASH AND CASH EQUIVALENTS - Beginning of Year	106,439	426,992	28,865	6,509,786	129,311	7,201,393
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 194,730</u>	<u>\$ 348,250</u>	<u>\$ 78,465</u>	<u>\$ 8,591,920</u>	<u>\$ 139,443</u>	<u>\$ 9,352,808</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2007

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES:						
Operating Income (loss)	\$ -	\$ (242,751)	\$ 16,039	\$ 1,940,855	\$ (15,389)	\$ 1,698,754
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities						
Depreciation expense	58,181	205,228	-	-	26,184	289,593
(Increase) decrease in accounts receivable	(18,164)	-	-	(267,414)	(1,775)	(287,353)
(Increase) decrease in inventories	(18,716)	-	-	-	-	(18,716)
(Increase) decrease in due from other funds	(21,645)	-	(27,500)	3,425	(627)	(46,347)
Increase (decrease) in accounts payable	67,761	(929)	(4,258)	80,986	1,739	145,299
Increase (decrease) in accrued liabilities	20,874	(11,794)	37,348	324,282	-	370,710
Increase (decrease) in due to other funds	-	-	27,971	-	-	27,971
Total Adjustments	88,291	192,505	33,561	141,279	25,521	481,157
Net Cash Provided (Used) by Operating Activities	\$ 88,291	\$ (50,246)	\$ 49,600	\$ 2,082,134	\$ 10,132	\$ 2,179,911