

CITY OF RACINE

Racine, Wisconsin

FINANCIAL STATEMENTS

December 31, 2008

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, 2008, 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 81 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 Downtown Racine Business Improvement District #1 were not audited in accordance with *Government Auditing Standards*.

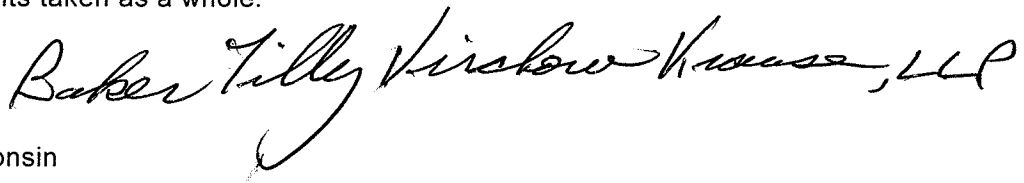
To the Mayor and Common Council
City of Racine

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, 2008, 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

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2009 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's discussion and analysis and the schedule of funding progress of other postemployment benefits are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Racine's basic financial statements. The combining and individual fund financial statements and schedules 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 black ink that reads "Baker Tilly Vintner House, LLP". The signature is written in a cursive, flowing style.

Milwaukee, Wisconsin
July 23, 2009

MANAGEMENT'S DISCUSSION AND ANALYSIS

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CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited

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, 2008.

Financial Highlights

- The assets of the City of Racine exceeded its liabilities at the close of the most recent fiscal year by \$286,472,547 (net assets). Of this amount, \$2,936,096 (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 \$21,673,084.
- As of the close of the current fiscal year, the City of Racine's governmental funds reported combined ending fund balances of \$55,156,141, an increase of \$878,846, in comparison with the prior year. Approximately 47.5% of this amount, \$26,187,094, is available for spending at the government's discretion (unreserved fund, undesignated fund balance). At year end, management had designated \$2,536,469 of the unreserved fund balance for use in the 2009 budget.
- At the end of the current fiscal year, unreserved-undesignated fund balance for the general fund was \$23,437,572 or 29.4% of total general fund expenditures.
- Total long term obligations decreased by approximately \$2.7 million for the fiscal year ended December 31, 2008. Long term obligation activity during the year included the following:
 - \$7.68 million of general obligation debt issued for the 2008 capital improvement plan
 - \$14.4 million for general repayments
 - \$3.4 million of clean water fund loans issued by the Wastewater Utility for general plant improvements.

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
Unaudited

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
Unaudited

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, 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

Unaudited

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 required supplementary information and the combining statements referred to earlier in connection with nonmajor governmental and proprietary funds are presented immediately following the notes to the financial statements. This information can be found on pages 93-125 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, 2008 and 2007 City's assets exceeded liabilities by \$286,472,547 and \$308,145,631 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 \$251,306,834 and \$254,705,838 at December 31, 2008 and 2007.

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 \$23,406,928 and \$25,581,097 and unrestricted net assets were \$11,758,785 and \$27,858,696 as of December 31, 2008 and 2007 respectively.

At December 31 2008, the City's governmental activities had a deficit unrestricted net assets of (\$2,323,919). The deficit is primarily the result of the increase in the City's OPEB obligation in 2008.

The City's net OPEB obligation was \$36,858,629 and \$17,415,472 as of December 31, 2008 and 2007 respectively.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited

Government-wide Financial Analysis (continued)

Condensed financial information from the statements of net assets is presented below for the years ended December 31, 2008 and 2007. Amounts are expressed in thousands.

	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	Governmental	Governmental	Business-type	Business-type		
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u>
Current and other assets	\$ 138,002	\$ 132,843	\$ 85,499	\$ 91,817	\$ 223,501	\$ 224,660
Capital assets	<u>176,417</u>	<u>176,453</u>	<u>289,038</u>	<u>290,696</u>	<u>465,455</u>	<u>467,149</u>
Total assets	<u>314,419</u>	<u>309,296</u>	<u>374,537</u>	<u>382,513</u>	<u>688,956</u>	<u>691,809</u>
Current and other liabilities	62,444	59,017	7,364	6,990	69,808	66,007
Liabilities payable from restricted assets	-	-	10,808	11,264	10,808	11,264
Long-term liabilities	<u>140,213</u>	<u>121,176</u>	<u>181,655</u>	<u>185,216</u>	<u>321,868</u>	<u>306,392</u>
Total liabilities	<u>202,657</u>	<u>180,193</u>	<u>199,827</u>	<u>203,470</u>	<u>402,484</u>	<u>383,663</u>
Net assets:						
Invested in capital assets						
net of related debt	99,869	102,120	160,261	161,521	251,307	254,706
Restricted	14,217	14,688	9,189	10,894	23,406	25,582
Unrestricted	<u>(2,324)</u>	<u>12,295</u>	<u>5,260</u>	<u>6,628</u>	<u>11,759</u>	<u>27,858</u>
Total net assets	<u>\$ 111,762</u>	<u>\$ 129,103</u>	<u>\$ 174,710</u>	<u>\$ 179,043</u>	<u>\$ 286,472</u>	<u>\$ 308,146</u>

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited

Government-wide Financial Analysis (continued)

Condensed financial information from the statement of activities is presented below for the year ended December 31, 2008 and 2007. Amounts are expressed in thousands.

	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	Governmental	Governmental	Business-type	Business-type		
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u>
Revenues						
Charges for services	\$ 35,940	\$ 36,615	\$ 35,539	\$ 35,406	\$ 71,479	\$ 72,021
Operating grants and contributions	11,590	11,807	5,215	4,945	16,805	16,752
Capital grants and contributions	3,037	2,274	3,853	12,628	6,890	14,902
Taxes	46,287	43,878	1,380	1,383	47,667	45,261
Intergovernmental revenues not restricted to specific programs	31,206	31,106	-	-	31,206	31,106
Investment income	2,367	5,465	906	1,820	3,273	7,285
Other	814	835	116	25	930	860
Total revenues	<u>131,241</u>	<u>131,980</u>	<u>47,009</u>	<u>56,207</u>	<u>178,250</u>	<u>188,187</u>
Expenses						
General government	30,264	33,855	-	-	30,264	33,855
Community development	7,009	5,285	-	-	7,009	5,285
Health	3,358	3,461	-	-	3,358	3,461
Education and recreation	14,891	14,016	-	-	14,891	14,016
Public works	31,933	27,711	-	-	31,933	27,711
Public safety	57,958	55,639	-	-	57,958	55,639
Interest and fiscal charges	5,605	5,218	-	-	5,605	5,218
Water	-	-	16,881	17,195	16,881	17,195
Wastewater	-	-	15,124	14,824	15,124	14,824
Belle urban system	-	-	9,428	8,782	9,428	8,782
Other	-	-	7,473	6,577	7,473	6,577
Total expenses	<u>151,018</u>	<u>145,185</u>	<u>48,906</u>	<u>47,378</u>	<u>199,924</u>	<u>192,563</u>
Increase (decrease) in net assets before transfers	<u>(19,777)</u>	<u>(13,205)</u>	<u>(1,897)</u>	<u>8,829</u>	<u>(21,674)</u>	<u>(4,376)</u>
Transfers	<u>2,436</u>	<u>2,207</u>	<u>(2,436)</u>	<u>(2,207)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>(17,341)</u>	<u>(10,998)</u>	<u>(4,333)</u>	<u>6,622</u>	<u>(21,674)</u>	<u>(4,376)</u>
Net assets-beginning 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>
Net assets-end of year	<u>\$ 111,762</u>	<u>\$ 129,103</u>	<u>\$ 174,710</u>	<u>\$ 179,043</u>	<u>\$ 286,472</u>	<u>\$ 308,146</u>

CITY OF RACINE
Racine, Wisconsin

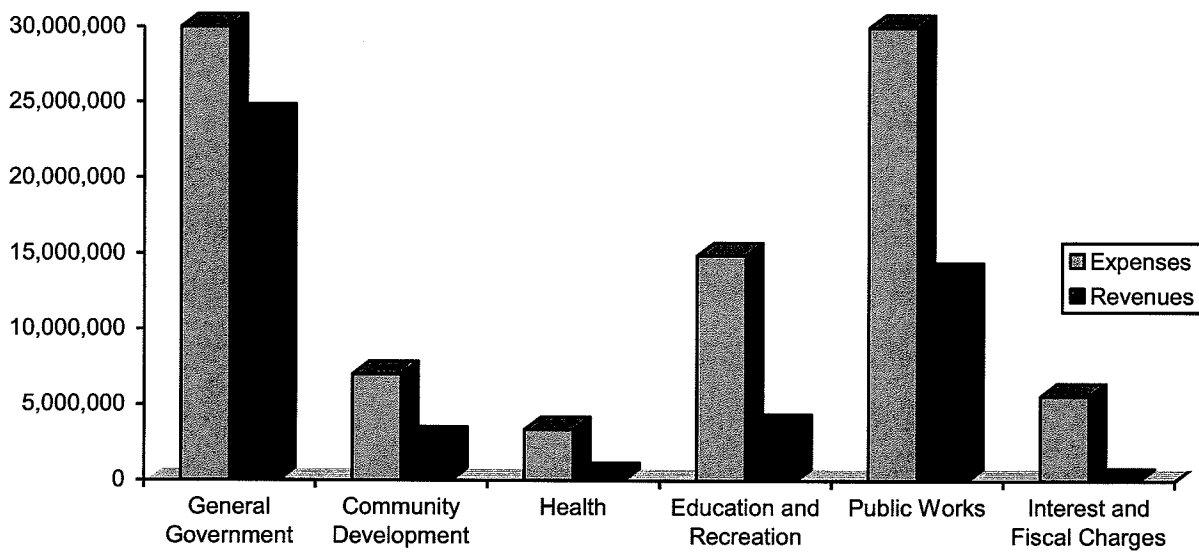
MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited

Governmental Activities

The net assets in the governmental activities decreased by over \$17 million during the fiscal year. The primary reasons for the decrease are as follows:

The governmental activities estimated annual required contribution for post employment benefits exceeded the contributions made during 2008 by just over \$17 million.

Expenses and Program Revenues-Governmental Activities:

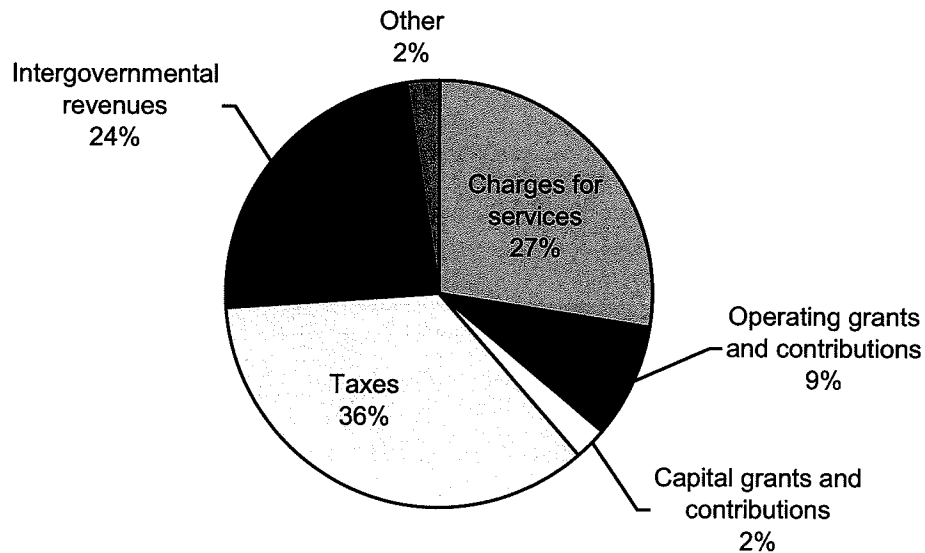


CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited

Governmental Activities *(continued)*

Program and General Revenues by Source – Governmental Activities:



Business-type activities

Business-type activities net assets decreased by \$4.3 million during the fiscal year 2008. Key elements of this decrease are as follows:

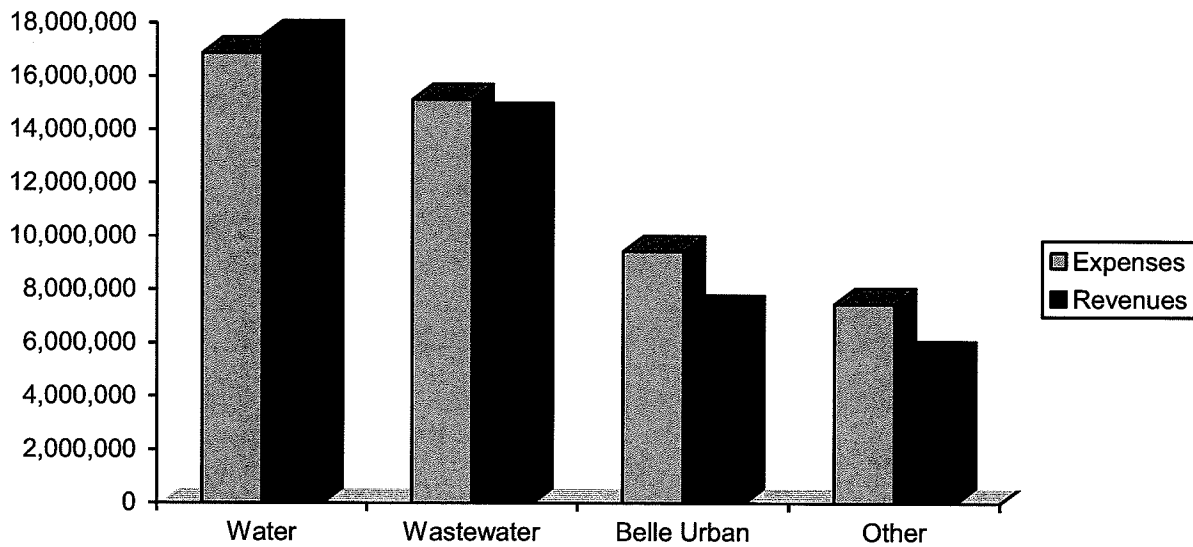
- The Water utility had a decrease in net assets of approximately \$1.1 million. The decrease in net assets in the Water utility relates primarily to a \$1 million increase in the Utility's net OPEB obligation as the required contributions exceeded the actual contributions.
- The Wastewater utility had a decrease in net assets of approximately \$1.2 million. The decrease in net assets in the Wastewater utility relates to both a \$700 thousand increase in the Utility's net OPEB obligation as the required contributions exceeded the actual contributions and a loss in interest income due market conditions during 2008.
- The Belle Urban Transit system has a decrease in net assets of \$993,104 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 \$1,071,166. The decrease in net assets relates primarily to operating revenues unable to cover escalating depreciation expense. In addition, the estimated annual required contribution for post employment benefits exceeded the contributions made during 2008 by just over \$597,000.

CITY OF RACINE
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MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited

Business-type activities *(continued)*

Expenses and Program Revenues – Business-type Activities:

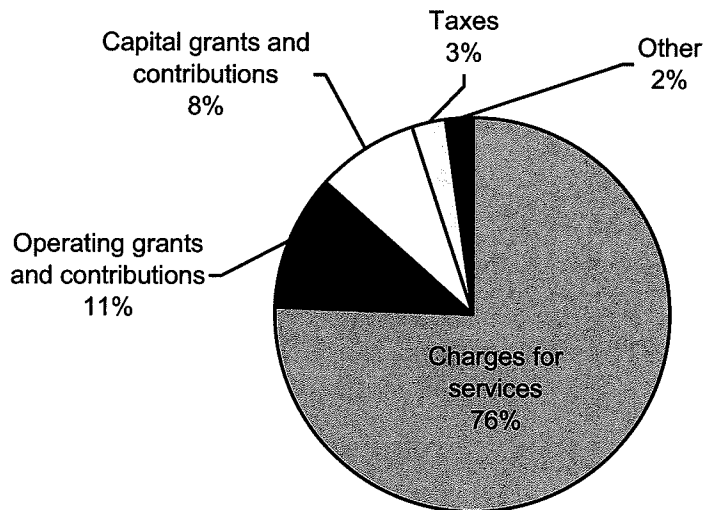


CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited

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 \$55,156,141. Approximately 47.5% of this amount \$26,187,094 constitutes unreserved fund balance which is available for spending at the government's discretion. Management has designated \$2,536,469 of governmental fund balance to be used in the 2009 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 \$23,437,572, while total fund balance totaled \$35,050,649. Unreserved-undesignated fund balance represents 29.4% of total general fund expenditures, while total fund balance represents 44% of total general fund expenditures.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited

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

Although the general fund was budgeted to use \$2.46 million of fund balances during 2008, the general fund used just over \$91 thousand of fund balance for the year ended December 31, 2008. The resulting \$2.37 million positive variance is the result of both actual revenues exceeding budgeted amounts by \$327 thousand and actual expenditures under budgeted amounts by approximately \$2 million. The following details both the revenue and expenditures factors that contributed to the positive variance:

- Intergovernmental revenues were \$426,237 or 1.2% over the budget of \$34,803,803. The City, because of uncertainty at the state level, underestimated both exempt computer aid revenue and expenditure restraint revenue for 2008 by approximately \$312,000. In addition, the City received both federal and state reimbursement for overtime expended associated with gang activity of approximately \$91,000. Intergovernmental revenue gains were off-set by losses in license and permits and fines and forfeitures. Losses in those areas relate both to an overestimation of public safety fine revenue and the downturn in the economy.
- Expenditures in the general fund were approximately \$2 million, or 2.5% under the budget of \$81,688,919. With the exclusion of public works, all general fund expenditure categories were under budget in 2008.
 - The public safety and capital outlay categories contributed to the majority of the general fund expenditure results.
 - The public safety category was approximately \$1.2 million, or 2.8% under budget due to positions left unfilled for the majority of the year in both the police department and the fire department. In addition, an unexpected decrease in the health insurance costs in 2008 resulted in significant savings in public safety.
 - The capital outlay category was \$567,592 or 32.7% under budget due to orders for refuse trucks and front loaders that were placed later in the year than normal. Because there is significant lead time required for delivery of these items, the equipment purchases were encumbered at year end but not spent. The funds will be carried over to 2009 and spent in early 2009.
 - The public works department was \$269,031, or 2.2% over budget due primarily to excessive snow in early 2008 and then subsequent flooding in the spring of 2008. The snow and rain resulted in both additional salary and fringe costs for overtime as well as operating costs for the unexpected purchase of road salt and asphalt patch.
 - All of the other general fund categories were slightly under budget due primarily to the unexpected decrease in health insurance costs in 2008.

CITY OF RACINE
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MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited

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

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 \$1,717,705 and \$2,080,058 at the end of fiscal year 2008 and 2007, of which the majority is reserved for specific purposes. In 2008, fund balance decreased by \$362,353 in the HUD fund primarily as a result of the loans and grants made for the City's uptown redevelopment project of over \$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 \$(3,762,995) and \$(5,396,687) at the end of fiscal year 2008 and 2007 due to expenditures exceeding tax incremental revenues for the majority of the districts. Tax increment sharing increased fund balances during 2008 and 2007 by \$1,633,692 and \$1,286,088 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, 2008 and 2007 of \$1,450,300 and \$1,342,683, all of which is reserved for the payment of debt service. The change in the fund balance during 2008 and 2007 was \$107,617 and \$534,015 respectively. The increase fund balance during 2008 was primarily the result of the transfer of unspent bond proceeds from previous years.

The Other governmental funds are non major funds of the City of Racine. These funds account for various activities within the City including grant programs, special assessment and economic development activities, library and cemetery activities, endowments, and all the capital project funds of the city. The other governmental funds have a total fund balance of \$20,700,482 and \$21,109,566 in 2008 and 2007 respectively. Reserved fund balance is \$16,387,965 and \$13,440,100 in 2008 and 2007 and unreserved is \$4,312,517 and \$7,669,466 in 2008 and 2007. The fund balances of these funds decreased by \$409,084 during 2008.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited

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 2008 and 2007 amounted to \$1,825,407 and \$3,234,999, for the Wastewater utility \$6,257,555 and \$4,439,883, for the Belle urban system \$(2,182,397) and \$(1,713,267), and for the other enterprise funds \$(640,550) and \$666,765. The total change in net assets for the Water Utility for 2008 and 2007 was \$(1,109,936) and \$7,815,915 the Wastewater Utility \$(1,158,570) and \$406,649, for the Belle urban system \$(993,104) and \$(997,719), and for the Other Enterprise funds \$(1,071,166) and \$(602,354) 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, 2008 and 2007 amounts to \$260,129,523 and \$263,640,829 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, 2008 and 2007, capital assets, net of accumulated depreciation totaled \$465,454,682 and \$467,148,440 respectively. Capital assets, net of accumulated depreciation decreased approximately \$1.7 million in 2008 and increased by \$11 during 2007. In decrease in 2008 occurred primarily in the business-type activities. The business-type activities capital assets decreased due primarily to depreciation expense exceeds additions in the Wastewater Utility.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
Unaudited

Capital Asset and Debt Administration (continued)

Long-term debt – At the end of 2008 and 2007, the City of Racine had total debt outstanding of \$243,789,810 and \$246,829,899. Of this amount, the debt backed by the full faith and credit of the government is \$103,870,000 and \$102,250,000 in 2008 and 2007 respectively. The remainder of the City's debt represents bonds secured solely by specified revenue sources (ie. revenue bonds). The City's total outstanding debt decreased by approximately \$3 million in 2008. The majority of the decrease in 2008 was a result of significant principal paid in both the Water and the Wastewater Utility.

	<u>Outstanding debt</u>	
	<u>2008</u>	<u>2007</u>
Governmental Activities:		
General obligation bonds and notes	\$ 103,870,000	\$ 102,250,000
Business-Type Activities:		
Revenue bonds	<u>139,919,810</u>	<u>144,579,899</u>
Total	<u>\$ 243,789,810</u>	<u>\$ 246,829,899</u>

Economic Conditions and 2008 and 2009 Budget Outlook

Due to the current economic conditions the City has seen several companies laying off workers. The City's, unemployment rate remains significantly above the state and national average. In May of 2009, the City's unemployment rate is 16.1% compared to a state rate of 8.7% and a county rate of 10.2%.

The assessed value of the City has increased over the last several years with an 3.9% and 8.4% increase in 2008 and 2007 respectively. Due to current market conditions, the City is facing a potential reduction in the assessed value in 2009.

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 2009 and a reduction of intergovernmental aids in 2010. Due to a change in health care administrators, the implementation of a wellness program, and the creation of a free clinic, the City's health insurance cost decreased substantially in 2008. The City anticipates costs to increase about 5% from 2008 to 2009.

The City used slightly over \$2.6 million of general fund, debt service fund and other governmental fund balances to stabilize the 2009 tax rate. The 2009 City tax rate was \$10.74 per thousand. Due to the union contract negotiations, the use of fund balance in the 2009 budget, and increasing debt service requirements, reductions in state aids, and increased state mandates, difficult choices will have to be made in the preparation of the 2010 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, 2008

	Primary Government				
	Governmental Activities	Business Type Activities	Total	Business Improvement District	Redevelopment Authority
ASSETS					
Cash and investments	\$ 60,888,412	\$ 16,858,769	\$ 77,747,181	\$ 19,505	\$ 22,647
Receivables (net of allowance for uncollectible accounts)	65,529,403	11,057,560	76,586,963	-	450,000
Internal balances	3,733,733	(3,733,733)	-	-	-
Due from primary government	-	-	-	214,087	-
Due from other governments	2,400,732	3,462,384	5,863,116	-	196,000
Inventories	636,241	1,009,590	1,645,831	-	-
Prepaid items	42,614	14,153	56,767	-	-
Deferred charges	854,108	702,958	1,557,066	-	-
Advances to other funds	2,637,647	(2,637,647)	-	-	-
Advances to component unit	894,313	-	894,313	-	-
Restricted assets					
Cash and investments	-	18,629,043	18,629,043	-	-
Accrued interest receivable	-	76,305	76,305	-	-
Plant capacity, current portion	-	2,423,775	2,423,775	-	-
Plant capacity, long term	-	37,636,850	37,636,850	-	-
Land held for resale	385,000	-	385,000	-	1,387,375
Capital assets					
Land	23,326,295	6,283,961	29,610,256	-	-
Construction in progress	11,670,797	4,383,822	16,054,619	-	-
Other capital assets (net of accumulated depreciation)	141,420,188	278,369,619	419,789,807	7,228	-
TOTAL ASSETS	\$ 314,419,483	\$ 374,537,409	\$ 688,956,892	\$ 240,820	\$ 2,056,022
LIABILITIES					
Liabilities					
Accounts payable	\$ 3,934,039	\$ 1,824,851	\$ 5,758,890	\$ 5,179	\$ 8,373
Accrued compensation and other current liabilities	7,262,117	643,748	7,905,865	-	800
Due to other governments	272,733	-	272,733	-	196,000
Accrued interest payable	196,315	-	196,315	-	-
Unearned revenue	50,778,655	4,895,112	55,673,767	214,087	-
Liabilities payable from restricted assets	-	-	-	-	-
Accrued interest payable	-	1,097,479	1,097,479	-	-
Current portion of long term debt	-	8,667,453	8,667,453	-	-
Deferred capacity revenue, current portion	-	1,043,782	1,043,782	-	-
Noncurrent liabilities					
Plant capacity	-	43,845,670	43,845,670	-	-
OPEB obligation	32,218,256	4,640,373	36,858,629	-	-
Due within one year	7,238,928	1,305	7,240,233	-	-
Due in more than one year	100,756,054	133,167,475	233,923,529	-	894,313
TOTAL LIABILITIES	202,657,097	199,827,248	402,484,345	219,266	1,099,486
NET ASSETS					
Invested in capital assets, net of related debt	99,868,904	160,260,619	251,306,834	7,228	-
Restricted					
Debt service	1,253,985	-	1,253,985	-	-
Permanent funds	3,227,986	-	3,227,986	-	-
HUD loan program	9,735,430	-	9,735,430	-	-
Water	-	3,544,565	3,544,565	-	-
Wastewater	-	5,644,962	5,644,962	-	-
Unrestricted	(2,323,919)	5,260,015	11,758,785	14,326	956,536
TOTAL NET ASSETS	\$ 111,762,386	\$ 174,710,161	\$ 286,472,547	\$ 21,554	\$ 956,536

CITY OF RACINE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2008

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	\$ 30,263,976	\$ 20,030,702	\$ 66,572	\$ -	\$ (10,166,702)	\$ -	\$ (10,166,702)	\$ -	\$ -
Community development	7,008,795	46,738	2,340,183	320,287	(4,301,587)	-	(4,301,587)	-	-
Health	3,358,373	335,879	1,050	-	(3,021,444)	-	(3,021,444)	-	-
Education and recreation	14,890,796	949,683	2,506,333	1,523,517	(9,911,263)	-	(9,911,263)	-	-
Public works	31,932,860	9,503,222	5,394,805	1,192,961	(15,841,872)	-	(15,841,872)	-	-
Public safety	57,958,388	5,073,665	1,281,504	-	(51,603,219)	-	(51,603,219)	-	-
Interest and fiscal charges	5,605,247	-	-	-	(5,605,247)	-	(5,605,247)	-	-
Total Governmental Activities	151,018,435	35,939,889	11,590,447	3,036,765	(100,451,334)	-	(100,451,334)	-	-
Business type activities									
Water	16,880,705	16,432,766	-	1,081,111	-	633,172	633,172	-	-
Wastewater	15,123,509	12,181,118	-	2,230,105	-	(712,286)	(712,286)	-	-
Belle Urban Transit	9,427,740	1,445,821	5,214,635	541,388	-	(2,225,896)	(2,225,896)	-	-
Other	7,472,851	5,479,246	-	-	-	(1,993,605)	(1,993,605)	-	-
Total Business Type Activities	48,904,805	35,538,951	5,214,635	3,852,604	-	(4,298,615)	(4,298,615)	-	-

CITY OF RACINE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2008

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
		Operating	Capital	Primary Government			Business		
Expenses	Charges for	Grants and	Grants and	Governmental	Business-Type	Total	Improvement	Redevelopment	
	Services	Contributions	Contributions	Activities	Activities		District	Authority	
Total Primary Government	\$ 199,923,240	\$ 71,478,840	\$ 16,805,082	\$ 6,889,369	(100,451,334)	(4,298,615)	(104,749,949)	-	-
Component Unit									
Business Improvement District	\$ 208,826	\$ -	\$ -	-	-	-	(208,826)	-	-
Redevelopment Authority	371,592	10,146	-	992,377	-	-	-	630,931	-
	\$ 580,418	\$ 10,146	\$ -	\$ 992,377	-	-	(208,826)	630,931	-
General Revenues									
Taxes									
Property taxes levied for general purposes					33,534,451	1,380,445	34,914,896	-	-
Property taxes levied for debt service					8,061,037	-	8,061,037	-	-
Property taxes levied for TIF					4,356,852	-	4,356,852	-	-
Other taxes					334,684	-	334,684	204,466	-
Intergovernmental revenues not restricted to specific programs					31,206,089	-	31,206,089	-	-
Investment income					2,367,341	905,801	3,273,142	2,470	-
Miscellaneous					814,274	115,891	930,165	1,200	-
Transfers					2,436,298	(2,436,298)	-	-	-
Total General Revenues and Transfers					83,111,026	(34,161)	83,076,865	208,136	-
Change in Net Assets					(17,340,308)	(4,332,776)	(21,673,084)	(690)	630,931
NET ASSETS - Beginning of Year					129,102,694	179,042,937	308,145,631	22,244	325,605
NET ASSETS - END OF YEAR					\$ 111,762,386	\$ 174,710,161	\$ 286,472,547	\$ 21,554	\$ 956,536

CITY OF RACINE
Governmental Funds

BALANCE SHEET
December 31, 2008

	General Fund	HUD	Tax Increment Districts	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 25,573,599	\$ 2,003,872	\$ -	\$ 1,442,892	\$ 22,685,094	\$ 51,705,457
Receivables						
Property taxes	34,604,867	-	3,807,461	8,419,636	5,992,602	52,824,566
Special assessments and special charges - tax roll	-	-	-	-	362,120	362,120
Special assessments	-	-	-	-	1,331,600	1,331,600
Delinquent personal property taxes	83,636	-	-	-	-	83,636
Loans and notes	107,894	8,287,237	-	-	-	8,395,131
Interest	457,222	-	-	-	-	457,222
Accounts	<u>1,046,456</u>	<u>25</u>	<u>-</u>	<u>-</u>	<u>313,474</u>	<u>1,359,955</u>
Total Receivables - Net	36,300,075	8,287,262	3,807,461	8,419,636	7,999,796	64,814,230
Due from other funds	10,469,912	-	-	7,408	846,055	11,323,375
Due from other governments	-	710,062	-	-	1,690,670	2,400,732
Inventories	208,457	-	-	-	-	208,457
Prepaid Items	28,114	14,500	-	-	-	42,614
Assets held for resale	-	-	-	-	385,000	385,000
Advances to component unit	-	109,000	-	-	785,313	894,313
Advances to other funds	<u>4,130,333</u>	<u>-</u>	<u>-</u>	<u>1,661,329</u>	<u>3,324,959</u>	<u>9,116,621</u>
TOTAL ASSETS	<u>\$ 76,710,490</u>	<u>\$ 11,124,696</u>	<u>\$ 3,807,461</u>	<u>\$ 11,531,265</u>	<u>\$ 37,716,887</u>	<u>\$ 140,890,799</u>

CITY OF RACINE

Governmental Funds

BALANCE SHEET

December 31, 2008

	General Fund	HUD	Tax Increment Districts	Debt Service	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 866,993	\$ 265,402	\$ -	\$ -	\$ 2,503,470	\$ 3,635,865
Other accrued liabilities	1,035,097	325,082	-	-	381,609	1,741,788
Accrued compensation	1,952,655	-	-	-	-	1,952,655
Due to other funds	4,047,552	479,247	-	-	3,062,331	7,589,130
Due to other governments	209,919	62,813	-	-	-	272,732
Insurance claims payable	1,971,808	-	-	-	-	1,971,808
Advances from other funds	-	-	3,762,995	-	2,715,979	6,478,974
Deferred revenue	107,894	8,017,725	-	1,661,329	1,998,294	11,785,242
Deferred interest	109,734	256,722	-	-	-	366,456
Deferred property tax revenue	31,358,189	-	3,807,461	8,419,636	6,354,722	49,940,008
Total Liabilities	41,659,841	9,406,991	7,570,456	10,080,965	17,016,405	85,734,658
Fund Balances						
Reserved for:						
Subsequent year's expenditures	\$ 117,271	\$ -	\$ -	\$ -	\$ 74,900	\$ 192,171
Endowments	-	-	-	-	1,558,917	1,558,917
Inventories	208,457	-	-	-	-	208,457
Prepaid items	28,114	-	-	-	-	28,114
Encumbrances	507,260	-	-	-	3,012,447	3,519,707
Community Development	-	1,608,705	-	-	-	1,608,705
Capital projects	-	-	-	-	7,631,429	7,631,429
Noncurrent receivables	4,531,376	-	-	-	-	4,531,376
Advance to other funds	4,020,599	109,000	-	-	4,110,272	8,239,871
Debt service	-	-	-	1,450,300	-	1,450,300

CITY OF RACINE
Governmental Funds

BALANCE SHEET
December 31, 2008

	General Fund	HUD	Tax Increment Districts	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	23,437,572	-	-	-	-	23,437,572
Permanent Funds	-	-	-	-	1,769,848	1,769,848
Special revenue funds						
Designated for subsequent year's expenditures	-	-	-	-	336,469	336,469
Undesignated	-	-	(3,762,995)	-	5,758,251	1,995,256
Capital project funds						
Designated for subsequent year's expenditures	-	-	-	-	-	-
Undesignated	-	-	-	-	(3,552,051)	(3,552,051)
Total Fund Balances (Deficits)	<u>35,050,649</u>	<u>1,717,705</u>	<u>(3,762,995)</u>	<u>1,450,300</u>	<u>20,700,482</u>	<u>55,156,141</u>
TOTAL LIABILITIES						
AND FUND BALANCES	<u>\$ 76,710,490</u>	<u>\$ 11,124,696</u>	<u>\$ 3,807,461</u>	<u>\$ 11,531,265</u>	<u>\$ 37,716,887</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						174,235,238
Internal service fund net assets						10,398,138
Other long-term assets that are not available to pay for current period expenditures and therefore are deferred in funds						11,393,051
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the						<u>(139,420,182)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES						<u>\$ 111,762,386</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, 2008

	General Fund	HUD	Tax Increment Districts	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 30,230,840	\$ -	\$ 3,450,025	\$ 8,061,037	\$ 4,358,631	\$ 46,100,533
Special assessments	-	-	-	-	627,962	627,962
Intergovernmental	35,230,040	2,644,417	35,344	-	7,541,131	45,450,932
Licenses and permits	1,665,233	-	-	-	-	1,665,233
Fines and forfeitures	1,256,318	-	-	-	415,299	1,671,617
Investment income	2,108,711	18,396	164,601	-	75,633	2,367,341
Charges for services	5,570,747	29,280	-	-	3,716,813	9,316,840
Donations	-	-	-	-	404,953	404,953
Other	463,930	868,141	-	142,595	257,975	1,732,641
Total Revenues	<u>76,525,819</u>	<u>3,560,234</u>	<u>3,649,970</u>	<u>8,203,632</u>	<u>17,398,397</u>	<u>109,338,052</u>
EXPENDITURES						
Current						
General government	13,950,834	-	-	-	220	13,951,054
Community development	-	3,576,159	-	-	711,812	4,287,971
Health	1,898,192	-	-	-	1,051,707	2,949,899
Education and recreation	6,886,697	-	-	-	4,722,939	11,609,636
Public works	12,726,362	-	-	-	1,936,797	14,663,159
Public safety	43,053,247	-	-	-	1,226,744	44,279,991
Capital outlay	1,168,884	318,006	-	-	13,871,901	15,358,791
Debt Service						
Principal	-	-	-	6,166,653	-	6,166,653
Interest	-	-	222,454	4,611,036	596,260	5,429,750
Total Expenditures	<u>79,684,216</u>	<u>3,894,165</u>	<u>222,454</u>	<u>10,777,689</u>	<u>24,118,380</u>	<u>118,696,904</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(3,158,397)</u>	<u>(333,931)</u>	<u>3,427,516</u>	<u>(2,574,057)</u>	<u>(6,719,983)</u>	<u>(9,358,852)</u>

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2008

	General Fund	HUD	Tax Increment Districts	Debt Service	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)						
Long-term debt issued	\$ -	\$ -	\$ -	\$ -	\$ 7,816,400	7,816,400
Transfers in	3,082,371	-	-	2,681,674	1,769,872	7,533,917
Transfers (out)	(15,000)	(28,422)	(1,793,824)	-	(3,275,373)	(5,112,619)
Total Other Financing Sources (Uses)	<u>3,067,371</u>	<u>(28,422)</u>	<u>(1,793,824)</u>	<u>2,681,674</u>	<u>6,310,899</u>	<u>10,237,698</u>
Net Change in Fund Balances	(91,026)	(362,353)	1,633,692	107,617	(409,084)	878,846
FUND BALANCES (DEFICIT) -						
Beginning of Year	<u>35,141,675</u>	<u>2,080,058</u>	<u>(5,396,687)</u>	<u>1,342,683</u>	<u>21,109,566</u>	<u>54,277,295</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 35,050,649</u>	<u>\$ 1,717,705</u>	<u>\$ (3,762,995)</u>	<u>\$ 1,450,300</u>	<u>\$ 20,700,482</u>	<u>\$ 55,156,141</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, 2008

Net change in fund balances - total governmental funds	\$ 878,846
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$9,903,316) exceeded depreciation (\$9,032,789) in the current period, less loss on disposal (\$616,679)	253,848
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.	(18,765,164)
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.	(173,940)
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	(141,588)
Revenues in the governmental funds that are not reported as revenues in the statement of activities	(661,654)
Expenditures in the governmental funds that are not reported as expenses in the statement of activities	890,588
Internal service fund change in net assets	<u>378,756</u>
Change in net assets of governmental activities	<u>\$ (17,340,308)</u>

See accompanying notes to financial statements.

CITY OF RACINE

General Fund

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Year Ended December 31, 2008

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
REVENUES				
Taxes	\$ 30,188,153	\$ 30,188,153	\$ 30,230,840	\$ 42,687
Intergovernmental	34,694,215	34,803,803	35,230,040	426,237
Licenses and permits	1,730,485	1,730,485	1,665,233	(65,252)
Fines and forfeitures	1,496,000	1,496,000	1,256,318	(239,682)
Investment income	2,075,000	2,075,000	2,108,711	33,711
Charges for services	5,569,879	5,569,379	5,570,747	1,368
Other	335,300	335,800	463,930	128,130
Total Revenues	<u>76,089,032</u>	<u>76,198,620</u>	<u>76,525,819</u>	<u>327,199</u>
EXPENDITURES				
Current				
General government	14,358,160	14,219,812	13,950,834	268,978
Health	2,018,810	2,018,810	1,898,192	120,618
Education and recreation	6,952,653	6,971,886	6,886,697	85,189
Public works	12,307,867	12,457,331	12,726,362	(269,031)
Public safety	44,165,278	44,284,604	43,053,247	1,231,357
Capital Outlay	1,518,040	1,736,476	1,168,884	567,592
Total Expenditures	<u>81,320,808</u>	<u>81,688,919</u>	<u>79,684,216</u>	<u>2,004,703</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,231,776)</u>	<u>(5,490,299)</u>	<u>(3,158,397)</u>	<u>2,331,902</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,031,776	3,031,776	3,082,371	50,595
Transfers (out)	-	-	(15,000)	(15,000)
Total Other Financing Sources (Uses)	<u>3,031,776</u>	<u>3,031,776</u>	<u>3,067,371</u>	<u>35,595</u>
Net Change in Fund Balance	<u>\$ (2,200,000)</u>	<u>\$ (2,458,523)</u>	<u>(91,026)</u>	<u>\$ 2,367,497</u>
FUND BALANCE -				
Beginning of Year			<u>35,141,675</u>	
FUND BALANCE - END OF YEAR			<u>\$ 35,050,649</u>	

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2008

	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	\$ 3,501,792	\$ 10,988,786	\$ 200	\$ 2,367,991	\$ 16,858,769	\$ 9,182,954
Receivables						
Accounts	2,735,606	2,919,258	191,226	167,646	6,013,736	635,172
Taxes	217,607	2,234	1,103,409	3,707,437	5,030,687	80,000
Interest	-	13,137	-	-	13,137	-
Due from other governments	-	-	3,462,384	-	3,462,384	-
Due from other funds	3,054,232	4,006,535	-	-	7,060,767	16,835
Inventories	361,259	49,731	592,156	6,444	1,009,590	427,784
Prepaid items	12,105	-	-	2,048	14,153	-
Total Current Assets	<u>9,882,601</u>	<u>17,979,681</u>	<u>5,349,375</u>	<u>6,251,566</u>	<u>39,463,223</u>	<u>10,342,745</u>
Noncurrent Assets						
Restricted Assets						
Cash and investments	12,659,342	5,969,701	-	-	18,629,043	-
Accrued interest receivable	47,317	28,988	-	-	76,305	-
Plant capacity, current portion	-	2,423,775	-	-	2,423,775	-
Plant capacity, long term	-	37,636,850	-	-	37,636,850	-
Capital assets						
Land	3,042,397	99,950	539,434	2,602,180	6,283,961	1,558,627
Land and building improvements	129,086,535	101,091,263	7,214,715	79,918,700	317,311,213	-
Equipment, furniture and vehicles	31,518,436	47,179,143	11,330,426	1,953,269	91,981,274	2,815,130
Less: Accumulated depreciation	(33,089,034)	(49,977,320)	(9,591,352)	(38,265,162)	(130,922,868)	(2,191,713)
Construction in progress	1,908,841	969,588	597,260	908,133	4,383,822	-
Other assets						
Unamortized bond issue costs	644,282	58,676	-	-	702,958	-
Total Noncurrent Assets	<u>145,818,116</u>	<u>145,480,614</u>	<u>10,090,483</u>	<u>47,117,120</u>	<u>348,506,333</u>	<u>2,182,044</u>
TOTAL ASSETS	<u>\$ 155,700,717</u>	<u>\$ 163,460,295</u>	<u>\$ 15,439,858</u>	<u>\$ 53,368,686</u>	<u>\$ 387,969,556</u>	<u>\$ 12,524,789</u>

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2008

	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	\$ 404,625	\$ 257,376	\$ 577,325	\$ 585,525	\$ 1,824,851	\$ 298,174
Accrued compensation	-	-	120,798	32,218	153,016	-
Compensated absences	485	820	-	-	1,305	-
Accrued liabilities	231,248	177,904	49,125	32,455	490,732	1,595,867
Advances from other funds	30,230	27,038	-	161,346	218,614	-
Due to other funds	3,693,890	1,143,328	5,591,531	365,751	10,794,500	17,347
Deferred revenue	-	-	9,805	74,461	84,266	-
Deferred property tax revenue	-	-	1,103,409	3,707,437	4,810,846	80,000
Liabilities payable from restricted assets						
Accrued interest	743,751	353,728	-	-	1,097,479	-
Current portion of long term debt	4,127,194	4,540,259	-	-	8,667,453	-
Deferred capacity revenue, current portion	-	1,043,782	-	-	1,043,782	-
Total Current Liabilities	<u>9,231,423</u>	<u>7,544,235</u>	<u>7,451,993</u>	<u>4,959,193</u>	<u>29,186,844</u>	<u>1,991,388</u>
Noncurrent Liabilities						
Compensated absences	565,422	388,500	79,779	58,045	1,091,746	135,263
OPEB obligation	2,112,476	1,467,991	-	1,059,906	4,640,373	-
Revenue bonds and notes payable	62,004,052	70,071,677	-	-	132,075,729	-
Deferred plant capacity	-	43,845,670	-	-	43,845,670	-
Advances from other funds	846,748	757,313	-	814,972	2,419,033	-
Total Noncurrent Liabilities	<u>65,528,698</u>	<u>116,531,151</u>	<u>79,779</u>	<u>1,932,923</u>	<u>184,072,551</u>	<u>135,263</u>
TOTAL LIABILITIES	<u>74,760,121</u>	<u>124,075,386</u>	<u>7,531,772</u>	<u>6,892,116</u>	<u>213,259,395</u>	<u>2,126,651</u>
NET ASSETS						
Investment in capital assets, net of related debt	75,570,624	27,482,392	10,090,483	47,117,120	160,260,619	2,182,044
Restricted	3,544,565	5,644,962	-	-	9,189,527	-
Unrestricted (deficit)	1,825,407	6,257,555	(2,182,397)	(640,550)	5,260,015	8,216,094
TOTAL NET ASSETS	<u>\$ 80,940,596</u>	<u>\$ 39,384,909</u>	<u>\$ 7,908,086</u>	<u>\$ 46,476,570</u>	<u>\$ 174,710,161</u>	<u>\$ 10,398,138</u>

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS For the Year Ended December 31, 2008

	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	\$ 15,901,411	\$ 11,608,985	\$ 1,384,253	\$ 5,201,004	\$ 34,095,653	\$ 21,719,472
Other	531,355	572,133	61,568	278,242	1,443,298	818,453
Total Operating Revenues	16,432,766	12,181,118	1,445,821	5,479,246	35,538,951	22,537,925
OPERATING EXPENSES						
Public works	10,234,524	8,534,140	8,227,032	4,676,509	31,672,205	6,087,649
Education and recreation	-	-	-	872,399	872,399	-
General administration	-	-	-	-	-	15,814,581
Depreciation	3,995,876	4,455,762	1,200,708	1,818,923	11,471,269	299,439
Total Operating Expenses	14,230,400	12,989,902	9,427,740	7,367,831	44,015,873	22,201,669
Operating income (loss)	2,202,366	(808,784)	(7,981,919)	(1,888,585)	(8,476,922)	336,256
NONOPERATING REVENUES (EXPENSES)						
Investment income	431,236	345,852	-	128,713	905,801	-
Interest expense	(2,617,838)	(2,121,299)	-	(52,265)	(4,791,402)	-
Intergovernmental interest reimbursement	-	1,186,164	-	-	1,186,164	-
Plant capacity income	-	1,043,941	-	-	1,043,941	-
Gain (loss) on sale of fixed assets	-	1,460	-	(52,755)	(51,295)	-
Amortization of bond discount	(32,467)	(13,768)	-	-	(46,235)	-
Subsidies from other governmental units	-	-	5,214,635	-	5,214,635	-
Tax Levy	-	-	1,097,445	283,000	1,380,445	27,500
Other	-	115,891	-	-	115,891	-
Total Nonoperating Revenues (Expenses)	(2,219,069)	558,241	6,312,080	306,693	4,957,945	27,500

CITY OF RACINE

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS For the Year Ended December 31, 2008

	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	(16,703)	(250,543)	(1,669,839)	(1,581,892)	(3,518,977)	363,756
CAPITAL CONTRIBUTIONS	1,081,111	-	541,388	-	1,622,499	-
TRANSFERS IN	25,876	-	135,347	510,726	671,949	15,000
TRANSFERS (OUT)	<u>(2,200,220)</u>	<u>(908,027)</u>	<u>-</u>	<u>-</u>	<u>(3,108,247)</u>	<u>-</u>
Change in Net Assets	(1,109,936)	(1,158,570)	(993,104)	(1,071,166)	(4,332,776)	378,756
TOTAL NET ASSETS - Beginning 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>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 80,940,596</u>	<u>\$ 39,384,909</u>	<u>\$ 7,908,086</u>	<u>\$ 46,476,570</u>	<u>\$ 174,710,161</u>	<u>\$ 10,398,138</u>

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2008

	Business Type Activities- Enterprise Funds				Governmental Activities- Internal Service Fund
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 16,807,791	\$ 12,753,069	\$ 1,439,139	\$ 5,577,636	\$ 36,577,635
Payments to suppliers	(5,604,753)	(3,215,214)	(5,587,690)	(2,465,968)	(16,873,625)
Payments to employees	(3,998,045)	(4,451,889)	(2,661,401)	(2,264,114)	(13,375,449)
Net Cash Provided (Used) by Operating Activities	7,204,993	5,085,966	(6,809,952)	847,554	6,328,561
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES					
Transfer from (to) other funds	(2,174,344)	(908,027)	-	-	(3,082,371)
Advances retired	(27,883)	(24,937)	-	-	(52,820)
Principal paid on non-capital debt	-	(219,947)	-	-	(219,947)
Interest paid on non-capital debt	-	(15,914)	-	-	(15,914)
Interest on advances	(47,484)	(42,468)	-	-	(89,952)
Miscellaneous receipts	-	9,034	-	-	9,034
Operating grants received	-	106,857	2,670,359	-	2,777,216
Operating subsidies received (repayment)	-	-	4,196,560	283,000	4,479,560
Net Cash Provided (Used) by Noncapital Financing Activities	(2,249,711)	(1,095,402)	6,866,919	283,000	3,804,806
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Debt issued	333,333	3,358,654	-	-	3,691,987
Debt retired	(3,865,197)	(4,266,932)	-	-	(8,132,129)
Advances retired	-	-	-	(152,906)	(152,906)
Interest paid on long-term debt	(2,607,859)	(2,069,982)	-	-	(4,677,841)
Interest paid on advances	-	-	-	(52,265)	(52,265)
Transfer from other funds for capital purposes	-	-	-	510,726	510,726
Acquisition and construction of capital assets REC and other fees received	(5,479,674)	(1,642,810)	(562,448)	(2,107,828)	(9,792,760)
Intergovernmental interest reimbursement	595,927	-	-	-	595,927
Proceeds for plant capacity	-	1,186,164	-	-	1,186,164
Capital subsidies received	-	2,310,184	-	-	2,310,184
Proceeds from sale of capital assets	343,999	-	505,481	-	849,480
Net Cash Provided (Used) by Capital and Related Financing Activities	64,859	1,460	-	-	66,319
	(10,614,612)	(1,123,262)	(56,967)	(1,802,273)	(13,597,114)
					(140,659)

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2008

	Business Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals	Internal Service Fund
CASH FLOW FROM INVESTING ACTIVITIES						
Purchase of investments	\$ (30,739,689)	\$ (32,794,215)	\$ -	\$ -	\$ (63,533,904)	\$ -
Proceeds on redemption of investments	36,072,463	29,973,897	-	-	66,046,360	-
Investment income received	546,707	420,546	-	128,713	1,095,966	-
Net Cash Provided (Used) by Investing Activities	5,879,481	(2,399,772)	-	128,713	3,608,422	-
Net Increase (Decrease) in Cash and Cash Equivalents	220,151	467,530	-	(543,006)	144,675	(169,854)
CASH AND CASH EQUIVALENTS						
Beginning of Year	6,011,451	2,580,769	200	2,910,997	11,503,417	9,352,808
End of Year	\$ 6,231,602	\$ 3,048,299	\$ 200	\$ 2,367,991	\$ 11,648,092	\$ 9,182,954
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ 2,202,366	\$ (808,784)	\$ (7,981,919)	\$ (1,888,585)	\$ (8,476,922)	\$ 336,256
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Other postemployment benefits	1,020,579	709,215	-	597,945	2,327,739	-
Depreciation	4,113,770	4,455,762	1,200,708	1,818,923	11,589,163	299,439
(Increase) decrease in accounts receivable	217,902	51,101	(6,682)	30,601	292,922	(307,067)
(Increase) decrease in prepaid items	(5,083)	(7,001)	10,905	14,145	12,966	-
(Increase) decrease in inventories	(107,810)	(1,393)	4,027	889	(104,287)	(71,851)
(Increase) decrease in due from other funds	157,123	520,850	-	(221,489)	456,484	4,830
Increase (decrease) in accounts payable	(461,435)	(183,182)	(60,413)	55,333	(649,697)	(367,165)
Increase (decrease) in accrued liabilities	(43,030)	13,495	23,422	103,081	96,968	59,487
Increase (decrease) in deferred revenue	-	-	-	195,489	195,489	-
Increase (decrease) in due to other funds	110,611	335,903	-	141,222	587,736	(10,624)
Net Cash Provided (Used) by Operating Activities	\$ 7,204,993	\$ 5,085,966	\$ (6,809,952)	\$ 847,554	\$ 6,328,561	\$ (56,695)

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2008

	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	\$ 3,501,792	\$ 10,988,786	\$ 200	\$ 2,367,991	\$ 16,858,769	\$ 9,182,954
Restricted	<u>12,659,342</u>	<u>5,969,701</u>	<u>-</u>	<u>-</u>	<u>18,629,043</u>	<u>-</u>
Total Cash and Investments	16,161,134	16,958,487	200	2,367,991	35,487,812	9,182,954
Less investments not meeting the definition of cash and cash equivalents	<u>(9,929,532)</u>	<u>(13,910,188)</u>	<u>-</u>	<u>-</u>	<u>(23,839,720)</u>	<u>-</u>
TOTAL CASH AND CASH EQUIVALENTS END OF YEAR	<u>\$ 6,231,602</u>	<u>\$ 3,048,299</u>	<u>\$ 200</u>	<u>\$ 2,367,991</u>	<u>\$ 11,648,092</u>	<u>\$ 9,182,954</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Estimated cost of fixed assets installed or financed by developers, customers or the City	<u>\$ 141,185</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 141,185</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF RACINE

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2008

	Agency Funds		
	Police Evidence	Tax Collecting	Total
ASSETS			
Cash and investments	\$ 308,563	\$ 29,728,281	\$ 30,036,844
Receivables			
Accounts	-	64,557	64,557
Property taxes	-	16,130,677	16,130,677
TOTAL ASSETS	<u>308,563</u>	<u>45,923,515</u>	<u>46,232,078</u>
LIABILITIES			
Accounts payable	-	135,883	135,883
Due to component unit	-	214,087	214,087
Due to other governments	<u>308,563</u>	<u>45,573,545</u>	<u>45,882,108</u>
Total Liabilities	<u>308,563</u>	<u>45,923,515</u>	<u>46,232,078</u>
NET ASSETS	\$ -	\$ -	\$ -

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, 2008

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 government's 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, 2008

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, 2008. 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, 2008 have been presented as a discrete column in the City's financial statements.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment 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, 2008

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.

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, 2008

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
 - 2005 Capital Projects
 - 2006 Capital Projects
 - 2007 Capital Projects
 - 2008 Capital Projects
 - Assessment Projects
 - Intergovernmental Revenue Sharing

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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, 2008

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, 2008

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 *non-operating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the 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 non-operating 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, 2008

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, 2008

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, 2008, 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, 2008

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

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

2. Receivables (cont.)

Property tax calendar – 2008 tax roll:

Lien date and levy date	November 2008
Tax bills mailed	December 2008
Payment in full, or	
First installment due	January 31, 2009
Second installment due	March 31, 2009
Third installment due	May 31, 2009
Fourth installment due	July 31, 2009
Personal property taxes in full	January 31, 2009
Final settlement with County	August 15, 2009
Tax deed by County – 2008	
Delinquent real estate taxes	October 2011

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, 2008

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, 2008 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, 2008

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.

7. Assets Held for Resale

Periodically, the City purchases land and buildings for redevelopment and resale. In both the fund financial statements and the government wide statements these items are reported at the lower of cost or estimated market value of the property.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

8. 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, 2008 are determined on the basis of current salary rates and include salary related payments.

9. 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 \$42,588,200 made up of nine issues.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

10. 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.

11. 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 debt 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.

The "Total" column in the net assets section includes an adjustment of \$8.9 million for fixed assets owned by the business type activities, but financed by the governmental activities. The adjustment is included as a reduction of the "investment in capital assets, net of related debt" amount reported in the "Total" column, and an increase in the "unrestricted" net assets, also reported in the "Total" column.

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.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

11. Equity Classifications (cont.)

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 2008 budget appropriations, restricted under contractual agreements, to be utilized for specific purposes in the 2009 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 2009 budget as authorized by City resolution.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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

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

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

Deferred revenue-loans	\$ 8,017,725
Deferred revenue-donations	51,213
Deferred revenue-debt service	1,661,329
Deferred revenue-special assessments	<u>1,662,784</u>
Combined Adjustment for Long-Term Assets	<u>\$ 11,393,051</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	\$ (104,140,842)
OPEB obligation	(32,218,256)
Compensated absences	(3,438,488)
Arbitrage rebate liability	(50,000)
Capital leases payable	(230,389)
Unamortized debt issue costs	854,108
Accrued interest	<u>(196,315)</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ (139,420,182)</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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 and capital leases	\$ 7,816,400
OPEB obligation incurred	17,115,417
Principal repayments	
General obligation debt and capital leases	<u>(6,166,653)</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>\$ 18,765,164</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	\$ 18,850
Premium received	(91,856)
Discount received	76,800
Amortization of issuance costs	(72,836)
Amortization of premium	68,062
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>\$ (173,940)</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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	\$ (140,031)
Accrued interest	<u>(1,557)</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>\$ (141,588)</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	\$ (511,754)
Principal paid on debt service loans	(52,820)
Donations made	(98,787)
Proceeds from sale of fixed assets	(145,279)
Special assessments collections	<u>146,986</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>\$ (661,654)</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 \$890,588 represents the net amount of economic development loans made and written off during the year.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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	2008 Capital Projects
Federal Asset Forfeiture	
Public Safety Grants	
Library	
HAZMAT	
Bulky Waste Site	
Recycling	
Sanitary Sewer Maintenance	
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 \$5,254,238. 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 \$2,931,269.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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, 2008:

<u>Fund</u>	<u>Department</u>	<u>Appropriation Unit</u>	<u>Amount</u>
General Fund	Assessors	Operating Expenditures	\$ 9,597
	City Development	Salaries and Fringes	43,959
	City Development	Interdepartmental	446
	Finance	Salaries and Fringes	9,115
	Finance	Interdepartmental	296
	Fire	Interdepartmental	12,610
	City Administration	Operating Expenditures	2,873
	City Administration	Interdepartmental	215
	Park and Recreation	Salaries and Fringes	7,478
	Park and Recreation	Capital Outlay	39,282
	Police	Operating Expenditures	96,049
	Human Resources	Interdepartmental	56
	Miscellaneous Unclassified	Salaries and Fringes	11,398
	Miscellaneous Unclassified	Operating Expenditures	202,375
	Insurance	Operating Expenditures	447,273
	Public Works	Salaries and Fringes	74,538
	Public Works	Operating Expenditures	12,132
	Public Works	Interdepartmental	182,361
	2008 Capital Projects	Debt Service	116,020
	Sanitary Sewer Maintenance	Operating Expenditures	161,304
Bulky Waste Site		Salaries and Fringes	8,644
Federal Asset Forfeiture		Capital Outlay	33,244
Federal Asset Forfeiture		Operating Expenditures	54
Cemetery		Operating Expenditures	50,101
Public Safety Grants		Salaries and Fringes	3,388

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

C. DEFICIT BALANCES

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

Special Revenue Funds

Recycling Program – The fund deficit of \$331,265 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.

Harbor Commission – The fund deficit of \$14,930 is the result of capital expenditures in excess of grant revenues received. This deficit is expected to be offset by general revenues in 2009.

Municipal Court – The fund deficit of \$165 is the result of operational expenditures in excess of revenues received. This deficit is expected to be offset by general revenues in 2009.

Tax Incremental Districts – The accumulated fund deficits of \$3,762,995 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

Assessment Projects – The fund deficit of \$67,534 is the result of expenditures for assessment projects in excess of special assessments collected. Revenues will be received from citizens in subsequent years to eliminate this deficit.

D. LIMITATIONS ON THE CITY'S TAX LEVY

As part of Wisconsin's Act 25 (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.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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	\$ 11,050,367	\$ 5,234,887	Custodial credit
Savings deposits	12,459,375	12,459,375	Custodial credit
Certificates of deposit	3,513,899	3,513,899	Custodial credit
Petty cash	9,520	-	NA
Total cash	<u>\$ 27,033,161</u>	<u>\$ 21,208,161</u>	
Wisconsin Local Government			
Investment Pool	\$ 7,427,171		Credit, Interest Rate
Money market funds	5,437,349		Credit
Mutual funds-equities	1,430,280		Credit
Mutual funds-fixed income	7,326,670		Credit, Interest Rate
U.S. Government agency securities-Explicit	23,839,721		Custodial credit, Interest Rate
U.S. Government agency securities-Implicit	44,570,137		Credit, Custodial credit, Interest Rate, Concentration of credit
Repurchase Agreements	9,348,579		Credit, Custodial credit, Interest Rate, Concentration of credit
Total investments	<u>99,379,907</u>		
Total cash and investments	<u>\$ 126,413,068</u>		
Reconciliation to financial statements			
Per statement of net assets-Primary Government			
Cash and investments	\$ 77,747,181		
Restricted cash and investments	18,629,043		
Per statement of net assets-fiduciary funds	<u>30,036,844</u>		
	<u>\$ 126,413,068</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and an unlimited amount for noninterest bearing accounts.

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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

A. DEPOSITS AND INVESTMENTS (cont.)

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. This coverage expired on February 15, 2009.

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, 2008 the City's carrying value of deposits was \$27,033,161, as compared to bank balances of \$21,208,161. Of the bank balances \$20,569,303 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. \$638,858 was uninsured as of December 31, 2008.

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, 2008 the City's carrying value of U.S. Government Agency Securities subject to custodial credit risk \$68,409,858. Of this investment balance, all amounts were covered by securities held by an agency in the City's name.

In addition, the City's \$9,348,579 investment in a repurchase agreement as December 31, 2008 represents securities sold to the City on December 31, 2008 and repurchased by the bank on January 2, 2009.

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 - implicit as of December 31, 2008 were rated AAA by both Standard & Poor's and Moody's Investor's Service. As of December 31, 2008, the balance in these types of investments was \$44,570,137.

The City is exposed to credit risk with investments as part of their repurchase agreements. The fair market value of the repurchase agreement investments subject to credit risk as of December 31, 2008 is \$9,348,579. 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, 2008

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, 2008, 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 Farm Credit	U.S. government agency notes	6.81%
Federal Home Loan Bank	U.S. government agency notes	7.37%
Federal National Mortgage Association	U.S. government agency notes and mortgage backed securities	37.53%
Federal Home Loan Mortgage Corporation	U.S. government agency notes and mortgage backed securities	20.50%

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, 2008 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	\$ 23,839,719	180	
U.S. Government Agency-implicitly guaranteed	622,023	192	
U.S. Government Agency-implicitly guaranteed	40,631,393		6.265
U.S. Government Agency-implicitly guaranteed	3,316,718	192	
Local Government Investment pool	7,427,171	80	
Mutual Funds-fixed income	4,832,132	53	
Mutual Funds-fixed income	2,494,538		4.66
Repurchase Agreements	9,348,579	Overnight	

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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	\$ 347,521	\$ 35,150	\$ 19,754	\$ 42,273	\$ 11,356	\$ 456,054
Rescue runs	1,110,406	-	-	-	-	1,110,406
Special Assessments	95,538	-	-	-	-	95,538
Delinquent personal property	86,586	-	-	-	-	86,586
Total Uncollectibles	<u>\$ 1,640,051</u>	<u>\$ 35,150</u>	<u>\$ 19,754</u>	<u>\$ 42,273</u>	<u>\$ 11,356</u>	<u>\$ 1,748,584</u>

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

	General Fund	Other HUD	Other Non Major	Total
Special assessments	\$ -	\$ -	\$ 1,331,600	\$ 1,331,600
Delinquent personal property taxes	83,636	-	-	83,636
Loans and notes	107,894	8,287,237	-	8,395,131
	<u>\$ 191,530</u>	<u>\$ 8,287,237</u>	<u>\$ 1,331,600</u>	<u>\$ 9,810,367</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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	\$ -	\$ 50,020,008	\$ 50,020,008
Loans receivable	8,017,725	107,894	8,125,619
Special assessments not yet due	1,662,784	(331,184)	1,331,600
Interest on loans and advances	-	366,456	366,456
Due from enterprise for debt service	1,661,329	-	1,661,329
Donations receivable	51,213	-	51,213
Grant drawdowns prior to meeting all eligibility requirements	-	615,481	615,481
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 11,393,051</u>	<u>\$ 50,778,655</u>	<u>\$ 62,171,706</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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, 2008:

	Water Utility	Wastewater Utility	Total
Bond redemption account	\$ 2,604,438	\$ 3,018,948	\$ 5,623,386
Bond reserve account	4,685,882	-	4,685,882
Bond depreciation account	798,913	-	798,913
Impact Fund	857,778	-	857,778
Improvement Fund	3,759,648	-	3,759,648
Equipment replacement account	-	2,979,741	2,979,741
Plant capacity receivable	-	40,060,625	40,060,625
Total Restricted Assets	12,706,659	46,059,314	58,765,973
Reconciliation to restricted net assets			
Plant capacity receivable reported as deferred revenue	-	(40,060,625)	(40,060,625)
Accrued interest payable	(743,751)	(353,727)	(1,097,478)
Unexpended bond proceeds and interest	(3,759,648)	-	(3,759,648)
Bond reserve fund financed by bond proceeds	(4,658,695)	-	(4,658,695)
Restricted Net Assets	\$ 3,544,565	\$ 5,644,962	\$ 9,189,527

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 23,326,295	\$ -	\$ -	\$ 23,326,295
Construction in progress	15,005,769	10,668,690	14,003,662	11,670,797
Total Capital Assets Not Being Depreciated	38,332,064	10,668,690	14,003,662	34,997,092
Capital assets being depreciated				
Land improvements	8,264,282	396,732	-	8,661,014
Buildings	31,451,974	1,767,837	134,636	33,085,175
Machinery and equipment	29,380,184	1,517,429	810,365	30,087,248
Roads, streets, and bridges	127,541,655	6,924,665	2,615,116	131,851,204
Sidewalks	46,989,657	1,141,125	70,345	48,060,437
Sewer lines	30,889,915	1,518,737	32,133	32,376,519
Shoreline walls	16,740,006	-	-	16,740,006
Other	4,531,141	127,424	-	4,658,565
Total Capital Assets Being Depreciated	295,788,814	13,393,949	3,662,595	305,520,168
Less: accumulated depreciation for				
Land improvements	4,505,265	405,372		4,910,637
Buildings	13,828,183	766,111	132,660	14,461,634
Machinery and equipment	22,231,151	1,787,025	780,461	23,237,715
Roads, streets, and bridges	62,078,820	3,727,312	1,885,038	63,921,094
Sidewalks	34,464,844	1,389,481	70,345	35,783,980
Sewer lines	15,203,398	707,046	32,133	15,878,311
Shoreline walls	4,190,209	424,515		4,614,724
Other	1,166,517	125,368	-	1,291,885
Total Accumulated Depreciation	157,668,387	9,332,230	2,900,637	164,099,980
Total Capital Assets being Depreciated, Net	138,120,427	4,061,719	761,958	141,420,188
Governmental Activities Capital Assets, Net	\$ 176,452,491	\$ 14,730,409	\$ 14,765,620	\$ 176,417,280

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 366,123
Education and recreation	1,090,706
Public works, which includes infrastructure	7,279,554
Public safety	<u>595,847</u>
Total Governmental Activities Depreciation Expense	<u>\$ 9,332,230</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 6,283,961	\$ -	\$ -	\$ 6,283,961
Construction in progress	4,501,464	13,930,127	14,047,769	4,383,822
Total Capital Assets Not Being Depreciated	10,785,425	13,930,127	14,047,769	10,667,783
Capital assets being depreciated				
Land improvements	8,611,589	-	-	8,611,589
Improvements other than buildings	162,051,193	4,958,817	120,643	166,889,367
Buildings	138,137,538	4,087,504	414,785	141,810,257
Machinery and equipment	92,897,622	1,120,850	2,037,198	91,981,274
Total Capital Assets Being Depreciated	401,697,942	10,167,171	2,572,626	409,292,487
Less: accumulated depreciation for				
Land improvements	3,300,411	309,588	-	3,609,999
Improvements other than buildings	49,249,222	2,653,509	103,279	51,799,452
Buildings	34,841,791	3,451,647	360,730	37,932,708
Machinery and equipment	34,395,994	5,174,418	1,989,703	37,580,709
Total Accumulated Depreciation	121,787,418	11,589,162	2,453,712	130,922,868
Total Capital Assets Depreciated, Net	279,910,524	(1,421,991)	118,914	278,369,619
Business-Type Activities Capital Assets, Net	\$ 290,695,949	\$ 12,508,136	\$ 14,166,683	\$ 289,037,402

Depreciation expense was charged to functions as follows:

Business-Type Activities

Water	\$ 4,113,770
Wastewater	4,455,761
Belle Urban Transit	1,200,708
Other	1,818,923
Total Business-Type Activities Depreciation Expense	\$ 11,589,162

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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	\$ 5,591,531
General Fund	Enterprise Fund-Civic Center	363,460
General Fund	Special Revenue-Public Safety Grants	184,921
General Fund	Special Revenue-Recycling	288,900
General Fund	Special Revenue-Harbor Commission	100,721
General Fund	Special Revenue-Other	2,770
General Fund	Special Revenue-Health	38,874
General Fund	Special Revenue-HUD	479,247
General Fund	Trust Accounts	3,315
General Fund	Wastewater Utility	1,410
General Fund	Water Utility	1,983,327
General Fund	Capital Projects-City Projects	1,431,436
Debt Service Fund	Water Utility	3,911
Debt Service Fund	Wastewater Utility	3,497
Wastewater Utility	Capital Projects-City Projects	1,011,394
Wastewater Utility	Water Utility	1,383,952
Wastewater Utility	General Fund	1,591,551
Wastewater Utility	Internal Service Fund-Building Maintenance	17,347
Water Utility	Wastewater Utility	598,231
Water Utility	General Fund	2,456,001
Wastewater Utility	Other Enterprise-Golf	2,291
Capital Projects-City Projects	Water Utility	297,634
Capital Projects-City Projects	Wastewater Utility	536,946
Internal Service Fund-Equipment Maint.	Water Utility	11,889
Internal Service Fund-Equipment Maint.	Wastewater Utility	2,476
Internal Service Fund-Telephone	Water Utility	1,702
Internal Service Fund-Telephone	Wastewater Utility	768
Special Revenue-Other	Water Utility	11,475
Subtotal-Fund Financial Statements		\$ 18,400,977
Less: Fund eliminations		(4,514,658)
Less: Government-wide eliminations		(10,152,586)
		<u>\$ 3,733,733</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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 several TID's to cover the shortfall in each TID. The fund is charging interest at the City's blended investment rate 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.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Due Within One Year
General Fund	Tax Increment District # 3	\$ 201,372	\$ -
General Fund	Tax Increment District # 6	2,326,075	-
General Fund	Tax Increment District # 8	1,235,548	-
General Fund	Tax Increment District # 13	153,654	-
General Fund	Tax Increment District # 14	71,234	-
General Fund	Golf Courses Enterprise Fund	142,450	101,101
Debt Service Fund	Wastewater Utility	784,351	27,038
Debt Service Fund	Water Utility	876,978	30,230
City Projects Fund	Storm Water Utility	833,868	60,245
Intergovernmental Revenue Sharing	Tax Increment District #12	1,248,951	-
Intergovernmental Revenue Sharing	Tax Increment District #15	341,073	-
Intergovernmental Revenue Sharing	Tax Increment District #10	612,933	-
Intergovernmental Revenue Sharing	Tax Increment District #11	7,762	-
Intergovernmental Revenue Sharing	Tax Increment District # 16	280,372	-
Subtotal-Fund financial statements		\$ 9,116,621	\$ 218,614
Less: fund eliminations		(6,478,974)	
Total advance to other funds-government wide statements		\$ 2,637,647	

Repayment schedules for advances with an established payment schedule follow:

	Golf Course	Storm Water Utility	Water Utility	Wastewater Utility
2009	\$ 107,401	\$ 97,770	\$ 76,552	\$ 68,466
2010	42,912	97,770	78,053	69,809
2011		97,770	79,256	70,885
2012	-	97,770	80,885	72,342
2013	-	97,770	82,338	73,641
2014-2025	-	586,617	913,766	817,253
Sub-total	150,313	1,075,467	1,310,850	1,172,396
Amount representing interest	(7,863)	(241,599)	(433,872)	(388,045)
	\$ 142,450	\$ 833,868	\$ 876,978	\$ 784,351

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, 2008

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	Water	\$ 2,200,220
General Fund	Wastewater	882,151
Debt Service Fund	Capital Projects - 2008	78,256
Debt Service Fund	Special Revenue-TIF	1,793,824
Debt Service Fund	Capital Projects-TIF	809,594
Capital Projects-Assessment Projects	Special Revenue-Special Assessment	1,484,367
Water	Wastewater	25,876
Enterprise-Transit	Capital Projects-2008	50,200
Enterprise-Transit	Capital Projects-2007	85,147
Enterprise-Storm	Intergovernmental Revenue Sharing	227,665
Enterprise-Parking	Capital Projects-2008	55
Enterprise-Parking	Capital Projects-2007	17,837
Enterprise-Civic Centre	Capital Projects-2008	186,994
Enterprise-Civic Centre	Capital Projects-2007	53,175
Enterprise-Civic Centre	Special Revenue-Other	25,000
Internal Service-Information Systems	General Fund	15,000
Special Revenue-Bulky Waste	Special Revenue-Recycling	39,870
Special Revenue-Cemetery	Permanent	14,585
Special Revenue-Cemetery	Special Revenue-Other Cemetery	102,848
Special Revenue-Library	Capital Projects-2008	71,720
Special Revenue-Library	Capital Projects - 2007	28,060
Special Revenue-Health	Special Revenue-HUD	28,422
Subtotal-fund financial statements		\$ 8,220,866
Less: Fund eliminations		(4,492,422)
Add: Government wide eliminations		(1,292,146)
		<u>\$ 2,436,298</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, 2008

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2008 was as follows:

GOVERNMENTAL ACTIVITIES

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General obligation					
bonds and notes payable	<u>\$ 102,250,000</u>	<u>\$ 7,680,000</u>	<u>\$ 6,060,000</u>	<u>\$ 103,870,000</u>	<u>\$ 6,700,000</u>
Add/(subtract)					
Deferred Amounts For:					
(Discounts)/Premiums	813,900	15,056	68,062	760,894	-
Refundings-Gains/(Loss)	<u>(663,012)</u>	<u>-</u>	<u>(172,960)</u>	<u>(490,052)</u>	<u>-</u>
Sub-total	<u>102,400,888</u>	<u>7,695,056</u>	<u>5,955,102</u>	<u>104,140,842</u>	<u>6,700,000</u>
Other Liabilities					
Vested compensated absences	3,421,351	707,844	555,444	3,573,751	405,249
Capital leases	200,642	136,400	106,653	230,389	83,679
Arbitrage rebate	<u>50,000</u>	<u>-</u>	<u>-</u>	<u>50,000</u>	<u>50,000</u>
Total Other Liabilities	<u>3,671,993</u>	<u>844,244</u>	<u>662,097</u>	<u>3,854,140</u>	<u>538,928</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 106,072,881</u>	<u>\$ 8,539,300</u>	<u>\$ 6,617,199</u>	<u>\$ 107,994,982</u>	<u>\$ 7,238,928</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

F. LONG-TERM OBLIGATIONS (cont.)

BUSINESS-TYPE ACTIVITIES

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds and notes payable					
Revenue bonds	\$ 144,579,899	\$ 3,691,987	\$ 8,352,076	\$ 139,919,810	\$ 8,549,319
Add/(subtract)					
Deferred Amounts For:					
(Discounts)/Premiums	1,291,501	-	72,884	1,218,617	72,885
Refundings-Gains/(Loss)	(436,968)	-	(41,723)	(395,245)	45,249
Sub-total	145,434,432	3,691,987	8,383,237	140,743,182	8,667,453
Other Liabilities					
Vested compensated absences	1,053,253	111,791	71,993	1,093,051	1,305
Total Other Liabilities	1,053,253	111,791	71,993	1,093,051	1,305
Total Governmental Activities					
Long-Term Liabilities	\$ 146,487,685	\$ 3,803,778	\$ 8,455,230	\$ 141,836,233	\$ 8,668,758

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, 2008, was \$205,226,300 Total general obligation debt outstanding at year end was \$103,870,000.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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 12/31/2008</u>
General Obligation Bonds					
2001	4/15/01	04/15/11	4.00-4.63	\$ 5,205,000	\$ 1,305,000
2003	11/1/03	11/01/23	2.00-5.70	16,895,000	14,940,000
2003	11/1/03	11/01/17	2.00-5.00	7,900,000	6,285,000
2003	7/15/03	07/15/18	2.00-4.90	8,650,000	6,380,000
2003	7/15/03	07/15/18	2.75-4.20	22,755,000	22,455,000
2004	11/5/04	11/05/19	2.00-5.25	6,880,000	5,430,000
2005	10/15/05	12/01/19	3.50-4.75	6,980,000	5,740,000
2006	10/5/06	12/01/20	4.00-4.50	7,130,000	6,595,000
2007	11/13/07	12/01/21	4.00-5.00	7,610,000	7,330,000
2008	12/09/08	12/01/22	3.00-5.00	7,680,000	7,680,000
				<u>97,685,000</u>	<u>84,140,000</u>
General Obligation Promissory Notes					
2002	11/1/02	11/01/11	2.00-4.00	9,000,000	3,765,000
				<u>9,000,000</u>	<u>3,765,000</u>
Tax Incremental General Obligation Debt					
2002 (Tif #9)	02/15/02	02/15/21	3.00-5.10	6,105,000	4,835,000
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	2,580,000
2007 (Tif #8)	11/13/07	06/01/12	4.00	3,155,000	2,580,000
				<u>18,400,000</u>	<u>15,965,000</u>
Total Governmental Activities - General Obligation Debt				<u>\$ 125,085,000</u>	<u>\$ 103,870,000</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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>
2009	\$ 6,700,000	\$ 4,608,874	\$ 11,308,874
2010	7,090,000	4,354,814	11,444,814
2011	7,680,000	4,067,214	11,747,214
2012	7,865,000	3,748,330	11,613,330
2013	7,295,000	3,420,500	10,715,500
2014 – 2017	36,955,000	10,224,566	47,179,566
2018 – 2022	27,155,000	4,020,238	31,175,238
2023 – 2025	3,130,000	206,900	3,336,900
Totals	<u>\$ 103,870,000</u>	<u>\$ 34,651,436</u>	<u>\$ 138,521,436</u>

Current Year Debt Transactions

In July 2008 the City issued \$7.68 million of Note Anticipation Notes with an interest rate of 2.5% to finance certain capital projects. The maturity date on these notes was December 15, 2008. In December, 2008, the City issued \$7.6 million of general obligation refunding bonds, with interest rates ranging from 3%-5%, to current refund Note Anticipation Notes.

Revenue Debt

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

The principal and interest paid during the year on the Water Utility Revenue Bonds was \$6,473,150. Total net revenues as defined by the bond covenants for the same period were 8,319,909. Annual principal and interest payments are expected to require 75% of net revenues.

The principal and interest paid during the year on the Wastewater Utility Revenue Bonds was \$6,651,470. Total net revenues as defined by the bond covenants for the same period were \$8,433,086. Annual principal and interest payments are expected to require 56% of net revenues.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Revenue debt payable at December 31, 2008 consists of the following:

<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 12/31/2008</u>
<u>Water Utility</u>					
Safe Drinking Water Loan	02/10/99	02/10/18	2.64	\$ 12,594,655	\$ 7,129,234
Mortgage Revenue Bonds	10/01/01	10/01/21	3.50-5.25	11,460,000	1,640,000
Mortgage Revenue Bonds	04/15/01	04/15/21	4.00-5.38	6,235,000	3,760,000
Safe Drinking Water Loan	12/22/04	05/01/24	2.37	16,666,035	14,608,640
Mortgage Revenue Bonds	11/01/04	09/01/24	2.50-5.00	22,140,000	19,645,000
Mortgage Revenue Bonds	04/02/07	09/01/24	4.00-4.75	18,980,000	18,525,000
Total Water Utility				<u>88,075,690</u>	<u>65,307,874</u>
<u>Wastewater Utility</u>					
State Cleanwater Fund Loans	04/27/94	04/27/13	3.19	2,701,745	873,670
State Cleanwater Fund Loans	03/26/97	03/26/16	3.00	1,158,993	567,937
State Cleanwater Fund Loans	05/27/99	05/27/18	2.64	854,147	482,403
State Cleanwater Fund Loans	11/01/99	11/01/19	2.64	797,249	493,570
State Cleanwater Fund Loans	09/27/00	09/27/20	2.97	805,113	538,143
State Cleanwater Fund Loans	04/10/02	04/10/21	2.75	4,073,012	3,024,445
State Cleanwater Fund Loans	07/24/02	07/24/21	2.76	17,943,748	14,296,818
State Cleanwater Fund Loans	11/27/02	11/27/22	2.87	60,724,848	50,976,296
Clean Water Fund Loans	01/23/08	05/01/27	2.48	3,481,931	3,358,654
Total Wastewater Utility				<u>92,540,786</u>	<u>74,611,936</u>
Total Business-Type Revenue Debt				<u>\$ 180,616,476</u>	<u>\$ 139,919,810</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Business-Type Activities General Obligation Debt		
	Principal	Interest	Total
2009	\$ 8,549,319	\$ 4,538,698	\$ 13,088,017
2010	8,483,822	4,272,956	12,756,778
2011	8,732,907	4,003,995	12,736,902
2012	9,016,703	3,723,979	12,740,682
2013	9,295,340	3,432,978	12,728,318
2014-2018	48,064,003	12,599,693	60,663,696
2019-2023	41,703,881	4,683,366	46,387,247
2024-2026	6,073,835	370,476	6,444,311
	<u>\$ 139,919,810</u>	<u>\$ 37,626,141</u>	<u>\$ 177,545,951</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, 2008, 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, 2008

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, 2008, \$3,165,000 of bonds outstanding is considered defeased. The bonds are callable from October 1, 2007 to December 1, 2018.

In prior years, the Water Utility defeased certain revenue 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 bonds are not included in the City's financial statements. At December 31, 2008, \$7,480,000 of bonds outstanding is considered defeased. The bonds are callable September 1, 2011.

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 2008 was \$41,723 for the Business type activities and \$172,960 for the Governmental activities.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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 \$41,548 in 2008.

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

2009	\$ 35,000
2010	35,000
2011	35,000
2012	35,000
2013	35,000
Thereafter	<u>1,330,000</u>
	<u>\$ 1,505,000</u>

During 2004, the City entered into a capital lease for the purchase of computer equipment. The lease expired on September 9, 2008. At December 31, 2008 the computer equipment has a cost of \$325,511 and accumulated depreciation of \$325,511. 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, 2008 the defibulator equipment has a cost of \$115,106 and accumulated depreciation of \$34,532. During 2008, the City entered into a capital lease for the purchase of public works equipment. The lease expires on January 5, 2012 and bears 0% interest. At December 31, 2008 the equipment had a cost of \$167,850 and accumulated depreciation of \$8,393.

Future minimum payments for the remaining years under the leases:

	Equipment	Defibulator	
	<u>Lease</u>	<u>Lease</u>	<u>Total</u>
2009	\$ 61,650	\$ 25,675	\$ 87,325
2010	37,374	25,675	63,049
2011	37,374	25,675	63,049
2012	<u>2</u>	<u>25,675</u>	<u>25,677</u>
	136,400	102,700	239,100
Less: Amount representing interest	<u>-</u>	<u>(8,711)</u>	<u>(8,711)</u>
	<u>\$ 136,400</u>	<u>\$ 93,989</u>	<u>\$ 230,389</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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, 2008 includes the following:

Governmental Activities

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 176,417,280
Less: related long-term debt outstanding	(80,608,542)
Plus: funds borrowed but not spent	<u>4,060,166</u>
Total Invested in Capital Assets, Net of Related Debt	<u>99,868,904</u>
Restricted for	
Debt service	1,253,985
Permanent Funds	
Nonexpendable	1,411,369
Expendable	1,816,617
HUD loan program	<u>9,735,430</u>
Total Restricted	<u>14,217,401</u>
Unrestricted	<u>(2,323,919)</u>
Total Governmental Activities Net Assets	<u>\$ 111,762,386</u>

Business-Type Activities

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 289,037,402
Less: related long-term debt outstanding	<u>(128,776,783)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>160,260,619</u>
Restricted for	
Debt service	4,553,095
Depreciation fund	798,913
DNR equipment replacement fund	2,979,741
Impact fund	<u>857,778</u>
Total Restricted	<u>9,189,527</u>
Unrestricted	<u>5,260,015</u>
Total Business-Type Activities Net Assets	<u>\$ 174,710,161</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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, 2008, the Redevelopment Authority has advances from the City's in the amount of \$894,313. There has been no amortization schedule established.

c. Cash and Investments

At December 31, 2008, the carrying value and bank balance of the Redevelopment Authority's deposits are \$22,647. Of that balance \$0 was covered by federal depository insurance.

d. Assets Held for Resale

The Authority obtains land and buildings to redevelop and resale. All assets are recorded at estimated fair market value. Donated assets are recorded at fair market value at the date of donation. The Authority's assets are being held for resale and are therefore not depreciable.

At December 31, 2008 the Authority had assets held for resale of \$1,387,375.

e. Long-term Liabilities

At December 31, 2008, the Redevelopment Authority has an advance payable to the City's in the amount of \$894,313. There has been no amortization schedule established.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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, 2008, the BID has a receivable of \$214,087 from the City's tax collection fund for the entire subsequent year's annual assessment.

c. Cash and Investments

At December 31, 2008, the carrying value and bank balance of the BID's deposits are \$19,505. Of that balance \$19,505 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, 2008 the District had capital assets with a cost of \$16,998 and accumulated depreciation of \$9,770. The District's net book value of capital assets was \$7,228.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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, 2008 was \$50,805,330; the employer's total payroll was \$53,069,437. The total required contribution for the year ended December 31, 2008 was \$6,115,607 or 11.52 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, 2007 and 2006 were \$5,912,860 and \$5,696,960 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, 2008

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. Professional Transit Management of Racine, Inc has designated employer trustees to establish and amend any plan benefits.

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 \$556,954, \$500,351, and \$474,872 for the years ended December 31, 2008, 2007, and 2006 respectively. The following table shows the rate charged per week for each contract year:

Contract Period	Rate per week
July 1, 2008 – June 30, 2009	134
July 1, 2007 – June 30, 2008	124
July 1, 2006 – June 30, 2007	124

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.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

NOTE V – OTHER INFORMATION (cont.)

B. RACINE TRANSIT SYSTEM PENSION PLAN (CONT.)

FUNDED PERCENTAGE

The funded percentage of a plan is a measure of how well that plan is funded. This percentage is obtained by dividing the Plan's assets by its liabilities on the valuation date for the plan year. In general, the higher the percentage, the better funded the plan. The Plan's funded percentage for the Plan Year and 2 preceding plan years is set forth in the chart below, along with a statement of the value of the Plan's assets and liabilities for the same period.

	2008	2007	2006
Valuation Date	January 1, 2008	January 1, 2007	January 1, 2006
Funded Percentage	73.2%	51.2%	54.5%
Value of Assets	\$26,087,688,162	\$18,734,242,362	\$18,183,836,000
Value of Liabilities	\$35,640,638,097	\$36,561,245,202	\$33,344,298,000

FAIR MARKET VALUE OF ASSETS

Asset values in the chart above are actuarial values, not market values. Market values tend to show a clearer picture of a plan's funded status as of a given point in time. However, because market values can fluctuate daily based on factors in the marketplace, such as changes in the stock market, pension law allows plans to use actuarial values for funding purposes. While actuarial values fluctuate less than market values, they are estimates. As of December 31, 2008, the fair market value of the Plan's assets was \$17,358,652,498. As of December 31, 2007, the fair market value of the Plan's assets was \$26,805,846,809. As of December 31, 2006, the fair market value of the Plan's assets was \$20,672,748,255.

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, 2008

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, 2008. 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 City has purchased commercial insurance for claims in excess of \$200,000 per member incurred in the calendar year. 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	\$ 1,150,000	\$ 1,475,000
Current year claims and changes in estimates	13,977,187	12,111,410
Claim payments	<u>13,652,187</u>	<u>12,147,442</u>
Unpaid Claims – End of Year	<u>\$ 1,475,000</u>	<u>\$ 1,438,968</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 \$51,935 and \$47,367 respectively.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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 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.

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, 2008. A total liability of approximately \$1,971,808 at December 31, 2008 was recorded as claims payable in the governmental activities column of government-wide statement of net assets. Changes in the fund's claims loss liability follow:

	Beginning Balance	Incurred Claims	Claims Paid/ Settled	Ending Balance
2007	\$ 1,791,939	\$ 356,344	\$ 691,297	\$ 1,456,986
2008	1,456,986	1,283,462	768,640	1,971,808

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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 2008 TMI issued a Motor Vehicle Insurance Policy to its members with the following available coverages:

Liability	\$250,000 per person, \$7,000,000 per accident, 0 deductible
Uninsured Motorists	\$ 25,000 per person, \$50,000 per accident, 0 deductible
Physical damage	Collision and Comprehensive – "Agreed value, or Cost of Repairs, whichever is less, minus \$ 500 flat deductible per accident for all private passenger & service units, \$1000 flat deductible per accident for all bus units

TMI retains \$2,000,000 per occurrence (accident) of the liability limits and cedes \$5,000,000 to General Reinsurance Corporation. TMI retains \$500,000 per occurrence (accident) of the physical damage limits and cedes the balance up to \$9,500,000 to General Reinsurance Corp.

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 8.01% for general liability and 10.99% for physical damage liability. A list of the other members is available in the TMI report.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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 \$5,197,095.

During the year, the Water Utility entered into contract agreements with various companies to perform professional services and construction activities. At December 31, 2008, contracts with these entities totaled \$20,503,090 of which \$20,322,642 was paid and \$180,448 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, 2008, contracts with these entities totaled \$1,633,778 of which \$708,488 was paid and \$925,290 is committed for future services to be performed.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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, 2008, the City had 778 retirees who received full health care coverage. 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, 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. 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 2008, the City contributed \$6,436,929 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 2008, total retiree member contributions were \$185,295.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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	\$ 22,602,856	\$ 3,549,014	\$ 26,151,870
Interest on net OPEB obligation	601,178	95,441	696,619
Adjustment to annual required contribution	(835,727)	(132,676)	(968,403)
Annual OPEB Cost	22,368,307	3,511,779	25,880,086
Contribution made	(5,252,890)	(1,184,039)	(6,436,929)
Increase in net OPEB obligation	17,115,417	2,327,740	19,443,157
Net OPEB obligation beginning of year	15,102,839	2,312,633	17,415,472
Net OPEB obligation end of year	\$ 32,218,256	\$ 4,640,373	\$ 36,858,629

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Governmental Activities			
12/31/2006	Not available	Not available	Not available
12/31/2007	\$ 21,857,074	30.90%	\$ 15,102,839
12/31/2008	22,368,307	23.48%	32,218,256
Business Type Activities			
12/31/2006	Not available	Not available	Not available
12/31/2007	\$ 3,303,275	29.80%	\$ 2,312,634
12/31/2008	3,511,779	33.72%	4,640,373

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The funded status of the plan as of January 1, 2008, the most recent actuarial valuation date, was as follows:

	Governmental Activities	Business Type Activities	Total
Actuarial accrued liability (AAL)	\$ 273,192,639	\$ 41,617,303	\$ 314,809,942
Actuarial value of plan assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 273,192,639</u>	<u>\$ 41,617,303</u>	<u>\$ 314,809,942</u>
Funded Ratio	-	-	-
Covered Payroll	\$ 41,897,007	\$ 7,798,132	\$ 49,695,139
UAAL as percentage of covered payroll	652.06%	533.68%	650.16%

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 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 \$3,984,820 and 24.3% of gross sales aggregating \$3,871,067 in 2008 and 2007 respectively. Total accounts receivable from this customer totaled \$0 and \$966 respectively.

One major customer accounted for 17% of Wastewater Utility gross sales aggregating \$2,037,735 and 16% of gross sales aggregating \$2,044,417 in 2008 and 2007 respectively. Total accounts receivable from this customer totaled \$508,365 and \$542,629 respectively.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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. Transfers from the Wastewater Utility to the City were \$882,151 for the year ended December 31, 2008.

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.

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, 2008.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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 and the Village of Sturtevant. 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 City and Villages 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. REC fees are recorded as revenue when received. The REC fees balance as of December 31, 2008 was \$857,778.

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, 2008 the Wastewater Utility had unrecovered cost of \$1,011,394, which was reported as due from the City of Racine.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RACINE

SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS
For the Year Ended December 31, 2008
Unaudited

	Actuarial Valuation Date	Actuarial Value of Assets (a)	(AAL) Accrued Actuarial Liability (b)	(UAAL) Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
GOVERNMENTAL ACTIVITIES							
12/31/2006	1/1/2006	n/a	n/a	n/a	n/a	n/a	n/a
12/31/2007	1/1/2007	\$ -	\$ 274,526,545	\$ 274,526,545	\$ -	\$ 35,327,017	777.10%
12/31/2008	1/1/2008	-	273,192,639	273,192,639	-	41,897,007	652.06%
BUSINESS TYPE ACTIVITIES							
12/31/2006	1/1/2006	n/a	n/a	n/a	n/a	n/a	n/a
12/31/2007	1/1/2007	\$ -	\$ 40,283,397	40,283,397	\$ -	\$ 6,419,770	627.49%
12/31/2008	1/1/2008	-	41,617,303	41,617,303	-	7,798,132	533.68%

**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2008

	Special Revenue Funds				
	Public Safety Grants	Cemetery	Library	Harbor Commission	HAZMAT
ASSETS					
Cash and investments	\$ 13,012	\$ 815,136	\$ 543,263	\$ -	\$ 360,397
Receivables					
Property taxes	47,406	211,667	2,060,527	-	-
Special assessment - tax roll	-	-	-	-	-
Special assessment	-	-	-	-	-
Accounts	-	1,594	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	-	-	-	95,952	747
Assets held for resale	-	-	-	-	-
Advances to component unit	-	-	-	-	-
Advances to other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 60,418</u>	<u>\$ 1,028,397</u>	<u>\$ 2,603,790</u>	<u>\$ 95,952</u>	<u>\$ 361,144</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ 65,947	\$ 12,653	\$ 19	\$ 15,576
Accrued liabilities	3,051	4,702	106,198	10,142	244
Due to other funds	-	-	-	100,721	-
Advances from other funds	-	-	-	-	-
Deferred revenues	-	-	-	-	-
Deferred property tax revenue	47,406	211,667	2,060,527	-	-
Total Liabilities	<u>50,457</u>	<u>282,316</u>	<u>2,179,378</u>	<u>110,882</u>	<u>15,820</u>
Fund Balances (Deficits)					
Reserved					
Subsequent years expenditures	-	42,040	-	-	-
Encumbrances	-	1,384,453	11,930	-	-
Endowments	-	-	-	-	-
Capital projects	-	-	-	-	-
Advances	-	-	-	-	-
Unreserved					
Designated for subsequent years expenditures	-	-	227,172	-	-
Undesignated (deficit)	9,961	(680,412)	185,310	(14,930)	345,324
Total Fund Balances (Deficits)	<u>9,961</u>	<u>746,081</u>	<u>424,412</u>	<u>(14,930)</u>	<u>345,324</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 60,418</u>	<u>\$ 1,028,397</u>	<u>\$ 2,603,790</u>	<u>\$ 95,952</u>	<u>\$ 361,144</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2008

Special Revenue Funds							
Recycling	CAR 25	State Asset Forfeiture	Federal Asset Forfeiture	Municipal Court	Bulky Waste	Sanitary Sewer Maintenance	Special Assessments
\$ -	\$ 32,779	\$ 9,297	\$ 251,721	\$ 9,594	\$ 760	\$ 521,717	\$ 2,204,853
982,843	-	-	-	60,042	-	1,407,599	-
-	-	-	-	-	-	-	362,120
-	-	-	-	-	-	-	1,331,600
-	-	-	-	-	-	30,949	419
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 982,843</u>	<u>\$ 32,779</u>	<u>\$ 9,297</u>	<u>\$ 251,721</u>	<u>\$ 69,636</u>	<u>\$ 760</u>	<u>\$ 1,960,265</u>	<u>\$ 3,898,992</u>
\$ 33,714	\$ -	\$ -	\$ 15,380	\$ 194	\$ -	\$ 438,506	\$ 824
8,651	2,439	-	-	9,565	760	3,051	66,114
288,900	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,331,600
982,843	-	-	-	60,042	-	1,407,599	362,120
<u>1,314,108</u>	<u>2,439</u>	<u>-</u>	<u>15,380</u>	<u>69,801</u>	<u>760</u>	<u>1,849,156</u>	<u>1,760,658</u>
-	-	-	-	-	-	-	-
-	-	-	20,005	-	-	125,716	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	9,297	100,000	-	-	-	-
(331,265)	30,340	-	116,336	(165)	-	(14,607)	2,138,334
(331,265)	30,340	9,297	236,341	(165)	-	111,109	2,138,334
<u>\$ 982,843</u>	<u>\$ 32,779</u>	<u>\$ 9,297</u>	<u>\$ 251,721</u>	<u>\$ 69,636</u>	<u>\$ 760</u>	<u>\$ 1,960,265</u>	<u>\$ 3,898,992</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2008

	Special Revenue Funds					
	Other Cemetery	Other Public Safety	Trusts	Economic Development	Other	Health
ASSETS						
Cash and investments	\$ 1,421,628	\$ 342,031	\$ 1,799,515	\$ 11,385	\$ 724,643	\$ 472,379
Receivables						
Property taxes	-	16,805	-	-	-	-
Special assessment - tax roll	-	-	-	-	-	-
Special assessment	-	-	-	-	-	-
Accounts	-	7,568	-	-	24,631	1,100
Due from other funds	-	-	-	-	11,475	-
Due from other governments	-	292,291	-	-	333	53,637
Assets held for resale	-	-	-	-	-	-
Advances to component unit	-	-	-	590,000	-	-
Advances to other funds	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 1,421,628</u>	<u>\$ 658,695</u>	<u>\$ 1,799,515</u>	<u>\$ 601,385</u>	<u>\$ 761,082</u>	<u>\$ 527,116</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 6,015	\$ 88,144	\$ -	\$ -	\$ 32,084	\$ 1,776
Accrued liabilities	-	121	-	-	35,068	27,709
Due to other funds	-	184,921	3,315	-	2,770	38,874
Advances from other funds	-	-	-	-	-	-
Deferred revenues	-	62,312	-	-	113,732	439,437
Deferred property tax revenue	-	16,805	-	-	-	-
Total Liabilities	<u>6,015</u>	<u>352,303</u>	<u>3,315</u>	<u>-</u>	<u>183,654</u>	<u>507,796</u>
Fund Balances (Deficits)						
Reserved						
Subsequent years expenditures	-	-	-	-	-	-
Encumbrances	-	4,765	-	-	-	-
Endowments	-	-	147,548	-	-	-
Capital projects	-	-	-	-	-	-
Advances	-	-	-	590,000	-	-
Unreserved						
Designated for subsequent years expenditures	-	-	-	-	-	-
Undesignated (deficit)	1,415,613	301,627	1,648,652	11,385	577,428	19,320
Total Fund Balances (Deficits)	<u>1,415,613</u>	<u>306,392</u>	<u>1,796,200</u>	<u>601,385</u>	<u>577,428</u>	<u>19,320</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 1,421,628</u>	<u>\$ 658,695</u>	<u>\$ 1,799,515</u>	<u>\$ 601,385</u>	<u>\$ 761,082</u>	<u>\$ 527,116</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2008

Capital Projects Funds					
Tax Incremental Districts	City Projects	2005	2006	2007	2008
\$ 2,567,682	\$ 280,218	\$ -	\$ 316,880	\$ 1,242,323	\$ 3,528,733
1,205,713	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
196,000	51,213	-	-	-	-
-	834,580	-	-	-	-
254,169	993,541	-	-	-	-
385,000	-	-	-	-	-
-	120,000	-	-	-	-
-	833,868	-	-	-	-
<u>\$ 4,608,564</u>	<u>\$ 3,113,420</u>	<u>\$ -</u>	<u>\$ 316,880</u>	<u>\$ 1,242,323</u>	<u>\$ 3,528,733</u>
\$ 139,650	\$ 437,145	\$ -	\$ 119,379	\$ 131,097	\$ 707,087
564	-	-	-	-	-
-	2,442,830	-	-	-	-
2,715,979	-	-	-	-	-
-	51,213	-	-	-	-
1,205,713	-	-	-	-	-
<u>4,061,906</u>	<u>2,931,188</u>	<u>-</u>	<u>119,379</u>	<u>131,097</u>	<u>707,087</u>
-	-	-	-	-	-
-	350,627	-	197,501	247,557	526,680
-	-	-	-	-	-
2,812,468	-	-	-	863,669	2,294,966
-	953,868	-	-	-	-
-	-	-	-	-	-
(2,265,810)	(1,122,263)	-	-	-	-
<u>546,658</u>	<u>182,232</u>	<u>-</u>	<u>197,501</u>	<u>1,111,226</u>	<u>2,821,646</u>
<u>\$ 4,608,564</u>	<u>\$ 3,113,420</u>	<u>\$ -</u>	<u>\$ 316,880</u>	<u>\$ 1,242,323</u>	<u>\$ 3,528,733</u>

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CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2008

	Capital Projects Funds		Permanent	Total
	Intergovernmental		Fund	Nonmajor
	Assessment	Revenue	Endowment	Governmental
	Projects	Sharing	Fund	Funds
ASSETS				
Cash and investments	\$ -	\$ 1,980,975	\$ 3,234,173	\$ 22,685,094
Receivables				
Property taxes	-	-	-	5,992,602
Special assessment - tax roll	-	-	-	362,120
Special assessment	-	-	-	1,331,600
Accounts	-	-	-	313,474
Due from other funds	-	-	-	846,055
Due from other governments	-	-	-	1,690,670
Assets held for resale	-	-	-	385,000
Advances to component unit	-	75,313	-	785,313
Advances to other funds	-	2,491,091	-	3,324,959
TOTAL ASSETS	\$ -	\$ 4,547,379	\$ 3,234,173	\$ 37,716,887
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 67,534	\$ 184,559	\$ 6,187	\$ 2,503,470
Accrued liabilities	-	103,230	-	381,609
Due to other funds	-	-	-	3,062,331
Advances from other funds	-	-	-	2,715,979
Deferred revenues	-	-	-	1,998,294
Deferred property tax revenue	-	-	-	6,354,722
Total Liabilities	67,534	287,789	6,187	17,016,405
Fund Balances (Deficits)				
Reserved				
Subsequent years expenditures	-	32,860	-	74,900
Encumbrances	96,444	-	46,769	3,012,447
Endowments	-	-	1,411,369	1,558,917
Capital projects	-	1,660,326	-	7,631,429
Advances	-	2,566,404	-	4,110,272
Unreserved				
Designated for subsequent years expenditures	-	-	-	336,469
Undesignated (deficit)	(163,978)	-	1,769,848	3,976,048
Total Fund Balances (Deficits)	(67,534)	4,259,590	3,227,986	20,700,482
TOTAL LIABILITIES AND FUND BALANCES	\$ -	\$ 4,547,379	\$ 3,234,173	\$ 37,716,887

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2008

	Special Revenue Funds			
	Public Safety Grants	Cemetery	Library	Harbor Commission
REVENUES				
Taxes	\$ 47,224	\$ 209,845	\$ 2,057,588	\$ -
Special charges and assessments	-	-	-	-
Intergovernmental	143,750	-	1,405,312	105,433
Fines and Forfeitures	-	-	-	-
Investment income	-	38,083	43,151	-
Charges for services	-	282,458	111,220	25,926
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>190,974</u>	<u>530,386</u>	<u>3,617,271</u>	<u>131,359</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	629,950	3,599,653	16,428
Public works	-	-	-	-
Public safety	192,278	-	-	-
Debt Service	-	-	-	-
Capital outlay	-	214,797	148,213	190,640
Total Expenditures	<u>192,278</u>	<u>844,747</u>	<u>3,747,866</u>	<u>207,068</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(1,304)</u>	<u>(314,361)</u>	<u>(130,595)</u>	<u>(75,709)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Transfers in	-	117,433	99,780	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>117,433</u>	<u>99,780</u>	<u>-</u>
Net Change in Fund Balances	<u>(1,304)</u>	<u>(196,928)</u>	<u>(30,815)</u>	<u>(75,709)</u>
FUND BALANCES (DEFICIT) -				
Beginning of Year	<u>11,265</u>	<u>943,009</u>	<u>455,227</u>	<u>60,779</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 9,961</u>	<u>\$ 746,081</u>	<u>\$ 424,412</u>	<u>\$ (14,930)</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2008

Special Revenue Funds					
HAZMAT	Recycling	CAR 25	State Asset Forfeiture	Federal Asset Forfeiture	Municipal Court
\$ -	\$ 840,702	\$ -	\$ -	\$ -	\$ 59,448
-	-	-	-	-	-
145,052	533,917	-	-	-	-
-	-	-	7,708	124,644	219,321
11,681	-	-	-	12,944	-
4,589	29,592	78,065	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>161,322</u>	<u>1,404,211</u>	<u>78,065</u>	<u>7,708</u>	<u>137,588</u>	<u>278,769</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	64,030	-	-	-
-	1,223,547	-	-	-	-
70,003	-	-	10,338	20,230	278,934
-	-	-	-	-	-
-	-	-	-	213,244	-
<u>70,003</u>	<u>1,223,547</u>	<u>64,030</u>	<u>10,338</u>	<u>233,474</u>	<u>278,934</u>
-	-	-	-	-	-
91,319	180,664	14,035	(2,630)	(95,886)	(165)
-	-	-	-	-	-
-	-	-	-	-	-
-	(39,870)	-	-	-	-
-	(39,870)	-	-	-	-
91,319	140,794	14,035	(2,630)	(95,886)	(165)
254,005	(472,059)	16,305	11,927	332,227	-
<u>\$ 345,324</u>	<u>\$ (331,265)</u>	<u>\$ 30,340</u>	<u>\$ 9,297</u>	<u>\$ 236,341</u>	<u>\$ (165)</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2008

	Special Revenue Funds			
	Bulky Waste Site	Sanitary Sewer Maintenance	Special Assessments	Other Cemetery
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special charges and assessments	-	-	611,373	-
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	116,288	60,985
Charges for services	7,987	1,180,063	-	52,970
Donations	-	-	-	626
Other	-	-	-	-
Total Revenues	<u>7,987</u>	<u>1,180,063</u>	<u>727,661</u>	<u>114,581</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	-	-	18,197
Public works	47,857	461,896	-	-
Public safety	-	-	-	-
Debt Service	-	-	-	-
Capital outlay	-	607,058	-	-
Total Expenditures	<u>47,857</u>	<u>1,068,954</u>	<u>-</u>	<u>18,197</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(39,870)</u>	<u>111,109</u>	<u>727,661</u>	<u>96,384</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Transfers in	39,870	-	-	-
Transfers (out)	-	-	(1,484,367)	(102,848)
Total Other Financing Sources (Uses)	<u>39,870</u>	<u>-</u>	<u>(1,484,367)</u>	<u>(102,848)</u>
Net Change in Fund Balances	-	111,109	(756,706)	(6,464)
FUND BALANCES (DEFICIT) -				
Beginning of Year	-	-	2,895,040	1,422,077
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ 111,109</u>	<u>\$ 2,138,334</u>	<u>\$ 1,415,613</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2008

Other Public Safety	Special Revenue Funds				Capital Projects Funds
	Trusts	Economic Development	Other	Health	Tax Incremental Districts
\$ -	\$ -	\$ -	\$ 236,997	\$ -	\$ 906,827
16,589	-	-	-	-	-
532,550	-	-	14,821	927,410	320,287
63,626	-	-	-	-	-
988	(449,912)	2,186	5,227	4,026	130,854
7,211	-	-	110,409	30,110	17,458
2,135	37,548	-	78,028	52,141	55,920
-	-	-	-	-	-
<u>623,099</u>	<u>(412,364)</u>	<u>2,186</u>	<u>445,482</u>	<u>1,013,687</u>	<u>1,431,346</u>
-	-	-	-	-	-
-	-	-	234,078	-	150,694
-	-	-	-	1,037,352	-
-	106,345	-	101,017	-	-
-	-	-	563	-	-
596,495	-	-	22,471	-	-
-	-	-	-	-	110,112
-	-	-	-	-	101,937
<u>596,495</u>	<u>106,345</u>	<u>-</u>	<u>358,129</u>	<u>1,037,352</u>	<u>362,743</u>
-	-	-	-	-	-
<u>26,604</u>	<u>(518,709)</u>	<u>2,186</u>	<u>87,353</u>	<u>(23,665)</u>	<u>1,068,603</u>
-	-	-	-	-	-
-	-	-	-	28,422	-
-	-	-	(25,000)	-	(809,594)
-	-	-	(25,000)	28,422	(809,594)
26,604	(518,709)	2,186	62,353	4,757	259,009
<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>
<u>\$ 306,392</u>	<u>\$ 1,796,200</u>	<u>\$ 601,385</u>	<u>\$ 577,428</u>	<u>\$ 19,320</u>	<u>\$ 546,658</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2008

	Capital Projects Funds				
	City Projects	2005	2006	2007	2008
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	2,214,351	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Investment income	49,482	1,970	56,010	84,963	199,657
Charges for services	1,778,755	-	-	-	-
Donations	173,287	-	-	-	-
Other	257,975	-	-	-	-
Total Revenues	<u>4,473,850</u>	<u>1,970</u>	<u>56,010</u>	<u>84,963</u>	<u>199,657</u>
EXPENDITURES					
Current					
General Government	220	-	-	-	-
Community development	47,853	-	-	-	-
Health	14,355	-	-	-	-
Education and recreation	130,787	-	-	-	-
Public works	202,934	-	-	-	-
Public safety	35,995	-	-	-	-
Debt Service	370,128	-	-	-	116,020
Capital outlay	<u>3,276,681</u>	<u>64,007</u>	<u>1,272,153</u>	<u>1,202,083</u>	<u>4,519,819</u>
Total Expenditures	<u>4,078,953</u>	<u>64,007</u>	<u>1,272,153</u>	<u>1,202,083</u>	<u>4,635,839</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>394,897</u>	<u>(62,037)</u>	<u>(1,216,143)</u>	<u>(1,117,120)</u>	<u>(4,436,182)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	136,400	-	-	-	7,680,000
Transfers in	-	-	-	-	-
Transfers (out)	-	-	-	(149,272)	(422,172)
Total Other Financing Sources (Uses)	<u>136,400</u>	<u>-</u>	<u>-</u>	<u>(149,272)</u>	<u>7,257,828</u>
Net Change in Fund Balances	531,297	(62,037)	(1,216,143)	(1,266,392)	2,821,646
FUND BALANCES (DEFICIT) -					
Beginning of Year	<u>(349,065)</u>	<u>62,037</u>	<u>1,413,644</u>	<u>2,377,618</u>	<u>-</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 182,232</u>	<u>\$ -</u>	<u>\$ 197,501</u>	<u>\$ 1,111,226</u>	<u>\$ 2,821,646</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2008

Capital Projects Funds		Permanent Fund	Total
Assessment Projects	Intergovernmental Revenue Sharing	Endowment Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 4,358,631
-	-	-	627,962
-	1,198,248	-	7,541,131
-	-	-	415,299
-	234,199	(527,149)	75,633
-	-	-	3,716,813
-	-	5,268	404,953
-	-	-	257,975
-	1,432,447	(521,881)	17,398,397
-	-	-	220
-	279,187	-	711,812
-	-	-	1,051,707
-	-	56,532	4,722,939
-	-	-	1,936,797
-	-	-	1,226,744
-	-	-	596,260
1,403,092	658,177	-	13,871,901
1,403,092	937,364	56,532	24,118,380
(1,403,092)	495,083	(578,413)	(6,719,983)
-	-	-	7,816,400
1,484,367	-	-	1,769,872
-	(227,665)	(14,585)	(3,275,373)
1,484,367	(227,665)	(14,585)	6,310,899
81,275	267,418	(592,998)	(409,084)
(148,809)	3,992,172	3,820,984	21,109,566
\$ (67,534)	\$ 4,259,590	\$ 3,227,986	\$ 20,700,482

CITY OF RACINE
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2008

	Public Safety Grants		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 47,224	\$ 47,224	\$ -
Intergovernmental	141,666	143,750	2,084
Fines and Forfeitures	-	-	-
Investment income	-	-	-
Charges for services	-	-	-
Donations	-	-	-
Other	-	-	-
Total Revenues	<u>188,890</u>	<u>190,974</u>	<u>2,084</u>
EXPENDITURES			
Current			
Community development	-	-	-
Health	-	-	-
Education and recreation	-	-	-
Public works	-	-	-
Public safety	188,890	192,278	(3,388)
Capital outlay	-	-	-
Total Expenditures	<u>188,890</u>	<u>192,278</u>	<u>(3,388)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>(1,304)</u>	<u>(1,304)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(1,304)</u>	<u>\$ (1,304)</u>
FUND BALANCES (DEFICIT) - Beginning of Year		<u>11,265</u>	
FUND BALANCES (DEFICIT) - END OF YEAR		<u>\$ 9,961</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, 2008

Cemetery				Library			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 209,845	\$ 209,845	\$ 209,845	\$ -	\$ 2,057,588	\$ 2,057,588	\$2,057,588	\$ -
-	-	-	-	1,392,073	1,392,703	1,405,312	12,609
-	-	-	-	-	-	-	-
53,000	53,000	38,083	(14,917)	70,968	70,968	43,151	(27,817)
284,830	284,830	282,458	(2,372)	115,698	115,698	111,220	(4,478)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>547,675</u>	<u>547,675</u>	<u>530,386</u>	<u>(17,289)</u>	<u>3,636,327</u>	<u>3,636,957</u>	<u>3,617,271</u>	<u>(19,686)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
577,755	579,849	629,950	(50,101)	3,816,584	3,816,584	3,599,653	216,931
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,524,200</u>	<u>1,684,016</u>	<u>214,797</u>	<u>1,469,219</u>	<u>189,000</u>	<u>189,000</u>	<u>148,213</u>	<u>40,787</u>
<u>2,101,955</u>	<u>2,263,865</u>	<u>844,747</u>	<u>1,419,118</u>	<u>4,005,584</u>	<u>4,005,584</u>	<u>3,747,866</u>	<u>257,718</u>
 <u>(1,554,280)</u>	 <u>(1,716,190)</u>	 <u>(314,361)</u>	 <u>1,401,829</u>	 <u>(369,257)</u>	 <u>(368,627)</u>	 <u>(130,595)</u>	 <u>238,032</u>
 <u>1,405,200</u>	 <u>1,405,200</u>	 <u>117,433</u>	 <u>(1,287,767)</u>	 <u>165,000</u>	 <u>165,000</u>	 <u>99,780</u>	 <u>(65,220)</u>
<u>1,405,200</u>	<u>1,405,200</u>	<u>117,433</u>	<u>(1,287,767)</u>	<u>165,000</u>	<u>165,000</u>	<u>99,780</u>	<u>(65,220)</u>
 <u>\$ (149,080)</u>	 <u>\$ (310,990)</u>	 <u>(196,928)</u>	 <u>\$ 114,062</u>	 <u>\$ (204,257)</u>	 <u>\$ (203,627)</u>	 <u>(30,815)</u>	 <u>\$ 172,812</u>
		<u>943,009</u>				<u>455,227</u>	
		<u>\$ 746,081</u>				<u>\$ 424,412</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, 2008

	Harbor Commission			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	153,585	105,433	(48,152)
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	25,415	25,415	25,926	511
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>25,415</u>	<u>179,000</u>	<u>131,359</u>	<u>(47,641)</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	21,543	21,543	16,428	5,115
Public works	-	-	-	-
Public safety	-	-	-	-
Capital outlay	-	206,857	190,640	16,217
Total Expenditures	<u>21,543</u>	<u>228,400</u>	<u>207,068</u>	<u>21,332</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>3,872</u>	<u>(49,400)</u>	<u>(75,709)</u>	<u>(26,309)</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>\$ 3,872</u>	<u>\$ (49,400)</u>	<u>(75,709)</u>	<u>\$ (26,309)</u>
FUND BALANCES (DEFICIT) - Beginning of Year			<u>60,779</u>	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ (14,930)</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, 2008

HAZMAT				Recycling			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ 840,702	\$ 840,702	\$ 840,702	\$ -
122,500	122,500	145,052	22,552	430,000	430,000	533,917	103,917
-	-	11,681	-	-	-	-	-
6,000	6,000	4,589	(1,411)	-	-	-	-
-	-	-	-	35,000	35,000	29,592	(5,408)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>128,500</u>	<u>128,500</u>	<u>161,322</u>	<u>21,141</u>	<u>1,305,702</u>	<u>1,305,702</u>	<u>1,404,211</u>	<u>98,509</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,305,702	1,326,950	1,223,547	103,403
128,500	128,500	70,003	58,497	-	-	-	-
-	-	-	-	-	-	-	-
<u>128,500</u>	<u>128,500</u>	<u>70,003</u>	<u>58,497</u>	<u>1,305,702</u>	<u>1,326,950</u>	<u>1,223,547</u>	<u>103,403</u>
-	-	91,319	91,319	-	(21,248)	180,664	201,912
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(39,870)	(39,870)
-	-	-	-	-	-	(39,870)	(39,870)
<u>\$ -</u>	<u>\$ -</u>	<u>91,319</u>	<u>\$ 91,319</u>	<u>\$ -</u>	<u>\$ (21,248)</u>	<u>140,794</u>	<u>\$ 162,042</u>
		<u>254,005</u>				<u>(472,059)</u>	
		<u>\$ 345,324</u>				<u>\$ (331,265)</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, 2008

	CAR25			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	80,700	80,700	78,065	(2,635)
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>80,700</u>	<u>80,700</u>	<u>78,065</u>	<u>(2,635)</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	80,700	82,030	64,030	18,000
Public works	-	-	-	-
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>80,700</u>	<u>82,030</u>	<u>64,030</u>	<u>18,000</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>(1,330)</u>	<u>14,035</u>	<u>15,365</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>\$ (1,330)</u>	<u>14,035</u>	<u>\$ 15,365</u>
FUND BALANCES (DEFICIT) - Beginning of Year			<u>16,305</u>	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ 30,340</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, 2008

State Asset Forfeiture				Federal Asset Forfeiture			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
1,000	1,000	7,708	6,708	110,000	110,000	124,644	14,644
-	-	-	-	5,000	5,000	12,944	7,944
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,000</u>	<u>1,000</u>	<u>7,708</u>	<u>6,708</u>	<u>115,000</u>	<u>115,000</u>	<u>137,588</u>	<u>22,588</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
17,000	17,000	10,338	6,662	20,000	20,176	20,230	(54)
-	-	-	-	180,000	180,000	213,244	(33,244)
<u>17,000</u>	<u>17,000</u>	<u>10,338</u>	<u>6,662</u>	<u>200,000</u>	<u>200,176</u>	<u>233,474</u>	<u>(33,298)</u>
<u>(16,000)</u>	<u>(16,000)</u>	<u>(2,630)</u>	<u>13,370</u>	<u>(85,000)</u>	<u>(85,176)</u>	<u>(95,886)</u>	<u>(10,710)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ (16,000)</u>	<u>\$ (16,000)</u>	<u>(2,630)</u>	<u>\$ 13,370</u>	<u>\$ (85,000)</u>	<u>\$ (85,176)</u>	<u>(95,886)</u>	<u>\$ (10,710)</u>
		<u>11,927</u>				<u>332,227</u>	
		<u>\$ 9,297</u>				<u>\$ 236,341</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, 2008

	Bulky Waste Site			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	39,213	39,213	7,987	(31,226)
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>39,213</u>	<u>39,213</u>	<u>7,987</u>	<u>(31,226)</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	-	-	-
Public works	39,213	39,213	47,857	(8,644)
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>39,213</u>	<u>39,213</u>	<u>47,857</u>	<u>(8,644)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>-</u>	<u>(39,870)</u>	<u>(39,870)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	39,870	39,870
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>39,870</u>	<u>39,870</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES (DEFICIT) - Beginning of Year			<u>-</u>	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ -</u>	

CITY OF RACINE
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2008

Municipal Court				Sanitary Sewer Maintenance			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 59,448	\$ 59,448	\$ 59,448	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
224,296	224,296	219,321	(4,975)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,100,592	1,100,592	1,180,063	79,471
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>283,744</u>	<u>283,744</u>	<u>278,769</u>	<u>(4,975)</u>	<u>1,100,592</u>	<u>1,100,592</u>	<u>1,180,063</u>	<u>79,471</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	300,592	300,592	461,896	(161,304)
283,744	283,744	278,934	4,810	-	-	-	-
-	-	-	-	800,000	800,000	607,058	192,942
<u>283,744</u>	<u>283,744</u>	<u>278,934</u>	<u>4,810</u>	<u>1,100,592</u>	<u>1,100,592</u>	<u>1,068,954</u>	<u>31,638</u>
-	-	(165)	(165)	-	-	111,109	111,109
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>(165)</u>	<u>\$ (165)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>111,109</u>	<u>\$ 111,109</u>
		-				-	
		<u>\$ (165)</u>				<u>\$ 111,109</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, 2008

	Currently Due		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Tax Levy	\$ 8,061,037	\$ 8,061,037	\$ -
Investment Income	-	-	-
Other	142,596	142,595	(1)
Total Revenues	<u>8,203,633</u>	<u>8,203,632</u>	<u>(1)</u>
EXPENDITURES			
Debt service			
Principal	6,166,926	6,166,653	273
Interest and fiscal charges	4,840,126	4,611,036	229,090
Total Expenditures	<u>11,007,052</u>	<u>10,777,689</u>	<u>229,363</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,803,419)</u>	<u>(2,574,057)</u>	<u>229,362</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	2,603,419	2,681,674	78,255
Total Other Financing Sources (Uses)	<u>2,603,419</u>	<u>2,681,674</u>	<u>78,255</u>
Net Change in Fund Balances	<u>\$ (200,000)</u>	107,617	<u>\$ 307,617</u>
FUND BALANCES - Beginning of Year		<u>1,342,683</u>	
FUND BALANCES - END OF YEAR		<u>\$ 1,450,300</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, 2008**

	2008 Capital Projects			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment income	106,402	106,402	199,657	93,255
Other	-	-	-	-
Total Revenues	<u>106,402</u>	<u>106,402</u>	<u>199,657</u>	<u>93,255</u>
EXPENDITURES				
Current-Community Development	-	-	-	-
Debt service	-	-	116,020	(116,020)
Capital outlay	<u>6,736,002</u>	<u>6,736,002</u>	<u>4,519,819</u>	<u>2,216,183</u>
Total Expenditures	<u>6,736,002</u>	<u>6,736,002</u>	<u>4,635,839</u>	<u>2,100,163</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(6,629,600)</u>	<u>(6,629,600)</u>	<u>(4,436,182)</u>	<u>2,193,418</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	7,560,000	7,560,000	7,680,000	120,000
Transfers in	-	-	-	-
Transfers (out)	<u>(930,400)</u>	<u>(930,400)</u>	<u>(422,172)</u>	<u>508,228</u>
Total Other Financing Sources (Uses)	<u>6,629,600</u>	<u>6,629,600</u>	<u>7,257,828</u>	<u>628,228</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>2,821,646</u>	<u>\$ 2,821,646</u>
FUND BALANCES (DEFICITS)- Beginning of Year			-	
FUND BALANCES (DEFICITS) - END OF YEAR			<u>\$ 2,821,646</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, 2008

Assessment Projects				Intergovernmental Revenue Sharing			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,198,248	1,198,248	1,198,248	-
-	-	-	-	-	-	-	-
-	-	-	-	100,000	100,000	234,199	134,199
-	-	-	-	-	-	-	-
-	-	-	-	1,298,248	1,298,248	1,432,447	134,199
-	-	-	-	-	-	-	-
-	-	-	-	124,400	894,050	279,187	614,863
-	-	-	-	-	-	-	-
1,547,000	2,240,113	1,403,092	837,021	682,000	1,391,288	658,177	733,111
1,547,000	2,240,113	1,403,092	837,021	806,400	2,285,338	937,364	1,347,974
(1,547,000)	(2,240,113)	(1,403,092)	837,021	491,848	(987,090)	495,083	1,482,173
-	-	-	-	-	-	-	-
1,547,000	1,547,000	1,484,367	(62,633)	-	-	-	-
-	-	-	-	-	-	(227,665)	(227,665)
1,547,000	1,547,000	1,484,367	(62,633)	-	-	(227,665)	(227,665)
\$ -	\$ (693,113)	81,275	\$ 774,388	\$ 491,848	\$ (987,090)	267,418	\$ 1,254,508
		(148,809)				3,992,172	
		\$ (67,534)				\$ 4,259,590	

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS
December 31, 2008

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
ASSETS						
Current Assets						
Cash and investments	\$ 1,525,874	\$ 401,575	\$ 203,709	\$ 31,473	\$ 205,360	\$ 2,367,991
Receivables			-	-		
Accounts	49,848	651	7,360	5,887	103,900	167,646
Taxes	10,595	3,320,052	-	376,790	-	3,707,437
Inventories	-	-	-	6,444	-	6,444
Prepaid expenses	-	-	-	2,048	-	2,048
Total Current Assets	<u>1,586,317</u>	<u>3,722,278</u>	<u>211,069</u>	<u>422,642</u>	<u>309,260</u>	<u>6,251,566</u>
Noncurrent Assets						
Capital assets						
Land	1,014,105	-	1,432,654	140,421	15,000	2,602,180
Land and building improvements	15,914,671	54,567,759	2,577,331	6,737,913	121,026	79,918,700
Equipment, furniture and vehicles	653,840	908,891	-	377,625	12,913	1,953,269
Less: accumulated depreciation	<u>(5,394,972)</u>	<u>(27,986,902)</u>	<u>(1,534,716)</u>	<u>(3,280,525)</u>	<u>(68,047)</u>	<u>(38,265,162)</u>
	12,187,644	27,489,748	2,475,269	3,975,434	80,892	46,208,987
Construction in progress	17,892	784,057	28,746	77,438	-	908,133
Total Capital Assets (net of accumulated depreciation)	<u>12,205,536</u>	<u>28,273,805</u>	<u>2,504,015</u>	<u>4,052,872</u>	<u>80,892</u>	<u>47,117,120</u>
TOTAL ASSETS	<u>\$ 13,791,853</u>	<u>\$ 31,996,083</u>	<u>\$ 2,715,084</u>	<u>\$ 4,475,514</u>	<u>\$ 390,152</u>	<u>\$ 53,368,686</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS
December 31, 2008

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 5,615	\$ 542,277	\$ -	\$ 37,633	\$ -	\$ 585,525
Accrued compensation	13,673	7,583	-	6,256	4,706	32,218
Accrued liabilities	-	-	19,165	13,290	-	32,455
Due to other funds	-	-	2,291	363,460	-	365,751
Advances from other funds	-	60,245	101,101	-	-	161,346
Deferred revenue	74,461	-	-	-	-	74,461
Deferred property tax revenue	10,595	3,320,052	-	376,790	-	3,707,437
Total Current Liabilities	<u>104,344</u>	<u>3,930,157</u>	<u>122,557</u>	<u>797,429</u>	<u>4,706</u>	<u>4,959,193</u>
Noncurrent Liabilities						
Compensated absences	31,507	11,668	-	-	14,870	58,045
OPEB ARC obligation	301,754	639,895	-	-	118,257	1,059,906
Advances from other funds	-	773,623	41,349	-	-	814,972
Total Noncurrent Liabilities	<u>333,261</u>	<u>1,425,186</u>	<u>41,349</u>	<u>-</u>	<u>133,127</u>	<u>1,932,923</u>
TOTAL LIABILITIES	<u>437,605</u>	<u>5,355,343</u>	<u>163,906</u>	<u>797,429</u>	<u>137,833</u>	<u>6,892,116</u>
NET ASSETS						
Invested in capital assets	12,205,536	28,273,805	2,504,015	4,052,872	80,892	47,117,120
Unrestricted (deficit)	<u>1,148,712</u>	<u>(1,633,065)</u>	<u>47,163</u>	<u>(374,787)</u>	<u>171,427</u>	<u>(640,550)</u>
TOTAL NET ASSETS	<u>\$ 13,354,248</u>	<u>\$ 26,640,740</u>	<u>\$ 2,551,178</u>	<u>\$ 3,678,085</u>	<u>\$ 252,319</u>	<u>\$ 46,476,570</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, 2008

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
OPERATING REVENUES						
Charges for services	\$ 1,080,581	\$ 3,169,111	\$ 167,468	\$ 421,379	\$ 362,465	\$ 5,201,004
Other	13,749	264,493	-	-	-	278,242
Total Operating Revenues	<u>1,094,330</u>	<u>3,433,604</u>	<u>167,468</u>	<u>421,379</u>	<u>362,465</u>	<u>5,479,246</u>
OPERATING EXPENSES						
Public works	1,101,922	3,201,346	-	-	373,241	4,676,509
Education and recreation	-	-	51,165	821,234	-	872,399
Depreciation	363,369	1,114,399	84,861	253,605	2,689	1,818,923
Total Operating Expenses	<u>1,465,291</u>	<u>4,315,745</u>	<u>136,026</u>	<u>1,074,839</u>	<u>375,930</u>	<u>7,367,831</u>
Operating income (loss)	<u>(370,961)</u>	<u>(882,141)</u>	<u>31,442</u>	<u>(653,460)</u>	<u>(13,465)</u>	<u>(1,888,585)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	-	120,780	7,933	-	-	128,713
Interest expense	-	(40,118)	(12,147)	-	-	(52,265)
Gain (loss) on sale of fixed assets	-	-	-	(52,755)	-	(52,755)
Tax levy	-	-	-	283,000	-	283,000
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>80,662</u>	<u>(4,214)</u>	<u>230,245</u>	<u>-</u>	<u>306,693</u>
Income (Loss) Before Transfers	<u>(370,961)</u>	<u>(801,479)</u>	<u>27,228</u>	<u>(423,215)</u>	<u>(13,465)</u>	<u>(1,581,892)</u>
TRANSFERS IN	<u>17,892</u>	<u>227,665</u>	<u>-</u>	<u>265,169</u>	<u>-</u>	<u>510,726</u>
Change in Net Assets	<u>(353,069)</u>	<u>(573,814)</u>	<u>27,228</u>	<u>(158,046)</u>	<u>(13,465)</u>	<u>(1,071,166)</u>
TOTAL NET ASSETS, Beginning 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>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 13,354,248</u>	<u>\$ 26,640,740</u>	<u>\$ 2,551,178</u>	<u>\$ 3,678,085</u>	<u>\$ 252,319</u>	<u>\$ 46,476,570</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2008

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Totals
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 1,230,905	\$ 3,433,803	\$ 160,108	\$ 443,272	\$ 309,548	\$ 5,577,636
Payments to suppliers	(421,471)	(1,494,560)	(48,146)	(407,057)	(94,734)	(2,465,968)
Payments to employees	(545,596)	(1,156,978)	-	(347,723)	(213,817)	(2,264,114)
Net Cash Provided (Used) by Operating Activities	263,838	782,265	111,962	(311,508)	997	847,554
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Operating subsidies received-City	-	-	-	283,000	-	283,000
Net Cash Provided by Noncapital Financing Activities	-	-	-	283,000	-	283,000
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Advances retired	-	(57,651)	(95,255)	-	-	(152,906)
Interest paid on advances	-	(40,118)	(12,147)	-	-	(52,265)
Transfer from other funds for capital purposes	17,892	227,665	-	265,169	-	510,726
Proceeds from sale of capital assets	-	-	-	-	-	-
Acquisition and construction of capital assets	(17,892)	(1,822,103)	(28,748)	(239,085)	-	(2,107,828)
Net Cash Provided (Used) by Capital and Related Financing Activities	-	(1,692,207)	(136,150)	26,084	-	(1,802,273)
CASH FLOW FROM INVESTING ACTIVITIES						
Investment income received	-	120,780	7,933	-	-	128,713
Net Increase (Decrease) in Cash and Cash Equivalents	263,838	(789,162)	(16,255)	(2,424)	997	(543,006)
CASH AND CASH EQUIVALENTS,						
Beginning of Year	1,262,036	1,190,737	219,964	33,897	204,363	2,910,997
End of Year	\$ 1,525,874	\$ 401,575	\$ 203,709	\$ 31,473	\$ 205,360	\$ 2,367,991

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2008

	<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)	\$ (370,961)	\$ (882,141)	\$ 31,442	\$ (653,460)	\$ (13,465)	\$ (1,888,585)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Other postemployment benefits	152,108	383,585	-	-	62,252	597,945
Depreciation	363,369	1,114,399	84,861	253,605	2,689	1,818,923
(Increase) decrease in accounts receivable	69,399	199	(7,360)	21,893	(53,530)	30,601
(Increase) decrease in inventories	-	-	-	889	-	889
(Increase) decrease in prepaids	-	-	-	14,145	-	14,145
(Increase) decrease in due from other funds	28,064	(156,376)	-	(93,790)	613	(221,489)
Increase (decrease) in accounts payable	(19,490)	164,402	(18,394)	(72,506)	1,321	55,333
Increase (decrease) in accrued liabilities	2,236	1,821	19,122	78,785	1,117	103,081
Increase (decrease) in deferred revenue	39,113	156,376	-	-	-	195,489
Increase (decrease) in due to other funds	-	-	2,291	138,931	-	141,222
Net Cash Provided (Used) by Operating Activities	<u>\$ 263,838</u>	<u>\$ 782,265</u>	<u>\$ 111,962</u>	<u>\$ (311,508)</u>	<u>\$ 997</u>	<u>\$ 847,554</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, 2008

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
ASSETS						
Current Assets						
Cash and investments	\$ 105,511	\$ 346,815	\$ 256,170	\$ 8,298,252	\$ 176,206	\$ 9,182,954
Inventories	427,784	-	-	-	-	427,784
Receivables						
Taxes	-	80,000		-	-	80,000
Accounts	31,867	-	6,666	593,355	3,284	635,172
Due from other funds	14,365	-	-	-	2,470	16,835
Total Current Assets	<u>579,527</u>	<u>426,815</u>	<u>262,836</u>	<u>8,891,607</u>	<u>181,960</u>	<u>10,342,745</u>
Noncurrent Assets						
Capital assets						
Land, buildings and improvements	1,558,627	-	-	-	-	1,558,627
Equipment, furniture and vehicles	308,172	1,802,836	49,556	-	654,566	2,815,130
Less: Accumulated depreciation	<u>(807,348)</u>	<u>(1,209,939)</u>	<u>(4,233)</u>	<u>-</u>	<u>(170,193)</u>	<u>(2,191,713)</u>
Total Capital Assets (net of accumulated depreciation)	<u>1,059,451</u>	<u>592,897</u>	<u>45,323</u>	<u>-</u>	<u>484,373</u>	<u>2,182,044</u>
TOTAL ASSETS	<u>\$ 1,638,978</u>	<u>\$ 1,019,712</u>	<u>\$ 308,159</u>	<u>\$ 8,891,607</u>	<u>\$ 666,333</u>	<u>\$ 12,524,789</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2008

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 46,827	\$ 51,516	\$ 37,294	\$ 143,238	\$ 19,299	\$ 298,174
Accrued liabilities	53,805	7,826	25,135	1,509,101	-	1,595,867
Due to other funds	-	-	17,347	-	-	17,347
Deferred tax revenue	-	80,000	-	-	-	80,000
Total Current Liabilities	<u>100,632</u>	<u>139,342</u>	<u>79,776</u>	<u>1,652,339</u>	<u>19,299</u>	<u>1,991,388</u>
Noncurrent Liabilities						
Compensated absences	<u>92,400</u>	<u>4,133</u>	<u>38,730</u>	<u>-</u>	<u>-</u>	<u>135,263</u>
Total Noncurrent Liabilities	<u>92,400</u>	<u>4,133</u>	<u>38,730</u>	<u>-</u>	<u>-</u>	<u>135,263</u>
TOTAL LIABILITIES	<u>193,032</u>	<u>143,475</u>	<u>118,506</u>	<u>1,652,339</u>	<u>19,299</u>	<u>2,126,651</u>
NET ASSETS						
Invested in capital assets	1,059,451	592,897	45,323	-	484,373	2,182,044
Unrestricted (deficit)	<u>386,495</u>	<u>283,340</u>	<u>144,330</u>	<u>7,239,268</u>	<u>162,661</u>	<u>8,216,094</u>
TOTAL NET ASSETS	<u>\$ 1,445,946</u>	<u>\$ 876,237</u>	<u>\$ 189,653</u>	<u>\$ 7,239,268</u>	<u>\$ 647,034</u>	<u>\$ 10,398,138</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, 2008

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
OPERATING REVENUES						
Charges for services and sales						
Labor and equipment charges	\$ 1,714,949	\$ -	\$ -	\$ -	\$ -	\$ 1,714,949
Fuel, oil, parts and supplies sales	2,216,374	-	-	-	-	2,216,374
Health insurance premiums	-	-	-	13,850,821	-	13,850,821
Telephone service sales	-	-	-	-	212,239	212,239
Computer service sales	-	1,447,465	-	-	-	1,447,465
Facilities rent	-	-	2,277,624	-	-	2,277,624
Other	26,675	-	-	791,778	-	818,453
Total Operating Revenues	<u>3,957,998</u>	<u>1,447,465</u>	<u>2,277,624</u>	<u>14,642,599</u>	<u>212,239</u>	<u>22,537,925</u>
OPERATING EXPENSES						
Public Works						
Operating supplies and expenses	3,988,487	-	2,099,162	-	-	6,087,649
General administration						
Telephone expenses	-	-	-	-	183,985	183,985
Health insurance	-	-	-	14,328,618	-	14,328,618
Information systems	-	1,301,978	-	-	-	1,301,978
Depreciation	58,181	210,842	4,233	-	26,183	299,439
Total Operating Expenses	<u>4,046,668</u>	<u>1,512,820</u>	<u>2,103,395</u>	<u>14,328,618</u>	<u>210,168</u>	<u>22,201,669</u>
Operating Income (Loss) Before Transfers	(88,670)	(65,355)	174,229	313,981	2,071	336,256
NONOPERATING REVENUES (EXPENSES)						
Tax levy	-	-	27,500	-	-	27,500
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>-</u>	<u>27,500</u>	<u>-</u>	<u>-</u>	<u>27,500</u>
Income (Loss) Before Transfers	(88,670)	(65,355)	201,729	313,981	2,071	363,756
TRANSFER IN	<u>-</u>	<u>15,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>15,000</u>
Change in Net Assets	(88,670)	(50,355)	201,729	313,981	2,071	378,756
TOTAL NET ASSETS - Beginning of Year	1,534,616	926,592	(12,076)	6,925,287	644,963	10,019,382
TOTAL NET ASSETS - END OF YEAR	<u>\$ 1,445,946</u>	<u>\$ 876,237</u>	<u>\$ 189,653</u>	<u>\$ 7,239,268</u>	<u>\$ 647,034</u>	<u>\$ 10,398,138</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2008

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 3,994,019	\$ 1,447,465	\$ 2,280,958	\$ 14,351,566	\$ 214,179	\$ 22,288,187
Payments to suppliers	(2,403,833)	(1,196,252)	(1,226,429)	(14,578,947)	(171,887)	(19,577,348)
Payments to employees	(1,679,405)	(161,545)	(854,768)	(66,287)	(5,529)	(2,767,534)
Net Cash Provided (Used) by Operating Activities	(89,219)	89,668	199,761	(293,668)	36,763	(56,695)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Operating subsidies received-City	-	-	27,500	-	-	27,500
Net Cash Provided by Noncapital Financing Activities	-	-	27,500	-	-	27,500
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Transfer from other funds for capital purposes	-	15,000	-	-	-	15,000
Acquisition and construction of capital assets	-	(106,103)	(49,556)	-	-	(155,659)
Net Cash Used by Capital and Related Financing Activities	-	(91,103)	(49,556)	-	-	(140,659)
Net Increase (Decrease) in Cash and Cash Equivalents	(89,219)	(1,435)	177,705	(293,668)	36,763	(169,854)
CASH AND CASH EQUIVALENTS - Beginning of Year	194,730	348,250	78,465	8,591,920	139,443	9,352,808
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 105,511</u>	<u>\$ 346,815</u>	<u>\$ 256,170</u>	<u>\$ 8,298,252</u>	<u>\$ 176,206</u>	<u>\$ 9,182,954</u>

CITY OF RACINE
Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2008

	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)	\$ (88,670)	\$ (65,355)	\$ 174,229	\$ 313,981	\$ 2,071	\$ 336,256
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities						
Depreciation expense	58,181	210,842	4,233	-	26,183	299,439
(Increase) decrease in accounts receivable	14,237	-	3,334	(325,800)	1,162	(307,067)
(Increase) decrease in inventories	(71,851)	-	-	-	-	(71,851)
(Increase) decrease in due from other funds	21,785	(80,000)	27,500	34,767	778	4,830
Increase (decrease) in accounts payable	(38,414)	(45,823)	11,171	(300,668)	6,569	(367,165)
Increase (decrease) in accrued liabilities	15,513	70,004	(10,082)	(15,948)	-	59,487
Increase (decrease) in due to other funds	-	-	(10,624)	-	-	(10,624)
Total Adjustments	(549)	155,023	25,532	(607,649)	34,692	(392,951)
Net Cash Provided (Used) by Operating Activities	\$ (89,219)	\$ 89,668	\$ 199,761	\$ (293,668)	\$ 36,763	\$ (56,695)