

CITY OF RACINE

Racine, Wisconsin

FINANCIAL STATEMENTS

December 31, 2009

CITY OF RACINE

TABLE OF CONTENTS December 31, 2009

Independent Auditors' Report	1 – 2
Management's Discussion and Analysis	3 – 16
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Assets	17
Statement of Activities	18 – 19
Fund Financial Statements	
Balance Sheet – Governmental Funds	20 – 22
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	23 – 24
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	25
Statement of Revenues, Expenses, and Changes in Fund Balances – Budget and Actual – General Fund	26
Statement of Net Assets – Proprietary Funds	27 – 28
Statement of Revenues, Expenses, and Changes in Net Assets – Proprietary Funds	29 – 30
Statement of Cash Flows – Proprietary Funds	31 – 33
Statement of Fiduciary Net Assets – Fiduciary Funds	34
Notes to Financial Statements	35 – 92
Required Supplementary Information	
Schedule of Funding Progress of Other Postemployment Benefits	93
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	94 – 98
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	99 – 104

CITY OF RACINE

TABLE OF CONTENTS December 31, 2009

Combining and Individual Fund Statements and Schedules (cont.)

Special Revenue Funds

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	105 – 112
--	-----------

Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	113
--	-----

Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	114 – 115
--	-----------

Nonmajor Enterprise Funds

Combining Statement of Net Assets	116 – 117
-----------------------------------	-----------

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	118
---	-----

Combining Statement of Cash Flows	119 – 120
-----------------------------------	-----------

Internal Service Funds

Combining Statement of Net Assets	121 – 122
-----------------------------------	-----------

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets	123
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Combining Statement of Cash Flows	124 – 125
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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, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Racine's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Racine Water and Wastewater Utilities, both major enterprise funds, which represent 82 percent and 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*.

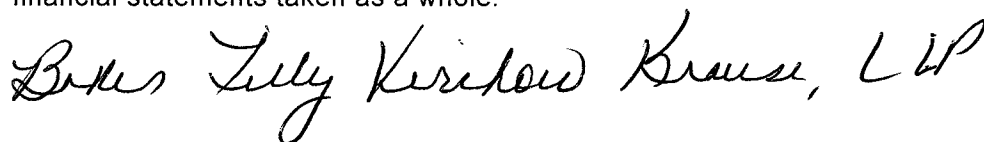
To the Mayor and Common Council
City of Racine

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, 2009, 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 19, 2010 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 Kershaw Krause, LLP". The signature is written in a cursive, flowing style.

Milwaukee, Wisconsin
July 19, 2010

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, 2009.

Financial Highlights

- The assets of the City of Racine exceeded its liabilities at the close of the most recent fiscal year by \$271,291,402 (net assets). Of this amount, \$(7,568,564) (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 \$15,181,145.
- As of the close of the current fiscal year, the City of Racine's governmental funds reported combined ending fund balances of \$53,085,256, a decrease of \$2,070,885, in comparison with the prior year. Approximately 57.71% of this amount, \$30,635,269, is available for spending at the government's discretion (unreserved fund balance). At year end, management had designated \$2,616,438 of the unreserved fund balance for use in the 2010 budget.
- At the end of the current fiscal year, unreserved-undesignated fund balance for the general fund was \$24,641,906 or 30.75% of total general fund expenditures.
- Total long term obligations decreased by approximately \$4.7 million for the fiscal year ended December 31, 2009. Long term obligation activity during the year included the following:
 - \$7.76 million of general obligation debt issued for the 2009 capital improvement plan
 - \$15.3 million for general repayments
 - \$2.76 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, Refunding fund, and the Debt Service Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregate presentation. Nonmajor governmental fund data is provided in the form of combining worksheets elsewhere in the report.

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(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 combining statements referred to earlier in connection with nonmajor governmental and proprietary funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 94-125 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, 2009 and 2008 City's assets exceeded liabilities by \$271,291,402 and \$286,472,547 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 \$256,149,343 and \$254,270,000 at December 31, 2009 and 2008.

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 \$22,710,623 and \$23,406,928 and unrestricted net assets was \$(7,568,564) and \$11,758,785 as of December 31, 2009 and 2008 respectively.

The City's governmental activities had a deficit unrestricted net assets of \$(17,507,388) and \$(2,323,919) as of December 31, 2009 and 2008 respectively. The deficit is primarily the result of the increase in the City's OPEB obligation.

The City's net OPEB obligation was \$55,005,102 and \$36,858,629 as of December 31, 2009 and 2008 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, 2009 and 2008. Amounts are expressed in thousands.

	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</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	\$ 136,124	\$ 138,002	\$ 84,855	\$ 85,499	\$ 220,979	\$ 223,501
Capital assets	<u>180,364</u>	<u>176,417</u>	<u>288,709</u>	<u>289,038</u>	<u>469,073</u>	<u>465,455</u>
Total assets	<u>316,488</u>	<u>314,419</u>	<u>373,564</u>	<u>374,537</u>	<u>690,052</u>	<u>688,956</u>
Current and other liabilities	62,804	62,444	7,149	7,364	69,953	69,808
Liabilities payable from restricted assets	-	-	10,780	10,808	10,780	10,808
Long-term liabilities	<u>156,883</u>	<u>140,213</u>	<u>181,145</u>	<u>181,655</u>	<u>338,028</u>	<u>321,868</u>
Total liabilities	<u>219,687</u>	<u>202,657</u>	<u>199,074</u>	<u>199,827</u>	<u>418,761</u>	<u>402,484</u>
Net assets:						
Invested in capital assets						
net of related debt	99,967	99,869	164,243	160,261	256,149	251,307
Restricted	14,341	14,217	8,369	9,189	22,710	23,406
Unrestricted	<u>(17,507)</u>	<u>(2,324)</u>	<u>1,878</u>	<u>5,260</u>	<u>(7,568)</u>	<u>11,759</u>
Total net assets	<u>\$ 96,801</u>	<u>\$ 111,762</u>	<u>\$ 174,490</u>	<u>\$ 174,710</u>	<u>\$ 271,291</u>	<u>\$ 286,472</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, 2009 and 2008. Amounts are expressed in thousands.

	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
	Governmental	Governmental	Business-type	Business-type	Total	Total
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>		
Revenues						
Charges for services	\$ 36,850	\$ 35,940	\$ 36,837	\$ 35,536	\$ 73,687	\$ 71,476
Operating grants and contributions	12,585	11,590	5,388	5,215	17,973	16,805
Capital grants and contributions	945	3,037	5,600	3,853	6,545	6,890
Taxes	48,421	46,287	1,491	1,380	49,912	47,667
Intergovernmental revenues not restricted to specific programs	31,810	31,206	-	-	31,810	31,206
Investment income	2,011	2,367	253	906	2,264	3,273
Other	<u>1,174</u>	<u>814</u>	<u>2</u>	<u>116</u>	<u>1,176</u>	<u>930</u>
Total revenues	<u>133,796</u>	<u>131,241</u>	<u>49,571</u>	<u>47,006</u>	<u>183,367</u>	<u>178,247</u>
Expenses						
General government	31,078	30,264	-	-	31,078	30,264
Community development	4,176	7,009	-	-	4,176	7,009
Health	3,847	3,358	-	-	3,847	3,358
Education and recreation	14,546	14,891	-	-	14,546	14,891
Public works	32,203	31,933	-	-	32,203	31,933
Public safety	58,643	57,958	-	-	58,643	57,958
Interest and fiscal charges	5,078	5,605	-	-	5,078	5,605
Water	-	-	17,113	16,881	17,113	16,881
Wastewater	-	-	15,913	15,121	15,913	15,121
Belle urban system	-	-	8,795	9,428	8,795	9,428
Other	<u>-</u>	<u>-</u>	<u>7,156</u>	<u>7,473</u>	<u>7,156</u>	<u>7,473</u>
Total expenses	<u>149,571</u>	<u>151,018</u>	<u>48,977</u>	<u>48,903</u>	<u>198,548</u>	<u>199,921</u>
Increase (decrease) in net assets before transfers	(15,775)	(19,777)	594	(1,897)	(15,181)	(21,674)
Transfers	<u>814</u>	<u>2,436</u>	<u>(814)</u>	<u>(2,436)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(14,961)	(17,341)	(220)	(4,333)	(15,181)	(21,674)
Net assets-beginning 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>
Net assets-end of year	<u>\$ 96,801</u>	<u>\$ 111,762</u>	<u>\$ 174,490</u>	<u>\$ 174,710</u>	<u>\$ 271,291</u>	<u>\$ 286,472</u>

CITY OF RACINE
Racine, Wisconsin

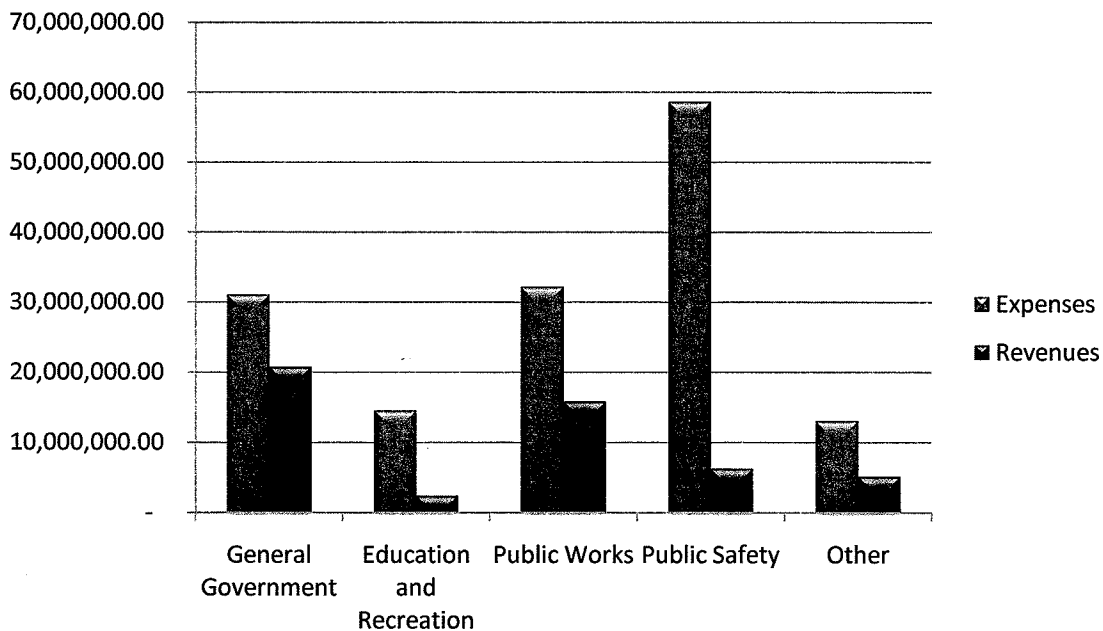
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Governmental Activities

The net assets in the governmental activities decreased by almost \$15 million during the fiscal year. The primary reason for the decrease is as follows:

The governmental activities estimated annual required contribution for post employment benefits exceeded the contributions made during 2009 by just over \$15.4 million.

Expenses and Program Revenues-Governmental Activities:

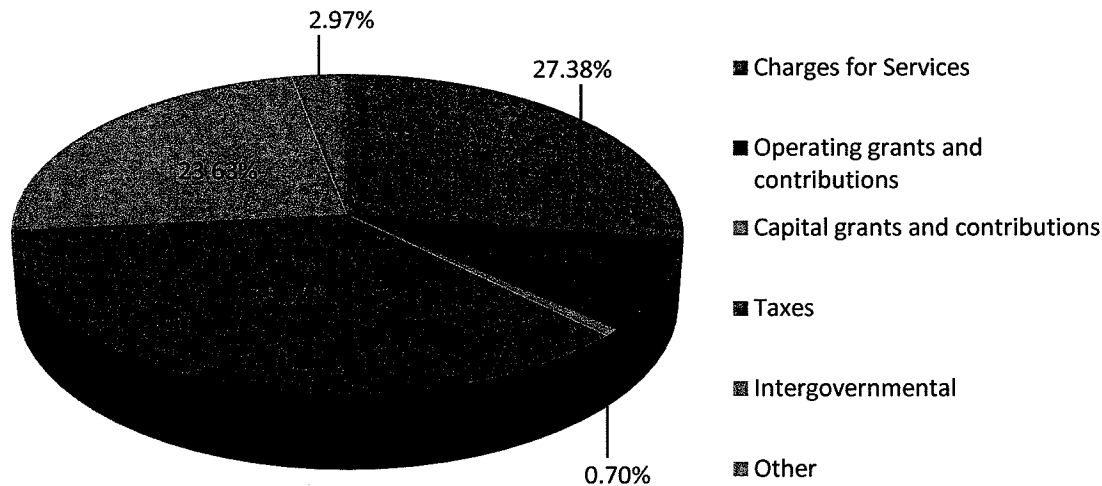


CITY OF RACINE
Racine, Wisconsin

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 almost \$220 thousand during the fiscal year 2009. Key elements of this decrease are as follows:

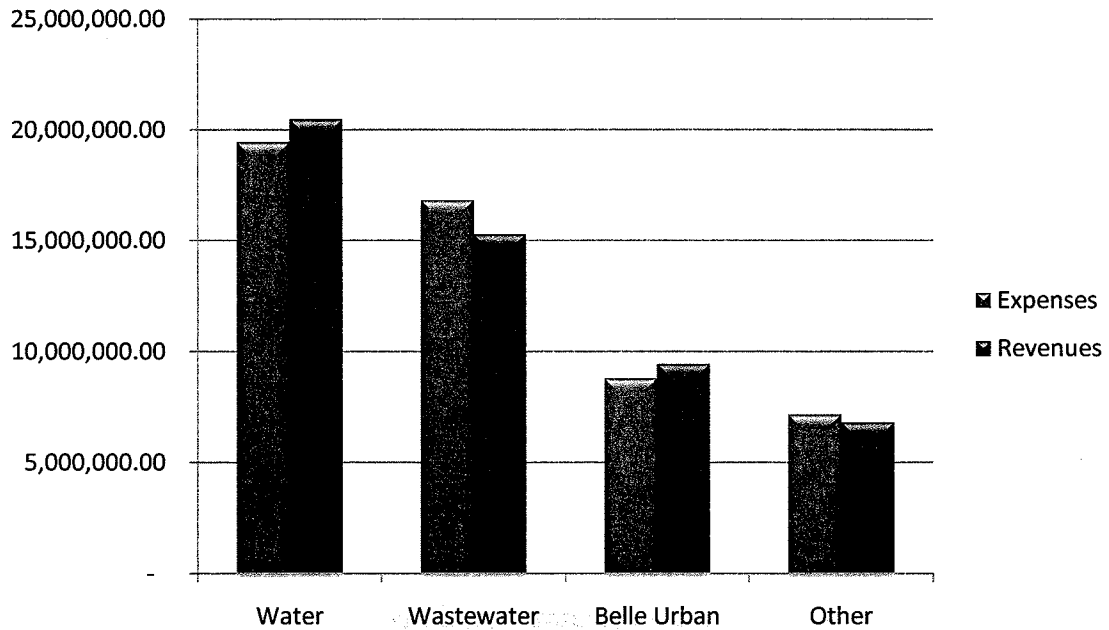
- The Water utility had an increase in net assets of approximately \$1 million. The increase in net assets in the Water utility relates primarily to a rate increase that was instituted in March of 2009. Residential rates increased an average of 20% while commercial rates increased an average of 30%.
- The Wastewater utility had a decrease in net assets of approximately \$1.5 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 operating revenue due to a reduction in amount of flow in 2009 and the elimination of the Water plants sludge processing.
- The Belle Urban Transit system has an increase in net assets of \$645 thousand which relates primarily to a reduction in vehicle operation expenses. Vehicle operation expenses decreased by approximately \$700 thousand during 2009 due to a significant reduction in fuel costs.
- The Other Enterprise Funds of the City had a decrease in net assets of \$352 thousand. The decrease in net assets relates primarily to operating revenues unable to cover escalating depreciation expense, primarily in the storm water and civic center enterprise funds.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Business-type activities (continued)

Expenses and Program Revenues – Business-type Activities:



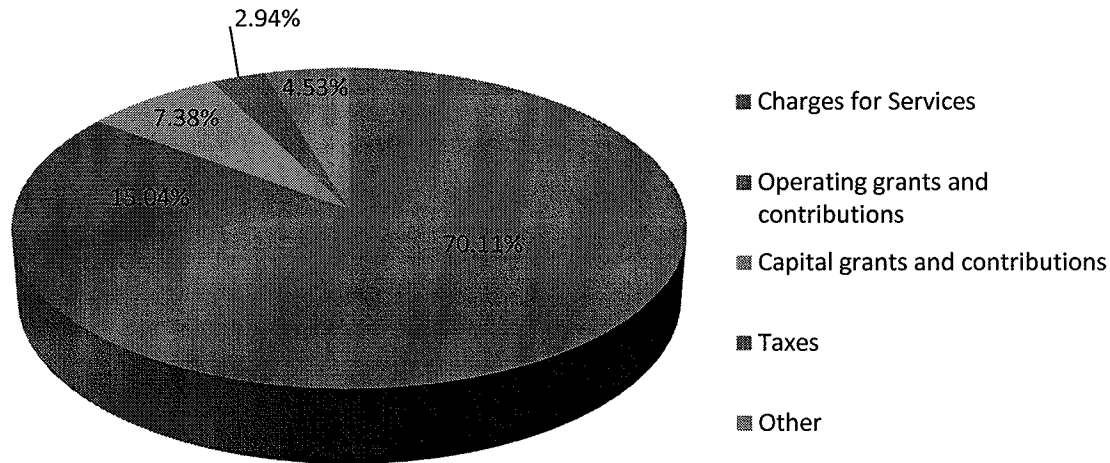
CITY OF RACINE

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 \$53,085,256. Approximately 57.71% of this amount \$30,635,269 constitutes unreserved fund balance which is available for spending at the government's discretion. Management has designated \$2,616,438 of governmental fund balance to be used in the 2010 budget.

The general fund is the primary operating fund of the City of Racine. At the end of the current fiscal year, unreserved-undesignated fund balance of the general fund was \$24,641,906, while total fund balance totaled \$34,591,299. Unreserved-undesignated fund balance represents 30.7% of total general fund expenditures, while total fund balance represents 43.2% 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 \$3.2 million of fund balances during 2009, the general fund used just over \$459 thousand of fund balance for the year ended December 31, 2009. The resulting \$2.7 million positive variance is the result of actual expenditures under budgeted amounts by approximately \$3.5 million and actual revenues under budgeted amounts by over \$817 thousand. The following details both the revenue and expenditures factors that contributed to the positive variance:

- The reduction in revenues in the general fund resulted primarily from the significant reduction in interest income due to market conditions during 2009. The City's blended interest rate on cash and investments was less than 2.5% at the end of 2009, compared to a blended rate at almost 4% during 2008 and years prior.
- Expenditures in the general fund were approximately \$3.5 million, or 4.2% under the budget of \$83,668,201. All general fund expenditure categories were under budget in 2009.
 - The general government category was \$1.9 million under budget. In the 2009 budget the City budgeted for a \$1.8 million wage provision for a 2% increase in wages due to unsettled union contracts. In most cases the contracts were settled with a 0% wage increase resulting in these budgeted funds going unused.
 - The public safety category was approximately \$622 thousand, or 1.4% under budget due to positions left unfilled for the majority of the year in both the police department and the fire department. In addition, the vacancies created through retirement were filled with individuals at less of a cost than those that retired.
 - The capital outlay category was \$584 thousand or 25% 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 2010 and spent in early 2010.

CITY OF RACINE
Racine, Wisconsin

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 \$2,416,127 and \$1,717,705 at the end of fiscal year 2009 and 2008, of which the majority is reserved for specific purposes. In 2009, fund balance increased by \$698,422 in the HUD primarily as a result of 2 large loan payoffs made during 2009.

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 \$(1,724,100) and \$(3,762,995) at the end of fiscal year 2009 and 2008 due to expenditures exceeding tax incremental revenues for the majority of the districts. Tax increment sharing increased fund balances during 2009 and 2008 by \$2,038,895 and \$1,633,692 respectively.

The Debt service fund is another major governmental fund of the City of Racine. The fund accounts for principal and interest payments made on the City's outstanding debt obligations. The debt service fund has a total fund balance of at December 31, 2009 and 2008 of \$1,317,912 and \$1,450,300, all of which is reserved for the payment of debt service. The change in the fund balance during 2009 and 2008 was \$(132,388) and \$107,617 respectively. The decrease in fund balance during 2009 was anticipated to offset the amount of tax levied for debt service.

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 \$16,484,018 and \$20,700,482 in 2009 and 2008 respectively. Reserved fund balance is \$10,604,239 and \$16,387,965 in 2009 and 2008 and unreserved is \$5,879,779, and \$4,312,517 in 2009 and 2008. The fund balances of these funds decreased by \$4,216,464 during 2009, due to several large state projects exceeding anticipated costs. In addition, the City continues to support the initiative of utilizing aging capital funds as quickly as possible.

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 2009 and 2008 amounted to \$3,425,322 and \$1,825,407, for the Wastewater utility \$2,015,260 and \$6,257,555, for the Belle urban system \$(2,032,036) and \$(2,182,397), and for the other enterprise funds \$(1,530,228) and \$(640,550). The total change in net assets for the Water Utility for 2009 and 2008 was \$1,029,759 and \$(1,109,936), the Wastewater Utility \$ (1,542,667) and \$(1,158,570), for the Belle urban system \$645,279 and \$(993,104), and for the Other Enterprise funds \$(352,322) and \$(1,071,166) 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, net of related debt, for its governmental and business-type activities as of December 31, 2009 and 2008 amounts to \$256,149,343 and \$251,306,834 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, 2009 and 2008, capital assets, net of accumulated depreciation totaled \$469,073,377 and \$465,454,682 respectively. Capital assets, net of accumulated depreciation increased approximately \$3.6 million in 2009 and increased by \$1.7 million during 2008. The increase in 2009 occurred primarily in the governmental-type activities due to a large state project for Ohio Street and a large project to construct a new crypt building at the cemetery. The business-type activities capital assets decreased due primarily to depreciation expense exceeding additions.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Capital Asset and Debt Administration (continued)

Long-term debt – At the end of 2009 and 2008, the City of Racine had total G.O. debt and revenue bond debt outstanding of \$239,060,493 and \$243,789,810. Of this amount, the debt backed by the full faith and credit of the government is \$104,930,000 and \$103,870,000 in 2009 and 2008 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 \$4.7 million in 2009. The majority of the decrease in 2009 was a result of significant principal paid in both the Water and the Wastewater Utility.

	Outstanding debt	
	2009	2008
Governmental Activities:		
General obligation bonds and notes	\$ 104,930,000	\$ 103,870,000
Business-Type Activities:		
Revenue bonds	<u>134,130,493</u>	<u>139,919,810</u>
Total	<u>\$ 239,060,493</u>	<u>\$ 243,789,810</u>

Economic Conditions and 2009 and 2010 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 2010, the City's unemployment rate is 12.0% compared to a state rate of 5.4% and a county rate of 7.5%.

The assessed value of the City has increased over the last several years with a less than 1% increase in 2009 and 3.9% increase in 2008. Due to current market conditions, the City is facing a reduction in the assessed value in 2010.

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 2010 and a potential reduction of intergovernmental aids in 2011. 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, however increased about 5% in 2009. The City anticipates costs to increase about 5% from 2009 to 2010.

The City used slightly over \$2.2 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 2010 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 2011 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, 2009

	Primary Government			Business Improvement District	Redevelopment Authority
	Governmental Activities	Business Type Activities	Total		
ASSETS					
Cash and investments	\$ 60,860,265	\$ 14,809,289	\$ 75,669,554	\$ 21,314	\$ 22,787
Receivables (net of allowance for uncollectible accounts)	67,422,820	12,030,269	79,453,089	-	450,000
Internal balances	506,964	(506,964)	-	-	-
Due from primary government	-	-	-	208,801	-
Due from other governments	1,423,302	2,399,587	3,822,889	-	-
Inventories	547,445	959,960	1,507,405	-	-
Prepaid items	306,112	26,702	332,814	-	-
Deferred charges	809,060	710,153	1,519,213	-	-
Advances to other funds	2,919,031	(2,919,031)	-	-	-
Advances to component unit	944,313	-	944,313	-	-
Restricted assets					
Cash and investments	-	16,571,756	16,571,756	-	-
Accrued interest receivable	-	-	-	-	-
Plant capacity receivable, current portion	-	2,310,269	2,310,269	-	-
Plant capacity receivable, long term	-	38,463,132	38,463,132	-	-
Land held for resale	385,000	-	385,000	-	1,387,375
Capital assets					
Land	24,525,352	5,084,905	29,610,257	-	-
Construction in progress	8,815,494	1,805,050	10,620,544	-	-
Other capital assets (net of accumulated depreciation)	147,023,260	281,819,316	428,842,576	4,387	-
TOTAL ASSETS	\$ 316,488,418	\$ 373,564,393	\$ 690,052,811	\$ 234,502	\$ 1,860,162
LIABILITIES					
Liabilities					
Accounts payable	\$ 3,458,986	\$ 1,515,992	\$ 4,974,978	\$ 9,951	\$ 1,642
Accrued compensation and other current liabilities	6,319,115	583,910	6,903,025	-	800
Due to other governments	479,567	-	479,567	-	-
Accrued interest payable	198,121	-	198,121	-	-
Unearned revenue	52,348,303	5,049,292	57,397,595	208,801	-
Liabilities payable from restricted assets					
Accrued interest payable	-	1,044,202	1,044,202	-	-
Current portion of long term debt	-	8,604,870	8,604,870	-	-
Deferred capacity revenue, current portion	-	1,130,526	1,130,526	-	-
Noncurrent liabilities					
Plant capacity	-	46,366,978	46,366,978	-	-
OPEB obligation	47,668,295	7,336,807	55,005,102	-	-
Due within one year	7,962,620	-	7,962,620	-	-
Due in more than one year	101,252,219	127,441,606	228,693,825	-	944,313
TOTAL LIABILITIES	219,687,226	199,074,183	418,761,409	218,752	946,755
NET ASSETS					
Invested in capital assets, net of related debt	99,967,007	164,242,842	256,149,343	4,387	-
Restricted					
Debt service	1,119,791	-	1,119,791	-	-
Permanent funds	3,295,608	-	3,295,608	-	-
HUD loan program	9,926,174	-	9,926,174	-	-
Water	-	2,935,852	2,935,852	-	-
Wastewater	-	5,433,198	5,433,198	-	-
Unrestricted	(17,507,388)	1,878,318	(7,568,564)	11,363	913,407
TOTAL NET ASSETS	\$ 96,801,192	\$ 174,490,210	\$ 271,291,402	\$ 15,750	\$ 913,407

CITY OF RACINE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2009

	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		
<u>Functions/Programs</u>									
Primary Government									
Governmental activities									
General government	\$ 31,078,391	\$ 20,725,757	\$ 22,500	\$ -	\$ (10,330,134)	\$ -	\$ (10,330,134)	\$ -	\$ -
Community development	4,176,318	93,833	3,028,126	100,000	(954,359)	-	(954,359)	-	-
Health	3,846,508	406,995	1,503,351	-	(1,936,162)	-	(1,936,162)	-	-
Education and recreation	14,546,434	887,180	1,492,047	8,422	(12,158,785)	-	(12,158,785)	-	-
Public works	32,202,670	9,954,899	5,038,697	836,829	(16,372,245)	-	(16,372,245)	-	-
Public safety	58,643,049	4,781,273	1,499,818	-	(52,361,958)	-	(52,361,958)	-	-
Interest and fiscal charges	5,077,501	-	-	-	(5,077,501)	-	(5,077,501)	-	-
Total Governmental Activities	149,570,871	36,849,937	12,584,539	945,251	(99,191,144)	-	(99,191,144)	-	-
Business type activities									
Water	17,112,973	18,231,981	-	1,964,008	-	3,083,016	3,083,016	-	-
Wastewater	15,913,222	11,736,443	-	2,392,730	-	(1,784,049)	(1,784,049)	-	-
Belle Urban Transit	8,795,394	1,406,067	5,388,138	1,243,039	-	(758,150)	(758,150)	-	-
Other	7,155,665	5,462,196	-	-	-	(1,693,469)	(1,693,469)	-	-
Total Business Type Activities	48,977,254	36,836,687	5,388,138	5,599,777	-	(1,152,652)	(1,152,652)	-	-

CITY OF RACINE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2009

	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	\$ 198,548,125	\$ 73,686,624	\$ 17,972,677	\$ 6,545,028	(99,191,144)	(1,152,652)	(100,343,796)	-	-
Component Unit									
Business Improvement District	\$ 220,694		\$ -	\$ -	-	-	-	(220,694)	-
Redevelopment Authority	49,771	6,642	-	-	-	-	-	-	(43,129)
	\$ 270,465	\$ 6,642	\$ -	\$ -	-	-	-	(220,694)	(43,129)
General Revenues									
Taxes									
Property taxes levied for general purposes					34,679,092	1,490,794	36,169,886	-	-
Property taxes levied for debt service					8,419,636	-	8,419,636	-	-
Property taxes levied for TIF					5,013,174	-	5,013,174	-	-
Other taxes					309,233	-	309,233	214,087	-
Intergovernmental revenues not restricted to specific programs					31,809,867	-	31,809,867	-	-
Investment income					2,011,122	253,290	2,264,412	804	-
Other					1,173,690	2,753	1,176,443	-	-
Transfers					814,136	(814,136)	-	-	-
Total General Revenues and Transfers					84,229,950	932,701	85,162,651	214,891	-
Change in Net Assets					(14,961,194)	(219,951)	(15,181,145)	(5,803)	(43,129)
NET ASSETS - Beginning of Year					111,762,386	174,710,161	286,472,547	21,553	956,536
NET ASSETS - END OF YEAR					\$ 96,801,192	\$ 174,490,210	\$ 271,291,402	\$ 15,750	\$ 913,407

CITY OF RACINE
Governmental Funds

BALANCE SHEET
December 31, 2009

	General Fund	HUD	Tax Increment Districts	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 28,465,440	\$ 2,613,135	\$ -	\$ 1,310,696	\$ 19,212,943	\$ 51,602,214
Receivables						
Property taxes	35,321,104	-	4,087,001	8,755,759	6,467,328	54,631,192
Special assessments						
and special charges - tax roll	-	-	-	-	440,660	440,660
Special assessments	-	-	-	-	1,908,602	1,908,602
Delinquent personal property taxes	107,303	-	-	-	-	107,303
Loans and notes	107,894	7,811,894	-	-	-	7,919,788
Interest	269,936	-	-	-	-	269,936
Accounts	1,019,818	1,213	-	-	573,131	1,594,162
Total Receivables - Net	36,826,055	7,813,107	4,087,001	8,755,759	9,389,721	66,871,643
Due from other funds	8,866,497	-	-	7,217	185,923	9,059,637
Due from other governments	-	869,400	-	-	553,902	1,423,302
Inventories	134,828	-	-	-	-	134,828
Prepaid Items	19,832	7,623	-	-	220,000	247,455
Assets held for resale	-	-	-	-	385,000	385,000
Advances to component unit	-	109,000	-	-	835,313	944,313
Advances to other funds	2,472,178	-	-	1,604,059	3,584,855	7,661,092
TOTAL ASSETS	\$ 76,784,830	\$ 11,412,265	\$ 4,087,001	\$ 11,677,731	\$ 34,367,657	\$ 138,329,484

CITY OF RACINE

Governmental Funds

BALANCE SHEET

December 31, 2009

	General Fund	HUD	Tax Increment Districts	Debt Service	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 657,436	\$ 623,457	\$ -	\$ -	\$ 1,740,459	\$ 3,021,352
Other accrued liabilities	1,506,085	225,720	-	-	200,614	1,932,419
Accrued compensation	1,073,065	-	-	-	-	1,073,065
Due to other funds	4,579,759	302,956	-	-	3,614,282	8,496,997
Due to other governments	430,414	49,153	-	-	-	479,567
Insurance claims payable	2,076,542	-	-	-	-	2,076,542
Advances from other funds	-	-	1,724,100	-	3,017,961	4,742,061
Deferred revenue	107,894	7,794,852	-	1,604,060	2,402,335	11,909,141
Deferred interest	109,734	-	-	-	-	109,734
Deferred property tax revenue	31,652,602	-	4,087,001	8,755,759	6,907,988	51,403,350
Total Liabilities	42,193,531	8,996,138	5,811,101	10,359,819	17,883,639	85,244,228
Fund Balances						
Reserved for:						
Subsequent year's expenditures	\$ 230,485	\$ -	\$ -	\$ -	\$ 169,907	\$ 400,392
Endowments	-	-	-	-	1,411,639	1,411,639
Inventories	134,828	-	-	-	-	134,828
Prepaid items	19,832	-	-	-	-	19,832
Encumbrances	514,301	-	-	-	888,026	1,402,327
Community Development	-	2,307,127	-	-	-	2,307,127
Capital projects	-	-	-	-	4,970,437	4,970,437
Noncurrent receivables	4,487,503	-	-	-	-	4,487,503
Advance to other funds	2,362,444	109,000	-	-	3,526,546	5,997,990
Debt service	-	-	-	1,317,912	-	1,317,912

CITY OF RACINE

Governmental Funds

BALANCE SHEET

December 31, 2009

	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	24,641,906	-	-	-	-	24,641,906
Permanent Funds	-	-	-	-	1,883,969	1,883,969
Special revenue funds						
Designated for subsequent year's expenditures	-	-	-	-	416,438	416,438
Undesignated	-	-	(1,724,100)	-	4,729,228	3,005,128
Capital project funds						
Undesignated	-	-	-	-	(1,512,172)	(1,512,172)
Total Fund Balances (Deficits)	<u>34,591,299</u>	<u>2,416,127</u>	<u>(1,724,100)</u>	<u>1,317,912</u>	<u>16,484,018</u>	<u>53,085,256</u>
TOTAL LIABILITIES						
AND FUND BALANCES	<u>\$ 76,784,830</u>	<u>\$ 11,412,265</u>	<u>\$ 4,087,001</u>	<u>\$ 11,677,731</u>	<u>\$ 34,367,657</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						178,163,845
Internal service fund net assets						10,609,549
Other long-term assets that are not available to pay for current period expenditures and therefore are deferred in funds						11,073,922
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the						(156,131,380)
NET ASSETS OF GOVERNMENTAL ACTIVITIES						<u>\$ 96,801,192</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, 2009

	General Fund	HUD	Tax Increment Districts	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 31,144,260	\$ -	\$ 3,807,461	\$ 8,419,636	\$ 4,788,895	\$ 48,160,252
Special assessments	-	-	-	-	979,776	979,776
Intergovernmental	35,385,339	3,583,208	33,625	-	6,030,369	45,032,541
Licenses and permits	1,572,175	-	-	-	-	1,572,175
Fines and forfeitures	1,269,893	-	-	-	512,477	1,782,370
Investment income	816,096	13,272	119,639	-	1,062,115	2,011,122
Charges for services	5,837,196	31,577	-	-	3,630,368	9,499,141
Donations	-	1,000	-	-	283,617	284,617
Other	548,446	1,405,617	-	144,987	96,459	2,195,509
Total Revenues	<u>76,573,405</u>	<u>5,034,674</u>	<u>3,960,725</u>	<u>8,564,623</u>	<u>17,384,076</u>	<u>111,517,503</u>
EXPENDITURES						
Current						
General government	13,374,378	-	-	-	-	13,374,378
Community development	-	3,698,340	-	-	594,043	4,292,383
Health	1,954,153	-	-	-	1,529,051	3,483,204
Education and recreation	6,821,817	-	-	-	4,599,103	11,420,920
Public works	12,288,160	-	-	-	3,270,429	15,558,589
Public safety	44,009,872	-	-	-	1,074,034	45,083,906
Capital outlay	1,693,064	611,726	-	-	15,362,525	17,667,315
Debt Service						
Principal	-	-	-	6,783,679	-	6,783,679
Interest	-	-	120,981	4,663,507	214,715	4,999,203
Total Expenditures	<u>80,141,444</u>	<u>4,310,066</u>	<u>120,981</u>	<u>11,447,186</u>	<u>26,643,900</u>	<u>122,663,577</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(3,568,039)</u>	<u>724,608</u>	<u>3,839,744</u>	<u>(2,882,563)</u>	<u>(9,259,824)</u>	<u>(11,146,074)</u>

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2009

	General Fund	HUD	Tax Increment Districts	Debt Service	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)						
Long-term debt issued	\$ -	\$ -	\$ -	\$ -	\$ 7,760,000	7,760,000
Transfers in	3,221,789	-	-	2,750,175	2,871,778	8,843,742
Transfers (out)	(113,100)	(26,186)	(1,800,849)	-	(5,588,418)	(7,528,553)
Total Other Financing Sources (Uses)	<u>3,108,689</u>	<u>(26,186)</u>	<u>(1,800,849)</u>	<u>2,750,175</u>	<u>5,043,360</u>	<u>9,075,189</u>
Net Change in Fund Balances	(459,350)	698,422	2,038,895	(132,388)	(4,216,464)	(2,070,885)
FUND BALANCES (DEFICIT) -						
Beginning 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>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 34,591,299</u>	<u>\$ 2,416,127</u>	<u>\$ (1,724,100)</u>	<u>\$ 1,317,912</u>	<u>\$ 16,484,018</u>	<u>\$ 53,085,256</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, 2009

Net change in fund balances - total governmental funds	\$ (2,070,885)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$13,805,498) exceeded depreciation (\$9,337,439) in the current period, less loss on disposal (\$421,181)	4,046,878
The issuance of long-term obligations (e.g. bonds, leases, OPEB) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, have any effect on net assets. This amount is the net effect of the difference in the treatment of long-term debt.	(16,376,360)
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.	(76,492)
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	(258,346)
Revenues in the governmental funds that are not reported as revenues in the statement of activities	(1,149,160)
Expenditures in the governmental funds that are not reported as expenses in the statement of activities	711,760
Internal service fund change in net assets	<u>211,411</u>
Change in net assets of governmental activities	<u>\$ (14,961,194)</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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
REVENUES				
Taxes	\$ 31,093,897	\$ 31,093,897	\$ 31,144,260	\$ 50,363
Intergovernmental	35,223,238	35,223,238	35,385,339	162,101
Licenses and permits	1,708,895	1,708,895	1,572,175	(136,720)
Fines and forfeitures	1,423,000	1,423,000	1,269,893	(153,107)
Investment income	1,921,000	1,921,000	816,096	(1,104,904)
Charges for services	5,583,147	5,583,147	5,837,196	254,049
Other	437,480	437,480	548,446	110,966
Total Revenues	<u>77,390,657</u>	<u>77,390,657</u>	<u>76,573,405</u>	<u>(817,252)</u>
EXPENDITURES				
Current				
General government	15,292,473	15,288,028	13,374,378	1,913,650
Health	2,022,232	2,032,132	1,954,153	77,979
Education and recreation	6,962,809	6,987,066	6,821,817	165,249
Public works	12,328,075	12,451,619	12,288,160	163,459
Public safety	44,273,678	44,632,369	44,009,872	622,497
Capital Outlay	1,797,990	2,276,987	1,693,064	583,923
Total Expenditures	<u>82,677,257</u>	<u>83,668,201</u>	<u>80,141,444</u>	<u>3,526,757</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,286,600)</u>	<u>(6,277,544)</u>	<u>(3,568,039)</u>	<u>2,709,505</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,086,600	3,086,600	3,221,789	135,189
Transfers (out)	-	-	(113,100)	(113,100)
Total Other Financing Sources (Uses)	<u>3,086,600</u>	<u>3,086,600</u>	<u>3,108,689</u>	<u>22,089</u>
Net Change in Fund Balance	<u>\$ (2,200,000)</u>	<u>\$ (3,190,944)</u>	<u>(459,350)</u>	<u>\$ 2,731,594</u>
FUND BALANCE -				
Beginning of Year			<u>35,050,649</u>	
FUND BALANCE - END OF YEAR			<u>\$ 34,591,299</u>	

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2009

	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	\$ 4,235,673	\$ 8,502,999	\$ 200	\$ 2,070,417	\$ 14,809,289	\$ 9,258,051
Receivables						
Accounts	3,207,578	3,231,979	140,886	166,240	6,746,683	551,173
Taxes	241,637	2,462	1,096,413	3,943,074	5,283,586	-
Due from other governments	-	-	2,368,345	31,242	2,399,587	-
Due from other funds	3,695,541	4,715,898	-	-	8,411,439	17,547
Inventories	339,317	76,501	538,497	5,645	959,960	412,617
Prepaid items	9,374	-	-	17,328	26,702	58,657
Total Current Assets	<u>11,729,120</u>	<u>16,529,839</u>	<u>4,144,341</u>	<u>6,233,946</u>	<u>38,637,246</u>	<u>10,298,045</u>
Noncurrent Assets						
Restricted Assets						
Cash and investments	10,806,303	5,765,453	-	-	16,571,756	-
Accrued interest receivable	-	-	-	-	-	-
Plant capacity receivable, current portion	-	2,310,269	-	-	2,310,269	-
Plant capacity receivable, long term	-	38,463,132	-	-	38,463,132	-
Capital assets						
Land	1,843,341	99,950	539,434	2,602,180	5,084,905	32,879
Land and building improvements	134,576,018	104,618,429	7,695,907	82,203,654	329,094,008	1,605,013
Equipment, furniture and vehicles	31,782,595	47,277,538	12,852,287	2,103,881	94,016,301	3,027,613
Less: Accumulated depreciation	(36,727,702)	(54,192,589)	(10,502,227)	(39,868,475)	(141,290,993)	(2,487,369)
Construction in progress	1,035,240	156,574	-	613,236	1,805,050	22,129
Other assets						
Unamortized bond issue costs	656,270	53,883	-	-	710,153	-
Total Noncurrent Assets	<u>143,972,065</u>	<u>144,552,639</u>	<u>10,585,401</u>	<u>47,654,476</u>	<u>346,764,581</u>	<u>2,200,265</u>
TOTAL ASSETS	<u>\$ 155,701,185</u>	<u>\$ 161,082,478</u>	<u>\$ 14,729,742</u>	<u>\$ 53,888,422</u>	<u>\$ 385,401,827</u>	<u>\$ 12,498,310</u>

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2009

	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	\$ 101,285	\$ 658,420	\$ 592,001	\$ 164,286	\$ 1,515,992	\$ 437,634
Accrued compensation	-	-	55,460	14,169	69,629	-
Accrued liabilities	264,077	186,295	13,021	50,888	514,281	1,237,089
Advances from other funds	33,166	29,663	-	179,305	242,134	-
Due to other funds	2,968,973	1,021,790	4,342,236	585,404	8,918,403	73,223
Deferred revenue	-	-	9,805	-	9,805	-
Deferred property tax revenue	-	-	1,096,413	3,943,074	5,039,487	-
Liabilities payable from restricted assets						
Accrued interest	711,947	332,255	-	-	1,044,202	-
Current portion of long term debt	3,934,816	4,670,054	-	-	8,604,870	-
Deferred capacity revenue, current portion	-	1,130,526	-	-	1,130,526	-
Total Current Liabilities	<u>8,014,264</u>	<u>8,029,003</u>	<u>6,108,936</u>	<u>4,937,126</u>	<u>27,089,329</u>	<u>1,747,946</u>
Noncurrent Liabilities						
Compensated absences	586,245	400,588	67,441	65,972	1,120,246	140,815
OPEB obligation	3,397,004	2,314,394	-	1,625,409	7,336,807	-
Revenue bonds and notes payable	60,919,736	65,401,624	-	-	126,321,360	-
Deferred plant capacity	-	46,366,978	-	-	46,366,978	-
Advances from other funds	813,581	727,649	-	1,135,667	2,676,897	-
Total Noncurrent Liabilities	<u>65,716,566</u>	<u>115,211,233</u>	<u>67,441</u>	<u>2,827,048</u>	<u>183,822,288</u>	<u>140,815</u>
TOTAL LIABILITIES	<u>73,730,830</u>	<u>123,240,236</u>	<u>6,176,377</u>	<u>7,764,174</u>	<u>210,911,617</u>	<u>1,888,761</u>
NET ASSETS						
Investment in capital assets, net of related debt	75,609,181	30,393,784	10,585,401	47,654,476	164,242,842	2,200,265
Restricted	2,935,852	5,433,198	-	-	8,369,050	-
Unrestricted (deficit)	3,425,322	2,015,260	(2,032,036)	(1,530,228)	1,878,318	8,409,284
TOTAL NET ASSETS	<u>\$ 81,970,355</u>	<u>\$ 37,842,242</u>	<u>\$ 8,553,365</u>	<u>\$ 46,124,248</u>	<u>\$ 174,490,210</u>	<u>\$ 10,609,549</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, 2009

	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	\$ 17,639,927	\$ 11,161,515	\$ 1,397,221	\$ 5,409,087	\$ 35,607,750	\$ 22,770,657
Other	592,054	574,928	8,846	53,109	1,228,937	576,540
Total Operating Revenues	<u>18,231,981</u>	<u>11,736,443</u>	<u>1,406,067</u>	<u>5,462,196</u>	<u>36,836,687</u>	<u>23,347,197</u>
OPERATING EXPENSES						
Public works	10,672,084	9,454,853	7,748,154	4,394,038	32,269,129	5,710,207
Education and recreation	-	-	-	836,572	836,572	-
General administration	-	-	-	-	-	17,252,129
Depreciation	3,933,036	4,344,538	1,047,240	1,888,596	11,213,410	295,658
Total Operating Expenses	<u>14,605,120</u>	<u>13,799,391</u>	<u>8,795,394</u>	<u>7,119,206</u>	<u>44,319,111</u>	<u>23,257,994</u>
Operating income (loss)	<u>3,626,861</u>	<u>(2,062,948)</u>	<u>(7,389,327)</u>	<u>(1,657,010)</u>	<u>(7,482,424)</u>	<u>89,203</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	87,710	103,695	-	61,885	253,290	-
Interest expense	(2,495,167)	(2,005,713)	-	(43,824)	(4,544,704)	-
Intergovernmental interest reimbursement	-	1,117,811	-	-	1,117,811	-
Plant capacity income	-	1,130,526	-	-	1,130,526	-
Gain (loss) on sale of fixed assets	-	-	-	7,365	7,365	-
Amortization of bond discount	(12,686)	(4,793)	-	-	(17,479)	-
Subsidies from other governmental units	-	-	5,388,138	-	5,388,138	-
Tax Levy	-	-	1,103,409	387,385	1,490,794	80,000
Household hazardous waste revenue	-	144,393	-	-	144,393	-
Household hazardous waste expense	-	(103,325)	-	-	(103,325)	-
Other	-	2,753	-	-	2,753	-
Total Nonoperating Revenues (Expenses)	<u>(2,420,143)</u>	<u>385,347</u>	<u>6,491,547</u>	<u>412,811</u>	<u>4,869,562</u>	<u>80,000</u>

CITY OF RACINE

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS For the Year Ended December 31, 2009

	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	1,206,718	(1,677,601)	(897,780)	(1,244,199)	(2,612,862)	169,203
CAPITAL CONTRIBUTIONS	2,133,990	-	1,243,039	373,279	3,750,308	-
TRANSFERS IN	29,240	1,045,774	300,020	518,598	1,893,632	42,208
TRANSFERS (OUT)	<u>(2,340,189)</u>	<u>(910,840)</u>	<u>-</u>	<u>-</u>	<u>(3,251,029)</u>	<u>-</u>
Change in Net Assets	1,029,759	(1,542,667)	645,279	(352,322)	(219,951)	211,411
TOTAL NET ASSETS - Beginning 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>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 81,970,355</u>	<u>\$ 37,842,242</u>	<u>\$ 8,553,365</u>	<u>\$ 46,124,248</u>	<u>\$ 174,490,210</u>	<u>\$ 10,609,549</u>

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2009

	Business Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals	Internal Service Fund
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 17,018,823	\$ 10,694,025	\$ 1,378,282	\$ 5,387,284	\$ 34,478,414	\$ 23,430,483
Payments to suppliers	(3,600,061)	(3,205,593)	(4,974,094)	(2,659,826)	(14,439,574)	(20,200,068)
Payments to employees	(6,407,768)	(5,110,356)	(2,661,730)	(2,290,463)	(16,470,317)	(2,963,646)
Net Cash Provided (Used) by Operating Activities	7,010,994	2,378,076	(6,257,542)	436,995	3,568,523	266,769
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer from (to) other funds	(2,310,949)	(910,840)	-	-	(3,221,789)	-
Advances retired	(30,231)	(27,039)	-	-	(57,270)	-
Principal paid on non-capital debt	-	(226,143)	-	-	(226,143)	-
Interest paid on non-capital debt	-	(15,209)	-	-	(15,209)	-
Interest on advances	(46,321)	(41,429)	-	-	(87,750)	-
Miscellaneous receipts	-	2,753	-	-	2,753	-
Operating grants received	-	41,068	6,855,866	-	6,896,934	-
Operating subsidies received (repayment)	-	-	382,047	387,385	769,432	80,000
Net Cash Provided (Used) by Noncapital Financing Activities	(2,387,501)	(1,176,839)	7,237,913	387,385	4,060,958	80,000
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Debt issued	2,760,000	-	-	-	2,760,000	-
Debt retired	(4,009,059)	(4,314,115)	-	-	(8,323,174)	-
Proceeds from advances	-	-	-	500,000	500,000	-
Advances retired	-	-	-	(83,920)	(83,920)	-
Interest paid on long-term debt	(2,480,650)	(1,970,548)	-	-	(4,451,198)	-
Interest paid on advances	-	-	-	(43,824)	(43,824)	-
Transfer from other funds for capital purposes	-	-	-	891,876	891,876	42,208
Acquisition and construction of capital assets	(3,851,615)	(1,896,042)	(1,699,932)	(2,438,586)	(9,886,175)	(313,879)
Bond issue costs paid	(52,309)	-	-	-	(52,309)	-
REC and other fees received	517,640	-	-	-	517,640	-
Intergovernmental interest reimbursement	-	1,117,811	-	-	1,117,811	-
Proceeds for plant capacity	-	3,025,802	-	-	3,025,802	-
Capital subsidies received	-	-	719,561	(29,385)	690,176	-
Proceeds from sale of capital assets	1,238,315	-	-	20,000	1,258,315	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(5,877,678)	(4,037,092)	(980,371)	(1,183,839)	(12,078,980)	(271,671)

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2009

	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	\$ (3,885,504)	\$ (9,010,941)	\$ -	\$ -	\$ (12,896,445)	\$ -
Proceeds on redemption of investments	9,929,532	16,908,435	-	-	26,837,967	-
Investment income received	135,027	145,820	-	61,885	342,732	-
Net Cash Provided (Used) by Investing Activities	6,179,055	8,043,314	-	61,885	14,284,254	-
Net Increase (Decrease) in Cash and Cash Equivalents	4,924,870	5,207,459	-	(297,574)	9,834,755	75,098
CASH AND CASH EQUIVALENTS						
Beginning of Year	6,231,602	3,048,299	200	2,367,991	11,648,092	9,182,953
End of Year	\$ 11,156,472	\$ 8,255,758	\$ 200	\$ 2,070,417	\$ 21,482,847	\$ 9,258,051
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ 3,626,861	\$ (2,062,948)	\$ (7,389,327)	\$ (1,657,010)	\$ (7,482,424)	\$ 89,203
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Other postemployment benefits	1,284,528	846,403	-	565,503	2,696,434	-
Depreciation	4,046,884	4,344,538	1,047,240	1,888,596	11,327,258	295,658
(Increase) decrease in accounts receivable	(617,747)	(359,056)	(27,785)	(450)	(1,005,038)	84,000
(Increase) decrease in prepaid items	2,731	-	-	(15,280)	(12,549)	(58,657)
(Increase) decrease in inventories	21,942	(26,770)	53,659	799	49,630	15,167
(Increase) decrease in due from other funds	(519,563)	(663,256)	-	(235,637)	(1,418,456)	79,288
Increase (decrease) in accounts payable	(162,892)	401,044	136,347	(421,240)	(46,741)	139,460
Increase (decrease) in accrued liabilities	53,167	19,659	(77,676)	8,311	3,461	(433,226)
Increase (decrease) in deferred revenue	-	-	-	161,176	161,176	-
Increase (decrease) in due to other funds	(724,917)	(121,538)	-	142,227	(704,228)	55,876
Net Cash Provided (Used) by Operating Activities	\$ 7,010,994	\$ 2,378,076	\$ (6,257,542)	\$ 436,995	\$ 3,568,523	\$ 266,769

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2009

	Business Type Activities- Enterprise Funds					Governmental Activities- Internal Service Fund
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals	
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET						
Cash and investments						
Unrestricted	\$ 4,235,673	\$ 8,502,999	\$ 200	\$ 2,070,417	\$ 14,809,289	\$ 9,258,051
Restricted	10,806,303	5,765,453	-	-	16,571,756	-
Total Cash and Investments	15,041,976	14,268,452	200	2,070,417	31,381,045	9,258,051
Less investments not meeting the definition of cash and cash equivalents	(3,885,504)	(6,012,694)	-	-	(9,898,198)	-
TOTAL CASH AND CASH EQUIVALENTS END OF YEAR	<u>\$ 11,156,472</u>	<u>\$ 8,255,758</u>	<u>\$ 200</u>	<u>\$ 2,070,417</u>	<u>\$ 21,482,847</u>	<u>\$ 9,258,051</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Estimated cost of fixed assets installed or financed by developers, customers or the City	<u>\$ 1,616,350</u>	<u>\$ 1,045,774</u>	<u>\$ -</u>	<u>\$ 373,279</u>	<u>\$ 3,035,403</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF RACINE

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2009

	Agency Funds		
	Police Evidence	Tax Collecting	Total
ASSETS			
Cash and investments	\$ 359,756	\$ 29,371,090	\$ 29,730,846
Receivables			
Property taxes	-	19,685,408	19,685,408
TOTAL ASSETS	<u>359,756</u>	<u>49,056,498</u>	<u>49,416,254</u>
LIABILITIES			
Accounts payable	22,704	5,062	27,766
Due to component unit	-	208,801	208,801
Due to other governments	337,052	48,842,635	49,179,687
Total Liabilities	<u>359,756</u>	<u>49,056,498</u>	<u>49,416,254</u>
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF RACINE

INDEX TO NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE	Page
I. Summary of Significant Accounting Policies	35
A. Reporting Entity	35
B. Government-Wide and Fund Financial Statements	37
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	41
D. Assets, Liabilities, and Net Assets or Equity	43
1. Deposits, Investments and Equivalents	43
2. Receivables	44
3. Inventories and Prepaid Items	46
4. Restricted Assets	46
5. Capital Assets	46
6. Other Assets	46
7. Assets held for resale	47
8. Compensated Absences	
9. Long-Term Obligations/Conduit Debt	48
10. Claims and Judgments	49
11. Equity Classifications	49
II. Reconciliation of Government-Wide and Fund Financial Statements	51
A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Assets	51
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	52
III. Stewardship, Compliance, and Accountability	54
A. Budgetary Information	54
B. Excess Expenditures Over Appropriations	55
C. Deficit Balances	55
D. Limitations on the City's Tax Levy	56
IV. Detailed Notes on All Funds	57
A. Deposits and Investments	57
B. Receivables	60
C. Restricted Assets	62
D. Capital Assets	63
E. Interfund Receivables/Payables and Transfers	66
F. Long-Term Obligations	70
G. Lease Disclosures	77
H. Net Assets	78
I. Component Unit	79

CITY OF RACINE

INDEX TO NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE	<u>Page</u>
V. Other Information	81
A. Employees' Retirement System	81
B. Racine Transit System Pension Plan	82
C. Risk Management	84
D. Commitments and Contingencies	87
E. Other Postemployment Benefits	88
F. Economic Dependency	91
G. Intermunicipal Agreement	91
H. Intergovernmental Retail Water Service Agreement	92
I. Infiltration/Inflow Removal Agreement	92
J. Subsequent Events	92

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

This report includes all of the funds of the City of Racine. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by an individual organization that the specific primary government or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government. Blended component units, although legally separate entities, are, in substance, part of the governments operations and are reported with similar funds of the primary government. The discretely presented component units described below are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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, 2009. 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, 2009 have been presented as a discrete column in the City's financial statements.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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, 2009

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, 2009

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
- 2006 Capital Projects
- 2007 Capital Projects
- 2008 Capital Projects
- 2009 Capital Projects
- Assessment Projects
- Intergovernmental Revenue Sharing

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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, 2009

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, 2009

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, 2009

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, 2009

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, 2009, 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, 2009

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

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

2. Receivables (cont.)

Property tax calendar – 2009 tax roll:

Lien date and levy date	November 2009
Tax bills mailed	December 2009
Payment in full, or	
First installment due	January 31, 2010
Second installment due	March 31, 2010
Third installment due	May 31, 2010
Fourth installment due	July 31, 2010
Personal property taxes in full	January 31, 2010
Final settlement with County	August 15, 2010
Tax deed by County – 2009	
Delinquent real estate taxes	October 2012

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, 2009

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, 2009 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, 2009

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 estimated market value of the property.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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, 2009 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 \$41,615,163 made up of nine issues.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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 bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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

The “Total” column in the net assets section includes an adjustment of \$8.1 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, 2009

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 2009 budget appropriations, restricted under contractual agreements, to be utilized for specific purposes in the 2010 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 2010 budget as authorized by City resolution.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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

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

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

Deferred revenue-loans	\$ 7,510,047
Deferred revenue-donations	51,213
Deferred revenue-debt service	1,604,060
Deferred revenue-special assessments	<u>1,908,602</u>
Combined Adjustment for Long-Term Assets	<u>\$ 11,073,922</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	\$ (105,232,287)
OPEB obligation	(47,668,295)
Compensated absences	(3,695,027)
Capital leases payable	(146,710)
Unamortized debt issue costs	809,060
Accrued interest	<u>(198,121)</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ (156,131,380)</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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	\$ 7,760,000
OPEB obligation incurred	15,450,039
Principal repayments	
General obligation debt and capital leases	<u>(6,833,679)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 16,376,360</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	\$ 28,775
Discount received	77,600
Amortization of issuance costs	(73,823)
Amortization of deferred charge and premium	<u>(109,044)</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>\$ (76,492)</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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	\$ (256,540)
Accrued interest	<u>(1,806)</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>\$ (258,346)</u>

Another element of that reconciliation states that "Revenues in the governmental funds that are not reported as revenues in the statement of activities." The details of this difference are as follows:

Principal paid on economic development loans	\$ (1,219,437)
Principal paid on debt service loans	(57,268)
Donations made	-
Proceeds from sale of fixed assets	(118,273)
Special assessments collections	<u>245,818</u>
Net adjustment to decrease <i>net changes in fund balances-total</i> governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (1,149,160)</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 \$711,760 represents the net amount of economic development loans made and written off during the year.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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	2009 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 \$4,451,554. 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 \$2,760,532.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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, 2009:

<u>Fund</u>	<u>Department</u>	<u>Appropriation Unit</u>	<u>Amount</u>
General Fund	City Development	Salaries and Fringes	\$ 41,877
	City Development	Operating Expenditures	352
	City Development	Interdepartmental	1,355
	Finance	Interdepartmental	1,239
	City Administration	Operating Expenditures	24,429
	Human Resources	Salaries and Fringes	17,658
	Insurance	Operating Expenditures	120,579
	Police and Fire Commission	Operating Expenditures	7,134
Debt Service		Principal	2,900
Intergovernmental Revenue		Current-Community Development	2,022
Federal Asset Forfeiture		Capital Outlay	5,449
Federal Asset Forfeiture		Operating Expenditures	1,873
Cemetery		Capital Outlay	38,751

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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 \$194,194 is the result of expenditures in excess of revenues received from the State of Wisconsin for this mandated program. The continued operation of this program is dependent upon funding through tax levy.

Tax Incremental Districts – The accumulated fund deficits of \$1,724,100 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 \$25,626 is the result of expenditures for assessment projects in excess of special assessments collected. Revenues will be received from citizens in subsequent years to eliminate this deficit.

City Projects – The fund deficit of \$1,486,546 is the result primarily of an sewer system repair agreement with the Wastewater Utility. Revenues will be received annually via a sanitary sewer charge.

D. LIMITATIONS ON THE CITY'S TAX LEVY

As part of Wisconsin's Act 28 (2009), 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% for the 2009 levy collected in 2010 and 3% for the 2010 levy collected in 2011. 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, 2009

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	\$ 28,180,374	\$26,284,856	Custodial credit
Savings deposits	25,053,827	25,053,827	Custodial credit
Certificates of deposit	7,617,557	7,617,557	Custodial credit
Petty cash	6,597	-	NA
Total cash	<u>\$ 60,858,355</u>	<u>\$58,956,240</u>	
Wisconsin Local Government			
Investment Pool	\$ 12,644,023		Credit, Interest Rate
Money market funds	2,792,157		Credit
Mutual funds-equities	958,224		Credit
Mutual funds-fixed income	1,307,049		Credit, Interest Rate
U.S. Treasury Notes	167,483		Custodial credit, Interest Rate
U.S. Government agency securities-Explicit	503,724		Custodial credit, Interest Rate
			Credit, Custodial credit, Interest Rate, Concentration of credit
U.S. Government agency securities-Implicit	<u>42,741,141</u>		
Total investments	<u>61,113,801</u>		
Total cash and investments	<u>\$ 121,972,156</u>		
Reconciliation to financial statements			
Per statement of net assets-Primary Government			
Cash and investments	\$ 75,669,554		
Restricted cash and investments	16,571,756		
Per statement of net assets-fiduciary funds	<u>29,730,846</u>		
	<u>\$ 121,972,156</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, 2009

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

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk for Deposits

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

As of December 31, 2009 the City's carrying value of deposits was \$60,858,355, as compared to bank balances of \$58,956,240. Of the bank balances \$58,646,890 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. \$309,350 was uninsured as of December 31, 2009.

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, 2009 the City's carrying value of U.S. Government Agency Securities subject to custodial credit risk \$43,412,348. Of this investment balance, all amounts were covered by securities held by an agency in the City's name.

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 party with, a security of the same issuer which has such a rating.

The City's U.S. Government agencies as of December 31, 2009 were rated AAA by both Standard & Poor's and Moody's Investor's Service. As of December 31, 2009, the balance in these types of investments was \$42,741,141.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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, 2009, the City's investment portfolio had concentration of investments greater than 5% of the total portfolio as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Bank	U.S. government agency notes	20.44%
Federal National Mortgage Association	U.S. government agency notes and mortgage backed securities	29.88%
Federal Home Loan Mortgage Corporation	U.S. government agency notes and mortgage backed securities	33.21%

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, 2009 were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (days)</u>	<u>Duration (years)</u>
U.S. Treasury Notes	\$ 167,483	237	
U.S. Government Agency-explicitly guaranteed	503,724	237	
U.S. Government Agency-implicitly guaranteed	39,221,662		7.609
U.S. Government Agency-implicitly guaranteed	3,519,479	237	
Local Government Investment pool	12,644,023	88	
Mutual Funds-fixed income	1,307,049		4.69

During 2009, the City experienced unrealized losses on investments in the amount of \$500,710 in the General Fund. This amount is included in investment income. It is the intent of the City to hold these investments to maturity.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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	\$ 267,595	\$ 6,518	\$ 18,839	\$ 15,351	\$ 33,155	\$ 341,458
Rescue runs	1,589,275	-	-	-	-	1,589,275
Special Assessments	129,424	-	-	-	-	129,424
Delinquent personal property	110,936	-	-	-	-	110,936
Total Uncollectibles	<u>\$ 2,097,230</u>	<u>\$ 6,518</u>	<u>\$ 18,839</u>	<u>\$ 15,351</u>	<u>\$ 33,155</u>	<u>\$ 2,171,093</u>

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

	General Fund	Other HUD	Other Non Major	Total
Special assessments	\$ -	\$ -	\$ 1,908,602	\$ 1,908,602
Delinquent personal property taxes	107,303	-	-	107,303
Loans and notes	107,894	7,811,894	-	7,919,788
	<u>\$ 215,197</u>	<u>\$ 7,811,894</u>	<u>\$ 1,908,602</u>	<u>\$ 9,935,693</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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	\$ -	\$ 51,403,350	\$ 51,403,350
Loans receivable	7,510,047	107,894	7,617,941
Special assessments not yet due	1,908,602	-	1,908,602
Interest on loans and advances	-	394,539	394,539
Due from enterprise for debt service	1,604,060	-	1,604,060
Donations receivable	51,213	-	51,213
Grant drawdowns prior to meeting all eligibility requirements	-	442,520	442,520
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 11,073,922</u>	<u>\$ 52,348,303</u>	<u>\$ 63,422,225</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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, 2009:

	Water <u>Utility</u>	Wastewater <u>Utility</u>	<u>Total</u>
Bond redemption account	\$ 2,580,465	\$ 2,758,859	\$ 5,339,324
Bond reserve account	3,885,504	-	3,885,504
Bond depreciation account	800,000	-	800,000
Impact Fund	267,334	-	267,334
Improvement Fund	3,273,000	-	3,273,000
Equipment replacement account	-	3,006,594	3,006,594
Plant capacity receivable	-	40,773,401	40,773,401
Total Restricted Assets	10,806,303	46,538,854	57,345,157
Reconciliation to restricted net assets			
Plant capacity receivable reported as deferred revenue	-	(40,773,401)	(40,773,401)
Accrued interest payable	(711,947)	(332,255)	(1,044,202)
Unexpended bond proceeds and interest	(3,273,000)	-	(3,273,000)
Bond reserve fund financed by bond proceeds	(3,885,504)	-	(3,885,504)
Restricted Net Assets	<u>\$ 2,935,852</u>	<u>\$ 5,433,198</u>	<u>\$ 8,369,050</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 23,326,295	\$ 1,199,057	\$ -	\$ 24,525,352
Construction in progress	11,670,797	11,669,675	14,524,978	8,815,494
Total Capital Assets Not Being Depreciated	<u>34,997,092</u>	<u>12,868,732</u>	<u>14,524,978</u>	<u>33,340,846</u>
Capital assets being depreciated				
Land improvements	8,661,014	-	-	8,661,014
Buildings	33,085,175	4,910,176	333,158	37,662,193
Machinery and equipment	30,087,248	2,300,180	967,367	31,420,061
Roads, streets, and bridges	131,851,204	5,520,047	1,443,952	135,927,299
Sidewalks	48,060,437	1,288,306	113,194	49,235,549
Sewer lines	32,376,519	1,756,911	65,070	34,068,360
Shoreline walls	16,740,006	-	-	16,740,006
Other	4,658,565	-	-	4,658,565
Total Capital Assets Being Depreciated	<u>305,520,168</u>	<u>15,775,620</u>	<u>2,922,741</u>	<u>318,373,047</u>
Less: accumulated depreciation for				
Land improvements	4,910,637	393,003		5,303,640
Buildings	14,461,634	904,665	200,229	15,166,070
Machinery and equipment	23,237,715	1,841,012	930,248	24,148,479
Roads, streets, and bridges	63,921,094	3,810,230	1,074,550	66,656,774
Sidewalks	35,783,980	1,388,258	113,194	37,059,044
Sewer lines	15,878,311	733,305	65,070	16,546,546
Shoreline walls	4,614,724	424,515		5,039,239
Other	1,291,885	138,110	-	1,429,995
Total Accumulated Depreciation	<u>164,099,980</u>	<u>9,633,098</u>	<u>2,383,291</u>	<u>171,349,787</u>
Total Capital Assets being Depreciated, Net	<u>141,420,188</u>	<u>6,142,522</u>	<u>539,450</u>	<u>147,023,260</u>
Governmental Activities Capital Assets, Net	<u>\$ 176,417,280</u>	<u>\$ 19,011,254</u>	<u>\$ 15,064,428</u>	<u>\$ 180,364,106</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 392,340
Education and recreation	1,091,671
Public works, which includes infrastructure	7,493,654
Public safety	<u>655,433</u>
Total Governmental Activities Depreciation Expense	<u>\$ 9,633,098</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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	\$ -	\$ 1,199,056	\$ 5,084,905
Construction in progress	4,383,822	11,157,180	13,735,952	1,805,050
Total Capital Assets Not Being Depreciated	10,667,783	11,157,180	14,935,008	6,889,955
Capital assets being depreciated				
Land improvements	8,611,589	33,672	-	8,645,261
Improvements other than buildings	166,889,367	9,873,133	230,433	176,532,067
Buildings	141,810,257	2,407,955	301,533	143,916,679
Machinery and equipment	91,981,274	2,654,537	619,509	94,016,302
Total Capital Assets Being Depreciated	401,697,942	10,167,171	2,572,626	423,110,309
Less: accumulated depreciation for				
Land improvements	3,609,999	300,254	-	3,910,253
Improvements other than buildings	51,799,452	2,754,348	208,450	54,345,350
Buildings	37,932,708	3,527,045	148,450	41,311,303
Machinery and equipment	37,580,709	4,745,611	602,233	41,724,087
Total Accumulated Depreciation	130,922,868	11,327,258	959,133	141,290,993
Total Capital Assets Depreciated, Net	279,910,524	(1,421,991)	118,914	281,819,316
Business-Type Activities Capital Assets, Net	\$ 290,695,949	\$ 12,508,136	\$ 14,166,683	\$ 288,709,271

Depreciation expense was charged to functions as follows:

Business-Type Activities	
Water	\$ 4,046,884
Wastewater	4,344,538
Belle Urban Transit	1,047,240
Other	1,888,596
Total Business-Type Activities Depreciation Expense	\$ 11,327,258

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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	\$ 4,342,236
General Fund	Enterprise Fund-Civic Center	341,166
General Fund	Enterprise Fund-Golf	79,717
General Fund	Enterprise Fund-Storm Water	164,521
General Fund	Internal Service Fund-Equipment Maint.	60,247
General Fund	Special Revenue-Public Safety Grants	238,984
General Fund	Special Revenue-Recycling	161,745
General Fund	Special Revenue-Other	9,719
General Fund	Special Revenue-Health	161,499
General Fund	Special Revenue-HUD	302,956
General Fund	Trust Accounts	1,208
General Fund	Wastewater Utility	82,595
General Fund	Water Utility	2,264,833
General Fund	Capital Projects-City Projects	655,071
Debt Service Fund	Water Utility	3,407
Debt Service Fund	Wastewater Utility	3,810
Wastewater Utility	Capital Projects-City Projects	2,386,056
Wastewater Utility	Water Utility	671,040
Wastewater Utility	General Fund	1,645,826
Wastewater Utility	Internal Service Fund-Building Maintenance	12,976
Water Utility	Wastewater Utility	761,608
Water Utility	General Fund	2,933,933
Capital Projects-City Projects	Water Utility	6,705
Capital Projects-City Projects	Wastewater Utility	170,081
Internal Service Fund-Equipment Maint.	Water Utility	11,262
Internal Service Fund-Equipment Maint.	Wastewater Utility	3,048
Internal Service Fund-Telephone	Water Utility	2,337
Internal Service Fund-Telephone	Wastewater Utility	899
Special Revenue-Library	Wastewater Utility	149
Special Revenue-Other	Water Utility	8,988
Subtotal-Fund Financial Statements		\$ 17,488,622
Less: Fund eliminations		(3,024,077)
Less: Government-wide eliminations		(13,957,581)
		<u>\$ 506,964</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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, the Golf Course, and the Storm Water Utility. 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 Storm Water Utility 4% interest and a repayment schedule has been established. 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, 2009

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	\$ 77,550	\$ -
General Fund	Tax Increment District # 6	941,032	-
General Fund	Tax Increment District # 8	705,518	-
General Fund	Tax Increment District # 13	128,670	-
General Fund	Tax Increment District # 14	78,058	-
General Fund	Golf Courses Enterprise Fund	41,349	41,349
General Fund	Storm Water Utility	500,000	75,000
Debt Service Fund	Wastewater Utility	757,312	29,663
Debt Service Fund	Water Utility	846,747	33,166
City Projects Fund	Storm Water Utility	773,622	62,956
Intergovernmental Revenue Sharing	Tax Increment District #12	1,066,715	-
Intergovernmental Revenue Sharing	Tax Increment District #15	447,092	-
Intergovernmental Revenue Sharing	Tax Increment District #10	644,501	-
Intergovernmental Revenue Sharing	Tax Increment District #11	212,825	-
Intergovernmental Revenue Sharing	Tax Increment District # 16	440,100	-
Subtotal-Fund financial statements		\$ 7,661,091	\$ 242,134
Less: fund eliminations		(4,742,060)	
Total advance to other funds-government wide statements		\$ 2,919,031	

Repayment schedules for advances with an established payment schedule follow:

	Golf Course	Storm Water Utility	Storm Water Utility	Water Utility	Wastewater Utility
2010	\$ 42,912	\$ 95,000	\$ 97,770	\$ 78,053	\$ 69,809
2011	-	95,000	97,770	79,256	70,885
2012	-	95,000	97,770	80,885	72,342
2013	-	95,000	97,770	82,338	73,641
2014	-	95,000	97,770	83,878	75,018
2015-2025	-	97,996	488,845	829,889	742,235
Sub-total	42,912	572,996	977,695	1,234,299	1,103,930
Amount representing interest	(1,563)	(72,996)	(204,073)	(387,552)	(346,618)
	\$ 41,349	\$ 500,000	\$ 773,622	\$ 846,747	\$ 757,312

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, 2009

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	2,340,189
General Fund	Wastewater	881,600
Debt Service Fund	Capital Projects - 2009	65,869
Debt Service Fund	Special Revenue-TIF	1,800,849
Debt Service Fund	Capital Projects-TIF	883,457
Capital Projects-Assessment Projects	Special Revenue-Special Assessment	1,152,917
Capital Projects-City Projects	General Fund	113,100
Water	Wastewater	29,240
Wastewater	Capital Projects-City Projects	1,045,774
Enterprise-Transit	Capital Projects-2008	300,020
Enterprise-Storm	Capital Projects-City Projects	83,945
Enterprise-Parking	Capital Projects-2009	219,623
Enterprise-Parking	Capital Projects-2008	49,945
Enterprise-Parking	Capital Projects-2007	12,987
Enterprise-Civic Centre	Capital Projects-2008	76,684
Enterprise-Civic Centre	Capital Projects-2007	9,428
Enterprise-Civic Centre	Capital Projects-2009	65,986
Internal Service-Equipment Maintenance	Capital Projects-2009	42,208
Special Revenue-Bulky Waste	Special Revenue-Recycling	2,471
Special Revenue-Cemetery	Permanent	49,744
Special Revenue-Cemetery	Special Revenue-Other Cemetery	1,434,789
Special Revenue-Library	Capital Projects-2009	24,412
Special Revenue-Library	Permanent	68,159
Special Revenue-Health	Special Revenue-HUD	26,186
Subtotal-fund financial statements		\$ 10,779,582
Less: Fund eliminations		(5,693,401)
Add: Government wide eliminations		(4,272,045)
		<u>\$ 814,136</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, 2009

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2009 was as follows:

GOVERNMENTAL ACTIVITIES

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General obligation					
bonds and notes payable	<u>\$103,870,000</u>	<u>\$7,760,000</u>	<u>\$6,700,000</u>	<u>\$104,930,000</u>	<u>\$7,570,000</u>
Add/(subtract)					
Deferred Amounts For:					
(Discounts)/Premiums	760,894	(77,600)	63,915	619,379	-
Refundings-Gains/(Loss)	<u>(490,052)</u>	<u>-</u>	<u>(172,960)</u>	<u>(317,092)</u>	<u>-</u>
Sub-total	<u>104,140,842</u>	<u>7,682,400</u>	<u>6,590,955</u>	<u>105,232,287</u>	<u>7,570,000</u>
Other Liabilities					
Vested compensated absences	3,573,751	405,797	143,706	3,835,842	332,266
Capital leases	230,389	-	83,679	146,710	60,354
Arbitrage rebate	<u>50,000</u>	<u>-</u>	<u>50,000</u>	<u>-</u>	<u>-</u>
Total Other Liabilities	<u>3,854,140</u>	<u>405,797</u>	<u>277,385</u>	<u>3,982,552</u>	<u>392,620</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$107,994,982</u>	<u>\$8,088,197</u>	<u>\$6,868,340</u>	<u>\$109,214,839</u>	<u>\$7,962,620</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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	<u>\$139,919,810</u>	<u>\$2,760,000</u>	<u>\$8,549,317</u>	<u>\$134,130,493</u>	<u>\$8,483,822</u>
Add/(subtract)					
Deferred Amounts For:					
(Discounts)/Premiums	1,218,617	-	72,884	1,145,733	72,884
Refundings-Gains/(Loss)	<u>(395,245)</u>	<u>-</u>	<u>(45,249)</u>	<u>(349,996)</u>	<u>48,164</u>
Sub-total	<u>140,743,182</u>	<u>2,760,000</u>	<u>8,576,952</u>	<u>134,926,230</u>	<u>8,604,870</u>
Other Liabilities					
Vested compensated absences	<u>1,093,051</u>	<u>77,650</u>	<u>50,455</u>	<u>1,120,246</u>	<u>-</u>
Total Other Liabilities	<u>1,093,051</u>	<u>77,650</u>	<u>50,455</u>	<u>1,120,246</u>	<u>-</u>
Total Business Type Activities					
Long-Term Liabilities	<u>\$141,836,233</u>	<u>\$2,837,650</u>	<u>\$8,627,407</u>	<u>\$136,046,476</u>	<u>\$8,604,870</u>

General Obligation Debt

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

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2009, was \$206,674,555 Total general obligation debt outstanding at year end was \$104,930,000.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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>Maturity Date</u>	<u>Interest Rates</u>	<u>Indebted- ness</u>	<u>Outstanding 12/31/2009</u>
General Obligation Bonds					
2001	04/15/01	12/01/11	4.0-4.63	\$ 5,205,000	\$ 640,000
2003	11/1/03	11/01/23	2.00-5.70	16,895,000	14,425,000
2003	11/1/03	11/01/17	2.00-5.00	7,900,000	5,850,000
2003	7/15/03	07/15/18	2.00-4.90	8,650,000	5,855,000
2003	7/15/03	07/15/18	2.75-4.20	22,755,000	22,155,000
2004	11/5/04	11/05/19	2.00-5.25	6,880,000	5,230,000
2005	10/15/05	12/01/19	3.50-4.75	6,980,000	5,315,000
2006	10/5/06	12/01/20	4.00-4.50	7,130,000	6,385,000
2007	11/13/07	12/01/21	4.00-5.00	7,610,000	7,030,000
2008	12/09/08	12/01/22	3.00-5.00	7,680,000	7,385,000
				<u>97,685,000</u>	<u>80,270,000</u>
Taxable General Obligation Bonds					
2009	12/08/09	12/01/23	1.00-5.30	7,760,000	7,760,000
				<u>7,760,000</u>	<u>7,760,000</u>
General Obligation Promissory Notes					
2002	11/1/02	11/01/11	2.00-4.00	9,000,000	2,510,000
				<u>9,000,000</u>	<u>2,510,000</u>
Tax Incremental General Obligation Debt					
2002 (Tif #9)	02/15/02	02/15/21	3.00-5.10	6,105,000	4,555,000
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	1,925,000
2007 (Tif #7)	11/13/07	06/01/12	4.00	3,170,000	1,970,000
2007 (Tif #8)	11/13/07	06/01/12	4.00	3,155,000	1,970,000
				<u>18,400,000</u>	<u>14,390,000</u>
Total Governmental Activities - General Obligation Debt				<u>\$ 132,845,000</u>	<u>\$ 104,930,000</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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>
2010	\$ 7,570,000	\$ 4,648,613	\$ 12,218,613
2011	7,920,000	4,362,039	12,282,039
2012	8,165,000	4,039,915	12,204,915
2013	7,670,000	3,706,535	11,376,535
2014	8,655,000	3,395,638	12,050,638
2015 – 2019	47,515,000	10,740,953	58,255,953
2020 – 2024	16,915,000	2,031,376	18,946,376
2025	520,000	27,625	547,625
Totals	<u>\$ 104,930,000</u>	<u>\$ 32,952,694</u>	<u>\$ 137,882,694</u>

Debt Refunding with Build America Bonds

On December 8, 2009, the City issued \$7,760,000 in taxable general obligation refunding bonds, with an interest rate ranging from 1%-5.3%, to current refund \$7,600,000 of Note Anticipation Notes dated July 27, 2009 with an interest rate of 2.5%.

The bonds were qualified Build America Bonds as defined under the Internal Revenue Code. As noted in the Internal Revenue Code, the City expects to receive a credit from the United States Treasury equal to 35% of the stated interest paid over the life of the Bonds. As part of the issuance of these Bonds, the City covenants to comply with the applicable section of the Internal Revenue Code and to use the credits to offset the tax levy required on the Bonds. The receipt of the credits is expected by the City, but cannot be assured due to the compliance requirements noted above and the possibility of future law changes.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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

F. LONG-TERM OBLIGATIONS (cont.)

Business-Type Activities Revenue Debt

Revenue Debt

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

Revenue debt payable at December 31, 2009 consists of the following:

<u>Type/Series</u>	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance Outstanding 12/31/2009</u>
<u>Water Utility</u>					
Safe Drinking Water Loan	02/10/99	02/10/18	2.64	\$ 12,594,655	\$ 6,496,965
Mortgage Revenue Bonds	10/01/01	09/11/11	4.00-4.5	11,460,000	1,120,000
Mortgage Revenue Bonds	04/15/01	09/01/15	4.00-5.38	6,235,000	2,995,000
Safe Drinking Water Loan	12/22/04	05/01/24	2.365	16,666,035	13,846,850
Mortgage Revenue Bonds	11/01/04	09/01/24	2.50-5.00	22,140,000	18,760,000
Mortgage Revenue Bonds	04/02/07	09/01/21	4.00-4.75	18,980,000	18,080,000
Mortgage Revenue Bonds	12/08/09	09/01/29	3.0-4.5	2,760,000	2,760,000
Total Water Utility				<u>90,835,690</u>	<u>64,058,815</u>
<u>Wastewater Utility</u>					
State Cleanwater Fund Loans	04/27/94	05/01/13	3.19	2,701,745	709,735
State Cleanwater Fund Loans	03/26/97	05/01/16	3.0	1,158,993	504,065
State Cleanwater Fund Loans	05/27/99	05/01/18	2.64	854,147	439,620
State Cleanwater Fund Loans	11/01/99	05/01/19	2.64	797,249	454,314
State Cleanwater Fund Loans	09/27/00	05/01/20	2.97	805,113	500,160
State Cleanwater Fund Loans	04/10/02	05/01/21	2.75	4,073,012	2,827,758
State Cleanwater Fund Loans	07/24/02	05/01/21	2.76	17,943,748	13,452,110
State Cleanwater Fund Loans	11/27/02	05/01/22	2.87	60,724,848	47,965,855
Clean Water Fund Loans	01/23/08	05/01/27	2.48	3,481,931	3,218,061
Total Wastewater Utility				<u>92,540,786</u>	<u>70,071,678</u>
Total Business-Type Revenue Debt				<u>\$ 183,376,476</u>	<u>\$ 134,130,493</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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
2010	\$ 8,483,822	\$ 4,355,550	\$ 12,839,372
2011	8,732,908	4,117,052	12,849,960
2012	9,041,703	3,837,035	12,878,738
2013	9,320,340	3,545,283	12,865,623
2014	9,392,148	3,251,389	12,643,537
2015-2019	48,767,320	11,546,981	60,314,301
2020-2024	36,957,994	3,697,675	40,655,669
2025-2029	3,434,258	300,431	3,734,689
	<u>\$ 134,130,493</u>	<u>\$ 34,651,396</u>	<u>\$ 168,781,889</u>

The Water Utility has pledged future customer revenues, net of specified operating expenses, to repay \$90.8 million in water system revenue bonds issued between 1999 and 2009. Proceeds from the bonds provided financing for various extension, replacement, repair and improvement projects throughout the water treatment and distribution system and acquiring equipment. The bonds are payable solely from water customer net revenues and are payable through 2029. Annual principal and interest payments on the bonds are expected to require less than 75 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$85,011,550. Principal and interest paid for the current year and total customer net revenues were \$6,489,709 and \$8,165,247, respectively.

The Wastewater Utility has pledged future customer revenues, net of specified operating expenses, to repay \$92.5 million in water system revenue bonds issued between 1994 and 2008. Proceeds from the bonds provided financing for the construction of certain projects in the wastewater treatment system. The bonds are payable solely from wastewater customer net revenues and are payable through 2027. Annual principal and interest payments on the bonds are expected to require less than 90 percent of net revenues. The total principal and interest remaining to be paid on the bonds is \$83,770,339. Principal and interest paid for the current year and total revenues were \$6,526,015 and \$6,223,183, respectively.

At December 31, 2009, the Wastewater Utility was not in compliance with the provisions of the system revenue bond covenants which requires a minimum debt service coverage. The Utility has obtained a waiver from the State of Wisconsin Department of Administration.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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

F. LONG-TERM OBLIGATIONS (cont.)

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 except for the violation described on page 75.

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, 2009, \$2,110,000 of bonds outstanding is considered defeased. The bonds are due on December 1, 2010 and 2011.

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, 2009, \$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 2009 was \$45,249 for the Business type activities and \$172,960 for the Governmental activities.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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 \$42,635 in 2009.

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

2010	\$ 35,000
2011	35,000
2012	35,000
2013	35,000
2014	35,000
Thereafter	1,295,000
	<u>\$ 1,470,000</u>

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, 2009 the defibulator equipment has a cost of \$115,106 and accumulated depreciation of \$57,553. 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, 2009 the equipment had a cost of \$167,850 and accumulated depreciation of \$25,178.

Future minimum payments for the remaining years under the leases:

	Equipment Lease	Defibulator Lease	Total
2010	\$ 37,374	\$ 25,675	\$ 63,049
2011	37,374	25,675	63,049
2012	2	25,675	25,677
	<u>74,750</u>	<u>77,025</u>	<u>151,775</u>
Less: Amount representing interest	-	(5,065)	(5,065)
	<u>\$ 74,750</u>	<u>\$ 71,960</u>	<u>\$ 146,710</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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, 2009 includes the following:

Governmental Activities

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 180,364,106
Less: related long-term debt outstanding	(82,893,490)
Plus: funds borrowed but not spent	2,496,391
Total Invested in Capital Assets, Net of Related Debt	<u>99,967,007</u>
Restricted for	
Debt service	1,119,791
Permanent Funds	
Nonexpendable	1,411,639
Expendable	1,883,969
HUD loan program	9,926,174
Total Restricted	<u>14,341,573</u>
Unrestricted	<u>(17,507,388)</u>
Total Governmental Activities Net Assets	<u>\$ 96,801,192</u>

Business-Type Activities

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 288,709,271
Less: related long-term debt outstanding	<u>(124,466,429)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>164,242,842</u>
Restricted for	
Debt service	4,627,377
Depreciation fund	800,000
DNR equipment replacement fund	2,674,339
Impact fund	<u>267,334</u>
Total Restricted	<u>8,369,050</u>
Unrestricted	<u>1,878,318</u>
Total Business-Type Activities Net Assets	<u>\$ 174,490,210</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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, 2009, the Redevelopment Authority has advances from the City's in the amount of \$944,313. There has been no amortization schedule established.

c. Cash and Investments

At December 31, 2009, the carrying value and bank balance of the Redevelopment Authority's deposits are \$22,787. 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, 2009 the Authority had assets held for resale of \$1,387,375.

e. Long-term Liabilities

At December 31, 2009, the Redevelopment Authority has an advance payable to the City's in the amount of \$944,313. There has been no amortization schedule established.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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, 2009, the BID has a receivable of \$208,801 from the City's tax collection fund for the entire subsequent year's annual assessment.

c. Cash and Investments

At December 31, 2009, the carrying value and bank balance of the BID's deposits are \$21,314. Of that balance \$21,314 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, 2009 the District had capital assets with a cost of \$16,998 and accumulated depreciation of \$12,611. The District's net book value of capital assets was \$4,387.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible City employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 5.9% of their salary (3.0% for Executives and Elected Officials, 5.0% for Protective Occupations with Social Security, and 3.2% 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, 2009 was \$51,881,335; the employer's total payroll was \$54,029,295. The total required contribution for the year ended December 31, 2009 was \$6,131,281 or 11.82 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, 2008 and 2007 were \$6,115,607 and \$5,912,860 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, 2009

NOTE V – OTHER INFORMATION (cont.)

B. RACINE TRANSIT SYSTEM PENSION PLAN

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

The Transit System makes contributions to the Fund, on behalf of their employee participants, at rates specified in their collective bargaining agreement. Contributions to the plan were \$600,482, \$556,954, and \$500,351 for the years ended December 31, 2009, 2008, and 2006 respectively. The following table shows the rate charged per week for each contract year:

Contract Period	Rate per week
July 1, 2009 – June 30, 2010	145
July 1, 2008 – June 30, 2009	134
July 1, 2007 – June 30, 2008	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, 2009

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.

	2009	2008	2007
Valuation Date	January 1, 2009	January 1, 2008	January 1, 2007
Funded Percentage	58.02%	73.2%	51.2%
Value of Assets	\$20,830,382,998	\$26,087,688,162	\$18,734,242,362
Value of Liabilities	\$35,899,947,337	\$35,640,638,097	\$36,561,245,202

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. Below are the fair market values (FMVs) of the Plan's assets for each respective year:

	2009	2008	2007
FMV of Plan Assets	\$17,358,652,498	\$26,805,846,809	\$20,672,718,255

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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, 2009. 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>Current</u>	<u>Prior Year</u>
Unpaid claims – Beginning of Year	\$ 1,438,968	\$ 1,475,000
Current year claims and changes in estimates	12,762,571	12,111,410
Claim payments	<u>13,056,031</u>	<u>12,147,442</u>
Unpaid Claims – End of Year	<u>\$ 1,145,508</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 \$174,958 and \$116,638 respectively.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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, 2009. A total liability of approximately \$2,076,542 at December 31, 2009 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
2009	\$ 1,971,808	\$ 818,440	\$ 713,706	\$ 2,076,542
2008	1,456,986	1,283,462	768,640	1,971,808

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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 2009 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, 2009

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 \$5,172,132.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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, 2009, the City had 774 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 2009, the City contributed \$7,278,212 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 2009, total retiree member contributions were \$208,055.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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	\$ 22,445,610	\$ 3,554,285	\$ 25,999,895
Interest on net OPEB obligation	1,284,947	189,398	1,474,345
Adjustment to annual required contribution	<u>(1,796,158)</u>	<u>(253,397)</u>	<u>(2,049,555)</u>
Annual OPEB Cost	21,934,399	3,490,286	25,424,685
Contribution made	<u>(6,484,360)</u>	<u>(793,852)</u>	<u>(7,278,212)</u>
Increase in net OPEB obligation	15,450,039	2,696,434	18,146,473
Net OPEB obligation beginning of year	<u>32,218,256</u>	<u>4,640,373</u>	<u>36,858,629</u>
Net OPEB obligation end of year	<u>\$ 47,668,295</u>	<u>\$ 7,336,807</u>	<u>\$ 55,005,102</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Governmental Activities			
12/31/2007	21,857,074	30.90%	\$ 15,102,839
12/31/2008	22,368,307	23.48%	\$ 32,218,256
12/31/2009	21,934,399	29.56%	\$ 47,668,295
Business Type Activities			
12/31/2007	3,303,275	29.80%	\$ 2,312,634
12/31/2008	3,511,779	33.72%	\$ 4,640,373
12/31/2009	3,490,286	22.74%	\$ 7,336,807

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (CONT)

The funded status of the plan as of December 31, 2009, the most recent actuarial valuation date, was as follows:

	Governmental <u>Activities</u>	Business <u>Type Activities</u>	<u>Total</u>
Actuarial accrued liability (AAL)	\$ 276,057,275	\$ 44,299,852	\$ 320,357,127
Actuarial value of plan assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 276,057,275</u>	<u>\$ 44,299,852</u>	<u>\$ 320,357,127</u>
Funded Ratio	-	-	-
Covered Payroll	43,379,433	6,798,252	50,177,685
UAAL as percentage of covered payroll	636.38%	651.64%	638.45%

The City is required to present the above information for the three most recent actuarial valuations. The above valuation was performed as of February 2010.

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

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

In the December, 2009 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 9.3% initially, reduced by decrements to an ultimate rate of 4.40% after 2065. Retiree Health Plan's unfunded actuarial accrued liability is being amortized over 30 years from establishment.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

NOTE V – OTHER INFORMATION (cont.)

F. ECONOMIC DEPENDENCY

One major customer accounted for 22.2% of Water Utility gross sales aggregating \$4,041,544 and 24.3% of gross sales aggregating \$3,984,820 in 2009 and 2008 respectively. Total accounts receivable from this customer totaled \$1,167 and \$0 respectively.

Two major customers accounted for 18.4% and 17.6% of Wastewater Utility gross sales aggregating \$4,225,173 in 2009. Total accounts receivable from these customers totaled \$779,163 at December 31, 2009.

Two major customers accounted for 16.1% and 16.7% of Wastewater Utility gross sales aggregating \$3,995,548 in 2008. Total accounts receivable from these customers totaled \$886,946 at December 31, 2008.

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 compensate the City for provision of library, zoo and museum services that also benefit the outlying communities. The transfer amount will be approximately \$900,000 per year. 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 \$881,600 for the year ended December 31, 2009.

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 \$1,130,526 for the year ended December 31, 2009.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2009

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, 2009 and 2008 was \$267,334 and \$857,778 respectively.

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, 2009 the Wastewater Utility had unrecovered cost of \$2,386,056, which was reported as due from the City of Racine.

J. SUBSEQUENT EVENTS

On February 23, 2010 the City of Racine Redevelopment Authority entered into a developer agreement. The Authority issued a \$1.888 million taxable tax increment revenue bond. The bond bears interest of 6.5%. The bond shall mature and the Authority's obligation shall terminate on October 1, 2030. The bond shall be a special and limited obligation of the Authority payable solely from net tax increment which will be transferred from the City of Racine.

On March 2, 2010 the Wastewater Utility Commission authorized an issuance and sale of up to \$2,657,592 of Wastewater Utility Revenue Bonds, Series 2010. The loan bears interest at a rate of 2.20%. The Utility received a disbursement of \$2,524,713 on March 24, 2010. Final maturity of the loan is on March 01, 2029.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RACINE

SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS
For the Year Ended December 31, 2009
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							
12/31/2007	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%
12/31/2009	1/1/2008	-	276,057,275	276,057,275	-	43,379,433	636.38%
BUSINESS TYPE ACTIVITIES							
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%
12/31/2009	1/1/2008	-	44,299,852	44,299,852	-	6,798,252	651.64%

**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2009

	Special Revenue Funds				
	Public Safety Grants	Cemetery	Library	Harbor Commission	HAZMAT
ASSETS					
Cash and investments	\$ 14,289	\$ 693,811	\$ 413,294	\$ 30,848	\$ 395,625
Receivables					
Property taxes	48,069	211,612	2,093,446	-	-
Special assessment - tax roll	-	-	-	-	-
Special assessment	-	-	-	-	-
Accounts	-	1,000	-	-	631
Prepaid expenses	-	-	-	-	-
Due from other funds	-	-	149	-	-
Due from other governments	-	-	-	-	-
Assets held for resale	-	-	-	-	-
Advances to component unit	-	-	-	-	-
Advances to other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 62,358</u>	<u>\$ 906,423</u>	<u>\$ 2,506,889</u>	<u>\$ 30,848</u>	<u>\$ 396,256</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ 128,243	\$ 21,963	\$ -	\$ 6,388
Accrued liabilities	-	1,616	54,297	10,142	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Deferred revenues	-	-	-	-	-
Deferred property tax revenue	48,069	211,612	2,093,446	-	-
Total Liabilities	<u>48,069</u>	<u>341,471</u>	<u>2,169,706</u>	<u>10,142</u>	<u>6,388</u>
Fund Balances (Deficits)					
Reserved					
Subsequent years expenditures	-	-	-	-	-
Encumbrances	-	11,886	23,220	-	600
Endowments	-	-	-	-	-
Capital projects	-	-	-	-	-
Advances	-	-	-	-	-
Unreserved					
Designated for subsequent years expenditures	-	175,838	140,600	-	-
Undesignated (deficit)	14,289	377,228	173,363	20,706	389,268
Total Fund Balances (Deficits)	<u>14,289</u>	<u>564,952</u>	<u>337,183</u>	<u>20,706</u>	<u>389,868</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 62,358</u>	<u>\$ 906,423</u>	<u>\$ 2,506,889</u>	<u>\$ 30,848</u>	<u>\$ 396,256</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2009

Special Revenue Funds							
Recycling	CAR 25	State Asset Forfeiture	Federal Asset Forfeiture	Municipal Court	Bulky Waste	Sanitary Sewer Maintenance	Special Assessments
\$ -	\$ 22,730	\$ -	\$ 280,718	\$ 32,080	\$ -	\$ 475,226	\$ 2,109,027
1,172,071	-	-	-	64,579	-	1,487,447	-
-	-	-	-	-	-	-	440,660
-	-	-	-	-	-	-	1,908,602
-	17,064	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,172,071</u>	<u>\$ 39,794</u>	<u>\$ -</u>	<u>\$ 280,718</u>	<u>\$ 96,659</u>	<u>\$ -</u>	<u>\$ 1,962,673</u>	<u>\$ 4,458,289</u>
\$ 27,724	\$ -	\$ -	\$ 10,411	\$ 73	\$ -	\$ 20,929	\$ 441
4,725	791	-	-	3,253	-	1,239	54,455
161,745	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,908,602
<u>1,172,071</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>64,579</u>	<u>-</u>	<u>1,487,447</u>	<u>440,660</u>
<u>1,366,265</u>	<u>791</u>	<u>-</u>	<u>10,411</u>	<u>67,905</u>	<u>-</u>	<u>1,509,615</u>	<u>2,404,158</u>
-	-	-	-	-	-	-	-
-	-	-	53,649	-	-	105,077	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	100,000	-	-	-	-
<u>(194,194)</u>	<u>39,003</u>	<u>-</u>	<u>116,658</u>	<u>28,754</u>	<u>-</u>	<u>347,981</u>	<u>2,054,131</u>
<u>(194,194)</u>	<u>39,003</u>	<u>-</u>	<u>270,307</u>	<u>28,754</u>	<u>-</u>	<u>453,058</u>	<u>2,054,131</u>
<u>\$ 1,172,071</u>	<u>\$ 39,794</u>	<u>\$ -</u>	<u>\$ 280,718</u>	<u>\$ 96,659</u>	<u>\$ -</u>	<u>\$ 1,962,673</u>	<u>\$ 4,458,289</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2009

	Special Revenue Funds					
	Other Cemetery	Other Public Safety	Trusts	Economic Development	Other	Health
ASSETS						
Cash and investments	\$ 26,141	\$ 442,086	\$ 651,481	\$ 4,949	\$ 682,451	\$ 228,156
Receivables						
Property taxes	-	94,276	-	-	-	-
Special assessment - tax roll	-	-	-	-	-	-
Special assessment	-	-	-	-	-	-
Accounts	-	-	-	-	8,800	-
Prepaid expenses	-	-	-	-	-	-
Due from other funds	-	-	-	-	8,988	-
Due from other governments	-	323,235	-	-	22,555	208,112
Assets held for resale	-	-	-	-	-	-
Advances to component unit	-	-	-	590,000	-	-
Advances to other funds	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ 26,141</u>	<u>\$ 859,597</u>	<u>\$ 651,481</u>	<u>\$ 594,949</u>	<u>\$ 722,794</u>	<u>\$ 436,268</u>
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 5,005	\$ 70,436	\$ -	\$ -	\$ 20,288	\$ 8,623
Accrued liabilities	-	-	-	-	33,309	8,637
Due to other funds	-	238,984	-	-	9,719	161,499
Advances from other funds	-	-	-	-	-	-
Deferred revenues	-	112,542	-	-	121,254	208,724
Deferred property tax revenue	-	94,276	-	-	-	-
Total Liabilities	<u>5,005</u>	<u>516,238</u>	<u>-</u>	<u>-</u>	<u>184,570</u>	<u>387,483</u>
Fund Balances (Deficits)						
Reserved						
Subsequent years expenditures	-	-	-	-	-	-
Encumbrances	-	245,893	-	-	-	-
Endowments	-	-	-	-	-	-
Capital projects	-	-	-	-	-	-
Advances	-	-	-	590,000	-	-
Unreserved						
Designated for subsequent years expenditures	-	-	-	-	-	-
Undesignated (deficit)	21,136	97,466	651,481	4,949	538,224	48,785
Total Fund Balances (Deficits)	<u>21,136</u>	<u>343,359</u>	<u>651,481</u>	<u>594,949</u>	<u>538,224</u>	<u>48,785</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 26,141</u>	<u>\$ 859,597</u>	<u>\$ 651,481</u>	<u>\$ 594,949</u>	<u>\$ 722,794</u>	<u>\$ 436,268</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2009

Capital Projects Funds					
Tax Incremental Districts	City Projects	2006	2007	2008	2009
\$ 3,185,843	\$ 452,155	\$ -	\$ 37,075	\$ 216,569	\$ 2,877,864
1,295,828	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	545,636	-	-	-	-
-	-	-	-	-	220,000
-	176,786	-	-	-	-
-	-	-	-	-	-
385,000	-	-	-	-	-
-	120,000	-	-	-	-
-	773,622	-	-	-	-
<u>\$ 4,866,671</u>	<u>\$ 2,068,199</u>	<u>\$ -</u>	<u>\$ 37,075</u>	<u>\$ 216,569</u>	<u>\$ 3,097,864</u>
\$ 19,373	\$ 462,405	\$ -	\$ 37,075	\$ 199,177	\$ 601,473
1,286	-	-	-	-	-
-	3,041,127	-	-	-	-
3,017,961	-	-	-	-	-
-	51,213	-	-	-	-
1,295,828	-	-	-	-	-
<u>4,334,448</u>	<u>3,554,745</u>	<u>-</u>	<u>37,075</u>	<u>199,177</u>	<u>601,473</u>
169,907	-	-	-	-	-
-	-	-	-	-	447,701
-	-	-	-	-	-
362,316	-	-	-	17,392	2,048,690
-	-	-	-	-	-
-	-	-	-	-	-
-	(1,486,546)	-	-	-	-
<u>532,223</u>	<u>(1,486,546)</u>	<u>-</u>	<u>-</u>	<u>17,392</u>	<u>2,496,391</u>
<u>\$ 4,866,671</u>	<u>\$ 2,068,199</u>	<u>\$ -</u>	<u>\$ 37,075</u>	<u>\$ 216,569</u>	<u>\$ 3,097,864</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2009

	Capital Projects Funds		Permanent	Total
	Intergovernmental		Fund	Nonmajor
	Assessment	Revenue	Endowment	Governmental
	Projects	Sharing	Fund	Funds
ASSETS				
Cash and investments	\$ -	\$ 2,640,303	\$ 3,300,222	\$ 19,212,943
Receivables				
Property taxes	-	-	-	6,467,328
Special assessment - tax roll	-	-	-	440,660
Special assessment	-	-	-	1,908,602
Accounts	-	-	-	573,131
Prepaid expenses	-	-	-	220,000
Due from other funds	-	-	-	185,923
Due from other governments	-	-	-	553,902
Assets held for resale	-	-	-	385,000
Advances to component unit	-	125,313	-	835,313
Advances to other funds	-	2,811,233	-	3,584,855
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 5,576,849</u>	<u>\$ 3,300,222</u>	<u>\$ 34,367,657</u>
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 25,626	\$ 71,400	\$ 3,406	\$ 1,740,459
Accrued liabilities	-	26,864	-	200,614
Due to other funds	-	-	1,208	3,614,282
Advances from other funds	-	-	-	3,017,961
Deferred revenues	-	-	-	2,402,335
Deferred property tax revenue	-	-	-	6,907,988
Total Liabilities	<u>25,626</u>	<u>98,264</u>	<u>4,614</u>	<u>17,883,639</u>
Fund Balances (Deficits)				
Reserved				
Subsequent years expenditures	-	-	-	169,907
Encumbrances	-	-	-	888,026
Endowments	-	-	1,411,639	1,411,639
Capital projects	-	2,542,039	-	4,970,437
Advances	-	2,936,546	-	3,526,546
Unreserved				
Designated for subsequent years expenditures	-	-	-	416,438
Undesignated (deficit)	(25,626)	-	1,883,969	5,101,025
Total Fund Balances (Deficits)	<u>(25,626)</u>	<u>5,478,585</u>	<u>3,295,608</u>	<u>16,484,018</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 5,576,849</u>	<u>\$ 3,300,222</u>	<u>\$ 34,367,657</u>

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CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2009

	Special Revenue Funds			
	Public Safety Grants	Cemetery	Library	Harbor Commission
REVENUES				
Taxes	\$ 47,406	\$ 211,667	\$ 2,060,527	\$ -
Special charges and assessments	-	-	-	-
Intergovernmental	143,750	-	1,410,181	25,857
Fines and Forfeitures	-	-	-	-
Investment income	-	34,564	42,494	-
Charges for services	-	243,019	121,637	28,172
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>191,156</u>	<u>489,250</u>	<u>3,634,839</u>	<u>54,029</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	603,668	3,691,707	18,393
Public works	-	-	-	-
Public safety	186,828	-	-	-
Debt Service	-	-	-	-
Capital outlay	-	1,551,244	122,932	-
Total Expenditures	<u>186,828</u>	<u>2,154,912</u>	<u>3,814,639</u>	<u>18,393</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>4,328</u>	<u>(1,665,662)</u>	<u>(179,800)</u>	<u>35,636</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Transfers in	-	1,484,533	92,571	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>1,484,533</u>	<u>92,571</u>	<u>-</u>
Net Change in Fund Balances	<u>4,328</u>	<u>(181,129)</u>	<u>(87,229)</u>	<u>35,636</u>
FUND BALANCES (DEFICIT) -				
Beginning of Year	<u>9,961</u>	<u>746,081</u>	<u>424,412</u>	<u>(14,930)</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 14,289</u>	<u>\$ 564,952</u>	<u>\$ 337,183</u>	<u>\$ 20,706</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2009

Special Revenue Funds					
HAZMAT	Recycling	CAR 25	State Asset Forfeiture	Federal Asset Forfeiture	Municipal Court
\$ -	\$ 982,843	\$ -	\$ -	\$ -	\$ 60,042
-	-	-	-	-	-
121,268	478,832	-	-	-	-
-	-	-	-	268,129	244,348
11,397	-	-	-	8,164	-
1,495	10,278	77,621	-	-	-
-	-	-	-	-	-
-	8	-	-	-	-
<u>134,160</u>	<u>1,471,961</u>	<u>77,621</u>	<u>-</u>	<u>276,293</u>	<u>304,390</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	68,958	-	-	-
-	1,332,419	-	-	-	-
89,616	-	-	9,297	29,462	275,471
-	-	-	-	-	-
-	-	-	-	212,865	-
<u>89,616</u>	<u>1,332,419</u>	<u>68,958</u>	<u>9,297</u>	<u>242,327</u>	<u>275,471</u>
<u>44,544</u>	<u>139,542</u>	<u>8,663</u>	<u>(9,297)</u>	<u>33,966</u>	<u>28,919</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	(2,471)	-	-	-	-
<u>-</u>	<u>(2,471)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
44,544	137,071	8,663	(9,297)	33,966	28,919
<u>345,324</u>	<u>(331,265)</u>	<u>30,340</u>	<u>9,297</u>	<u>236,341</u>	<u>(165)</u>
<u>\$ 389,868</u>	<u>\$ (194,194)</u>	<u>\$ 39,003</u>	<u>\$ -</u>	<u>\$ 270,307</u>	<u>\$ 28,754</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2009

	Special Revenue Funds			
	Bulky Waste Site	Sanitary Sewer Maintenance	Special Assessments	Other Cemetery
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special charges and assessments	-	-	979,776	-
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	35,082	89,357	20,111
Charges for services	16,910	1,407,599	-	29,700
Donations	-	-	-	100
Other	-	-	-	-
Total Revenues	<u>16,910</u>	<u>1,442,681</u>	<u>1,069,133</u>	<u>49,911</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	-	-	9,600
Public works	19,381	592,771	419	-
Public safety	-	-	-	-
Debt Service	-	-	-	-
Capital outlay	-	507,961	-	-
Total Expenditures	<u>19,381</u>	<u>1,100,732</u>	<u>419</u>	<u>9,600</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,471)</u>	<u>341,949</u>	<u>1,068,714</u>	<u>40,311</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Transfers in	2,471	-	-	-
Transfers (out)	-	-	(1,152,917)	(1,434,788)
Total Other Financing Sources (Uses)	<u>2,471</u>	<u>-</u>	<u>(1,152,917)</u>	<u>(1,434,788)</u>
Net Change in Fund Balances	-	341,949	(84,203)	(1,394,477)
FUND BALANCES (DEFICIT) -				
Beginning of Year	-	111,109	2,138,334	1,415,613
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ 453,058</u>	<u>\$ 2,054,131</u>	<u>\$ 21,136</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2009

	Special Revenue Funds					Capital Projects Funds
Other Public Safety	Trusts	Economic Development	Other	Health	Tax Incremental Districts	
\$ 16,805	\$ -	\$ -	\$ 203,892	\$ -	\$ 1,205,713	
-	-	-	-	-	-	-
714,112	-	-	51,076	1,434,027	136,802	
-	-	-	-	-	-	-
-	66,208	-	1,845	1,588	123,429	
77,760	-	364	113,804	29,341	13,073	
26,377	26,283	-	63,382	67,374	100,000	
-	-	-	4,167	-	-	-
<u>835,054</u>	<u>92,491</u>	<u>364</u>	<u>438,166</u>	<u>1,532,330</u>	<u>1,579,017</u>	
-	-	-	-	-	-	-
-	-	-	289,091	-	178,530	
-	-	-	-	1,529,051	-	-
-	38,153	-	110,289	-	-	-
-	-	6,800	1,481	-	-	-
462,503	-	-	20,857	-	-	-
-	-	-	-	-	87,320	
<u>335,584</u>	<u>1,199,057</u>	<u>-</u>	<u>55,652</u>	<u>-</u>	<u>444,145</u>	
<u>798,087</u>	<u>1,237,210</u>	<u>6,800</u>	<u>477,370</u>	<u>1,529,051</u>	<u>709,995</u>	
 <u>36,967</u>	 <u>(1,144,719)</u>	 <u>(6,436)</u>	 <u>(39,204)</u>	 <u>3,279</u>	 <u>869,022</u>	
-	-	-	-	-	-	-
-	-	-	-	26,186	-	-
-	-	-	-	-	(883,457)	
-	-	-	-	26,186	(883,457)	
 36,967	 (1,144,719)	 (6,436)	 (39,204)	 29,465	 (14,435)	
 <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>	
 <u>\$ 343,359</u>	 <u>\$ 651,481</u>	 <u>\$ 594,949</u>	 <u>\$ 538,224</u>	 <u>\$ 48,785</u>	 <u>\$ 532,223</u>	

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2009

	Capital Projects Funds				
	City Projects	2006	2007	2008	2009
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-	-
Intergovernmental	207,667	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Investment income	6,300	4,100	34,639	81,491	89,774
Charges for services	1,459,595	-	-	-	-
Donations	-	-	-	-	-
Other	84,284	-	-	-	-
Total Revenues	<u>1,757,846</u>	<u>4,100</u>	<u>34,639</u>	<u>81,491</u>	<u>89,774</u>
EXPENDITURES					
Current					
General Government	-	-	-	-	-
Community development	-	-	-	-	-
Health	-	-	-	-	-
Education and recreation	1,350	-	-	-	-
Public works	1,317,158	-	-	-	-
Public safety	-	-	-	-	-
Debt Service	-	-	-	-	127,395
Capital outlay	<u>1,091,497</u>	<u>201,601</u>	<u>1,123,449</u>	<u>2,459,096</u>	<u>4,807,890</u>
Total Expenditures	<u>2,410,005</u>	<u>201,601</u>	<u>1,123,449</u>	<u>2,459,096</u>	<u>4,935,285</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(652,159)</u>	<u>(197,501)</u>	<u>(1,088,810)</u>	<u>(2,377,605)</u>	<u>(4,845,511)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	-	7,760,000
Transfers in	113,100	-	-	-	-
Transfers (out)	<u>(1,129,719)</u>	<u>-</u>	<u>(22,416)</u>	<u>(426,649)</u>	<u>(418,098)</u>
Total Other Financing Sources (Uses)	<u>(1,016,619)</u>	<u>-</u>	<u>(22,416)</u>	<u>(426,649)</u>	<u>7,341,902</u>
Net Change in Fund Balances	<u>(1,668,778)</u>	<u>(197,501)</u>	<u>(1,111,226)</u>	<u>(2,804,254)</u>	<u>2,496,391</u>
FUND BALANCES (DEFICIT) -					
Beginning of Year	<u>182,232</u>	<u>197,501</u>	<u>1,111,226</u>	<u>2,821,646</u>	<u>-</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u><u>\$ (1,486,546)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 17,392</u></u>	<u><u>\$ 2,496,391</u></u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2009

Capital Projects Funds		Permanent Fund	Total
Assessment Projects	Intergovernmental Revenue Sharing	Endowment Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 4,788,895
-	-	-	979,776
-	1,306,797	-	6,030,369
-	-	-	512,477
-	80,090	331,482	1,062,115
-	-	-	3,630,368
-	-	101	283,617
-	8,000	-	96,459
-	1,394,887	331,583	17,384,076
-	-	-	-
-	126,422	-	594,043
-	-	-	1,529,051
-	-	56,985	4,599,103
-	-	-	3,270,429
-	-	-	1,074,034
-	-	-	214,715
1,111,009	49,470	89,073	15,362,525
1,111,009	175,892	146,058	26,643,900
(1,111,009)	1,218,995	185,525	(9,259,824)
-	-	-	7,760,000
1,152,917	-	-	2,871,778
-	-	(117,903)	(5,588,418)
1,152,917	-	(117,903)	5,043,360
41,908	1,218,995	67,622	(4,216,464)
(67,534)	4,259,590	3,227,986	20,700,482
\$ (25,626)	\$ 5,478,585	\$ 3,295,608	\$ 16,484,018

CITY OF RACINE
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2009

	Public Safety Grants		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 47,406	\$ 47,406	\$ -
Intergovernmental	142,218	143,750	1,532
Fines and Forfeitures	-	-	-
Investment income	-	-	-
Charges for services	-	-	-
Donations	-	-	-
Other	-	-	-
Total Revenues	<u>189,624</u>	<u>191,156</u>	<u>1,532</u>
EXPENDITURES			
Current			
Community development	-	-	-
Health	-	-	-
Education and recreation	-	-	-
Public works	-	-	-
Public safety	189,624	186,828	2,796
Capital outlay	-	-	-
Total Expenditures	<u>189,624</u>	<u>186,828</u>	<u>2,796</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>4,328</u>	<u>4,328</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>4,328</u>	<u>\$ 4,328</u>
FUND BALANCES (DEFICIT) - Beginning of Year		<u>9,961</u>	
FUND BALANCES (DEFICIT) - END OF YEAR		<u>\$ 14,289</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, 2009

Cemetery				Library			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 211,667	\$ 211,667	\$ 211,667	\$ -	\$ 2,060,527	\$ 2,060,527	\$ 2,060,527	\$ -
-	-	-	-	1,385,691	1,385,691	1,410,181	24,490
-	-	-	-	-	-	-	-
45,000	45,000	34,564	(10,436)	63,000	63,000	42,494	(20,506)
290,000	290,000	243,019	(46,981)	118,000	118,000	121,637	3,637
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>546,667</u>	<u>546,667</u>	<u>489,250</u>	<u>(57,417)</u>	<u>3,627,218</u>	<u>3,627,218</u>	<u>3,634,839</u>	<u>7,621</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
606,839	606,839	603,668	3,171	3,833,790	3,865,070	3,691,707	173,363
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>86,000</u>	<u>1,512,493</u>	<u>1,551,244</u>	<u>(38,751)</u>	<u>765,100</u>	<u>767,040</u>	<u>122,932</u>	<u>644,108</u>
<u>692,839</u>	<u>2,119,332</u>	<u>2,154,912</u>	<u>(35,580)</u>	<u>4,598,890</u>	<u>4,632,110</u>	<u>3,814,639</u>	<u>817,471</u>
<u>(146,172)</u>	<u>(1,572,665)</u>	<u>(1,665,662)</u>	<u>(92,997)</u>	<u>(971,672)</u>	<u>(1,004,892)</u>	<u>(179,800)</u>	<u>825,092</u>
-	1,426,493	1,484,533	1,484,533	744,500	777,720	92,571	(685,149)
-	<u>1,426,493</u>	<u>1,484,533</u>	<u>1,484,533</u>	<u>744,500</u>	<u>777,720</u>	<u>92,571</u>	<u>(685,149)</u>
<u>\$ (146,172)</u>	<u>\$ (146,172)</u>	<u>(181,129)</u>	<u>\$ 1,391,536</u>	<u>\$ (227,172)</u>	<u>\$ (227,172)</u>	<u>(87,229)</u>	<u>\$ 139,943</u>
		<u>746,081</u>				<u>424,412</u>	
		<u>\$ 564,952</u>				<u>\$ 337,183</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, 2009

	Harbor Commission			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	25,857	25,857
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	28,286	28,286	28,172	(114)
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>28,286</u>	<u>28,286</u>	<u>54,029</u>	<u>25,743</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	23,114	23,114	18,393	4,721
Public works	-	-	-	-
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>23,114</u>	<u>23,114</u>	<u>18,393</u>	<u>4,721</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>5,172</u>	<u>5,172</u>	<u>35,636</u>	<u>30,464</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>\$ 5,172</u>	<u>\$ 5,172</u>	<u>35,636</u>	<u>\$ 30,464</u>
FUND BALANCES (DEFICIT) - Beginning of Year			(14,930)	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ 20,706</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, 2009

HAZMAT				Recycling			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ 982,843	\$ 982,843	\$ 982,843	\$ -
122,500	122,500	121,268	(1,232)	512,000	512,000	478,832	(33,168)
-	-	-	-	-	-	-	-
6,000	6,000	11,397	5,397	-	-	-	-
-	-	1,495	1,495	55,000	55,000	10,278	(44,722)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	8	8
<u>128,500</u>	<u>128,500</u>	<u>134,160</u>	<u>5,660</u>	<u>1,549,843</u>	<u>1,549,843</u>	<u>1,471,961</u>	<u>(77,882)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,549,843	1,549,843	1,332,419	217,424
128,500	128,500	89,616	38,884	-	-	-	-
-	-	-	-	-	-	-	-
<u>128,500</u>	<u>128,500</u>	<u>89,616</u>	<u>38,884</u>	<u>1,549,843</u>	<u>1,549,843</u>	<u>1,332,419</u>	<u>217,424</u>
-	-	-	-	-	-	-	-
-	-	44,544	44,544	-	-	139,542	139,542
-	-	-	-	-	-	-	-
-	-	-	-	-	-	(2,471)	(2,471)
-	-	-	-	-	-	(2,471)	(2,471)
<u>\$ -</u>	<u>\$ -</u>	<u>44,544</u>	<u>\$ 44,544</u>	<u>\$ -</u>	<u>\$ -</u>	<u>137,071</u>	<u>\$ 137,071</u>
		<u>345,324</u>				<u>(331,265)</u>	
		<u>\$ 389,868</u>				<u>\$ (194,194)</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, 2009

	CAR25			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	80,860	80,860	77,621	(3,239)
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>80,860</u>	<u>80,860</u>	<u>77,621</u>	<u>(3,239)</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	80,860	80,860	68,958	11,902
Public works	-	-	-	-
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>80,860</u>	<u>80,860</u>	<u>68,958</u>	<u>11,902</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>-</u>	<u>8,663</u>	<u>8,663</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ -</u>	<u>8,663</u>	<u>\$ 8,663</u>
FUND BALANCES (DEFICIT) - Beginning of Year			<u>30,340</u>	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ 39,003</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, 2009

State Asset Forfeiture				Federal Asset Forfeiture			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
18,000	18,000	-	(18,000)	110,000	110,000	268,129	158,129
-	-	-	-	10,000	10,000	8,164	(1,836)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>18,000</u>	<u>18,000</u>	<u>-</u>	<u>(18,000)</u>	<u>120,000</u>	<u>120,000</u>	<u>276,293</u>	<u>156,293</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
17,000	17,000	9,297	7,703	23,000	27,589	29,462	(1,873)
-	-	-	-	192,000	207,416	212,865	(5,449)
<u>17,000</u>	<u>17,000</u>	<u>9,297</u>	<u>7,703</u>	<u>215,000</u>	<u>235,005</u>	<u>242,327</u>	<u>(7,322)</u>
<u>1,000</u>	<u>1,000</u>	<u>(9,297)</u>	<u>(10,297)</u>	<u>(95,000)</u>	<u>(115,005)</u>	<u>33,966</u>	<u>148,971</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>(9,297)</u>	<u>\$ (10,297)</u>	<u>\$ (95,000)</u>	<u>\$ (115,005)</u>	<u>33,966</u>	<u>\$ 148,971</u>
		<u>9,297</u>				<u>236,341</u>	
		<u>\$ -</u>				<u>\$ 270,307</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, 2009

	Bulky Waste Site			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	24,425	24,425	16,910	(7,515)
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>24,425</u>	<u>24,425</u>	<u>16,910</u>	<u>(7,515)</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	-	-	-
Public works	24,425	24,425	19,381	5,044
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>24,425</u>	<u>24,425</u>	<u>19,381</u>	<u>5,044</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>-</u>	<u>(2,471)</u>	<u>(2,471)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	2,471	2,471
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>2,471</u>	<u>2,471</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, 2009

Municipal Court				Sanitary Sewer Maintenance			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 60,042	\$ 60,042	\$ 60,042	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
225,500	225,500	244,348	18,848	-	-	-	-
-	-	-	-	-	-	35,082	35,082
-	-	-	-	1,400,000	1,400,000	1,407,599	7,599
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>285,542</u>	<u>285,542</u>	<u>304,390</u>	<u>18,848</u>	<u>1,400,000</u>	<u>1,400,000</u>	<u>1,442,681</u>	<u>42,681</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	600,000	600,000	592,771	7,229
285,542	285,542	275,471	10,071	-	-	-	-
-	-	-	-	800,000	945,226	507,961	437,265
<u>285,542</u>	<u>285,542</u>	<u>275,471</u>	<u>10,071</u>	<u>1,400,000</u>	<u>1,545,226</u>	<u>1,100,732</u>	<u>444,494</u>
-	-	28,919	28,919	-	(145,226)	341,949	487,175
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>28,919</u>	<u>\$ 28,919</u>	<u>\$ -</u>	<u>\$ (145,226)</u>	<u>341,949</u>	<u>\$ 487,175</u>
		(165)				111,109	
		<u>\$ 28,754</u>				<u>\$ 453,058</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, 2009

	Currently Due		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Tax Levy	\$ 8,419,636	\$ 8,419,636	\$ -
Other	145,019	144,987	(32)
Total Revenues	<u>8,564,655</u>	<u>8,564,623</u>	<u>(32)</u>
EXPENDITURES			
Debt service			
Principal	6,780,779	6,783,679	(2,900)
Interest and fiscal charges	<u>4,819,682</u>	<u>4,663,507</u>	<u>156,175</u>
Total Expenditures	<u>11,600,461</u>	<u>11,447,186</u>	<u>153,275</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(3,035,806)</u>	<u>(2,882,563)</u>	<u>153,243</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	<u>2,684,306</u>	<u>2,750,175</u>	<u>65,869</u>
Total Other Financing Sources (Uses)	<u>2,684,306</u>	<u>2,750,175</u>	<u>65,869</u>
Net Change in Fund Balances	<u>\$ (351,500)</u>	<u>(132,388)</u>	<u>\$ 219,112</u>
FUND BALANCES - Beginning of Year		<u>1,450,300</u>	
FUND BALANCES - END OF YEAR		<u>\$ 1,317,912</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, 2009**

	2009 Capital Projects			Variance with Final Budget
	Original Budget	Final Budget	Actual	
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment income	109,600	109,600	89,774	(19,826)
Other	-	-	-	-
Total Revenues	<u>109,600</u>	<u>109,600</u>	<u>89,774</u>	<u>(19,826)</u>
EXPENDITURES				
Current-Community Development	-	-	-	-
Debt service	-	127,395	127,395	-
Capital outlay	<u>6,675,100</u>	<u>6,547,705</u>	<u>4,807,890</u>	<u>1,739,815</u>
Total Expenditures	<u>6,675,100</u>	<u>6,675,100</u>	<u>4,935,285</u>	<u>1,739,815</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(6,565,500)</u>	<u>(6,565,500)</u>	<u>(4,845,511)</u>	<u>1,719,989</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	7,500,000	7,500,000	7,760,000	260,000
Transfers in	-	-	-	-
Transfers (out)	<u>(934,500)</u>	<u>(934,500)</u>	<u>(418,098)</u>	<u>516,402</u>
Total Other Financing Sources (Uses)	<u>6,565,500</u>	<u>6,565,500</u>	<u>7,341,902</u>	<u>776,402</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>2,496,391</u>	<u>\$ 2,496,391</u>
FUND BALANCES (DEFICITS)- Beginning of Year			<u>-</u>	
FUND BALANCES (DEFICITS) - END OF YEAR			<u>\$ 2,496,391</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, 2009

Assessment Projects				Intergovernmental Revenue Sharing			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,318,914	1,318,914	1,306,797	(12,117)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	80,090	80,090
-	-	-	-	-	-	8,000	8,000
-	-	-	-	1,318,914	1,318,914	1,394,887	75,973
-	-	-	-	-	-	-	-
-	-	-	-	124,400	124,400	126,422	(2,022)
-	-	-	-	-	-	-	-
1,797,000	1,914,933	1,111,009	803,924	350,000	382,860	49,470	333,390
1,797,000	1,914,933	1,111,009	803,924	474,400	507,260	175,892	331,368
(1,797,000)	(1,914,933)	(1,111,009)	803,924	844,514	811,654	1,218,995	407,341
-	-	-	-	-	-	-	-
1,797,000	1,914,933	1,152,917	(762,016)	-	-	-	-
-	-	-	-	(232,000)	(232,000)	-	232,000
1,797,000	1,914,933	1,152,917	(762,016)	(232,000)	(232,000)	-	232,000
\$ -	\$ -	41,908	\$ 41,908	\$ 612,514	\$ 579,654	1,218,995	\$ 639,341
		(67,534)				4,259,590	
		\$ (25,626)				\$5,478,585	

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS
December 31, 2009

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
ASSETS						
Current Assets						
Cash and investments	\$ 1,784,324	\$ -	\$ -	\$ 16,353	\$ 269,740	\$ 2,070,417
Receivables						
Accounts	50,215	1,765	7,267	17,602	89,391	166,240
Taxes	10,595	3,515,430	-	417,049	-	3,943,074
Due from other governments	-	29,385	1,857	-	-	31,242
Inventories	-	-	-	5,645	-	5,645
Prepaid expenses	-	-	-	17,328	-	17,328
	<u>1,845,134</u>	<u>3,546,580</u>	<u>9,124</u>	<u>473,977</u>	<u>359,131</u>	<u>6,233,946</u>
Total Current Assets						
Noncurrent Assets						
Capital assets						
Land	1,014,105	-	1,432,654	140,421	15,000	2,602,180
Land and building improvements	16,136,207	56,291,267	2,766,364	6,888,790	121,026	82,203,654
Equipment, furniture and vehicles	655,508	1,046,572	-	388,888	12,913	2,103,881
Less: accumulated depreciation	(5,743,426)	(28,894,693)	(1,621,235)	(3,538,385)	(70,736)	(39,868,475)
	<u>12,062,394</u>	<u>28,443,146</u>	<u>2,577,783</u>	<u>3,879,714</u>	<u>78,203</u>	<u>47,041,240</u>
Construction in progress	24,568	465,211	123,457	-	-	613,236
Total Capital Assets (net of accumulated depreciation)	<u>12,086,962</u>	<u>28,908,357</u>	<u>2,701,240</u>	<u>3,879,714</u>	<u>78,203</u>	<u>47,654,476</u>
TOTAL ASSETS	<u>\$ 13,932,096</u>	<u>\$ 32,454,937</u>	<u>\$ 2,710,364</u>	<u>\$ 4,353,691</u>	<u>\$ 437,334</u>	<u>\$ 53,888,422</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS
December 31, 2009

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 39,682	\$ 83,716	\$ 11,362	\$ 29,160	\$ 366	\$ 164,286
Accrued compensation	5,876	5,243	-	-	3,050	14,169
Accrued liabilities	953	15	19,781	30,139	-	50,888
Due to other funds	-	164,521	79,717	341,166	-	585,404
Advances from other funds	-	137,956	41,349	-	-	179,305
Deferred property tax revenue	10,595	3,515,430	-	417,049	-	3,943,074
Total Current Liabilities	<u>57,106</u>	<u>3,906,881</u>	<u>152,209</u>	<u>817,514</u>	<u>3,416</u>	<u>4,937,126</u>
Noncurrent Liabilities						
Compensated absences	36,505	12,507	-	-	16,960	65,972
OPEB ARC obligation	457,734	992,710	-	-	174,965	1,625,409
Advances from other funds	-	1,135,667	-	-	-	1,135,667
Total Noncurrent Liabilities	<u>494,239</u>	<u>2,140,884</u>	<u>-</u>	<u>-</u>	<u>191,925</u>	<u>2,827,048</u>
TOTAL LIABILITIES	<u>551,345</u>	<u>6,047,765</u>	<u>152,209</u>	<u>817,514</u>	<u>195,341</u>	<u>7,764,174</u>
NET ASSETS						
Invested in capital assets	12,086,962	28,908,357	2,701,240	3,879,714	78,203	47,654,476
Unrestricted (deficit)	<u>1,293,789</u>	<u>(2,501,185)</u>	<u>(143,085)</u>	<u>(343,537)</u>	<u>163,790</u>	<u>(1,530,228)</u>
TOTAL NET ASSETS	<u>\$ 13,380,751</u>	<u>\$ 26,407,172</u>	<u>\$ 2,558,155</u>	<u>\$ 3,536,177</u>	<u>\$ 241,993</u>	<u>\$ 46,124,248</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended December 31, 2009

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
OPERATING REVENUES						
Charges for services	\$ 1,216,954	\$ 3,320,052	\$ 176,424	\$ 368,611	\$ 327,046	\$ 5,409,087
Other	2,889	50,220	-	-	-	53,109
Total Operating Revenues	<u>1,219,843</u>	<u>3,370,272</u>	<u>176,424</u>	<u>368,611</u>	<u>327,046</u>	<u>5,462,196</u>
OPERATING EXPENSES						
Public works	1,115,279	2,944,076	-	-	334,683	4,394,038
Education and recreation	-	-	78,446	758,126	-	836,572
Depreciation	<u>371,211</u>	<u>1,158,232</u>	<u>87,674</u>	<u>268,790</u>	<u>2,689</u>	<u>1,888,596</u>
Total Operating Expenses	<u>1,486,490</u>	<u>4,102,308</u>	<u>166,120</u>	<u>1,026,916</u>	<u>337,372</u>	<u>7,119,206</u>
Operating income (loss)	<u>(266,647)</u>	<u>(732,036)</u>	<u>10,304</u>	<u>(658,305)</u>	<u>(10,326)</u>	<u>(1,657,010)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	-	58,768	3,117	-	-	61,885
Interest expense	-	(37,524)	(6,300)	-	-	(43,824)
Gain (loss) on sale of fixed assets	-	20,000	(144)	(12,491)	-	7,365
Tax levy	<u>10,595</u>	<u>-</u>	<u>-</u>	<u>376,790</u>	<u>-</u>	<u>387,385</u>
Total Nonoperating Revenues (Expenses)	<u>10,595</u>	<u>41,244</u>	<u>(3,327)</u>	<u>364,299</u>	<u>-</u>	<u>412,811</u>
Income (Loss) Before Transfers	<u>(256,052)</u>	<u>(690,792)</u>	<u>6,977</u>	<u>(294,006)</u>	<u>(10,326)</u>	<u>(1,244,199)</u>
CONTRIBUTED CAPITAL	-	373,279	-	-	-	373,279
TRANSFERS IN	<u>282,555</u>	<u>83,945</u>	<u>-</u>	<u>152,098</u>	<u>-</u>	<u>518,598</u>
Change in Net Assets	26,503	(233,568)	6,977	(141,908)	(10,326)	(352,322)
TOTAL NET ASSETS, Beginning 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>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 13,380,751</u>	<u>\$ 26,407,172</u>	<u>\$ 2,558,155</u>	<u>\$ 3,536,177</u>	<u>\$ 241,993</u>	<u>\$ 46,124,248</u>

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CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2009

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Totals
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 1,145,015	\$ 3,369,158	\$ 174,660	\$ 356,896	\$ 341,555	\$ 5,387,284
Payments to suppliers	(376,277)	(1,693,567)	(66,467)	(457,145)	(66,370)	(2,659,826)
Payments to employees	(550,801)	(1,193,221)	-	(335,636)	(210,805)	(2,290,463)
Net Cash Provided (Used) by Operating Activities	217,937	482,370	108,193	(435,885)	64,380	436,995
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Operating subsidies received-City	10,595	-	-	376,790	-	387,385
Net Cash Provided by Noncapital Financing Activities	10,595	-	-	376,790	-	387,385
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Advances retired	-	(60,245)	(23,675)	-	-	(83,920)
Interest paid on advances	-	(37,524)	(6,300)	-	-	(43,824)
Transfer from other funds for capital purposes	282,555	457,224	-	152,097	-	891,876
Proceeds from advances	-	500,000	-	-	-	500,000
Proceeds from sale of capital assets	-	20,000	-	-	-	20,000
Capital grant received	-	(29,385)	-	-	-	(29,385)
Acquisition and construction of capital assets	(252,637)	(1,792,783)	(285,044)	(108,122)	-	(2,438,586)
Net Cash Provided (Used) by Capital and Related Financing Activities	29,918	(942,713)	(315,019)	43,975	-	(1,183,839)
CASH FLOW FROM INVESTING ACTIVITIES						
Investment income received	-	58,768	3,117	-	-	61,885
Net Increase (Decrease) in Cash and Cash Equivalents	258,450	(401,575)	(203,709)	(15,120)	64,380	(297,574)
CASH AND CASH EQUIVALENTS,						
Beginning of Year	1,525,874	401,575	203,709	31,473	205,360	2,367,991
End of Year	\$ 1,784,324	\$ -	\$ -	\$ 16,353	\$ 269,740	\$ 2,070,417

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2009

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (266,647)	\$ (732,036)	\$ 10,304	\$ (658,305)	\$ (10,326)	\$ (1,657,010)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Other postemployment benefits	155,980	352,815	-	-	56,708	565,503
Depreciation	371,211	1,158,232	87,674	268,790	2,689	1,888,596
(Increase) decrease in accounts receivable	(366)	(1,114)	(1,764)	(11,715)	14,509	(450)
(Increase) decrease in inventories	-	-	-	799	-	799
(Increase) decrease in prepaids	-	-	-	(15,280)	-	(15,280)
(Increase) decrease in due from other funds	-	(195,378)	-	(40,259)	-	(235,637)
Increase (decrease) in accounts payable	34,067	(458,562)	11,362	(8,473)	366	(421,240)
Increase (decrease) in accrued liabilities	(1,847)	(1,486)	617	10,593	434	8,311
Increase (decrease) in deferred revenue	(74,461)	195,378	-	40,259	-	161,176
Increase (decrease) in due to other funds	-	164,521	-	(22,294)	-	142,227
Net Cash Provided (Used) by Operating Activities	<u>\$ 217,937</u>	<u>\$ 482,370</u>	<u>\$ 108,193</u>	<u>\$ (435,885)</u>	<u>\$ 64,380</u>	<u>\$ 436,995</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Estimated cost of fixed assets installed or financed by developers, customers or the City	<u>\$ -</u>	<u>\$ 373,279</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 373,279</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2009

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
ASSETS						
Current Assets						
Cash and investments	\$ -	\$ 279,891	\$ 359,662	\$ 8,465,628	\$ 152,870	\$ 9,258,051
Inventories	412,617	-	-	-	-	412,617
Receivables						
Accounts	25,124	-	5,831	516,526	3,692	551,173
Prepaid expenditures	-	-	-	58,657	-	58,657
Due from other funds	14,311	-	-	-	3,236	17,547
Total Current Assets	<u>452,052</u>	<u>279,891</u>	<u>365,493</u>	<u>9,040,811</u>	<u>159,798</u>	<u>10,298,045</u>
Noncurrent Assets						
Capital assets						
Land	32,879	-	-	-	-	32,879
Buildings and land improvements	1,605,013	-	-	-	-	1,605,013
Equipment, furniture and vehicles	345,516	1,945,427	82,104	-	654,566	3,027,613
Less: Accumulated depreciation	(867,969)	(1,407,456)	(15,569)	-	(196,375)	(2,487,369)
	<u>1,115,439</u>	<u>537,971</u>	<u>66,535</u>	<u>-</u>	<u>458,191</u>	<u>2,178,136</u>
Construction in progress	-	-	-	-	22,129	22,129
Total Capital Assets (net of accumulated depreciation)	<u>1,115,439</u>	<u>537,971</u>	<u>66,535</u>	<u>-</u>	<u>480,320</u>	<u>2,200,265</u>
TOTAL ASSETS	<u>\$ 1,567,491</u>	<u>\$ 817,862</u>	<u>\$ 432,028</u>	<u>\$ 9,040,811</u>	<u>\$ 640,118</u>	<u>\$ 12,498,310</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2009

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 38,994	\$ 37,447	\$ 35,195	\$ 291,566	\$ 34,432	\$ 437,634
Accrued liabilities	23,119	4,398	8,899	1,200,673	-	1,237,089
Due to other funds	60,247	-	12,976	-	-	73,223
Total Current Liabilities	<u>122,360</u>	<u>41,845</u>	<u>57,070</u>	<u>1,492,239</u>	<u>34,432</u>	<u>1,747,946</u>
Noncurrent Liabilities						
Compensated absences	96,332	5,778	38,705	-	-	140,815
Total Noncurrent Liabilities	<u>96,332</u>	<u>5,778</u>	<u>38,705</u>	<u>-</u>	<u>-</u>	<u>140,815</u>
TOTAL LIABILITIES	<u>218,692</u>	<u>47,623</u>	<u>95,775</u>	<u>1,492,239</u>	<u>34,432</u>	<u>1,888,761</u>
NET ASSETS						
Invested in capital assets	1,115,439	537,971	66,535	-	480,320	2,200,265
Unrestricted (deficit)	233,360	232,268	269,718	7,548,572	125,366	8,409,284
TOTAL NET ASSETS	<u>\$ 1,348,799</u>	<u>\$ 770,239</u>	<u>\$ 336,253</u>	<u>\$ 7,548,572</u>	<u>\$ 605,686</u>	<u>\$ 10,609,549</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, 2009

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
OPERATING REVENUES						
Charges for services and sales						
Labor and equipment charges	\$ 1,721,299	\$ -	\$ -	\$ -	\$ -	\$ 1,721,299
Fuel, oil, parts and supplies sales	1,784,237	-	-	-	-	1,784,237
Health insurance premiums	-	-	-	15,382,775	-	15,382,775
Telephone service sales	-	-	-	-	202,965	202,965
Computer service sales	-	1,424,456	-	-	-	1,424,456
Facilities rent	-	-	2,254,925	-	-	2,254,925
Other	23,086	-	5,864	547,590	-	576,540
Total Operating Revenues	<u>3,528,622</u>	<u>1,424,456</u>	<u>2,260,789</u>	<u>15,930,365</u>	<u>202,965</u>	<u>23,347,197</u>
OPERATING EXPENSES						
Public Works						
Operating supplies and expenses	3,607,355	-	2,102,852	-	-	5,710,207
General administration						
Telephone expenses	-	-	-	-	218,131	218,131
Health insurance	-	-	-	15,621,061	-	15,621,061
Information systems	-	1,412,937	-	-	-	1,412,937
Depreciation	60,622	197,517	11,337	-	26,182	295,658
Total Operating Expenses	<u>3,667,977</u>	<u>1,610,454</u>	<u>2,114,189</u>	<u>15,621,061</u>	<u>244,313</u>	<u>23,257,994</u>
Operating Income (Loss) Before Transfers	(139,355)	(185,998)	146,600	309,304	(41,348)	89,203
NONOPERATING REVENUES (EXPENSES)						
Tax levy	-	80,000	-	-	-	80,000
Total Nonoperating Revenues (Expenses)	<u>-</u>	<u>80,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,000</u>
Income (Loss) Before Transfers	(139,355)	(105,998)	146,600	309,304	(41,348)	169,203
TRANSFER IN	<u>42,208</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,208</u>
Change in Net Assets	(97,147)	(105,998)	146,600	309,304	(41,348)	211,411
TOTAL NET ASSETS - Beginning 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>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 1,348,799</u>	<u>\$ 770,239</u>	<u>\$ 336,253</u>	<u>\$ 7,548,572</u>	<u>\$ 605,686</u>	<u>\$ 10,609,549</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2009

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 3,535,419	\$ 1,424,456	\$ 2,261,623	\$ 16,007,194	\$ 201,791	\$ 23,430,483
Payments to suppliers	(1,860,216)	(1,213,687)	(1,204,517)	(15,732,750)	(188,898)	(20,200,068)
Payments to employees	(1,706,310)	(215,102)	(921,066)	(107,068)	(14,100)	(2,963,646)
Net Cash Provided (Used) by Operating Activities	(31,107)	(4,333)	136,040	167,376	(1,207)	266,769
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Operating subsidies received-City	-	80,000	-	-	-	80,000
Net Cash Provided by Noncapital						
Financing Activities	-	80,000	-	-	-	80,000
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Transfer from other funds for capital purposes	42,208	-	-	-	-	42,208
Acquisition and construction of capital assets	(116,611)	(142,591)	(32,548)	-	(22,129)	(313,879)
Net Cash Used by Capital and Related Financing Activities	(74,403)	(142,591)	(32,548)	-	(22,129)	(271,671)
Net Increase (Decrease) in Cash and Cash Equivalents	(105,510)	(66,924)	103,492	167,376	(23,336)	75,098
CASH AND CASH EQUIVALENTS - Beginning of Year	105,510	346,815	256,170	8,298,252	176,206	9,182,953
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ -	\$ 279,891	\$ 359,662	\$ 8,465,628	\$ 152,870	\$ 9,258,051

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2009

	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)	\$ (139,355)	\$ (185,998)	\$ 146,600	\$ 309,304	\$ (41,348)	\$ 89,203
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities						
Depreciation expense	60,622	197,517	11,337	-	26,182	295,658
(Increase) decrease in accounts receivable	6,745	-	834	76,829	(408)	84,000
(Increase) decrease in inventories	15,167	-	-	-	-	15,167
(Increase) decrease in prepaid	-	-	-	(58,657)	-	(58,657)
(Increase) decrease in due from other funds	54	80,000	-	-	(766)	79,288
Increase (decrease) in accounts payable	(7,833)	(14,069)	(2,099)	148,328	15,133	139,460
Increase (decrease) in accrued liabilities	(26,754)	(81,783)	(16,261)	(308,428)	-	(433,226)
Increase (decrease) in due to other funds	60,247	-	(4,371)	-	-	55,876
Total Adjustments	108,248	181,665	(10,560)	(141,928)	40,141	177,566
Net Cash Provided (Used) by Operating Activities	\$ (31,107)	\$ (4,333)	\$ 136,040	\$ 167,376	\$ (1,207)	\$ 266,769