

CITY OF RACINE

Racine, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

December 31, 2010

CITY OF RACINE

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CITY OF RACINE

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INDEPENDENT AUDITORS' REPORT



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INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund and the aggregate remaining fund information of the City of Racine, Wisconsin, as of and for the year ended December 31, 2010, 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 Racine Water and Wastewater Utilities, both major enterprise funds. 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 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 *Governmental Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions.

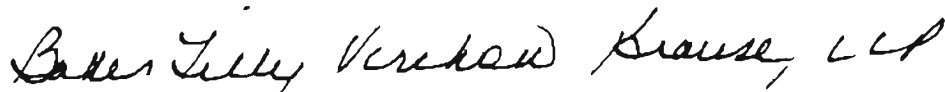
In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Racine, Wisconsin, as of December 31, 2010, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Mayor and Common Council
City of Racine

In accordance with *Government Auditing Standards*, we will issue our report on our consideration of the City's internal control over financial reporting and on 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 Verchow Krause, LLP". The signature is written in a cursive, flowing style.

Milwaukee, Wisconsin
July 18, 2011

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, 2010.

Financial Highlights

- The assets of the City of Racine exceeded its liabilities at the close of the most recent fiscal year by \$254,011,704 (net assets). Of this amount, \$(22,652,188) (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 \$20,242,198.
- As of the close of the current fiscal year, the City of Racine's governmental funds reported combined ending fund balances of \$61,924,003, an increase of \$5,876,247, in comparison with the prior year. Approximately 47.1% of this amount, \$29,155,097, is available for spending at the government's discretion (unreserved fund, undesignated fund balance). At year end, management had designated \$2,966,927 of the unreserved fund balance for use in the 2011 budget.
- At the end of the current fiscal year, unreserved-undesignated fund balance for the general fund was \$24,377,738 or 29.9% of total general fund expenditures.
- Total long term obligations decreased by approximately \$3.9 million for the fiscal year ended December 31, 2010. Long term obligation activity during the year included the following:
 - \$9.85 million of general obligation debt issued for the 2010 capital improvement plan and for the purchase of recycling carts for residential properties within the City.
 - \$3.895 million of general obligation refunding debt issued to advance refund \$3.64 million of tax incremental debt.
 - \$16.1 million for general repayments
 - \$2.52 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.

Certain reclassifications have been made to the 2009 financial information to conform to the 2010 presentation. There were no changes in previously reported net assets as a result of these reclassifications.

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, 2010 and 2009 City's assets exceeded liabilities by \$254,011,704 and \$274,253,902 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 \$254,637,210 and \$256,149,343 at December 31, 2010 and 2009.

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 \$22,026,782 and \$22,710,623 and unrestricted net assets was \$(22,652,188) and \$(4,906,064) as of December 31, 2010 and 2009 respectively.

The City's governmental activities had a deficit unrestricted net assets of \$(28,377,868) and \$(14,544,888) as of December 31, 2010 and 2009 respectively. The deficit is primarily the result of the increase in the City's OPEB obligation.

The City's net OPEB obligation was \$74,498,403 and \$55,005,102 as of December 31, 2010 and 2009 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, 2010 and 2009. Amounts are expressed in thousands.

	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	Governmental	Governmental	Business-Type	Business-Type		
	Activities	Activities	Activities	Activities	Total	Total
Current and other assets	\$ 141,443	\$ 139,087	\$ 80,757	\$ 84,855	\$ 222,200	\$ 223,942
Capital assets	<u>181,570</u>	<u>180,364</u>	<u>283,375</u>	<u>288,709</u>	<u>464,945</u>	<u>469,073</u>
Total assets	<u>323,013</u>	<u>319,451</u>	<u>364,132</u>	<u>373,564</u>	<u>687,145</u>	<u>693,015</u>
Current and other liabilities	62,894	62,804	6,991	7,149	69,885	69,953
Liabilities payable from restricted assets	-	-	11,031	10,780	11,031	10,780
Long-term liabilities	<u>175,337</u>	<u>156,883</u>	<u>176,880</u>	<u>181,145</u>	<u>352,217</u>	<u>338,028</u>
Total liabilities	<u>238,231</u>	<u>219,687</u>	<u>194,902</u>	<u>199,074</u>	<u>433,133</u>	<u>418,761</u>
Net assets:						
Invested in capital assets						
net of related debt	100,238	99,967	161,650	164,243	254,637	256,149
Restricted	12,922	14,341	9,105	8,369	22,027	22,710
Unrestricted	<u>(28,378)</u>	<u>(14,544)</u>	<u>(1,525)</u>	<u>1,878</u>	<u>(22,652)</u>	<u>(4,605)</u>
Total net assets	<u>\$ 84,782</u>	<u>\$ 99,764</u>	<u>\$ 169,230</u>	<u>\$ 174,490</u>	<u>\$ 254,012</u>	<u>\$ 274,254</u>

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
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- At the end of the current fiscal year, unreserved-undesignated fund balance for the general fund was \$24,377,738 or 29.9% of total general fund expenditures.
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CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
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Government-wide Financial Statements (*continued*)

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CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
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CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
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The largest portion of the City's net assets is its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City used these capital assets to provide services to citizens and therefore they are not available for future spending. Although the City's investment in capital assets is reported net of related debt, the resources need to repay this debt must be provided from other resources, since the capital assets can not be used to liquidate these liabilities. The City's investment in capital assets was \$254,637,210 and \$256,149,343 at December 31, 2010 and 2009.

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 \$22,026,782 and \$22,710,623 and unrestricted net assets was \$(22,652,188) and \$(4,906,064) as of December 31, 2010 and 2009 respectively.

The City's governmental activities had a deficit unrestricted net assets of \$(28,377,868) and \$(14,544,888) as of December 31, 2010 and 2009 respectively. The deficit is primarily the result of the increase in the City's OPEB obligation.

The City's net OPEB obligation was \$74,498,403 and \$55,005,102 as of December 31, 2010 and 2009 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, 2010 and 2009. Amounts are expressed in thousands.

	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>
	Governmental	Governmental	Business-Type	Business-Type		
	Activities	Activities	Activities	Activities	Total	Total
Current and other assets	\$ 141,443	\$ 139,087	\$ 80,757	\$ 84,855	\$ 222,200	\$ 223,942
Capital assets	<u>181,570</u>	<u>180,364</u>	<u>283,375</u>	<u>288,709</u>	<u>464,945</u>	<u>469,073</u>
Total assets	<u>323,013</u>	<u>319,451</u>	<u>364,132</u>	<u>373,564</u>	<u>687,145</u>	<u>693,015</u>
Current and other liabilities	62,894	62,804	6,991	7,149	69,885	69,953
Liabilities payable from restricted assets	-	-	11,031	10,780	11,031	10,780
Long-term liabilities	<u>175,337</u>	<u>156,883</u>	<u>176,880</u>	<u>181,145</u>	<u>352,217</u>	<u>338,028</u>
Total liabilities	<u>238,231</u>	<u>219,687</u>	<u>194,902</u>	<u>199,074</u>	<u>433,133</u>	<u>418,761</u>
Net assets:						
Invested in capital assets						
net of related debt	100,238	99,967	161,650	164,243	254,637	256,149
Restricted	12,922	14,341	9,105	8,369	22,027	22,710
Unrestricted	<u>(28,378)</u>	<u>(14,544)</u>	<u>(1,525)</u>	<u>1,878</u>	<u>(22,652)</u>	<u>(4,605)</u>
Total net assets	<u>\$ 84,782</u>	<u>\$ 99,764</u>	<u>\$ 169,230</u>	<u>\$ 174,490</u>	<u>\$ 254,012</u>	<u>\$ 274,254</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, 2010 and 2009. Amounts are expressed in thousands.

	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</u>	<u>2010</u>	<u>2009</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	\$ 14,179	\$ 14,079	\$ 36,140	\$ 36,837	\$ 50,319	\$ 50,916
Operating grants and contributions	14,354	12,585	5,404	5,388	19,758	17,973
Capital grants and contributions	3,419	945	3,406	5,600	6,825	6,545
Taxes	49,462	48,421	1,513	1,491	50,975	49,912
Intergovernmental revenues not restricted to specific programs	31,153	31,810	-	-	31,153	31,810
Investment income	1,955	2,011	158	253	2,113	2,264
Other	1,091	597	12	2	1,103	599
Total revenues	<u>115,613</u>	<u>110,448</u>	<u>46,633</u>	<u>49,571</u>	<u>162,246</u>	<u>160,019</u>
Expenses						
General government	14,107	13,376	-	-	14,107	13,376
Community development	8,089	4,176	-	-	8,089	4,176
Health	4,100	3,847	-	-	4,100	3,847
Education and recreation	15,117	14,546	-	-	15,117	14,546
Public works	27,005	26,557	-	-	27,005	26,557
Public safety	60,197	58,643	-	-	60,197	58,643
Interest and fiscal charges	5,031	5,078	-	-	5,031	5,078
Water	-	-	16,369	17,113	16,369	17,113
Wastewater	-	-	15,531	15,913	15,531	15,913
Belle urban system	-	-	9,157	8,795	9,157	8,795
Other	-	-	7,785	7,156	7,785	7,156
Total expenses	<u>133,646</u>	<u>126,223</u>	<u>48,842</u>	<u>48,977</u>	<u>182,488</u>	<u>175,200</u>
Increase (decrease) in net assets before transfers	(18,033)	(15,775)	(2,209)	594	(20,242)	(15,181)
Transfers	3,051	814	(3,051)	(814)	-	-
Increase (decrease) in net assets	(14,982)	(14,961)	(5,260)	(220)	(20,242)	(15,181)
Net assets-beginning of year (as restated)	99,764	114,725	174,490	174,710	274,254	289,435
Net assets-end of year	<u>\$ 84,782</u>	<u>\$ 99,764</u>	<u>\$ 169,230</u>	<u>\$ 174,490</u>	<u>\$ 254,012</u>	<u>\$ 274,254</u>

CITY OF RACINE
Racine, Wisconsin

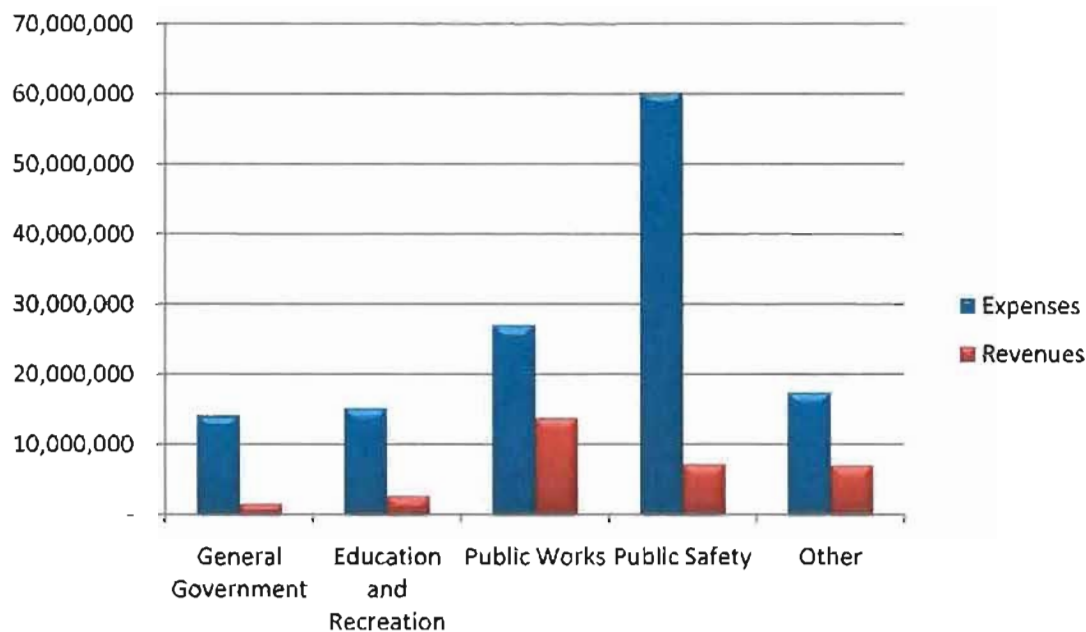
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Governmental Activities

The net assets in the governmental activities decreased by almost \$12 million during the fiscal year. The primary reason for the decrease is as follows:

1. The governmental activities estimated annual required contribution for post employment benefits exceeded the contributions made during 2010 by just over \$16 million.
2. Intergovernmental Revenue Sharing Fund received over \$1.1 million of intergovernmental proceeds that went unspent in 2010.

Expenses and Program Revenues-Governmental Activities:

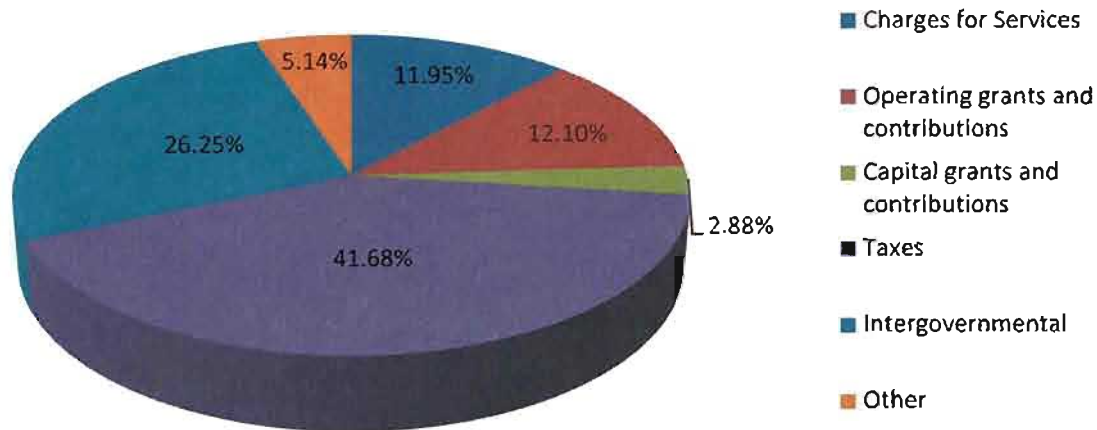


CITY OF RACINE
Racine, Wisconsin

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 \$5.3 million during the fiscal year 2010. Key elements of this decrease are as follows:

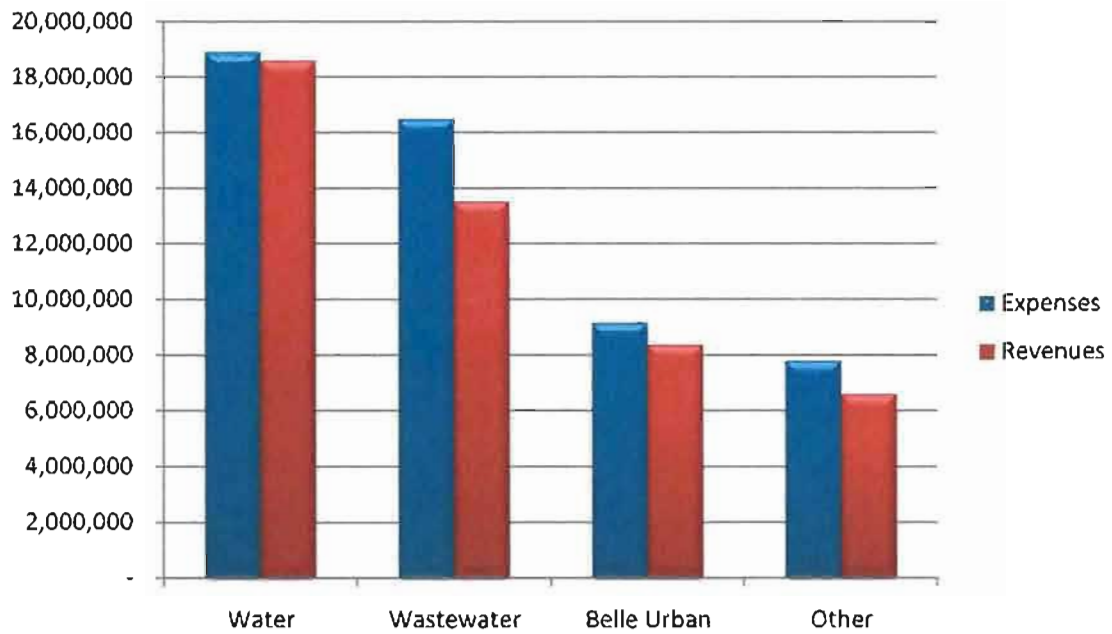
- The Water utility had a decrease in net assets of approximately \$302 thousand. The decrease in net assets in the Water utility relates primarily to the Utility's net OPEB obligation as the required contributions exceeded the actual contributions by \$1.3 million. This was offset by capital contributions from developers and decrease in general operating expenses in 2010.
- The Wastewater utility had a decrease in net assets of approximately \$2.97 million. The decrease in net assets in the Wastewater utility relates to both the Utility's increase in net OPEB obligation as the required contributions exceeded the actual contributions by \$905 thousand, a decrease in operating revenues of over \$700 thousand due to a loss in a major customer and a reduction in flow.
- The Belle Urban Transit system has an decrease in net assets of \$792 thousand which relates primarily to an increase in fuel costs in the second half of the year. In addition, pension and healthcare costs continue to rise.
- The Other Enterprise Funds of the City had a decrease in net assets of \$1.194 million. The decrease in net assets relates primarily to the Utility's net OPEB obligation as the required contributions exceeded the actual contributions by almost \$900 thousand. In addition, 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:



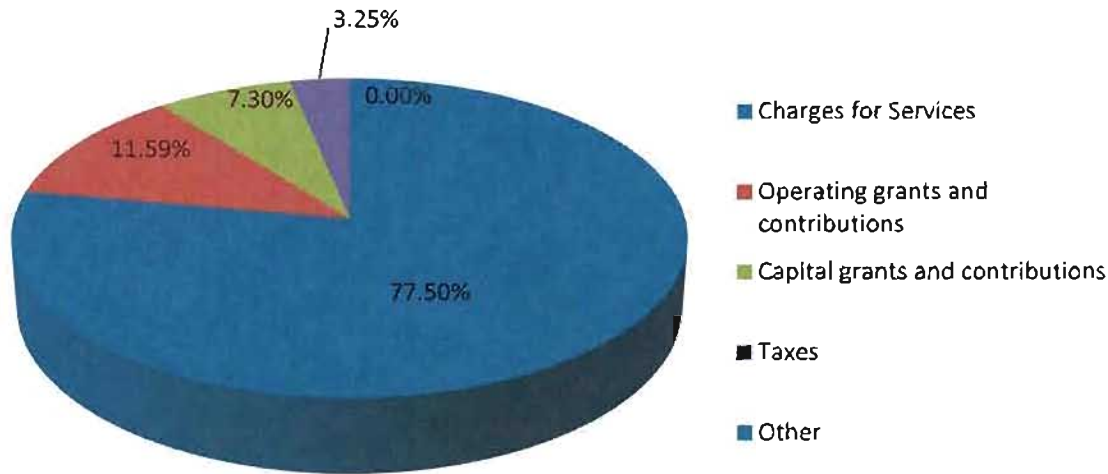
CITY OF RACINE

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 \$61,924,003. Approximately 51.8% of this amount \$32,122,024 constitutes unreserved fund balance which is available for spending at the government's discretion. Management has designated \$2,966,927 of governmental fund balance to be used in the 2011 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 \$24,377,738, while total fund balance totaled \$36,186,942. Unreserved-undesignated fund balance represents 29.9% of total general fund expenditures, while total fund balance represents 44% of total general fund expenditures.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

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

Although the general fund was budgeted to use \$2.93 million of fund balances during 2010, the general fund used approximately \$1.4 million of fund balance for the year ended December 31, 2010. The resulting \$1.3 million positive variance is the result of actual expenditures under budgeted amounts by approximately \$1.1 million and actual revenues over budgeted amounts by over \$144 thousand. The following details both the revenue and expenditures factors that contributed to the positive variance:

- With a slight improvement in the market, the City saw a positive increase in charges for services and license and permits in 2010.
- Expenditures in the general fund were approximately \$1.1 million, or 1.3% under the final budget of \$82,754,536. All general fund expenditure categories were under budget in 2010.
 - The general government category was \$407 thousand under budget due to the general liability insurance expenses being less than anticipated and the City did not have to use the \$300 thousand of contingency that we had budgeted for.
 - The public works and public safety categories were approximately \$465 thousand, or less than 1% under budget due to positions left unfilled for the majority of the year in both the police department and public works. 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 \$74 thousand or 3% under budget due to equipment purchases being delayed due to rising fuel costs at the end of the year. The funds will be carried over to 2010 and spent in early 2011.

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 \$3,422,365 and \$2,416,127 at the end of fiscal year 2010 and 2009, of which the majority is reserved for specific purposes. In 2010, fund balance increased by \$1,006,238 in the HUD fund primarily as a result of over \$700 thousand of land capitalized for resale and a \$200 thousand of a loan payoff during 2010.

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 \$674,045 and \$(1,724,100) at the end of fiscal year 2010 and 2009 due to expenditures exceeding tax incremental revenues for the majority of the districts. Tax increment sharing increased fund balances during 2010 and 2009 by \$2,398,145 and \$2,038,895 respectively. In addition, the life of TID #2 has been extended another 10 years. Increment will be collected in TID #2 and used in future years for sharing with another capital project TID.

The Debt service fund is another major governmental fund of the City of Racine. The fund accounts for principle and interest payments made on the City's outstanding debt obligations. The debt service fund has a total fund balance of at December 31, 2010 and 2009 of \$861,432 and \$1,317,912, all of which is reserved for the payment of debt service. The decrease in the fund balance during 2010 and 2009 was \$456,480 and \$132,388 respectively. The decrease in fund balance during 2010 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 \$20,779,219 and \$16,484,018 in 2010 and 2009 respectively. Reserved fund balance is \$16,408,978 and \$10,604,239 in 2010 and 2009 and unreserved is \$4,370,241 and \$5,879,779 in 2010 and 2009. The fund balances of these funds increased by approximately \$4.3 million, during 2010. This was due primarily to the following:

1. Over \$1.1 million of intergovernmental revenue sharing funds were received and were left unspent to be spent on larger projects in subsequent years.
2. Over \$1 million of sanitary sewer surcharge revenues were collected in excess of the debt payments required.
3. Over \$2 million of bond proceeds were not spent in 2010 and will be spent in 2011.

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 2010 and 2009 amounted to \$2,263,733 and \$3 425,322, for the Wastewater utility \$283,314 and \$2,015,260, for the Belle urban system \$(2,179,758) and \$(2,032,036), and for the other enterprise funds \$(1,524,624) and \$(1,530,228). The total change in net assets for the Water Utility for 2010 and 2009 was \$(302,211) and \$1,029,759, the Wastewater Utility \$ (2,970,685) and \$(1,542,667), for the Belle urban system \$(792,426) and \$645,280, and for the Other Enterprise funds \$(1,194,910) and \$(352,322) respectively. Factors concerning the financial results of these funds have been addressed in the discussion of the City of Racine's business-type activities.

Capital Asset and Debt Administration

Capital Assets – The City of Racine's investment in capital assets for its governmental and business-type activities as of December 31, 2010 and 2009 amounts to \$254,637,210 and \$256,149,343 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, 2010 and 2009, capital assets, net of accumulated depreciation totaled \$464,945,657 and \$469,073,377 respectively. Capital assets, net of accumulated depreciation decreased approximately \$4.1 million in 2010 and increased by \$3.6 million during 2019. The decrease in 2010 occurred primarily in the business-type activities due to depreciation in the wastewater utility exceeding additions as several project have been put on hold because of the current economic conditions.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Capital Asset and Debt Administration (continued)

Long-term debt – At the end of 2010 and 2009, the City of Racine had total debt outstanding of \$235,591,382 and \$239,060,493. Of this amount, the debt backed by the full faith and credit of the government is \$104,930,000 and \$104,930,000 in 2010 and 2009 respectively. The remainder of the City's debt represents bonds secured solely by specified revenue sources (ie. revenue bonds). The City's total outstanding debt decreased by approximately \$3.5 million in 2010. The majority of the decrease in 2010 was a result of significant principal paid in both the Water and the Wastewater Utility.

	<u>Outstanding debt</u>	
	<u>2010</u>	<u>2009</u>
Governmental Activities:		
General obligation bonds and notes	\$ 107,420,000	\$ 104,930,000
Business-Type Activities:		
Revenue bonds	<u>128,171,382</u>	<u>134,130,493</u>
Total	<u>\$ 235,591,382</u>	<u>\$ 239,060,493</u>

Economic Conditions and 2010 and 2011 Budget Outlook

The City's, unemployment rate remains significantly above the state and national average. In April of 2011, the City's unemployment rate is 13.4% compared to a state rate of 7.3% and a county rate of 8.9%.

Due to current market conditions, the assessed value of the City decreased over 3% for the 2010 tax roll. Due to current market conditions, it is possible that the City will see another slight reduction in the assessed value in 2011.

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 a reduction in the intergovernmental aids received from the state 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 have increased in the single digits for the last few years. The City anticipates costs to increase about 8% from 2010 to 2011.

The City used slightly over \$3 million of general fund, debt service fund and other governmental fund balances to stabilize the 2011 tax rate. The 2011 City tax rate was \$11.45 per thousand. Due to the union contract negotiations, the use of fund balance in the 2011 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 2012 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.

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BASIC FINANCIAL STATEMENTS

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CITY OF RACINE

STATEMENT OF NET ASSETS
December 31, 2010

	Primary Government			Business	Redevelopment
	Governmental	Business-Type	Total	Improvement	Authority
	Activities	Activities		District	
ASSETS					
Cash and investments	\$ 64,179,627	\$ 16,329,247	\$ 80,508,874	\$ 6,469	\$ -
Receivables (net of allowance for uncollectible accounts)	84,655,066	11,380,539	76,035,605	-	450,000
Internal balances	364,554	(364,554)	-	-	-
Due from other governments	2,763,758	1,696,107	4,459,865	226,118	364,876
Due from component unit	337,984	-	337,984	-	-
Inventories	588,378	920,451	1,508,829	-	-
Prepaid items	81,923	15,276	97,199	-	-
Deferred charges	782,338	669,158	1,451,496	-	-
Advances to other funds	2,676,898	(2,676,898)	-	-	-
Advances to component unit	944,313	-	944,313	-	-
Restricted assets					
Cash and investments	-	14,301,222	14,301,222	-	-
Plant capacity receivable, current portion	-	2,502,856	2,502,656	-	-
Plant capacity receivable, long term	-	35,983,554	35,983,554	-	-
Deposit in CVMIC	2,962,500	-	2,962,500	-	-
Land held for resale	1,105,250	-	1,105,250	-	1,492,131
Capital assets					
Land	24,525,352	5,084,905	29,610,257	-	-
Construction in progress	7,655,948	1,108,736	8,764,684	-	-
Other capital assets (net of accumulated depreciation/amortization)	149,389,312	277,181,404	426,570,716	1,547	-
TOTAL ASSETS	\$ 323,013,201	\$ 364,131,803	\$ 687,145,004	\$ 234,132	\$ 2,307,007
LIABILITIES					
Liabilities					
Accounts payable	\$ 3,698,461	\$ 1,285,471	\$ 4,983,932	\$ 12,552	\$ 22,513
Accrued compensation and other current liabilities	6,184,415	475,387	6,659,802	-	800
Due to other governments	427,683	-	427,683	-	-
Due to primary Government	-	-	-	-	337,984
Accrued interest payable	195,980	-	195,980	-	-
Unearned revenue	52,386,948	5,219,379	57,606,327	213,626	-
Liabilities payable from restricted assets	-	-	-	-	-
Accrued interest payable	-	1,023,332	1,023,332	-	-
Current portion of long term debt	-	8,877,601	8,877,601	-	-
Deferred capacity revenue, current portion	-	1,130,526	1,130,526	-	-
Noncurrent liabilities					
Plant capacity	-	45,236,452	45,236,452	-	-
OPEB obligation	64,042,485	10,455,918	74,498,403	-	-
Due within one year	9,139,449	62,753	9,202,202	-	-
Due in more than one year	102,156,054	121,135,006	223,291,060	-	944,313
TOTAL LIABILITIES	238,231,475	194,901,825	433,133,300	226,178	1,305,610
NET ASSETS					
Invested in capital assets, net of related debt	100,237,725	161,649,789	254,637,210	1,547	-
Restricted					
Debt service	2,206,683	-	2,206,683	-	-
Permanent funds	2,999,015	-	2,999,015	-	-
Library	798,590	-	798,590	-	-
HUD loan program	6,917,581	-	6,917,581	-	-
Water	-	3,644,238	3,644,238	-	-
Wastewater	-	5,460,575	5,460,575	-	-
Unrestricted (Deficit)	(28,377,868)	(1,524,624)	(22,652,188)	6,407	1,001,397
TOTAL NET ASSETS	\$ 84,781,726	\$ 169,229,978	\$ 254,011,704	\$ 7,954	\$ 1,001,397

CITY OF RACINE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2010

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Business Improvement District	Redevelopment Authority
					Governmental Activities	Business-Type Activities	Total		
Primary Government									
Governmental activities									
General government	\$ 14,106,587	\$ 1,460,536	\$ 22,500	\$ -	\$ (12,623,551)	\$ -	\$ (12,623,551)	\$ -	\$ -
Community development	8,088,714	30,984	4,538,883	293,780	(3,225,067)	-	(3,225,067)	-	-
Health	4,099,587	481,891	1,592,005	-	(2,025,691)	-	(2,025,691)	-	-
Education and recreation	15,117,146	990,935	1,561,886	69,802	(12,494,523)	-	(12,494,523)	-	-
Public works	27,005,474	6,542,763	5,170,773	2,062,463	(13,229,475)	-	(13,229,475)	-	-
Public safety	60,196,869	4,671,438	1,467,913	993,165	(53,064,353)	-	(53,064,353)	-	-
Interest and fiscal charges	5,031,383	-	-	-	(5,031,383)	-	(5,031,383)	-	-
Total Governmental Activities	133,645,760	14,178,547	14,353,960	3,419,210	(101,694,043)	-	(101,694,043)	-	-
Business type activities									
Water	16,369,019	17,804,119	-	686,042	-	2,121,142	2,121,142	-	-
Wastewater	15,531,445	11,023,912	-	2,442,583	-	(2,064,950)	(2,064,950)	-	-
Belle Urban Transit	9,156,509	1,577,860	5,403,932	277,857	-	(1,896,860)	(1,896,860)	-	-
Other	7,785,095	5,733,697	-	-	-	(2,051,398)	(2,051,398)	-	-
Total Business Type Activities	48,842,068	36,139,588	5,403,932	3,406,482	-	(3,892,066)	(3,892,066)	-	-

CITY OF RACINE

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2010

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
			Operating	Capital	Primary Government		Business		
	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Improvement District	Redevelopment Authority
Total Primary Government	\$ 182,487,828	\$ 50,318,135	\$ 19,757,892	\$ 6,825,692	(101,694,043)	(3,892,066)	(105,586,109)	-	-
Component Unit									
Business Improvement District	\$ 217,046		\$ -	\$ -	-	-	-	(217,046)	-
Redevelopment Authority	670,977	4,271	-	754,696	-	-	-	-	87,990
	\$ 888,023	\$ 4,271	\$ -	\$ 754,696	-	-	-	(217,046)	87,990
General Revenues									
Taxes									
Property taxes levied for general purposes					34,979,868	1,513,462	36,493,330	-	-
Property taxes levied for debt service					8,755,759	-	8,755,759	-	-
Property taxes levied for TIF					5,382,827	-	5,382,827	-	-
Other taxes					343,386	-	343,386	208,801	-
Intergovernmental revenues not restricted to specific programs					31,152,535	-	31,152,535	-	-
Investment income					1,955,210	157,882	2,113,092	449	-
Other					1,091,143	11,839	1,102,982	-	-
Transfers					3,051,349	(3,051,349)	-	-	-
Total General Revenues and Transfers					86,712,077	(1,368,166)	85,343,911	209,250	-
Change in Net Assets					(14,981,966)	(5,260,232)	(20,242,198)	(7,796)	87,990
NET ASSETS - Beginning of Year (as restated)					99,763,692	174,490,210	274,253,902	15,750	913,407
NET ASSETS - END OF YEAR					\$ 84,781,726	\$ 169,229,978	\$ 254,011,704	\$ 7,954	\$ 1,001,397

CITY OF RACINE

Governmental Funds

BALANCE SHEET

December 31, 2010

	General Fund	HUD	Tax Increment Districts	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 28,218,116	\$ 2,764,575	\$ 1,169,969	\$ 854,476	\$ 22,159,747	\$ 55,166,883
Receivables						
Property taxes	35,893,242	-	3,435,002	9,333,738	6,491,122	55,153,104
Special assessments						
and special charges - tax roll	-	-	-	-	523,201	523,201
Special assessments	-	-	-	-	1,918,107	1,918,107
Delinquent personal property taxes	125,631	-	-	-	-	125,631
Loans and notes	107,894	3,495,216	-	-	36,966	3,640,076
Interest	195,856	350,686	-	-	-	546,542
Accounts	1,103,036	31,567	-	-	478,019	1,612,622
Total Receivables - Net	37,425,659	3,877,469	3,435,002	9,333,738	9,447,415	63,519,283
Due from other funds	8,784,172	-	-	6,957	1,808	8,792,937
Due from other governments	-	1,129,476	-	-	1,634,282	2,763,758
Due from component unit	337,984	-	-	-	-	337,984
Inventories	162,126	-	-	-	-	162,126
Prepaid Items	81,923	-	-	-	-	81,923
Deposit in CVMIC	2,962,500	-	-	-	-	2,962,500
Assets held for resale	-	720,250	-	-	385,000	1,105,250
Advances to component unit	-	109,000	-	-	835,313	944,313
Advances to other funds	1,125,506	-	-	1,541,231	4,089,842	6,756,579
TOTAL ASSETS	\$ 79,097,986	\$ 8,600,770	\$ 4,604,971	\$ 11,736,402	\$ 38,553,407	\$ 142,593,536

CITY OF RACINE
Governmental Funds

BALANCE SHEET
December 31, 2010

	General Fund	HUD	Tax Increment Districts	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 1,210,102	\$ 342,209	\$ -	\$ -	\$ 1,985,394	\$ 3,537,705
Other accrued liabilities	1,463,357	186,101	-	-	243,235	1,892,693
Accrued compensation	967,736	-	-	-	-	967,736
Due to other funds	4,879,651	836,465	-	-	2,671,966	8,388,082
Due to other governments	427,683	-	-	-	-	427,683
Insurance claims payable	1,946,271	-	-	-	-	1,946,271
Advances from other funds	-	-	495,924	-	3,583,757	4,079,681
Deferred revenue	107,894	3,495,216	-	1,541,232	2,275,513	7,419,855
Deferred interest	-	318,414	-	-	-	318,414
Deferred property tax revenue	31,908,350	-	3,435,002	9,333,738	7,014,323	51,691,413
Total Liabilities	42,911,044	5,178,405	3,930,926	10,874,970	17,774,188	80,669,533
Fund Balances						
Reserved for:						
Subsequent year's expenditures	\$ 25,000	\$ -	\$ -	\$ -	\$ 2,865,506	\$ 2,890,506
Endowments	-	-	-	-	1,596,296	1,596,296
Library	-	-	-	-	798,590	798,590
Inventories	162,126	-	-	-	-	162,126
Assets held for resale	-	720,250	-	-	-	720,250
Prepaid items	81,923	-	-	-	-	81,923
Deposit in CVMIC	2,962,500	-	-	-	-	2,962,500
Encumbrances	142,082	-	-	-	1,951,672	2,093,754
Community Development	-	2,593,115	-	-	-	2,593,115
Capital projects	-	-	-	-	4,271,759	4,271,759
Noncurrent receivables	4,610,068	-	-	-	-	4,610,068
Advance to other funds	1,125,505	109,000	-	-	4,925,155	6,159,660
Debt service	-	-	-	861,432	-	861,432

CITY OF RACINE
Governmental Funds

BALANCE SHEET
December 31, 2010

	General Fund	HUD	Tax Increment Districts	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances (continued)						
Unreserved (deficit), reported in:						
General fund						
Designated for subsequent year's expenditures	\$ 2,700,000	\$ -	\$ -	\$ -	\$ -	\$ 2,700,000
Undesignated	24,377,738	-	-	-	-	24,377,738
Permanent Funds	-	-	-	-	1,402,719	1,402,719
Special revenue funds						
Designated for subsequent year's expenditures	-	-	-	-	266,927	266,927
Undesignated	-	-	674,045	-	4,199,616	4,873,661
Capital project funds						
Undesignated	-	-	-	-	(1,499,021)	(1,499,021)
Total Fund Balances (Deficits)	<u>36,186,942</u>	<u>3,422,365</u>	<u>674,045</u>	<u>861,432</u>	<u>20,779,219</u>	<u>61,924,003</u>
TOTAL LIABILITIES						
AND FUND BALANCES	<u>\$ 79,097,986</u>	<u>\$ 8,600,770</u>	<u>\$ 4,604,971</u>	<u>\$ 11,736,402</u>	<u>\$ 38,553,407</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						179,400,463
Internal service fund net assets						11,017,024
Other long-term assets that are not available to pay for current period expenditures and therefore are deferred in funds						7,042,734
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the						(174,602,498)
NET ASSETS OF GOVERNMENTAL ACTIVITIES						<u>\$ 84,781,726</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, 2010

	General Fund	HUD	Tax Increment Districts	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 31,502,936	\$ -	\$ 4,087,000	\$ 8,755,759	\$ 4,932,026	\$ 49,277,721
Special assessments	-	-	-	-	884,526	884,526
Intergovernmental	34,876,381	4,545,288	22,298	-	7,514,060	46,958,027
Licenses and permits	1,679,405	-	-	-	-	1,679,405
Fines and forfeitures	1,307,595	-	-	-	494,688	1,802,283
Investment income	1,239,324	8,012	81,988	-	788,672	2,117,996
Charges for services	5,567,227	15,685	-	-	4,213,627	9,796,539
Donations	-	-	-	-	703,990	703,990
Other	645,240	940,302	-	250,431	200,061	2,036,034
Total Revenues	<u>76,818,108</u>	<u>5,509,287</u>	<u>4,191,286</u>	<u>9,006,190</u>	<u>19,731,650</u>	<u>115,256,521</u>
EXPENDITURES						
Current						
General government	13,310,215	-	-	-	-	13,310,215
Community development	-	3,464,895	-	-	909,643	4,374,538
Health	1,997,704	-	-	-	1,610,793	3,608,497
Education and recreation	6,882,358	-	-	-	4,796,761	11,679,119
Public works	12,136,868	-	9,200	-	2,654,681	14,800,749
Public safety	44,985,992	-	-	-	1,653,323	46,639,315
Capital Outlay	2,328,232	765,278	-	-	12,330,232	15,423,742
Debt Service						
Principal	-	-	-	7,675,354	-	7,675,354
Interest	-	-	36,741	4,712,133	63,981	4,812,855
Total Expenditures	<u>81,641,369</u>	<u>4,230,173</u>	<u>45,941</u>	<u>12,387,487</u>	<u>24,019,414</u>	<u>122,324,384</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(4,823,261)</u>	<u>1,279,114</u>	<u>4,145,345</u>	<u>(3,381,297)</u>	<u>(4,287,764)</u>	<u>(7,067,863)</u>

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2010

	General Fund	HUD	Tax Increment Districts	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)						
Long-term debt issued	\$ -	\$ -	\$ -	\$ -	\$ 9,850,000	9,850,000
Refunding bonds issued	-	-	-	3,895,000	-	3,895,000
Premium on bonds issued	-	-	-	191,353	-	191,353
Payment to escrow agent	-	-	-	(4,043,592)	-	(4,043,592)
Transfers in	3,456,404	-	-	2,884,617	1,968,533	8,309,554
Transfers (out)	-	(272,876)	(1,747,200)	(2,561)	(3,235,568)	(5,258,205)
Total Other Financing Sources (Uses)	<u>3,456,404</u>	<u>(272,876)</u>	<u>(1,747,200)</u>	<u>2,924,817</u>	<u>8,582,965</u>	<u>12,944,110</u>
Net Change in Fund Balances	(1,366,857)	1,006,238	2,398,145	(456,480)	4,295,201	5,876,247
FUND BALANCES (DEFICIT) -						
Beginning of Year (as restated)	<u>37,553,799</u>	<u>2,416,127</u>	<u>(1,724,100)</u>	<u>1,317,912</u>	<u>16,484,018</u>	<u>56,047,756</u>
FUND BALANCES - END OF YEAR	<u>\$ 36,186,942</u>	<u>\$ 3,422,365</u>	<u>\$ 674,045</u>	<u>\$ 861,432</u>	<u>\$ 20,779,219</u>	<u>\$ 61,924,003</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, 2010

Net change in fund balances - total governmental funds	\$ 5,876,247
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 (\$12,171,132) exceeded depreciation (\$9,909,414) in the current period, less loss on disposal (\$828,645)	1,433,073
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.	(18,803,836)
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.	182,923
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	(3,461,718)
Revenues in the governmental funds that are not reported as revenues in the statement of activities	(903,421)
Expenditures in the governmental funds that are not reported as expenses in the statement of activities	287,291
Internal service fund change in net assets	<u>407,475</u>
Change in net assets of governmental activities	<u>\$ (14,981,966)</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, 2010

	Budgeted Amounts			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 31,425,498	\$ 31,458,498	\$ 31,502,936	\$ 44,438
Intergovernmental	34,959,765	34,959,765	34,876,381	(83,384)
Licenses and permits	1,427,710	1,427,710	1,679,405	251,695
Fines and forfeitures	1,552,300	1,552,300	1,307,595	(244,705)
Investment income	1,311,000	1,311,000	1,239,324	(71,676)
Charges for services	5,457,411	5,457,411	5,567,227	109,816
Other	507,180	507,180	645,240	138,060
Total Revenues	<u>76,640,864</u>	<u>76,673,864</u>	<u>76,818,108</u>	<u>144,244</u>
EXPENDITURES				
Current				
General government	13,717,150	13,717,534	13,310,215	407,319
Health	2,077,291	2,088,291	1,997,704	90,587
Education and recreation	6,931,429	6,957,928	6,882,358	75,570
Public works	12,397,348	12,430,184	12,136,868	293,316
Public safety	45,071,692	45,158,346	44,985,992	172,354
Capital Outlay	<u>1,798,840</u>	<u>2,402,253</u>	<u>2,328,232</u>	<u>74,021</u>
Total Expenditures	<u>81,993,750</u>	<u>82,754,536</u>	<u>81,641,369</u>	<u>1,113,167</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,352,886)</u>	<u>(6,080,672)</u>	<u>(4,823,261)</u>	<u>1,257,411</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>3,152,886</u>	<u>3,152,886</u>	<u>3,456,404</u>	<u>303,518</u>
Total Other Financing Sources (Uses)	<u>3,152,886</u>	<u>3,152,886</u>	<u>3,456,404</u>	<u>303,518</u>
Net Change in Fund Balance	<u>\$ (2,200,000)</u>	<u>\$ (2,927,786)</u>	<u>(1,366,857)</u>	<u>\$ 1,560,929</u>
FUND BALANCE -				
Beginning of Year (as restated)			<u>37,553,799</u>	
FUND BALANCE - END OF YEAR			<u>\$ 36,186,942</u>	

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2010

	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	\$ 4,435,665	\$ 9,633,237	\$ 200	\$ 2,260,145	\$ 16,329,247	\$ 9,012,744
Receivables						
Accounts	3,080,906	2,619,072	46,143	118,109	5,864,230	1,135,783
Taxes	303,194	3,541	1,100,000	4,109,574	5,516,309	-
Due from other governments	-	-	1,696,107	-	1,696,107	-
Due from other funds	3,889,007	3,674,900	-	441	7,564,348	32,348
Inventories	353,938	61,728	497,948	6,837	920,451	426,252
Prepaid items	4,500	-	-	10,776	15,276	-
Total Current Assets	<u>12,067,210</u>	<u>15,992,478</u>	<u>3,340,398</u>	<u>6,505,882</u>	<u>37,905,968</u>	<u>10,607,127</u>
Noncurrent Assets						
Restricted Assets						
Cash and investments	8,521,387	5,779,835	-	-	14,301,222	-
Plant capacity, current portion	-	2,502,656	-	-	2,502,656	-
Plant capacity, long term	-	35,983,554	-	-	35,983,554	-
Capital assets						
Land	1,843,341	99,950	539,434	2,602,180	5,084,905	32,879
Intangible assets	-	-	-	-	-	605,210
Land and building improvements	138,766,038	104,702,717	7,726,032	82,312,360	333,507,147	1,605,013
Equipment, furniture and vehicles	31,632,470	47,633,959	12,780,619	3,399,971	95,447,019	2,747,862
Less: Accumulated depreciation/amortization	(40,509,421)	(58,483,154)	(11,105,388)	(41,674,799)	(151,772,762)	(2,842,944)
Construction in progress	99,714	827,483	-	181,539	1,108,736	22,129
Other assets						
Unamortized bond issue costs	613,332	55,826	-	-	669,158	-
Total Noncurrent Assets	<u>140,966,861</u>	<u>139,102,826</u>	<u>9,940,697</u>	<u>46,821,251</u>	<u>336,831,635</u>	<u>2,170,149</u>
TOTAL ASSETS	<u>\$ 153,034,071</u>	<u>\$ 155,095,304</u>	<u>\$ 13,281,095</u>	<u>\$ 53,327,133</u>	<u>\$ 374,737,603</u>	<u>\$ 12,777,276</u>

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2010

	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	\$ 142,179	\$ 250,035	\$ 741,640	\$ 151,617	\$ 1,285,471	\$ 160,756
Accrued compensation	-	-	83,474	16,406	99,880	-
Compensated absences	21,806	40,947	-	-	62,753	-
Accrued liabilities	149,430	166,137	3,555	56,385	375,507	1,377,715
Advances from other funds	36,100	32,288	-	143,790	212,178	-
Due to other funds	3,246,086	823,487	3,514,027	345,302	7,928,902	72,649
Unearned revenue	-	-	9,805	-	9,805	-
Deferred property tax revenue	-	-	1,100,000	4,109,574	5,209,574	-
Liabilities payable from restricted assets						
Accrued interest	704,072	319,260	-	-	1,023,332	-
Current portion of long term debt	3,965,564	4,912,037	-	-	8,877,601	-
Deferred capacity revenue, current portion	-	1,130,526	-	-	1,130,526	-
Total Current Liabilities	<u>8,265,237</u>	<u>7,674,717</u>	<u>5,452,501</u>	<u>4,823,074</u>	<u>26,215,529</u>	<u>1,611,120</u>
Noncurrent Liabilities						
Compensated absences	561,292	383,107	67,655	58,154	1,070,208	149,132
OPEB obligation	4,711,416	3,219,811	-	2,524,691	10,455,918	-
Revenue bonds and notes payable	57,050,500	63,014,298	-	-	120,064,798	-
Deferred plant capacity	-	45,236,452	-	-	45,236,452	-
Advances from other funds	777,482	695,362	-	991,876	2,464,720	-
Total Noncurrent Liabilities	<u>63,100,690</u>	<u>112,549,030</u>	<u>67,655</u>	<u>3,574,721</u>	<u>179,292,096</u>	<u>149,132</u>
TOTAL LIABILITIES	<u>71,365,927</u>	<u>120,223,747</u>	<u>5,520,156</u>	<u>8,397,795</u>	<u>205,507,625</u>	<u>1,760,252</u>
NET ASSETS						
Investment in capital assets, net of related debt	75,760,173	29,127,668	9,940,697	46,821,251	161,649,789	2,170,149
Restricted	3,644,238	5,460,575	-	-	9,104,813	-
Unrestricted (deficit)	2,263,733	283,314	(2,179,758)	(1,891,913)	(1,524,624)	8,846,875
TOTAL NET ASSETS	<u>\$ 81,668,144</u>	<u>\$ 34,871,557</u>	<u>\$ 7,760,939</u>	<u>\$ 44,929,338</u>	<u>\$ 169,229,978</u>	<u>\$ 11,017,024</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, 2010

	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	\$ 17,130,821	\$ 10,478,068	\$ 1,510,323	\$ 5,729,121	\$ 34,848,333	\$ 23,091,420
Other	673,298	545,844	67,537	4,576	1,291,255	899,562
Total Operating Revenues	17,804,119	11,023,912	1,577,860	5,733,697	36,139,588	23,990,982
OPERATING EXPENSES						
Public works	9,882,231	8,963,575	8,230,502	4,790,874	31,867,182	5,825,127
Education and recreation	-	-	-	961,421	961,421	-
General administration	-	-	-	-	-	17,625,642
Depreciation	4,003,222	4,503,958	926,007	1,932,415	11,365,602	378,825
Total Operating Expenses	13,885,453	13,467,533	9,156,509	7,684,710	44,194,205	23,829,594
Operating income (loss)	3,918,666	(2,443,621)	(7,578,649)	(1,951,013)	(8,054,617)	161,388
NONOPERATING REVENUES (EXPENSES)						
Investment income	76,755	38,722	-	42,405	157,882	-
Interest expense	(2,465,350)	(1,921,462)	-	(56,375)	(4,443,187)	-
Intergovernmental interest reimbursement	-	1,204,142	-	-	1,204,142	-
Plant capacity income	-	1,130,526	-	-	1,130,526	-
Gain (loss) on sale of fixed assets	-	(25,000)	-	(44,010)	(69,010)	-
Amortization of bond discount	(18,216)	(5,056)	-	-	(23,272)	-
Subsidies from other governmental units	-	-	5,403,932	-	5,403,932	-
Tax levy	-	-	1,096,413	417,049	1,513,462	-
Household hazardous waste revenue	-	107,915	-	-	107,915	-
Household hazardous waste expense	-	(112,394)	-	-	(112,394)	-
Other	-	11,839	-	-	11,839	-
Total Nonoperating Revenues (Expenses)	(2,406,811)	429,232	6,500,345	359,069	4,881,835	-

CITY OF RACINE

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2010

	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	1,511,855	(2,014,389)	(1,078,304)	(1,591,944)	(3,172,782)	161,388
CAPITAL CONTRIBUTIONS	686,042	-	277,857	-	963,899	246,087
TRANSFERS IN	33,410	-	8,021	397,034	438,465	-
TRANSFERS (OUT)	(2,533,518)	(956,296)	-	-	(3,489,814)	-
Change in Net Assets	(302,211)	(2,970,685)	(792,426)	(1,194,910)	(5,260,232)	407,475
TOTAL NET ASSETS - Beginning of Year	81,970,355	37,842,242	8,553,365	46,124,248	174,490,210	10,609,549
TOTAL NET ASSETS - END OF YEAR	<u>\$ 81,668,144</u>	<u>\$ 34,871,557</u>	<u>\$ 7,760,939</u>	<u>\$ 44,929,338</u>	<u>\$ 169,229,978</u>	<u>\$ 11,017,024</u>

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2010

	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	\$ 17,628,204	\$ 12,661,848	\$ 1,498,020	\$ 5,783,244	\$ 37,571,316	\$ 23,391,571
Payments to suppliers	(2,022,055)	(3,145,797)	(8,849,761)	(2,937,076)	(16,954,689)	(20,502,776)
Payments to employees	(6,190,299)	(4,968,120)	-	(2,163,433)	(13,321,852)	(3,031,479)
Net Cash Provided (Used) by Operating Activities	9,415,850	4,547,931	(7,351,741)	682,735	7,294,775	(142,684)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer from (to) other funds	(2,500,108)	(956,296)	-	-	(3,456,404)	-
Advances retired	(33,165)	(29,662)	-	-	(62,827)	-
Principal paid on non-capital debt	-	(232,513)	-	-	(232,513)	-
Interest paid on non-capital debt	-	(68,087)	-	-	(68,087)	-
Interest on advances	(44,888)	(40,146)	-	-	(85,034)	-
Miscellaneous receipts	-	7,360	-	-	7,360	-
Operating grants received	-	-	4,836,665	-	4,836,665	-
Operating subsidies received (repayment)	-	-	1,461,718	417,049	1,878,767	-
Net Cash Provided (Used) by Noncapital Financing Activities	(2,578,161)	(1,319,344)	6,298,383	417,049	2,817,927	-
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Debt issued	-	2,524,712	-	-	2,524,712	-
Debt retired	(3,813,766)	(4,437,542)	-	-	(8,251,308)	-
Advances retired	-	-	-	(179,305)	(179,305)	-
Interest paid on long-term debt	(2,428,337)	(1,826,224)	-	-	(4,254,561)	-
Interest paid on advances	-	-	-	(56,375)	(56,375)	-
Transfer from other funds for capital purposes	-	-	-	397,034	397,034	246,087
Acquisition and construction of capital assets	(3,313,430)	(1,867,969)	(281,303)	(1,143,200)	(6,605,902)	(348,710)
Bond issue costs paid	-	(6,999)	-	-	(6,999)	-
REC and other fees received	523,899	-	-	-	523,899	-
Intergovernmental interest reimbursement	-	1,058,133	-	-	1,058,133	-
Proceeds for plant capacity	-	2,433,200	-	-	2,433,200	-
Capital subsidies received	-	-	1,334,661	29,385	1,364,046	-
Proceeds from sale of capital assets	32,266	-	-	-	32,266	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(8,999,368)	(2,122,689)	1,053,358	(952,461)	(11,021,160)	(102,623)

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2010

	Business-Type Activities- Enterprise Funds				Governmental Activities- Internal Service Fund
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals
CASH FLOW FROM INVESTING ACTIVITIES					
Investment income received	\$ 76,755	\$ 38,722	\$ -	\$ 42,405	\$ 157,882
Net Cash Provided (Used) by Investing Activities	76,755	38,722	-	42,405	157,882
Net Increase (Decrease) in Cash and Cash Equivalents	(2,084,924)	1,144,620	-	189,728	(750,576)
CASH AND CASH EQUIVALENTS					
Beginning of Year	15,041,976	14,268,452	200	2,070,417	31,381,045
End of Year	\$ 12,957,052	\$ 15,413,072	\$ 200	\$ 2,260,145	\$ 30,630,469
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 3,918,666	\$ (2,443,621)	\$ (7,578,649)	\$ (1,951,013)	\$ (8,054,617)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Other postemployment benefits	1,314,412	905,417	-	899,281	3,119,110
Depreciation	4,135,545	4,503,958	926,007	1,932,414	11,497,924
(Increase) decrease in accounts receivable	(154,949)	541,638	(79,840)	49,548	356,397
(Increase) decrease in prepaid items	4,874	-	-	6,552	11,426
(Increase) decrease in inventories	(14,621)	14,773	40,549	(1,192)	39,509
(Increase) decrease in due from other funds	26,598	1,111,188	-	(166,500)	971,286
Increase (decrease) in accounts payable	26,006	8,936	149,639	(12,669)	171,912
Increase (decrease) in accrued liabilities	(117,794)	3,308	22,349	(84)	(92,221)
Increase (decrease) in deferred revenue	-	-	-	166,500	166,500
Increase (decrease) in due to other funds	277,113	(97,666)	(831,796)	(240,102)	(892,451)
Net Cash Provided (Used) by Operating Activities	\$ 9,415,850	\$ 4,547,931	\$ (7,351,741)	\$ 682,735	\$ 7,294,775

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2010

	Business-Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals	Internal Service Fund
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET						
Cash and investments						
Unrestricted	\$ 4,435,665	\$ 9,633,237	\$ 200	\$ 2,260,145	\$ 16,329,247	\$ 9,012,744
Restricted	8,521,387	5,779,835	-	-	14,301,222	-
Total Cash and Investments	<u>\$ 12,957,052</u>	<u>\$ 15,413,072</u>	<u>\$ 200</u>	<u>\$ 2,260,145</u>	<u>\$ 30,630,469</u>	<u>\$ 9,012,744</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Estimated cost of fixed assets installed						
or financed by developers, customers or the City	<u>\$ 162,143</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,143</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF RACINE

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2010

	Agency Funds		
	Police Evidence	Tax Collecting	Total
ASSETS			
Cash and investments	\$ 172,277	\$ 36,764,906	\$ 36,937,183
Receivables			
Property taxes	-	13,426,261	13,426,261
TOTAL ASSETS	<u>172,277</u>	<u>50,191,167</u>	<u>50,363,444</u>
LIABILITIES			
Accounts payable	-	301	301
Due to component unit	-	213,626	213,626
Due to other governments	172,277	49,977,240	50,149,517
Total Liabilities	<u>172,277</u>	<u>50,191,167</u>	<u>50,363,444</u>
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF RACINE

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December 31, 2010

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CITY OF RACINE

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CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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, 2010. 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, 2010 have been presented as a discrete column in the City's financial statements.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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, 2010

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, 2010

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.

- Police Grants-Beat Patrol
- Police Grants-COPS
- Library
- Harbor Commission
- HAZMAT
- Recycling
- CAR25
- Municipal Court
- Federal Asset Forfeiture
- Cemetery
- Private Property Maintenance
- 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
- 2008 Capital Projects
- 2009 Capital Projects
- 2010 Capital Projects
- Assessment Projects
- Intergovernmental Revenue Sharing

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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

Fund Financial Statements (cont.)

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

Non-Major Governmental Funds (cont.)

Permanent Funds – used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

Endowment

Enterprise Funds – may be used to report any activity for which a fee is charged to external users for goods or services, and must be used for activities which meet certain debt or cost recovering criteria.

Parking Utility
Storm Water Utility
Golf Courses
Civic Centre
Radio Repair

In addition, the City reports the following fund types:

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

Equipment Maintenance Garage
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, 2010

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 guidance 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, 2010

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 guidance 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, 2010

NOTE 1 – 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, or Wisconsin Aerospace 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, 2010

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, 2010, 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, 2010

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

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

2. Receivables (cont.)

Property tax calendar – 2010 tax roll:

Lien date and levy date	November 2010
Tax bills mailed	December 2010
Payment in full, or	
First installment due	January 31, 2011
Second installment due	March 31, 2011
Third installment due	May 31, 2011
Fourth installment due	July 31, 2011
Personal property taxes in full	January 31, 2011
Final settlement with County	August 15, 2011
Tax deed by County – 2010	
Delinquent real estate taxes	October 2013

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, 2010

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, 2010 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, 2010

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/amortization 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
Intangibles	5	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, 2010

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, 2010 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 \$38,372,691 made up of eight issues.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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

10. Claims and Judgments

Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. Refer to Note V. D. on commitments and contingencies.

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 \$7.2 million for capital 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, 2010

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 2010 budget appropriations, restricted under contractual agreements, to be utilized for specific purposes in the 2011 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 Deposit in CVMIC – This reserve is discussed in Note (V)C.
8. Reserve for non-current receivables – This reserve represents receivable amounts that do not constitute expendable available financial resources.
9. Reserve for advance to other funds – This reserve represents advance amounts that do not constitute expendable available financial resources.
10. 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.
11. Reserve for community development – This reserve represents amounts provided for and restricted for certain community development projects and activities.
12. Designated for subsequent year's expenditures – These amounts represent the amount of fund balances to be utilized in the 2011 budget as authorized by City resolution.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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	\$ 3,532,182
Deferred revenue-donations	51,213
Deferred revenue-debt service	1,541,232
Deferred revenue-special assessments	<u>1,918,107</u>
Combined Adjustment for Long-Term Assets	<u>\$ 7,042,734</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	\$ (107,512,641)
OPEB obligation	(64,042,485)
Compensated absences	(3,547,374)
Capital leases payable	(86,356)
Unamortized debt issue costs	782,338
Accrued interest	<u>(195,980)</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ (174,602,498)</u>

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. The details of this difference are as follows:

Land	\$ 24,525,352
Construction in progress	7,655,948
Other capital assets net of accumulated depreciation/amortization	149,389,312
Internal Service fund capital assets	<u>(2,170,149)</u>
Combined Adjustment for Capital Assets	<u>\$179,400,463</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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	\$ 13,745,000
OPEB obligation incurred	16,374,190
Principal repayments	
General obligation debt and capital leases	<u>(11,315,354)</u>
Net adjustment to decrease <i>net changes in fund balances – total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 18,803,836</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	\$ 49,175
Premium received	(191,653)
Discount received	137,450
Amortization of issuance costs	(75,897)
Amortization of deferred charge and premium	<u>263,848</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>\$ 182,923</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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	\$ 147,654
Bad debt expense on loans	(3,611,513)
Accrued interest	<u>2,141</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>\$ (3,461,718)</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	\$ (653,648)
Principal paid on debt service loans	(62,828)
Proceeds from sale of fixed assets	(196,450)
Special assessments collections	<u>9,505</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>\$ (903,421)</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 \$287,291 represents the net amount of economic development loans made and written off during the year.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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 1.

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
Police Grants-COPS	Intergovernmental Revenue Sharing
Harbor Commission	2010 Capital Projects
Federal Asset Forfeiture	
Police Grants-Beat Patrol	
Library	
HAZMAT	
Private Property Maintenance	
Recycling	
Sanitary Sewer Maintenance	
Municipal Court	

Budgets have not been formally adopted for the following funds:

HUD Special Revenue Fund
Tax Increment District Special Revenue Fund
Special Revenue Funds:
Special Assessments
Other Cemetery
Other Public Safety
Trusts
Other
Economic Development
Health
Capital Project Funds:
City Projects
Tax Incremental Districts
2008 Capital Projects
2009 Capital Projects

Wisconsin State Statute 65.90 requires that an annual budget be adopted for all funds.

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 \$4,603,248. 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 \$2,721,343.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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, 2010:

<u>Fund</u>	<u>Department</u>	<u>Appropriation Unit</u>	<u>Amount</u>
General Fund	City Development	Salaries and Fringes	\$ 16,750
	City Development	Operating Expenditures	2,400
	City Development	Interdepartmental	1,199
	Finance	Interdepartmental	49,467
	Finance	Capital Outlay	1,360
	Fire	Salaries and Fringes	52,797
	Fire	Operating Expenditures	1,773
	City Administration	Operating Expenditures	67,460
	City Assessor	Salaries and Fringes	1,294
	Human Resources	Salaries and Fringes	4,639
	Police	Operating Expenditures	139,740
	Insurance	Operating Expenditures	120,579
	Police and Fire Commission	Operating Expenditures	2,258
	Public Works	Interdepartmental	88,093
Library		Salaries and Fringes	4,644
Library		Operating Expenditures	16,480
Private Property Maintenance		Operating Expenditures	1,010
Debt Service		Principal	225,000
Debt Service		Interest	4,621

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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 \$170,487 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.

Capital Project Funds

Assessment Projects – The fund deficit of \$24,234 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 \$410,436 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 (2010), 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, 2010

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	\$ 35,392,617	\$ 28,489,021	Custodial credit
Savings deposits	27,561,477	27,561,477	Custodial credit
Certificates of deposit	7,330,169	7,330,169	Custodial credit
Petty cash	6,662	-	NA
Total cash	<u>\$ 70,290,925</u>	<u>\$ 63,380,667</u>	
Wisconsin Local Government			
Investment Pool	\$ 11,697,263		Credit, Interest Rate
Money market funds	11,975,381		Credit
Mutual funds-equities	1,042,904		Credit
Mutual funds-fixed income	1,386,673		Credit, Interest Rate
U.S. Treasury Notes	1,011,522		Custodial credit, Interest Rate
U.S. Government agency securities-Explicit	446,703		Custodial credit, Interest Rate
			Credit, Custodial credit, Interest Rate, Concentration of credit
U.S. Government agency securities-Implicit	<u>33,895,908</u>		
Total investments	<u>61,456,354</u>		
Total cash and investments	<u>\$ 131,747,279</u>		
Reconciliation to financial statements			
Per statement of net assets-Primary Government			
Cash and investments	\$ 80,508,874		
Restricted cash and investments	14,301,222		
Per statement of net assets-fiduciary funds	<u>36,937,183</u>		
	<u>\$ 131,747,279</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, 2010

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, 2010 the City's carrying value of deposits was \$70,290,925, as compared to bank balances of \$63,380,667. Of the bank balances \$62,460,905 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. \$919,762 was uninsured as of December 31, 2010.

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, 2010 the City's carrying value of U.S. Government Agency Securities and U.S. Treasury's subject to custodial credit risk \$35,354,133. 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 par with, a security of the same issuer which has such a rating.

The City's U.S. Government agencies as of December 31, 2010 were rated AAA by both Standard & Poor's and Moody's Investor's Service. As of December 31, 2010, the balance in these types of investments was \$33,895,908.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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, 2010, the City's investment portfolio had concentration of investments greater than 5% of the total portfolio as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Bank	U.S. government agency notes	10.26%
Federal National Mortgage Association	U.S. government agency notes and mortgage backed securities	16.57%
Federal Home Loan Mortgage Corporation	U.S. government agency notes and mortgage backed securities	40.39%

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, 2010 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	\$ 1,011,522		0.61
U.S. Government Agency-explicitly guaranteed	446,703		0.61
U.S. Government Agency-implicitly guaranteed	31,166,903		6.046
U.S. Government Agency-implicitly guaranteed	2,729,005		0.61
Local Government Investment pool	11,697,263	73	
Mutual Funds-fixed income	1,386,673		4.13

During 2010, the City experienced unrealized losses on investments in the amount of \$164,203 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, 2010

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:

	Accounts Receivable	Rescue Runs	Loans Receivable	Delinquent Personal Property	Total
General Fund	\$ 286,133	\$ 1,518,871	\$ -	\$ 130,856	\$ 1,935,860
HUD Fund	-	-	3,611,513	-	3,611,513
Transit	14,730				14,730
Other Enterprise	2,233				2,233
Internal Service	19,574	-	-	-	19,574
Other Non-Major Funds	23,591	-	-	-	23,591
Total Uncollectibles	<u>\$ 346,261</u>	<u>\$ 1,518,871</u>	<u>\$ 3,611,513</u>	<u>\$ 130,856</u>	<u>\$ 5,607,501</u>

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

	General Fund	Other HUD	Other Non Major	Total
Special assessments	\$ -	\$ -	\$ 1,918,107	\$ 1,918,107
Delinquent personal property taxes	125,631	-	-	125,631
Loans and notes	107,894	3,495,216	36,966	3,640,076
	<u>\$ 233,525</u>	<u>\$ 3,495,216</u>	<u>\$ 1,955,073</u>	<u>\$ 5,683,814</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable	\$ -	\$ 51,691,413	\$ 51,691,413
Loans receivable	3,532,182	107,894	3,640,076
Special assessments not yet due	1,918,107	-	1,918,107
Interest on loans and advances	-	318,414	318,414
Due from enterprise for debt service	1,541,232	-	1,541,232
Donations receivable	51,213	-	51,213
Grant drawdowns prior to meeting all eligibility requirements	-	269,227	269,227
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 7,042,734</u>	<u>\$ 52,386,948</u>	<u>\$ 59,429,682</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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, 2010:

	Water <u>Utility</u>	Wastewater <u>Utility</u>	<u>Total</u>
Bond redemption account	\$ 3,548,310	\$ 2,766,881	\$ 6,315,191
Bond reserve account	3,893,724	-	3,893,724
Bond depreciation account	800,000	-	800,000
Improvement Fund	279,353	-	279,353
Equipment replacement account	-	3,012,954	3,012,954
Plant capacity receivable	-	38,486,210	38,486,210
Total Restricted Assets	<u>8,521,387</u>	<u>44,266,045</u>	<u>52,787,432</u>
Reconciliation to restricted net assets			
Plant capacity receivable reported as deferred revenue	-	(38,486,210)	(38,486,210)
Accrued interest payable	(704,072)	(319,260)	(1,023,332)
Unexpended bond proceeds and interest	(279,353)	-	(279,353)
Bond reserve fund financed by bond proceeds	<u>(3,893,724)</u>	<u>-</u>	<u>(3,893,724)</u>
Restricted Net Assets	<u>\$ 3,644,238</u>	<u>\$ 5,460,575</u>	<u>\$ 9,104,813</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2010 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated/amortized				
Land	\$ 24,525,352	\$ -	\$ -	\$ 24,525,352
Construction in progress	8,815,494	7,724,916	8,884,462	7,655,948
Total Capital Assets Not Being Depreciated/Amortized	<u>33,340,846</u>	<u>7,724,916</u>	<u>8,884,462</u>	<u>32,181,300</u>
Capital assets being depreciated/amortized				
Intangible assets	-	605,210	-	605,210
Land improvements	8,661,014	952,325	265,030	9,348,309
Buildings	37,662,193	2,816,665	654,108	39,824,750
Machinery and equipment	31,420,061	3,133,042	2,507,627	32,045,476
Roads, streets, and bridges	135,927,299	4,804,528	102,630	140,629,197
Sidewalks	49,235,549	170,763	15,511	49,390,801
Sewer lines	34,068,360	1,196,855	1,255,638	34,009,577
Shoreline walls and other	21,398,571	-	-	21,398,571
Total Capital Assets Being Depreciated/Amortized	<u>318,373,047</u>	<u>13,679,388</u>	<u>4,800,544</u>	<u>327,251,891</u>
Less: accumulated depreciation/amortization for				
Intangible assets	-	366,270	-	366,270
Land improvements	5,303,640	413,512	242,057	5,475,095
Buildings	15,166,070	1,101,565	305,584	15,962,051
Machinery and equipment	24,148,479	1,954,569	2,135,805	23,967,243
Roads, streets, and bridges	66,656,774	3,846,863	102,630	70,401,007
Sidewalks	37,059,044	1,352,561	15,511	38,396,094
Sewer lines	16,546,546	690,275	973,860	16,262,961
Shoreline walls and other	6,469,234	562,624	-	7,031,858
Total Accumulated Depreciation/Amortization	<u>171,349,787</u>	<u>10,288,239</u>	<u>3,775,447</u>	<u>177,862,579</u>
Total Capital Assets being Depreciated/Amortized, Net	<u>147,023,260</u>	<u>3,391,149</u>	<u>1,025,097</u>	<u>149,389,312</u>
Governmental Activities Capital Assets, Net	<u>\$ 180,364,106</u>	<u>\$ 11,116,065</u>	<u>\$ 9,909,559</u>	<u>\$ 181,570,612</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

D. CAPITAL ASSETS (cont.)

Depreciation/amortization expense was charged to functions as follows:

Governmental Activities

General government	\$ 678,492
Education and recreation	1,169,387
Public works, which includes infrastructure	7,678,024
Public safety	<u>762,336</u>
Total Governmental Activities Depreciation/Amortization Expense	<u>\$ 10,288,239</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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	\$ 5,084,905	\$ -	\$ -	\$ 5,084,905
Construction in progress	1,805,050	5,428,247	6,124,561	1,108,736
Total Capital Assets Not Being Depreciated	6,889,955	5,428,247	6,124,561	6,193,641
Capital assets being depreciated				
Land improvements	8,645,261	161,201	36,099	8,770,363
Improvements other than buildings	176,532,067	5,111,294	207,731	181,435,630
Buildings	143,916,679	425,676	77,643	144,264,712
Machinery and equipment	94,016,302	1,387,272	920,113	94,483,461
Total Capital Assets Being Depreciated	423,110,309	7,085,443	1,241,586	428,954,166
Less: accumulated depreciation for				
Land improvements	3,910,253	304,065	27,075	4,187,243
Improvements other than buildings	54,345,350	2,856,912	190,756	57,011,506
Buildings	41,311,303	3,616,243	42,941	44,884,605
Machinery and equipment	41,724,087	4,720,705	755,384	45,689,408
Total Accumulated Depreciation	141,290,993	11,497,925	1,016,156	151,772,762
Total Capital Assets Depreciated, Net	281,819,316	(4,412,482)	225,430	277,181,404
Business-Type Activities Capital Assets, Net	<u>\$ 288,709,271</u>	<u>\$ 1,015,765</u>	<u>\$ 6,349,991</u>	<u>\$ 283,375,045</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities	
Water	\$ 4,135,545
Wastewater	4,503,958
Belle Urban Transit	926,007
Other	1,932,415
Total Business-Type Activities Depreciation Expense	<u>\$ 11,497,925</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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	\$ 3,514,027
General Fund	Enterprise Fund-Civic Center	207,525
General Fund	Enterprise Fund-Golf	27,732
General Fund	Enterprise Fund-Storm Water	110,045
General Fund	Internal Service Fund-Equipment Maint	47,997
General Fund	Special Revenue-Public Safety Grants-COPS	52,109
General Fund	Special Revenue-Hazmat	34,643
General Fund	Special Revenue-Public Safety	280,442
General Fund	Special Revenue-Recycling	155,568
General Fund	Special Revenue-Other	98,546
General Fund	Special Revenue-Health	85,177
General Fund	Special Revenue-HUD	836,465
General Fund	Permanent Funds	269,604
General Fund	Wastewater Utility	80,463
General Fund	Water Utility	2,584,922
General Fund	Capital Projects-City Projects	398,907
Debt Service Fund	Water Utility	3,673
Debt Service Fund	Wastewater Utility	3,284
Wastewater Utility	Capital Projects-City Projects	1,296,970
Wastewater Utility	Water Utility	634,297
Wastewater Utility	General Fund	1,718,980
Wastewater Utility	Internal Service Fund-Building Maintenance	24,653
Water Utility	Wastewater Utility	728,338
Water Utility	General Fund	3,160,669

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

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

Receivable Fund	Payable Fund	Amount due Within One Year
Other Enterprise-Radio Repair	Water Utility	441
Internal Service Fund-Equipment Maint.	Water Utility	7,370
Internal Service Fund-Equipment Maint.	Wastewater Utility	1,344
Internal Service Fund-Health Insurance	Water Utility	11,245
Internal Service Fund-Health Insurance	Wastewater Utility	8,796
Internal Service Fund-Telephone	Water Utility	2,488
Internal Service Fund-Telephone	Wastewater Utility	1,105
Special Revenue-Library	Wastewater Utility	158
Special Revenue-Other	Water Utility	1,650
Subtotal-Fund Financial Statements		\$ 16,389,633
Less: Fund eliminations		(3,622,093)
Less: Government-wide eliminations		(12,402,986)
		<u>\$ 364,554</u>

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

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

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, 2010

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

F. 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 # 6	\$ 235,305	\$ -
General Fund	Tax Increment District # 8	260,619	-
General Fund	Tax Increment District # 13	86,346	-
General Fund	Tax Increment District # 14	118,236	-
General Fund	Storm Water Utility	425,000	78,000
Debt Service Fund	Wastewater Utility	727,650	32,288
Debt Service Fund	Water Utility	813,582	36,100
City Projects Fund	Storm Water Utility	710,666	65,790
Intergovernmental Revenue Sharing	Tax Increment District #12	900,258	-
Intergovernmental Revenue Sharing	Tax Increment District #15	462,830	-
Intergovernmental Revenue Sharing	Tax Increment District #10	1,046,162	
Intergovernmental Revenue Sharing	Tax Increment District #11	417,212	
Intergovernmental Revenue Sharing	Tax Increment District # 16	552,714	-
Subtotal-Fund financial statements		\$ 6,756,580	\$ 212,178
Less: fund eliminations		(4,079,682)	
Total advance to other funds-government wide statements		\$ 2,676,898	

Repayment schedules for advances with an established payment schedule follow:

	Storm Water Utility	Storm Water Utility	Water Utility	Wastewater Utility
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	97,996	97,770	85,175	76,179
2016-2025	-	391,075	744,713	666,055
Sub-total	477,996	879,925	1,156,245	1,034,120
Amount representing interest	(52,996)	(169,259)	(342,663)	(306,470)
	\$ 425,000	\$ 710,666	\$ 813,582	\$ 727,650

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, 2010

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	2,533,518
General Fund	Wastewater	922,886
Debt Service Fund	Capital Projects - 2010	77,861
Debt Service Fund	Debt Service Fund	2,561
Debt Service Fund	Special Revenue-TIF	1,747,200
Debt Service Fund	Capital Projects-TIF	1,056,995
Capital Projects-Assessment Projects	Special Revenue-Special Assessment	1,175,176
Water	Wastewater	33,410
Enterprise-Transit	Capital Projects-2010	8,021
Enterprise-Storm	Special Revenue-HUD	36,050
Enterprise-Civic Centre	Capital Projects-2009	162,710
Enterprise-Civic Centre	Capital Projects-2010	178,274
Enterprise-Civic Centre	Special Revenue-Other	20,000
Special Revenue-Cemetery	Permanent	10,594
Special Revenue-Library	Capital Projects-2009	115,000
Special Revenue-Library	Capital Projects-2010	1,860
Special Revenue-Library	Permanent	429,077
Special Revenue-Health	Special Revenue-HUD	26,826
Subtotal-fund financial statements		\$ 8,538,019
Less: Fund eliminations		(4,676,560)
Add: Government wide eliminations		(810,110)
		<u>\$ 3,051,349</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, 2010

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2010 was as follows:

GOVERNMENTAL ACTIVITIES

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General obligation					
bonds and notes payable	<u>\$ 104,930,000</u>	<u>\$ 13,745,000</u>	<u>\$ 11,255,000</u>	<u>\$ 107,420,000</u>	<u>\$ 8,730,000</u>
Add/(subtract)					
Deferred Amounts For:					
(Discounts)/Premiums	619,379	54,203	65,112	608,470	-
Refundings-Gains/(Loss)	(317,092)	(385,066)	(186,329)	(515,829)	-
Sub-total	<u>105,232,287</u>	<u>13,414,137</u>	<u>11,133,783</u>	<u>107,512,641</u>	<u>8,730,000</u>
Other Liabilities					
Vested compensated absences	3,835,842	213,872	353,208	3,696,506	348,102
Capital leases	<u>146,710</u>	<u>-</u>	<u>60,354</u>	<u>86,356</u>	<u>61,347</u>
Total Other Liabilities	<u>3,982,552</u>	<u>213,872</u>	<u>413,562</u>	<u>3,782,862</u>	<u>409,449</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 109,214,839</u>	<u>\$ 13,628,009</u>	<u>\$ 11,547,345</u>	<u>\$ 111,295,503</u>	<u>\$ 9,139,449</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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>\$134,130,493</u>	<u>\$2,524,712</u>	<u>\$8,483,823</u>	<u>\$128,171,382</u>	<u>\$8,841,380</u>
Add/(subtract)					
Deferred Amounts For:					
(Discounts)/Premiums	1,145,733	-	72,884	1,072,849	72,884
Refundings-Gains/(Loss)	<u>(349,996)</u>	<u>-</u>	<u>(48,164)</u>	<u>(301,832)</u>	<u>(36,663)</u>
Sub-total	<u>134,926,230</u>	<u>2,524,712</u>	<u>8,508,543</u>	<u>128,942,399</u>	<u>8,877,601</u>
Other Liabilities					
Vested compensated absences	<u>1,120,246</u>	<u>71,972</u>	<u>59,257</u>	<u>1,132,961</u>	<u>62,753</u>
Total Other Liabilities	<u>1,120,246</u>	<u>71,972</u>	<u>59,257</u>	<u>1,132,961</u>	<u>62,753</u>
Total Business Type Activities					
Long-Term Liabilities	<u>\$136,046,476</u>	<u>\$2,596,684</u>	<u>\$8,567,800</u>	<u>\$130,075,360</u>	<u>\$8,940,354</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, 2010, was \$197,068,030. Total general obligation debt outstanding at year end was \$107,420,000.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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 12/31/2010</u>
General Obligation Bonds					
2001	04/15/01	12/01/11	4.0-4.63	\$ 5,205,000	\$ 330,000
2003	11/1/03	11/01/23	2.00-5.70	16,895,000	13,860,000
2003	11/1/03	11/01/17	2.00-5.00	7,900,000	5,400,000
2003	7/15/03	07/15/18	2.00-4.90	8,650,000	5,310,000
2003	7/15/03	07/15/18	2.75-4.20	22,755,000	21,680,000
2004	11/5/04	11/05/19	2.00-5.25	6,880,000	4,970,000
2005	10/15/05	12/01/19	3.50-4.75	6,980,000	4,875,000
2006	10/5/06	12/01/20	4.00-4.50	7,130,000	6,000,000
2007	11/13/07	12/01/21	4.00-5.00	7,610,000	6,720,000
2008	12/09/08	12/01/22	3.00-5.00	7,680,000	7,085,000
					<u>76,230,000</u>
Taxable General Obligation Bonds					
2009	12/08/09	12/01/23	1.00-5.30	7,760,000	7,280,000
2010	11/24/10	12/01/24	0.85-4.70	9,850,000	9,850,000
					<u>17,130,000</u>
General Obligation Promissory Notes					
2002	11/1/02	11/01/11	2.00-4.00	9,000,000	1,255,000
					<u>1,255,000</u>
Tax Incremental General Obligation Debt					
2002 (Tif #9)	02/15/02	02/15/21	3.00-5.10	6,105,000	625,000
2006 (Tif #10)	10/3/06	10/3/25	2.50	3,970,000	3,790,000
2006 (Tif #11)	6/26/06	6/26/25	3.75	2,000,000	1,850,000
2007 (Tif #7)	11/13/07	06/01/12	4.00	3,170,000	1,345,000
2007 (Tif #8)	11/13/07	06/01/12	4.00	3,155,000	1,345,000
2010 (Tif #9)	07/27/10	12/01/21	2.00-4.00	3,895,000	3,850,000
					<u>12,805,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 107,420,000</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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>
2011	\$ 8,730,000	\$ 4,588,709	\$ 13,318,709
2012	8,995,000	4,254,010	13,249,010
2013	8,505,000	3,910,745	12,415,745
2014	9,495,000	3,595,150	13,090,150
2015	10,160,000	3,226,509	13,386,509
2016 – 2020	47,035,000	9,371,962	56,406,962
2021 – 2025	14,500,000	1,485,652	15,985,652
Totals	<u>\$ 107,420,000</u>	<u>\$ 30,432,737</u>	<u>\$ 137,852,737</u>

Debt Refunding with Build America Bonds

On November 24, 2010, the City issued \$9,850,000 in taxable general obligation refunding bonds, with an interest rate ranging from 0.85%-4.7%, to current refund \$9,650,000 of Note Anticipation Notes dated July 27, 2010 with an interest rate of 1.75%.

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.

Advanced Debt Refunding

On July 27, 2010, the City issued \$3.895 million in general obligation refunding bonds with an average interest rate of 3.57% to advance refund \$3.64 million of 2002 general obligation bonds with an average interest rate of 5.09%. The net proceeds of \$4.046 million were used to retire the 2002 bond issue.

The cash flow requirements on the refunded bonds prior to the advance refunding were \$5,060,536 from 2011 through 2021. The cash flow requirements on the 2010 refunding bonds are \$4,089,219 from 2010 through 2012. The advance refunding resulted in an economic gain of \$971,317.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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, 2010 consists of the following:

<u>Type/Series</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Indebtedness</u>	<u>Outstanding 12/31/2010</u>
<u>Water Utility</u>					
Safe Drinking Water Loan	02/10/99	05/01/18	2.64	\$ 12,594,655	\$ 5,848,004
Mortgage Revenue Bonds	10/01/01	09/11/11	4.00-4.5	11,460,000	565,000
Mortgage Revenue Bonds	04/15/01	09/01/15	4.00-5.38	6,235,000	2,540,000
Safe Drinking Water Loan	12/22/04	05/01/24	2.365	16,666,035	13,067,043
Mortgage Revenue Bonds	11/01/04	09/01/24	2.50-5.00	22,140,000	17,850,000
Mortgage Revenue Bonds	04/02/07	09/01/21	4.00-4.75	18,980,000	17,615,000
Mortgage Revenue Bonds	12/08/09	09/01/29	3.0-4.5	2,760,000	2,760,000
Total Water Utility					<u>60,245,047</u>
<u>Wastewater Utility</u>					
State Cleanwater Fund Loans	11/01/94	05/01/13	3.19	2,701,745	540,569
State Cleanwater Fund Loans	03/26/97	05/01/16	3.0	1,158,993	438,277
State Cleanwater Fund Loans	05/27/98	05/01/18	2.64	854,147	395,708
State Cleanwater Fund Loans	10/29/99	05/01/19	2.64	797,249	414,022
State Cleanwater Fund Loans	09/27/00	05/01/20	2.97	805,113	461,048
State Cleanwater Fund Loans	04/10/02	05/01/21	2.75	4,073,012	2,625,664
State Cleanwater Fund Loans	12/22/04	05/01/21	2.86	17,943,748	12,583,242
State Cleanwater Fund Loans	11/27/02	05/01/22	2.87	60,724,848	44,869,105
Clean Water Fund Loans	01/23/08	05/01/27	2.48	3,481,931	3,073,988
Clean Water Fund Loans	03/24/10	05/01/29	2.20	2,524,712	2,524,712
Total Wastewater Utility					<u>67,926,335</u>
Total Business-Type Revenue Debt					<u>\$ 128,171,382</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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
2011	\$ 8,841,380	\$ 4,171,402	\$ 13,012,782
2012	9,152,562	3,888,973	13,041,535
2013	9,433,638	3,594,756	13,028,394
2014	9,507,938	3,298,341	12,806,279
2015	9,818,099	2,995,701	12,813,800
2016-2020	49,541,332	10,113,082	59,654,414
2021-2025	29,043,564	2,611,527	31,655,091
2026-2029	2,832,869	185,888	3,018,757
	<u>\$ 128,171,382</u>	<u>\$ 30,859,670</u>	<u>\$ 159,031,052</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 2010. 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 \$78,769,307. Principal and interest paid for the current year and total customer net revenues were \$6,242,103 and \$8,522,542, 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 \$80,261,745. Principal and interest paid for the current year and total revenues were \$6,757,740 and \$7,599,723, respectively.

At December 31, 2010, the Wastewater Utility was not in compliance with the provisions of the clean water fund loan covenants which requires the Utility to reserve for the principal and interest payments due on May 1, 2011. Subsequent to year end the Utility transferred the required reserves and is now in compliance with the bond covenants.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. With the exception of the violation noted above, the Utility believes they are in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information

Estimated payments of compensated absences and other postemployment benefits 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.

DEFEASANCE OF DEBT

The City has 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, 2010, \$4,695,000 of bonds outstanding is considered defeased. The bonds are due on December 1, 2011, and 2012.

The Water Utility has 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, 2010, \$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 2010 was \$48,164 for the Business type activities and \$186,330 for the Governmental activities.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2010

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 \$45,372 in 2010.

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

2011	\$ 35,000
2012	35,000
2013	35,000
2014	35,000
2015	35,000
Thereafter	<u>1,260,000</u>
	<u>\$1,435,000</u>

During 2007, the City entered into a capital lease for defibrillator equipment. The lease expires in 2012 and bears interest at 4%. At December 31, 2010 the defibrillator equipment has a cost of \$115,106 and accumulated depreciation of \$80,574. 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, 2010 the equipment had a cost of \$167,850 and accumulated depreciation of \$41,963.

Future minimum payments for the remaining years under the leases:

	Equipment <u>Lease</u>	Defibrillator <u>Lease</u>	<u>Total</u>
2011	\$ 37,376	\$ 25,675	\$ 63,051
2012	-	<u>25,675</u>	<u>25,675</u>
	37,376	51,350	88,726
Less: Amount representing interest	-	<u>(2,370)</u>	<u>(2,370)</u>
	<u>\$ 37,376</u>	<u>\$ 48,980</u>	<u>\$ 86,356</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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, 2010 includes the following:

Governmental Activities

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 181,570,612
Less: related long-term debt outstanding	(86,488,693)
Plus: funds borrowed but not spent	<u>5,155,806</u>
Total Invested in Capital Assets, Net of Related Debt	<u>100,237,725</u>
Restricted for	
Debt service	2,206,683
Library	798,590
Permanent Funds	
Nonexpendable	1,596,296
Expendable	1,402,719
HUD loan program	<u>6,917,581</u>
Total Restricted	<u>12,921,869</u>
Unrestricted (deficit)	<u>(28,377,868)</u>
Total Governmental Activities Net Assets	<u>\$ 84,781,726</u>

Business-Type Activities

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 283,375,045
Less: related long-term debt outstanding	<u>(121,725,256)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>161,649,789</u>
Restricted for	
Debt service	5,611,119
Depreciation fund	800,000
DNR equipment replacement fund	<u>2,693,694</u>
Total Restricted	<u>9,104,813</u>
Unrestricted (deficit)	<u>(1,524,624)</u>
Total Business-Type Activities Net Assets	<u>\$ 169,229,978</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

I. RESTATEMENT OF FUND BALANCE/NET ASSETS

General Fund fund balance and Governmental Net Assets have been restated to correctly report Deposit in CVMIC, previously not reported.

General Fund	
Fund balance - December 31, 2009 (as reported)	\$ 34,591,299
Add: Deposit in CVMIC	<u>2,962,500</u>
 Fund Balance - December 31, 2009 (as restated)	 <u>\$ 37,553,799</u>
 Governmental Activities	
Net Assets - December 31, 2009 (as reported)	\$ 96,801,192
Add: Deposit in CVMIC	<u>2,962,500</u>
 Net Assets - December 31, 2009 (as restated)	 <u>\$ 99,763,692</u>

J. 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, 2010, the Redevelopment Authority has advances from the City's in the amount of \$944,313. There has been no amortization schedule established.

At December 31, 2010, the Redevelopment Authority has a due to the City's general fund of \$337,984 for deficit cash. Cash was replenished shortly after year end when grant funds were received by the Redevelopment Authority.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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

I. COMPONENT UNIT (CONT.)

CITY OF RACINE REDEVELOPMENT AUTHORITY (cont.)

c. 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, 2010 the Authority had assets held for resale of \$1,492,131.

d. Long-term Liabilities

At December 31, 2010, the Redevelopment Authority has an advance payable to the City's in the amount of \$944,313. There has been no amortization schedule established.

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, 2010, the BID has a receivable of \$213,626 from the City's tax collection fund for the entire subsequent year's annual assessment.

c. Cash and Investments

At December 31, 2010, the carrying value and bank balance of the BID's deposits are \$6,469. Of that balance all 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, 2010 the District had capital assets with a cost of \$16,998 and accumulated depreciation of \$15,451. The District's net book value of capital assets was \$1,547.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible City employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.2% of their salary (3.2% for Executives and Elected Officials, 5.5% for Protective Occupations with Social Security, and 3.9% 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, 2010 was \$51,860,369; the employer's total payroll was \$54,303,670. The total required contribution for the year ended December 31, 2010 was \$6,574,639 or 12.68 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, 2009 and 2008 were \$6,131,281 and \$6,115,607 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.

There was no pension related debt outstanding as of December 31, 2010.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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 \$675,771, \$600,482, and \$556,954 for the years ended December 31, 2010, 2009, and 2008 respectively. The following table shows the rate charged per week for each contract year:

Contract Period	Rate per week
July 1, 2010 – June 30, 2011	156
July 1, 2009 – June 30, 2010	145
July 1, 2008 – June 30, 2009	134

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, 2010

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.

	2010	2009	2008
Valuation Date	January 1, 2010	January 1, 2010	January 1, 2008
Funded Percentage	63.4%	58.02%	73.2%
Value of Assets	\$22,765,749,780	\$20,830,382,998	\$26,087,688,162
Value of Liabilities	\$35,903,139,725	\$35,899,947,337	\$35,640,638,097

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:

	2010	2009	2008
FMV of Plan Assets	\$19,542,042,104	\$17,358,652,498	\$26,805,846,809

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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, 2010. 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	\$ 1,437,104	\$ 1,538,270
Current year claims and changes in estimates	14,919,493	15,267,475
Claim payments	<u>(14,962,903)</u>	<u>(15,368,641)</u>
Unpaid Claims – End of Year	<u>\$ 1,393,694</u>	<u>\$ 1,437,104</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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.

Member equity ownership attributable to the WMIC bonds (\$25 million) is based on the amount of the bond the member delivered in proportion to the bonds delivered by all members. The City's percentage participation in WMIC and CVMIC at December 31, 2010 was 11.85% or \$2,962,500. This amount has been recorded as a deposit in CVMIC in the City's general fund.

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, 2010. A total liability of approximately \$1,946,271 at December 31, 2010 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
2010	\$ 2,076,542	\$ 637,961	\$ 768,232	\$ 1,946,271
2009	1,971,808	818,440	713,706	2,076,542

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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 2010 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, 2010

NOTE V – OTHER INFORMATION (cont.)

D. COMMITMENTS AND CONTINGENCIES

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the City Attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The City borrowed for the purpose of making various capital improvements. These monies as well as other revenue sources are reflected in the capital projects funds. Work that has been completed but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures. The balance of contract amounts plus open purchase orders is \$2,278,428.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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, 2010, the City had 799 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 2010, the City contributed \$6,666,050 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 2010, total retiree member contributions were \$193,124.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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	\$ 23,251,566	\$ 3,766,191	\$ 27,017,757
Interest on net OPEB obligation	1,652,814	547,390	2,200,204
Adjustment to annual required contribution	(2,637,065)	(421,545)	(3,058,610)
Annual OPEB Cost	22,267,315	3,892,036	26,159,351
Contribution made	(5,893,125)	(772,925)	(6,666,050)
Increase in net OPEB obligation	16,374,190	3,119,111	19,493,301
Net OPEB obligation beginning of year	47,668,295	7,336,807	55,005,102
Net OPEB obligation end of year	\$ 64,042,485	\$ 10,455,918	\$ 74,498,403

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2010 is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Governmental Activities			
12/31/2008	\$ 22,368,307	23.48%	\$ 32,218,256
12/31/2009	\$ 21,934,399	29.56%	\$ 47,668,295
12/31/2010	\$ 22,267,315	26.46%	\$ 64,042,485
Business Type Activities			
12/31/2008	\$ 3,511,779	33.72%	\$ 4,640,373
12/31/2009	\$ 3,490,286	22.74%	\$ 7,336,807
12/31/2010	\$ 3,892,036	19.85%	\$ 10,455,918

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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 Activities	Business Type Activities	Total
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	44,301,976	6,806,069	51,108,045
UAAL as percentage of covered payroll	623.13%	650.89%	626.82%

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. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

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, 2010

NOTE V – OTHER INFORMATION (cont.)

F. ECONOMIC DEPENDENCY

One major customer accounted for 18.3% of Water Utility gross sales aggregating \$3,259,743 and 22.2% of gross sales aggregating \$4,041,544 in 2010 and 2009 respectively. Total accounts receivable from this customer totaled \$450 and \$1,167 respectively at December 31, 2010 and 2009.

Two major customers accounted for 17.2% and 16.3% of Wastewater Utility gross sales aggregating \$3,690,426 in 2010. Total accounts receivable from these customers totaled \$699,195 at December 31, 2010.

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.

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 \$922,886 for the year ended December 31, 2010.

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, 2010.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2010

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, 2010 and 2009 was \$0 and \$267,334 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, 2010 and 2009, the Wastewater Utility had unrecovered cost of \$1,296,970 and \$2,386,056, respectively, which was reported as due from the City of Racine.

J. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, Statement No. 61, The Financial Reporting Entity: Omnibus, and Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. Application of these standards may restate portions of these financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RACINE

SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS
For the Year Ended December 31, 2010

	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							
12/31/2008	1/1/2008	-	273,192,639	273,192,639	-	41,897,007	652.06%
12/31/2009	1/1/2009	-	276,057,275	276,057,275	-	43,379,433	636.38%
12/31/2010	1/1/2009	-	276,057,275	276,057,275	-	44,301,976	623.13%
BUSINESS TYPE ACTIVITIES							
12/31/2008	1/1/2008	-	41,617,303	41,617,303	-	7,798,132	533.68%
12/31/2009	1/1/2009	-	44,299,852	44,299,852	-	6,798,252	651.64%
12/31/2010	1/1/2009	-	44,299,852	44,299,852	-	6,806,069	650.89%

See independent auditors' report.

**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2010

	Special Revenue Funds				
	Police Grants Beat Patrol	Police Grants COPS	Library	Harbor Commission	HAZMAT
ASSETS					
Cash and investments	\$ 2,261	\$ -	\$ 264,784	\$ 47,478	\$ -
Receivables					
Property taxes	48,381	77,586	2,059,520	-	-
Special assessment - tax roll	-	-	-	-	-
Special assessment	-	-	-	-	-
Accounts	-	-	8,473	-	8,687
Loans and notes	-	-	-	-	-
Due from other funds	-	-	158	-	-
Due from other governments	-	129,695	-	-	360,000
Assets held for resale	-	-	-	-	-
Advances to component unit	-	-	-	-	-
Advances to other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 50,642</u>	<u>\$ 207,281</u>	<u>\$2,332,935</u>	<u>\$ 47,478</u>	<u>\$ 368,687</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 91,809	\$ 16	\$ -
Accrued liabilities	-	-	48,607	10,143	-
Due to other funds	-	52,109	-	-	34,643
Advances from other funds	-	-	-	-	-
Deferred revenues	-	-	-	-	-
Deferred property tax revenue	48,381	77,586	2,059,520	-	-
Total Liabilities	<u>48,381</u>	<u>129,695</u>	<u>2,199,936</u>	<u>10,159</u>	<u>34,643</u>
Fund Balances (Deficits)					
Reserved					
Subsequent years expenditures	-	-	-	-	-
Encumbrances	-	-	18,017	-	-
Endowments	-	-	-	-	-
Library	-	-	114,982	-	-
Capital projects	-	-	-	-	-
Advances	-	-	-	-	-
Unreserved					
Designated for subsequent years expenditures	-	-	-	-	15,271
Undesignated (deficit)	2,261	77,586	-	37,319	318,773
Total Fund Balances (Deficits)	<u>2,261</u>	<u>77,586</u>	<u>132,999</u>	<u>37,319</u>	<u>334,044</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 50,642</u>	<u>\$ 207,281</u>	<u>\$2,332,935</u>	<u>\$ 47,478</u>	<u>\$ 368,687</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2010

Special Revenue Funds							
Recycling	CAR 25	Municipal Court	Federal Asset Forfeiture	Cemetery	Private Property Maintenance	Sanitary Sewer Maintenance	Special Assessments
\$ -	\$ 20,218	\$ 23,321	\$ 198,550	\$ 418,035	\$ 31,928	\$ 533,368	\$ 2,035,529
1,256,947	-	55,482	-	211,612	-	1,545,908	-
-	-	-	-	-	-	-	523,201
-	-	-	-	-	-	-	1,918,107
9,943	31,659	-	-	24,185	65,099	50,328	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 1,266,890</u>	<u>\$ 51,877</u>	<u>\$ 78,803</u>	<u>\$ 198,550</u>	<u>\$ 653,832</u>	<u>\$ 97,027</u>	<u>\$ 2,129,604</u>	<u>\$ 4,476,837</u>
\$ 16,146	\$ 360	\$ -	\$ 16,200	\$ 46,312	\$ 903	\$ 103,893	\$ 31,908
8,716	-	3,645	-	1,248	1,341	-	78,103
155,568	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	1,918,107
1,256,947	-	55,482	-	211,612	-	1,545,908	523,201
<u>1,437,377</u>	<u>360</u>	<u>59,127</u>	<u>16,200</u>	<u>259,172</u>	<u>2,244</u>	<u>1,649,801</u>	<u>2,551,319</u>
-	-	3,280	-	15,044	-	-	-
1,182	-	4,310	980	13,266	-	68,153	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	91,000	160,656	-	-	-
(171,669)	51,517	12,086	90,370	205,694	94,783	411,650	1,925,518
<u>(170,487)</u>	<u>51,517</u>	<u>19,676</u>	<u>182,350</u>	<u>394,660</u>	<u>94,783</u>	<u>479,803</u>	<u>1,925,518</u>
<u>\$ 1,266,890</u>	<u>\$ 51,877</u>	<u>\$ 78,803</u>	<u>\$ 198,550</u>	<u>\$ 653,832</u>	<u>\$ 97,027</u>	<u>\$ 2,129,604</u>	<u>\$ 4,476,837</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2010

	Special Revenue Funds					
	Other Cemetery	Other Public Safety	Trusts	Economic Development	Other	Health
ASSETS						
Cash and investments	\$ 79,129	\$ 327,107	\$ 683,608	\$ 5,054	\$ 882,086	\$ 227,928
Receivables						
Property taxes	-	16,779	-	-	-	-
Special assessment - tax roll	-	-	-	-	-	-
Special assessment	-	-	-	-	-	-
Accounts	1,890	18,810	-	-	12,977	94,755
Loans and notes	-	-	-	-	36,966	-
Due from other funds	-	-	-	-	1,650	-
Due from other governments	-	362,092	-	-	165,635	83,143
Assets held for resale	-	-	-	-	-	-
Advances to component unit	-	-	-	590,000	-	-
Advances to other funds	-	-	-	-	-	-
TOTAL ASSETS	\$ 81,019	\$ 724,788	\$ 683,608	\$ 595,054	\$ 1,099,314	\$ 405,826
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ 105,234	\$ -	\$ -	\$ 109,391	\$ 94,336
Accrued liabilities	-	-	-	-	49,159	5,369
Due to other funds	-	280,442	-	-	98,546	85,177
Advances from other funds	-	-	-	-	-	-
Deferred revenues	-	18,617	-	-	142,166	145,410
Deferred property tax revenue	-	16,779	-	-	-	-
Total Liabilities	-	421,072	-	-	399,262	330,292
Fund Balances (Deficits)						
Reserved						
Subsequent years expenditures	-	-	-	-	-	-
Encumbrances	-	20,817	-	-	830	-
Endowments	-	-	-	-	-	-
Library	-	-	683,608	-	-	-
Capital projects	-	-	-	-	-	-
Advances	-	-	-	590,000	-	-
Unreserved						
Designated for subsequent years expenditures	-	-	-	-	-	-
Undesignated (deficit)	81,019	282,899	-	5,054	699,222	75,534
Total Fund Balances (Deficits)	81,019	303,716	683,608	595,054	700,052	75,534
TOTAL LIABILITIES AND FUND BALANCES	\$ 81,019	\$ 724,788	\$ 683,608	\$ 595,054	\$ 1,099,314	\$ 405,826

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2010

Capital Projects Funds				
Tax Incremental Districts	City Projects	2008	2009	2010
\$ 3,610,686	\$ 272,601	\$ -	\$ 1,148,793	\$ 4,840,728
1,218,907	-	-	-	-
-	-	-	-	-
-	-	-	-	-
100,000	51,213	-	-	-
-	-	-	-	-
-	-	-	-	-
-	533,717	-	-	-
385,000	-	-	-	-
-	120,000	-	-	-
-	710,666	-	-	-
<u>\$ 5,314,593</u>	<u>\$ 1,688,197</u>	<u>\$ -</u>	<u>\$ 1,148,793</u>	<u>\$ 4,840,728</u>
\$ 42,684	\$ 351,543	\$ -	\$ 152,643	\$ 681,071
565	-	-	-	-
-	1,695,877	-	-	-
3,583,757	-	-	-	-
-	51,213	-	-	-
1,218,907	-	-	-	-
<u>4,845,913</u>	<u>2,098,633</u>	<u>-</u>	<u>152,643</u>	<u>681,071</u>
-	-	-	-	2,724,899
-	233,685	-	173,267	1,417,165
-	-	-	-	-
-	-	-	-	-
468,680	-	-	822,883	17,593
-	830,666	-	-	-
-	-	-	-	-
-	(1,474,787)	-	-	-
<u>468,680</u>	<u>(410,436)</u>	<u>-</u>	<u>996,150</u>	<u>4,159,657</u>
<u>\$ 5,314,593</u>	<u>\$ 1,688,197</u>	<u>\$ -</u>	<u>\$ 1,148,793</u>	<u>\$ 4,840,728</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
December 31, 2010

	Capital Projects Funds		Permanent Fund	Total
	Intergovernmental			Nonmajor
	Assessment Projects	Revenue Sharing	Endowment Fund	Governmental Funds
ASSETS				
Cash and investments	\$ 5,774	\$ 3,211,025	\$ 3,289,756	\$ 22,159,747
Receivables				
Property taxes	-	-	-	6,491,122
Special assessment - tax roll	-	-	-	523,201
Special assessment	-	-	-	1,918,107
Accounts	-	-	-	478,019
Loans and notes	-	-	-	36,966
Due from other funds	-	-	-	1,808
Due from other governments	-	-	-	1,634,282
Assets held for resale	-	-	-	385,000
Advances to component unit	-	125,313	-	835,313
Advances to other funds	-	3,379,176	-	4,089,842
TOTAL ASSETS	\$ 5,774	\$ 6,715,514	\$ 3,289,756	\$ 38,553,407
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 30,008	\$ 89,800	\$ 21,137	\$ 1,985,394
Accrued liabilities	-	36,339	-	243,235
Due to other funds	-	-	269,604	2,671,966
Advances from other funds	-	-	-	3,583,757
Deferred revenues	-	-	-	2,275,513
Deferred property tax revenue	-	-	-	7,014,323
Total Liabilities	30,008	126,139	290,741	17,774,188
Fund Balances (Deficits)				
Reserved				
Subsequent years expenditures	-	122,283	-	2,865,506
Encumbrances	-	-	-	1,951,672
Endowments	-	-	1,596,296	1,596,296
Library	-	-	-	798,590
Capital projects	-	2,962,603	-	4,271,759
Advances	-	3,504,489	-	4,925,155
Unreserved				
Designated for subsequent years expenditures	-	-	-	266,927
Undesignated (deficit)	(24,234)	-	1,402,719	4,103,314
Total Fund Balances (Deficits)	(24,234)	6,589,375	2,999,015	20,779,219
TOTAL LIABILITIES AND FUND BALANCES	\$ 5,774	\$ 6,715,514	\$ 3,289,756	\$ 38,553,407

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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, 2010

	Special Revenue Funds			
	Police Grants Beat Patrol	Police Grants COPS	Library	Harbor Commission
REVENUES				
Taxes	\$ 48,069	\$ 77,586	\$ 2,060,446	\$ -
Special charges and assessments	-	-	-	-
Intergovernmental	131,299	224,002	1,356,696	163
Fines and Forfeitures	-	-	-	-
Investment income	-	-	28,069	-
Charges for services	-	-	111,470	26,168
Donations	-	-	-	-
Other	-	-	450	-
Total Revenues	<u>179,368</u>	<u>301,588</u>	<u>3,557,131</u>	<u>26,331</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	-	3,753,866	9,718
Public works	-	-	-	-
Public safety	191,396	224,002	-	-
Debt Service	-	-	-	-
Capital Outlay	-	-	553,386	-
Total Expenditures	<u>191,396</u>	<u>224,002</u>	<u>4,307,252</u>	<u>9,718</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(12,028)</u>	<u>77,586</u>	<u>(750,121)</u>	<u>16,613</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Transfers in	-	-	545,937	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>545,937</u>	<u>-</u>
Net Change in Fund Balances	<u>(12,028)</u>	<u>77,586</u>	<u>(204,184)</u>	<u>16,613</u>
FUND BALANCES (DEFICIT) -				
Beginning of Year	<u>14,289</u>	<u>-</u>	<u>337,183</u>	<u>20,706</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 2,261</u>	<u>\$ 77,586</u>	<u>\$ 132,999</u>	<u>\$ 37,319</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2010

Special Revenue Funds					
HAZMAT	Recycling	CAR 25	Municipal Court	Federal Asset Forfeiture	Cemetery
\$ -	\$ 893,081	\$ -	\$ 64,579	\$ -	\$ 211,612
-	-	-	-	-	-
482,370	456,647	-	-	-	-
-	-	-	212,886	108,615	-
2,609	-	-	-	4,601	13,460
-	279,690	131,693	-	-	276,257
-	-	-	-	-	-
8,687	42,876	-	-	-	-
<u>493,666</u>	<u>1,672,294</u>	<u>131,693</u>	<u>277,465</u>	<u>113,216</u>	<u>501,329</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	119,179	-	-	612,552
-	1,375,238	-	-	-	-
87,713	-	-	286,543	33,344	-
-	-	-	-	-	-
<u>461,777</u>	<u>1,673,349</u>	<u>-</u>	<u>-</u>	<u>167,829</u>	<u>69,663</u>
<u>549,490</u>	<u>3,048,587</u>	<u>119,179</u>	<u>286,543</u>	<u>201,173</u>	<u>682,215</u>
<u>(55,824)</u>	<u>(1,376,293)</u>	<u>12,514</u>	<u>(9,078)</u>	<u>(87,957)</u>	<u>(180,886)</u>
-	1,400,000	-	-	-	-
-	-	-	-	-	10,594
-	-	-	-	-	-
<u>-</u>	<u>1,400,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,594</u>
(55,824)	23,707	12,514	(9,078)	(87,957)	(170,292)
<u>389,868</u>	<u>(194,194)</u>	<u>39,003</u>	<u>28,754</u>	<u>270,307</u>	<u>564,952</u>
<u>\$ 334,044</u>	<u>\$ (170,487)</u>	<u>\$ 51,517</u>	<u>\$ 19,676</u>	<u>\$ 182,350</u>	<u>\$ 394,660</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2010

	Special Revenue Funds			
	Private Property Maintenance	Sanitary Sewer Maintenance	Special Assessments	Other Cemetery
REVENUES				
Taxes	\$ -	\$ 55,200	\$ -	\$ -
Special charges and assessments	-	-	884,526	-
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	30,022	162,786	1,000
Charges for services	254,764	1,432,247	-	66,180
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>254,764</u>	<u>1,517,469</u>	<u>1,047,312</u>	<u>67,180</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	-	-	7,297
Public works	159,981	477,880	749	-
Public safety	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	-	1,012,844	-	-
Total Expenditures	<u>159,981</u>	<u>1,490,724</u>	<u>749</u>	<u>7,297</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>94,783</u>	<u>26,745</u>	<u>1,046,563</u>	<u>59,883</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	(1,175,176)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(1,175,176)</u>	<u>-</u>
Net Change in Fund Balances	<u>94,783</u>	<u>26,745</u>	<u>(128,613)</u>	<u>59,883</u>
FUND BALANCES (DEFICIT) -				
Beginning of Year	<u>-</u>	<u>453,058</u>	<u>2,054,131</u>	<u>21,136</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 94,783</u>	<u>\$ 479,803</u>	<u>\$ 1,925,518</u>	<u>\$ 81,019</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2010

Other Public Safety	Special Revenue Funds				Capital Projects Funds
	Trusts	Economic Development	Other	Health	Tax Incremental Districts
\$ 16,690	\$ -	\$ -	\$ 208,936	\$ -	\$ 1,295,827
-	-	-	-	-	-
1,021,567	-	-	691,851	1,283,787	193,985
173,187	-	-	-	-	-
-	48,876	105	346	62	92,035
64,778	-	-	52,174	46,515	14,599
6,659	27,124	-	225,312	307,748	100,000
-	-	-	-	-	5,000
<u>1,282,881</u>	<u>76,000</u>	<u>105</u>	<u>1,178,619</u>	<u>1,638,112</u>	<u>1,701,446</u>
-	-	-	366,760	-	418,483
-	-	-	470	1,610,323	-
-	43,873	-	185,118	27,866	-
-	-	-	216,658	-	-
811,729	-	-	18,596	-	-
-	-	-	-	-	63,981
<u>510,795</u>	<u>-</u>	<u>-</u>	<u>419,189</u>	<u>-</u>	<u>225,530</u>
<u>1,322,524</u>	<u>43,873</u>	<u>-</u>	<u>1,206,791</u>	<u>1,638,189</u>	<u>707,994</u>
<u>(39,643)</u>	<u>32,127</u>	<u>105</u>	<u>(28,172)</u>	<u>(77)</u>	<u>993,452</u>
-	-	-	-	-	-
-	-	-	210,000	26,826	-
-	-	-	(20,000)	-	(1,056,995)
-	-	-	190,000	26,826	(1,056,995)
(39,643)	32,127	105	161,828	26,749	(63,543)
<u>343,359</u>	<u>651,481</u>	<u>594,949</u>	<u>538,224</u>	<u>48,785</u>	<u>532,223</u>
<u>\$ 303,716</u>	<u>\$ 683,608</u>	<u>\$ 595,054</u>	<u>\$ 700,052</u>	<u>\$ 75,534</u>	<u>\$ 468,680</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2010

	Capital Projects Funds			
	City Projects	2008	2009	2010
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	363,782	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	3,488	-	43,336	59,181
Charges for services	1,457,092	-	-	-
Donations	35,000	-	-	-
Other	34,813	-	-	48,636
Total Revenues	<u>1,894,175</u>	<u>-</u>	<u>43,336</u>	<u>107,817</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	-	-	-
Public works	424,175	-	-	-
Public safety	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	<u>393,890</u>	<u>17,392</u>	<u>1,265,867</u>	<u>4,132,144</u>
Total Expenditures	<u>818,065</u>	<u>17,392</u>	<u>1,265,867</u>	<u>4,132,144</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>1,076,110</u>	<u>(17,392)</u>	<u>(1,222,531)</u>	<u>(4,024,327)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	8,450,000
Transfers in	-	-	-	-
Transfers (out)	<u>-</u>	<u>-</u>	<u>(277,710)</u>	<u>(266,016)</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(277,710)</u>	<u>8,183,984</u>
Net Change in Fund Balances	1,076,110	(17,392)	(1,500,241)	4,159,657
FUND BALANCES (DEFICIT) -				
Beginning of Year	<u>(1,486,546)</u>	<u>17,392</u>	<u>2,496,391</u>	<u>-</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (410,436)</u>	<u>\$ -</u>	<u>\$ 996,150</u>	<u>\$ 4,159,657</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2010

Capital Projects Funds		Permanent Fund	Total
Assessment Projects	Intergovernmental Revenue Sharing	Endowment Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 4,932,026
-	-	-	884,526
-	1,307,911	-	7,514,060
-	-	-	494,688
-	73,973	224,723	788,672
-	-	-	4,213,627
-	-	2,147	703,990
-	59,599	-	200,061
-	1,441,483	226,870	19,731,650
-	124,400	-	909,643
-	-	-	1,610,793
-	-	37,292	4,796,761
-	-	-	2,654,681
-	-	-	1,653,323
-	-	-	63,981
1,173,784	206,293	46,500	12,330,232
1,173,784	330,693	83,792	24,019,414
(1,173,784)	1,110,790	143,078	(4,287,764)
-	-	-	9,850,000
1,175,176	-	-	1,968,533
-	-	(439,671)	(3,235,568)
1,175,176	-	(439,671)	8,582,965
1,392	1,110,790	(296,593)	4,295,201
(25,626)	5,478,585	3,295,608	16,484,018
\$ (24,234)	\$ 6,589,375	\$ 2,999,015	\$ 20,779,219

CITY OF RACINE
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2010

	Police Grants-Beat Patrol		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 48,069	\$ 48,069	\$ -
Intergovernmental	144,206	131,299	(12,907)
Fines and Forfeitures	-	-	-
Investment income	-	-	-
Charges for services	-	-	-
Donations	-	-	-
Other	-	-	-
Total Revenues	<u>192,275</u>	<u>179,368</u>	<u>(12,907)</u>
EXPENDITURES			
Current			
Community development	-	-	-
Health	-	-	-
Education and recreation	-	-	-
Public works	-	-	-
Public safety	192,275	191,396	879
Capital outlay	-	-	-
Total Expenditures	<u>192,275</u>	<u>191,396</u>	<u>879</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>(12,028)</u>	<u>(12,028)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers (out)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>(12,028)</u>	<u>\$ (12,028)</u>
FUND BALANCES (DEFICIT) - Beginning of Year		<u>14,289</u>	
FUND BALANCES (DEFICIT) - END OF YEAR		<u>\$ 2,261</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, 2010

Police Grants-COPS				Library			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 77,586	\$ 77,586	\$ 77,586	\$ -	\$ 2,060,446	\$ 2,060,446	\$ 2,060,446	\$ -
-	-	-	-	1,356,696	1,356,696	1,356,696	-
246,551	246,551	224,002	-	-	-	-	-
-	-	-	-	45,000	45,000	28,069	(16,931)
-	-	-	-	130,000	130,000	111,470	(18,530)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	450	450
<u>324,137</u>	<u>324,137</u>	<u>301,588</u>	<u>-</u>	<u>3,592,142</u>	<u>3,592,142</u>	<u>3,557,131</u>	<u>(35,011)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	3,765,742	3,732,742	3,753,866	(21,124)
-	-	-	-	-	-	-	-
324,137	324,137	224,002	100,135	-	-	-	-
-	-	-	-	15,000	651,291	553,386	97,905
<u>324,137</u>	<u>324,137</u>	<u>224,002</u>	<u>100,135</u>	<u>3,780,742</u>	<u>4,384,033</u>	<u>4,307,252</u>	<u>76,781</u>
-	-	77,586	100,135	(188,600)	(791,891)	(750,121)	41,770
-	-	-	-	15,000	145,000	545,937	400,937
-	-	-	-	-	-	-	-
-	-	-	-	15,000	145,000	545,937	400,937
<u>\$ -</u>	<u>\$ -</u>	<u>77,586</u>	<u>\$ 100,135</u>	<u>\$ (173,600)</u>	<u>\$ (646,891)</u>	<u>(204,184)</u>	<u>\$ 442,707</u>
		-				337,183	
		<u>\$ 77,586</u>				<u>\$ 132,999</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, 2010

	Harbor Commission			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	163	163
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	36,235	36,235	26,168	(10,067)
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>36,235</u>	<u>36,235</u>	<u>26,331</u>	<u>(9,904)</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	24,530	24,530	9,718	14,812
Public works	-	-	-	-
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>24,530</u>	<u>24,530</u>	<u>9,718</u>	<u>14,812</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>11,705</u>	<u>11,705</u>	<u>16,613</u>	<u>4,908</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>\$ 11,705</u>	<u>\$ 11,705</u>	<u>16,613</u>	<u>\$ 4,908</u>
FUND BALANCES (DEFICIT) - Beginning of Year			<u>20,706</u>	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ 37,319</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, 2010

HAZMAT				Recycling			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ 893,081	\$ 893,081	\$ 893,081	\$ -
121,000	481,000	482,370	1,370	482,000	482,000	456,647	(25,353)
-	-	-	-	-	-	-	-
6,000	6,000	2,609	(3,391)	-	-	-	-
-	-	-	-	265,000	265,000	279,690	14,690
-	-	-	-	-	-	-	-
1,000	1,000	8,687	7,687	-	-	42,876	42,876
<u>128,000</u>	<u>488,000</u>	<u>493,666</u>	<u>5,666</u>	<u>1,640,081</u>	<u>1,640,081</u>	<u>1,672,294</u>	<u>32,213</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,640,081	1,429,081	1,375,238	53,843
123,600	123,600	87,713	35,887	-	-	-	-
-	500,000	461,777	38,223	2,000,000	2,000,000	1,673,349	326,651
<u>123,600</u>	<u>623,600</u>	<u>549,490</u>	<u>74,110</u>	<u>3,640,081</u>	<u>3,429,081</u>	<u>3,048,587</u>	<u>380,494</u>
-	-	-	-	-	-	-	-
4,400	(135,600)	(55,824)	79,776	(2,000,000)	(1,789,000)	(1,376,293)	412,707
-	-	-	-	2,000,000	1,789,000	1,400,000	(389,000)
-	-	-	-	-	-	-	-
-	-	-	-	2,000,000	1,789,000	1,400,000	(389,000)
<u>\$ 4,400</u>	<u>\$ (135,600)</u>	<u>(55,824)</u>	<u>\$ 79,776</u>	<u>\$ -</u>	<u>\$ -</u>	<u>23,707</u>	<u>\$ 23,707</u>
		<u>389,868</u>				<u>(194,194)</u>	
		<u>\$ 334,044</u>				<u>\$ (170,487)</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, 2010

	CAR25			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	115,700	115,700	131,693	15,993
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>115,700</u>	<u>115,700</u>	<u>131,693</u>	<u>15,993</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	115,903	145,903	119,179	26,724
Public works	-	-	-	-
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>115,903</u>	<u>145,903</u>	<u>119,179</u>	<u>26,724</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(203)</u>	<u>(30,203)</u>	<u>12,514</u>	<u>42,717</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>\$ (203)</u>	<u>\$ (30,203)</u>	<u>12,514</u>	<u>\$ 42,717</u>
FUND BALANCES (DEFICIT) - Beginning of Year			<u>39,003</u>	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ 51,517</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, 2010

Municipal Court				Federal Asset Forfeiture			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 64,579	\$ 64,579	\$ 64,579	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
235,000	235,000	212,886	(22,114)	135,000	135,000	108,615	(26,385)
-	-	-	-	8,000	8,000	4,601	(3,399)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>299,579</u>	<u>299,579</u>	<u>277,465</u>	<u>(22,114)</u>	<u>143,000</u>	<u>143,000</u>	<u>113,216</u>	<u>(29,784)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
299,579	299,579	286,543	13,036	23,000	69,080	33,344	35,736
-	-	-	-	179,250	186,819	167,829	18,990
<u>299,579</u>	<u>299,579</u>	<u>286,543</u>	<u>13,036</u>	<u>202,250</u>	<u>255,899</u>	<u>201,173</u>	<u>54,726</u>
-	-	(9,078)	(9,078)	(59,250)	(112,899)	(87,957)	24,942
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>(9,078)</u>	<u>\$ (9,078)</u>	<u>\$ (59,250)</u>	<u>\$ (112,899)</u>	<u>(87,957)</u>	<u>\$ 24,942</u>
		<u>28,754</u>				<u>270,307</u>	
		<u>\$ 19,676</u>				<u>\$ 182,350</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, 2010

	Private Property Maintenance			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	170,000	170,000	254,764	84,764
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>170,000</u>	<u>170,000</u>	<u>254,764</u>	<u>84,764</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	-	-	-
Public works	158,971	158,971	159,981	(1,010)
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>158,971</u>	<u>158,971</u>	<u>159,981</u>	<u>(1,010)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>11,029</u>	<u>11,029</u>	<u>94,783</u>	<u>83,754</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>\$ 11,029</u>	<u>\$ 11,029</u>	<u>94,783</u>	<u>\$ 83,754</u>
FUND BALANCES (DEFICIT) - Beginning of Year			<u>-</u>	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ 94,783</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, 2010

Cemetery				Sanitary Sewer Maintenance			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 211,612	\$ 211,612	\$ 211,612	\$ -	\$ 55,200	\$ 55,200	\$ 55,200	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
45,000	45,000	13,460	(31,540)	-	-	30,022	30,022
290,000	290,000	276,257	(13,743)	1,399,118	1,399,118	1,432,247	33,129
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>546,612</u>	<u>546,612</u>	<u>501,329</u>	<u>(45,283)</u>	<u>1,454,318</u>	<u>1,454,318</u>	<u>1,517,469</u>	<u>63,151</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
650,450	650,450	612,552	37,898	-	-	-	-
-	-	-	-	604,318	604,318	477,880	126,438
-	-	-	-	-	-	-	-
<u>72,000</u>	<u>83,886</u>	<u>69,663</u>	<u>14,223</u>	<u>850,000</u>	<u>1,287,264</u>	<u>1,012,844</u>	<u>274,420</u>
<u>722,450</u>	<u>734,336</u>	<u>682,215</u>	<u>52,121</u>	<u>1,454,318</u>	<u>1,891,582</u>	<u>1,490,724</u>	<u>400,858</u>
<u>(175,838)</u>	<u>(187,724)</u>	<u>(180,886)</u>	<u>6,838</u>	<u>-</u>	<u>(437,264)</u>	<u>26,745</u>	<u>464,009</u>
-	-	10,594	10,594	-	-	-	-
-	-	-	-	-	-	-	-
-	-	<u>10,594</u>	<u>10,594</u>	-	-	-	-
<u>\$ (175,838)</u>	<u>\$ (187,724)</u>	<u>(170,292)</u>	<u>\$ 17,432</u>	<u>\$ -</u>	<u>\$ (437,264)</u>	<u>26,745</u>	<u>\$ 464,009</u>
		<u>564,952</u>				<u>453,058</u>	
		<u>\$ 394,660</u>				<u>\$ 479,803</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, 2010**

	Currently Due		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Tax Levy	\$ 8,755,759	\$ 8,755,759	\$ -
Other	147,862	250,431	102,569
Total Revenues	8,903,621	9,006,190	102,569
EXPENDITURES			
Debt service			
Principal	\$ 7,450,354	7,675,354	(225,000)
Interest and fiscal charges	4,707,512	4,712,133	(4,621)
Total Expenditures	12,157,866	12,387,487	(229,621)
Excess (Deficiency) of Revenues over (under) Expenditures	(3,254,245)	(3,381,297)	(127,052)
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	-	3,895,000	3,895,000
Premium on bonds issued	-	191,353	191,353
Payment to escrow agent	-	(4,043,592)	(4,043,592)
Transfers in	2,804,245	2,884,617	80,372
Transfers (out)	-	(2,561)	(2,561)
Total Other Financing Sources (Uses)	2,804,245	2,924,817	120,572
Net Change in Fund Balances	<u>\$ (450,000)</u>	<u>(456,480)</u>	<u>\$ (6,480)</u>
FUND BALANCES - Beginning of Year		<u>1,317,912</u>	
FUND BALANCES - END OF YEAR		<u>\$ 861,432</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, 2010

	2010 Capital Projects			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment income	22,487	22,487	59,181	36,694
Other	-	-	48,636	48,636
Total Revenues	<u>22,487</u>	<u>22,487</u>	<u>107,817</u>	<u>85,330</u>
EXPENDITURES				
Current-Community Development	-	-	-	-
Debt service	-	-	-	-
Capital outlay	<u>7,332,487</u>	<u>7,332,487</u>	<u>4,132,144</u>	<u>3,200,343</u>
Total Expenditures	<u>7,332,487</u>	<u>7,332,487</u>	<u>4,132,144</u>	<u>3,200,343</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(7,310,000)</u>	<u>(7,310,000)</u>	<u>(4,024,327)</u>	<u>3,285,673</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	8,245,000	8,245,000	8,450,000	205,000
Transfers in	-	-	-	-
Transfers (out)	<u>(935,000)</u>	<u>(935,000)</u>	<u>(266,016)</u>	<u>668,984</u>
Total Other Financing Sources (Uses)	<u>7,310,000</u>	<u>7,310,000</u>	<u>8,183,984</u>	<u>873,984</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>4,159,657</u>	<u>\$ 4,159,657</u>
FUND BALANCES (DEFICITS)- Beginning of Year			-	
FUND BALANCES (DEFICITS) - END OF YEAR			<u>\$ 4,159,657</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, 2010

Assessment Projects				Intergovernmental Revenue Sharing			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,230,000	1,235,554	1,307,911	72,357
-	-	-	-	-	-	-	-
-	-	-	-	25,000	25,000	73,973	48,973
-	-	-	-	-	-	59,599	59,599
-	-	-	-	1,255,000	1,260,554	1,441,483	180,929
-	-	-	-	-	-	-	-
-	-	-	-	671,400	671,400	124,400	547,000
-	-	-	-	-	-	-	-
2,062,000	2,212,481	1,173,784	1,038,697	350,000	498,385	206,293	292,092
2,062,000	2,212,481	1,173,784	1,038,697	1,021,400	1,169,785	330,693	839,092
(2,062,000)	(2,212,481)	(1,173,784)	1,038,697	233,600	90,769	1,110,790	1,020,021
-	-	-	-	-	-	-	-
2,062,000	2,212,481	1,175,176	(1,037,305)	-	-	-	-
-	-	-	-	-	-	-	-
2,062,000	2,212,481	1,175,176	(1,037,305)	-	-	-	-
\$ -	\$ -	1,392	\$ 1,392	\$ 233,600	\$ 90,769	1,110,790	\$ 1,020,021
		(25,626)				5,478,585	
		\$ (24,234)				\$6,589,375	

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS
December 31, 2010

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
ASSETS						
Current Assets						
Cash and investments	\$ 1,935,118	\$ -	\$ -	\$ 50,651	\$ 274,376	\$ 2,260,145
Receivables						
Accounts	15,078	906	-	22,563	79,562	118,109
Taxes	9,670	3,682,904	-	417,000	-	4,109,574
Due from other funds	-	-	-	-	441	441
Inventories	-	-	-	6,837	-	6,837
Prepaid expenses	-	-	-	10,776	-	10,776
	<u>1,959,866</u>	<u>3,683,810</u>	<u>-</u>	<u>507,827</u>	<u>354,379</u>	<u>6,505,882</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	16,239,499	57,061,495	1,876,054	6,979,099	156,213	82,312,360
Equipment, furniture and vehicles	655,509	1,296,367	963,558	471,624	12,913	3,399,971
Less: accumulated depreciation	(6,114,400)	(30,027,725)	(1,685,011)	(3,772,478)	(75,185)	(41,674,799)
	<u>11,794,713</u>	<u>28,330,137</u>	<u>2,587,255</u>	<u>3,818,666</u>	<u>108,941</u>	<u>46,639,712</u>
Construction in progress	-	158,131	23,408	-	-	181,539
	<u>11,794,713</u>	<u>28,488,268</u>	<u>2,610,663</u>	<u>3,818,666</u>	<u>108,941</u>	<u>46,821,251</u>
Total Capital Assets (net of accumulated depreciation)						
TOTAL ASSETS	<u>\$ 13,754,579</u>	<u>\$ 32,172,078</u>	<u>\$ 2,610,663</u>	<u>\$ 4,326,493</u>	<u>\$ 463,320</u>	<u>\$ 53,327,133</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS
December 31, 2010

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 5,152	\$ 47,726	\$ -	\$ 98,739	\$ -	\$ 151,617
Accrued compensation	8,135	4,365	-	-	3,906	16,406
Accrued liabilities	2,257	-	20,201	33,927	-	56,385
Due to other funds	-	110,045	27,732	207,525	-	345,302
Advances from other funds	-	143,790	-	-	-	143,790
Deferred property tax revenue	9,670	3,682,904	-	417,000	-	4,109,574
Total Current Liabilities	<u>25,214</u>	<u>3,988,830</u>	<u>47,933</u>	<u>757,191</u>	<u>3,906</u>	<u>4,823,074</u>
Noncurrent Liabilities						
Compensated absences	32,435	7,631	-	-	18,088	58,154
OPEB ARC obligation	661,979	1,560,302	-	-	302,410	2,524,691
Advances from other funds	-	991,876	-	-	-	991,876
Total Noncurrent Liabilities	<u>694,414</u>	<u>2,559,809</u>	<u>-</u>	<u>-</u>	<u>320,498</u>	<u>3,574,721</u>
TOTAL LIABILITIES	<u>719,628</u>	<u>6,548,639</u>	<u>47,933</u>	<u>757,191</u>	<u>324,404</u>	<u>8,397,795</u>
NET ASSETS						
Invested in capital assets	11,794,713	28,488,268	2,610,663	3,818,666	108,941	46,821,251
Unrestricted (deficit)	<u>1,240,238</u>	<u>(2,864,829)</u>	<u>(47,933)</u>	<u>(249,364)</u>	<u>29,975</u>	<u>(1,891,913)</u>
TOTAL NET ASSETS	<u>\$ 13,034,951</u>	<u>\$ 25,623,439</u>	<u>\$ 2,562,730</u>	<u>\$ 3,569,302</u>	<u>\$ 138,916</u>	<u>\$ 44,929,338</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended December 31, 2010

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
OPERATING REVENUES						
Charges for services	\$ 1,237,873	\$ 3,527,309	\$ 184,418	\$ 431,599	\$ 347,922	\$ 5,729,121
Other	3,325	1,251	-	-	-	4,576
Total Operating Revenues	<u>1,241,198</u>	<u>3,528,560</u>	<u>184,418</u>	<u>431,599</u>	<u>347,922</u>	<u>5,733,697</u>
OPERATING EXPENSES						
Public works	1,186,930	3,157,394	-	-	446,550	4,790,874
Education and recreation	-	-	78,415	883,006	-	961,421
Depreciation	386,347	1,178,531	90,851	272,237	4,449	1,932,415
Total Operating Expenses	<u>1,573,277</u>	<u>4,335,925</u>	<u>169,266</u>	<u>1,155,243</u>	<u>450,999</u>	<u>7,684,710</u>
Operating income (loss)	<u>(332,079)</u>	<u>(807,365)</u>	<u>15,152</u>	<u>(723,644)</u>	<u>(103,077)</u>	<u>(1,951,013)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	-	42,395	10	-	-	42,405
Interest expense	-	(54,813)	(1,562)	-	-	(56,375)
Gain (loss) on sale of fixed assets	(13,721)	-	(9,025)	(21,264)	-	(44,010)
Tax levy	-	-	-	417,049	-	417,049
Total Nonoperating Revenues (Expenses)	<u>(13,721)</u>	<u>(12,418)</u>	<u>(10,577)</u>	<u>395,785</u>	<u>-</u>	<u>359,069</u>
Income (Loss) Before Transfers	<u>(345,800)</u>	<u>(819,783)</u>	<u>4,575</u>	<u>(327,859)</u>	<u>(103,077)</u>	<u>(1,591,944)</u>
TRANSFERS IN	<u>-</u>	<u>36,050</u>	<u>-</u>	<u>360,984</u>	<u>-</u>	<u>397,034</u>
Change in Net Assets	<u>(345,800)</u>	<u>(783,733)</u>	<u>4,575</u>	<u>33,125</u>	<u>(103,077)</u>	<u>(1,194,910)</u>
TOTAL NET ASSETS, Beginning 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>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 13,034,951</u>	<u>\$ 25,623,439</u>	<u>\$ 2,562,730</u>	<u>\$ 3,569,302</u>	<u>\$ 138,916</u>	<u>\$ 44,929,338</u>

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CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Totals
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 1,276,335	\$ 3,529,419	\$ 193,542	\$ 426,638	\$ 357,310	\$ 5,783,244
Payments to suppliers	(450,467)	(1,348,998)	(141,342)	(937,921)	(58,348)	(2,937,076)
Payments to employees	(567,255)	(1,337,039)	-	-	(259,139)	(2,163,433)
Net Cash Provided (Used) by Operating Activities	<u>258,613</u>	<u>843,382</u>	<u>52,200</u>	<u>(511,283)</u>	<u>39,823</u>	<u>682,735</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Operating subsidies received-City	-	-	-	417,049	-	417,049
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>417,049</u>	<u>-</u>	<u>417,049</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Advances retired	-	(137,956)	(41,349)	-	-	(179,305)
Interest paid on advances	-	(54,813)	(1,562)	-	-	(56,375)
Transfer from other funds for capital purposes	-	36,050	-	360,984	-	397,034
Capital grant received	-	29,385	-	-	-	29,385
Acquisition and construction of capital assets	(107,819)	(758,443)	(9,299)	(232,452)	(35,187)	(1,143,200)
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(107,819)</u>	<u>(885,777)</u>	<u>(52,210)</u>	<u>128,532</u>	<u>(35,187)</u>	<u>(952,461)</u>
CASH FLOW FROM INVESTING ACTIVITIES						
Investment income received	-	42,395	10	-	-	42,405
Change in Cash and Cash Equivalents	150,794	-	-	34,298	4,636	189,728
CASH AND CASH EQUIVALENTS,						
Beginning of Year	1,784,324	-	-	16,353	269,740	2,070,417
End of Year	<u>\$ 1,935,118</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 50,651</u>	<u>\$ 274,376</u>	<u>\$ 2,260,145</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010

	<u>Parking Utility</u>	<u>Storm Water Utility</u>	<u>Golf Courses</u>	<u>Civic Centre</u>	<u>Radio Repair</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (332,079)	\$ (807,365)	\$ 15,152	\$ (723,644)	\$ (103,077)	\$ (1,951,013)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Other postemployment benefits	204,244	567,592	-	-	127,445	899,281
Depreciation	386,347	1,178,531	90,851	272,236	4,449	1,932,414
(Increase) decrease in accounts receivable	35,138	859	9,124	(4,961)	9,388	49,548
(Increase) decrease in inventories	-	-	-	(1,192)	-	(1,192)
(Increase) decrease in prepaids	-	-	-	6,552	-	6,552
(Increase) decrease in due from other funds	925	(167,474)	-	49	-	(166,500)
Increase (decrease) in accounts payable	(34,530)	(35,990)	(11,362)	69,579	(366)	(12,669)
Increase (decrease) in accrued liabilities	(507)	(5,769)	420	3,788	1,984	(84)
Increase (decrease) in deferred revenue	(925)	167,474	-	(49)	-	166,500
Increase (decrease) in due to other funds	-	(54,476)	(51,985)	(133,641)	-	(240,102)
Net Cash Provided (Used) by Operating Activities	<u>\$ 258,613</u>	<u>\$ 843,382</u>	<u>\$ 52,200</u>	<u>\$ (511,283)</u>	<u>\$ 39,823</u>	<u>\$ 682,735</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Estimated cost of fixed assets installed or financed by developers, customers or the City	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2010

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
ASSETS						
Current Assets						
Cash and investments	\$ -	\$ 364,970	\$ 456,051	\$ 8,059,837	\$ 131,886	\$ 9,012,744
Inventories	426,252	-	-	-	-	426,252
Receivables						
Accounts	31,999	-	1,666	1,098,918	3,200	1,135,783
Due from other funds	8,714	-	-	20,041	3,593	32,348
Total Current Assets	<u>466,965</u>	<u>364,970</u>	<u>457,717</u>	<u>9,178,796</u>	<u>138,679</u>	<u>10,607,127</u>
Noncurrent Assets						
Capital assets						
Land	32,879	-	-	-	-	32,879
Intangible assets	-	605,210	-	-	-	605,210
Buildings and land improvements	1,605,013	-	-	-	-	1,605,013
Equipment, furniture and vehicles	376,505	1,611,748	105,043	-	654,566	2,747,862
Less: Accumulated depreciation and amortization	(933,384)	(1,654,931)	(32,071)	-	(222,558)	(2,842,944)
	<u>1,081,013</u>	<u>562,027</u>	<u>72,972</u>	<u>-</u>	<u>432,008</u>	<u>2,148,020</u>
Construction in progress	-	-	-	-	22,129	22,129
Total Capital Assets (net of accumulated depreciation/amortization)	<u>1,081,013</u>	<u>562,027</u>	<u>72,972</u>	<u>-</u>	<u>454,137</u>	<u>2,170,149</u>
TOTAL ASSETS	<u>\$ 1,547,978</u>	<u>\$ 926,997</u>	<u>\$ 530,689</u>	<u>\$ 9,178,796</u>	<u>\$ 592,816</u>	<u>\$ 12,777,276</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2010

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 31,603	\$ 26,568	\$ 13,996	\$ 72,361	\$ 16,228	\$ 160,756
Accrued liabilities	31,944	7,778	12,775	1,325,218	-	1,377,715
Due to other funds	47,997	-	24,652	-	-	72,649
Total Current Liabilities	<u>111,544</u>	<u>34,346</u>	<u>51,423</u>	<u>1,397,579</u>	<u>16,228</u>	<u>1,611,120</u>
Noncurrent Liabilities						
Compensated absences	104,276	3,207	41,649	-	-	149,132
Total Noncurrent Liabilities	<u>104,276</u>	<u>3,207</u>	<u>41,649</u>	<u>-</u>	<u>-</u>	<u>149,132</u>
TOTAL LIABILITIES	<u>215,820</u>	<u>37,553</u>	<u>93,072</u>	<u>1,397,579</u>	<u>16,228</u>	<u>1,760,252</u>
NET ASSETS						
Invested in capital assets	1,081,013	562,027	72,972	-	454,137	2,170,149
Unrestricted	251,145	327,417	364,645	7,781,217	122,451	8,846,875
TOTAL NET ASSETS	<u>\$ 1,332,158</u>	<u>\$ 889,444</u>	<u>\$ 437,617</u>	<u>\$ 7,781,217</u>	<u>\$ 576,588</u>	<u>\$ 11,017,024</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, 2010

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
OPERATING REVENUES						
Charges for services and sales						
Labor and equipment charges	\$ 1,792,584	\$ -	\$ -	\$ -	\$ -	\$ 1,792,584
Fuel, oil, parts and supplies sales	1,959,116	-	-	-	-	1,959,116
Health insurance premiums	-	-	-	15,472,282	-	15,472,282
Telephone service sales	-	-	-	-	201,336	201,336
Computer service sales	-	1,442,343	-	-	-	1,442,343
Facilities rent	-	-	2,223,759	-	-	2,223,759
Other	15,387	1,163	920	882,092	-	899,562
Total Operating Revenues	<u>3,767,087</u>	<u>1,443,506</u>	<u>2,224,679</u>	<u>16,354,374</u>	<u>201,336</u>	<u>23,990,982</u>
OPERATING EXPENSES						
Public Works						
Operating supplies and expenses	3,718,314	-	2,106,813	-	-	5,825,127
General administration						
Telephone expenses	-	-	-	-	204,251	204,251
Health insurance	-	-	-	16,121,729	-	16,121,729
Information systems	-	1,299,662	-	-	-	1,299,662
Depreciation and amortization	65,414	270,726	16,502	-	26,183	378,825
Total Operating Expenses	<u>3,783,728</u>	<u>1,570,388</u>	<u>2,123,315</u>	<u>16,121,729</u>	<u>230,434</u>	<u>23,829,594</u>
Operating Income (Loss) Before Transfers and Capital Contributions	(16,641)	(126,882)	101,364	232,645	(29,098)	161,388
CAPITAL CONTRIBUTIONS	-	246,087	-	-	-	246,087
Change in Net Assets	(16,641)	119,205	101,364	232,645	(29,098)	407,475
TOTAL NET ASSETS - Beginning 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>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 1,332,158</u>	<u>\$ 889,444</u>	<u>\$ 437,617</u>	<u>\$ 7,781,217</u>	<u>\$ 576,588</u>	<u>\$ 11,017,024</u>

CITY OF RACINE
Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 3,765,808	\$ 1,443,506	\$ 2,228,845	\$ 15,751,941	\$ 201,471	\$ 23,391,571
Payments to suppliers	(2,032,408)	(1,004,295)	(1,211,466)	(16,046,312)	(208,295)	(20,502,776)
Payments to employees	(1,702,411)	(305,437)	(898,051)	(111,420)	(14,160)	(3,031,479)
Net Cash Provided (Used) by Operating Activities	<u>30,989</u>	<u>133,774</u>	<u>119,328</u>	<u>(405,791)</u>	<u>(20,984)</u>	<u>(142,684)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Transfer from other funds for capital purposes	-	246,087	-	-	-	246,087
Acquisition and construction of capital assets	(30,989)	(294,782)	(22,939)	-	-	(348,710)
Net Cash Used by Capital and Related Financing Activities	<u>(30,989)</u>	<u>(48,695)</u>	<u>(22,939)</u>	<u>-</u>	<u>-</u>	<u>(102,623)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	-	85,079	96,389	(405,791)	(20,984)	(245,307)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>-</u>	<u>279,891</u>	<u>359,862</u>	<u>8,465,628</u>	<u>152,870</u>	<u>9,258,051</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ -</u>	<u>\$ 364,970</u>	<u>\$ 456,051</u>	<u>\$ 8,059,837</u>	<u>\$ 131,886</u>	<u>\$ 9,012,744</u>

CITY OF RACINE
Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2010

	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)	\$ (16,641)	\$ (126,882)	\$ 101,364	\$ 232,645	\$ (29,098)	\$ 161,388
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities						
Depreciation expense	65,414	270,726	16,502	-	26,183	378,825
(Increase) decrease in accounts receivable	(6,875)	-	4,166	(582,392)	492	(584,609)
(Increase) decrease in inventories	(13,635)	-	-	-	-	(13,635)
(Increase) decrease in prepaid	-	-	-	58,657	-	58,657
(Increase) decrease in due from other funds	5,597	-	-	(20,041)	(357)	(14,801)
Increase (decrease) in accounts payable	(7,391)	(10,879)	(21,200)	(219,205)	(18,204)	(276,879)
Increase (decrease) in accrued liabilities	16,770	809	6,820	124,545	-	148,944
Increase (decrease) in due to other funds	(12,250)	-	11,676	-	-	(574)
Total Adjustments	47,630	260,656	17,964	(638,436)	8,114	(304,072)
Net Cash Provided (Used) by Operating Activities	\$ 30,989	\$ 133,774	\$ 119,328	\$ (405,791)	\$ (20,984)	\$ (142,684)