

CITY OF RACINE

Racine, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2011

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 aggregate 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, 2011, 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. The financial statements of the Racine Water and Wastewater Utilities and the Downtown Racine Business Improvement District #1 were not audited in accordance with *Governmental Auditing Standards*. 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 previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Racine, Wisconsin, as of December 31, 2011, 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 also 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and schedule of funding progress as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing basic financial statements in an appropriate operational, economical, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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 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. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Brian L. Vukow Krause, CPA

Milwaukee, Wisconsin
July 23, 2012

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, 2011.

Financial Highlights

- The assets of the City of Racine exceeded its liabilities at the close of the most recent fiscal year by \$240,138,405 (net assets). Of this amount, \$(47,736,629) (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 \$13,873,299.
- As of the close of the current fiscal year, the City of Racine's governmental funds reported combined ending fund balances of \$64,610,234, an increase of \$2,686,230, in comparison with the prior year. Approximately 34.1% of this amount, \$22,031,026, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$23,424,027 or 28.5% of total general fund expenditures.
- Total long term obligations decreased by approximately \$3.1 million for the fiscal year ended December 31, 2011. Long term obligation activity during the year included the following:
 - \$8.08 million of general obligation debt issued for the 2011 capital improvement plan.
 - \$12.925 million of general obligation refunding debt issued to advance refund \$11.835 million of taxable pension related debt.
 - \$17.6 million for general repayments
 - \$6.5 million of mortgage revenue bonds issued by the Water 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 2010 financial information to conform to the 2011 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, 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 20-25 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 26-32 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 33 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 34-93 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 94-126 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, 2011 and 2010 City's assets exceeded liabilities by \$240,138,405 and \$254,011,704 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 needed 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 \$257,065,056 and \$254,637,210 at December 31, 2011 and 2010.

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 \$30,809,978 and \$22,026,782 and unrestricted net assets was \$(47,736,629) and \$(22,652,188) as of December 31, 2011 and 2010 respectively.

The City's governmental activities had a deficit unrestricted net assets of \$(53,337,180) and \$(28,377,868) as of December 31, 2011 and 2010 respectively. The deficit is primarily the result of the increase in the City's OPEB obligation.

The City's net OPEB obligation was \$94,407,826 and \$74,498,403 as of December 31, 2011 and 2010 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, 2011 and 2010. Amounts are expressed in thousands.

	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities		
Current and other assets	\$ 143,466	\$ 141,443	\$ 85,626	\$ 80,757	\$ 229,092	\$ 222,200
Capital assets	<u>181,514</u>	<u>181,570</u>	<u>279,437</u>	<u>283,375</u>	<u>460,951</u>	<u>464,945</u>
Total assets	<u>324,980</u>	<u>323,013</u>	<u>365,063</u>	<u>364,132</u>	<u>690,043</u>	<u>687,145</u>
Current and other liabilities	63,504	62,894	7,507	6,991	71,011	69,885
Liabilities payable from restricted assets	-	-	11,395	11,031	11,395	11,031
Long-term liabilities	<u>191,294</u>	<u>175,337</u>	<u>176,205</u>	<u>176,880</u>	<u>367,499</u>	<u>352,217</u>
Total liabilities	<u>254,798</u>	<u>238,231</u>	<u>195,107</u>	<u>194,902</u>	<u>449,905</u>	<u>433,133</u>
Net assets:						
Invested in capital assets						
net of related debt	102,981	100,238	161,968	161,650	257,065	256,149
Restricted	20,538	12,922	10,272	9,105	30,810	22,027
Unrestricted	<u>(53,337)</u>	<u>(28,378)</u>	<u>(2,284)</u>	<u>(1,525)</u>	<u>(47,737)</u>	<u>(4,605)</u>
Total net assets	<u>\$ 70,182</u>	<u>\$ 84,782</u>	<u>\$ 169,956</u>	<u>\$ 169,230</u>	<u>\$ 240,138</u>	<u>\$ 254,012</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, 2011 and 2010. Amounts are expressed in thousands.

	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</u>	<u>2011</u>	<u>2010</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	\$ 14,676	\$ 14,179	\$ 39,063	\$ 36,140	\$ 53,739	\$ 50,319
Operating grants and contributions	12,683	14,354	5,356	5,404	18,039	19,758
Capital grants and contributions	1,710	3,419	6,544	3,406	8,254	6,825
Taxes	49,541	49,462	1,527	1,513	51,068	50,975
Intergovernmental revenues not restricted to specific programs	30,661	31,153	-	-	30,661	31,153
Investment income	1,522	1,955	131	158	1,653	2,113
Other	1,605	1,091	14	12	1,619	1,103
Total revenues	<u>112,398</u>	<u>115,613</u>	<u>52,635</u>	<u>46,633</u>	<u>165,033</u>	<u>162,246</u>
Expenses						
General government	17,269	14,107	-	-	17,269	14,107
Community development	4,209	8,089	-	-	4,209	8,089
Health	3,504	4,100	-	-	3,504	4,100
Education and recreation	13,994	15,117	-	-	13,994	15,117
Public works	26,548	27,005	-	-	26,548	27,005
Public safety	59,891	60,197	-	-	59,891	60,197
Interest and fiscal charges	4,968	5,031	-	-	4,968	5,031
Water	-	-	16,129	16,369	16,129	16,369
Wastewater	-	-	15,098	15,531	15,098	15,531
Belle urban system	-	-	9,341	9,157	9,341	9,157
Other	-	-	7,956	7,785	7,956	7,785
Total expenses	<u>130,383</u>	<u>133,646</u>	<u>48,524</u>	<u>48,842</u>	<u>178,907</u>	<u>182,488</u>
Increase (decrease) in net assets before transfers	<u>(17,985)</u>	<u>(18,033)</u>	<u>4,111</u>	<u>(2,209)</u>	<u>(13,874)</u>	<u>(20,242)</u>
Transfers	<u>3,385</u>	<u>3,051</u>	<u>(3,385)</u>	<u>(3,051)</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	<u>(14,600)</u>	<u>(14,982)</u>	<u>726</u>	<u>(5,260)</u>	<u>(13,874)</u>	<u>(20,242)</u>
Net assets-beginning 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>
Net assets-end of year	<u>\$ 70,182</u>	<u>\$ 84,782</u>	<u>\$ 169,956</u>	<u>\$ 169,230</u>	<u>\$ 240,138</u>	<u>\$ 254,012</u>

CITY OF RACINE
Racine, Wisconsin

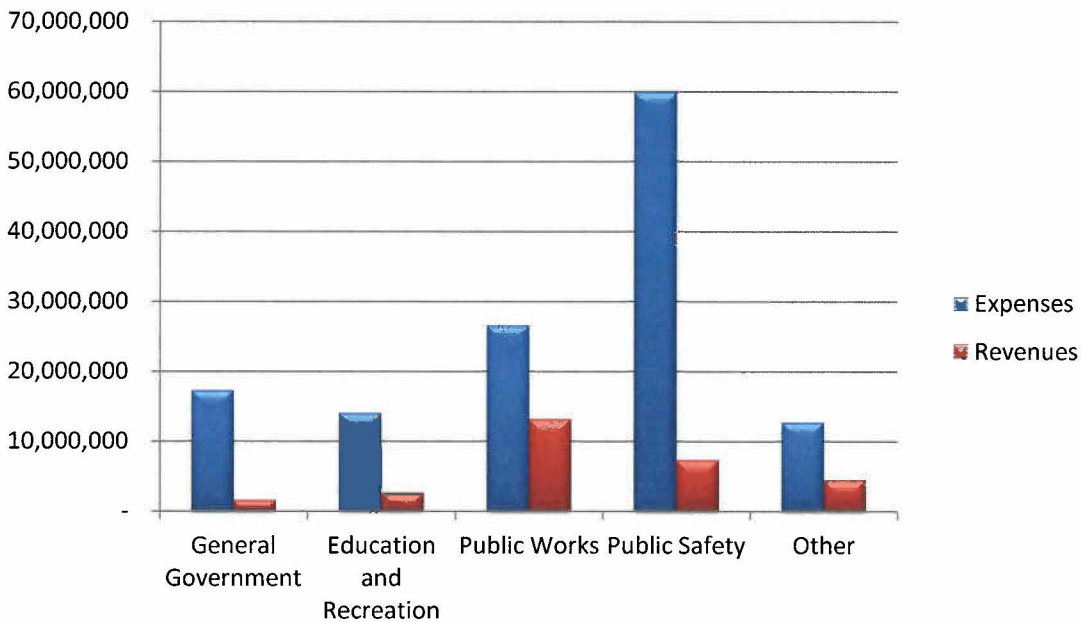
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Governmental Activities

The net assets in the governmental activities decreased by almost \$14.6 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 2011 by almost \$17 million.
2. Intergovernmental Revenue Sharing Fund received over \$1.3 million of intergovernmental proceeds that went unspent in 2011.
3. Tax Incremental Districts received over \$2 million in tax increment that was unspent in anticipation of a larger project in later years.
4. Health Insurance costs exceeded revenues by over \$1 million in 2011.

Expenses and Program Revenues-Governmental Activities:

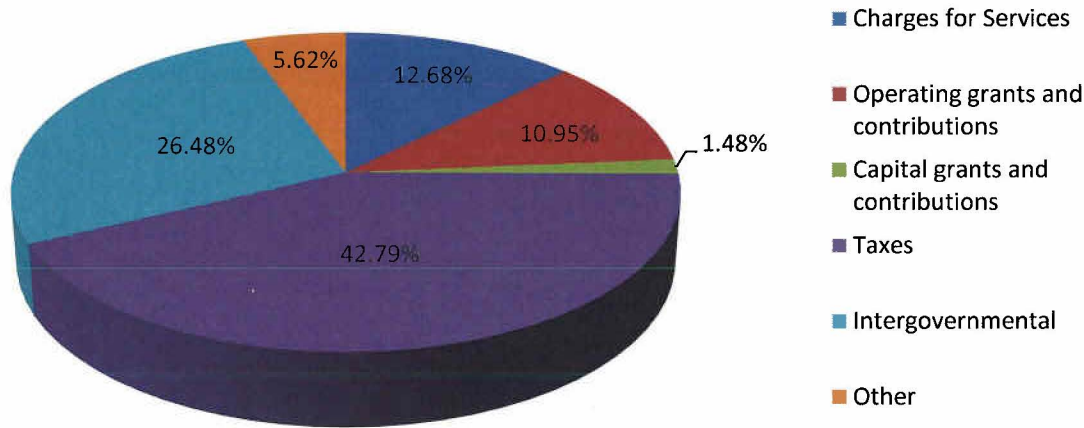


CITY OF RACINE
Racine, Wisconsin

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 increased by \$726,215 during the fiscal year 2011. Key elements of this increase are as follows:

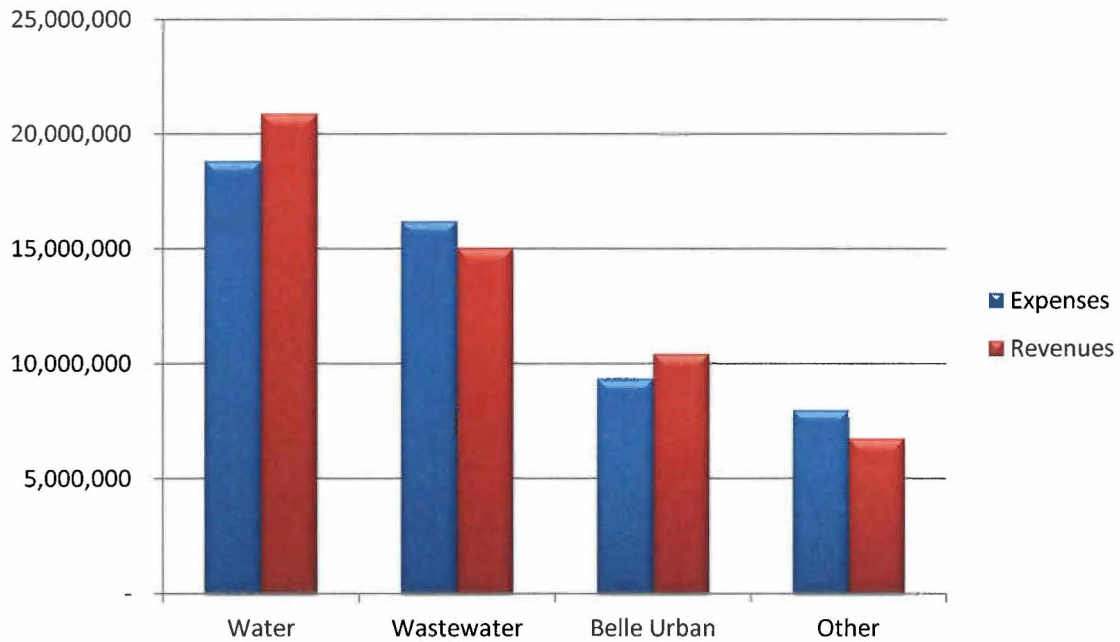
- The Water utility had an increase in net assets of just over \$2 million. The increase in net assets in the Water utility relates primarily to the Utility's net OPEB obligation as the required contributions exceeded the actual contributions by \$1.3 million. This was offset by capital contributions from developers and decrease in general operating expenses in 2011.
- The Wastewater utility had a decrease in net assets of approximately \$1.173 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 increase in net assets of \$1,068,912 thousand which relates primarily to capital contributions from the FTA for the purchase of buses under the ARRA program. Transit has a loss before contributions and transfers of \$1.243 million which relates to rising fuel costs and rising pension and health care costs and a reduction in state aid.
- The Other Enterprise Funds of the City had a decrease in net assets of \$1.227 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 \$800 thousand. In addition, operating revenues unable to cover escalating depreciation expense, primarily in the storm water and parking enterprise funds.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Business-type activities *(continued)*

Expenses and Program Revenues – Business-type Activities:

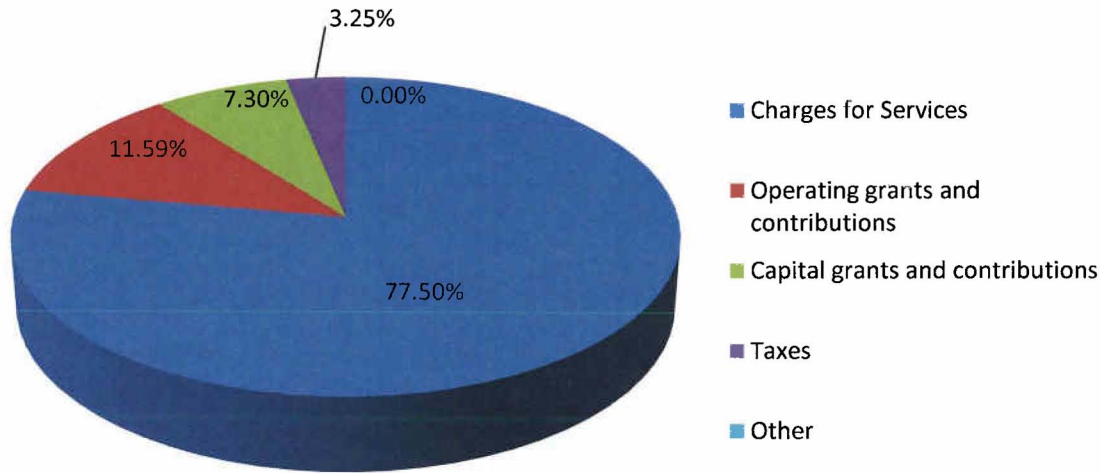


CITY OF RACINE
Racine, Wisconsin

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, unassigned 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 \$64,610,234. Approximately 34.1% of this amount \$22,031,026 constitutes unassigned fund balance which is available for spending at the government's discretion.

The general fund is the primary operating fund of the City of Racine. At the end of the current fiscal year, unassigned fund balance of the general fund was \$23,424,027, while total fund balance totaled \$35,263,603. Unassigned fund balance represents 28.5% of total general fund expenditures, while total fund balance represents 42.9% 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 \$2.867 million of fund balances during 2011, the general fund used \$923,339 of fund balance for the year ended December 31, 2011. The resulting \$1.9 million positive variance is the result of actual expenditures under budgeted amounts by approximately \$1.15 million and actual revenues over budgeted amounts by over \$480 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 2011. Specifically building and restaurant permits were over \$200,000 over estimated revenues. In addition, charges for services had positive revenue results due primarily to removal of junk autos, property inspection, and weed cutting fees being more favorable than anticipated.
- Expenditures in the general fund were approximately \$1.15 million, or 1.4% under the final budget of \$83,210,366. All general fund expenditure categories, aside from public safety were under budget in 2011.
 - The general government category was \$239 thousand under budget due to judgment and claims, bank fees, and bad debt expenses being less than anticipated.
 - The health category was \$152 thousand under budget due to several vacancies during the year and a department reorganization. In addition savings were achieved through employee contributions to the WRS pension.
 - The education and recreation category was \$121 thousand under budget due to vacancies in a few management positions. In addition savings were achieved through employee contributions to the WRS pension.
 - The public works category was approximately \$167 thousand, or about 1.3% under budget due to a few positions left unfilled. 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 \$540 thousand or 32% under budget due to equipment purchases being delayed due to rising fuel costs at the end of the year. Public works equipment of over \$390,000 was encumbered at the end of the year and will be expensed in 2012. The funds will be carried over to 2012 and spent in early 2012.

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 \$3,243,514 and \$3,422,365 at the end of fiscal year 2011 and 2010, of which the majority is reserved for specific purposes. In 2011, fund balance decreased by \$179 thousand in the HUD fund primarily as a result of a decrease in federal funding for both CDBG and HOME during 2011.

The Tax Increment Fund is another major governmental fund of the City of Racine. The fund accounts for the City's Tax Incremental Districts that have completed the construction phase of the district. Fund balances in this fund totaled \$365,683 and \$674,045 at the end of fiscal year 2011 and 2010. In 2011, the fund balance decreased by \$308 thousand due to debt service expenditures exceeding tax incremental revenues for the majority of the districts.

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, 2011 and 2010 of \$209,707 and \$861,432, all of which is reserved for the payment of debt service. The decrease in the fund balance during 2011 and 2010 was \$651,724 and \$456,480 respectively. The decrease in fund balance during 2011 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 \$25,527,727 and \$20,779,219 in 2011 and 2010 respectively. The fund balances of these funds increased by approximately \$4.7 million, during 2011. This was due primarily to the following:

1. Over \$1.3 million of intergovernmental revenue sharing funds were received and were left unspent to be spent on larger projects in subsequent years.
2. Over \$300 thousand of sanitary sewer maintenance charges were unspent in 2011 and will be used in 2012 for larger sanitary sewer replacement projects.
3. Over \$2 million of tax increment was collected by TID #2 and transferred to TID #14 to be used for a larger project in later years.
4. Over \$1.5 million of bond proceeds were not spent in 2011 and will be spent in 2012.

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 2011 and 2010 amounted to \$4,582,762 and \$2,263,733, for the Wastewater utility \$(2,255,720) and \$283,314, for the Belle urban system \$(2,418,577) and \$(2,179,758), and for the other enterprise funds \$(2,191,998) and \$(1,524,624). The total change in net assets for the Water Utility for 2011 and 2010 was \$2,057,139 and \$(302,211), the Wastewater Utility \$ (1,173,259) and \$(2,970,685), for the Belle urban system \$1,068,912 and \$(792,426), and for the Other Enterprise funds \$(1,226,577) and \$(1,194,910) 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, 2011 and 2010 amounts to \$257,065,056 and \$254,637,210 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, 2011 and 2010, capital assets, net of accumulated depreciation totaled \$460,950,990 and \$464,945,657 respectively. Capital assets, net of accumulated depreciation decreased approximately \$4.0 million in 2011 and increased by \$4.1 million during 2010. The decrease in 2011 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 2011 and 2010, the City of Racine had total debt outstanding of \$233,672,581 and \$235,591,382. Of this amount, the debt backed by the full faith and credit of the government is \$107,860,000 and \$107,420,000 in 2011 and 2010 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 \$1.9 million in 2011. The majority of the decrease in 2011 was a result of significant principal paid in both the Water and the Wastewater Utility.

	<u>Outstanding debt</u>	
	<u>2011</u>	<u>2010</u>
Governmental Activities:		
General obligation bonds and notes	\$ 107,860,000	\$ 107,420,000
Business-Type Activities:		
Revenue bonds	<u>125,812,581</u>	<u>128,171,382</u>
Total	<u>\$ 233,672,581</u>	<u>\$ 235,591,382</u>

Economic Conditions and 2011 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 11.9% 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 almost 5% for the 2011 tax roll. Due to current market conditions, it is possible that the City will see another slight reduction in the assessed value in 2012.

The City continues to carry a strong unassigned 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 2012. 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 2011 to 2012.

The City used slightly over \$5.3 million of general fund, debt service fund, internal service and other governmental fund balances to stabilize the 2012 tax rate. The 2012 City tax rate was \$12.36 per thousand. Due to the union contract concerns, the use of fund balance in the 2012 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 2013 budget.

Requests for information

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

BASIC FINANCIAL STATEMENTS

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CITY OF RACINE

STATEMENT OF NET ASSETS
As of December 31, 2011

	Primary Government			Business	Redevelopment
	Governmental	Business-Type	Total	Improvement	Authority
	Activities	Activities		District	
ASSETS					
Cash and investments	\$ 68,122,665	\$ 17,968,414	\$ 86,091,079	\$ 11,583	\$ -
Receivables (net of allowance for uncollectible accounts)	64,942,497	12,180,180	77,122,677	-	450,000
Internal balances	(650,210)	650,210	-	-	-
Due from other governments	2,074,870	855,179	2,930,049	228,355	366,517
Due from component unit	381,022	-	381,022	-	-
Inventories	603,247	948,153	1,551,400	-	-
Prepaid items	36,076	12,687	48,763	-	-
Deferred charges	756,396	778,065	1,534,461	-	-
Advances to other funds	2,585,929	(2,585,929)	-	-	-
Advances to component unit	835,313	-	835,313	-	-
Restricted assets					
Cash and investments	-	18,614,419	18,614,419	-	-
Plant capacity receivable, current portion	-	2,806,667	2,806,667	-	-
Plant capacity receivable, long term	-	33,398,388	33,398,388	-	-
Deposit in CVMIC	2,962,500	-	2,962,500	-	-
Land held for resale	815,162	-	815,162	-	1,383,131
Capital assets					
Land	24,525,352	5,084,905	29,610,257	-	-
Construction in progress	9,065,954	2,081,645	11,147,599	-	-
Other capital assets (net of accumulated depreciation/amortization)	147,923,320	272,269,814	420,193,134	153	-
TOTAL ASSETS	\$ 324,980,093	\$ 365,062,797	\$ 690,042,890	\$ 240,091	\$ 2,199,648
LIABILITIES					
Liabilities					
Accounts payable	\$ 2,551,458	\$ 1,764,615	\$ 4,316,073	\$ 12,496	\$ -
Accrued compensation and other current liabilities	6,553,085	463,410	7,016,495	-	800
Due to other governments	405,849	-	405,849	-	-
Due to primary Government	-	-	-	-	381,022
Accrued interest payable	181,380	-	181,380	-	-
Unearned revenue	53,812,458	5,278,545	59,091,003	213,625	-
Liabilities payable from restricted assets					
Accrued interest payable	-	994,396	994,396	-	-
Current portion of long term debt	-	9,285,597	9,285,597	-	-
Deferred capacity revenue, current portion	-	1,115,414	1,115,414	-	-
Noncurrent liabilities					
Plant capacity	-	44,135,991	44,135,991	-	-
OPEB obligation	80,993,271	13,414,555	94,407,826	-	-
Due within one year	10,020,772	80,829	10,101,601	-	-
Due in more than one year	100,279,608	118,573,252	218,852,860	-	835,313
TOTAL LIABILITIES	254,797,881	195,106,604	449,904,485	226,121	1,217,135
NET ASSETS					
Invested in capital assets, net of related debt	102,981,172	161,967,968	257,065,056	153	-
Restricted					
Debt service	1,622,380	-	1,622,380	-	-
Permanent funds	2,980,024	-	2,980,024	-	-
Library	119,708	-	119,708	-	-
HUD loan program	6,481,897	-	6,481,897	-	-
Tax increment districts	3,032,413	-	3,032,413	-	-
Intergovernmental revenue sharing	4,128,718	-	4,128,718	-	-
Police grants, federal asset forfeiture & HAZMAT	617,882	-	617,882	-	-
Health and other	1,555,198	-	1,555,198	-	-
Water	-	3,777,210	3,777,210	-	-
Wastewater	-	6,494,548	6,494,548	-	-
Unrestricted (Deficit)	(53,337,180)	(2,283,533)	(47,736,629)	13,817	982,513
TOTAL NET ASSETS	\$ 70,182,212	\$ 169,956,193	\$ 240,138,405	\$ 13,970	\$ 982,513

See accompanying notes to financial statements.

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CITY OF RACINE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2011

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			
	Expenses	Charges for Services	Operating	Capital	Primary Government		Business Improvement District	Redevelopment Authority
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities		
						Total		
Primary Government								
Governmental activities								
General government	\$ 17,268,571	\$ 1,483,407	\$ 37,500	\$ -	\$ (15,747,664)	\$ -	\$ (15,747,664)	\$ -
Community development	4,208,700	26,394	2,874,370	-	(1,307,936)	-	(1,307,936)	-
Health	3,504,160	532,991	1,041,264	-	(1,929,905)	-	(1,929,905)	-
Education and recreation	13,994,282	938,196	1,656,124	55,063	(11,344,899)	-	(11,344,899)	-
Public works	26,548,590	6,744,526	4,749,855	1,654,720	(13,399,489)	-	(13,399,489)	-
Public safety	59,890,875	4,950,184	2,324,415	-	(52,616,276)	-	(52,616,276)	-
Interest and fiscal charges	4,967,739	-	-	-	(4,967,739)	-	(4,967,739)	-
Total Governmental Activities	130,382,917	14,675,698	12,683,528	1,709,783	(101,313,908)	-	(101,313,908)	-
Business type activities								
Water	16,129,410	18,960,045	-	1,838,363	-	4,668,998	4,668,998	-
Wastewater	15,097,657	12,508,549	-	2,425,348	-	(163,760)	(163,760)	-
Belle Urban Transit	9,341,236	1,642,477	5,355,508	2,280,876	-	(62,375)	(62,375)	-
Other	7,955,487	5,952,200	-	-	-	(2,003,287)	(2,003,287)	-
Total Business Type Activities	48,523,790	39,063,271	5,355,508	6,544,587	-	2,439,576	2,439,576	-

CITY OF RACINE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2011

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets				
		Operating	Capital	Primary Government			Business		
	Charges for	Grants and	Grants and	Governmental	Business-Type	Total	Improvement	Redevelopment	
Expenses	Services	Contributions	Contributions	Activities	Activities		District	Authority	
Total Primary Government	\$ 178,906,707	\$ 53,738,969	\$ 18,039,036	\$ 8,254,370	(101,313,908)	2,439,576	(98,874,332)	-	-
Component Unit									
Business Improvement District	\$ 207,777	\$ -	\$ -	\$ -	-	-	-	(207,777)	-
Redevelopment Authority	800,186	-	-	781,302	-	-	-	-	(18,884)
	\$ 1,007,963	\$ -	\$ -	\$ 781,302	-	-	-	(207,777)	(18,884)
General Revenues									
Taxes									
Property taxes levied for general purposes					35,236,796	1,526,670	36,763,466	-	-
Property taxes levied for debt service					9,333,738	-	9,333,738	-	-
Property taxes levied for TIF					4,653,910	-	4,653,910	-	-
Other taxes					316,560	-	316,560	213,626	-
Intergovernmental revenues not restricted to specific programs					30,661,327	-	30,661,327	-	-
Investment income					1,522,232	131,115	1,653,347	167	-
Other					1,604,560	14,125	1,618,685	-	-
Transfers					3,385,271	(3,385,271)	-	-	-
Total General Revenues and Transfers					86,714,394	(1,713,361)	85,001,033	213,793	-
Change in Net Assets					(14,599,514)	726,215	(13,873,299)	6,016	(18,884)
NET ASSETS - Beginning of Year					84,781,726	169,229,978	254,011,704	7,954	1,001,397
NET ASSETS - END OF YEAR					\$ 70,182,212	\$ 169,956,193	\$ 240,138,405	\$ 13,970	\$ 982,513

CITY OF RACINE
Governmental Funds

BALANCE SHEET
As of December 31, 2011

	General Fund	HUD	Tax Increment Districts	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS						
Cash and investments	\$ 29,229,702	\$ 3,037,268	\$ 365,683	\$ 166,418	\$ 26,629,361	\$ 59,428,432
Receivables						
Property taxes	35,965,080	-	3,392,805	10,646,235	6,632,452	56,636,572
Special assessments						
and special charges - tax roll	-	-	-	-	546,295	546,295
Special assessments	-	-	-	-	2,032,564	2,032,564
Delinquent personal property taxes	113,658	-	-	-	-	113,658
Loans and notes	56,133	3,238,323	-	-	76,173	3,370,629
Interest	194,530	377,081	-	-	-	571,611
Accounts	1,072,203	1,577	-	40,023	218,619	1,332,422
Total Receivables - Net	<u>37,401,604</u>	<u>3,616,981</u>	<u>3,392,805</u>	<u>10,686,258</u>	<u>9,506,103</u>	<u>64,603,751</u>
Due from other funds	7,576,563	-	-	3,265	752	7,580,580
Due from other governments	-	544,208	-	-	1,530,662	2,074,870
Due from component unit	381,022	-	-	-	-	381,022
Inventories	185,526	-	-	-	-	185,526
Prepaid Items	36,076	-	-	-	-	36,076
Deposit in CVMIC	2,962,500	-	-	-	-	2,962,500
Assets held for resale	-	430,162	-	-	385,000	815,162
Advances to component unit	-	-	-	-	835,313	835,313
Advances to other funds	<u>355,587</u>	<u>-</u>	<u>-</u>	<u>1,594,053</u>	<u>4,254,118</u>	<u>6,203,758</u>
TOTAL ASSETS	<u>\$ 78,128,580</u>	<u>\$ 7,628,619</u>	<u>\$ 3,758,488</u>	<u>\$ 12,449,994</u>	<u>\$ 43,141,309</u>	<u>\$ 145,106,990</u>

CITY OF RACINE
Governmental Funds

BALANCE SHEET
As of December 31, 2011

	General Fund	HUD	Tax Increment Districts	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 673,965	\$ 398,430	\$ -	\$ -	\$ 1,263,792	\$ 2,336,187
Other accrued liabilities	1,706,204	191,043	-	-	238,284	2,135,531
Accrued compensation	941,971	-	-	-	-	941,971
Due to other funds	5,128,152	216,852	-	-	2,877,420	8,222,424
Due to other governments	405,849	-	-	-	-	405,849
Insurance claims payable	2,032,182	-	-	-	-	2,032,182
Advances from other funds	-	-	-	-	3,617,829	3,617,829
Deferred revenue	56,133	3,238,323	-	1,594,052	2,437,510	7,326,018
Deferred interest	-	340,457	-	-	-	340,457
Deferred property tax revenue	31,920,521	-	3,392,805	10,646,235	7,178,747	53,138,308
Total Liabilities	42,864,977	4,385,105	3,392,805	12,240,287	17,613,582	80,496,756
Fund Balances						
Nonspendable	8,598,941	-	-	-	5,089,431	13,688,372
Restricted	-	3,243,514	365,683	209,707	12,068,260	15,887,164
Committed	103,043	-	-	-	7,963,313	8,066,356
Assigned	3,137,592	-	-	-	1,799,724	4,937,316
Unassigned	23,424,027	-	-	-	(1,393,001)	22,031,026
Total Fund Balances (Deficits)	35,263,603	3,243,514	365,683	209,707	25,527,727	64,610,234
TOTAL LIABILITIES AND FUND BALANCES	\$ 78,128,580	\$ 7,628,619	\$ 3,758,488	\$ 12,449,994	\$ 43,141,309	

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	179,835,943
Internal service fund net assets	9,333,175
Other long-term assets that are not available to pay for current period expenditures and therefore are deferred in funds	6,992,325
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds.	(190,589,465)
NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$ 70,182,212

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2011

	General Fund	HUD	Tax Increment Districts	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES						
Taxes	\$ 31,686,993	\$ -	\$ 3,435,002	\$ 9,333,738	\$ 4,890,830	\$ 49,346,563
Special assessments	-	-	-	-	990,006	990,006
Intergovernmental	34,714,087	3,226,735	14,055	-	6,285,061	44,239,938
Licenses and permits	1,777,075	-	-	-	-	1,777,075
Fines and forfeitures	1,408,007	-	-	-	350,620	1,758,627
Investment income	1,038,803	2,722	77,192	-	403,514	1,522,231
Charges for services	6,021,934	5,415	-	-	4,029,452	10,056,801
Donations	-	-	-	-	755,933	755,933
Other	752,194	803,597	-	346,664	135,744	2,038,199
Total Revenues	<u>77,399,093</u>	<u>4,038,469</u>	<u>3,526,249</u>	<u>9,680,402</u>	<u>17,841,160</u>	<u>112,485,373</u>
EXPENDITURES						
Current						
General government	14,214,387	-	-	-	-	14,214,387
Community development	-	3,410,982	750	-	921,829	4,333,561
Health	1,971,284	-	-	-	1,103,757	3,075,041
Education and recreation	6,858,577	-	-	-	4,684,169	11,542,746
Public works	12,480,518	-	-	-	2,576,367	15,056,885
Public safety	45,364,494	-	-	-	1,371,372	46,735,866
Capital Outlay	1,166,886	782,217	-	-	10,878,012	12,827,115
Debt Service						
Principal	-	-	-	8,791,347	-	8,791,347
Interest	-	-	7,330	4,317,570	184,935	4,509,835
Total Expenditures	<u>82,056,146</u>	<u>4,193,199</u>	<u>8,080</u>	<u>13,108,917</u>	<u>21,720,441</u>	<u>121,086,783</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(4,657,053)</u>	<u>(154,730)</u>	<u>3,518,169</u>	<u>(3,428,515)</u>	<u>(3,879,281)</u>	<u>(8,601,410)</u>

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2011

	General Fund	HUD	Tax Increment Districts	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)						
Long-term debt issued	\$ -	\$ -	\$ -	\$ -	\$ 8,080,000	8,080,000
Premium on long-term debt issued	-	-	-	-	367,763	367,763
Refunding bonds issued	-	-	-	12,925,000	-	12,925,000
Payment to escrow agent	-	-	-	(13,245,905)	-	(13,245,905)
Transfers in	3,733,714	-	-	3,097,695	3,318,286	10,149,695
Transfers (out)	-	(24,122)	(3,826,531)	-	(3,138,260)	(6,988,913)
Total Other Financing Sources (Uses)	<u>3,733,714</u>	<u>(24,122)</u>	<u>(3,826,531)</u>	<u>2,776,790</u>	<u>8,627,789</u>	<u>11,287,640</u>
Net Change in Fund Balances	(923,339)	(178,852)	(308,362)	(651,725)	4,748,508	2,686,230
FUND BALANCES (DEFICIT) -						
Beginning of Year	<u>36,186,942</u>	<u>3,422,366</u>	<u>674,045</u>	<u>861,432</u>	<u>20,779,219</u>	<u>61,924,004</u>
FUND BALANCES - END OF YEAR	<u>\$ 35,263,603</u>	<u>\$ 3,243,514</u>	<u>\$ 365,683</u>	<u>\$ 209,707</u>	<u>\$ 25,527,727</u>	<u>\$ 64,610,234</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, 2011

Net change in fund balances - total governmental funds \$ 2,686,230

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 net assets, the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported in the fund financial statements but is capitalized in the government-wide financial statements	12,827,115
Some items reported as capital outlay are not capitalized	(2,260,624)
Depreciation is reported in the government-wide statements	(9,935,103)
Loss on disposal	(44,504)

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Debt issued	(21,005,000)
Principal repaid	20,626,347

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.

Compensated absences	389,465
Unamortized debt issuance costs/discounts/premiums (see Note II. B.)	938,401
Other postemployment benefits	(16,950,786)
Writeoff of loans	(202,456)
Accrued interest on debt	14,600

Internal service funds are used by management to charge self insurance costs to individual funds. The increase in net assets of the internal service fund reported with the governmental activities.

(1,683,849)

Revenues in the governmental funds that are not reported as revenues in the statement of activities

(455,007)

Expenditures in the governmental funds that are not reported as expenses in the statement of activities

455,657

Change in net assets of governmental activities \$ (14,599,514)

CITY OF RACINE

General Fund

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
REVENUES				
Taxes	\$ 31,589,558	\$ 31,679,558	\$ 31,686,993	\$ 7,435
Intergovernmental	34,793,213	34,793,213	34,714,087	(79,126)
Licenses and permits	1,565,170	1,564,970	1,777,075	212,105
Fines and forfeitures	1,565,100	1,565,100	1,408,007	(157,093)
Investment income	1,110,000	1,110,000	1,038,803	(71,197)
Charges for services	5,592,287	5,592,287	6,021,934	429,647
Other	695,580	605,780	752,194	146,414
Total Revenues	<u>76,910,908</u>	<u>76,910,908</u>	<u>77,399,093</u>	<u>488,185</u>
EXPENDITURES				
Current				
General government	14,553,047	14,453,100	14,214,387	238,713
Health	2,123,233	2,123,233	1,971,284	151,949
Education and recreation	6,942,986	6,979,745	6,858,577	121,168
Public works	12,509,056	12,647,368	12,480,518	166,850
Public safety	45,314,561	45,299,645	45,364,494	(64,849)
Capital Outlay	1,600,400	1,707,275	1,166,886	540,389
Total Expenditures	<u>83,043,283</u>	<u>83,210,366</u>	<u>82,056,146</u>	<u>1,154,220</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(6,132,375)</u>	<u>(6,299,458)</u>	<u>(4,657,053)</u>	<u>1,642,405</u>
OTHER FINANCING SOURCES				
Transfers in	3,432,375	3,432,375	3,733,714	301,339
Total Other Financing Sources	<u>3,432,375</u>	<u>3,432,375</u>	<u>3,733,714</u>	<u>301,339</u>
Net Change in Fund Balance	<u>\$ (2,700,000)</u>	<u>\$ (2,867,083)</u>	<u>(923,339)</u>	<u>\$ 1,943,744</u>
FUND BALANCE -				
Beginning of Year			36,186,942	
FUND BALANCE - END OF YEAR			<u>\$ 35,263,603</u>	

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET ASSETS

As of December 31, 2011

	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	\$ 7,146,267	\$ 8,148,846	\$ 200	\$ 2,673,101	\$ 17,968,414	\$ 8,694,233
Receivables						
Accounts	3,359,218	3,035,470	151,247	148,270	6,694,205	338,746
Taxes	272,025	3,518	1,099,223	4,111,209	5,485,975	-
Due from other governments	-	-	855,179	-	855,179	-
Due from other funds	4,068,552	3,869,379	-	-	7,937,931	8,271
Inventories	319,738	52,206	569,735	6,474	948,153	417,721
Prepaid items	4,500	-	-	8,187	12,687	-
Total Current Assets	<u>15,170,300</u>	<u>15,109,419</u>	<u>2,675,584</u>	<u>6,947,241</u>	<u>39,902,544</u>	<u>9,458,971</u>
Noncurrent Assets						
Restricted Assets						
Cash and investments	11,823,704	6,790,715	-	-	18,614,419	-
Plant capacity, current portion	-	2,806,667	-	-	2,806,667	-
Plant capacity, long term	-	33,398,388	-	-	33,398,388	-
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	141,651,658	104,786,045	8,832,296	82,865,358	338,135,357	1,605,013
Equipment, furniture and vehicles	31,575,095	47,703,665	13,485,361	3,557,314	96,321,435	2,059,589
Less: Accumulated depreciation/amortization	(44,166,997)	(62,903,048)	(11,608,663)	(43,508,270)	(162,186,978)	(2,624,008)
Construction in progress	897,717	805,751	-	378,177	2,081,645	-
Other assets						
Unamortized bond issue costs	<u>727,382</u>	<u>50,683</u>	<u>-</u>	<u>-</u>	<u>778,065</u>	<u>-</u>
Total Noncurrent Assets	<u>144,351,900</u>	<u>133,538,816</u>	<u>11,248,428</u>	<u>45,894,759</u>	<u>335,033,903</u>	<u>1,678,683</u>
TOTAL ASSETS	<u>\$ 159,522,200</u>	<u>\$ 148,648,235</u>	<u>\$ 13,924,012</u>	<u>\$ 52,842,000</u>	<u>\$ 374,936,447</u>	<u>\$ 11,137,654</u>

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET ASSETS

As of December 31, 2011

	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	\$ 381,020	\$ 223,746	\$ 796,956	\$ 362,893	\$ 1,764,615	\$ 215,277
Accrued compensation	-	-	95,231	24,001	119,232	-
Compensated absences	52,204	28,625	-	-	80,829	-
Accrued liabilities	152,107	130,069	-	62,002	344,178	1,443,400
Advances from other funds	76,017	67,988	-	149,870	293,875	-
Due to other funds	3,319,329	783,474	2,963,060	221,858	7,287,721	16,637
Unearned revenue	-	-	68,113	-	68,113	-
Deferred property tax revenue	-	-	1,099,223	4,111,209	5,210,432	-
Liabilities payable from restricted assets						
Accrued interest	698,229	296,167	-	-	994,396	-
Current portion of long term debt	4,231,432	5,054,165	-	-	9,285,597	-
Deferred capacity revenue, current portion	-	1,115,414	-	-	1,115,414	-
Total Current Liabilities	8,910,338	7,699,648	5,022,583	4,931,833	26,564,402	1,675,314
Noncurrent Liabilities						
Compensated absences	539,683	343,755	71,578	53,189	1,008,205	129,165
OPEB obligation	6,029,112	4,073,232	-	3,312,211	13,414,555	-
Revenue bonds and notes payable	59,552,336	58,012,711	-	-	117,565,047	-
Deferred plant capacity	-	44,135,991	-	-	44,135,991	-
Advances from other funds	765,448	684,600	-	842,006	2,292,054	-
Total Noncurrent Liabilities	66,886,579	107,250,289	71,578	4,207,406	178,415,852	129,165
TOTAL LIABILITIES	75,796,917	114,949,937	5,094,161	9,139,239	204,980,254	1,804,479
NET ASSETS						
Investment in capital assets, net of related debt	75,365,311	29,459,470	11,248,428	45,894,759	161,967,968	1,678,683
Restricted	3,777,210	6,494,548	-	-	10,271,758	-
Unrestricted (deficit)	4,582,762	(2,255,720)	(2,418,577)	(2,191,998)	(2,283,533)	7,654,492
TOTAL NET ASSETS	\$ 83,725,283	\$ 33,698,298	\$ 8,829,851	\$ 43,702,761	\$ 169,956,193	\$ 9,333,175

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, 2011

	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	\$ 18,960,045	\$ 12,508,549	\$ 1,559,240	\$ 5,950,581	\$ 38,978,415	\$ 24,045,647
Other	-	-	83,236	1,619	84,855	399,337
Total Operating Revenues	<u>18,960,045</u>	<u>12,508,549</u>	<u>1,642,476</u>	<u>5,952,200</u>	<u>39,063,270</u>	<u>24,444,984</u>
OPERATING EXPENSES						
Public works	9,842,240	8,693,474	8,336,804	4,852,843	31,725,361	6,411,157
Education and recreation	-	-	-	1,036,487	1,036,487	-
General administration	-	-	-	-	-	19,070,317
Depreciation	<u>3,922,849</u>	<u>4,478,091</u>	<u>1,004,431</u>	<u>1,992,628</u>	<u>11,397,999</u>	<u>351,447</u>
Total Operating Expenses	<u>13,765,089</u>	<u>13,171,565</u>	<u>9,341,235</u>	<u>7,881,958</u>	<u>44,159,847</u>	<u>25,832,921</u>
Operating income (loss)	<u>5,194,956</u>	<u>(663,016)</u>	<u>(7,698,759)</u>	<u>(1,929,758)</u>	<u>(5,096,577)</u>	<u>(1,387,937)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	72,326	25,905	-	32,884	131,115	-
Interest expense	(2,361,065)	(1,801,210)	-	(48,980)	(4,211,255)	-
Intergovernmental interest reimbursement	-	1,208,589	-	-	1,208,589	-
Plant capacity income	-	1,114,558	-	-	1,114,558	-
Gain (loss) on sale of fixed assets	-	4,050	-	(24,549)	(20,499)	(520,401)
Amortization of bond discount	(3,256)	(5,143)	-	-	(8,399)	-
Subsidies from other governmental units	-	-	5,355,508	-	5,355,508	-
Tax levy	-	-	1,100,000	426,670	1,526,670	-
Household hazardous waste revenue	-	102,201	-	-	102,201	-
Household hazardous waste expense	-	(123,789)	-	-	(123,789)	-
Other	-	14,125	-	-	14,125	-
Total Nonoperating Revenues (Expenses)	<u>(2,291,995)</u>	<u>539,286</u>	<u>6,455,508</u>	<u>386,025</u>	<u>5,088,824</u>	<u>(520,401)</u>

CITY OF RACINE

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS

For the Year Ended December 31, 2011

	Business-Type Activities- Enterprise Funds				Governmental Activities-	
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds	Total	Internal Service Funds
Income (loss) before capital contributions and transfers	2,902,961	(123,730)	(1,243,251)	(1,543,733)	(7,753)	(1,908,338)
CAPITAL CONTRIBUTIONS	1,838,363	-	2,280,876	-	4,119,239	-
TRANSFERS IN	-	37,154	31,287	317,156	385,597	224,489
TRANSFERS (OUT)	<u>(2,684,185)</u>	<u>(1,086,683)</u>	<u>-</u>	<u>-</u>	<u>(3,770,868)</u>	<u>-</u>
Change in Net Assets	2,057,139	(1,173,259)	1,068,912	(1,226,577)	726,215	(1,683,849)
TOTAL NET ASSETS - Beginning 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>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 83,725,283</u>	<u>\$ 33,698,298</u>	<u>\$ 8,829,851</u>	<u>\$ 43,702,761</u>	<u>\$ 169,956,193</u>	<u>\$ 9,333,175</u>

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011

	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	\$ 18,465,380	\$ 11,862,491	\$ 1,737,168	\$ 5,922,480	\$ 37,987,519	\$ 25,266,097
Payments to suppliers	(2,144,361)	(3,206,053)	(8,892,118)	(2,822,615)	(17,065,147)	(22,062,966)
Payments to employees	(6,078,139)	(4,743,318)	-	(2,180,164)	(13,001,621)	(3,365,749)
Net Cash Provided (Used) by Operating Activities	10,242,880	3,913,120	(7,154,950)	919,701	7,920,751	(162,618)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer from (to) other funds	(2,684,185)	(1,049,529)	-	-	(3,733,714)	-
Advances retired	-	-	-	-	-	-
Principal paid on non-capital debt	-	(239,065)	-	-	(239,065)	-
Interest paid on non-capital debt	-	(12,644)	-	-	(12,644)	-
Increase in advances from other funds	63,983	57,226	-	-	121,209	-
Payment on advances	(77,309)	(69,144)	-	-	(146,453)	-
Miscellaneous receipts	-	14,125	-	-	14,125	-
Operating grants received	-	(21,588)	5,554,462	-	5,532,874	-
Operating subsidies received	-	-	1,421,350	426,670	1,848,020	-
Net Cash Provided (Used) by Noncapital Financing Activities	(2,697,511)	(1,320,619)	6,975,812	426,670	3,384,352	-
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Debt issued	8,495,000	54,938	-	-	8,549,938	-
Premium on long-term debt issued	311,514	-	-	-	311,514	-
Debt retired	(5,994,342)	(4,675,332)	-	-	(10,669,674)	-
Advances retired	-	-	-	(143,790)	(143,790)	-
Interest paid on long-term debt	(2,325,699)	(1,774,803)	-	-	(4,100,502)	-
Interest paid on advances	-	-	-	(48,980)	(48,980)	-
Transfer from other funds for capital purposes	-	-	31,287	317,156	348,443	224,489
Acquisition and construction of capital assets	(2,651,739)	(194,679)	(2,133,025)	(1,090,685)	(6,070,128)	(380,382)
Bond issue costs paid	(161,774)	-	-	-	(161,774)	-
REC and other fees received	683,521	-	-	-	683,521	-
Intergovernmental interest reimbursement	-	1,208,589	-	-	1,208,589	-
Proceeds for plant capacity	-	2,280,140	-	-	2,280,140	-
Capital subsidies received	-	-	2,280,876	-	2,280,876	-
Proceeds from sale of capital assets	38,743	9,230	-	-	47,973	-
Net Cash Provided (Used) by Capital and Related Financing Activities	(1,604,776)	(3,091,917)	179,138	(966,299)	(5,483,854)	(155,893)

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2011

	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	\$ 72,326	\$ 25,905	\$ -	\$ 32,884	\$ 131,115
Net Cash Provided (Used) by Investing Activities	72,326	25,905	-	32,884	131,115
Net Increase (Decrease) in Cash and Cash Equivalents	6,012,919	(473,511)	-	412,956	5,952,364
CASH AND CASH EQUIVALENTS					
Beginning of Year	12,957,052	15,413,072	200	2,260,145	30,630,469
End of Year	\$ 18,969,971	\$ 14,939,561	\$ 200	\$ 2,673,101	\$ 36,582,833
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES					
Operating income (loss)	\$ 5,194,956	\$ (663,016)	\$ (7,698,759)	\$ (1,929,758)	\$ (5,096,577)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities					
Other postemployment benefits	1,317,696	853,421	-	787,519	2,958,636
Depreciation	4,049,582	4,478,091	1,004,431	1,992,628	11,524,732
(Increase) decrease in accounts receivable	(253,026)	(464,370)	94,691	(29,720)	(652,425)
(Increase) decrease in prepaid items	-	-	-	2,589	2,589
(Increase) decrease in inventories	34,200	9,522	(71,787)	363	(27,702)
(Increase) decrease in due from other funds	(173,662)	(146,484)	-	(1,635)	(321,781)
Increase (decrease) in accounts payable	(11,575)	(26,289)	55,317	211,276	228,729
Increase (decrease) in accrued liabilities	11,466	(87,742)	12,124	8,248	(55,904)
Increase (decrease) in deferred revenue	-	-	-	1,635	1,635
Increase (decrease) in due to other funds	73,243	(40,013)	(550,967)	(123,444)	(641,181)
Net Cash Provided (Used) by Operating Activities:	\$ 10,242,880	\$ 3,913,120	\$ (7,154,950)	\$ 919,701	\$ 7,920,751

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011

	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	\$ 7,146,267	\$ 8,148,846	\$ 200	\$ 2,673,101	\$ 17,968,414	\$ 8,694,233
Restricted	11,823,704	6,790,715	-	-	18,614,419	-
Total Cash and Investments	<u>\$ 18,969,971</u>	<u>\$ 14,939,561</u>	<u>\$ 200</u>	<u>\$ 2,673,101</u>	<u>\$ 36,582,833</u>	<u>\$ 8,694,233</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Estimated cost of fixed assets installed						
or financed by developers, customers or the City	<u>\$ 1,154,842</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,154,842</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF RACINE

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

As of December 31, 2011

	Agency Funds		
	Police Evidence	Tax Collecting	Total
ASSETS			
Cash and investments	\$ 237,458	\$ 27,466,573	\$ 27,704,031
Receivables			
Property taxes	-	23,325,261	23,325,261
TOTAL ASSETS	\$ 237,458	\$ 50,791,834	\$ 51,029,292
LIABILITIES			
Accounts payable	\$ -	\$ 2,185	\$ 2,185
Due to component unit	-	213,625	213,625
Due to other governments	237,458	50,576,024	50,813,482
Total Liabilities	\$ 237,458	\$ 50,791,834	\$ 51,029,292

See accompanying notes to financial statements.

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CITY OF RACINE

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CITY OF RACINE

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CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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, 2011. 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, 2011 have been presented as a discrete column in the City's financial statements.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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.

In February 2009, the GASB issued statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions. This statement establishes fund balance classifications based primarily on the extent to which the government is bound to honor constraints on the use of the resources reported in each governmental fund as well as establishes additional note disclosures regarding fund balance classification policies and procedure. The City implemented this standard effective January 1, 2011.

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.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

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

Fund Financial Statements (cont.)

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.

The City reports the following major governmental funds:

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

HUD Special Revenue Fund – Accounts for grants and local revenues legally restricted or committed to supporting expenditures for the various HUD financed programs in the City.

Tax Increment Districts Special Revenue Fund – accounts for tax increment tax revenue and long term borrowings legally restricted or committed to support the expenditures outlined in the TID's project plans.

Debt Service Fund – accounts for all financial resources that are restricted, committed or assigned to expenditure for principal and interest on long-term debt other than enterprise fund debt.

The City reports the following 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 As of and for the Year Ended December 31, 2011

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:

Special Revenue Funds – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes (other than debt service or capital projects)

- 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
- Health Lab
- Special Assessments
- Other Cemetery
- Other Public Safety
- Trusts
- Other
- Economic Development
- Health

Capital Projects Funds – used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition and construction of capital facilities and other capital assets.

- City Projects
- Tax Incremental Districts
- 2009 Capital Projects
- 2010 Capital Projects
- 2011 Capital Projects
- Assessment Projects
- Intergovernmental Revenue Sharing

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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.)

Permanent Funds – used to account for and report resources that are 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 citizens.

Endowment

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

Parking Utility
Storm Water Utility
Golf Courses
Civic Centre
Radio Repair

In addition, the City reports the following fund types:

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

Equipment Maintenance Garage
Information Systems
Building Complex
Health Insurance
Telephones

Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Police Evidence
Tax Collecting

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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 As of and for the Year Ended December 31, 2011

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 As of and for the Year Ended December 31, 2011

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits, Investments and Equivalents

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

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

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority, 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 seeks to attain the following five goals:

1. Safety – Investments by the government of the City of Racine Wisconsin shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To this end each investment transaction shall seek to first ensure that capital losses are avoided.
2. Legality -- Investments by the government of the City of Racine Wisconsin shall be made in accordance with Federal Law, Wisconsin Revised Statutes (particularly, WISSTATS 34.07, 66.04, 67.11 and 219.05), the Municipal Code of the City of Racine and this Investment Policy.
3. Liquidity – Investments by the government of the City of Racine Wisconsin shall be of sufficient liquidity to meet the cash requirements of the City.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

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

1. Deposits, Investments and Equivalents (cont.)

4. Yield – Investments by the government of the City of Racine Wisconsin shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.
5. Public Trust – Investments by the government of the City of Racine Wisconsin shall be designed and managed with a degree of professionalism worthy of the public trust.

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, 2011, 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 As of and for the Year Ended December 31, 2011

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

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

2. Receivables (cont.)

Property tax calendar – 2011 tax roll:

Lien date and levy date	November 2011
Tax bills mailed	December 2011
Payment in full, or	
First installment due	January 31, 2012
Second installment due	March 31, 2012
Third installment due	May 31, 2012
Fourth installment due	July 31, 2012
Personal property taxes in full	January 31, 2012
Final settlement with County	August 15, 2012
Tax deed by County – 2011	
Delinquent real estate taxes	October 2014

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 nonspendable 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 restricted or committed fund balance in the fund financial statements.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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, 2011 were determined by physical counts. Inventory amounts of governmental funds were offset by fund balance nonspendable 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 nonspendable 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 As of and for the Year Ended December 31, 2011

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 As of and for the Year Ended December 31, 2011

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 varying rates based on the union contract. All employees, with the exception of firefighters, earn sick leave at the rate of eight hours per month of full-time service to a maximum of 1200 hours. Employees are not compensated for unused sick leave upon termination of employment, except upon retirement or death. Upon retirement or death, all employees, with the exception of firefighters, are paid up to a maximum of 560 hours of accumulated sick leave. Firefighters may accrue sick leave to a maximum of 1,340 hours, or 960 hours depending on the class. Upon retirement or death these employees are paid up to a maximum of 670 hours or 480 hours respectively.

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, 2011 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 \$37,380,596 made up of seven issues.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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 \$7.9 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. In accordance with Governmental Accounting Standards Board Statement n. 54-*Fund Balance Reporting and Governmental Fund Type Definitions*, the city classifies governmental fund balance as follows:

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

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

11. Equity Classifications (cont.)

Fund Statements (cont.)

- a. **Nonspendable** - Includes fund balance amounts that cannot be spent either because they are not expendable form or because legal or contractual requirements require them to be maintained intact.
- b. **Restricted** - Consists of fund balances 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. **Committed** - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through formal action (ordinance, resolution, motion) of the City. This formal action must occur prior to the end of the reporting year, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the city that originally created the commitment.
- d. **Assigned** - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1). The City has adopted a financial policy authorizing the Finance Committee or Finance Director to assign amounts for specific purposes. 2). All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. **Unassigned** - Includes residual positive fund balance within the general fund which has not been classified within the above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceeds amounts restricted, committed, or assigned for those purposes.

The City has a formal minimum fund balance policy for the general fund. The policy is to maintain an unassigned fund balance of at least 20% of the subsequent years general fund budgeted expenditures. The unassigned balance at year end was \$23,424,027 or 28.7%.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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	\$ 3,314,496
Deferred revenue-donations	51,213
Deferred revenue-debt service	1,594,052
Deferred revenue-special assessments	<u>2,032,564</u>
Combined Adjustment for Long-Term Assets	<u>\$ 6,992,325</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	\$ (106,988,297)
OPEB obligation	(80,993,271)
Compensated absences, not including internal service fund	(3,157,904)
Capital leases payable	(25,009)
Unamortized debt issue costs	756,396
Accrued interest	<u>(181,380)</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ (190,589,465)</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	9,065,954
Other capital assets net of accumulated depreciation/amortization	147,923,320
Internal Service fund capital assets	<u>(1,678,683)</u>
Combined Adjustment for Capital Assets	<u>\$179,835,943</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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 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	\$ 251,571
Deferred charge incurred	1,253,530
Premium received	(367,763)
Discount received	210,050
Amortization of issuance costs	(277,514)
Amortization of deferred charge and premium	<u>(131,473)</u>
 Unamortized debt issuance costs/discounts/premiums	 <u>\$ 938,401</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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 "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	\$ (470,885)
Increase in debt service loans	52,820
Proceeds from sale of fixed assets	(151,399)
Special assessments collections	<u>114,457</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>\$ (455,007)</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 \$455,657 represents the net amount of economic development loans made and written off during the year.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

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

General Fund	Debt Service Fund:
Special Revenue Funds:	Currently Due
CAR25	Capital Project Funds:
Cemetery	Assessment Projects
Police Grants-COPS	Intergovernmental Revenue Sharing
Harbor Commission	2011 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
Health Lab
Capital Project Funds:
City Projects
Tax Incremental Districts
2009 Capital Projects
2010 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 \$4,248,242. 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 \$443,591.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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, 2011:

<u>Fund</u>	<u>Department</u>	<u>Appropriation Unit</u>	<u>Amount</u>
General Fund	City Development	Salaries and Fringes	\$ 72
	City Development	Interdepartmental	6,978
	City Development	Operating Expenditures	4,826
	Finance	Interdepartmental	2,659
	Elections	Operating Expenditures	10,150
	Fire	Interdepartmental	20,523
	Fire Protection	Operating Expenditures	179,210
	City Administration	Operating Expenditures	50,202
	City Assessor	Salaries and Fringes	994
	Employee Benefits	Salaries and Fringes	123,260
	Park and Recreation	Interdepartmental	52,767
	Police Department	Operating Expenditures	1,531,098
	Police & Fire Commission	Operating Expenditures	2,525
	Public Works	Interdepartmental	102,594
CAR25		Operating Expenditures	5,851
Cemetery		Interdepartmental	1,172
Harbor Commission		Salaries and Fringes	440
Municipal Court		Salaries and Fringes	1,487
COPS Grant		Salaries and Fringes	5,669
Private Property Maintenance		Salaries and Fringes	15,924
Private Property Maintenance		Operating Expenditures	4,383

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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 \$66,559 is the result of expenditures in excess of revenues received from the State of Wisconsin for this mandated program. The continued operation of this program is dependent upon funding through tax levy.

Municipal Court – The fund deficit of \$1,146 is the result of expenditures in excess of revenues received from fines and forfeitures. The continued operation of this fund is dependent upon funding through tax levy.

Capital Project Funds

City Projects – The fund deficit of \$560,420 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 (2011), 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 2010 levy collected in 2011 and 3% for the 2011 levy collected in 2012. Changes in debt service from one year to the next are generally exempt from this limit.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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	\$ 39,298,691	\$ 36,872,616	Custodial credit
Savings deposits	21,064,141	21,064,141	Custodial credit
Certificates of deposit	8,595,448	8,595,448	Custodial credit
Petty cash	6,660	-	NA
Total cash	<u>\$ 68,964,940</u>	<u>\$ 66,532,205</u>	
Wisconsin Local Government			
Investment Pool	\$ 13,463,029		Credit, Interest Rate
Money market funds	9,036,533		Credit
Mutual funds-equities	997,781		Credit
Mutual funds-fixed income	1,425,596		Credit, Interest Rate
U.S. Treasury Notes	1,456,058		Custodial credit, Interest Rate
			Credit, Custodial credit, Interest Rate, Concentration of credit
U.S. Government agency securities-Implicit	<u>37,065,592</u>		
Total investments	<u>63,444,589</u>		
Total cash and investments	<u>\$ 132,409,529</u>		
Reconciliation to financial statements			
Per statement of net assets-Primary Government			
Cash and investments	\$ 86,091,079		
Restricted cash and investments	18,614,419		
Per statement of net assets-fiduciary funds	<u>27,704,031</u>		
	<u>\$ 132,409,529</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), \$250,000 for interest bearing demand deposits accounts and unlimited amounts for noninterest bearing transaction 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 As of and for the Year Ended December 31, 2011

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, 2011 the City's carrying value of deposits was \$68,964,940, as compared to bank balances of \$66,532,205. Of the bank balances \$62,483,157 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. \$4,049,048 was uninsured as of December 31, 2011.

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, 2011 the City's carrying value of U.S. Government Agency Securities and U.S. Treasury's subject to custodial credit risk \$38,521,650. Of this investment balance, all amounts were covered by securities held by an agency in the City's name.

Credit Risk for Investments

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

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

The City's U.S. Government agencies as of December 31, 2011 were rated AAA by Moody's Investor's Services and AA+ by Standard & Poor's. As of December 31, 2011, the balance in these types of investments was \$37,065,592.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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, 2011, 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 National Mortgage Association	U.S. government agency notes and mortgage backed securities	16.20%
Federal Home Loan Mortgage Corporation	U.S. government agency notes and mortgage backed securities	50.48%

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, 2011 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	\$ 1,456,058		0.465
U.S. Government Agency-implicitly guaranteed	34,197,473		6.185
U.S. Government Agency-implicitly guaranteed	2,868,119		0.465
Local Government Investment pool	13,463,029	97	
Mutual Funds-fixed income	1,425,596		4.08

During 2011, the City experienced unrealized gains on investments in the amount of \$414,731 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 As of and for the Year Ended December 31, 2011

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	\$ 155,723	\$ 1,893,171		\$ 118,555	\$ 2,167,449
HUD Fund	-	-	3,623,548	-	3,623,548
Transit	357				357
Other Enterprise	951				951
Internal Service	3,948	-	-	-	3,948
Other Non-Major Funds	14,392	-	-	-	14,392
Total Uncollectibles	\$ 175,371	\$ 1,893,171	\$ 3,623,548	\$ 118,555	\$ 5,810,645

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

	General Fund	Other HUD	Other Non Major	Total
Special assessments	\$ -	\$ -	\$ 2,032,564	\$ 2,032,564
Delinquent personal property taxes	113,658	-	-	113,658
Loans and notes	56,133	3,238,323	76,173	3,370,629
	\$ 169,791	\$ 3,238,323	\$ 2,108,737	\$ 5,516,851

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

B. RECEIVABLES (cont.)

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

	Unavailable	Unearned	Total
Property taxes receivable	\$ -	\$ 53,138,308	\$ 53,138,308
Loans receivable	3,314,496	56,133	3,370,629
Special assessments not yet due	2,032,564	-	2,032,564
Interest on loans and advances	-	340,457	340,457
Due from enterprise for debt service	1,594,052	-	1,594,052
Donations receivable	51,213	-	51,213
Grant drawdowns prior to meeting all eligibility requirements	-	277,560	277,560
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 6,992,325</u>	<u>\$ 53,812,458</u>	<u>\$ 60,804,783</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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, 2011:

	Water <u>Utility</u>	Wastewater <u>Utility</u>	<u>Total</u>
Bond redemption account	\$ 3,675,439	\$ 3,773,589	\$ 7,449,028
Bond reserve account	3,924,123	-	3,924,123
Bond depreciation account	800,000	-	800,000
Improvement Fund	3,424,142	-	3,424,142
Equipment replacement account	-	3,017,126	3,017,126
Plant capacity receivable	-	36,205,055	36,205,055
Total Restricted Assets	11,823,704	42,995,770	54,819,474
Reconciliation to restricted net assets			
Plant capacity receivable reported as deferred revenue	-	(36,205,055)	(36,205,055)
Accrued interest payable	(698,229)	(296,167)	(994,396)
Unexpended bond proceeds and interest	(3,424,142)	-	(3,424,142)
Bond reserve fund financed by bond proceeds	(3,924,123)	-	(3,924,123)
Restricted Net Assets	<u>\$ 3,777,210</u>	<u>\$ 6,494,548</u>	<u>\$ 10,271,758</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2011 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	7,655,948	9,099,649	7,689,643	9,065,954
Total Capital Assets Not Being Depreciated/Amortized	32,181,300	9,099,649	7,689,643	33,591,306
Capital assets being depreciated/amortized				
Intangible assets	605,210	-	-	605,210
Land improvements	9,348,309	196,286	18,000	9,526,595
Buildings	39,824,750	1,276,994	180,868	40,920,876
Machinery and equipment	32,045,476	1,856,584	1,938,796	31,963,264
Roads, streets, and bridges	140,629,197	4,143,139	1,350,362	143,421,974
Sidewalks	49,390,801	819,707	86,060	50,124,448
Sewer lines	34,009,577	1,244,149	47,858	35,205,868
Shoreline walls and other	21,398,571	-	-	21,398,571
Total Capital Assets Being Depreciated/Amortized	327,251,891	9,536,859	3,621,944	333,166,806
Less: accumulated depreciation/amortization for				
Intangible assets	366,270	132,475	-	498,745
Land improvements	5,475,095	457,261	18,000	5,914,356
Buildings	15,962,051	1,239,819	129,779	17,072,091
Machinery and equipment	23,967,243	2,093,417	1,492,676	24,567,984
Roads, streets, and bridges	70,401,007	3,872,663	1,131,267	73,142,403
Sidewalks	38,396,094	1,276,713	86,060	39,586,747
Sewer lines	16,262,961	641,735	47,858	16,856,838
Shoreline walls and other	7,031,858	572,464	-	7,604,322
Total Accumulated Depreciation/Amortization	177,862,579	10,286,547	2,905,640	185,243,486
Total Capital Assets being Depreciated/Amortized, Net	149,389,312	(749,688)	716,304	147,923,320
Governmental Activities				
Capital Assets, Net	\$ 181,570,612	\$ 8,349,961	\$ 8,405,947	\$ 181,514,626

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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	\$ 403,185
Education and recreation	1,286,160
Public works, which includes infrastructure	7,744,434
Public safety	<u>852,768</u>
Total Governmental Activities Depreciation/Amortization Expense	<u>\$ 10,286,547</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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	1,108,736	3,892,162	2,919,253	2,081,645
Total Capital Assets Not Being Depreciated	<u>6,193,641</u>	<u>3,892,162</u>	<u>2,919,253</u>	<u>7,166,550</u>
Capital assets being depreciated				
Land improvements	8,770,363	-	-	8,770,363
Improvements other than buildings	181,435,630	3,770,554	347,501	184,858,683
Buildings	144,264,712	291,866	50,267	144,506,311
Machinery and equipment	94,483,461	2,629,692	791,718	96,321,435
Total Capital Assets Being Depreciated	<u>428,954,166</u>	<u>6,692,112</u>	<u>1,189,486</u>	<u>434,456,792</u>
Less: accumulated depreciation for				
Land improvements	4,187,243	307,033	-	4,494,276
Improvements other than buildings	57,011,506	2,929,937	339,031	59,602,412
Buildings	44,884,605	3,627,715	27,110	48,485,210
Machinery and equipment	<u>45,689,408</u>	<u>4,660,047</u>	<u>744,375</u>	<u>49,605,080</u>
Total Accumulated Depreciation	<u>151,772,762</u>	<u>11,524,732</u>	<u>1,110,516</u>	<u>162,186,978</u>
Total Capital Assets Depreciated, Net	<u>277,181,404</u>	<u>(4,832,620)</u>	<u>78,970</u>	<u>272,269,814</u>
Business-Type Activities Capital Assets, Net	<u>\$ 283,375,045</u>	<u>\$ (940,458)</u>	<u>\$ 2,998,223</u>	<u>\$ 279,436,364</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities	
Water	\$ 4,049,582
Wastewater	4,478,091
Belle Urban Transit	1,004,431
Other	<u>1,992,628</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 11,524,732</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

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

Receivable Fund	Payable Fund	Amount due Within One Year
General Fund	Enterprise Fund-Transit	\$ 2,963,060
General Fund	Enterprise Fund-Civic Center	221,858
General Fund	Special Revenue-Public Safety	456,015
General Fund	Special Revenue-Recycling	19,243
General Fund	Special Revenue-Other	43,327
General Fund	Special Revenue-Health	37,948
General Fund	Special Revenue-HUD	216,852
General Fund	Permanent Funds	164
General Fund	Wastewater Utility	79,316
General Fund	Water Utility	2,648,891
General Fund	Capital Projects-City Projects	889,889
Debt Service Fund	Water Utility	1,724
Debt Service Fund	Wastewater Utility	1,541
Wastewater Utility	Capital Projects-City Projects	1,430,834
Wastewater Utility	Water Utility	661,623
Wastewater Utility	General Fund	1,760,284
Wastewater Utility	Internal Service Fund-Building Maintenance	16,637
Water Utility	Wastewater Utility	700,684
Water Utility	General Fund	3,367,868
Internal Service Fund-Equipment Maint.	Water Utility	4,910
Internal Service Fund-Equipment Maint.	Wastewater Utility	1,174
Internal Service Fund-Telephone	Water Utility	1,581
Internal Service Fund-Telephone	Wastewater Utility	606
Special Revenue-Library	Wastewater Utility	152
Special Revenue-Other	Water Utility	600
Subtotal-Fund Financial Statements		15,526,781
Less: Fund eliminations		(3,025,745)
Less: Government-wide eliminations		(13,151,246)
		<u>\$ (650,210)</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

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

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

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

The general fund is advancing funds to various Tax Incremental Financing (TIF) Districts and the 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 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 As of and for the Year Ended December 31, 2011

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 # 13	\$ 8,587	\$ -
General Fund	Storm Water Utility	347,000	81,120
Debt Service Fund	Wastewater Utility	752,588	67,988
Debt Service Fund	Water Utility	841,465	76,017
City Projects Fund	Storm Water Utility	644,876	68,750
Intergovernmental Revenue Sharing	Tax Increment District #12	719,597	-
Intergovernmental Revenue Sharing	Tax Increment District #15	477,771	-
Intergovernmental Revenue Sharing	Tax Increment District #10	1,419,187	
Intergovernmental Revenue Sharing	Tax Increment District #11	619,293	
Intergovernmental Revenue Sharing	Tax Increment District # 16	373,394	-
Subtotal-Fund financial statements		\$ 6,203,758	\$ 293,875
Less: fund eliminations		(3,617,829)	
Total advance to other funds-government wide statements		\$ 2,585,929	

Repayment schedules for advances with an established payment schedule follow:

	Storm Water Utility	Storm Water Utility	Water Utility	Wastewater Utility
2012	\$ 97,770	\$ 95,000	\$ 94,236	\$ 84,283
2013	97,770	95,000	83,254	74,461
2014	97,770	95,000	82,338	73,641
2015	97,770	97,996	107,243	95,916
2016	97,770	-	107,610	96,244
2017-2025	293,306	-	458,275	409,871
Sub-total	782,156	382,996	932,956	834,416
Amount representing interest	(137,280)	(35,996)	(91,491)	(81,828)
	\$ 644,876	\$ 347,000	\$ 841,465	\$ 752,588

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 As of and for the Year Ended December 31, 2011

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	\$ 2,721,339
General Fund	Wastewater	1,012,375
Debt Service Fund	Capital Projects - 2011	2,738
Debt Service Fund	Special Revenue-Recycling	270,000
Debt Service Fund	Special Revenue-TIF	1,782,863
Debt Service Fund	Capital Projects-TIF	1,042,094
Capital Projects-TIF	Special Revenue-TIF	2,043,671
Capital Projects-Assessment Projects	Special Revenue-Special Assessment	1,160,624
Water	Wastewater	37,154
Enterprise-Radio Repair	Capital Projects-2011	8,813
Enterprise-Transit	Capital Projects-2010	31,287
Enterprise-Civic Centre	Capital Projects-2009	3,960
Enterprise-Civic Centre	Capital Projects-2010	284,383
Enterprise-Civic Centre	Special Revenue-Other	20,000
Internal Service-MIS	Capital Projects-2011	34,489
Internal Service-Telephone	Capital Projects-2011	190,000
Special Revenue-Cemetery	Permanent	14,840
Special Revenue-Library	Capital Projects-2009	7,350
Special Revenue-Library	Capital Projects-2010	64,032
Special Revenue-Other	Special Revenue-Recycling	3,647
Special Revenue-Other	Special Revenue-HUD	11,184
Special Revenue-Health	Special Revenue-HUD	12,938
Subtotal-fund financial statements		10,759,781
Less: Fund eliminations		(6,677,624)
Add: Government wide eliminations		(696,886)
		<u>\$ 3,385,271</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 As of and for the Year Ended December 31, 2011

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2011 was as follows:

GOVERNMENTAL ACTIVITIES

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General obligation					
bonds and notes payable	\$ 107,420,000	\$21,005,000	\$ 20,565,000	\$107,860,000	\$ 9,615,000
Add/(subtract)					
Deferred Amounts For:					
(Discounts)/Premiums	608,470	157,713	67,540	698,643	-
Refundings-Gains/(Loss)	(515,829)	(1,253,530)	(199,013)	(1,570,346)	-
Sub-total	107,512,641	19,909,183	20,433,527	106,988,297	9,615,000
Other Liabilities					
Vested compensated absences	3,696,506	255,911	665,343	3,287,074	380,763
Capital leases	86,356	-	61,347	25,009	25,009
Total Other Liabilities	3,782,862	255,911	726,690	3,312,083	405,772
Total Governmental Activities					
Long-Term Liabilities	\$ 111,295,503	\$20,165,094	\$ 21,160,217	\$110,300,380	\$10,020,772

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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	\$ 128,171,382	\$ 8,549,938	\$ 10,908,739	\$ 125,812,581	\$ 9,249,972
Add/(subtract)					
Deferred Amounts For:					
(Discounts)/Premiums	1,072,849	311,514	81,132	1,303,231	72,884
Refundings-Gains/(Loss)	(301,832)	-	(36,664)	(265,168)	(37,259)
Sub-total	128,942,399	8,861,452	10,953,207	126,850,644	9,285,597
Other Liabilities					
Vested compensated absences	1,132,961	83,853	127,780	1,089,034	80,829
Total Other Liabilities	1,132,961	83,853	127,780	1,089,034	80,829
Total Business Type Activities					
Long-Term Liabilities	\$ 130,075,360	\$ 8,945,305	\$ 11,080,987	\$ 127,939,678	\$ 9,366,426

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, 2011, was \$190,450,880 Total general obligation debt outstanding at year end was \$107,860,000.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Type/Series	Date of Issue	Maturity Date	Interest Rates	Indebted- ness	Outstanding 12/31/2011
General Obligation Bonds					
2003	11/1/03	11/01/23	2.00-5.70	\$ 16,895,000	\$ 1,410,000
2003	11/1/03	11/01/17	2.00-5.00	7,900,000	4,875,000
2003	7/15/03	07/15/18	2.00-4.90	8,650,000	4,745,000
2003	7/15/03	07/15/18	2.75-4.20	22,755,000	21,085,000
2004	11/5/04	11/05/19	2.00-5.25	6,880,000	4,680,000
2005	10/15/05	12/01/19	3.50-4.75	6,980,000	4,420,000
2006	10/5/06	12/01/20	4.00-4.50	7,130,000	5,495,000
2007	11/13/07	12/01/21	4.00-5.00	7,610,000	6,395,000
2008	12/09/08	12/01/22	3.00-5.00	7,680,000	6,765,000
2011	10/25/11	10/25/25	3.50-4.00	8,080,000	8,080,000
					<u>67,950,000</u>
Taxable General Obligation Bonds					
2009	12/08/09	12/01/23	1.00-5.30	7,760,000	7,040,000
2010	11/24/10	12/01/24	0.85-4.70	9,850,000	9,075,000
2011	10/25/11	10/25/20	0.55-2.55	12,925,000	12,925,000
					<u>29,040,000</u>
Tax Incremental General Obligation Debt					
2002 (Tif #9)	02/15/02	02/15/21	3.00-5.10	6,105,000	320,000
2006 (Tif #10)	10/3/06	10/3/25	2.50	3,970,000	3,605,000
2006 (Tif #11)	6/26/06	6/26/25	3.75	2,000,000	1,770,000
2007 (Tif #7)	11/13/07	06/01/12	4.00	3,170,000	680,000
2007 (Tif #8)	11/13/07	06/01/12	4.00	3,155,000	680,000
2010 (Tif #9)	07/27/10	12/01/21	2.00-4.00	3,895,000	3,815,000
					<u>10,870,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 107,860,000</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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:

Years	Governmental Activities General Obligation Debt		
	Principal	Interest	Total
2012	\$ 9,615,000	\$ 4,196,072	\$ 13,811,072
2013	8,940,000	3,795,554	12,735,554
2014	9,875,000	3,493,123	13,368,123
2015	10,915,000	3,151,641	14,066,641
2016	11,835,000	2,761,479	14,596,479
2017 – 2021	38,685,000	6,588,858	45,273,858
2022 – 2025	17,995,000	1,927,853	19,922,853
Totals	<u>\$ 107,860,000</u>	<u>\$ 25,914,580</u>	<u>\$ 133,774,580</u>

Current Debt Refundings

On October 25, 2011, the City issued \$8,080,000 in general obligation refunding bonds, with an interest rate ranging from 3.5%-4.0%, to current refund \$8,295,000 of Note Anticipation Notes dated June 28, 2011 with an interest rate of 1.5%.

On June 28, 2011, the Water Utility issued \$1,995,000 in mortgage revenue refunding bonds. The proceeds of the bonds, along with available Water Utility cash were used to refund \$2,065,000 of the outstanding balance of the 2001 mortgage revenue refunding bonds. The debt service requirements on the old debt balance totaled \$2,346,650. The debt service requirements on the new debt balance totaled \$2,150,108. The economic gain on the refunding using an effective interest rate of 2.89% was \$145,518.

Advanced Debt Refunding

On October 25, 2011 the City issued \$12,925,000 in taxable general obligation refunding bonds with an average interest rate of 2.077% to advance refund \$11,835,000 of 2003 taxable general obligation bonds with an average interest rate of 5.833%. The net proceeds of \$13,115,155 (including premium and net of underwriting fees and other issuance costs) were used to retire the 2003 bond issue.

The cash flow requirements on the refunded bonds prior to the advance refunding were \$16,098,760 from 2011 through 2021. The cash flow requirements on the 2011 refunding bonds are \$14,411,642 from 2012 through 2020. The advance refunding resulted in an economic gain of \$1,687,118.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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, 2011 consists of the following:

<u>Type/Series</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Indebted- ness</u>	<u>Outstanding 12/31/2011</u>
<u>Water Utility</u>					
Safe Drinking Water Loan	02/10/99	05/01/18	2.64	\$ 12,594,655	\$ 5,181,910
Safe Drinking Water Loan	12/22/04	05/01/24	2.365	16,666,035	12,268,795
Mortgage Revenue Bonds	11/01/04	09/01/24	2.50-5.00	22,140,000	16,905,000
Mortgage Revenue Bonds	04/02/07	09/01/21	4.00-4.75	18,980,000	17,135,000
Mortgage Revenue Bonds	12/08/09	09/01/29	3.0-4.5	2,760,000	2,760,000
Mortgage Revenue Bonds	06/28/11	09/01/15	2.00-3.00	1,995,000	1,995,000
Mortgage Revenue Bonds	10/25/11	09/01/31	2.00-4.50	6,500,000	6,500,000
Total Water Utility					<u>62,745,705</u>
<u>Wastewater Utility</u>					
State Cleanwater Fund Loans	11/01/94	05/01/13	3.19	2,701,745	366,007
State Cleanwater Fund Loans	03/26/97	05/01/16	3.0	1,158,993	370,517
State Cleanwater Fund Loans	05/27/98	05/01/18	2.64	854,147	350,636
State Cleanwater Fund Loans	10/29/99	05/01/19	2.64	797,249	372,667
State Cleanwater Fund Loans	09/27/00	05/01/20	2.97	805,113	420,775
State Cleanwater Fund Loans	04/10/02	05/01/21	2.75	4,073,012	2,418,008
State Cleanwater Fund Loans	12/22/04	05/01/21	2.86	17,943,748	11,689,526
State Cleanwater Fund Loans	11/27/02	05/01/22	2.87	60,724,848	41,683,571
Clean Water Fund Loans	01/23/08	05/01/27	2.48	3,481,931	2,926,350
Clean Water Fund Loans	03/24/10	05/01/29	2.20	2,524,712	2,468,819
Total Wastewater Utility					<u>63,066,876</u>
Total Business-Type Revenue Debt					<u>\$ 125,812,581</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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
2012	\$ 9,249,972	\$ 4,057,519	\$ 13,307,491
2013	9,526,103	3,806,364	13,332,467
2014	9,590,459	3,520,070	13,110,529
2015	9,885,674	3,227,323	13,112,997
2016	9,986,012	2,910,728	12,896,740
2017-2021	51,697,182	9,559,811	61,256,993
2022-2026	22,112,445	2,474,255	24,586,700
2027-2031	3,764,734	410,820	4,175,554
	<u>\$ 125,812,581</u>	<u>\$ 29,966,890</u>	<u>\$ 155,779,471</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 2011. 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 2031. 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 \$82,211,802. Principal and interest paid for the current year and total customer net revenues were \$8,320,042 and \$9,603,886, 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 2029. 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 \$73,567,669. Principal and interest paid for the current year and total revenues were \$6,760,998 and \$9,029,720, respectively.

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 As of and for the Year Ended December 31, 2011

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, 2011, \$15,475,000 of bonds outstanding is considered defeased. The bonds are due on December 1, 2012 and 2013.

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 2011 was \$36,664 for the Business type activities and \$199,013 for the Governmental activities.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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 \$47,434 in 2011.

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

2012	\$ 35,000
2013	35,000
2014	35,000
2015	35,000
2016	35,000
Thereafter	<u>1,225,000</u>
	<u>\$ 1,400,000</u>

During 2007, the City entered into a capital lease for defibulator equipment. The lease expires in 2012 and bears interest at 4%. At December 31, 2011 the defibulator equipment has a cost of \$115,106 and accumulated depreciation of \$103,594. 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 with final payment being made in 2011. At December 31, 2011 the equipment had a cost of \$167,850 and accumulated depreciation of \$58,748.

Future minimum payments for the remaining years under the leases:

	Defibulator Lease
2012	\$ 25,675
Less: Amount representing interest	<u>(666)</u>
	<u>\$ 25,009</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

H. NET ASSETS/FUND BALANCES

Net assets reported on the government wide statement of net assets at December 31, 2011 includes the following:

Governmental Activities

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 181,514,626
Less: related long-term debt outstanding	(84,793,497)
Plus: funds borrowed but not spent	6,260,043
Total Invested in Capital Assets, Net of Related Debt	<u>102,981,172</u>
Restricted for	
Debt service	1,622,380
Library	119,708
Permanent Funds	
Nonexpendable	1,413,831
Expendable	1,566,193
Tax increment districts	3,032,413
Intergovernmental revenue sharing	4,128,718
Police grants, federal asset forfeiture and HAZMAT	617,882
Health and other	1,555,198
HUD loan program	6,481,897
Total Restricted	<u>20,538,220</u>
Unrestricted (deficit)	<u>(53,337,180)</u>
Total Governmental Activities Net Assets	<u>\$ 70,182,212</u>

Business-Type Activities

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 279,436,364
Less: related long-term debt outstanding	(117,468,396)
Total Invested in Capital Assets, Net of Related Debt	<u>161,967,968</u>
Restricted for	
Debt service	6,454,632
Depreciation fund	800,000
DNR equipment replacement fund	3,017,126
Total Restricted	<u>10,271,758</u>
Unrestricted (deficit)	<u>(2,283,533)</u>
Total Business-Type Activities Net Assets	<u>\$ 169,956,193</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

H. NET ASSETS/FUND BALANCES (CONT.)

Governmental Activities

Governmental fund balances reported on the fund financial statements at December 31, 2011 include the following:

	General Fund	HUD	Tax Incremental Districts	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable						
Non Current Receivables	\$ 5,059,252	\$ -	\$ -	\$ -	\$ -	\$ 5,059,252
Inventories	185,526	-	-	-	-	185,526
Prepaid Items	36,076	-	-	-	-	36,076
Deposit in CVMIC	2,962,500	-	-	-	-	2,962,500
Advances to Other Funds	355,587	-	-	-	5,089,431	5,445,018
	<u>8,598,941</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,089,431</u>	<u>13,688,372</u>
Restricted for:						
Community Development	-	3,243,514	-	-	318,467	3,561,981
Debt Service	-	-	-	209,707	-	209,707
Energy Rebates	-	-	-	-	10,301	10,301
Parks Programs	-	-	-	-	26,289	26,289
Public Safety	-	-	-	-	909,431	909,431
Library Services	-	-	-	-	119,708	119,708
Cemetery Donations	-	-	-	-	110,763	110,763
Health Services	-	-	-	-	99,695	99,695
Trusts	-	-	-	-	698,134	698,134
Tax Incremental Districts	-	-	365,683	-	2,666,730	3,032,413
Revenue Sharing	-	-	-	-	4,128,718	4,128,718
Endowments	-	-	-	-	2,980,024	2,980,024
	<u>-</u>	<u>3,243,514</u>	<u>365,683</u>	<u>209,707</u>	<u>12,068,260</u>	<u>15,887,164</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

H. NET ASSETS/FUND BALANCES (CONT.)

Governmental Activities (Cont.)

	General Fund	HUD	Tax Increment Districts	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Committed to:						
Subsequent Years						
Expenditures	103,043	-	-	-	-	103,043
Harbor Commission	-	-	-	-	51,469	51,469
CARS 25	-	-	-	-	50,840	50,840
Cemetery	-	-	-	-	221,764	221,764
Private Property Maintenance	-	-	-	-	133,917	133,917
Sanitary Sewer Maintenance	-	-	-	-	809,741	809,741
Health Lab	-	-	-	-	40,506	40,506
Fire Prevention	-	-	-	-	37,177	37,177
Room Tax	-	-	-	-	94,685	94,685
WPRA Tickets	-	-	-	-	1,696	1,696
Racine Safe Neighborhood	-	-	-	-	8,382	8,382
DPW Street Opening Fund	-	-	-	-	209,992	209,992
Parks Boat Launch	-	-	-	-	1,412	1,412
Comm Center Concessions	-	-	-	-	18,380	18,380
Landmark Preservation	-	-	-	-	5,270	5,270
Open Space Park Land	-	-	-	-	18,045	18,045
Capital projects-open contracts	-	-	-	-	6,260,037	6,260,037
	<u>103,043</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,963,313</u>	<u>8,066,356</u>
Assigned to:						
Purchase Order						
Encumbrances	437,592	-	-	-	-	437,592
Budget Stabilization	2,700,000	-	-	-	-	2,700,000
Special Assessment Program	-	-	-	-	1,794,594	1,794,594
Economic Development	-	-	-	-	5,130	5,130
	<u>3,137,592</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,799,724</u>	<u>4,937,316</u>
Unassigned:	<u>23,424,027</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,393,001)</u>	<u>22,031,026</u>
Total Fund Balances	<u>\$ 35,263,603</u>	<u>\$ 3,243,514</u>	<u>\$ 365,683</u>	<u>\$ 209,707</u>	<u>\$ 25,527,727</u>	<u>\$ 64,610,234</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

I. COMPONENT UNIT

This report contains the Downtown Racine Business Improvement District #1 (BID) and the Racine Redevelopment Authority, which are included as component units. Financial information is presented as a discrete column in the statement of net assets and statement of activities.

In addition to the basic financial statements and the preceding notes to financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

CITY OF RACINE REDEVELOPMENT AUTHORITY

a. Basis of Accounting/Measurement Focus

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

b. Transactions with the Primary Government

At December 31, 2011, the Redevelopment Authority has advances from the City's in the amount of \$835,313. There has been no amortization schedule established.

At December 31, 2011, the Redevelopment Authority has a due to the City's general fund of \$381,022 for deficit cash. Cash was replenished shortly after year end when grant funds were received by the Redevelopment Authority.

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, 2011 the Authority had assets held for resale of \$1,383,131.

d. Long-term Liabilities

At December 31, 2011, the Redevelopment Authority has an advance payable to the City's in the amount of \$835,313. There has been no amortization schedule established.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

I. COMPONENT UNIT (CONT.)

DOWNTOWN RACINE BUSINESS IMPROVEMENT DISTRICT #1 (BID)

a. Basis of Accounting/Measurement Focus

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

b. Transactions with the Primary Government

At December 31, 2011, the BID has a receivable of \$213,625 from the City's tax collection fund for the entire subsequent year's annual assessment.

c. Cash and Investments

At December 31, 2011, the carrying value and bank balance of the BID's deposits are \$11,583. 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, 2011 the District had capital assets with a cost of \$16,998 and accumulated depreciation of \$16,845. The District's net book value of capital assets was \$153.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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 (1200 hours for employees hired after July 1, 2011) are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan through June 28, 2011. Beginning June 29, 2011 and thereafter covered employees in the General category are required by statute to contribute 5.8% of their salary (6.65% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 5.8% for Protective Occupations without Social Security). Employers generally make these contributions to the plan on behalf of employees through June 28, 2011. Thereafter employees are required to fund their contribution subject to terms of employment contracts and which employee group they are a member of. 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, 2011 was \$50,438,395; the employer's total payroll was \$53,206,978. The total required contribution for the year ended December 31, 2011 was \$5,569,927 or 11.04 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, 2010 and 2009 were \$6,574,639 and \$6,131,281 respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees, with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) 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 between April 24, 1998 and June 30, 2011 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, 2011.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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 \$716,997, \$675,771, and \$600,482 for the years ended December 31, 2011, 2010, and 2009 respectively. The following table shows the rate charged per week for each contract year:

Contract Period	Rate per week
July 1, 2011 – June 30, 2012	169
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 As of and for the Year Ended December 31, 2011

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.

	2011	2010	2009
Valuation Date	January 1, 2011	January 1, 2010	January 1, 2009
Funded Percentage	58.9%	63.4%	58.02%
Value of Assets	\$21,001,737,506	\$22,765,749,780	\$20,830,382,998
Value of Liabilities	\$35,662,837,013	\$35,903,139,725	\$35,899,947,337

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:

	2011	2010	2009
FMV of Plan Assets	\$17,649,875,398	\$19,843,959,356	\$19,542,042,104

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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, 2011. 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	\$ 1,393,694	\$ 1,437,104
Current year claims and changes in estimates	16,156,883	14,919,493
Claim payments	<u>(16,122,700)</u>	<u>(14,962,903)</u>
Unpaid Claims – End of Year	<u>\$ 1,427,877</u>	<u>\$ 1,393,694</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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, 2011 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, 2011. A total liability of approximately \$1,946,271 at December 31, 2011 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
2011	\$ 1,946,271	\$ 946,069	\$ 860,158	\$ 2,032,182
2010	2,076,542	637,961	768,232	1,946,271

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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 2011 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 7.33% for general liability and 13.25% for physical damage liability. A list of the other members is available in the TMI report.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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 \$2,579,509.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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, 2011, the City had 708 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 2011, the City contributed \$8,078,849 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 2011, total retiree member contributions were \$208,199.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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	\$ 25,191,303	\$ 3,959,585	\$ 29,150,888
Interest on net OPEB obligation	2,558,075	421,861	2,979,936
Adjustment to annual required contribution	(3,646,714)	(495,838)	(4,142,552)
Annual OPEB Cost	24,102,664	3,885,608	27,988,272
Contribution made	(7,151,878)	(926,971)	(8,078,849)
Increase in net OPEB obligation	16,950,786	2,958,637	19,909,423
Net OPEB obligation beginning of year	64,042,485	10,455,918	74,498,403
Net OPEB obligation end of year	\$ 80,993,271	\$ 13,414,555	\$ 94,407,826

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011 and the two preceding years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Governmental Activities			
12/31/2009	\$ 21,934,399	29.56%	\$ 47,668,295
12/31/2010	\$ 22,267,315	26.46%	\$ 64,042,485
12/31/2011	\$ 24,102,664	29.67%	\$ 80,993,271
Business Type Activities			
12/31/2009	\$ 3,490,286	22.74%	\$ 7,336,807
12/31/2010	\$ 3,892,036	19.85%	\$ 10,455,918
12/31/2011	\$ 3,885,608	23.86%	\$ 13,414,555

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (CONT)

The funded status of the plan as of December 31, 2011, the most recent actuarial valuation date of March 2012, was as follows:

	Governmental Activities	Business Type Activities	Total
Actuarial accrued liability (AAL)	\$ 302,383,821	\$ 48,527,170	\$ 350,910,991
Actuarial value of plan assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 302,383,821</u>	<u>\$ 48,527,170</u>	<u>\$ 350,910,991</u>
Funded Ratio	-	-	-
Covered Payroll	43,243,513	6,860,758	50,104,271
UAAL as percentage of covered payroll	699.26%	707.31%	700.36%

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, 2011 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 8.9% initially, reduced by decrements to an ultimate rate of 4.70% after 2050. Retiree Health Plan's unfunded actuarial accrued liability is being amortized over 30 years from establishment.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE V – OTHER INFORMATION (cont.)

F. ECONOMIC DEPENDENCY

One major customer accounted for 17.4% of Water Utility gross sales aggregating \$3,304,182 and 18.3% of gross sales aggregating \$3,259,743 in 2011 and 2010 respectively. Total accounts receivable from this customer totaled \$850 and \$450 respectively at December 31, 2011 and 2010.

Two major customers accounted for 15.8% and 13.9% of Wastewater Utility gross sales aggregating \$3,715,306 in 2011. Total accounts receivable from these customers totaled \$885,754 at December 31, 2011.

Two major customers accounted for 18.4% 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.

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 \$1,012,375 for the year ended December 31, 2011.

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 \$1,114,558 for the year ended December 31, 2011.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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, 2011 and 2010 was \$0 and \$0 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, 2011 and 2010, the Wastewater Utility had unrecovered cost of \$1,430,834 and \$1,296,970, 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RACINE

SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS

For the Year Ended December 31, 2011

	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							
12/31/2009	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%
12/31/2011	1/1/2011	-	302,383,821	302,383,821	-	43,243,513	699.26%
BUSINESS TYPE ACTIVITIES							
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%
12/31/2011	1/1/2011	-	48,527,170	48,527,170	-	6,860,758	707.31%

See independent auditors' report.

**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2011

	Special Revenue Funds				
	Police Grants Beat Patrol	Police Grants COPS	Library	Harbor Commission	HAZMAT
ASSETS					
Cash and investments	\$ 2,520	\$ 85,396	\$ 174,321	\$ 62,996	\$ 246,712
Receivables					
Property taxes	49,241	77,586	1,940,164	-	-
Special assessment - tax roll	-	-	-	-	-
Special assessment	-	-	-	-	-
Accounts	-	-	-	-	-
Loans and notes	-	-	-	-	-
Due from other funds	-	-	152	-	-
Due from other governments	-	74,034	-	-	53,752
Assets held for resale	-	-	-	-	-
Advances to component unit	-	-	-	-	-
Advances to other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 51,761</u>	<u>\$ 237,016</u>	<u>\$ 2,114,637</u>	<u>\$ 62,996</u>	<u>\$ 300,464</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 15,557	\$ 1,385	\$ -
Accrued liabilities	2,520	4,258	39,208	10,142	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Deferred revenues	-	-	-	-	-
Deferred property tax revenue	49,241	77,586	1,940,164	-	-
Total Liabilities	<u>51,761</u>	<u>81,844</u>	<u>1,994,929</u>	<u>11,527</u>	<u>-</u>
Fund Balances (Deficits)					
Nonspendable	-	-	-	-	-
Restricted	-	155,172	119,708	-	300,464
Committed	-	-	-	51,469	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances (Deficits)	<u>-</u>	<u>155,172</u>	<u>119,708</u>	<u>51,469</u>	<u>300,464</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 51,761</u>	<u>\$ 237,016</u>	<u>\$ 2,114,637</u>	<u>\$ 62,996</u>	<u>\$ 300,464</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2011

Special Revenue Funds								
Recycling	CAR 25	Municipal Court	Federal Asset Forfeiture	Cemetery	Private Property Maintenance	Sanitary Sewer Maintenance	Health Lab	Special Assessments
\$ -	\$ 34,660	\$ 3,380	\$ 162,246	\$ 225,829	\$ 5,867	\$ 914,839	\$ 40,506	\$ 1,863,179
1,280,493	-	59,594	-	215,000	-	1,630,437	174,564	-
-	-	-	-	-	-	-	-	546,295
-	-	-	-	-	-	-	-	2,032,564
-	17,504	-	-	-	134,795	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 1,280,493</u>	<u>\$ 52,164</u>	<u>\$ 62,974</u>	<u>\$ 162,246</u>	<u>\$ 440,829</u>	<u>\$ 140,662</u>	<u>\$ 2,545,276</u>	<u>\$ 215,070</u>	<u>\$ 4,442,038</u>
\$ 39,168	\$ -	\$ 200	\$ -	\$ 2,837	\$ 1,771	\$ 103,575	\$ -	\$ -
8,148	1,324	4,326	-	1,228	4,974	1,523	-	68,585
19,243	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	2,032,564
<u>1,280,493</u>	<u>-</u>	<u>59,594</u>	<u>-</u>	<u>215,000</u>	<u>-</u>	<u>1,630,437</u>	<u>174,564</u>	<u>546,295</u>
<u>1,347,052</u>	<u>1,324</u>	<u>64,120</u>	<u>-</u>	<u>219,065</u>	<u>6,745</u>	<u>1,735,535</u>	<u>174,564</u>	<u>2,647,444</u>
-	-	-	-	-	-	-	-	-
-	-	-	162,246	-	-	-	-	-
-	50,840	-	-	221,764	133,917	809,741	40,506	-
-	-	-	-	-	-	-	-	1,794,594
(66,559)	-	(1,146)	-	-	-	-	-	-
<u>(66,559)</u>	<u>50,840</u>	<u>(1,146)</u>	<u>162,246</u>	<u>221,764</u>	<u>133,917</u>	<u>809,741</u>	<u>40,506</u>	<u>1,794,594</u>
<u>\$ 1,280,493</u>	<u>\$ 52,164</u>	<u>\$ 62,974</u>	<u>\$ 162,246</u>	<u>\$ 440,829</u>	<u>\$ 140,662</u>	<u>\$ 2,545,276</u>	<u>\$ 215,070</u>	<u>\$ 4,442,038</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2011

Special Revenue Funds						
	Other Cemetery	Other Public Safety	Trusts	Economic Development	Other	Health
ASSETS						
Cash and investments	\$ 110,763	\$ 338,594	\$ 699,910	\$ 5,130	\$ 912,455	\$ 273,440
Receivables						
Property taxes	-	16,784	-	-	-	-
Special assessment - tax roll	-	-	-	-	-	-
Special assessment	-	-	-	-	-	-
Accounts	-	-	-	-	13,982	275
Loans and notes	-	-	-	-	76,173	-
Due from other funds	-	-	-	-	600	-
Due from other governments	-	516,540	-	-	50,801	45,296
Assets held for resale	-	-	-	-	-	-
Advances to component unit	-	-	-	590,000	-	-
Advances to other funds	-	-	-	-	-	-
TOTAL ASSETS	\$ 110,763	\$ 871,918	\$ 699,910	\$ 595,130	\$ 1,054,011	\$ 319,011
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ 62,873	\$ 1,776	\$ -	\$ 60,515	\$ 7,098
Accrued liabilities	-	-	-	-	60,828	4,479
Due to other funds	-	456,015	-	-	43,327	37,948
Advances from other funds	-	-	-	-	-	-
Deferred revenues	-	7,520	-	-	173,282	172,931
Deferred property tax revenue	-	16,784	-	-	-	-
Total Liabilities	-	543,192	1,776	-	337,952	222,456
Fund Balances (Deficits)						
Nonspendable	-	-	-	590,000	-	-
Restricted	110,763	291,549	698,134	-	358,197	96,555
Committed	-	37,177	-	-	357,862	-
Assigned	-	-	-	5,130	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficits)	110,763	328,726	698,134	595,130	716,059	96,555
TOTAL LIABILITIES AND FUND BALANCES	\$ 110,763	\$ 871,918	\$ 699,910	\$ 595,130	\$ 1,054,011	\$ 319,011

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2011

Capital Projects Funds				
Tax Incremental Districts	City Projects	2009	2010	2011
\$ 5,909,486	\$ 300,582	\$ -	\$ 209,078	\$ 6,790,216
1,188,589	-	-	-	-
-	-	-	-	-
-	-	-	-	-
850	51,213	-	-	-
-	-	-	-	-
-	-	-	-	-
-	790,239	-	-	-
385,000	-	-	-	-
-	120,000	-	-	-
-	644,876	-	-	-
<u>\$ 7,483,925</u>	<u>\$ 1,906,910</u>	<u>\$ -</u>	<u>\$ 209,078</u>	<u>\$ 6,790,216</u>
\$ 10,213	\$ 95,394	\$ -	\$ 130,176	\$ 609,081
564	-	-	-	-
-	2,320,723	-	-	-
3,617,829	-	-	-	-
-	51,213	-	-	-
1,188,589	-	-	-	-
<u>4,817,195</u>	<u>2,467,330</u>	<u>-</u>	<u>130,176</u>	<u>609,081</u>
-	764,876	-	-	-
2,666,730	-	-	-	-
-	-	-	78,902	6,181,135
-	-	-	-	-
-	(1,325,296)	-	-	-
<u>2,666,730</u>	<u>(560,420)</u>	<u>-</u>	<u>78,902</u>	<u>6,181,135</u>
<u>\$ 7,483,925</u>	<u>\$ 1,906,910</u>	<u>\$ -</u>	<u>\$ 209,078</u>	<u>\$ 6,790,216</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2011

	Capital Projects Funds		Permanent	Total
	Intergovernmental		Fund	Nonmajor
	Assessment	Revenue	Endowment	Governmental
	Projects	Sharing	Fund	Funds
ASSETS				
Cash and investments	\$ 51,024	\$ 4,226,044	\$ 2,980,188	\$ 26,629,361
Receivables				
Property taxes	-	-	-	6,632,452
Special assessment - tax roll	-	-	-	546,295
Special assessment	-	-	-	2,032,564
Accounts	-	-	-	218,619
Loans and notes	-	-	-	76,173
Due from other funds	-	-	-	752
Due from other governments	-	-	-	1,530,662
Assets held for resale	-	-	-	385,000
Advances to component unit	-	125,313	-	835,313
Advances to other funds	-	3,609,242	-	4,254,118
TOTAL ASSETS	\$ 51,024	\$ 7,960,599	\$ 2,980,188	\$ 43,141,309
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 51,024	\$ 71,149	\$ -	\$ 1,263,792
Accrued liabilities	-	26,177	-	238,284
Due to other funds	-	-	164	2,877,420
Advances from other funds	-	-	-	3,617,829
Deferred revenues	-	-	-	2,437,510
Deferred property tax revenue	-	-	-	7,178,747
Total Liabilities	51,024	97,326	164	17,613,582
Fund Balances (Deficits)				
Unspendable	-	3,734,555	-	5,089,431
Restricted	-	4,128,718	2,980,024	12,068,260
Committed	-	-	-	7,963,313
Assigned	-	-	-	1,799,724
Unassigned	-	-	-	(1,393,001)
Total Fund Balances (Deficits)	-	7,863,273	2,980,024	25,527,727
TOTAL LIABILITIES				
AND FUND BALANCES	\$ 51,024	\$ 7,960,599	\$ 2,980,188	\$ 43,141,309

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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, 2011

	Special Revenue Funds			
	Police Grants Beat Patrol	Police Grants COPS	Library	Harbor Commission
REVENUES				
Taxes	\$ 48,381	\$ 77,586	\$ 2,059,520	\$ -
Special charges and assessments	-	-	-	-
Intergovernmental	134,927	277,683	1,361,107	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	14,489	-
Charges for services	-	-	86,517	26,272
Donations	-	-	-	-
Other	-	-	3,386	-
Total Revenues	<u>183,308</u>	<u>355,269</u>	<u>3,525,019</u>	<u>26,272</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	-	3,535,709	12,122
Public works	-	-	-	-
Public safety	185,569	277,683	-	-
Debt Service	-	-	-	-
Capital Outlay	-	-	73,983	-
Total Expenditures	<u>185,569</u>	<u>277,683</u>	<u>3,609,692</u>	<u>12,122</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,261)</u>	<u>77,586</u>	<u>(84,673)</u>	<u>14,150</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Premium on long-term debt	-	-	-	-
Transfers in	-	-	71,382	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>71,382</u>	<u>-</u>
Net Change in Fund Balances	(2,261)	77,586	(13,291)	14,150
FUND BALANCES (DEFICIT) -				
Beginning of Year	<u>2,261</u>	<u>77,586</u>	<u>132,999</u>	<u>37,319</u>
FUND BALANCES (DEFICIT) - END OF YEAR	\$ -	\$ 155,172	\$ 119,708	\$ 51,469

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2011

Special Revenue Funds					
HAZMAT	Recycling	CAR 25	Municipal Court	Federal Asset Forfeiture	Cemetery
\$ -	\$ 983,437	\$ -	\$ 55,482	\$ -	\$ 211,612
-	-	-	-	-	-
107,504	295,234	-	-	-	-
-	-	-	224,704	104,649	-
2,391	-	-	-	2,697	6,900
3,020	505,994	88,463	-	-	253,030
-	-	-	-	-	-
1,499	-	-	-	-	-
<u>114,414</u>	<u>1,784,665</u>	<u>88,463</u>	<u>280,186</u>	<u>107,346</u>	<u>471,542</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	89,140	-	-	598,693
-	1,407,090	-	-	-	-
122,126	-	-	301,008	33,691	-
-	-	-	-	-	-
25,868	-	-	-	93,759	60,585
<u>147,994</u>	<u>1,407,090</u>	<u>89,140</u>	<u>301,008</u>	<u>127,450</u>	<u>659,278</u>
<u>(33,580)</u>	<u>377,575</u>	<u>(677)</u>	<u>(20,822)</u>	<u>(20,104)</u>	<u>(187,736)</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	14,840
-	(273,647)	-	-	-	-
<u>-</u>	<u>(273,647)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,840</u>
(33,580)	103,928	(677)	(20,822)	(20,104)	(172,896)
<u>334,044</u>	<u>(170,487)</u>	<u>51,517</u>	<u>19,676</u>	<u>182,350</u>	<u>394,660</u>
<u>\$ 300,464</u>	<u>\$ (66,559)</u>	<u>\$ 50,840</u>	<u>\$ (1,146)</u>	<u>\$ 162,246</u>	<u>\$ 221,764</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2011

	Special Revenue Funds			
	Private Property Maintenance	Sanitary Sewer Maintenance	Health Lab	Special Assessments
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special charges and assessments	-	-	-	990,006
Intergovernmental	-	-	40,506	-
Fines and Forfeitures	-	-	-	-
Investment income	-	23,304	-	39,694
Charges for services	240,450	1,599,736	-	-
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>240,450</u>	<u>1,623,040</u>	<u>40,506</u>	<u>1,029,700</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	-	-	-
Public works	201,316	483,073	-	-
Public safety	-	-	-	-
Debt Service	-	-	-	-
Capital Outlay	-	810,029	-	-
Total Expenditures	<u>201,316</u>	<u>1,293,102</u>	<u>-</u>	<u>-</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>39,134</u>	<u>329,938</u>	<u>40,506</u>	<u>1,029,700</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Premium on long-term debt	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	(1,160,624)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,160,624)</u>
Net Change in Fund Balances	39,134	329,938	40,506	(130,924)
FUND BALANCES (DEFICIT) -				
Beginning of Year	<u>94,783</u>	<u>479,803</u>	<u>-</u>	<u>1,925,518</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 133,917</u>	<u>\$ 809,741</u>	<u>\$ 40,506</u>	<u>\$ 1,794,594</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2011

Special Revenue Funds						Capital Projects Funds
Other Cemetery	Other Public Safety	Trusts	Economic Development	Other	Health	Tax Incremental Districts
\$ -	\$ 16,779	\$ -	\$ -	\$ 219,125	\$ -	\$ 1,218,908
-	-	-	-	-	-	-
-	715,158	-	-	413,028	910,815	184,827
-	21,267	-	-	-	-	-
1,327	-	14,627	76	122	-	76,102
32,941	-	-	-	107,242	128,563	20,979
250	56,864	44,582	-	153,727	85,500	-
-	-	-	-	12,505	-	-
<u>34,518</u>	<u>810,068</u>	<u>59,209</u>	<u>76</u>	<u>905,749</u>	<u>1,124,878</u>	<u>1,500,816</u>
-	-	-	-	532,214	-	219,833
-	-	-	-	-	1,103,757	-
4,774	-	44,683	-	344,198	13,038	-
-	-	-	-	5,117	-	-
-	451,295	-	-	-	-	-
-	-	-	-	-	-	51,490
-	333,763	-	-	3,044	-	33,020
<u>4,774</u>	<u>785,058</u>	<u>44,683</u>	<u>-</u>	<u>884,573</u>	<u>1,116,795</u>	<u>304,343</u>
<u>29,744</u>	<u>25,010</u>	<u>14,526</u>	<u>76</u>	<u>21,176</u>	<u>8,083</u>	<u>1,196,473</u>
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	-	-	14,831	12,938	2,043,671
-	-	-	-	(20,000)	-	(1,042,094)
-	-	-	-	(5,169)	12,938	1,001,577
<u>29,744</u>	<u>25,010</u>	<u>14,526</u>	<u>76</u>	<u>16,007</u>	<u>21,021</u>	<u>2,198,050</u>
<u>81,019</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>
<u>\$ 110,763</u>	<u>\$ 328,726</u>	<u>\$ 698,134</u>	<u>\$ 595,130</u>	<u>\$ 716,059</u>	<u>\$ 96,555</u>	<u>\$ 2,666,730</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2011

	Capital Projects Funds			
	City Projects	2009	2010	2011
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special assessments	-	-	-	-
Intergovernmental	512,588	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	3,875	7,705	51,753	59,593
Charges for services	936,245	-	-	-
Donations	414,978	-	-	-
Other	31,980	-	-	37,908
Total Revenues	<u>1,899,666</u>	<u>7,705</u>	<u>51,753</u>	<u>97,501</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	2,300	-	-	-
Public works	479,771	-	-	-
Public safety	-	-	-	-
Debt Service	-	-	-	133,445
Capital Outlay	<u>1,567,579</u>	<u>992,545</u>	<u>3,752,803</u>	<u>1,994,644</u>
Total Expenditures	<u>2,049,650</u>	<u>992,545</u>	<u>3,752,803</u>	<u>2,128,089</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(149,984)</u>	<u>(984,840)</u>	<u>(3,701,050)</u>	<u>(2,030,588)</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	8,080,000
Premium on long-term debt	-	-	-	367,763
Transfers in	-	-	-	-
Transfers (out)	-	(11,310)	(379,705)	(236,040)
Total Other Financing Sources (Uses)	<u>-</u>	<u>(11,310)</u>	<u>(379,705)</u>	<u>8,211,723</u>
Net Change in Fund Balances	(149,984)	(996,150)	(4,080,755)	6,181,135
FUND BALANCES (DEFICIT) -				
Beginning of Year	<u>(410,436)</u>	<u>996,150</u>	<u>4,159,657</u>	<u>-</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (560,420)</u>	<u>\$ -</u>	<u>\$ 78,902</u>	<u>\$ 6,181,135</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2011

Capital Projects Funds		Permanent Fund	Total
Assessment Projects	Intergovernmental Revenue Sharing	Endowment Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 4,890,830
-	-	-	990,006
-	1,331,684	-	6,285,061
-	-	-	350,620
-	63,530	35,329	403,514
-	-	-	4,029,452
-	-	32	755,933
-	48,466	-	135,744
-	1,443,680	35,361	17,841,160
-	169,782	-	921,829
-	-	-	1,103,757
-	-	39,512	4,684,169
-	-	-	2,576,367
-	-	-	1,371,372
-	-	-	184,935
1,136,390	-	-	10,878,012
1,136,390	169,782	39,512	21,720,441
(1,136,390)	1,273,898	(4,151)	(3,879,281)
-	-	-	8,080,000
-	-	-	367,763
1,160,624	-	-	3,318,286
-	-	(14,840)	(3,138,260)
1,160,624	-	(14,840)	8,627,789
24,234	1,273,898	(18,991)	4,748,508
(24,234)	6,589,375	2,999,015	20,779,219
\$ -	\$ 7,863,273	\$ 2,980,024	\$ 25,527,727

CITY OF RACINE
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2011

	Police Grants-Beat Patrol		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 48,381	\$ 48,381	\$ -
Intergovernmental	145,144	134,927	(10,217)
Fines and Forfeitures	-	-	-
Investment income	-	-	-
Charges for services	-	-	-
Donations	-	-	-
Other	-	-	-
Total Revenues	<u>193,525</u>	<u>183,308</u>	<u>(10,217)</u>
EXPENDITURES			
Current			
Community development	-	-	-
Health	-	-	-
Education and recreation	-	-	-
Public works	-	-	-
Public safety	193,525	185,569	7,956
Capital outlay	-	-	-
Total Expenditures	<u>193,525</u>	<u>185,569</u>	<u>7,956</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>(2,261)</u>	<u>(2,261)</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>(2,261)</u>	<u>\$ (2,261)</u>
FUND BALANCES (DEFICIT) - Beginning of Year		<u>2,261</u>	
FUND BALANCES (DEFICIT) - END OF YEAR		<u>\$ -</u>	

CITY OF RACINE
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2011

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	\$ -	\$ 2,059,520	\$ 2,059,520	\$ 2,059,520	\$ -
272,014	272,014	277,683	5,669	1,367,392	1,367,392	1,361,107	(6,285)
-	-	-	-	-	-	-	-
-	-	-	-	36,000	36,000	14,489	(21,511)
-	-	-	-	114,560	114,560	86,517	(28,043)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	3,386	3,386
<u>349,600</u>	<u>349,600</u>	<u>355,269</u>	<u>5,669</u>	<u>3,577,472</u>	<u>3,577,472</u>	<u>3,525,019</u>	<u>(52,453)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	3,697,430	3,697,430	3,535,709	161,721
-	-	-	-	-	-	-	-
349,600	349,600	277,683	71,917	-	-	-	-
-	-	-	-	178,401	196,418	73,983	122,435
<u>349,600</u>	<u>349,600</u>	<u>277,683</u>	<u>71,917</u>	<u>3,875,831</u>	<u>3,893,848</u>	<u>3,609,692</u>	<u>284,156</u>
-	-	77,586	77,586	(298,359)	(316,376)	(84,673)	231,703
-	-	-	-	135,000	163,140	71,382	(91,758)
-	-	-	-	-	-	-	-
-	-	-	-	135,000	163,140	71,382	(91,758)
<u>\$ -</u>	<u>\$ -</u>	<u>77,586</u>	<u>\$ 77,586</u>	<u>\$ (163,359)</u>	<u>\$ (153,236)</u>	<u>(13,291)</u>	<u>\$ 139,945</u>
		<u>77,586</u>				<u>132,999</u>	
		<u>\$ 155,172</u>				<u>\$ 119,708</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, 2011

	Harbor Commission			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	41,762	41,762	26,272	(15,490)
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>41,762</u>	<u>41,762</u>	<u>26,272</u>	<u>(15,490)</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	34,746	34,746	12,122	22,624
Public works	-	-	-	-
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>34,746</u>	<u>34,746</u>	<u>12,122</u>	<u>22,624</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>7,016</u>	<u>7,016</u>	<u>14,150</u>	<u>7,134</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>\$ 7,016</u>	<u>\$ 7,016</u>	<u>14,150</u>	<u>\$ 7,134</u>
FUND BALANCES (DEFICIT) - Beginning of Year			<u>37,319</u>	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ 51,469</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, 2011

HAZMAT				Recycling			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ 983,437	\$ 983,437	\$ 983,437	\$ -
121,268	121,268	107,504	(13,764)	460,000	460,000	295,234	(164,766)
-	-	-	-	-	-	-	-
-	-	2,391	2,391	-	-	-	-
2,500	2,500	3,020	520	303,000	303,000	505,994	202,994
-	-	-	-	-	-	-	-
1,500	1,500	1,499	(1)	-	-	-	-
<u>125,268</u>	<u>125,268</u>	<u>114,414</u>	<u>(10,854)</u>	<u>1,746,437</u>	<u>1,746,437</u>	<u>1,784,665</u>	<u>38,228</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,476,437	1,477,619	1,407,090	70,529
140,539	140,539	122,126	18,413	-	-	-	-
-	38,224	25,868	12,356	250,000	250,000	-	250,000
<u>140,539</u>	<u>178,763</u>	<u>147,994</u>	<u>30,769</u>	<u>1,726,437</u>	<u>1,727,619</u>	<u>1,407,090</u>	<u>320,529</u>
<u>(15,271)</u>	<u>(53,495)</u>	<u>(33,580)</u>	<u>19,915</u>	<u>20,000</u>	<u>18,818</u>	<u>377,575</u>	<u>358,757</u>
-	-	-	-	250,000	250,000	-	(250,000)
-	-	-	-	(270,000)	(270,000)	(273,647)	(3,647)
-	-	-	-	(20,000)	(20,000)	(273,647)	(253,647)
<u>\$ (15,271)</u>	<u>\$ (53,495)</u>	<u>(33,580)</u>	<u>\$ 19,915</u>	<u>\$ -</u>	<u>\$ (1,182)</u>	<u>103,928</u>	<u>\$ 105,110</u>
		<u>334,044</u>				<u>(170,487)</u>	
		<u>\$ 300,464</u>				<u>\$ (66,559)</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, 2011

	CAR25			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	86,700	86,700	88,463	1,763
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>86,700</u>	<u>86,700</u>	<u>88,463</u>	<u>1,763</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	86,686	86,686	89,140	(2,454)
Public works	-	-	-	-
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>86,686</u>	<u>86,686</u>	<u>89,140</u>	<u>(2,454)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>14</u>	<u>14</u>	<u>(677)</u>	<u>(691)</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>\$ 14</u>	<u>\$ 14</u>	<u>(677)</u>	<u>\$ (691)</u>
FUND BALANCES (DEFICIT) - Beginning of Year			<u>51,517</u>	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ 50,840</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, 2011

Municipal Court				Federal Asset Forfeiture			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 55,482	\$ 55,482	\$ 55,482	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
240,000	240,000	224,704	(15,296)	148,000	148,000	104,649	(43,351)
-	-	-	-	5,000	5,000	2,697	(2,303)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>295,482</u>	<u>295,482</u>	<u>280,186</u>	<u>(15,296)</u>	<u>153,000</u>	<u>153,000</u>	<u>107,346</u>	<u>(45,654)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
295,482	303,072	301,008	2,064	53,000	53,000	33,691	19,309
-	-	-	-	191,000	191,980	93,759	98,221
<u>295,482</u>	<u>303,072</u>	<u>301,008</u>	<u>2,064</u>	<u>244,000</u>	<u>244,980</u>	<u>127,450</u>	<u>117,530</u>
-	(7,590)	(20,822)	(13,232)	(91,000)	(91,980)	(20,104)	71,876
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ (7,590)</u>	<u>(20,822)</u>	<u>\$ (13,232)</u>	<u>\$ (91,000)</u>	<u>\$ (91,980)</u>	<u>(20,104)</u>	<u>\$ 71,876</u>
		19,676				182,350	
		<u>\$ (1,146)</u>				<u>\$ 162,246</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, 2011

	Private Property Maintenance			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	185,000	185,000	240,450	55,450
Donations	-	-	-	-
Other	-	-	-	-
Total Revenues	<u>185,000</u>	<u>185,000</u>	<u>240,450</u>	<u>55,450</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	-	-	-
Public works	181,010	181,010	201,316	(20,306)
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>181,010</u>	<u>181,010</u>	<u>201,316</u>	<u>(20,306)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>3,990</u>	<u>3,990</u>	<u>39,134</u>	<u>35,144</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ 3,990</u>	<u>\$ 3,990</u>	<u>39,134</u>	<u>\$ 35,144</u>
FUND BALANCES (DEFICIT) - Beginning of Year			<u>94,783</u>	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ 133,917</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, 2011**

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	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
17,000	17,000	6,900	(10,100)	25,000	25,000	23,304	(1,696)
290,000	290,000	253,030	(36,970)	1,511,047	1,511,047	1,599,736	88,689
-	-	-	-	-	29,990	-	(29,990)
-	-	-	-	-	-	-	-
<u>518,612</u>	<u>518,612</u>	<u>471,542</u>	<u>(47,070)</u>	<u>1,536,047</u>	<u>1,566,037</u>	<u>1,623,040</u>	<u>57,003</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
617,968	630,768	598,693	32,075	-	-	-	-
-	-	-	-	600,306	600,306	483,073	117,233
-	-	-	-	-	-	-	-
61,300	76,810	60,585	16,225	935,000	1,008,912	810,029	198,883
<u>679,268</u>	<u>707,578</u>	<u>659,278</u>	<u>48,300</u>	<u>1,535,306</u>	<u>1,609,218</u>	<u>1,293,102</u>	<u>316,116</u>
<u>(160,656)</u>	<u>(188,966)</u>	<u>(187,736)</u>	<u>1,230</u>	<u>741</u>	<u>(43,181)</u>	<u>329,938</u>	<u>373,119</u>
-	-	14,840	14,840	-	-	-	-
-	-	-	-	-	-	-	-
-	-	14,840	14,840	-	-	-	-
<u>\$ (160,656)</u>	<u>\$ (188,966)</u>	<u>(172,896)</u>	<u>\$ 16,070</u>	<u>\$ 741</u>	<u>\$ (43,181)</u>	<u>329,938</u>	<u>\$ 373,119</u>
		<u>394,660</u>				<u>479,803</u>	
		<u>\$ 221,764</u>				<u>\$ 809,741</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, 2011

	Currently Due		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Tax Levy	\$ 9,333,738	\$ 9,333,738	\$ -
Other	350,354	346,664	(3,690)
Total Revenues	9,684,092	9,680,402	(3,690)
EXPENDITURES			
Debt service			
Principal	\$ 8,791,347	8,791,347	-
Interest and fiscal charges	4,665,414	4,317,570	347,844
Total Expenditures	13,456,761	13,108,917	347,844
Excess (Deficiency) of Revenues over (under) Expenditures	(3,772,669)	(3,428,515)	344,154
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	-	12,925,000	12,925,000
Payment to escrow agent	-	(13,245,905)	(13,245,905)
Transfers in	-	3,097,695	3,097,695
Transfers (out)	-	-	-
Total Other Financing Sources (Uses)	-	2,776,790	2,776,790
Net Change in Fund Balances	\$ (3,772,669)	(651,725)	\$ 3,120,944
FUND BALANCES - Beginning of Year		861,432	
FUND BALANCES - END OF YEAR		\$ 209,707	

CITY OF RACINE

Capital Project Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Year Ended December 31, 2011

	2011 Capital Projects			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment income	30,500	30,500	59,593	29,093
Other	18,000	18,000	37,908	19,908
Total Revenues	48,500	48,500	97,501	49,001
EXPENDITURES				
Current-Community Development	-	-	-	-
Debt service	-	133,445	133,445	-
Capital outlay	7,149,550	6,935,777	1,994,644	4,941,133
Total Expenditures	7,149,550	7,069,222	2,128,089	4,941,133
Excess (Deficiency) of Revenues over (under) Expenditures	(7,101,050)	(7,020,722)	(2,030,588)	4,990,134
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	8,295,000	8,295,000	8,080,000	(215,000)
Premium on long-term debt	-	-	367,763	367,763
Transfers in	-	-	-	-
Transfers (out)	(1,193,950)	(1,274,278)	(236,040)	1,038,238
Total Other Financing Sources (Uses)	7,101,050	7,020,722	8,211,723	1,191,001
Net Change in Fund Balances	\$ -	\$ -	6,181,135	\$ 6,181,135
FUND BALANCES (DEFICITS)- Beginning of Year			-	
FUND BALANCES - END OF YEAR			\$ 6,181,135	

CITY OF RACINE

Capital Project Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Year Ended December 31, 2011

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	1,230,000	1,331,684	101,684
-	-	-	-	-	-	-	-
-	-	-	-	25,000	25,000	63,530	38,530
-	-	-	-	-	-	48,466	48,466
-	-	-	-	1,255,000	1,255,000	1,443,680	188,680
-	-	-	-	-	-	-	-
-	-	-	-	124,400	893,683	169,782	723,901
-	-	-	-	-	-	-	-
1,497,000	1,521,234	1,136,390	384,844	350,000	750,000	-	750,000
1,497,000	1,521,234	1,136,390	384,844	474,400	1,643,683	169,782	1,473,901
(1,497,000)	(1,521,234)	(1,136,390)	384,844	780,600	(388,683)	1,273,898	1,662,581
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,497,000	1,497,000	1,160,624	(336,376)	-	-	-	-
-	-	-	-	(547,000)	-	-	-
1,497,000	1,497,000	1,160,624	(336,376)	(547,000)	-	-	-
\$ -	\$ (24,234)	24,234	\$ 48,468	\$ 233,600	\$ (388,683)	1,273,898	\$ 1,662,581
		(24,234)				6,589,375	
		\$ -				\$7,863,273	

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS
As of December 31, 2011

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
ASSETS						
Current Assets						
Cash and investments	\$ 1,964,898	\$ 230,552	\$ 59,230	\$ 45,095	\$ 373,326	\$ 2,673,101
Receivables						
Accounts	20,570	613	-	55,149	71,938	148,270
Taxes	9,670	3,755,539	-	346,000	-	4,111,209
Due from other funds	-	-	-	-	-	-
Inventories	-	-	-	6,474	-	6,474
Prepaid expenses	-	-	-	8,187	-	8,187
Total Current Assets	<u>1,995,138</u>	<u>3,986,704</u>	<u>59,230</u>	<u>460,905</u>	<u>445,264</u>	<u>6,947,241</u>
Noncurrent Assets						
Capital assets						
Land	1,014,105	-	1,432,654	140,421	15,000	2,602,180
Land and building improvements	16,313,619	57,540,373	1,876,054	6,979,099	156,213	82,865,358
Equipment, furniture and vehicles	696,585	1,412,634	963,558	471,624	12,913	3,557,314
Less: accumulated depreciation	(6,493,261)	(31,107,357)	(1,776,225)	(4,050,034)	(81,393)	(43,508,270)
	<u>11,531,048</u>	<u>27,845,650</u>	<u>2,496,041</u>	<u>3,541,110</u>	<u>102,733</u>	<u>45,516,582</u>
Construction in progress	-	193,755	23,408	161,014	-	378,177
Total Capital Assets (net of accumulated depreciation)	<u>11,531,048</u>	<u>28,039,405</u>	<u>2,519,449</u>	<u>3,702,124</u>	<u>102,733</u>	<u>45,894,759</u>
TOTAL ASSETS	<u>\$ 13,526,186</u>	<u>\$ 32,026,109</u>	<u>\$ 2,578,679</u>	<u>\$ 4,163,029</u>	<u>\$ 547,997</u>	<u>\$ 52,842,000</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS
As of December 31, 2011

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 28,954	\$ 294,017	\$ -	\$ 39,884	\$ 38	\$ 362,893
Accrued compensation	9,311	10,799	-	-	3,891	24,001
Accrued liabilities	-	-	20,499	41,503	-	62,002
Due to other funds	-	-	-	221,858	-	221,858
Advances from other funds	-	149,870	-	-	-	149,870
Deferred property tax revenue	9,670	3,755,539	-	346,000	-	4,111,209
Total Current Liabilities	<u>47,935</u>	<u>4,210,225</u>	<u>20,499</u>	<u>649,245</u>	<u>3,929</u>	<u>4,931,833</u>
Noncurrent Liabilities						
Compensated absences	29,339	7,455	-	-	16,395	53,189
OPEB ARC obligation	883,748	2,041,669	-	-	386,794	3,312,211
Advances from other funds	-	842,006	-	-	-	842,006
Total Noncurrent Liabilities	<u>913,087</u>	<u>2,891,130</u>	<u>-</u>	<u>-</u>	<u>403,189</u>	<u>4,207,406</u>
TOTAL LIABILITIES	<u>961,022</u>	<u>7,101,355</u>	<u>20,499</u>	<u>649,245</u>	<u>407,118</u>	<u>9,139,239</u>
NET ASSETS						
Invested in capital assets	11,531,048	28,039,405	2,519,449	3,702,124	102,733	45,894,759
Unrestricted (deficit)	<u>1,034,116</u>	<u>(3,114,651)</u>	<u>38,731</u>	<u>(188,340)</u>	<u>38,146</u>	<u>(2,191,998)</u>
TOTAL NET ASSETS	<u>\$ 12,565,164</u>	<u>\$ 24,924,754</u>	<u>\$ 2,558,180</u>	<u>\$ 3,513,784</u>	<u>\$ 140,879</u>	<u>\$ 43,702,761</u>

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CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended December 31, 2011

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
OPERATING REVENUES						
Charges for services	\$ 1,219,846	\$ 3,690,442	\$ 165,545	\$ 452,481	\$ 422,267	\$ 5,950,581
Other	-	-	-	1,619	-	1,619
Total Operating Revenues	<u>1,219,846</u>	<u>3,690,442</u>	<u>165,545</u>	<u>454,100</u>	<u>422,267</u>	<u>5,952,200</u>
OPERATING EXPENSES						
Public works	1,270,179	3,159,755	-	-	422,909	4,852,843
Education and recreation	-	-	79,083	957,404	-	1,036,487
Depreciation	<u>405,971</u>	<u>1,211,678</u>	<u>91,214</u>	<u>277,557</u>	<u>6,208</u>	<u>1,992,628</u>
Total Operating Expenses	<u>1,676,150</u>	<u>4,371,433</u>	<u>170,297</u>	<u>1,234,961</u>	<u>429,117</u>	<u>7,881,958</u>
Operating income (loss)	<u>(456,304)</u>	<u>(680,991)</u>	<u>(4,752)</u>	<u>(780,861)</u>	<u>(6,850)</u>	<u>(1,929,758)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	-	32,682	202	-	-	32,884
Interest expense	-	(48,980)	-	-	-	(48,980)
Gain (loss) on sale of fixed assets	(23,153)	(1,396)	-	-	-	(24,549)
Tax levy	<u>9,670</u>	<u>-</u>	<u>-</u>	<u>417,000</u>	<u>-</u>	<u>426,670</u>
Total Nonoperating Revenues (Expenses)	<u>(13,483)</u>	<u>(17,694)</u>	<u>202</u>	<u>417,000</u>	<u>-</u>	<u>386,025</u>
Income (Loss) Before Transfers	<u>(469,787)</u>	<u>(698,685)</u>	<u>(4,550)</u>	<u>(363,861)</u>	<u>(6,850)</u>	<u>(1,543,733)</u>
TRANSFERS IN	<u>-</u>	<u>-</u>	<u>-</u>	<u>308,343</u>	<u>8,813</u>	<u>317,156</u>
Change in Net Assets	<u>(469,787)</u>	<u>(698,685)</u>	<u>(4,550)</u>	<u>(55,518)</u>	<u>1,963</u>	<u>(1,226,577)</u>
TOTAL NET ASSETS, Beginning 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>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 12,565,164</u>	<u>\$ 24,924,754</u>	<u>\$ 2,558,180</u>	<u>\$ 3,513,784</u>	<u>\$ 140,879</u>	<u>\$ 43,702,761</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Totals
CASH FLOW FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 1,214,355	\$ 3,690,735	\$ 165,545	\$ 421,513	\$ 430,332	\$ 5,922,480
Payments to suppliers	(447,084)	(1,192,016)	(106,517)	(991,398)	(85,600)	(2,822,615)
Payments to employees	(581,701)	(1,343,868)	-	-	(254,595)	(2,180,164)
Net Cash Provided (Used) by Operating Activities	<u>185,570</u>	<u>1,154,851</u>	<u>59,028</u>	<u>(569,885)</u>	<u>90,137</u>	<u>919,701</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Operating subsidies received-City	<u>9,670</u>	<u>-</u>	<u>-</u>	<u>417,000</u>	<u>-</u>	<u>426,670</u>
Net Cash Provided by Noncapital Financing Activities	<u>9,670</u>	<u>-</u>	<u>-</u>	<u>417,000</u>	<u>-</u>	<u>426,670</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Advances retired	-	(143,790)	-	-	-	(143,790)
Interest paid on advances	-	(48,980)	-	-	-	(48,980)
Transfer from other funds for capital purposes	-	-	-	308,343	8,813	317,156
Acquisition and construction of capital assets	<u>(165,460)</u>	<u>(764,211)</u>	<u>-</u>	<u>(161,014)</u>	<u>-</u>	<u>(1,090,685)</u>
Net Cash Provided (Used) by Capital and Related Financing Activities	<u>(165,460)</u>	<u>(956,981)</u>	<u>-</u>	<u>147,329</u>	<u>8,813</u>	<u>(966,299)</u>
CASH FLOW FROM INVESTING ACTIVITIES						
Investment income received	<u>-</u>	<u>32,682</u>	<u>202</u>	<u>-</u>	<u>-</u>	<u>32,884</u>
Change in Cash and Cash Equivalents	<u>29,780</u>	<u>230,552</u>	<u>59,230</u>	<u>(5,556)</u>	<u>98,950</u>	<u>412,956</u>
CASH AND CASH EQUIVALENTS,						
Beginning of Year	<u>1,935,118</u>	<u>-</u>	<u>-</u>	<u>50,651</u>	<u>274,376</u>	<u>2,260,145</u>
End of Year	<u>\$ 1,964,898</u>	<u>\$ 230,552</u>	<u>\$ 59,230</u>	<u>\$ 45,095</u>	<u>\$ 373,326</u>	<u>\$ 2,673,101</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2011

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ (456,304)	\$ (680,991)	\$ (4,752)	\$ (780,861)	\$ (6,850)	\$ (1,929,758)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Other postemployment benefits	221,769	481,367	-	-	84,383	787,519
Depreciation	405,971	1,211,678	91,214	277,557	6,208	1,992,628
(Increase) decrease in accounts receivable	(5,491)	293	-	(32,587)	8,065	(29,720)
(Increase) decrease in inventories	-	-	-	363	-	363
(Increase) decrease in prepaids	-	-	-	2,589	-	2,589
(Increase) decrease in due from other funds	-	(72,635)	-	71,000	-	(1,635)
Increase (decrease) in accounts payable	23,802	246,291	-	(58,855)	38	211,276
Increase (decrease) in accrued liabilities	(4,177)	6,258	298	7,576	(1,707)	8,248
Increase (decrease) in deferred revenue	-	72,635	-	(71,000)	-	1,635
Increase (decrease) in due to other funds	-	(110,045)	(27,732)	14,333	-	(123,444)
Net Cash Provided (Used) by Operating Activities	<u>\$ 185,570</u>	<u>\$ 1,154,851</u>	<u>\$ 59,028</u>	<u>\$ (569,885)</u>	<u>\$ 90,137</u>	<u>\$ 919,701</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

As of December 31, 2011

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
ASSETS						
Current Assets						
Cash and investments	\$ 11,607	\$ 384,436	\$ 481,043	\$ 7,749,533	\$ 67,614	\$ 8,694,233
Inventories	417,721	-	-	-	-	417,721
Receivables						
Accounts	25,521	-	-	310,486	2,739	338,746
Due from other funds	6,084	-	-	-	2,187	8,271
Total Current Assets	<u>460,933</u>	<u>384,436</u>	<u>481,043</u>	<u>8,060,019</u>	<u>72,540</u>	<u>9,458,971</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	416,704	1,262,819	130,465	-	249,601	2,059,589
Less: Accumulated depreciation and amortization	<u>(1,001,586)</u>	<u>(1,545,028)</u>	<u>(53,409)</u>	<u>-</u>	<u>(23,985)</u>	<u>(2,624,008)</u>
Total Capital Assets (net of accumulated depreciation/amortization)	<u>1,053,010</u>	<u>323,001</u>	<u>77,056</u>	<u>-</u>	<u>225,616</u>	<u>1,678,683</u>
TOTAL ASSETS	<u>\$ 1,513,943</u>	<u>\$ 707,437</u>	<u>\$ 558,099</u>	<u>\$ 8,060,019</u>	<u>\$ 298,156</u>	<u>\$ 11,137,654</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

As of December 31, 2011

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 91,244	\$ 43,521	\$ 31,382	\$ 27,474	\$ 21,656	\$ 215,277
Accrued liabilities	26,497	10,011	14,933	1,391,959	-	1,443,400
Due to other funds	-	-	16,637	-	-	16,637
Total Current Liabilities	<u>117,741</u>	<u>53,532</u>	<u>62,952</u>	<u>1,419,433</u>	<u>21,656</u>	<u>1,675,314</u>
Noncurrent Liabilities						
Compensated absences	83,028	5,193	40,944	-	-	129,165
Total Noncurrent Liabilities	<u>83,028</u>	<u>5,193</u>	<u>40,944</u>	<u>-</u>	<u>-</u>	<u>129,165</u>
TOTAL LIABILITIES	<u>200,769</u>	<u>58,725</u>	<u>103,896</u>	<u>1,419,433</u>	<u>21,656</u>	<u>1,804,479</u>
NET ASSETS						
Invested in capital assets	1,053,010	323,001	77,056	-	225,616	1,678,683
Unrestricted	260,164	325,711	377,147	6,640,586	50,884	7,654,492
TOTAL NET ASSETS	<u>\$ 1,313,174</u>	<u>\$ 648,712</u>	<u>\$ 454,203</u>	<u>\$ 6,640,586</u>	<u>\$ 276,500</u>	<u>\$ 9,333,175</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, 2011

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
OPERATING REVENUES						
Charges for services and sales						
Labor and equipment charges	\$ 1,843,817	\$ -	\$ -	\$ -	\$ -	\$ 1,843,817
Fuel, oil, parts and supplies sales	2,348,376	-	-	-	-	2,348,376
Health insurance premiums	-	-	-	15,900,199	-	15,900,199
Telephone service sales	-	-	-	-	196,750	196,750
Computer service sales	-	1,487,626	-	-	-	1,487,626
Facilities rent	-	-	2,268,879	-	-	2,268,879
Other	35,139	919	2,088	361,191	-	399,337
Total Operating Revenues	<u>4,227,332</u>	<u>1,488,545</u>	<u>2,270,967</u>	<u>16,261,390</u>	<u>196,750</u>	<u>24,444,984</u>
OPERATING EXPENSES						
Public Works						
Operating supplies and expenses	4,178,114	-	2,233,043	-	-	6,411,157
General administration						
Telephone expenses	-	-	-	-	230,845	230,845
Health insurance	-	-	-	17,402,021	-	17,402,021
Information systems	-	1,437,451	-	-	-	1,437,451
Depreciation and amortization	68,202	224,831	21,338	-	37,076	351,447
Total Operating Expenses	<u>4,246,316</u>	<u>1,662,282</u>	<u>2,254,381</u>	<u>17,402,021</u>	<u>267,921</u>	<u>25,832,921</u>
Operating Income (Loss)	(18,984)	(173,737)	16,586	(1,140,631)	(71,171)	(1,387,937)
NONOPERATING REVENUES (EXPENSES)						
Gain (loss) on sale of capital assets	-	(101,484)	-	-	(418,917)	(520,401)
Total Nonoperating Revenues (Expenses)	-	(101,484)	-	-	(418,917)	(520,401)
Income (Loss) Before Transfers	(18,984)	(275,221)	16,586	(1,140,631)	(490,088)	(1,908,338)
TRANSFER IN						
Change in Net Assets	(18,984)	(240,732)	16,586	(1,140,631)	(300,088)	(1,683,849)
TOTAL NET ASSETS - Beginning 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>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 1,313,174</u>	<u>\$ 648,712</u>	<u>\$ 454,203</u>	<u>\$ 6,640,586</u>	<u>\$ 276,500</u>	<u>\$ 9,333,175</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2011

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 4,236,439	\$ 1,488,545	\$ 2,272,633	\$ 17,069,863	\$ 198,617	\$ 25,266,097
Payments to suppliers	(2,485,634)	(831,962)	(1,294,997)	(17,237,581)	(212,792)	(22,062,966)
Payments to employees	(1,698,999)	(584,317)	(927,222)	(142,586)	(12,625)	(3,365,749)
Net Cash Provided (Used) by Operating Activities	<u>51,806</u>	<u>72,266</u>	<u>50,414</u>	<u>(310,304)</u>	<u>(26,800)</u>	<u>(162,618)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Transfer from other funds for capital purposes	-	34,489	-	-	190,000	224,489
Acquisition and construction of capital assets	(40,199)	(87,289)	(25,422)	-	(227,472)	(380,382)
Net Cash Used by Capital and Related Financing Activities	<u>(40,199)</u>	<u>(52,800)</u>	<u>(25,422)</u>	<u>-</u>	<u>(37,472)</u>	<u>(155,893)</u>
Net Increase (Decrease) in Cash and Cash Equivalents	11,607	19,466	24,992	(310,304)	(64,272)	(318,511)
CASH AND CASH EQUIVALENTS - Beginning 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>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 11,607</u>	<u>\$ 384,436</u>	<u>\$ 481,043</u>	<u>\$ 7,749,533</u>	<u>\$ 67,614</u>	<u>\$ 8,694,233</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2011

	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)	\$ (18,984)	\$ (173,737)	\$ 16,586	\$ (1,140,631)	\$ (71,171)	\$ (1,387,937)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities						
Depreciation/Amortization expense	68,202	224,831	21,338	-	37,076	351,447
(Increase) decrease in accounts receivable	6,479	-	1,666	788,432	461	797,038
(Increase) decrease in inventories	8,531	-	-	-	-	8,531
(Increase) decrease in due from other funds	2,630	-	-	20,041	1,406	24,077
Increase (decrease) in accounts payable	59,641	16,953	17,386	(44,887)	5,428	54,521
Increase (decrease) in accrued liabilities	(26,696)	4,219	1,453	66,741	-	45,717
Increase (decrease) in due to other funds	(47,997)	-	(8,015)	-	-	(56,012)
Total Adjustments	70,790	246,003	33,828	830,327	44,371	1,225,319
Net Cash Provided (Used) by Operating Activities	\$ 51,806	\$ 72,266	\$ 50,414	\$ (310,304)	\$ (26,800)	\$ (162,618)