

# **CITY OF RACINE**

Racine, Wisconsin

## **FINANCIAL STATEMENTS**

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2012

# CITY OF RACINE

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As of and for the Year Ended December 31, 2012

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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

### ***Report on the Financial Statements***

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Racine, Wisconsin, as of and for the year ended December 31, 2012, and the related notes to the financial statements, which collectively comprise the City of Racine's basic financial statements as listed in the table of contents.

### ***Management's Responsibility for the Financial Statements***

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### ***Auditors' Responsibility***

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, or the Downtown Racine Business Improvement District #1, a discretely presented component unit. These financial statements were not audited in accordance with *Government Auditing Standards*. Those statements were audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included for Racine Water and Wastewater Utilities, both major enterprise funds, or the Downtown Racine Business Improvement District #1, a discretely presented component unit, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control over financial reporting relevant to the City of Racine's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City of Racine's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

To the Mayor and Common Council  
City of Racine

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

### ***Opinions***

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Racine, Wisconsin, as of December 31, 2012 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 accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note I, the City of Racine adopted the provisions of GASB Statement No. 63, *Financial Reporting for Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective January 1, 2012. Our opinions are not modified with respect to this matter.

### ***Other Matters***

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 the basic financial statements in an appropriate operational, economic, 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 inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, 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 and schedules 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 basic 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 basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements are fairly stated in all material respects, in relation to the basic financial statements and schedules as a whole.



To the Mayor and Common Council  
City of Racine

**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we will also issue a report on our consideration of the City of Racine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Racine's internal control over financial reporting and compliance.

*Brian Kelly Michael Bauer, CPA*

Milwaukee, Wisconsin  
July 25, 2013

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

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# **CITY OF RACINE**

Racine, Wisconsin

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Unaudited)

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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, 2012.

### **Financial Highlights**

- The assets of the City of Racine exceeded its liabilities at the close of the most recent fiscal year by \$222,137,766 (net position). Of this amount, \$(76,686,679) (unrestricted net position) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net position decreased by \$18,000,639.
- As of the close of the current fiscal year, the City of Racine's governmental funds reported combined ending fund balances of \$65,786,281, an increase of \$1,176,047, in comparison with the prior year. Approximately 30.6% of this amount, \$20,186,063, 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 \$21,467,880 or 26.5% of total general fund expenditures.
- Total long term obligations decreased by approximately \$8.7 million for the fiscal year ended December 31, 2012. Long term obligation activity during the year included the following:
  - \$9.8 million of general obligation debt issued for the 2012 capital improvement plan.
  - \$11.135 million of general obligation refunding debt issued to advance refund \$10.870 million of 2003 and 2004 debt.
  - \$18.97 million for general repayments
  - \$14.14 million of mortgage revenue refunding bonds issued by the Water Utility to advance refund \$13.835 of the outstanding balance of the 2004 mortgage revenue bond,

### **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 position presents information on all of the City of Racine's assets and liabilities, with the difference between the two reported as net position. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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)

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**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 2011 financial information to conform to the 2012 presentation. There were no changes in previously reported net position as a result of these reclassifications.

The government-wide financial statements can be found on pages 18-20 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)**

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### **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 21-26 of this report.

### **Proprietary Funds**

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

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

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

### **Fiduciary Funds**

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

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

**CITY OF RACINE**  
Racine, Wisconsin

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)

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**Notes to the Financial Statements**

The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-92 of this report.

**Other Information**

The combining statements referred to earlier in connection with nonmajor governmental and proprietary funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 93-124 of this report.

**Government-wide Financial Analysis**

Net position may serve over time as a useful indicator of a government's financial position. December 31, 2012 and 2011 City's assets exceeded liabilities by \$222,137,766 and \$240,138,405 respectively.

The largest portion of the City's net position is its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City used these capital assets to provide services to citizens and therefore they are not available for future spending. Although the City's investment in capital assets is reported net of related debt, the resources need to repay this debt must be provided from other resources, since the capital assets can not be used to liquidate these liabilities. The City's investment in capital assets was \$261,487,140 and \$257,065,056 at December 31, 2012 and 2011.

An additional portion of the City of Racine's governmental activities net position represents restricted net position, or resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors. Restricted net position were \$37,337,305 and \$21,475,767 and unrestricted net position was \$(76,686,679) and \$(38,402,418) as of December 31, 2012 and 2011 respectively.

The City's governmental activities had a deficit unrestricted net position of \$(80,870,675) and \$(44,002,969) as of December 31, 2012 and 2011 respectively. The deficit is primarily the result of the increase in the City's OPEB obligation.

The City's net OPEB obligation was \$115,787,911 and \$94,407,826 as of December 31, 2012 and 2011 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 position is presented below for the years ended December 31, 2012 and 2011. Amounts are expressed in thousands.

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	Governmental	Governmental	Business-Type	Business-Type		
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u>
Current and other assets	\$ 159,022	\$ 143,466	\$ 83,240	\$ 85,626	\$ 242,262	\$ 229,092
Capital assets	<u>183,245</u>	<u>181,514</u>	<u>275,296</u>	<u>279,437</u>	<u>458,541</u>	<u>460,951</u>
Total assets	<u>342,267</u>	<u>324,980</u>	<u>358,536</u>	<u>365,063</u>	<u>700,803</u>	<u>690,043</u>
Current and other liabilities	80,401	63,504	7,965	7,807	88,366	71,311
Liabilities payable from restricted assets	-	-	11,688	11,395	11,688	11,395
Long-term liabilities	<u>210,746</u>	<u>191,294</u>	<u>167,865</u>	<u>176,205</u>	<u>378,611</u>	<u>367,499</u>
Total liabilities	<u>291,147</u>	<u>254,798</u>	<u>187,518</u>	<u>195,407</u>	<u>478,665</u>	<u>450,205</u>
Net position:						
Net Investment in capital assets	105,034	102,981	164,831	161,968	261,487	257,065
Restricted	26,957	20,538	10,381	10,272	37,338	30,810
Unrestricted	<u>(80,871)</u>	<u>(53,337)</u>	<u>(4,194)</u>	<u>(2,284)</u>	<u>76,687</u>	<u>(47,737)</u>
Total net position	<u>\$ 51,120</u>	<u>\$ 70,182</u>	<u>\$ 171,018</u>	<u>\$ 169,956</u>	<u>\$ 222,138</u>	<u>\$ 240,138</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, 2012 and 2011. Amounts are expressed in thousands.

	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>	<u>2012</u>	<u>2011</u>
	Governmental	Governmental	Business-Type	Business-Type	2012	2011
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u>
<b>Revenues</b>						
Charges for services	\$ 14,345	\$ 14,676	\$ 41,170	\$ 39,063	\$ 55,515	\$ 53,739
Operating grants and contributions	11,265	12,683	5,592	5,356	16,857	18,039
Capital grants and contributions	2,240	1,710	3,738	6,544	5,978	8,254
Taxes	50,881	49,541	1,455	1,527	52,336	51,068
Intergovernmental revenues not restricted to specific programs	29,298	30,661	-	-	29,298	30,661
Investment income	911	1,522	91	131	1,002	1,653
Other	1,259	1,605	5	14	1,264	1,619
<b>Total revenues</b>	<u>110,199</u>	<u>112,398</u>	<u>52,051</u>	<u>52,635</u>	<u>162,250</u>	<u>165,033</u>
<b>Expenses</b>						
General government	18,741	17,269	-	-	18,741	17,269
Community development	4,785	4,209	-	-	4,785	4,209
Health	2,909	3,504	-	-	2,909	3,504
Education and recreation	13,023	13,994	-	-	13,023	13,994
Public works	25,979	26,548	-	-	25,979	26,548
Public safety	62,192	59,891	-	-	62,192	59,891
Interest and fiscal charges	4,295	4,968	-	-	4,295	4,968
Water	-	-	15,788	16,129	15,788	16,129
Wastewater	-	-	14,921	15,098	14,921	15,098
Belle urban system	-	-	9,848	9,341	9,848	9,341
Other	-	-	7,769	7,956	7,769	7,956
<b>Total expenses</b>	<u>131,924</u>	<u>130,383</u>	<u>48,326</u>	<u>48,524</u>	<u>180,250</u>	<u>178,907</u>
Increase (decrease) in net assets before transfers	(21,725)	(17,985)	3,725	4,111	(18,000)	(13,874)
Transfers	2,663	3,385	(2,663)	(3,385)	-	-
Increase (decrease) in net position	(19,062)	(14,600)	1,062	726	(18,000)	(13,874)
Net position-beginning of year	70,182	84,782	169,956	169,230	240,138	254,012
<b>Net position-end of year</b>	<u>\$ 51,120</u>	<u>\$ 70,182</u>	<u>\$ 171,018</u>	<u>\$ 169,956</u>	<u>\$ 222,138</u>	<u>\$ 240,138</u>

**CITY OF RACINE**  
Racine, Wisconsin

**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
(Unaudited)

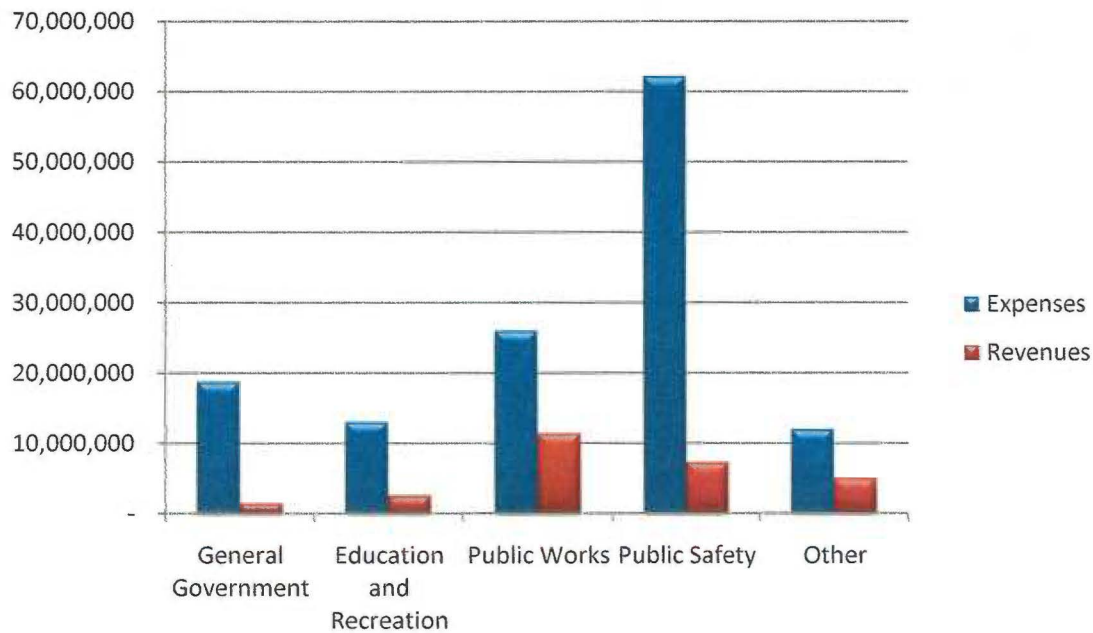
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**Governmental Activities**

The net position in the governmental activities decreased by almost \$19.1 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 2012 by almost \$18.5 million.
2. Tax Incremental Districts received over \$2.0 million in tax increment that was unspent in anticipation of a larger project in later years.
3. Health Insurance costs exceeded revenues by over \$2.5 million in 2012.

*Expenses and Program Revenues-Governmental Activities:*



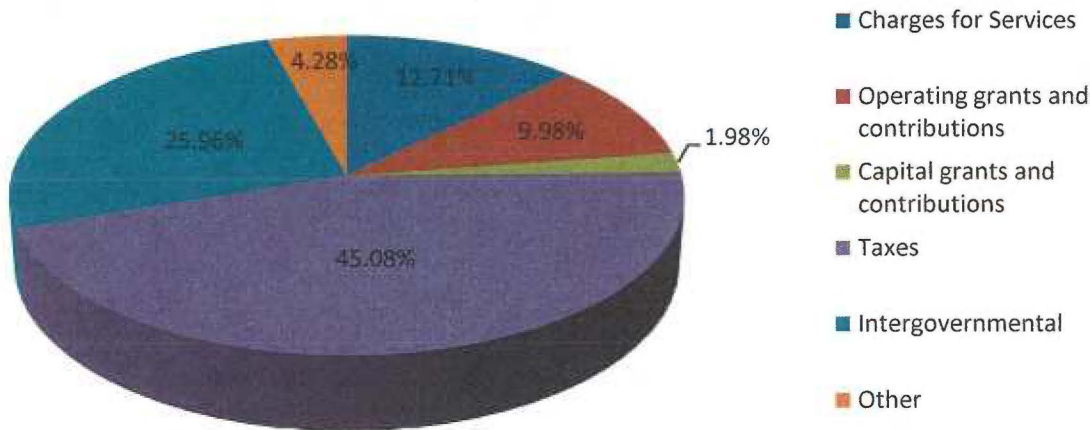
## CITY OF RACINE

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 position increased by almost \$1.1 million during the fiscal year 2012. Key elements of this increase are as follows:

- The Water utility had an increase in net position of just over \$2.6 million. The increase in net position in the Water utility relates primarily to a rate increase, approved by the PSC that was in effect for all of 2012.
- The Wastewater utility had a decrease in net position of approximately \$1.56 million. The decrease in net position in the Wastewater utility relates to both the Utility's increase in net OPEB obligation as the required contributions exceeded the actual contributions by \$875 thousand, a decrease in operating revenues of over \$200 thousand due to a loss in customer revenue from the 2012 drought and a \$400 thousand reduction in interest revenue received from the intergovernmental sewer agreement.
- The Belle Urban Transit system has an increase in net position of \$166,938 which relates primarily to capital contributions from the FTA for the purchase of buses. Transit has a loss before contributions and transfers of \$1.296 million which relates to rising fuel costs and rising pension and health care costs and a reduction in state aid. Service cuts have taken place and will continue to take place to offset these losses.
- The Other Enterprise Funds of the City had a decrease in net position of \$161 thousand. The decrease in net position relates primarily to the Utility's net OPEB obligation as the required contributions exceeded the actual contributions by almost \$600 thousand. In offset, capital contributions from general obligation bonds for Civic Center Improvements of \$500 thousand were received.

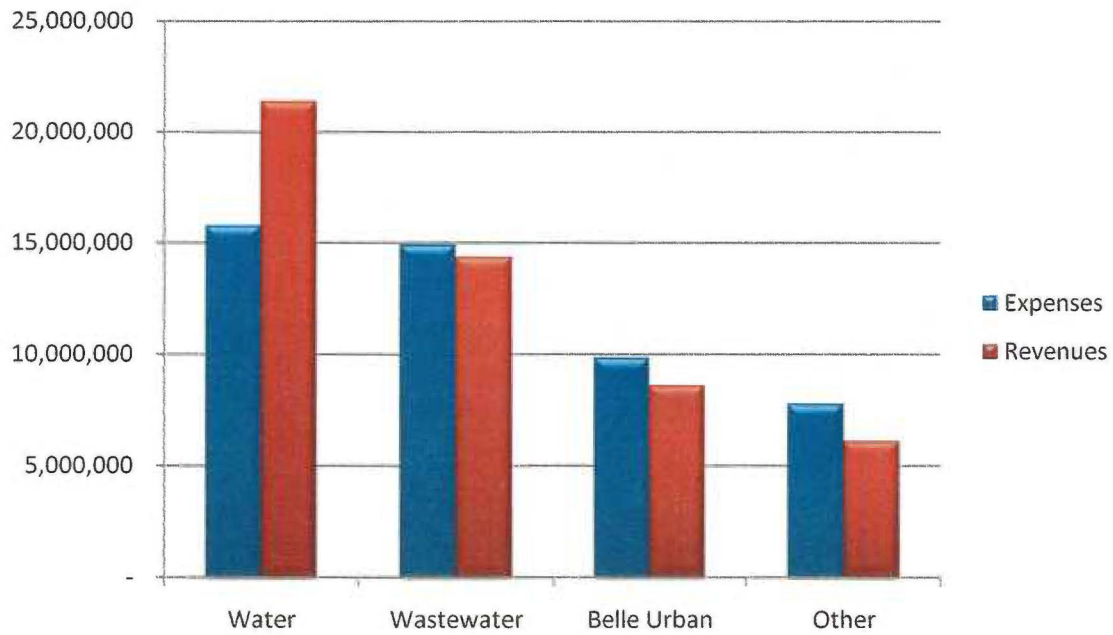
**CITY OF RACINE**  
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

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**Business-type activities** *(continued)*

*Expenses and Program Revenues – Business-type Activities:*



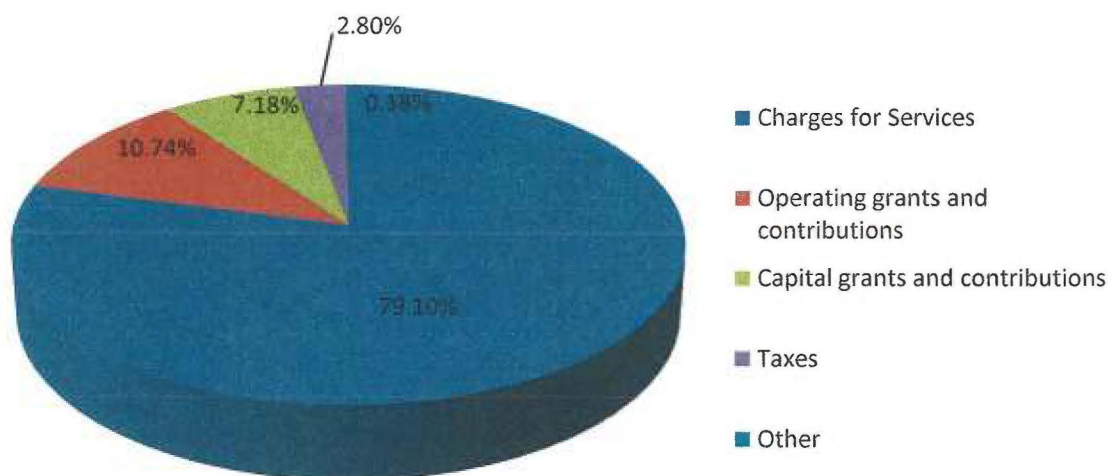
**CITY OF RACINE**  
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

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**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 \$65,786,281. Approximately 30.1% of this amount \$20,186,063 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 \$21,467,880, while total fund balance totaled \$32,765,994. Unassigned fund balance represents 26.5% of total general fund expenditures, while total fund balance represents 40.4% of total general fund expenditures.



## CITY OF RACINE

Racine, Wisconsin

### MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

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

Although the general fund was budgeted to use \$3.2 million of fund balances during 2012, the general fund used approximately \$2.5 of fund balance for the year ended December 31, 2012. The resulting \$743 thousand positive variance is the result of actual expenditures under budgeted amounts by approximately \$1 million and actual revenues under budgeted amounts by over \$800 thousand. The following details both the revenue and expenditures factors that contributed to the positive variance:

- With reductions in the interest rate market over the last several years, the City has seen a substantial reduction in the blended interest earnings on cash and investments. Although the City anticipated some reduction in interest income, the general fund investment income was over \$700 thousand less than anticipated.
- The payment in lieu of tax payment from the Water Utility exceeded budgeted amounts by over \$500,000.
- Expenditures in the general fund were approximately \$1 million, or 1.2% under the final budget of \$82,093,242.
  - The general government category was \$284 thousand over budget due primarily to election costs associated with the recall elections. Election costs exceeded budgeted amounts by \$185 thousand.
  - The public works category was approximately \$718 thousand, or about 5.9% under budget. Expenses in solid waste division were less than anticipated by \$600 thousand. This was due to position being left vacant and dumping fees less than anticipated. In addition, snow and ice expenses were less than anticipated by \$120 thousand due to a more mild winter.
  - The capital outlay category was \$492 thousand or 25% under budget due primarily to public works equipment purchases being delayed. Purchases for equipment were encumbered at the end of the year and will be expensed in 2013. The funds will be carried over to 2013 and spent in early 2013.

**CITY OF RACINE**  
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

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**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 \$3,286,436 and \$3,243,514 at the end of fiscal year 2012 and 2011, of which the majority is reserved for specific purposes. In 2012, fund balance increased by \$43 thousand in the HUD fund.

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 \$0 and \$365,683 at the end of fiscal year 2012 and 2011. In 2012, the fund balance decreased by \$365 thousand due to increment sharing agreements with other TIF districts. Several of these tax incremental districts will be closed in the upcoming years.

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, 2012 and 2011 of \$43,520 and \$209,707, all of which is reserved for the payment of debt service. The decrease in the fund balance during 2012 and 2011 was \$166,187 and \$651,724 respectively. The decrease in fund balance during 2012 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 \$29,690,331 and \$25,527,727 in 2012 and 2011 respectively. The fund balances of these funds increased by approximately \$4.2 million, during 2012. This was due primarily to the following:

1. Over \$2.4 million of tax increment was collected by Districts to be used for larger projects in later years.
2. Over \$1.8 million of bond proceeds were not spent in 2012 and will be spent in 2012.



# **CITY OF RACINE**

Racine, Wisconsin

## **MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)**

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### **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 position for the Water utility at the end of 2012 and 2011 amounted to \$5,621,905 and \$4,582,762, for the Wastewater utility \$(4,638,273) and \$(2,255,720), for the Belle urban system \$(2,737,156) and \$(2,418,577), and for the other enterprise funds \$(2,440,338) and \$(2,191,998). The total change in net position for the Water Utility for 2012 and 2011 was \$2,611,112 and \$2,057,139, the Wastewater Utility \$(1,555,182) and \$(1,173,259), for the Belle urban system \$166,938 and \$1,068,912, and for the Other Enterprise funds \$(161,307) and \$(1,226,577) 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, 2012 and 2011 amounts to \$261,487,140 and \$257,065,056 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, 2012 and 2011, capital assets, net of accumulated depreciation totaled \$458,541,233 and \$460,950,990 respectively. Capital assets, net of accumulated depreciation decreased approximately \$2.0 million in 2012 and increased by \$4.0 million during 2011. The decrease in 2012 occurred primarily in the business-type activities due to depreciation in the wastewater utility exceeding additions as several projects have been put on hold because of the current economic conditions.

**CITY OF RACINE**  
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS  
(Unaudited)

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**Capital Asset and Debt Administration (continued)**

*Long-term debt* – At the end of 2012 and 2011, the City of Racine had total debt outstanding of \$225,207,608 and \$233,672,581. Of this amount, the debt backed by the full faith and credit of the government is \$108,340,000 and \$107,860,000 in 2012 and 2011 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 \$8.5 million in 2012. The majority of the decrease in 2012 was a result of significant principal paid in both the Water and the Wastewater Utility.

	<u>Outstanding debt</u>	
	<u>2012</u>	<u>2011</u>
Governmental Activities:		
General obligation bonds and notes	\$ 108,340,000	\$ 107,860,000
Business-Type Activities:		
Revenue bonds	<u>116,867,608</u>	<u>125,812,581</u>
Total	<u>\$ 225,207,608</u>	<u>\$ 233,672,581</u>

**Economic Conditions and 2013 and 2014 Budget Outlook**

The City's, unemployment rate remains significantly above the state and national average. In March of 2013, the City's unemployment rate is 13.1% compared to a state rate of 7.1% and a county rate of 9.8%.

Due to current market conditions, the assessed value of the City decreased almost 6% for the 2012 tax roll. Due to current market conditions, it is possible that the City will see another slight reduction in the assessed value in 2013.

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 the continued reduction in the intergovernmental aids received from the state in 2013. 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 2012 to 2013.

The City used slightly over \$5 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 \$13.87 per thousand. Due to the union contract concerns, the use of fund balance in the 2013 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 2014 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](http://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 POSITION  
As of December 31, 2012

	Primary Government			Business Improvement District	Redevelopment Authority
	Governmental Activities	Business-Type Activities	Total		
<b>ASSETS</b>					
Cash and investments	\$ 78,658,269	\$ 21,114,079	\$ 99,772,348	\$ 17,973	\$ 68,641
Receivables, net of allowance for uncollectible accounts	69,222,352	12,506,910	81,729,262	-	450,000
Internal balances	605,032	(605,032)	-	-	-
Due from other governments	2,301,752	1,406,269	3,708,021	213,159	100,000
Inventories	628,439	910,251	1,538,690	-	-
Prepaid items	64,647	13,775	78,422	-	-
Unamortized debt issuance expenses	600,186	705,059	1,305,245	-	-
Advances to other funds	2,292,055	(2,292,055)	-	-	-
Advances to component unit	986,000	-	986,000	-	-
Restricted assets					
Cash and investments	-	16,296,893	16,296,893	-	-
Plant capacity receivable, current portion	-	2,811,539	2,811,539	-	-
Plant capacity receivable, long term	-	30,372,773	30,372,773	-	-
Deposit in CVMIC	2,962,500	-	2,962,500	-	-
Assets held for resale	700,280	-	700,280	-	1,313,131
Capital assets					
Land	24,525,352	5,084,905	29,610,257	-	-
Construction in progress	11,187,757	3,375,675	14,563,432	-	-
Other capital assets, net of accumulated depreciation/amortization	147,532,355	266,835,189	414,367,544	-	-
Total Assets	<u>342,266,976</u>	<u>358,536,230</u>	<u>700,803,206</u>	<u>231,132</u>	<u>1,931,772</u>
<b>LIABILITIES</b>					
Accounts payable	15,808,738	2,092,408	17,901,146	10,957	43,690
Accrued compensation and other current liabilities	6,319,731	503,854	6,823,585	-	-
Due to other governments	329,030	-	329,030	-	-
Due to primary government	-	-	-	-	-
Accrued interest payable	163,591	-	163,591	-	-
Unearned revenue	57,779,520	5,368,437	63,147,957	211,659	800
Liabilities payable from restricted assets					
Accrued interest payable	-	901,873	901,873	-	-
Current portion of long term debt	-	9,655,920	9,655,920	-	-
Deferred capacity revenue, current portion	-	1,130,526	1,130,526	-	-
Noncurrent liabilities					
Plant capacity	-	42,958,893	42,958,893	-	-
OPEB obligation	99,479,051	16,308,860	115,787,911	-	-
Due within one year	11,422,198	-	11,422,198	-	-
Due in more than one year	99,845,106	108,597,704	208,442,810	-	986,000
Total Liabilities	<u>291,146,965</u>	<u>187,518,475</u>	<u>478,665,440</u>	<u>222,616</u>	<u>1,030,490</u>
<b>NET POSITION</b>					
Net investment in capital assets	105,033,682	164,831,316	261,487,140	-	-
Restricted for					
Debt service	1,329,978	-	1,329,978	-	-
Permanent funds	3,118,806	-	3,118,806	-	-
Library	205,783	-	205,783	-	-
HUD loan programs	6,179,113	-	6,179,113	-	-
Tax increment districts	5,106,735	-	5,106,735	-	-
Intergovernmental revenue sharing	7,309,769	-	7,309,769	-	-
Police grants, federal asset forfeiture & HAZMAT	531,769	-	531,769	-	-
Health and other	1,443,751	-	1,443,751	-	-
Special assessment program	1,731,300	-	1,731,300	-	-
Water	-	3,851,306	3,851,306	-	-
Wastewater	-	6,528,995	6,528,995	-	-
Unrestricted (deficit)	<u>(80,870,675)</u>	<u>(4,193,862)</u>	<u>(76,686,679)</u>	<u>8,516</u>	<u>901,282</u>
<b>TOTAL NET POSITION</b>	<u>\$ 51,120,011</u>	<u>\$ 171,017,755</u>	<u>\$ 222,137,766</u>	<u>\$ 8,516</u>	<u>\$ 901,282</u>

# CITY OF RACINE

## STATEMENT OF ACTIVITIES For the Year Ended December 31, 2012

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Business Improvement District	Redevelopment Authority
					Governmental Activities	Business-Type Activities	Totals		
<b>Functions/Programs</b>									
<b>Primary Government</b>									
Governmental activities									
General government	\$ 18,740,989	\$ 1,452,898	\$ 26,700	\$ -	\$ (17,261,391)	\$ -	\$ (17,261,391)	\$ -	\$ -
Community development	4,784,690	28,415	2,903,763	851,661	(1,000,851)	-	(1,000,851)	-	-
Health	2,909,182	521,671	727,803	-	(1,659,708)	-	(1,659,708)	-	-
Education and recreation	13,022,475	1,039,068	1,560,688	-	(10,422,719)	-	(10,422,719)	-	-
Public works	25,979,372	5,447,271	4,588,947	1,388,638	(14,554,516)	-	(14,554,516)	-	-
Public safety	62,191,907	5,855,472	1,457,292	-	(54,879,143)	-	(54,879,143)	-	-
Interest and fiscal charges	4,295,260	-	-	-	(4,295,260)	-	(4,295,260)	-	-
Total Governmental Activities	131,923,875	14,344,795	11,265,193	2,240,299	(104,073,588)	-	(104,073,588)	-	-
Business type activities									
Water	15,787,759	21,061,626	-	344,046	-	5,617,913	5,617,913	-	-
Wastewater	14,921,259	12,318,435	-	2,063,122	-	(539,702)	(539,702)	-	-
Belle Urban Transit	9,847,912	1,860,703	5,591,577	1,148,463	-	(1,247,169)	(1,247,169)	-	-
Other	7,769,278	5,929,567	-	182,125	-	(1,657,586)	(1,657,586)	-	-
Total Business Type Activities	48,326,208	41,170,331	5,591,577	3,737,756	-	2,173,456	2,173,456	-	-

# CITY OF RACINE

## STATEMENT OF ACTIVITIES For the Year Ended December 31, 2012

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Business Improvement District	Redevelopment Authority
					Governmental Activities	Business-Type Activities	Totals		
Total Primary Government	\$ 180,250,083	\$ 55,515,126	\$ 16,856,770	\$ 5,978,055	(104,073,588)	2,173,456	(101,900,132)	-	-
<b>Component Units</b>									
Business Improvement District	\$ 219,308	\$ -	\$ -	\$ -	-	-	-	(219,308)	-
Redevelopment Authority	330,318	-	-	249,087	-	-	-	-	(81,231)
	<u>\$ 549,626</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 249,087</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(219,308)</u>	<u>(81,231)</u>
General Revenues									
Taxes									
Property taxes, levied for general purposes					35,302,920	1,454,893	36,757,813	-	-
Property taxes levied, for debt service					11,834,824	-	11,834,824	-	-
Property taxes, levied for TIF					3,392,805	-	3,392,805	-	-
Other taxes					350,400	-	350,400	213,625	-
Intergovernmental revenues not restricted to specific programs					29,297,990	-	29,297,990	-	-
Investment income					911,019	90,746	1,001,765	229	-
Other					1,258,603	5,293	1,263,896	-	-
Transfers					<u>2,662,826</u>	<u>(2,662,826)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total General Revenues and Transfers					<u>85,011,387</u>	<u>(1,111,894)</u>	<u>83,899,493</u>	<u>213,854</u>	<u>-</u>
<b>Change in net position</b>					(19,062,201)	1,061,562	(18,000,639)	(5,454)	(81,231)
NET POSITION - Beginning of Year					<u>70,182,212</u>	<u>169,956,193</u>	<u>240,138,405</u>	<u>13,970</u>	<u>982,513</u>
<b>NET POSITION - END OF YEAR</b>					<u>\$ 51,120,011</u>	<u>\$ 171,017,755</u>	<u>\$ 222,137,766</u>	<u>\$ 8,516</u>	<u>\$ 901,282</u>

# CITY OF RACINE

Governmental Funds

## BALANCE SHEET

As of December 31, 2012

	General Fund	HUD	Tax Increment Districts	Debt Service	Nonmajor Governmental Funds	Totals
<b>ASSETS</b>						
Cash and investments	\$ 26,104,867	\$ 2,879,444	\$ -	\$ 10,873,775	\$ 32,056,729	\$ 71,914,815
Receivables						
Taxes	36,418,577	-	3,937,127	13,362,062	6,863,225	60,580,991
Special assessments and special charges - tax roll	-	-	-	-	555,477	555,477
Special assessments	-	-	-	-	2,089,369	2,089,369
Delinquent personal property taxes	136,923	-	-	-	-	136,923
Loans and notes	-	2,892,677	-	-	91,719	2,984,396
Accrued interest	119,060	402,027	-	-	-	521,087
Accounts	1,786,635	4,778	-	-	139,614	1,931,027
Total Receivables - Net	<u>38,461,195</u>	<u>3,299,482</u>	<u>3,937,127</u>	<u>13,362,062</u>	<u>9,739,404</u>	<u>68,799,270</u>
Due from other funds	8,041,910	-	-	2,486	302,642	8,347,038
Due from other governments	-	710,678	-	-	1,591,074	2,301,752
Inventories	199,092	-	-	-	-	199,092
Prepaid items	64,647	-	-	-	-	64,647
Deposit in CVMIC	2,962,500	-	-	-	-	2,962,500
Assets held for resale	-	315,280	-	-	385,000	700,280
Advances to component unit	-	-	-	-	986,000	986,000
Advances to other funds	265,880	-	-	1,450,049	1,714,886	3,430,815
<b>TOTAL ASSETS</b>	<u>\$ 76,100,091</u>	<u>\$ 7,204,884</u>	<u>\$ 3,937,127</u>	<u>\$ 25,688,372</u>	<u>\$ 46,775,735</u>	<u>\$ 159,706,209</u>



# CITY OF RACINE

## Governmental Funds

### BALANCE SHEET

As of December 31, 2012

	General Fund	HUD	Tax Increment Districts	Debt Service	Nonmajor Governmental Funds	Totals
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ 601,702	\$ 300,203	\$ -	\$ 10,832,742	\$ 3,419,337	\$ 15,153,984
Accrued liabilities	1,421,634	112,836	-	-	242,357	1,776,827
Accrued compensation	1,238,868	-	-	-	-	1,238,868
Due to other funds	5,140,094	250,281	-	-	2,364,295	7,754,670
Due to other governments	329,030	-	-	-	-	329,030
Insurance claims payable	1,813,818	-	-	-	-	1,813,818
Advances from other funds	-	-	-	-	1,138,760	1,138,760
Deferred revenue	410,637	2,892,677	-	1,450,048	2,501,953	7,255,315
Deferred interest	-	362,451	-	-	-	362,451
Deferred property tax revenue	32,378,314	-	3,937,127	13,362,062	7,418,702	57,096,205
Total Liabilities	<u>43,334,097</u>	<u>3,918,448</u>	<u>3,937,127</u>	<u>25,644,852</u>	<u>17,085,404</u>	<u>93,919,928</u>
Fund Balances (Deficit)						
Nonspendable	7,895,032	-	-	-	2,700,886	10,595,918
Restricted	-	3,286,436	-	43,520	18,033,153	21,363,109
Committed	158,536	-	-	-	10,232,925	10,391,461
Assigned	3,244,546	-	-	-	5,184	3,249,730
Unassigned	21,467,880	-	-	-	(1,281,817)	20,186,063
Total Fund Balances (deficit)	<u>32,765,994</u>	<u>3,286,436</u>	<u>-</u>	<u>43,520</u>	<u>29,690,331</u>	<u>65,786,281</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 76,100,091</u>	<u>\$ 7,204,884</u>	<u>\$ 3,937,127</u>	<u>\$ 25,688,372</u>	<u>\$ 46,775,735</u>	
Amounts reported for governmental activities in the statement of net position are different because:						
Capital assets used in governmental funds are not financial resources and therefore are not reported in funds. (See Note II)						181,548,865
Internal service fund net position.						7,051,459
Other long-term assets that are not currently available are reported as deferred revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements. (See Note II)						6,934,451
Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds. (See Note II)						(210,201,045)
<b>NET POSITION OF GOVERNMENTAL ACTIVITIES</b>						<u>\$ 51,120,011</u>

**CITY OF RACINE**  
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended December 31, 2012

	General Fund	HUD Special Revenue Fund	Tax Increment Districts Special Revenue Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
<b>REVENUES</b>						
Taxes	\$ 31,723,042	\$ -	\$ 3,392,805	\$ 10,646,235	\$ 4,930,084	\$ 50,692,166
Special assessments	-	-	-	-	1,010,649	1,010,649
Intergovernmental	32,749,237	3,530,316	15,168	-	5,932,474	42,227,195
Licenses and permits	1,627,278	-	-	-	-	1,627,278
Fines, forfeitures and penalties	1,401,330	-	-	-	58,841	1,460,171
Investment income	317,945	1,821	38,064	-	553,189	911,019
Public charges for services	5,817,301	6,719	-	-	4,384,823	10,208,843
Donations	-	14,010	-	-	516,627	530,637
Miscellaneous	812,039	892,674	-	372,661	137,983	2,215,357
Total Revenues	<u>74,448,172</u>	<u>4,445,540</u>	<u>3,446,037</u>	<u>11,018,896</u>	<u>17,524,670</u>	<u>110,883,315</u>
<b>EXPENDITURES</b>						
Current						
General government	14,825,510	-	-	-	-	14,825,510
Community development	-	3,537,999	10,470	-	1,248,451	4,796,920
Health	1,798,680	-	-	-	860,694	2,659,374
Education and recreation	6,356,479	-	-	-	4,381,045	10,737,524
Public works	11,440,536	-	-	-	2,742,567	14,183,103
Public safety	45,190,722	-	-	-	1,522,194	46,712,916
Capital Outlay	1,474,558	851,661	-	-	12,635,629	14,961,848
Debt Service						
Principal	-	-	-	20,400,009	-	20,400,009
Interest and fiscal charges	-	-	-	4,118,096	207,423	4,325,519
Total Expenditures	<u>81,086,485</u>	<u>4,389,660</u>	<u>10,470</u>	<u>24,518,105</u>	<u>23,598,003</u>	<u>133,602,723</u>
Excess (deficiency) of revenues over expenditures	<u>(6,638,313)</u>	<u>55,880</u>	<u>3,435,567</u>	<u>(13,499,209)</u>	<u>(6,073,333)</u>	<u>(22,719,408)</u>

See accompanying notes to financial statements

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**CITY OF RACINE**  
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended December 31, 2012

	General Fund	HUD Special Revenue Fund	Tax Increment Districts Special Revenue Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term debt issued	\$ -	\$ -	\$ -	\$ -	\$ 20,590,000	20,590,000
Premium on long-term debt issued	-	-	-	669,356	1,133,041	1,802,397
Refunding bonds issued	-	-	-	11,135,000	-	11,135,000
Payment to escrow agent	-	-	-	(11,948,739)	-	(11,948,739)
Transfers in	4,157,027	25,000	-	13,477,405	3,563,095	21,222,527
Transfers out	(16,323)	(37,958)	(3,801,250)	-	(15,050,199)	(18,905,730)
Total Other Financing Sources (Uses)	<u>4,140,704</u>	<u>(12,958)</u>	<u>(3,801,250)</u>	<u>13,333,022</u>	<u>10,235,937</u>	<u>23,895,455</u>
<b>Net Change in Fund Balances</b>	(2,497,609)	42,922	(365,683)	(166,187)	4,162,604	1,176,047
FUND BALANCES - Beginning 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>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 32,765,994</u>	<u>\$ 3,286,436</u>	<u>\$ -</u>	<u>\$ 43,520</u>	<u>\$ 29,690,331</u>	<u>\$ 65,786,281</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, 2012

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Net change in fund balances - total governmental funds	\$ 1,176,047
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Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However in the statement of net position, 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	14,961,848
Some items reported as capital outlay are not capitalized	(2,946,688)
Depreciation is reported in the government-wide statements	(10,118,860)
Net book value of assets retired	(183,378)

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

Debt issued	(31,725,000)
Principal repaid	31,270,009

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	22,597
Unamortized debt issuance costs/discounts/premiums (see Note II. B.)	(711,195)
Other postemployment benefits	(18,485,780)
Writeoff of loans	(348,499)
Accrued interest on debt	17,789

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

(2,281,716)
-------------

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

(114,213)
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Expenditures in the governmental funds that are not reported as expenses in the statement of activities

<u>404,838</u>
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Change in net position of governmental activities	<u>\$ (19,062,201)</u>
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# CITY OF RACINE

## General Fund

### STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Year Ended December 31, 2012

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
<b>REVENUES</b>				
Taxes	\$ 31,721,627	\$ 31,721,627	\$ 31,723,042	\$ 1,415
Intergovernmental	32,676,277	32,676,277	32,749,237	72,960
Licenses and permits	1,607,776	1,607,776	1,627,278	19,502
Fines and forfeitures	1,607,100	1,607,100	1,401,330	(205,770)
Investment income	1,020,000	1,020,000	317,945	(702,055)
Charges for services	5,908,207	5,908,207	5,817,301	(90,906)
Other	710,360	710,360	812,039	101,679
Total Revenues	<u>75,251,347</u>	<u>75,251,347</u>	<u>74,448,172</u>	<u>(803,175)</u>
<b>EXPENDITURES</b>				
Current				
General government	14,534,275	14,541,147	14,825,510	(284,363)
Health	1,863,019	1,863,019	1,798,680	64,339
Education and recreation	6,424,393	6,432,717	6,356,479	76,238
Public works	12,107,986	12,158,232	11,440,536	717,696
Public safety	45,137,970	45,131,712	45,190,722	(59,010)
Capital Outlay	1,484,800	1,966,415	1,474,558	491,857
Total Expenditures	<u>81,552,443</u>	<u>82,093,242</u>	<u>81,086,485</u>	<u>1,006,757</u>
Deficiency of revenues over expenditures	<u>(6,301,096)</u>	<u>(6,841,895)</u>	<u>(6,638,313)</u>	<u>203,582</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	3,601,096	3,601,096	4,157,027	555,931
Transfers out	-	-	(16,323)	(16,323)
Total Other Financing Sources	<u>3,601,096</u>	<u>3,601,096</u>	<u>4,140,704</u>	<u>539,608</u>
<b>Net Change in Fund Balance</b>	<u>\$ (2,700,000)</u>	<u>\$ (3,240,799)</u>	<u>(2,497,609)</u>	<u>\$ 743,190</u>
FUND BALANCE - Beginning of Year			<u>35,263,603</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 32,765,994</u>	

# CITY OF RACINE

## Proprietary Funds

### STATEMENT OF NET POSTION

As of December 31, 2012

	Business-Type Activities- Enterprise Funds				Governmental Activities-	
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds	Total	Internal Service Funds
<b>ASSETS</b>						
Current Assets						
Cash and investments	\$ 9,402,514	\$ 8,955,753	\$ 200	\$ 2,755,612	\$ 21,114,079	\$ 6,743,454
Receivables						
Accounts	3,386,601	3,167,807	121,062	177,704	6,853,174	423,082
Taxes	340,977	4,177	1,100,000	4,208,582	5,653,736	-
Due from other governments	-	-	1,237,817	168,452	1,406,269	-
Due from other funds	4,258,820	3,721,951	-	330	7,981,101	28,449
Inventories	391,232	53,785	458,407	6,827	910,251	429,347
Prepaid items	4,500	-	-	9,275	13,775	-
Total Current Assets	<u>17,784,644</u>	<u>15,903,473</u>	<u>2,917,486</u>	<u>7,326,782</u>	<u>43,932,385</u>	<u>7,624,332</u>
Noncurrent Assets						
Restricted Assets						
Cash and investments	9,495,690	6,801,203	-	-	16,296,893	-
Plant capacity, current portion	-	2,811,539	-	-	2,811,539	-
Plant capacity, long term	-	30,372,773	-	-	30,372,773	-
Capital assets						
Land	1,843,341	99,950	539,434	2,602,180	5,084,905	32,879
Construction in progress	608,633	1,075,223	169,053	1,522,766	3,375,675	92,195
Intangible assets	-	-	-	-	-	605,210
Land and building improvements	144,490,222	104,848,899	8,100,997	84,404,867	341,844,985	1,785,642
Equipment, furniture and vehicles	31,636,679	47,767,246	13,614,826	2,726,268	95,745,019	2,053,540
Less: Accumulated depreciation/amortization	(47,475,764)	(67,314,398)	(10,690,365)	(45,274,288)	(170,754,815)	(2,872,867)
Other assets						
Unamortized debt issuance expenses	659,520	45,539	-	-	705,059	-
Total Noncurrent Assets	<u>141,258,321</u>	<u>126,507,974</u>	<u>11,733,945</u>	<u>45,981,793</u>	<u>325,482,033</u>	<u>1,696,599</u>
Total Assets	<u>\$ 159,042,965</u>	<u>\$ 142,411,447</u>	<u>\$ 14,651,431</u>	<u>\$ 53,308,575</u>	<u>\$ 369,414,418</u>	<u>\$ 9,320,931</u>

See accompanying notes to financial statements.

# CITY OF RACINE

## Proprietary Funds

### STATEMENT OF NET POSITION

As of December 31, 2012

	Business-Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds	Total	Internal Service Funds
<b>LIABILITIES</b>						
Current Liabilities						
Accounts payable	\$ 229,499	\$ 545,073	\$ 827,006	\$ 490,830	\$ 2,092,408	\$ 654,754
Accrued compensation	-	-	81,638	28,618	110,256	-
Compensated absences	-	-	-	-	-	-
Accrued liabilities	183,704	142,549	-	67,345	393,598	1,490,218
Advances from other funds	68,679	61,425	-	156,209	286,313	-
Due to other funds	3,650,671	1,232,425	3,516,643	186,394	8,586,133	15,785
Unearned revenue	-	-	59,855	-	59,855	-
Unearned property tax revenue	-	-	1,100,000	4,208,582	5,308,582	-
Liabilities payable from restricted assets						
Accrued interest	629,665	272,208	-	-	901,873	-
Current portion of long term debt	4,457,997	5,197,923	-	-	9,655,920	-
Deferred capacity revenue, current portion	-	1,130,526	-	-	1,130,526	-
Total Current Liabilities	<u>9,220,215</u>	<u>8,582,129</u>	<u>5,585,142</u>	<u>5,137,978</u>	<u>28,525,464</u>	<u>2,160,757</u>
Noncurrent Liabilities						
Compensated absences	526,735	340,883	69,500	49,150	986,268	108,715
OPEB obligation	7,466,202	4,948,464	-	3,894,194	16,308,860	-
Revenue bonds and notes payable	54,796,649	52,814,787	-	-	107,611,436	-
Deferred plant capacity	-	42,958,893	-	-	42,958,893	-
Advances from other funds	696,769	623,175	-	685,798	2,005,742	-
Total Noncurrent Liabilities	<u>63,486,355</u>	<u>101,686,202</u>	<u>69,500</u>	<u>4,629,142</u>	<u>169,871,199</u>	<u>108,715</u>
Total Liabilities	<u>72,706,570</u>	<u>110,268,331</u>	<u>5,654,642</u>	<u>9,767,120</u>	<u>198,396,663</u>	<u>2,269,472</u>
<b>NET POSITION</b>						
Net investment in capital assets	76,863,184	30,252,394	11,733,945	45,981,793	164,831,316	1,696,599
Restricted	3,851,306	6,528,995	-	-	10,380,301	-
Unrestricted (deficit)	5,621,905	(4,638,273)	(2,737,156)	(2,440,338)	(4,193,862)	5,354,860
TOTAL NET POSITION	<u>\$ 86,336,395</u>	<u>\$ 32,143,116</u>	<u>\$ 8,996,789</u>	<u>\$ 43,541,455</u>	<u>\$ 171,017,755</u>	<u>\$ 7,051,459</u>

See accompanying notes to financial statements.

# CITY OF RACINE

## Proprietary Funds

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the Year Ended December 31, 2012

	Business-Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds	Totals	Internal Service Funds
<b>OPERATING REVENUES</b>						
Charges for services	\$ 20,361,421	\$ 11,765,339	\$ 1,617,924	\$ 5,891,521	\$ 39,636,205	\$ 23,672,902
Other	700,205	553,096	242,779	38,046	1,534,126	291,761
Total Operating Revenues	<u>21,061,626</u>	<u>12,318,435</u>	<u>1,860,703</u>	<u>5,929,567</u>	<u>41,170,331</u>	<u>23,964,663</u>
<b>OPERATING EXPENSES</b>						
Operation and maintenance	9,761,956	8,657,788	8,701,029	4,620,872	31,741,645	6,244,737
Education and recreation	-	-	-	1,043,067	1,043,067	-
General administration	-	-	-	-	-	20,063,514
Depreciation	<u>3,991,266</u>	<u>4,485,165</u>	<u>1,146,883</u>	<u>2,030,585</u>	<u>11,653,899</u>	<u>284,159</u>
Total Operating Expenses	<u>13,753,222</u>	<u>13,142,953</u>	<u>9,847,912</u>	<u>7,694,524</u>	<u>44,438,611</u>	<u>26,592,410</u>
Operating income (loss)	<u>7,308,404</u>	<u>(824,518)</u>	<u>(7,987,209)</u>	<u>(1,764,957)</u>	<u>(3,268,280)</u>	<u>(2,627,747)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income	43,089	23,565	-	24,092	90,746	-
Interest expense	(2,030,761)	(1,644,795)	-	(42,899)	(3,718,455)	-
Intergovernmental interest reimbursement	-	812,746	-	-	812,746	-
Plant capacity income	-	1,145,637	-	-	1,145,637	-
Gain (loss) on sale of fixed assets	-	-	-	(31,855)	(31,855)	-
Amortization of bond discount	(3,776)	(5,144)	-	-	(8,920)	-
Subsidies from other governmental units	-	-	5,591,577	182,125	5,773,702	-
Tax levy	-	-	1,099,223	355,670	1,454,893	-
Household hazardous waste revenue	-	104,739	-	-	104,739	-
Household hazardous waste expense	-	(128,367)	-	-	(128,367)	-
Other	-	5,293	-	-	5,293	-
Total Nonoperating Revenues (Expenses)	<u>(1,991,448)</u>	<u>313,674</u>	<u>6,690,800</u>	<u>487,133</u>	<u>5,500,159</u>	<u>-</u>

See accompanying notes to financial statements.



# CITY OF RACINE

## Proprietary Funds

### STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the Year Ended December 31, 2012

	Business-Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds	Totals	Internal Service Funds
Income (loss) before capital contributions and transfers	5,316,956	(510,844)	(1,296,409)	(1,277,824)	2,231,879	(2,627,747)
<b>CAPITAL CONTRIBUTIONS</b>	344,046	-	1,148,463	-	1,492,509	-
<b>TRANSFERS IN</b>	44,242	-	314,884	1,116,518	1,475,644	346,031
<b>TRANSFERS (OUT)</b>	<u>(3,094,132)</u>	<u>(1,044,338)</u>	<u>-</u>	<u>-</u>	<u>(4,138,470)</u>	<u>-</u>
<b>Change in Net Postion</b>	2,611,112	(1,555,182)	166,938	(161,306)	1,061,562	(2,281,716)
NET POSTION - Beginning 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>
<b>NET POSITION - END OF YEAR</b>	<u>\$ 86,336,395</u>	<u>\$ 32,143,116</u>	<u>\$ 8,996,789</u>	<u>\$ 43,541,455</u>	<u>\$ 171,017,755</u>	<u>\$ 7,051,459</u>

**CITY OF RACINE**

Proprietary Funds

STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2012

	Business-Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals	Internal Service Fund
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>						
Received from customers and users	\$ 20,747,890	\$ 12,329,792	\$ 1,800,412	\$ 5,899,803	\$ 40,777,897	\$ 23,860,149
Paid to suppliers for goods and services	(1,641,855)	(2,472,844)	(8,021,740)	(2,925,067)	(15,061,506)	(22,400,286)
Paid to employees for services	(6,247,589)	(4,805,699)	-	(2,059,936)	(13,113,224)	(3,454,597)
Net Cash Flows From Operating Activities	12,858,446	5,051,249	(6,221,328)	914,800	12,603,167	(1,994,734)
<b>CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Transfer to other funds	(3,049,890)	(1,044,338)	-	-	(4,094,228)	-
Advances retired	(76,017)	(67,988)	-	-	(144,005)	-
Principal retired	-	(245,800)	-	-	(245,800)	-
Interest paid on long-term debt	-	(53,520)	-	-	(53,520)	-
Interest paid on advances	(17,808)	(15,927)	-	-	(33,735)	-
Miscellaneous receipts	-	(18,335)	-	-	(18,335)	-
Operating grants received	-	-	4,632,292	-	4,632,292	-
Operating subsidies received	-	-	1,838,538	355,670	2,194,208	-
Net Cash Flows from Noncapital Financing Activities	(3,143,715)	(1,445,908)	6,470,830	355,670	2,236,877	-
<b>CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Debt issued	14,140,000	-	-	-	14,140,000	-
Premium on long-term debt issued	1,259,946	-	-	-	1,259,946	-
Debt retired	(4,195,807)	(4,808,366)	-	-	(9,004,173)	-
Payment to escrow agent	(15,448,201)	-	-	-	(15,448,201)	-
Advances retired	-	-	-	(149,869)	(149,869)	-
Interest paid on long-term debt	(2,081,517)	(1,599,307)	-	-	(3,680,824)	-
Interest paid on advances	-	-	-	(42,899)	(42,899)	-
Transfer from other funds for capital purposes	-	-	314,884	1,116,518	1,431,402	346,031
Acquisition and construction of capital assets	(3,537,704)	(220,978)	(1,712,849)	(2,149,474)	(7,621,005)	(302,076)
Debt issue costs paid	(220,974)	-	-	-	(220,974)	-
REC and other fees received	254,670	-	-	-	254,670	-
Intergovernmental interest reimbursement	-	796,397	-	-	796,397	-
Proceeds for plant capacity	-	3,020,743	-	-	3,020,743	-
Capital subsidies received	-	-	1,148,463	13,673	1,162,136	-
Proceeds from sale of capital assets	-	-	-	-	-	-
Net Cash Flows From Capital and Related Financing Activities	(9,829,587)	(2,811,511)	(249,502)	(1,212,051)	(14,102,651)	43,955

**CITY OF RACINE**

Proprietary Funds

STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2012

	Business-Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals	Internal Service Fund
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>						
Investment income	\$ 43,089	\$ 23,565	\$ -	\$ 24,092	\$ 90,746	\$ -
Net Cash Flows From Investing Activities	43,089	23,565	-	24,092	90,746	-
<b>Net Change in Cash and Cash Equivalents</b>	(71,767)	817,395	-	82,511	828,139	(1,950,779)
CASH AND CASH EQUIVALENTS - Beginning of Year	18,969,971	14,939,561	200	2,673,101	36,582,833	8,694,233
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 18,898,204</u>	<u>\$ 15,756,956</u>	<u>\$ 200</u>	<u>\$ 2,755,612</u>	<u>\$ 37,410,972</u>	<u>\$ 6,743,454</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ 7,308,404	\$ (824,518)	\$ (7,987,209)	\$ (1,764,957)	\$ (3,268,280)	\$ (2,627,747)
Adjustments to reconcile operating income (loss) to Net Cash Flows from operating activities						
Other postemployment benefits	1,437,090	875,232	-	581,983	2,894,305	-
Depreciation	4,118,020	4,485,165	1,146,883	2,030,585	11,780,653	284,159
Changes in assets and liabilities						
Accounts receivable	(175,460)	(52,696)	(57,683)	(29,434)	(315,273)	(84,335)
Prepaid items	-	-	-	(1,088)	(1,088)	-
Inventories	(71,494)	(1,579)	111,328	(353)	37,902	(11,626)
Due from other funds	(111,143)	67,128	-	(97,703)	(141,718)	(20,178)
Accounts payable	55,242	72,583	30,050	127,937	285,812	439,477
Accrued liabilities	(33,555)	(19,017)	(14,894)	5,921	(61,545)	26,368
Unearned revenue	-	-	-	97,373	97,373	-
Due to other funds	331,342	448,951	550,197	(35,464)	1,295,026	(852)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 12,858,446</u>	<u>\$ 5,051,249</u>	<u>\$ (6,221,328)</u>	<u>\$ 914,800</u>	<u>\$ 12,603,167</u>	<u>\$ (1,994,734)</u>

**CITY OF RACINE**

Proprietary Funds

STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2012

	Business-Type Activities- Enterprise Funds					Governmental Activities- Internal Service Fund
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals	
<b>RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET</b>						
Cash and investments						
Unrestricted	\$ 9,402,514	\$ 8,955,753	\$ 200	\$ 2,755,612	\$ 21,114,079	\$ 6,743,454
Restricted	9,495,690	6,801,203	-	-	16,296,893	-
Total Cash and Investments	<u>\$ 18,898,204</u>	<u>\$ 15,756,956</u>	<u>\$ 200</u>	<u>\$ 2,755,612</u>	<u>\$ 37,410,972</u>	<u>\$ 6,743,454</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Estimated cost of fixed assets installed						
or financed by developers, customers or the City	<u>\$ 89,376</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 89,376</u>	<u>\$ -</u>

**CITY OF RACINE**

## Fiduciary Funds

## STATEMENT OF FIDUCIARY NET POSITION

As of December 31, 2012

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	Agency Funds		
	Police Evidence	Tax Collecting	Totals
<b>ASSETS</b>			
Cash and investments	\$ 282,585	\$ 28,994,630	\$ 29,277,215
Receivables			
Property taxes	-	23,628,331	23,628,331
<b>TOTAL ASSETS</b>	<u>\$ 282,585</u>	<u>\$ 52,622,961</u>	<u>\$ 52,905,546</u>
<b>LIABILITIES</b>			
Accounts payable	\$ -	\$ -	\$ -
Due to component unit	-	211,838	211,838
Due to other agencies	-	96,000	96,000
Due to other governments	282,585	52,315,123	52,597,708
<b>TOTAL LIABILITIES</b>	<u>\$ 282,585</u>	<u>\$ 52,622,961</u>	<u>\$ 52,905,546</u>

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# CITY OF RACINE

## INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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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, 2012

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### NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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The accounting policies of the City of Racine, Wisconsin conform to accounting principles generally accepted in the United States of America 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 the separate organization; (3) 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 that 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, 2012

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

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#### **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, 2012. Separately issued financial statements of the BID may be obtained from the BID 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, 2012 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, 2012

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

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#### ***B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS***

In June 2011, the GASB issued statement No. 63 - Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards did not include guidance for these elements, which are distinct from assets and liabilities.

The city made the decision to implement this standard effective January 1, 2012.

#### ***Government-Wide Financial Statements***

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The city does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

#### ***Fund Financial Statements***

Financial statements of the reporting entity are organized into funds, each of which is considered to be a separate accounting entities. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net position/fund equity, revenues, and expenditure/expenses.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

---

### 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% 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% test is at least 5% 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.

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.

The City reports the following major governmental funds:

- General Fund – accounts for the city's primary operating activities. It is used to account for and report all financial resources except those accounted and reported in another fund.
- HUD Special Revenue Fund – used to account for and report 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 – used to account for and report 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 – used to account for and report financial resources that are restricted, committed or assigned to expenditure for the payment of general long-term debt principal, interest, and related cost 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, 2012

---

### 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	Private Property Maintenance
Police Grants-COPS	Sanitary Sewer Maintenance
Library	Health Lab
Harbor Commission	Special Assessments
HAZMAT	Other Cemetery
Recycling	Other Public Safety
CAR 25	Trusts
Municipal Court	Other
Federal Asset Forfeiture	Economic Development
Cemetery	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 or construction of capital facilities and other capital assets.

City Projects	2012
Tax Incremental Districts	Assessment Projects
2010	Intergovernmental Revenue Sharing
2011	

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 citizenry.

##### **Endowment Fund**

Enterprise Funds –used to account for and 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	Civic Centre
Storm Water Utility	Radio Repair
Golf Courses	

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

---

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

##### ***Fund Financial Statements (cont.)***

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

Health Insurance  
Telephones

Building Complex

Agency funds are used to account for and report 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

#### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION***

##### ***Government-Wide Financial Statements***

The government-wide statement of net position 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 unearned 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.

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.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

---

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

---

#### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)***

##### ***Fund Financial Statements (cont.)***

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.

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 deferred revenue.

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 fund financial statements 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 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 proprietary funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

---

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

---

#### ***C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)***

##### ***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.

#### ***D. ASSETS, LIABILITIES, AND NET POSITION 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.



# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

---

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

---

#### ***D. ASSETS, LIABILITIES, AND NET POSITION OR EQUITY***

##### ***1. Deposits, Investments and Equivalents (cont.)***

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.
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 balances. The difference between the bank statement 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, 2012, 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 position.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

##### *2. Receivables* (cont.)

Property tax calendar – 2012 tax roll:

Lien date and levy date	November 2012
Tax bills mailed	December 2012
Payment in full, or	
First installment due	January 31, 2013
Second installment due	March 31, 2013
Third installment due	May 31, 2013
Fourth installment due	July 31, 2013
Personal property taxes in full	January 31, 2013
Final settlement with County	August 15, 2013
Tax deed by County – 2012	
Delinquent real estate taxes	October 2015

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 has been made for the water and wastewater utilities because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

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 position. 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 nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

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 and funds have been disbursed.

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 fund balance in the fund financial statements.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

---

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

---

#### ***D. ASSETS, LIABILITIES, AND NET POSITION 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, 2012 were determined by physical counts. 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.

##### ***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 position.

##### ***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 1 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.

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 and 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 position. Depreciation and amortization 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:

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

---

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

---

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

##### ***5. Capital Assets (cont.)***

##### ***Government-Wide Statements (cont.)***

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, 2012

---

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

---

#### ***D. ASSETS, LIABILITIES, AND NET POSITION 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, 2012 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 obligations 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 position.

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 \$36,673,063 made up of seven issues.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

##### ***10. Claims and Judgments***

Claims and judgments are as liabilities if all the conditions of Governmental Accounting 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 position and displayed in three components:

- a. Net investment in capital assets – 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 position – Consists of net position 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 position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

The net position section includes an adjustment of \$8.4 million for capital assets owned by the business type activities, but financed by the debt of the governmental activities. The amount is a reduction of “net investment of capital assets”, and an increase in “unrestricted” net position, shown only in the total column.

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.

###### ***Fund Statements***

Governmental fund equity is classified as fund balance. In accordance with Governmental Accounting Standards Board Statement No. 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, 2012

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

---

#### ***D. ASSETS, LIABILITIES, AND NET POSITION 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 spendable 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 resolution 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 a specific purpose. 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 exceed 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 year's general fund budgeted expenditures. The unassigned balance at year end was \$21,467,880 or 26.0%.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Proprietary fund equity is classified the same as in the government-wide statements.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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#### ***A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION***

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net position – governmental activities* as reported in the government-wide statement of net position. 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	\$ 2,984,396
Deferred revenue-insurance recoveries	410,637
Deferred revenue-debt service	1,450,049
Deferred revenue-special assessments	<u>2,089,369</u>
Combined Adjustment for Long-Term Assets	<u>\$ 6,934,451</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 position. The details of the difference are as follows:

Bonds and notes payable	\$ (108,023,276)
OPEB obligation	(99,479,051)
Compensated absences, not including internal service fund	(3,135,313)
Unamortized debt issue costs	600,186
Accrued interest	<u>(163,591)</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ (210,201,045)</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	11,187,757
Other capital assets net of accumulated depreciation/amortization	147,532,355
Internal Service fund capital assets	<u>(1,696,599)</u>
Combined Adjustment for Capital Assets	<u>\$181,548,865</u>



# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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### NOTE II – RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

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#### ***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 position 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	\$ 71,970
Deferred charge incurred	921,822
Premium received	(1,802,397)
Discount received	209,650
Amortization of issuance costs	(228,180)
Amortization of deferred charge and premium	<u>115,940</u>
 Unamortized debt issuance costs/discounts/premiums	 <u>\$ (711,195)</u>

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

Principal paid on economic development loans	\$ (437,652)
Insurance recoveries received	410,637
Principal paid on debt service loans	(144,003)
Special assessments collections	<u>56,805</u>
 Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	 <u>\$ (114,213)</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 Position governmental activities of \$404,838 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, 2012

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### 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	2012 Capital Projects
Federal Asset Forfeiture	
Police Grants-Beat Patrol	
Library	
Health Lab	
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
HAZMAT
Capital Project Funds:
City Projects
Tax Incremental Districts
2011 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 \$2,797,589. 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 \$780,275.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

### 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, 2012:

<u>Fund</u>	<u>Department</u>	<u>Appropriation Unit</u>	<u>Amount</u>
General Fund	City Administration	Salaries and Fringes	\$ 2,470
	City Administration	Operating Expenditures	51,427
	City Assessor	Salaries and Fringes	2,559
	City Development	Operating Expenditures	2,115
	City Development	Interdepartmental	533
	Finance	Operating Expenditures	26,173
	Fire	Salaries and Fringes	47,622
	Fire	Interdepartmental	9,400
	Health	Interdepartmental	338
	Insurance	Operating Expenditures	52,516
	Employee Benefits	Salaries and Fringes	14,797
	Miscellaneous Unclassified	Salaries and Fringes	124,888
	Miscellaneous Unclassified	Operating Expenditures	59,853
	Park and Recreation	Interdepartmental	2,701
	Police	Salaries and Fringes	26,247
	Police	Operating Expenditures	899
	Police	Interdepartmental	12,776
	Police and Fire Commission	Operating Expenditures	7,828
Special Revenue Funds:			
CAR 25		Salaries and Fringes	7,744
Cemetery		Interdepartmental	3,061
Library		Interdepartmental	798
Recycling		Interdepartmental	5,084
Recycling		Capital Outlay	22,415
Police Grants - COP		Salaries and Fringes	4,259
Private Property Maintenance		Salaries and Fringes	23,447
Private Property Maintenance		Operating Expenditures	9,925

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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#### ***C. DEFICIT BALANCES***

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

#### ***Special Revenue Fund***

**Recycling Program** – The fund deficit of \$40,168 is the result of expenditures in excess of revenues received from the State of Wisconsin for this mandated program. The continued operation of this program is dependent upon funding through tax levy.

#### ***Capital Project Fund***

**City Projects** – The fund deficit of \$545,523 is the result primarily of a 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 32 (2011), 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 or zero percent for the 2011 levy collected in 2012 and thereafter. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

### NOTE IV – DETAILED NOTES ON ALL FUNDS

#### A. DEPOSITS AND INVESTMENTS

The city's deposits and investments at year end comprised of the following:

	Carrying Value	Statement Balances	Associated Risks
Demand deposits	\$ 37,103,352	\$ 33,731,787	Custodial credit
Savings deposits	34,368,218	34,368,218	Custodial credit
Certificates of deposit	8,446,041	8,446,041	Custodial credit
Petty cash	6,660	-	NA
Total deposits	<u>\$ 79,924,271</u>	<u>\$ 76,546,046</u>	
Wisconsin Local Government			
Investment Pool	\$ 14,444,418		Credit
Money market funds	13,316,807		Credit
Mutual funds-equities	1,120,451		Credit
Mutual funds-fixed income	1,449,759		Credit, Interest Rate
U.S. Treasury Notes	1,042,385		Custodial credit, Interest Rate
			Credit, Custodial credit, Interest Rate, Concentration of credit
U.S. Government agency securities-Implicit	<u>34,117,006</u>		
Total investments	<u>65,490,826</u>		
Total Deposits and Investments	<u>\$ 145,415,097</u>		
Reconciliation to financial statements			
Per statement of net position			
Cash and investments-Primary government	\$ 99,772,348		
Cash and investments-Component unit	68,641		
Restricted cash and investments	16,296,893		
Per statement of net position-fiduciary funds	<u>29,277,215</u>		
	<u>\$ 145,415,097</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 deposit accounts, and unlimited amounts for noninterest-bearing transaction accounts through December 31, 2012. On January 1, 2013, the temporary unlimited coverage for noninterest bearing transaction accounts expired. Therefore, demand deposit accounts (interest-bearing and noninterest-bearing) are insured for a total of \$250,000 beginning January 1, 2013. In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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#### ***A. DEPOSITS AND INVESTMENTS*** (cont.)

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

#### **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, 2012 the City's carrying value of deposits was \$79,924,271, as compared to bank balances of \$76,546,046. Of the bank balances \$63,794,174 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. \$12,751,872 was uninsured as of December 31, 2012.

#### **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, 2012 the City's carrying value of U.S. Government Agency Securities and U.S. Treasury's subject to custodial credit risk \$35,159,391. 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, 2012 were rated AAA by Moody's Investor's Services and AA+ by Standard & Poor's. As of December 31, 2012, the balance in these types of investments was \$34,117,006.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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### 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, 2012, 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	8.63%
Federal Home Loan Bank Corporation	U.S. government agency notes and mortgage backed securities	37.38%
Federal Home Loan Mortgage Corporation	U.S. government agency notes and mortgage backed securities	19.51%

##### **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, 2012 were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Duration (years)</u>
U.S. Treasury Notes	\$ 1,042,385	0.68
U.S. Government Agency-implicitly guaranteed	3,413,274	0.68
U.S. Government Agency-implicitly guaranteed	30,703,732	7.30
Mutual Funds-fixed income	1,449,759	4.15

During 2012, the City experienced unrealized loss on investments in the amount of \$23,666 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, 2012

### 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	\$ 161,958	\$ 194,745		\$ 143,421	\$ 500,124
HUD Fund	-	-	3,538,018	-	3,538,018
Transit	507				507
Other Enterprise	2,228				2,228
Internal Service	4,941	-	-	-	4,941
Other Non-Major Funds	12,221	-	-	-	12,221
Total Uncollectibles	<u>\$ 181,855</u>	<u>\$ 194,745</u>	<u>\$ 3,538,018</u>	<u>\$ 143,421</u>	<u>\$ 4,058,039</u>

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

	General Fund	Other HUD	Other Non Major	Total
Special assessments	\$ -	\$ -	\$ 2,089,369	\$ 2,089,369
Delinquent personal property taxes	136,923	-	-	136,923
Loans and notes	-	2,892,677	91,719	2,984,396
	<u>\$ 136,923</u>	<u>\$ 2,892,677</u>	<u>\$ 2,181,088</u>	<u>\$ 5,210,688</u>



# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

---

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

---

#### **B. RECEIVABLES** (cont.)

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable	\$ -	\$ 57,096,205	\$ 57,096,205
Loans receivable	2,984,396	-	2,984,396
Insurance recoveries	410,637		410,637
Special assessments not yet due	2,089,369	-	2,089,369
Interest on loans and advances	-	362,451	362,451
Due from enterprise for debt service	1,450,049	-	1,450,049
Grant drawdowns prior to meeting all eligibility requirements	-	320,864	320,864
Total Deferred/Unearned Revenue for Governmental Funds	<u>\$ 6,934,451</u>	<u>\$ 57,779,520</u>	<u>\$ 64,713,971</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

### 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, 2012:

	Water <u>Utility</u>	Wastewater <u>Utility</u>	<u>Total</u>
Bond redemption account	\$ 3,680,971	\$ 3,779,269	\$ 7,460,240
Bond reserve account	3,930,376	-	3,930,376
Bond depreciation account	800,000	-	800,000
Improvement Fund	1,084,343	-	1,084,343
Equipment replacement account	-	3,021,934	3,021,934
Plant capacity receivable	-	33,184,312	33,184,312
Total Restricted Assets	9,495,690	39,985,515	49,481,205
Reconciliation to restricted net assets			
Plant capacity receivable reported as deferred revenue	-	(33,184,312)	(33,184,312)
Accrued interest payable	(629,665)	(272,208)	(901,873)
Unexpended bond proceeds and interest	(1,084,343)	-	(1,084,343)
Bond reserve fund financed by bond proceeds	(3,930,376)	-	(3,930,376)
Restricted Net Position	<u>\$ 3,851,306</u>	<u>\$ 6,528,995</u>	<u>\$ 10,380,301</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

#### **D. CAPITAL ASSETS**

Capital asset activity for the year ended December 31, 2012 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Governmental Activities</b>				
Capital assets not being depreciated/amortized				
Land	\$ 24,525,352	\$ -	\$ -	\$ 24,525,352
Construction in progress	9,065,954	9,959,702	7,837,899	11,187,757
Total Capital Assets Not Being Depreciated/Amortized	<u>33,591,306</u>	<u>9,959,702</u>	<u>7,837,899</u>	<u>35,713,109</u>
Capital assets being depreciated/amortized				
Intangible assets	605,210	-	-	605,210
Land improvements	9,526,595	329,625	5,700	9,850,520
Buildings	40,920,876	2,071,772	174,268	42,818,380
Machinery and equipment	31,963,264	2,063,381	1,386,180	32,640,465
Roads, streets, and bridges	143,421,974	2,787,572	682,596	145,526,950
Sidewalks	50,124,448	489,316	34,984	50,578,780
Sewer lines	35,205,868	1,703,133	80,700	36,828,301
Shoreline walls and other	21,398,571	750,633	-	22,149,204
Total Capital Assets Being Depreciated/Amortized	<u>333,166,806</u>	<u>10,195,432</u>	<u>2,364,428</u>	<u>340,997,810</u>
Less: accumulated depreciation/amortization for				
Intangible assets	498,745	49,594	-	548,339
Land improvements	5,914,356	465,959	5,700	6,374,615
Buildings	17,072,091	1,323,082	141,892	18,253,281
Machinery and equipment	24,567,984	2,139,393	1,346,322	25,361,055
Roads, streets, and bridges	73,142,403	3,905,918	571,446	76,476,875
Sidewalks	39,586,747	1,243,361	34,984	40,795,124
Sewer lines	16,856,838	668,001	80,706	17,444,133
Shoreline walls and other	7,604,322	607,711	-	8,212,033
Total Accumulated Depreciation/Amortization	<u>185,243,486</u>	<u>10,403,019</u>	<u>2,181,050</u>	<u>193,465,455</u>
Total Capital Assets being Depreciated/Amortized, Net	<u>147,923,320</u>	<u>(207,587)</u>	<u>183,378</u>	<u>147,532,355</u>
Governmental Activities Capital Assets, Net	<u>\$ 181,514,626</u>	<u>\$ 9,752,115</u>	<u>\$ 8,021,277</u>	<u>\$ 183,245,464</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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#### **D. CAPITAL ASSETS** (cont.)

Depreciation/amortization expense was charged to functions as follows:

##### **Governmental Activities**

General government	\$ 318,498
Education and recreation	1,295,449
Public works, which includes infrastructure	7,912,841
Public safety	<u>876,231</u>
Total Governmental Activities Depreciation/Amortization Expense	<u>\$ 10,403,019</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

#### **D. CAPITAL ASSETS (cont.)**

	Beginning Balance	Additions	Deletions	Ending Balance
<b>Business-Type Activities</b>				
Capital assets not being depreciated				
Land	\$ 5,084,905	\$ -	\$ -	\$ 5,084,905
Construction in progress	2,081,645	5,904,292	4,610,262	3,375,675
Total Capital Assets Not Being Depreciated	7,166,550	5,904,292	4,610,262	8,460,580
Capital assets being depreciated				
Land improvements	8,770,363	-	-	8,770,363
Improvements other than buildings	184,858,683	3,696,887	672,056	187,883,514
Buildings	144,506,311	858,014	173,217	145,191,108
Machinery and equipment	96,321,435	1,862,300	2,438,716	95,745,019
Total Capital Assets Being Depreciated	434,456,792	6,417,201	3,283,989	437,590,004
Less: accumulated depreciation for				
Land improvements	4,494,276	304,826	-	4,799,102
Improvements other than buildings	59,602,412	2,966,613	666,869	61,902,156
Buildings	48,485,210	3,662,829	173,219	51,974,820
Machinery and equipment	49,605,080	4,846,387	2,372,730	52,078,737
Total Accumulated Depreciation	162,186,978	11,780,655	3,212,818	170,754,815
Total Capital Assets Depreciated, Net	272,269,814	(5,363,454)	71,171	266,835,189
Business-Type Activities Capital Assets, Net	\$ 279,436,364	\$ 540,838	\$ 4,681,433	\$ 275,295,769

Depreciation expense was charged to functions as follows:

#### **Business-Type Activities**

Water	\$ 3,991,266
Wastewater	4,485,165
Belle Urban Transit	1,146,883
Other	2,030,585
Total Business-Type Activities Depreciation Expense	<u>\$ 11,653,899</u>

Depreciation expense does not agree to the increase in accumulated depreciation due to joint ventures, salvage and cost of removal.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

#### ***E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS***

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

Receivable Fund	Payable Fund	Amount due Within One Year
General Fund	Enterprise Fund-Transit	\$ 3,516,643
General Fund	Enterprise Fund-Civic Center	186,394
General Fund	Special Revenue-Public Safety	88,722
General Fund	Special Revenue-Other	68,906
General Fund	Special Revenue-Health	65,525
General Fund	Special Revenue-HUD	250,281
General Fund	Wastewater Utility	113,881
General Fund	Water Utility	2,978,739
General Fund	Capital Projects-Assessment Projects	77,470
General Fund	Capital Projects-City Projects	695,349
Debt Service Fund	Water Utility	1,312
Debt Service Fund	Wastewater Utility	1,174
Wastewater Utility	Capital Projects-City Projects	1,368,323
Wastewater Utility	Water Utility	647,543
Wastewater Utility	General Fund	1,690,300
Wastewater Utility	Internal Service Fund-Building Maintenance	15,785
Water Utility	Wastewater Utility	809,026
Water Utility	General Fund	3,449,794
Other Enterprise-Radio Repair	Water Utility	330
Capital Projects-City Projects	Wastewater Utility	300,000
Internal Service Fund-Equipment Maint.	Water Utility	14,332
Internal Service Fund-Equipment Maint.	Wastewater Utility	3,512
Internal Service Fund-Health Insurance	Water Utility	4,329
Internal Service Fund-Health Insurance	Wastewater Utility	3,567
Internal Service Fund-Telephone	Water Utility	1,536
Internal Service Fund-Telephone	Wastewater Utility	1,173
Special Revenue-Library	Wastewater Utility	92
Special Revenue-Other	Water Utility	2,550
Subtotal-Fund Financial Statements		16,356,588
Less: Fund eliminations		(2,702,822)
Less: Government-wide eliminations		(13,048,734)
		<u>\$ 605,032</u>

# **CITY OF RACINE**

## **NOTES TO FINANCIAL STATEMENTS** **As of and for the Year Ended December 31, 2012**

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

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#### ***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 position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

The general fund is advancing funds to the Storm Water Utility. The General Fund is charging the Storm Water Utility 4% interest and a repayment schedule has been established. 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, 2012

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

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

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Due Within One Year
General Fund	Storm Water Utility	\$ 265,880	\$ 84,365
Debt Service Fund	Wastewater Utility	684,600	61,425
Debt Service Fund	Water Utility	765,448	68,679
City Projects Fund	Storm Water Utility	576,127	71,844
Intergovernmental Revenue Sharing	Tax Increment District #12	572,851	-
Intergovernmental Revenue Sharing	Tax Increment District #10	275,430	-
Intergovernmental Revenue Sharing	Tax Increment District #11	13,445	-
Intergovernmental Revenue Sharing	Tax Increment District # 16	277,034	-
Subtotal-Fund financial statements		\$ 3,430,815	\$ 286,313
Less: fund eliminations		(1,138,760)	
Total advance to other funds-government wide statements		\$ 2,292,055	

Repayment schedules for advances with an established payment schedule follow:

	Storm Water Utility	Storm Water Utility	Water Utility	Wastewater Utility
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	97,770	-	82,325	73,630
2018-2020	195,539	-	375,950	336,241
Sub-total	684,389	287,996	838,720	750,133
Amount representing interest	(108,262)	(22,116)	(73,272)	(65,533)
	\$ 576,127	\$ 265,880	\$ 765,448	\$ 684,600

For the statement of Net Position, 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, 2012

### 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	\$ 3,094,132
General Fund	Wastewater	1,000,096
General Fund	Special Revenue-TIF	62,799
Debt Service Fund	Capital Projects - 2012	10,761,582
Debt Service Fund	Special Revenue-Recycling	250,594
Debt Service Fund	Special Revenue-TIF	1,414,400
Debt Service Fund	Capital Projects-TIF	1,050,829
Capital Projects-TIF	Special Revenue-TIF	2,324,051
Capital Projects-Assessment Projects	Special Revenue-Special Assessment	1,103,122
Water	Wastewater	44,242
Enterprise-Storm Water	Intergovernmental Revenue Sharing	185,211
Enterprise-Radio Repair	Capital Projects-2011	2,335
Enterprise-Radio Repair	Capital Projects-2012	19,272
Enterprise-Transit	Capital Projects-2011	292,442
Enterprise-Transit	Capital Projects-2012	22,442
Enterprise-Civic Centre	Capital Projects-2010	25,669
Enterprise-Civic Centre	Capital Projects-2011	312,292
Enterprise-Civic Centre	Capital Projects-2012	541,739
Enterprise-Civic Centre	Special Revenue-Other	30,000
Internal Service-MIS	Capital Projects-2011	938
Internal Service-MIS	Capital Projects-2012	59,362
Internal Service-Equipment Maintenance	Capital Projects-2012	285,731
Special Revenue-HUD	Special Revenue-Other	25,000
Special Revenue-Harbor Commission	General Fund	16,323
Special Revenue-Harbor Commission	Special Revenue-Other	706
Special Revenue-Cemetery	Permanent	14,519
Special Revenue-Library	Capital Projects-2011	37,740
Special Revenue-Library	Capital Projects-2012	3,080
Special Revenue-Recycling	Capital Projects-2011	25,594
Special Revenue-Other	Special Revenue-HUD	23,448
Special Revenue-Health	Special Revenue-HUD	14,512
Subtotal-fund financial statements		23,044,202
Less: Fund eliminations		(17,518,572)
Add: Government wide eliminations		(2,862,804)
		<u>\$ 2,662,826</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

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.

#### ***F. LONG-TERM OBLIGATIONS***

Long-term obligations activity for the year ended December 31, 2012 was as follows:

#### **GOVERNMENTAL ACTIVITIES**

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General obligation					
bonds and notes payable	<u>\$ 107,860,000</u>	<u>\$31,725,000</u>	<u>\$ 31,245,000</u>	<u>\$108,340,000</u>	<u>\$10,880,000</u>
Add/(subtract)					
Deferred Amounts For:					
(Discounts)/Premiums	698,643	1,592,747	352,801	1,938,589	-
Refundings-Gains/(Loss)	<u>(1,570,346)</u>	<u>(921,822)</u>	<u>(236,855)</u>	<u>(2,255,313)</u>	<u>-</u>
Sub-total	<u>106,988,297</u>	<u>32,395,925</u>	<u>31,360,946</u>	<u>108,023,276</u>	<u>10,880,000</u>
Other Liabilities					
Vested compensated absences	3,287,074	584,965	628,011	3,244,028	542,198
Capital leases	<u>25,009</u>	<u>-</u>	<u>25,009</u>	<u>-</u>	<u>-</u>
Total Other Liabilities	<u>3,312,083</u>	<u>584,965</u>	<u>653,020</u>	<u>3,244,028</u>	<u>542,198</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 110,300,380</u>	<u>\$32,980,890</u>	<u>\$ 32,013,966</u>	<u>\$111,267,304</u>	<u>\$11,422,198</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

### 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	\$ 125,812,581	\$14,140,000	\$ 23,084,973	\$ 116,867,608	\$ 9,626,104
Add/(subtract)					
Deferred Amounts For:					
(Discounts)/Premiums	1,303,231	1,259,947	651,499	1,911,679	161,674
Refundings-Gains/(Loss)	(265,168)	(1,325,597)	(78,834)	(1,511,931)	(131,858)
Sub-total	126,850,644	14,074,350	23,657,638	117,267,356	9,655,920
Other Liabilities					
Vested compensated absences	1,089,034	117,404	220,170	986,268	-
Total Other Liabilities	1,089,034	117,404	220,170	986,268	-
Total Business Type Activities					
Long-Term Liabilities	\$ 127,939,678	\$14,191,754	\$ 23,877,808	\$ 118,253,624	\$ 9,655,920

#### 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, 2012, was \$179,361,110. Total general obligation debt outstanding at year end was \$108,340,000.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

#### **F. LONG-TERM OBLIGATIONS** (cont.)

##### **General Obligation Debt** (cont.)

<u>Type/Series</u>	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Interest Rates</u>	<u>Indebted- ness</u>	<u>Outstanding 12/31/2012</u>
General Obligation Bonds					
2003	11/1/03	11/01/23	2.00-5.70%	\$ 16,895,000	\$ 735,000
2003	11/1/03	11/01/17	2.00-5.00	7,900,000	615,000
2003	7/15/03	07/15/18	2.00-4.90	8,650,000	675,000
2003	7/15/03	07/15/18	2.75-4.20	22,755,000	18,685,000
2004	11/5/04	11/05/19	2.00-5.25	6,880,000	675,000
2005	10/15/05	12/01/19	3.50-4.75	6,980,000	3,950,000
2006	10/5/06	12/01/20	4.00-4.50	7,130,000	5,265,000
2007	11/13/07	12/01/21	4.00-5.00	7,610,000	6,055,000
2008	12/09/08	12/01/22	3.00-5.00	7,680,000	6,440,000
2011	10/25/11	10/25/25	3.50-4.00	8,080,000	8,080,000
2012	12/27/12	12/27/26	2.00-4.00	9,830,000	9,830,000
2012	7/10/12	12/10/18	.65-1.65	3,775,000	3,775,000
2012	7/10/12	12/10/19	2.00-4.00	7,360,000	7,360,000
					<u>72,140,000</u>
Taxable General Obligation Bonds					
2009	12/08/09	12/01/23	1.00-5.30	7,760,000	6,740,000
2010	11/24/10	12/01/24	0.85-4.70	9,850,000	8,285,000
2011	10/25/11	10/25/20	0.55-2.55	12,925,000	12,305,000
					<u>27,330,000</u>
Tax Incremental General Obligation Debt					
2006 (Tif #10)	10/3/06	10/3/25	4.0 - 4.75	3,970,000	3,410,000
2006 (Tif #11)	6/26/06	6/26/25	5.55 - 6.38	2,000,000	1,685,000
2010 (Tif #9)	07/27/10	12/01/21	2.00-4.00	3,895,000	3,775,000
					<u>8,870,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 108,340,000</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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#### ***F. LONG-TERM OBLIGATIONS*** (cont.)

##### ***General Obligation Debt*** (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	Governmental Activities General Obligation Debt		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 10,880,000	\$ 3,701,299	\$ 14,581,299
2014	10,115,000	3,539,273	13,654,273
2015	11,130,000	3,233,236	14,363,236
2016	12,040,000	2,882,911	14,922,911
2017	12,040,000	2,490,388	14,530,388
2018 – 2022	40,725,000	6,632,771	47,357,771
2023 – 2026	<u>11,410,000</u>	<u>959,311</u>	<u>12,369,311</u>
Totals	<u>\$ 108,340,000</u>	<u>\$ 23,439,189</u>	<u>\$ 131,779,189</u>

#### ***Current Debt Refunding***

On December 27, 2012, the City issued \$9,830,000 in general obligation refunding bonds, with an interest rate ranging from 2.0%-4.0%, to current refund \$10,270,000 of Note Anticipation Notes dated July 10, 2012 with an interest rate of 1.5%. Settlement on the refunding occurred on January 7, 2013.

#### ***Advanced Debt Refunding***

On July 10, 2012 the City issued \$3,775,000 in general obligation refunding bonds with an average interest rate of 1.3159% to advance refund \$3,540,000 of 2003 general obligation bonds with an average interest rate of 4.788%. The net proceeds of \$3,731,480 (including premium and net of underwriting fees and other issuance costs) were used to retire some of the 2003 bond issue.

The cash flow requirements on the refunded bonds prior to the advance refunding were \$4,318,104 from 2012 through 2018. The cash flow requirements on the 2012 refunding bonds are \$3,991,060 from 2012 through 2018. The advance refunding resulted in an economic gain of \$327,044.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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#### ***F. LONG-TERM OBLIGATIONS*** (cont.)

##### ***General Obligation Debt*** (cont.)

##### ***Advanced Debt Refunding*** (cont.)

On July 10, 2012 the City issued \$7,360,000 in general obligation refunding bonds with an average interest rate of 3.34% to advance refund \$7,330,000 of 2003 and 2004 general obligation bonds with an average interest rate of 4.67%. The net proceeds of \$8,010,554 (including premium and net of underwriting fees and other issuance costs) were used to retire some of bond issues.

The cash flow requirements on the refunded bonds prior to the advance refunding were \$9,153,688 from 2012 through 2017. The cash flow requirements on the 2012 refunding bonds are \$8,563,252 from 2012 through 2019. The advance refunding resulted in an economic gain of \$590,436.

On July 10, 2012, the Water Utility issued \$14,140,000 in mortgage revenue refunding bonds. The proceeds of the bonds, along with available Utility cash were used to refund \$13,835,000 of the outstanding balance of the 2004 Mortgage Revenue Bonds. The debt service requirements on the new debt totaled \$18,229,258. The economic gain on the refunding using an effective interest rate of 3.68% was \$854,945.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

### 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, 2012 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 12/31/2012</u>
<u>Water Utility</u>					
Safe Drinking Water Loan	02/10/99	05/01/18	2.64	\$ 12,594,655	\$ 4,498,231
Safe Drinking Water Loan	12/22/04	05/01/24	2.365	16,666,035	11,451,667
Mortgage Revenue Bonds	11/01/04	09/01/24	2.50-5.00	22,140,000	2,085,000
Mortgage Revenue Bonds	04/02/07	09/01/21	4.00-4.75	18,980,000	16,045,000
Mortgage Revenue Bonds	12/08/09	09/01/29	3.0-4.5	2,760,000	2,735,000
Mortgage Revenue Bonds	06/28/11	09/01/15	2.00-3.00	1,995,000	1,500,000
Mortgage Revenue Refunding Bonds	10/25/11	09/01/31	2.00-4.50	6,500,000	6,400,000
Mortgage Revenue Refunding Bonds	07/10/12	09/01/24	2.00-4.00	14,140,000	14,140,000
Total Water Utility					<u>58,854,898</u>
<u>Wastewater Utility</u>					
Clean Water Fund Loans	11/01/94	05/01/13	3.19	2,701,745	185,877
Clean Water Fund Loans	03/26/97	05/01/16	3.0	1,158,993	300,726
Clean Water Fund Loans	05/27/98	05/01/18	2.64	854,147	304,375
Clean Water Fund Loans	10/29/99	05/01/19	2.64	797,249	330,220
Clean Water Fund Loans	09/27/00	05/01/20	2.97	805,113	379,306
Clean Water Fund Loans	04/10/02	05/01/21	2.75	4,073,012	2,204,643
Clean Water Fund Loans	12/22/04	05/01/21	2.86	17,943,748	10,770,248
Clean Water Fund Loans	11/27/02	05/01/22	2.87	60,724,848	38,406,708
Clean Water Fund Loans	01/23/08	05/01/27	2.48	3,481,931	2,775,059
Clean Water Fund Loans	03/24/10	05/01/29	2.20	2,579,652	2,355,548
Total Wastewater Utility					<u>58,012,710</u>
Total Business-Type Revenue Debt					<u>\$ 116,867,608</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

### 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
2013	\$ 9,626,104	\$ 3,623,952	\$ 13,250,056
2014	9,690,459	3,335,657	13,026,116
2015	9,985,674	3,040,910	13,026,584
2016	10,071,012	2,743,416	12,814,428
2017	10,325,714	2,442,071	12,767,785
2018-2022	51,133,801	7,433,253	58,567,054
2023-2027	13,290,419	1,719,423	15,009,842
2028-2031	2,744,425	261,651	3,006,076
	<u>\$ 116,867,608</u>	<u>\$ 24,600,333</u>	<u>\$ 141,467,941</u>

The Water Utility has pledged future customer revenues, net of specified operating expenses, to repay \$95.8 million in water system revenue bonds issued between 1999 and 2012. 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 \$74,659,561. Principal and interest paid for the current year and total customer net revenues were \$6,277,324 and \$11,597,429, respectively.

The Wastewater Utility has pledged future customer revenues, net of specified operating expenses, to repay \$95.1 million in water system revenue bonds issued between 1994 and 2010. 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 \$66,808,380. Principal and interest paid for the current year and total revenues were \$6,706,993 and 7,754,675, 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, 2012

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

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#### ***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, 2012, \$36,540,000 of bonds outstanding is considered defeased. The bonds are callable on July 1, 2013, December 1, 2013 and December 1, 2014.

##### ***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 2012 was \$78,834 for the Business type activities and \$236,855 for the Governmental activities.

#### ***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 2012.

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

2013	\$ 35,000
2014	35,000
2015	35,000
2016	35,000
2017	35,000
Thereafter	<u>1,190,000</u>
	<u>\$ 1,365,000</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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#### ***H. NET POSITION/FUND BALANCES***

Net position reported on the government wide statement of net position at December 31, 2012 includes the following:

##### ***Governmental Activities***

Net Investment in capital assets

Capital assets, net of accumulated depreciation	\$ 183,245,464
Less: related long-term debt outstanding	(86,605,417)
Plus: funds borrowed but not spent	<u>8,393,635</u>
Total Net Investment in Capital Assets	<u>105,033,682</u>

Restricted for

Debt service	1,329,978
Permanent Funds	
Nonexpendable	1,119,101
Expendable	1,999,705
Library	205,783
HUD loan program	6,179,113
Tax increment districts	5,106,735
Intergovernmental revenue sharing	7,309,769
Police grants, federal asset forfeiture and HAZMAT	531,769
Health and other	1,443,751
Special assessment program	<u>1,731,300</u>
Total Restricted	<u>26,957,004</u>

Unrestricted (deficit)	<u>(80,870,675)</u>
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Total Governmental Activities Net Position	<u>\$ 51,120,011</u>
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##### ***Business-Type Activities***

Net investment in capital assets

Capital assets, net of accumulated depreciation	\$ 275,295,769
Less: related long-term debt outstanding	<u>(110,464,453)</u>
Total Net Investment in Capital Assets	<u>164,831,316</u>

Restricted for

Debt service	6,558,367
Depreciation fund	800,000
DNR equipment replacement fund	<u>3,021,934</u>
Total Restricted	<u>10,380,301</u>

Unrestricted (deficit)	<u>(4,193,862)</u>
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Total Business-Type Activities Net Position	<u>\$ 171,017,755</u>
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# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

#### H. NET POSITION/FUND BALANCES (cont.)

##### **Governmental Funds**

Governmental fund balances reported on the fund financial statements at December 31, 2012 include the following:

	General Fund	HUD	Tax Incremental Districts	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable						
Non Current Receivables	\$ 4,402,913	\$ -	\$ -	\$ -	\$ -	\$ 4,402,913
Inventories	199,092	-	-	-	-	199,092
Prepaid Items	64,647	-	-	-	-	64,647
Deposit in CVMIC	2,962,500	-	-	-	-	2,962,500
Advances to Other Funds	265,880	-	-	-	2,700,886	2,966,766
	<u>7,895,032</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,700,886</u>	<u>10,595,918</u>
Restricted for:						
Community Development	-	3,286,436	-	-	278,069	3,564,505
Debt Service	-	-	-	43,520	-	43,520
Energy Rebates	-	-	-	-	10,301	10,301
Parks Programs	-	-	-	-	17,248	17,248
Public Safety	-	-	-	-	680,159	680,159
Library Services	-	-	-	-	205,783	205,783
Cemtery Donations	-	-	-	-	139,710	139,710
Health Services	-	-	-	-	97,414	97,414
Trusts	-	-	-	-	752,619	752,619
Special Assessment Program	-	-	-	-	1,731,300	1,731,300
Tax Incremental Districts	-	-	-	-	5,106,735	5,106,735
Revenue Sharing	-	-	-	-	5,895,009	5,895,009
Endowments	-	-	-	-	3,118,806	3,118,806
	<u>-</u>	<u>3,286,436</u>	<u>-</u>	<u>43,520</u>	<u>18,033,153</u>	<u>21,363,109</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

#### H. NET POSITION/FUND BALANCES (cont.)

##### Governmental Activities Funds (cont.)

	General Fund	HUD	Tax Increment Districts	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Committed to:						
Subsequent Years						
Expenditures	\$ 158,536	\$ -	\$ -	\$ -	\$ -	\$ 158,536
Harbor Commission	-	-	-	-	77,242	77,242
CARS 25	-	-	-	-	34,608	34,608
Cemetery	-	-	-	-	123,575	123,575
Municipal Court	-	-	-	-	6,355	6,355
Private Property Maintenance	-	-	-	-	172,459	172,459
Sanitary Sewer Maintenance	-	-	-	-	954,060	954,060
Health Lab	-	-	-	-	80,211	80,211
Fire Prevention	-	-	-	-	5,692	5,692
Room Tax	-	-	-	-	96,617	96,617
WPRA Tickets	-	-	-	-	2,635	2,635
Racine Safe Neighborhood	-	-	-	-	8,470	8,470
DPW Street Opening Fund	-	-	-	-	243,346	243,346
Comm Center Concessions	-	-	-	-	10,634	10,634
Landmark Preservation	-	-	-	-	5,341	5,341
Open Space Park Land	-	-	-	-	18,045	18,045
Capital projects-open contracts	-	-	-	-	8,393,635	8,393,635
	<u>158,536</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,232,925</u>	<u>10,391,461</u>
Assigned to:						
Purchase Order						
Encumbrances	544,546	-	-	-	-	544,546
Budget Stabilization	2,700,000	-	-	-	-	2,700,000
Economic Development	-	-	-	-	5,184	5,184
	<u>3,244,546</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,184</u>	<u>3,249,730</u>
Unassigned:	<u>21,467,880</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,281,817)</u>	<u>20,186,063</u>
Total Fund Balances	<u>\$ 32,765,994</u>	<u>\$ 3,286,436</u>	<u>\$ -</u>	<u>\$ 43,520</u>	<u>\$ 29,690,331</u>	<u>\$ 65,786,281</u>

# **CITY OF RACINE**

## **NOTES TO FINANCIAL STATEMENTS** **As of and for the Year Ended December 31, 2012**

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

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#### ***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 Position 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, 2012, the Redevelopment Authority has advances from the City in the amount of \$986,000. There has been no amortization schedule established.

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, 2012 the Authority had assets held for resale of \$1,313,131.

d. **Long-term Liabilities**

At December 31, 2012, the Redevelopment Authority has an advance payable to the City's in the amount of \$986,000. There has been no amortization schedule established.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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#### *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, 2012, the BID has a receivable of \$213,159 from the City's tax collection fund for the entire subsequent year's annual assessment.

#### c. Cash and Investments

At December 31, 2012, the carrying value and bank balance of the BID's deposits are \$17,973 and \$19,236, respectively. 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, 2012 the District had capital assets with a cost of \$16,845 and accumulated depreciation of \$16,845. The District's net book value of capital assets was \$0.

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### NOTE V – OTHER INFORMATION

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#### ***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 employees initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Employees hired to work nine or ten months per year, but expected to return year after year are considered to have met the one year requirement

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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### NOTE V – OTHER INFORMATION (cont.)

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#### **A. EMPLOYEES' RETIREMENT SYSTEM (cont.)**

Prior to June 29, 2011, covered employees in the General category were 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. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits. Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for the General category employees. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2012 are:

	<u>Employee</u>	<u>Employer</u>
General	5.90%	5.90%
Executives & Elected Officials	7.05%	7.05%
Protective with Social Security	5.90%	9.00%
Protective without Social Security	5.90%	11.30%

The payroll for City employees covered by the system for the year ended December 31, 2012 was \$ 49,231,349; the employer's total payroll was \$52,010,302. The total required contribution for the year ended December 31, 2012 was \$8,425,710 or 17.11 percent of covered payroll which consisted of \$7,790,096 or 15.8% of covered payroll from the employer and \$635,614 or 1.3% from the employees. Total contributions for the years ending December 31, 2011 and 2010 were \$8,452,786 and \$8,186,937 respectively.

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 prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be 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, 2012.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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### NOTE V – OTHER INFORMATION (cont.)

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#### ***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 \$721,808, \$716,997, and \$675,771, for the years ended December 31, 2012, 2011, and 2010 respectively. The following table shows the rate charged per week for each contract year:

Contract Period	Rate per week
July 1, 2012 – June 30, 2013	182
July 1, 2011 – June 30, 2012	169
July 1, 2010 – June 30, 2011	156
July 1, 2009 – June 30, 2010	145

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, 2012

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### NOTE V – OTHER INFORMATION (cont.)

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#### ***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.

	2012	2011	2010
Valuation Date	January 1, 2012	January 1, 2011	January 1, 2010
Funded Percentage	53.9%	58.9%	63.41%
Value of Assets	\$18,829,345,753	\$21,001,737,506	\$22,765,749,780
Value of Liabilities	\$34,914,643,948	\$35,662,837,013	\$35,903,139,725

##### ***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:

	2012	2011	2010
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, 2012

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### NOTE V – OTHER INFORMATION (cont.)

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#### ***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, 2012. 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 \$220,000 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 \$350,000 per incident 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	\$ 1,427,877	\$ 1,393,694
Current year claims and changes in estimates	17,756,441	16,156,883
Claim payments	<u>(17,702,809)</u>	<u>(16,122,700)</u>
Unpaid Claims – End of Year	<u>\$ 1,481,509</u>	<u>\$ 1,427,877</u>

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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### NOTE V – OTHER INFORMATION (cont.)

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#### **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, 2012 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 \$225,000 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, 2012. A total liability of approximately \$1,813,818 at December 31, 2012 was recorded as claims payable in the governmental activities column of government-wide statement of Net Position. Changes in the fund's claims loss liability follow:

	Beginning Balance	Incurred Claims	Claims Paid/ Settled	Ending Balance
2012	\$ 2,032,182	\$ 1,230,595	\$1,448,959	\$ 1,813,818
2011	1,946,271	946,069	860,158	2,032,182

## CITY OF RACINE

### NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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#### NOTE V – OTHER INFORMATION (cont.)

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##### **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 2012 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, 2012

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### **NOTE V – OTHER INFORMATION (cont.)**

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#### ***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 \$4,547,657.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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### NOTE V – OTHER INFORMATION (cont.)

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#### ***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, 2012, 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 2012, the City contributed \$7,437,127 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 2012, total retiree member contributions were \$222,974.

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:

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

### NOTE V – OTHER INFORMATION (cont.)

#### E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

	Governmental Activities	Business Type Activities	Total
Annual required contribution	\$ 26,206,848	\$ 4,061,351	\$ 30,268,199
Interest on net OPEB obligation	3,340,868	378,198	3,719,066
Adjustment to annual required contribution	(4,454,796)	(715,257)	(5,170,053)
Annual OPEB Cost	25,092,920	3,724,292	28,817,212
Contribution made	(6,607,140)	(829,987)	(7,437,127)
Increase in net OPEB obligation	18,485,780	2,894,305	21,380,085
Net OPEB obligation beginning of year	80,993,271	13,414,555	94,407,826
Net OPEB obligation end of year	\$ 99,479,051	\$ 16,308,860	\$ 115,787,911

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2012 and the two preceding years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Governmental Activities			
12/31/2010	\$ 22,267,315	26.46%	\$ 64,042,485
12/31/2011	24,102,664	29.67%	80,993,271
12/31/2012	25,092,920	26.33%	99,479,051
Business Type Activities			
12/31/2010	\$ 3,892,036	19.85%	\$ 10,455,918
12/31/2011	3,885,608	23.86%	13,414,555
12/31/2012	3,724,292	22.29%	16,308,860

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

### NOTE V – OTHER INFORMATION (cont.)

#### ***E. OTHER POSTEMPLOYMENT BENEFITS*** (cont.)

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

	Governmental <u>Activities</u>	Business <u>Type Activities</u>	<u>Total</u>
Actuarial accrued liability (AAL)	\$ 314,382,457	\$ 49,722,425	\$ 364,104,882
Actuarial value of plan assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 314,382,457</u>	<u>\$ 49,722,425</u>	<u>\$ 364,104,882</u>
Funded Ratio	-	-	-
Covered Payroll	\$ 42,239,291	\$ 6,672,612	\$ 48,911,903
UAAL as percentage of covered payroll	744.29%	745.17%	744.41%

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, 2012 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.

#### ***F. ECONOMIC DEPENDENCY***

One major customer accounted for 17.1% of Water Utility gross sales aggregating \$3,599,701 and 17.4% of gross sales aggregating \$3,304,182 in 2012 and 2011, respectively.

Two major customers accounted for 18.6% and 13.9% of Wastewater Utility gross sales aggregating \$3,999,229 in 2012. Total accounts receivable from these customers totaled \$965,706 at December 31, 2012.

Two major customers accounted for 18.7% and 15.8% of Wastewater Utility gross sales aggregating \$4,307,220 in 2011. Total accounts receivable from these customers totaled \$885,754 at December 31, 2011.



# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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### NOTE V – OTHER INFORMATION (cont.)

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#### ***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 \$1,000,000 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 \$1,000,096 for the year ended December 31, 2012.

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 \$1,145,637 for the year ended December 31, 2012.

#### ***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, 2012 and 2011 was \$0 and \$0 respectively.

# CITY OF RACINE

## NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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### NOTE V – OTHER INFORMATION (cont.)

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#### ***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, 2012 and 2011, the Wastewater Utility had unrecovered cost of \$1,368,323 and \$1,430,834, respectively, which was reported as due from the City of Racine.

#### ***J. MUNICIPAL REVENUE OBLIGATIONS***

In 2006, the city issued a municipal revenue obligation as part of a development agreement. The amount of the obligation is \$1,888,000, and is payable to the developer solely from tax increments collected from a specific development in Tax Incremental District No.13.

The obligation has no established repayment terms. The obligation bears interest at 6.5% and matures on October 1, 2030. In no case, shall the term of this obligation and the city's obligation to make payments, extend beyond the statutory expiration of Tax Incremental District No.13, nor shall the amount of principal to be paid under the obligation exceed \$1,888,000.

The obligation does not constitute a charge upon any funds of the city. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the city. Since the amount of future payments is contingent on the collection of future tax increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at year end is \$1,680,037.

#### ***K. SUBSEQUENT EVENT***

On June 18, 2013, the city issued note anticipation notes in the amount of \$11,040,000 with an interest rate of 1.6%. This amount will be used to provide interim financing for public purposes, including paying the cost of various capital improvement and acquisition projects.

#### ***L. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS***

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; Statement No. 65, *Items Previously Reported as Assets and Liabilities*; Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*; Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*; and Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. Application of these standards may restate portions of these financial statements.

## **REQUIRED SUPPLEMENTARY INFORMATION**

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# CITY OF RACINE

## SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS

For the Year Ended December 31, 2012

	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)
<b>GOVERNMENTAL ACTIVITIES</b>							
	1/1/2009	\$ -	\$ 276,057,275	\$ 276,057,275	\$ -	\$ 43,379,433	636.38%
	1/1/2011	-	302,383,821	302,383,821	-	43,243,513	699.26%
<b>BUSINESS TYPE ACTIVITIES</b>							
	1/1/2009	-	44,299,852	44,299,852	-	6,798,252	651.64%
	1/1/2011	-	48,527,170	48,527,170	-	6,860,758	707.31%

Note - The City is required to present information for the three most recent actuarial studies. The study completed as of January 1, 2009 was the first study completed by the City.

**CITY OF RACINE**  
Nonmajor Governmental Funds

COMBINING BALANCE SHEET  
As of December 31, 2012

	Special Revenue Funds				
	Police Grants Beat Patrol	Police Grants COPS	Library	Harbor Commission	HAZMAT
<b>ASSETS</b>					
Cash and investments	\$ -	\$ 159,226	\$ 280,432	\$ 86,317	\$ 217,298
Receivables					
Property taxes	68,314	77,392	1,875,543	-	-
Special assessment - tax roll	-	-	-	-	-
Special assessment	-	-	-	-	-
Accounts	-	-	-	1,067	3,246
Loans and notes	-	-	-	-	-
Due from other funds	-	-	92	-	-
Due from other governments	-	73,532	-	-	-
Assets held for resale	-	-	-	-	-
Advances to component unit	-	-	-	-	-
Advances to other funds	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 68,314</u>	<u>\$ 310,150</u>	<u>\$ 2,156,067</u>	<u>\$ 87,384</u>	<u>\$ 220,544</u>
<b>LIABILITIES AND FUND BALANCES</b>					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 25,781	\$ -	\$ 149
Accrued liabilities	-	-	48,960	10,142	-
Notes payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Deferred revenues	-	-	-	-	-
Deferred property tax revenue	68,314	77,392	1,875,543	-	-
Total Liabilities	<u>68,314</u>	<u>77,392</u>	<u>1,950,284</u>	<u>10,142</u>	<u>149</u>
Fund Balances (Deficits)					
Nonspendable	-	-	-	-	-
Restricted	-	232,758	205,783	-	220,395
Committed	-	-	-	77,242	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances (deficits)	<u>-</u>	<u>232,758</u>	<u>205,783</u>	<u>77,242</u>	<u>220,395</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 68,314</u>	<u>\$ 310,150</u>	<u>\$ 2,156,067</u>	<u>\$ 87,384</u>	<u>\$ 220,544</u>

**CITY OF RACINE**  
Nonmajor Governmental Funds

COMBINING BALANCE SHEET  
As of December 31, 2012

Special Revenue Funds								
Recycling	CAR 25	Municipal Court	Federal Asset Forfeiture	Cemetery	Private Property Maintenance	Sanitary Sewer Maintenance	Health Lab	Special Assessments
\$ 21,116	\$ 14,303	\$ 11,238	\$ 78,616	\$ 127,687	\$ 79,478	\$ 1,360,484	\$ 78,529	\$ 1,798,870
1,121,121	-	56,786	-	354,383	-	1,691,566	165,240	-
-	-	-	-	-	-	-	-	555,477
-	-	-	-	-	-	-	-	2,089,369
-	21,745	-	-	-	96,754	-	3,847	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 1,142,237</u>	<u>\$ 36,048</u>	<u>\$ 68,024</u>	<u>\$ 78,616</u>	<u>\$ 482,070</u>	<u>\$ 176,232</u>	<u>\$ 3,052,050</u>	<u>\$ 247,616</u>	<u>\$ 4,443,716</u>
\$ 56,677	\$ -	\$ 50	\$ -	\$ 1,760	\$ 1,324	\$ 404,536	\$ 32	\$ -
4,607	1,440	4,833	-	2,352	2,449	1,888	2,133	67,570
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	2,089,369
<u>1,121,121</u>	<u>-</u>	<u>56,786</u>	<u>-</u>	<u>354,383</u>	<u>-</u>	<u>1,691,566</u>	<u>165,240</u>	<u>555,477</u>
<u>1,182,405</u>	<u>1,440</u>	<u>61,669</u>	<u>-</u>	<u>358,495</u>	<u>3,773</u>	<u>2,097,990</u>	<u>167,405</u>	<u>2,712,416</u>
-	-	-	-	-	-	-	-	-
-	-	-	78,616	-	-	-	-	1,731,300
-	34,608	6,355	-	123,575	172,459	954,060	80,211	-
-	-	-	-	-	-	-	-	-
<u>(40,168)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(40,168)</u>	<u>34,608</u>	<u>6,355</u>	<u>78,616</u>	<u>123,575</u>	<u>172,459</u>	<u>954,060</u>	<u>80,211</u>	<u>1,731,300</u>
<u>\$ 1,142,237</u>	<u>\$ 36,048</u>	<u>\$ 68,024</u>	<u>\$ 78,616</u>	<u>\$ 482,070</u>	<u>\$ 176,232</u>	<u>\$ 3,052,050</u>	<u>\$ 247,616</u>	<u>\$ 4,443,716</u>

**CITY OF RACINE**  
Nonmajor Governmental Funds

COMBINING BALANCE SHEET  
As of December 31, 2012

	Special Revenue Funds					
	Other Cemetery	Other Public Safety	Trusts	Economic Development	Other	Health
<b>ASSETS</b>						
Cash and investments	\$ 139,710	\$ 226,477	\$ 752,769	\$ 5,184	\$ 751,426	\$ 306,768
Receivables					-	-
Property taxes	-	16,984	-	-	-	-
Special assessment - tax roll	-	-	-	-	-	-
Special assessment	-	-	-	-	-	-
Accounts	-	-	-	-	12,912	43
Loans and notes	-	-	-	-	91,719	-
Due from other funds	-	-	-	-	2,550	-
Due from other governments	-	175,525	-	-	90,274	216,920
Assets held for resale	-	-	-	-	-	-
Advances to component unit	-	-	-	590,000	-	-
Advances to other funds	-	-	-	-	-	-
<b>TOTAL ASSETS</b>	<u>\$ 139,710</u>	<u>\$ 418,986</u>	<u>\$ 752,769</u>	<u>\$ 595,184</u>	<u>\$ 948,881</u>	<u>\$ 523,731</u>
<b>LIABILITIES AND FUND BALANCES</b>						
Liabilities						
Accounts payable	\$ -	\$ 54,091	\$ 150	\$ -	\$ 69,470	\$ 125,168
Accrued liabilities	-	-	-	-	80	80,304
Notes payable	-	-	-	-	-	-
Due to other funds	-	88,722	-	-	68,906	65,525
Advances from other funds	-	-	-	-	-	-
Deferred revenues	-	105,107	-	-	119,719	155,320
Deferred property tax revenue	-	16,984	-	-	-	-
Total Liabilities	<u>-</u>	<u>264,904</u>	<u>150</u>	<u>-</u>	<u>258,175</u>	<u>426,317</u>
Fund Balances (Deficits)						
Nonspendable	-	-	-	590,000	-	-
Restricted	139,710	148,390	752,619	-	305,618	97,414
Committed	-	5,692	-	-	385,088	-
Assigned	-	-	-	5,184	-	-
Unassigned	-	-	-	-	-	-
Total Fund Balances (Deficits)	<u>139,710</u>	<u>154,082</u>	<u>752,619</u>	<u>595,184</u>	<u>690,706</u>	<u>97,414</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 139,710</u>	<u>\$ 418,986</u>	<u>\$ 752,769</u>	<u>\$ 595,184</u>	<u>\$ 948,881</u>	<u>\$ 523,731</u>



**CITY OF RACINE**  
Nonmajor Governmental Funds

COMBINING BALANCE SHEET  
As of December 31, 2012

Capital Projects Funds				
Tax Incremental Districts	City Projects	2010	2011	2012
\$ 5,863,351	\$ 304,578	\$ -	\$ 264,558	\$ 9,112,004
1,435,896	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	300,000	-	-	-
-	757,353	-	-	-
385,000	-	-	-	-
-	120,000	-	-	-
-	576,126	-	-	-
<u>\$ 7,684,247</u>	<u>\$ 2,058,057</u>	<u>\$ -</u>	<u>\$ 264,558</u>	<u>\$ 9,112,004</u>
\$ 2,292	\$ 506,972	\$ -	\$ 247,000	\$ 735,927
564	498	-	-	-
-	-	-	-	-
-	2,063,672	-	-	-
1,138,760	-	-	-	-
-	32,438	-	-	-
<u>1,435,896</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,577,512</u>	<u>2,603,580</u>	<u>-</u>	<u>247,000</u>	<u>735,927</u>
-	696,126	-	-	-
5,106,735	-	-	-	-
-	-	-	17,558	8,376,077
-	-	-	-	-
-	(1,241,649)	-	-	-
<u>5,106,735</u>	<u>(545,523)</u>	<u>-</u>	<u>17,558</u>	<u>8,376,077</u>
<u>\$ 7,684,247</u>	<u>\$ 2,058,057</u>	<u>\$ -</u>	<u>\$ 264,558</u>	<u>\$ 9,112,004</u>

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**CITY OF RACINE**  
Nonmajor Governmental Funds  
  
**COMBINING BALANCE SHEET**  
As of December 31, 2012

	Capital Projects Funds		Permanent Fund	Total
	Intergovernmental			Nonmajor
	Assessment Projects	Revenue Sharing	Endowment Fund	Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 417,547	\$ 6,479,913	\$ 3,118,850	\$ 32,056,729
Receivables				
Property taxes	-	-	-	6,863,225
Special assessment - tax roll	-	-	-	555,477
Special assessment	-	-	-	2,089,369
Accounts	-	-	-	139,614
Loans and notes	-	-	-	91,719
Due from other funds	-	-	-	302,642
Due from other governments	277,470	-	-	1,591,074
Assets held for resale	-	-	-	385,000
Advances to component unit	-	276,000	-	986,000
Advances to other funds	-	1,138,760	-	1,714,886
<b>TOTAL ASSETS</b>	<u>\$ 695,017</u>	<u>\$ 7,894,673</u>	<u>\$ 3,118,850</u>	<u>\$ 46,775,735</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities				
Accounts payable	\$ 617,547	\$ 570,367	\$ 44	\$ 3,419,337
Accrued liabilities	-	14,537	-	242,357
Notes payable	-	-	-	-
Due to other funds	77,470	-	-	2,364,295
Advances from other funds	-	-	-	1,138,760
Deferred revenues	-	-	-	2,501,953
Deferred property tax revenue	-	-	-	7,418,702
Total Liabilities	<u>695,017</u>	<u>584,904</u>	<u>44</u>	<u>17,085,404</u>
Fund Balances (Deficits)				
Nonspendable	-	1,414,760	-	2,700,886
Restricted	-	5,895,009	3,118,806	18,033,153
Committed	-	-	-	10,232,925
Assigned	-	-	-	5,184
Unassigned	-	-	-	(1,281,817)
Total Fund Balances (Deficits)	<u>-</u>	<u>7,309,769</u>	<u>3,118,806</u>	<u>29,690,331</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 695,017</u>	<u>\$ 7,894,673</u>	<u>\$ 3,118,850</u>	<u>\$ 46,775,735</u>

**CITY OF RACINE**  
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended December 31, 2012

	Special Revenue Funds				
	Police Grants Beat Patrol	Police Grants COPS	Library	Harbor Commission	HAZMAT
<b>REVENUES</b>					
Taxes	\$ 49,241	\$ 77,586	\$ 1,940,164	\$ -	\$ -
Special charges and assessments	-	-	-	-	-
Intergovernmental	121,434	288,514	1,381,453	-	107,504
Fines and Forfeitures	-	-	-	-	-
Investment income	-	-	10,118	-	2,615
Charges for services	-	-	94,614	40,775	3,246
Donations	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	<u>170,675</u>	<u>366,100</u>	<u>3,426,349</u>	<u>40,775</u>	<u>113,365</u>
<b>EXPENDITURES</b>					
Current					
Community development	-	-	-	-	-
Health	-	-	-	-	-
Education and recreation	-	-	3,300,450	9,126	-
Public works	-	-	-	-	-
Public safety	170,675	288,514	-	-	155,901
Debt Service - interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	80,644	22,905	37,533
Total Expenditures	<u>170,675</u>	<u>288,514</u>	<u>3,381,094</u>	<u>32,031</u>	<u>193,434</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>77,586</u>	<u>45,255</u>	<u>8,744</u>	<u>(80,069)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term debt issued	-	-	-	-	-
Premium on long-term debt	-	-	-	-	-
Transfers in	-	-	40,820	17,029	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>40,820</u>	<u>17,029</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>-</u>	<u>77,586</u>	<u>86,075</u>	<u>25,773</u>	<u>(80,069)</u>
FUND BALANCES (DEFICIT) - Beginning of Year	<u>-</u>	<u>155,172</u>	<u>119,708</u>	<u>51,469</u>	<u>300,464</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ -</u>	<u>\$ 232,758</u>	<u>\$ 205,783</u>	<u>\$ 77,242</u>	<u>\$ 220,395</u>

**CITY OF RACINE**  
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended December 31, 2012

Special Revenue Funds								
Recycling	CAR 25	Municipal Court	Federal Asset Forfeiture	Cemetery	Private Property Maintenance	Sanitary Sewer Maintenance	Health Lab	Special Assessments
\$ 979,577	\$ -	\$ 59,594	\$ -	\$ 215,000	\$ -	\$ -	\$ 174,564	\$ -
-	-	-	-	-	-	-	-	1,010,649
316,392	-	-	-	-	-	-	-	-
-	-	-	58,841	-	-	-	-	-
-	-	-	1,423	-	-	21,192	-	29,179
379,324	89,085	240,555	-	309,164	291,913	1,629,752	39,892	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>1,675,293</u>	<u>89,085</u>	<u>300,149</u>	<u>60,264</u>	<u>524,164</u>	<u>291,913</u>	<u>1,650,944</u>	<u>214,456</u>	<u>1,039,828</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	105,317	-	-	596,157	-	-	-	-
1,375,687	-	-	-	-	253,371	497,666	174,751	-
-	-	292,648	43,126	-	-	-	-	-
-	-	-	-	-	-	-	-	-
48,215	-	-	100,768	40,715	-	1,008,959	-	-
<u>1,423,902</u>	<u>105,317</u>	<u>292,648</u>	<u>143,894</u>	<u>636,872</u>	<u>253,371</u>	<u>1,506,625</u>	<u>174,751</u>	<u>-</u>
251,391	(16,232)	7,501	(83,630)	(112,708)	38,542	144,319	39,705	1,039,828
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
25,594	-	-	-	14,519	-	-	-	-
(250,594)	-	-	-	-	-	-	-	(1,103,122)
<u>(225,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>14,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,103,122)</u>
26,391	(16,232)	7,501	(83,630)	(98,189)	38,542	144,319	39,705	(63,294)
(66,559)	50,840	(1,146)	162,246	221,764	133,917	809,741	40,506	1,794,594
<u>\$ (40,168)</u>	<u>\$ 34,608</u>	<u>\$ 6,355</u>	<u>\$ 78,616</u>	<u>\$ 123,575</u>	<u>\$ 172,459</u>	<u>\$ 954,060</u>	<u>\$ 80,211</u>	<u>\$ 1,731,300</u>

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**CITY OF RACINE**  
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended December 31, 2012

	Special Revenue Funds					
	Other Cemetery	Other Public Safety	Trusts	Economic Development	Other	Health
<b>REVENUES</b>						
Taxes	\$ -	\$ 16,784	\$ -	\$ -	\$ 228,985	\$ -
Special charges and assessments	-	-	-	-	-	-
Intergovernmental	-	386,577	-	-	116,825	680,074
Fines and Forfeitures	-	-	-	-	-	-
Investment income	1,311	-	64,566	54	88	-
Charges for services	52,155	-	-	-	92,307	131,510
Donations	4	87,048	54,349	-	74,994	45,145
Miscellaneous	-	-	-	-	11,243	611
Total Revenues	<u>53,470</u>	<u>490,409</u>	<u>118,915</u>	<u>54</u>	<u>524,442</u>	<u>857,340</u>
<b>EXPENDITURES</b>						
Current						
Community development	-	-	-	-	290,550	-
Health	-	-	-	-	4,986	855,708
Education and recreation	24,523	-	64,430	-	220,682	15,285
Public works	-	-	-	-	1,319	-
Public safety	-	571,330	-	-	-	-
Debt Service - interest and fiscal charges	-	-	-	-	-	-
Capital outlay	-	93,723	-	-	-	-
Total Expenditures	<u>24,523</u>	<u>665,053</u>	<u>64,430</u>	<u>-</u>	<u>517,537</u>	<u>870,993</u>
Excess (deficiency) of revenues over expenditures	<u>28,947</u>	<u>(174,644)</u>	<u>54,485</u>	<u>54</u>	<u>6,905</u>	<u>(13,653)</u>
<b>OTHER FINANCING SOURCES (USES)</b>						
Long-term debt issued	-	-	-	-	-	-
Premium on long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	-	23,448	14,512
Transfers out	-	-	-	-	(55,706)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(32,258)</u>	<u>14,512</u>
<b>Net Change in Fund Balances</b>	<u>28,947</u>	<u>(174,644)</u>	<u>54,485</u>	<u>54</u>	<u>(25,353)</u>	<u>859</u>
FUND BALANCES (DEFICIT) - Beginning of Year	<u>110,763</u>	<u>328,726</u>	<u>698,134</u>	<u>595,130</u>	<u>716,059</u>	<u>96,555</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ 139,710</u>	<u>\$ 154,082</u>	<u>\$ 752,619</u>	<u>\$ 595,184</u>	<u>\$ 690,706</u>	<u>\$ 97,414</u>

**CITY OF RACINE**  
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended December 31, 2012

	Capital Projects Funds				
	Tax Incremental Districts	City Projects	2010	2011	2012
<b>REVENUES</b>					
Taxes	\$ 1,188,589	\$ -	\$ -	\$ -	\$ -
Special charges and assessments	-	-	-	-	-
Intergovernmental	167,525	764,861	-	-	-
Fines and Forfeitures	-	-	-	-	-
Investment income	74,629	2,644	3,231	52,677	45,329
Charges for services	21,696	968,835	-	-	-
Donations	-	252,584	-	-	-
Miscellaneous	15,563	29,019	-	-	43,686
Total Revenues	<u>1,468,002</u>	<u>2,017,943</u>	<u>3,231</u>	<u>52,677</u>	<u>89,015</u>
<b>EXPENDITURES</b>					
Current					
Community development	263,269	-	-	-	-
Health	-	-	-	-	-
Education and recreation	-	-	-	-	-
Public works	-	439,773	-	-	-
Public safety	-	-	-	-	-
Debt Service - interest and fiscal charges	37,950	-	-	-	169,473
Capital outlay	-	1,563,273	56,464	5,544,913	1,573,298
Total Expenditures	<u>301,219</u>	<u>2,003,046</u>	<u>56,464</u>	<u>5,544,913</u>	<u>1,742,771</u>
Excess (deficiency) of revenues over expenditures	<u>1,166,783</u>	<u>14,897</u>	<u>(53,233)</u>	<u>(5,492,236)</u>	<u>(1,653,756)</u>
<b>OTHER FINANCING SOURCES (USES)</b>					
Long-term debt issued	-	-	-	-	20,590,000
Premium on long-term debt	-	-	-	-	1,133,041
Transfers in	2,324,051	-	-	-	-
Transfers out	(1,050,829)	-	(25,669)	(671,341)	(11,693,208)
Total Other Financing Sources (Uses)	<u>1,273,222</u>	<u>-</u>	<u>(25,669)</u>	<u>(671,341)</u>	<u>10,029,833</u>
<b>Net Change in Fund Balances</b>	<u>2,440,005</u>	<u>14,897</u>	<u>(78,902)</u>	<u>(6,163,577)</u>	<u>8,376,077</u>
FUND BALANCES (DEFICIT) - Beginning of Year	<u>2,666,730</u>	<u>(560,420)</u>	<u>78,902</u>	<u>6,181,135</u>	<u>-</u>
<b>FUND BALANCES (DEFICIT) - END OF YEAR</b>	<u>\$ 5,106,735</u>	<u>\$ (545,523)</u>	<u>\$ -</u>	<u>\$ 17,558</u>	<u>\$ 8,376,077</u>



# CITY OF RACINE

## Nonmajor Governmental Funds

### COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES For the Year Ended December 31, 2012

Capital Projects Funds		Permanent Fund	Total
Assessment Projects	Intergovernmental Revenue Sharing	Endowment Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ 4,930,084
-	-	-	1,010,649
277,470	1,323,845	-	5,932,474
-	-	-	58,841
-	48,260	195,873	553,189
-	-	-	4,384,823
-	-	2,503	516,627
-	37,861	-	137,983
<u>277,470</u>	<u>1,409,966</u>	<u>198,376</u>	<u>17,524,670</u>
-	694,632	-	1,248,451
-	-	-	860,694
-	-	45,075	4,381,045
-	-	-	2,742,567
-	-	-	1,522,194
-	-	-	207,423
<u>1,380,592</u>	<u>1,083,627</u>	<u>-</u>	<u>12,635,629</u>
<u>1,380,592</u>	<u>1,778,259</u>	<u>45,075</u>	<u>23,598,003</u>
<u>(1,103,122)</u>	<u>(368,293)</u>	<u>153,301</u>	<u>(6,073,333)</u>
-	-	-	20,590,000
-	-	-	1,133,041
1,103,122	-	-	3,563,095
-	(185,211)	(14,519)	(15,050,199)
<u>1,103,122</u>	<u>(185,211)</u>	<u>(14,519)</u>	<u>10,235,937</u>
-	(553,504)	138,782	4,162,604
-	7,863,273	2,980,024	25,527,727
<u>\$ -</u>	<u>\$ 7,309,769</u>	<u>\$ 3,118,806</u>	<u>\$ 29,690,331</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, 2012

	Police Grants-Beat Patrol		
	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 49,241	\$ 49,241	\$ -
Intergovernmental	147,724	121,434	(26,290)
Fines and Forfeitures	-	-	-
Investment income	-	-	-
Charges for services	-	-	-
Total Revenues	<u>196,965</u>	<u>170,675</u>	<u>(26,290)</u>
<b>EXPENDITURES</b>			
Current			
Health	-	-	-
Education and recreation	-	-	-
Public works	-	-	-
Public safety	196,965	170,675	26,290
Capital outlay	-	-	-
Total Expenditures	<u>196,965</u>	<u>170,675</u>	<u>26,290</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES- Beginning of Year		<u>-</u>	
<b>FUND BALANCES - END OF YEAR</b>		<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, 2012

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	\$ -	\$ 1,940,164	\$ 1,940,164	\$ 1,940,164	\$ -
284,255	284,255	288,514	4,259	1,381,453	1,381,453	1,381,453	-
-	-	-	-	-	-	-	-
-	-	-	-	21,400	21,400	10,118	(11,282)
-	-	-	-	110,000	110,000	94,614	(15,386)
<u>361,841</u>	<u>361,841</u>	<u>366,100</u>	<u>4,259</u>	<u>3,453,017</u>	<u>3,453,017</u>	<u>3,426,349</u>	<u>(26,668)</u>
-	-	-	-	-	-	-	-
-	-	-	-	3,524,518	3,524,518	3,300,450	224,068
-	-	-	-	-	-	-	-
361,841	361,841	288,514	73,327	-	-	-	-
-	-	-	-	109,700	209,900	80,644	129,256
<u>361,841</u>	<u>361,841</u>	<u>288,514</u>	<u>73,327</u>	<u>3,634,218</u>	<u>3,734,418</u>	<u>3,381,094</u>	<u>353,324</u>
-	-	77,586	77,586	(181,201)	(281,401)	45,255	326,656
-	-	-	-	75,000	175,200	40,820	(134,380)
-	-	-	-	-	-	-	-
-	-	-	-	75,000	175,200	40,820	(134,380)
<u>\$ -</u>	<u>\$ -</u>	<u>77,586</u>	<u>\$ 77,586</u>	<u>\$ (106,201)</u>	<u>\$ (106,201)</u>	<u>86,075</u>	<u>\$ 192,276</u>
		<u>155,172</u>				<u>119,708</u>	
		<u>\$ 232,758</u>				<u>\$ 205,783</u>	

**CITY OF RACINE**  
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended December 31, 2012

	Harbor Commission			
	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	41,262	41,262	40,775	(487)
Total Revenues	41,262	41,262	40,775	(487)
<b>EXPENDITURES</b>				
Current				
Health	-	-	-	-
Education and recreation	11,983	11,983	9,126	2,857
Public works	-	-	-	-
Public safety	-	-	-	-
Capital outlay	25,000	25,000	22,905	2,095
Total Expenditures	36,983	36,983	32,031	4,952
Excess (deficiency) of revenues over expenditures	4,279	4,279	8,744	4,465
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	17,029	17,029
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	17,029	17,029
<b>Net Change in Fund Balances</b>	<u>\$ 4,279</u>	<u>\$ 4,279</u>	25,773	<u>\$ 21,494</u>
FUND BALANCES (DEFICITS) - Beginning of Year			51,469	
<b>FUND BALANCES (DEFICITS) - END OF YEAR</b>			<u>\$ 77,242</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, 2012

Health Lab				Recycling			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 174,564	\$ 174,564	\$ 174,564	\$ -	\$ 979,577	\$ 979,577	\$ 979,577	\$ -
-	-	-	-	295,324	295,324	316,392	21,068
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
11,000	11,000	39,892	28,892	455,861	455,861	379,324	(76,537)
<u>185,564</u>	<u>185,564</u>	<u>214,456</u>	<u>28,892</u>	<u>1,730,762</u>	<u>1,730,762</u>	<u>1,675,293</u>	<u>(55,469)</u>
185,564	185,564	174,751	10,813	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,480,168	1,480,168	1,375,687	104,481
-	-	-	-	-	-	-	-
-	-	-	-	-	25,800	48,215	(22,415)
<u>185,564</u>	<u>185,564</u>	<u>174,751</u>	<u>10,813</u>	<u>1,480,168</u>	<u>1,505,968</u>	<u>1,423,902</u>	<u>82,066</u>
-	-	39,705	39,705	250,594	224,794	251,391	26,597
-	-	-	-	-	25,800	25,594	(206)
-	-	-	-	(250,594)	(250,594)	(250,594)	-
-	-	-	-	(250,594)	(224,794)	(225,000)	(206)
<u>\$ -</u>	<u>\$ -</u>	<u>39,705</u>	<u>\$ 39,705</u>	<u>\$ -</u>	<u>\$ -</u>	<u>26,391</u>	<u>\$ 26,391</u>
		<u>40,506</u>				<u>(66,559)</u>	
		<u>\$ 80,211</u>				<u>\$ (40,168)</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, 2012

	CAR 25			
	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	86,700	86,700	89,085	2,385
Total Revenues	<u>86,700</u>	<u>86,700</u>	<u>89,085</u>	<u>2,385</u>
<b>EXPENDITURES</b>				
Current				
Health	-	-	-	-
Education and recreation	106,073	106,073	105,317	756
Public works	-	-	-	-
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>106,073</u>	<u>106,073</u>	<u>105,317</u>	<u>756</u>
Excess (deficiency) of revenues over expenditures	<u>(19,373)</u>	<u>(19,373)</u>	<u>(16,232)</u>	<u>3,141</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Net Change in Fund Balances</b>	<u>\$ (19,373)</u>	<u>\$ (19,373)</u>	<u>(16,232)</u>	<u>\$ 3,141</u>
FUND BALANCES (DEFICIT) - Beginning of Year			<u>50,840</u>	
<b>FUND BALANCES - END OF YEAR</b>			<u>\$ 34,608</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, 2012

Municipal Court				Federal Asset Forfeiture			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 59,594	\$ 59,594	\$ 59,594	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	132,500	132,500	58,841	(73,659)
-	-	-	-	-	-	1,423	1,423
<u>240,000</u>	<u>240,000</u>	<u>240,555</u>	<u>555</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>299,594</u>	<u>299,594</u>	<u>300,149</u>	<u>555</u>	<u>132,500</u>	<u>132,500</u>	<u>60,264</u>	<u>(72,236)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
299,594	299,968	292,648	7,320	53,000	64,651	43,126	21,525
-	-	-	-	143,000	168,869	100,768	68,101
<u>299,594</u>	<u>299,968</u>	<u>292,648</u>	<u>7,320</u>	<u>196,000</u>	<u>233,520</u>	<u>143,894</u>	<u>89,626</u>
-	(374)	7,501	7,875	(63,500)	(101,020)	(83,630)	17,390
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ (374)</u>	<u>7,501</u>	<u>\$ 7,875</u>	<u>\$ (63,500)</u>	<u>\$ (101,020)</u>	<u>(83,630)</u>	<u>\$ 17,390</u>
		(1,146)				162,246	
		<u>\$ 6,355</u>				<u>\$ 78,616</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, 2012

	Private Property Maintenance			
	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	220,000	220,000	291,913	71,913
Total Revenues	220,000	220,000	291,913	71,913
<b>EXPENDITURES</b>				
Current				
Health	-	-	-	-
Education and recreation	-	-	-	-
Public works	220,000	220,000	253,371	(33,371)
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	220,000	220,000	253,371	(33,371)
Excess (deficiency) of revenues over expenditures	-	-	38,542	38,542
<b>OTHER FINANCING SOURCES</b>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources	-	-	-	-
<b>Net Change in Fund Balances</b>	\$ -	\$ -	38,542	\$ 38,542
FUND BALANCES - Beginning of Year			133,917	
<b>FUND BALANCES - END OF YEAR</b>			\$ 172,459	



**CITY OF RACINE**  
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES - BUDGET AND ACTUAL  
For the Year Ended December 31, 2012

Cemetery				Sanitary Sewer Maintenance			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 215,000	\$ 215,000	\$ 215,000	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	25,000	25,000	21,192	(3,808)
<u>252,000</u>	<u>252,000</u>	<u>309,164</u>	<u>57,164</u>	<u>1,628,200</u>	<u>1,628,200</u>	<u>1,629,752</u>	<u>1,552</u>
<u>467,000</u>	<u>467,000</u>	<u>524,164</u>	<u>57,164</u>	<u>1,653,200</u>	<u>1,653,200</u>	<u>1,650,944</u>	<u>(2,256)</u>
-	-	-	-	-	-	-	-
620,489	620,489	596,157	24,332	-	-	-	-
-	-	-	-	568,122	568,122	497,666	70,456
-	-	-	-	-	-	-	-
<u>60,000</u>	<u>63,949</u>	<u>40,715</u>	<u>23,234</u>	<u>1,080,000</u>	<u>1,160,841</u>	<u>1,008,959</u>	<u>151,882</u>
<u>680,489</u>	<u>684,438</u>	<u>636,872</u>	<u>47,566</u>	<u>1,648,122</u>	<u>1,728,963</u>	<u>1,506,625</u>	<u>222,338</u>
<u>(213,489)</u>	<u>(217,438)</u>	<u>(112,708)</u>	<u>104,730</u>	<u>5,078</u>	<u>(75,763)</u>	<u>144,319</u>	<u>220,082</u>
-	-	14,519	14,519	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>-</u>	<u>-</u>	<u>14,519</u>	<u>14,519</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ (213,489)</u>	<u>\$ (217,438)</u>	<u>(98,189)</u>	<u>\$ 119,249</u>	<u>\$ 5,078</u>	<u>\$ (75,763)</u>	<u>144,319</u>	<u>\$ 220,082</u>
		<u>221,764</u>				<u>809,741</u>	
		<u>\$ 123,575</u>				<u>\$ 954,060</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, 2012

	Currently Due		
	Original and Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>			
Taxes	\$ 10,646,235	\$ 10,646,235	\$ -
Miscellaneous	372,659	372,661	2
Total Revenues	<u>11,018,894</u>	<u>11,018,896</u>	<u>2</u>
<b>EXPENDITURES</b>			
Debt service			
Principal	\$ 9,640,010	20,400,009	(10,759,999)
Interest and fiscal charges	4,271,742	4,118,096	153,646
Total Expenditures	<u>13,911,752</u>	<u>24,518,105</u>	<u>(10,606,353)</u>
Deficiency of revenues over expenditures	<u>(2,892,858)</u>	<u>(13,499,209)</u>	<u>(10,606,351)</u>
<b>OTHER FINANCING SOURCES (USES)</b>			
Refunding bonds issued	-	11,135,000	11,135,000
Premium on long-term debt issued	-	669,356	669,356
Payment to escrow agent	-	(11,948,739)	(11,948,739)
Transfers in	2,715,823	13,477,405	10,761,582
Total Other Financing Sources (Uses)	<u>2,715,823</u>	<u>13,333,022</u>	<u>10,617,199</u>
<b>Net Change in Fund Balances</b>	<u>\$ (177,035)</u>	<u>(166,187)</u>	<u>\$ 10,848</u>
FUND BALANCES - Beginning of Year		<u>209,707</u>	
<b>FUND BALANCES - END OF YEAR</b>		<u>\$ 43,520</u>	

**CITY OF RACINE**

## Capital Project Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCE - BUDGET AND ACTUAL  
For the Year Ended December 31, 2012

	2012 Capital Projects			
	Original Budget	Final Budget	Actual	Variance with Final Budget
<b>REVENUES</b>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment income	10,000	10,000	45,329	35,329
Other	-	-	43,686	43,686
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>89,015</u>	<u>79,015</u>
<b>EXPENDITURES</b>				
Current-Community Development	-	-	-	-
Debt service	-	169,473	169,473	-
Capital outlay	<u>6,977,900</u>	<u>8,621,335</u>	<u>1,573,298</u>	<u>7,048,037</u>
Total Expenditures	<u>6,977,900</u>	<u>8,790,808</u>	<u>1,742,771</u>	<u>7,048,037</u>
Excess (Deficiency) of revenues over expenditures	<u>(6,967,900)</u>	<u>(8,780,808)</u>	<u>(1,653,756)</u>	<u>7,127,052</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	8,746,500	10,760,000	20,590,000	9,830,000
Premium on long-term debt	-	-	1,133,041	1,133,041
Transfers in	-	-	-	-
Transfers out	<u>(1,778,600)</u>	<u>(1,979,192)</u>	<u>(11,693,208)</u>	<u>(9,714,016)</u>
Total Other Financing Sources (Uses)	<u>6,967,900</u>	<u>8,780,808</u>	<u>10,029,833</u>	<u>1,249,025</u>
<b>Net Change in Fund Balances</b>	<u>\$ -</u>	<u>\$ -</u>	<u>8,376,077</u>	<u>\$ 8,376,077</u>
FUND BALANCES - Beginning of Year			-	
<b>FUND BALANCES - END OF YEAR</b>			<u>\$ 8,376,077</u>	

# CITY OF RACINE

## Capital Project Funds

### SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Year Ended December 31, 2012

Assessment Projects				Intergovernmental Revenue Sharing			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
150,000	150,000	277,470	127,470	1,323,844	1,323,844	1,323,845	1
-	-	-	-	-	-	-	-
-	-	-	-	-	-	48,260	48,260
-	-	-	-	-	-	37,861	37,861
<u>150,000</u>	<u>150,000</u>	<u>277,470</u>	<u>127,470</u>	<u>1,323,844</u>	<u>1,323,844</u>	<u>1,409,966</u>	<u>86,122</u>
-	-	-	-	672,379	672,379	694,632	(22,253)
-	-	-	-	-	-	-	-
<u>1,488,000</u>	<u>1,559,773</u>	<u>1,380,592</u>	<u>179,181</u>	<u>1,596,000</u>	<u>1,596,000</u>	<u>1,083,627</u>	<u>512,373</u>
<u>1,488,000</u>	<u>1,559,773</u>	<u>1,380,592</u>	<u>179,181</u>	<u>2,268,379</u>	<u>2,268,379</u>	<u>1,778,259</u>	<u>490,120</u>
<u>(1,338,000)</u>	<u>(1,409,773)</u>	<u>(1,103,122)</u>	<u>306,651</u>	<u>(944,535)</u>	<u>(944,535)</u>	<u>(368,293)</u>	<u>576,242</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,338,000	1,338,000	1,103,122	(234,878)	-	-	-	-
-	-	-	-	-	-	(185,211)	(185,211)
<u>1,338,000</u>	<u>1,338,000</u>	<u>1,103,122</u>	<u>(234,878)</u>	<u>-</u>	<u>-</u>	<u>(185,211)</u>	<u>(185,211)</u>
<u>\$ -</u>	<u>\$ (71,773)</u>	<u>-</u>	<u>\$ 71,773</u>	<u>\$ (944,535)</u>	<u>\$ (944,535)</u>	<u>(553,504)</u>	<u>\$ 391,031</u>
-	-	-	-	-	-	7,863,273	-
-	-	-	-	-	-	<u>\$7,309,769</u>	-

**CITY OF RACINE**  
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION  
As of December 31, 2012

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
<b>ASSETS</b>						
Current Assets						
Cash and investments	\$ 1,835,219	\$ 206,735	\$ 167,860	\$ 125,867	\$ 419,931	\$ 2,755,612
Receivables						
Accounts	78,431	357	-	39,065	59,851	177,704
Taxes	9,670	3,872,162	-	326,750	-	4,208,582
Due from other funds	-	-	-	-	330	330
Due from other governments	-	168,452	-	-	-	168,452
Inventories	-	-	-	6,827	-	6,827
Prepaid items	-	-	-	9,275	-	9,275
Total Current Assets	<u>1,923,320</u>	<u>4,247,706</u>	<u>167,860</u>	<u>507,784</u>	<u>480,112</u>	<u>7,326,782</u>
Noncurrent Assets						
Capital assets						
Land	1,014,105	-	1,432,654	140,421	15,000	2,602,180
Land and building improvements	16,391,467	57,760,988	2,839,612	7,256,587	156,213	84,404,867
Equipment, furniture and vehicles	725,559	1,497,924	-	489,871	12,914	2,726,268
Less: accumulated depreciation	<u>(6,911,837)</u>	<u>(32,238,394)</u>	<u>(1,865,232)</u>	<u>(4,171,223)</u>	<u>(87,602)</u>	<u>(45,274,288)</u>
	11,219,294	27,020,518	2,407,034	3,715,656	96,525	44,459,027
Construction in progress	271,337	722,389	23,408	505,632	-	1,522,766
Total Capital Assets (net of accumulated depreciation)	<u>11,490,631</u>	<u>27,742,907</u>	<u>2,430,442</u>	<u>4,221,288</u>	<u>96,525</u>	<u>45,981,793</u>
Total Assets	<u>\$ 13,413,951</u>	<u>\$ 31,990,613</u>	<u>\$ 2,598,302</u>	<u>\$ 4,729,072</u>	<u>\$ 576,637</u>	<u>\$ 53,308,575</u>

**CITY OF RACINE**  
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION  
As of December 31, 2012

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
<b>LIABILITIES</b>						
Current Liabilities						
Accounts payable	\$ 173,664	\$ 202,210	\$ -	\$ 110,312	\$ 4,644	\$ 490,830
Accrued compensation	9,243	16,312	-	-	3,063	28,618
Accrued liabilities	5,186	-	20,499	41,660	-	67,345
Due to other funds	-	-	-	186,394	-	186,394
Advances from other funds	-	156,209	-	-	-	156,209
Unearned property tax revenue	9,670	3,872,162	-	326,750	-	4,208,582
Total Current Liabilities	<u>197,763</u>	<u>4,246,893</u>	<u>20,499</u>	<u>665,116</u>	<u>7,707</u>	<u>5,137,978</u>
Noncurrent Liabilities						
Compensated absences	32,466	6,889	-	-	9,795	49,150
OPEB ARC obligation	1,069,321	2,432,214	-	-	392,659	3,894,194
Advances from other funds	-	685,798	-	-	-	685,798
Total Noncurrent Liabilities	<u>1,101,787</u>	<u>3,124,901</u>	<u>-</u>	<u>-</u>	<u>402,454</u>	<u>4,629,142</u>
Total Liabilities	<u>1,299,550</u>	<u>7,371,794</u>	<u>20,499</u>	<u>665,116</u>	<u>410,161</u>	<u>9,767,120</u>
<b>NET POSITION</b>						
Net Investment in capital assets	11,490,631	27,742,907	2,430,442	4,221,288	96,525	45,981,793
Unrestricted (deficit)	<u>623,770</u>	<u>(3,124,088)</u>	<u>147,361</u>	<u>(157,332)</u>	<u>69,951</u>	<u>(2,440,338)</u>
<b>TOTAL NET POSITION</b>	<u>\$ 12,114,401</u>	<u>\$ 24,618,819</u>	<u>\$ 2,577,803</u>	<u>\$ 4,063,956</u>	<u>\$ 166,476</u>	<u>\$ 43,541,455</u>

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# CITY OF RACINE

## Nonmajor Enterprise Funds

### COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSTION

For the Year Ended December 31, 2012

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
<b>OPERATING REVENUES</b>						
Charges for services	\$ 1,103,128	\$ 3,739,368	\$ 194,203	\$ 551,748	\$ 303,074	\$ 5,891,521
Other	2,055	35,991	-	-	-	38,046
Total Operating Revenues	<u>1,105,183</u>	<u>3,775,359</u>	<u>194,203</u>	<u>551,748</u>	<u>303,074</u>	<u>5,929,567</u>
<b>OPERATING EXPENSES</b>						
Operation and maintenance	1,147,040	3,180,956	-	-	292,876	4,620,872
Education and recreation	-	-	85,573	957,494	-	1,043,067
Depreciation	418,576	1,217,012	89,007	299,782	6,208	2,030,585
Total Operating Expenses	<u>1,565,616</u>	<u>4,397,968</u>	<u>174,580</u>	<u>1,257,276</u>	<u>299,084</u>	<u>7,694,524</u>
Operating Income (Loss)	<u>(460,433)</u>	<u>(622,609)</u>	<u>19,623</u>	<u>(705,528)</u>	<u>3,990</u>	<u>(1,764,957)</u>
<b>NONOPERATING REVENUES (EXPENSES)</b>						
Investment income	-	24,092	-	-	-	24,092
Interest expense	-	(42,899)	-	-	-	(42,899)
Subsidies from other governmental units	-	182,125	-	-	-	182,125
Gain (loss) on sale of fixed assets	-	(31,855)	-	-	-	(31,855)
Tax levy	9,670	-	-	346,000	-	355,670
Total Nonoperating Revenues (Expenses)	<u>9,670</u>	<u>131,463</u>	<u>-</u>	<u>346,000</u>	<u>-</u>	<u>487,133</u>
Income (Loss) Before Transfers	<u>(450,763)</u>	<u>(491,146)</u>	<u>19,623</u>	<u>(359,528)</u>	<u>3,990</u>	<u>(1,277,824)</u>
<b>TRANSFERS IN</b>	<u>-</u>	<u>185,211</u>	<u>-</u>	<u>909,700</u>	<u>21,607</u>	<u>1,116,518</u>
Change in Net Position	<u>(450,763)</u>	<u>(305,935)</u>	<u>19,623</u>	<u>550,172</u>	<u>25,597</u>	<u>(161,306)</u>
TOTAL NET POSITION, Beginning 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>
<b>TOTAL NET POSITION, END OF YEAR</b>	<u>\$ 12,114,401</u>	<u>\$ 24,618,819</u>	<u>\$ 2,577,803</u>	<u>\$ 4,063,956</u>	<u>\$ 166,476</u>	<u>\$ 43,541,455</u>

**CITY OF RACINE**  
Nonmajor Enterprise Funds

**COMBINING STATEMENT OF CASH FLOWS**  
For the Year Ended December 31, 2012

	<u>Parking Utility</u>	<u>Storm Water Utility</u>	<u>Golf Courses</u>	<u>Civic Centre</u>	<u>Radio Repair</u>	<u>Totals</u>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 1,047,322	\$ 3,775,615	\$ 194,203	\$ 567,832	\$ 314,831	\$ 5,899,803
Payments to suppliers	(242,867)	(1,590,688)	(85,573)	(923,814)	(82,125)	(2,925,067)
Payments to employees	(565,645)	(1,286,583)	-	-	(207,708)	(2,059,936)
Net Cash Flows From Operating Activities	<u>238,810</u>	<u>898,344</u>	<u>108,630</u>	<u>(355,982)</u>	<u>24,998</u>	<u>914,800</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Operating subsidies received-City	<u>9,670</u>	<u>-</u>	<u>-</u>	<u>346,000</u>	<u>-</u>	<u>355,670</u>
Net Cash Flows From Noncapital Financing Activities	<u>9,670</u>	<u>-</u>	<u>-</u>	<u>346,000</u>	<u>-</u>	<u>355,670</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Advances retired	-	(149,869)	-	-	-	(149,869)
Interest paid on advances	-	(42,899)	-	-	-	(42,899)
Grants received	-	13,673	-	-	-	13,673
Transfer from other funds for capital purposes	-	185,211	-	909,700	21,607	1,116,518
Acquisition and construction of capital assets	<u>(378,159)</u>	<u>(952,369)</u>	<u>-</u>	<u>(818,946)</u>	<u>-</u>	<u>(2,149,474)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(378,159)</u>	<u>(946,253)</u>	<u>-</u>	<u>90,754</u>	<u>21,607</u>	<u>(1,212,051)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Investment income received	<u>-</u>	<u>24,092</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,092</u>
<b>Change in Cash and Cash Equivalents</b>	<u>(129,679)</u>	<u>(23,817)</u>	<u>108,630</u>	<u>80,772</u>	<u>46,605</u>	<u>82,511</u>
CASH AND CASH EQUIVALENTS - Beginning 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>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 1,835,219</u>	<u>\$ 206,735</u>	<u>\$ 167,860</u>	<u>\$ 125,867</u>	<u>\$ 419,931</u>	<u>\$ 2,755,612</u>

**CITY OF RACINE**  
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS  
For the Year Ended December 31, 2012

	<u>Parking Utility</u>	<u>Storm Water Utility</u>	<u>Golf Courses</u>	<u>Civic Centre</u>	<u>Radio Repair</u>	<u>Totals</u>
<b>RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOW FROM OPERATING ACTIVITIES</b>						
Operating income (loss)	\$ (460,433)	\$ (622,609)	\$ 19,623	\$ (705,528)	\$ 3,990	\$ (1,764,957)
Adjustments to Reconcile Operating Income (Loss) to net cash flows from operating activities:						
Other postemployment benefits	185,573	390,545	-	-	5,865	581,983
Depreciation	418,576	1,217,012	89,007	299,782	6,208	2,030,585
Changes in assets and liabilities						
Accounts receivable	(57,861)	256	-	16,084	12,087	(29,434)
Inventories	-	-	-	(353)	-	(353)
Prepaid items	-	-	-	(1,088)	-	(1,088)
Due from other funds	-	(116,623)	-	19,250	(330)	(97,703)
Accounts payable	144,710	(91,807)	-	70,428	4,606	127,937
Accrued liabilities	8,245	4,947	-	157	(7,428)	5,921
Unearned revenues	-	116,623	-	(19,250)	-	97,373
Due to other funds	-	-	-	(35,464)	-	(35,464)
<b>NET CASH FLOWS FROM OPERATING ACTIVITIES</b>	<u>\$ 238,810</u>	<u>\$ 898,344</u>	<u>\$ 108,630</u>	<u>\$ (355,982)</u>	<u>\$ 24,998</u>	<u>\$ 914,800</u>
<b>NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
None						

# CITY OF RACINE

Internal Service Funds

## COMBINING STATEMENT OF NET POSITION

As of December 31, 2012

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
<b>ASSETS</b>						
Current Assets						
Cash and investments	\$ 112,258	\$ 470,566	\$ 494,912	\$ 5,620,829	\$ 44,889	\$ 6,743,454
Receivables						
Accounts	27,231	-	3,334	391,121	1,396	423,082
Inventories	429,347	-	-	-	-	429,347
Due from other funds	17,844	-	-	7,896	2,709	28,449
Total Current Assets	<u>586,680</u>	<u>470,566</u>	<u>498,246</u>	<u>6,019,846</u>	<u>48,994</u>	<u>7,624,332</u>
Noncurrent Assets						
Capital assets						
Land	32,879	-	-	-	-	32,879
Intangible assets	-	605,210	-	-	-	605,210
Buildings and land improvements	1,785,642	-	-	-	-	1,785,642
Equipment, furniture and vehicles	416,704	1,250,313	130,465	-	256,058	2,053,540
Less: Accumulated depreciation and amortization	<u>(1,079,235)</u>	<u>(1,643,742)</u>	<u>(77,289)</u>	<u>-</u>	<u>(72,601)</u>	<u>(2,872,867)</u>
	<u>1,155,990</u>	<u>211,781</u>	<u>53,176</u>	<u>-</u>	<u>183,457</u>	<u>1,604,404</u>
Construction in progress	92,195	-	-	-	-	92,195
Total Capital Assets (net of accumulated depreciation/amortization)	<u>1,248,185</u>	<u>211,781</u>	<u>53,176</u>	<u>-</u>	<u>183,457</u>	<u>1,696,599</u>
Total Assets	<u>\$ 1,834,865</u>	<u>\$ 682,347</u>	<u>\$ 551,422</u>	<u>\$ 6,019,846</u>	<u>\$ 232,451</u>	<u>\$ 9,320,931</u>

**CITY OF RACINE**

Internal Service Funds

**COMBINING STATEMENT OF NET POSITION**

As of December 31, 2012

	<u>Equipment Maintenance Garage</u>	<u>Information Systems</u>	<u>Building Complex</u>	<u>Health Insurance</u>	<u>Telephones</u>	<u>Total</u>
<b>LIABILITIES</b>						
Current Liabilities						
Accounts payable	\$ 143,464	\$ 32,174	\$ 27,716	\$ 422,785	\$ 28,615	\$ 654,754
Accrued liabilities	27,018	12,704	18,042	1,432,454	-	1,490,218
Due to other funds	-	-	15,785	-	-	15,785
Total Current Liabilities	<u>170,482</u>	<u>44,878</u>	<u>61,543</u>	<u>1,855,239</u>	<u>28,615</u>	<u>2,160,757</u>
Noncurrent Liabilities						
Compensated absences	56,629	6,880	45,206	-	-	108,715
Total Noncurrent Liabilities	<u>56,629</u>	<u>6,880</u>	<u>45,206</u>	<u>-</u>	<u>-</u>	<u>108,715</u>
Total Liabilities	<u>227,111</u>	<u>51,758</u>	<u>106,749</u>	<u>1,855,239</u>	<u>28,615</u>	<u>2,269,472</u>
<b>NET POSITION</b>						
Net investment in capital assets	1,248,185	211,781	53,176	-	183,457	1,696,599
Unrestricted	359,569	418,808	391,497	4,164,607	20,379	5,354,860
<b>TOTAL NET POSITION</b>	<u>\$ 1,607,754</u>	<u>\$ 630,589</u>	<u>\$ 444,673</u>	<u>\$ 4,164,607</u>	<u>\$ 203,836</u>	<u>\$ 7,051,459</u>

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# CITY OF RACINE

## Internal Service Funds

### COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the year ended December 31, 2012

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
<b>OPERATING REVENUES</b>						
Charges for services and sales						
Labor and equipment charges	\$ 1,810,569	\$ -	\$ -	\$ -	\$ -	\$ 1,810,569
Fuel, oil, parts and supplies sales	2,243,724	-	-	-	-	2,243,724
Health insurance premiums	-	-	-	15,750,902	-	15,750,902
Telephone service sales	-	-	-	-	188,467	188,467
Computer service sales	-	1,406,420	-	-	-	1,406,420
Facilities rent	-	-	2,272,820	-	-	2,272,820
Other	12,836	200	5,636	264,666	8,423	291,761
Total Operating Revenues	<u>4,067,129</u>	<u>1,406,620</u>	<u>2,278,456</u>	<u>16,015,568</u>	<u>196,890</u>	<u>23,964,663</u>
<b>OPERATING EXPENSES</b>						
Public Works						
Operating supplies and expenses	3,980,631	-	2,264,106	-	-	6,244,737
General administration						
Telephone expenses	-	-	-	-	220,938	220,938
Health insurance	-	-	-	18,491,547	-	18,491,547
Information systems	-	1,351,029	-	-	-	1,351,029
Depreciation and amortization	77,649	134,014	23,880	-	48,616	284,159
Total Operating Expenses	<u>4,058,280</u>	<u>1,485,043</u>	<u>2,287,986</u>	<u>18,491,547</u>	<u>269,554</u>	<u>26,592,410</u>
Income (Loss) Before Transfers	8,849	(78,423)	(9,530)	(2,475,979)	(72,664)	(2,627,747)
<b>TRANSFER IN</b>	<u>285,731</u>	<u>60,300</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>346,031</u>
Change in Net Position	294,580	(18,123)	(9,530)	(2,475,979)	(72,664)	(2,281,716)
TOTAL NET POSITION - Beginning 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>
<b>TOTAL NET POSITION - END OF YEAR</b>	<u>\$ 1,607,754</u>	<u>\$ 630,589</u>	<u>\$ 444,673</u>	<u>\$ 4,164,607</u>	<u>\$ 203,836</u>	<u>\$ 7,051,459</u>

# CITY OF RACINE

## Internal Service Funds

### COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2012

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$ 4,053,659	\$ 1,406,620	\$ 2,275,122	\$ 15,927,037	\$ 197,711	\$ 23,860,149
Payments to suppliers	(2,276,052)	(740,081)	(1,280,387)	(17,902,557)	(201,209)	(22,400,286)
Payments to employees	(1,689,862)	(617,915)	(980,866)	(153,184)	(12,770)	(3,454,597)
Net Cash Flows From Operating Activities	<u>87,745</u>	<u>48,624</u>	<u>13,869</u>	<u>(2,128,704)</u>	<u>(16,268)</u>	<u>(1,994,734)</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Transfer from other funds for capital purposes	285,731	60,300	-	-	-	346,031
Acquisition and construction of capital assets	(272,825)	(22,794)	-	-	(6,457)	(302,076)
Net Cash Flows From Capital and Related Financing Activities	<u>12,906</u>	<u>37,506</u>	<u>-</u>	<u>-</u>	<u>(6,457)</u>	<u>43,955</u>
<b>Change in Cash and Cash Equivalents</b>	100,651	86,130	13,869	(2,128,704)	(22,725)	(1,950,779)
CASH AND CASH EQUIVALENTS - Beginning 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>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 112,258</u>	<u>\$ 470,566</u>	<u>\$ 494,912</u>	<u>\$ 5,620,829</u>	<u>\$ 44,889</u>	<u>\$ 6,743,454</u>



# CITY OF RACINE

Internal Service Funds

## COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2012

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
<b>RECONCILIATION OF OPERATING INCOME (LOSS)</b>						
<b>TO NET CASH PROVIDED FLOWS FROM</b>						
<b>OPERATING ACTIVITIES:</b>						
Operating Income (loss)	\$ 8,849	\$ (78,423)	\$ (9,530)	\$ (2,475,979)	\$ (72,664)	\$ (2,627,747)
Adjustments to Reconcile Operating Income (Loss) to Net Cash						
Flows From Operating Activities						
Depreciation/Amortization expense	77,649	134,014	23,880	-	48,616	284,159
Changes in assets and liabilities						
Accounts receivable	(1,709)	-	(3,334)	(80,635)	1,343	(84,335)
Inventories	(11,626)	-	-	-	-	(11,626)
Due from other funds	(11,760)	-	-	(7,896)	(522)	(20,178)
Accounts payable	52,220	(11,347)	(3,666)	395,311	6,959	439,477
Accrued liabilities	(25,878)	4,380	7,371	40,495	-	26,368
Due to other funds	-	-	(852)	-	-	(852)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES</b>	<u>\$ 87,745</u>	<u>\$ 48,624</u>	<u>\$ 13,869</u>	<u>\$ (2,128,704)</u>	<u>\$ (16,268)</u>	<u>\$ (1,994,734)</u>

### NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

None