

CITY OF RACINE

Racine, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2013

CITY OF RACINE

TABLE OF CONTENTS As of and for the Year Ended December 31, 2013

Independent Auditors' Report	1 – 3
Management's Discussion and Analysis	4 – 16
Basic Financial Statements	
Government-wide Financial Statements	
Statement of Net Position	17
Statement of Activities	18 – 19
Fund Financial Statements	
Balance Sheet – Governmental Funds	20 – 21
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	22 – 23
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	24
Statement of Revenues, Expenses, and Changes in Fund Balances – Budget and Actual – General Fund	25
Statement of Net Position – Proprietary Funds	26 – 27
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	28 – 29
Statement of Cash Flows – Proprietary Funds	30 – 32
Statement of Assets and Liabilities – Agency Funds	33
Notes to Financial Statements	34 – 92
Required Supplementary Information	
Schedule of Funding Progress of Other Postemployment Benefits	93
Combining and Individual Fund Statements and Schedules	
Nonmajor Governmental Funds	
Combining Balance Sheet	94 – 98
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	99 – 103

CITY OF RACINE

TABLE OF CONTENTS As of and for the Year Ended December 31, 2013

Combining and Individual Fund Statements and Schedules (cont.)

Special Revenue Funds

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	104 – 111
--	-----------

Debt Service Fund

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

Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	113 – 114
--	-----------

Nonmajor Enterprise Funds

Combining Statement of Net Position	115 – 116
-------------------------------------	-----------

Combining Statement of Revenues, Expenses and Changes in Net Position	117
--	-----

Combining Statement of Cash Flows	118 – 119
-----------------------------------	-----------

Internal Service Funds

Combining Statement of Net Position	120 – 121
-------------------------------------	-----------

Combining Statement of Revenues, Expenses and Changes in Net Position	122
--	-----

Combining Statement of Cash Flows	123 – 124
-----------------------------------	-----------

THIS PAGE IS INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITORS' REPORT

THIS PAGE IS INTENTIONALLY LEFT BLANK

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, 2013, 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 and 81 percent, 68 percent and 66 percent, respectively of the assets, net position and revenues of the business-type activities, or the Downtown Racine Business Improvement District #1, a discretely presented component unit. Those statements were audited by other auditors whose report has 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 report 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. The financial statements of the Racine Water and Wastewater Utilities, both major enterprise funds, or the Downtown Racine Business Improvement District #1, were not audited in accordance with *Government Auditing Standards*.

To the Mayor and Common Council
City of Racine

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.

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 report 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, 2013 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. 61, *The Financial Reporting Entity: Omnibus - an Amendment of GASB Statements No. 14 and No. 34*, effective January 1, 2013. Our opinions are not modified with respect to this matter.

As discussed in Note I, the City of Racine adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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.

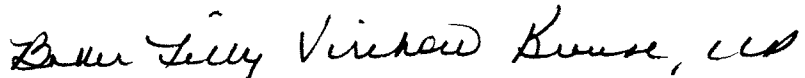
To the Mayor and Common Council
City of Racine

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Racine's basic financial statements. The combining and individual fund financial statements and schedules as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. 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 and schedules are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2014, 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 the City of Racine's internal control over financial reporting and compliance.



Milwaukee, Wisconsin
July 16, 2014

THIS PAGE IS INTENTIONALLY LEFT BLANK

MANAGEMENT'S DISCUSSION AND ANALYSIS

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

As management of the City of Racine, we offer readers of the City of Racine's financial statements this narrative overview and analysis of the financial activities of the City of Racine for the fiscal year ended December 31, 2013.

Financial Highlights

- The assets and deferred outflows of resources of the City of Racine exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$219,211,423 (net position). Of this amount, \$(94,674,089) (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 \$776,384.
- As of the close of the current fiscal year, the City of Racine's governmental funds reported combined ending fund balances of \$69,227,741, an increase of \$3,441,460, in comparison with the prior year. Approximately 27.5% of this amount, \$19,061,235, 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 \$20,029,956 or 24.8% of total general fund expenditures.
- Total long term obligations decreased by approximately \$9.6 million for the fiscal year ended December 31, 2013. Long term obligation activity during the year included the following:
 - \$11.040 million of general obligation refunding bonds issued to current refund \$11.040 million of 2013 note anticipation notes
 - \$15.410 million of general obligation refunding debt issued to current refund \$16.365 million of 2003 general obligation refunding bonds
 - \$4.450 million of general obligation refunding debt issued to advance refund \$1.830 million of 2005 and 2006 debt
 - \$10.3 million for general purposes

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, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference 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)

Government-wide Financial Statements (cont.)

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 2012 financial information to conform to the 2013 presentation. Net position was restated as a result of the implementation of GASB 65.

The government-wide financial statements can be found on pages 17-19 of this report.

Fund Financial Statements

A fund is a grouping of related accounts used to maintain control over resources that have been segregated for specific activities or objectives. The City of Racine, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance related legal requirements. All of the funds of the City of Racine can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near term financing requirements.

Because the focus of the governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Governmental Funds (cont.)

The City of Racine maintains numerous governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General fund, HUD fund, TIF fund, and the Debt Service Fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregate presentation. Nonmajor governmental fund data is provided in the form of combining worksheets elsewhere in the report.

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

The basic governmental fund financial statements can be found on pages 20-25 of this report.

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found on pages 26-32 of this report.

Fiduciary Funds

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

The basic fiduciary financial statements can be found on page 33 of this report.

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Notes to the Financial Statements

The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 34-92 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, 2013 and 2012 City's assets exceeded liabilities by \$219,211,423 and \$219,987,807 (restated) 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 cannot be used to liquidate these liabilities. The City's net investment in capital assets was \$272,627,619 and \$260,651,826 at December 31, 2013 and 2012.

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 was \$41,007,442 and \$37,337,305 and unrestricted net position was \$(94,423,638) and \$(78,001,324) as of December 31, 2013 and 2012 respectively.

The City's governmental activities had a deficit unrestricted net position of \$(99,410,820) and \$(80,870,675) as of December 31, 2013 and 2012 respectively. The deficit is primarily the result of the increase in the City's OPEB obligation.

The City's net OPEB obligation was \$133,869,014 and \$115,787,911 as of December 31, 2013 and 2012 respectively.

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)**Government-wide Financial Analysis (cont.)**

Condensed financial information from the statements of net position is presented below for the years ended December 31, 2013 and 2012. Amounts are expressed in thousands.

	2013	2012 *	2013	2012 *	2013	2012 *
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
Current and other assets	\$ 150,301	\$ 158,422	\$ 83,708	\$ 82,526	\$ 234,009	\$ 240,948
Capital assets	187,733	183,245	274,741	275,296	462,474	458,541
Total assets	338,034	341,667	358,449	357,822	696,483	699,489
Deferred outflows of resources	2,348	2,255	1,371	1,512	3,719	3,767
Current and other liabilities	12,338	22,621	2,870	7,966	15,208	30,587
Liabilities payable from restricted assets	-	-	10,689	11,688	10,689	11,688
Long-term liabilities	231,250	213,836	117,563	119,919	348,813	333,755
Total liabilities	243,588	236,457	131,122	139,573	374,710	376,030
Deferred inflows of resources	57,470	57,780	48,811	49,458	106,281	107,238
Net position:						
Net Investment in capital assets	108,579	104,199	172,591	164,831	272,878	260,652
Restricted	30,406	26,957	10,601	10,380	41,007	37,337
Unrestricted	(99,661)	(81,471)	(3,305)	(4,908)	(94,674)	(78,001)
Total net position	\$ 39,324	\$ 49,685	\$ 179,887	\$ 170,303	\$ 219,211	\$ 219,988

* 2012 amounts have been restated to reflect the implementation of GASB 65.

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Government-wide Financial Analysis (cont.)

Condensed financial information from the statement of activities is presented below for the year ended December 31, 2013 and 2012. Amounts are expressed in thousands.

	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>	<u>2013</u>	<u>2012</u>
	Governmental	Governmental	Business-Type	Business-Type	2013	2012
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u>
Revenues						
Charges for services	\$ 16,186	\$ 14,345	\$ 39,885	\$ 41,170	\$ 56,071	\$ 55,515
Operating grants and contributions	10,596	11,265	5,972	5,592	16,568	16,857
Capital grants and contributions	6,568	2,240	11,908	3,738	18,476	5,978
Taxes	54,488	50,881	1,436	1,455	55,924	52,336
Intergovernmental revenues not restricted to specific programs	29,445	29,298	-	-	29,445	29,298
Investment income	(1,450)	911	(5)	91	(1,455)	1,002
Other	1,047	1,259	14	5	1,061	1,264
Total revenues	<u>116,880</u>	<u>110,199</u>	<u>59,210</u>	<u>52,051</u>	<u>176,090</u>	<u>162,250</u>
Expenses						
General government	31,983	18,741	-	-	31,983	18,741
Community development	3,504	4,785	-	-	3,504	4,785
Health	3,155	2,909	-	-	3,155	2,909
Education and recreation	11,751	13,023	-	-	11,751	13,023
Public works	26,666	25,979	-	-	26,666	25,979
Public safety	48,348	62,192	-	-	48,348	62,192
Interest and fiscal charges	4,126	5,730	-	-	4,126	5,730
Water	-	-	15,520	16,457	15,520	16,457
Wastewater	-	-	14,782	14,967	14,782	14,967
Belle urban system	-	-	10,004	9,848	10,004	9,848
Other	-	-	7,028	7,769	7,028	7,769
Total expenses	<u>129,533</u>	<u>133,359</u>	<u>47,334</u>	<u>49,041</u>	<u>176,867</u>	<u>182,400</u>
Increase (decrease) in net position before transfers	(12,653)	(23,160)	11,876	3,010	(777)	(20,150)
Transfers	2,292	2,663	(2,292)	(2,663)	-	-
Increase (decrease) in net position	(10,361)	(20,497)	9,584	347	(777)	(20,150)
Net position-beginning of year (restated)	49,685	70,182	170,303	169,956	219,988	240,138
Net position-end of year	<u>\$ 39,324</u>	<u>\$ 49,685</u>	<u>\$ 179,887</u>	<u>\$ 170,303</u>	<u>\$ 219,211</u>	<u>\$ 219,988</u>

CITY OF RACINE

Racine, Wisconsin

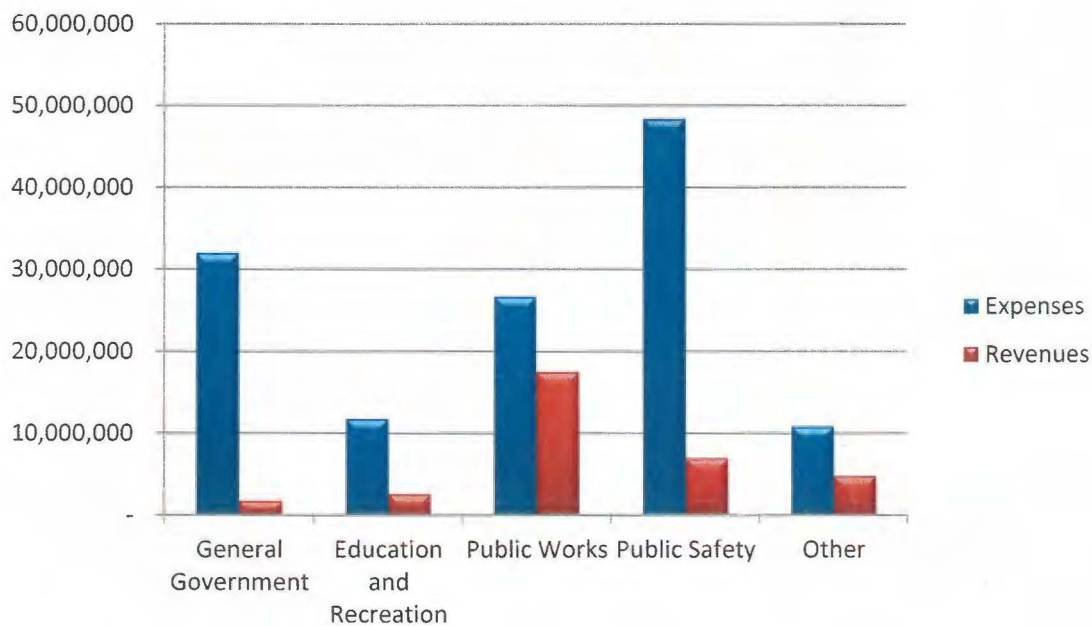
MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Governmental Activities

The net position in the governmental activities decreased by almost \$10.4 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 2013 by about \$17.0 million.
2. The City had an unrealized loss on investments totaling approximately \$2.0 million.
3. The City received \$3.5 million in contributed capital.

Expenses and Program Revenues-Governmental Activities:



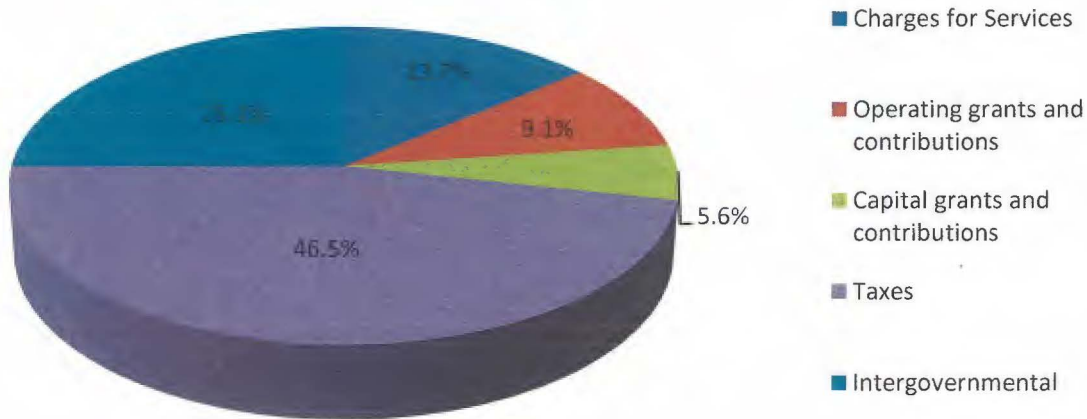
CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Governmental Activities (cont.)

Program and General Revenues by Source – Governmental Activities:



Business-type activities

Business-type activities net position increased by almost \$9.6 million during the fiscal year 2013. Key elements of this increase are as follows:

- The Water utility had an increase in net position of about \$5.1 million. The increase in net position in the Water utility relates primarily to residential equivalent connection fees increasing \$4.1 million in 2013.
- The Wastewater utility had a decrease in net position of \$648,029. The decrease in net position in the Wastewater utility relates to the Utility's increase in net OPEB obligation as the required contributions exceeded the actual contributions by \$1.1 million.
- The Belle Urban Transit system has an increase in net position of approximately \$4.8 million, which relates primarily to capital contributions from the FTA for the purchase of buses. Transit has a loss before contributions and transfers of \$1.2 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 \$392,957.

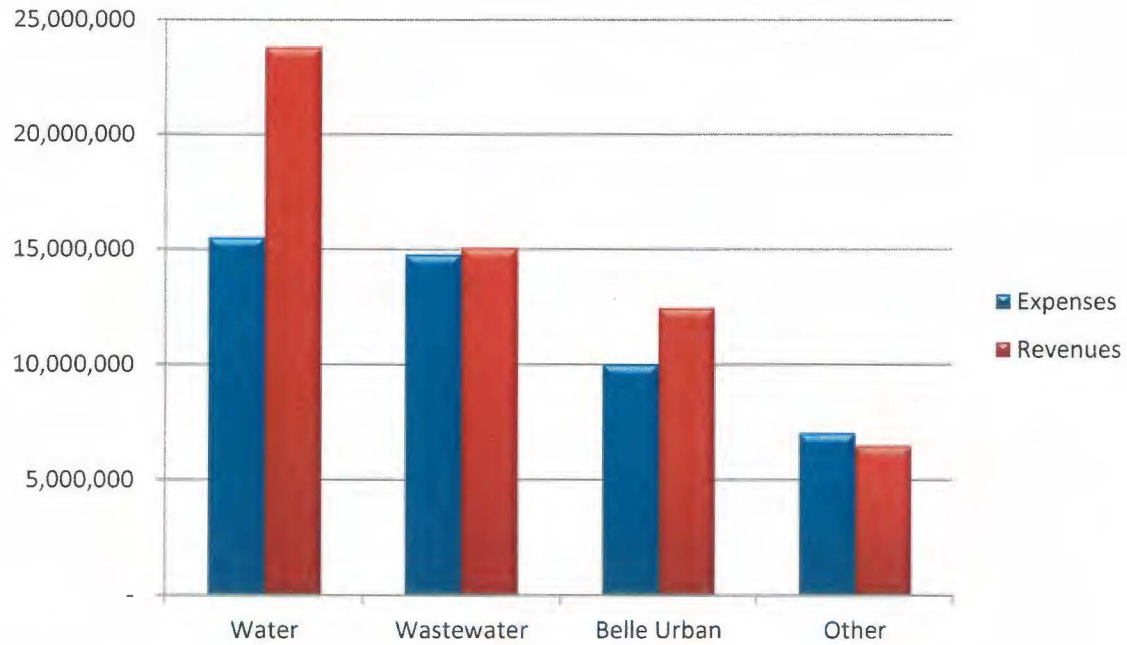
CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Business-type activities (cont.)

Expenses and Program Revenues – Business-type Activities:



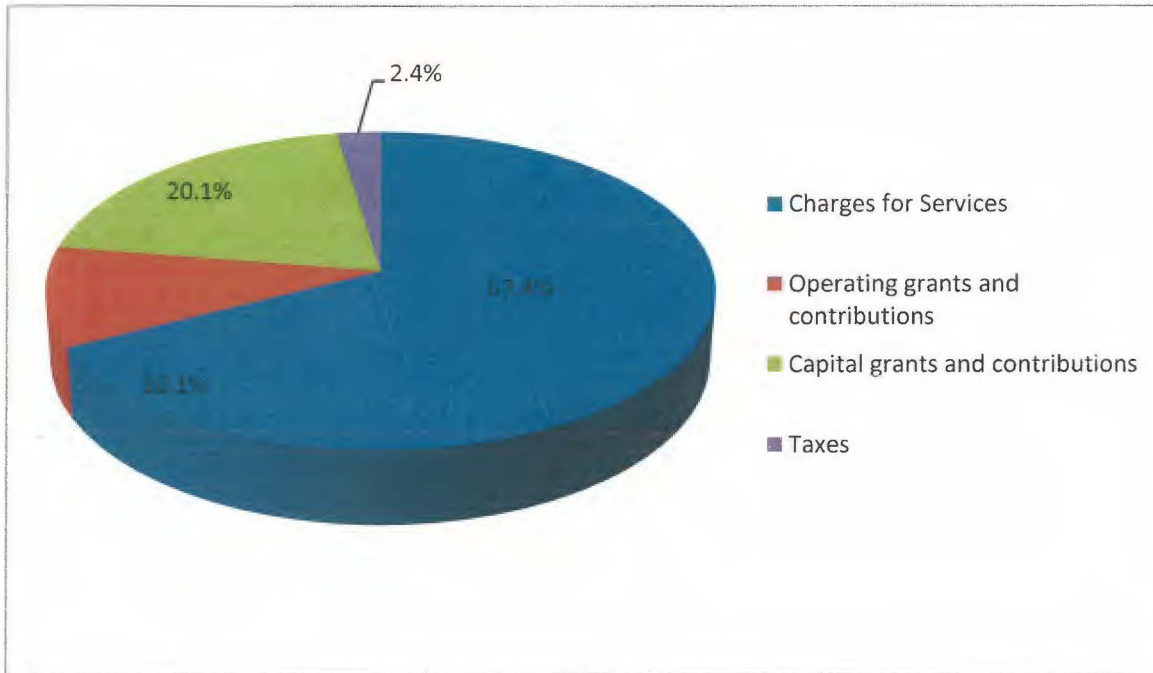
CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Business-Type Activities (cont.)

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 \$69,227,741. Approximately 27.5% of this amount \$19,061,235 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 \$20,029,956, while total fund balance totaled \$30,931,111. Unassigned fund balance represents 24.8% of total general fund expenditures, while total fund balance represents 38.2% of total general fund expenditures.

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Financial Analysis of the Government's Funds (cont.)

Although the general fund was budgeted to use \$2.3 million of fund balances during 2013, the general fund used approximately \$1.8 of fund balance for the year ended December 31, 2013. The resulting \$426 thousand positive variance is the result of actual expenditures under budgeted amounts by approximately \$1.2 million, actual revenues under budgeted amounts by about \$1.4 million, and transfers in over budget by just over \$567 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 approximately \$1.3 million less than anticipated.
- The payment in lieu of tax payment from the Water Utility exceeded budgeted amounts by over \$567 thousand.
- Expenditures in the general fund were approximately \$1.2 million, or 1.5% under the final budget of \$82,145,586.
 - The general government category was \$1.6 million, or 9.5% under budget due primarily to several assessment disputes that were not anticipated.

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 \$3,251,234 and \$3,286,436 at the end of fiscal year 2013 and 2012, of which the majority is reserved for specific purposes. In 2013, fund balance decreased by \$35 thousand in the HUD fund.

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, 2013 and 2012 of \$346,013 and \$43,520, all of which is restricted for the payment of debt service. Fund balance increased by \$302,493 in 2013, but decreased \$166,187 during 2012. 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 \$34,699,383 and \$29,690,331 in 2013 and 2012 respectively. The fund balances of these funds increased by just over \$5 million, during 2013. This was due primarily to the following:

1. The City spent \$8.2 million unspent debt proceeds from 2012 in 2013.
2. The City had \$8.9 million in unspent debt proceeds related to debt issued in 2013.
3. The City transferred \$3.8 million from the Special Revenue TIF Fund to the Capital Projects TIF Fund.

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

Financial Analysis of the Government's Funds (cont.)

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 2013 and 2012 amounted to \$7,365,259 and \$5,621,905, for the Wastewater utility \$(6,269,011) and \$(4,638,273), for the Belle urban system \$(2,429,719) and \$(2,737,156), and for the other enterprise funds \$(1,971,464) and \$(2,440,338). The total change in net position for the Water Utility for 2013 and 2012 was \$5,057,871 and \$2,611,112, the Wastewater Utility \$(648,029) and \$(1,555,182), for the Belle urban system \$4,781,444 and \$166,938, and for the Other Enterprise funds \$(392,957) and \$(161,307) 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, 2013 and 2012 amounts to \$272,627,619 and \$261,487,140 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, 2013 and 2012, capital assets, net of accumulated depreciation totaled \$462,474,905 and \$458,541,233 respectively. Capital assets, net of accumulated depreciation increased approximately \$3.9 million in 2013 and decreased by \$2.0 million during 2012. The increase in 2013 occurred primarily in the business-type activities due to an increase in additions for machinery and equipment.

Long-term debt – At the end of 2013 and 2012, the City of Racine had total debt outstanding of \$214,911,505 and \$225,207,608. Of this amount, the debt backed by the full faith and credit of the government is \$107,670,000 and \$108,340,000 in 2013 and 2012 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 \$10.3 million in 2013. The majority of the decrease in 2013 was a result of significant principal paid in both the Water and the Wastewater Utility.

	<u>Outstanding debt</u>	
	<u>2013</u>	<u>2012</u>
Governmental Activities:		
General obligation bonds and notes	\$ 107,670,000	\$ 108,340,000
Business-Type Activities:		
Revenue bonds	<u>107,241,505</u>	<u>116,867,608</u>
Total	<u>\$ 214,911,505</u>	<u>\$ 225,207,608</u>

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Economic Conditions and 2014 and 2015 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 2014.

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 2014. 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 2013 to 2014.

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. 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.

THIS PAGE IS INTENTIONALLY LEFT BLANK

BASIC FINANCIAL STATEMENTS

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF RACINE

STATEMENT OF NET POSITION
As of December 31, 2013

	Primary Government			Business Improvement District	Redevelopment Authority
	Governmental Activities	Business-Type Activities	Total		
ASSETS					
Cash and investments	\$ 70,676,569	\$ 24,275,917	\$ 94,952,486	\$ 7,247	\$ 51,433
Receivables, net of allowance for uncollectible accounts	68,355,799	15,041,332	83,397,131	-	450,000
Internal balances	1,606,412	(1,606,412)	-	-	-
Due from other governments	2,602,022	1,755,478	4,357,500	206,800	-
Inventories	733,431	636,602	1,370,033	-	-
Prepaid items	42,458	11,487	53,945	-	-
Advances to other funds	2,005,742	(2,005,742)	-	-	-
Advances to component unit	930,832	-	930,832	-	-
Restricted assets					
Cash and investments	-	15,372,336	15,372,336	-	-
Plant capacity receivable, current portion	-	3,141,096	3,141,096	-	-
Plant capacity receivable, long term	-	27,085,584	27,085,584	-	-
Deposit in CVMIC	2,962,500	-	2,962,500	-	-
Assets held for resale	385,000	-	385,000	-	1,418,131
Capital assets					
Land	24,525,352	5,084,905	29,610,257	-	-
Construction in progress	9,559,764	4,642,212	14,201,976	-	-
Other capital assets, net of accumulated depreciation/amortization	153,648,455	265,014,217	418,662,672	8,856	-
Total Assets	338,034,336	358,449,012	696,483,348	222,903	1,919,564
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized loss on refunding	2,347,605	1,371,499	3,719,104	-	-
LIABILITIES					
Accounts payable	5,544,052	2,303,016	7,847,068	2,908	1,266
Accrued compensation and other current liabilities	6,279,294	566,961	6,846,255	-	800
Due to other governments	354,975	-	354,975	-	-
Accrued interest payable	159,339	-	159,339	-	-
Liabilities payable from restricted assets					
Accrued interest payable	-	836,643	836,643	-	-
Current portion of long term debt	-	9,852,133	9,852,133	-	-
Noncurrent liabilities					
OPEB obligation	116,510,104	17,358,910	133,869,014	-	-
Due within one year	12,665,138	-	12,665,138	-	-
Due in more than one year	102,074,868	100,204,452	202,279,320	-	930,832
Total Liabilities	243,587,770	131,122,115	374,709,885	2,908	932,898
DEFERRED INFLOWS OF RESOURCES					
Deferred capacity revenue	-	42,958,920	42,958,920	-	-
Unearned revenue	57,470,287	5,851,937	63,322,224	206,800	-
Total Deferred Inflows of Resources	57,470,287	48,810,857	106,281,144	206,800	-
NET POSITION					
Net investment in capital assets	108,579,136	172,591,051	272,878,070	8,856	-
Restricted for					
Debt service	1,506,618	-	1,506,618	-	-
Permanent funds	3,196,400	-	3,196,400	-	-
Library	281,827	-	281,827	-	-
HUD loan programs	5,828,359	-	5,828,359	-	-
Tax increment districts	8,794,307	-	8,794,307	-	-
Intergovernmental revenue sharing	7,935,213	-	7,935,213	-	-
Police grants, federal asset forfeiture & HAZMAT	253,699	-	253,699	-	-
Health and other	1,592,038	-	1,592,038	-	-
Special assessment program	1,017,558	-	1,017,558	-	-
Water	-	4,039,120	4,039,120	-	-
Wastewater	-	6,562,303	6,562,303	-	-
Unrestricted (deficit)	(99,661,271)	(3,304,935)	(94,674,089)	4,339	986,666
TOTAL NET POSITION	<u>\$ 39,323,884</u>	<u>\$ 179,887,539</u>	<u>\$ 219,211,423</u>	<u>\$ 13,195</u>	<u>\$ 986,666</u>

CITY OF RACINE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2013

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Operating		Capital		Primary Government			Component Units	
	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	Business Improvement District	Redevelopment Authority
Primary Government									
Governmental activities									
General government	\$ 31,982,961	\$ 1,700,328	\$ 32,750	\$ -	\$ (30,249,883)	\$ -	\$ (30,249,883)	\$ -	\$ -
Community development	3,503,934	204,677	2,310,450	671,051	(317,756)	-	(317,756)	-	-
Health	3,155,373	543,699	1,010,490	-	(1,601,184)	-	(1,601,184)	-	-
Education and recreation	11,750,901	902,186	1,659,892	-	(9,188,823)	-	(9,188,823)	-	-
Public works	26,665,912	7,118,088	4,595,427	5,725,264	(9,227,133)	-	(9,227,133)	-	-
Public safety	48,348,069	5,716,927	986,615	172,383	(41,472,144)	-	(41,472,144)	-	-
Interest and fiscal charges	4,125,852	-	-	-	(4,125,852)	-	(4,125,852)	-	-
Total Governmental Activities	129,533,002	16,185,905	10,595,624	6,568,698	(96,182,775)	-	(96,182,775)	-	-
Business type activities									
Water	15,519,888	19,376,417	-	4,421,979	-	8,278,508	8,278,508	-	-
Wastewater	14,782,265	12,938,777	-	2,111,855	-	268,367	268,367	-	-
Belle Urban Transit	10,003,800	1,763,033	5,972,238	4,704,448	-	2,435,919	2,435,919	-	-
Other	7,028,067	5,806,335	-	669,424	-	(552,308)	(552,308)	-	-
Total Business Type Activities	47,334,020	39,884,562	5,972,238	11,907,706	-	10,430,486	10,430,486	-	-

CITY OF RACINE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2013

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Operating		Capital	Primary Government			Component Units		
	Expenses	Charges for Services	Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Totals	Business Improvement District	Redevelopment Authority
Total Primary Government	\$ 176,867,022	\$ 56,070,467	\$ 16,567,862	\$ 18,476,404	(96,182,775)	10,430,486	(85,752,289)	-	-
Component Units									
Business Improvement District	\$ 220,000	\$ -	\$ -	\$ -	-	-	-	(220,000)	-
Redevelopment Authority	189,521	-	-	274,907	-	-	-	-	85,384
	<u>\$ 409,521</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 274,907</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(220,000)</u>	<u>85,384</u>
General Revenues									
Taxes									
Property taxes, levied for general purposes					35,426,036	1,436,420	36,862,456	-	-
Property taxes levied, for debt service					13,362,062	-	13,362,062	-	-
Property taxes, levied for TIF					5,373,023	-	5,373,023	-	-
Other taxes					326,900	-	326,900	211,838	-
Intergovernmental revenues not restricted to specific programs					29,444,926	-	29,444,926	-	-
Investment income (loss)					(1,449,380)	(4,791)	(1,454,171)	198	-
Other					1,046,930	13,779	1,060,709	12,643	-
Transfers					2,291,651	(2,291,651)	-	-	-
Total General Revenues and Transfers					<u>85,822,148</u>	<u>(846,243)</u>	<u>84,975,905</u>	<u>224,679</u>	<u>-</u>
Change in net position					(10,360,627)	9,584,243	(776,384)	4,679	85,384
NET POSITION - Beginning of Year, as restated					<u>49,684,511</u>	<u>170,303,296</u>	<u>219,987,807</u>	<u>8,516</u>	<u>901,282</u>
NET POSITION - END OF YEAR					<u>\$ 39,323,884</u>	<u>\$ 179,887,539</u>	<u>\$ 219,211,423</u>	<u>\$ 13,195</u>	<u>\$ 986,666</u>

CITY OF RACINE

Governmental Funds

BALANCE SHEET
As of December 31, 2013

	General Fund	HUD	Tax Increment Districts	Debt Service	Nonmajor Governmental Funds	Totals
ASSETS						
Cash and investments	\$ 24,219,414	\$ 3,059,701	\$ -	\$ 343,897	\$ 36,596,418	\$ 64,219,430
Receivables						
Taxes	36,714,866	-	2,647,361	14,468,537	6,693,898	60,524,662
Special assessments						
and special charges - tax roll	-	-	-	-	558,816	558,816
Special assessments	-	-	-	-	1,797,515	1,797,515
Delinquent personal property taxes	226,004	-	-	-	-	226,004
Loans and notes	-	2,577,125	-	-	379,388	2,956,513
Accrued interest	126,711	395,525	-	-	-	522,236
Accounts	1,102,608	-	-	-	217,952	1,320,560
Total Receivables - Net	38,170,189	2,972,650	2,647,361	14,468,537	9,647,569	67,906,306
Due from other funds	9,454,489	-	-	2,116	1,012,921	10,469,526
Due from other governments	-	696,202	-	-	1,905,820	2,602,022
Inventories	136,426	-	-	-	-	136,426
Prepaid items	42,458	-	-	-	-	42,458
Deposit in CVMIC	2,962,500	-	-	-	-	2,962,500
Assets held for resale	-	201,548	-	-	385,000	586,548
Advances to component unit	-	-	-	-	930,832	930,832
Advances to other funds	181,515	-	-	1,319,944	1,183,400	2,684,859
TOTAL ASSETS	<u>\$ 75,166,991</u>	<u>\$ 6,930,101</u>	<u>\$ 2,647,361</u>	<u>\$ 16,134,494</u>	<u>\$ 51,661,960</u>	<u>\$ 152,540,907</u>

CITY OF RACINE

Governmental Funds

BALANCE SHEET As of December 31, 2013

	General Fund	HUD	Tax Increment Districts	Debt Service	Nonmajor Governmental Funds	Totals
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 1,529,502	\$ 420,328	\$ -	\$ -	\$ 2,991,535	\$ 4,941,365
Accrued liabilities	1,590,058	80,618	-	-	279,689	1,950,365
Accrued compensation	1,338,047	-	-	-	-	1,338,047
Due to other funds	5,106,187	254,200	-	-	3,444,433	8,804,820
Due to other governments	354,975	-	-	-	-	354,975
Insurance claims payable	1,700,218	-	-	-	-	1,700,218
Advances from other funds	-	-	-	-	679,117	679,117
Total Liabilities	<u>11,618,987</u>	<u>755,146</u>	<u>-</u>	<u>-</u>	<u>7,394,774</u>	<u>19,768,907</u>
Deferred Inflows of Resources						
Unavailable revenue	-	2,577,125	-	1,319,944	2,176,903	6,073,972
Unearned interest/revenue	-	346,596	-	-	138,186	484,782
Unearned property tax revenue	32,616,893	-	2,647,361	14,468,537	7,252,714	56,985,505
Total Deferred Inflows of Resources	<u>32,616,893</u>	<u>2,923,721</u>	<u>2,647,361</u>	<u>15,788,481</u>	<u>9,567,803</u>	<u>63,544,259</u>
Fund Balances (Deficit)						
Nonspendable	8,173,435	-	-	-	2,114,232	10,287,667
Restricted	-	3,251,234	-	346,013	22,171,093	25,768,340
Committed	56,912	-	-	-	11,377,761	11,434,673
Assigned	2,670,808	-	-	-	5,018	2,675,826
Unassigned (deficit)	20,029,956	-	-	-	(968,721)	19,061,235
Total Fund Balances (deficit)	<u>30,931,111</u>	<u>3,251,234</u>	<u>-</u>	<u>346,013</u>	<u>34,699,383</u>	<u>69,227,741</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u>\$ 75,166,991</u>	<u>\$ 6,930,101</u>	<u>\$ 2,647,361</u>	<u>\$ 16,134,494</u>	<u>\$ 51,661,960</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)	186,119,426
Internal service fund net position.	6,841,025
Other long-term assets that are not currently available are reported as unearned revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements. (See Note II)	6,073,972
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)	(228,938,280)
NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 39,323,884</u>

See accompanying notes to financial statements.

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2013

	General Fund	HUD Special Revenue Fund	Tax Increment Districts Special Revenue Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
REVENUES						
Taxes	\$ 32,242,490	\$ -	\$ 3,937,127	\$ 13,362,062	\$ 4,708,800	\$ 54,250,479
Special assessments	-	-	-	-	758,363	758,363
Intergovernmental	32,663,487	2,691,033	19,395	-	7,208,699	42,582,614
Licenses and permits	1,869,980	-	-	-	-	1,869,980
Fines, forfeitures and penalties	1,625,003	-	-	-	125,267	1,750,270
Investment income (loss)	(601,844)	(7,953)	-	-	(839,582)	(1,449,379)
Public charges for services	6,409,259	-	-	-	5,689,886	12,099,145
Donations	-	3,995	-	-	529,641	533,636
Miscellaneous	644,094	859,254	-	332,054	221,348	2,056,750
Total Revenues	<u>74,852,469</u>	<u>3,546,329</u>	<u>3,956,522</u>	<u>13,694,116</u>	<u>18,402,422</u>	<u>114,451,858</u>
EXPENDITURES						
Current						
General government	15,358,419	-	-	-	-	15,358,419
Community development	-	2,964,734	8,881	-	1,034,339	4,007,954
Health	1,817,001	-	-	-	1,175,919	2,992,920
Education and recreation	6,104,659	-	-	-	4,307,582	10,412,241
Public works	12,166,459	-	-	-	3,068,019	15,234,478
Public safety	45,009,420	-	-	-	1,378,224	46,387,644
Capital Outlay	443,409	671,050	-	-	13,729,356	14,843,815
Debt Service						
Principal	-	-	-	10,880,000	-	10,880,000
Interest and fiscal charges	-	-	-	3,902,685	62,709	3,965,394
Total Expenditures	<u>80,899,367</u>	<u>3,635,784</u>	<u>8,881</u>	<u>14,782,685</u>	<u>24,756,148</u>	<u>124,082,865</u>
Excess (deficiency) of revenues over expenditures	<u>(6,046,898)</u>	<u>(89,455)</u>	<u>3,947,641</u>	<u>(1,088,569)</u>	<u>(6,353,726)</u>	<u>(9,631,007)</u>

See accompanying notes to financial statements

Page 22

CITY OF RACINE

Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES

For the Year Ended December 31, 2013

	General Fund	HUD Special Revenue Fund	Tax Increment Districts Special Revenue Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
OTHER FINANCING SOURCES (USES)						
Long-term debt issued	\$ -	\$ -	\$ -	\$ -	\$ 11,040,000	11,040,000
Premium on long-term debt issued	-	-	-	1,699,741	49,680	1,749,421
Refunding bonds issued	-	-	-	19,860,000	-	19,860,000
Payment to escrow agent	-	-	-	(21,492,203)	-	(21,492,203)
Transfers in	4,225,619	99,795	86,838	1,323,524	6,669,931	12,405,707
Transfers out	(13,604)	(45,542)	(4,034,479)	-	(6,396,833)	(10,490,458)
Total Other Financing Sources (Uses)	<u>4,212,015</u>	<u>54,253</u>	<u>(3,947,641)</u>	<u>1,391,062</u>	<u>11,362,778</u>	<u>13,072,467</u>
Net Change in Fund Balances	(1,834,883)	(35,202)	-	302,493	5,009,052	3,441,460
FUND BALANCES - Beginning of Year	<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>
FUND BALANCES - END OF YEAR	<u>\$ 30,931,111</u>	<u>\$ 3,251,234</u>	<u>\$ -</u>	<u>\$ 346,013</u>	<u>\$ 34,699,383</u>	<u>\$ 69,227,741</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, 2013

Net change in fund balances - total governmental funds	\$	3,441,460
--	----	-----------

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		14,843,815
Some items reported as capital outlay are not capitalized		(2,456,205)
Depreciation is reported in the government-wide statements		(10,262,574)
Contributed Capital		3,460,249
Net book value of assets retired		(1,014,724)

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		(30,900,000)
Principal repaid		31,570,000

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		117,312
Unamortized discounts/premiums (see Note II. B.)		(1,062,248)
Other postemployment benefits		(17,031,053)
Writeoff of loans		(54,542)
Accrued interest on debt		4,252

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.

(210,434)

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

(1,311,595)

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

505,660

Change in net position of governmental activities

\$ (10,360,627)

CITY OF RACINE

General Fund

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Year Ended December 31, 2013

	Budgeted Amounts			Variance with
	Original Budget	Final Budget	Actual	Final Budget
REVENUES				
Taxes	\$ 32,175,635	\$ 32,248,747	\$ 32,242,490	\$ (6,257)
Intergovernmental	32,619,863	32,619,863	32,663,487	43,624
Licenses and permits	1,724,816	1,724,816	1,869,980	145,164
Fines and forfeitures	2,085,100	2,085,100	1,625,003	(460,097)
Investment income (loss)	693,984	693,984	(601,844)	(1,295,828)
Charges for services	6,275,592	6,275,592	6,409,259	133,667
Other	578,375	578,375	644,094	65,719
Total Revenues	76,153,365	76,226,477	74,852,469	(1,374,008)
EXPENDITURES				
Current				
General government	17,329,590	16,963,591	15,358,419	1,605,172
Health	2,044,673	2,046,761	1,817,001	229,760
Education and recreation	6,299,721	6,148,772	6,104,659	44,113
Public works	11,797,110	11,715,521	12,166,459	(450,938)
Public safety	45,040,558	44,821,473	45,009,420	(187,947)
Capital Outlay	-	449,468	443,409	6,059
Total Expenditures	82,511,652	82,145,586	80,899,367	1,246,219
Deficiency of revenues over expenditures	(6,358,287)	(5,919,109)	(6,046,898)	(127,789)
OTHER FINANCING SOURCES (USES)				
Transfers in	3,658,287	3,658,287	4,225,619	567,332
Transfers out	-	-	(13,604)	(13,604)
Total Other Financing Sources	3,658,287	3,658,287	4,212,015	553,728
Net Change in Fund Balance	\$ (2,700,000)	\$ (2,260,822)	(1,834,883)	\$ 425,939
FUND BALANCE - Beginning of Year			32,765,994	
FUND BALANCE - END OF YEAR			\$ 30,931,111	

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET POSITION

As of December 31, 2013

	Business-Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds	Total	Internal Service Funds
ASSETS						
Current Assets						
Cash and investments	\$ 11,246,487	\$ 9,878,544	\$ 200	\$ 3,150,686	\$ 24,275,917	\$ 6,457,139
Receivables						
Accounts	5,697,667	3,155,011	85,796	91,173	9,029,647	449,493
Taxes	327,275	4,728	1,100,000	4,579,682	6,011,685	-
Due from other governments	-	-	1,608,681	146,797	1,755,478	-
Due from other funds	4,204,633	3,680,912	-	-	7,885,545	12,597
Inventories	338,392	58,654	231,624	7,932	636,602	395,457
Prepaid items	4,500	-	-	6,987	11,487	-
Total Current Assets	<u>21,818,954</u>	<u>16,777,849</u>	<u>3,026,301</u>	<u>7,983,257</u>	<u>49,606,361</u>	<u>7,314,686</u>
Noncurrent Assets						
Restricted Assets						
Cash and investments	8,562,468	6,809,868	-	-	15,372,336	-
Plant capacity, current portion	-	3,141,096	-	-	3,141,096	-
Plant capacity, long term	-	27,085,584	-	-	27,085,584	-
Capital assets						
Land	1,843,341	99,950	539,434	2,602,180	5,084,905	32,879
Construction in progress	2,599,579	1,147,363	-	895,270	4,642,212	73,331
Intangible assets	-	-	-	-	-	605,210
Land and building improvements	144,912,354	104,857,364	8,318,100	86,804,083	344,891,901	1,878,572
Equipment, furniture and vehicles	31,558,111	47,877,264	15,899,718	2,675,405	98,010,498	2,177,924
Less: Accumulated depreciation/amortization	<u>(50,721,465)</u>	<u>(71,546,355)</u>	<u>(8,549,300)</u>	<u>(47,071,062)</u>	<u>(177,888,182)</u>	<u>(3,153,771)</u>
Total Noncurrent Assets	<u>138,754,388</u>	<u>119,472,134</u>	<u>16,207,952</u>	<u>45,905,876</u>	<u>320,340,350</u>	<u>1,614,145</u>
Total Assets	<u>160,573,342</u>	<u>136,249,983</u>	<u>19,234,253</u>	<u>53,889,133</u>	<u>369,946,711</u>	<u>8,928,831</u>
DEFERRED OUTFLOWS OF RESOURCES						
Unamortized loss on refunding	<u>1,371,499</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,371,499</u>	<u>-</u>

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET POSTION

As of December 31, 2013

	Business-Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds	Total	Internal Service Funds
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 612,368	\$ 269,878	\$ 831,637	\$ 589,133	\$ 2,303,016	\$ 602,687
Accrued compensation	-	-	41,912	23,253	65,165	-
Accrued liabilities	261,085	140,767	-	99,944	501,796	1,290,664
Advances from other funds	69,266	61,950	-	162,816	294,032	-
Due to other funds	4,008,753	1,881,573	3,347,941	253,690	9,491,957	70,891
Liabilities payable from restricted assets						
Accrued interest	589,078	247,565	-	-	836,643	-
Current portion of long term debt	4,698,163	5,153,970	-	-	9,852,133	-
Total Current Liabilities	10,238,713	7,755,703	4,221,490	1,128,836	23,344,742	1,964,242
Noncurrent Liabilities						
Compensated absences	575,889	372,652	74,675	41,859	1,065,075	123,564
OPEB obligation	8,298,831	5,491,117	-	3,568,962	17,358,910	-
Revenue bonds and notes payable	51,478,559	47,660,818	-	-	99,139,377	-
Advances from other funds	627,503	561,225	-	522,982	1,711,710	-
Total Noncurrent Liabilities	60,980,782	54,085,812	74,675	4,133,803	119,275,072	123,564
Total Liabilities	71,219,495	61,841,515	4,296,165	5,262,639	142,619,814	2,087,806
DEFERRED INFLOWS OF RESOURCES						
Deferred capacity revenue	-	42,958,920	-	-	42,958,920	-
Unearned revenue	-	-	59,855	112,400	172,255	-
Unearned property tax revenue	-	-	1,100,000	4,579,682	5,679,682	-
Total Deferred Inflows of Resources	-	42,958,920	1,159,855	4,692,082	48,810,857	-
NET POSITION						
Net investment in capital assets	79,320,967	31,156,256	16,207,952	45,905,876	172,591,051	1,614,145
Restricted	4,039,120	6,562,303	-	-	10,601,423	-
Unrestricted (deficit)	7,365,259	(6,269,011)	(2,429,719)	(1,971,464)	(3,304,935)	5,226,880
TOTAL NET POSITION	\$ 90,725,346	\$ 31,449,548	\$ 13,778,233	\$ 43,934,412	\$ 179,887,539	\$ 6,841,025

See accompanying notes to financial statements.

Page 27

CITY OF RACINE

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the Year Ended December 31, 2013

	Business-Type Activities- Enterprise Funds				Governmental Activities-	
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds	Totals	Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 19,376,417	\$ 12,938,777	\$ 1,476,785	\$ 5,804,984	\$ 39,596,963	\$ 25,104,011
Other	-	-	286,248	1,351	287,599	325,848
Total Operating Revenues	<u>19,376,417</u>	<u>12,938,777</u>	<u>1,763,033</u>	<u>5,806,335</u>	<u>39,884,562</u>	<u>25,429,859</u>
OPERATING EXPENSES						
Operation and maintenance	9,523,884	8,694,868	8,554,805	3,592,726	30,366,283	6,393,026
Education and recreation	-	-	-	1,251,850	1,251,850	-
General administration	-	-	-	-	-	19,342,766
Depreciation	<u>4,009,573</u>	<u>4,441,614</u>	<u>1,448,995</u>	<u>2,093,439</u>	<u>11,993,621</u>	<u>280,903</u>
Total Operating Expenses	<u>13,533,457</u>	<u>13,136,482</u>	<u>10,003,800</u>	<u>6,938,015</u>	<u>43,611,754</u>	<u>26,016,695</u>
Operating income (loss)	<u>5,842,960</u>	<u>(197,705)</u>	<u>(8,240,767)</u>	<u>(1,131,680)</u>	<u>(3,727,192)</u>	<u>(586,836)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income (loss)	54,035	20,772	-	(79,598)	(4,791)	-
Interest expense	(2,038,425)	(1,502,290)	-	(36,561)	(3,577,276)	-
Intergovernmental interest reimbursement	-	879,032	-	-	879,032	-
Plant capacity income	-	1,130,526	-	-	1,130,526	-
Gain (loss) on sale of fixed assets	21,349	(398)	-	(53,491)	(32,540)	-
Amortization of premiums/discount and refunding loss	30,645	-	-	-	30,645	-
Subsidies from other governmental units	-	-	5,972,238	149,297	6,121,535	-
Tax levy	-	-	1,100,000	336,420	1,436,420	-
Household hazardous waste revenue	-	102,297	-	-	102,297	-
Household hazardous waste expense	-	(143,095)	-	-	(143,095)	-
Other	-	13,779	-	-	13,779	-
Total Nonoperating Revenues (Expenses)	<u>(1,932,396)</u>	<u>500,623</u>	<u>7,072,238</u>	<u>316,067</u>	<u>5,956,532</u>	<u>-</u>

CITY OF RACINE

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended December 31, 2013

	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	3,910,564	302,918	(1,168,529)	(815,613)	2,229,340	(586,836)
CAPITAL CONTRIBUTIONS	4,421,979	-	4,704,448	520,127	9,646,554	-
TRANSFERS IN	44,661	-	1,245,525	688,443	1,978,629	376,402
TRANSFERS (OUT)	<u>(3,319,333)</u>	<u>(950,947)</u>	<u>-</u>	<u>-</u>	<u>(4,270,280)</u>	<u>-</u>
Change in Net Position	5,057,871	(648,029)	4,781,444	392,957	9,584,243	(210,434)
NET POSTION - Beginning of Year, as restated	<u>85,667,475</u>	<u>32,097,577</u>	<u>8,996,789</u>	<u>43,541,455</u>	<u>170,303,296</u>	<u>7,051,459</u>
NET POSITION - END OF YEAR	<u>\$ 90,725,346</u>	<u>\$ 31,449,548</u>	<u>\$ 13,778,233</u>	<u>\$ 43,934,412</u>	<u>\$ 179,887,539</u>	<u>\$ 6,841,025</u>

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013

	Business-Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals	Internal Service Fund
CASH FLOW FROM OPERATING ACTIVITIES						
Received from customers and users	\$ 19,187,342	\$ 12,989,003	\$ 1,816,774	\$ 5,893,196	\$ 39,886,315	\$ 25,419,300
Paid to suppliers for goods and services	(2,356,962)	(2,880,441)	(8,526,644)	(3,137,425)	(16,901,472)	(22,399,302)
Paid to employees for services	(5,700,692)	(4,607,233)	-	(1,845,660)	(12,153,585)	(3,484,266)
Net Cash Flows From Operating Activities	<u>11,129,688</u>	<u>5,501,329</u>	<u>(6,709,870)</u>	<u>910,111</u>	<u>10,831,258</u>	<u>(464,268)</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer to other funds	(3,274,672)	(950,947)	-	-	(4,225,619)	-
Advances retired	(68,679)	(61,425)	-	-	(130,104)	-
Principal retired	-	(252,726)	-	-	(252,726)	-
Interest paid on long-term debt	-	(46,496)	-	-	(46,496)	-
Interest paid on advances	(14,380)	(12,861)	-	-	(27,241)	-
Miscellaneous receipts	-	13,779	-	-	13,779	-
Operating grants received	-	(40,798)	4,742,099	-	4,701,301	-
Operating subsidies received	-	-	2,330,139	336,420	2,666,559	-
Net Cash Flows from Noncapital Financing Activities	<u>(3,357,731)</u>	<u>(1,351,474)</u>	<u>7,072,238</u>	<u>336,420</u>	<u>2,699,453</u>	<u>-</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Debt retired	(4,428,181)	(4,945,196)	-	-	(9,373,377)	-
Advances retired	-	-	-	(156,209)	(156,209)	-
Interest paid on long-term debt	(2,064,629)	(1,467,576)	-	-	(3,532,205)	-
Interest paid on advances	-	-	-	(36,561)	(36,561)	-
Transfer from other funds for capital purposes	-	-	1,245,525	688,443	1,933,968	376,402
Acquisition and construction of capital assets	(2,729,675)	(664,856)	(5,761,474)	(1,438,484)	(10,594,489)	(198,449)
REC and other fees received	2,285,895	-	-	-	2,285,895	-
Intergovernmental interest reimbursement	-	879,032	-	-	879,032	-
Proceeds for plant capacity	-	2,957,659	-	-	2,957,659	-
Capital subsidies received	-	-	4,153,581	170,952	4,324,533	-
Proceeds from sale of capital assets	21,349	1,766	-	-	23,115	-
Net Cash Flows From Capital and Related Financing Activities	<u>(6,915,241)</u>	<u>(3,239,171)</u>	<u>(362,368)</u>	<u>(771,859)</u>	<u>(11,288,639)</u>	<u>177,953</u>

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2013

	Business-Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals	Internal Service Fund
CASH FLOW FROM INVESTING ACTIVITIES						
Investment income (loss)	\$ 54,035	\$ 20,772	\$ -	\$ (79,598)	\$ (4,791)	\$ -
Net Cash Flows From Investing Activities	54,035	20,772	-	(79,598)	(4,791)	-
Net Change in Cash and Cash Equivalents	910,751	931,456	-	395,074	2,237,281	(286,315)
CASH AND CASH EQUIVALENTS - Beginning of Year	18,898,204	15,756,956	200	2,755,612	37,410,972	6,743,454
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 19,808,955	\$ 16,688,412	\$ 200	\$ 3,150,686	\$ 39,648,253	\$ 6,457,139
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ 5,842,960	\$ (197,705)	\$ (8,240,767)	\$ (1,131,680)	\$ (3,727,192)	\$ (586,836)
Adjustments to reconcile operating income (loss) to Net Cash Flows from operating activities						
Other postemployment benefits	832,629	542,653	-	(325,233)	1,050,049	-
Depreciation	4,137,474	4,441,614	1,448,995	2,093,439	12,121,522	280,903
Changes in assets and liabilities						
Accounts receivable	(186,015)	(3,782)	53,741	86,532	(49,524)	(26,410)
Prepaid items	-	-	-	2,288	2,288	-
Inventories	52,840	(4,869)	226,783	(1,105)	273,649	33,890
Due from other funds	29,384	57,066	-	330	86,780	15,852
Accounts payable	(64,201)	(12,783)	4,631	98,302	25,949	(52,068)
Accrued liabilities	126,535	29,987	(34,551)	19,942	141,913	(184,705)
Due to other funds	358,082	649,148	(168,702)	67,296	905,824	55,106
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 11,129,688	\$ 5,501,329	\$ (6,709,870)	\$ 910,111	\$ 10,831,258	\$ (464,268)

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2013

	Business-Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise	Totals	Internal Service Fund
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET						
Cash and investments						
Unrestricted	\$ 11,246,487	\$ 9,878,544	\$ 200	\$ 3,150,686	\$ 24,275,917	\$ 6,457,139
Restricted	<u>8,562,468</u>	<u>6,809,868</u>	<u>-</u>	<u>-</u>	<u>15,372,336</u>	<u>-</u>
Total Cash and Investments	<u>\$ 19,808,955</u>	<u>\$ 16,688,412</u>	<u>\$ 200</u>	<u>\$ 3,150,686</u>	<u>\$ 39,648,253</u>	<u>\$ 6,457,139</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Cost of Capital assets installed						
or financed by developers, customers or the City	<u>\$ 49,538</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 520,127</u>	<u>\$ 569,665</u>	<u>\$ -</u>

CITY OF RACINE

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

As of December 31, 2013

	Agency Funds		
	Police Evidence	Tax Collecting	Totals
ASSETS			
Cash and investments	\$ 321,566	\$ 33,685,513	\$ 34,007,079
Receivables			
Property taxes	-	15,302,693	15,302,693
TOTAL ASSETS	<u>\$ 321,566</u>	<u>\$ 48,988,206</u>	<u>\$ 49,309,772</u>
LIABILITIES			
Accounts payable	\$ 2,572	\$ -	\$ 2,572
Due to component unit	-	206,800	206,800
Due to other agencies	-	90,500	90,500
Due to other governments	318,994	48,690,906	49,009,900
TOTAL LIABILITIES	<u>\$ 321,566</u>	<u>\$ 48,988,206</u>	<u>\$ 49,309,772</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF RACINE

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE	Page
I. Summary of Significant Accounting Policies	34
A. Reporting Entity	34
B. Government-Wide and Fund Financial Statements	36
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	39
D. Assets, Deferred Outflows of Resources, Deferred Inflows of Resources, Liabilities, and Net Position or Equity	41
1. Deposits, Investments and Equivalents	41
2. Receivables	42
3. Inventories and Prepaid Items	44
4. Restricted Assets	44
5. Capital Assets	44
6. Assets Held for Resale	45
7. Deferred Outflows of Resources	45
8. Compensated Absences	45
9. Long-Term Obligations/Conduit Debt	46
10. Deferred Inflows of Resources	47
11. Equity Classifications	47
II. Reconciliation of Government-Wide and Fund Financial Statements	49
A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position	49
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	50
III. Stewardship, Compliance, and Accountability	51
A. Budgetary Information	51
B. Excess Expenditures Over Appropriations	52
C. Deficit Balances	53
D. Limitations on the City's Tax Levy	53
IV. Detailed Notes on All Funds	54
A. Deposits and Investments	54
B. Receivables	57
C. Restricted Assets	59
D. Capital Assets	60
E. Interfund Receivables/Payables, Advances and Transfers	63
F. Long-Term Obligations	67
G. Lease Disclosures	73
H. Net Position/Fund Balances	74
I. Restatement of Net Position	78
J. Component Units	78

CITY OF RACINE

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE	<u>Page</u>
V. Other Information	80
A. Employees' Retirement System	80
B. Racine Transit System Pension Plan	81
C. Risk Management	83
D. Commitments and Contingencies	86
E. Other Postemployment Benefits	87
F. Economic Dependency	89
G. Intermunicipal Agreement	90
H. Intergovernmental Retail Water Service Agreement	91
I. Infiltration/Inflow Removal Agreement	91
J. Mortgage Revenue Obligation	91
K. Effect of New Accounting Standards on Current-Period Financial Statements	92

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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 the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or 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. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit 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 or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

Component units are reported using one of two methods, discrete presentation or blending. Generally, component units should be discretely presented in a separate column in the financial statements. A component unit should be reported as part of the primary government using the blending method if it meets any one of the following criteria: (1) the primary government and the component unit have substantively the same governing body and a financial benefit or burden relationship exists, (2) the primary government and the component unit have substantively the same governing body and management of the primary government has operational responsibility for the component unit, (3) the component unit serves or benefits, exclusively or almost exclusively, the primary government rather than its citizens, or (4) the total debt of the component unit will be paid entirely or almost entirely from resources of the primary government.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

A. REPORTING ENTITY (cont.)

Discretely Presented Component Unit

Business Improvement District

The government-wide financial statements include the Downtown Racine Business Improvement District #1, (BID) as a component unit. The BID, created in November 2001, has a separate nine member board appointed by the mayor and approved by the city council. The BID was designed to provide for and promote the continued vitality of the city's downtown business district through an aggressive marketing plan to promote existing businesses and attract new business. The BID has its own independent budgetary authority and assessment capabilities. However, the city can impose its will on the BID as the city must approve the BID operating budget and annual assessment. The city has no responsibility for fund deficits of the BID. As a component unit, the BID's financial statements have been presented as a discrete column in the city's financial statements. The financial information presented for the BID is for the fiscal year ended December 31, 2013. 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 is a legally separate organization, 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. Wisconsin Statutes provide for circumstances whereby the City can impose its will on the Authority, and also create a potential financial benefit to or burden on the City. As a component unit, the Authority's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2013.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In November 2010, the GASB issued statement No. 61 - *The Financial Reporting Entity: Omnibus* - an amendment of GASB Statements No. 14 and No. 34. This statement modifies certain requirements for inclusion of component units in the financial reporting entity. This standard was implemented effective January 1, 2013.

In March 2012, the GASB issued statement No. 65 - *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented effective January 1, 2013.

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 entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditures/expenses.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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/deferred outflows of resources, liabilities/deferred inflows of resources, 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, 2013

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
Equipment Replacement Fund	2013
Tax Incremental Districts	Assessment Projects
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, 2013

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, 2013

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 unearned 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 to the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

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 unavailable revenues. Delinquent special assessments being held by the county are reported as receivables and unavailable 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.

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.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES 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.

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.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (cont.)

1. Deposits, Investments and Equivalents (cont.)

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, 2013, 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 statement of assets and liabilities – fiduciary funds.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

Property tax calendar – 2013 tax roll:

Lien date and levy date	November 2013
Tax bills mailed	December 2013
Payment in full, or	
First installment due	January 31, 2014
Second installment due	March 31, 2014
Third installment due	May 31, 2014
Fourth installment due	July 31, 2014
Personal property taxes in full	January 31, 2014
Final settlement with County	August 15, 2014
Tax deed by County – 2013	
Delinquent real estate taxes	October 2016

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 unavailable 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, 2013

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES 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, 2013 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, 2013

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES 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. 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.

7. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

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.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (cont.)

8. *Compensated Absences* (cont.)

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, 2013 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 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 premiums/discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for gains/losses is shown as a deferred outflow/inflow in 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 \$36,109,985 made up of seven issues.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES AND NET POSITION OR EQUITY (cont.)

10. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

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 \$8.3 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 and displayed as follows:

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. ASSETS, DEFERRED OUTFLOWS OF RESOURCES, LIABILITIES, DEFERRED INFLOWS OF RESOURCES 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 inspendable 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 \$20,029,956 or 24.6%.

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, 2013

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

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET 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 unearned in the funds”. The details of this difference are as follows:

Unearned revenue-loans	\$ 2,956,513
Unearned revenue-debt service	1,319,944
Unearned revenue-special assessments	<u>1,797,515</u>
Combined Adjustment for Long-Term Assets	<u>\$ 6,073,972</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	\$ 111,598,443
OPEB obligation	116,510,104
Compensated absences, not including internal service fund	3,017,999
Unamortized loss on refunding	(2,347,605)
Accrued interest	<u>159,339</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 228,938,280</u>

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

Land	\$ 24,525,352
Construction in progress	9,559,764
Other capital assets net of accumulated depreciation/amortization	153,648,455
Internal Service fund capital assets	<u>(1,614,145)</u>
Combined Adjustment for Capital Assets	<u>\$186,119,426</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

B. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES AND THE GOVERNMENT-WIDE STATEMENT OF ACTIVITIES

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net 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:

Deferred charge incurred	\$ 429,423
Premium received	(1,699,741)
Amortization of deferred charge and premium	<u>208,070</u>
Unamortized debt discounts/premiums/deferred charges	<u>\$ (1,062,248)</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	\$ (478,998)
Insurance recoveries received	(410,638)
Principal paid on debt service loans	(130,105)
Special assessments collections	<u>(291,854)</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>\$ (1,311,595)</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 \$451,118 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, 2013

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	2013 Capital Projects
Federal Asset Forfeiture	Equipment Replacement Fund
HAZMAT	
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
 - 2012 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 \$2,640,874. 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 \$1,700,707.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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, 2013:

<u>Fund</u>	<u>Department</u>	<u>Appropriation Unit</u>	<u>Amount</u>
General Fund	City Administration	Operating Expenditures	\$ 57,632
	City Assessor	Salaries and Fringes	7,601
	City Assessor	Interdepartmental	77
	City Development	Operating Expenditures	4,423
	City Development	Interdepartmental	12,323
	Finance	Operating Expenditures	28,289
	Fire	Operating Expenditures	36,959
	Fire	Interdepartmental	5,686
	Health	Interdepartmental	2,341
	Miscellaneous Unclassified	Operating Expenditures	215,711
	Park and Recreation	Salaries and Fringes	31,582
	Police	Salaries and Fringes	262,358
	Police	Interdepartmental	25,106
	Police and Fire Commission	Operating Expenditures	1,360
	Public Works	Salaries and Fringes	407,530
	Public Works	Operating Expenditures	3,185
	Public Works	Interdepartmental	40,223
	Public Works	Capital Outlay	149
Special Revenue Funds:			
CAR 25		Operating Expenditures	47,002
Cemetery		Salaries and Fringes	6,197
Library		Capital Outlay	28,000
Harbor Commission		Capital Outlay	17,773
Municipal Court		Operating Expenditures	6,070
Police Grants - COP		Salaries and Fringes	1,030
Private Property Maintenance		Salaries and Fringes	6,712

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

C. DEFICIT BALANCES

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

Special Revenue Fund

Recycling Program – The fund deficit of \$21,657 is the result of expenditures in excess of revenues received from the State of Wisconsin for this mandated program. The continued operation of this program is dependent upon funding through tax levy.

Capital Project Funds

City Projects – The fund deficit of \$197,434 is the result primarily of a sewer system repair agreement with the Wastewater Utility. Revenues will be received annually via a sanitary sewer charge.

Assessment Projects – The fund deficit of \$121,846 is the result of construction exceeding special assessment revenue transfers. Revenue transfers will be made in the next year to cover this deficit.

Equipment Replacement – The fund deficit of \$3,501 is the result of purchases exceeding the bond fund transfer. Bond revenue transfers will be made in the next year to cover this deficit.

D. LIMITATIONS ON THE CITY'S TAX LEVY

Wisconsin law 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. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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	\$ 43,053,112	\$ 40,035,793	Custodial credit
Savings deposits	31,571,583	31,571,583	Custodial credit
Certificates of deposit	11,612,346	11,612,346	Custodial credit
Petty cash	7,335	-	NA
Total deposits	<u>86,244,376</u>	<u>\$ 83,219,722</u>	
Wisconsin Local Government			
Investment Pool	11,831,431		Credit
Money market funds	6,650,077		Credit
Mutual funds-equities	1,553,495		Credit
Mutual funds-fixed income	1,507,165		Credit, Interest Rate
U.S. Treasury Notes	813,921		Custodial credit, Interest Rate
U.S. Government agency securities-Implicit	<u>35,782,869</u>		Credit, Custodial credit, Interest Rate, Concentration of credit
Total investments	<u>58,138,958</u>		
Total Deposits and Investments	<u>\$ 144,383,334</u>		
Reconciliation to financial statements			
Per statement of net position			
Cash and investments-Primary government	\$ 94,952,486		
Cash and investments-Component unit	51,433		
Restricted cash and investments	15,372,336		
Per statement of net position-fiduciary funds	<u>34,007,079</u>		
	<u>\$ 144,383,334</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) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). 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, 2013

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

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 nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

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, 2013 the City's carrying value of deposits was \$86,244,376, as compared to bank balances of \$83,219,722. Of the bank balances \$74,799,753 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. \$8,419,969 was uninsured as of December 31, 2013.

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, 2013 the City's carrying value of U.S. Government Agency Securities and U.S. Treasury's subject to custodial credit risk \$36,596,790. 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 parity with, a security of the same issuer which has such a rating.

The City's U.S. Government agencies as of December 31, 2013 were rated AAA by Moody's Investor's Services and AA+ by Standard & Poor's. As of December 31, 2013, the balance in these types of investments was \$35,782,869.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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, 2013, 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	9.27%
Federal Home Loan Bank Corporation	U.S. government agency notes and mortgage backed securities	65.26%

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, 2013 were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Duration (years)</u>
U.S. Treasury Notes	\$ 813,921	0.70
U.S. Government Agency-implicitly guaranteed	3,410,971	0.70
U.S. Government Agency-implicitly guaranteed	32,371,898	4.903
Mutual Funds-fixed income	1,507,165	3.90

During 2013, the City experienced unrealized losses on investments in the amount of \$2,445,608. The loss has been allocated to each fund earning interest based on the interest allocated. This amount is included in investment income (loss) in each of the funds. 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, 2013

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	\$ 176,913	\$ 183,305	\$ -	\$ 237,743	\$ 597,961
HUD Fund	-	-	3,221,194	-	3,221,194
Transit	357	-	-	-	357
Other Enterprise	1,958	-	-	-	1,958
Internal Service	2,086	-	-	-	2,086
Other Non-Major Funds	10,410	-	-	-	10,410
Total Uncollectibles	<u>\$ 191,724</u>	<u>\$ 183,305</u>	<u>\$ 3,221,194</u>	<u>\$ 237,743</u>	<u>\$ 3,833,966</u>

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

	General Fund	Other HUD	Other Non Major	Total
Special assessments	\$ -	\$ -	\$ 1,797,515	\$ 1,797,515
Delinquent personal property taxes	226,004	-	-	226,004
Loans and notes	-	2,577,125	379,388	2,956,513
	<u>\$ 226,004</u>	<u>\$ 2,577,125</u>	<u>\$ 2,176,903</u>	<u>\$ 4,980,032</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

B. RECEIVABLES (cont.)

Governmental funds report unavailable or unearned revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Property taxes levied 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 unavailable revenue and unearned revenue reported in the governmental funds were as follows:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable	\$ -	\$ 56,985,505	\$ 56,985,505
Loans receivable	2,956,513	-	2,956,513
Special assessments not yet due	1,797,515	-	1,797,515
Interest on loans and advances	-	346,596	346,596
Due from enterprise for debt service	1,319,944	-	1,319,944
Grant drawdowns prior to meeting all eligibility requirements	-	138,186	138,186
Total Unearned/Unavailable Revenue for Governmental Funds	<u>\$ 6,073,972</u>	<u>\$ 57,470,287</u>	<u>\$ 63,544,259</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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, 2013:

	Water Utility	Wastewater Utility	Total
Bond redemption account	\$ 3,686,497	\$ 3,784,941	\$ 7,471,438
Bond reserve account	3,934,270	-	3,934,270
Bond depreciation account	800,000	-	800,000
Impact fund	141,701	-	141,701
Equipment replacement account	-	3,024,927	3,024,927
Plant capacity receivable	-	30,226,680	30,226,680
Total Restricted Assets	8,562,468	37,036,548	45,599,016
Reconciliation to restricted net assets			
Plant capacity receivable reported as deferred revenue	-	(30,226,680)	(30,226,680)
Accrued interest payable	(589,078)	(247,565)	(836,643)
Unexpended bond proceeds and interest	-	-	-
Bond reserve fund financed by bond proceeds	(3,934,270)	-	(3,934,270)
Restricted Net Position	<u>\$ 4,039,120</u>	<u>\$ 6,562,303</u>	<u>\$ 10,601,423</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated/amortized				
Land	\$ 24,525,352	\$ -	\$ -	\$ 24,525,352
Construction in progress	11,187,757	10,433,038	12,061,031	9,559,764
Total Capital Assets Not Being Depreciated/Amortized	<u>35,713,109</u>	<u>10,433,038</u>	<u>12,061,031</u>	<u>34,085,116</u>
Capital assets being depreciated/amortized				
Intangible assets	605,210	-	-	605,210
Land improvements	9,850,520	455,961	11,890	10,294,591
Buildings	42,818,380	532,177	73,927	43,276,630
Machinery and equipment	32,640,465	2,144,552	1,125,073	33,659,944
Roads, streets, and bridges	145,526,950	11,317,690	4,382,709	152,461,931
Sidewalks	50,578,780	956,710	98,974	51,436,516
Sewer lines	36,828,301	2,091,579	102,125	38,817,755
Shoreline walls and other	22,149,204	175,632	-	22,324,836
Total Capital Assets Being Depreciated/Amortized	<u>340,997,810</u>	<u>17,674,301</u>	<u>5,794,698</u>	<u>352,877,413</u>
Less: accumulated depreciation/amortization for				
Intangible assets	548,339	47,868	-	596,207
Land improvements	6,374,615	486,333	10,701	6,850,247
Buildings	18,253,281	1,369,663	65,230	19,557,714
Machinery and equipment	25,361,055	2,050,707	1,125,073	26,286,689
Roads, streets, and bridges	76,476,875	4,039,596	3,377,871	77,138,600
Sidewalks	40,795,124	1,218,276	98,974	41,914,426
Sewer lines	17,444,133	702,857	102,125	18,044,865
Shoreline walls and other	8,212,033	628,177	-	8,840,210
Total Accumulated Depreciation/Amortization	<u>193,465,455</u>	<u>10,543,477</u>	<u>4,779,974</u>	<u>199,228,958</u>
Total Capital Assets being Depreciated/Amortized, Net	<u>147,532,355</u>	<u>7,130,824</u>	<u>1,014,724</u>	<u>153,648,455</u>
Governmental Activities Capital Assets, Net	<u>\$ 183,245,464</u>	<u>\$ 17,563,862</u>	<u>\$ 13,075,755</u>	<u>\$ 187,733,571</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. CAPITAL ASSETS (cont.)

Depreciation/amortization expense was charged to functions as follows:

Governmental Activities

General government	\$ 332,023
Education and recreation	1,262,174
Public works, which includes infrastructure	8,073,661
Public safety	<u>875,619</u>
 Total Governmental Activities Depreciation/Amortization Expense	 <u>\$ 10,543,477</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 5,084,905	\$ -	\$ -	\$ 5,084,905
Construction in progress	3,375,675	5,407,163	4,140,626	4,642,212
Total Capital Assets Not Being Depreciated	8,460,580	5,407,163	4,140,626	9,727,117
Capital assets being depreciated				
Land improvements	8,770,363	273,668	-	9,044,031
Improvements other than buildings	187,883,514	2,652,051	521,250	190,014,315
Buildings	145,191,108	857,349	349,901	145,698,556
Machinery and equipment	95,745,019	6,586,353	4,185,875	98,145,497
Total Capital Assets Being Depreciated	437,590,004	10,369,421	5,057,026	442,902,399
Less: accumulated depreciation for				
Land improvements	4,799,102	309,460	-	5,108,562
Improvements other than buildings	61,902,156	3,013,761	521,250	64,394,667
Buildings	51,974,820	3,730,418	167,608	55,537,630
Machinery and equipment	52,078,737	5,068,119	4,299,533	52,847,323
Total Accumulated Depreciation	170,754,815	12,121,758	4,988,391	177,888,182
Total Capital Assets Depreciated, Net	266,835,189	(1,752,337)	68,635	265,014,217
Business-Type Activities Capital Assets, Net	\$ 275,295,769	\$ 3,654,826	\$ 4,209,261	\$ 274,741,334

Depreciation expense was charged to functions as follows:

Business-Type Activities	
Water	\$ 4,137,710
Wastewater	4,441,614
Belle Urban Transit	1,448,995
Other	2,093,439
Total Business-Type Activities Depreciation Expense	\$ 12,121,758

Depreciation expense may be different from business-type activity capital asset additions to accumulated depreciation because of joint metering, salvage, cost of removal, internal allocations, or costs associated with the disposal of assets.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES 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	\$ 3,347,942
General Fund	Enterprise Fund-Civic Center	186,106
General Fund	Enterprise Fund-Golf Courses	67,049
General Fund	Special Revenue-Public Safety	44,694
General Fund	Special Revenue-Other	56,533
General Fund	Special Revenue-Health	214,501
General Fund	Special Revenue-HUD	254,200
General Fund	Wastewater Utility	116,233
General Fund	Water Utility	3,240,559
General Fund	Special Revenue-CAR 25	5,505
General Fund	Capital Projects-City Projects	1,921,167
Debt Service Fund	Water Utility	1,117
Debt Service Fund	Wastewater Utility	999
Wastewater Utility	Capital Projects-City Projects	1,202,034
Wastewater Utility	Water Utility	755,083
Wastewater Utility	General Fund	1,709,906
Wastewater Utility	Other Enterprise-Storm Water	535
Wastewater Utility	Internal Service Fund-Building Maintenance	13,354
Water Utility	Wastewater Utility	750,815
Water Utility	General Fund	3,396,281
Water Utility	Internal Service Fund-Health Insurance	57,537
Capital Projects-City Projects	Wastewater Utility	1,011,157
Internal Service Fund-Equipment Maint.	Water Utility	8,900
Internal Service Fund-Equipment Maint.	Wastewater Utility	1,635
Internal Service Fund-Telephone	Water Utility	1,518
Internal Service Fund-Telephone	Wastewater Utility	544
Special Revenue-Library	Wastewater Utility	189
Special Revenue-Other	Water Utility	1,575
Subtotal-Fund Financial Statements		18,367,668
Less: Fund eliminations		(4,002,498)
Less: Government-wide eliminations		(12,758,758)
		<u>\$ 1,606,412</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES 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, 2013

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

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES 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	\$ 181,515	\$ 87,739
Debt Service Fund	Wastewater Utility	623,175	61,950
Debt Service Fund	Water Utility	696,769	69,266
City Projects Fund	Storm Water Utility	504,283	75,077
Intergovernmental Revenue Sharing	Tax Increment District #12	395,303	-
Intergovernmental Revenue Sharing	Tax Increment District #17	25,436	-
Intergovernmental Revenue Sharing	Tax Increment District # 16	258,378	-
Subtotal-Fund financial statements		\$ 2,684,859	\$ 294,032
Less: fund eliminations		(679,117)	
Total advance to other funds-government wide statements		\$ 2,005,742	

Repayment schedules for advances with an established payment schedule follow:

	Storm Water Utility	Storm Water Utility	Water Utility	Wastewater Utility
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	97,770	-	125,279	112,047
2019-2020	97,769	-	250,671	224,194
Sub-total	586,619	192,996	755,466	675,672
Amount representing interest	(82,336)	(11,481)	(58,697)	(52,497)
	\$ 504,283	\$ 181,515	\$ 696,769	\$ 623,175

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, 2013

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

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

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount
General Fund	Water	\$ 3,319,333
General Fund	Wastewater	906,286
HUD Special Revenue Fund	Capital Projects-TIF	99,795
Special Revenue-TIF	Special Revenue-Special Assessment	86,838
Debt Service Fund	Capital Projects - 2013	3,100
Debt Service Fund	Special Revenue-TIF	272,313
Debt Service Fund	Capital Projects-TIF	1,048,111
Capital Projects-TIF	Special Revenue-TIF	3,762,166
Capital Projects-Assessment Projects	Special Revenue-Special Assessment	1,307,147
Capital Projects-Equipment Replacement	Capital Projects - 2012	1,374,990
Water	Wastewater	44,661
Enterprise-Radio Repair	Capital Projects-2012	27,139
Enterprise-Transit	Capital Projects-2012	1,245,525
Enterprise-Civic Centre	Capital Projects-2012	595,087
Enterprise-Civic Centre	Capital Projects-2013	31,217
Enterprise-Civic Centre	Special Revenue-Other	35,000
Internal Service-MIS	Capital Projects-2012	301,672
Internal Service-Equipment Maintenance	Capital Projects-2012	74,730
Special Revenue-Recycling	Capital Projects-2012	8,419
Special Revenue-Municipal Court	General Fund	13,604
Special Revenue-Cemetery	Permanent	1,340
Special Revenue-Cemetery	Capital Projects-2012	31,103
Special Revenue-Library	Capital Projects-2012	125,620
Special Revenue-Other	Special Revenue-HUD	20,000
Special Revenue-Health	Special Revenue-HUD	25,542
Subtotal-fund financial statements		14,760,738
Less: Fund eliminations		(8,601,151)
Add: Government wide eliminations		(3,867,936)
		<u>\$ 2,291,651</u>

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2013 was as follows:

GOVERNMENTAL ACTIVITIES

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General obligation					
bonds and notes payable	\$ 108,340,000	\$ 30,900,000	\$ 31,570,000	\$ 107,670,000	\$ 12,095,000
Premiums	<u>2,773,903</u>	<u>1,699,741</u>	<u>545,201</u>	<u>3,928,443</u>	<u>-</u>
Sub-total	<u>111,113,903</u>	<u>32,599,741</u>	<u>32,115,201</u>	<u>111,598,443</u>	<u>12,095,000</u>
Other Liabilities					
Vested compensated absences	<u>3,244,028</u>	<u>348,115</u>	<u>450,580</u>	<u>3,141,563</u>	<u>570,138</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 114,357,931</u>	<u>\$ 32,947,856</u>	<u>\$ 32,565,781</u>	<u>\$ 114,740,006</u>	<u>\$ 12,665,138</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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	\$ 116,867,608	\$ -	\$ 9,626,103	\$ 107,241,505	\$ 9,690,459
(Discounts)/Premiums	1,911,679	-	161,674	1,750,005	161,674
Sub-total	118,779,287	-	9,787,777	108,991,510	9,852,133
Other Liabilities					
Vested compensated absences	986,268	131,856	53,049	1,065,075	-
Total Business Type Activities					
Long-Term Liabilities	\$ 119,765,555	\$ 131,856	\$ 9,840,826	\$ 110,056,585	\$ 9,852,133

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, 2013, was \$163,297,655. Total general obligation debt outstanding at year end was \$107,670,000.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Type/Series	Date of Issue	Maturity Date	Interest Rates	Original Indebtedness	Outstanding 12/31/2013
General Obligation Bonds					
2004	11/5/04	11/05/19	2.00-5.25%	\$ 6,880,000	\$ 350,000
2005	10/15/05	12/01/19	3.50-4.00	6,980,000	1,630,000
2006	10/5/06	12/01/20	4.00-4.50	7,130,000	2,355,000
2007	11/13/07	12/01/21	4.00-5.00	7,610,000	5,485,000
2008	12/09/08	12/01/22	3.00-5.00	7,680,000	5,915,000
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	8,005,000
2012	7/10/12	12/10/18	0.65-1.65	3,775,000	3,695,000
2012	7/10/12	12/10/19	2.00-4.00	7,360,000	7,325,000
2013	11/06/13	12/10/27	2.00-4.00	26,450,000	26,450,000
2013	12/02/13	12/02/20	1.75-5.00	4,450,000	4,450,000
					<u>73,740,000</u>
Taxable General Obligation Bonds					
2009	12/08/09	12/01/23	1.00-5.30	7,760,000	6,365,000
2010	11/24/10	12/01/24	0.85-4.70	9,850,000	7,490,000
2011	10/25/11	10/25/20	0.55-2.55	12,925,000	11,870,000
					<u>25,725,000</u>
Tax Incremental General Obligation Debt					
2006 (Tif #10)	10/3/06	10/3/25	4.0 - 4.75	3,970,000	3,210,000
2006 (Tif #11)	6/26/06	6/26/25	5.55 - 6.38	2,000,000	1,595,000
2010 (Tif #9)	07/27/10	12/01/21	2.00-4.00	3,895,000	3,400,000
					<u>8,205,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 107,670,000</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	Governmental Activities General Obligation Debt		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 12,095,000	\$ 3,670,837	\$ 15,765,837
2015	11,365,000	3,350,356	14,715,356
2016	12,240,000	3,025,969	15,265,969
2017	12,220,000	2,663,545	14,883,545
2018	12,305,000	2,281,989	14,586,989
2019 – 2023	37,300,000	6,179,949	43,479,949
2024 – 2027	10,145,000	821,918	10,966,918
Totals	<u>\$ 107,670,000</u>	<u>\$ 21,994,563</u>	<u>\$ 129,664,563</u>

Current Debt Refunding

On November 6, 2013, the City issued \$11,040,000 in general obligation refunding bonds, with an interest rate ranging from 2.0%-4.0%, to current refund \$11,040,000 of Note Anticipation Notes dated July 9, 2013 with an interest rate of 1.6%.

On November 6, 2013, the City issued \$15,410,000 in general obligation refunding bonds, with an interest rate ranging from 2.0%-4.0%, to current refund \$16,365,000 of General Obligation Refunding Bonds dated July 15, 2003 with an interest rate from 4.0%-4.2%.

Advanced Debt Refunding

On December 2, 2013 the City issued \$4,450,000 in general obligation refunding bonds with an average interest rate from 2-5% to advance refund \$1,830,000 of 2005 general obligation refunding bonds with an average interest rate of 4% and to advance refund the 2006 general obligation refunding bonds with an average interest rate of 4.5%. The net proceeds along with existing funds of the City were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The cash flow requirements on the refunded bonds prior to the advance refunding were \$5,424,025 from 2014 through 2020. The cash flow requirements on the 2013 refunding bonds are \$4,808,225 from 2013 through 2020. The advance refunding resulted in an economic loss of \$67,362.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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, 2013 consists of the following:

<u>Type/Series</u>	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance Outstanding 12/31/13</u>
<u>Water Utility</u>					
Safe Drinking Water Loan	02/10/99	05/01/18	2.64%	\$ 12,594,655	\$ 3,796,502
Safe Drinking Water Loan	12/22/04	05/01/24	2.365	16,666,035	10,615,215
Mortgage Revenue Bonds	11/01/04	09/01/24	2.50-5.00	22,140,000	1,060,000
Mortgage Revenue Bonds	04/02/07	09/01/21	4.00-4.75	18,980,000	14,895,000
Mortgage Revenue Bonds	12/08/09	09/01/29	3.0-4.5	2,760,000	2,710,000
Mortgage Revenue Bonds	06/28/11	09/01/15	2.00-3.00	1,995,000	1,010,000
Mortgage Revenue Refunding Bonds	10/25/11	09/01/31	2.00-4.50	6,500,000	6,300,000
Mortgage Revenue Refunding Bonds	07/10/12	09/01/24	2.00-4.00	14,140,000	14,040,000
Total Water Utility					<u>54,426,717</u>
<u>Wastewater Utility</u>					
Clean Water Fund Loans	03/26/97	05/01/16	3.0	1,158,993	228,842
Clean Water Fund Loans	05/27/98	05/01/18	2.64	854,147	256,892
Clean Water Fund Loans	10/29/99	05/01/19	2.64	797,249	286,652
Clean Water Fund Loans	09/27/00	05/01/20	2.97	805,113	336,605
Clean Water Fund Loans	04/10/02	05/01/21	2.75	4,073,012	1,985,411
Clean Water Fund Loans	12/22/04	05/01/21	2.86	17,943,748	9,824,681
Clean Water Fund Loans	11/27/02	05/01/22	2.87	60,724,848	35,035,899
Clean Water Fund Loans	01/23/08	05/01/27	2.48	3,481,931	2,620,021
Clean Water Fund Loans	03/24/10	05/01/29	2.20	2,579,652	2,239,785
Total Wastewater Utility					<u>52,814,788</u>
Total Business-Type Revenue Debt					<u>\$ 107,241,505</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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 Revenue Debt		
	Principal	Interest	Total
2014	\$ 9,690,459	\$ 3,477,050	\$ 13,167,509
2015	9,985,674	3,187,635	13,173,309
2016	10,071,012	2,888,689	12,959,701
2017	10,325,714	2,588,088	12,913,802
2018	10,589,300	2,283,550	12,872,850
2019-2023	44,803,094	6,680,317	51,483,411
2024-2028	9,887,274	1,679,407	11,566,681
2029-2031	1,888,978	256,279	2,145,257
	<u>\$ 107,241,505</u>	<u>\$ 23,041,015</u>	<u>\$ 130,282,520</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 \$70,231,380. Principal and interest paid for the current year and total customer net revenues were \$6,492,813 and \$14,279,009, 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 \$60,051,140. Principal and interest paid for the current year and total revenues were \$6,757,241 and 8,367,686, 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, 2013

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

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information

Estimated payments of compensated absences and other postemployment benefits are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

A statutory mortgage lien upon the City's utility system and any additions, improvements and extensions thereto is created by Section 66.066 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The City's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

Defeasance of Debt

The City has defeased certain general obligation notes and bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old notes and bonds. Accordingly, the trust account assets and the liability for the defeased notes and bonds are not included in the City's financial statements. At December 31, 2013, \$21,915,000 of bonds outstanding is considered defeased. The bonds are callable on September 1, 2014, and December 1, 2014, 2015, 2016.

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 \$58,973 in 2013.

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

2014	\$ 35,000
2015	35,000
2016	35,000
2017	35,000
2018	35,000
Thereafter	<u>1,155,000</u>
	<u>\$ 1,330,000</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

H. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2013 includes the following:

Governmental Activities

Net Investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 187,733,571
Less: related long-term debt outstanding	(88,253,407)
Plus: funds borrowed but not spent	9,098,972
Total Net Investment in Capital Assets	<u>108,579,136</u>
Restricted for	
Debt service	1,506,618
Permanent Funds	
Nonexpendable	1,437,233
Expendable	1,759,167
Library	281,827
HUD loan program	5,828,359
Tax increment districts	8,794,307
Intergovernmental revenue sharing	7,935,213
Police grants, federal asset forfeiture and HAZMAT	253,699
Health and other	1,592,038
Special assessment program	1,017,558
Total Restricted	<u>30,406,019</u>
Unrestricted (deficit)	<u>(99,661,271)</u>
Total Governmental Activities Net Position	<u><u>\$ 39,323,884</u></u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

H. NET POSITION/FUND BALANCES (cont.)

Business-Type Activities

Net investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 274,741,334
Less: related long-term debt outstanding	<u>(102,150,283)</u>
Total Net Investment in Capital Assets	<u>172,591,051</u>
Restricted for	
Debt service	6,634,795
Depreciation fund	800,000
DNR equipment replacement fund	3,024,927
Impact fund	<u>141,701</u>
Total Restricted	<u>10,601,423</u>
Unrestricted (deficit)	<u>(3,304,935)</u>
Total Business-Type Activities Net Position	<u><u>\$ 179,887,539</u></u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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, 2013 include the following:

	General Fund	HUD	Tax Incremental Districts	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:						
Nonspendable						
Non Current Receivables	\$ 4,850,536	\$ -	\$ -	\$ -	\$ -	\$ 4,850,536
Inventories	136,426	-	-	-	-	136,426
Prepaid Items	42,458	-	-	-	-	42,458
Deposit in CVMIC	2,962,500	-	-	-	-	2,962,500
Advances to Other Funds	181,515	-	-	-	2,114,232	2,295,747
	<u>8,173,435</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,114,232</u>	<u>10,287,667</u>
Restricted for:						
Community Development	-	3,251,234	-	-	246,635	3,497,869
Debt Service	-	-	-	346,013	-	346,013
Energy Rebates	-	-	-	-	28,607	28,607
Parks Programs	-	-	-	-	38,348	38,348
Public Safety	-	-	-	-	388,134	388,134
Library Services	-	-	-	-	281,827	281,827
Cemtery Donations	-	-	-	-	167,435	167,435
Health Services	-	-	-	-	103,212	103,212
Trusts	-	-	-	-	873,366	873,366
Special Assessment Program	-	-	-	-	1,017,558	1,017,558
Tax Incremental Districts	-	-	-	-	8,794,307	8,794,307
Revenue Sharing	-	-	-	-	7,035,264	7,035,264
Endowments	-	-	-	-	3,196,400	3,196,400
	<u>-</u>	<u>3,251,234</u>	<u>-</u>	<u>346,013</u>	<u>22,171,093</u>	<u>25,768,340</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds (cont.)

	General Fund	HUD	Tax Increment Districts	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Committed to:						
Subsequent Years						
Expenditures	\$ 56,912	\$ -	\$ -	\$ -	\$ -	\$ 56,912
Harbor Commission	-	-	-	-	65,217	65,217
CARS 25	-	-	-	-	15,541	15,541
Cemetery	-	-	-	-	130,798	130,798
Private Property Maintenance	-	-	-	-	210,624	210,624
Sanitary Sewer Maintenance	-	-	-	-	1,267,899	1,267,899
Health Lab	-	-	-	-	162,954	162,954
Fire Prevention	-	-	-	-	26,863	26,863
Room Tax	-	-	-	-	64,267	64,267
WPRA Tickets	-	-	-	-	2,635	2,635
Racine Safe Neighborhood	-	-	-	-	8,200	8,200
Sister Cities	-	-	-	-	2,134	2,134
DPW Street Opening Fund	-	-	-	-	286,213	286,213
Boat Launch	-	-	-	-	3	3
Comm Center Concessions	-	-	-	-	12,406	12,406
Landmark Preservation	-	-	-	-	4,990	4,990
Open Space Park Land	-	-	-	-	18,045	18,045
Capital projects-open contracts	-	-	-	-	9,098,972	9,098,972
	<u>56,912</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,377,761</u>	<u>11,434,673</u>
Assigned to:						
Purchase Order						
Encumbrances	45,678	-	-	-	-	45,678
Budget Stabilization	2,625,130	-	-	-	-	2,625,130
Economic Development	-	-	-	-	5,018	5,018
	<u>2,670,808</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,018</u>	<u>2,675,826</u>
Unassigned:	<u>20,029,956</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(968,721)</u>	<u>19,061,235</u>
Total Fund Balances	<u>\$ 30,931,111</u>	<u>\$ 3,251,234</u>	<u>\$ -</u>	<u>\$ 346,013</u>	<u>\$ 34,699,383</u>	<u>\$ 69,227,741</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

I. RESTATEMENT OF NET POSITION

Net position has been restated as a result of the implementation of GASS Statement No. 65, Items Previously Reported as Assets and Liabilities, which requires debt issuance costs to be expensed in the period incurred. These costs were previously required to be capitalized. The details of this restatement are as follows:

	Governmental Activities	Water Utility	Sewer Utility	Business-type Activities
Net Position - December 31, 2012 (as reported)	\$ 51,120,011	\$ 86,336,395	\$ 32,143,116	\$ 171,017,755
Less:				
Unamortized debt discounts	(835,314)	-	-	-
Unamortized debt issuance costs	(600,186)	(668,920)	(45,539)	(714,459)
Net Position - December 31, 2012 (as restated)	<u>\$ 49,684,511</u>	<u>\$ 85,667,475</u>	<u>\$ 32,097,577</u>	<u>\$ 170,303,296</u>

J. COMPONENT UNITS

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, 2013, the Redevelopment Authority has advances from the City in the amount of \$930,832. 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, 2013 the Authority had assets held for resale of \$1,418,131.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

I. COMPONENT UNITS (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, 2013, the BID has a receivable of \$206,800 from the City's tax collection fund for the entire subsequent year's annual assessment.

c. Cash and Investments

At December 31, 2013, the carrying value and bank balance of the BID's deposits are \$7,247 and \$9,654, 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 five to ten years.

At December 31, 2013, the District had capital assets with a cost of \$10,026 and accumulated depreciation of \$1,170. The District's net book value of capital assets was \$8,856. The current year additions were \$10,026.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V – OTHER INFORMATION (cont.)

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

All eligible city employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 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 1,200 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.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was change to one-half of the actuarially determined contribution rate for General category employees, and Executives and Elected Officials. Required contributions for protective employees are the same 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 December 31, 2013 are:

	<u>Employee</u>	<u>Employer</u>
General	6.65%	6.65%
Executives and Elected Officials	7.00%	7.00%
Protective with Social Security	6.65%	9.75%
Protective without Social Security	6.65%	12.35%

The payroll for City employees covered by the system for the year ended December 31, 2013 was \$ 47,915,532; the employer's total payroll was \$50,538,153. The total required contribution for the year ended December 31, 2013 was \$8,977,041 or 18.74 percent of covered payroll which consisted of \$8,029,078 or 16.8% of covered payroll from the employer and \$947,963 or 1.98% from the employees. Total contributions for the years ending December 31, 2012 and 2011 were \$8,425,710 and \$8,452,786 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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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 WRS 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 WRS 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, 2013.

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 \$743,886, \$721,808, and \$716,997, for the years ended December 31, 2013, 2012, and 2011 respectively. The following table shows the rate charged per week for each contract year:

Contract Period	Rate per week
July 1, 2013 – June 30, 2014	193
July 1, 2012 – June 30, 2013	182
July 1, 2011 – June 30, 2012	169
July 1, 2010 – June 30, 2011	156

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, 2013

NOTE V – OTHER INFORMATION (cont.)

B. RACINE TRANSIT SYSTEM PENSION PLAN (cont.)

FUNDED PERCENTAGE

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

	2013	2012	2011
Valuation Date	January 1, 2013	January 1, 2012	January 1, 2011
Funded Percentage	47.6%	53.9%	58.9%
Value of Assets	\$16,795,637,412	\$18,829,345,753	\$21,001,737,506
Value of Liabilities	\$35,312,128,471	\$34,914,643,948	\$35,662,837,013

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:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
FMV of Plan Assets	\$18,740,758,554	\$17,649,875,398	\$19,843,959,356

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V – OTHER INFORMATION (cont.)

C. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The City is self-insured for medical coverage and workers compensation at December 31, 2013. 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	\$ 1,481,509	\$ 1,427,877
Current year claims and changes in estimates	14,878,286	17,756,441
Claim payments	<u>(15,075,782)</u>	<u>(17,702,809)</u>
Unpaid Claims – End of Year	<u>\$ 1,284,013</u>	<u>\$ 1,481,509</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V – OTHER INFORMATION (cont.)

C. RISK MANAGEMENT (cont.)

Public Entity Risk Pool

Wisconsin Municipal Insurance Commission (WMIC) Cities and Villages Mutual Insurance Company (CVMIC)

The WMIC is an intergovernmental cooperation commission created by contract under Section 66.30 of the Wisconsin Statutes. It was created in August, 1987 for the purpose of facilitating the organization, establishment and capitalization of the CVMIC, and has numerous cities and villages as members.

The CVMIC is a municipal mutual insurance company established on September 14, 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, 2013 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, 2013. A total liability of approximately \$1,700,218 at December 31, 2013 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
2013	\$ 1,813,818	\$ 1,321,931	\$1,435,531	\$ 1,700,218
2012	2,032,182	1,230,595	1,448,959	1,813,818

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V – OTHER INFORMATION (cont.)

C. RISK MANAGEMENT (cont.)

Public Entity Risk Pool (cont.)

Transit Mutual Insurance Corporation of Wisconsin (TMI)

The Transit Mutual Insurance Corporation of Wisconsin is a joint venture of Wisconsin municipalities which have joined together for the managing and funding of the first party property losses and third party liability claims of its member municipalities mass transit funds.

In 2013, 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 in the TMI report, which can be obtained directly from TMIC's offices.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V – OTHER INFORMATION (cont.)

D. COMMITMENTS AND CONTINGENCIES

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

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 \$3,651,713.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS

The City provides post employment health care and life benefits to retired employees and their dependents. The benefits can vary, depending upon the age and years of service of the retiree. Depending on the union contract, the City pays 100 percent of the health care costs for employees who retire with a combination of age and years of service between 75 and 80 years. The City also pays 100 percent of the Medicare premiums for those individuals. Life insurance premiums are paid to age 65 for those individuals who retire prior to age 65 and qualify as defined above. 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 2013, the City contributed \$9,854,222 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 2013, total retiree member contributions were \$284,541.

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, 2013

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

	Governmental Activities	Business Type Activities	Total
Annual required contribution	\$ 26,539,004	\$ 3,658,024	\$ 30,197,028
Interest on net OPEB obligation	3,009,024	464,613	3,473,637
Adjustment to annual required contribution	(4,146,456)	(1,588,884)	(5,735,340)
Annual OPEB Cost	25,401,572	2,533,753	27,935,325
Contribution made	(8,370,519)	(1,483,703)	(9,854,222)
Increase in net OPEB obligation	17,031,053	1,050,050	18,081,103
Net OPEB obligation beginning of year	99,479,051	16,308,860	115,787,911
Net OPEB obligation end of year	\$ 116,510,104	\$ 17,358,910	\$ 133,869,014

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2013 and the two preceding years is as follows:

<u>Fiscal Year Ended</u>	<u>Cost</u>	<u>Contributed</u>	<u>Obligation</u>
Governmental Activities			
12/31/11	\$ 24,102,664	29.67%	\$ 80,993,271
12/31/12	25,092,920	26.33%	99,479,051
12/31/13	25,401,572	32.95%	116,510,104
Business Type Activities			
12/31/11	\$ 3,885,608	23.86%	\$ 13,414,555
12/31/12	3,724,292	22.29%	16,308,860
12/31/13	2,533,753	58.56%	17,358,910

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The funded status of the plan as of December 31, 2013, the most recent actuarial valuation date of March 2014, was as follows:

	Governmental Activities	Business Type Activities	Total
Actuarial accrued liability (AAL)	\$ 354,382,567	\$ 52,193,124	\$ 406,575,691
Actuarial value of plan assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 354,382,567</u>	<u>\$ 52,193,124</u>	<u>\$ 406,575,691</u>
Funded Ratio	-	-	-
Covered Payroll	\$ 41,480,318	\$ 6,524,088	\$ 48,004,406
UAAL as percentage of covered payroll	854.34%	800.01%	846.95%

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, 2013 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3% investment rate of return and an annual healthcare cost trend rate of 5.9% initially, reduced by decrements to an ultimate rate of 4.40% 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 14.9% of Water Utility gross sales aggregating \$2,881,501 and 17.1% of gross sales aggregating \$3,599,701 in 2013 and 2012, respectively.

Two major customers accounted for 25.2% and 18.1% of Wastewater Utility gross sales aggregating \$5,596,825 in 2013. Total accounts receivable from these customers totaled \$954,644 at December 31, 2013.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V – OTHER INFORMATION (cont.)

G. INTERMUNICIPAL AGREEMENT

On April 25, 2002, the City of Racine, its Wastewater Commission, the Village of Mt. Pleasant and its Wastewater Utility, and the Village 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 \$906,287 for the year ended December 31, 2013.

The agreement is for a period of 50 years and provides conditions for adding new territory and parties. For any such addition, the revenue sharing period would start fresh and continue for a full 30 year term. This agreement will result in enhanced cooperation among municipalities in this area and should provide a solid base for growth that will result in benefits to all parties.

Interest payments under the agreement are recorded as revenue when due. Principal payments are recorded as reduction of the accounts receivable. The deferred revenue will be amortized on a straight line basis over the term of the agreement. The capacity revenue recognized was \$1,130,526 for the year ended December 31, 2013.

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. In 2013 the Water Utility entered into an intergovernmental wholesale water service agreement with the Village of Caledonia. The Village of Caledonia opted to prepay its residents portion of these charges in two installments, one in 2013 and one in 2014.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS **As of and for the Year Ended December 31, 2013**

NOTE V – OTHER INFORMATION (cont.)

H. INTERGOVERNMENTAL RETAIL WATER SERVICE AGREEMENT (cont.)

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, 2013 was \$141,701.

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, 2013, the Wastewater Utility had unrecovered cost of \$1,202,034 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 \$1,619,333.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE V – OTHER INFORMATION (cont.)

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

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 67, Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25
- Statement No. 68, Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27
- Statement No. 69, Government Combinations and Disposals of Government Operations
- Statement No. 70, Accounting and Financial Reporting for Nonexchange Financial Guarantees

When they become effective, application of these standards may restate portions of these financial statements.

THIS PAGE IS INTENTIONALLY LEFT BLANK

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RACINE

SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS

For the Year Ended December 31, 2013

	Actuarial Valuation Date	Actuarial Value of Assets (a)	(AAL) Accrued Actuarial Liability (b)	(UAAL) Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
GOVERNMENTAL ACTIVITIES							
	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%
	1/1/2013	-	354,382,567	354,382,567	-	41,480,318	854.34%
BUSINESS TYPE ACTIVITIES							
	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%
	1/1/2013	-	52,193,124	52,193,124	-	6,524,088	800.01%

**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2013

	Special Revenue Funds				
	Police Grants Beat Patrol	Police Grants COPS	Library	Harbor Commission	HAZMAT
ASSETS					
Cash and investments	\$ -	\$ 33,055	\$ 351,633	\$ 74,363	\$ 113,519
Receivables					
Property taxes	86,590	-	1,812,543	-	-
Special assessment - tax roll	-	-	-	-	-
Special assessment	-	-	-	-	-
Accounts	-	-	-	2,133	26,540
Loans and notes	-	-	-	-	-
Due from other funds	-	-	189	-	-
Due from other governments	-	-	-	-	-
Assets held for resale	-	-	-	-	-
Advances to component unit	-	-	-	-	-
Advances to other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 86,590</u>	<u>\$ 33,055</u>	<u>\$ 2,164,365</u>	<u>\$ 76,496</u>	<u>\$ 140,059</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 19,002	\$ 1,138	\$ 5,339
Accrued liabilities	-	-	50,993	10,141	-
Notes payable	-	-	-	-	-
Due to other funds	-	-	-	-	-
Advances from other funds	-	-	-	-	-
Total Liabilities	<u>-</u>	<u>-</u>	<u>69,995</u>	<u>11,279</u>	<u>5,339</u>
Deferred Inflows of Resources					
Unearned revenues	-	-	-	-	-
Unearned property tax revenue	86,590	-	1,812,543	-	-
Total Deferred Inflows of Resources	<u>86,590</u>	<u>-</u>	<u>1,812,543</u>	<u>-</u>	<u>-</u>
Fund Balances (Deficits)					
Nonspendable	-	-	-	-	-
Restricted	-	33,055	281,827	-	134,720
Committed	-	-	-	65,217	-
Assigned	-	-	-	-	-
Unassigned (deficits)	-	-	-	-	-
Total Fund Balances (deficits)	<u>-</u>	<u>33,055</u>	<u>281,827</u>	<u>65,217</u>	<u>134,720</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	<u>\$ 86,590</u>	<u>\$ 33,055</u>	<u>\$ 2,164,365</u>	<u>\$ 76,496</u>	<u>\$ 140,059</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2013

Special Revenue Funds									
Recycling	CAR 25	Municipal Court	Federal Asset Forfeiture	Cemetery	Private Property Maintenance	Sanitary Sewer Maintenance	Health Lab	Special Assessments	
\$ 23,349	\$ -	\$ 5,172	\$ 91,331	\$ 134,238	\$ 133,806	\$ 1,736,669	\$ 164,304	\$ 1,174,425	
1,127,320	-	71,561	-	362,752	-	1,709,141	165,238	-	
-	-	-	-	-	-	-	-	558,816	
-	-	-	-	-	-	-	-	1,797,515	
-	21,191	-	-	-	79,928	-	1,804	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
<u>\$ 1,150,669</u>	<u>\$ 21,191</u>	<u>\$ 76,733</u>	<u>\$ 91,331</u>	<u>\$ 496,990</u>	<u>\$ 213,734</u>	<u>\$ 3,445,810</u>	<u>\$ 331,346</u>	<u>\$ 3,530,756</u>	
\$ 40,322	\$ 145	\$ 23	\$ 5,407	\$ 744	\$ 1,894	\$ 466,554	\$ 722	\$ 63	
4,684	-	5,149	-	2,696	1,216	2,216	2,432	156,804	
-	-	-	-	-	-	-	-	-	
-	5,505	-	-	-	-	-	-	-	
-	-	-	-	-	-	-	-	-	
<u>45,006</u>	<u>5,650</u>	<u>5,172</u>	<u>5,407</u>	<u>3,440</u>	<u>3,110</u>	<u>468,770</u>	<u>3,154</u>	<u>156,867</u>	
-	-	-	-	-	-	-	-	1,797,515	
<u>1,127,320</u>	<u>-</u>	<u>71,561</u>	<u>-</u>	<u>362,752</u>	<u>-</u>	<u>1,709,141</u>	<u>165,238</u>	<u>558,816</u>	
<u>1,127,320</u>	<u>-</u>	<u>71,561</u>	<u>-</u>	<u>362,752</u>	<u>-</u>	<u>1,709,141</u>	<u>165,238</u>	<u>2,356,331</u>	
-	-	-	-	-	-	-	-	-	
-	-	-	85,924	-	-	-	-	1,017,558	
-	15,541	-	-	130,798	210,624	1,267,899	162,954	-	
-	-	-	-	-	-	-	-	-	
<u>(21,657)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	
<u>(21,657)</u>	<u>15,541</u>	<u>-</u>	<u>85,924</u>	<u>130,798</u>	<u>210,624</u>	<u>1,267,899</u>	<u>162,954</u>	<u>1,017,558</u>	
<u>\$ 1,150,669</u>	<u>\$ 21,191</u>	<u>\$ 76,733</u>	<u>\$ 91,331</u>	<u>\$ 496,990</u>	<u>\$ 213,734</u>	<u>\$ 3,445,810</u>	<u>\$ 331,346</u>	<u>\$ 3,530,756</u>	

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2013

	Special Revenue Funds					
	Other Cemetery	Other Public Safety	Trusts	Economic Development	Other	Health
ASSETS						
Cash and investments	\$ 167,435	\$ 149,153	\$ 873,706	\$ 5,018	\$ 763,167	\$ 235,984
Receivables					-	-
Property taxes	-	17,026	-	-	-	-
Special assessment - tax roll	-	-	-	-	-	-
Special assessment	-	-	-	-	-	-
Accounts	-	-	-	-	45,135	41,221
Loans and notes	-	-	-	-	179,388	-
Due from other funds	-	-	-	-	1,575	-
Due from other governments	-	108,726	-	-	56,877	224,407
Assets held for resale	-	-	-	-	-	-
Advances to component unit	-	-	-	590,000	-	-
Advances to other funds	-	-	-	-	-	-
TOTAL ASSETS	\$ 167,435	\$ 274,905	\$ 873,706	\$ 595,018	\$ 1,046,142	\$ 501,612
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ -	\$ 49,032	\$ 340	\$ -	\$ 49,801	\$ 71,903
Accrued liabilities	-	-	-	-	22,887	1,715
Notes payable	-	-	-	-	-	-
Due to other funds	-	44,694	-	-	56,533	214,501
Advances from other funds	-	-	-	-	-	-
Total Liabilities	-	93,726	340	-	129,221	288,119
Deferred Inflows of Resources						
Deferred revenues	-	2,855	-	-	201,388	113,331
Deferred property tax revenue	-	17,026	-	-	-	-
Total Deferred Inflows of Resources	-	19,881	-	-	201,388	113,331
Fund Balances (Deficits)						
Nonspendable	-	-	-	590,000	-	-
Restricted	167,435	134,435	873,366	-	316,640	100,162
Committed	-	26,863	-	-	398,893	-
Assigned	-	-	-	5,018	-	-
Unassigned (deficits)	-	-	-	-	-	-
Total Fund Balances (Deficits)	167,435	161,298	873,366	595,018	715,533	100,162
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	\$ 167,435	\$ 274,905	\$ 873,706	\$ 595,018	\$ 1,046,142	\$ 501,612

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2013

Capital Projects Funds				
Tax Incremental Districts	City Projects	2011	2012	2013
\$ 9,157,812	\$ 380,317	\$ -	\$ 400,966	\$ 9,929,883
1,341,727	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	1,011,157	-	-	-
17,553	1,498,257	-	-	-
385,000	-	-	-	-
-	120,000	-	-	-
-	504,283	-	-	-
<u>\$ 10,902,092</u>	<u>\$ 3,514,014</u>	<u>\$ -</u>	<u>\$ 400,966</u>	<u>\$ 9,929,883</u>
\$ 86,377	\$ 588,248	\$ -	\$ 223,773	\$ 1,008,104
564	-	-	-	-
-	-	-	-	-
-	3,123,200	-	-	-
<u>679,117</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>766,058</u>	<u>3,711,448</u>	<u>-</u>	<u>223,773</u>	<u>1,008,104</u>
-	-	-	-	-
<u>1,341,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>1,341,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
-	624,283	-	-	-
8,794,307	-	-	-	-
-	-	-	177,193	8,921,779
-	-	-	-	-
-	(821,717)	-	-	-
<u>8,794,307</u>	<u>(197,434)</u>	<u>-</u>	<u>177,193</u>	<u>8,921,779</u>
<u>\$ 10,902,092</u>	<u>\$ 3,514,014</u>	<u>\$ -</u>	<u>\$ 400,966</u>	<u>\$ 9,929,883</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2013

	Capital Projects Funds			Permanent Fund	Total
	Intergovernmental				Nonmajor
	Assessment Projects	Revenue Sharing	Equipment Replacement	Endowment Fund	Governmental Funds
ASSETS					
Cash and investments	\$ 167,958	\$ 7,132,005	\$ -	\$ 3,197,150	\$ 36,596,418
Receivables					
Property taxes	-	-	-	-	6,693,898
Special assessment - tax roll	-	-	-	-	558,816
Special assessment	-	-	-	-	1,797,515
Accounts	-	-	-	-	217,952
Loans and notes	-	200,000	-	-	379,388
Due from other funds	-	-	-	-	1,012,921
Due from other governments	-	-	-	-	1,905,820
Assets held for resale	-	-	-	-	385,000
Advances to component unit	-	220,832	-	-	930,832
Advances to other funds	-	679,117	-	-	1,183,400
TOTAL ASSETS	<u>\$ 167,958</u>	<u>\$ 8,231,954</u>	<u>\$ -</u>	<u>\$ 3,197,150</u>	<u>\$ 51,661,960</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 289,804	\$ 78,549	\$ 3,501	\$ 750	\$ 2,991,535
Accrued liabilities	-	18,192	-	-	279,689
Notes payable	-	-	-	-	-
Due to other funds	-	-	-	-	3,444,433
Advances from other funds	-	-	-	-	679,117
Total Liabilities	<u>289,804</u>	<u>96,741</u>	<u>3,501</u>	<u>750</u>	<u>7,394,774</u>
Deferred Inflows of Resources					
Deferred revenues	-	200,000	-	-	2,315,089
Deferred property tax revenue	-	-	-	-	7,252,714
Total Deferred Inflows of Resources	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>9,567,803</u>
Fund Balances (Deficits)					
Nonspendable	-	899,949	-	-	2,114,232
Restricted	-	7,035,264	-	3,196,400	22,171,093
Committed	-	-	-	-	11,377,761
Assigned	-	-	-	-	5,018
Unassigned (deficits)	<u>(121,846)</u>	<u>-</u>	<u>(3,501)</u>	<u>-</u>	<u>(968,721)</u>
Total Fund Balances (Deficits)	<u>(121,846)</u>	<u>7,935,213</u>	<u>(3,501)</u>	<u>3,196,400</u>	<u>34,699,383</u>
TOTAL LIABILITIES, DEFERRED					
INFLOW OF RESOURCES,					
AND FUND BALANCES	<u>\$ 167,958</u>	<u>\$ 8,231,954</u>	<u>\$ -</u>	<u>\$ 3,197,150</u>	<u>\$ 51,661,960</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2013

	Special Revenue Funds				
	Police Grants Beat Patrol	Police Grants COPS	Library	Harbor Commission	HAZMAT
REVENUES					
Taxes	\$ 68,314	\$ 77,392	\$ 1,802,431	\$ -	\$ -
Special charges and assessments	-	-	-	-	-
Intergovernmental	121,434	23,146	1,417,309	1,673	49,095
Fines and Forfeitures	-	-	-	-	-
Investment income (loss)	-	-	8,562	-	(5,047)
Charges for services	-	-	92,285	41,902	-
Donations	-	-	-	-	-
Miscellaneous	-	-	-	-	-
Total Revenues	<u>189,748</u>	<u>100,538</u>	<u>3,320,587</u>	<u>43,575</u>	<u>44,048</u>
EXPENDITURES					
Current					
Community development	-	-	-	-	-
Health	-	-	-	-	-
Education and recreation	-	-	3,250,303	7,827	-
Public works	-	-	-	-	-
Public safety	189,748	300,241	-	-	129,724
Debt Service - interest and fiscal charges	-	-	-	-	-
Capital outlay	-	-	119,860	47,773	-
Total Expenditures	<u>189,748</u>	<u>300,241</u>	<u>3,370,163</u>	<u>55,600</u>	<u>129,724</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(199,703)</u>	<u>(49,576)</u>	<u>(12,025)</u>	<u>(85,676)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	-	-
Premium on long-term debt	-	-	-	-	-
Transfers in	-	-	125,620	-	-
Transfers out	-	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>125,620</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>-</u>	<u>(199,703)</u>	<u>76,044</u>	<u>(12,025)</u>	<u>(85,676)</u>
FUND BALANCES (DEFICIT) - Beginning of Year	<u>-</u>	<u>232,758</u>	<u>205,783</u>	<u>77,242</u>	<u>220,396</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ -</u>	<u>\$ 33,055</u>	<u>\$ 281,827</u>	<u>\$ 65,217</u>	<u>\$ 134,720</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2013

Special Revenue Funds								
Recycling	CAR 25	Municipal Court	Federal Asset Forfeiture	Cemetery	Private Property Maintenance	Sanitary Sewer Maintenance	Health Lab	Special Assessments
\$ 518,217	\$ -	\$ 56,786	\$ -	\$ 354,383	\$ -	\$ -	\$ 165,240	\$ -
-	-	-	-	-	-	-	-	758,363
316,580	-	-	-	-	-	-	-	-
-	-	-	125,267	-	-	-	-	-
-	-	-	(2,932)	(9,767)	-	(73,213)	-	(78,120)
709,545	86,909	209,890	-	245,885	272,888	1,700,068	58,906	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>1,544,342</u>	<u>86,909</u>	<u>266,676</u>	<u>122,335</u>	<u>590,501</u>	<u>272,888</u>	<u>1,626,855</u>	<u>224,146</u>	<u>680,243</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	105,976	-	-	584,618	-	-	-	-
1,525,831	-	-	-	-	234,723	426,375	141,403	-
-	-	286,635	57,083	-	-	-	-	-
-	-	-	-	-	-	-	-	-
8,419	-	-	57,944	31,103	-	886,641	-	-
<u>1,534,250</u>	<u>105,976</u>	<u>286,635</u>	<u>115,027</u>	<u>615,721</u>	<u>234,723</u>	<u>1,313,016</u>	<u>141,403</u>	<u>-</u>
10,092	(19,067)	(19,959)	7,308	(25,220)	38,165	313,839	82,743	680,243
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
8,419	-	13,604	-	32,443	-	-	-	-
-	-	-	-	-	-	-	-	(1,393,985)
<u>8,419</u>	<u>-</u>	<u>13,604</u>	<u>-</u>	<u>32,443</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,393,985)</u>
18,511	(19,067)	(6,355)	7,308	7,223	38,165	313,839	82,743	(713,742)
<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>\$ (21,657)</u>	<u>\$ 15,541</u>	<u>\$ -</u>	<u>\$ 85,924</u>	<u>\$ 130,798</u>	<u>\$ 210,624</u>	<u>\$ 1,267,899</u>	<u>\$ 162,954</u>	<u>\$ 1,017,558</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2013

	Special Revenue Funds					
	Other Cemetery	Other Public Safety	Trusts	Economic Development	Other	Health
REVENUES						
Taxes	\$ -	\$ 16,984	\$ -	\$ -	\$ 213,157	\$ -
Special charges and assessments	-	-	-	-	-	-
Intergovernmental	-	463,030	-	-	110,436	851,738
Fines and Forfeitures	-	-	-	-	-	-
Investment income (loss)	(4,967)	-	92,375	(166)	(269)	-
Charges for services	49,195	-	-	-	166,908	170,177
Donations	-	114,041	91,107	-	126,666	158,752
Miscellaneous	-	-	-	-	42,441	-
Total Revenues	<u>44,228</u>	<u>594,055</u>	<u>183,482</u>	<u>(166)</u>	<u>659,339</u>	<u>1,180,667</u>
EXPENDITURES						
Current						
Community development	-	-	-	-	439,560	-
Health	-	-	-	-	262	1,175,657
Education and recreation	16,503	-	62,398	-	178,731	27,804
Public works	-	-	-	-	958	-
Public safety	-	414,456	337	-	-	-
Debt Service - interest and fiscal charges	-	-	-	-	-	-
Capital outlay	-	172,383	-	-	-	-
Total Expenditures	<u>16,503</u>	<u>586,839</u>	<u>62,735</u>	<u>-</u>	<u>619,511</u>	<u>1,203,461</u>
Excess (deficiency) of revenues over expenditures	<u>27,725</u>	<u>7,216</u>	<u>120,747</u>	<u>(166)</u>	<u>39,828</u>	<u>(22,794)</u>
OTHER FINANCING SOURCES (USES)						
Long-term debt issued	-	-	-	-	-	-
Premium on long-term debt	-	-	-	-	-	-
Transfers in	-	-	-	-	20,000	25,542
Transfers out	-	-	-	-	(35,000)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(15,000)</u>	<u>25,542</u>
Net Change in Fund Balances	<u>27,725</u>	<u>7,216</u>	<u>120,747</u>	<u>(166)</u>	<u>24,828</u>	<u>2,748</u>
FUND BALANCES (DEFICIT) - Beginning of Year	<u>139,710</u>	<u>154,082</u>	<u>752,619</u>	<u>595,184</u>	<u>690,705</u>	<u>97,414</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 167,435</u>	<u>\$ 161,298</u>	<u>\$ 873,366</u>	<u>\$ 595,018</u>	<u>\$ 715,533</u>	<u>\$ 100,162</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2013

	Capital Projects Funds				
	Tax Incremental Districts	City Projects	2011	2012	2013
REVENUES					
Taxes	\$ 1,435,896	\$ -	\$ -	\$ -	\$ -
Special charges and assessments	-	-	-	-	-
Intergovernmental	192,536	2,232,577	-	-	-
Fines and Forfeitures	-	-	-	-	-
Investment income (loss)	(313,698)	(12,379)	4,251	(233,401)	(134,576)
Charges for services	124,168	1,761,160	-	-	-
Donations	-	32,438	-	-	-
Miscellaneous	-	25,926	-	-	-
Total Revenues	<u>1,438,902</u>	<u>4,039,722</u>	<u>4,251</u>	<u>(233,401)</u>	<u>(134,576)</u>
EXPENDITURES					
Current					
Community development	357,561	-	-	-	-
Health	-	-	-	-	-
Education and recreation	-	-	-	-	-
Public works	-	738,729	-	-	-
Public safety	-	-	-	-	-
Debt Service - interest and fiscal charges	8,029	-	-	-	54,680
Capital outlay	-	2,952,904	21,809	4,212,301	1,913,225
Total Expenditures	<u>365,590</u>	<u>3,691,633</u>	<u>21,809</u>	<u>4,212,301</u>	<u>1,967,905</u>
Excess (deficiency) of revenues over expenditures	<u>1,073,312</u>	<u>348,089</u>	<u>(17,558)</u>	<u>(4,445,702)</u>	<u>(2,102,481)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	-	11,040,000
Premium on long-term debt	-	-	-	-	49,680
Transfers in	3,762,166	-	-	-	-
Transfers out	(1,147,906)	-	-	(3,753,182)	(65,420)
Total Other Financing Sources (Uses)	<u>2,614,260</u>	<u>-</u>	<u>-</u>	<u>(3,753,182)</u>	<u>11,024,260</u>
Net Change in Fund Balances	<u>3,687,572</u>	<u>348,089</u>	<u>(17,558)</u>	<u>(8,198,884)</u>	<u>8,921,779</u>
FUND BALANCES (DEFICIT) - Beginning of Year	<u>5,106,735</u>	<u>(545,523)</u>	<u>17,558</u>	<u>8,376,077</u>	<u>-</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 8,794,307</u>	<u>\$ (197,434)</u>	<u>\$ -</u>	<u>\$ 177,193</u>	<u>\$ 8,921,779</u>

CITY OF RACINE

Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES For the Year Ended December 31, 2013

Capital Projects Funds			Permanent Fund	Total
Assessment Projects	Intergovernmental Revenue Sharing	Equipment Replacement	Endowment Fund	Nonmajor Governmental Funds
\$ -	\$ -	\$ -	\$ -	\$ 4,708,800
-	-	-	-	758,363
-	1,429,145	-	-	7,208,699
-	-	-	-	125,267
-	(221,954)	-	145,719	(839,582)
-	-	-	-	5,689,886
-	-	-	6,637	529,641
-	11,206	141,775	-	221,348
-	1,218,397	141,775	152,356	18,402,422
-	237,218	-	-	1,034,339
-	-	-	-	1,175,919
-	-	-	73,422	4,307,582
-	-	-	-	3,068,019
-	-	-	-	1,378,224
-	-	-	-	62,709
1,428,993	355,735	1,520,266	-	13,729,356
1,428,993	592,953	1,520,266	73,422	24,756,148
(1,428,993)	625,444	(1,378,491)	78,934	(6,353,726)
-	-	-	-	11,040,000
-	-	-	-	49,680
1,307,147	-	1,374,990	-	6,669,931
-	-	-	(1,340)	(6,396,833)
1,307,147	-	1,374,990	(1,340)	11,362,778
(121,846)	625,444	(3,501)	77,594	5,009,052
-	7,309,769	-	3,118,806	29,690,331
\$ (121,846)	\$ 7,935,213	\$ (3,501)	\$ 3,196,400	\$ 34,699,383

CITY OF RACINE
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2013

	Police Grants-Beat Patrol		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 68,314	\$ 68,314	\$ -
Intergovernmental	121,434	121,434	-
Fines and Forfeitures	-	-	-
Investment income (loss)	-	-	-
Charges for services	-	-	-
Total Revenues	<u>189,748</u>	<u>189,748</u>	<u>-</u>
EXPENDITURES			
Current			
Health	-	-	-
Education and recreation	-	-	-
Public works	-	-	-
Public safety	189,748	189,748	-
Capital outlay	-	-	-
Total Expenditures	<u>189,748</u>	<u>189,748</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	-	-
Transfers out	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES (DEFICITS) - Beginning of Year		<u>-</u>	
FUND BALANCES (DEFICITS) - END OF YEAR		<u>\$ -</u>	

CITY OF RACINE
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2013

Police Grants-COPS				Library			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 77,392	\$ 77,392	\$ 77,392	\$ -	\$ 1,875,543	\$ 1,802,431	\$ 1,802,431	\$ -
-	-	23,146	23,146	1,417,309	1,417,309	1,417,309	-
-	-	-	-	-	-	-	-
-	-	-	-	17,135	17,135	8,562	(8,573)
-	-	-	-	100,000	100,000	92,285	(7,715)
<u>77,392</u>	<u>77,392</u>	<u>100,538</u>	<u>23,146</u>	<u>3,409,987</u>	<u>3,336,875</u>	<u>3,320,587</u>	<u>(16,288)</u>
-	-	-	-	-	-	-	-
-	-	-	-	3,512,632	3,439,520	3,250,303	189,217
-	-	-	-	-	-	-	-
299,211	299,211	300,241	(1,030)	-	-	-	-
-	-	-	-	-	91,860	119,860	(28,000)
<u>299,211</u>	<u>299,211</u>	<u>300,241</u>	<u>(1,030)</u>	<u>3,512,632</u>	<u>3,531,380</u>	<u>3,370,163</u>	<u>161,217</u>
<u>(221,819)</u>	<u>(221,819)</u>	<u>(199,703)</u>	<u>22,116</u>	<u>(102,645)</u>	<u>(194,505)</u>	<u>(49,576)</u>	<u>144,929</u>
-	-	-	-	-	-	125,620	125,620
-	-	-	-	-	-	-	-
-	-	-	-	-	-	125,620	125,620
<u>\$ (221,819)</u>	<u>\$ (221,819)</u>	<u>(199,703)</u>	<u>\$ 22,116</u>	<u>\$ (102,645)</u>	<u>\$ (194,505)</u>	76,044	<u>\$ 270,549</u>
		<u>232,758</u>				<u>205,783</u>	
		<u>\$ 33,055</u>				<u>\$ 281,827</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, 2013

	Harbor Commission			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	1,673	1,673
Fines and Forfeitures	-	-	-	-
Investment income (loss)	-	-	-	-
Charges for services	42,902	42,902	41,902	(1,000)
Total Revenues	<u>42,902</u>	<u>42,902</u>	<u>43,575</u>	<u>673</u>
EXPENDITURES				
Current				
Health	-	-	-	-
Education and recreation	11,708	11,708	7,827	3,881
Public works	-	-	-	-
Public safety	-	-	-	-
Capital outlay	-	30,000	47,773	(17,773)
Total Expenditures	<u>11,708</u>	<u>41,708</u>	<u>55,600</u>	<u>(13,892)</u>
Excess (deficiency) of revenues over expenditures	<u>31,194</u>	<u>1,194</u>	<u>(12,025)</u>	<u>(13,219)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 31,194</u>	<u>\$ 1,194</u>	<u>(12,025)</u>	<u>\$ (13,219)</u>
FUND BALANCES (DEFICITS) - Beginning of Year			<u>77,242</u>	
FUND BALANCES (DEFICITS) - END OF YEAR			<u>\$ 65,217</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, 2013

Health Lab				Recycling			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 165,240	\$ 165,240	\$ 165,240	\$ -	\$ 518,217	\$ 518,217	\$ 518,217	\$ -
-	-	-	-	315,000	315,000	316,580	1,580
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
11,000	11,000	58,906	47,906	799,048	799,048	709,545	(89,503)
176,240	176,240	224,146	47,906	1,632,265	1,632,265	1,544,342	(87,923)
176,240	176,240	141,403	34,837	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,632,265	1,639,865	1,525,831	114,034
-	-	-	-	-	-	-	-
-	-	-	-	-	10,106	8,419	1,687
176,240	176,240	141,403	34,837	1,632,265	1,649,971	1,534,250	115,721
-	-	82,743	82,743	-	(17,706)	10,092	27,798
-	-	-	-	-	9,900	8,419	(1,481)
-	-	-	-	-	-	-	-
-	-	-	-	-	9,900	8,419	(1,481)
\$ -	\$ -	82,743	\$ 82,743	\$ -	\$ (7,806)	18,511	\$ 26,317
		80,211				(40,168)	
		\$ 162,954				\$ (21,657)	

CITY OF RACINE
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2013

	CAR 25			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income (loss)	-	-	-	-
Charges for services	86,700	86,700	86,909	209
Total Revenues	<u>86,700</u>	<u>86,700</u>	<u>86,909</u>	<u>209</u>
EXPENDITURES				
Current				
Health	-	-	-	-
Education and recreation	115,716	115,716	105,976	9,740
Public works	-	-	-	-
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>115,716</u>	<u>115,716</u>	<u>105,976</u>	<u>9,740</u>
Excess (deficiency) of revenues over expenditures	<u>(29,016)</u>	<u>(29,016)</u>	<u>(19,067)</u>	<u>9,949</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (29,016)</u>	<u>\$ (29,016)</u>	<u>(19,067)</u>	<u>\$ 9,949</u>
FUND BALANCES (DEFICITS) - Beginning of Year			<u>34,608</u>	
FUND BALANCES (DEFICITS) - END OF YEAR			<u>\$ 15,541</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, 2013

Municipal Court				Federal Asset Forfeiture			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 56,786	\$ 56,786	\$ 56,786	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	127,000	127,000	125,267	(1,733)
-	-	-	-	-	-	(2,932)	(2,932)
<u>230,000</u>	<u>230,000</u>	<u>209,890</u>	<u>(20,110)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>286,786</u>	<u>286,786</u>	<u>266,676</u>	<u>(20,110)</u>	<u>127,000</u>	<u>127,000</u>	<u>122,335</u>	<u>(4,665)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
286,786	286,786	286,635	151	81,000	81,000	57,083	23,917
-	-	-	-	366,775	402,370	57,944	344,426
<u>286,786</u>	<u>286,786</u>	<u>286,635</u>	<u>151</u>	<u>447,775</u>	<u>483,370</u>	<u>115,027</u>	<u>368,343</u>
-	-	(19,959)	(19,959)	(320,775)	(356,370)	7,308	363,678
-	-	13,604	13,604	-	-	-	-
-	-	-	-	-	-	-	-
-	-	13,604	13,604	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>(6,355)</u>	<u>\$ (6,355)</u>	<u>\$ (320,775)</u>	<u>\$ (356,370)</u>	<u>7,308</u>	<u>\$ 363,678</u>
		<u>6,355</u>				<u>78,616</u>	
		<u>\$ -</u>				<u>\$ 85,924</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, 2013

	Private Property Maintenance			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income (loss)	-	-	-	-
Charges for services	240,000	240,000	272,888	32,888
Total Revenues	<u>240,000</u>	<u>240,000</u>	<u>272,888</u>	<u>32,888</u>
EXPENDITURES				
Current				
Health	-	-	-	-
Education and recreation	-	-	-	-
Public works	235,902	235,902	234,723	1,179
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>235,902</u>	<u>235,902</u>	<u>234,723</u>	<u>1,179</u>
Excess (deficiency) of revenues over expenditures	<u>4,098</u>	<u>4,098</u>	<u>38,165</u>	<u>34,067</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ 4,098</u>	<u>\$ 4,098</u>	38,165	<u>\$ 34,067</u>
FUND BALANCES (DEFICITS) - Beginning of Year			<u>172,459</u>	
FUND BALANCES (DEFICITS) - END OF YEAR			<u>\$ 210,624</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, 2013

Cemetery				Sanitary Sewer Maintenance			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 354,383	\$ 354,383	\$ 354,383	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	(9,767)	(9,767)	22,516	22,516	(73,213)	(95,729)
<u>245,000</u>	<u>245,000</u>	<u>245,885</u>	<u>885</u>	<u>2,686,350</u>	<u>2,686,350</u>	<u>1,700,068</u>	<u>(986,282)</u>
<u>599,383</u>	<u>599,383</u>	<u>590,501</u>	<u>(8,882)</u>	<u>2,708,866</u>	<u>2,708,866</u>	<u>1,626,855</u>	<u>(1,082,011)</u>
-	-	-	-	-	-	-	-
599,383	604,881	584,618	20,263	-	-	-	-
-	-	-	-	558,607	558,606	426,375	132,231
-	-	-	-	-	-	-	-
<u>140,000</u>	<u>140,000</u>	<u>31,103</u>	<u>108,897</u>	<u>2,150,000</u>	<u>2,190,493</u>	<u>886,641</u>	<u>1,303,852</u>
<u>739,383</u>	<u>744,881</u>	<u>615,721</u>	<u>129,160</u>	<u>2,708,607</u>	<u>2,749,099</u>	<u>1,313,016</u>	<u>1,436,083</u>
<u>(140,000)</u>	<u>(145,498)</u>	<u>(25,220)</u>	<u>120,278</u>	<u>259</u>	<u>(40,233)</u>	<u>313,839</u>	<u>354,072</u>
140,000	140,000	32,443	(107,557)	-	-	-	-
-	-	-	-	-	-	-	-
<u>140,000</u>	<u>140,000</u>	<u>32,443</u>	<u>(107,557)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>\$ -</u>	<u>\$ (5,498)</u>	<u>7,223</u>	<u>\$ 12,721</u>	<u>\$ 259</u>	<u>\$ (40,233)</u>	<u>313,839</u>	<u>\$ 354,072</u>
		<u>123,575</u>				<u>954,060</u>	
		<u>\$ 130,798</u>				<u>\$ 1,267,899</u>	

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF RACINE

Debt Service Fund

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2013

	Currently Due		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 13,362,062	\$ 13,362,062	\$ -
Miscellaneous	347,514	332,054	(15,460)
Total Revenues	<u>13,709,576</u>	<u>13,694,116</u>	<u>(15,460)</u>
EXPENDITURES			
Debt service			
Principal	10,905,000	10,880,000	25,000
Interest and fiscal charges	<u>3,885,360</u>	<u>3,902,685</u>	<u>(17,325)</u>
Total Expenditures	<u>14,790,360</u>	<u>14,782,685</u>	<u>7,675</u>
Deficiency of revenues over expenditures	<u>(1,080,784)</u>	<u>(1,088,569)</u>	<u>(7,785)</u>
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	-	19,860,000	19,860,000
Premium on long-term debt issued	-	1,699,741	1,699,741
Payment to escrow agent	-	(21,492,203)	(21,492,203)
Transfers in	<u>1,048,112</u>	<u>1,323,524</u>	<u>275,412</u>
Total Other Financing Sources (Uses)	<u>1,048,112</u>	<u>1,391,062</u>	<u>342,950</u>
Net Change in Fund Balances	<u>\$ (32,672)</u>	302,493	<u>\$ 335,165</u>
FUND BALANCES - Beginning of Year		<u>43,520</u>	
FUND BALANCES - END OF YEAR		<u>\$ 346,013</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, 2013

	2013 Capital Projects			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Investment income (loss)	16,695	16,695	(134,576)	(151,271)
Other	-	-	-	-
Total Revenues	<u>16,695</u>	<u>16,695</u>	<u>(134,576)</u>	<u>(151,271)</u>
EXPENDITURES				
Current-Community Development	-	-	-	-
Debt service	-	-	54,680	(54,680)
Capital outlay	<u>7,697,695</u>	<u>8,387,650</u>	<u>1,913,225</u>	<u>6,474,425</u>
Total Expenditures	<u>7,697,695</u>	<u>8,387,650</u>	<u>1,967,905</u>	<u>6,419,745</u>
Excess (Deficiency) of revenues over expenditures	<u>(7,681,000)</u>	<u>(8,370,955)</u>	<u>(2,102,481)</u>	<u>6,268,474</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	9,040,000	11,040,000	11,040,000	-
Premium on long-term debt	-	-	49,680	49,680
Transfers in	-	-	-	-
Transfers out	<u>(1,359,000)</u>	<u>(2,669,045)</u>	<u>(65,420)</u>	<u>2,603,625</u>
Total Other Financing Sources (Uses)	<u>7,681,000</u>	<u>8,370,955</u>	<u>11,024,260</u>	<u>2,653,305</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>8,921,779</u>	<u>\$ 8,921,779</u>
FUND BALANCES (DEFICIT) - Beginning of Year			-	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ 8,921,779</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, 2013

Assessment Projects				Intergovernmental Revenue Sharing			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,429,145	1,429,145	1,429,145	-
-	-	-	-	50,000	50,000	(221,954)	(271,954)
-	-	-	-	-	-	11,206	11,206
-	-	-	-	1,479,145	1,479,145	1,218,397	(260,748)
-	-	-	-	156,580	156,580	237,218	(80,638)
-	-	-	-	-	-	-	-
1,779,000	2,021,343	1,428,993	592,350	3,111,246	3,117,702	355,735	2,761,967
1,779,000	2,021,343	1,428,993	592,350	3,267,826	3,274,282	592,953	2,681,329
(1,779,000)	(2,021,343)	(1,428,993)	592,350	(1,788,681)	(1,795,137)	625,444	2,420,581
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,654,000	1,654,000	1,307,147	(346,853)	-	-	-	-
125,000	125,000	-	(125,000)	-	-	-	-
1,779,000	1,779,000	1,307,147	(471,853)	-	-	-	-
\$ -	\$ (242,343)	(121,846)	\$ 120,497	\$ (1,788,681)	\$ (1,795,137)	625,444	\$ 2,420,581
-	-	-	-	-	-	-	-
-	-	-	-	-	-	7,309,769	-
-	-	\$ (121,846)	-	-	-	\$7,935,213	-

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION
As of December 31, 2013

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
ASSETS						
Current Assets						
Cash and investments	\$ 1,795,917	\$ 641,271	\$ -	\$ 215,622	\$ 497,876	\$ 3,150,686
Receivables						
Accounts	34,240	-	-	22,612	34,321	91,173
Taxes	9,670	4,243,262	-	326,750	-	4,579,682
Due from other governments	-	146,797	-	-	-	146,797
Inventories	-	-	-	7,932	-	7,932
Prepaid items	-	-	-	6,987	-	6,987
Total Current Assets	<u>1,839,827</u>	<u>5,031,330</u>	<u>-</u>	<u>579,903</u>	<u>532,197</u>	<u>7,983,257</u>
Noncurrent Assets						
Capital assets						
Land	1,014,105	-	1,432,654	140,421	15,000	2,602,180
Land and building improvements	16,411,603	59,288,227	3,113,280	7,834,760	156,213	86,804,083
Equipment, furniture and vehicles	725,559	1,591,506	-	345,426	12,914	2,675,405
Less: accumulated depreciation	<u>(7,333,902)</u>	<u>(33,284,224)</u>	<u>(1,958,872)</u>	<u>(4,400,255)</u>	<u>(93,809)</u>	<u>(47,071,062)</u>
	10,817,365	27,595,509	2,587,062	3,920,352	90,318	45,010,606
Construction in progress	453,648	189,896	47,181	204,545	-	895,270
Total Capital Assets (net of accumulated depreciation)	<u>11,271,013</u>	<u>27,785,405</u>	<u>2,634,243</u>	<u>4,124,897</u>	<u>90,318</u>	<u>45,905,876</u>
Total Assets	<u>\$ 13,110,840</u>	<u>\$ 32,816,735</u>	<u>\$ 2,634,243</u>	<u>\$ 4,704,800</u>	<u>\$ 622,515</u>	<u>\$ 53,889,133</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION
As of December 31, 2013

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 110,506	\$ 326,017	\$ -	\$ 151,656	\$ 954	\$ 589,133
Accrued compensation	8,952	9,243	-	-	5,058	23,253
Accrued liabilities	5,083	-	23,707	71,154	-	99,944
Due to other funds	-	535	67,049	186,106	-	253,690
Advances from other funds	-	162,816	-	-	-	162,816
Total Current Liabilities	<u>124,541</u>	<u>498,611</u>	<u>90,756</u>	<u>408,916</u>	<u>6,012</u>	<u>1,128,836</u>
Noncurrent Liabilities						
Compensated absences	23,482	7,939	-	-	10,438	41,859
OPEB ARC obligation	914,168	2,257,410	-	-	397,384	3,568,962
Advances from other funds	-	522,982	-	-	-	522,982
Total Noncurrent Liabilities	<u>937,650</u>	<u>2,788,331</u>	<u>-</u>	<u>-</u>	<u>407,822</u>	<u>4,133,803</u>
Total Liabilities	<u>1,062,191</u>	<u>3,286,942</u>	<u>90,756</u>	<u>408,916</u>	<u>413,834</u>	<u>5,262,639</u>
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue	-	112,400	-	-	-	112,400
Unearned property tax revenue	9,670	4,243,262	-	326,750	-	4,579,682
Total Deferred Inflows of Resources	<u>9,670</u>	<u>4,355,662</u>	<u>-</u>	<u>326,750</u>	<u>-</u>	<u>4,692,082</u>
NET POSITION						
Net Investment in capital assets	11,271,013	27,785,405	2,634,243	4,124,897	90,318	45,905,876
Unrestricted (deficit)	<u>767,966</u>	<u>(2,611,274)</u>	<u>(90,756)</u>	<u>(155,763)</u>	<u>118,363</u>	<u>(1,971,464)</u>
TOTAL NET POSITION	<u>\$ 12,038,979</u>	<u>\$ 25,174,131</u>	<u>\$ 2,543,487</u>	<u>\$ 3,969,134</u>	<u>\$ 208,681</u>	<u>\$ 43,934,412</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSTION
For the Year Ended December 31, 2013

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
OPERATING REVENUES						
Charges for services	\$ 1,007,700	\$ 3,875,855	\$ 143,560	\$ 462,663	\$ 315,206	\$ 5,804,984
Other	1,351	-	-	-	-	1,351
Total Operating Revenues	<u>1,009,051</u>	<u>3,875,855</u>	<u>143,560</u>	<u>462,663</u>	<u>315,206</u>	<u>5,806,335</u>
OPERATING EXPENSES						
Operation and maintenance	672,078	2,626,716	-	-	293,932	3,592,726
Education and recreation	-	-	84,235	1,167,615	-	1,251,850
Depreciation	<u>422,065</u>	<u>1,240,553</u>	<u>93,641</u>	<u>330,972</u>	<u>6,208</u>	<u>2,093,439</u>
Total Operating Expenses	<u>1,094,143</u>	<u>3,867,269</u>	<u>177,876</u>	<u>1,498,587</u>	<u>300,140</u>	<u>6,938,015</u>
Operating Income (Loss)	<u>(85,092)</u>	<u>8,586</u>	<u>(34,316)</u>	<u>(1,035,924)</u>	<u>15,066</u>	<u>(1,131,680)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income (loss)	-	(79,598)	-	-	-	(79,598)
Interest expense	-	(36,561)	-	-	-	(36,561)
Subsidies from other governmental units	-	149,297	-	-	-	149,297
Gain (loss) on sale of fixed assets	-	(6,539)	-	(46,952)	-	(53,491)
Tax levy	<u>9,670</u>	<u>-</u>	<u>-</u>	<u>326,750</u>	<u>-</u>	<u>336,420</u>
Total Nonoperating Revenues (Expenses)	<u>9,670</u>	<u>26,599</u>	<u>-</u>	<u>279,798</u>	<u>-</u>	<u>316,067</u>
Income (Loss) Before Contributions and Transfers	<u>(75,422)</u>	<u>35,185</u>	<u>(34,316)</u>	<u>(756,126)</u>	<u>15,066</u>	<u>(815,613)</u>
CONTRIBUTED CAPITAL	-	520,127	-	-	-	520,127
TRANSFERS IN	-	-	-	661,304	27,139	688,443
Change in Net Position	<u>(75,422)</u>	<u>555,312</u>	<u>(34,316)</u>	<u>(94,822)</u>	<u>42,205</u>	<u>392,957</u>
TOTAL NET POSITION, Beginning of Year	<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>
TOTAL NET POSITION, END OF YEAR	<u>\$ 12,038,979</u>	<u>\$ 25,174,131</u>	<u>\$ 2,543,487</u>	<u>\$ 3,969,134</u>	<u>\$ 208,681</u>	<u>\$ 43,934,412</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Totals
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 1,053,242	\$ 3,876,212	\$ 143,560	\$ 479,116	\$ 341,066	\$ 5,893,196
Payments to suppliers	(427,014)	(1,515,796)	(13,978)	(1,095,882)	(84,755)	(3,137,425)
Payments to employees	(472,754)	(1,167,401)	-	-	(205,505)	(1,845,660)
Net Cash Flows From Operating Activities	153,474	1,193,015	129,582	(616,766)	50,806	910,111
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating subsidies received-City	9,670	-	-	326,750	-	336,420
Net Cash Flows From Noncapital Financing Activities	9,670	-	-	326,750	-	336,420
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Advances retired	-	(156,209)	-	-	-	(156,209)
Interest paid on advances	-	(36,561)	-	-	-	(36,561)
Grants received	-	170,952	-	-	-	170,952
Transfer from other funds for capital purposes	-	-	-	661,304	27,139	688,443
Acquisition and construction of capital assets	(202,446)	(657,063)	(297,442)	(281,533)	-	(1,438,484)
Net Cash Flows From Capital and Related Financing Activities	(202,446)	(678,881)	(297,442)	379,771	27,139	(771,859)
CASH FLOWS FROM INVESTING ACTIVITIES						
Investment income (loss)	-	(79,598)	-	-	-	(79,598)
Change in Cash and Cash Equivalents	(39,302)	434,536	(167,860)	89,755	77,945	395,074
CASH AND CASH EQUIVALENTS - Beginning of Year	1,835,219	206,735	167,860	125,867	419,931	2,755,612
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,795,917</u>	<u>\$ 641,271</u>	<u>\$ -</u>	<u>\$ 215,622</u>	<u>\$ 497,876</u>	<u>\$ 3,150,686</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2013

	<u>Parking Utility</u>	<u>Storm Water Utility</u>	<u>Golf Courses</u>	<u>Civic Centre</u>	<u>Radio Repair</u>	<u>Totals</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOW FROM OPERATING ACTIVITIES						
Operating income (loss)	\$ (85,092)	\$ 8,586	\$ (34,316)	\$ (1,035,924)	\$ 15,066	\$ (1,131,680)
Adjustments to Reconcile Operating Income (Loss) to net cash flows from operating activities:						
Other postemployment benefits	(155,154)	(174,804)	-	-	4,725	(325,233)
Depreciation	422,065	1,240,553	93,641	330,972	6,208	2,093,439
Changes in assets and liabilities						
Accounts receivable	44,192	357	-	16,453	25,530	86,532
Inventories	-	-	-	(1,105)	-	(1,105)
Prepaid items	-	-	-	2,288	-	2,288
Due from other funds	-	-	-	-	330	330
Accounts payable	(63,159)	123,807	-	41,344	(3,690)	98,302
Accrued liabilities	(9,378)	(6,019)	3,208	29,494	2,637	19,942
Unearned revenues	-	-	-	-	-	-
Due to other funds	-	535	67,049	(288)	-	67,296
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 153,474</u>	<u>\$ 1,193,015</u>	<u>\$ 129,582</u>	<u>\$ (616,766)</u>	<u>\$ 50,806</u>	<u>\$ 910,111</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Cost of capital assets installed or financed by developers, customers or the City	<u>\$ -</u>	<u>\$ 520,127</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 520,127</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET POSITION

As of December 31, 2013

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
ASSETS						
Current Assets						
Cash and investments	\$ 421,597	\$ 499,354	\$ 440,468	\$ 5,005,997	\$ 89,723	\$ 6,457,139
Receivables						
Accounts	31,778	-	-	416,407	1,308	449,493
Inventories	395,457	-	-	-	-	395,457
Due from other funds	10,535	-	-	-	2,062	12,597
Total Current Assets	<u>859,367</u>	<u>499,354</u>	<u>440,468</u>	<u>5,422,404</u>	<u>93,093</u>	<u>7,314,686</u>
Noncurrent Assets						
Capital assets						
Land	32,879	-	-	-	-	32,879
Intangible assets	-	605,210	-	-	-	605,210
Buildings and land improvements	1,878,572	-	-	-	-	1,878,572
Equipment, furniture and vehicles	416,704	1,325,644	179,518	-	256,058	2,177,924
Less: Accumulated depreciation and amortization	<u>(1,170,580)</u>	<u>(1,757,038)</u>	<u>(104,291)</u>	<u>-</u>	<u>(121,862)</u>	<u>(3,153,771)</u>
	<u>1,157,575</u>	<u>173,816</u>	<u>75,227</u>	<u>-</u>	<u>134,196</u>	<u>1,540,814</u>
Construction in progress	73,331	-	-	-	-	73,331
Total Capital Assets (net of accumulated depreciation/amortization)	<u>1,230,906</u>	<u>173,816</u>	<u>75,227</u>	<u>-</u>	<u>134,196</u>	<u>1,614,145</u>
 Total Assets	 <u>\$ 2,090,273</u>	 <u>\$ 673,170</u>	 <u>\$ 515,695</u>	 <u>\$ 5,422,404</u>	 <u>\$ 227,289</u>	 <u>\$ 8,928,831</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET POSITION

As of December 31, 2013

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 151,490	\$ 24,589	\$ 64,896	\$ 361,199	\$ 513	\$ 602,687
Accrued liabilities	43,390	14,768	23,166	1,209,340	-	1,290,664
Due to other funds	-	-	13,354	57,537	-	70,891
Total Current Liabilities	<u>194,880</u>	<u>39,357</u>	<u>101,416</u>	<u>1,628,076</u>	<u>513</u>	<u>1,964,242</u>
Noncurrent Liabilities						
Compensated absences	65,620	7,921	50,023	-	-	123,564
Total Noncurrent Liabilities	<u>65,620</u>	<u>7,921</u>	<u>50,023</u>	<u>-</u>	<u>-</u>	<u>123,564</u>
Total Liabilities	<u>260,500</u>	<u>47,278</u>	<u>151,439</u>	<u>1,628,076</u>	<u>513</u>	<u>2,087,806</u>
NET POSITION						
Net investment in capital assets	1,230,906	173,816	75,227	-	134,196	1,614,145
Unrestricted	598,867	452,076	289,029	3,794,328	92,580	5,226,880
TOTAL NET POSITION	<u>\$ 1,829,773</u>	<u>\$ 625,892</u>	<u>\$ 364,256</u>	<u>\$ 3,794,328</u>	<u>\$ 226,776</u>	<u>\$ 6,841,025</u>

THIS PAGE IS INTENTIONALLY LEFT BLANK

CITY OF RACINE

Internal Service Funds

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

For the year ended December 31, 2013

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
OPERATING REVENUES						
Charges for services and sales						
Labor and equipment charges	\$ 1,922,884	\$ -	\$ -	\$ -	\$ -	\$ 1,922,884
Fuel, oil, parts and supplies sales	2,363,265	-	-	-	-	2,363,265
Health insurance premiums	-	-	-	17,063,929	-	17,063,929
Telephone service sales	-	-	-	-	184,051	184,051
Computer service sales	-	1,305,556	-	-	-	1,305,556
Facilities rent	-	-	2,264,326	-	-	2,264,326
Other	19,862	-	7,908	298,078	-	325,848
Total Operating Revenues	<u>4,306,011</u>	<u>1,305,556</u>	<u>2,272,234</u>	<u>17,362,007</u>	<u>184,051</u>	<u>25,429,859</u>
OPERATING EXPENSES						
Public Works						
Operating supplies and expenses	4,067,377	-	2,325,649	-	-	6,393,026
General administration						
Telephone expenses	-	-	-	-	111,850	111,850
Health insurance	-	-	-	17,732,286	-	17,732,286
Information systems	-	1,498,630	-	-	-	1,498,630
Depreciation and amortization	91,345	113,295	27,002	-	49,261	280,903
Total Operating Expenses	<u>4,158,722</u>	<u>1,611,925</u>	<u>2,352,651</u>	<u>17,732,286</u>	<u>161,111</u>	<u>26,016,695</u>
Income (Loss) Before Transfers	147,289	(306,369)	(80,417)	(370,279)	22,940	(586,836)
TRANSFER IN	<u>74,730</u>	<u>301,672</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>376,402</u>
Change in Net Position	222,019	(4,697)	(80,417)	(370,279)	22,940	(210,434)
TOTAL NET POSITION - Beginning of Year	<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>
TOTAL NET POSITION - END OF YEAR	<u>\$ 1,829,773</u>	<u>\$ 625,892</u>	<u>\$ 364,256</u>	<u>\$ 3,794,328</u>	<u>\$ 226,776</u>	<u>\$ 6,841,025</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2013

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 4,308,773	\$ 1,305,556	\$ 2,275,568	\$ 17,344,617	\$ 184,786	\$ 25,419,300
Payments to suppliers	(2,303,214)	(872,164)	(1,291,441)	(17,805,036)	(127,447)	(22,399,302)
Payments to employees	(1,696,884)	(630,946)	(989,518)	(154,413)	(12,505)	(3,484,266)
Net Cash Flows From Operating Activities	<u>308,675</u>	<u>(197,554)</u>	<u>(5,391)</u>	<u>(614,832)</u>	<u>44,834</u>	<u>(464,268)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Transfer from other funds for capital purposes	74,730	301,672	-	-	-	376,402
Acquisition and construction of capital assets	(74,066)	(75,330)	(49,053)	-	-	(198,449)
Net Cash Flows From Capital and Related Financing Activities	<u>664</u>	<u>226,342</u>	<u>(49,053)</u>	<u>-</u>	<u>-</u>	<u>177,953</u>
Change in Cash and Cash Equivalents	309,339	28,788	(54,444)	(614,832)	44,834	(286,315)
CASH AND CASH EQUIVALENTS - Beginning of Year	<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>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 421,597</u>	<u>\$ 499,354</u>	<u>\$ 440,468</u>	<u>\$ 5,005,997</u>	<u>\$ 89,723</u>	<u>\$ 6,457,139</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2013

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
RECONCILIATION OF OPERATING INCOME (LOSS)						
TO NET CASH PROVIDED FLOWS FROM						
OPERATING ACTIVITIES:						
Operating Income (Loss)	\$ 147,289	\$ (306,369)	\$ (80,417)	\$ (370,279)	\$ 22,940	\$ (586,836)
Adjustments to Reconcile Operating Income (Loss) to Net Cash						
Flows From Operating Activities						
Depreciation/Amortization expense	91,345	113,295	27,002	-	49,261	280,903
Changes in assets and liabilities						
Accounts receivable	(4,546)	-	3,334	(25,286)	88	(26,410)
Inventories	33,890	-	-	-	-	33,890
Due from other funds	7,309	-	-	7,896	647	15,852
Accounts payable	8,025	(7,585)	37,180	(61,586)	(28,102)	(52,068)
Accrued liabilities	25,363	3,105	9,941	(223,114)	-	(184,705)
Due to other funds	-	-	(2,431)	57,537	-	55,106
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>\$ 308,675</u>	<u>\$ (197,554)</u>	<u>\$ (5,391)</u>	<u>\$ (614,832)</u>	<u>\$ 44,834</u>	<u>\$ (464,268)</u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

None