

CITY OF RACINE

Racine, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2014

CITY OF RACINE

Racine, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2014

CITY OF RACINE

TABLE OF CONTENTS As of and for the Year Ended December 31, 2014

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
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	21 – 22
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	23
Statement of Revenues, Expenses, and Changes in Fund Balances – Budget and Actual – General Fund	24
Statement of Net Position – Proprietary Funds	25 – 26
Statement of Revenues, Expenses, and Changes in Net Position – Proprietary Funds	27 – 28
Statement of Cash Flows – Proprietary Funds	29 – 31
Statement of Assets and Liabilities – Agency Funds	32
Notes to Financial Statements	33 – 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 – 97
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	98 – 101

CITY OF RACINE

TABLE OF CONTENTS As of and for the Year Ended December 31, 2014

Combining and Individual Fund Statements and Schedules (cont.)

Special Revenue Funds

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	102 – 106
----------------------------------------------------------------------------------------	-----------

Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	107
----------------------------------------------------------------------------------------	-----

Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	108 – 109
----------------------------------------------------------------------------------------	-----------

Nonmajor Enterprise Funds

Combining Statement of Net Position	110 – 111
-------------------------------------	-----------

Combining Statement of Revenues, Expenses and Changes in Net Position	112
--------------------------------------------------------------------------	-----

Combining Statement of Cash Flows	113 – 114
-----------------------------------	-----------

Internal Service 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
-----------------------------------	-----------

Component Unit

Statement of Cash Flows – Redevelopment Authority	120 – 121
---------------------------------------------------	-----------

INDEPENDENT AUDITORS' REPORT

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, 2014, 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 80 percent, 68 percent and 69 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 reports have been furnished to us, and our opinions, insofar as they relate 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, are based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the 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, 2014 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.

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 6, 2015 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.

A handwritten signature in dark ink, appearing to read "Brian Tully". The signature is fluid and cursive, with a large, stylized "B" and "T".

Milwaukee, Wisconsin
July 6, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2014.

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 \$212,802,064 (net position).
- The City's total net position decreased by \$6,409,359.
- As of the close of the current fiscal year, the City of Racine's governmental funds reported combined ending fund balances of \$71,227,679, an increase of \$1,999,946, in comparison with the prior year. Approximately 30.3% of this amount, \$21,606,129, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$21,606,129 or 26.3% of total general fund expenditures.
- Total long term obligations decreased by approximately \$9.9 million for the fiscal year ended December 31, 2014. Long term obligation activity during the year included the following:
 - \$11.2 million note anticipation notes for capital project purposes.
 - \$17.675 million of general obligation refunding debt issued to advance refund \$6.655 million of 2006, 2007 and 2008 debt issues. The remaining balance was used for the current refunding of the \$11,200,000 note anticipation note

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.

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 and the Debt Service Fund, both 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 20-24 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, Storm Water 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 25-33 of this report.

Fiduciary Funds

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

The basic fiduciary financial statements can be found on page 32 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 33-92 of this report.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental and proprietary funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 94-121 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, 2014 and 2013 City's assets exceeded liabilities by 212,802,064 and \$219,211,423 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 \$282,056,134 and \$272,878,070 at December 31, 2014 and 2013.

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 \$49,310,709 and \$41,007,442 and unrestricted net position was \$(118,564,779) and \$(94,674,089) as of December 31, 2014 and 2013 respectively.

The City's governmental activities had a deficit unrestricted net position of \$(115,144,447) and \$(99,661,271) as of December 31, 2014 and 2013 respectively. The deficit is primarily the result of the increase in the City's OPEB obligation.

The City's net OPEB obligation was \$150,968,698 and \$133,869,014 as of December 31, 2014 and 2013 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, 2014 and 2013. Amounts are expressed in thousands.

	2014	2013	2014	2013	2014	2013
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
Current and other assets	\$ 153,054	\$ 150,301	\$ 77,929	\$ 83,708	\$ 230,983	\$ 234,009
Capital assets	193,811	187,733	269,257	274,741	463,068	462,474
Total assets	<u>346,865</u>	<u>338,034</u>	<u>347,186</u>	<u>358,449</u>	<u>694,051</u>	<u>696,483</u>
Deferred outflows of resources	<u>2,723</u>	<u>2,348</u>	<u>1,240</u>	<u>1,371</u>	<u>3,963</u>	<u>3,719</u>
Current and other liabilities	11,493	12,338	2,357	2,870	13,850	15,208
Liabilities payable from restricted assets	-	-	10,911	10,689	10,911	10,689
Long-term liabilities	<u>246,306</u>	<u>231,250</u>	<u>151,268</u>	<u>117,563</u>	<u>397,574</u>	<u>348,813</u>
Total liabilities	<u>257,799</u>	<u>243,588</u>	<u>164,536</u>	<u>131,122</u>	<u>422,335</u>	<u>374,710</u>
Deferred inflows of resources	<u>56,738</u>	<u>57,470</u>	<u>6,139</u>	<u>48,811</u>	<u>62,877</u>	<u>106,281</u>
Net position:						
Net Investment in capital assets	113,066	108,579	176,571	172,591	282,056	272,792
Restricted	37,129	30,406	12,181	10,601	49,310	41,007
Unrestricted	<u>(115,144)</u>	<u>(99,661)</u>	<u>(11,001)</u>	<u>(3,305)</u>	<u>(118,565)</u>	<u>(94,588)</u>
Total net position	<u>\$ 35,051</u>	<u>\$ 39,324</u>	<u>\$ 177,751</u>	<u>\$ 179,887</u>	<u>\$ 212,802</u>	<u>\$ 219,211</u>

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, 2014 and 2013. Amounts are expressed in thousands.

	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>	<u>2014</u>	<u>2013</u>
	Governmental	Governmental	Business-Type	Business-Type	2014	2013
	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Activities</u>	<u>Total</u>	<u>Total</u>
Revenues						
Charges for services	\$ 18,380	\$ 16,186	\$ 40,136	\$ 39,885	\$ 58,516	\$ 56,071
Operating grants and contributions	11,043	10,596	5,922	5,972	16,965	16,568
Capital grants and contributions	2,581	6,568	2,980	11,908	5,561	18,476
Taxes	54,164	54,488	1,436	1,436	55,600	55,924
Intergovernmental revenues not restricted to specific programs	28,424	29,445	-	-	28,424	29,445
Investment income	2,581	(1,450)	180	(5)	2,761	(1,455)
Other	1,111	1,047	17	14	1,128	1,061
Total revenues	<u>118,284</u>	<u>116,880</u>	<u>50,671</u>	<u>59,210</u>	<u>168,955</u>	<u>176,090</u>
Expenses						
General government	14,277	31,983	-	-	14,277	31,983
Community development	4,230	3,504	-	-	4,230	3,504
Health	3,498	3,155	-	-	3,498	3,155
Education and recreation	14,068	11,751	-	-	14,068	11,751
Public works	25,778	26,666	-	-	25,778	26,666
Public safety	60,197	48,348	-	-	60,197	48,348
Interest and fiscal charges	4,117	4,126	-	-	4,117	4,126
Water	-	-	16,296	15,520	16,296	15,520
Wastewater	-	-	14,778	14,782	14,778	14,782
Storm Water	-	-	4,539	3,904	4,539	3,904
Belle urban system	-	-	10,028	10,004	10,028	10,004
Other	-	-	3,558	3,124	3,558	3,124
Total expenses	<u>126,165</u>	<u>129,533</u>	<u>49,199</u>	<u>47,334</u>	<u>175,364</u>	<u>176,867</u>
Increase (decrease) in net position before transfers	(7,881)	(12,653)	1,472	11,876	(6,409)	(777)
Transfers	3,608	2,292	(3,608)	(2,292)	-	-
Increase (decrease) in net position	(4,273)	(10,361)	(2,136)	9,584	(6,409)	(777)
Net position-beginning of year	39,324	49,685	179,887	170,303	219,211	219,988
Net position-end of year	<u>\$ 35,051</u>	<u>\$ 39,324</u>	<u>\$ 177,751</u>	<u>\$ 179,887</u>	<u>\$ 212,802</u>	<u>\$ 219,211</u>

CITY OF RACINE
Racine, Wisconsin

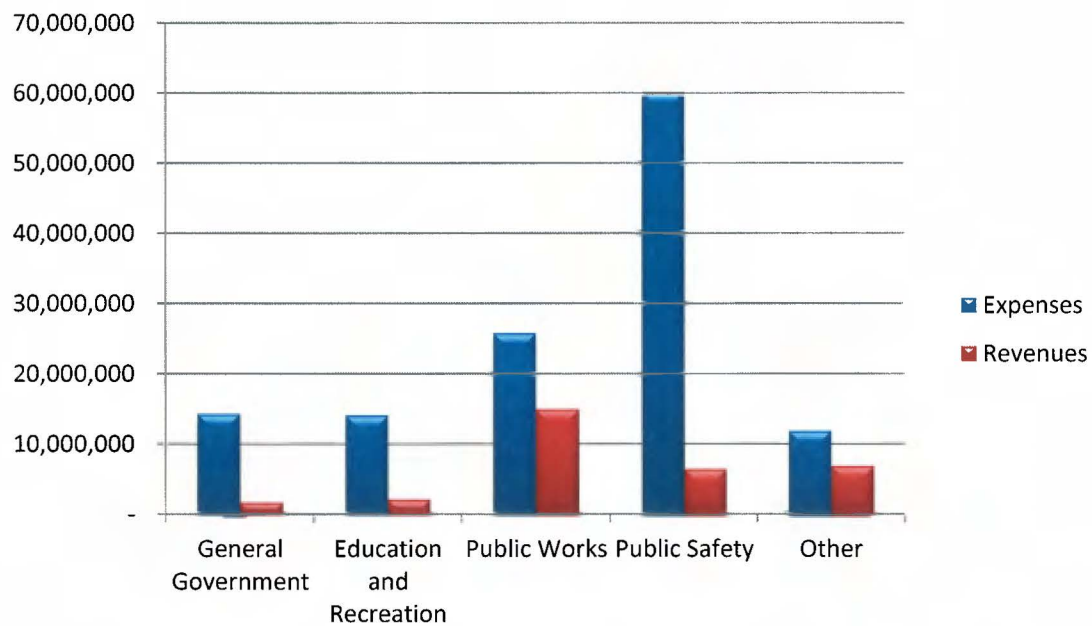
MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Governmental Activities

The net position in the governmental activities decreased by almost \$4.3 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 2014 by about \$15.1 million.

Expenses and Program Revenues-Governmental Activities:

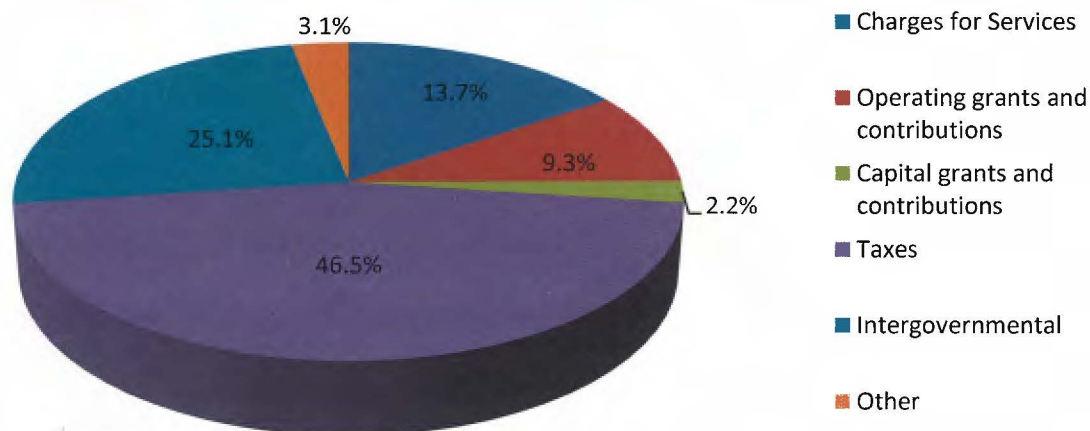


CITY OF RACINE
Racine, Wisconsin

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 decreased by \$2.1 million during the fiscal year 2014. Key elements of this increase are as follows:

- The Water utility had an increase in net position of about \$724,136. The increase in net position in the Water utility relates primarily to increases in industrial sales, developer contributions, and a reduction in interest expense.
- The Wastewater utility had a decrease in net position of \$625,811. 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 \$1.4 million.
- The Belle Urban Transit system had a decrease in net position of approximately \$1.5 million. Transit has a loss before contributions and transfers of \$1.7 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 \$1,007,811.

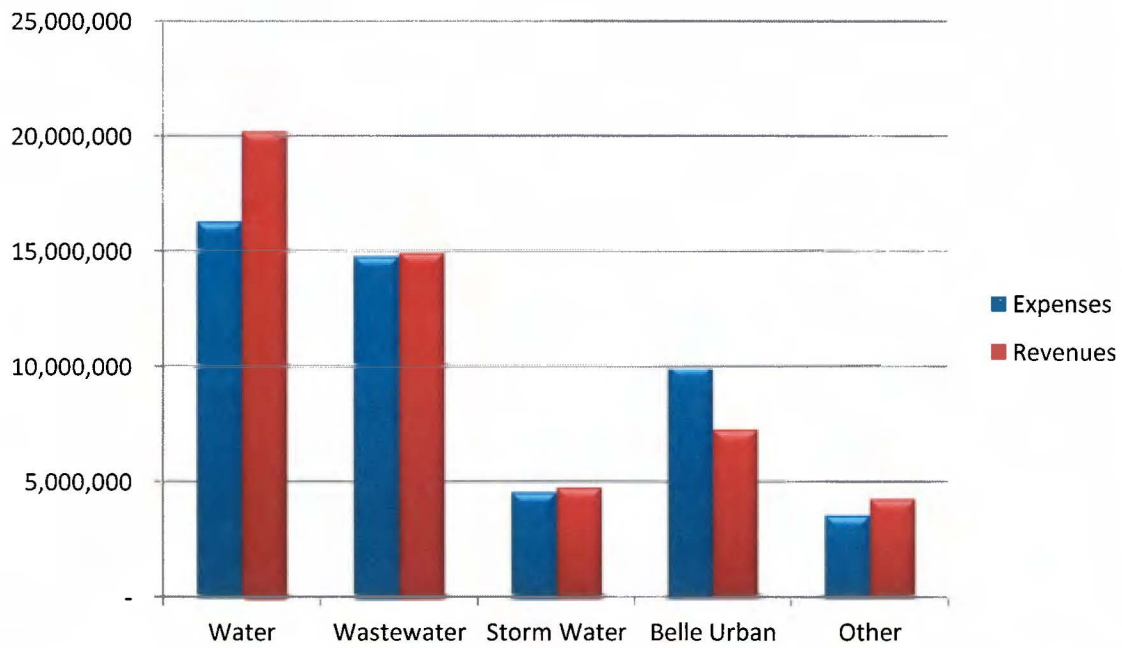
CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Business-type activities (cont.)

Expenses and Program Revenues – Business-type Activities:

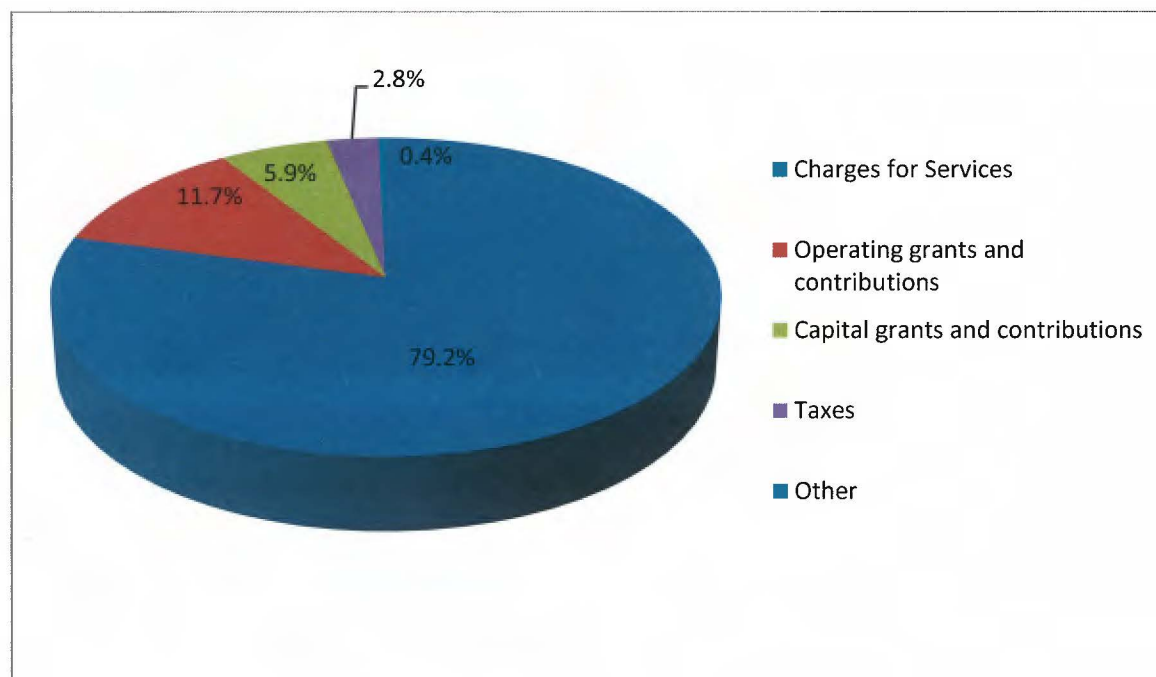


CITY OF RACINE
Racine, Wisconsin

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 \$71,227,679. Approximately 30.3% of this amount, \$21,606,129 constitutes unassigned fund balance which is available for spending at the government's discretion.

The general fund is the primary operating fund of the City of Racine. At the end of the current fiscal year, unassigned fund balance of the general fund was \$21,606,129, while total fund balance totaled \$30,318,469. Unassigned fund balance represents 26.3% of total general fund expenditures, while total fund balance represents 36.9% 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 \$2.67 million of fund balances during 2014, the general fund used \$612,642 of fund balance for the year ended December 31, 2014. The resulting \$2.058 million positive variance is the result of actual revenues over budgeted amounts by about \$1.5 million, and transfers in over budget by \$961,114. Expenditures were also under budget by \$401,411. The following details both the revenue and expenditures factors that contributed to the positive variance:

- The City's market value adjustment on long term investments has fluctuated substantially over the last few years. In response, the City budgeted very conservatively for interest income. Interest income was about \$1 million more than budgeted in the general fund. Police department fines and forfeitures were over \$400,000 more than anticipated due to a significant change in collection procedures implemented in 2014.
- The payment in lieu of tax payment from the Water Utility exceeded budgeted amounts by over \$567 thousand.
- Transfer's from the loan funds for housing and fair housing expenses exceeded budget by over \$300 thousand.
- Expenditures in the general fund were approximately \$401,411, or .50% over the final budget of \$81,674,059.
 - The general government category was \$352,458, or 2.4% under budget due primarily attorney costs associated with various lawsuits and significant snow clearing costs in January and February.

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, 2014 and 2013 of \$538,136 and \$346,013, all of which is restricted for the payment of debt service. Fund balance increased by \$192,123 in 2014, and increased \$302,493 during 2013.

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 \$40,371,074 and \$37,950,609 in 2014 and 2013 respectively. The fund balances of these funds increased by just over \$2.4 million, during 2014. This was due primarily to the following:

1. The City's Tax Incremental Districts Capital Project fund increased their fund balance by \$2.9 million which is a result from an increase in increment received.
2. The City's Intergovernmental Revenue Sharing Capital Project fund increased its fund balance by just over \$1 million. There were less expenditures incurred and investment income was up over \$450,000 from the prior year.
3. The Capital Project fund – General Obligation Bond Projects fund had a decrease in fund balance of approximately \$1.7 million. Although this fund borrowed \$11.2 million during the year costs incurred and amounts transferred to other funds exceeded the borrowed amount.

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 2014 and 2013 amounted to \$2,229,289 and \$7,365,259, for the Wastewater utility \$(8,296,314) and \$(6,269,011), for the Storm water utility \$(2,781,753) and \$(2,611,274), for the Belle urban system \$(2,413,377) and \$(2,429,719), and for the other enterprise funds \$260,705 and 639,810. The total change in net position for the Water Utility for 2014 and 2013 was \$724,136 and \$5,057,871, the Wastewater Utility \$(625,811) and \$(648,029), the Storm water Utility \$298,437 and \$555,312, for the Belle urban system \$(1,525,618) and \$4,781,444, and for the Other Enterprise funds \$(1,007,811) and \$(162,355) 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, 2014 and 2013 amounted to \$282,056,134 and \$272,878,070 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, 2014 and 2013, capital assets, net of accumulated depreciation totaled \$463,068,196 and \$462,474,905 respectively. Capital assets, net of accumulated depreciation increased approximately \$593,291 in 2014 and increased approximately \$3.9 million in 2013.

Long-term debt – At the end of 2014 and 2013, the City of Racine had total general obligation and revenue bond debt outstanding of \$203,951,044 and \$214,911,505. Of this amount, the debt backed by the full faith and credit of the government is \$106,400,000 and \$107,670,000 in 2014 and 2013 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 \$9.9 million in 2014. The majority of the decrease in 2014 was a result of significant principal paid in both the Water and the Wastewater Utility.

	<u>Outstanding debt</u>	
	<u>2014</u>	<u>2013</u>
Governmental Activities:		
General obligation bonds and notes	\$ 106,400,000	\$ 107,670,000
Business-Type Activities:		
Revenue bonds	<u>97,551,044</u>	<u>107,241,505</u>
Total	<u>\$ 203,951,044</u>	<u>\$ 214,911,505</u>

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Economic Conditions and 2015 and 2016 Budget Outlook

The City's, unemployment rate remains significantly above the state and national average. In April of 2015, the City's unemployment rate is 6.9% compared to a state rate of 4.4% and a county rate of 5.5%.

Due to current market conditions, the assessed value of the City decreased slightly over 5% for the 2014 tax roll. Due to current market conditions, it is possible that the City will see another slight reduction in the assessed value in 2015.

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 2014 to 2015.

The City used slightly over \$2.0 million of general fund, debt service fund, internal service and other governmental fund balances to stabilize the 2015 tax rate. This was significantly less than the prior several years. The 2015 City tax rate was \$16.56 per thousand. In the 2016 budget the City will continue to make every effort to keep the tax rate steady while decreasing the use of reserves.

Requests for information

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

BASIC FINANCIAL STATEMENTS

CITY OF RACINE

STATEMENT OF NET POSITION
As of December 31, 2014

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Business Improvement District	Redevelopment Authority
ASSETS					
Cash and investments	\$ 69,878,519	\$ 22,744,054	\$ 92,622,573	\$ 32,279	\$ 356,157
Receivables, net of allowance for uncollectible accounts	72,771,504	13,173,411	85,944,915	197,692	-
Internal balances	2,036,797	(2,036,797)	-	-	-
Due from other governments	1,752,964	916,027	2,668,991	-	-
Inventories	513,963	737,332	1,251,295	-	-
Prepaid items	11,378	13,835	25,213	-	-
Advances to other funds	1,711,709	(1,711,709)	-	-	-
Advances to component unit	930,832	-	930,832	-	-
Restricted assets					
Cash and investments	-	16,888,850	16,888,850	-	-
Plant capacity receivable, current portion	-	3,209,207	3,209,207	-	-
Plant capacity receivable, long term	-	23,994,712	23,994,712	-	-
Deposit in CVMIC	2,962,500	-	2,962,500	-	-
Assets held for resale	483,739	-	483,739	-	1,456,378
Capital assets					
Land	24,525,352	5,084,905	29,610,257	-	-
Construction in progress	13,128,991	3,445,294	16,574,285	-	-
Other capital assets, net of accumulated depreciation/amortization	156,156,968	260,726,686	416,883,654	6,851	-
Total Assets	<u>346,865,216</u>	<u>347,185,807</u>	<u>694,051,023</u>	<u>236,822</u>	<u>1,812,535</u>
DEFERRED OUTFLOWS OF RESOURCES					
Unamortized loss on refunding	2,722,774	1,240,472	3,963,246	-	-
LIABILITIES					
Accounts payable	4,511,626	1,776,811	6,288,437	13,960	-
Accrued compensation and other current liabilities	6,659,289	580,169	7,239,458	-	800
Due to other governments	167,530	-	167,530	-	-
Accrued interest payable	154,419	-	154,419	-	-
Unearned capacity revenue	-	1,130,526	1,130,526	-	-
Liabilities payable from restricted assets					
Accrued interest payable	-	770,118	770,118	-	-
Current portion of long term debt	-	10,141,068	10,141,068	-	-
Noncurrent liabilities					
OPEB obligation	131,617,888	19,350,810	150,968,698	-	-
Unearned capacity revenue	-	40,697,897	40,697,897	-	-
Due within one year	13,905,301	-	13,905,301	-	-
Due in more than one year	100,782,948	90,088,896	190,871,844	-	930,832
Total Liabilities	<u>257,799,001</u>	<u>164,536,295</u>	<u>422,335,296</u>	<u>13,960</u>	<u>931,632</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	56,737,797	6,139,112	62,876,909	197,292	-
Total Deferred Inflows of Resources	<u>56,737,797</u>	<u>6,139,112</u>	<u>62,876,909</u>	<u>197,292</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	113,066,020	176,571,232	282,056,134	6,851	-
Restricted for					
Debt service	1,572,445	-	1,572,445	-	-
Permanent funds	2,428,260	-	2,428,260	-	-
Library	361,547	-	361,547	-	-
Loan Programs	5,400,359	-	5,400,359	-	-
Tax increment districts	11,754,723	-	11,754,723	-	-
Intergovernmental revenue sharing	8,944,750	-	8,944,750	-	-
Federal and State grant programs	532,232	-	532,232	-	-
Trusts	1,821,626	-	1,821,626	-	-
Special assessment program	3,658,408	-	3,658,408	-	-
Health, public safety, and parks programs	655,269	-	655,269	-	-
Water	-	5,586,188	5,586,188	-	-
Wastewater	-	6,594,902	6,594,902	-	-
Unrestricted (deficit)	(115,144,447)	(11,001,450)	(118,564,779)	18,719	880,903
TOTAL NET POSITION	<u>\$ 35,051,192</u>	<u>\$ 177,750,872</u>	<u>\$ 212,802,064</u>	<u>\$ 25,570</u>	<u>\$ 880,903</u>

See accompanying notes to financial statements.

CITY OF RACINE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2014

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Totals	Business Improvement District	Redevelopment Authority
Functions/Programs									
Primary Government									
Governmental activities									
General government	\$ 14,277,482	\$ 1,481,817	\$ 170,059	\$ -	\$ (12,625,606)	\$ -	\$ (12,625,606)	\$ -	\$ -
Community development	4,230,098	529,427	2,946,652	2,086,451	1,332,432	-	1,332,432	-	-
Health	3,497,624	500,493	803,564	-	(2,193,567)	-	(2,193,567)	-	-
Education and recreation	14,068,313	718,277	1,377,517	-	(11,972,519)	-	(11,972,519)	-	-
Public works	25,777,674	9,924,739	4,541,297	494,308	(10,817,330)	-	(10,817,330)	-	-
Public safety	60,197,029	5,225,220	1,204,115	-	(53,767,694)	-	(53,767,694)	-	-
Interest and fiscal charges	4,116,878	-	-	-	(4,116,878)	-	(4,116,878)	-	-
Total Governmental Activities	126,165,098	18,379,973	11,043,204	2,580,759	(94,161,162)	-	(94,161,162)	-	-
Business type activities									
Water	16,296,072	19,486,261	-	704,779	-	3,894,968	3,894,968	-	-
Wastewater	14,778,618	12,851,338	-	2,072,585	-	145,305	145,305	-	-
Storm Water	4,539,226	4,256,532	279,035	203,399	-	199,740	199,740	-	-
Belle Urban Transit	10,028,431	1,608,721	5,642,862	-	-	(2,776,848)	(2,776,848)	-	-
Other	3,557,870	1,932,894	-	-	-	(1,624,976)	(1,624,976)	-	-
Total Business Type Activities	49,200,217	40,135,746	5,921,897	2,980,763	-	(161,811)	(161,811)	-	-

CITY OF RACINE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2014

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Totals	Business Improvement District	Redevelopment Authority
Total Primary Government	\$ 175,365,315	\$ 58,515,719	\$ 16,965,101	\$ 5,561,522	(94,161,162)	(161,811)	(94,322,973)	-	-
Component Units									
Business Improvement District	\$ 204,318	\$ -	\$ -	\$ -	-	-	-	(204,318)	-
Redevelopment Authority	275,671	-	-	169,908	-	-	-	-	(105,763)
	<u>\$ 479,989</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 169,908</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(204,318)</u>	<u>(105,763)</u>
General Revenues									
Taxes									
Property taxes, levied for general purposes					35,188,536	1,436,420	36,624,956	206,800	-
Property taxes levied, for debt service					14,468,537	-	14,468,537	-	-
Property taxes, levied for TIF					3,989,089	-	3,989,089	-	-
Other taxes					517,641	-	517,641	-	-
Intergovernmental revenues not restricted to specific programs					28,424,549	-	28,424,549	-	-
Investment income					2,580,961	179,743	2,760,704	114	-
Other					1,111,501	16,637	1,128,138	9,779	-
Transfers					3,607,656	(3,607,656)	-	-	-
Total General Revenues and Transfers					<u>89,888,470</u>	<u>(1,974,856)</u>	<u>87,913,614</u>	<u>216,693</u>	<u>-</u>
Change in net position					(4,272,692)	(2,136,667)	(6,409,359)	12,375	(105,763)
NET POSITION - Beginning 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>
NET POSITION - END OF YEAR					<u>\$ 35,051,192</u>	<u>\$ 177,750,872</u>	<u>\$ 212,802,064</u>	<u>\$ 25,570</u>	<u>\$ 880,903</u>

CITY OF RACINE
Governmental Funds

BALANCE SHEET
As of December 31, 2014

	General Fund	Debt Service	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and investments	\$ 24,253,279	\$ 536,124	\$ 37,982,213	\$ 62,771,616
Receivables				
Taxes	36,550,753	15,486,759	7,225,577	59,263,089
Special assessments				
and special charges - tax roll	-	-	603,740	603,740
Special assessments	-	-	2,509,713	2,509,713
Delinquent personal property taxes	151,901	-	-	151,901
Loans and notes	-	-	7,303,342	7,303,342
Accrued interest	106,271	-	-	106,271
Accounts	1,296,782	-	587,848	1,884,630
Total Receivables - Net	38,105,707	15,486,759	18,230,220	71,822,686
Due from other funds	9,060,831	2,012	1,523,743	10,586,586
Due from other governments	-	-	1,752,964	1,752,964
Inventories	96,088	-	-	96,088
Prepaid items	11,378	-	-	11,378
Deposit in CVMIC	2,962,500	-	-	2,962,500
Assets held for resale	-	-	483,739	483,739
Advances to component unit	-	-	930,832	930,832
Advances to other funds	93,775	1,188,728	5,603,975	6,886,478
TOTAL ASSETS	\$ 74,583,558	\$ 17,213,623	\$ 66,507,686	\$ 158,304,867
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 986,568	\$ -	\$ 3,327,622	\$ 4,314,190
Accrued liabilities	3,588,644	-	384,742	3,973,386
Due to other funds	5,230,069	-	3,315,424	8,545,493
Due to other governments	167,530	-	-	167,530
Insurance claims payable	1,662,240	-	-	1,662,240
Advances from other funds	-	-	5,174,769	5,174,769
Total Liabilities	11,635,051	-	12,202,557	23,837,608
Deferred Inflows of Resources				
Unavailable revenue	-	1,188,728	5,313,055	6,501,783
Unearned interest/revenue	-	-	791,683	791,683
Unearned property tax revenue	32,630,038	15,486,759	7,829,317	55,946,114
Total Deferred Inflows of Resources	32,630,038	16,675,487	13,934,055	63,239,580
Fund Balances				
Nonspendable	7,925,994	-	-	7,925,994
Restricted	-	538,136	30,675,206	31,213,342
Committed	-	-	9,100,687	9,100,687
Assigned	786,346	-	595,181	1,381,527
Unassigned	21,606,129	-	-	21,606,129
Total Fund Balances	30,318,469	538,136	40,371,074	71,227,679
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 74,583,558	\$ 17,213,623	\$ 66,507,686	

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)	192,026,195
Internal service fund net position.	8,883,594
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)	6,501,783
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)	(243,588,059)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 35,051,192

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2014

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
REVENUES				
Taxes	\$ 32,595,748	\$ 14,468,537	\$ 7,099,517	\$ 54,163,802
Special assessments	-	-	1,180,277	1,180,277
Intergovernmental	32,925,535	170,059	9,025,342	42,120,936
Licenses and permits	2,069,748	-	225,334	2,295,082
Fines, forfeitures and penalties	2,366,642	-	317,742	2,684,384
Public charges for services	5,389,686	-	5,526,201	10,915,887
Miscellaneous	1,793,668	155,876	2,516,360	4,465,904
Total Revenues	<u>77,141,027</u>	<u>14,794,472</u>	<u>25,890,773</u>	<u>117,826,272</u>
EXPENDITURES				
Current				
General government	14,357,183	-	265,154	14,622,337
Health	1,921,370	-	1,203,375	3,124,745
Public safety	46,663,336	-	1,042,753	47,706,089
Public works	12,256,198	-	2,337,305	14,593,503
Education and recreation	6,148,729	-	4,832,595	10,981,324
Community Development	728,654	-	2,645,209	3,373,863
Capital Outlay	-	-	19,632,989	19,632,989
Debt Service				
Principal	-	23,295,000	-	23,295,000
Interest and fiscal charges	-	3,963,609	439,504	4,403,113
Total Expenditures	<u>82,075,470</u>	<u>27,258,609</u>	<u>32,398,884</u>	<u>141,732,963</u>
Excess (deficiency) of revenues over expenditures	<u>(4,934,443)</u>	<u>(12,464,137)</u>	<u>(6,508,111)</u>	<u>(23,906,691)</u>

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2014

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	\$ -	\$ -	\$ 11,200,000	\$ 11,200,000
Premium on long-term debt issued	-	1,550,772	56,560	1,607,332
Refunding bonds issued	-	17,675,000	-	17,675,000
Payment to escrow agent	-	(7,628,538)	-	(7,628,538)
Transfers in	4,336,801	1,059,026	3,320,707	8,716,534
Transfers out	(15,000)	-	(5,648,691)	(5,663,691)
Total Other Financing Sources (Uses)	<u>4,321,801</u>	<u>12,656,260</u>	<u>8,928,576</u>	<u>25,906,637</u>
Net Change in Fund Balances	(612,642)	192,123	2,420,465	1,999,946
FUND BALANCES - Beginning of Year	<u>30,931,111</u>	<u>346,013</u>	<u>37,950,609</u>	<u>69,227,733</u>
FUND BALANCES - END OF YEAR	<u>\$ 30,318,469</u>	<u>\$ 538,136</u>	<u>\$ 40,371,074</u>	<u>\$ 71,227,679</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, 2014

Net change in fund balances - total governmental funds	\$	1,999,946
--------------------------------------------------------	----	-----------

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		19,632,989
Some items reported as capital outlay are not capitalized		(3,396,685)
Depreciation is reported in the government-wide statements		(10,672,323)
Contributed Capital		417,041
Net book value of assets retired		(74,260)

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		(28,875,000)
Principal repaid (includes \$6,850,000 payment to escrow agent)		30,145,000

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		(269,437)
Unamortized discounts/premiums (see Note II. B.)		(547,479)
Other postemployment benefits		(15,107,784)
Writeoff of loans		(142,205)
Accrued interest on debt		4,920

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

2,042,569

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

236,206

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

333,810

Change in net position of governmental activities

\$ (4,272,692)

CITY OF RACINE

General Fund

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Year Ended December 31, 2014

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
REVENUES				
Taxes	\$ 32,293,399	\$ 32,643,399	\$ 32,595,748	\$ (47,651)
Intergovernmental	32,788,899	32,904,899	32,925,535	20,636
Licenses and permits	1,730,520	2,268,720	2,069,748	(198,972)
Fines and forfeitures	1,897,100	1,937,000	2,366,642	429,642
Charges for services	6,088,566	5,363,408	5,389,686	26,278
Other	828,990	510,048	1,793,668	1,283,620
Total Revenues	<u>75,627,474</u>	<u>75,627,474</u>	<u>77,141,027</u>	<u>1,513,553</u>
EXPENDITURES				
Current				
General government	14,709,641	14,709,641	14,357,183	352,458
Health	2,049,885	2,054,960	1,921,370	133,590
Public safety	46,345,608	46,372,088	46,663,336	(291,248)
Public works	11,798,048	11,812,261	12,256,198	(443,937)
Education and recreation	6,300,782	6,300,782	6,148,729	152,053
City Development	424,327	424,327	728,654	(304,327)
Total Expenditures	<u>81,628,291</u>	<u>81,674,059</u>	<u>82,075,470</u>	<u>(401,411)</u>
Excess (deficiency) of revenues over expenditures	<u>(6,000,817)</u>	<u>(6,046,585)</u>	<u>(4,934,443)</u>	<u>1,112,142</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,375,687	3,375,687	4,336,801	961,114
Transfers out	-	-	(15,000)	(15,000)
Total Other Financing Sources	<u>3,375,687</u>	<u>3,375,687</u>	<u>4,321,801</u>	<u>946,114</u>
Net Change in Fund Balance	<u>\$ (2,625,130)</u>	<u>\$ (2,670,898)</u>	<u>(612,642)</u>	<u>\$ 2,058,256</u>
FUND BALANCE - Beginning of Year			<u>30,931,111</u>	
FUND BALANCE - END OF YEAR			<u>\$ 30,318,469</u>	

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET POSITION

As of December 31, 2014

	Business-Type Activities- Enterprise Funds					Governmental Activities-	
	Water Utility	Wastewater Utility	Storm Water Utility	Belle Urban Transit	Other Enterprise Funds	Total	Internal Service Funds
ASSETS							
Current Assets							
Cash and investments	\$ 9,140,241	\$ 10,515,474	\$ 749,159	\$ 200	\$ 2,338,980	\$ 22,744,054	\$ 7,106,903
Receivables							
Accounts	3,267,792	3,294,709	178	111,521	90,036	6,764,236	948,818
Taxes	323,909	6,009	4,569,837	1,200,000	309,420	6,409,175	-
Due from other governments	-	-	167,332	748,695	-	916,027	-
Due from other funds	4,325,021	3,245,028	-	-	-	7,570,049	17,539
Inventories	389,877	63,983	-	274,656	8,816	737,332	417,875
Prepaid items	4,500	-	-	-	9,335	13,835	-
Total Current Assets	<u>17,451,340</u>	<u>17,125,203</u>	<u>5,486,506</u>	<u>2,335,072</u>	<u>2,756,587</u>	<u>45,154,708</u>	<u>8,491,135</u>
Noncurrent Assets							
Restricted Assets							
Cash and investments	10,070,707	6,818,143	-	-	-	16,888,850	-
Plant capacity, current portion	-	3,209,207	-	-	-	3,209,207	-
Plant capacity, long term	-	23,994,712	-	-	-	23,994,712	-
Capital assets							
Land	1,843,341	99,950	-	539,434	2,602,180	5,084,905	32,879
Construction in progress	1,858,534	28,375	1,277,431	-	280,954	3,445,294	377,210
Intangible assets	-	-	-	-	-	-	622,264
Land and building improvements	147,481,056	105,332,425	59,719,340	8,469,328	28,123,443	349,125,592	1,932,237
Equipment, furniture and vehicles	32,683,761	49,210,243	1,687,238	15,899,720	1,138,839	100,619,801	2,199,242
Less: Accumulated depreciation/amortization	<u>(53,932,240)</u>	<u>(75,760,638)</u>	<u>(34,429,688)</u>	<u>(10,242,490)</u>	<u>(14,653,651)</u>	<u>(189,018,707)</u>	<u>(3,378,716)</u>
Other assets							
Unamortized debt issuance expenses	-	-	-	-	-	-	-
Total Noncurrent Assets	<u>140,005,159</u>	<u>112,932,417</u>	<u>28,254,321</u>	<u>14,665,992</u>	<u>17,491,765</u>	<u>313,349,654</u>	<u>1,785,116</u>
Total Assets	<u>157,456,499</u>	<u>130,057,620</u>	<u>33,740,827</u>	<u>17,001,064</u>	<u>20,248,352</u>	<u>358,504,362</u>	<u>10,276,251</u>
DEFERRED OUTFLOWS OF RESOURCES							
Unamortized loss on refunding	1,240,472	-	-	-	-	1,240,472	-

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET POSITION

As of December 31, 2014

	Business-Type Activities- Enterprise Funds					Governmental Activities-
	Water Utility	Wastewater Utility	Storm Water Utility	Belle Urban Transit	Other Enterprise Funds	Internal Service Funds
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 595,722	\$ 207,912	\$ 482,188	\$ 392,957	\$ 98,032	\$ 1,776,811
Accrued liabilities	212,288	187,422	16,740	43,037	120,682	580,169
Advances from other funds	95,094	85,050	172,231	-	-	352,375
Due to other funds	4,118,224	2,277,450	-	2,992,003	219,169	9,606,846
Unearned capacity revenue	-	1,130,526	-	-	-	1,130,526
Liabilities payable from restricted assets						
Accrued interest	546,877	223,241	-	-	-	770,118
Current portion of long term debt	4,841,148	5,299,920	-	-	-	10,141,068
Total Current Liabilities	<u>10,409,353</u>	<u>9,411,521</u>	<u>671,159</u>	<u>3,427,997</u>	<u>437,883</u>	<u>24,357,913</u>
Noncurrent Liabilities						
Compensated absences	598,402	390,004	10,076	60,597	31,508	1,090,587
OPEB obligation	9,069,912	5,897,390	2,666,437	-	1,717,071	19,350,810
Revenue bonds and notes payable	46,637,413	42,360,896	-	-	-	88,998,309
Advances from other funds	532,409	476,175	350,750	-	-	1,359,334
Unearned capacity revenue	-	40,697,897	-	-	-	40,697,897
Total Noncurrent Liabilities	<u>56,838,136</u>	<u>89,822,362</u>	<u>3,027,263</u>	<u>60,597</u>	<u>1,748,579</u>	<u>151,496,937</u>
Total Liabilities	<u>67,247,489</u>	<u>99,233,883</u>	<u>3,698,422</u>	<u>3,488,594</u>	<u>2,186,462</u>	<u>175,854,850</u>
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue	-	-	-	59,855	-	59,855
Unearned property tax revenue	-	-	4,569,837	1,200,000	309,420	6,079,257
Total Deferred Inflows of Resources	<u>-</u>	<u>-</u>	<u>4,569,837</u>	<u>1,259,855</u>	<u>309,420</u>	<u>6,139,112</u>
NET POSITION						
Net investment in capital assets	83,634,005	32,525,149	28,254,321	14,665,992	17,491,765	176,571,232
Restricted	5,586,188	6,594,902	-	-	-	12,181,090
Unrestricted (deficit)	2,229,289	(8,296,314)	(2,781,753)	(2,413,377)	260,705	(11,001,450)
TOTAL NET POSITION	<u>\$ 91,449,482</u>	<u>\$ 30,823,737</u>	<u>\$ 25,472,568</u>	<u>\$ 12,252,615</u>	<u>\$ 17,752,470</u>	<u>\$ 177,750,872</u>
						<u>\$ 8,883,594</u>

CITY OF RACINE

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the Year Ended December 31, 2014

	Business-Type Activities- Enterprise Funds					Governmental Activities-	
	Water Utility	Wastewater Utility	Storm Water Utility	Belle Urban Transit	Other Enterprise Funds	Totals	Internal Service Funds
OPERATING REVENUES							
Charges for services	\$ 19,486,261	\$ 12,851,338	\$ 4,248,242	\$ 1,608,721	\$ 1,932,685	\$ 40,127,247	\$ 26,526,730
Other	-	-	8,290	-	209	8,499	1,240,137
Total Operating Revenues	19,486,261	12,851,338	4,256,532	1,608,721	1,932,894	40,135,746	27,766,867
OPERATING EXPENSES							
Operation and maintenance	10,373,559	8,832,488	3,234,617	8,335,242	1,581,860	32,357,766	6,783,197
Education and recreation	-	-	-	-	1,109,200	1,109,200	-
General administration	-	-	-	-	-	-	19,253,726
Depreciation	4,149,699	4,421,405	1,268,714	1,693,189	866,810	12,399,817	242,188
Total Operating Expenses	14,523,258	13,253,893	4,503,331	10,028,431	3,557,870	45,866,783	26,279,111
Operating income (loss)	4,963,003	(402,555)	(246,799)	(8,419,710)	(1,624,976)	(5,731,037)	1,487,756
NONOPERATING REVENUES (EXPENSES)							
Investment income (loss)	60,099	20,947	98,697	-	-	179,743	-
Interest expense	(1,894,056)	(1,361,736)	(29,953)	-	-	(3,285,745)	-
Intergovernmental interest reimbursement	-	797,874	-	-	-	797,874	-
Plant capacity income	-	1,130,526	-	-	-	1,130,526	-
Gain (loss) on sale of fixed assets	90,598	(29)	(5,942)	-	-	84,627	-
Amortization of premiums/discount and refunding loss	30,644	-	-	-	-	30,644	-
Subsidies from other governmental units	-	-	279,035	5,642,862	-	5,921,897	-
Tax levy	-	-	-	1,100,000	336,420	1,436,420	-
Household hazardous waste revenue	-	144,185	-	-	-	144,185	-
Household hazardous waste expense	-	(162,960)	-	-	-	(162,960)	-
Other	-	16,637	-	-	-	16,637	-
Total Nonoperating Revenues (Expenses)	(1,712,715)	585,444	341,837	6,742,862	336,420	6,293,848	-

CITY OF RACINE

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the Year Ended December 31, 2014

	Business-Type Activities- Enterprise Funds						Governmental Activities-
	Water Utility	Wastewater Utility	Storm Water Utility	Belle Urban Transit	Other Enterprise Funds	Totals	Internal Service Funds
Income (loss) before capital contributions and transfers	3,250,288	182,889	95,038	(1,676,848)	(1,288,556)	562,811	1,487,756
CAPITAL CONTRIBUTIONS	704,779	-	203,399	-	-	908,178	-
TRANSFERS IN	55,013	-	-	151,230	280,745	486,988	554,813
TRANSFERS (OUT)	(3,285,944)	(808,700)	-	-	-	(4,094,644)	-
Change in Net Position	724,136	(625,811)	298,437	(1,525,618)	(1,007,811)	(2,136,667)	2,042,569
NET POSTION - Beginning of Year	90,725,346	31,449,548	25,174,131	13,778,233	18,760,281	179,887,539	6,841,025
NET POSITION - END OF YEAR	\$ 91,449,482	\$ 30,823,737	\$ 25,472,568	\$ 12,252,615	\$ 17,752,470	\$ 177,750,872	\$ 8,883,594

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

	Business-Type Activities- Enterprise Funds					Governmental Activities- Internal Service Fund
	Water Utility	Wastewater Utility	Stormwater Utility	Belle Urban Transit	Other Enterprise	Totals
CASH FLOW FROM OPERATING ACTIVITIES						
Received from customers and users	\$ 21,754,822	\$ 13,129,677	\$ 4,256,354	\$ 1,597,157	\$ 1,934,031	\$ 42,672,041
Paid to suppliers for goods and services	(3,257,516)	(3,699,864)	(1,554,829)	(9,185,845)	(1,767,850)	(19,465,904)
Paid to employees for services	(6,179,280)	(4,678,099)	(1,105,491)	-	(715,675)	(12,678,545)
Net Cash Flows From Operating Activities	12,318,026	4,751,714	1,596,034	(7,588,688)	(549,494)	10,527,592
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer to other funds	(3,239,838)	(808,700)	-	-	-	(4,048,538)
Advances retired	-	(61,950)	-	-	-	(61,950)
Principal retired	-	(216,301)	-	-	-	(216,301)
Interest paid on long-term debt	(69,266)	(39,274)	-	-	-	(108,540)
Interest paid on advances	(13,017)	(11,642)	-	-	-	(24,659)
Miscellaneous receipts	-	-	-	-	-	-
Operating grants received	-	16,637	-	5,804,328	-	5,820,965
Operating subsidies received	-	(18,775)	-	1,775,776	336,420	2,093,421
Net Cash Flows from Noncapital Financing Activities	(3,322,121)	(1,140,005)	-	7,580,104	336,420	3,454,398
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Debt retired	(4,536,489)	(4,937,671)	-	-	-	(9,474,160)
Advances retired	-	-	(162,816)	-	-	(162,816)
Interest paid on long-term debt	(1,923,240)	(1,335,144)	-	-	-	(3,258,384)
Interest paid on advances	-	-	(29,953)	-	-	(29,953)
Transfer from other funds for capital purposes	-	-	-	-	280,745	280,745
Acquisition and construction of capital assets	(3,607,969)	(546,715)	(1,855,973)	(151,230)	(238,106)	(6,399,993)
REC and other fees received	323,089	-	-	-	-	323,089
Intergovernmental interest reimbursement	-	797,874	-	-	-	797,874
Proceeds for plant capacity	-	3,022,790	-	-	-	3,022,790
Capital subsidies received	-	-	461,899	159,814	-	621,713
Proceeds from sale of capital assets	90,598	11,415	-	-	-	102,013
Net Cash Flows From Capital and Related Financing Activities	(9,654,011)	(2,987,451)	(1,586,843)	8,584	42,639	(14,177,082)

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

	Business-Type Activities- Enterprise Funds						Governmental Activities- Internal Service Fund
	Water Utility	Wastewater Utility	Stormwater Utility	Belle Urban Transit	Other Enterprise	Totals	
CASH FLOW FROM INVESTING ACTIVITIES							
Investment income	\$ 60,099	\$ 20,947	\$ 98,697	\$ -	\$ -	\$ 179,743	\$ -
Net Cash Flows From Investing Activities	60,099	20,947	98,697	-	-	179,743	-
Net Change in Cash and Cash Equivalents	(598,007)	645,205	107,888	-	(170,435)	(15,349)	649,764
CASH AND CASH EQUIVALENTS - Beginning of Year	19,808,955	16,688,412	641,271	200	2,509,415	39,648,253	6,457,139
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 19,210,948	\$ 17,333,617	\$ 749,159	\$ 200	\$ 2,338,980	\$ 39,632,904	\$ 7,106,903
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES							
Operating income (loss)	\$ 4,963,003	\$ (402,555)	\$ (246,799)	\$ (8,419,710)	\$ (1,624,976)	\$ (5,731,037)	\$ 1,487,756
Adjustments to reconcile operating income (loss) to Net Cash Flows from operating activities							
Other postemployment benefits	771,081	406,273	409,027	-	405,518	1,991,899	-
Depreciation	4,282,307	4,421,405	1,268,714	1,693,189	866,810	12,532,425	242,188
Changes in assets and liabilities							
Accounts receivable	2,453,786	(178,975)	(178)	(25,725)	1,138	2,250,046	(499,324)
Prepaid items	(51,485)	(5,329)	-	-	(2,348)	(59,162)	-
Inventories	-	-	-	(43,032)	(884)	(43,916)	(22,418)
Due from other funds	(140,933)	473,880	(326,575)	-	27,000	33,372	(4,942)
Accounts payable	(51,827)	(422,869)	156,171	(438,680)	(165,084)	(922,289)	(402,828)
Accrued liabilities	(17,377)	64,007	9,634	1,208	(22,682)	34,790	(240,842)
Unearned revenue	-	-	326,575	-	-	326,575	-
Due to other funds	109,471	395,877	(535)	(355,938)	(33,986)	114,889	(49,056)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 12,318,026	\$ 4,751,714	\$ 1,596,034	\$ (7,588,688)	\$ (549,494)	\$ 10,527,592	\$ 510,534

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

	Business-Type Activities- Enterprise Funds						Governmental Activities-
	Water Utility	Wastewater Utility	Stormwater Utility	Belle Urban Transit	Other Enterprise	Totals	Internal Service Fund
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET							
Cash and investments							
Unrestricted	\$ 9,140,241	\$ 10,515,474	\$ 749,159	\$ 200	\$ 2,338,980	\$ 22,744,054	\$ 7,106,903
Restricted	10,070,707	6,818,143	-	-	-	16,888,850	-
Total Cash and Investments	<u>\$ 19,210,948</u>	<u>\$ 17,333,617</u>	<u>\$ 749,159</u>	<u>\$ 200</u>	<u>\$ 2,338,980</u>	<u>\$ 39,632,904</u>	<u>\$ 7,106,903</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES							
Cost of Capital assets installed							
or financed by developers, customers or the City	\$ 55,265	\$ -	\$ -	\$ -	\$ -	\$ 55,265	\$ -

CITY OF RACINE

Fiduciary Funds

STATEMENT OF ASSETS AND LIABILITIES

As of December 31, 2014

	Agency Funds		Totals
	Police Evidence	Tax Collecting	
ASSETS			
Cash and investments	\$ 370,654	\$ 26,346,993	\$ 26,717,647
Receivables			
Property taxes	-	18,655,706	18,655,706
TOTAL ASSETS	<u>\$ 370,654</u>	<u>\$ 45,002,699</u>	<u>\$ 45,373,353</u>
LIABILITIES			
Accounts payable	\$ -	\$ -	\$ -
Due to component unit	-	197,292	197,292
Due to other agencies	-	88,000	88,000
Due to other governments	370,654	44,717,407	45,088,061
TOTAL LIABILITIES	<u>\$ 370,654</u>	<u>\$ 45,002,699</u>	<u>\$ 45,373,353</u>

CITY OF RACINE

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE	Page
I. Summary of Significant Accounting Policies	33
A. Reporting Entity	33
B. Government-Wide and Fund Financial Statements	35
C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation	38
D. Assets, Deferred Outflows of Resources, Deferred Inflows of Resources, Liabilities, and Net Position or Equity	40
1. Deposits, Investments and Equivalents	40
2. Receivables	41
3. Inventories and Prepaid Items	43
4. Restricted Assets	43
5. Capital Assets	43
6. Assets Held for Resale	44
7. Deferred Outflows of Resources	44
8. Compensated Absences	44
9. Long-Term Obligations/Conduit Debt	45
10. Deferred Inflows of Resources	46
11. Equity Classifications	46
II. Reconciliation of Government-Wide and Fund Financial Statements	48
A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position	48
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	49
III. Stewardship, Compliance, and Accountability	50
A. Budgetary Information	50
B. Excess Expenditures Over Appropriations	51
C. Deficit Balances	52
D. Limitations on the City's Tax Levy	52
IV. Detailed Notes on All Funds	53
A. Deposits and Investments	53
B. Receivables	56
C. Restricted Assets	58
D. Capital Assets	59
E. Interfund Receivables/Payables, Advances and Transfers	63
F. Long-Term Obligations	67
G. Lease Disclosures	73
H. Net Position/Fund Balances	74
I. Component Units	78

CITY OF RACINE

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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	90
I. Infiltration/Inflow Removal Agreement	91
J. Municipal 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, 2014

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, 2014

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, 2014. 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, 2014. The Authority does not issue separate financial statements.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

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, 2014

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.
- 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.
- Storm Water Utility – accounts for operations of the storm water 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, 2014

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)

HUD Grants	Private Property Maintenance
State Grants	Sanitary Sewer Maintenance
Federal Grants	Health Lab
Other Agency Grants	Municipal Court
Loans	Cemetery
Special Assessments	Recycling
Restricted	Library
Trusts	

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	Capital Grants
Equipment Replacement	General Obligation Bond Projects
Intergovernmental Revenue Sharing	Tax Incremental Districts

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
Radio Repair	Golf Courses

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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, 2014

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 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.

Certain governmental funds presented in the prior year financial statements have been reclassified or consolidated with current year governmental funds. This did not result in any change to the beginning of the year fund balance in total.

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, 2014

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, 2014

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, 2014, 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, 2014

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 – 2014 tax roll:

Lien date and levy date	November 2014
Tax bills mailed	December 2014
Payment in full, or	
First installment due	January 31, 2015
Second installment due	March 31, 2015
Third installment due	May 31, 2015
Fourth installment due	July 31, 2015
Personal property taxes in full	January 31, 2015
Final settlement with County	August 15, 2015
Tax deed by County – 2014	
Delinquent real estate taxes	October 2017

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, 2014

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, 2014 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, 2014

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, 2014

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, 2014 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. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

The City has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the city. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is \$35,496,324 made up of six issues.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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 \$7.6 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, 2014

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 \$21,606,129 or 26.9%.

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, 2014

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	\$ 2,803,342
Unearned revenue-debt service	1,188,728
Unearned revenue-special assessments	<u>2,509,713</u>
Combined Adjustment for Long-Term Assets	<u>\$ 6,501,783</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	\$ 111,251,091
OPEB obligation	131,617,888
Compensated absences, not including internal service fund	3,287,435
Unamortized loss on refunding	(2,722,774)
Accrued interest	<u>154,419</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 243,588,059</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	13,128,991
Other capital assets net of accumulated depreciation/amortization	156,156,968
Internal Service fund capital assets	<u>(1,785,116)</u>
Combined Adjustment for Capital Assets	<u>\$ 192,026,195</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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	\$ 778,538
Premium received	(1,607,332)
Amortization of deferred charge and premium	<u>281,315</u>
Unamortized debt discounts/premiums/deferred charges	<u>\$ (547,479)</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	\$ (344,776)
Principal paid on debt service loans	(131,216)
Special assessments collections	<u>712,198</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>\$ 236,206</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 \$333,810 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, 2014

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
Special Revenue Funds:	Capital Projects Funds:
Cemetery	Intergovernmental Revenue Sharing
Library	General Obligation Bond Projects
Health Lab	Equipment Replacement
Private Property Maintenance	
Recycling	
Sanitary Sewer Maintenance	
Municipal Court	

Budgets have not been formally adopted for the following funds in their entirety:

Special Revenue Funds:
HUD Grants
State Grants
Other Agency Grants
Federal Grants
Loans
Special Assessments
Restricted
Trusts
Capital Project Funds:
City Projects
Tax Incremental Districts
Capital Grants

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 \$7,516,105. 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 \$11,752,778.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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, 2014:

<u>Fund</u>	<u>Department</u>	<u>Appropriation Unit</u>	<u>Amount</u>
General Fund	City Administration	Operating Expenditures	\$ 270,640
	Health	Interdepartmental	979
	Fire	Operating Expenditures	150,655
	Police	Salaries and Fringes	169,605
	Police	Operating Expenditures	68,332
	Public Works	Salaries and Fringes	216,293
	Public Works	Operating Expenditures	188,820
	Public Works	Interdepartmental	61,725
	City Development	Interdepartmental	10,587
Special Revenue Funds:			
Recycling		Interdepartmental	72,044
Municipal Court		Salaries and Fringes	4,843
Municipal Court		Interdepartmental	19
Cemetery		Salaries and Fringes	5,714
Private Property Maintenance		Operating Expenditures	1,708
Health Lab		Operating Expenditures	3,844
Health Lab		Interdepartmental	21,139

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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. There were no individual funds with deficit fund balances at year end.

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, 2014

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	\$ 45,570,354	\$ 44,708,988	Custodial credit
Savings deposits	8,074,745	8,074,745	Custodial credit
Certificates of deposit	16,805,199	16,805,199	Custodial credit
Petty cash	8,545	-	NA
Total deposits	<u>70,458,843</u>	<u>\$ 69,588,932</u>	
Wisconsin Local Government			
Investment Pool	22,136,034		Credit
Money market funds	1,588,097		Credit
Mutual funds-equities	2,280,109		Credit
Mutual funds-fixed income	1,004,833		Credit, Interest Rate
U.S. Treasury Notes	576,498		Custodial credit, Interest Rate
			Credit, Custodial credit, Interest Rate, Concentration of credit
U.S. Government agency securities-Implicit	<u>38,540,813</u>		
Total investments	<u>66,126,384</u>		
Total Deposits and Investments	<u>\$ 136,585,227</u>		
Reconciliation to financial statements			
Per statement of net position			
Cash and investments-Primary government	\$ 92,622,573		
Cash and investments-Component unit	356,157		
Restricted cash and investments	16,888,850		
Per statement of assets and liabilities - fiduciary funds	<u>26,717,647</u>		
	<u>\$ 136,585,227</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, 2014

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, 2014 the City's carrying value of deposits was \$70,458,843, as compared to bank balances of \$69,588,932. Of the bank balances \$59,862,244 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. \$9,726,688 was uninsured as of December 31, 2014.

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, 2014 the City's carrying value of U.S. Government Agency Securities and U.S. Treasury's subject to custodial credit risk \$39,117,311. 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, 2014 were rated AAA by Moody's Investor's Services and AA+ by Standard & Poor's. As of December 31, 2014, the balance in these types of investments was \$38,540,813. The money market funds are rated A and the mutual funds range from a rating of A – BBB. The City also had investments in the LGIP which is an external pool that is not rated.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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, 2014, 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	9.39%
Federal Home Loan Bank Corporation	U.S. government agency notes and mortgage backed securities	75.15%

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, 2014 were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Duration in Years</u>
U.S. Treasury Notes	\$ 576,498	0.68
U.S Government Agency-implicitly guaranteed	3,821,974	0.68
U.S Government Agency-implicitly guaranteed	34,718,839	1.326
Mutual Funds-fixed income	1,004,833	4.10

During 2014, the City experienced unrealized gains on investments in the amount of \$1,823,542. 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, 2014

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:

	Account Receivable	Rescue Runs	Loans Receivable	Delinquent Personal Property	Total
General Fund	\$ 155,485	\$ 444,698	\$ -	\$ 276,096	\$ 876,279
HUD Fund	-	-	2,911,126	-	2,911,126
Transit	3,712	-	-	-	3,712
Other Enterprise	4,210	-	-	-	4,210
Internal Service	5,896	-	-	-	5,896
Other Non-Major Funds	17,152	-	-	-	17,152
	<u>\$ 186,455</u>	<u>\$ 444,698</u>	<u>\$ 2,911,126</u>	<u>\$ 276,096</u>	<u>\$ 3,818,375</u>

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

	General Fund	Other Non Major	Total
Special Assessments	\$ -	\$ 2,509,713	\$ 2,509,713
Delinquent personal property taxes	151,901	-	151,901
Loans and notes	-	7,303,342	7,303,342
	<u>\$ 151,901</u>	<u>\$ 9,813,055</u>	<u>\$ 9,964,956</u>

In December of 2014, the City made a loan to a developer in the amount of \$4,500,000 with an interest rate of 1%. The loan requires interest only payments in 2015 with the loan due in full on January 31, 2016. The loan has been classified as a long term receivable.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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:

	Unavailable	Unearned	Total
Property taxes receivable	\$ -	\$ 55,946,114	\$ 55,946,114
Loans receivable	2,803,342	-	2,803,342
Special assessments not yet due	2,509,713	-	2,509,713
Interest on loans and advances	-	346,596	346,596
Due from enterprise for debt service	1,188,728	-	1,188,728
Grant drawdowns prior to meeting all eligibility requirements	-	445,087	445,087
Total Unearned/Unavailable Revenue for Governmental Funds	<u>\$ 6,501,783</u>	<u>\$ 56,737,797</u>	<u>\$ 63,239,580</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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, 2014:

	Water Utility	Wastewater Utility	Total
Bond redemption account	\$ 3,692,030	\$ 3,790,623	\$ 7,482,653
Bond reserve account	3,937,642	-	3,937,642
Bond depreciation account	800,000	-	800,000
Impact fund	1,641,035	-	1,641,035
Equipment replacement account	-	3,027,520	3,027,520
Plant capacity receivable	-	27,203,919	27,203,919
Total Restricted Assets	10,070,707	34,022,062	44,092,769
Reconciliation to restricted net position			
Plant capacity receivable reported as unearned revenue	-	(27,203,919)	(27,203,919)
Accrued interest payable	(546,877)	(223,241)	(770,118)
Unexpended bond proceeds and interest	-	-	-
Bond reserve fund financed by bond proceeds	(3,937,642)	-	(3,937,642)
Restricted Net Position	\$ 5,586,188	\$ 6,594,902	\$ 12,181,090

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2014 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	9,559,764	13,931,263	10,362,036	13,128,991
Total Capital Assets Not Being Depreciated/Amortized	<u>34,085,116</u>	<u>13,931,263</u>	<u>10,362,036</u>	<u>37,654,343</u>
Capital assets being depreciated/amortized				
Intangible assets	605,210	17,054	-	622,264
Land improvements	10,294,591	575,611	74,900	10,795,302
Buildings	43,276,630	2,548,044	-	45,824,674
Machinery and equipment	33,659,944	2,647,495	1,003,942	35,303,497
Roads, streets, and bridges	152,461,931	4,988,556	885,628	156,564,859
Sidewalks	51,436,516	1,046,298	120,832	52,361,982
Sewer lines	38,817,755	1,674,226	103,223	40,388,758
Shoreline walls and other	22,324,836	-	-	22,324,836
Total Capital Assets Being Depreciated/Amortized	<u>352,877,413</u>	<u>13,497,284</u>	<u>2,188,525</u>	<u>364,186,172</u>
Less: accumulated depreciation/amortization for				
Intangible assets	596,207	10,708	-	606,915
Land improvements	6,850,247	527,516	68,780	7,308,983
Buildings	19,557,714	1,498,796	-	21,056,510
Machinery and equipment	26,286,689	2,071,327	1,003,942	27,354,074
Roads, streets, and bridges	77,138,600	4,265,244	817,488	80,586,356
Sidewalks	41,914,426	1,182,664	120,832	42,976,258
Sewer lines	18,044,865	735,967	103,223	18,677,609
Shoreline walls and other	8,840,210	622,289	-	9,462,499
Total Accumulated Depreciation/Amortization	<u>199,228,958</u>	<u>10,914,511</u>	<u>2,114,265</u>	<u>208,029,204</u>
Total Capital Assets being Depreciated/Amortized, Net	<u>153,648,455</u>	<u>2,582,773</u>	<u>74,260</u>	<u>156,156,968</u>
Governmental Activities Capital Assets, Net	<u>\$ 187,733,571</u>	<u>\$ 16,514,036</u>	<u>\$ 10,436,296</u>	<u>\$ 193,811,311</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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	\$ 381,051
Education and recreation	1,299,961
Public works, which includes infrastructure	8,281,201
Public safety	<u>952,298</u>
 Total Governmental Activities Depreciation/Amortization Expense	 \$ <u><u>10,914,511</u></u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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	4,642,212	6,714,766	7,911,684	3,445,294
Total Capital Assets Not Being Depreciated	9,727,117	6,714,766	7,911,684	8,530,199
Capital assets being depreciated				
Land improvements	9,044,031	103,806	-	9,147,837
Improvements other than buildings	190,014,315	3,675,745	371,332	193,318,728
Buildings	145,698,556	851,229	25,756	146,524,029
Machinery and equipment	98,145,497	3,644,503	1,035,201	100,754,799
Total Capital Assets Being Depreciated	442,902,399	8,275,283	1,432,289	449,745,393
Less: accumulated depreciation for				
Land improvements	5,108,562	320,313	-	5,428,875
Improvements other than buildings	64,394,667	3,076,657	371,330	67,099,994
Buildings	55,537,630	3,752,118	25,756	59,263,992
Machinery and equipment	52,847,323	5,383,339	1,004,816	57,225,846
Total Accumulated Depreciation	177,888,182	12,532,427	1,401,902	189,018,707
Total Capital Assets Depreciated, Net	265,014,217	(4,257,144)	30,387	260,726,686
Business-Type Activities Capital Assets, Net	\$ 274,741,334	\$ 2,457,622	\$ 7,942,071	\$ 269,256,885

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-Type Activities

Water	\$ 4,282,309
Wastewater	4,421,405
Stormwater	1,693,189
Belle Urban Transit	1,268,714
Other	<u>866,810</u>
Total Business-Type Activities Depreciation/Amortization Expense	<u>\$ 12,532,427</u>

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, 2014

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	\$ 2,992,003
General Fund	Enterprise Fund-Civic Center	208,774
General Fund	Enterprise Fund-Golf Courses	10,395
General Fund	Wastewater Utility	113,848
General Fund	Water Utility	3,196,044
General Fund	Special Revenue-HUD Grants	256,138
General Fund	Special Revenue-State Grants	196,376
General Fund	Special Revenue-Other Agency Grants	650
General Fund	Special Revenue-Federal Grants	536,171
General Fund	Special Revenue-Loans	2,812
General Fund	Special Revenue-Trusts	4,811
General Fund	Permanent Funds	3,140
General Fund	Capital Projects-Capital Grants	34,232
General Fund	Capital Projects-City Projects	1,505,436
Debt Service Fund	Water Utility	1,062
Debt Service Fund	Wastewater Utility	950
Wastewater Utility	Capital Projects-City Projects	775,658
Wastewater Utility	Water Utility	728,948
Wastewater Utility	General Fund	1,729,566
Wastewater Utility	Internal Service Fund-Building Maintenance	10,856
Water Utility	Wastewater Utility	813,539
Water Utility	General Fund	3,500,503
Water Utility	Internal Service Fund-Building Maintenance	10,979

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

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

Receivable Fund	Payable Fund	Amount due Within One Year
Capital Projects-City Projects	Wastewater Utility	1,330,182
Capital Projects-City Projects	Water Utility	178,100
Internal Service Fund-Equipment Maint.	Water Utility	11,390
Internal Service Fund-Equipment Maint.	Wastewater Utility	3,054
Internal Service Fund-Telephone	Water Utility	2,290
Internal Service Fund-Telephone	Wastewater Utility	805
Special Revenue-Sanitary Sewer Maintenance	Wastewater Utility	14,964
Special Revenue-Recycling	Wastewater Utility	390
Special Revenue-Library	Wastewater Utility	108
Subtotal-Fund Financial Statements		18,174,174
Less: Fund eliminations		(4,082,253)
Less: Government-wide eliminations		(12,055,124)
		<u>\$ 2,036,797</u>

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

For the statement of net 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, 2014

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	\$ 93,775	\$ 93,775
Debt Service Fund	Wastewater Utility	561,225	85,050
Debt Service Fund	Water Utility	627,503	95,094
City Projects Fund	Storm Water Utility	429,206	78,456
Intergovernmental Revenue Sharing	Tax Increment District #12	207,183	-
Intergovernmental Revenue Sharing	Tax Increment District #17	25,642	-
Intergovernmental Revenue Sharing	Tax Increment District #18	4,594,778	-
Intergovernmental Revenue Sharing	Tax Increment District # 16	347,166	-
Subtotal-Fund financial statements		\$ 6,886,478	\$ 352,375
Less: fund eliminations		(5,174,769)	
Total advance to other funds-government wide statements		\$ 1,711,709	

Repayment schedules for advances with an established payment schedule follow:

	Storm Water Utility	Storm Water Utility	Water Utility	Wastewater Utility
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	97,769	-	125,234	112,007
2020-2025	-	-	125,436	112,187
Sub-total	488,849	97,996	673,127	602,031
Amount representing interest	(59,643)	(4,221)	(45,624)	(40,806)
	\$ 429,206	\$ 93,775	\$ 627,503	\$ 561,225

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, 2014

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	\$ 3,285,944
General Fund	Wastewater	753,687
General Fund	Special Revenue-Loans	242,029
Debt Service Fund	Capital Projects - General Obligation	8,285
Debt Service Fund	Capital Projects-TID	1,050,741
Capital Projects-City Projects	Special Revenue-Special Assessment	1,264,248
Capital Projects-Equipment Replacement	Capital Projects - General Obligation	1,818,198
Permanent Fund-Endowments	Special Revenue-Cemetery	18,142
Enterprise-Transit	Capital Projects - General Obligation	151,230
Enterprise-Civic Centre	Capital Projects - General Obligation	245,745
Enterprise-Civic Centre	Special Revenue-Restricted	35,000
Water	Wastewater	55,013
Internal Service-Information Systems	Capital Projects - General Obligation	554,813
Special Revenue-HUD Grants	Special Revenue-Loans	17,288
Special Revenue-Restricted	Special Revenue-HUD Grants	25,566
Special Revenue-Municipal Court	General Fund	15,000
Special Revenue-Cemetery	Capital Projects - General Obligation	121,746
Special Revenue-Library	Capital Projects - General Obligation	40,519
Subtotal-fund financial statements		9,703,194
Less: Fund eliminations		(5,231,588)
Add: Government wide eliminations		(863,950)
		<u>\$ 3,607,656</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, 2014

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2014 was as follows:

GOVERNMENTAL ACTIVITIES

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General obligation					
bonds and notes payable	\$ 107,670,000	\$28,875,000	\$ 30,145,000	\$106,400,000	\$13,430,000
Premiums	3,928,443	1,607,332	684,684	4,851,091	-
Sub-total	<u>111,598,443</u>	<u>30,482,332</u>	<u>30,829,684</u>	<u>111,251,091</u>	<u>13,430,000</u>
Other Liabilities					
Vested compensated absences	<u>3,141,563</u>	<u>642,908</u>	<u>347,313</u>	<u>3,437,158</u>	<u>475,301</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 114,740,006</u>	<u>\$31,125,240</u>	<u>\$ 31,176,997</u>	<u>\$114,688,249</u>	<u>\$13,905,301</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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	\$ 107,241,505	\$ -	\$ 9,690,461	\$ 97,551,044	\$ 9,985,673
(Discounts)/Premiums	1,750,005	-	161,672	1,588,333	155,395
Sub-total	<u>108,991,510</u>	<u>-</u>	<u>9,852,133</u>	<u>99,139,377</u>	<u>10,141,068</u>
Other Liabilities					
Vested compensated absences	<u>1,065,075</u>	<u>138,694</u>	<u>113,182</u>	<u>1,090,587</u>	<u>-</u>
Total Business Type Activities					
Long-Term Liabilities	<u>\$ 110,056,585</u>	<u>\$ 138,694</u>	<u>\$ 9,965,315</u>	<u>\$ 100,229,964</u>	<u>\$10,141,068</u>

General Obligation Debt

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

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed five percent of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2014, was \$160,416,145. Total general obligation debt outstanding at year end was \$106,400,000.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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 Indebted- ness	Outstanding 12/31/2014
General Obligation Bonds					
2005	10/15/05	12/01/19	3.50-4.00%	\$ 6,980,000	\$ 1,115,000
2006	10/5/06	12/01/20	4.00-4.50	7,130,000	2,190,000
2007	11/13/07	12/01/21	4.00-5.00	7,610,000	2,615,000
2008	12/09/08	12/01/22	3.00-5.00	7,680,000	3,120,000
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	7,880,000
2012	7/10/12	12/10/18	0.65-1.65	3,775,000	2,970,000
2012	7/10/12	12/10/19	2.00-4.00	7,360,000	6,515,000
2013	11/06/13	12/10/27	2.00-4.00	26,450,000	21,465,000
2013	12/02/13	12/02/20	1.75-5.00	4,450,000	4,410,000
2014	12/09/14	12/09/28	2.00-5.00	17,675,000	17,675,000
					<u>78,035,000</u>
Taxable General Obligation Bonds					
2009	12/08/09	12/01/23	1.00-5.30	7,760,000	5,795,000
2010	11/24/10	12/01/24	0.85-4.70	9,850,000	6,685,000
2011	10/25/11	10/25/20	0.55-2.55	12,925,000	10,690,000
					<u>23,170,000</u>
Tax Incremental General Obligation Debt					
2006 (Tif #10)	10/3/06	10/3/25	4.0 - 4.75	3,970,000	680,000
2006 (Tif #11)	6/26/06	6/26/25	5.55 - 6.38	2,000,000	1,500,000
2010 (Tif #9)	07/27/10	12/01/21	2.00-4.00	3,895,000	3,015,000
					<u>5,195,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 106,400,000</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		
	Principal	Interest	Total
2015	\$ 13,430,000	\$ 3,620,185	\$ 17,050,185
2016	12,765,000	3,288,500	16,053,500
2017	12,810,000	2,910,326	15,720,326
2018	12,905,000	2,511,070	15,416,070
2019	10,655,000	2,100,700	12,755,700
2020-2024	34,590,000	5,648,987	40,238,987
2025-2028	9,245,000	717,675	9,962,675
Totals	<u>\$ 106,400,000</u>	<u>\$ 20,797,443</u>	<u>\$ 127,197,443</u>

Current Debt Refunding

On December 9, 2014, the City issued \$10,710,000 in general obligation refunding bonds, with an interest rate ranging from 2.0%-5.0%, to current refund \$11,200,000 of Note Anticipation Notes dated September 9, 2014 with an interest rate of 2.0%.

Advanced Debt Refunding

On December 9, 2014 the City issued \$17,675,000 in general obligation refunding bonds with an average interest rate from 2.0%-5.0%. A portion of those bonds, \$6,655,000 was used to advance refund \$2,320,000 of 2006 general obligation refunding bonds with an interest rate of 4.5-4.75% and to advance refund the \$2,280,000 of 2007 general obligation refunding bonds with an average interest rate of 4.5-5.00%, and to advance refund \$2,250,000 of 2008 general obligation refunding bonds with an interest rate of 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 \$7,766,710 from 2018 through 2025. The cash flow requirements on the 2014 refunding bonds are \$7,628,536 from 2015 through 2018. The advance refunding resulted in an economic gain of \$138,174.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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, 2014 consists of the following:

<u>Type/Series</u>	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance Outstanding 12/31/14</u>
<u>Water Utility</u>					
Safe Drinking Water Loan	02/10/99	05/01/18	2.64%	\$ 12,594,655	\$ 3,076,249
Safe Drinking Water Loan	12/22/04	05/01/24	2.365	16,666,035	9,758,979
Mortgage Revenue Bonds	04/02/07	09/01/21	4.00-4.75	18,980,000	13,720,000
Mortgage Revenue Bonds	12/08/09	09/01/29	3.0-4.5	2,760,000	2,685,000
Mortgage Revenue Bonds	06/28/11	09/01/15	2.00-3.00	1,995,000	510,000
Mortgage Revenue Refunding Bonds	10/25/11	09/01/31	2.00-4.50	6,500,000	6,200,000
Mortgage Revenue Refunding Bonds	07/10/12	09/01/24	2.00-4.00	14,140,000	13,940,000
Total Water Utility					<u>49,890,228</u>
<u>Wastewater Utility</u>					
Clean Water Fund Loans	03/26/97	05/01/16	3.0	1,158,993	154,803
Clean Water Fund Loans	05/27/98	05/01/18	2.64	854,147	208,155
Clean Water Fund Loans	10/29/99	05/01/19	2.64	797,249	241,934
Clean Water Fund Loans	09/27/00	05/01/20	2.97	805,113	292,636
Clean Water Fund Loans	04/10/02	05/01/21	2.75	4,073,012	1,760,151
Clean Water Fund Loans	12/22/04	05/01/21	2.86	17,943,748	8,852,069
Clean Water Fund Loans	11/27/02	05/01/22	2.87	60,724,848	31,568,447
Clean Water Fund Loans	01/23/08	05/01/27	2.48	3,481,931	2,461,147
Clean Water Fund Loans	03/24/10	05/01/29	2.20	2,579,652	2,121,474
Total Wastewater Utility					<u>47,660,816</u>
Total Business-Type Revenue Debt					<u>\$ 97,551,044</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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
2015	\$ 9,985,673	\$ 3,040,910	\$ 13,026,583
2016	10,071,012	2,743,416	12,814,428
2017	10,325,714	2,442,071	12,767,785
2018	10,589,300	2,131,340	12,720,640
2019	10,007,376	1,815,008	11,822,384
2020-2024	39,202,370	4,531,403	43,733,773
2025-2029	6,369,599	868,626	7,238,225
2030-2031	1,000,000	67,950	1,067,950
	<u>\$ 97,551,044</u>	<u>\$ 17,640,724</u>	<u>\$ 115,191,768</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 \$61,707,017. Principal and interest paid for the current year and total customer net revenues were \$6,459,729 and \$9,504,797, 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 \$53,484,751. Principal and interest paid for the current year and total revenues were \$6,566,387 and 8,178,666, 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, 2014

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, 2014, \$11,175,000 of bonds outstanding is considered defeased. The bonds are callable on December 1, 2015, 2016, 2017 and 2018.

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 \$62,252 in 2014.

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

2015	\$ 35,000
2016	35,000
2017	35,000
2018	35,000
2019	35,000
Thereafter	<u>1,120,000</u>
	<u>\$ 1,295,000</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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, 2014 includes the following:

Governmental Activities

Net Investment in capital assets

Capital assets, net of accumulated depreciation	\$ 193,811,311
Less: related long-term debt outstanding	(88,128,882)
Plus: funds borrowed but not spent	<u>7,383,591</u>
Total Net Investment in Capital Assets	<u>113,066,020</u>

Restricted for

Debt service	1,572,445
Permanent Funds	
Nonexpendable	964,701
Expendable	1,463,559
Library	361,547
Loan Programs	5,400,359
Tax increment districts	11,754,723
Intergovernmental revenue sharing	8,944,750
Federal and State grant programs	532,232
Trusts	1,821,626
Health and other	655,269
Special assessment program	<u>3,658,408</u>
Total Restricted	<u>37,129,619</u>

Unrestricted (deficit)	<u>(115,144,447)</u>
------------------------	----------------------

Total Governmental Activities Net Postion	<u><u>\$ 35,051,192</u></u>
-------------------------------------------	-----------------------------

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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	\$	269,256,885
Less: related long-term debt outstanding		(92,685,653)
Total Net Investment in Capital Assets		<u>176,571,232</u>

Restricted for

Debt service		6,712,535
Depreciation fund		800,000
DNR equipment replacement fund		3,027,520
Impact fund		<u>1,641,035</u>
Total Restricted		<u>12,181,090</u>

Unrestricted (deficit)

(11,001,450)

Total Business-Type Activities Net Position

\$ 177,750,872

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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, 2014 include the following:

	General Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable				
Non Current Receivables	\$ 4,762,252	\$ -	\$ -	\$ 4,762,252
Inventories	96,088	-	-	96,088
Prepaid Items	11,378	-	-	11,378
Deposit in CVMIC	2,962,500	-	-	2,962,500
Advances to Other Funds	93,776	-	-	93,776
	<u>7,925,994</u>	<u>-</u>	<u>-</u>	<u>7,925,994</u>
Restricted for:				
Loan Program	-	-	3,020,636	3,020,636
Debt Service	-	538,136	-	538,136
State Grant Program	-	-	4,005	4,005
Federal Grant Programs	-	-	528,227	528,227
Special Assessment Program	-	-	1,148,695	1,148,695
Public Safety	-	-	302,344	302,344
Health Services	-	-	96,252	96,252
Cemtery Donations	-	-	204,486	204,486
Public Works Programs	-	-	2,932	2,932
Park and Recreation Programs	-	-	49,255	49,255
Trusts	-	-	1,821,626	1,821,626
Library Services	-	-	361,547	361,547
Tax Incremental Districts	-	-	11,737,603	11,737,603
Revenue Sharing	-	-	8,969,338	8,969,338
Endowments	-	-	2,428,260	2,428,260
	<u>-</u>	<u>538,136</u>	<u>30,675,206</u>	<u>31,213,342</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds (cont.)

	General Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Committed to:				
Harbor Commission	\$ -	\$ -	\$ 92,900	\$ 92,900
CARS 25	-	-	28,282	28,282
Fire Prevention	-	-	40,297	40,297
Room Tax	-	-	53,950	53,950
Racine Safe Neighborhood	-	-	8,467	8,467
Sister Cities	-	-	1,562	1,562
DPW Street Opening Fund	-	-	326,477	326,477
Boat Launch	-	-	6	6
Comm Center Concessions	-	-	9,580	9,580
Landmark Preservation	-	-	4,606	4,606
Open Space Park Land	-	-	18,045	18,045
Recycling	-	-	48,543	48,543
Municipal Court	-	-	8,213	8,213
Cemetery	-	-	127,482	127,482
Private Property Maintenance	-	-	266,145	266,145
Sanitary Sewer Maintenance	-	-	466,089	466,089
Health Lab	-	-	208,737	208,737
Capital projects-open contracts	-	-	7,391,306	7,391,306
	<u>-</u>	<u>-</u>	<u>9,100,687</u>	<u>9,100,687</u>
Assigned to:				
Purchase Order				
Encumbrances	36,346	-	-	36,346
Budget Stabilization	750,000	-	-	750,000
Economic Development	-	-	595,181	595,181
	<u>786,346</u>	<u>-</u>	<u>595,181</u>	<u>1,381,527</u>
Unassigned	<u>21,606,129</u>	<u>-</u>	<u>-</u>	<u>21,606,129</u>
Total Fund Balances	<u>\$30,318,469</u>	<u>\$538,136</u>	<u>\$40,371,074</u>	<u>\$71,227,679</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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

I. 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, 2014, 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, 2014 the Authority had assets held for resale of \$1,456,378.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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, 2014, the BID has a receivable of \$197,292 from the City's tax collection fund for the entire subsequent year's annual assessment.

c. Cash and Investments

At December 31, 2014, the carrying value and bank balance of the BID's deposits are \$32,279 and \$35,175, 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, 2014, the District had capital assets with a cost of \$10,026 and accumulated depreciation of \$3,175. The District's net book value of capital assets was \$6,851. The current year additions were \$-0-.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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, 2014 are:

	<u>Employee</u>	<u>Employer</u>
General	7.00%	7.00%
Executives and Elected Officials	7.75%	7.75%
Protective with Social Security	7.75%	11.81%
Protective without Social Security	7.00%	15.41%

The payroll for City employees covered by the system for the year ended December 31, 2014 was \$ 49,050,285; the employer's total payroll was \$51,399,038. The total required contribution for the year ended December 31, 2014 was \$8,429,288 or 17.18% of covered payroll which consisted of \$7,402,547 or 15.1% of covered payroll from the employer and \$1,026,741 or 2.01% from the employees. Total contributions for the years ending December 31, 2013 and 2012 were \$8,977,041 and \$8,425,710 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, 2014

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, 2014.

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 \$751,300, \$743,886, and \$721,808, for the years ended December 31, 2014, 2013, and 2012 respectively. The following table shows the rate charged per week for each contract year:

Contract Period	Rate per week
July 1, 2014- June 30, 2015	\$205
July 1, 2013 – June 30, 2014	193
July 1, 2012 – June 30, 2013	182
July 1, 2011 – June 30, 2012	169

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, 2014

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.

	2014	2013	2012
Valuation Date	January 1, 2014	January 1, 2013	January 1, 2012
Funded Percentage	48.4%	47.6%	53.9%
Value of Assets	\$17,028,061,298	\$16,795,637,412	\$18,829,345,753
Value of Liabilities	\$35,189,411,452	\$35,312,128,471	\$34,914,643,948

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>2014</u>	<u>2013</u>	<u>2012</u>
FMV of Plan Assets	\$ 17,863,105,558	\$ 18,740,758,554	\$ 17,765,259,052

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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, 2014. 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 \$250,000 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	\$ 1,284,013	\$ 1,481,509
Current year claims and changes in estimates	14,989,978	14,878,286
Claim payments	<u>(15,373,068)</u>	<u>(15,075,782)</u>
Unpaid Claims – End of Year	<u>\$ 900,923</u>	<u>\$ 1,284,013</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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, 2014 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, 2014. A total liability of approximately \$1,662,240 at December 31, 2014 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
2014	\$ 1,700,218	845,485	883,463	\$ 1,662,240
2013	1,813,818	1,321,931	1,435,531	1,700,218

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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 2014, 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 9.02% for general liability and 16.77% 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, 2014

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 \$3,118,998.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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 92.5-100% based on the employee's year of retirement and bargaining unit. For fiscal year 2014, the City contributed \$11,338,542 to the plan. Eligible plan member contributions vary based on the specific collective bargaining agreement. Plan member contributions range from 0-7.5% of their premium costs. For fiscal year 2014, total retiree member contributions were \$296,878.

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, 2014

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

	Governmental Activities	Business Type Activities	Total
Annual required contribution	\$ 27,224,784	\$ 3,815,047	\$ 31,039,831
Interest on net OPEB obligation	3,464,341	531,337	3,995,678
Adjustment to annual required contribution	(5,719,990)	(877,293)	(6,597,283)
Annual OPEB cost	24,969,135	3,469,091	28,438,226
Contributions made	(9,861,351)	(1,477,191)	(11,338,542)
Increase in net OPEB obligation	15,107,784	1,991,900	17,099,684
Net OPEB obligation beginning of year	116,510,104	17,358,910	133,869,014
Net OPEB obligation end of year	\$ 131,617,888	\$ 19,350,810	\$ 150,968,698

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2014 and the two preceding years is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage of Annual OPEB Cost Contributed	Net OPEB Obligation
Governmental Activities			
12/31/2012	\$ 25,092,920	26.33%	\$ 99,479,051
12/31/2013	25,401,572	32.95%	116,510,104
12/31/2014	24,969,135	39.49%	131,617,888
Business Type Activities			
12/31/2012	\$ 3,724,292	22.29%	\$ 16,308,860
12/31/2013	2,533,753	58.56%	17,358,910
12/31/2014	3,469,091	42.58%	19,350,810

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The funded status of the plan as of December 31, 2014, the most recent actuarial valuation date of January 1, 2014, was as follows:

	Governmental Activities	Business Type Activities	Total
Actuarial accrued liability (AAL)	\$ 363,292,022	\$ 54,243,973	\$ 417,535,995
Actuarial value of plan assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 363,292,022</u>	<u>\$ 54,243,973</u>	<u>\$ 417,535,995</u>
Funded Ratio	-	-	-
Covered Payroll	\$ 42,532,503	\$ 6,732,269	\$ 49,264,772
UAAL as percentage of covered payroll	854.15%	805.73%	847.53%

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 January 1, 2014 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 15.9% of Water Utility gross sales aggregating \$3,091,412 and 14.9% of gross sales aggregating \$2,881,501 in 2014 and 2013, respectively.

Two major customers accounted for 25.1% and 16.6% of Wastewater Utility gross sales aggregating \$5,356,864 in 2014. Total accounts receivable from these customers totaled \$1,120,217 at December 31, 2014.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

NOTE V – OTHER INFORMATION (cont.)

G. INTERMUNICIPAL AGREEMENT

The Wastewater Utility entered into an intergovernmental sanitary sewer service agreement with the surrounding local municipalities. The agreement was reached to provide for an equitable allocation of the cost of the expansion of the existing sewer service facilities, which were necessary to continue providing high quality, reliable sewer service, and allow for future growth needs. The agreement allocates treatment capacity to each of the participating municipalities based on their future estimated usage. In return for such treatment capacity allocations each participating municipality is required to pay the Wastewater Utility its proportionate share of the capital cost of improvements.

The municipalities agreed to participate in loans from the Clean Water Fund to pay for their share of the capital costs. As such, the agreement calls for each municipality to timely pay to the Wastewater Utility its proportionate share of debt and any related debt service costs on a payment schedule approved by the Wastewater Utility. The principal of debt due from each municipality was recorded as receivable and unearned revenue upon completion of the expansion project.

Interest payments under the agreement are recorded as revenue when earned. Principal payments are recorded as reductions of the account receivable – capacity rights account. The unearned revenue will be recognized as revenue on a straight-line basis over the term of the agreement. The capacity revenue recognized was \$1,130,526 for the years ended December 31, 2014 and 2013.

The agreement also calls for revenue sharing payments to be made between participating municipalities based on current year's municipal budgets and the prior year's municipal populations and equalized valuations. The agreement requires the Wastewater Utility to collect revenue sharing payments from the contributing municipalities and distribute them to recipient municipalities.

The agreement also requires the Wastewater Utility to make payments from its reserve accounts to the City of Racine, Wisconsin, with respect to the Racine Public Library, Racine Zoo, and the Charles A. Wustum Museum of Fine Arts which were determined to be regional cultural services and facilities which benefit the outlying parties. These payments in the amount of \$753,687 and \$906,287 for 2014 and 2013, respectively, are reported as transfers to other funds in the statement of revenues, expenses and changes in net position.

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, 2014

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, 2014 was \$1,641,035.

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, 2014, the Wastewater Utility had unrecovered cost of \$775,658 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 \$1,554,682.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2014

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. 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.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RACINE

SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS

For the Year Ended December 31, 2014

	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							
	1/1/2010	\$ -	\$ 276,057,275	\$ 276,057,275	\$ -	\$ 43,379,433	636.38%
	1/1/2012	-	302,383,821	302,383,821	-	43,243,513	699.26%
	1/1/2014	-	363,292,022	363,292,022	-	42,532,503	854.15%
BUSINESS TYPE ACTIVITIES							
	1/1/2010	-	44,299,852	44,299,852	-	6,798,252	651.64%
	1/1/2012	-	48,527,170	48,527,170	-	6,860,758	707.31%
	1/1/2014	-	54,243,973	54,243,973	-	6,732,269	805.73%

**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2014

	Special Revenue Funds				
	HUD Grants	State Grants	Other Agency Grants	Federal Grants	Loans
ASSETS					
Cash and investments	\$ -	\$ 44,450	\$ 356,477	\$ 348,426	\$ 3,082,832
Receivables					
Property taxes	-	-	-	-	-
Special assessment - tax roll	-	-	-	-	-
Special assessment	-	-	-	-	-
Accounts	-	-	-	5,144	389,243
Loans and notes (net)	20,796	-	-	185,703	2,379,723
Due from other funds	-	-	-	-	-
Due from other governments	516,362	208,752	3,305	724,929	-
Assets held for resale	-	-	-	98,739	-
Advances to component unit	-	-	-	-	-
Advances to other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 537,158</u>	<u>\$ 253,202</u>	<u>\$ 359,782</u>	<u>\$ 1,362,941</u>	<u>\$ 5,851,798</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 254,352	\$ 16,241	\$ 6,603	\$ 48,072	\$ 14,818
Accrued liabilities	5,872	4,276	1,982	2,532	87,213
Notes payable	-	-	-	-	-
Due to other funds	256,138	196,376	650	536,171	2,812
Advances from other funds	-	-	-	-	-
Total Liabilities	<u>516,362</u>	<u>216,893</u>	<u>9,235</u>	<u>586,775</u>	<u>104,843</u>
Deferred Inflows of Resources					
Unavailable revenues	20,796	-	-	185,703	2,379,723
Unearned revenues	-	32,304	350,547	62,236	346,596
Unearned property tax revenue	-	-	-	-	-
Total Deferred Inflows of Resources	<u>20,796</u>	<u>32,304</u>	<u>350,547</u>	<u>247,939</u>	<u>2,726,319</u>
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	-	4,005	-	528,227	3,020,636
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	<u>-</u>	<u>4,005</u>	<u>-</u>	<u>528,227</u>	<u>3,020,636</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	<u>\$ 537,158</u>	<u>\$ 253,202</u>	<u>\$ 359,782</u>	<u>\$ 1,362,941</u>	<u>\$ 5,851,798</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2014

Special Revenue Funds							
Special Assessments	Restricted	Trusts	Library	Recycling	Municipal Court	Cemetery	Private Property Maintenance
\$ 1,283,327	\$ 1,260,676	\$ 1,826,437	\$ 427,836	\$ 50,025	\$ 13,843	\$ 145,509	\$ 166,562
-	16,930	-	1,825,339	1,143,169	70,168	360,835	-
603,740	-	-	-	-	-	-	-
2,509,713	-	-	-	-	-	-	-
-	61,416	-	-	-	-	-	101,984
-	-	-	-	-	-	-	-
-	-	-	108	390	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	590,000	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 4,396,780</u>	<u>\$ 1,929,022</u>	<u>\$ 1,826,437</u>	<u>\$ 2,253,283</u>	<u>\$ 1,193,584</u>	<u>\$ 84,011</u>	<u>\$ 506,344</u>	<u>\$ 268,546</u>
\$ -	\$ 40,228	\$ -	\$ 10,866	\$ 1,872	\$ 46	\$ 14,187	\$ -
134,632	37,242	-	55,531	-	5,584	3,840	2,401
-	-	-	-	-	-	-	-
-	-	4,811	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>134,632</u>	<u>77,470</u>	<u>4,811</u>	<u>66,397</u>	<u>1,872</u>	<u>5,630</u>	<u>18,027</u>	<u>2,401</u>
2,509,713	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
603,740	16,930	-	1,825,339	1,143,169	70,168	360,835	-
<u>3,113,453</u>	<u>16,930</u>	<u>-</u>	<u>1,825,339</u>	<u>1,143,169</u>	<u>70,168</u>	<u>360,835</u>	<u>-</u>
-	-	-	-	-	-	-	-
1,148,695	655,269	1,821,626	361,547	-	-	-	-
-	584,172	-	-	48,543	8,213	127,482	266,145
-	595,181	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,148,695</u>	<u>1,834,622</u>	<u>1,821,626</u>	<u>361,547</u>	<u>48,543</u>	<u>8,213</u>	<u>127,482</u>	<u>266,145</u>
<u>\$ 4,396,780</u>	<u>\$ 1,929,022</u>	<u>\$ 1,826,437</u>	<u>\$ 2,253,283</u>	<u>\$ 1,193,584</u>	<u>\$ 84,011</u>	<u>\$ 506,344</u>	<u>\$ 268,546</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2014

	Special Revenue Funds		Capital Projects Funds		
	Sanitary Sewer Maintenance	Health Lab	Tax Incremental Districts	City Projects	Capital Grants
ASSETS					
Cash and investments	\$ 837,742	\$ 208,406	\$ 11,864,817	\$ 434,865	\$ -
Receivables					
Property taxes	1,854,339	156,560	1,798,237	-	-
Special assessment - tax roll	-	-	-	-	-
Special assessment	-	-	-	-	-
Accounts	-	2,753	-	9,309	-
Loans and notes	-	-	4,517,120	-	-
Due from other funds	14,964	-	-	1,508,281	-
Due from other governments	-	-	255,489	-	44,127
Assets held for resale	-	-	385,000	-	-
Advances to component unit	-	-	-	120,000	-
Advances to other funds	-	-	-	429,206	-
TOTAL ASSETS	\$ 2,707,045	\$ 367,719	\$ 18,820,663	\$ 2,501,661	\$ 44,127
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 383,691	\$ -	\$ 92,370	\$ 195,979	\$ 9,895
Accrued liabilities	2,926	2,422	564	-	-
Notes payable	-	-	-	-	-
Due to other funds	-	-	-	2,281,094	34,232
Advances from other funds	-	-	5,174,769	-	-
Total Liabilities	<u>386,617</u>	<u>2,422</u>	<u>5,267,703</u>	<u>2,477,073</u>	<u>44,127</u>
Deferred Inflows of Resources					
Unavailable revenues	-	-	17,120	-	-
Unearned revenues	-	-	-	-	-
Unearned property tax revenue	1,854,339	156,560	1,798,237	-	-
Total Deferred Inflows of Resources	<u>1,854,339</u>	<u>156,560</u>	<u>1,815,357</u>	<u>-</u>	<u>-</u>
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	-	-	11,737,603	24,588	-
Committed	466,089	208,737	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	<u>466,089</u>	<u>208,737</u>	<u>11,737,603</u>	<u>24,588</u>	<u>-</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	\$ 2,707,045	\$ 367,719	\$ 18,820,663	\$ 2,501,661	\$ 44,127

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2014

Capital Projects Funds			Permanent Fund	Total
General Obligation Bond Projects	Equipment Replacement	Intergovernmental Revenue Sharing	Endowment Fund	Nonmajor Governmental Funds
\$ 9,163,055	\$ 369,023	\$ 3,666,505	\$ 2,431,400	\$ 37,982,213
-	-	-	-	7,225,577
-	-	-	-	603,740
-	-	-	-	2,509,713
17,999	-	-	-	587,848
-	-	200,000	-	7,303,342
-	-	-	-	1,523,743
-	-	-	-	1,752,964
-	-	-	-	483,739
-	-	220,832	-	930,832
-	-	5,174,769	-	5,603,975
<u>\$ 9,181,054</u>	<u>\$ 369,023</u>	<u>\$ 9,262,106</u>	<u>\$ 2,431,400</u>	<u>\$ 66,507,686</u>
\$ 1,797,463	\$ 361,308	\$ 79,631	\$ -	\$ 3,327,622
-	-	37,725	-	384,742
-	-	-	-	-
-	-	-	3,140	3,315,424
-	-	-	-	5,174,769
<u>1,797,463</u>	<u>361,308</u>	<u>117,356</u>	<u>3,140</u>	<u>12,202,557</u>
-	-	200,000	-	5,313,055
-	-	-	-	791,683
-	-	-	-	7,829,317
-	-	200,000	-	13,934,055
-	-	-	-	-
-	-	8,944,750	2,428,260	30,675,206
7,383,591	7,715	-	-	9,100,687
-	-	-	-	595,181
-	-	-	-	-
<u>7,383,591</u>	<u>7,715</u>	<u>8,944,750</u>	<u>2,428,260</u>	<u>40,371,074</u>
<u>\$ 9,181,054</u>	<u>\$ 369,023</u>	<u>\$ 9,262,106</u>	<u>\$ 2,431,400</u>	<u>\$ 66,507,686</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2014

	Special Revenue Funds					Special Revenue Funds			
	HUD Grants	State Grants	Other Agency Grants	Federal Grants	Loans	Special Assessments	Restricted	Trusts	Library
REVENUES									
Taxes	\$ -	\$ 86,590	\$ -	\$ -	\$ -	\$ -	\$ 232,202	\$ -	\$ 1,812,546
Special charges and assessments	-	-	-	-	-	1,180,277	-	-	-
Intergovernmental	2,471,189	797,317	-	1,228,492	-	-	76,853	-	1,377,517
Licenses and permits	-	-	-	-	-	-	124,723	-	-
Fines and Forfeitures	-	-	-	-	-	-	88,363	-	-
Charges for services	-	46,418	42,185	29,360	459,284	-	121,998	-	81,412
Miscellaneous	-	9,507	88,439	363,808	6,729	217,175	203,062	218,150	31,531
Total Revenues	2,471,189	939,832	130,624	1,621,660	466,013	1,397,452	847,201	218,150	3,303,006
EXPENDITURES									
Current									
General Government	-	-	-	-	-	-	265,154	-	-
Health	-	573,231	130,624	286,282	-	-	31,873	-	-
Public safety	-	347,624	-	232,215	-	-	138,851	-	-
Public works	-	-	-	-	-	2,067	66,044	-	-
Education and recreation	-	-	-	-	-	-	175,076	53,613	3,209,529
Community development	998,951	19,000	-	776,442	353,384	-	595	-	-
Debt Service - interest and fiscal charges	-	-	-	-	-	-	-	-	-
Capital outlay	1,391,531	-	-	179,382	-	-	115,730	-	54,276
Total Expenditures	2,390,482	939,855	130,624	1,474,321	353,384	2,067	793,323	53,613	3,263,805
Excess (deficiency) of revenues over expenditures	80,707	(23)	-	147,339	112,629	1,395,385	53,878	164,537	39,201
OTHER FINANCING SOURCES (USES)									
Long-term debt issued	-	-	-	-	-	-	-	-	-
Premium on long-term debt	-	-	-	-	-	-	-	-	-
Transfers in	17,288	-	-	-	-	-	25,566	-	40,519
Transfers out	(97,995)	-	-	-	(242,029)	(1,264,248)	(35,000)	-	-
Total Other Financing Sources (Uses)	(80,707)	-	-	-	(242,029)	(1,264,248)	(9,434)	-	40,519
Net Change in Fund Balances	-	(23)	-	147,339	(129,400)	131,137	44,444	164,537	79,720
FUND BALANCES (DEFICIT) - Beginning of Year	-	4,028	-	380,888	3,150,036	1,017,558	1,790,178	1,657,089	281,827
FUND BALANCES - END OF YEAR	\$ -	\$ 4,005	\$ -	\$ 528,227	\$ 3,020,636	\$ 1,148,695	\$ 1,834,622	\$ 1,821,626	\$ 361,547

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2014

Special Revenue Funds					
Recycling	Municipal Court	Cemetery	Private Property Maintenance	Sanitary Sewer Maintenance	Health Lab
\$ 379,427	\$ 71,561	\$ 362,752	\$ 112	\$ -	\$ 165,238
-	-	-	-	-	-
316,080	-	-	-	-	5,660
-	-	-	100,611	-	-
-	229,379	-	-	-	-
768,724	-	234,950	194,954	1,714,140	56,250
73,398	-	10,301	-	76,136	-
<u>1,537,629</u>	<u>300,940</u>	<u>608,003</u>	<u>295,677</u>	<u>1,790,276</u>	<u>227,148</u>
-	-	-	-	-	-
-	-	-	-	-	181,365
-	307,727	-	-	-	-
1,467,429	-	-	240,156	441,702	-
-	-	593,177	-	-	-
-	-	-	-	-	-
-	-	121,746	-	2,150,384	-
<u>1,467,429</u>	<u>307,727</u>	<u>714,923</u>	<u>240,156</u>	<u>2,592,086</u>	<u>181,365</u>
-	-	-	-	-	-
70,200	(6,787)	(106,920)	55,521	(801,810)	45,783
-	-	-	-	-	-
-	-	-	-	-	-
-	15,000	121,746	-	-	-
-	-	(18,142)	-	-	-
-	15,000	103,604	-	-	-
70,200	8,213	(3,316)	55,521	(801,810)	45,783
(21,657)	-	130,798	210,624	1,267,899	162,954
<u>\$ 48,543</u>	<u>\$ 8,213</u>	<u>\$ 127,482</u>	<u>\$ 266,145</u>	<u>\$ 466,089</u>	<u>\$ 208,737</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2014

	Capital Projects Funds				
	Tax Incremental Districts	City Projects	Capital Grants	General Obligation Bond Projects	Equipment Replacement
REVENUES					
Taxes	\$ 3,989,089	\$ -	\$ -	\$ -	\$ -
Special charges and assessments	-	-	-	-	-
Intergovernmental	644,580	566,679	77,267	-	-
Licenses and permits	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Charges for services	4,586	1,762,478	-	5,462	-
Miscellaneous	434,947	34,470	-	309,258	99,959
Total Revenues	<u>5,073,202</u>	<u>2,363,627</u>	<u>77,267</u>	<u>314,720</u>	<u>99,959</u>
EXPENDITURES					
Current					
General Government	-	-	-	-	-
Health	-	-	-	-	-
Public safety	-	-	-	16,336	-
Public works	-	109,861	-	-	10,046
Education and recreation	-	-	-	980	-
Community development	496,837	-	-	-	-
Debt Service - interest and fiscal charges	6,037	385,192	-	48,275	-
Capital outlay	576,291	2,788,953	77,267	10,280,534	1,896,895
Total Expenditures	<u>1,079,165</u>	<u>3,284,006</u>	<u>77,267</u>	<u>10,346,125</u>	<u>1,906,941</u>
Excess (deficiency) of revenues over expenditures	<u>3,994,037</u>	<u>(920,379)</u>	<u>-</u>	<u>(10,031,405)</u>	<u>(1,806,982)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	11,200,000	-
Premium on long-term debt	-	-	-	56,560	-
Transfers in	-	1,264,248	-	-	1,818,198
Transfers out	(1,050,741)	-	-	(2,940,536)	-
Total Other Financing Sources (Uses)	<u>(1,050,741)</u>	<u>1,264,248</u>	<u>-</u>	<u>8,316,024</u>	<u>1,818,198</u>
Net Change in Fund Balances	<u>2,943,296</u>	<u>343,869</u>	<u>-</u>	<u>(1,715,381)</u>	<u>11,216</u>
FUND BALANCES (DEFICIT) - Beginning of Year	<u>8,794,307</u>	<u>(319,281)</u>	<u>-</u>	<u>9,098,972</u>	<u>(3,501)</u>
FUND BALANCES - END OF YEAR	<u>\$ 11,737,603</u>	<u>\$ 24,588</u>	<u>\$ -</u>	<u>\$ 7,383,591</u>	<u>\$ 7,715</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2014

Capital Projects Funds	Permanent Fund	Total
Intergovernmental		Nonmajor
Revenue	Endowment	Governmental
Sharing	Fund	Funds
\$ -	\$ -	\$ 7,099,517
-	-	1,180,277
1,463,708	-	9,025,342
-	-	225,334
-	-	317,742
4,000	-	5,526,201
265,378	74,112	2,516,360
1,733,086	74,112	25,890,773
-	-	265,154
-	-	1,203,375
-	-	1,042,753
-	-	2,337,305
723,549	76,671	4,832,595
-	-	2,645,209
-	-	439,504
-	-	19,632,989
723,549	76,671	32,398,884
1,009,537	(2,559)	(6,508,111)
-	-	11,200,000
-	-	56,560
-	18,142	3,320,707
-	-	(5,648,691)
-	18,142	8,928,576
1,009,537	15,583	2,420,465
7,935,213	2,412,677	37,950,609
\$ 8,944,750	\$ 2,428,260	\$ 40,371,074

CITY OF RACINE
Special Revenue Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2014**

	Library			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,812,543	\$ 1,812,543	\$ 1,812,546	\$ 3
Intergovernmental	1,382,517	1,382,517	1,377,517	(5,000)
Licenses and permits	-	-	-	-
Fines and Forfeitures	-	-	-	-
Charges for services	106,000	106,000	81,412	(24,588)
Miscellaneous	12,000	12,000	31,531	19,531
Total Revenues	<u>3,313,060</u>	<u>3,313,060</u>	<u>3,303,006</u>	<u>(10,054)</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Health	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Education and recreation	3,369,441	3,369,441	3,209,529	159,912
Community development	-	-	-	-
Capital outlay	70,400	75,750	54,276	21,474
Total Expenditures	<u>3,439,841</u>	<u>3,445,191</u>	<u>3,263,805</u>	<u>181,386</u>
Excess (deficiency) of revenues over expenditures	<u>(126,781)</u>	<u>(132,131)</u>	<u>39,201</u>	<u>171,332</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	40,000	45,350	40,519	(4,831)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>40,000</u>	<u>45,350</u>	<u>40,519</u>	<u>(4,831)</u>
Net Change in Fund Balances	<u>\$ (86,781)</u>	<u>\$ (86,781)</u>	<u>79,720</u>	<u>\$ 166,501</u>
FUND BALANCES (DEFICITS) - Beginning of Year			<u>281,827</u>	
FUND BALANCES - END OF YEAR			<u>\$ 361,547</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, 2014

Recycling				Municipal Court			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 379,427	\$ 379,427	\$ 379,427	\$ -	\$ 71,561	\$ 71,561	\$ 71,561	\$ -
316,580	316,580	316,080	(500)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	235,000	235,000	229,379	(5,621)
761,694	761,694	768,724	7,030	-	-	-	-
140,000	140,000	73,398	(66,602)	-	-	-	-
<u>1,597,701</u>	<u>1,597,701</u>	<u>1,537,629</u>	<u>(60,072)</u>	<u>306,561</u>	<u>306,561</u>	<u>300,940</u>	<u>(5,621)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	304,311	305,117	307,727	(2,610)
1,597,701	1,611,122	1,467,429	143,693	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	1,230	-	1,230	2,250	2,250	-	2,250
<u>1,597,701</u>	<u>1,612,352</u>	<u>1,467,429</u>	<u>144,923</u>	<u>306,561</u>	<u>307,367</u>	<u>307,727</u>	<u>(360)</u>
-	(14,651)	70,200	84,851	-	(806)	(6,787)	(5,981)
-	-	-	-	-	-	15,000	15,000
-	-	-	-	-	-	-	-
-	-	-	-	-	-	15,000	15,000
<u>\$ -</u>	<u>\$ (14,651)</u>	<u>70,200</u>	<u>\$ 84,851</u>	<u>\$ -</u>	<u>\$ (806)</u>	<u>8,213</u>	<u>\$ 9,019</u>
		(21,657)				-	
		<u>\$ 48,543</u>				<u>\$ 8,213</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, 2014

	Cemetery			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 362,752	\$ 362,752	\$ 362,752	\$ -
Intergovernmental	-	-	-	-
Licenses and permits	-	-	-	-
Fines and Forfeitures	-	-	-	-
Charges for services	245,000	245,000	234,950	(10,050)
Miscellaneous	-	-	10,301	10,301
Total Revenues	<u>607,752</u>	<u>607,752</u>	<u>608,003</u>	<u>251</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Health	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Education and recreation	607,752	607,752	593,177	14,575
Community development	-	-	-	-
Capital outlay	<u>148,000</u>	<u>201,093</u>	<u>121,746</u>	<u>79,347</u>
Total Expenditures	<u>755,752</u>	<u>808,845</u>	<u>714,923</u>	<u>93,922</u>
Excess (deficiency) of revenues over expenditures	<u>(148,000)</u>	<u>(201,093)</u>	<u>(106,920)</u>	<u>94,173</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	148,000	201,093	121,746	(79,347)
Transfers out	<u>-</u>	<u>-</u>	<u>(18,142)</u>	<u>(18,142)</u>
Total Other Financing Sources (Uses)	<u>148,000</u>	<u>201,093</u>	<u>103,604</u>	<u>(97,489)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>(3,316)</u>	<u>\$ (3,316)</u>
FUND BALANCES (DEFICITS) - Beginning of Year			<u>130,798</u>	
FUND BALANCES - END OF YEAR			<u>\$ 127,482</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, 2014

Private Property Maintenance				Sanitary Sewer Maintenance			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ 112	\$ 112	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
110,000	110,000	100,611	(9,389)	-	-	-	-
-	-	-	-	-	-	-	-
135,000	135,000	194,954		2,686,350	2,691,349	1,714,140	(977,209)
-	-	-	-	10,000	10,000	76,136	66,136
<u>245,000</u>	<u>245,000</u>	<u>295,677</u>	<u>(9,277)</u>	<u>2,696,350</u>	<u>2,701,349</u>	<u>1,790,276</u>	<u>(911,073)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
241,140	241,140	240,156	984	546,350	546,350	441,702	104,648
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	2,150,000	2,574,416	2,150,384	424,032
<u>241,140</u>	<u>241,140</u>	<u>240,156</u>	<u>984</u>	<u>2,696,350</u>	<u>3,120,766</u>	<u>2,592,086</u>	<u>528,680</u>
<u>3,860</u>	<u>3,860</u>	<u>55,521</u>	<u>51,661</u>	<u>-</u>	<u>(419,417)</u>	<u>(801,810)</u>	<u>(382,393)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 3,860</u>	<u>\$ 3,860</u>	<u>55,521</u>	<u>\$ 51,661</u>	<u>\$ -</u>	<u>\$ (419,417)</u>	<u>(801,810)</u>	<u>\$ (382,393)</u>
		<u>210,624</u>				<u>1,267,899</u>	
		<u>\$ 266,145</u>				<u>\$ 466,089</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, 2014

	Health Lab			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 165,238	\$ 165,238	\$ 165,238	\$ -
Intergovernmental	-	-	5,660	5,660
Licenses and permits	-	-	-	-
Fines and Forfeitures	-	-	-	-
Charges for services	11,000	11,000	56,250	45,250
Miscellaneous	-	-	-	-
Total Revenues	<u>176,238</u>	<u>176,238</u>	<u>227,148</u>	<u>50,910</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Health	176,238	176,238	181,365	(5,127)
Public safety	-	-	-	-
Public works	-	-	-	-
Education and recreation	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>176,238</u>	<u>176,238</u>	<u>181,365</u>	<u>(5,127)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>45,783</u>	<u>45,783</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>\$ -</u>	<u>\$ -</u>	<u>45,783</u>	<u>\$ 45,783</u>
FUND BALANCES (DEFICITS) - Beginning of Year			<u>162,954</u>	
FUND BALANCES - END OF YEAR			<u>\$ 208,737</u>	

CITY OF RACINE

Debt Service Fund

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2014**

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes	\$ 14,468,537	\$ 14,468,537	\$ -
Intergovernmental	173,847	170,059	(3,788)
Miscellaneous	157,715	155,876	(1,839)
Total Revenues	<u>14,800,099</u>	<u>14,794,472</u>	<u>(5,627)</u>
EXPENDITURES			
Debt service			
Principal	12,095,000	23,295,000	(11,200,000)
Interest and fiscal charges	3,755,841	3,963,609	(207,768)
Total Expenditures	<u>15,850,841</u>	<u>27,258,609</u>	<u>(11,407,768)</u>
Deficiency of revenues over expenditures	<u>(1,050,742)</u>	<u>(12,464,137)</u>	<u>(11,413,395)</u>
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	-	17,675,000	17,675,000
Premium on long-term debt issued	-	1,550,772	1,550,772
Payment to escrow agent	-	(7,628,538)	(7,628,538)
Transfers in	1,050,742	1,059,026	8,284
Total Other Financing Sources (Uses)	<u>1,050,742</u>	<u>12,656,260</u>	<u>11,605,518</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>192,123</u>	<u>\$ 192,123</u>
FUND BALANCES - Beginning of Year		<u>346,013</u>	
FUND BALANCES - END OF YEAR		<u>\$ 538,136</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, 2014**

	General Obligation Bond Projects			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	5,462	5,462
Miscellaneous	10,000	73,081	309,258	236,177
Total Revenues	10,000	73,081	314,720	241,639
EXPENDITURES				
Current	-	-	-	-
Public safety	-	16,336	16,336	-
Public works	-	-	-	-
Education and recreation	-	980	980	-
Community development	-	-	-	-
Debt Service - interest and fiscal charges	-	48,275	48,275	-
Capital outlay	7,691,733	14,329,399	10,280,534	4,048,865
Total Expenditures	7,691,733	14,394,990	10,346,125	4,048,865
Excess (deficiency) of revenues over expenditures	(7,681,733)	(14,321,909)	(10,031,405)	4,290,504
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	9,189,733	11,189,733	11,200,000	10,267
Premium on long-term debt	-	-	56,560	56,560
Transfers in	-	-	-	-
Transfers out	(1,508,000)	(5,966,796)	(2,940,536)	3,026,260
Total Other Financing Sources (Uses)	7,681,733	5,222,937	8,316,024	3,093,087
Net Change in Fund Balances	\$ -	\$ (9,098,972)	(1,715,381)	\$ 7,383,591
FUND BALANCES (DEFICIT) - Beginning of Year			9,098,972	
FUND BALANCES - END OF YEAR			<u>\$ 7,383,591</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, 2014

Equipment Replacement Fund				Intergovernmental Revenue Sharing			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,463,708	1,463,708	1,463,708	-
-	-	-	-	-	-	4,000	4,000
78,500	83,760	99,959	16,199	-	-	265,378	265,378
<u>78,500</u>	<u>83,760</u>	<u>99,959</u>	<u>16,199</u>	<u>1,463,708</u>	<u>1,463,708</u>	<u>1,733,086</u>	<u>269,378</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	10,046	10,046	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	3,957,830	3,961,157	723,549	3,237,608
-	-	-	-	-	-	-	-
2,065,538	2,098,896	1,896,895	202,001	-	-	-	-
<u>2,065,538</u>	<u>2,108,942</u>	<u>1,906,941</u>	<u>202,001</u>	<u>3,957,830</u>	<u>3,961,157</u>	<u>723,549</u>	<u>3,237,608</u>
-	-	-	-	-	-	-	-
(1,987,038)	(2,025,182)	(1,806,982)	218,200	(2,494,122)	(2,497,449)	1,009,537	3,506,986
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
1,987,038	2,028,683	1,818,198	(210,485)	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,987,038</u>	<u>2,028,683</u>	<u>1,818,198</u>	<u>(210,485)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
\$ -	\$ 3,501	11,216	\$ 7,715	\$ (2,494,122)	\$ (2,497,449)	1,009,537	\$ 3,506,986
		(3,501)				7,935,213	
		<u>\$ 7,715</u>				<u>\$ 8,944,750</u>	

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION
As of December 31, 2014

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Total
ASSETS					
Current Assets					
Cash and investments	\$ 1,636,529	\$ 243	\$ 182,677	\$ 519,531	\$ 2,338,980
Receivables					
Accounts	7,762	16,086	38,469	27,719	90,036
Taxes	9,670	-	299,750	-	309,420
Due from other governments	-	-	-	-	-
Inventories	-	-	8,816	-	8,816
Prepaid items	-	-	9,335	-	9,335
Total Current Assets	<u>1,653,961</u>	<u>16,329</u>	<u>539,047</u>	<u>547,250</u>	<u>2,756,587</u>
Noncurrent Assets					
Capital assets					
Land	1,014,105	1,432,654	140,421	15,000	2,602,180
Land and building improvements	16,748,298	3,160,462	8,058,470	156,213	28,123,443
Equipment, furniture and vehicles	725,559	-	400,367	12,913	1,138,839
Less: accumulated depreciation	<u>(7,773,510)</u>	<u>(2,055,957)</u>	<u>(4,724,166)</u>	<u>(100,018)</u>	<u>(14,653,651)</u>
	10,714,452	2,537,159	3,875,092	84,108	17,210,811
Construction in progress	280,954	-	-	-	280,954
Total Capital Assets (net of accumulated depreciation)	<u>10,995,406</u>	<u>2,537,159</u>	<u>3,875,092</u>	<u>84,108</u>	<u>17,491,765</u>
 Total Assets	 <u>\$ 12,649,367</u>	 <u>\$ 2,553,488</u>	 <u>\$ 4,414,139</u>	 <u>\$ 631,358</u>	 <u>\$ 20,248,352</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION
As of December 31, 2014

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Total
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 8,076	\$ -	\$ 89,624	\$ 332	\$ 98,032
Accrued liabilities	9,437	21,093	84,509	5,643	120,682
Due to other funds	-	10,395	208,774	-	219,169
Advances from other funds	-	-	-	-	-
Total Current Liabilities	<u>17,513</u>	<u>31,488</u>	<u>382,907</u>	<u>5,975</u>	<u>437,883</u>
Noncurrent Liabilities					
Compensated absences	18,413	-	-	13,095	31,508
OPEB ARC obligation	1,116,161	-	-	600,910	1,717,071
Advances from other funds	-	-	-	-	-
Total Noncurrent Liabilities	<u>1,134,574</u>	<u>-</u>	<u>-</u>	<u>614,005</u>	<u>1,748,579</u>
Total Liabilities	<u>1,152,087</u>	<u>31,488</u>	<u>382,907</u>	<u>619,980</u>	<u>2,186,462</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	-	-	-	-	-
Unearned property tax revenue	9,670	-	299,750	-	309,420
Total Deferred Inflows of Resources	<u>9,670</u>	<u>-</u>	<u>299,750</u>	<u>-</u>	<u>309,420</u>
NET POSITION					
Net Investment in capital assets	10,995,406	2,537,159	3,875,092	84,108	17,491,765
Unrestricted (deficit)	<u>492,204</u>	<u>(15,159)</u>	<u>(143,610)</u>	<u>(72,730)</u>	<u>260,705</u>
TOTAL NET POSITION	<u>\$ 11,487,610</u>	<u>\$ 2,522,000</u>	<u>\$ 3,731,482</u>	<u>\$ 11,378</u>	<u>\$ 17,752,470</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2014

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Total
OPERATING REVENUES					
Charges for services	\$ 945,536	\$ 160,040	\$ 503,508	\$ 323,601	\$ 1,932,685
Other	196	13	-	-	209
Total Operating Revenues	<u>945,732</u>	<u>160,053</u>	<u>503,508</u>	<u>323,601</u>	<u>1,932,894</u>
OPERATING EXPENSES					
Operation and maintenance	1,067,164	-	-	514,696	1,581,860
Education and recreation	-	84,456	1,024,744	-	1,109,200
Depreciation	439,607	97,084	323,911	6,208	866,810
Total Operating Expenses	<u>1,506,771</u>	<u>181,540</u>	<u>1,348,655</u>	<u>520,904</u>	<u>3,557,870</u>
Operating Loss	<u>(561,039)</u>	<u>(21,487)</u>	<u>(845,147)</u>	<u>(197,303)</u>	<u>(1,624,976)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income (loss)	-	-	-	-	-
Interest expense	-	-	-	-	-
Subsidies from other governmental units	-	-	-	-	-
Gain (loss) on sale of fixed assets	-	-	-	-	-
Tax levy	9,670	-	326,750	-	336,420
Total Nonoperating Revenues (Expenses)	<u>9,670</u>	<u>-</u>	<u>326,750</u>	<u>-</u>	<u>336,420</u>
Loss Before Contributions and Transfers	<u>(551,369)</u>	<u>(21,487)</u>	<u>(518,397)</u>	<u>(197,303)</u>	<u>(1,288,556)</u>
CONTRIBUTED CAPITAL	-	-	-	-	-
TRANSFERS IN	-	-	280,745	-	280,745
Change in Net Position	<u>(551,369)</u>	<u>(21,487)</u>	<u>(237,652)</u>	<u>(197,303)</u>	<u>(1,007,811)</u>
TOTAL NET POSITION, Beginning of Year	<u>12,038,979</u>	<u>2,543,487</u>	<u>3,969,134</u>	<u>208,681</u>	<u>18,760,281</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 11,487,610</u>	<u>\$ 2,522,000</u>	<u>\$ 3,731,482</u>	<u>\$ 11,378</u>	<u>\$ 17,752,470</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 972,210	\$ 143,967	\$ 487,651	\$ 330,203	\$ 1,934,031
Payments to suppliers	(508,550)	(143,724)	(1,053,985)	(61,591)	(1,767,850)
Payments to employees	(468,718)	-	-	(246,957)	(715,675)
Net Cash Flows From Operating Activities	(5,058)	243	(566,334)	21,655	(549,494)
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	-	-	-	-	-
Interest paid on advances	-	-	-	-	-
Grants received	-	-	-	-	-
Transfer from other funds for capital purposes	-	-	280,745	-	280,745
Acquisition and construction of capital assets	(164,000)	-	(74,106)	-	(238,106)
Net Cash Flows From Capital and Related Financing Activities	(164,000)	-	206,639	-	42,639
Change in Cash and Cash Equivalents	(159,388)	243	(32,945)	21,655	(170,435)
CASH AND CASH EQUIVALENTS - Beginning of Year	1,795,917	-	215,622	497,876	2,509,415
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,636,529</u>	<u>\$ 243</u>	<u>\$ 182,677</u>	<u>\$ 519,531</u>	<u>\$ 2,338,980</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

	<u>Parking Utility</u>	<u>Golf Courses</u>	<u>Civic Centre</u>	<u>Radio Repair</u>	<u>Totals</u>
CASH FLOW FROM OPERATING ACTIVITIES					
Operating loss	\$ (561,039)	\$ (21,487)	\$ (845,147)	\$ (197,303)	\$ (1,624,976)
Adjustments to Reconcile Operating Loss to net cash flows from operating activities:					
Other postemployment benefits	201,990	-	-	203,528	405,518
Depreciation	439,607	97,084	323,911	6,208	866,810
Changes in assets and liabilities					
Accounts receivable	26,479	(16,086)	(15,857)	6,602	1,138
Inventories	-	-	(884)	-	(884)
Prepaid items	-	-	(2,348)	-	(2,348)
Due from other funds	-	-	27,000	-	27,000
Accounts payable	(102,430)	-	(62,032)	(622)	(165,084)
Accrued liabilities	(9,665)	(2,614)	(13,645)	3,242	(22,682)
Unearned revenues	-	-	-	-	-
Due to other funds	-	(56,654)	22,668	-	(33,986)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (5,058)</u>	<u>\$ 243</u>	<u>\$ (566,334)</u>	<u>\$ 21,655</u>	<u>\$ (549,494)</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
None					

CITY OF RACINE
Internal Service Funds

COMBINING STATEMENT OF NET POSITION
As of December 31, 2014

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
ASSETS						
Current Assets						
Cash and investments	\$ 310,916	\$ 419,013	\$ 377,697	\$ 5,891,122	\$ 108,155	\$ 7,106,903
Receivables						
Accounts	17,933	-	1,060	927,902	1,923	948,818
Inventories	417,875	-	-	-	-	417,875
Due from other funds	14,444	-	-	-	3,095	17,539
Total Current Assets	<u>761,168</u>	<u>419,013</u>	<u>378,757</u>	<u>6,819,024</u>	<u>113,173</u>	<u>8,491,135</u>
Noncurrent Assets						
Capital assets						
Land	32,879	-	-	-	-	32,879
Intangible assets	-	622,264	-	-	-	622,264
Buildings and land improvements	1,932,237	-	-	-	-	1,932,237
Equipment, furniture and vehicles	416,704	1,340,511	179,518	-	262,509	2,199,242
Less: Accumulated depreciation and amortization	<u>(1,251,272)</u>	<u>(1,825,830)</u>	<u>(129,845)</u>	<u>-</u>	<u>(171,769)</u>	<u>(3,378,716)</u>
	<u>1,130,548</u>	<u>136,945</u>	<u>49,673</u>	<u>-</u>	<u>90,740</u>	<u>1,407,906</u>
Construction in progress	-	377,210	-	-	-	377,210
Total Capital Assets (net of accumulated depreciation/amortization)	<u>1,130,548</u>	<u>514,155</u>	<u>49,673</u>	<u>-</u>	<u>90,740</u>	<u>1,785,116</u>
Total Assets	<u>\$ 1,891,716</u>	<u>\$ 933,168</u>	<u>\$ 428,430</u>	<u>\$ 6,819,024</u>	<u>\$ 203,913</u>	<u>\$ 10,276,251</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET POSITION

As of December 31, 2014

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 30,780	\$ 38,552	\$ 23,052	\$ 105,052	\$ -	\$ 197,436
Accrued liabilities	38,881	17,826	23,367	943,590	-	1,023,664
Due to other funds	-	-	21,835	-	-	21,835
Total Current Liabilities	<u>69,661</u>	<u>56,378</u>	<u>68,254</u>	<u>1,048,642</u>	<u>-</u>	<u>1,242,935</u>
Noncurrent Liabilities						
Compensated absences	84,490	12,194	53,038	-	-	149,722
Total Noncurrent Liabilities	<u>84,490</u>	<u>12,194</u>	<u>53,038</u>	<u>-</u>	<u>-</u>	<u>149,722</u>
Total Liabilities	<u>154,151</u>	<u>68,572</u>	<u>121,292</u>	<u>1,048,642</u>	<u>-</u>	<u>1,392,657</u>
NET POSITION						
Net investment in capital assets	1,130,548	514,155	49,673	-	90,740	1,785,116
Unrestricted	607,017	350,441	257,465	5,770,382	113,173	7,098,478
TOTAL NET POSITION	<u>\$ 1,737,565</u>	<u>\$ 864,596</u>	<u>\$ 307,138</u>	<u>\$ 5,770,382</u>	<u>\$ 203,913</u>	<u>\$ 8,883,594</u>

CITY OF RACINE

Internal Service Funds

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

For the year ended December 31, 2014

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
OPERATING REVENUES						
Charges for services and sales						
Labor, fuel, parts and equipment charges	\$ 4,328,615	\$ -	\$ -	\$ -	\$ -	\$ 4,328,615
Health insurance premiums	-	-	-	18,400,516	-	18,400,516
Telephone service sales	-	-	-	-	138,213	138,213
Computer service sales	-	1,257,017	-	-	-	1,257,017
Facilities rent	-	-	2,402,369	-	-	2,402,369
Other	19,042	-	7,333	1,213,762	-	1,240,137
Total Operating Revenues	<u>4,347,657</u>	<u>1,257,017</u>	<u>2,409,702</u>	<u>19,614,278</u>	<u>138,213</u>	<u>27,766,867</u>
OPERATING EXPENSES						
Public Works						
Operating supplies and expenses	4,341,931	-	2,441,266	-	-	6,783,197
General administration						
Telephone expenses	-	-	-	-	111,169	111,169
Health insurance	-	-	-	17,638,224	-	17,638,224
Information systems	-	1,504,333	-	-	-	1,504,333
Depreciation and amortization	97,934	68,793	25,554	-	49,907	242,188
Total Operating Expenses	<u>4,439,865</u>	<u>1,573,126</u>	<u>2,466,820</u>	<u>17,638,224</u>	<u>161,076</u>	<u>26,279,111</u>
Income (Loss) Before Transfers	(92,208)	(316,109)	(57,118)	1,976,054	(22,863)	1,487,756
TRANSFER IN	<u>-</u>	<u>554,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>554,813</u>
Change in Net Position	(92,208)	238,704	(57,118)	1,976,054	(22,863)	2,042,569
TOTAL NET POSITION - Beginning 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>
TOTAL NET POSITION - END OF YEAR	<u>\$ 1,737,565</u>	<u>\$ 864,596</u>	<u>\$ 307,138</u>	<u>\$ 5,770,382</u>	<u>\$ 203,913</u>	<u>\$ 8,883,594</u>

CITY OF RACINE
Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 4,357,593	\$ 1,257,017	\$ 2,408,642	\$ 19,102,783	\$ 136,565	\$ 27,262,600
Payments to suppliers	(2,604,949)	(814,538)	(1,383,325)	(18,051,627)	(101,663)	(22,956,102)
Payments to employees	(1,863,325)	(668,501)	(1,088,088)	(166,031)	(10,019)	(3,795,964)
Net Cash Flows From Operating Activities	(110,681)	(226,022)	(62,771)	885,125	24,883	510,534
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Transfer from other funds for capital purposes	-	554,813	-	-	-	554,813
Acquisition and construction of capital assets	-	(409,132)	-	-	(6,451)	(415,583)
Net Cash Flows From Capital and Related Financing Activities	-	145,681	-	-	(6,451)	139,230
Change in Cash and Cash Equivalents	(110,681)	(80,341)	(62,771)	885,125	18,432	649,764
CASH AND CASH EQUIVALENTS - Beginning of Year	421,597	499,354	440,468	5,005,997	89,723	6,457,139
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 310,916</u>	<u>\$ 419,013</u>	<u>\$ 377,697</u>	<u>\$ 5,891,122</u>	<u>\$ 108,155</u>	<u>\$ 7,106,903</u>

CITY OF RACINE
Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

	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)	\$ (92,208)	\$ (316,109)	\$ (57,118)	\$ 1,976,054	\$ (22,863)	\$ 1,487,756
Adjustments to Reconcile Operating Income (Loss) to Net Cash						
Flows From Operating Activities						
Depreciation/Amortization expense	97,934	68,793	25,554	-	49,907	242,188
Changes in assets and liabilities						
Accounts receivable	13,846	-	(1,060)	(511,495)	(615)	(499,324)
Inventories	(22,418)	-	-	-	-	(22,418)
Due from other funds	(3,909)	-	-	-	(1,033)	(4,942)
Accounts payable	(118,287)	13,963	(41,844)	(256,147)	(513)	(402,828)
Accrued liabilities	14,361	7,331	3,216	(265,750)	-	(240,842)
Due to other funds	-	-	8,481	(57,537)	-	(49,056)
NET CASH FLOW FROM OPERATING ACTIVITIES	\$ (110,681)	\$ (226,022)	\$ (62,771)	\$ 885,125	\$ 24,883	\$ 510,534

**NONCASH CAPITAL AND
RELATED FINANCING ACTIVITIES**

None

CITY OF RACINE

Component Unit

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2014

	Redevelopment Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 619,908
Payments to suppliers	<u>(276,937)</u>
Net Cash Flows From Operating Activities	<u>342,971</u>
 CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Acquisition and construction of capital assets	<u>(38,247)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(38,247)</u>
 Change in Cash and Cash Equivalents	304,724
 CASH AND CASH EQUIVALENTS - Beginning of Year	<u>51,433</u>
 CASH AND CASH EQUIVALENTS - END OF YEAR	<u><u>\$ 356,157</u></u>

CITY OF RACINE

Component Unit

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2014

	Redevelopment Authority
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED FLOWS FROM OPERATING ACTIVITIES:	
Operating Loss	\$ (105,763)
Adjustments to Reconcile Operating Loss to Net Cash	
Changes in assets and liabilities	
Accounts receivable	450,000
Accounts payable	(1,266)
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>\$ 342,971</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
None	