

CITY OF RACINE

Racine, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2015

CITY OF RACINE

TABLE OF CONTENTS

As of and for the Year Ended December 31, 2015

Independent Auditors' Report	1 – 3
Management's Discussion and Analysis – Required Supplementary Information	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 – 99
Required Supplementary Information	
Schedule of Funding Progress of Other Postemployment Benefits	100
Schedule of District's Proportionate Share of the Net Pension Asset – Wisconsin Retirement System	101
Schedule of Employer Contributions – Wisconsin Retirement System	101
Notes to Required Supplementary Information	102
Supplementary Information	
Nonmajor Governmental Funds	
Combining Balance Sheet	103 – 106
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	107 – 110

CITY OF RACINE

TABLE OF CONTENTS

As of and for the Year Ended December 31, 2015

Supplementary Information (cont.)

Special Revenue Funds

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	111 – 115
--	-----------

Debt Service Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	116
--	-----

Capital Projects Fund

Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual	117 – 118
--	-----------

Nonmajor Enterprise Funds

Combining Statement of Net Position	119 – 120
-------------------------------------	-----------

Combining Statement of Revenues, Expenses and Changes in Net Position	121
--	-----

Combining Statement of Cash Flows	122 – 123
-----------------------------------	-----------

Internal Service Funds

Combining Statement of Net Position	124 – 125
-------------------------------------	-----------

Combining Statement of Revenues, Expenses and Changes in Net Position	126
--	-----

Combining Statement of Cash Flows	127 – 128
-----------------------------------	-----------

Component Unit

Statement of Cash Flows – Redevelopment Authority	129 – 130
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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, 2015, 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, 69 percent and 68 percent, respectively of the assets, net position and revenues of the business-type activities, or the Downtown Racine Business Improvement District #1, a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Racine Water and Wastewater Utilities, both major enterprise funds, or the Downtown Racine Business Improvement District #1, a discretely presented component unit, is based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Racine Water and Wastewater Utilities, both major enterprise funds, or the Downtown Racine Business Improvement District #1, were not audited in accordance with *Government Auditing Standards*.

To the Mayor and Common Council
City of Racine

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Racine, Wisconsin, as of December 31, 2015 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, the City of Racine adopted the provisions of GASB Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27* and GASB Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68*, effective January 1, 2015. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information 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 supplementary information as listed in the table of contents is presented for purposes of additional analysis and is 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 supplementary information is 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 22, 2016 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 cursive script that reads "Baker Terry Vireadow Shouse, CPA". The signature is written in dark ink and is positioned above the typed name and date.

Milwaukee, Wisconsin
July 22, 2016

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, 2015.

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 \$238,652,848 (net position).
- The City's total net position as of January 1, 2015 has been restated by \$26,648,578 as a result of the implementation of GASB Statement No. 68-Accounting and Financial Reporting for Pensions-an Amendment of GASB Statement No. 27 and implementation of GASB Statement No. 71-Pension Transition for Contributions Made Subsequent to the Measurement Date. These Statements require the net pension asset and related deferred outflows and deferred inflows, if any, to be reported in the financial statements.
- The City's total net position decreased by \$797,794.
- As of the close of the current fiscal year, the City of Racine's governmental funds reported combined ending fund balances of \$78,343,908, an increase of \$7,116,229, in comparison with the prior year. Approximately 30.14% of this amount, \$23,620,258, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$23,620,258 or 29.47% of total general fund expenditures.
- Total long term obligations decreased by approximately \$12 million for the fiscal year ended December 31, 2015. Long term obligation activity during the year included the following:
 - \$11.2 million note anticipation notes for capital project purposes.
 - \$12.54 million of general obligation refunding debt issued to advance refund \$1.295 million of 2006 debt issues. The remaining balance was used for the current refunding of the \$11.2 million note anticipation note.
 - The Water Utility borrowed \$1.2 million from a Safe Drinking Water Loan and \$6.6 million in Mortgage Revenue Bonds.
 - Principal paid on outstanding debt was \$30.6 million.
- In June 2012, the GASB issued statement No. 68 - Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27. This statement establishes standards for measuring and recognizing assets, liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. In November 2013, the GASB issued statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. These standards were implemented January 1, 2015. Therefore, the City has restated beginning net position related to the implementation. The City's 2014 comparative data as presented in this Management Discussion and Analysis does not reflect the restatement.

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

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).

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.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

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.

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 25-31 of this report.

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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.

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 103-130 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, 2015 and 2014 (as restated) City's assets/deferred outflows exceeded liabilities/deferred inflows by \$238,652,848 and \$239,450,642 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 \$299,196,508 and \$282,056,134 at December 31, 2015 and 2014.

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 \$49,763,909 and \$49,310,709 as of December 31, 2015 and 2014 respectively.

The City's governmental activities had a deficit unrestricted net position of \$(112,820,097) and \$(115,144,447) as of December 31, 2015 and 2014 respectively. The deficit is primarily the result of the increase in the City's OPEB obligation.

The City's net OPEB obligation was \$171,272,555 and \$150,968,698 as of December 31, 2015 and 2014 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, 2015 and 2014. Amounts are expressed in thousands.

	2015	2014	2015	2014	2015	2014
	Governmental Activities	Governmental Activities	Business-Type Activities	Business-Type Activities	Total	Total
Current and other assets	\$ 173,399	\$ 153,054	\$ 71,258	\$ 77,929	\$ 244,657	\$ 230,983
Capital assets	202,878	193,811	268,478	269,257	471,356	463,068
Total assets	<u>376,277</u>	<u>346,865</u>	<u>339,736</u>	<u>347,186</u>	<u>716,013</u>	<u>694,051</u>
Deferred outflows of resources	<u>13,697</u>	<u>2,723</u>	<u>2,168</u>	<u>1,240</u>	<u>15,865</u>	<u>3,963</u>
Current and other liabilities	26,721	11,493	2,909	2,357	29,630	13,850
Liabilities payable from restricted assets	-	-	10,898	10,911	10,898	10,911
Long-term liabilities	<u>246,249</u>	<u>246,306</u>	<u>142,343</u>	<u>151,268</u>	<u>388,592</u>	<u>397,574</u>
Total liabilities	<u>272,970</u>	<u>257,799</u>	<u>156,150</u>	<u>164,536</u>	<u>429,120</u>	<u>422,335</u>
Deferred inflows of resources	<u>57,974</u>	<u>56,738</u>	<u>6,131</u>	<u>6,139</u>	<u>64,105</u>	<u>62,877</u>
Net position:						
Net Investment in capital assets	122,085	113,066	184,184	176,571	299,197	282,056
Restricted	49,764	37,129	12,758	12,181	62,296	49,310
Unrestricted	<u>(112,820)</u>	<u>(115,144)</u>	<u>(17,318)</u>	<u>(11,001)</u>	<u>(122,840)</u>	<u>(118,565)</u>
Total net position	<u>\$ 59,029</u>	<u>\$ 35,051</u>	<u>\$ 179,624</u>	<u>\$ 177,751</u>	<u>\$ 238,653</u>	<u>\$ 212,801</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, 2015 and 2014. Amounts are expressed in thousands.

	2015	2014	2015	2014	2015	2014
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities		
Revenues						
Charges for services	\$ 18,609	\$ 18,380	\$ 39,686	\$ 40,136	\$ 58,295	\$ 58,516
Operating grants and contributions	11,418	11,043	6,045	5,922	17,463	16,965
Capital grants and contributions	11,661	2,581	3,424	2,980	15,085	5,561
Taxes	53,010	54,164	1,509	1,436	54,519	55,600
Intergovernmental revenues not restricted to specific programs	28,525	28,424	-	-	28,525	28,424
Investment income	1,169	2,581	162	180	1,331	2,761
Other	920	1,111	30	17	950	1,128
Total revenues	125,312	118,284	50,856	50,671	176,168	168,955
Expenses						
General government	16,451	14,277	-	-	16,451	14,277
Community development	3,365	4,230	-	-	3,365	4,230
Health	3,573	3,498	-	-	3,573	3,498
Education and recreation	13,619	14,068	-	-	13,619	14,068
Public works	26,420	25,778	-	-	26,420	25,778
Public safety	61,542	60,197	-	-	61,542	60,197
Interest and fiscal charges	4,285	4,117	-	-	4,285	4,117
Water	-	-	16,120	16,296	16,120	16,296
Wastewater	-	-	14,409	14,778	14,409	14,778
Storm Water	-	-	4,323	4,539	4,323	4,539
Belle urban system	-	-	9,635	10,028	9,635	10,028
Other	-	-	3,223	3,558	3,223	3,558
Total expenses	129,255	126,165	47,710	49,199	176,965	175,364
Increase (decrease) in net position before transfers	(3,943)	(7,881)	3,146	1,472	(797)	(6,409)
Transfers	3,355	3,608	(3,355)	(3,608)	-	-
Increase (decrease) in net position	(588)	(4,273)	(209)	(2,136)	(797)	(6,409)
Net position-beginning of year (restated)	59,617	39,324	179,833	179,887	239,450	219,211
Net position-end of year	\$ 59,029	\$ 35,051	\$ 179,624	\$ 177,751	\$ 238,653	\$ 212,802

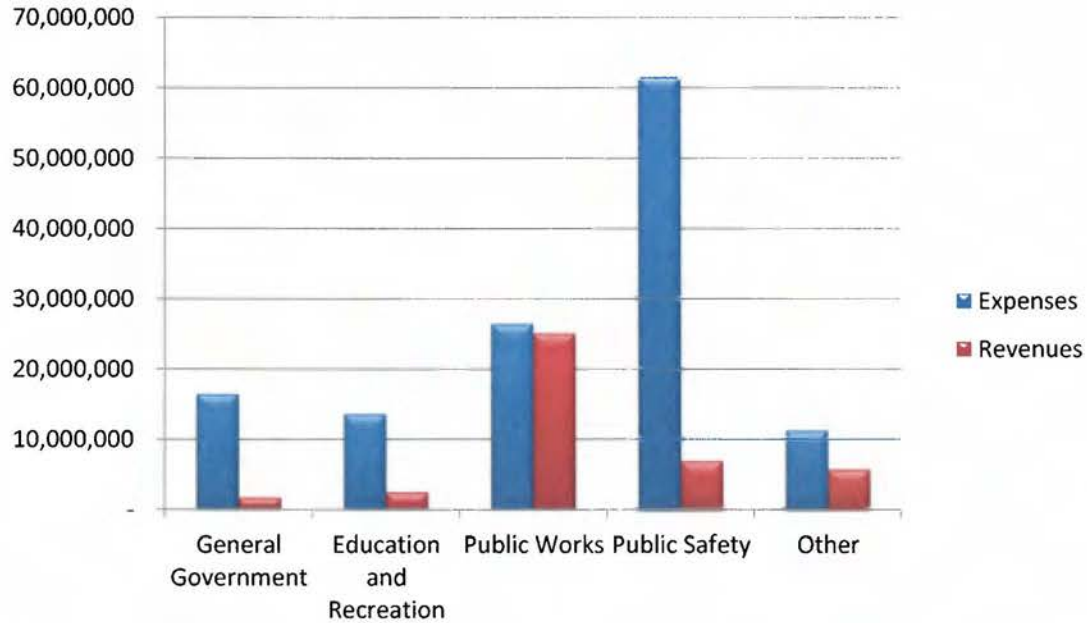
CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Governmental Activities

The net position in the governmental activities decreased by approximately \$588 thousand during the fiscal year.

Expenses and Program Revenues-Governmental Activities:



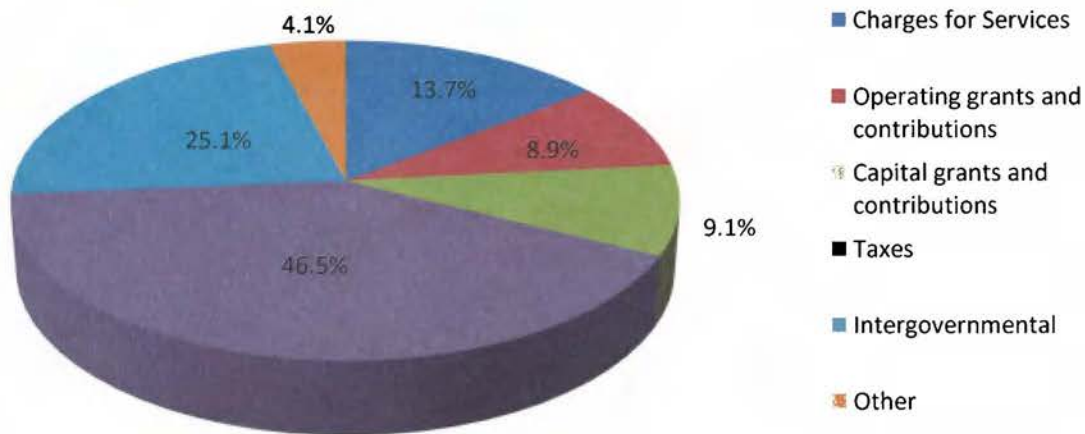
CITY OF RACINE

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 slightly over \$200,000 during the fiscal year 2015. Key elements of this decrease are as follows:

- The Water utility had an increase in net position of \$1.22 million. The increase in net position in the Water utility relates primarily to increases in metered sales, and a decrease in materials and supplies expenses.
- The Wastewater utility had a decrease in net position of \$1.8 million. The decrease in net position in the Wastewater utility relates to the Utility's increase in net OPEB obligation, increase in operation and maintenance costs, and a decrease in metered sales.
- The Belle Urban Transit system had a decrease in net position of approximately \$800 thousand. Transit has a loss before contributions and transfers of \$1.2 million, which relates to rising pension and health care costs and a reduction in state aid and a reduction in fare revenue.
- The Storm Water Utility had an increase in net position of approximately \$1.5 million. This relates to an increase in revenue from storm charges and a decrease in expenses in the operations area.
- The Other Enterprise Funds of the City had a decrease in net position of approximately \$306,000.

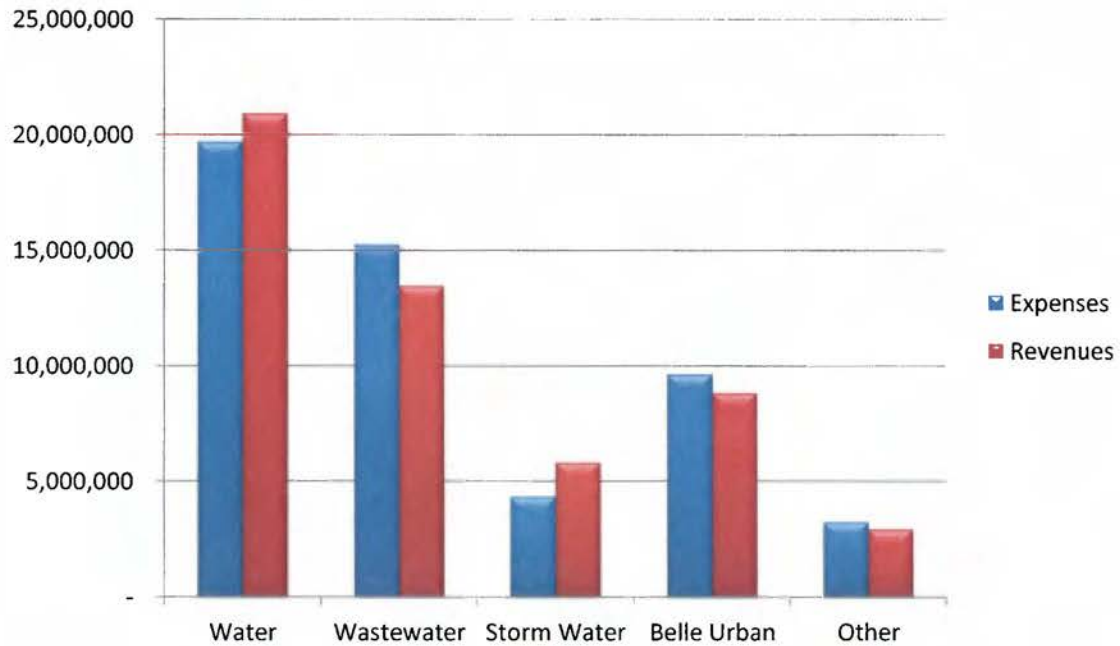
CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Business-type activities (cont.)

Expenses and Program Revenues – Business-type Activities:



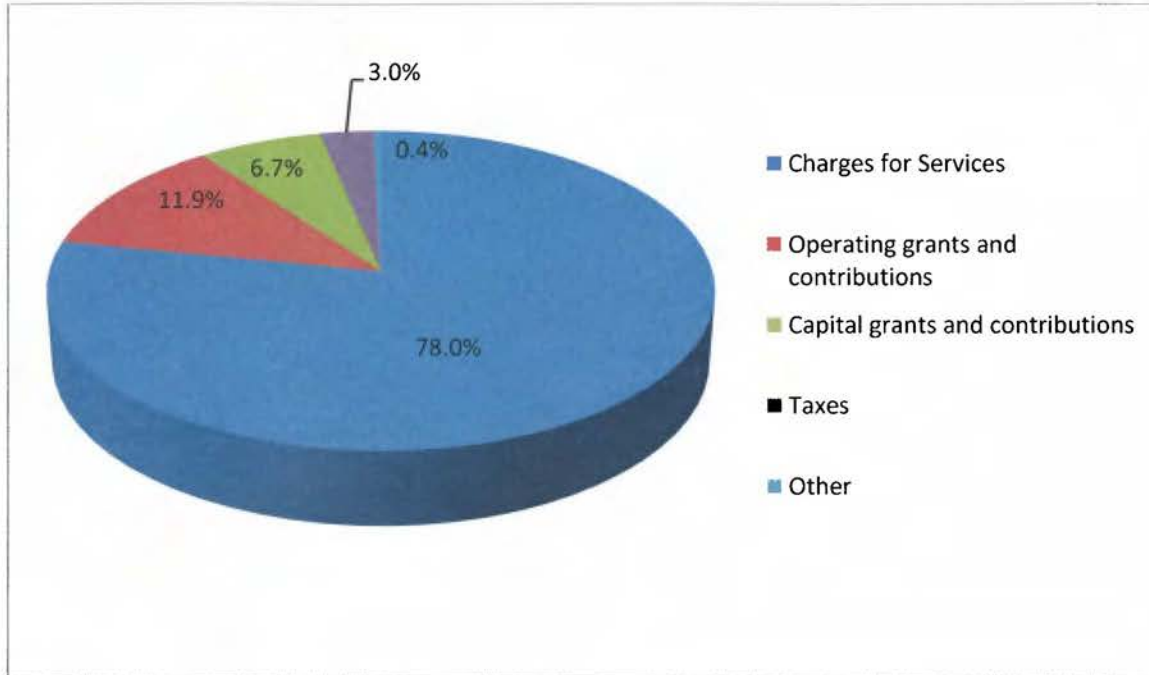
CITY OF RACINE

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 \$78,343,908. Approximately 30.1% of this amount, \$23,620,258 constitutes unassigned fund balance which is available for spending at the government's discretion.

The general fund is the primary operating fund of the City of Racine. At the end of the current fiscal year, unassigned fund balance of the general fund was \$23,620,258, while total fund balance totaled \$32,202,267. Unassigned fund balance represents 29.5% of total general fund expenditures, while total fund balance represents 40.2% of total general fund expenditures.

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

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

Although the general fund was budgeted to use \$779,250 of fund balances during 2015, the general fund added almost \$1.9 to fund balance for the year ended December 31, 2015. The resulting \$2.7 million positive variance is the result of actual revenues and transfers in over budgeted amounts by about \$2.5 million, while expenditures were just slightly under budget. The following details both the revenue 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 \$500 thousand more than budgeted in the general fund.
- Police department fines and forfeitures were over \$500 thousand 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 almost \$900 thousand.

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, 2015 and 2014 of \$731,944 and \$538,136, all of which is restricted for the payment of debt service. Fund balance increased by \$193,808 in 2015, and increased \$192,123 during 2014.

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 \$45,409,697 and \$40,371,074 in 2015 and 2014 respectively. The fund balances of these funds increased by just over \$5.0 million, during 2015. This was due primarily to the following:

1. The City's Tax Incremental Districts Capital Project fund increased their fund balance by over \$800 thousand which is a result of increment received, to be used for a future project.
2. The City's Intergovernmental Revenue Sharing Capital Project fund increased its fund balance by just over \$1 million. There were less expenditures incurred. Funds will be used in subsequent years for upcoming economic development projects.
3. The Capital Project fund – Equipment Replacement fund had a increase in fund balance of approximately \$2 million. This relates to bond proceeds that will be spent in early 2016.

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 2015 and 2014 amounted to \$354,330 and \$2,229,289, for the Wastewater utility \$(13,169,736) and \$(8,296,314), for the Storm water utility \$(2,533,502) and \$(2,781,753), for the Belle urban system \$(1,972,093) and \$(2,413,377), and for the other enterprise funds \$228,757 and 260,705. The total change in net position for the Water Utility for 2015 and 2014 was \$1,217,918 and \$724,136, the Wastewater Utility \$(1,787,500) and \$(625,811), the Storm water Utility \$1,482,401 and \$298,437, for the Belle urban system \$(816,322) and \$(1,525,618), and for the Other Enterprise funds \$(306,220) and \$(1,007,811) 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, 2015 and 2014 amounted to \$299,196,508 and \$282,056,134 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, 2015 and 2014, capital assets, net of accumulated depreciation totaled \$471,356,342 and \$463,068,196 respectively. Capital assets, net of accumulated depreciation increased approximately \$8,288,146 in 2015 and increased approximately \$593,291 million in 2014. The significant increase in 2015 relates primarily to several state road construction projects being finalized and capitalized in 2015.

Long-term debt – At the end of 2015 and 2014, the City of Racine had total general obligation and revenue bond debt outstanding of \$192,390,718 and \$203,951,044. Of this amount, the debt backed by the full faith and credit of the government is \$104,215,000 and \$106,400,000 in 2015 and 2014 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 \$11.6 million in 2015. The majority of the decrease in 2015 was a result of significant principal paid in both the Water and the Wastewater Utility.

	<u>Outstanding debt</u>	
	<u>2015</u>	<u>2014</u>
Governmental Activities:		
General obligation bonds and notes	\$ 104,215,000	\$ 106,400,000
Business-Type Activities:		
Revenue bonds	<u>88,175,718</u>	<u>97,551,044</u>
Total	<u>\$ 192,390,718</u>	<u>\$ 203,951,044</u>

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Economic Conditions and 2016 and 2017 Budget Outlook

The City's unemployment rate remains significantly above the state and national average. In May of 2016, the City's unemployment rate is 5.9% compared to a state rate of 3.8% and a county rate of 4.7%. Although the City's unemployment rate is down almost 1% from this same time last year, we still have the highest unemployment rate in the state.

Due to current market conditions, the assessed value of the City decreased slightly for the 2015 tax roll. Due to current market conditions, it is possible that the City will see another slight reduction in the assessed value in 2016.

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.

The City used slightly over \$2.0 million of general fund, debt service fund, internal service and other governmental fund balances to stabilize the 2016 tax rate. This was consistent with the prior year. The 2016 City tax rate was \$17.23 per thousand. In the 2017 budget the City will continue to make every effort to keep the tax rate steady while stabilizing 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, 2015

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Business Improvement District	Redevelopment Authority
ASSETS					
Cash and investments	\$ 74,949,595	\$ 18,722,523	\$ 93,672,118	\$ 18,131	\$ 323,873
Receivables, net of allowance for uncollectible accounts	75,004,102	13,622,936	88,627,038	198,000	15,247
Internal balances	2,477,765	(2,477,765)	-	-	-
Due from other governments	2,214,962	1,487,552	3,702,514	-	-
Inventories	530,322	689,346	1,219,668	-	-
Prepaid items	26,544	22,696	49,240	-	-
Advances to other funds	1,359,334	(1,359,334)	-	-	-
Advances to component unit	2,736,585	-	2,736,585	-	-
Restricted assets					
Cash and investments	-	15,541,171	15,541,171	-	-
Pension asset	10,722,724	909,002	11,631,726	-	-
Plant capacity receivable, current portion	-	3,279,232	3,279,232	-	-
Plant capacity receivable, long term	-	20,820,810	20,820,810	-	-
Deposit in CVMIC	2,962,500	-	2,962,500	-	-
Assets held for resale	413,809	-	413,809	-	2,996,978
Capital assets					
Land	24,746,736	5,084,905	29,831,641	-	-
Construction in progress	8,895,272	5,006,717	13,901,989	-	-
Other capital assets, net of accumulated depreciation/amortization	169,236,305	258,386,407	427,622,712	5,570	-
Total Assets	<u>376,276,555</u>	<u>339,736,198</u>	<u>716,012,753</u>	<u>221,701</u>	<u>3,336,098</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts relating to pension	11,422,849	1,100,176	12,523,025	-	-
Unamortized loss on refunding	2,274,261	1,068,228	3,342,489	-	-
Total Deferred Outflows of Resources	<u>13,697,110</u>	<u>2,168,404</u>	<u>15,865,514</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Accounts payable	4,803,556	1,218,397	6,021,953	4,418	294
Accrued compensation and other current liabilities	6,781,045	560,828	7,341,873	-	800
Due to other governments	135,418	-	135,418	-	-
Accrued interest payable	151,716	-	151,716	-	-
Unearned capacity revenue	-	1,130,526	1,130,526	-	-
Liabilities payable from restricted assets					
Accrued interest payable	-	660,703	660,703	-	-
Current portion of long term debt	14,849,796	10,237,207	25,087,003	-	-
Noncurrent liabilities					
OPEB obligation	149,013,838	22,258,717	171,272,555	-	-
Unearned capacity revenue	-	39,567,403	39,567,403	-	-
Due in more than one year	97,234,831	80,516,556	177,751,387	-	2,736,585
Total Liabilities	<u>272,970,200</u>	<u>156,150,337</u>	<u>429,120,537</u>	<u>4,418</u>	<u>2,737,679</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	57,974,313	6,130,569	64,104,882	197,600	-
Total Deferred Inflows of Resources	<u>57,974,313</u>	<u>6,130,569</u>	<u>64,104,882</u>	<u>197,600</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	122,085,340	184,183,950	299,196,508	5,570	-
Restricted for					
Debt service	1,588,812	-	1,588,812	-	-
Permanent funds	2,328,047	-	2,328,047	-	-
Library	462,179	-	462,179	-	-
Loan Programs	5,545,447	-	5,545,447	-	-
Tax increment districts	12,551,189	-	12,551,189	-	-
Intergovernmental revenue sharing	10,006,310	-	10,006,310	-	-
Federal and State grant programs	479,896	-	479,896	-	-
Trusts	2,026,489	-	2,026,489	-	-
Special assessment program	3,400,605	-	3,400,605	-	-
Health, public safety, and parks programs	652,211	-	652,211	-	-
Pension asset	10,722,724	-	10,722,724	-	-
Stormwater - pension asset	-	139,634	139,634	-	-
Other Enterprise Funds - pension asset	-	85,681	85,681	-	-
Water	-	5,292,457	5,292,457	-	-
Wastewater	-	7,014,218	7,014,218	-	-
Unrestricted (deficit)	(112,820,097)	(17,092,244)	(122,839,559)	14,113	598,419
TOTAL NET POSITION	<u>\$ 59,029,152</u>	<u>\$ 179,623,696</u>	<u>\$ 238,652,848</u>	<u>\$ 19,683</u>	<u>\$ 598,419</u>

See accompanying notes to financial statements.

CITY OF RACINE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2015

Functions/Programs	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
Primary Government									
Governmental activities									
General government	\$ 16,451,100	\$ 1,541,491	\$ 166,934	\$ -	\$ (14,742,675)	\$ -	\$ (14,742,675)	\$ -	\$ -
Community development	3,365,526	620,936	2,846,930	990,307	1,092,647	-	1,092,647	-	-
Health	3,573,304	481,518	751,226	-	(2,340,560)	-	(2,340,560)	-	-
Education and recreation	13,618,744	835,743	1,460,884	-	(11,322,117)	-	(11,322,117)	-	-
Public works	26,419,663	9,456,927	5,110,496	10,518,265	(1,333,975)	-	(1,333,975)	-	-
Public safety	61,541,638	5,672,051	1,081,458	152,265	(54,635,864)	-	(54,635,864)	-	-
Interest and fiscal charges	4,284,887	-	-	-	(4,284,887)	-	(4,284,887)	-	-
Total Governmental Activities	129,254,862	18,608,666	11,417,928	11,660,837	(87,567,431)	-	(87,567,431)	-	-
Business type activities									
Water	16,119,792	20,162,918	-	566,794	-	4,609,920	4,609,920	-	-
Wastewater	14,409,571	11,398,605	-	2,011,176	-	(999,790)	(999,790)	-	-
Storm Water	4,322,891	4,571,992	345,150	845,903	-	1,440,154	1,440,154	-	-
Belle Urban Transit	9,634,985	1,576,418	5,700,164	-	-	(2,358,403)	(2,358,403)	-	-
Other	3,223,082	1,975,611	-	-	-	(1,247,471)	(1,247,471)	-	-
Total Business Type Activities	47,710,321	39,685,544	6,045,314	3,423,873	-	1,444,410	1,444,410	-	-
Total Primary Government	\$ 176,965,183	\$ 58,294,210	\$ 17,463,242	\$ 15,084,710	(87,567,431)	1,444,410	(86,123,021)	-	-

CITY OF RACINE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2015

	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
Component Units									
Business Improvement District	\$ -	\$ -	\$ -	\$ -	-	-	-	(211,282)	-
Redevelopment Authority	-	-	-	-	-	-	-	-	(282,484)
Total Component Units	\$ -	\$ -	\$ -	\$ -	-	-	-	(211,282)	(282,484)
General Revenues									
Taxes									
Property taxes, levied for general purposes					35,098,510	1,509,420	36,607,930	197,292	-
Property taxes levied, for debt service					15,486,759	-	15,486,759	-	-
Property taxes, levied for TIF					1,798,237	-	1,798,237	-	-
Other taxes					627,213	-	627,213	-	-
Intergovernmental revenues not restricted to specific programs					28,525,418	-	28,525,418	-	-
Investment income					1,168,787	162,013	1,330,800	116	-
Other					919,780	29,090	948,870	7,987	-
Transfers					3,354,656	(3,354,656)	-	-	-
Total General Revenues and Transfers					86,979,360	(1,654,133)	85,325,227	205,395	-
Change in net position					(588,071)	(209,723)	(797,794)	(5,887)	(282,484)
NET POSITION - Beginning of Year (as restated)					59,617,223	179,833,419	239,450,642	25,570	880,903
NET POSITION - END OF YEAR					\$ 59,029,152	\$ 179,623,696	\$ 238,652,848	\$ 19,683	\$ 598,419

CITY OF RACINE
Governmental Funds

BALANCE SHEET
As of December 31, 2015

	General Fund	Debt Service	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and investments	\$ 27,041,952	\$ 643,491	\$ 39,280,994	\$ 66,966,437
Receivables				
Taxes	36,572,899	16,504,887	7,784,273	60,862,059
Special assessments				
and special charges - tax roll	-	-	646,485	646,485
Special assessments	-	-	2,419,636	2,419,636
Delinquent personal property taxes	130,522	-	-	130,522
Loans and notes	-	-	6,902,256	6,902,256
Accrued interest	94,382	-	-	94,382
Accounts	1,611,927	86,629	490,199	2,188,755
Total Receivables - Net	38,409,730	16,591,516	18,242,849	73,244,095
Due from other funds	8,111,649	1,824	930,569	9,044,042
Due from other governments	354,192	-	1,860,770	2,214,962
Inventories	103,719	-	-	103,719
Prepaid items	26,544	-	-	26,544
Deposit in CVMIC	2,962,500	-	-	2,962,500
Assets held for resale	-	-	413,809	413,809
Advances to component unit	-	-	2,736,585	2,736,585
Advances to other funds	-	1,008,584	7,216,787	8,225,371
TOTAL ASSETS	\$ 77,010,286	\$ 18,245,415	\$ 70,682,363	\$ 165,938,064
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,610,716	\$ -	\$ 2,928,564	\$ 4,539,280
Accrued liabilities	3,290,884	-	343,562	3,634,446
Due to other funds	5,228,400	-	1,319,414	6,547,814
Due to other governments	135,418	-	-	135,418
Insurance claims payable	2,066,372	-	-	2,066,372
Advances from other funds	-	-	6,866,037	6,866,037
Total Liabilities	12,331,790	-	11,457,577	23,789,367
Deferred Inflows of Resources				
Unavailable revenue	-	1,008,584	4,821,892	5,830,476
Unearned interest/revenue	-	-	562,439	562,439
Unearned property tax revenue	32,476,229	16,504,887	8,430,758	57,411,874
Total Deferred Inflows of Resources	32,476,229	17,513,471	13,815,089	63,804,789
Fund Balances				
Nonspendable	7,832,009	-	-	7,832,009
Restricted	-	731,944	32,630,481	33,362,425
Committed	-	-	12,183,955	12,183,955
Assigned	750,000	-	595,261	1,345,261
Unassigned	23,620,258	-	-	23,620,258
Total Fund Balances	32,202,267	731,944	45,409,697	78,343,908
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 77,010,286	\$ 18,245,415	\$ 70,682,363	

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)	200,948,882
Internal service fund net position.	11,511,406
Pension asset and deferred outflows	21,230,624
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)	5,830,476
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)	(258,836,144)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 59,029,152

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2015

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
REVENUES				
Taxes	\$ 32,762,703	\$ 15,486,759	\$ 4,761,256	\$ 53,010,718
Special assessments	-	-	1,129,113	1,129,113
Intergovernmental	33,218,613	516,508	8,013,107	41,748,228
Licenses and permits	2,439,405	-	-	2,439,405
Fines, forfeitures and penalties	2,485,669	-	314,272	2,799,941
Charges for services	5,530,397	-	6,858,927	12,389,324
Miscellaneous	1,012,833	202,969	2,117,843	3,333,645
Total Revenues	<u>77,449,620</u>	<u>16,206,236</u>	<u>23,194,518</u>	<u>116,850,374</u>
EXPENDITURES				
Current				
General government	15,600,351	-	183,471	15,783,822
Health	1,858,343	-	1,381,398	3,239,741
Public safety	44,520,883	-	1,081,844	45,602,727
Public works	11,400,865	-	2,509,202	13,910,067
Education and recreation	5,933,928	-	4,158,665	10,092,593
Community Development	720,245	-	2,575,550	3,295,795
Capital Outlay	-	-	14,359,505	14,359,505
Debt Service				
Principal	-	24,625,000	-	24,625,000
Interest and fiscal charges	-	3,870,250	474,642	4,344,892
Total Expenditures	<u>80,034,615</u>	<u>28,495,250</u>	<u>26,724,277</u>	<u>135,254,142</u>
Excess (deficiency) of revenues over expenditures	<u>(2,584,995)</u>	<u>(12,289,014)</u>	<u>(3,529,759)</u>	<u>(18,403,768)</u>

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2015

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	\$ -	\$ -	\$ 11,195,000	\$ 11,195,000
Premium on long-term debt issued	-	271,014	50,266	321,280
Refunding bonds issued	-	12,540,000	-	12,540,000
Payment to escrow agent	-	(1,367,768)	-	(1,367,768)
Transfers in	4,581,561	1,039,576	3,078,909	8,700,046
Transfers out	(112,768)	-	(5,755,793)	(5,868,561)
Total Other Financing Sources (Uses)	<u>4,468,793</u>	<u>12,482,822</u>	<u>8,568,382</u>	<u>25,519,997</u>
Net Change in Fund Balances	1,883,798	193,808	5,038,623	7,116,229
FUND BALANCES - Beginning of Year	<u>30,318,469</u>	<u>538,136</u>	<u>40,371,074</u>	<u>71,227,679</u>
FUND BALANCES - END OF YEAR	<u>\$ 32,202,267</u>	<u>\$ 731,944</u>	<u>\$ 45,409,697</u>	<u>\$ 78,343,908</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, 2015

Net change in fund balances - total governmental funds	\$	7,116,229
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Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However in the statement of net position, the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.

Capital outlay is reported in the fund financial statements but is capitalized in the government-wide financial statements		14,359,505
Some items reported as capital outlay are not capitalized		(3,457,607)
Depreciation is reported in the government-wide statements		(11,323,618)
Contributed Capital		9,756,918
Net book value of assets retired		(412,511)

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		(23,735,000)
Principal repaid (includes \$1,295,000 payment to escrow agent)		25,920,000

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		151,371
Unamortized discounts/premiums (see Note II. B.)		(191,209)
Net pension asset		(6,811,208)
Deferred outflows of resources related to pension		4,498,732
Other postemployment benefits		(17,395,950)
Writeoff of loans		327,723
Accrued interest on debt		2,703

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

1,604,881

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

(1,106,882)

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

107,852

Change in net position of governmental activities

\$ (588,071)

CITY OF RACINE

General Fund

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Year Ended December 31, 2015

	Budgeted Amounts			Variance with
	Original Budget	Final Budget	Actual	Final Budget
REVENUES				
Taxes	\$ 32,603,395	\$ 32,603,395	\$ 32,762,703	\$ 159,308
Intergovernmental	33,192,319	33,143,359	33,218,613	75,254
Licenses and permits	2,298,550	2,308,550	2,439,405	130,855
Fines and forfeitures	1,937,000	1,937,000	2,485,669	548,669
Charges for services	5,539,083	5,428,043	5,530,397	102,354
Miscellaneous	276,531	426,531	1,012,833	586,302
Total Revenues	75,846,878	75,846,878	77,449,620	1,602,742
EXPENDITURES				
Current				
General government	15,729,397	15,704,397	15,600,351	104,046
Health	2,035,166	2,035,166	1,858,343	176,823
Public safety	44,814,309	44,818,524	44,520,883	297,641
Public works	10,939,697	10,987,597	11,400,865	(413,268)
Education and recreation	5,977,079	5,979,214	5,933,928	45,286
City Development	756,270	756,270	720,245	36,025
Total Expenditures	80,251,918	80,281,168	80,034,615	246,553
Excess (deficiency) of revenues over expenditures	(4,405,040)	(4,434,290)	(2,584,995)	1,849,295
OTHER FINANCING SOURCES (USES)				
Transfers in	3,736,874	3,736,874	4,581,561	844,687
Transfers out	(81,834)	(81,834)	(112,768)	(30,934)
Total Other Financing Sources (Uses)	3,655,040	3,655,040	4,468,793	813,753
Net Change in Fund Balance	\$ (750,000)	\$ (779,250)	1,883,798	\$ 2,663,048
FUND BALANCE - Beginning of Year			30,318,469	
FUND BALANCE - END OF YEAR			\$ 32,202,267	

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET POSITION

As of December 31, 2015

	Business-Type Activities- Enterprise Funds					Governmental Activities	
	Water Utility	Wastewater Utility	Storm Water Utility	Belle Urban Transit	Non- Major Other Enterprise Funds	Total	Internal Service Funds
ASSETS							
Current Assets							
Cash and investments	\$ 7,251,290	\$ 8,178,182	\$ 992,926	\$ 200	\$ 2,299,925	\$ 18,722,523	\$ 7,983,158
Receivables							
Accounts	3,637,517	3,390,990	-	53,658	126,135	7,208,300	1,760,007
Taxes	338,649	5,273	4,561,044	1,200,000	309,670	6,414,636	-
Due from other governments	-	-	-	1,487,552	-	1,487,552	-
Due from other funds	4,344,075	2,371,013	-	-	-	6,715,088	7,028
Inventories	367,547	49,826	-	258,724	13,249	689,346	426,603
Prepaid items	5,228	-	-	-	17,468	22,696	-
Total Current Assets	<u>15,944,306</u>	<u>13,995,284</u>	<u>5,553,970</u>	<u>3,000,134</u>	<u>2,766,447</u>	<u>41,260,141</u>	<u>10,176,796</u>
Noncurrent Assets							
Restricted Assets							
Cash and investments	8,613,230	6,927,941	-	-	-	15,541,171	-
Pension asset	399,185	284,502	139,634	-	85,681	909,002	446,495
Plant capacity, current portion	-	3,279,232	-	-	-	3,279,232	-
Plant capacity, long term	-	20,820,810	-	-	-	20,820,810	-
Capital assets							
Land	1,843,341	99,950	-	539,434	2,602,180	5,084,905	32,879
Construction in progress	1,908,255	1,728,941	619,808	-	749,713	5,006,717	-
Intangible assets	-	-	-	-	-	-	1,341,851
Land and building improvements	151,490,659	105,622,454	62,723,949	8,799,909	28,335,540	356,972,511	1,959,737
Equipment, furniture and vehicles	33,017,940	49,247,109	1,774,808	15,899,720	1,151,276	101,090,853	2,142,442
Less: Accumulated depreciation/amortization	(57,383,420)	(79,502,438)	(35,449,823)	(11,830,677)	(15,510,599)	(199,676,957)	(3,547,478)
Total Noncurrent Assets	<u>139,889,190</u>	<u>108,508,501</u>	<u>29,808,376</u>	<u>13,408,386</u>	<u>17,413,791</u>	<u>309,028,244</u>	<u>2,375,926</u>
Total Assets	<u>155,833,496</u>	<u>122,503,785</u>	<u>35,362,346</u>	<u>16,408,520</u>	<u>20,180,238</u>	<u>350,288,385</u>	<u>12,552,722</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred amounts relating to pension	505,034	369,036	141,793	-	84,313	1,100,176	468,454
Unamortized loss on refunding	1,068,228	-	-	-	-	1,068,228	-
Total Deferred Outflows of Resources	<u>1,573,262</u>	<u>369,036</u>	<u>141,793</u>	<u>-</u>	<u>84,313</u>	<u>2,168,404</u>	<u>468,454</u>

See accompanying notes to financial statements.

Page 25

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET POSITION

As of December 31, 2015

	Business-Type Activities- Enterprise Funds					Governmental Activities
	Water Utility	Wastewater Utility	Storm Water Utility	Belle Urban Transit	Non- Major Other Enterprise Funds	Internal Service Funds
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 230,857	\$ 303,483	\$ 150,626	\$ 280,427	\$ 253,004	\$ 1,218,397
Accrued liabilities	186,258	147,403	18,953	60,477	147,737	560,828
Advances from other funds	96,855	86,625	81,985	-	-	265,465
Compensated absences	21,011	-	-	-	-	21,011
Due to other funds	3,920,069	1,847,284	-	3,312,535	112,965	9,192,853
Unearned capacity revenue	-	1,130,526	-	-	-	1,130,526
Liabilities payable from restricted assets						
Accrued interest	462,478	198,225	-	-	-	660,703
Current portion of long term debt	4,766,183	5,450,013	-	-	-	10,216,196
Total Current Liabilities	9,683,711	9,163,559	251,564	3,653,439	513,706	23,265,979
Noncurrent Liabilities						
Compensated absences	592,457	414,509	6,850	58,933	31,779	1,104,528
OPEB obligation	10,611,950	6,738,877	3,141,042	-	1,766,848	22,258,717
Revenue bonds and notes payable	42,501,144	36,910,884	-	-	-	79,412,028
Advances from other funds	435,554	389,550	268,765	-	-	1,093,869
Unearned capacity revenue	-	39,567,403	-	-	-	39,567,403
Total Noncurrent Liabilities	54,141,105	84,021,223	3,416,657	58,933	1,798,627	143,436,545
Total Liabilities	63,824,816	93,184,782	3,668,221	3,712,372	2,312,333	166,702,524
DEFERRED INFLOWS OF RESOURCES						
Unearned revenue	-	-	-	59,855	-	59,855
Unearned property tax revenue	-	-	4,561,044	1,200,000	309,670	6,070,714
Total Deferred Inflows of Resources	-	-	4,561,044	1,259,855	309,670	6,130,569
NET POSITION						
Net investment in capital assets	87,935,155	35,843,557	29,668,742	13,408,386	17,328,110	184,183,950
Restricted	5,292,457	7,014,218	139,634	-	85,681	12,531,990
Unrestricted (deficit)	354,330	(13,169,736)	(2,533,502)	(1,972,093)	228,757	(17,092,244)
TOTAL NET POSITION	\$ 93,581,942	\$ 29,688,039	\$ 27,274,874	\$ 11,436,293	\$ 17,642,548	\$ 179,623,696

CITY OF RACINE

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended December 31, 2015

	Business-Type Activities- Enterprise Funds					Governmental Activities-	
	Water Utility	Wastewater Utility	Storm Water Utility	Belle Urban Transit	Non- Major Other Enterprise Funds	Totals	Internal Service Funds
OPERATING REVENUES							
Charges for services	\$ 20,162,918	\$ 11,398,605	\$ 4,571,992	\$ 1,576,418	\$ 1,974,959	\$ 39,684,892	\$ 26,629,244
Other	-	-	-	-	652	652	886,694
Total Operating Revenues	<u>20,162,918</u>	<u>11,398,605</u>	<u>4,571,992</u>	<u>1,576,418</u>	<u>1,975,611</u>	<u>39,685,544</u>	<u>27,515,938</u>
OPERATING EXPENSES							
Operation and maintenance	10,200,185	9,049,611	2,971,047	8,035,298	1,344,106	31,600,247	6,034,114
Education and recreation	-	-	-	-	1,010,763	1,010,763	-
General administration	-	-	-	-	-	-	20,139,351
Depreciation	4,176,724	3,976,499	1,308,807	1,599,687	868,213	11,929,930	260,763
Total Operating Expenses	<u>14,376,909</u>	<u>13,026,110</u>	<u>4,279,854</u>	<u>9,634,985</u>	<u>3,223,082</u>	<u>44,540,940</u>	<u>26,434,228</u>
Operating income (loss)	<u>5,786,009</u>	<u>(1,627,505)</u>	<u>292,138</u>	<u>(8,058,567)</u>	<u>(1,247,471)</u>	<u>(4,855,396)</u>	<u>1,081,710</u>
NONOPERATING REVENUES (EXPENSES)							
Investment income (loss)	69,927	23,554	42,247	-	26,285	162,013	-
Interest expense	(1,705,272)	(1,219,614)	(23,534)	-	-	(2,948,420)	-
Intergovernmental interest reimbursement	-	713,651	-	-	-	713,651	-
Plant capacity income	-	1,130,526	-	-	-	1,130,526	-
Gain (loss) on sale of fixed assets	45,529	-	(19,503)	-	-	26,026	-
Amortization of premiums/discount and refunding loss	24,368	-	-	-	-	24,368	-
Bond Issue Costs	(107,508)	-	-	-	-	(107,508)	-
Subsidies from other governmental units	-	-	345,150	5,700,164	-	6,045,314	-
Tax levy	-	-	-	1,200,000	309,420	1,509,420	-
Household hazardous waste revenue	-	166,999	-	-	-	166,999	-
Household hazardous waste expense	-	(163,847)	-	-	-	(163,847)	-
Other	-	29,090	-	-	-	29,090	-
Total Nonoperating Revenues (Expenses)	<u>(1,672,956)</u>	<u>680,359</u>	<u>344,360</u>	<u>6,900,164</u>	<u>335,705</u>	<u>6,587,632</u>	<u>-</u>

CITY OF RACINE

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the Year Ended December 31, 2015

	Business-Type Activities- Enterprise Funds					Governmental Activities-	
					Non- Major Other Enterprise Funds	Totals	Internal Service Funds
Income (loss) before capital contributions and transfers	4,113,053	(947,146)	636,498	(1,158,403)	(911,766)	1,732,236	1,081,710
CAPITAL CONTRIBUTIONS	566,794	-	845,903	-	-	1,412,697	-
TRANSFERS IN	51,305	-	-	342,081	605,546	998,932	523,171
TRANSFERS (OUT)	(3,513,234)	(840,354)	-	-	-	(4,353,588)	-
Change in Net Position	1,217,918	(1,787,500)	1,482,401	(816,322)	(306,220)	(209,723)	1,604,881
NET POSTION - Beginning of Year (as restated)	92,364,024	31,475,539	25,792,473	12,252,615	17,948,768	179,833,419	9,906,525
NET POSITION - END OF YEAR	\$ 93,581,942	\$ 29,688,039	\$ 27,274,874	\$ 11,436,293	\$ 17,642,548	\$ 179,623,696	\$ 11,511,406

CITY OF RACINE
Proprietary Funds
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

	Business-Type Activities- Enterprise Funds					Governmental Activities-
				Non- Major Other Enterprise Funds	Totals	Internal Service Fund
	Water Utility	Wastewater Utility	Stormwater Utility	Belle Urban Transit		
CASH FLOW FROM OPERATING ACTIVITIES						
Received from customers and users	\$ 19,731,273	\$ 12,156,165	\$ 4,572,170	\$ 1,634,283	\$ 1,939,512	\$ 40,033,403
Paid to suppliers for goods and services	(2,213,191)	(3,261,389)	(1,228,613)	(7,795,591)	(1,553,863)	(16,052,647)
Paid to employees for services	(6,414,350)	(4,972,997)	(1,561,925)	-	(661,397)	(13,610,669)
Net Cash Flows From Operating Activities	11,103,732	3,921,779	1,781,632	(6,161,308)	(275,748)	10,370,087
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer to other funds	(3,461,929)	(840,354)	-	-	-	(4,302,283)
Advances retired	(95,094)	(85,050)	-	-	-	(180,144)
Principal retired	-	(22,427)	-	-	-	(22,427)
Interest paid on long-term debt	-	(31,813)	-	-	-	(31,813)
Interest paid on advances	(12,050)	(10,777)	-	-	-	(22,827)
Miscellaneous receipts	-	29,090	-	-	-	29,090
Operating grants received	-	3,152	-	3,867,211	-	3,870,363
Operating subsidies received	-	-	-	2,273,472	309,420	2,582,892
Net Cash Flows from Noncapital Financing Activities	(3,569,073)	(958,179)	-	6,140,683	309,420	1,922,851
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Debt issued	7,820,345	-	-	-	-	7,820,345
Premium on long-term debt issued	358,370	-	-	-	-	358,370
Debt retired	(4,685,753)	(5,277,492)	-	-	-	(9,963,245)
Payment to escrow agent	(7,376,557)	-	-	-	-	(7,376,557)
Advances retired	-	-	(172,231)	-	-	(172,231)
Interest paid on long-term debt	(1,908,649)	(1,202,040)	-	-	-	(3,110,689)
Interest paid on advances	-	-	(23,534)	-	-	(23,534)
Transfer from other funds for capital purposes	-	-	-	342,081	605,546	947,627
Acquisition and construction of capital assets	(5,463,752)	(2,552,676)	(1,910,529)	(342,081)	(704,558)	(10,973,596)
Debt issue costs paid	(107,508)	-	-	-	-	(107,508)
REC and other fees received	366,960	-	-	-	-	366,960
Intergovernmental interest reimbursement	-	713,651	-	-	-	713,651
Proceeds for plant capacity charges	-	3,103,909	-	-	-	3,103,909
Capital subsidies received	-	-	512,482	20,625	-	533,107
Proceeds from sale of capital assets	45,530	-	13,700	-	-	59,230
Net Cash Flows From Capital and Related Financing Activities	(10,951,014)	(5,214,648)	(1,580,112)	20,625	(99,012)	(17,824,161)

See accompanying notes to financial statements.

CITY OF RACINE
Proprietary Funds
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

	Business-Type Activities- Enterprise Funds						Governmental Activities-
	Water Utility	Wastewater Utility	Stormwater Utility	Belle Urban Transit	Non- Major Other Enterprise Funds	Totals	Internal Service Fund
CASH FLOW FROM INVESTING ACTIVITIES							
Investment income	\$ 69,927	\$ 23,554	\$ 42,247	\$ -	\$ 26,285	\$ 162,013	\$ -
Net Cash Flows From Investing Activities	69,927	23,554	42,247	-	26,285	162,013	-
Net Change in Cash and Cash Equivalents	(3,346,428)	(2,227,494)	243,767	-	(39,055)	(5,369,210)	876,255
CASH AND CASH EQUIVALENTS - Beginning of Year	19,210,948	17,333,617	749,159	200	2,338,980	39,632,904	7,106,903
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 15,864,520	\$ 15,106,123	\$ 992,926	\$ 200	\$ 2,299,925	\$ 34,263,694	\$ 7,983,158
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES							
Operating income (loss)	\$ 5,786,009	\$ (1,627,505)	\$ 292,138	\$ (8,058,567)	\$ (1,247,471)	\$ (4,855,396)	\$ 1,081,710
Adjustments to reconcile operating income (loss) to Net Cash Flows from operating activities							
Other postemployment benefits	1,542,038	841,487	474,605	-	49,776	2,907,906	-
Depreciation	4,315,632	3,976,498	1,308,807	1,599,687	868,213	12,068,837	260,763
Changes in assets and liabilities							
Accounts receivable	(441,636)	(50,837)	178	57,863	(36,098)	(470,530)	(811,188)
Prepaid items	(728)	-	-	-	(8,133)	(8,861)	-
Inventories	22,330	14,157	-	15,932	(4,433)	47,986	(8,728)
Due from other funds	38,117	829,307	8,793	-	(250)	875,967	10,511
Pension benefits	10,323	(1,736)	38,479	-	26,304	73,370	107,979
Accounts payable	40,766	386,087	(331,562)	(112,533)	154,972	137,730	66,840
Accrued liabilities	(10,964)	(15,513)	(1,013)	15,778	27,326	15,614	46,617
Unearned revenue	-	-	(8,793)	-	250	(8,543)	-
Due to other funds	(198,155)	(430,166)	-	320,532	(106,204)	(413,993)	3,656
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 11,103,732	\$ 3,921,779	\$ 1,781,632	\$ (6,161,308)	\$ (275,748)	\$ 10,370,087	\$ 758,160

See accompanying notes to financial statements.

CITY OF RACINE
Proprietary Funds
STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

	Business-Type Activities- Enterprise Funds						Governmental Activities-
	Water Utility	Wastewater Utility	Stormwater Utility	Belle Urban Transit	Non- Major Other Enterprise Funds	Totals	Internal Service Fund
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET							
Cash and investments							
Unrestricted	\$ 7,251,290	\$ 8,178,182	\$ 992,926	\$ 200	\$ 2,299,925	\$ 18,722,523	\$ 7,983,158
Restricted	8,613,230	6,927,941	-	-	-	15,541,171	-
Total Cash and Investments	<u>\$ 15,864,520</u>	<u>\$ 15,106,123</u>	<u>\$ 992,926</u>	<u>\$ 200</u>	<u>\$ 2,299,925</u>	<u>\$ 34,263,694</u>	<u>\$ 7,983,158</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES							
Cost of Capital assets installed							
or financed by developers, customers or the City	\$ 64,565	\$ -	\$ 845,903	\$ -	\$ -	\$ 910,468	\$ -

CITY OF RACINE

Agency Funds

STATEMENT OF ASSETS AND LIABILITIES

As of December 31, 2015

	Agency Funds		Totals
	Police Evidence	Tax Collecting	
ASSETS			
Cash and investments	\$ 422,470	\$ 40,556,804	\$ 40,979,274
Receivables			
Property taxes	-	6,921,151	6,921,151
TOTAL ASSETS	<u>\$ 422,470</u>	<u>\$ 47,477,955</u>	<u>\$ 47,900,425</u>
LIABILITIES			
Due to component unit	\$ -	\$ 197,600	\$ 197,600
Due to other agencies	-	85,525	85,525
Due to other governments	422,470	47,194,830	47,617,300
TOTAL LIABILITIES	<u>\$ 422,470</u>	<u>\$ 47,477,955</u>	<u>\$ 47,900,425</u>

CITY OF RACINE

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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	45
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. Restatement of Net Position	78
J. Component Units	79

CITY OF RACINE

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE	<u>Page</u>
V. Other Information	81
A. Employees' Retirement System	81
B. Racine Transit System Pension Plan	88
C. Risk Management	90
D. Commitments and Contingencies	93
E. Other Postemployment Benefits	94
F. Economic Dependency	96
G. Intermunicipal Agreement	97
H. Intergovernmental Retail Water Service Agreement	97
I. Infiltration/Inflow Removal Agreement	98
J. Municipal Revenue Obligation	98
K. Effect of New Accounting Standards on Current-Period Financial Statements	99

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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, 2015

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, 2015. 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, 2015. The Authority does not issue separate financial statements.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

In June 2012, the GASB issued statement No. 68 - Accounting and Financial Reporting for Pensions – an amendment of GASB Statement No. 27. This statement establishes standards for measuring and recognizing assets, liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. In November 2013, the GASB issued statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date - an amendment of GASB Statement No. 68. This statement addresses an issue regarding application of the transition provisions of Statement No. 68. These standards were implemented January 1, 2015.

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, 2015

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, 2015

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, 2015

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, Stormwater Utility 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, 2015

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, deferred outflows of resources, liabilities, and deferred inflows of resources 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, 2015

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, 2015

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, 2015, 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 – agency funds.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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 – 2015 tax roll:

Lien date and levy date	November 2015
Tax bills mailed	December 2015
Payment in full, or	
First installment due	January 31, 2016
Second installment due	March 31, 2016
Third installment due	May 31, 2016
Fourth installment due	July 31, 2016
Personal property taxes in full	January 31, 2016
Final settlement with County	August 15, 2016
Tax deed by County – 2015	
Delinquent real estate taxes	October 2018

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, 2015

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, 2015 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, 2015

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.

A deferred charge on refunding arises from the advance refunding of debt. The difference between the cost of the securities placed in trust for future payments of the refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund financial statements.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

The City's policy allows employees to earn varying amounts of vacation pay for each year employed. Upon retirement or termination of employment, the employee is entitled to payment in cash for any unused accrued vacation. Sick leave is earned at varying rates based on the union contract. All employees, with the exception of firefighters, earn sick leave at the rate of eight hours per month of full-time service to a maximum of 1200 hours. Employees are not compensated for unused sick leave upon termination of employment, except upon retirement or death. Upon retirement or death, all employees, with the exception of firefighters, are paid up to a maximum of 560 hours of accumulated sick leave. Firefighters may accrue sick leave to a maximum of 1,340 hours, or 960 hours depending on the class. Upon retirement or death these employees are paid up to a maximum of 670 hours or 480 hours respectively. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. In governmental fund financial statements, the cost of vacation and sick leave is recognized when payments are made to employees and liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable available resources.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2015 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 \$34,982,036 made up of six issues.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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 \$7.07 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, 2015

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 in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2. law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through formal action resolution of the City. This formal action must occur prior to the end of the reporting year, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the city that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. The City Council has, by resolution, adopted a financial policy authorizing the Director of Finance to assign amounts for a specific purpose. 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 \$23,620,258 or 29.3%.

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, 2015

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	\$ 2,402,256
Unearned revenue-debt service	1,008,584
Unearned revenue-special assessments	<u>2,419,636</u>
Combined Adjustment for Long-Term Assets	<u>\$ 5,830,476</u>

Another element of that reconciliation states that “some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds”. In addition, interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities—both current and long-term—are reported in the statement of net position. The details of the difference are as follows:

Bonds and notes payable	\$ 108,808,787
OPEB obligation	149,013,838
Compensated absences, not including internal service fund	3,136,064
Unamortized loss on refunding	(2,274,261)
Accrued interest	<u>151,716</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 258,836,144</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	\$ 24,746,736
Construction in progress	8,895,272
Other capital assets net of accumulated depreciation/amortization	169,236,305
Internal Service fund capital assets	<u>(1,929,431)</u>
Combined Adjustment for Capital Assets	<u>\$ 200,948,882</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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	\$ 72,768
Premium received	(321,279)
Amortization of deferred charge and premium	<u>57,302</u>
Unamortized debt discounts/premiums/deferred charges	<u>\$ (191,209)</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	\$ (836,661)
Principal paid on debt service loans	(180,144)
Special assessments collections	<u>(90,077)</u>
Net adjustment to decrease <i>net changes in fund balances-total governmental funds</i> to arrive at <i>changes in net position of governmental activities</i>	<u>\$ (1,106,882)</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 \$107,852 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, 2015

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 \$11,007,049. 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 \$6,609,297.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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, 2015:

<u>Fund</u>	<u>Department</u>	<u>Appropriation Unit</u>	<u>Amount</u>
General Fund	City Administration	Operating Expenditures	\$ 5,614
	Non Departmental	Salaries and Fringes	148,144
	Health	Operating Expenditures	40,678
	Health	Interdepartmental	738
	Fire	Operating Expenditures	9,339
	Police	Salaries and Fringes	123,931
	Police	Operating Expenditures	56,059
	Public Works	Salaries and Fringes	397,036
	Public Works	Operating Expenditures	122,974
	Parks	Salaries and Fringes	15,708
	Parks	Operating Expenditures	26,038
	City Development	Interdepartmental	15,541
Special Revenue Funds:			
Recycling		Operating Expenditures	30,416
Municipal Court		Interdepartmental	437
Cemetery		Salaries and Fringes	9,415
Health Lab		Salaries and Fringes	4,851
Health Lab		Interdepartmental	19,056

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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, 2015

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	\$ 47,654,016	\$ 45,837,618	Custodial credit
Savings deposits	16,578,606	16,578,606	Custodial credit
Certificates of deposit	18,672,407	18,672,407	Custodial credit
Petty cash	9,255	-	NA
Total deposits	<u>82,914,284</u>	<u>\$ 81,088,631</u>	
Wisconsin Local Government			
Investment Pool	24,477,868		Credit
Money market funds	5,699,432		Credit
Mutual funds-equities	2,389,742		Credit
Mutual funds-fixed income	940,463		Credit, Interest Rate
			Credit, Custodial credit, Interest Rate, Concentration of credit
U.S. Government agency securities-Implicit	<u>34,112,778</u>		
Total investments	<u>67,620,283</u>		
Total Deposits and Investments	<u>\$ 150,534,567</u>		
Reconciliation to financial statements			
Per statement of net position			
Cash and investments-Primary government	\$ 93,672,118		
Cash and investments-Component unit	342,004		
Restricted cash and investments	15,541,171		
Per statement of assets and liabilities - agency funds	<u>40,979,274</u>		
	<u>\$ 150,534,567</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, 2015

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, 2015 the City's carrying value of deposits was \$82,896,153, as compared to bank balances of \$81,088,631. Of the bank balances \$67,322,574 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. \$13,766,056 was uninsured as of December 31, 2015.

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, 2015 the City's carrying value of U.S. Government Agency Securities and U.S. Treasury's subject to custodial credit risk \$34,112,778. Of this investment balance, all amounts were covered by securities held by an agency in the City's name.

Credit Risk for Investments

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

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

The City's U.S. Government agencies as of December 31, 2015 were rated Aaa by Moody's Investor's Services and AA+ by Standard & Poor's. As of December 31, 2015, the balance in these types of investments was \$34,112,778. 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, 2015

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, 2015, the City's investment portfolio had concentration of investments greater than 5% of the total portfolio as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage of Portfolio</u>
Federal National Mortgage Association	U.S. government agency notes and mortgage backed securities	8.89%
Federal Home Loan Bank Corporation	U.S. government agency notes and mortgage backed securities	62.08%

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, 2015 were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Duration in Years</u>
U.S Government Agency-implicitly guaranteed	\$ 4,383,869	0.863
U.S Government Agency-implicitly guaranteed	29,728,909	2.829
Mutual Funds-fixed income	940,463	3.34

During 2015, the City experienced unrealized gains on investments in the amount of \$127,284. The gain 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, 2015

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 <u>Receivable</u>	Rescue <u>Runs</u>	Loans <u>Receivable</u>	Delinquent Personal <u>Property</u>	<u>Total</u>
General Fund	\$ 421,460	\$ 240,408	\$ -	\$ 326,055	\$ 987,923
HUD Fund	-	-	2,583,403	-	2,583,403
Transit	357	-	-	-	357
Other Enterprise	2,202	-	-	-	2,202
Internal Service	7,876	-	-	-	7,876
Other Non-Major Funds	15,673	-	-	-	15,673
	<u>\$ 447,568</u>	<u>\$ 240,408</u>	<u>\$ 2,583,403</u>	<u>\$ 326,055</u>	<u>\$ 3,597,434</u>

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

	General <u>Fund</u>	Other <u>Non Major</u>	<u>Total</u>
Special Assessments	\$ -	\$ 2,419,636	\$ 2,419,636
Delinquent personal property taxes	130,522	-	130,522
Loans and notes	-	6,902,256	6,902,256
	<u>\$ 130,522</u>	<u>\$ 9,321,892</u>	<u>\$ 9,452,414</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 August 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, 2015

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	\$ -	\$ 57,411,874	\$ 57,411,874
Loans receivable	2,402,256	-	2,402,256
Special assessments not yet due	2,419,636	-	2,419,636
Interest on loans and advances	-	350,964	350,964
Due from enterprise for debt service	1,008,584	-	1,008,584
Grant drawdowns prior to meeting all eligibility requirements	-	211,475	211,475
Total Unearned/Unavailable Revenue for Governmental Funds	<u>\$ 5,830,476</u>	<u>\$ 57,974,313</u>	<u>\$ 63,804,789</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Net Pension Asset

Restricted assets have been reported in connection with the net pension asset balance since this balance must be used to fund employee benefits.

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, 2015:

	Water Utility	Wastewater Utility	Total
Bond redemption account	\$ 3,697,572	\$ 3,896,414	\$ 7,593,986
Bond reserve account	3,257,480	-	3,257,480
Bond depreciation account	800,000	-	800,000
Impact fund	858,178	-	858,178
Equipment replacement account	-	3,031,527	3,031,527
Pension asset	399,185	284,502	683,687
Plant capacity receivable	-	24,100,042	24,100,042
Total Restricted Assets	9,012,415	31,312,485	40,324,900

Reconciliation to restricted net position

Plant capacity receivable reported as unearned revenue	-	(24,100,042)	(24,100,042)
Accrued interest payable	(462,478)	(198,225)	(660,703)
Bond reserve fund financed by bond proceeds	(3,257,480)	-	(3,257,480)
Restricted Net Position	<u>\$ 5,292,457</u>	<u>\$ 7,014,218</u>	<u>\$ 12,306,675</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2015 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated/amortized				
Land	\$ 24,525,352	\$ 221,384	\$ -	\$ 24,746,736
Construction in progress	13,128,991	8,919,051	13,152,770	8,895,272
Total Capital Assets Not Being Depreciated/Amortized	<u>37,654,343</u>	<u>9,140,435</u>	<u>13,152,770</u>	<u>33,642,008</u>
Capital assets being depreciated/amortized				
Intangible assets	622,264	719,586	-	1,341,850
Land improvements	10,795,302	335,468	19,200	11,111,570
Buildings	45,824,674	1,064,187	-	46,888,861
Machinery and equipment	35,303,497	1,657,397	604,011	36,356,883
Roads, streets, and bridges	156,564,859	16,540,307	3,847,083	169,258,083
Sidewalks	52,361,982	2,042,390	236,705	54,167,667
Sewer lines	40,388,758	2,716,894	115,738	42,989,914
Shoreline walls and other	22,324,836	-	-	22,324,836
Total Capital Assets Being Depreciated/Amortized	<u>364,186,172</u>	<u>25,076,229</u>	<u>4,822,737</u>	<u>384,439,664</u>
Less: accumulated depreciation/amortization for				
Intangible assets	606,915	42,622	-	649,537
Land improvements	7,308,983	559,811	19,200	7,849,594
Buildings	21,056,510	1,648,447	-	22,704,957
Machinery and equipment	27,354,074	2,124,192	596,762	28,881,504
Roads, streets, and bridges	80,586,356	4,654,923	3,441,823	81,799,456
Sidewalks	42,976,258	1,159,174	236,705	43,898,727
Sewer lines	18,677,609	775,200	115,736	19,337,073
Shoreline walls and other	9,462,499	620,012	-	10,082,511
Total Accumulated Depreciation/Amortization	<u>208,029,204</u>	<u>11,584,381</u>	<u>4,410,226</u>	<u>215,203,359</u>
Total Capital Assets being Depreciated/Amortized, Net	<u>156,156,968</u>	<u>13,491,848</u>	<u>412,511</u>	<u>169,236,305</u>
Governmental Activities				
Capital Assets, Net	<u>\$ 193,811,311</u>	<u>\$ 22,632,283</u>	<u>\$ 13,565,281</u>	<u>\$ 202,878,313</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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	\$ 495,000
Education and recreation	1,368,784
Public works, which includes infrastructure	8,678,261
Public safety	<u>1,042,336</u>
 Total Governmental Activities Depreciation/Amortization Expense	 \$ <u>11,584,381</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 5,084,905	\$ -	\$ -	\$ 5,084,905
Construction in progress	3,445,294	10,978,244	9,416,821	5,006,717
Total Capital Assets Not Being Depreciated	<u>8,530,199</u>	<u>10,978,244</u>	<u>9,416,821</u>	<u>10,091,622</u>
Capital assets being depreciated				
Land improvements	9,147,837	544,260	11,500	9,680,597
Improvements other than buildings	193,318,728	7,915,188	557,768	200,676,148
Buildings	146,659,029	19,848	63,109	146,615,768
Machinery and equipment	100,619,799	1,282,469	811,417	101,090,851
Total Capital Assets Being Depreciated	<u>449,745,393</u>	<u>9,761,765</u>	<u>1,443,794</u>	<u>458,063,364</u>
Less: accumulated depreciation for				
Land improvements	5,428,875	349,859	11,500	5,767,234
Improvements other than buildings	67,099,994	3,164,740	557,767	69,706,967
Buildings	59,263,992	3,592,147	63,109	62,793,030
Machinery and equipment	57,225,846	4,962,092	778,212	61,409,726
Total Accumulated Depreciation	<u>189,018,707</u>	<u>12,068,838</u>	<u>1,410,588</u>	<u>199,676,957</u>
Total Capital Assets Depreciated, Net	<u>260,726,686</u>	<u>(2,307,073)</u>	<u>33,206</u>	<u>258,386,407</u>
Business-Type Activities Capital Assets, Net	<u>\$ 269,256,885</u>	<u>\$ 8,671,171</u>	<u>\$ 9,450,027</u>	<u>\$ 268,478,029</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-Type Activities

Water	\$ 4,315,632
Wastewater	3,976,499
Stormwater	1,308,807
Belle Urban Transit	1,599,687
Other	<u>868,213</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 12,068,838</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, 2015

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

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

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

Receivable Fund	Payable Fund	Amount due Within One Year
General Fund	Enterprise Fund-Transit	\$ 3,312,535
General Fund	Enterprise Fund-Civic Center	107,297
General Fund	Wastewater Utility	117,619
General Fund	Water Utility	3,254,784
General Fund	Special Revenue-HUD Grants	26,911
General Fund	Special Revenue-State Grants	625,632
General Fund	Special Revenue-Other Agency Grants	50,293
General Fund	Special Revenue-Federal Grants	545,147
General Fund	Special Revenue-Loans	2,812
General Fund	Special Revenue-Trusts	10,588
General Fund	Capital Projects-Capital Grants	3,177
General Fund	Capital Projects-City Projects	54,854
Debt Service Fund	Water Utility	963
Debt Service Fund	Wastewater Utility	861
Wastewater Utility	Enterprise Fund-Golf Courses	5,668
Wastewater Utility	Water Utility	659,352
Wastewater Utility	General Fund	1,684,858
Wastewater Utility	Internal Service Fund-Building Maintenance	21,135
Water Utility	Wastewater Utility	796,177
Water Utility	General Fund	3,543,542
Water Utility	Internal Service Fund-Building Maintenance	4,356

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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	930,489
Internal Service Fund-Equipment Maint.	Water Utility	2,978
Internal Service Fund-Equipment Maint.	Wastewater Utility	1,248
Internal Service Fund-Telephone	Water Utility	1,992
Internal Service Fund-Telephone	Wastewater Utility	810
Special Revenue-Library	Wastewater Utility	80
Subtotal-Fund Financial Statements		15,766,158
Less: Fund eliminations		(2,780,611)
Less: Government-wide eliminations		(10,507,782)
		<u>\$ 2,477,765</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 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, 2015

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
Debt Service Fund	Wastewater Utility	\$ 476,175	\$ 86,625
Debt Service Fund	Water Utility	532,409	96,855
City Projects Fund	Storm Water Utility	350,750	81,985
Intergovernmental Revenue Sharing	Tax Increment District #12	55,860	-
Intergovernmental Revenue Sharing	Tax Increment District #17	26,023	-
Intergovernmental Revenue Sharing	Tax Increment District #18	6,501,817	-
Intergovernmental Revenue Sharing	Tax Increment District # 16	282,337	-
Subtotal-Fund financial statements		\$ 8,225,371	\$ 265,465
Less: fund eliminations		(6,866,037)	
Total advance to other funds-government wide statements		\$ 1,359,334	

Repayment schedules for advances with an established payment schedule follow:

	Storm Water Utility	Water Utility	Wastewater Utility
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	-	125,436	112,187
2021-2025	-	-	-
Sub-total	391,079	565,884	506,115
Amount representing interest	(40,329)	(33,475)	(29,940)
	\$ 350,750	\$ 532,409	\$ 476,175

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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	\$ 3,513,234
General Fund	Wastewater	789,049
General Fund	Special Revenue-Loans	241,599
General Fund	Special Revenue-HUD Grants	37,679
Debt Service Fund	Capital Projects - General Obligation	-
Debt Service Fund	Capital Projects-TID	1,039,576
Capital Projects-City Projects	Special Revenue-Restricted	329,415
Capital Projects-City Projects	Special Revenue-Special Assessment	1,354,060
Capital Projects-Equipment Replacement	Capital Projects - General Obligation	1,106,143
Permanent Fund-Endowments	Special Revenue-Cemetery	-
Enterprise-Transit	Capital Projects - General Obligation	342,081
Enterprise-Civic Centre	Capital Projects - General Obligation	570,546
Enterprise-Civic Centre	Special Revenue-Restricted	35,000
Water	Wastewater	51,305
Internal Service-Information Systems	Capital Projects - General Obligation	508,938
Internal Service-Information Systems	Special Revenue-Restricted	14,233
Special Revenue-HUD Grants	Special Revenue-Loans	40,929
Special Revenue-Loans	Special Revenue-HUD Grants	18,500
Special Revenue-Restricted	Special Revenue-HUD Grants	28,887
Special Revenue-Restricted	General Fund	15,000
Special Revenue-State Grants	General Fund	89,004
Special Revenue-Municipal Court	General Fund	8,764
Special Revenue-Cemetery	Capital Projects - General Obligation	61,766
Special Revenue-Library	Capital Projects - General Obligation	26,441
Subtotal-fund financial statements		10,222,149
Less: Fund eliminations		(4,972,239)
Add: Government wide eliminations		(1,895,254)
		<u>\$ 3,354,656</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, 2015

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2015 was as follows:

GOVERNMENTAL ACTIVITIES

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General obligation					
bonds and notes payable	\$ 106,400,000	\$23,735,000	\$ 25,920,000	\$104,215,000	\$14,440,000
Premiums	4,851,091	321,279	578,583	4,593,787	-
Sub-total	<u>111,251,091</u>	<u>24,056,279</u>	<u>26,498,583</u>	<u>108,808,787</u>	<u>14,440,000</u>
Other Liabilities					
Vested compensated absences	<u>3,437,158</u>	<u>270,179</u>	<u>431,497</u>	<u>3,275,840</u>	<u>409,796</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 114,688,249</u>	<u>\$24,326,458</u>	<u>\$ 26,930,080</u>	<u>\$112,084,627</u>	<u>\$14,849,796</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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	\$ 97,551,044	\$ 7,820,346	\$ 17,195,672	\$ 88,175,718	\$10,071,012
(Discounts)/Premiums	1,588,333	358,370	494,198	1,452,505	145,184
Sub-total	<u>99,139,377</u>	<u>8,178,716</u>	<u>17,689,870</u>	<u>89,628,223</u>	<u>10,216,196</u>
Other Liabilities					
Vested compensated absences	<u>1,090,587</u>	<u>149,007</u>	<u>114,054</u>	<u>1,125,540</u>	<u>21,011</u>
Total Business Type Activities					
Long-Term Liabilities	<u>\$ 100,229,964</u>	<u>\$ 8,327,723</u>	<u>\$ 17,803,924</u>	<u>\$ 90,753,763</u>	<u>\$10,237,207</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, 2015, was \$158,649,250. Total general obligation debt outstanding at year end was \$104,215,000.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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 12/31/2015
General Obligation Bonds					
2005	10/15/05	12/01/19	3.50-4.00%	\$ 6,980,000	\$ 565,000
2006	10/5/06	12/01/20	4.00-4.50	7,130,000	1,710,000
2007	11/13/07	12/01/21	4.00-5.00	7,610,000	2,000,000
2008	12/09/08	12/01/22	3.00-5.00	7,680,000	2,550,000
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	7,740,000
2012	7/10/12	12/10/18	0.65-1.65	3,775,000	2,240,000
2012	7/10/12	12/10/19	2.00-4.00	7,360,000	5,095,000
2013	11/06/13	12/10/27	2.00-4.00	26,450,000	18,345,000
2013	12/02/13	12/02/20	1.75-5.00	4,450,000	4,385,000
2014	12/09/14	12/09/28	2.00-4.00	17,675,000	15,610,000
2015	12/07/15	12/07/29	2.00-3.00	11,130,000	11,130,000
					<u>79,450,000</u>
Taxable General Obligation Bonds					
2009	12/08/09	12/01/23	1.00-5.30	7,760,000	5,215,000
2010	11/24/10	12/01/24	0.85-4.70	9,850,000	5,875,000
2011	10/25/11	10/25/20	0.55-2.55	12,925,000	9,070,000
					<u>20,160,000</u>
Tax Incremental General Obligation Debt					
2006 (Tif #10)	10/3/06	10/3/25	4.0 - 4.75	3,970,000	460,000
2006 (Tif #11)	6/26/06	6/26/25	5.55 - 6.38	2,000,000	105,000
2010 (Tif #9)	07/27/10	12/01/21	2.00-4.00	3,895,000	2,630,000
2015 (Tif #11)	09/08/15	12/01/25	1.00-3.10	1,410,000	1,410,000
					<u>4,605,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 104,215,000</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	Governmental Activities General Obligation Debt		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 14,440,000	\$ 3,565,189	\$ 18,005,189
2017	13,645,000	3,139,389	16,784,389
2018	13,460,000	2,727,783	16,187,783
2019	11,245,000	2,306,165	13,551,165
2020	9,715,000	1,915,253	11,630,253
2021-2025	33,190,000	5,049,311	38,239,311
2026-2030	8,520,000	597,850	9,117,850
Totals	<u>\$ 104,215,000</u>	<u>\$ 19,300,940</u>	<u>\$ 123,515,940</u>

Current Debt Refunding

On December 7, 2015, the City issued \$11,130,000 in general obligation refunding bonds, with an interest rate ranging from 2.0%-3.0%, to current refund \$11,195,000 of Note Anticipation Notes dated September 8, 2015 with an interest rate of 2.0%.

Advanced Debt Refunding

On September 8, 2015, the City issued \$1,410,000 in general obligation refunding bonds with an average interest rate from 1.0%-3.10% to advance refund the \$1,295,000 of 2006 general obligation refunding bonds with an average interest rate of 5.75-6.375%. 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 \$1,818,206 from 2016 through 2025. The cash flow requirements on the 2015 refunding bonds are \$1,640,568 from 2016 through 2025. The advance refunding resulted in an economic gain of \$151,464.

Also on September 8, 2015, the water utility issued \$6,590,000 in revenue bonds to advance refund \$7,210,000 of the 2007 refunding bonds. The debt service requirements on the old debt balance totaled \$9,467,838. The debt service requirements on the new debt balance totaled \$8,082,398. The economic gain on the refunding using a 2.74% effective interest rate was \$520,024.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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, 2015 consists of the following:

<u>Type/Series</u>	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance Outstanding 12/31/15</u>
<u>Water Utility</u>					
Safe Drinking Water Loan	02/10/99	05/01/18	2.64%	\$ 12,594,655	\$ 2,336,980
Safe Drinking Water Loan	12/22/04	05/01/24	2.365	16,666,035	8,882,495
Mortgage Revenue Bonds	04/02/07	09/01/21	4.00-4.75	18,980,000	5,280,000
Mortgage Revenue Bonds	12/08/09	09/01/29	3.00-4.50	2,760,000	2,660,000
Mortgage Revenue Refunding Bonds	10/25/11	09/01/31	2.00-4.50	6,500,000	6,100,000
Mortgage Revenue Refunding Bonds	07/10/12	09/01/24	2.00-4.00	14,140,000	12,735,000
Safe Drinking Water Loan	05/27/15	05/01/35	1.65	1,230,346	1,230,346
Mortgage Revenue Refunding Bonds	09/08/15	09/01/26	2.00-4.00	6,590,000	6,590,000
Total Water Utility					<u>45,814,821</u>
<u>Wastewater Utility</u>					
Clean Water Fund Loans	03/26/97	05/01/16	3.00	1,158,993	78,545
Clean Water Fund Loans	05/27/98	05/01/18	2.64	854,147	158,133
Clean Water Fund Loans	10/29/99	05/01/19	2.64	797,249	196,036
Clean Water Fund Loans	09/27/00	05/01/20	2.97	805,113	247,361
Clean Water Fund Loans	04/10/02	05/01/21	2.75	4,073,012	1,528,695
Clean Water Fund Loans	12/22/04	05/01/21	2.86	17,943,748	7,851,641
Clean Water Fund Loans	11/27/02	05/01/22	2.87	60,724,848	28,001,583
Clean Water Fund Loans	01/23/08	05/01/27	2.48	3,481,931	2,298,341
Clean Water Fund Loans	03/24/10	05/01/29	2.20	2,579,652	2,000,562
Total Wastewater Utility					<u>42,360,897</u>
Total Business-Type Revenue Debt					<u>\$ 88,175,718</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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
2016	\$ 10,071,012	\$ 1,628,915	\$ 11,699,927
2017	10,386,376	2,332,194	12,718,570
2018	10,640,882	2,033,712	12,674,594
2019	10,039,891	1,733,726	11,773,617
2020	10,305,143	1,438,203	11,743,346
2021-2025	30,546,006	3,204,738	33,750,744
2026-2030	5,314,691	646,748	5,961,439
2031-2035	871,717	38,066	909,783
	<u>\$ 88,175,718</u>	<u>\$ 13,056,302</u>	<u>\$ 101,232,020</u>

The Water Utility has pledged future customer revenues, net of specified operating expenses, to repay \$81.5 million in water system revenue bonds issued between 1999 and 2015. 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 2035. 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 \$55,311,583. Principal and interest paid for the current year and total customer net revenues were \$6,463,373 and \$10,399,620, respectively.

The Wastewater Utility has pledged future customer revenues, net of specified operating expenses, to repay \$92.4 million in clean water fund loans 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 \$45,920,436. Principal and interest paid for the current year and total revenues were \$6,564,315 and \$6,481,948, 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, 2015

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, 2015, \$17,850,000 of bonds outstanding is considered defeased. The bonds are callable on September 1, 2106 and December 1, 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 \$46,683 in 2015.

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

2016	\$	35,000
2017		35,000
2018		35,000
2019		35,000
2020		35,000
Thereafter		1,085,000
	\$	<u>1,260,000</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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, 2015 includes the following:

Governmental Activities

Net Investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 202,878,313
Less: related long-term debt outstanding	(88,072,218)
Plus: funds borrowed but not spent	7,279,245
Total Net Investment in Capital Assets	<u>122,085,340</u>
Restricted for	
Debt service	1,588,812
Permanent Funds	
Nonexpendable	1,463,559
Expendable	864,488
Library	462,179
Loan Programs	5,545,447
Tax increment districts	12,551,189
Intergovernmental revenue sharing	10,006,310
Federal and State grant programs	479,896
Trusts	2,026,489
Health and other	652,211
Pension	10,722,724
Special assessment program	3,400,605
Total Restricted	<u>49,763,909</u>
Unrestricted (deficit)	<u>(112,820,097)</u>
Total Governmental Activities Net Postion	<u>\$ 59,029,152</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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	\$	268,478,029
Less: related long-term debt outstanding		(84,294,079)
Total Net Investment in Capital Assets		<u>184,183,950</u>

Restricted for

Debt service		6,933,283
Depreciation fund		800,000
DNR equipment replacement fund		3,031,527
Pension asset		909,002
Impact fund		<u>858,178</u>
Total Restricted		<u>12,531,990</u>

Unrestricted (deficit)

(17,092,244)

Total Business-Type Activities Net Position

\$ 179,623,696

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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, 2015 include the following:

	General Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable				
Non Current Receivables	\$ 4,739,246	\$ -	\$ -	\$ 4,739,246
Inventories	103,719	-	-	103,719
Prepaid Items	26,544	-	-	26,544
Deposit in CVMIC	2,962,500	-	-	2,962,500
	<u>7,832,009</u>	<u>-</u>	<u>-</u>	<u>7,832,009</u>
Restricted for:				
Loan Program	-	-	3,143,191	3,143,191
Debt Service	-	731,944	-	731,944
HUD Grant Programs	-	-	77,013	77,013
State Grant Program	-	-	3,674	3,674
Federal Grant Programs	-	-	399,209	399,209
Special Assessment Program	-	-	980,969	980,969
Public Safety	-	-	261,184	261,184
Health Services	-	-	99,458	99,458
Cemtery Donations	-	-	237,681	237,681
Park and Recreation Programs	-	-	53,888	53,888
Trusts	-	-	2,026,489	2,026,489
Library Services	-	-	462,179	462,179
Tax Incremental Districts	-	-	12,551,189	12,551,189
Revenue Sharing	-	-	10,006,310	10,006,310
Endowments	-	-	2,328,047	2,328,047
	<u>-</u>	<u>731,944</u>	<u>32,630,481</u>	<u>33,362,425</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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	\$ -	\$ -	\$ 105,096	\$ 105,096
Fire Prevention	-	-	38,222	38,222
Room Tax	-	-	25,106	25,106
Racine Safe Neighborhood	-	-	8,575	8,575
Sister Cities	-	-	16,532	16,532
Boat Launch	-	-	6	6
Comm Center Concessions	-	-	10,922	10,922
Landmark Preservation	-	-	3,951	3,951
Open Space Park Land	-	-	18,257	18,257
Recycling	-	-	76,051	76,051
Cemetery	-	-	305,979	305,979
City Projects	-	-	1,650,183	1,650,183
Private Property Maintenance	-	-	263,941	263,941
Sanitary Sewer Maintenance	-	-	175,471	175,471
Health Lab	-	-	198,704	198,704
Capital projects	-	-	9,286,959	9,286,959
	-	-	12,183,955	12,183,955
Assigned to:				
Budget Stabilization	750,000	-	-	750,000
Economic Development	-	-	595,261	595,261
	750,000	-	595,261	1,345,261
Unassigned	23,620,258	-	-	23,620,258
Total Fund Balances	\$ 32,202,267	\$ 731,944	\$ 45,409,697	\$ 78,343,908

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

I. RESTATEMENT OF NET POSITION

Net position has been restated as a result of the implementation of GASB Statement No. 68 – Accounting and Financial Reporting for Pensions - an Amendment of GASB Statement No. 27 and implementation of GASB Statement No. 71 - Pension Transition for Contributions Made Subsequent to the Measurement Date. These statements require the net pension asset and related deferred outflows and deferred inflows, if any, to be reported in the financial statements. The details of this restatement are as follows:

	Governmental Activities	Business-type Activities
Net Position-December 31, 2014 (as reported)	\$ 35,051,192	\$ 177,750,872
Add: Net pension asset	17,829,874	1,511,499
Add: Deferred outflows related to pensions	6,736,157	571,048
Net Position-December 31, 2014 (as restated)	<u>\$ 59,617,223</u>	<u>\$ 179,833,419</u>

	Water Utility	Wastewater Utility	Storm Water Utility	Belle Urban Transit	Non-Major Other Enterprise Funds	Total
Net Position-December 31, 2014 (as reported)	\$ 91,449,482	\$ 30,823,737	\$ 25,472,568	\$ 12,252,615	\$ 17,752,470	\$ 177,750,872
Add: Net pension asset	663,769	473,074	232,185	-	142,472	1,511,500
Add: Deferred outflows related to pensions	250,773	178,728	87,720	-	53,826	571,047
Net Position-December 31, 2014 (as restated)	<u>\$ 92,364,024</u>	<u>\$ 31,475,539</u>	<u>\$ 25,792,473</u>	<u>\$ 12,252,615</u>	<u>\$ 17,948,768</u>	<u>\$ 179,833,419</u>

	Internal Service Funds
Net Position-December 31, 2014 (as reported)	\$ 8,883,594
Add: Net pension asset	
Add: Deferred outflows related to pensions	742,437
Net Position-December 31, 2014 (as restated)	<u>280,494</u>
	<u>\$ 9,906,525</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

J. COMPONENT UNITS

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

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

CITY OF RACINE REDEVELOPMENT AUTHORITY

a. Basis of Accounting/Measurement Focus

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

b. Transactions with the Primary Government

At December 31, 2015, the Redevelopment Authority has advances from the City in the amount of \$2,736,585. 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, 2015 the Authority had assets held for resale of \$2,996,978.

d. Cash and Investments

At December 31, 2015, the carrying value and bank balance of the Redevelopment Authority's deposits are \$323,873. These monies are commingled with other City funds and therefore FDIC coverage is not able to be determined.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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

J. 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.

e. Transactions with the Primary Government

At December 31, 2015, the BID has a receivable of \$198,000 from the City's tax collection fund for the entire subsequent year's annual assessment.

f. Cash and Investments

At December 31, 2015, the carrying value and bank balance of the BID's deposits are \$18,131 and \$21,913, respectively. Of that balance all was covered by federal depository insurance.

g. 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, 2015, the District had capital assets with a cost of \$14,232 and accumulated depreciation of \$8,662. The District's net book value of capital assets was \$5,570. The current year additions were \$4,206.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Pension. For purposes of measuring the net pension liability (asset), deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Wisconsin Retirement System (WRS) and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by WRS. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

GENERAL INFORMATION ABOUT THE PENSION PLAN

Plan description: The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. 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.

Vesting: For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, 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.

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. 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 participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

Employees may retire at age 55 (50 for protective occupation employees) and receive reduced benefits. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and forfeit all rights to any subsequent benefits.

The WRS also provides death and disability benefits for employees.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Post-retirement adjustments. The Employee Trust Funds Board may periodically adjust annuity payments from the retirement system based on annual investment performance in accordance with s. 40.27, Wis. Stat. An increase (or decrease) in annuity payments may result when investment gains (losses), together with other actuarial experience factors, create a surplus (shortfall) in the reserves, as determined by the system's consulting actuary. Annuity increases are not based on cost of living or other similar factors. For Core annuities, decreases may be applied only to previously granted increases. By law, Core annuities cannot be reduced to an amount below the original, guaranteed amount (the "floor") set at retirement. The Core and Variable annuity adjustments granted during recent years are as follows:

Year	Core Fund Adjustment	Variable Fund Adjustment
2005	2.6%	7%
2006	0.8	3
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25

Contributions. Required contributions are determined by an annual actuarial valuation in accordance with Chapter 40 of the Wisconsin Statutes. The employee required contribution is 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 rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

During the reporting period, the WRS recognized \$4,568,874 in contributions from the city.

Contribution rates as of December 31, 2015 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General	6.8%	6.8%
Executives & Elected Officials	7.7%	7.7%
Protective with Social Security	6.8%	9.5%
Protective without Social Security	6.8%	13.1%

Pension Assets, Pension Expense, Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2015, the city reported an asset of \$11,631,726 for its proportionate share of the net pension asset. The net pension asset was measured as of December 31, 2014, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2013 rolled forward to December 31, 2014. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The city's proportion of the net pension asset was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2014, the city's proportion was .473551710%, which was a decrease of .017035020% from its proportion measured as of December 31, 2013.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

For the year ended December 31, 2015, the city recognized pension expense of \$9,801,031.

At December 31, 2015, the city reported deferred outflows of resources related to pensions from the following sources:

	<u>Deferred Outflow of Resources</u>
Differences between expected and actual experience	\$ 1,686,238
Net differences between projected and actual earnings on pension plan investments	5,632,643
Changes in proportion and differences between employer contributions and proportionate share of contributions	499,627
Employer contributions subsequent to the measurement date	<u>4,704,517</u>
Total	<u>\$ 12,523,025</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

\$4,704,517 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

<u>Year ended</u> <u>December 31:</u>	<u>Deferred Outflow</u> <u>of Resources</u>
2016	\$ 1,906,512
2017	1,906,512
2018	1,906,512
2019	1,906,512
2020	192,460
Thereafter	-

Actuarial assumptions. The total pension liability in the December 31, 2014 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2013
Measurement Date of Net Pension Liability (Asset)	December 31, 2014
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

** No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 2.1% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.*

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2014 is based upon a roll-forward of the liability calculated from the December 31, 2013 actuarial valuation.

Long-term expected return on plan assets. The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

Asset Class	Long-Term Real Rate of Return	Target Allocation
US Equities	5.3%	21%
International Equities	5.7%	23%
Fixed Income	1.7%	36%
Inflation Sensitive Assets	2.3%	20%
Real Estate	4.2%	7%
Private Equity/Debt	6.9%	7%
Multi-Asset	3.9%	6%
Cash	0.9%	-20%

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Single discount rate. A single discount rate of 7.20% was used to measure the total pension liability. This single discount rate was based on the expected rate of return on pension plan investments of 7.20% and a long term bond rate of 3.56%. Because of the unique structure of WRS, the 7.20% expected rate of return implies that a dividend of approximately 2.1% will always be paid. For purposes of the single discount rate, it was assumed that the dividend would always be paid. The projection of cash flows used to determine this single discount rate assumed that plan member contributions will be made at the current contribution rate and that employer contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on these assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments (including expected dividends) of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the city's proportionate share of the net pension asset to changes in the discount rate. The following presents the city's proportionate share of the net pension asset calculated using the discount rate of 7.20 percent, as well as what the city's proportionate share of the net pension asset would be if it were calculated using a discount rate that is 1-percentage-point lower (6.20 percent) or 1- percentage-point higher (8.20 percent) than the current rate:

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
The City's proportionate share of the net pension liability (asset)	<u>\$32,815,101</u>	<u>\$(11,631,726)</u>	<u>\$(46,734,032)</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in separately issued financial statements available at <http://legis.wisconsin.gov/lab/> and reference report number 15-11.

At December 31, 2015, the city reported a payable to the pension plan, which represents contractually required contributions outstanding as of the end of the year.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE V – OTHER INFORMATION (cont.)

B. RACINE TRANSIT SYSTEM PENSION PLAN

The Transit System's union employees participate in a cost-sharing, multiple-employer defined benefit plan. The Plan provides for retirement and related benefits for eligible employees of contributing employers that are signatory to collective bargaining agreements with local unions accepted by the Trustees of the Fund.

The Transit System makes contributions to the Fund, on behalf of their employee participants, at rates specified in their collective bargaining agreement. Contributions to the plan were \$735,881, \$751,300, and \$743,886, for the years ended December 31, 2015, 2014, and 2013 respectively. The following table shows the rate charged per week for each contract year:

Contract Period	Rate per week
July 1, 2015- June 30, 2016	\$217
July 1, 2014 – June 30, 2015	205
July 1, 2013 – June 30, 2014	193
July 1, 2012 – June 30, 2013	182

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, 2015

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.

	2015	2014	2013
Valuation Date	January 1, 2015	January 1, 2014	January 1, 2013
Funded Percentage	47.86%	48.39%	47.6%
Value of Assets	\$16,781,283,666	\$17,028,061,298	\$16,795,637,412
Value of Liabilities	\$35,062,805,288	\$35,189,411,452	\$35,312,128,471

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.

	2015	2014	2013
FMV of Plan Assets	\$ 16,126,208,142	\$ 17,863,105,558	\$ 18,740,758,554

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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, 2015. 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	\$ 900,923	\$ 1,284,013
Current year claims and changes in estimates	13,447,942	14,989,978
Claim payments	<u>(13,374,240)</u>	<u>(15,373,068)</u>
Unpaid Claims – End of Year	<u>\$ 974,625</u>	<u>\$ 900,923</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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, 2015 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, 2015. A total liability of approximately \$2,066,372 at December 31, 2015 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
2015	\$ 1,662,240	1,806,415	1,402,283	\$ 2,066,372
2014	1,700,218	845,485	883,463	1,662,240

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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 2015, TMI issued a Motor Vehicle Insurance Policy to its members with the following available coverages:

Liability	\$250,000 per person, \$7,000,000 per accident, 0 deductible
Uninsured Motorists	\$ 25,000 per person, \$50,000 per accident, 0 deductible
Physical damage	Collision and Comprehensive – “Agreed value, or Cost of Repairs, whichever is less, minus \$ 500 flat deductible per accident for all private passenger & service units, \$1000 flat deductible per accident for all bus units

TMI retains \$2,000,000 per occurrence (accident) of the liability limits and cedes \$5,000,000 to General Reinsurance Corporation. TMI retains \$500,000 per occurrence (accident) of the physical damage limits and cedes the balance up to \$9,500,000 to General Reinsurance Corp.

Management consists of a board of directors comprised of one representative for each member. The municipality does not exercise any control over the activities of the agency beyond its representation on the board of directors.

Initial contributions are determined in advance of each membership year. The board of directors may require that supplemental contributions be made by members to ensure adequate funds are available to meet the obligations applicable to the membership year. Members have a contractual obligation to fund any deficit attributable to a membership year during which they were a member. The city's share of this joint venture is 8.56% for auto liability and 13.98% 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, 2015

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 \$4,100,435.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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%-10% 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 2015, the City contributed \$11,875,846 to the plan. Eligible plan member contributions vary based on the specific collective bargaining agreement. Plan member contributions range from 0-10% of their premium costs. For fiscal year 2015, total retiree member contributions were \$313,798.

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, 2015

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

	Governmental Activities	Business Type Activities	Total
Annual required contribution	\$ 30,528,478	\$ 4,600,119	\$ 35,128,597
Interest on net OPEB obligation	3,949,947	579,114	4,529,061
Adjustment to annual required contribution	(6,521,778)	(956,177)	(7,477,955)
Annual OPEB cost	27,956,647	4,223,056	32,179,703
Contributions made	(10,560,697)	(1,315,149)	(11,875,846)
Increase in net OPEB obligation	17,395,950	2,907,907	20,303,857
Net OPEB obligation beginning of year	131,617,888	19,350,810	150,968,698
Net OPEB obligation end of year	\$ 149,013,838	\$ 22,258,717	\$ 171,272,555

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2015 and the two preceding years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Governmental Activities			
12/31/2013	\$ 25,401,572	32.95%	\$ 116,510,104
12/31/2014	24,969,135	39.49%	131,617,888
12/31/2015	27,956,647	35.25%	149,013,838
Business Type Activities			
12/31/2013	\$ 2,533,753	58.56%	\$ 17,358,910
12/31/2014	3,469,091	42.58%	19,350,810
12/31/2015	4,223,056	31.14%	22,258,717

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The funded status of the plan as of December 31, 2015, the most recent actuarial valuation date was as follows:

	Governmental <u>Activities</u>	Business <u>Type Activities</u>	<u>Total</u>
Actuarial accrued liability (AAL)	\$ 436,673,805	\$ 66,575,881	\$ 503,249,686
Actuarial value of plan assets	-	-	-
Unfunded Actuarial Accrued Liability (UAAL)	<u>\$ 436,673,805</u>	<u>\$ 66,575,881</u>	<u>\$ 503,249,686</u>
Funded Ratio	-	-	-
Covered Payroll	\$ 41,228,514	\$ 6,753,925	\$ 47,982,439
UAAL as percentage of covered payroll	1059.15%	985.74%	1048.82%

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress, presented as required supplementary information following the notes to the financial statements, presents multiyear trend information that shows whether the actuarial value of plan assets is increasing or decreasing over time relative to the actuarial accrued liabilities for benefits.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan is understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2015 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 6.7% 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 15.0% of Water Utility gross sales aggregating \$3,019,086 and 15.9% of gross sales aggregating \$3,091,412 in 2015 and 2014, respectively.

Two major customers accounted for 23.7% and 16.1% of Wastewater Utility gross sales aggregating \$4,533,402 in 2015. Total accounts receivable from these customers totaled \$1,246,926 at December 31, 2015.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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, 2015 and 2014.

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 \$789,049 and \$753,687 for 2015 and 2014, 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, 2015

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, 2015 was \$858,177.

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, 2015, the Wastewater Utility had excess collections of \$476,177 which was reported as due to 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 \$1,485,829.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2015

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. 72, *Fair Value Measurement and Application*
- > Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*
- > Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- > Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Government*
- > Statement No. 77, *Tax Abatement Disclosures*
- > Statement No. 78, *Pensions Provided Through Certain Multiple-Employer Defined Benefit Pension Plans*

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, 2015

	Actuarial Valuation Date	Actuarial Value of Assets (a)	(AAL) Accrued Actuarial Liability (b)	(UAAL) Unfunded AAL (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
GOVERNMENTAL ACTIVITIES							
	12/31/2011	\$ -	\$ 302,383,821	\$ 302,383,821	\$ -	\$ 43,243,513	699.26%
	12/31/2013	-	363,292,022	363,292,022	-	42,532,503	854.15%
	12/31/2015	-	436,673,805	436,673,805	-	41,228,514	1059.15%
BUSINESS TYPE ACTIVITIES							
	12/31/2011	\$ -	\$ 48,527,170	\$ 48,527,170	\$ -	\$ 6,860,758	707.31%
	12/31/2013	-	54,243,973	54,243,973	-	6,732,269	805.73%
	12/31/2015	-	66,575,881	66,575,881	-	6,753,925	985.74%

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF RACINE

SCHEDULES OF CITY OF RACINE'S PROPORTIONATE SHARE OF THE NET PENSION ASSET AND CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2015

<u>Fiscal Year Ending</u>	<u>Proportion of the Net Pension Asset</u>	<u>Proportionate Share of the Net Pension Asset</u>	<u>Covered Payroll</u>	<u>Proportionate Share of the Net Pension Asset as a Percentage of Covered Payroll</u>	<u>Plan Fiduciary Net Position as a Percentage of Covered Payroll</u>
12/31/15	0.47355171%	\$ 11,631,726	\$ 49,050,285	23.71%	102.74%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2015

<u>Fiscal Year Ending</u>	<u>Contractually Required Contributions</u>	<u>Contributions in Relation to the Contractually Required Contributions</u>	<u>Contribution Deficiency (Excess)</u>	<u>Covered Payroll</u>	<u>Contributions as a Percentage of Covered Payroll</u>
12/31/15	\$ 4,704,517	\$ 4,704,517	\$ -	\$ 47,982,439	9.80%

See independent auditors' report and accompanying notes to required supplementary information.

CITY OF RACINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2015

WISCONSIN RETIREMENT SYSTEM (WRS) PENSION

The amounts determined for each fiscal year were determined as of the calendar year-end that occurred within the fiscal year.

The City is required to present the last ten fiscal years of data; however, accounting standards allow the presentation of as many years as are available until ten fiscal years are presented.

Changes of benefit terms. There were no changes of benefit terms for any participating employer in WRS.

Changes of assumptions. There were no changes in the assumptions.

**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2015

	Special Revenue Funds				
	HUD Grants	State Grants	Other Agency Grants	Federal Grants	Loans
ASSETS					
Cash and investments	\$ 138,453	\$ 79,854	\$ 98,756	\$ 329,270	\$ 3,192,882
Receivables					
Property taxes	-	-	-	-	-
Special assessment - tax roll	-	-	-	-	-
Special assessment	-	-	-	-	-
Accounts	-	-	5,000	-	402,340
Loans and notes (net)	28,914	-	-	156,561	2,039,661
Due from other funds	-	-	-	-	-
Due from other governments	133,070	753,419	50,293	826,917	-
Assets held for resale	-	-	-	28,809	-
Advances to component unit	-	-	-	-	-
Advances to other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 300,437</u>	<u>\$ 833,273</u>	<u>\$ 154,049</u>	<u>\$ 1,341,557</u>	<u>\$ 5,634,883</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 160,001	\$ 131,900	\$ 4,200	\$ 191,044	\$ -
Accrued liabilities	7,598	6,201	2,471	1,072	98,255
Notes payable	-	-	-	-	-
Due to other funds	26,911	625,632	50,293	545,147	2,812
Advances from other funds	-	-	-	-	-
Total Liabilities	<u>194,510</u>	<u>763,733</u>	<u>56,964</u>	<u>737,263</u>	<u>101,067</u>
Deferred Inflows of Resources					
Unavailable revenues	28,914	-	-	156,561	2,039,661
Unearned revenues	-	65,866	97,085	48,524	350,964
Unearned property tax revenue	-	-	-	-	-
Total Deferred Inflows of Resources	<u>28,914</u>	<u>65,866</u>	<u>97,085</u>	<u>205,085</u>	<u>2,390,625</u>
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	77,013	3,674	-	399,209	3,143,191
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	<u>77,013</u>	<u>3,674</u>	<u>-</u>	<u>399,209</u>	<u>3,143,191</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	<u>\$ 300,437</u>	<u>\$ 833,273</u>	<u>\$ 154,049</u>	<u>\$ 1,341,557</u>	<u>\$ 5,634,883</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2015

Special Revenue Funds							
Special Assessments	Restricted	Trusts	Library	Recycling	Municipal Court	Cemetery	Private Property Maintenance
\$ 1,104,925	\$ 903,358	\$ 2,037,097	\$ 533,771	\$ 117,556	\$ 6,516	\$ 337,590	\$ 240,887
-	16,935	-	1,862,639	1,193,861	86,605	302,744	-
646,485	-	-	-	-	-	-	-
2,419,636	-	-	-	-	-	-	-
-	32,386	-	-	-	-	-	42,023
-	-	-	-	-	-	-	-
-	-	-	80	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	590,000	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ 4,171,046</u>	<u>\$ 1,542,679</u>	<u>\$ 2,037,097</u>	<u>\$ 2,396,490</u>	<u>\$ 1,311,417</u>	<u>\$ 93,121</u>	<u>\$ 640,334</u>	<u>\$ 282,910</u>
\$ 245	\$ 42,255	\$ 20	\$ 8,682	\$ 32,032	\$ -	\$ 27,241	\$ 18,969
123,711	9,350	-	62,990	9,473	6,516	4,370	-
-	-	-	-	-	-	-	-
-	-	10,588	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>123,956</u>	<u>51,605</u>	<u>10,608</u>	<u>71,672</u>	<u>41,505</u>	<u>6,516</u>	<u>31,611</u>	<u>18,969</u>
2,419,636	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
646,485	16,935	-	1,862,639	1,193,861	86,605	302,744	-
<u>3,066,121</u>	<u>16,935</u>	<u>-</u>	<u>1,862,639</u>	<u>1,193,861</u>	<u>86,605</u>	<u>302,744</u>	<u>-</u>
-	-	-	-	-	-	-	-
980,969	652,211	2,026,489	462,179	-	-	-	-
-	226,667	-	-	76,051	-	305,979	263,941
-	595,261	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>980,969</u>	<u>1,474,139</u>	<u>2,026,489</u>	<u>462,179</u>	<u>76,051</u>	<u>-</u>	<u>305,979</u>	<u>263,941</u>
<u>\$ 4,171,046</u>	<u>\$ 1,542,679</u>	<u>\$ 2,037,097</u>	<u>\$ 2,396,490</u>	<u>\$ 1,311,417</u>	<u>\$ 93,121</u>	<u>\$ 640,334</u>	<u>\$ 282,910</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2015

	Special Revenue Funds		Capital Projects Funds		
	Sanitary Sewer Maintenance	Health Lab	Tax Incremental Districts	City Projects	Capital Grants
ASSETS					
Cash and investments	\$ 664,308	\$ 201,367	\$ 12,769,637	\$ 758,260	\$ -
Receivables					
Property taxes	1,854,400	249,687	2,217,402	-	-
Special assessment - tax roll	-	-	-	-	-
Special assessment	-	-	-	-	-
Accounts	-	950	7,500	-	-
Loans and notes	-	-	4,517,120	-	-
Due from other funds	-	-	-	930,489	-
Due from other governments	-	-	93,894	-	3,177
Assets held for resale	-	-	385,000	-	-
Advances to component unit	-	-	1,805,753	120,000	-
Advances to other funds	-	-	-	350,750	-
TOTAL ASSETS	\$ 2,518,708	\$ 452,004	\$ 21,796,306	\$ 2,159,499	\$ 3,177
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 486,028	\$ 10	\$ 143,994	\$ 451,166	\$ -
Accrued liabilities	2,809	3,603	564	3,296	-
Notes payable	-	-	-	-	-
Due to other funds	-	-	-	54,854	3,177
Advances from other funds	-	-	6,866,037	-	-
Total Liabilities	488,837	3,613	7,010,595	509,316	3,177
Deferred Inflows of Resources					
Unavailable revenues	-	-	17,120	-	-
Unearned revenues	-	-	-	-	-
Unearned property tax revenue	1,854,400	249,687	2,217,402	-	-
Total Deferred Inflows of Resource:	1,854,400	249,687	2,234,522	-	-
Fund Balances					
Nonspendable	-	-	-	-	-
Restricted	-	-	12,551,189	-	-
Committed	175,471	198,704	-	1,650,183	-
Assigned	-	-	-	-	-
Unassigned	-	-	-	-	-
Total Fund Balances	175,471	198,704	12,551,189	1,650,183	-
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	\$ 2,518,708	\$ 452,004	\$ 21,796,306	\$ 2,159,499	\$ 3,177

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2015

Capital Projects Funds			Permanent Fund	Total
General Obligation Bond Projects	Equipment Replacement	Intergovernmental Revenue Sharing	Endowment Fund	Nonmajor Governmental Funds
\$ 8,270,176	\$ 2,101,281	\$ 3,063,564	\$ 2,331,486	\$ 39,280,994
-	-	-	-	7,784,273
-	-	-	-	646,485
-	-	-	-	2,419,636
-	-	-	-	490,199
-	-	160,000	-	6,902,256
-	-	-	-	930,569
-	-	-	-	1,860,770
-	-	-	-	413,809
-	-	220,832	-	2,736,585
-	-	6,866,037	-	7,216,787
<u>\$ 8,270,176</u>	<u>\$ 2,101,281</u>	<u>\$ 10,310,433</u>	<u>\$ 2,331,486</u>	<u>\$ 70,682,363</u>
\$ 989,648	\$ 93,567	\$ 144,123	\$ 3,439	\$ 2,928,564
1,283	-	-	-	343,562
-	-	-	-	-
-	-	-	-	1,319,414
-	-	-	-	6,866,037
<u>990,931</u>	<u>93,567</u>	<u>144,123</u>	<u>3,439</u>	<u>11,457,577</u>
-	-	160,000	-	4,821,892
-	-	-	-	562,439
-	-	-	-	8,430,758
-	-	160,000	-	13,815,089
-	-	-	-	-
-	-	10,006,310	2,328,047	32,630,481
7,279,245	2,007,714	-	-	12,183,955
-	-	-	-	595,261
-	-	-	-	-
<u>7,279,245</u>	<u>2,007,714</u>	<u>10,006,310</u>	<u>2,328,047</u>	<u>45,409,697</u>
<u>\$ 8,270,176</u>	<u>\$ 2,101,281</u>	<u>\$ 10,310,433</u>	<u>\$ 2,331,486</u>	<u>\$ 70,682,363</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2015

	Special Revenue Funds					Special Revenue Funds			
	HUD Grants	State Grants	Other Agency Grants	Federal Grants	Loans	Special Assessments	Restricted	Trusts	Library
REVENUES									
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 172,819	\$ -	\$ 1,825,342
Special charges and assessments	-	-	-	-	-	1,030,075	99,038	-	-
Intergovernmental	1,758,580	1,383,316	47,585	1,013,688	-	-	-	-	1,435,884
Licenses and permits	-	-	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	101,149	-	-
Charges for services	-	2,790	143,815	25,042	513,555	-	147,135	-	80,716
Miscellaneous	315,205	20,265	344,865	89,211	8,669	156,538	138,851	360,364	14,872
Total Revenues	2,073,785	1,406,371	536,265	1,127,941	522,224	1,186,613	658,992	360,364	3,356,814
EXPENDITURES									
Current									
General Government	-	-	-	-	-	-	183,471	-	-
Health	-	641,648	488,680	59,114	-	-	1,648	-	-
Public safety	-	348,038	-	295,133	-	-	137,629	-	-
Public works	-	-	-	-	-	279	13,425	-	-
Education and recreation	-	25,000	-	-	-	-	152,715	155,103	3,195,467
Community development	962,328	4,000	-	326,524	135,641	-	798	-	-
Debt Service - interest and fiscal charges	-	-	-	-	-	-	-	-	-
Capital outlay	990,307	477,020	47,585	576,188	-	-	195,028	398	87,156
Total Expenditures	1,952,635	1,495,706	536,265	1,256,959	135,641	279	684,714	155,501	3,282,623
Excess (deficiency) of revenues over expenditures	121,150	(89,335)	-	(129,018)	386,583	1,186,334	(25,722)	204,863	74,191
OTHER FINANCING SOURCES (USES)									
Long-term debt issued	-	-	-	-	-	-	-	-	-
Premium on long-term debt	-	-	-	-	-	-	-	-	-
Transfers in	40,929	89,004	-	-	18,500	-	43,887	-	26,441
Transfers out	(85,066)	-	-	-	(282,528)	(1,354,060)	(378,648)	-	-
Total Other Financing Sources (Uses)	(44,137)	89,004	-	-	(264,028)	(1,354,060)	(334,761)	-	26,441
Net Change in Fund Balances	77,013	(331)	-	(129,018)	122,555	(167,726)	(360,483)	204,863	100,632
FUND BALANCES (DEFICIT) - Beginning of Year	-	4,005	-	528,227	3,020,636	1,148,695	1,834,622	1,821,626	361,547
FUND BALANCES - END OF YEAR	\$ 77,013	\$ 3,674	\$ -	\$ 399,209	\$ 3,143,191	\$ 980,969	\$ 1,474,139	\$ 2,026,489	\$ 462,179

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2015

Special Revenue Funds					
Recycling	Municipal Court	Cemetery	Private Property Maintenance	Sanitary Sewer Maintenance	Health Lab
\$ 377,213	\$ 70,168	\$ 360,835	\$ 82	\$ -	\$ 156,560
-	-	-	-	-	-
316,000	-	-	-	-	-
-	-	-	-	-	-
-	213,123	-	-	-	-
770,489	-	338,718	228,869	1,854,599	20,373
29,324	776	5,002	1,591	24,638	3,342
<u>1,493,026</u>	<u>284,067</u>	<u>704,555</u>	<u>230,542</u>	<u>1,879,237</u>	<u>180,275</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	301,044	-	-	-	190,308
1,465,518	-	-	232,746	377,883	-
-	-	522,178	-	-	-
-	-	-	-	-	-
-	-	65,646	-	1,791,972	-
<u>1,465,518</u>	<u>301,044</u>	<u>587,824</u>	<u>232,746</u>	<u>2,169,855</u>	<u>190,308</u>
-	-	-	-	-	-
27,508	(16,977)	116,731	(2,204)	(290,618)	(10,033)
-	-	-	-	-	-
-	-	-	-	-	-
-	8,764	61,766	-	-	-
-	-	-	-	-	-
-	<u>8,764</u>	<u>61,766</u>	-	-	-
27,508	(8,213)	178,497	(2,204)	(290,618)	(10,033)
<u>48,543</u>	<u>8,213</u>	<u>127,482</u>	<u>266,145</u>	<u>466,089</u>	<u>208,737</u>
\$ 76,051	\$ -	\$ 305,979	\$ 263,941	\$ 175,471	\$ 198,704

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2015

	Capital Projects Funds				
	Tax Incremental Districts	City Projects	Capital Grants	General Obligation Bond Projects	Equipment Replacement
REVENUES					
Taxes	\$ 1,798,237	\$ -	\$ -	\$ -	\$ -
Special charges and assessments	-	-	-	-	-
Intergovernmental	511,721	-	3,177	-	-
Licenses and permits	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-
Charges for services	100	2,724,726	-	-	-
Miscellaneous	271,865	21,306	-	89,024	95,109
Total Revenues	2,581,923	2,746,032	3,177	89,024	95,109
EXPENDITURES					
Current					
General Government	-	-	-	-	-
Health	-	-	-	-	-
Public safety	-	-	-	-	-
Public works	-	150,024	-	269,327	-
Education and recreation	-	-	-	29,800	-
Community development	628,787	-	-	-	-
Debt Service - interest and fiscal charges	51,349	377,442	-	45,851	-
Capital outlay	48,626	2,276,446	3,177	6,477,742	1,201,253
Total Expenditures	728,762	2,803,912	3,177	6,822,720	1,201,253
Excess (deficiency) of revenues over expenditures	1,853,161	(57,880)	-	(6,733,696)	(1,106,144)
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	9,195,000	2,000,000
Premium on long-term debt	-	-	-	50,266	-
Transfers in	-	1,683,475	-	-	1,106,143
Transfers out	(1,039,575)	-	-	(2,615,916)	-
Total Other Financing Sources (Uses)	(1,039,575)	1,683,475	-	6,629,350	3,106,143
Net Change in Fund Balances	813,586	1,625,595	-	(104,346)	1,999,999
FUND BALANCES (DEFICIT) - Beginning of Year	11,737,603	24,588	-	7,383,591	7,715
FUND BALANCES - END OF YEAR	\$ 12,551,189	\$ 1,650,183	\$ -	\$ 7,279,245	\$ 2,007,714

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2015

Capital Projects Funds	Permanent Fund	Total
Intergovernmental		Nonmajor
Revenue	Endowment	Governmental
Sharing	Fund	Funds
\$ -	\$ -	\$ 4,761,256
-	-	1,129,113
1,543,156	-	8,013,107
-	-	-
-	-	314,272
8,000	-	6,858,927
138,568	(11,542)	2,117,843
<u>1,689,724</u>	<u>(11,542)</u>	<u>23,194,518</u>
-	-	183,471
-	-	1,381,398
-	-	1,081,844
-	-	2,509,202
-	78,402	4,158,665
517,472	-	2,575,550
-	-	474,642
110,692	10,269	14,359,505
<u>628,164</u>	<u>88,671</u>	<u>26,724,277</u>
 <u>1,061,560</u>	 <u>(100,213)</u>	 <u>(3,529,759)</u>
-	-	11,195,000
-	-	50,266
-	-	3,078,909
-	-	(5,755,793)
-	-	<u>8,568,382</u>
 <u>1,061,560</u>	 <u>(100,213)</u>	 <u>5,038,623</u>
<u>8,944,750</u>	<u>2,428,260</u>	<u>40,371,074</u>
 <u>\$ 10,006,310</u>	 <u>\$ 2,328,047</u>	 <u>\$ 45,409,697</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, 2015

	Library			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,825,339	\$ 1,825,339	\$ 1,825,342	\$ 3
Intergovernmental	1,435,884	1,435,884	1,435,884	-
Licenses and permits	-	-	-	-
Fines and Forfeitures	-	-	-	-
Charges for services	84,050	84,050	80,716	(3,334)
Miscellaneous	11,670	11,670	14,872	3,202
Total Revenues	<u>3,356,943</u>	<u>3,356,943</u>	<u>3,356,814</u>	<u>(129)</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Health	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Education and recreation	3,319,993	3,319,993	3,195,467	124,526
Community development	-	-	-	-
Capital outlay	<u>486,950</u>	<u>486,950</u>	<u>87,156</u>	<u>399,794</u>
Total Expenditures	<u>3,806,943</u>	<u>3,806,943</u>	<u>3,282,623</u>	<u>524,320</u>
Excess (deficiency) of revenues over expenditures	<u>(450,000)</u>	<u>(450,000)</u>	<u>74,191</u>	<u>524,191</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	450,000	450,000	26,441	(423,559)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>450,000</u>	<u>450,000</u>	<u>26,441</u>	<u>(423,559)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	<u>100,632</u>	<u>\$ 100,632</u>
FUND BALANCES (DEFICITS) - Beginning of Year			<u>361,547</u>	
FUND BALANCES - END OF YEAR			<u>\$ 462,179</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, 2015

Recycling				Municipal Court			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 377,213	\$ 377,213	\$ 377,213	\$ -	\$ 70,168	\$ 70,168	\$ 70,168	\$ -
316,080	316,080	316,000	(80)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	235,000	235,000	213,123	(21,877)
784,620	784,620	770,489	(14,131)	-	-	-	-
60,000	60,000	29,324	(30,676)	-	-	776	776
<u>1,537,913</u>	<u>1,537,913</u>	<u>1,493,026</u>	<u>(44,887)</u>	<u>305,168</u>	<u>305,168</u>	<u>284,067</u>	<u>(21,101)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	305,168	305,168	301,044	4,124
1,537,913	1,537,913	1,465,518	72,395	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,537,913</u>	<u>1,537,913</u>	<u>1,465,518</u>	<u>72,395</u>	<u>305,168</u>	<u>305,168</u>	<u>301,044</u>	<u>4,124</u>
-	-	-	-	-	-	-	-
-	-	27,508	27,508	-	-	(16,977)	(16,977)
-	-	-	-	-	-	8,764	8,764
-	-	-	-	-	-	-	-
-	-	-	-	-	-	8,764	8,764
<u>\$ -</u>	<u>\$ -</u>	<u>27,508</u>	<u>\$ 27,508</u>	<u>\$ -</u>	<u>\$ -</u>	<u>(8,213)</u>	<u>\$ (8,213)</u>
		<u>48,543</u>				<u>8,213</u>	
		<u>\$ 76,051</u>				<u>\$ -</u>	

CITY OF RACINE
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2015

	Cemetery			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 360,835	\$ 360,835	\$ 360,835	\$ -
Intergovernmental	-	-	-	-
Licenses and permits	-	-	-	-
Fines and Forfeitures	-	-	-	-
Charges for services	245,000	245,000	338,718	93,718
Miscellaneous	-	-	5,002	5,002
Total Revenues	<u>605,835</u>	<u>605,835</u>	<u>704,555</u>	<u>98,720</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Health	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Education and recreation	605,835	605,835	522,178	83,657
Community development	-	-	-	-
Capital outlay	<u>105,000</u>	<u>113,385</u>	<u>65,646</u>	<u>47,739</u>
Total Expenditures	<u>710,835</u>	<u>719,220</u>	<u>587,824</u>	<u>131,396</u>
Excess (deficiency) of revenues over expenditures	<u>(105,000)</u>	<u>(113,385)</u>	<u>116,731</u>	<u>230,116</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	105,000	105,000	61,766	(43,234)
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>105,000</u>	<u>105,000</u>	<u>61,766</u>	<u>(43,234)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (8,385)</u>	<u>178,497</u>	<u>\$ 186,882</u>
FUND BALANCES (DEFICITS) - Beginning of Year			<u>127,482</u>	
FUND BALANCES - END OF YEAR			<u>\$ 305,979</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, 2015

Private Property Maintenance				Sanitary Sewer Maintenance			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ 82	\$ 82	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
125,000	125,000	-	(125,000)	-	-	-	-
-	-	-	-	-	-	-	-
165,063	165,063	228,869		1,770,237	1,770,237	1,854,599	84,362
-	-	1,591	1,591	10,000	10,000	24,638	14,638
<u>290,063</u>	<u>290,063</u>	<u>230,542</u>	<u>(123,327)</u>	<u>1,780,237</u>	<u>1,780,237</u>	<u>1,879,237</u>	<u>99,000</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
290,063	290,063	232,746	57,317	558,867	558,867	377,883	180,984
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	2,195,000	1,956,088	1,791,972	164,116
<u>290,063</u>	<u>290,063</u>	<u>232,746</u>	<u>57,317</u>	<u>2,753,867</u>	<u>2,514,955</u>	<u>2,169,855</u>	<u>345,100</u>
-	-	(2,204)	(2,204)	(973,630)	(734,718)	(290,618)	444,100
-	-	-	-	1,000,000	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,000,000	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>(2,204)</u>	<u>\$ (2,204)</u>	<u>\$ 26,370</u>	<u>\$ (734,718)</u>	<u>(290,618)</u>	<u>\$ 444,100</u>
		266,145				466,089	
		<u>\$ 263,941</u>				<u>\$ 175,471</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, 2015

	Health Lab			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 156,560	\$ 156,560	\$ 156,560	\$ -
Intergovernmental	-	-	-	-
Licenses and permits	-	-	-	-
Fines and Forfeitures	-	-	-	-
Charges for services	11,000	11,000	20,373	9,373
Miscellaneous	-	-	3,342	3,342
Total Revenues	<u>167,560</u>	<u>167,560</u>	<u>180,275</u>	<u>12,715</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Health	167,560	167,560	190,308	(22,748)
Public safety	-	-	-	-
Public works	-	-	-	-
Education and recreation	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>167,560</u>	<u>167,560</u>	<u>190,308</u>	<u>(22,748)</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(10,033)</u>	<u>(10,033)</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>(10,033)</u>	<u>\$ (10,033)</u>
FUND BALANCES (DEFICITS) - Beginning of Year			<u>208,737</u>	
FUND BALANCES - END OF YEAR			<u>\$ 198,704</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, 2015**

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 15,486,759	\$ 15,486,759	\$ -
Intergovernmental	158,184	516,508	358,324
Miscellaneous	202,971	202,969	(2)
Total Revenues	<u>15,847,914</u>	<u>16,206,236</u>	<u>358,322</u>
EXPENDITURES			
Debt service			
Principal	13,365,000	24,625,000	(11,260,000)
Interest and fiscal charges	<u>3,735,358</u>	<u>3,870,250</u>	<u>(134,892)</u>
Total Expenditures	<u>17,100,358</u>	<u>28,495,250</u>	<u>(11,394,892)</u>
Deficiency of revenues over expenditures	<u>(1,252,444)</u>	<u>(12,289,014)</u>	<u>(11,036,570)</u>
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	-	12,540,000	12,540,000
Premium on long-term debt issued	-	271,014	271,014
Payment to escrow agent	-	(1,367,768)	(1,367,768)
Transfers in	<u>1,042,444</u>	<u>1,039,576</u>	<u>(2,868)</u>
Total Other Financing Sources (Uses)	<u>1,042,444</u>	<u>12,482,822</u>	<u>11,440,378</u>
Net Change in Fund Balances	<u>\$ (210,000)</u>	<u>193,808</u>	<u>\$ 403,808</u>
FUND BALANCES - Beginning of Year		<u>538,136</u>	
FUND BALANCES - END OF YEAR		<u>\$ 731,944</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, 2015

	General Obligation Bond Projects			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	89,024	89,024
Total Revenues	-	-	89,024	89,024
EXPENDITURES				
Current	-	-	-	-
Public safety	-	-	-	-
Public works	-	269,327	269,327	-
Education and recreation	-	29,800	29,800	-
Community development	-	-	-	-
Debt Service - interest and fiscal charges	-	45,851	45,851	-
Capital outlay	7,522,500	10,277,617	6,477,742	3,799,875
Total Expenditures	7,522,500	10,622,595	6,822,720	3,799,875
Excess (deficiency) of revenues over expenditures	(7,522,500)	(10,622,595)	(6,733,696)	3,888,899
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	11,192,500	11,192,500	9,195,000	(1,997,500)
Premium on long-term debt	-	-	50,266	50,266
Transfers in	-	-	-	-
Transfers out	(3,670,000)	(7,164,675)	(2,615,916)	4,548,759
Total Other Financing Sources (Uses)	7,522,500	4,027,825	6,629,350	2,601,525
Net Change in Fund Balances	\$ -	\$ (6,594,770)	(104,346)	\$ 6,490,424
FUND BALANCES (DEFICIT) - Beginning of Year			7,383,591	
FUND BALANCES - END OF YEAR			<u>\$ 7,279,245</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, 2015

Equipment Replacement Fund				Intergovernmental Revenue Sharing			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,543,156	1,543,156	1,543,156	-
-	-	-	-	-	-	8,000	8,000
98,000	98,000	95,109	(2,891)	-	-	138,568	138,568
98,000	98,000	95,109	(2,891)	1,543,156	1,543,156	1,689,724	146,568
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	811,580	811,580	517,472	294,108
2,050,700	2,124,849	1,201,253	923,596	1,050,000	1,050,000	110,692	939,308
2,050,700	2,124,849	1,201,253	923,596	1,861,580	1,861,580	628,164	1,233,416
(1,952,700)	(2,026,849)	(1,106,144)	920,705	(318,424)	(318,424)	1,061,560	1,379,984
-	-	2,000,000	2,000,000	-	-	-	-
-	-	-	-	-	-	-	-
2,000,000	2,000,000	1,106,143	(893,857)	-	-	-	-
-	-	-	-	-	-	-	-
2,000,000	2,000,000	3,106,143	1,106,143	-	-	-	-
\$ 47,300	\$ (26,849)	1,999,999	\$ 2,026,848	\$ (318,424)	\$ (318,424)	1,061,560	\$ 1,379,984
		7,715				8,944,750	
		<u>\$ 2,007,714</u>				<u>\$ 10,006,310</u>	

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION
As of December 31, 2015

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Total
ASSETS					
Current Assets					
Cash and investments	\$ 1,448,079	\$ 91,209	\$ 240,569	\$ 520,068	\$ 2,299,925
Receivables					
Accounts	5,776	-	48,108	72,251	126,135
Taxes	9,670	-	300,000	-	309,670
Due from other governments	-	-	-	-	-
Inventories	-	-	13,249	-	13,249
Prepaid items	-	-	17,468	-	17,468
Total Current Assets	<u>1,463,525</u>	<u>91,209</u>	<u>619,394</u>	<u>592,319</u>	<u>2,766,447</u>
Restricted Assets					
Pension asset	56,643	-	-	29,038	85,681
Total Restricted Assets	<u>56,643</u>	<u>-</u>	<u>-</u>	<u>29,038</u>	<u>85,681</u>
Noncurrent Assets					
Capital assets					
Land	1,014,105	1,432,654	140,421	15,000	2,602,180
Land and building improvements	16,950,478	3,170,379	8,058,470	156,213	28,335,540
Equipment, furniture and vehicles	725,559	-	412,804	12,913	1,151,276
Less: accumulated depreciation	<u>(8,231,023)</u>	<u>(2,148,461)</u>	<u>(5,024,889)</u>	<u>(106,226)</u>	<u>(15,510,599)</u>
	10,459,119	2,454,572	3,586,806	77,900	16,578,397
Construction in progress	332,853	-	416,860	-	749,713
Total Capital Assets	<u>10,791,972</u>	<u>2,454,572</u>	<u>4,003,666</u>	<u>77,900</u>	<u>17,328,110</u>
Total Assets	<u>\$ 12,312,140</u>	<u>\$ 2,545,781</u>	<u>\$ 4,623,060</u>	<u>\$ 699,257</u>	<u>\$ 20,180,238</u>
Deferred Outflows of Resources					
Deferred amounts relating to pension	55,469	-	-	28,844	84,313
Total Deferred Outflows of Resources	<u>55,469</u>	<u>-</u>	<u>-</u>	<u>28,844</u>	<u>84,313</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION
As of December 31, 2015

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Total
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 41,752	\$ -	\$ 211,197	\$ 55	\$ 253,004
Accrued liabilities	9,394	24,083	108,153	6,107	147,737
Due to other funds	-	5,668	107,297	-	112,965
Advances from other funds	-	-	-	-	-
Total Current Liabilities	<u>51,146</u>	<u>29,751</u>	<u>426,647</u>	<u>6,162</u>	<u>513,706</u>
Noncurrent Liabilities					
Compensated absences	18,853	-	-	12,926	31,779
OPEB ARC obligation	1,206,829	-	-	560,019	1,766,848
Advances from other funds	-	-	-	-	-
Total Noncurrent Liabilities	<u>1,225,682</u>	<u>-</u>	<u>-</u>	<u>572,945</u>	<u>1,798,627</u>
Total Liabilities	<u>1,276,828</u>	<u>29,751</u>	<u>426,647</u>	<u>579,107</u>	<u>2,312,333</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned revenue	-	-	-	-	-
Unearned property tax revenue	9,670	-	300,000	-	309,670
Total Deferred Inflows of Resources	<u>9,670</u>	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>309,670</u>
NET POSITION					
Net Investment in capital assets	10,791,972	2,454,572	4,003,666	77,900	17,328,110
Restricted	56,643	-	-	29,038	85,681
Unrestricted (deficit)	<u>232,496</u>	<u>61,458</u>	<u>(107,253)</u>	<u>42,056</u>	<u>228,757</u>
TOTAL NET POSITION	<u>\$ 11,081,111</u>	<u>\$ 2,516,030</u>	<u>\$ 3,896,413</u>	<u>\$ 148,994</u>	<u>\$ 17,642,548</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2015

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Total
OPERATING REVENUES					
Charges for services	\$ 1,009,878	\$ 172,322	\$ 496,554	\$ 296,205	\$ 1,974,959
Other	652	-	-	-	652
Total Operating Revenues	<u>1,010,530</u>	<u>172,322</u>	<u>496,554</u>	<u>296,205</u>	<u>1,975,611</u>
OPERATING EXPENSES					
Operation and maintenance	1,118,991	-	-	225,115	1,344,106
Education and recreation	-	85,831	924,932	-	1,010,763
Depreciation	457,514	92,504	311,987	6,208	868,213
Total Operating Expenses	<u>1,576,505</u>	<u>178,335</u>	<u>1,236,919</u>	<u>231,323</u>	<u>3,223,082</u>
Operating (Loss) Income	<u>(565,975)</u>	<u>(6,013)</u>	<u>(740,365)</u>	<u>64,882</u>	<u>(1,247,471)</u>
NONOPERATING REVENUES					
Investment income	20,035	43	-	6,207	26,285
Interest expense	-	-	-	-	-
Subsidies from other governmental units	-	-	-	-	-
Gain (loss) on sale of fixed assets	-	-	-	-	-
Tax levy	9,670	-	299,750	-	309,420
Total Nonoperating Revenues	<u>29,705</u>	<u>43</u>	<u>299,750</u>	<u>6,207</u>	<u>335,705</u>
Loss Before Transfers	<u>(536,270)</u>	<u>(5,970)</u>	<u>(440,615)</u>	<u>71,089</u>	<u>(911,766)</u>
TRANSFERS IN	<u>-</u>	<u>-</u>	<u>605,546</u>	<u>-</u>	<u>605,546</u>
Change in Net Position	<u>(536,270)</u>	<u>(5,970)</u>	<u>164,931</u>	<u>71,089</u>	<u>(306,220)</u>
TOTAL NET POSITION, Beginning of Year (as restated)	<u>11,617,381</u>	<u>2,522,000</u>	<u>3,731,482</u>	<u>77,905</u>	<u>17,948,768</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 11,081,111</u>	<u>\$ 2,516,030</u>	<u>\$ 3,896,413</u>	<u>\$ 148,994</u>	<u>\$ 17,642,548</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,012,516	\$ 188,408	\$ 486,915	\$ 251,673	\$ 1,939,512
Payments to suppliers	(468,162)	(87,568)	(893,758)	(104,375)	(1,553,863)
Payments to employees	(508,429)	-	-	(152,968)	(661,397)
Net Cash Flows From Operating Activities	35,925	100,840	(406,843)	(5,670)	(275,748)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating subsidies received-City	9,670	-	299,750	-	309,420
Net Cash Flows From Noncapital Financing Activities	9,670	-	299,750	-	309,420
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Advances retired	-	-	-	-	-
Interest paid on advances	-	-	-	-	-
Grants received	-	-	-	-	-
Transfer from other funds for capital purposes	-	-	605,546	-	605,546
Acquisition and construction of capital assets	(254,080)	(9,917)	(440,561)	-	(704,558)
Net Cash Flows From Capital and Related Financing Activities	(254,080)	(9,917)	164,985	-	(99,012)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment Income	\$ 20,035	\$ 43	\$ -	\$ 6,207	\$ 26,285
Net Cash Flows From Investing Activities	20,035	43	-	6,207	26,285
Change in Cash and Cash Equivalents	(188,450)	90,966	57,892	537	(39,055)
CASH AND CASH EQUIVALENTS - Beginning of Year	1,636,529	243	182,677	519,531	2,338,980
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,448,079</u>	<u>\$ 91,209</u>	<u>\$ 240,569</u>	<u>\$ 520,068</u>	<u>\$ 2,299,925</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Totals
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET					
CASH FLOW FROM OPERATING ACTIVITIES					
Operating (loss) income	\$ (565,975)	\$ (6,013)	\$ (740,365)	\$ 64,882	\$ (1,247,471)
Adjustments to Reconcile Operating (Loss) Income to net cash flows from operating activities:					
Other postemployment benefits	90,667	-	-	(40,891)	49,776
Depreciation	457,514	92,504	311,987	6,208	868,213
Changes in assets and liabilities					
Accounts receivable	1,987	16,086	(9,639)	(44,532)	(36,098)
Inventories	-	-	(4,433)	-	(4,433)
Prepaid items	-	-	(8,133)	-	(8,133)
Due from other funds	-	-	(250)	-	(250)
Pension asset	17,659	-	-	8,645	26,304
Accounts payable	33,676	-	121,573	(277)	154,972
Accrued liabilities	397	2,990	23,644	295	27,326
Unearned revenues	-	-	250	-	250
Due to other funds	-	(4,727)	(101,477)	-	(106,204)
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 35,925	\$ 100,840	\$ (406,843)	\$ (5,670)	\$ (275,748)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
None					

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET POSITION

As of December 31, 2015

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
ASSETS						
Current Assets						
Cash and investments	\$ 414,217	\$ 326,456	\$ 434,088	\$ 6,677,974	\$ 130,423	\$ 7,983,158
Receivables						
Accounts	6,461	-	5,483	1,746,248	1,815	1,760,007
Inventories	426,603	-	-	-	-	426,603
Due from other funds	4,226	-	-	-	2,802	7,028
Total Current Assets	<u>851,507</u>	<u>326,456</u>	<u>439,571</u>	<u>8,424,222</u>	<u>135,040</u>	<u>10,176,796</u>
Restricted Assets						
Pension asset	254,124	57,398	134,973	-	-	446,495
Total Restricted Assets	<u>254,124</u>	<u>57,398</u>	<u>134,973</u>	<u>-</u>	<u>-</u>	<u>446,495</u>
Noncurrent Assets						
Capital assets						
Land	32,879	-	-	-	-	32,879
Intangible assets	-	1,341,851	-	-	-	1,341,851
Buildings and land improvements	1,959,737	-	-	-	-	1,959,737
Equipment, furniture and vehicles	416,704	1,260,491	202,738	-	262,509	2,142,442
Less: Accumulated depreciation and amortization	<u>(1,349,265)</u>	<u>(1,827,339)</u>	<u>(148,553)</u>	<u>-</u>	<u>(222,321)</u>	<u>(3,547,478)</u>
Total Capital Assets	<u>1,060,055</u>	<u>775,003</u>	<u>54,185</u>	<u>-</u>	<u>40,188</u>	<u>1,929,431</u>
Total Assets	<u>\$ 2,165,686</u>	<u>\$ 1,158,857</u>	<u>\$ 628,729</u>	<u>\$ 8,424,222</u>	<u>\$ 175,228</u>	<u>\$ 12,552,722</u>
Deferred Outflows of Resources						
Deferred amounts relating to pension	253,068	75,317	140,069	-	-	468,454
Total Deferred Outflows of Resources	<u>253,068</u>	<u>75,317</u>	<u>140,069</u>	<u>-</u>	<u>-</u>	<u>468,454</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET POSITION

As of December 31, 2015

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 32,117	\$ 46,038	\$ 50,967	\$ 135,121	\$ 33	\$ 264,276
Accrued liabilities	49,777	20,127	31,141	979,182	-	1,080,227
Due to other funds	-	-	25,491	-	-	25,491
Total Current Liabilities	<u>81,894</u>	<u>66,165</u>	<u>107,599</u>	<u>1,114,303</u>	<u>33</u>	<u>1,369,994</u>
Noncurrent Liabilities						
Compensated absences	75,327	14,193	50,256	-	-	139,776
Total Noncurrent Liabilities	<u>75,327</u>	<u>14,193</u>	<u>50,256</u>	<u>-</u>	<u>-</u>	<u>139,776</u>
Total Liabilities	<u>157,221</u>	<u>80,358</u>	<u>157,855</u>	<u>1,114,303</u>	<u>33</u>	<u>1,509,770</u>
NET POSITION						
Net investment in capital assets	1,060,055	775,003	54,185	-	40,188	1,929,431
Restricted for pension asset	254,124	57,398	134,973	-	-	446,495
Unrestricted	947,354	321,415	421,785	7,309,919	135,007	9,135,480
TOTAL NET POSITION	<u>\$ 2,261,533</u>	<u>\$ 1,153,816</u>	<u>\$ 610,943</u>	<u>\$ 7,309,919</u>	<u>\$ 175,195</u>	<u>\$ 11,511,406</u>

CITY OF RACINE

Internal Service Funds

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

For the year ended December 31, 2015

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
OPERATING REVENUES						
Charges for services and sales						
Labor, fuel, parts and equipment charges	\$ 3,668,065	\$ -	\$ -	\$ -	\$ -	\$ 3,668,065
Health insurance premiums	-	-	-	19,196,084	-	19,196,084
Telephone service sales	-	-	-	-	123,414	123,414
Computer service sales	-	1,253,116	-	-	-	1,253,116
Facilities rent	-	-	2,388,565	-	-	2,388,565
Other	25,851	1,833	4,677	854,333	-	886,694
Total Operating Revenues	<u>3,693,916</u>	<u>1,254,949</u>	<u>2,393,242</u>	<u>20,050,417</u>	<u>123,414</u>	<u>27,515,938</u>
OPERATING EXPENSES						
Public Works						
Operating supplies and expenses	3,654,158	-	2,379,956	-	-	6,034,114
General administration						
Telephone expenses	-	-	-	-	101,580	101,580
Health insurance	-	-	-	18,510,880	-	18,510,880
Information systems	-	1,526,891	-	-	-	1,526,891
Depreciation and amortization	97,994	93,509	18,708	-	50,552	260,763
Total Operating Expenses	<u>3,752,152</u>	<u>1,620,400</u>	<u>2,398,664</u>	<u>18,510,880</u>	<u>152,132</u>	<u>26,434,228</u>
Income (Loss) Before Transfers	(58,236)	(365,451)	(5,422)	1,539,537	(28,718)	1,081,710
TRANSFER IN	<u>-</u>	<u>523,171</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>523,171</u>
Change in Net Position	(58,236)	157,720	(5,422)	1,539,537	(28,718)	1,604,881
TOTAL NET POSITION - Beginning of Year (as restated)	<u>2,319,769</u>	<u>996,096</u>	<u>616,365</u>	<u>5,770,382</u>	<u>203,913</u>	<u>9,906,525</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 2,261,533</u>	<u>\$ 1,153,816</u>	<u>\$ 610,943</u>	<u>\$ 7,309,919</u>	<u>\$ 175,195</u>	<u>\$ 11,511,406</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 3,715,606	\$ 1,254,949	\$ 2,388,819	\$ 19,232,071	\$ 123,815	\$ 26,715,260
Payments to suppliers	(1,814,438)	(759,123)	(1,267,777)	(18,154,751)	(101,547)	(22,097,636)
Payments to employees	(1,770,367)	(757,198)	(1,041,431)	(290,468)	-	(3,859,464)
Net Cash Flows From Operating Activities	<u>130,801</u>	<u>(261,372)</u>	<u>79,611</u>	<u>786,852</u>	<u>22,268</u>	<u>758,160</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Transfer from other funds for capital purposes	(27,500)	523,171	(23,220)	-	-	472,451
Acquisition and construction of capital assets	-	(354,356)	-	-	-	(354,356)
Net Cash Flows From Capital and Related Financing Activities	<u>(27,500)</u>	<u>168,815</u>	<u>(23,220)</u>	<u>-</u>	<u>-</u>	<u>118,095</u>
Change in Cash and Cash Equivalents	103,301	(92,557)	56,391	786,852	22,268	876,255
CASH AND CASH EQUIVALENTS - Beginning 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>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 414,217</u>	<u>\$ 326,456</u>	<u>\$ 434,088</u>	<u>\$ 6,677,974</u>	<u>\$ 130,423</u>	<u>\$ 7,983,158</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2015

	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)	\$ (58,236)	\$ (365,451)	\$ (5,422)	\$ 1,539,537	\$ (28,718)	\$ 1,081,710
Adjustments to Reconcile Operating Income (Loss) to Net Cash						
Flows From Operating Activities						
Depreciation/Amortization expense	97,994	93,509	18,708	-	50,552	260,763
Changes in assets and liabilities						
Accounts receivable	11,473	-	(4,423)	(818,346)	108	(811,188)
Inventories	(8,728)	-	-	-	-	(8,728)
Due from other funds	10,218	-	-	-	293	10,511
Pension benefits	75,010	(1,216)	34,185	-	-	107,979
Accounts payable	1,337	7,486	27,915	30,069	33	66,840
Accrued liabilities	1,733	4,300	4,992	35,592	-	46,617
Due to other funds	-	-	3,656	-	-	3,656
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>\$ 130,801</u>	<u>\$ (261,372)</u>	<u>\$ 79,611</u>	<u>\$ 786,852</u>	<u>\$ 22,268</u>	<u>\$ 758,160</u>

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

None

CITY OF RACINE

Component Unit

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

	Redevelopment Authority
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 169,907
Payments to suppliers	<u>(469,053)</u>
Net Cash Flows From Operating Activities	<u>(299,146)</u>
CASH FLOW FROM INVESTING ACTIVITIES	
Investment income	<u>1,709</u>
Net Cash Provided by Investing Activities	<u>1,709</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Capital contribution	-
Advance from other funds	1,805,753
Acquisition and construction of assets held for resale	<u>(1,540,600)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>265,153</u>
Change in Cash and Cash Equivalents	<u>(32,284)</u>
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>356,157</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 323,873</u>

CITY OF RACINE

Component Unit

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2015

	<u>Redevelopment Authority</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED FLOWS FROM OPERATING ACTIVITIES:	
Operating Loss	\$ (284,193)
Adjustments to Reconcile Operating Loss to Net Cash	
Changes in assets and liabilities	
Accounts receivable	(15,247)
Accounts payable	294
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>\$ (299,146)</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
None	