

CITY OF RACINE

Racine, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2017

CITY OF RACINE

TABLE OF CONTENTS

As of and for the Year Ended December 31, 2017

| | |
|---|-----------|
| 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 – 98 |
| Required Supplementary Information | |
| Schedule of Funding Progress of Other Postemployment | 99 |
| Schedule of Proportionate Share of the Net Pension Liability (Asset) – Wisconsin Retirement System | 100 |
| Schedule of Employer Contributions – Wisconsin Retirement System | 100 |
| Notes to Required Supplementary Information | 101 |
| Supplementary Information | |
| Nonmajor Governmental Funds | |
| Combining Balance Sheet | 102 – 105 |
| Combining Statement of Revenues, Expenditures and Changes in Fund Balances | 106 – 109 |

CITY OF RACINE

TABLE OF CONTENTS

As of and for the Year Ended December 31, 2017

Supplementary Information (cont.)

Special Revenue Funds

| | |
|--|-----------|
| Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual | 110 – 114 |
|--|-----------|

Debt Service Fund

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

Capital Projects Fund

| | |
|--|-----------|
| Schedule of Revenues, Expenditures and Changes in Fund Balances – Budget and Actual | 116 – 117 |
|--|-----------|

Nonmajor Enterprise Funds

| | |
|-------------------------------------|-----------|
| Combining Statement of Net Position | 118 – 119 |
|-------------------------------------|-----------|

| | |
|--|-----|
| Combining Statement of Revenues, Expenses and Changes in Net Position | 120 |
|--|-----|

| | |
|-----------------------------------|-----------|
| Combining Statement of Cash Flows | 121 – 122 |
|-----------------------------------|-----------|

Internal Service Funds

| | |
|-------------------------------------|-----------|
| Combining Statement of Net Position | 123 – 124 |
|-------------------------------------|-----------|

| | |
|--|-----|
| Combining Statement of Revenues, Expenses and Changes in Net Position | 125 |
|--|-----|

| | |
|-----------------------------------|-----------|
| Combining Statement of Cash Flows | 126 – 127 |
|-----------------------------------|-----------|

Component Unit

| | |
|---|-----------|
| Statement of Cash Flows – Redevelopment Authority | 128 – 129 |
|---|-----------|

INDEPENDENT AUDITORS' REPORT

THIS PAGE INTENTIONALLY LEFT BLANK

INDEPENDENT AUDITORS' REPORT

To the Mayor and Common Council
City of Racine
Racine, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Racine, Wisconsin, as of and for the year ended December 31, 2017, 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 79 percent, 71 percent and 70 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, and the Downtown Racine Business Improvement District #1, 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 Racine Water and Wastewater Utilities, both major enterprise funds, and the Downtown Racine Business Improvement District #1, were not audited in accordance with *Government Auditing Standards*.

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, 2017 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the 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.

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.

To the Mayor and Common Council
City of Racine

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 23, 2018 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.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
July 23, 2018

THIS PAGE INTENTIONALLY LEFT BLANK

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, 2017.

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 \$215,020,563 (net position).
- The City's total net position decreased by \$12,334,151.
- As of the close of the current fiscal year, the City of Racine's governmental funds reported combined ending fund balances of \$82,981,171, a decrease of \$747,331, in comparison with the prior year. Approximately 25.00% of this amount, \$20,394,587, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$20,395,802 or 25% of total general fund expenditures.
- Total long term obligations decreased by approximately \$5 million for the fiscal year ended December 31, 2017. Long term obligation activity during the year included the following:
 - \$11.8 million note anticipation notes for capital project purposes.
 - \$19.145 million of general obligation refunding debt issued to partially advance refund \$680,000 of 2008 debt issues, to advance refund \$8,080,000 of 2011 bonds, and the remaining balance was used for the current refunding of the \$11.8 million note anticipation note
 - The Water Utility borrowed \$6,135 million in Mortgage Revenue Bonds.
 - Principal paid on outstanding debt was \$31.8 Million
 - Net OPEB obligation increased by \$12.8 million
 - Pension liability decreased by \$3.7 million

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Racine's basic financial statements. The City of Racine's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Racine's finances, in a manner similar to private-sector business.

The statement of net position presents information on all of the City of Racine's assets, deferred outflows of resources, liabilities and deferred inflows of resources, with the difference reported as net position. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Racine is improving or deteriorating.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus revenues and expenses are reported in this statement for some items that will only result in cash flows in the future fiscal periods (e.g., uncollected taxes).

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

Government-wide Financial Statements (cont.)

Both the government-wide financial statements distinguish functions of the City of Racine that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Racine include general government, community development, health, education and recreation, public works, and public safety. The business-type activities of the City of Racine include the Water Utility, Wastewater Utility, Transit System, Storm Water Utility, Parking Utility, Golf Courses, Civic Centre, and Radio Repair.

The government-wide financial statements include not only the City of Racine itself (known as the primary government), but also a legally separate Business Improvement District and Redevelopment Authority for which the City of Racine is financially accountable. Financial information for these component units is reported separately from the financial information presented in the primary government itself.

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

Fund Financial Statements

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

Governmental Funds

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

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

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Governmental Funds (cont.)

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

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

The basic governmental fund financial statements can be found on pages 20-24 of this report.

Proprietary Funds

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

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

The basic proprietary fund financial statements can be found on pages 25-31 of this report.

Fiduciary Funds

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

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

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

Notes to the Financial Statements

The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-98 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 102-128 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, 2017 and 2016 City's assets exceeded liabilities by \$215,020,563 and \$227,354,714 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 \$317,297,190 and \$306,670,081 at December 31, 2017 and 2016.

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 \$51,695,154 and \$54,104,488 and unrestricted net position was \$(153,971,781) and \$(133,419,855) as of December 31, 2017 and 2016 respectively.

The City's governmental activities had a deficit unrestricted net position of \$(132,794,832) and \$(119,372,416) as of December 31, 2017 and 2016 respectively. The deficit is primarily the result of the increase in the City's OPEB obligation.

The City's net OPEB obligation was \$203,758,202 and \$190,951,403 as of December 31, 2017 and 2016 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, 2017 and 2016. Amounts are expressed in thousands.

| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
|--|------------------|------------------|-------------------|-------------------|-------------------|-------------------|
| | Governmental | Governmental | Business-Type | Business-Type | Total | Total |
| | Activities | Activities | Activities | Activities | Total | Total |
| Current and other assets | \$ 167,833 | \$ 167,945 | \$ 62,852 | \$ 68,680 | \$ 230,685 | \$ 236,625 |
| Capital assets | 200,194 | 203,541 | 264,966 | 264,808 | 465,160 | 468,349 |
| Total assets | <u>368,027</u> | <u>371,486</u> | <u>327,818</u> | <u>333,488</u> | <u>695,845</u> | <u>704,974</u> |
| Deferred outflows of resources | <u>28,788</u> | <u>39,958</u> | <u>4,133</u> | <u>5,392</u> | <u>32,921</u> | <u>45,350</u> |
| Current and other liabilities | 10,444 | 10,896 | 3,842 | 3,471 | 14,286 | 14,367 |
| Liabilities payable from restricted assets | - | - | 11,347 | 11,210 | 11,347 | 11,210 |
| Long-term liabilities | <u>286,133</u> | <u>281,516</u> | <u>123,874</u> | <u>134,544</u> | <u>410,007</u> | <u>416,060</u> |
| Total liabilities | <u>296,577</u> | <u>292,412</u> | <u>139,063</u> | <u>149,225</u> | <u>435,640</u> | <u>441,637</u> |
| Deferred inflows of resources | <u>70,336</u> | <u>73,326</u> | <u>7,769</u> | <u>8,007</u> | <u>78,105</u> | <u>81,333</u> |
| Net position: | | | | | | |
| Net Investment in capital assets | 123,061 | 123,524 | 200,029 | 189,717 | 317,184 | 299,197 |
| Restricted | 39,523 | 41,554 | 12,173 | 12,550 | 51,696 | 62,296 |
| Unrestricted | <u>(132,682)</u> | <u>(119,372)</u> | <u>(27,083)</u> | <u>(20,618)</u> | <u>(153,859)</u> | <u>(122,840)</u> |
| Total net position | <u>\$ 29,902</u> | <u>\$ 45,706</u> | <u>\$ 185,119</u> | <u>\$ 181,649</u> | <u>\$ 215,021</u> | <u>\$ 227,355</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, 2017 and 2016. Amounts are expressed in thousands.

| | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> | <u>2017</u> | <u>2016</u> |
|--|-------------------|-------------------|-------------------|-------------------|-------------------|-------------------|
| | Governmental | Governmental | Business-Type | Business-Type | 2017 | 2016 |
| | <u>Activities</u> | <u>Activities</u> | <u>Activities</u> | <u>Activities</u> | <u>Total</u> | <u>Total</u> |
| Revenues | | | | | | |
| Charges for services | \$ 16,175 | \$ 17,529 | \$ 42,664 | \$ 42,345 | \$ 58,839 | \$ 59,874 |
| Operating grants and contributions | 11,883 | 11,356 | 5,792 | 5,752 | 17,675 | 17,108 |
| Capital grants and contributions | 1,821 | 1,716 | 4,610 | 3,741 | 6,431 | 5,457 |
| Taxes | 55,903 | 54,370 | 1,503 | 1,510 | 57,406 | 55,880 |
| Intergovernmental revenues not restricted to specific programs | 29,073 | 29,507 | - | - | 29,073 | 29,507 |
| Investment income | 1,527 | 679 | 194 | 117 | 1,721 | 796 |
| Other | 1,519 | 989 | 110 | 18 | 1,629 | 1,007 |
| Total revenues | <u>117,901</u> | <u>116,146</u> | <u>54,873</u> | <u>53,483</u> | <u>172,774</u> | <u>169,629</u> |
| Expenses | | | | | | |
| General government | 16,675 | 18,331 | - | - | 16,675 | 18,331 |
| Community development | 12,087 | 8,627 | - | - | 12,087 | 8,627 |
| Health | 3,747 | 3,680 | - | - | 3,747 | 3,680 |
| Education and recreation | 14,189 | 13,750 | - | - | 14,189 | 13,750 |
| Public works | 27,286 | 22,183 | - | - | 27,286 | 22,183 |
| Public safety | 59,663 | 62,655 | - | - | 59,663 | 62,655 |
| Interest and fiscal charges | 3,976 | 4,224 | - | - | 3,976 | 4,224 |
| Water | - | - | 16,583 | 15,998 | 16,583 | 15,998 |
| Wastewater | - | - | 13,703 | 13,723 | 13,703 | 13,723 |
| Storm Water | - | - | 4,236 | 4,310 | 4,236 | 4,310 |
| Belle urban system | - | - | 9,727 | 9,793 | 9,727 | 9,793 |
| Other | - | - | 3,236 | 3,653 | 3,236 | 3,653 |
| Total expenses | <u>137,623</u> | <u>133,450</u> | <u>47,485</u> | <u>47,477</u> | <u>185,108</u> | <u>180,927</u> |
| Increase (decrease) in net position before transfers | (19,722) | (17,304) | 7,388 | 6,006 | (12,334) | (11,298) |
| Transfers | 3,918 | 3,981 | (3,918) | (3,981) | - | - |
| Increase (decrease) in net position | (15,804) | (13,323) | 3,470 | 2,025 | (12,334) | (11,298) |
| Net position-beginning of year | <u>45,706</u> | <u>59,029</u> | <u>181,649</u> | <u>179,624</u> | <u>227,355</u> | <u>238,653</u> |
| Net position-end of year | <u>\$ 29,902</u> | <u>\$ 45,706</u> | <u>\$ 185,119</u> | <u>\$ 181,649</u> | <u>\$ 215,021</u> | <u>\$ 227,355</u> |

CITY OF RACINE

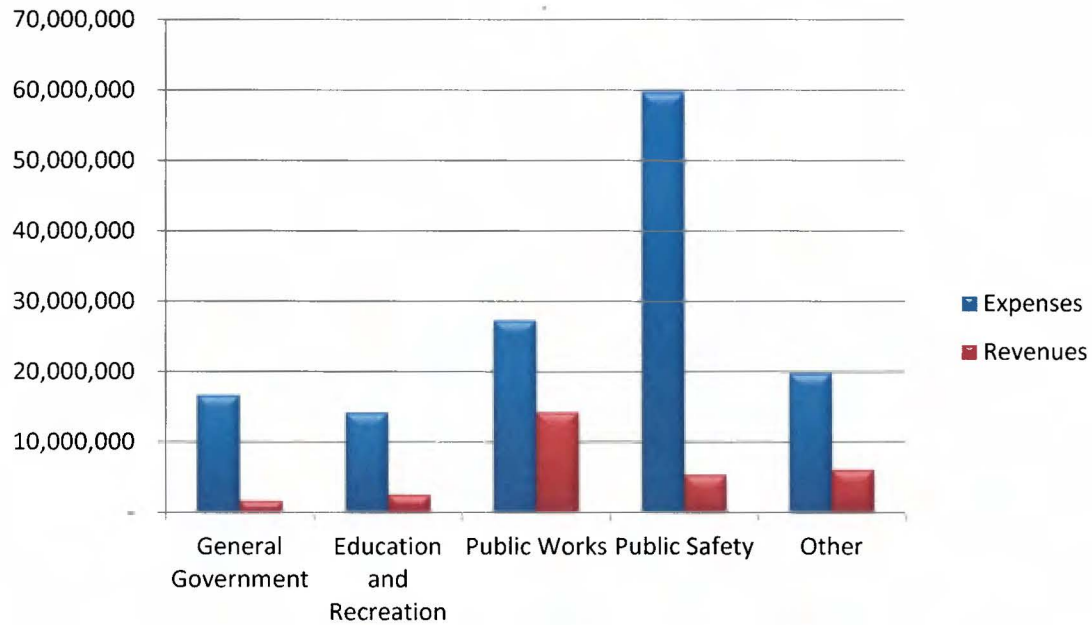
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Governmental Activities

The net position in the governmental activities decreased by approximately \$15.8 million during the fiscal year.

Expenses and Program Revenues-Governmental Activities:



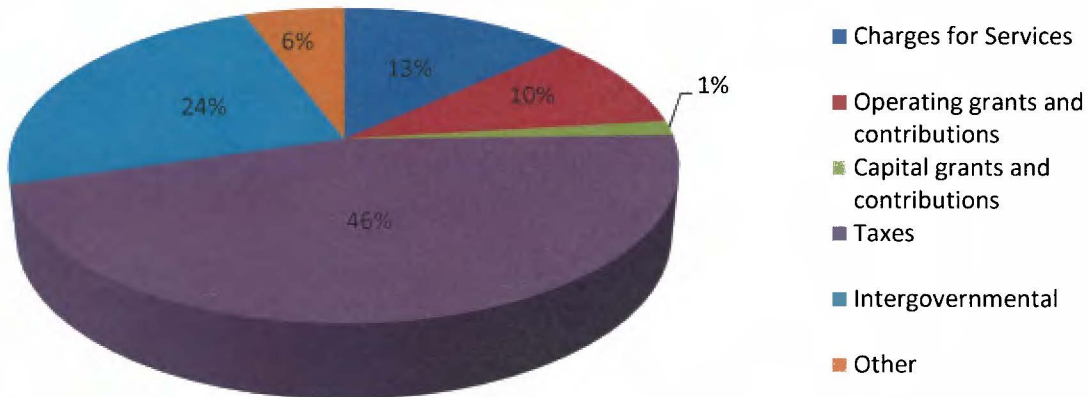
CITY OF RACINE

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 increased by over \$3.5 million during the fiscal year 2017. Key elements of this increase are as follows:

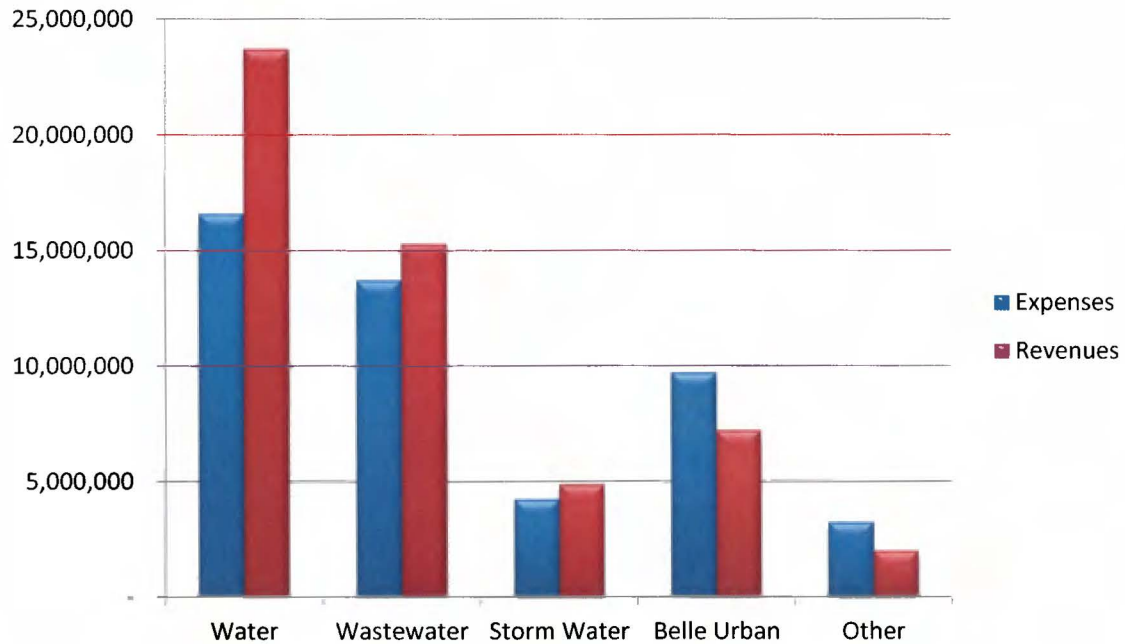
- The Water utility had an increase in net position of \$3.627 million. The increase in net position in the Water utility relates primarily to increases in metered sales, and a decrease in materials and supplies expenses.
- The Wastewater utility had an increase in net position of \$834,017.
- The Belle Urban Transit system had a decrease in net position of approximately \$1.3 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 a slight increase in net position of \$686,636. 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 \$400 thousand.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Business-type activities (cont.)

Expenses and Program Revenues – Business-type Activities:



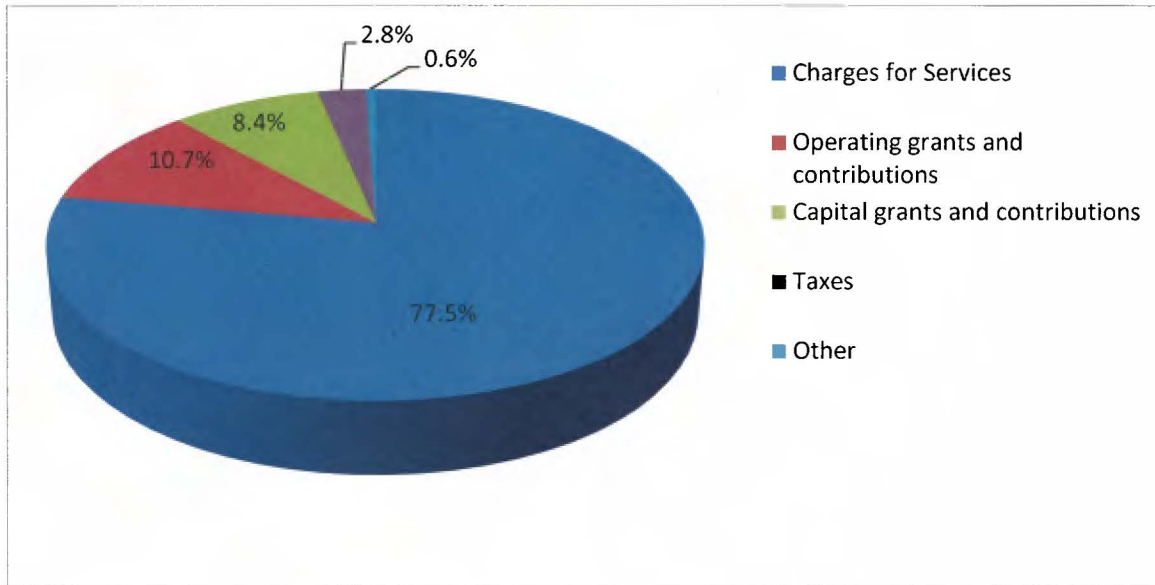
CITY OF RACINE

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 \$82,981,171. Approximately 25.00% of this amount, \$20,394,587 constitutes unassigned fund balance which is available for spending at the government's discretion.

The general fund is the primary operating fund of the City of Racine. At the end of the current fiscal year, unassigned fund balance of the general fund was \$20,395,802, while total fund balance totaled \$34,514,172. Unassigned fund balance represents 25.00% of total general fund expenditures, while total fund balance represents 44.13% of total general fund expenditures. During 2017, the Common Council resolved that any unassigned fund balance in excess of 25% of general fund expenditures be assigned for wage and benefit provision. Assigned fund balance in the general fund was \$6,723,098 as of December 31, 2017 of which \$4,243,098 was assigned for wage and benefit provision.

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 \$1,305,000 of fund balances during 2017, the general fund added just over \$874,000 to fund balance for the year ended December 31, 2017. The resulting \$2.23 million positive variance is primarily the result of expenditures under budget by just over \$2.9 million, while revenues did not meet expectations. The following details both the revenue factors that contributed to the positive variance:

- Intergovernmental revenues were \$200 thousand under budget due to exempt computer aids coming from the State not meeting expectations. Exempt computer aids fluctuate based on equipment added during the year and the depreciable values.
- Fines and forfeiture revenues were \$800 thousand under budget due primarily to municipal court fine collection not meeting expectations.
- Positive results on the expenditure side came in almost all functional areas:
 - The general government function was \$1.248 under budget due primarily to workers compensation costs, sick leave payout, property taxes cancelled, judgement and claims, and contingency costs being less than anticipated.
 - The public safety function was \$850 thousand under budget due primarily to salary and fringe costs being less than anticipated because of vacant positions during the year.
 - The public works function was \$400 thousand under budget due primarily to operating expenses and fuel costs being less than anticipated.

The Debt service fund is another major governmental fund of the City of Racine. The fund accounts for principal and interest payments made on the City's outstanding debt obligations. The debt service fund has a total fund balance of at December 31, 2017 and 2016 of \$399,057 and \$617,076, all of which is restricted for the payment of debt service. Fund balance decreased by \$218,019 in 2017, and decreased \$114,868 during 2016 as anticipated.

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 \$48,067,942 and \$49,471,448 in 2017 and 2016 respectively. The fund balances of these funds decreased by just over \$1.4 million, during 2017. This was due primarily to the following:

1. The City's Tax Incremental Districts Capital Project fund decreased their fund balance by over \$2.9 million which is a result of development costs associated with Tax Incremental District #18.
2. The City's Intergovernmental Revenue Sharing Capital Project fund decreased its fund balance by just over \$300 thousand. The decrease is a result primarily of costs associated with professional planning services associated with development.
3. The Equipment Replacement Fund – Equipment Replacement fund had a decrease in fund balance of approximately \$420 thousand. This relates primarily with costs associated with implementation of the city wide refuse cart program.

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 2017 and 2016 amounted to \$(4,674,840) and \$(1,574,535), for the Wastewater utility \$(19,564,866) and \$(15,253,437), for the Storm water utility \$(666,063) and \$(1,660,224), for the Belle urban system \$(1,973,706) and \$(1,940,614), and for the other enterprise funds \$(203,538) and \$(189,689). The total change in net position for the Water Utility for 2017 and 2016 was \$3,627,468 and \$3,330,585, the Wastewater Utility \$834,017 and \$626,924, the Storm water Utility \$686,636 and \$269,577, for the Belle urban system \$(1,276,546) and \$(1,082,548), and for the Other Enterprise funds \$(401,241) and \$(1,119,530) 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, 2017 and 2016 amounted to \$317,297,190 and \$306,670,081 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, 2017 and 2016, capital assets, net of accumulated depreciation totaled \$465,160,165 and \$468,348,519 respectively. Capital assets, net of accumulated depreciation decreased approximately \$3 million in 2017 and increased approximately \$8 million in 2016.

Long-term debt – At the end of 2017 and 2016, the City of Racine had total general obligation and revenue bond debt outstanding of \$164,191,876 and \$179,468,534. Of this amount, the debt backed by the full faith and credit of the government is \$96,305,000 and \$101,080,000 in 2017 and 2016 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 \$15 million in 2017. The general obligation debt outstanding decreased by about \$4.5 million, however, the majority of the decrease in 2017 was a result of significant principal paid in both the Water and the Wastewater Utility.

| | <u>Outstanding debt</u> | |
|------------------------------------|-------------------------|-----------------------|
| | <u>2017</u> | <u>2016</u> |
| Governmental Activities: | | |
| General obligation bonds and notes | \$ 96,305,000 | \$ 101,080,000 |
| Business-Type Activities: | | |
| Revenue bonds | <u>67,886,876</u> | <u>78,388,534</u> |
| Total | <u>\$ 164,191,876</u> | <u>\$ 179,468,534</u> |

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

Economic Conditions and 2018 and 2019 Budget Outlook

The City's unemployment rate remains above the state and national average, however the City has seen a continued decline in the unemployment rate from May of 2017. In April of 2018, the City's unemployment rate is 4.1% compared to a state rate of 2.8% and a county rate of 3.2%. The City's unemployment rate continues to decline but is still the highest unemployment rate in the State.

The City of Racine's the assessed value is on the rise. The assessed value rose 3% for the 2018 tax roll and the City is expecting another 4%-5% increase for the 2019 tax roll.

The City continues to focus on economic development and job creation and looks forward to positive impacts from the large developments that are occurring in our County.

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 10 year planning capital budgets.

The City used slightly over \$3.5 million of general fund, debt service fund, internal service and other governmental fund balances to stabilize the 2018 tax rate. This was up slightly from the prior year. The 2018 City tax rate was \$17.07 per thousand. In the 2019 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

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF RACINE

STATEMENT OF NET POSITION
As of December 31, 2017

| | Primary Government | | | Component Units | |
|--|-------------------------|--------------------------|----------------------|-------------------------------|-------------------------|
| | Governmental Activities | Business-Type Activities | Total | Business Improvement District | Redevelopment Authority |
| ASSETS | | | | | |
| Cash and investments | \$ 82,314,763 | \$ 17,342,209 | \$ 99,656,972 | \$ 29,924 | \$ 434,999 |
| Receivables, net of allowance for uncollectible accounts | 71,148,004 | 14,092,329 | 85,240,333 | 192,698 | - |
| Internal balances | 3,994,816 | (3,994,816) | - | - | - |
| Due from other governments | 3,043,254 | 1,854,761 | 4,898,015 | - | - |
| Inventories | 604,026 | 779,443 | 1,383,469 | - | - |
| Prepaid items | 224,143 | 353,049 | 577,192 | - | - |
| Advances to other funds | 869,748 | (869,748) | - | - | - |
| Advances to component unit | 2,286,585 | - | 2,286,585 | - | - |
| Restricted assets | | | | | |
| Cash and investments | - | 15,501,996 | 15,501,996 | - | - |
| Plant capacity receivable, current portion | - | 3,271,673 | 3,271,673 | - | - |
| Plant capacity receivable, long term | - | 14,521,464 | 14,521,464 | - | - |
| Deposit in CVMIC | 2,962,500 | - | 2,962,500 | - | - |
| Assets held for resale | 385,000 | - | 385,000 | - | 6,781,738 |
| Capital assets | | | | | |
| Land | 25,961,988 | 5,084,905 | 31,046,893 | - | - |
| Construction in progress | 8,715,706 | 3,563,798 | 12,279,504 | - | - |
| Other capital assets, net of accumulated depreciation/amortization | 165,516,691 | 256,317,077 | 421,833,768 | 2,228 | - |
| Total Assets | 368,027,224 | 327,818,140 | 695,845,364 | 224,850 | 7,216,737 |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | |
| Deferred amounts relating to pension | 27,066,933 | 2,890,142 | 29,957,075 | - | - |
| Unamortized loss on refunding | 1,720,592 | 1,242,452 | 2,963,044 | - | - |
| | <u>28,787,525</u> | <u>4,132,594</u> | <u>32,920,119</u> | <u>-</u> | <u>-</u> |
| LIABILITIES | | | | | |
| Accounts payable | 3,888,765 | 2,036,413 | 5,925,178 | 6,077 | 32,850 |
| Accrued compensation and other current liabilities | 6,251,580 | 674,516 | 6,926,096 | - | 800 |
| Due to other governments | 158,257 | - | 158,257 | - | - |
| Accrued interest payable | 145,869 | - | 145,869 | - | - |
| Unearned capacity revenue | - | 1,130,526 | 1,130,526 | - | - |
| Liabilities payable from restricted assets | | | | | |
| Accrued interest payable | - | 415,345 | 415,345 | - | - |
| Current portion of long term debt | - | 10,931,643 | 10,931,643 | - | - |
| Noncurrent liabilities | | | | | |
| OPEB obligation | 177,442,611 | 26,315,591 | 203,758,202 | - | - |
| Net pension liability | 3,376,986 | 393,861 | 3,770,847 | - | - |
| Unearned capacity revenue | - | 37,306,407 | 37,306,407 | - | - |
| Due within one year | 16,237,932 | - | 16,237,932 | - | - |
| Due in more than one year | 89,075,357 | 59,858,417 | 148,933,774 | - | 2,286,585 |
| Total Liabilities | 296,577,357 | 139,062,719 | 435,640,076 | 6,077 | 2,320,235 |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred amounts relating to pension | 10,627,722 | 1,231,265 | 11,858,987 | - | - |
| Unearned revenue | 59,708,145 | 6,537,712 | 66,245,857 | 191,908 | - |
| Total Deferred Inflows of Resources | 70,335,867 | 7,768,977 | 78,104,844 | 191,908 | - |
| NET POSITION | | | | | |
| Net investment in capital assets | 123,174,085 | 200,029,169 | 317,297,190 | 2,228 | - |
| Restricted for | | | | | |
| Debt service | 939,846 | - | 939,846 | - | - |
| Permanent funds | 2,522,140 | - | 2,522,140 | - | - |
| Library | 332,899 | - | 332,899 | - | - |
| Loan Programs | 6,480,050 | - | 6,480,050 | - | - |
| Tax increment districts | 10,641,687 | - | 10,641,687 | - | - |
| Intergovernmental revenue sharing | 10,547,578 | - | 10,547,578 | - | - |
| Federal and State grant programs | 663,822 | - | 663,822 | - | - |
| Trusts | 2,597,565 | - | 2,597,565 | - | - |
| Special assessment program | 3,967,990 | - | 3,967,990 | - | - |
| Health, public safety, and parks programs | 828,695 | - | 828,695 | - | - |
| Water | - | 5,315,288 | 5,315,288 | - | - |
| Wastewater | - | 6,857,594 | 6,857,594 | - | - |
| Unrestricted (deficit) | (132,794,832) | (27,083,013) | (153,971,781) | 24,637 | 4,896,502 |
| TOTAL NET POSITION | \$ 29,901,525 | \$ 185,119,038 | \$215,020,563 | \$ 26,865 | \$ 4,896,502 |

CITY OF RACINE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2017

| | Program Revenues | | | | Net (Expenses) Revenues and Changes in Net Position | | | | |
|--------------------------------|------------------|-------------------------|--|--|--|-----------------------------|-----------------|-------------------------------------|----------------------------|
| | Expenses | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions | Primary Government | | | Component Units | |
| | | | | | Governmental Activities | Business-Type Activities | Totals | Business Improvement District | Redevelopment Authority |
| Functions/Programs | | | | | | | | | |
| Primary Government | | | | | | | | | |
| Governmental activities | | | | | | | | | |
| General government | \$ 16,675,136 | \$ 1,491,468 | \$ 163,437 | \$ - | \$ (15,020,231) | \$ - | \$ (15,020,231) | \$ - | \$ - |
| Community development | 12,086,878 | 932,732 | 3,285,888 | 739,165 | (7,129,093) | - | (7,129,093) | - | - |
| Health | 3,746,919 | 452,299 | 625,623 | 55,930 | (2,613,067) | - | (2,613,067) | - | - |
| Education and recreation | 14,188,466 | 758,945 | 1,784,071 | - | (11,645,450) | - | (11,645,450) | - | - |
| Public works | 27,286,378 | 8,147,788 | 5,184,462 | 927,266 | (13,026,862) | - | (13,026,862) | - | - |
| Public safety | 59,662,903 | 4,391,758 | 839,306 | 98,190 | (54,333,649) | - | (54,333,649) | - | - |
| Interest and fiscal charges | 3,976,188 | - | - | - | (3,976,188) | - | (3,976,188) | - | - |
| Total Governmental Activities | 137,622,868 | 16,174,990 | 11,882,787 | 1,820,551 | (107,744,540) | - | (107,744,540) | - | - |
| Business type activities | | | | | | | | | |
| Water | 16,582,220 | 20,991,703 | - | 2,709,766 | - | 7,119,249 | 7,119,249 | - | - |
| Wastewater | 13,703,348 | 13,375,320 | - | 1,900,422 | - | 1,572,394 | 1,572,394 | - | - |
| Storm Water | 4,236,178 | 4,872,241 | - | - | - | 636,063 | 636,063 | - | - |
| Belle Urban Transit | 9,727,256 | 1,425,509 | 5,792,406 | - | - | (2,509,341) | (2,509,341) | - | - |
| Other | 3,235,909 | 1,999,102 | - | - | - | (1,236,807) | (1,236,807) | - | - |
| Total Business Type Activities | 47,484,911 | 42,663,875 | 5,792,406 | 4,610,188 | - | 5,581,558 | 5,581,558 | - | - |
| Total Primary Government | \$ 185,107,779 | \$ 58,838,865 | \$ 17,675,193 | \$ 6,430,739 | (107,744,540) | 5,581,558 | (102,162,982) | - | - |

CITY OF RACINE

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2017

| | 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 | \$ - | \$ - | \$ - | \$ - | - | - | - | (212,943) | - |
| Redevelopment Authority | - | - | - | - | - | - | - | - | 4,580,190 |
| | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>(212,943)</u> | <u>4,580,190</u> |
| General Revenues | | | | | | | | | |
| Taxes | | | | | | | | | |
| Property taxes, levied for general purposes | | | | | 35,250,422 | 1,502,670 | 36,753,092 | 194,550 | - |
| Property taxes levied, for debt service | | | | | 17,108,267 | - | 17,108,267 | - | - |
| Property taxes, levied for TIF | | | | | 2,814,430 | - | 2,814,430 | - | - |
| Other taxes | | | | | 730,020 | - | 730,020 | - | - |
| Intergovernmental revenues not restricted to specific programs | | | | | 29,073,376 | - | 29,073,376 | - | - |
| Investment income | | | | | 1,526,822 | 194,406 | 1,721,228 | 3 | - |
| Other | | | | | 1,518,535 | 109,883 | 1,628,418 | 14,650 | - |
| Transfers | | | | | <u>3,918,183</u> | <u>(3,918,183)</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| Total General Revenues and Transfers | | | | | <u>91,940,055</u> | <u>(2,111,224)</u> | <u>89,828,831</u> | <u>209,203</u> | <u>-</u> |
| Change in net position | | | | | (15,804,485) | 3,470,334 | (12,334,151) | (3,740) | 4,580,190 |
| NET POSITION - Beginning of Year | | | | | <u>45,706,010</u> | <u>181,648,704</u> | <u>227,354,714</u> | <u>30,605</u> | <u>316,312</u> |
| NET POSITION - END OF YEAR | | | | | <u>\$ 29,901,525</u> | <u>\$ 185,119,038</u> | <u>\$ 215,020,563</u> | <u>\$ 26,865</u> | <u>\$ 4,896,502</u> |

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF RACINE
Governmental Funds

BALANCE SHEET
As of December 31, 2017

| | General Fund | Debt Service | Nonmajor Governmental Funds | Totals |
|--|----------------------|----------------------|-----------------------------------|-----------------------|
| ASSETS | | | | |
| Cash and investments | \$ 28,017,727 | \$ 328,943 | \$ 45,761,736 | \$ 74,108,406 |
| Receivables | | | | |
| Taxes | 36,422,737 | 17,404,776 | 8,713,330 | 62,540,843 |
| Special assessments | | | | |
| and special charges - tax roll | - | - | 605,490 | 605,490 |
| Special assessments | - | - | 2,247,420 | 2,247,420 |
| Delinquent personal property taxes | 115,940 | - | - | 115,940 |
| Loans and notes | - | - | 2,557,003 | 2,557,003 |
| Accrued interest | 179,384 | - | 352,788 | 532,172 |
| Accounts | 897,885 | 68,767 | 387,642 | 1,354,294 |
| Total Receivables - Net | <u>37,615,946</u> | <u>17,473,543</u> | <u>14,863,673</u> | <u>69,953,162</u> |
| Due from other funds | 6,074,481 | 1,347 | 4,215,254 | 10,291,082 |
| Due from other governments | 822,506 | - | 2,220,748 | 3,043,254 |
| Inventories | 163,832 | - | - | 163,832 |
| Prepaid items | 15,563 | - | - | 15,563 |
| Deposit in CVMIC | 2,962,500 | - | - | 2,962,500 |
| Assets held for resale | - | - | 385,000 | 385,000 |
| Advances to component unit | - | - | 2,286,585 | 2,286,585 |
| Advances to other funds | - | 686,658 | 7,485,234 | 8,171,892 |
| TOTAL ASSETS | <u>\$ 75,672,555</u> | <u>\$ 18,490,491</u> | <u>\$ 77,218,230</u> | <u>\$ 171,381,276</u> |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | |
| Liabilities | | | | |
| Accounts payable | \$ 552,945 | \$ - | \$ 3,023,080 | \$ 3,576,025 |
| Accrued liabilities | 3,439,671 | - | 332,649 | 3,772,320 |
| Due to other funds | 3,333,497 | - | 2,963,530 | 6,297,027 |
| Due to other governments | 116,762 | - | 41,495 | 158,257 |
| Insurance claims payable | 1,167,840 | - | - | 1,167,840 |
| Advances from other funds | - | - | 7,302,144 | 7,302,144 |
| Total Liabilities | <u>8,610,715</u> | <u>-</u> | <u>13,662,898</u> | <u>22,273,613</u> |
| Deferred Inflows of Resources | | | | |
| Unavailable revenue | - | 686,658 | 5,731,689 | 6,418,347 |
| Unearned interest/revenue | - | - | 436,881 | 436,881 |
| Unearned property tax revenue | 32,547,668 | 17,404,776 | 9,318,820 | 59,271,264 |
| Total Deferred Inflows of Resources | <u>32,547,668</u> | <u>18,091,434</u> | <u>15,487,390</u> | <u>66,126,492</u> |
| Fund Balances (Deficits) | | | | |
| Nonspendable | 7,395,272 | - | - | 7,395,272 |
| Restricted | - | 399,057 | 33,778,003 | 34,177,060 |
| Committed | - | - | 14,145,817 | 14,145,817 |
| Assigned | 6,723,098 | - | 145,337 | 6,868,435 |
| Unassigned (deficit) | 20,395,802 | - | (1,215) | 20,394,587 |
| Total Fund Balances (Deficits) | <u>34,514,172</u> | <u>399,057</u> | <u>48,067,942</u> | <u>82,981,171</u> |
| TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | <u>\$ 75,672,555</u> | <u>\$ 18,490,491</u> | <u>\$ 77,218,230</u> | |

Amounts reported for governmental activities in the statement of net position are different because:

| | |
|---|----------------------|
| Capital assets used in governmental funds are not financial resources and therefore are not reported in funds. (See Note II) | 198,392,645 |
| Internal service fund net position. | 10,633,668 |
| Net Pension Liability, Deferred Outflows and Inflows do not relate to current financial resources and are not reported in the governmental funds. | 12,550,388 |
| Other long-term assets that are not currently available are reported as unearned revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements. (See Note II) | 6,418,347 |
| 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) | (281,074,694) |
| NET POSITION OF GOVERNMENTAL ACTIVITIES | <u>\$ 29,901,525</u> |

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2017

| | General Fund | Debt Service Fund | Nonmajor Governmental Funds | Totals |
|--|--------------------|----------------------|-----------------------------------|---------------------|
| REVENUES | | | | |
| Taxes | \$ 32,869,635 | \$ 17,108,267 | \$ 5,925,236 | \$ 55,903,138 |
| Special charges and assessments | - | - | 1,006,013 | 1,006,013 |
| Intergovernmental | 33,827,388 | 137,537 | 7,422,045 | 41,386,970 |
| Licenses and permits | 2,151,003 | - | - | 2,151,003 |
| Fines and forfeitures | 1,635,413 | - | 402,790 | 2,038,203 |
| Public charges for services | 4,855,486 | - | 7,116,187 | 11,971,673 |
| Miscellaneous | 1,035,420 | 155,730 | 2,725,067 | 3,916,217 |
| Total Revenues | <u>76,374,345</u> | <u>17,401,534</u> | <u>24,597,338</u> | <u>118,373,217</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 14,454,804 | - | 296,716 | 14,751,520 |
| Health | 2,085,428 | - | 945,257 | 3,030,685 |
| Public safety | 43,994,639 | - | 2,572,963 | 46,567,602 |
| Public works | 9,701,332 | - | 3,580,403 | 13,281,735 |
| Education and recreation | 6,087,116 | - | 4,462,603 | 10,549,719 |
| Community development | 1,855,635 | - | 9,302,565 | 11,158,200 |
| Capital Outlay | 24,629 | - | 16,167,861 | 16,192,490 |
| Debt Service | | | | |
| Principal | - | 26,960,000 | - | 26,960,000 |
| Interest and fiscal charges | - | 3,792,723 | 491,591 | 4,284,314 |
| Total Expenditures | <u>78,203,583</u> | <u>30,752,723</u> | <u>37,819,959</u> | <u>146,776,265</u> |
| Excess (deficiency) of revenues over expenditures | <u>(1,829,238)</u> | <u>(13,351,189)</u> | <u>(13,222,621)</u> | <u>(28,403,048)</u> |

See accompanying notes to financial statements

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2017

| | General Fund | Debt Service Fund | Nonmajor Governmental Funds | Totals |
|--|--------------------------|-----------------------|-----------------------------------|--------------------------|
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-term debt issued | \$ - | \$ - | \$ 11,800,000 | \$ 11,800,000 |
| Premium on long-term debt issued | - | 2,246,056 | 53,572 | 2,299,628 |
| Refunding bonds issued | - | 19,145,000 | - | 19,145,000 |
| Payment to escrow agent | - | (9,267,361) | - | (9,267,361) |
| Transfers in | 2,780,264 | 1,009,475 | 2,503,718 | 6,293,457 |
| Transfers out | (76,832) | - | (2,538,175) | (2,615,007) |
| Total Other Financing Sources (Uses) | <u>2,703,432</u> | <u>13,133,170</u> | <u>11,819,115</u> | <u>27,655,717</u> |
| Net Change in Fund Balances | 874,194 | (218,019) | (1,403,506) | (747,331) |
| FUND BALANCES - Beginning of Year | <u>33,639,978</u> | <u>617,076</u> | <u>49,471,448</u> | <u>83,728,502</u> |
| FUND BALANCES - END OF YEAR | <u>\$ 34,514,172</u> | <u>\$ 399,057</u> | <u>\$ 48,067,942</u> | <u>\$ 82,981,171</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, 2017

| | | |
|--|----|-----------|
| Net change in fund balances - total governmental funds | \$ | (747,331) |
|--|----|-----------|

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/amortized over their estimated useful lives and reported as depreciation/amortization expense in the statement of activities.

| | | |
|--|--|--------------|
| Capital outlay is reported in the fund financial statements but is capitalized in the government-wide financial statements | | 16,192,490 |
| Some items reported as capital outlay are not capitalized | | (7,105,225) |
| Depreciation/amortization is reported in the government-wide statements | | (12,044,611) |
| Net book value of assets retired | | (280,971) |

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

| | | |
|------------------|--|--------------|
| Debt issued | | (30,945,000) |
| Principal repaid | | 35,720,000 |

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 | | 175,577 |
| Unamortized premiums/deferred charges (see Note II. B.) | | (1,478,676) |
| Pension expenses | | (4,159,975) |
| Other postemployment benefits | | (11,449,239) |
| Writeoff of loans | | 388,556 |
| Accrued interest on debt | | 4,160 |

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

46,606

| | | |
|---|--|-----------|
| Revenues in the governmental funds that are not reported as revenues in the statement of activities (See Note II. B.) | | (201,665) |
|---|--|-----------|

| | | |
|---|--|--------|
| Expenditures in the governmental funds that are not reported as expenses in the statement of activities (See Note II. B.) | | 80,819 |
|---|--|--------|

| | | |
|---|----|---------------------|
| Change in net position of governmental activities | \$ | <u>(15,804,485)</u> |
|---|----|---------------------|

CITY OF RACINE

General Fund

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Year Ended December 31, 2017

| | Budgeted Amounts | | | Variance with |
|--|--------------------|-----------------|---------------|---------------|
| | Original Budget | Final Budget | Actual | Final Budget |
| REVENUES | | | | |
| Taxes | \$ 32,843,900 | \$ 32,843,900 | \$ 32,869,635 | \$ 25,735 |
| Intergovernmental | 34,032,834 | 34,032,834 | 33,827,388 | (205,446) |
| Licenses and permits | 2,281,285 | 2,281,285 | 2,151,003 | (130,282) |
| Fines and forfeitures | 2,437,000 | 2,437,000 | 1,635,413 | (801,587) |
| Charges for services | 5,021,943 | 5,021,943 | 4,855,486 | (166,457) |
| Other | 631,500 | 631,500 | 1,035,420 | 403,920 |
| Total Revenues | 77,248,462 | 77,248,462 | 76,374,345 | (874,117) |
| EXPENDITURES | | | | |
| Current | | | | |
| General government | 15,703,398 | 15,703,398 | 14,454,804 | 1,248,594 |
| Health | 2,244,936 | 2,244,936 | 2,085,428 | 159,508 |
| Public safety | 44,844,073 | 44,854,549 | 43,994,639 | 859,910 |
| Public works | 10,083,402 | 10,119,885 | 9,701,332 | 418,553 |
| Education and recreation | 6,247,125 | 6,249,155 | 6,087,116 | 162,039 |
| Community Development | 1,936,814 | 1,937,939 | 1,855,635 | 82,304 |
| Capital outlay | 11,800 | 11,800 | 24,629 | (12,829) |
| Total Expenditures | 81,071,548 | 81,121,662 | 78,203,583 | 2,918,079 |
| Excess (deficiency) of revenues over expenditures | (3,823,086) | (3,873,200) | (1,829,238) | 2,043,962 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 2,608,086 | 2,608,086 | 2,780,264 | 172,178 |
| Transfers out | (90,000) | (90,000) | (76,832) | 13,168 |
| Total Other Financing Sources | 2,518,086 | 2,518,086 | 2,703,432 | 185,346 |
| Net Change in Fund Balance | \$ (1,305,000) | \$ (1,355,114) | 874,194 | \$ 2,229,308 |
| FUND BALANCE - Beginning of Year | | | 33,639,978 | |
| FUND BALANCE - END OF YEAR | | | \$ 34,514,172 | |

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET POSITION

As of December 31, 2017

| | Business-Type Activities- Enterprise Funds | | | | | Governmental Activities- | |
|---|---|-----------------------|------------------------|------------------------|---------------------------------|-----------------------------|---------------------------|
| | Water Utility | Wastewater Utility | Storm Water Utility | Belle Urban Transit | Nonmajor Enterprise Funds | Total | Internal Service Funds |
| ASSETS | | | | | | | |
| Current Assets | | | | | | | |
| Cash and investments | \$ 3,225,811 | \$ 8,318,290 | \$ 3,388,653 | \$ 200 | \$ 2,409,255 | \$ 17,342,209 | \$ 8,206,357 |
| Receivables | | | | | | | |
| Accounts | 3,639,659 | 3,329,547 | - | 39,177 | 186,271 | 7,194,654 | 1,194,842 |
| Taxes | 354,279 | 5,684 | 4,934,042 | 1,300,000 | 303,670 | 6,897,675 | - |
| Due from other governments | 1,081,822 | - | - | 772,939 | - | 1,854,761 | - |
| Due from other funds | 4,104,653 | 2,451,587 | - | - | - | 6,556,240 | 21,867 |
| Inventories | 415,131 | 51,885 | - | 300,677 | 11,750 | 779,443 | 440,194 |
| Prepaid items | 327,200 | - | - | - | 25,849 | 353,049 | 208,580 |
| Total Current Assets | <u>13,148,555</u> | <u>14,156,993</u> | <u>8,322,695</u> | <u>2,412,993</u> | <u>2,936,795</u> | <u>40,978,031</u> | <u>10,071,840</u> |
| Noncurrent Assets | | | | | | | |
| Restricted Assets | | | | | | | |
| Cash and investments | 8,497,952 | 7,004,044 | - | - | - | 15,501,996 | - |
| Plant capacity, current portion | - | 3,271,673 | - | - | - | 3,271,673 | - |
| Plant capacity, long term | - | 14,521,464 | - | - | - | 14,521,464 | - |
| Capital assets | | | | | | | |
| Land | 1,843,341 | 99,950 | - | 539,434 | 2,602,180 | 5,084,905 | 32,879 |
| Construction in progress | 1,237,316 | 1,995,979 | 330,503 | - | - | 3,563,798 | 130,898 |
| Intangible assets | - | - | - | - | - | - | 1,341,851 |
| Land and building improvements | 160,378,827 | 108,830,156 | 64,633,225 | 8,799,909 | 29,666,162 | 372,308,279 | 1,954,301 |
| Equipment, furniture and vehicles | 34,317,746 | 49,468,108 | 1,878,947 | 16,195,212 | 1,232,795 | 103,092,808 | 2,383,526 |
| Less: Accumulated depreciation/amortization | <u>(63,796,302)</u> | <u>(85,682,711)</u> | <u>(37,945,525)</u> | <u>(14,483,650)</u> | <u>(17,175,822)</u> | <u>(219,084,010)</u> | <u>(4,041,715)</u> |
| Total Noncurrent Assets | <u>142,478,880</u> | <u>99,508,663</u> | <u>28,897,150</u> | <u>11,050,905</u> | <u>16,325,315</u> | <u>298,260,913</u> | <u>1,801,740</u> |
| Total Assets | <u>155,627,435</u> | <u>113,665,656</u> | <u>37,219,845</u> | <u>13,463,898</u> | <u>19,262,110</u> | <u>339,238,944</u> | <u>11,873,580</u> |
| DEFERRED OUTFLOWS OF RESOURCES | | | | | | | |
| Deferred amounts relating to pension | 1,365,905 | 1,018,939 | 326,044 | - | 179,254 | 2,890,142 | 1,071,124 |
| Unamortized loss on refunding | <u>1,242,452</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>1,242,452</u> | <u>-</u> |
| | <u>2,608,357</u> | <u>1,018,939</u> | <u>326,044</u> | <u>-</u> | <u>179,254</u> | <u>4,132,594</u> | <u>1,071,124</u> |

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET POSITION

As of December 31, 2017

| | Business-Type Activities- Enterprise Funds | | | | | Governmental Activities- |
|--|---|-----------------------|------------------------|------------------------|---------------------------------|-----------------------------|
| | Water Utility | Wastewater Utility | Storm Water Utility | Belle Urban Transit | Nonmajor Enterprise Funds | Internal Service Funds |
| LIABILITIES | | | | | | |
| Current Liabilities | | | | | | |
| Accounts payable | \$ 789,865 | \$ 556,820 | \$ 189,702 | \$ 300,946 | \$ 199,080 | \$ 2,036,413 |
| Accrued liabilities | 275,364 | 153,006 | 30,256 | 63,918 | 151,972 | 674,516 |
| Advances from other funds | 117,987 | 105,525 | 89,530 | - | - | 313,042 |
| Compensated absences | 36,725 | 43,747 | - | - | - | 80,472 |
| Due to other funds | 4,221,039 | 3,231,454 | 894 | 2,675,582 | 422,087 | 10,551,056 |
| Liabilities payable from restricted assets | | | | | | |
| Accrued interest | 268,895 | 146,450 | - | - | - | 415,345 |
| Due to other governments | - | - | - | - | - | - |
| Unearned capacity revenue, current portion | - | 1,130,526 | - | - | - | 1,130,526 |
| Current portion of long term debt | 5,171,402 | 5,679,769 | - | - | - | 10,851,171 |
| Total Current Liabilities | 10,881,277 | 11,047,297 | 310,382 | 3,040,446 | 773,139 | 26,052,541 |
| Noncurrent Liabilities | | | | | | |
| Compensated absences | 565,452 | 439,241 | 6,626 | 46,253 | 26,994 | 1,084,566 |
| OPEB obligation | 12,152,006 | 8,225,700 | 3,810,853 | - | 2,127,032 | 26,315,591 |
| Net pension liability | 192,007 | 144,528 | 35,170 | - | 22,156 | 393,861 |
| Revenue bonds and notes payable | 33,066,200 | 25,707,651 | - | - | - | 58,773,851 |
| Advances from other funds | 244,485 | 218,662 | 93,559 | - | - | 556,706 |
| Unearned capacity revenue | - | 37,306,407 | - | - | - | 37,306,407 |
| Total Noncurrent Liabilities | 46,220,150 | 72,042,189 | 3,946,208 | 46,253 | 2,176,182 | 124,430,982 |
| Total Liabilities | 57,101,427 | 83,089,486 | 4,256,590 | 3,086,699 | 2,949,321 | 150,483,523 |
| DEFERRED INFLOWS OF RESOURCES | | | | | | |
| Unearned property tax revenue | - | - | 4,934,042 | 1,300,000 | 303,670 | 6,537,712 |
| Deferred amounts related to pension | 594,370 | 446,129 | 124,170 | - | 66,596 | 1,231,265 |
| Total Deferred Inflows of Resources | 594,370 | 446,129 | 5,058,212 | 1,300,000 | 370,266 | 7,768,977 |
| NET POSITION | | | | | | |
| Net investment in capital assets | 99,899,547 | 43,856,252 | 28,897,150 | 11,050,905 | 16,325,315 | 200,029,169 |
| Restricted | 5,315,288 | 6,857,594 | - | - | - | 12,172,882 |
| Unrestricted (deficit) | (4,674,840) | (19,564,866) | (666,063) | (1,973,706) | (203,538) | (27,083,013) |
| TOTAL NET POSITION | \$ 100,539,995 | \$ 31,148,980 | \$ 28,231,087 | \$ 9,077,199 | \$ 16,121,777 | \$ 185,119,038 |

See accompanying notes to financial statements.

Page 26

CITY OF RACINE

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2017

| | Business-Type Activities- Enterprise Funds | | | | | Governmental Activities- | |
|---|---|-----------------------|------------------------|------------------------|---------------------------------|-----------------------------|---------------------------|
| | Water Utility | Wastewater Utility | Storm Water Utility | Belle Urban Transit | Nonmajor Enterprise Funds | Totals | Internal Service Funds |
| OPERATING REVENUES | | | | | | | |
| Charges for services | \$ 20,991,703 | \$ 13,375,320 | \$ 4,869,625 | \$ 1,425,509 | \$ 1,999,089 | \$ 42,661,246 | \$ 27,085,992 |
| Other | - | - | 2,616 | - | 13 | 2,629 | 791,870 |
| Total Operating Revenues | <u>20,991,703</u> | <u>13,375,320</u> | <u>4,872,241</u> | <u>1,425,509</u> | <u>1,999,102</u> | <u>42,663,875</u> | <u>27,877,862</u> |
| OPERATING EXPENSES | | | | | | | |
| Operation and maintenance | 10,459,464 | 8,952,196 | 2,831,658 | - | 1,311,494 | 23,554,812 | 6,064,127 |
| Education and recreation | - | - | - | - | 930,243 | 930,243 | - |
| General administration | - | - | - | 8,451,006 | - | 8,451,006 | 21,765,071 |
| Depreciation | 4,891,145 | 3,662,367 | 1,385,196 | 1,276,250 | 994,172 | 12,209,130 | 241,791 |
| Total Operating Expenses | <u>15,350,609</u> | <u>12,614,563</u> | <u>4,216,854</u> | <u>9,727,256</u> | <u>3,235,909</u> | <u>45,145,191</u> | <u>28,070,989</u> |
| Operating income (loss) | <u>5,641,094</u> | <u>760,757</u> | <u>655,387</u> | <u>(8,301,747)</u> | <u>(1,236,807)</u> | <u>(2,481,316)</u> | <u>(193,127)</u> |
| NONOPERATING REVENUES (EXPENSES) | | | | | | | |
| Investment income | 58,435 | 66,563 | 50,573 | - | 18,835 | 194,406 | - |
| Interest expense | (1,171,475) | (922,343) | (12,094) | - | - | (2,105,912) | - |
| Intergovernmental interest reimbursement | - | 537,944 | - | - | - | 537,944 | - |
| Plant capacity income | - | 1,130,526 | - | - | - | 1,130,526 | - |
| Gain (loss) on sale of fixed assets | - | 10,165 | (7,230) | - | - | 2,935 | - |
| Amortization of premiums and refunding loss | 61,679 | - | - | - | - | 61,679 | - |
| Bond issue costs | (121,815) | - | - | - | - | (121,815) | - |
| Subsidies from other governmental units | - | - | - | 5,792,406 | - | 5,792,406 | - |
| Tax levy | - | - | - | 1,200,000 | 302,670 | 1,502,670 | - |
| Household hazardous waste revenue | - | 231,952 | - | - | - | 231,952 | - |
| Household hazardous waste expense | - | (176,607) | - | - | - | (176,607) | - |
| Other | - | 9,883 | - | - | 100,000 | 109,883 | - |
| Total Nonoperating Revenues (Expenses) | <u>(1,173,176)</u> | <u>888,083</u> | <u>31,249</u> | <u>6,992,406</u> | <u>421,505</u> | <u>7,160,067</u> | <u>-</u> |

CITY OF RACINE

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION

For the Year Ended December 31, 2017

| | Business-Type Activities- Enterprise Funds | | | | | Governmental Activities- | |
|---|---|-----------------------|------------------------|------------------------|---------------------------------|-----------------------------|---------------------------|
| | Water Utility | Wastewater Utility | Storm Water Utility | Belle Urban Transit | Nonmajor Enterprise Funds | Totals | Internal Service Funds |
| Income (loss) before capital contributions and transfers | 4,467,918 | 1,648,840 | 686,636 | (1,309,341) | (815,302) | 4,678,751 | (193,127) |
| CAPITAL CONTRIBUTIONS | 2,709,766 | - | - | - | - | 2,709,766 | - |
| TRANSFERS IN | 52,783 | - | - | 32,795 | 414,061 | 499,639 | 239,733 |
| TRANSFERS (OUT) | (3,602,999) | (814,823) | - | - | - | (4,417,822) | - |
| Change in Net Position | 3,627,468 | 834,017 | 686,636 | (1,276,546) | (401,241) | 3,470,334 | 46,606 |
| NET POSTION - Beginning of Year | 96,912,527 | 30,314,963 | 27,544,451 | 10,353,745 | 16,523,018 | 181,648,704 | 10,587,062 |
| NET POSITION - END OF YEAR | \$ 100,539,995 | \$ 31,148,980 | \$ 28,231,087 | \$ 9,077,199 | \$ 16,121,777 | \$ 185,119,038 | \$ 10,633,668 |

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2017

| | Business-Type Activities- Enterprise Funds | | | | | | Governmental Activities- |
|--|---|-----------------------|-----------------------|------------------------|---------------------------------|---------------|-----------------------------|
| | Water Utility | Wastewater Utility | Stormwater Utility | Belle Urban Transit | Nonmajor Enterprise Funds | Totals | Internal Service Fund |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | | | |
| Received from customers and users | \$ 21,012,293 | \$ 13,932,014 | \$ 4,872,241 | \$ 1,424,021 | \$ 1,828,999 | \$ 43,069,568 | \$ 27,757,294 |
| Paid to suppliers for goods and services | (3,763,946) | (2,649,338) | (1,185,382) | (8,664,588) | (1,233,109) | (17,496,363) | (24,029,989) |
| Paid to employees for services | (6,206,212) | (4,609,555) | (1,192,028) | - | (665,033) | (12,672,828) | (4,063,553) |
| Net Cash Flows From Operating Activities | 11,042,135 | 6,673,121 | 2,494,831 | (7,240,567) | (69,143) | 12,900,377 | (336,248) |
| CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES | | | | | | | |
| Transfer to other funds | (3,550,216) | (814,823) | - | - | - | (4,365,039) | - |
| Advances retired | (73,082) | (65,363) | - | - | - | (138,445) | - |
| Principal retired | - | (201,546) | - | - | - | (201,546) | - |
| Interest paid on long-term debt | - | (17,534) | - | - | - | (17,534) | - |
| Interest paid on advances | (9,244) | (8,903) | - | - | - | (18,147) | - |
| Funds received from intergovernmental agreement | (1,081,822) | - | - | - | - | (1,081,822) | - |
| Payments on intergovernmental agreement | (572,642) | - | - | - | - | (572,642) | - |
| Miscellaneous receipts | - | 65,228 | - | - | - | 65,228 | - |
| Operating grants received | - | - | - | 5,030,436 | - | 5,030,436 | - |
| Operating subsidies received - tax levy | - | - | - | 2,210,131 | 302,670 | 2,512,801 | - |
| Net Cash Flows from Noncapital Financing Activities | (5,287,006) | (1,042,941) | - | 7,240,567 | 302,670 | 1,213,290 | - |
| CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | |
| Debt issued | 6,135,000 | - | - | - | - | 6,135,000 | - |
| Premium on long-term debt issued | 568,799 | - | - | - | - | 568,799 | - |
| Debt retired | (4,873,195) | (5,321,917) | - | - | - | (10,195,112) | - |
| Proceeds from advances | - | - | - | - | - | - | - |
| Payment to escrow agent | (6,763,133) | - | - | - | - | (6,763,133) | - |
| Advances retired | - | - | (85,676) | - | - | (85,676) | - |
| Interest paid on long-term debt | (1,285,210) | (921,955) | - | - | - | (2,207,165) | - |
| Interest paid on advances | - | - | (12,094) | - | - | (12,094) | - |
| Transfer from other funds for capital purposes | - | - | - | 32,795 | 414,061 | 446,856 | 239,733 |
| Acquisition and construction of capital assets | (5,381,011) | (3,456,015) | (1,121,026) | (32,795) | (608,620) | (10,599,467) | (133,481) |
| Debt issue costs paid | (121,815) | - | - | - | - | (121,815) | - |
| Rec and other fees received | 632,189 | - | - | - | - | 632,189 | - |
| Intergovernmental interest reimbursement | - | 537,944 | - | - | - | 537,944 | - |
| Proceeds for plant capacity charges | - | 3,119,614 | - | - | - | 3,119,614 | - |
| Capital subsidies received | - | - | - | - | 100,000 | 100,000 | - |
| Proceeds from sale of capital assets | - | 22,665 | - | - | - | 22,665 | - |
| Net Cash Flows From Capital and Related Financing Activities | (11,088,376) | (6,019,664) | (1,218,796) | - | (94,559) | (18,421,395) | 106,252 |

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

| | Business-Type Activities- Enterprise Funds | | | | | | Governmental Activities- |
|--|---|-----------------------|-----------------------|------------------------|---------------------------------|----------------------|-----------------------------|
| | Water Utility | Wastewater Utility | Stormwater Utility | Belle Urban Transit | Nonmajor Enterprise Funds | Totals | Internal Service Fund |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | | | | |
| Investment income | \$ 58,435 | \$ 66,563 | \$ 50,573 | \$ - | \$ 18,835 | \$ 194,406 | \$ - |
| Net Cash Flows From Investing Activities | 58,435 | 66,563 | 50,573 | - | 18,835 | 194,406 | - |
| Net Change in Cash and Cash Equivalents | (5,274,812) | (322,921) | 1,326,608 | - | 157,803 | (4,113,322) | (229,996) |
| CASH AND CASH EQUIVALENTS - Beginning of Year | 16,998,575 | 15,645,255 | 2,062,045 | 200 | 2,251,452 | 36,957,527 | 8,436,353 |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 11,723,763</u> | <u>\$ 15,322,334</u> | <u>\$ 3,388,653</u> | <u>\$ 200</u> | <u>\$ 2,409,255</u> | <u>\$ 32,844,205</u> | <u>\$ 8,206,357</u> |
| RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | | |
| Operating income (loss) | \$ 5,641,094 | \$ 760,757 | \$ 655,387 | \$ (8,301,747) | \$ (1,236,807) | \$ (2,481,316) | \$ (193,127) |
| Adjustments to reconcile operating income (loss) to Net Cash Flows from operating activities | | | | | | | |
| Other postemployment benefits | 458,313 | 523,767 | 326,600 | - | 48,879 | 1,357,559 | - |
| Depreciation | 5,024,414 | 3,662,367 | 1,385,196 | 1,276,250 | 994,172 | 12,342,399 | 241,791 |
| Changes in assets, deferred outflows, liabilities, and deferred inflows | | | | | | | |
| Accounts receivable | (103,234) | 250,225 | - | (101,488) | (147,545) | (102,042) | (250,405) |
| Prepaid items | (322,700) | 2,440 | - | - | (4,532) | (324,792) | - |
| Inventories | (27,560) | - | - | (14,268) | 236 | (41,592) | (213,427) |
| Due from other funds | 181,800 | 353,659 | (65,130) | - | (799) | 469,530 | (13,337) |
| Pension benefits | 390,344 | 300,585 | 38,998 | - | 32,432 | 762,359 | 172,033 |
| Accounts payable | 478,692 | 99,137 | 67,560 | (41,418) | 119,884 | 723,855 | 47,176 |
| Accrued liabilities | 4,985 | 28,368 | 20,196 | (1,088) | (4,593) | 47,868 | (109,993) |
| Unearned revenue | - | - | 65,130 | 100,000 | - | 165,130 | - |
| Due to other funds | (684,013) | 691,816 | 894 | (156,808) | 129,530 | (18,581) | (16,959) |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | <u>\$ 11,042,135</u> | <u>\$ 6,673,121</u> | <u>\$ 2,494,831</u> | <u>\$ (7,240,567)</u> | <u>\$ (69,143)</u> | <u>\$ 12,900,377</u> | <u>\$ (336,248)</u> |

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

| | Business-Type Activities- Enterprise Funds | | | | | Governmental Activities- | |
|---|---|-----------------------|-----------------------|------------------------|---------------------------------|-----------------------------|--------------------------|
| | Water Utility | Wastewater Utility | Stormwater Utility | Belle Urban Transit | Nonmajor Enterprise Funds | Totals | Internal Service Fund |
| RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET | | | | | | | |
| Cash and investments | | | | | | | |
| Unrestricted | \$ 3,225,811 | \$ 8,318,290 | \$ 3,388,653 | \$ 200 | \$ 2,409,255 | \$ 17,342,209 | \$ 8,206,357 |
| Restricted | 8,497,952 | 7,004,044 | - | - | - | 15,501,996 | - |
| Total Cash and Investments | <u>\$ 11,723,763</u> | <u>\$ 15,322,334</u> | <u>\$ 3,388,653</u> | <u>\$ 200</u> | <u>\$ 2,409,255</u> | <u>\$ 32,844,205</u> | <u>\$ 8,206,357</u> |
| NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | | |
| Cost of capital assets installed | | | | | | | |
| or financed by developers, customers or the City | <u>\$ 2,077,577</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,077,577</u> | <u>\$ -</u> |
| Capital assets in accounts payable and due to other funds | <u>\$ 456,220</u> | <u>\$ 301,557</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 757,777</u> | <u>\$ -</u> |

See accompanying notes to financial statements.

CITY OF RACINE

Agency Funds

STATEMENT OF ASSETS AND LIABILITIES

As of December 31, 2017

| | Agency Funds | | Totals |
|--------------------------|----------------------|--------------------|----------------------|
| | Tax Collecting | Police Evidence | |
| ASSETS | | | |
| Cash and investments | \$ 37,492,089 | \$ 588,992 | \$ 38,081,081 |
| Receivables | | | |
| Property taxes | <u>8,657,299</u> | <u>-</u> | <u>8,657,299</u> |
| TOTAL ASSETS | <u>\$ 46,149,388</u> | <u>\$ 588,992</u> | <u>\$ 46,738,380</u> |
| LIABILITIES | | | |
| Accounts payable | \$ - | \$ 588,992 | \$ 588,992 |
| Due to component unit | 192,000 | - | 192,000 |
| Due to other agencies | 83,525 | - | 83,525 |
| Due to other governments | <u>45,873,863</u> | <u>-</u> | <u>45,873,863</u> |
| TOTAL LIABILITIES | <u>\$ 46,149,388</u> | <u>\$ 588,992</u> | <u>\$ 46,738,380</u> |

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF RACINE

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

| 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 |
| 12. Pension | 47 |
| II. Reconciliation of Government-Wide and Fund Financial Statements | 48 |
| A. Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position | 48 |
| B. Explanation of Certain Differences Between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities | 49 |
| III. Stewardship, Compliance, and Accountability | 50 |
| A. Budgetary Information | 50 |
| B. Excess Expenditures Over Appropriations | 51 |
| C. Deficit Balances | 52 |
| D. Limitations on the City's Tax Levy | 52 |
| IV. Detailed Notes on All Funds | 53 |
| A. Deposits and Investments | 53 |
| B. Receivables | 56 |
| C. Restricted Assets | 58 |
| D. Capital Assets | 59 |
| E. Interfund Receivables/Payables, Advances and Transfers | 63 |
| F. Long-Term Obligations | 67 |
| G. Lease Disclosures | 73 |
| H. Net Position/Fund Balances | 74 |
| I. Component Units | 78 |

CITY OF RACINE

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

| NOTE | <u>Page</u> |
|--|-------------|
| V. Other Information | 80 |
| A. Employees' Retirement System | 80 |
| B. Racine Transit System Pension Plan | 87 |
| C. Risk Management | 89 |
| D. Commitments and Contingencies | 92 |
| E. Other Postemployment Benefits | 93 |
| F. Economic Dependency | 95 |
| G. Intermunicipal Agreement | 96 |
| H. Intergovernmental Retail Water Service Agreement | 96 |
| I. Infiltration/Inflow Removal Agreement | 97 |
| J. Municipal Revenue Obligations | 97 |
| K. Effect of New Accounting Standards on Current-Period Financial Statements | 98 |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Racine, Wisconsin ("the City") 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, 2017

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, 2017. 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, 2017. The Authority does not issue separate financial statements.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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, 2017

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

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, 2017

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, 2017

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

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

Fund Financial Statements (cont.)

Property taxes are recorded in the year levied as receivables and unearned revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

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

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and unavailable revenues. Delinquent special assessments being held by the county are reported as receivables and unavailable revenue.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, public charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting and do not have a measurement focus.

The proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the city's enterprise funds and the city's internal service funds are charges to customers for sales and services. Operating expenses for proprietary funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, 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, 2017

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, 2017

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 methods and inputs as outlined in Note IV. A. 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, 2017, 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, 2017

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 – 2017 tax roll:

| | |
|---------------------------------|------------------|
| Lien date and levy date | November 2017 |
| Tax bills mailed | December 2017 |
| Payment in full, or | |
| First installment due | January 31, 2018 |
| Second installment due | March 31, 2018 |
| Third installment due | May 31, 2018 |
| Fourth installment due | July 31, 2018 |
| Personal property taxes in full | January 31, 2018 |
| Final settlement with County | August 15, 2018 |
| Tax deed by County – 2017 | |
| Delinquent real estate taxes | October 2020 |

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, 2017

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, 2017 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 acquisition 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, 2017

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 lower of cost or market.

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, 2017

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 1,200 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, 2017 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 \$33,816,399 made up of six issues.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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 \$5,906,064 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:

- 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.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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.)

- 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 \$20,395,802 or 25%.

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.

12. Pension

For purposes of measuring the net pension 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.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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 | \$ 2,557,003 |
| Unearned revenue-grants | 927,266 |
| Unearned revenue-debt service | 686,658 |
| Unearned revenue-special assessments | <u>2,247,420</u> |
| Combined Adjustment for Long-Term Assets | <u>\$ 6,418,347</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, including premiums | \$ 102,489,253 |
| OPEB obligation | 177,442,611 |
| Compensated absences, not including internal service fund | 2,717,553 |
| Unamortized loss on refunding | (1,720,592) |
| Accrued interest | <u>145,869</u> |
| Combined Adjustment for Long-Term Liabilities | <u>\$ 281,074,694</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 | \$ 25,961,988 |
| Construction in progress | 8,715,706 |
| Other capital assets net of accumulated depreciation/amortization | 165,516,691 |
| Internal Service Funds capital assets | <u>(1,801,740)</u> |
| Combined Adjustment for Capital Assets | <u>\$ 198,392,645</u> |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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 | \$ 507,361 |
| Premium received | (2,290,003) |
| Amortization of deferred charge and premium | <u>303,966</u> |
| Unamortized debt premiums/deferred charges | <u>\$ (1,478,676)</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 | \$ (824,530) |
| Principal paid on debt service loans | (138,444) |
| State capital grant | 927,266 |
| Special assessments collections | <u>(165,957)</u> |
| Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities | <u>\$ (201,665)</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 \$80,819 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, 2017

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 |
| Capital Grants |
| Tax Incremental Districts |
| Permanent Fund: |
| Endowment Fund |

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 \$8,417,948. 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 \$9,183,948.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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, 2017:

| <u>Fund</u> | <u>Department</u> | <u>Appropriation Unit</u> | <u>Amount</u> |
|------------------------------|---------------------|---------------------------|---------------|
| General Fund | City Administration | Operating Expenditures | \$ 81,470 |
| | City Administration | Salaries and Fringes | 29,192 |
| | Finance | Salaries and Fringes | 31,903 |
| | Finance | Operating Expenditures | 90,312 |
| | Health | Operating Expenditures | 2,174 |
| | Health | Interdepartmental | 33,823 |
| | Health | Capital Outlay | 11,801 |
| | Fire | Operating Expenditures | 53,786 |
| | Fire | Capital Outlay | 2,141 |
| | Public Works | Salaries and Fringes | 42,725 |
| | Parks | Salaries and Fringes | 1,203 |
| | Parks | Capital Outlay | 687 |
| Special Revenue Funds: | | | |
| Library | | Salaries and Fringes | 2,209 |
| Library | | Operating | 14,449 |
| Recycling | | Operating | 307,705 |
| Cemetery | | Capital Outlay | 1,179 |
| Private Property Maintenance | | Operating | 169,922 |
| Sanitary Sewer Maintenance | | Operating | 19,043 |
| Health Lab | | Salaries and Fringes | 6,188 |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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. The State Grants fund had a \$1,215 deficit balance 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, 2017

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 | \$ 48,020,749 | \$ 36,025,513 | Custodial credit |
| Savings deposits | 11,585,747 | 11,585,747 | Custodial credit |
| Certificates of deposit | 21,965,460 | 21,965,460 | Custodial credit |
| Petty cash | 7,535 | - | NA |
| Total deposits | 81,579,491 | <u>\$ 69,576,720</u> | |
| Wisconsin Local Government | | | |
| Investment Pool | 30,817,930 | | Credit |
| Money market funds | 827,823 | | Credit |
| Mutual funds-equities | 2,749,938 | | Credit |
| Mutual funds-fixed income | 1,219,095 | | Credit, Interest Rate |
| U.S. Government agency securities-Explicit | 919,807 | | Credit, Custodial Credit, Interest Rate, Concentration of Credit |
| U.S. Government agency securities-Implicit | 35,590,888 | | Credit, Custodial Credit, Interest Rate, Concentration of Credit |
| Total investments | <u>72,125,481</u> | | |
| Total Deposits and Investments | <u>\$ 153,704,972</u> | | |
| Reconciliation to financial statements | | | |
| Per statement of net position | | | |
| Cash and Investments-Primary government | \$ 99,656,972 | | |
| Cash and investments-Component unit | 464,923 | | |
| Restricted cash and investments | 15,501,996 | | |
| Per statement of assets and liabilities- agency funds | <u>38,081,081</u> | | |
| | <u>\$ 153,704,972</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, 2017

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, 2017, the City's carrying value of deposits was \$81,549,567, as compared to bank balances of \$69,541,350. Of the bank balances \$55,090,377 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. \$14,450,973 was uninsured as of December 31, 2017.

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, 2017, the City's carrying value of U.S. Government Agency Securities and U.S. Treasury's subject to custodial credit risk was \$36,510,694. 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, 2017 were rated Aaa by Moody's Investor's Services and AA+ by Standard & Poor's. As of December 31, 2017, the balance in these types of investments was \$36,510,694. 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, 2017

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, 2017, 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 | 24.29% |
| Federal Home Loan Bank Corporation | U.S. government agency notes and mortgage backed securities | 23.71% |
| Federal Home Loan Mortgage Corporation | U.S. government agency notes and mortgage backed securities | 43.58% |

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, 2017 were as follows:

| <u>Investment Type</u> | <u>Fair Value</u> | <u>Duration in Years</u> |
|---|-------------------|--------------------------|
| U.S Government Agency-implicitly guaranteed | \$ 32,118,265 | 3.13 |
| U.S Government Agency-implicitly guaranteed | 3,273,055 | 0.645 |
| U.S Government Agency-explicitly guaranteed | 919,807 | 0.547 |
| Mutual Funds-fixed income | 1,219,095 | 4.94 |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

A. DEPOSITS AND INVESTMENTS (cont.)

Fair Value Hierarchy

The City of Racine categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

The valuation methods for recurring fair value measurements are as follows:

>Quoted market prices for similar assets or liabilities in active markets

| <u>Investment Type</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--------------------------|----------------|----------------------|----------------|----------------------|
| Mutual Fund Equities | \$ - | \$ 2,749,938 | \$ - | \$ 2,749,938 |
| Mutual Fund Fixed Income | - | 1,219,095 | - | 1,219,095 |
| US Government Agencies | - | 36,510,695 | - | 36,510,695 |
| Total | <u>\$ -</u> | <u>\$ 40,479,728</u> | <u>\$ -</u> | <u>\$ 40,479,728</u> |

B. RECEIVABLES

Receivables of the City are reported net of uncollectible amounts. Details relating to the uncollectible amounts are as follows:

| | <u>Account</u> | <u>Rescue</u> | <u>Loans</u> | <u>Delinquent</u> | <u>Total</u> |
|-----------------------|-------------------|-------------------|---------------------|-------------------|---------------------|
| | <u>Receivable</u> | <u>Runs</u> | <u>Receivable</u> | <u>Personal</u> | |
| | | | | <u>Property</u> | |
| General Fund | \$ 276,831 | \$ 368,281 | \$ - | \$ 439,233 | \$ 1,084,345 |
| Loan Fund | - | - | 1,361,668 | - | 1,361,668 |
| Stormwater | 713 | - | - | - | 713 |
| Other Enterprise | 2,969 | - | - | - | 2,969 |
| Internal Service | 5,429 | - | - | - | 5,429 |
| Other Non-Major Funds | 32,299 | - | - | - | 32,299 |
| | <u>\$ 318,241</u> | <u>\$ 368,281</u> | <u>\$ 1,361,668</u> | <u>\$ 439,233</u> | <u>\$ 2,487,423</u> |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

B. RECEIVABLES (cont.)

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

| | General Fund | Other Non Major | Total |
|---------------------------------------|-------------------|---------------------|---------------------|
| Special Assessments | \$ - | \$ 2,247,420 | \$ 2,247,420 |
| Delinquent personal property taxes | 115,940 | - | 115,940 |
| Loans and notes | <u>-</u> | <u>2,557,003</u> | <u>2,557,003</u> |
| | <u>\$ 115,940</u> | <u>\$ 4,804,423</u> | <u>\$ 4,920,363</u> |

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 | \$ - | \$ 59,271,264 | \$ 59,271,264 |
| Loans receivable | 2,557,003 | - | 2,557,003 |
| Special assessments not yet due | 2,247,420 | - | 2,247,420 |
| Interest on loans and advances | - | 382,590 | 382,590 |
| Due from enterprise for debt service | 686,658 | - | 686,658 |
| Grant receivables | 927,266 | - | 927,266 |
| Grant drawdowns prior to meeting all eligibility requirements | <u>-</u> | <u>54,291</u> | <u>54,291</u> |
| Total Unearned/Unavailable Revenue for Governmental Funds | <u>\$ 6,418,347</u> | <u>\$ 59,708,145</u> | <u>\$ 66,126,492</u> |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long Term Debt Accounts

- Redemption – Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve – Used to report resources set aside to make up potential future deficiencies in the redemption account.
- Depreciation – Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.
- Improvement – Used to report proceeds of revenue bond issuances that are restricted for use in construction.

Equipment Replacement Account

The Wastewater Utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

Following is a list of restricted assets for the Water and Wastewater Utility at December 31, 2017:

| | Water Utility | Wastewater Utility | Total |
|--|---------------------|-----------------------|----------------------|
| Bond redemption account | \$ 3,708,696 | \$ 3,934,138 | \$ 7,642,834 |
| Bond reserve account | 2,913,769 | - | 2,913,769 |
| Bond depreciation account | 800,000 | - | 800,000 |
| Impact fund | 1,075,487 | - | 1,075,487 |
| Equipment replacement account | - | 3,069,906 | 3,069,906 |
| Plant capacity receivable | - | 17,793,137 | 17,793,137 |
| Total Restricted Assets | 8,497,952 | 24,797,181 | 33,295,133 |
| Reconciliation to restricted net position | | | |
| Plant capacity receivable reported as unearned revenue | - | (17,793,137) | (17,793,137) |
| Accrued interest payable | (268,895) | (146,450) | (415,345) |
| Bond reserve fund financed by bond proceeds | (2,913,769) | - | (2,913,769) |
| Restricted Net Position | <u>\$ 5,315,288</u> | <u>\$ 6,857,594</u> | <u>\$ 12,172,882</u> |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2017 was as follows:

| | Beginning Balance | Additions | Deletions | Ending Balance |
|--|-----------------------|---------------------|---------------------|-----------------------|
| Governmental Activities | | | | |
| Capital assets not being depreciated/amortized | | | | |
| Land | \$ 25,987,988 | \$ - | \$ 26,000 | \$ 25,961,988 |
| Construction in progress | 9,357,814 | 7,295,615 | 7,937,723 | 8,715,706 |
| Total Capital Assets Not Being Depreciated/Amortized | <u>35,345,802</u> | <u>7,295,615</u> | <u>7,963,723</u> | <u>34,677,694</u> |
| Capital assets being depreciated/amortized | | | | |
| Intangible assets | 1,341,850 | - | - | 1,341,850 |
| Land improvements | 11,601,082 | 300,870 | - | 11,901,952 |
| Buildings | 48,517,482 | 672,517 | - | 49,189,999 |
| Machinery and equipment | 38,124,457 | 3,620,741 | 1,642,669 | 40,102,529 |
| Roads, streets, and bridges | 171,646,079 | 3,108,494 | 224,263 | 174,530,310 |
| Sidewalks | 54,378,915 | 309,993 | 34,339 | 54,654,569 |
| Sewer lines | 43,599,159 | 1,065,897 | 84,968 | 44,580,088 |
| Shoreline walls and other | 23,276,231 | 551,890 | - | 23,828,121 |
| Total Capital Assets Being Depreciated/Amortized | <u>392,485,255</u> | <u>9,630,402</u> | <u>1,986,239</u> | <u>400,129,418</u> |
| Less: accumulated depreciation/amortization for | | | | |
| Intangible assets | 731,369 | 81,832 | - | 813,201 |
| Land improvements | 8,409,526 | 543,968 | - | 8,953,494 |
| Buildings | 24,352,925 | 1,880,229 | - | 26,233,154 |
| Machinery and equipment | 29,186,720 | 2,284,145 | 1,620,154 | 29,850,711 |
| Roads, streets, and bridges | 85,808,830 | 4,941,310 | 224,263 | 90,525,877 |
| Sidewalks | 45,000,275 | 1,073,764 | 34,339 | 46,039,700 |
| Sewer lines | 20,083,740 | 820,603 | 84,967 | 20,819,376 |
| Shoreline walls and other | 10,716,663 | 660,551 | - | 11,377,214 |
| Total Accumulated Depreciation/Amortization | <u>224,290,048</u> | <u>12,286,402</u> | <u>1,963,723</u> | <u>234,612,727</u> |
| Total Capital Assets being Depreciated/Amortized, Net | <u>168,195,207</u> | <u>(2,656,000)</u> | <u>22,516</u> | <u>165,516,691</u> |
| Governmental Activities Capital Assets, Net | <u>\$ 203,541,009</u> | <u>\$ 4,639,615</u> | <u>\$ 7,986,239</u> | <u>\$ 200,194,385</u> |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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 | \$ 608,562 |
| Education and recreation | 1,568,122 |
| Public works, which includes infrastructure | 8,880,675 |
| Public safety | <u>1,229,043</u> |
| Total Governmental Activities Depreciation/Amortization Expense | <u><u>\$ 12,286,402</u></u> |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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 | 3,241,870 | 11,693,738 | 11,371,810 | 3,563,798 |
| Total Capital Assets Not Being Depreciated | 8,326,775 | 11,693,738 | 11,371,810 | 8,648,703 |
| Capital assets being depreciated | | | | |
| Land improvements | 9,623,971 | 359,081 | 33,222 | 9,949,830 |
| Improvements other than buildings | 203,685,624 | 9,835,968 | 434,505 | 213,087,087 |
| Buildings | 149,099,514 | 291,358 | 119,510 | 149,271,362 |
| Machinery and equipment | 103,346,906 | 1,767,327 | 2,021,425 | 103,092,808 |
| Total Capital Assets Being Depreciated | 465,756,015 | 12,253,734 | 2,608,662 | 475,401,087 |
| Less: accumulated depreciation for | | | | |
| Land improvements | 6,128,469 | 382,459 | 31,384 | 6,479,544 |
| Improvements other than buildings | 72,580,643 | 3,513,707 | 434,505 | 75,659,845 |
| Buildings | 65,742,258 | 3,757,462 | 119,509 | 69,380,211 |
| Machinery and equipment | 64,823,910 | 4,726,697 | 1,986,197 | 67,564,410 |
| Total Accumulated Depreciation | 209,275,280 | 12,380,325 | 2,571,595 | 219,084,010 |
| Total Capital Assets Depreciated, Net | 256,480,735 | (126,591) | 37,067 | 256,317,077 |
| Business-Type Activities Capital Assets, Net | \$ 264,807,510 | \$ 11,567,147 | \$ 11,408,877 | \$ 264,965,780 |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-Type Activities

| | |
|---|----------------------|
| Water | \$ 4,891,145 |
| Wastewater | 3,662,367 |
| Stormwater | 1,385,196 |
| Belle Urban Transit | 1,276,250 |
| Other | <u>994,172</u> |
| Total Business-Type Activities Depreciation Expense | <u>\$ 12,209,130</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, 2017

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 | Total |
|--------------------|--|--------------|
| General Fund | Enterprise Fund-Transit | \$ 2,675,582 |
| General Fund | Enterprise Fund-Civic Center | 422,087 |
| General Fund | Wastewater Utility | 128,336 |
| General Fund | Water Utility | 1,692,769 |
| General Fund | Special Revenue-HUD Grants | 84,267 |
| General Fund | Special Revenue-State Grants | 249,344 |
| General Fund | Special Revenue-Federal Grants | 126,666 |
| General Fund | Special Revenue-Loans | 2,812 |
| General Fund | Special Revenue-Trusts | 3,383 |
| General Fund | Permanent Funds | 4,140 |
| General Fund | Capital Projects-Capital grants | 107,255 |
| General Fund | Capital Projects-City Projects | 577,840 |
| Debt Service Fund | Water Utility | 711 |
| Debt Service Fund | Wastewater Utility | 636 |
| Wastewater Utility | Enterprise Fund-Stormwater | 894 |
| Wastewater Utility | Water Utility | 707,261 |
| Wastewater Utility | General Fund | 1,723,049 |
| Wastewater Utility | Internal Service Fund-Building Complex | 20,383 |
| Water Utility | Wastewater Utility | 685,659 |
| Water Utility | Special Revenue-Restricted | 1,806,424 |
| Water Utility | General Fund | 1,610,448 |
| Water Utility | Capital Projects-TID | 1,399 |
| Water Utility | Internal Service Fund-Building Complex | 723 |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

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

| Receivable Fund | Payable Fund | Total |
|--|--------------------|---------------------|
| Capital Projects-City Projects | Wastewater Utility | 2,408,741 |
| Internal Service Fund-Equipment Maint. | Water Utility | 4,426 |
| Internal Service Fund-Equipment Maint. | Wastewater Utility | 926 |
| Internal Service Fund-Health Insurance | Water Utility | 9,448 |
| Internal Service Fund-Health Insurance | Wastewater Utility | 7,067 |
| Special Revenue-Restricted | Water Utility | 1,806,424 |
| Special Revenue-Library | Wastewater Utility | 89 |
| Subtotal-Fund Financial Statements | | 16,869,189 |
| Less: Fund eliminations | | (2,549,521) |
| Less: Government-wide eliminations | | (10,324,852) |
| | | <u>\$ 3,994,816</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.

All amounts are due within one year except for \$4,253,377 of funds owed to the general fund from other City funds. This amount is included in nonspendable fund balance in the general fund as a non current receivable.

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, 2017

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 | \$ 324,187 | \$ 105,525 |
| Debt Service Fund | Water Utility | 362,472 | 117,987 |
| City Projects Fund | Storm Water Utility | 183,089 | 89,530 |
| Intergovernmental Revenue Sharing | Tax Increment District #20 | 3,426 | - |
| Intergovernmental Revenue Sharing | Tax Increment District #19 | 55,738 | - |
| Intergovernmental Revenue Sharing | Tax Increment District #17 | 26,851 | - |
| Intergovernmental Revenue Sharing | Tax Increment District #18 | 6,965,839 | - |
| Intergovernmental Revenue Sharing | Tax Increment District #16 | 250,290 | - |
| Subtotal-Fund financial statements | | \$ 8,171,892 | <u>\$ 313,042</u> |
| Less: fund eliminations | | (7,302,144) | |
| Total advance to other funds-government wide statements | | <u>\$ 869,748</u> | |

Repayment schedules for advances with an established payment schedule follow:

| | Storm Water Utility | Water Utility | Wastewater Utility |
|------------------------------|------------------------|-------------------|-----------------------|
| 2018 | \$ 97,770 | \$ 125,279 | \$ 112,047 |
| 2019 | 97,769 | 125,234 | 112,007 |
| 2020 | - | 125,436 | 112,187 |
| Sub-total | 195,539 | 375,949 | 336,241 |
| Amount representing interest | (12,450) | (13,477) | (12,054) |
| | <u>\$ 183,089</u> | <u>\$ 362,472</u> | <u>\$ 324,187</u> |

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, 2017

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 | Enterprise - Water | \$ 1,796,575 |
| General Fund | Enterprise - Wastewater | 762,040 |
| General Fund | Special Revenue-Loans | 197,385 |
| General Fund | Special Revenue-HUD Grants | 24,264 |
| Debt Service Fund | Capital Projects-TID | 1,009,475 |
| Capital Projects-City Projects | Special Revenue-Special Assessment | 508,024 |
| Enterprise-Transit | Capital Projects - General Obligation | 32,795 |
| Enterprise-Civic Centre | Capital Projects - General Obligation | 414,061 |
| Enterprise - Water | Enterprise - Wastewater | 52,783 |
| Internal Service-Information Systems | Capital Projects - General Obligation | 239,733 |
| Special Revenue-Loans | Special Revenue-HUD Grants | 10,000 |
| Special Revenue-Restricted | Enterprise - Water | 1,806,424 |
| Special Revenue-Restricted | Special Revenue-HUD Grants | 33,572 |
| Special Revenue-State Grants | General Fund | 76,832 |
| Special Revenue-Cemetery | Special Revenue-Restricted | 46,179 |
| Special Revenue-Library | Capital Projects - General Obligation | 22,687 |
| Subtotal-fund financial statements | | 7,032,829 |
| Less: Fund eliminations | | (2,220,934) |
| Add: Government wide eliminations | | (893,712) |
| | | <u>\$ 3,918,183</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, 2017

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2017 was as follows:

GOVERNMENTAL ACTIVITIES

| | Beginning Balance | Increases | Decreases | Ending Balance | Amounts Due Within One Year |
|--------------------------------|----------------------|---------------------|---------------------|----------------------|-----------------------------------|
| General Obligation | | | | | |
| Bonds and notes payable | \$101,080,000 | \$30,945,000 | \$35,720,000 | \$ 96,305,000 | \$15,255,000 |
| Premiums | <u>4,731,347</u> | <u>2,290,003</u> | <u>837,097</u> | <u>6,184,253</u> | <u>706,570</u> |
| Sub-total | <u>105,811,347</u> | <u>33,235,003</u> | <u>36,557,097</u> | <u>102,489,253</u> | <u>15,961,570</u> |
| Other Liabilities | | | | | |
| Vested compensated absences | 3,012,465 | 623,955 | 812,384 | 2,824,036 | 276,362 |
| Other post employment benefits | 165,993,372 | 20,101,121 | 8,651,882 | 177,442,611 | - |
| Net pension liability | <u>6,698,329</u> | <u>-</u> | <u>3,321,343</u> | <u>3,376,986</u> | <u>-</u> |
| Total Other Liabilities | <u>175,704,166</u> | <u>20,725,076</u> | <u>12,785,609</u> | <u>183,643,633</u> | <u>276,362</u> |
| Total Governmental Activities | | | | | |
| Long-Term Liabilities | <u>\$281,515,513</u> | <u>\$53,960,079</u> | <u>\$49,342,706</u> | <u>\$286,132,886</u> | <u>\$16,237,932</u> |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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 | \$ 78,388,534 | \$ 6,135,000 | \$16,636,658 | \$67,886,876 | \$10,631,581 |
| Premiums | 1,463,542 | 568,799 | 294,195 | 1,738,146 | 219,590 |
| Sub-total | <u>79,852,076</u> | <u>6,703,799</u> | <u>16,930,853</u> | <u>69,625,022</u> | <u>10,851,171</u> |
| Other Liabilities | | | | | |
| Vested compensated absences | 1,165,056 | 149,476 | 149,494 | 1,165,038 | 80,472 |
| Other post employment benefits | 24,958,031 | 2,905,176 | 1,547,616 | 26,315,591 | - |
| Net pension liability | <u>777,309</u> | <u>-</u> | <u>383,448</u> | <u>393,861</u> | <u>-</u> |
| Total Other Liabilities | <u>26,900,396</u> | <u>3,054,652</u> | <u>2,080,558</u> | <u>27,874,490</u> | <u>80,472</u> |
| Total Business Type Activities | | | | | |
| Long-Term Liabilities | <u>\$106,752,472</u> | <u>\$ 9,758,451</u> | <u>\$19,011,411</u> | <u>\$97,499,512</u> | <u>\$10,931,643</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, 2017, was \$164,749,520. Total general obligation debt outstanding at year end was \$96,305,000.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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 Rate | Original Indebtedness | Outstanding 12/31/2017 |
|---|------------------|------------------|------------------|--------------------------|---------------------------|
| General Obligation Bonds | | | | | |
| 2007 | 11/13/2007 | 12/1/2021 | 4.00-5.00% | \$ 7,610,000 | \$ 695,000 |
| 2008 | 12/09/2008 | 12/1/2022 | 3.00-5.00 | 7,680,000 | 650,000 |
| 2012 | 12/27/2012 | 12/27/2026 | 2.00-4.00 | 9,830,000 | 7,370,000 |
| 2012 | 07/10/2012 | 12/10/2018 | 0.65-1.65 | 3,775,000 | 755,000 |
| 2012 | 07/10/2012 | 12/10/2019 | 2.00-4.00 | 7,360,000 | 2,025,000 |
| 2013 | 11/06/2013 | 12/10/2027 | 2.00-4.00 | 26,450,000 | 10,615,000 |
| 2013 | 12/02/2013 | 12/2/2020 | 1.75-5.00 | 4,450,000 | 3,755,000 |
| 2014 | 12/09/2014 | 12/9/2028 | 2.00-4.00 | 15,395,000 | 12,220,000 |
| 2015 | 12/07/2015 | 12/7/2029 | 2.00-3.00 | 11,130,000 | 8,675,000 |
| 2016 | 12/07/2016 | 12/7/2030 | 2.00-4.00 | 11,915,000 | 10,400,000 |
| 2017 | 12/05/2017 | 12/5/2031 | 3.00-5.00 | 19,145,000 | 19,145,000 |
| | | | | | <u>76,305,000</u> |
| Taxable General Obligation Bonds | | | | | |
| 2009 | 12/08/2009 | 12/1/2023 | 1.00-5.30 | 7,760,000 | 4,020,000 |
| 2010 | 11/24/2010 | 12/1/2024 | 0.85-4.70 | 9,850,000 | 4,470,000 |
| 2011 | 10/25/2011 | 10/25/2020 | 0.55-2.55 | 12,925,000 | 6,175,000 |
| | | | | | <u>14,665,000</u> |
| Taxable Incremental General Obligation Debt | | | | | |
| 2014 (Tif #10) | 12/09/2014 | 12/9/2028 | 2.00-4.00 | 2,280,000 | 2,275,000 |
| 2010 (Tif #9) | 07/27/2010 | 12/1/2021 | 2.00-4.00 | 3,895,000 | 1,820,000 |
| 2015 (Tif #11) | 09/08/2015 | 12/1/2025 | 1.00-3.10 | 1,410,000 | 1,240,000 |
| | | | | | <u>5,335,000</u> |
| Total Governmental Activities-General Obligation Debt | | | | | <u>\$ 96,305,000</u> |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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> |
| 2018 | \$ 15,255,000 | \$ 3,472,358 | \$ 18,727,358 |
| 2019 | 13,445,000 | 3,016,090 | 16,461,090 |
| 2020 | 10,865,000 | 2,554,503 | 13,419,503 |
| 2021 | 9,525,000 | 2,200,648 | 11,725,648 |
| 2022 | 8,585,000 | 1,881,158 | 10,466,158 |
| 2023-2027 | 30,180,000 | 4,781,655 | 34,961,655 |
| 2028-2031 | 8,450,000 | 655,850 | 9,105,850 |
| Totals | <u>\$ 96,305,000</u> | <u>\$ 18,562,262</u> | <u>\$ 114,867,262</u> |

Debt Refunding

On December 5, 2017, the City issued \$19,145,000 in general obligation refunding bonds, with an interest rate ranging from 3.0%-5.0%. The bonds were used to:

1. Current refund \$11,800,000 of Note Anticipation Notes dated September 26, 2017 with an interest rate of 2.75%.
2. Advance refund a portion of the 2008 refunding bonds, \$680,000 with an interest rate of 5.0%.
3. Advance refund \$8,080,000 of the 2011 refunding bonds with an interest rate ranging from 3.5%-4.00%.

The cash flow requirements on the refunded debt prior to the advanced refunding was \$12,289,725 from 2017 through 2025. The cash flow requirements on the general obligation refunding bonds are \$11,942,408 from 2017 through 2025.

The cash flow requirements on the refunded debt prior to the current refunding was \$12,124,500 from 2017 through 2018. The cash flow requirements on the general obligation refunding bonds are \$13,999,767 from 2018 through 2030.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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, 2017 consists of the following:

| <u>Type/Series</u> | <u>Date of Issue</u> | <u>Final Maturity Date</u> | <u>Interest Rates</u> | <u>Original Indebted- ness</u> | <u>Balance Outstanding 12/31/2017</u> |
|----------------------------------|--------------------------|------------------------------------|---------------------------|--|---|
| Water Utility | | | | | |
| Safe Drinking Water Loan | 2/10/1999 | 5/1/2018 | 2.64% | 12,594,655 | \$ 799,378 |
| Safe Drinking Water Loan | 12/22/2004 | 5/1/2024 | 2.37 | 16,666,035 | 7,066,849 |
| Mortgage Revenue Bonds | 12/8/2009 | 9/1/2029 | 3.00-4.50 | 2,760,000 | 325,000 |
| Mortgage Revenue Refunding Bonds | 10/25/2011 | 9/1/2021 | 2.00-4.50 | 6,500,000 | 1,280,000 |
| Mortgage Revenue Refunding Bonds | 7/10/2012 | 9/1/2024 | 2.00-4.00 | 14,140,000 | 10,210,000 |
| Safe Drinking Water Loan | 5/27/2015 | 5/1/2035 | 1.65 | 1,708,229 | 1,708,229 |
| Mortgage Revenue Refunding Bonds | 9/8/2015 | 9/1/2026 | 2.00-4.00 | 6,590,000 | 5,995,000 |
| Mortgage Revenue Refunding Bonds | 9/7/2016 | 9/1/2021 | 2.00-3.00 | 3,725,000 | 2,980,000 |
| Mortgage Revenue Bonds | 12/28/2017 | 9/1/2031 | 3.00-5.00 | 6,135,000 | 6,135,000 |
| Total Water Utility | | | | | <u>36,499,456</u> |
| Wastewater Utility | | | | | |
| Clean Water Fund Loans | 5/27/1998 | 5/1/2018 | 2.640 | 854,147 | 54,091 |
| Clean Water Fund Loans | 10/29/1999 | 5/1/2019 | 2.640 | 797,249 | 100,571 |
| Clean Water Fund Loans | 9/27/2000 | 5/1/2020 | 2.970 | 805,113 | 152,738 |
| Clean Water Fund Loans | 4/10/2002 | 5/1/2021 | 2.750 | 4,073,012 | 1,046,514 |
| Clean Water Fund Loans | 12/22/2004 | 5/1/2021 | 2.860 | 17,943,748 | 5,764,130 |
| Clean Water Fund Loans | 11/27/2002 | 5/1/2022 | 2.867 | 60,724,848 | 20,558,139 |
| Clean Water Fund Loans | 1/23/2008 | 5/1/2027 | 2.480 | 3,481,931 | 1,960,540 |
| Clean Water Fund Loans | 3/24/2010 | 5/1/2029 | 2.200 | 2,579,652 | 1,750,697 |
| Total Wastewater Utility | | | | | <u>31,387,420</u> |
| Total Business-Type Revenue Debt | | | | | <u>\$ 67,886,876</u> |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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 |
| 2018 | \$ 10,631,581 | \$ 1,855,842 | \$ 12,487,423 |
| 2019 | 10,011,014 | 1,656,321 | 11,667,335 |
| 2020 | 10,251,698 | 1,383,188 | 11,634,886 |
| 2021 | 10,484,529 | 1,083,533 | 11,568,062 |
| 2022 | 9,675,184 | 771,583 | 10,446,767 |
| 2023-2027 | 13,296,880 | 1,596,309 | 14,893,189 |
| 2028-2032 | 3,215,234 | 243,253 | 3,458,487 |
| 2033-2035 | 320,756 | 7,996 | 328,752 |
| | <u>\$ 67,886,876</u> | <u>\$ 8,598,025</u> | <u>\$ 76,484,901</u> |

The Utilities issue revenue bonds, safe drinking water loans and clean water fund loans that are payable only from revenues derived from the operation of the Water and Wastewater Utilities.

The Water Utility has pledged future customer revenues, net of specified operating expenses, to repay \$70.3 million in water system revenue bonds issued between 1999 and 2017. Proceeds from the bonds provided financing for various extension, replacement, repair and improvement projects throughout the water treatment and distribution system and acquiring equipment, and refunding. 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% of net revenues. The total principal and interest remaining to be paid on the bonds is \$42,606,960. Principal and interest paid for the current year and total customer net revenues were \$12,398,525 and \$11,816,265, respectively.

The Wastewater Utility has pledged future customer revenues, net of specified operating expenses, to repay \$91.2 million in clean water fund loans issued between 1998 and 2010. Proceeds from the bonds provided financing for the construction of certain projects in the wastewater treatment system. The loans are payable solely from wastewater customer net revenues and are payable through 2029. Annual principal and interest payments on the loans are expected to require less than 90% of net revenues. The total principal and interest remaining to be paid on the bonds is \$33,877,940. Principal and interest paid for the current year and total revenues were \$6,480,310 and \$9,126,709, 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, 2017

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

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information

Estimated payments of compensated absences, net pension liability 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.

Advance Refunding of Debt

On December 28, 2017, Waterworks System Mortgage Revenue Refunding Bonds Series 2017, totaling \$6,135,000 were issued with interest rates between 3.00%-5.00%. Proceeds from the bonds were used to partially refund the Waterworks System Mortgage Revenue Bonds, Series 2009 and Waterworks System Mortgage Revenue Bonds, Series 2011. This refunding resulted in an economic gain and a cash flow decrease. The economic gain realized using a 3% effective interest rate in this refunding was \$243,063. The cash flow requirements on the refunded debt prior to the refunding was \$10,513,140. The cash flow requirements on the new refunding bonds are \$10,017,070.

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, 2017, \$17,250,000 of bonds outstanding is considered defeased. The bonds are callable from 2018-2021.

G. LEASE DISCLOSURES

The Wastewater Utility leases a parcel of land from the Racine Commercial Airport Corporation. The lease, which is for 50 years expiring in 2052, is classified as an operating lease. Lease payments are the greater of \$35,000 adjusted annually for inflation or half of the property taxes levied on the Airport's real property. Rent expense for the lease was \$47,711 in 2017.

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

| | | |
|------------|----|------------------|
| 2018 | \$ | 35,000 |
| 2019 | | 35,000 |
| 2020 | | 35,000 |
| 2021 | | 35,000 |
| 2022 | | 35,000 |
| Thereafter | | 1,015,000 |
| | \$ | <u>1,190,000</u> |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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, 2017 includes the following:

Governmental Activities

Net Investment in capital assets

| | |
|--|--------------------|
| Capital assets, net of accumulated depreciation/amortization | \$ 200,194,385 |
| Less: related long-term debt outstanding | (84,223,936) |
| Plus: funds borrowed but not spent | <u>7,203,636</u> |
| Total Net Investment in Capital Assets | <u>123,174,085</u> |

Restricted for

| | |
|---|----------------------|
| Debt service | 939,846 |
| Permanent Funds | |
| Non Expendable | 1,557,439 |
| Expendable | 964,701 |
| Library | 332,899 |
| Loan programs | 6,480,050 |
| Tax incremental districts | 10,641,687 |
| Intergovernmental revenue sharing | 10,547,578 |
| Federal and State grant programs | 663,822 |
| Trusts | 2,597,565 |
| Health and other | 828,695 |
| Special assessment program | <u>3,967,990</u> |
| Total Restricted | <u>39,522,272</u> |
| Unrestricted (deficit) | <u>(132,794,832)</u> |
| Total Governmental Activities Net Positions | <u>\$ 29,901,525</u> |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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 | \$ 264,965,780 |
| Less: related long-term debt outstanding | <u>(64,936,611)</u> |
| Total Net Investment in Capital Assets | <u>200,029,169</u> |

Restricted for

| | |
|--------------------------------|-------------------|
| Debt Service | 7,227,489 |
| Depreciation Fund | 800,000 |
| DNR equipment replacement fund | 3,069,906 |
| Impact Fund | <u>1,075,487</u> |
| Total Restricted | <u>12,172,882</u> |

| | |
|------------------------|---------------------|
| Unrestricted (deficit) | <u>(27,083,013)</u> |
|------------------------|---------------------|

| | |
|---|------------------------------|
| Total Business-Type Activities Net Position | <u><u>\$ 185,119,038</u></u> |
|---|------------------------------|

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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, 2017 include the following:

| | General Fund | Debt Service | Nonmajor Governmental Funds | Total Governmental Funds |
|------------------------------|------------------|-----------------|-----------------------------------|--------------------------------|
| Fund Balances: | | | | |
| Nonspendable | | | | |
| Non current receivables | \$ 4,253,377 | \$ - | \$ - | \$ 4,253,377 |
| Inventories | 163,832 | - | - | 163,832 |
| Prepaid Items | 15,563 | - | - | 15,563 |
| Deposit in CVMIC | 2,962,500 | - | - | 2,962,500 |
| | <u>7,395,272</u> | <u>-</u> | <u>-</u> | <u>7,395,272</u> |
| Restricted for: | | | | |
| Loan program | - | - | 3,923,047 | 3,923,047 |
| Debt service | - | 399,057 | - | 399,057 |
| HUD grant programs | - | - | 199,018 | 199,018 |
| Federal grant programs | - | - | 464,804 | 464,804 |
| Special assessment program | - | - | 1,720,570 | 1,720,570 |
| Public safety | - | - | 495,193 | 495,193 |
| Health services | - | - | 66,944 | 66,944 |
| Cemetery donations | - | - | 132,369 | 132,369 |
| Park and recreation programs | - | - | 134,189 | 134,189 |
| Trusts | - | - | 2,597,565 | 2,597,565 |
| Library services | - | - | 332,899 | 332,899 |
| Tax incremental districts | | | 10,641,687 | 10,641,687 |
| Revenue sharing | | | 10,547,578 | 10,547,578 |
| Endowments | - | - | 2,522,140 | 2,522,140 |
| | <u>-</u> | <u>399,057</u> | <u>33,778,003</u> | <u>34,177,060</u> |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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 | \$ - | \$ - | \$ 162,538 | \$ 162,538 |
| Fire Prevention | - | - | 43,280 | 43,280 |
| Room Tax | - | - | 79,402 | 79,402 |
| Racine Safe Neighborhood | - | - | 8,699 | 8,699 |
| Sister Cities | - | - | 16,760 | 16,760 |
| Comm Center Concessions | - | - | 22,795 | 22,795 |
| Landmark Preservation | - | - | 4,147 | 4,147 |
| Open Space Park Land | - | - | 18,521 | 18,521 |
| Recycling | - | - | 300,437 | 300,437 |
| Municipal Court | - | - | 6,861 | 6,861 |
| Cemetery | - | - | 409,177 | 409,177 |
| City Projects | - | - | 2,174,116 | 2,174,116 |
| Private Property Maintenance | - | - | 598,958 | 598,958 |
| Sanitary Sewer Maintenance | - | - | 356,802 | 356,802 |
| Health Lab | - | - | 172,491 | 172,491 |
| Capital projects | - | - | 9,770,833 | 9,770,833 |
| | <u>-</u> | <u>-</u> | <u>14,145,817</u> | <u>14,145,817</u> |
| Assigned to: | | | | |
| Budget Stabilization | 2,480,000 | - | - | 2,480,000 |
| Wage Provision | 4,243,098 | - | - | 4,243,098 |
| Economic Development | - | - | 145,337 | 145,337 |
| | <u>6,723,098</u> | <u>-</u> | <u>145,337</u> | <u>6,868,435</u> |
| Unassigned (deficit) | <u>20,395,802</u> | <u>-</u> | <u>(1,215)</u> | <u>20,394,587</u> |
| Total Fund Balances | <u>\$ 34,514,172</u> | <u>\$ 399,057</u> | <u>\$ 48,067,942</u> | <u>\$ 82,981,171</u> |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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

I. COMPONENT UNITS

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

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

CITY OF RACINE REDEVELOPMENT AUTHORITY

a. Basis of Accounting/Measurement Focus

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

b. Transactions with the Primary Government

At December 31, 2017, the Redevelopment Authority has advances from the City in the amount of \$2,286,585. There has been no amortization schedule established.

In December of 2017, the Redevelopment Authority acquired almost 15 acres of land and buildings from a developer to be used for redevelopment. The land is located in Tax Incremental District #18 and the transaction resulted in a contribution of \$3,885,260 to the Redevelopment Authority from the District. The land is being held by the Redevelopment Authority for resale in the amount of \$3,885,260. Any proceeds from the sale of these properties will be proceeds to the Tax Incremental District #18.

c. Assets Held for Resale

The Authority obtains land and buildings to redevelop and resale. All assets are recorded at lower of cost or market. 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, 2017 the Authority had assets held for resale of \$6,781,738.

d. Cash and Investments

At December 31, 2017, the carrying value and bank balance of the Redevelopment Authority's deposits are \$434,999. 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, 2017

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

I. COMPONENT UNITS (cont.)

DOWNTOWN RACINE BUSINESS IMPROVEMENT DISTRICT #1 (BID)

a. Basis of Accounting/Measurement Focus

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

b. Transactions with the Primary Government

At December 31, 2017, the BID has a receivable of \$192,698 from the City's tax collection fund for the entire subsequent year's annual assessment.

c. Cash and Investments

At December 31, 2017, the carrying value and bank balance of the BID's deposits are \$29,924 and \$35,370, respectively. Of that balance all was covered by federal depository insurance.

d. Capital Assets

The BID's capital assets are defined as assets with an initial, individual cost of more than \$1,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The cost of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized. Equipment is depreciated using the straight-line method over five to ten years.

At December 31, 2017, the District had capital assets with a cost of \$14,232 and accumulated depreciation of \$12,004. The District's net book value of capital assets was \$2,228. There were no current year additions.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

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 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. ETF is responsible for administration of the WRS and State of Wisconsin Investment Board (SWIB) is responsible for managing WRS investments.

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.

ETF issues a standalone Comprehensive Annual Financial Report (CAFR), which can be found at <http://etf.wi.gov/publications/cafr.htm>

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, 2017

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 |
|------|-------------------------|-----------------------------|
| 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 |
| 2015 | 2.9 | 2.0 |
| 2016 | 0.5 | (5) |

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, 2017

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

During the reporting period, the WRS recognized \$4,348,800 in contributions from the city.

Contribution rates as of December 31, 2017 are:

| Employee Category | Employee | Employer |
|------------------------------------|----------|----------|
| General | 6.8% | 6.8% |
| Executives & Elected Officials | 6.8% | 6.8% |
| Protective with Social Security | 6.8% | 12% |
| Protective without Social Security | 6.8% | 16.3% |

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

At December 31, 2017, the city reported a liability of \$3,770,847 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2015 rolled forward to December 31, 2016. 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 liability was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2017, the city's proportion was .45749449%, which was a decrease of .00255024% from its proportion measured as of December 31, 2016.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

For the year ended December 31, 2017, the city recognized pension expense of \$10,112,340.

At December 31, 2017, the city reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflow of Resources | Deferred Inflow of Resources |
|--|----------------------------------|---------------------------------|
| Differences between expected and actual experience | \$ 1,437,824 | \$ 11,858,987 |
| Changes of actuarial assumptions | 3,942,566 | - |
| Net differences between projected and actual earnings on pension plan investments | 18,770,081 | - |
| Changes in proportion and differences between employer contributions and proportionate share of contributions | 587,524 | - |
| Employer contributions subsequent to the measurement date | 5,219,080 | - |
| Total | <u>\$ 29,957,075</u> | <u>\$ 11,858,987</u> |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

\$5,219,080 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 in the year ended December 31, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

| Year ended December 31: | Deferred Outflow of Resources | Deferred Inflow of Resources |
|----------------------------|----------------------------------|---------------------------------|
| 2018 | \$ 8,997,778 | \$ 3,786,153 |
| 2019 | 8,997,777 | 3,786,153 |
| 2020 | 7,338,859 | 3,786,153 |
| 2021 | (603,553) | 500,528 |
| 2022 | 7,134 | - |
| Thereafter | - | - |

Actuarial assumptions. The total pension liability in the December 31, 2016 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

| | |
|---|--------------------------------|
| Actuarial Valuation Date: | December 31, 2015 |
| Measurement Date of Net Pension Liability | December 31, 2016 |
| 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% - 5.6% |
| Mortality: | Wisconsin 2012 Mortality Table |
| Post-retirement Adjustments* | 2.1%* |

* 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.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions are based upon an experience study conducted in 2015 using experience from 2012 – 2014. The total pension liability for December 31, 2016 is based upon a roll-forward of the liability calculated from the December 31, 2015 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:

| Core Fund Asset Class | Current Asset Allocation % | Destination Target Asset Allocation % | Long-Term Expected Rate of Return % | Long-Term Real Rate of Return |
|----------------------------|----------------------------|---------------------------------------|-------------------------------------|-------------------------------|
| Global Equities | 50% | 45% | 8.3% | 5.4% |
| Fixed Income | 24.5 | 37 | 4.2 | 1.4 |
| Inflation Sensitive Assets | 15.5 | 20 | 4.3 | 1.5 |
| Real Estate | 8 | 7 | 6.5 | 3.6 |
| Private Equity/Debt | 8 | 7 | 9.4 | 6.5 |
| Multi-Asset | 4 | 4 | 6.6 | 3.7 |
| Total Core Fund | 110 | 120 | 7.4 | 4.5 |

| Variable Fund Asset Class | Current Asset Allocation % | Destination Target Asset Allocation % | Long-Term Expected Rate of Return % | Long-Term Real Rate of Return |
|---------------------------|----------------------------|---------------------------------------|-------------------------------------|-------------------------------|
| US Equities | 70% | 70% | 7.6% | 4.7% |
| International Equities | 30 | 30 | 8.5 | 5.6 |
| Total Variable Fund | 100 | 100 | 7.9 | 5.0 |

New England Pension Consultants Long Term US CPI (inflation) Forecast: 2.75%

Asset allocations are managed within established ranges, target percentages may differ from actual monthly allocations.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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 2.10% 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 liability (asset) to changes in the discount rate. The following presents the city's proportionate share of the net pension liability (asset) calculated using the discount rate of 7.20%, as well as what the city's proportionate share of the net pension liability (asset) would be if it were calculated using a discount rate that is 1- percentage-point lower (6.20%) or 1- percentage-point higher (8.20%) 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>\$49,607,909</u> | <u>\$3,770,847</u> | <u>\$(31,525,767)</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, 2017, 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, 2017

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 \$864,664, \$759,042, and \$735,881, for the years ended December 31, 2017, 2016, and 2015 respectively. The following table shows the rate charged per week for each contract year:

| Contract Period | Rate per week |
|------------------------------|---------------|
| July 1, 2017 – June 30, 2018 | \$235 |
| July 1, 2016 – June 30, 2017 | 226 |
| July 1, 2015 – June 30, 2016 | 217 |
| July 1, 2014 – June 30, 2015 | 205 |

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, 2017

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.

| | 2017 | 2016 | 2015 |
|----------------------|------------------|------------------|------------------|
| Valuation Date | January 1, 2017 | January 1, 2016 | January 1, 2015 |
| Funded Percentage | 37.80% | 42.10% | 47.86% |
| Value of Assets | \$15,591,062,869 | \$16,425,541,620 | \$16,781,283,666 |
| Value of Liabilities | \$41,246,553,973 | \$39,046,354,526 | \$35,062,805,288 |

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.

| | 2017 | 2016 | 2015 |
|--------------------|-------------------|-------------------|-------------------|
| FMV of Plan Assets | \$ 15,011,652,100 | \$ 15,267,533,341 | \$ 16,126,208,142 |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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, 2017. The City purchases general and automobile liability insurance from the Cities and Villages Mutual Insurance Company. The City purchases commercial insurance for property and casualty claims. There have been no significant reductions in insurance coverage for any risk of loss in the past year and settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

Self Insurance

For health care claims, the City has purchased commercial insurance for claims in excess of \$250,000 per member incurred in the calendar year. Settled claims have not exceeded the commercial coverage in any of the past three years.

For workers compensation claims, the uninsured risk of loss is \$350,000 per incident for a policy year. The City has purchased commercial insurance for claims in excess of those amounts. Settled claims have not exceeded the commercial coverage in any of the past three years.

All funds of the City participate in the risk management program. Amounts payable to the general fund are based on actuarial estimates of the amounts necessary to pay prior and current year claims.

A liability for a claim is established if information indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss is reasonably estimable. Liabilities include an amount for claims that have been incurred but not reported.

Claims Liability

| | <u>Current</u> | <u>Prior Year</u> |
|--|---------------------|---------------------|
| Unpaid claims – Beginning of Year | \$ 1,429,383 | \$ 974,625 |
| Current year claims and changes in estimates | 14,279,387 | 14,920,334 |
| Claim payments | <u>(14,352,607)</u> | <u>(14,465,576)</u> |
| Unpaid Claims – End of Year | <u>\$ 1,356,163</u> | <u>\$ 1,429,383</u> |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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, 2017 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, 2017. A total liability of \$1,167,840 at December 31, 2017 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 |
|------|----------------------|--------------------|----------------------------|-------------------|
| 2017 | \$ 1,836,936 | 840,604 | 1,509,700 | \$ 1,167,840 |
| 2016 | 2,066,372 | 1,301,187 | 1,530,623 | 1,836,936 |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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 2017, TMI issued a Motor Vehicle Insurance Policy to its members with the following available coverages:

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

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

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

Initial contributions are determined in advance of each membership year. The board of directors may require that supplemental contributions be made by members to ensure adequate funds are available to meet the obligations applicable to the membership year. Members have a contractual obligation to fund any deficit attributable to a membership year during which they were a member. The city's share of this joint venture is 9.03% for auto liability and 18.38% 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, 2017

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.

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 \$7,908,798.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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 2017, the City contributed \$10,199,497 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 2017, total retiree member contributions were \$351,985.

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, 2017

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

| | Governmental Activities | Business Type Activities | Total |
|--|----------------------------|-----------------------------|----------------|
| Annual required contribution | \$ 23,343,640 | \$ 3,392,539 | \$ 26,736,179 |
| Interest on net OPEB obligation | 4,980,023 | 748,519 | 5,728,542 |
| Adjustment to annual required contribution | (8,222,542) | (1,235,883) | (9,458,425) |
| Annual OPEB cost | 20,101,121 | 2,905,175 | 23,006,296 |
| Contributions made | (8,651,882) | (1,547,615) | (10,199,497) |
| Increase in net OPEB obligation | 11,449,239 | 1,357,560 | 12,806,799 |
| Net OPEB obligation beginning of year | 165,993,372 | 24,958,031 | 190,951,403 |
| Net OPEB obligation end of year | \$ 177,442,611 | \$ 26,315,591 | \$ 203,758,202 |

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2017 and the two preceding years is as follows:

| Fiscal Year Ended | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---------------------------------|------------------------|---|---------------------------|
| Governmental Activities | | | |
| 12/31/2015 | \$ 27,956,647 | 35.25% | \$ 149,013,838 |
| 12/31/2016 | 28,401,247 | 40.22% | 165,993,372 |
| 12/31/2017 | 20,101,121 | 43.04% | 177,442,611 |
| Business Type Activities | | | |
| 12/31/2015 | \$ 4,223,056 | 31.14% | \$ 22,258,717 |
| 12/31/2016 | 4,303,777 | 37.28% | 24,958,031 |
| 12/31/2017 | 2,905,175 | 53.27% | 26,315,591 |

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

The funded status of the plan as of December 31, 2017, the most recent actuarial valuation date was as follows:

| | Governmental Activities | Business Type Activities | Total |
|---|----------------------------|-----------------------------|----------------|
| Actuarial accrued liability (AAL) | \$ 335,678,938 | \$ 50,521,429 | \$ 386,200,367 |
| Actuarial value of plan assets | - | - | - |
| Unfunded Actuarial Accrued Liability (UAAL) | \$ 335,678,938 | \$ 50,521,429 | \$ 386,200,367 |
| Funded Ratio | - | - | - |
| Covered Payroll | \$ 40,064,638 | \$ 7,634,532 | \$ 47,699,170 |
| UAAL as percentage of covered payroll | 837.84% | 661.75% | 809.66% |

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, 2017 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3% investment rate of return and an annual healthcare cost trend rate of 5.9% initially, reduced by decrements to an ultimate rate of 4.00% after 2084. Retiree Health Plan's unfunded actuarial accrued liability is being amortized over 30 years from establishment.

F. ECONOMIC DEPENDENCY

One major customer accounted for 15.8% of Water Utility gross sales aggregating \$3,308,508 and 16.6% of gross sales aggregating \$3,533,888 in 2017 and 2016, respectively.

Two major customers accounted for 26.7% and 17.2% of Wastewater Utility gross sales aggregating \$5,868,935 in 2017. Total accounts receivable from these customers totaled \$1,106,072 at December 31, 2017.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

NOTE V – OTHER INFORMATION (cont.)

G. INTERMUNICIPAL SANITARY SEWER SERVICE 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, 2017 and 2016.

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 \$762,040 and \$673,033 for 2017 and 2016, 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, 2017

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, 2017 was \$1,075,487.

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, 2017, the Wastewater Utility had excess collections of \$2,404,436 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 \$1,334,406.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2017

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. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > Statement No. 83, *Certain Asset Retirement Obligations*
- > Statement No. 84, *Fiduciary Activities*
- > Statement No. 85, *Omnibus 2017*
- > Statement No. 86, *Certain Debt Extinguishment Issues*
- > Statement No. 87, *Leases*
- > Statement No. 88, *Certain Disclosures Related to Debt, Including Direct Borrowings and Direct Placements*

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, 2017

| | 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 | | | | | | | |
| | 12/31/2013 | \$ - | \$ 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% |
| | 12/31/2017 | - | 335,678,938 | 335,678,938 | - | 40,064,638 | 837.84% |
| BUSINESS TYPE ACTIVITIES | | | | | | | |
| | 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% |
| | 12/31/2017 | - | 50,521,429 | 50,521,429 | - | 7,634,532 | 661.75% |

CITY OF RACINE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET) WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2017

| WRS Fiscal Year Ending | Proportion of the Net Pension (Asset) Liability | Proportionate Share of the Net Pension (Asset) Liability | Covered Payroll | Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll | Plan Fiduciary Net Position as a Percentage of Total Pension Liability |
|------------------------------|---|--|--------------------|--|--|
| 12/31/14 | 0.47355171% | \$ (11,628,527) | \$ 49,050,285 | 23.71% | 102.74% |
| 12/31/15 | 0.46004473% | \$ 7,475,638 | \$ 48,506,039 | 15.41% | 98.20% |
| 12/31/16 | 0.45749449% | \$ 3,770,847 | \$ 49,260,898 | 7.65% | 99.12% |

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM For the Year Ended December 31, 2017

| City Fiscal Year Ending | Contractually Required Contributions | Contributions in Relation to the Contractually Required Contributions | Contribution Deficiency (Excess) | Covered Payroll | Contributions as a Percentage of Covered Payroll |
|-------------------------------|--|---|--|--------------------|---|
| 12/31/15 | \$ 4,704,517 | \$ 4,704,517 | \$ - | \$ 48,506,039 | 9.70% |
| 12/31/16 | \$ 4,588,001 | \$ 4,588,001 | \$ - | \$ 49,260,898 | 9.31% |
| 12/31/17 | \$ 5,219,080 | \$ 5,219,080 | \$ - | \$ 48,329,498 | 10.80% |

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, 2017

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, 2017

| | Special Revenue Funds | | | | |
|--|-----------------------|-------------------|------------------------|-------------------|---------------------|
| | HUD Grants | State Grants | Other Agency Grants | Federal Grants | Loans |
| ASSETS | | | | | |
| Cash and investments | \$ 193,070 | \$ 25,424 | \$ 28,818 | \$ 469,674 | \$ 4,048,541 |
| Receivables | | | | | |
| Property taxes | - | - | - | - | - |
| Special assessment - tax roll | - | - | - | - | - |
| Special assessment | - | - | - | - | - |
| Accrued interest | - | - | - | - | 352,788 |
| Accounts | - | - | 4,500 | 541 | - |
| Loans and notes (net) | 21,218 | - | - | 289,894 | 2,148,771 |
| Due from other funds | - | - | - | - | - |
| Due from other governments | 306,874 | 438,209 | - | 239,125 | - |
| Assets held for resale | - | - | - | - | - |
| Advances to component unit | - | - | - | - | - |
| Advances to other funds | - | - | - | - | - |
| TOTAL ASSETS | \$ 521,162 | \$ 463,633 | \$ 33,318 | \$ 999,234 | \$ 6,550,100 |
| LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 206,698 | \$ 165,941 | \$ 10,288 | \$ 117,221 | \$ 15,214 |
| Accrued liabilities | 8,804 | 18,302 | - | 649 | 46,144 |
| Due to other funds | 84,267 | 249,344 | - | 126,666 | 2,812 |
| Due to other governments | 1,157 | - | - | - | 31,522 |
| Advances from other funds | - | - | - | - | - |
| Total Liabilities | <u>300,926</u> | <u>433,587</u> | <u>10,288</u> | <u>244,536</u> | <u>95,692</u> |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenues | 21,218 | - | - | 289,894 | 2,148,771 |
| Unearned revenues | - | 31,261 | 23,030 | - | 382,590 |
| Unearned property tax revenue | - | - | - | - | - |
| Total Deferred Inflows of Resources | <u>21,218</u> | <u>31,261</u> | <u>23,030</u> | <u>289,894</u> | <u>2,531,361</u> |
| Fund Balances (Deficits) | | | | | |
| Restricted | 199,018 | - | - | 464,804 | 3,923,047 |
| Committed | - | - | - | - | - |
| Assigned | - | - | - | - | - |
| Unassigned (deficit) | - | (1,215) | - | - | - |
| Total Fund Balances (Deficits) | <u>199,018</u> | <u>(1,215)</u> | <u>-</u> | <u>464,804</u> | <u>3,923,047</u> |
| TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES (DEFICITS) | \$ 521,162 | \$ 463,633 | \$ 33,318 | \$ 999,234 | \$ 6,550,100 |

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2017

| Special Revenue Funds | | | | | | | |
|-----------------------|---------------------|---------------------|---------------------|---------------------|-------------------|-------------------|------------------------------|
| Special Assessments | Restricted | Trusts | Library | Recycling | Municipal Court | Cemetery | Private Property Maintenance |
| \$ 1,810,931 | \$ 1,255,758 | \$ 2,601,488 | \$ 427,501 | \$ 325,719 | \$ 16,493 | \$ 473,942 | \$ 276,863 |
| - | 18,036 | - | 2,239,208 | 1,111,613 | 92,468 | 230,000 | - |
| 605,490 | - | - | - | - | - | - | - |
| 2,247,420 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 45,929 | - | - | - | - | - | 335,697 |
| - | - | - | - | - | - | - | - |
| - | 1,806,424 | - | 89 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 140,000 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ 4,663,841</u> | <u>\$ 3,266,147</u> | <u>\$ 2,601,488</u> | <u>\$ 2,666,798</u> | <u>\$ 1,437,332</u> | <u>\$ 108,961</u> | <u>\$ 703,942</u> | <u>\$ 612,560</u> |
| | | | | | | | |
| \$ 422 | \$ 90,803 | \$ 540 | \$ 8,522 | \$ 13,963 | \$ 158 | \$ 59,455 | \$ 3,133 |
| 89,939 | 20,710 | - | 86,120 | 11,319 | 9,474 | 5,310 | 1,702 |
| - | 1,806,424 | 3,383 | - | - | - | - | - |
| - | - | - | 49 | - | - | - | 8,767 |
| - | - | - | - | - | - | - | - |
| <u>90,361</u> | <u>1,917,937</u> | <u>3,923</u> | <u>94,691</u> | <u>25,282</u> | <u>9,632</u> | <u>64,765</u> | <u>13,602</u> |
| | | | | | | | |
| 2,247,420 | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 605,490 | 18,036 | - | 2,239,208 | 1,111,613 | 92,468 | 230,000 | - |
| <u>2,852,910</u> | <u>18,036</u> | <u>-</u> | <u>2,239,208</u> | <u>1,111,613</u> | <u>92,468</u> | <u>230,000</u> | <u>-</u> |
| | | | | | | | |
| 1,720,570 | 828,695 | 2,597,565 | 332,899 | - | - | - | - |
| - | 356,142 | - | - | 300,437 | 6,861 | 409,177 | 598,958 |
| - | 145,337 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>1,720,570</u> | <u>1,330,174</u> | <u>2,597,565</u> | <u>332,899</u> | <u>300,437</u> | <u>6,861</u> | <u>409,177</u> | <u>598,958</u> |
| | | | | | | | |
| <u>\$ 4,663,841</u> | <u>\$ 3,266,147</u> | <u>\$ 2,601,488</u> | <u>\$ 2,666,798</u> | <u>\$ 1,437,332</u> | <u>\$ 108,961</u> | <u>\$ 703,942</u> | <u>\$ 612,560</u> |

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2017

| | Special Revenue Funds | | Capital Projects Funds | | |
|--------------------------------------|-----------------------|-------------------|------------------------|---------------------|-------------------|
| | Sanitary | | Tax | | |
| | Sewer | Health | Incremental | City | Capital |
| | Maintenance | Lab | Districts | Projects | Grants |
| ASSETS | | | | | |
| Cash and investments | \$ 463,252 | \$ 212,602 | \$ 15,829,160 | \$ 37,732 | \$ - |
| Receivables | | | | | |
| Property taxes | 1,853,644 | 270,900 | 2,897,461 | - | - |
| Special assessment - tax roll | - | - | - | - | - |
| Special assessment | - | - | - | - | - |
| Accrued interest | - | - | - | - | - |
| Accounts | - | 975 | - | - | - |
| Loans and notes | - | - | 17,120 | - | - |
| Due from other funds | - | - | - | 2,408,741 | - |
| Due from other governments | - | - | - | 1,122,566 | 113,974 |
| Assets held for resale | - | - | 385,000 | - | - |
| Advances to component unit | - | - | 1,805,753 | 120,000 | - |
| Advances to other funds | - | - | - | 183,090 | - |
| TOTAL ASSETS | \$ 2,316,896 | \$ 484,477 | \$ 20,934,494 | \$ 3,872,129 | \$ 113,974 |
| LIABILITIES AND FUND BALANCES | | | | | |
| Liabilities | | | | | |
| Accounts payable | \$ 102,360 | \$ 33,588 | \$ 64,019 | \$ 190,190 | \$ 6,719 |
| Accrued liabilities | 4,090 | 7,498 | 10,664 | 2,717 | - |
| Due to other funds | - | - | 1,399 | 577,840 | 107,255 |
| Due to other governments | - | - | - | - | - |
| Advances from other funds | - | - | 7,302,144 | - | - |
| Total Liabilities | <u>106,450</u> | <u>41,086</u> | <u>7,378,226</u> | <u>770,747</u> | <u>113,974</u> |
| Deferred Inflows of Resources | | | | | |
| Unavailable revenues | - | - | 17,120 | 927,266 | - |
| Unearned revenues | - | - | - | - | - |
| Unearned property tax revenue | 1,853,644 | 270,900 | 2,897,461 | - | - |
| Total Deferred Inflows of Resources | <u>1,853,644</u> | <u>270,900</u> | <u>2,914,581</u> | <u>927,266</u> | <u>-</u> |
| Fund Balances (Deficits) | | | | | |
| Restricted | - | - | 10,641,687 | - | - |
| Committed | 356,802 | 172,491 | - | 2,174,116 | - |
| Assigned | - | - | - | - | - |
| Unassigned (deficit) | - | - | - | - | - |
| Total Fund Balances (Deficits) | <u>356,802</u> | <u>172,491</u> | <u>10,641,687</u> | <u>2,174,116</u> | <u>-</u> |
| TOTAL LIABILITIES, DEFERRED | | | | | |
| INFLOW OF RESOURCES, | | | | | |
| AND FUND BALANCES | \$ 2,316,896 | \$ 484,477 | \$ 20,934,494 | \$ 3,872,129 | \$ 113,974 |

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2017

| Capital Projects Funds | | | Permanent Fund | Total |
|------------------------|---------------------|----------------------|---------------------|----------------------|
| General | Equipment | Intergovernmental | Endowment | Nonmajor |
| Obligation | Replacement | Revenue | Fund | Governmental |
| Bond Projects | | Sharing | | Funds |
| \$ 8,739,305 | \$ 2,701,278 | \$ 3,297,905 | \$ 2,526,280 | \$ 45,761,736 |
| - | - | - | - | 8,713,330 |
| - | - | - | - | 605,490 |
| - | - | - | - | 2,247,420 |
| - | - | - | - | 352,788 |
| - | - | - | - | 387,642 |
| - | - | 80,000 | - | 2,557,003 |
| - | - | - | - | 4,215,254 |
| - | - | - | - | 2,220,748 |
| - | - | - | - | 385,000 |
| - | - | 220,832 | - | 2,286,585 |
| - | - | 7,302,144 | - | 7,485,234 |
| <u>\$ 8,739,305</u> | <u>\$ 2,701,278</u> | <u>\$ 10,900,881</u> | <u>\$ 2,526,280</u> | <u>\$ 77,218,230</u> |
| | | | | |
| \$ 1,639,462 | \$ 21,081 | \$ 273,303 | \$ - | \$ 3,023,080 |
| 9,207 | - | - | - | 332,649 |
| - | - | - | 4,140 | 2,963,530 |
| - | - | - | - | 41,495 |
| - | - | - | - | 7,302,144 |
| <u>1,648,669</u> | <u>21,081</u> | <u>273,303</u> | <u>4,140</u> | <u>13,662,898</u> |
| | | | | |
| - | - | 80,000 | - | 5,731,689 |
| - | - | - | - | 436,881 |
| - | - | - | - | 9,318,820 |
| - | - | 80,000 | - | 15,487,390 |
| | | | | |
| - | - | 10,547,578 | 2,522,140 | 33,778,003 |
| 7,090,636 | 2,680,197 | - | - | 14,145,817 |
| - | - | - | - | 145,337 |
| - | - | - | - | (1,215) |
| <u>7,090,636</u> | <u>2,680,197</u> | <u>10,547,578</u> | <u>2,522,140</u> | <u>48,067,942</u> |
| | | | | |
| <u>\$ 8,739,305</u> | <u>\$ 2,701,278</u> | <u>\$ 10,900,881</u> | <u>\$ 2,526,280</u> | <u>\$ 77,218,230</u> |

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2017

| | Special Revenue Funds | | | | |
|--|-----------------------|-------------------|------------------------|-------------------|---------------------|
| | HUD Grants | State Grants | Other Agency Grants | Federal Grants | Loans |
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Special charges and assessments | - | - | - | - | - |
| Intergovernmental | 1,902,047 | 831,475 | 4,400 | 360,751 | - |
| Fines and Forfeitures | - | - | - | - | - |
| Charges for services | - | 60 | 54,940 | 26,297 | 875,182 |
| Miscellaneous | 205,485 | 2,400 | 732 | 120,076 | 57,644 |
| Total Revenues | <u>2,107,532</u> | <u>833,935</u> | <u>60,072</u> | <u>507,124</u> | <u>932,826</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | - | - | - | - | - |
| Health | - | 550,164 | 25,318 | 69,496 | - |
| Public safety | - | 281,947 | - | 18,066 | - |
| Public works | - | 3,050 | - | - | - |
| Education and recreation | - | 19,916 | - | - | - |
| Community development | 1,126,238 | - | - | 502,396 | 117,629 |
| Debt Service - interest and fiscal charges | - | - | - | - | - |
| Capital Outlay | 710,661 | 59,880 | 34,754 | 8,235 | - |
| Total Expenditures | <u>1,836,899</u> | <u>914,957</u> | <u>60,072</u> | <u>598,193</u> | <u>117,629</u> |
| Excess (deficiency) of revenues over expenditures | <u>270,633</u> | <u>(81,022)</u> | <u>-</u> | <u>(91,069)</u> | <u>815,197</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-term debt issued | - | - | - | - | - |
| Premium on long-term debt | - | - | - | - | - |
| Transfers in | - | 76,832 | - | - | 10,000 |
| Transfers out | (67,836) | - | - | - | (197,385) |
| Total Other Financing Sources (Uses) | <u>(67,836)</u> | <u>76,832</u> | <u>-</u> | <u>-</u> | <u>(187,385)</u> |
| Net Change in Fund Balances | 202,797 | (4,190) | - | (91,069) | 627,812 |
| FUND BALANCES - Beginning of Year | <u>(3,779)</u> | <u>2,975</u> | <u>-</u> | <u>555,873</u> | <u>3,295,235</u> |
| FUND BALANCES (DEFICITS) - END OF YEAR | <u>\$ 199,018</u> | <u>\$ (1,215)</u> | <u>\$ -</u> | <u>\$ 464,804</u> | <u>\$ 3,923,047</u> |

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2017

| Special Revenue Funds | | | | | | | |
|-----------------------|--------------------|------------------|------------------|------------------|-----------------|-----------------|------------------------------|
| Special Assessments | Restricted | Trusts | Library | Recycling | Municipal Court | Cemetery | Private Property Maintenance |
| \$ - | \$ 329,207 | \$ - | \$ 1,910,912 | \$ 331,515 | \$ 86,605 | \$ 202,744 | \$ 136 |
| 1,006,013 | - | - | - | - | - | - | - |
| - | 116,163 | - | 1,419,566 | 314,574 | - | - | - |
| - | 225,518 | - | - | - | 177,272 | - | - |
| - | 120,335 | - | 62,217 | 782,482 | - | 355,578 | 647,847 |
| 174,513 | 286,427 | 522,645 | 21,550 | 371,486 | 841 | 5,505 | 2,385 |
| <u>1,180,526</u> | <u>1,077,650</u> | <u>522,645</u> | <u>3,414,245</u> | <u>1,800,057</u> | <u>264,718</u> | <u>563,827</u> | <u>650,368</u> |
| - | 296,716 | - | - | - | - | - | - |
| - | 13,297 | - | - | - | - | - | - |
| - | 1,961,677 | - | - | - | 311,273 | - | - |
| 177 | 11,879 | - | - | 1,650,054 | - | - | 444,606 |
| - | 187,766 | 103,334 | 3,483,389 | - | - | 573,499 | - |
| - | 450,000 | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 161,680 | - | 71,900 | - | - | 46,179 | - |
| <u>177</u> | <u>3,083,015</u> | <u>103,334</u> | <u>3,555,289</u> | <u>1,650,054</u> | <u>311,273</u> | <u>619,678</u> | <u>444,606</u> |
| <u>1,180,349</u> | <u>(2,005,365)</u> | <u>419,311</u> | <u>(141,044)</u> | <u>150,003</u> | <u>(46,555)</u> | <u>(55,851)</u> | <u>205,762</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | 1,839,996 | - | 22,687 | - | - | 46,179 | - |
| (508,024) | (46,179) | - | - | - | - | - | - |
| <u>(508,024)</u> | <u>1,793,817</u> | <u>-</u> | <u>22,687</u> | <u>-</u> | <u>-</u> | <u>46,179</u> | <u>-</u> |
| 672,325 | (211,548) | 419,311 | (118,357) | 150,003 | (46,555) | (9,672) | 205,762 |
| <u>1,048,245</u> | <u>1,541,722</u> | <u>2,178,254</u> | <u>451,256</u> | <u>150,434</u> | <u>53,416</u> | <u>418,849</u> | <u>393,196</u> |
| \$ 1,720,570 | \$ 1,330,174 | \$ 2,597,565 | \$ 332,899 | \$ 300,437 | \$ 6,861 | \$ 409,177 | \$ 598,958 |

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2017

| | Special Revenue Funds | | Capital Projects Funds | | |
|--|-----------------------|-------------------|------------------------|---------------------|----------------|
| | Sanitary | | Tax | | |
| | Sewer | Health | Incremental | City | Capital |
| | Maintenance | Lab | Districts | Projects | Grants |
| REVENUES | | | | | |
| Taxes | \$ - | \$ 249,687 | \$ 2,814,430 | \$ - | \$ - |
| Special charges and assessments | - | - | - | - | - |
| Intergovernmental | - | - | 276,735 | 390,000 | 113,974 |
| Fines and Forfeitures | - | - | - | - | - |
| Charges for services | 1,853,959 | 18,004 | - | 2,314,486 | - |
| Miscellaneous | 14,023 | 2,976 | 179,396 | 13,848 | - |
| Total Revenues | <u>1,867,982</u> | <u>270,667</u> | <u>3,270,561</u> | <u>2,718,334</u> | <u>113,974</u> |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | - | - | - | - | - |
| Health | - | 286,982 | - | - | - |
| Public safety | - | - | - | - | - |
| Public works | 551,177 | - | - | 592,773 | - |
| Education and recreation | - | - | - | - | - |
| Community development | - | - | 5,103,953 | - | - |
| Debt Service - interest and fiscal charges | - | - | 76,984 | 362,880 | - |
| Capital Outlay | 1,249,037 | - | - | 2,098,653 | 113,974 |
| Total Expenditures | <u>1,800,214</u> | <u>286,982</u> | <u>5,180,937</u> | <u>3,054,306</u> | <u>113,974</u> |
| Excess (deficiency) of revenues over expenditures | <u>67,768</u> | <u>(16,315)</u> | <u>(1,910,376)</u> | <u>(335,972)</u> | <u>-</u> |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-term debt issued | - | - | - | - | - |
| Premium on long-term debt | - | - | - | - | - |
| Transfers in | - | - | - | 508,024 | - |
| Transfers out | - | - | (1,009,475) | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>-</u> | <u>(1,009,475)</u> | <u>508,024</u> | <u>-</u> |
| Net Change in Fund Balances | <u>67,768</u> | <u>(16,315)</u> | <u>(2,919,851)</u> | <u>172,052</u> | <u>-</u> |
| FUND BALANCES - Beginning of Year | <u>289,034</u> | <u>188,806</u> | <u>13,561,538</u> | <u>2,002,064</u> | <u>-</u> |
| FUND BALANCES (DEFICITS) - END OF YEAR | <u>\$ 356,802</u> | <u>\$ 172,491</u> | <u>\$ 10,641,687</u> | <u>\$ 2,174,116</u> | <u>\$ -</u> |

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2017

| | Capital Projects Funds | | | Permanent Fund | Total Nonmajor Governmental Funds |
|---|----------------------------------|-----------------------|-----------------------------------|----------------|-----------------------------------|
| | General Obligation Bond Projects | Equipment Replacement | Intergovernmental Revenue Sharing | Endowment Fund | |
| REVENUES | | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - | \$ 5,925,236 |
| Special charges and assessments | - | - | - | - | 1,006,013 |
| Intergovernmental | - | - | 1,692,360 | - | 7,422,045 |
| Fines and Forfeitures | - | - | - | - | 402,790 |
| Charges for services | - | - | 4,800 | - | 7,116,187 |
| Miscellaneous | 89,753 | 217,498 | 159,594 | 276,290 | 2,725,067 |
| Total Revenues | 89,753 | 217,498 | 1,856,754 | 276,290 | 24,597,338 |
| EXPENDITURES | | | | | |
| Current | | | | | |
| General Government | - | - | - | - | 296,716 |
| Health | - | - | - | - | 945,257 |
| Public safety | - | - | - | - | 2,572,963 |
| Public works | 307,917 | 18,770 | - | - | 3,580,403 |
| Education and recreation | 52,699 | - | - | 42,000 | 4,462,603 |
| Community development | - | - | 2,002,349 | - | 9,302,565 |
| Debt Service - interest and fiscal charges | 42,434 | 9,293 | - | - | 491,591 |
| Capital outlay | 8,683,041 | 2,740,156 | 170,865 | 18,846 | 16,167,861 |
| Total Expenditures | 9,086,091 | 2,768,219 | 2,173,214 | 60,846 | 37,819,959 |
| Excess (deficiency) of revenues over expenditures | (8,996,338) | (2,550,721) | (316,460) | 215,444 | (13,222,621) |
| OTHER FINANCING SOURCES (USES) | | | | | |
| Long-term debt issued | 9,680,000 | 2,120,000 | - | - | 11,800,000 |
| Premium on long-term debt | 43,947 | 9,625 | - | - | 53,572 |
| Transfers in | - | - | - | - | 2,503,718 |
| Transfers out | (709,276) | - | - | - | (2,538,175) |
| Total Other Financing Sources (Uses) | 9,014,671 | 2,129,625 | - | - | 11,819,115 |
| Net Change in Fund Balances | 18,333 | (421,096) | (316,460) | 215,444 | (1,403,506) |
| FUND BALANCES - Beginning of Year | 7,072,303 | 3,101,293 | 10,864,038 | 2,306,696 | 49,471,448 |
| FUND BALANCES (DEFICITS) - END OF YEAR | \$ 7,090,636 | \$ 2,680,197 | \$ 10,547,578 | \$ 2,522,140 | \$ 48,067,942 |

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF RACINE
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2017

| | Library | | | |
|--|--------------------|--------------------|-------------------|-------------------------------|
| | Original Budget | Final Budget | Actual | Variance with Final Budget |
| REVENUES | | | | |
| Taxes | \$ 1,910,909 | \$ 1,910,909 | \$ 1,910,912 | \$ 3 |
| Intergovernmental | 1,419,566 | 1,419,566 | 1,419,566 | - |
| Fines and Forfeitures | - | - | - | - |
| Charges for services | 83,350 | 83,350 | 62,217 | (21,133) |
| Miscellaneous | 3,300 | 3,300 | 21,550 | 18,250 |
| Total Revenues | <u>3,417,125</u> | <u>3,417,125</u> | <u>3,414,245</u> | <u>(2,880)</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | - | - | - | - |
| Health | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Education and recreation | 3,476,367 | 3,476,367 | 3,483,389 | (7,022) |
| Community development | - | - | - | - |
| Capital Outlay | 39,125 | 156,518 | 71,900 | 84,618 |
| Total Expenditures | <u>3,515,492</u> | <u>3,632,885</u> | <u>3,555,289</u> | <u>77,596</u> |
| Excess (deficiency) of revenues over expenditures | <u>(98,367)</u> | <u>(215,760)</u> | <u>(141,044)</u> | <u>74,716</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | - | 117,393 | 22,687 | (94,706) |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>-</u> | <u>117,393</u> | <u>22,687</u> | <u>(94,706)</u> |
| Net Change in Fund Balances | <u>\$ (98,367)</u> | <u>\$ (98,367)</u> | <u>(118,357)</u> | <u>\$ (19,990)</u> |
| FUND BALANCES - Beginning of Year | | | <u>451,256</u> | |
| FUND BALANCES - END OF YEAR | | | <u>\$ 332,899</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, 2017

| Recycling | | | | Municipal Court | | | |
|--------------------|--------------------|-------------------|-------------------------------|--------------------|-------------------|-----------------|-------------------------------|
| Original Budget | Final Budget | Actual | Variance with Final Budget | Original Budget | Final Budget | Actual | Variance with Final Budget |
| \$ 331,515 | \$ 331,515 | \$ 331,515 | \$ - | \$ 86,605 | \$ 86,605 | \$ 86,605 | \$ - |
| 315,000 | 315,000 | 314,574 | (426) | - | - | - | - |
| - | - | - | - | 231,783 | 231,783 | 177,272 | (54,511) |
| 780,000 | 780,000 | 782,482 | 2,482 | - | - | - | - |
| 25,000 | 25,000 | 371,486 | 346,486 | - | - | 841 | 841 |
| <u>1,451,515</u> | <u>1,451,515</u> | <u>1,800,057</u> | <u>348,542</u> | <u>318,388</u> | <u>318,388</u> | <u>264,718</u> | <u>(53,670)</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 318,388 | 320,826 | 311,273 | 9,553 |
| 1,527,515 | 1,527,515 | 1,650,054 | (122,539) | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>1,527,515</u> | <u>1,527,515</u> | <u>1,650,054</u> | <u>(122,539)</u> | <u>318,388</u> | <u>320,826</u> | <u>311,273</u> | <u>9,553</u> |
| (76,000) | (76,000) | 150,003 | 226,003 | - | (2,438) | (46,555) | (44,117) |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ (76,000)</u> | <u>\$ (76,000)</u> | 150,003 | <u>\$ 226,003</u> | <u>\$ -</u> | <u>\$ (2,438)</u> | (46,555) | <u>\$ (44,117)</u> |
| | | <u>150,434</u> | | | | <u>53,416</u> | |
| | | <u>\$ 300,437</u> | | | | <u>\$ 6,861</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, 2017

| | Cemetery | | | |
|--|---------------------|---------------------|-------------------|-------------------------------|
| | Original Budget | Final Budget | Actual | Variance with Final Budget |
| REVENUES | | | | |
| Taxes | \$ 202,744 | \$ 202,744 | \$ 202,744 | \$ - |
| Intergovernmental | - | - | - | - |
| Fines and Forfeitures | - | - | - | - |
| Charges for services | 308,520 | 308,520 | 355,578 | 47,058 |
| Miscellaneous | - | - | 5,505 | 5,505 |
| Total Revenues | <u>511,264</u> | <u>511,264</u> | <u>563,827</u> | <u>52,563</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | - | - | - | - |
| Health | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Education and recreation | 611,264 | 623,303 | 573,499 | 49,804 |
| Community development | - | - | - | - |
| Capital outlay | <u>45,000</u> | <u>45,000</u> | <u>46,179</u> | <u>(1,179)</u> |
| Total Expenditures | <u>656,264</u> | <u>668,303</u> | <u>619,678</u> | <u>48,625</u> |
| Excess (deficiency) of revenues over expenditures | <u>(145,000)</u> | <u>(157,039)</u> | <u>(55,851)</u> | <u>101,188</u> |
| OTHER FINANCING SOURCES (USES) | | | | |
| Transfers in | 45,000 | 45,000 | 46,179 | 1,179 |
| Transfers out | - | - | - | - |
| Total Other Financing Sources (Uses) | <u>45,000</u> | <u>45,000</u> | <u>46,179</u> | <u>1,179</u> |
| Net Change in Fund Balances | <u>\$ (100,000)</u> | <u>\$ (112,039)</u> | <u>(9,672)</u> | <u>\$ 102,367</u> |
| FUND BALANCES - Beginning of Year | | | <u>418,849</u> | |
| FUND BALANCES - END OF YEAR | | | <u>\$ 409,177</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, 2017

| Private Property Maintenance | | | | Sanitary Sewer Maintenance | | | |
|------------------------------|-----------------|-------------------|-------------------------------|----------------------------|---------------------|-------------------|-------------------------------|
| Original Budget | Final Budget | Actual | Variance with Final Budget | Original Budget | Final Budget | Actual | Variance with Final Budget |
| \$ - | \$ - | \$ 136 | \$ 136 | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 317,030 | 317,030 | 647,847 | 330,817 | 1,850,000 | 1,850,000 | 1,853,959 | 3,959 |
| - | - | 2,385 | 2,385 | 11,187 | 11,187 | 14,023 | 2,836 |
| <u>317,030</u> | <u>317,030</u> | <u>650,368</u> | <u>333,338</u> | <u>1,861,187</u> | <u>1,861,187</u> | <u>1,867,982</u> | <u>6,795</u> |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| 317,030 | 317,030 | 444,606 | (127,576) | 571,187 | 571,187 | 551,177 | 20,010 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 1,290,000 | 1,493,206 | 1,249,037 | 244,169 |
| <u>317,030</u> | <u>317,030</u> | <u>444,606</u> | <u>(127,576)</u> | <u>1,861,187</u> | <u>2,064,393</u> | <u>1,800,214</u> | <u>264,179</u> |
| - | - | 205,762 | 205,762 | - | (203,206) | 67,768 | 270,974 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| <u>\$ -</u> | <u>\$ -</u> | <u>205,762</u> | <u>\$ 205,762</u> | <u>\$ -</u> | <u>\$ (203,206)</u> | <u>67,768</u> | <u>\$ 270,974</u> |
| | | <u>393,196</u> | | | | <u>289,034</u> | |
| | | <u>\$ 598,958</u> | | | | <u>\$ 356,802</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, 2017

| | Health Lab | | | |
|--|--------------------|--------------------|-------------------|-------------------------------|
| | Original Budget | Final Budget | Actual | Variance with Final Budget |
| REVENUES | | | | |
| Taxes | \$ 249,687 | \$ 249,687 | \$ 249,687 | \$ - |
| Intergovernmental | - | - | - | - |
| Fines and Forfeitures | - | - | - | - |
| Charges for services | 11,000 | 11,000 | 18,004 | 7,004 |
| Miscellaneous | - | - | 2,976 | 2,976 |
| Total Revenues | <u>260,687</u> | <u>260,687</u> | <u>270,667</u> | <u>9,980</u> |
| EXPENDITURES | | | | |
| Current | | | | |
| General Government | - | - | - | - |
| Health | 279,954 | 314,954 | 286,982 | 27,972 |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Education and recreation | - | - | - | - |
| Community development | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total Expenditures | <u>279,954</u> | <u>314,954</u> | <u>286,982</u> | <u>27,972</u> |
| Excess (deficiency) of revenues over expenditures | <u>(19,267)</u> | <u>(54,267)</u> | <u>(16,315)</u> | <u>37,952</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>\$ (19,267)</u> | <u>\$ (54,267)</u> | <u>(16,315)</u> | <u>\$ 37,952</u> |
| FUND BALANCES - Beginning of Year | | | <u>188,806</u> | |
| FUND BALANCES - END OF YEAR | | | <u>\$ 172,491</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, 2017

| | Original and Final Budget | Actual | Variance with Final Budget |
|---|------------------------------|---------------------|-------------------------------|
| REVENUES | | | |
| Taxes | \$ 17,108,267 | \$ 17,108,267 | \$ - |
| Intergovernmental | 136,506 | 137,537 | 1,031 |
| Miscellaneous | 155,730 | 155,730 | - |
| Total Revenues | <u>17,400,503</u> | <u>17,401,534</u> | <u>1,031</u> |
| EXPENDITURES | | | |
| Debt service | | | |
| Principal | 15,260,000 | 26,960,000 | (11,700,000) |
| Interest and fiscal charges | <u>3,449,978</u> | <u>3,792,723</u> | <u>(342,745)</u> |
| Total Expenditures | <u>18,709,978</u> | <u>30,752,723</u> | <u>(12,042,745)</u> |
| Deficiency of revenues over expenditures | <u>(1,309,475)</u> | <u>(13,351,189)</u> | <u>(12,041,714)</u> |
| OTHER FINANCING SOURCES (USES) | | | |
| Refunding bonds issued | - | 19,145,000 | 19,145,000 |
| Premium on long-term debt issued | - | 2,246,056 | 2,246,056 |
| Payment to escrow agent | - | (9,267,361) | (9,267,361) |
| Transfers in | <u>1,009,475</u> | <u>1,009,475</u> | <u>-</u> |
| Total Other Financing Sources (Uses) | <u>1,009,475</u> | <u>13,133,170</u> | <u>12,123,695</u> |
| Net Change in Fund Balances | <u>\$ (300,000)</u> | <u>(218,019)</u> | <u>\$ 81,981</u> |
| FUND BALANCES - Beginning of Year | | <u>617,076</u> | |
| FUND BALANCES - END OF YEAR | | <u>\$ 399,057</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, 2017

| | General Obligation Bond Projects | | | |
|--|----------------------------------|----------------|---------------------|-------------------------------|
| | Original Budget | Final Budget | Actual | Variance with Final Budget |
| REVENUES | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - | - |
| Charges for services | - | - | - | - |
| Miscellaneous | - | - | 89,753 | 89,753 |
| Total Revenues | - | - | 89,753 | 89,753 |
| EXPENDITURES | | | | |
| Current | - | - | - | - |
| General administration | - | 977,261 | - | 977,261 |
| Public safety | - | - | - | - |
| Public works | 285,395 | 285,395 | 307,917 | (22,522) |
| Education and recreation | 55,588 | 55,588 | 52,699 | 2,889 |
| Community development | - | - | - | - |
| Debt Service - interest and fiscal charges | - | - | 42,434 | (42,434) |
| Capital Outlay | 8,750,500 | 13,703,317 | 8,683,041 | 5,020,276 |
| Total Expenditures | 9,091,483 | 15,021,561 | 9,086,091 | 5,935,470 |
| Excess (deficiency) of revenues over expenditures | (9,091,483) | (15,021,561) | (8,996,338) | 6,025,223 |
| OTHER FINANCING SOURCES (USES) | | | | |
| Long-term debt issued | 9,680,083 | 9,680,083 | 9,680,000 | (83) |
| Premium on long-term debt | - | - | 43,947 | 43,947 |
| Transfers in | - | - | - | - |
| Transfers out | (588,600) | (1,675,671) | (709,276) | 966,395 |
| Total Other Financing Sources (Uses) | 9,091,483 | 8,004,412 | 9,014,671 | 1,010,259 |
| Net Change in Fund Balances | \$ - | \$ (7,017,149) | 18,333 | \$ 7,035,482 |
| FUND BALANCES - Beginning of Year | | | 7,072,303 | |
| FUND BALANCES - END OF YEAR | | | <u>\$ 7,090,636</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, 2017

| Equipment Replacement Fund | | | | Intergovernmental Revenue Sharing | | | |
|----------------------------|----------------|---------------------|-------------------------------|-----------------------------------|----------------|----------------------|-------------------------------|
| Original Budget | Final Budget | Actual | Variance with Final Budget | Original Budget | Final Budget | Actual | Variance with Final Budget |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | - | - | 1,603,000 | 1,603,000 | 1,692,360 | 89,360 |
| - | - | - | - | - | - | 4,800 | 4,800 |
| 94,000 | 94,000 | 217,498 | 123,498 | 40,000 | 40,000 | 159,594 | 119,594 |
| 94,000 | 94,000 | 217,498 | 123,498 | 1,643,000 | 1,643,000 | 1,856,754 | 213,754 |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | 18,770 | (18,770) | - | - | - | - |
| - | - | - | - | - | - | - | - |
| - | - | - | - | 770,000 | 1,717,071 | 2,002,349 | (285,278) |
| - | - | 9,293 | (9,293) | - | - | - | - |
| 2,002,300 | 3,101,838 | 2,740,156 | 361,682 | 2,160,000 | 1,860,000 | 170,865 | 1,689,135 |
| 2,002,300 | 3,101,838 | 2,768,219 | 333,619 | 2,930,000 | 3,577,071 | 2,173,214 | 1,403,857 |
| - | - | - | - | - | - | - | - |
| (1,908,300) | (3,007,838) | (2,550,721) | 457,117 | (1,287,000) | (1,934,071) | (316,460) | 1,617,611 |
| - | - | - | - | - | - | - | - |
| 2,123,300 | 2,123,300 | 2,120,000 | (3,300) | - | - | - | - |
| - | - | 9,625 | 9,625 | - | - | - | - |
| - | - | - | - | - | - | - | - |
| (215,000) | (215,000) | - | 215,000 | - | - | - | - |
| 1,908,300 | 1,908,300 | 2,129,625 | 221,325 | - | - | - | - |
| \$ - | \$ (1,099,538) | (421,096) | \$ 678,442 | \$ (1,287,000) | \$ (1,934,071) | (316,460) | \$ 1,617,611 |
| | | 3,101,293 | | | | 10,864,038 | |
| | | <u>\$ 2,680,197</u> | | | | <u>\$ 10,547,578</u> | |

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION
As of December 31, 2017

| | Parking Utility | Golf Courses | Civic Centre | Radio Repair | Total |
|--------------------------------------|----------------------|---------------------|---------------------|-------------------|----------------------|
| ASSETS | | | | | |
| Current Assets | | | | | |
| Cash and investments | \$ 1,119,131 | \$ 214,197 | \$ 429,601 | \$ 646,326 | \$ 2,409,255 |
| Receivables | | | | | |
| Accounts | 12,044 | - | 145,756 | 28,471 | 186,271 |
| Taxes | 9,670 | - | 294,000 | - | 303,670 |
| Inventories | - | - | 11,750 | - | 11,750 |
| Prepaid items | - | - | 25,849 | - | 25,849 |
| Total Current Assets | <u>1,140,845</u> | <u>214,197</u> | <u>906,956</u> | <u>674,797</u> | <u>2,936,795</u> |
| Noncurrent Assets | | | | | |
| Capital assets | | | | | |
| Land | 1,014,105 | 1,432,654 | 140,421 | 15,000 | 2,602,180 |
| Land and building improvements | 17,586,513 | 3,178,439 | 8,744,997 | 156,213 | 29,666,162 |
| Equipment, furniture and vehicles | 757,632 | - | 462,250 | 12,913 | 1,232,795 |
| Less: accumulated depreciation | <u>(9,184,202)</u> | <u>(2,329,791)</u> | <u>(5,543,187)</u> | <u>(118,642)</u> | <u>(17,175,822)</u> |
| Total Capital Assets, Net | <u>10,174,048</u> | <u>2,281,302</u> | <u>3,804,481</u> | <u>65,484</u> | <u>16,325,315</u> |
| Total Assets | <u>\$ 11,314,893</u> | <u>\$ 2,495,499</u> | <u>\$ 4,711,437</u> | <u>\$ 740,281</u> | <u>\$ 19,262,110</u> |
| Deferred Outflows of Resources | | | | | |
| Deferred amounts relating to pension | \$ 116,326 | \$ - | \$ - | \$ 62,928 | \$ 179,254 |
| Total Deferred Outflows of Resources | <u>\$ 116,326</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 62,928</u> | <u>\$ 179,254</u> |

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION
As of December 31, 2017

| | Parking Utility | Golf Courses | Civic Centre | Radio Repair | Total |
|--------------------------------------|---------------------|---------------------|---------------------|------------------|----------------------|
| LIABILITIES | | | | | |
| Current Liabilities | | | | | |
| Accounts payable | \$ 14,781 | \$ 37,475 | \$ 146,768 | \$ 56 | \$ 199,080 |
| Accrued liabilities | 10,785 | - | 131,903 | 6,232 | 148,920 |
| Due to other governments | 3,052 | - | - | - | 3,052 |
| Due to other funds | - | - | 422,087 | - | 422,087 |
| Total Current Liabilities | <u>28,618</u> | <u>37,475</u> | <u>700,758</u> | <u>6,288</u> | <u>773,139</u> |
| Noncurrent Liabilities | | | | | |
| Compensated absences | 15,969 | - | - | 11,025 | 26,994 |
| Pension Liability | 14,766 | - | - | 7,390 | 22,156 |
| OPEB obligation | 1,446,425 | - | - | 680,607 | 2,127,032 |
| Total Noncurrent Liabilities | <u>1,477,160</u> | <u>-</u> | <u>-</u> | <u>699,022</u> | <u>2,176,182</u> |
| Total Liabilities | <u>1,505,778</u> | <u>37,475</u> | <u>700,758</u> | <u>705,310</u> | <u>2,949,321</u> |
| DEFERRED INFLOWS OF RESOURCES | | | | | |
| Deferred amounts relating to pension | 43,003 | - | - | 23,593 | 66,596 |
| Unearned property tax revenue | 9,670 | - | 294,000 | - | 303,670 |
| Total Deferred Inflows of Resources | <u>52,673</u> | <u>-</u> | <u>294,000</u> | <u>23,593</u> | <u>370,266</u> |
| NET POSITION | | | | | |
| Net Investment in capital assets | 10,174,048 | 2,281,302 | 3,804,481 | 65,484 | 16,325,315 |
| Unrestricted (deficit) | <u>(301,280)</u> | <u>176,722</u> | <u>(87,802)</u> | <u>8,822</u> | <u>(203,538)</u> |
| TOTAL NET POSITION | <u>\$ 9,872,768</u> | <u>\$ 2,458,024</u> | <u>\$ 3,716,679</u> | <u>\$ 74,306</u> | <u>\$ 16,121,777</u> |

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2017

| | Parking Utility | Golf Courses | Civic Centre | Radio Repair | Total |
|--|---------------------|---------------------|---------------------|------------------|----------------------|
| OPERATING REVENUES | | | | | |
| Charges for services | \$ 1,016,165 | \$ 157,256 | \$ 545,869 | \$ 279,799 | \$ 1,999,089 |
| Other | 13 | - | - | - | 13 |
| Total Operating Revenues | <u>1,016,178</u> | <u>157,256</u> | <u>545,869</u> | <u>279,799</u> | <u>1,999,102</u> |
| OPERATING EXPENSES | | | | | |
| Public Works | 1,044,741 | - | - | 266,753 | 1,311,494 |
| Education and recreation | - | 97,579 | 832,664 | - | 930,243 |
| Depreciation | 509,797 | 89,605 | 388,562 | 6,208 | 994,172 |
| Total Operating Expenses | <u>1,554,538</u> | <u>187,184</u> | <u>1,221,226</u> | <u>272,961</u> | <u>3,235,909</u> |
| Operating Income (Loss) | <u>(538,360)</u> | <u>(29,928)</u> | <u>(675,357)</u> | <u>6,838</u> | <u>(1,236,807)</u> |
| NONOPERATING REVENUES | | | | | |
| Investment income | 11,440 | 1,432 | - | 5,963 | 18,835 |
| Other | - | - | 100,000 | - | 100,000 |
| Tax levy | 9,670 | - | 293,000 | - | 302,670 |
| Total Nonoperating Revenues | <u>21,110</u> | <u>1,432</u> | <u>393,000</u> | <u>5,963</u> | <u>421,505</u> |
| (Loss) Income Before Transfers | <u>(517,250)</u> | <u>(28,496)</u> | <u>(282,357)</u> | <u>12,801</u> | <u>(815,302)</u> |
| TRANSFERS IN | <u>-</u> | <u>-</u> | <u>414,061</u> | <u>-</u> | <u>414,061</u> |
| Change in Net Position | <u>(517,250)</u> | <u>(28,496)</u> | <u>131,704</u> | <u>12,801</u> | <u>(401,241)</u> |
| TOTAL NET POSITION, Beginning of Year | <u>10,390,018</u> | <u>2,486,520</u> | <u>3,584,975</u> | <u>61,505</u> | <u>16,523,018</u> |
| TOTAL NET POSITION, END OF YEAR | <u>\$ 9,872,768</u> | <u>\$ 2,458,024</u> | <u>\$ 3,716,679</u> | <u>\$ 74,306</u> | <u>\$ 16,121,777</u> |

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

| | <u>Parking Utility</u> | <u>Golf Courses</u> | <u>Civic Centre</u> | <u>Radio Repair</u> | <u>Totals</u> |
|---|----------------------------|-------------------------|-------------------------|-------------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Receipts from customers and users | \$ 997,595 | \$ 157,256 | \$ 413,290 | \$ 260,858 | \$ 1,828,999 |
| Payments to suppliers | (527,811) | (89,450) | (595,494) | (20,354) | (1,233,109) |
| Payments to employees | (450,992) | - | - | (214,041) | (665,033) |
| Net Cash Flows From Operating Activities | <u>18,792</u> | <u>67,806</u> | <u>(182,204)</u> | <u>26,463</u> | <u>(69,143)</u> |
| CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES | | | | | |
| Operating subsidies received-tax levy | <u>9,670</u> | <u>-</u> | <u>293,000</u> | <u>-</u> | <u>302,670</u> |
| Net Cash Flows From Noncapital Financing Activities | <u>9,670</u> | <u>-</u> | <u>293,000</u> | <u>-</u> | <u>302,670</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | |
| Transfer from other funds for capital purposes | - | - | 414,061 | - | 414,061 |
| Capital donation | - | - | 100,000 | - | 100,000 |
| Acquisition and construction of capital assets | (113,332) | - | (495,288) | - | (608,620) |
| Net Cash Flows From Capital and Related Financing Activities | <u>(113,332)</u> | <u>-</u> | <u>18,773</u> | <u>-</u> | <u>(94,559)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Investment Income | <u>11,440</u> | <u>1,432</u> | <u>-</u> | <u>5,963</u> | <u>18,835</u> |
| Net Cash Flows From Investing Activities | <u>11,440</u> | <u>1,432</u> | <u>-</u> | <u>5,963</u> | <u>18,835</u> |
| Change in Cash and Cash Equivalents | <u>(73,430)</u> | <u>69,238</u> | <u>129,569</u> | <u>32,426</u> | <u>157,803</u> |
| CASH AND CASH EQUIVALENTS - Beginning of Year | <u>1,192,561</u> | <u>144,959</u> | <u>300,032</u> | <u>613,900</u> | <u>2,251,452</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 1,119,131</u> | <u>\$ 214,197</u> | <u>\$ 429,601</u> | <u>\$ 646,326</u> | <u>\$ 2,409,255</u> |

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

| | <u>Parking Utility</u> | <u>Golf Courses</u> | <u>Civic Centre</u> | <u>Radio Repair</u> | <u>Totals</u> |
|--|----------------------------|-------------------------|-------------------------|-------------------------|--------------------|
| RECONCILIATION OF OPERATING LOSS TO NET | | | | | |
| CASH FLOW FROM OPERATING ACTIVITIES | | | | | |
| Operating (loss) income provided | \$ (538,360) | \$ (29,928) | \$ (675,357) | \$ 6,838 | \$ (1,236,807) |
| Adjustments to Reconcile Operating (Loss) Income to net cash flows from operating activities: | | | | | |
| Other postemployment benefits | 31,609 | - | - | 17,270 | 48,879 |
| Depreciation | 509,797 | 89,605 | 388,562 | 6,208 | 994,172 |
| Changes in assets, deferred outflows, liabilities, and deferred inflows | | | | | |
| Accounts receivable | (3,415) | - | (132,579) | (11,551) | (147,545) |
| Inventories | - | - | 236 | - | 236 |
| Prepaid items | - | - | (4,532) | - | (4,532) |
| Due from other funds | - | - | (1,000) | 201 | (799) |
| Pension activity | 22,466 | - | - | 9,966 | 32,432 |
| Accounts payable | (2,078) | 35,000 | 88,485 | (1,523) | 119,884 |
| Accrued liabilities | (1,227) | (21,475) | 19,055 | (946) | (4,593) |
| Due to other funds | - | (5,396) | 134,926 | - | 129,530 |
| NET CASH FLOWS FROM OPERATING ACTIVITIES | <u>\$ 18,792</u> | <u>\$ 67,806</u> | <u>\$ (182,204)</u> | <u>\$ 26,463</u> | <u>\$ (69,143)</u> |
| NONCASH CAPITAL AND | | | | | |
| RELATED FINANCING ACTIVITIES | | | | | |
| None | | | | | |

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET POSITION

As of December 31, 2017

| | Equipment Maintenance Garage | Information Systems | Building Complex | Health Insurance | Telephones | Total |
|---|------------------------------------|------------------------|---------------------|---------------------|-------------------|----------------------|
| ASSETS | | | | | | |
| Current Assets | | | | | | |
| Cash and investments | \$ 490,356 | \$ 339,725 | \$ 364,893 | \$ 6,856,872 | \$ 154,511 | \$ 8,206,357 |
| Receivables | | | | | | |
| Accounts | 21,952 | - | - | 1,171,805 | 1,085 | 1,194,842 |
| Inventories | 440,194 | - | - | - | - | 440,194 |
| Prepaid expenditures | - | - | - | 208,580 | - | 208,580 |
| Due from other funds | 5,352 | - | - | 16,515 | - | 21,867 |
| Total Current Assets | <u>957,854</u> | <u>339,725</u> | <u>364,893</u> | <u>8,253,772</u> | <u>155,596</u> | <u>10,071,840</u> |
| Noncurrent Assets | | | | | | |
| Capital assets | | | | | | |
| Land | 32,879 | - | - | - | - | 32,879 |
| Intangible assets | - | 1,341,851 | - | - | - | 1,341,851 |
| Buildings and land improvements | 1,954,301 | - | - | - | - | 1,954,301 |
| Equipment, furniture and vehicles | 503,368 | 1,356,220 | 261,429 | - | 262,509 | 2,383,526 |
| Less: Accumulated depreciation and amortization | (1,527,626) | (2,077,951) | (182,390) | - | (253,748) | (4,041,715) |
| | <u>962,922</u> | <u>620,120</u> | <u>79,039</u> | <u>-</u> | <u>8,761</u> | <u>1,670,842</u> |
| Construction in progress | - | 130,898 | - | - | - | 130,898 |
| Total Capital Assets (net of accumulated depreciation/amortization) | <u>962,922</u> | <u>751,018</u> | <u>79,039</u> | <u>-</u> | <u>8,761</u> | <u>1,801,740</u> |
| Total Assets | <u>\$ 1,920,776</u> | <u>\$ 1,090,743</u> | <u>\$ 443,932</u> | <u>\$ 8,253,772</u> | <u>\$ 164,357</u> | <u>\$ 11,873,580</u> |
| Deferred Outflows of Resources | | | | | | |
| Deferred amounts relating to pension | \$ 537,890 | \$ 222,600 | \$ 310,634 | \$ - | \$ - | \$ 1,071,124 |

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET POSITION

As of December 31, 2017

| | Equipment Maintenance Garage | Information Systems | Building Complex | Health Insurance | Telephones | Total |
|--------------------------------------|------------------------------------|------------------------|---------------------|---------------------|-------------------|----------------------|
| LIABILITIES | | | | | | |
| Current Liabilities | | | | | | |
| Accounts payable | \$ 101,193 | \$ 45,797 | \$ 26,542 | \$ 138,982 | \$ 226 | \$ 312,740 |
| Accrued liabilities | 49,828 | 24,859 | 37,606 | 1,199,127 | - | 1,311,420 |
| Due to other funds | - | - | 21,106 | - | - | 21,106 |
| Total Current Liabilities | <u>151,021</u> | <u>70,656</u> | <u>85,254</u> | <u>1,338,109</u> | <u>226</u> | <u>1,645,266</u> |
| Noncurrent Liabilities | | | | | | |
| Pension Liability | 67,019 | 25,190 | 41,499 | - | - | 133,708 |
| Compensated absences | 56,277 | 8,872 | 41,334 | - | - | 106,483 |
| Total Noncurrent Liabilities | <u>123,296</u> | <u>34,062</u> | <u>82,833</u> | <u>-</u> | <u>-</u> | <u>240,191</u> |
| Total Liabilities | <u>274,317</u> | <u>104,718</u> | <u>168,087</u> | <u>1,338,109</u> | <u>226</u> | <u>1,885,457</u> |
| Deferred Inflows of Resources | | | | | | |
| Deferred amounts relating to pension | 206,222 | 96,974 | 122,383 | - | - | 425,579 |
| Total Deferred Outflows of Resources | <u>206,222</u> | <u>96,974</u> | <u>122,383</u> | <u>-</u> | <u>-</u> | <u>425,579</u> |
| NET POSITION | | | | | | |
| Net investment in capital assets | 962,922 | 751,018 | 79,039 | - | 8,761 | 1,801,740 |
| Unrestricted | <u>1,015,205</u> | <u>360,633</u> | <u>385,057</u> | <u>6,915,663</u> | <u>155,370</u> | <u>8,831,928</u> |
| TOTAL NET POSITION | <u>\$ 1,978,127</u> | <u>\$ 1,111,651</u> | <u>\$ 464,096</u> | <u>\$ 6,915,663</u> | <u>\$ 164,131</u> | <u>\$ 10,633,668</u> |

THIS PAGE INTENTIONALLY LEFT BLANK

CITY OF RACINE

Internal Service Funds

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

For the year ended December 31, 2017

| | Equipment Maintenance Garage | Information Systems | Building Complex | Health Insurance | Telephones | Total |
|--|------------------------------------|------------------------|---------------------|---------------------|-------------------|----------------------|
| OPERATING REVENUES | | | | | | |
| Charges for services and sales | | | | | | |
| Labor, fuel, parts and equipment charges | \$ 3,339,884 | \$ - | \$ - | \$ - | \$ - | \$ 3,339,884 |
| Health insurance premiums | - | - | - | 19,600,530 | - | 19,600,530 |
| Telephone service sales | - | - | - | - | 118,277 | 118,277 |
| Computer service sales | - | 1,528,000 | - | - | - | 1,528,000 |
| Facilities rent | - | - | 2,499,301 | - | - | 2,499,301 |
| Other | 41,352 | 133 | 10,548 | 739,837 | - | 791,870 |
| Total Operating Revenues | <u>3,381,236</u> | <u>1,528,133</u> | <u>2,509,849</u> | <u>20,340,367</u> | <u>118,277</u> | <u>27,877,862</u> |
| OPERATING EXPENSES | | | | | | |
| Public Works | | | | | | |
| Operating supplies and expenses | 3,488,059 | - | 2,576,068 | - | - | 6,064,127 |
| General administration | | | | | | |
| Telephone expenses | - | - | - | - | 103,533 | 103,533 |
| Health insurance | - | - | - | 19,972,737 | - | 19,972,737 |
| Information systems | - | 1,688,801 | - | - | - | 1,688,801 |
| Depreciation and amortization | 95,372 | 123,951 | 18,582 | - | 3,886 | 241,791 |
| Total Operating Expenses | <u>3,583,431</u> | <u>1,812,752</u> | <u>2,594,650</u> | <u>19,972,737</u> | <u>107,419</u> | <u>28,070,989</u> |
| Operating (Loss) Income Before Transfers | (202,195) | (284,619) | (84,801) | 367,630 | 10,858 | (193,127) |
| TRANSFER IN | <u>-</u> | <u>239,733</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>239,733</u> |
| Change in Net Position | (202,195) | (44,886) | (84,801) | 367,630 | 10,858 | 46,606 |
| TOTAL NET POSITION - Beginning of Year | <u>2,180,322</u> | <u>1,156,537</u> | <u>548,897</u> | <u>6,548,033</u> | <u>153,273</u> | <u>10,587,062</u> |
| TOTAL NET POSITION - END OF YEAR | <u>\$ 1,978,127</u> | <u>\$ 1,111,651</u> | <u>\$ 464,096</u> | <u>\$ 6,915,663</u> | <u>\$ 164,131</u> | <u>\$ 10,633,668</u> |

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017

| | Equipment Maintenance Garage | Information Systems | Building Complex | Health Insurance | Telephones | Total |
|---|------------------------------------|------------------------|---------------------|---------------------|-------------------|---------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | | |
| Receipts from customers and users | \$ 3,300,858 | \$ 1,480,049 | \$ 2,487,650 | \$ 20,366,936 | \$ 121,801 | \$ 27,757,294 |
| Payments to suppliers | (1,478,122) | (773,898) | (1,360,354) | (20,314,215) | (103,400) | (24,029,989) |
| Payments to employees | (1,805,238) | (812,319) | (1,121,472) | (324,524) | - | (4,063,553) |
| Net Cash Flows From Operating Activities | <u>17,498</u> | <u>(106,168)</u> | <u>5,824</u> | <u>(271,803)</u> | <u>18,401</u> | <u>(336,248)</u> |
| CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES | | | | | | |
| Transfer from other funds for capital purposes | - | 239,733 | - | - | - | 239,733 |
| Acquisition and construction of capital assets | (54,817) | (33,619) | (45,045) | - | - | (133,481) |
| Net Cash Flows From Capital and Related Financing Activities | <u>(54,817)</u> | <u>206,114</u> | <u>(45,045)</u> | <u>-</u> | <u>-</u> | <u>106,252</u> |
| Change in Cash and Cash Equivalents | (37,319) | 99,946 | (39,221) | (271,803) | 18,401 | (229,996) |
| CASH AND CASH EQUIVALENTS - Beginning of Year | <u>527,675</u> | <u>239,779</u> | <u>404,114</u> | <u>7,128,675</u> | <u>136,110</u> | <u>8,436,353</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u>\$ 490,356</u> | <u>\$ 339,725</u> | <u>\$ 364,893</u> | <u>\$ 6,856,872</u> | <u>\$ 154,511</u> | <u>\$ 8,206,357</u> |

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2017

RECONCILIATION OF OPERATING (LOSS) INCOME TO NET CASH PROVIDED FLOWS FROM OPERATING ACTIVITIES:

| | Equipment Maintenance Garage | Information Systems | Building Complex | Health Insurance | Telephones | Total |
|---|------------------------------------|------------------------|---------------------|---------------------|------------------|---------------------|
| Operating (Loss) Income | \$ (202,195) | \$ (284,619) | \$ (84,801) | \$ 367,630 | \$ 10,858 | \$ (193,127) |
| Adjustments to Reconcile Operating (Loss) Income to Net Cash Flows From Operating Activities | | | | | | |
| Depreciation/Amortization expense | 95,372 | 123,951 | 18,582 | - | 3,886 | 241,791 |
| Changes in assets, deferred outflows, liabilities, and deferred inflows | | | | | | |
| Accounts receivable | (11,922) | - | 20,429 | (259,643) | 731 | (250,405) |
| Inventories and prepaids | (16,097) | 11,250 | - | (208,580) | - | (213,427) |
| Due from other funds | 385 | - | - | (16,515) | 2,793 | (13,337) |
| Pension benefits | 105,944 | 385 | 65,704 | - | - | 172,033 |
| Accounts payable | 58,400 | 40,780 | 8,795 | (60,932) | 133 | 47,176 |
| Accrued liabilities | (12,389) | 2,085 | (5,926) | (93,763) | - | (109,993) |
| Due to other funds | - | - | (16,959) | - | - | (16,959) |
| NET CASH FLOW FROM OPERATING ACTIVITIES | \$ 17,498 | \$ (106,168) | \$ 5,824 | \$ (271,803) | \$ 18,401 | \$ (336,248) |

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

None

CITY OF RACINE

Component Unit

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

| | |
|--|----------------------------|
| | Redevelopment Authority |
| CASH FLOWS FROM OPERATING ACTIVITIES | |
| Receipts from customers and users | \$ 196,214 |
| Payments to suppliers | <u>(1,639,036)</u> |
| Net Cash Flows From Operating Activities | <u>(1,442,822)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | |
| ACTIVITIES | |
| Investment Income | <u>227</u> |
| Net Cash Flows From Capital and Related Investing Activities | <u>227</u> |
| CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING | |
| ACTIVITIES | |
| Operating subsidies received-City | <u>1,646,135</u> |
| Net Cash Flows From Noncapital and Related Financing Activities | <u>1,646,135</u> |
| Change in Cash and Cash Equivalents | 203,540 |
| CASH AND CASH EQUIVALENTS - Beginning of Year | <u>231,459</u> |
| CASH AND CASH EQUIVALENTS - END OF YEAR | <u><u>\$ 434,999</u></u> |

CITY OF RACINE

Component Unit

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2017

| | <u>Redevelopment Authority</u> |
|---|------------------------------------|
| RECONCILIATION OF OPERATING LOSS | |
| TO NET CASH PROVIDED FLOWS FROM | |
| OPERATING ACTIVITIES: | |
| Operating Loss | \$ (951,432) |
| Adjustments to Reconcile Operating Loss to Net Cash | |
| Changes in assets and liabilities | |
| Accounts receivable | - |
| Due to City | (450,000) |
| Accounts payable | (41,390) |
| NET CASH FLOW FROM OPERATING ACTIVITIES | <u>\$ (1,442,822)</u> |
| NONCASH CAPITAL AND | |
| RELATED FINANCING ACTIVITIES | |
| City Contributions | <u>\$ 3,885,260</u> |