

CITY OF RACINE

Racine, Wisconsin

FINANCIAL STATEMENTS

December 31, 2005

CITY OF RACINE

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

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

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, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Racine's management. Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the City of Racine Water and Wastewater Utilities, both major enterprise funds, which represent 82 percent and 83 percent, respectively, of the assets and operating revenues of the business-type activities. We also did not audit the financial statements of the Downtown Racine Business Improvement District #1, a discretely presented component unit. Those financial statements were audited by other auditors whose reports thereon have been furnished to us, and our opinion, insofar as it relates to the amounts included for the City of Racine Water and Wastewater Utilities or the Downtown Racine Business Improvement District #1, is based on the reports of the other auditors.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit and the reports of other auditors provide a reasonable basis for our opinions. The financial statements of the City of Racine Water and Wastewater Utilities and the Downtown Racine Business Improvement District #1 were not audited in accordance with *Government Auditing Standards*.

In our opinion, based on our audit and the reports of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Racine, Wisconsin, as of December 31, 2005, 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 conformity with accounting principles generally accepted in the United States of America.

To the Mayor and Common Council
City of Racine

In accordance with *Government Auditing Standards*, we have also issued our report dated May 19, 2006 on our consideration of the City of Racine's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, 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 the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management discussion and analysis on pages 3 through 16 is not a required part of the basic financial statements but is supplementary information required by the Governmental Accounting Standards Board. We and the other auditors have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we and the other auditors did not audit the information and express no opinion on it.

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

A handwritten signature in black ink that reads "Vielow, Krause + Company, LLP". The signature is written in a cursive, flowing style.

Milwaukee, Wisconsin
May 19, 2006

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

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, 2005.

Financial Highlights

- The assets of the City of Racine exceeded its liabilities at the close of the most recent fiscal year by \$292,611,739 (net assets). Of this amount, \$25,727,037 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The City's total net assets increased by \$6,485,489.
- As of the close of the current fiscal year, the City of Racine's governmental funds reported combined ending fund balances of \$49,953,685, a decrease of \$835,059, in comparison with the prior year. Approximately 39% of this amount, \$19,567,603, is available for spending at the government's discretion (unreserved and undesignated fund balance). At year end, management had designated \$2,946,490 of the unreserved fund balance for use in the 2006 budget.
- At the end of the current fiscal year, unreserved-undesignated fund balance for the general fund was \$23,068,638 or 31.6% of total general fund expenditures.
- The City's total debt decreased by approximately \$6.1 million during the current fiscal year due primarily to borrowings for:
 - \$7.0 million for the 2005 capital improvement plan
 - \$2.0 million for the construction of TID #11
 - \$7.9 million for the expansion of the water membrane plant
 - \$16.6 million of mortgage revenue bonds current refunded
 - \$1.2 million for the completion of construction and expansion of the Wastewater Utility plant
 - \$7.6 million for general repayments

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

Government-wide Financial Statements (*continued*)

Both the government-wide financial statements distinguish function 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

Governmental Funds (*continued*)

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

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

The basic governmental fund financial statements can be found on pages 20-26 of this report.

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Notes to the Financial Statements

The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 35-80 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 81-106 of this report.

Government-wide Financial Analysis

Net assets may serve over time as a useful indicator of a government's financial position. December 31, 2005 and 2004 City's assets exceeded liabilities by \$292,611,739 and \$286,126,250 respectively. The December 31, 2004 net assets of the governmental activities has been restated as a result of a miscalculation of the City's vested compensated absences and an overstatement of the City's construction in progress.

The largest portion of the City's net assets is its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City used these capital assets to provide services to citizens and therefore they are not available for future spending. Although the City's investment in capital assets is reported net of related debt, the resources need to repay this debt must be provided from other resources, since the capital assets can not be used to liquidate these liabilities. The City's investment in capital assets was \$243,480,464 and \$227,999,548 at December 31, 2005 and 2004.

An additional portion of the City of Racine's governmental activities net assets represents restricted net assets, or resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the City's ongoing obligations to citizens and creditors. Restricted net assets were \$23,404,238 and \$23,489,037 and unrestricted net assets was \$25,727,037 and \$34,978,401 as of December 31, 2005 and 2004 respectively.

Similar to the prior year, at year-end, the City is able to report positive balances in all three categories of net assets for both the governmental and business type activities.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis (continued)

Condensed financial information from the statements of net assets is presented below for the years ended December 31, 2005 and 2004. Amounts are expressed in thousands.

	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	Governmental	Governmental	Business-type	Business-type	Total	Total
	Activities	Activities	Activities	Activities	Total	Total
	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)	(Restated)
Current and other assets	119,933	116,183	98,589	68,284	218,522	184,467
Capital assets	<u>158,032</u>	<u>156,264</u>	<u>277,280</u>	<u>263,008</u>	<u>435,312</u>	<u>419,272</u>
Total assets	<u>277,965</u>	<u>272,447</u>	<u>375,869</u>	<u>331,292</u>	<u>653,834</u>	<u>603,739</u>
Current and other liabilities	53,018	51,151	9,179	9,696	62,197	60,847
Liabilities payable from restricted assets	-	-	9,656	23,386	9,656	23,386
Long-term liabilities	<u>102,732</u>	<u>98,883</u>	<u>186,637</u>	<u>134,497</u>	<u>289,369</u>	<u>233,380</u>
Total liabilities	<u>155,750</u>	<u>150,034</u>	<u>205,472</u>	<u>167,579</u>	<u>361,222</u>	<u>317,613</u>
Net assets:						
Invested in capital assets net of related debt	91,423	94,251	152,058	133,408	243,481	227,659
Restricted	14,921	15,668	8,483	7,821	23,404	23,489
Unrestricted	15,871	12,494	9,856	22,484	25,727	34,978
Total net assets	<u>\$ 122,215</u>	<u>\$ 122,413</u>	<u>\$ 170,397</u>	<u>\$ 163,713</u>	<u>\$ 292,612</u>	<u>\$ 286,126</u>

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Government-wide Financial Analysis (continued)

Condensed financial information from the statement of activities is presented below for the year ended December 31, 2005 and 2004. Amounts are expressed in thousands.

	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>
	Governmental	Governmental	Business-type	Business-type	Total	Total
	Activities	Activities	Activities	Activities		(Restated)
	(Restated)	(Restated)	(Restated)	(Restated)		(Restated)
Revenues						
Program revenues						
Charges for services	\$ 28,813	\$ 26,944	\$ 32,654	\$ 27,908	\$ 61,467	\$ 54,852
Operating grants and contributions	11,114	11,148	4,566	4,612	15,680	15,760
Capital grants and contributions	3,411	1,545	8,254	10,291	11,665	11,836
General Revenues						
Taxes	40,444	38,756	1,454	1,225	41,898	39,981
Intergovernmental revenues not restricted to specific programs	31,123	31,103	-	-	31,123	31,103
Investment income	2,880	3,453	1,184	552	4,064	4,005
Other	663	1,022	182	201	845	1,223
Total revenues	<u>\$ 118,448</u>	<u>\$ 113,971</u>	<u>\$ 48,294</u>	<u>\$ 44,789</u>	<u>\$ 166,742</u>	<u>\$ 158,760</u>
Expenses						
General government	28,898	26,105	-	-	28,898	26,105
Community development	5,406	3,436	-	-	5,406	3,436
Health	2,936	2,735	-	-	2,936	2,735
Education and recreation	14,456	13,257	-	-	14,456	13,257
Public works	23,817	26,934	-	-	23,817	26,934
Public safety	41,159	40,389	-	-	41,159	40,389
Interest and fiscal charges	4,870	5,174	-	-	4,870	5,174
Water	-	-	12,721	11,711	12,721	11,711
Wastewater	-	-	12,933	10,868	12,933	10,868
Belle urban system	-	-	8,307	7,505	8,307	7,505
Other	-	-	4,753	3,809	4,753	3,809
Total expenses	<u>121,542</u>	<u>118,030</u>	<u>38,714</u>	<u>33,893</u>	<u>160,256</u>	<u>151,923</u>
Increase (decrease) in net assets before transfers	(3,094)	(4,059)	9,580	10,896	6,486	6,837
Transfers	<u>2,896</u>	<u>(26,571)</u>	<u>(2,896)</u>	<u>26,571</u>	<u>-</u>	<u>-</u>
Increase (decrease) in net assets	(198)	(30,630)	6,684	37,467	6,486	6,837
Net assets-beginning of year, as restated	<u>122,413</u>	<u>153,043</u>	<u>163,713</u>	<u>126,246</u>	<u>286,126</u>	<u>279,289</u>
Net assets-end of year	<u>\$ 122,215</u>	<u>\$ 122,413</u>	<u>\$ 170,397</u>	<u>\$ 163,713</u>	<u>\$ 292,612</u>	<u>\$ 286,126</u>

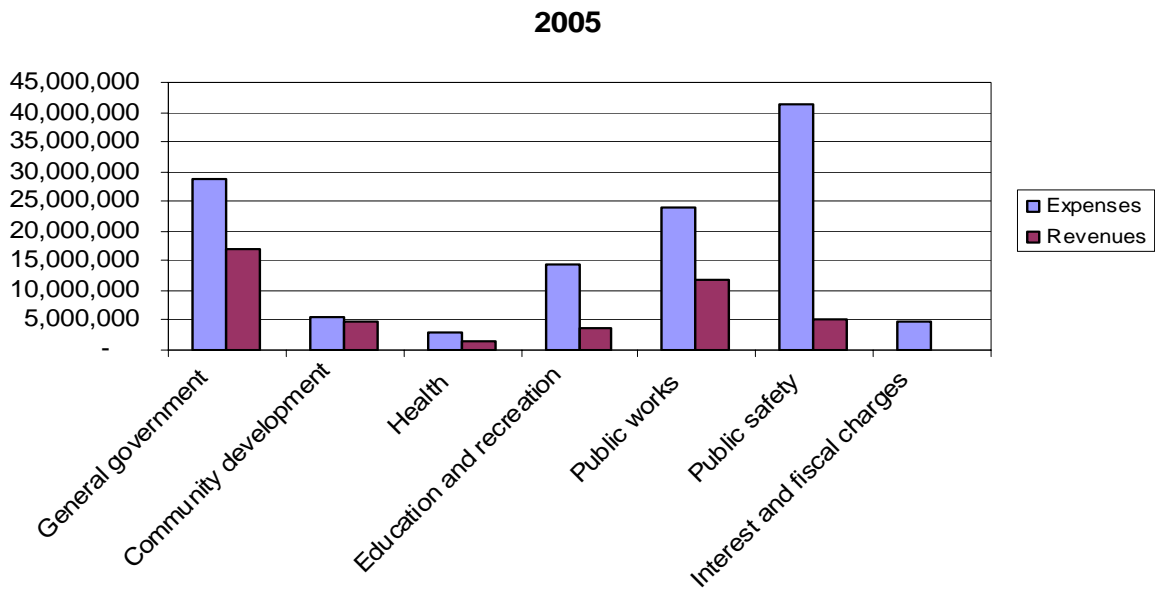
CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities

The net assets in the governmental activities decreased by approximately \$197,981 during the fiscal year. The minimal decrease was due to expenditures slightly exceeding revenues. There were no unusual expenses or revenues in the governmental activities in 2005.

Expenses and Program Revenues-Governmental Activities:

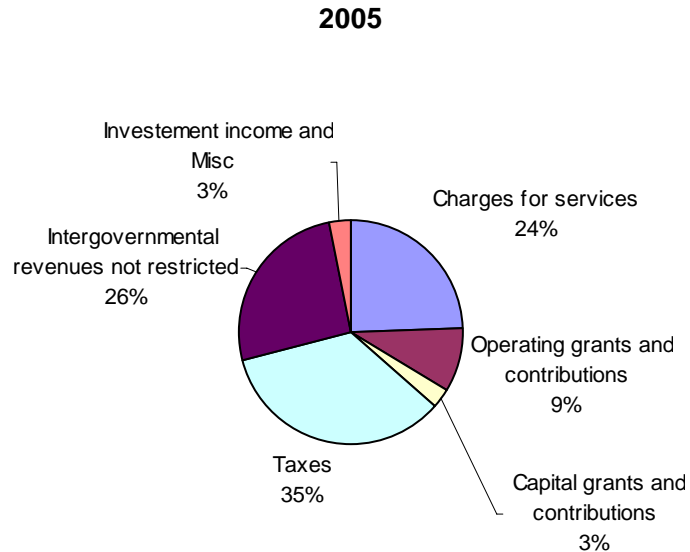


CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Governmental Activities *(continued)*

Program and General Revenues by Source – Governmental Activities:



Business-type activities

Business-type activities net assets increased by \$6.7 million during the fiscal year 2005. Key elements of this increase are as follows:

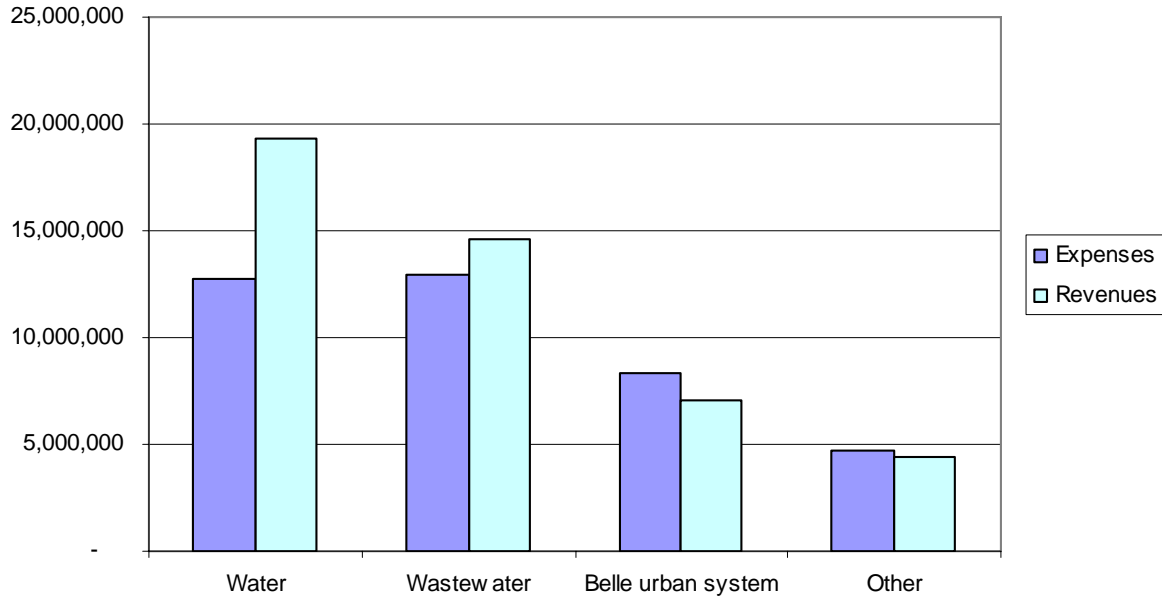
- The Water utility had an increase in net assets of \$5.5 million while the wastewater utility had an increase in net assets of \$586,323. The increase in net assets in the Water utility relates primarily to \$1.1 million of subsidies from other governmental units, \$2.0 million of capital contribution from developers or customers, and \$1.4 million of REC fees collected. All of these items relate to the renovation and expansion of the water plant. The increase in net assets in the Wastewater Utility is due primarily to an increase in charges for services as a result of an increase in customer rates as well as expenses that are under budget.
- The City of Racine Storm Water Utility had an increase in net assets of \$589,709. The increase in net assets relates primarily to capital contributions from the City and the timing of the commencement of maintenance projects.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-type activities *(continued)*

Expenses and Program Revenues – Business-type Activities:

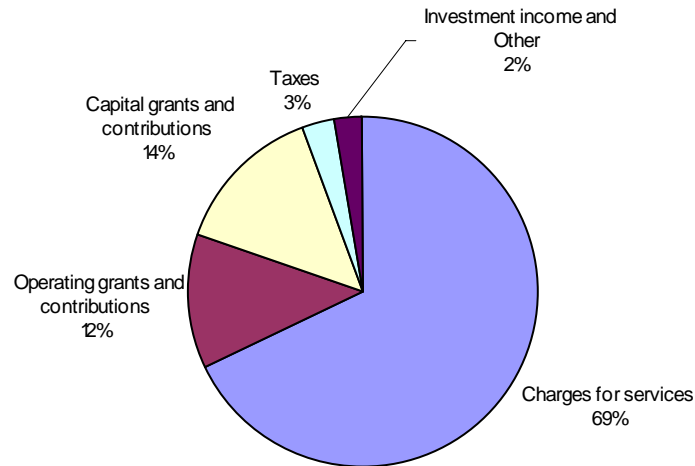


CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Business-Type Activities (continued)

Revenues by Source – Business-type Activities:



Financial Analysis of the Government's Funds

As noted earlier, the City of Racine uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds-The focus of the City of Racine's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Racine's financing requirements. In particular, unreserved, undesignated 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 \$49,953,685. Approximately 39.2% of this amount \$19,567,603 constitutes unreserved, undesignated fund balance which is available for spending at the government's discretion. Management has designated \$2,946,490 of governmental fund balance to be used in the 2006 budget.

The general fund is the primary operating fund of the City of Racine. At the end of the current fiscal year, unreserved-undesignated fund balance of the general fund was 23,068,638, while total fund balance totaled \$35,039,506. Unreserved-undesignated fund balance represents 31.6% of total general fund expenditures, while total fund balance represents 47.9% of total general fund expenditures.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds (continued)

Although the general fund was budgeted to use \$2.0 million of fund balances during 2005, the general fund used \$1.4 million of fund balance for the year ended December 31, 2005. The resulting \$585,095 positive variance is the result of both actual revenues exceeding budgeted amounts by \$434,794 and actual expenditures under budgeted amounts by approximately \$2.7 million. In addition, the general fund transferred \$2.6 million to the health insurance internal service fund to reduce the impact of unanticipated fluctuations in health insurance costs. The following details both the revenue and expenditures factors that contributed to the positive variance:

- Charges for services were \$328,672 over the budget of \$3,687,850. This is a result of several items. Rescue fees of \$1.6 million exceeded the projected budget by approximately \$100,000. Rescue fees were conservatively budgeted in 2006 due to the unknown impact of the change in the Medicare billing laws. Landfill host fees of \$533,000 exceeded the projected budget by \$230,000. Host fees were budgeted conservatively to reflect the pending closure of the landfill.
- License and permits were \$70,214 over the budget of \$1,393,169. This is a result of an increase in animal license revenue and cable franchise fees. Animal license revenue exceeded budget by \$43,000 due to a new public information initiative in 2005. The initiative resulted in a substantial increase in licenses issued. Cable franchise fees exceeded the amended budget by \$27,000 due to conservative budgeting to reflect the unknown effect of recent competition in the market.
- Intergovernmental revenues were \$173,565 over the budget of \$34,529,164. This is a result of bridge aids, and municipal services aids exceeding projected budgets. Municipal services aid exceeded the projected budget by \$16,000. Bridge maintenance aids exceeded the budget by \$91,000. In addition unanticipated PECFA funds were received in the amount of \$29,000.
- All general fund expenditure categories were under budget in 2005. This resulted from a new administrative policy instituted in 2005 that requires all open positions to be justified and analyzed prior to filling. This policy resulted in a number of funded positions that were left open throughout the City for several months throughout the year.
- Capital outlays were \$141,238 under budget. The majority of these items were encumbered at the end of the year and will be carried over and spent in 2006.

The HUD fund is another major governmental fund of the City of Racine. The fund accounts primarily for the City's housing and economic development loan program. Reserved fund balances in this fund totaled \$2,042,561 and \$2,170,307 at the end of fiscal year 2005 and 2004. Fund balance decreased in the HUD fund during 2005 and increased in 2004 due primarily to new loans given exceeding loan payoffs in 2005 and loan payoffs exceeding new loans during 2004.

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Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Financial Analysis of the Government's Funds (continued)

The Tax Increment Fund is another major governmental fund of the City of Racine. The fund accounts for the City's Tax Incremental Districts that have completed the construction phase of the district. Fund balances in this fund totaled \$(7,774,062) and \$(8,837,091) at the end of fiscal year 2005 and 2004 due to expenditures exceeding tax incremental revenues for the majority of the districts. Tax increment sharing increased fund balances during 2005 and 2004 by \$1,063,029 and \$720,192 respectively.

The Debt service fund is another major governmental fund of the City of Racine. The fund accounts for principle and interest payments made on the City's outstanding debt obligations. The debt service fund has a total fund balance of at December 31, 2005 and 2004 of \$1,332,753 and \$2,134,412, all of which is reserved for the payment of debt service. The change in the fund balance during 2005 and 2004 was \$(801,659) and \$112,552 respectively. The decrease in fund balance during 2005 was a result of various factors including interest on debt in 2005 exceeding projections and an anticipated use of fund balance in the amount of \$660,019.

The Refunding Debt service fund is another major governmental fund of the City of Racine. The fund accounts for the accumulation of resources for, and the current and advance refunding of, general long-term obligation debt principal, interest, and related costs. During 2005, this fund accounted for the current refunding of the City's 2005 \$7,100,000 Note anticipation notes.

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 \$19,312,927 and \$18,860,752 in 2005 and 2004 respectively. Reserved fund balance is \$13,669,929 and \$11,789,042 in 2005 and 2004 and unreserved is \$5,642,998 and \$7,071,710 in 2005 and 2004. The fund balances of these funds increased by \$452,175 during 2005 due primarily to unspent bond proceeds in the 2005 capital project fund and the TIF #11 capital project fund, as well as unspent proceeds from the intergovernmental sewer agreement.

Proprietary Funds – The City of Racine's proprietary funds provide the same type of information found in the government-wide statements.

Unrestricted net assets for the Water utility at the end of 2005 and 2004 amounted to \$1,780,384 and \$12,655,225, for the Wastewater utility \$8,212,192 and \$6,737,112, for the Belle urban system \$(1,405,934) and \$(745,000), and for the other enterprise funds \$1,269,419 and \$40,145. The total increase (decrease) in net assets for the Water Utility for 2005 and 2004 was \$5,494,885 and \$5,274,447 the Wastewater Utility \$586,323 and \$228,344, for the Belle urban system \$57,606 and \$4,889,092, and for the Other Enterprise funds \$544,656 and \$27,075,658 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, 2005 and 2004 amounts to \$243,480,464 and \$227,999,548 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. Capital assets increased approximately \$16 million and \$54 million during 2005 and 2004. In 2005 the majority of the increase came from the business-type activities due to the construction Water Utility membrane plant. A small increase in capital assets in the governmental activities came from the continued redevelopment of the Jacobson Textron Site and the construction of the Lake Michigan Pathway.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset and Debt Administration (continued)

Significant capital asset events during the current fiscal year included the following:

- Construction and expansion of the Wastewater treatment plant concluded in 2005.
- Construction of the Water Utility Membrane plant continued in 2005 and is anticipated to conclude in 2006. This project is anticipated to exceed \$20 million, with the majority in construction in progress as of December 31, 2005.
- The Lake Michigan Bike Path project continues construction.
- The construction phase of TIF #10 began in 2003 and continued in 2005. The redevelopment of the Jacobson Textron manufacturing site (TIF #10) is expected to be completed by the end of 2006. Construction in progress relating to TIF #10 is approximately \$4 million. Total project costs are anticipated to exceed \$5 million.
- Construction on the passenger depot continued in 2005 and will be completed in 2006. Total cost of this project is expected to exceed \$1.3 million.

Long-term debt – At the end of 2005 and 2004, the City of Racine had total debt outstanding of \$244,930,874 and \$251,062,634. Of this amount, the debt backed by the full faith and credit of the government is \$99,307,750 and \$95,677,750 in 2005 and 2004 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 in 2005 by approximately \$6.1 million. The majority of the decrease in 2005 was a result of revenue bonds refunded in January of 2005 with bonds issued in 2004.

	<u>Outstanding debt</u>	
	<u>2005</u>	<u>2004</u>
Governmental Activities:		
General obligation bonds and notes	\$ 99,307,750	\$ 95,677,750
Business-Type Activities:		
Revenue bonds	145,623,124	155,384,884
Total	\$ 244,930,874	\$ 251,062,634

Economic Conditions and 2005 and 2006 Budget Outlook

Although there have not been any recent major layoffs or corporate closings in the city, Racine's unemployment rate remains significantly above the state and national average. In April of 2006, the City's unemployment rate is 9.2% compared to a state rate of 5.0% and a county rate of 5.8%.

The assessed value of the City has increased over the last several years with a 7.3% and 7.8% increase in 2005 and 2004 respectively. The City anticipates another 8% increase in the assessed value in 2006.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

Economic Conditions and 2005 and 2006 Budget Outlook (*continued*)

The City continues to carry a strong undesignated fund balance in the general fund and has developed internal policies to ensure that the balance remains above 20% of general fund expenditures. In addition, the City has implemented various planning tools and procedures to minimize tax rate fluctuations in future years, including 5 year planning for both capital and operational budgets.

Due to the budget issues at the state level, the City is anticipating no increase in the intergovernmental aids received from the state in 2006 or 2007. In addition the City faces 15%-20% increases in health insurance costs in both 2006 and 2007.

The City used \$3.4 million of general fund, debt service fund and other governmental fund balances to stabilize the 2006 tax rate. The 2006 City tax rate was \$11.29 per thousand. Due to the anticipated increases in health insurance costs, the use of fund balance in the 2006 budget, and increasing debt service requirements, difficult choices will have to be made in the preparation of the 2007 budget.

Requests for information

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

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BASIC FINANCIAL STATEMENTS

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CITY OF RACINE

STATEMENT OF NET ASSETS
December 31, 2005

	Primary Government			Component Units	
	Governmental Activities	Business- Type Activities	Total	Business Improvement District	Redevelopment Authority
ASSETS					
Cash and investments	\$ 57,915,129	\$ 14,010,878	\$ 71,926,007	\$ 16,531	\$ 4,100
Receivables (net of allowance for uncollectible accounts)	56,230,435	10,562,627	66,793,062	-	475,000
Internal balances	(641,549)	641,549	-	-	-
Due from primary government	-	-	-	173,550	-
Due from other governments	1,397,467	1,671,837	3,069,304	-	-
Inventories	441,816	857,345	1,299,161	-	-
Prepaid items	1,502	4,084	5,586	-	-
Deferred charges	920,226	518,453	1,438,679	-	-
Advances to other funds	3,218,494	(3,218,494)	-	-	-
Advances to component unit	450,000	-	450,000	-	-
Restricted assets					
Cash and investments	-	26,323,340	26,323,340	-	-
Accrued interest receivable	-	150,550	150,550	-	-
Interest receivable-plant capacity	-	170,921	170,921	-	-
Plant capacity receivable, current portion	-	2,807,518	2,807,518	-	-
Plant capacity receivable, long term	-	44,088,425	44,088,425	-	-
Capital assets					
Land	8,310,748	3,701,075	12,011,823	-	1,196,496
Construction in progress	12,878,522	26,997,286	39,875,808	-	-
Other capital assets (net of accumulated depreciation)	136,842,581	246,581,385	383,423,966	10,500	-
TOTAL ASSETS	277,965,371	375,868,779	653,834,150	200,581	1,675,596
LIABILITIES					
Liabilities					
Accounts payable	3,381,512	4,152,241	7,533,753	1,739	850
Accrued compensation and other current liabilities	5,955,828	801,676	6,757,504	-	-
Due to other governments	215,604	-	215,604	-	-
Accrued interest payable	202,306	-	202,306	-	-
Unearned revenue	43,262,539	4,224,794	47,487,333	173,550	-
Liabilities payable from restricted assets					
Accrued interest payable	-	1,076,281	1,076,281	-	-
Current portion of long term debt	-	7,535,617	7,535,617	-	-
Deferred plant capacity revenue, current portion	-	1,043,940	1,043,940	-	-
Noncurrent liabilities					
Deferred plant capacity revenue	-	46,977,334	46,977,334	-	-
Due within one year	12,046,747	31,310	12,078,057	-	-
Due in more than one year	90,685,614	139,629,068	230,314,682	-	1,350,000
TOTAL LIABILITIES	155,750,150	205,472,261	361,222,411	175,289	1,350,850
NET ASSETS					
Invested in capital assets, net of related debt	91,422,931	152,057,533	243,480,464	10,500	1,196,496
Restricted					
Debt service	1,130,447	-	1,130,447	-	-
Permanent funds	3,402,084	-	3,402,084	-	-
HUD loan program	10,388,783	-	10,388,783	-	-
Water	-	3,890,613	3,890,613	-	-
Wastewater	-	4,592,311	4,592,311	-	-
Unrestricted	15,870,976	9,856,061	25,727,037	14,792	(871,750)
TOTAL NET ASSETS	\$ 122,215,221	\$ 170,396,518	\$ 292,611,739	\$ 25,292	\$ 324,746

See accompanying notes to financial statements.

CITY OF RACINE

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

	Program Revenues				Net (Expense) Revenue and Changes in Net Assets			Component Units	
	Expenses	Charges for Services	Operating	Capital	Primary Government			Business	Redevelopment
			Grants and Contributions	Grants and Contributions	Governmental Activities	Business-Type Activities	Total	Improvement District	Authority
<u>Functions/Programs</u>									
Primary Government									
Governmental activities									
General government	\$ 28,898,066	\$ 16,968,299	\$ 49,201	\$ -	\$ (11,880,566)	\$ -	\$ (11,880,566)	\$ -	\$ -
Community development	5,406,503	394,483	2,683,033	1,539,592	(789,395)	-	(789,395)	-	-
Health	2,935,648	358,947	941,021	-	(1,635,680)	-	(1,635,680)	-	-
Education and recreation	14,456,028	810,133	1,609,833	1,103,919	(10,932,143)	-	(10,932,143)	-	-
Public works	23,816,891	6,213,038	4,900,682	709,171	(11,994,000)	-	(11,994,000)	-	-
Public safety	41,158,555	4,068,035	929,880	58,247	(36,102,393)	-	(36,102,393)	-	-
Interest and fiscal charges	4,870,449	-	-	-	(4,870,449)	-	(4,870,449)	-	-
Total Governmental Activities	<u>121,542,140</u>	<u>28,812,935</u>	<u>11,113,650</u>	<u>3,410,929</u>	<u>(78,204,626)</u>	<u>-</u>	<u>(78,204,626)</u>	<u>-</u>	<u>-</u>
Business type activities									
Water	12,720,686	14,747,898	-	4,594,785	-	6,621,997	6,621,997	-	-
Wastewater	12,932,698	12,319,347	-	2,283,862	-	1,670,511	1,670,511	-	-
Belle Urban Transit	8,307,421	1,151,609	4,565,772	1,375,687	-	(1,214,353)	(1,214,353)	-	-
Other	4,753,634	4,434,922	-	-	-	(318,712)	(318,712)	-	-
Total Business Type Activities	<u>38,714,439</u>	<u>32,653,776</u>	<u>4,565,772</u>	<u>8,254,334</u>	<u>-</u>	<u>6,759,443</u>	<u>6,759,443</u>	<u>-</u>	<u>-</u>

CITY OF RACINE

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2005

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets			Component Units		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Business Improvement District	Redevelopment Authority
					Governmental Activities	Business-Type Activities	Total		
Total Primary Government	\$ 160,256,579	\$ 61,466,711	\$ 15,679,422	\$ 11,665,263	(78,204,626)	6,759,443	(71,445,183)	-	-
Component Unit									
Business Improvement District	\$ 167,386	\$ -	\$ -	\$ -	-	-	-	(167,386)	-
Redevelopment Authority	113,027	6,591	-	-	-	-	-	-	(106,436)
	<u>\$ 280,413</u>	<u>\$ 6,591</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(167,386)</u>	<u>(106,436)</u>
General Revenues									
Taxes									
Property taxes levied for general purposes					30,694,677	1,454,014	32,148,691	-	-
Property taxes levied for debt service					5,653,367	-	5,653,367	-	-
Property taxes levied for TIF					3,895,838	-	3,895,838	-	-
Other taxes					199,849	-	199,849	170,568	-
Intergovernmental revenues not restricted to specific programs					31,123,260	-	31,123,260	-	-
Investment income					2,880,104	1,184,187	4,064,291	-	-
Miscellaneous					663,761	181,615	845,376	-	-
Transfers					2,895,789	(2,895,789)	-	-	-
Total General Revenues and Transfers					<u>78,006,645</u>	<u>(75,973)</u>	<u>77,930,672</u>	<u>170,568</u>	<u>-</u>
Change in Net Assets					(197,981)	6,683,470	6,485,489	3,182	(106,436)
NET ASSETS - Beginning of Year, as restated					<u>122,413,202</u>	<u>163,713,048</u>	<u>286,126,250</u>	<u>22,110</u>	<u>431,182</u>
NET ASSETS - END OF YEAR					<u>\$ 122,215,221</u>	<u>\$ 170,396,518</u>	<u>\$292,611,739</u>	<u>\$ 25,292</u>	<u>\$ 324,746</u>

CITY OF RACINE

Governmental Funds

BALANCE SHEET

December 31, 2005

	General Fund	HUD	Tax Increment Districts	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS							
Cash and investments	\$ 25,883,249	\$ 2,660,455	\$ -	\$ -	\$ 1,324,916	\$ 21,771,197	\$ 51,639,817
Receivables							
Property taxes	30,114,793	-	3,057,325	-	6,366,525	4,094,887	43,633,530
Special assessments and special charges - tax roll	67,505	-	-	-	-	322,002	389,507
Special assessments	-	-	-	-	-	1,187,891	1,187,891
Delinquent personal property taxes	96,079	-	-	-	-	-	96,079
Loans and notes	158,100	8,873,859	-	-	-	-	9,031,959
Interest	331,020	-	-	-	-	-	331,020
Accounts	717,216	3,344	-	-	-	812,850	1,533,410
Total Receivables - Net	31,484,713	8,877,203	3,057,325	-	6,366,525	6,417,630	56,203,396
Due from other funds	6,388,486	-	-	-	7,837	651,212	7,047,535
Due from other governments	-	696,724	-	-	-	700,743	1,397,467
Inventories	106,469	-	-	-	-	-	106,469
Prepaid Items	1,502	-	-	-	-	-	1,502
Advances to component unit	-	-	-	-	-	450,000	450,000
Advances to other funds	7,431,621	-	-	-	1,807,000	1,753,935	10,992,556
TOTAL ASSETS	\$ 71,296,040	\$ 12,234,382	\$ 3,057,325	\$ -	\$ 9,506,278	\$ 31,744,717	\$ 127,838,742

CITY OF RACINE

Governmental Funds

BALANCE SHEET

December 31, 2005

	General Fund	HUD	Tax Increment Districts	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 533,273	\$ 350,178	\$ -	\$ -	\$ -	\$ 2,188,653	\$ 3,072,104
Other accrued liabilities	939,957	438,839	-	-	-	348,446	1,727,242
Accrued compensation	1,297,414	-	-	-	-	-	1,297,414
Due to other funds	3,276,450	469,109	-	-	-	3,928,736	7,674,295
Due to other governments	208,801	-	-	-	-	6,803	215,604
Insurance claims payable	1,086,987	-	-	-	-	-	1,086,987
Advances from other funds	-	-	7,774,062	-	-	-	7,774,062
Deferred revenue	158,100	8,933,695	-	-	1,807,000	1,864,265	12,763,060
Deferred interest	815,606	-	-	-	-	-	815,606
Deferred property tax revenue	27,939,946	-	3,057,325	-	6,366,525	4,094,887	41,458,683
Total Liabilities	<u>36,256,534</u>	<u>10,191,821</u>	<u>10,831,387</u>	<u>-</u>	<u>8,173,525</u>	<u>12,431,790</u>	<u>77,885,057</u>

CITY OF RACINE

Governmental Funds

BALANCE SHEET

December 31, 2005

	General Fund	HUD	Tax Incremental Districts	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
Fund Balances							
Reserved for:							
Subsequent year's expenditures	\$ 55,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 55,000
Endowments	-	-	-	-	-	1,393,584	1,393,584
Inventories	106,469	-	-	-	-	-	106,469
Prepaid items	1,502	-	-	-	-	-	1,502
Encumbrances	198,066	-	-	-	-	3,270,406	3,468,472
Community development	-	2,042,561	-	-	-	-	2,042,561
Capital projects	-	-	-	-	-	7,801,485	7,801,485
Noncurrent receivables	2,417,816	-	-	-	-	-	2,417,816
Advance to other funds	6,616,015	-	-	-	-	2,203,935	8,819,950
Debt service	-	-	-	-	1,332,753	-	1,332,753
Unreserved (deficit), reported in:							
General fund							
Designated for subsequent year's expenditures	2,576,000	-	-	-	-	-	2,576,000
Undesignated	23,068,638	-	-	-	-	-	23,068,638
Permanent funds undesignated	-	-	-	-	-	2,003,720	2,003,720
Special revenue funds							
Designated for subsequent year's expenditures	-	-	-	-	-	223,490	223,490
Undesignated	-	-	(7,774,062)	-	-	6,570,266	(1,203,796)
Capital project funds							
Designated for subsequent year's expenditures	-	-	-	-	-	147,000	147,000
Undesignated	-	-	-	-	-	(4,300,959)	(4,300,959)
Total Fund Balances	<u>35,039,506</u>	<u>2,042,561</u>	<u>(7,774,062)</u>	<u>-</u>	<u>1,332,753</u>	<u>19,312,927</u>	<u>49,953,685</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 71,296,040</u>	<u>\$ 12,234,382</u>	<u>\$ 3,057,325</u>	<u>\$ -</u>	<u>\$ 9,506,278</u>	<u>\$ 31,744,717</u>	

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

Capital assets used in governmental funds are not financial resources and therefore are not reported in funds	155,610,539
Internal service funds are reported in the statement of net assets as governmental activities	6,848,319
Other long-term assets that are not available to pay for current period expenditures and therefore are deferred in funds	11,774,810
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds.	(101,972,132)

NET ASSETS OF GOVERNMENTAL ACTIVITIES

\$ 122,215,221

See accompanying notes to financial statements.

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CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2005

	General Fund	Other HUD	Tax Increment Districts	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$ 27,217,063	\$ -	\$ 3,150,390	\$ -	\$ 5,653,367	\$ 4,111,871	\$ 40,132,691
Special assessments	-	-	-	-	-	944,109	944,109
Intergovernmental	34,702,729	3,568,692	37,601	-	-	5,670,790	43,979,812
Licenses and permits	1,463,383	-	-	-	-	-	1,463,383
Fines and forfeitures	1,344,008	-	-	-	-	75,541	1,419,549
Investment income	1,504,013	34,702	125,168	-	-	1,121,843	2,785,726
Charges for services	4,016,522	22,080	-	-	-	900,966	4,939,568
Donations	-	-	-	-	-	1,455,201	1,455,201
Other	458,501	1,272,679	-	4,672	700,698	18,604	2,455,154
Total Revenues	<u>70,706,219</u>	<u>4,898,153</u>	<u>3,313,159</u>	<u>4,672</u>	<u>6,354,065</u>	<u>14,298,925</u>	<u>99,575,193</u>
EXPENDITURES							
Current							
General government	13,186,166	-	-	-	-	-	13,186,166
Community development	-	4,075,347	-	-	-	775,111	4,850,458
Health	1,956,844	-	-	-	-	979,871	2,936,715
Education and recreation	6,370,867	-	-	-	-	4,374,202	10,745,069
Public works	10,807,755	-	-	-	-	1,569,985	12,377,740
Public safety	39,585,908	-	-	-	-	914,415	40,500,323
Capital outlay	1,207,393	885,660	-	-	-	12,954,683	15,047,736
Debt Service	-	-	-	-	-	-	-
Principal retirement	-	-	-	-	5,426,087	-	5,426,087
Interest and fiscal charges	-	-	354,333	76,621	4,266,279	-	4,697,233
Total Expenditures	<u>73,114,933</u>	<u>4,961,007</u>	<u>354,333</u>	<u>76,621</u>	<u>9,692,366</u>	<u>21,568,267</u>	<u>109,767,527</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(2,408,714)</u>	<u>(62,854)</u>	<u>2,958,826</u>	<u>(71,949)</u>	<u>(3,338,301)</u>	<u>(7,269,342)</u>	<u>(10,192,334)</u>

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2005

	General Fund	Other HUD	Tax Increment Districts	Refunding	Debt Service	Other Governmental Funds	Total Governmental Funds
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 9,100,000	\$ 9,100,000
Refunding bonds issued	-	-	-	6,980,000	-	-	6,980,000
Premium on bonds issued	-	-	-	254,019	-	-	254,019
Paid on current refunding	-	-	-	(7,203,448)	-	-	(7,203,448)
Transfers in	3,549,085	-	-	50,000	2,536,642	2,589,059	8,724,786
Transfers (out)	<u>(2,561,229)</u>	<u>(64,892)</u>	<u>(1,895,797)</u>	<u>(8,622)</u>	<u>-</u>	<u>(3,967,542)</u>	<u>(8,498,082)</u>
Total Other Financing Sources (Uses)	<u>987,856</u>	<u>(64,892)</u>	<u>(1,895,797)</u>	<u>71,949</u>	<u>2,536,642</u>	<u>7,721,517</u>	<u>9,357,275</u>
Net Change in Fund Balances	(1,420,858)	(127,746)	1,063,029	-	(801,659)	452,175	(835,059)
FUND BALANCES (DEFICIT) - Beginning of Year	<u>36,460,364</u>	<u>2,170,307</u>	<u>(8,837,091)</u>	<u>-</u>	<u>2,134,412</u>	<u>18,860,752</u>	<u>50,788,744</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 35,039,506</u>	<u>\$ 2,042,561</u>	<u>\$ (7,774,062)</u>	<u>\$ -</u>	<u>\$ 1,332,753</u>	<u>\$ 19,312,927</u>	<u>\$ 49,953,685</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, 2005

Net change in fund balances - total governmental funds	\$ (835,059)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of net assets, the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities. This is the amount by which capital outlays (\$11,726,688) exceeded depreciation (\$9,737,256) in the current period, plus gain on disposal (\$49,056).	2,038,488
The issuance of long-term debt (e.g. bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, have any effect on net assets. This amount is the net effect of the difference in the treatment of long-term debt.	(3,553,913)
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. This amount is the net effect of the differences in the treatment of these items.	(319,951)
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.	32,938
Revenues in the governmental funds that are not reported as revenues in the statement of activities.	(1,308,985)
Expenditures in the governmental funds that are not reported as expenses in the statement of activities.	1,091,602
Revenues in the statement of activities that do not provide current financial resources and are not reported as revenues in the funds.	200,000
Capital contribution to Storm Water Utility and MIS Internal Service Fund.	(671,964)
Internal service fund change in net assets	<u>3,128,863</u>
Change in net assets of governmental activities	<u>\$ (197,981)</u>

See accompanying notes to financial statements.

CITY OF RACINE

General Fund

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Year Ended December 31, 2005

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
REVENUES				
Taxes	\$ 27,228,442	\$ 27,228,442	\$ 27,217,063	\$ (11,379)
Intergovernmental	34,529,164	34,529,164	34,702,729	173,565
Licenses and permits	1,393,169	1,393,169	1,463,383	70,214
Fines and forfeitures	1,731,600	1,731,600	1,344,008	(387,592)
Investment income	1,493,650	1,493,650	1,504,013	10,363
Charges for services	3,687,850	3,687,850	4,016,522	328,672
Other	207,550	207,550	458,501	250,951
Total Revenues	<u>70,271,425</u>	<u>70,271,425</u>	<u>70,706,219</u>	<u>434,794</u>
EXPENDITURES				
Current				
General government	13,395,775	13,519,823	13,186,166	333,657
Health	2,089,694	2,094,637	1,956,844	137,793
Education and recreation	6,665,947	6,666,322	6,370,867	295,455
Public works	11,204,669	11,453,149	10,807,755	645,394
Public safety	40,400,772	40,622,668	39,585,908	1,036,760
Capital Outlay	1,271,271	1,348,631	1,207,393	141,238
Contingency	317,000	124,203	-	124,203
Total Expenditures	<u>75,345,128</u>	<u>75,829,433</u>	<u>73,114,933</u>	<u>2,714,500</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(5,073,703)</u>	<u>(5,558,008)</u>	<u>(2,408,714)</u>	<u>3,149,294</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	3,552,055	3,552,055	3,549,085	(2,970)
Transfers (out)	-	-	(2,561,229)	(2,561,229)
Total Other Financing Sources (Uses)	<u>3,552,055</u>	<u>3,552,055</u>	<u>987,856</u>	<u>(2,564,199)</u>
Net Change in Fund Balance	<u>\$ (1,521,648)</u>	<u>\$ (2,005,953)</u>	<u>(1,420,858)</u>	<u>\$ 585,095</u>
FUND BALANCE - Beginning of Year			<u>36,460,364</u>	
FUND BALANCE - END OF YEAR			<u>\$ 35,039,506</u>	

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2005

	Business Type Activities- Enterprise Funds				Total	Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds		Internal Service Funds
ASSETS						
Current Assets						
Cash and investments	\$ 4,364,534	\$ 6,510,762	\$ 200	\$ 3,135,382	\$ 14,010,878	\$ 6,275,312
Receivables						
Accounts	3,129,456	2,960,268	135,540	99,055	6,324,319	27,039
Taxes	-	-	1,086,535	3,128,454	4,214,989	-
Interest	8,554	8,871	-	-	17,425	-
Due from other governments	-	-	1,671,837	-	1,671,837	-
Due from other funds	2,728,893	5,330,965	-	-	8,059,858	42,748
Inventories	267,221	46,919	543,205	-	857,345	335,347
Prepaid items	4,084	-	-	-	4,084	-
Total Current Assets	<u>10,502,742</u>	<u>14,857,785</u>	<u>3,437,317</u>	<u>6,362,891</u>	<u>35,160,735</u>	<u>6,680,446</u>
Noncurrent Assets						
Restricted Assets						
Cash and investments	20,949,104	5,374,236	-	-	26,323,340	-
Accrued interest receivable	111,588	38,962	-	-	150,550	-
Interest receivable-plant capacity	-	170,921	-	-	170,921	-
Plant capacity receivable, current portion	-	2,807,518	-	-	2,807,518	-
Plant capacity receivable, long term	-	44,088,425	-	-	44,088,425	-
Capital assets						
Land, buildings and improvements	91,244,017	97,740,002	5,495,789	77,567,981	272,047,789	1,558,627
Equipment, furniture and vehicles	21,054,453	46,204,126	11,634,400	1,798,201	80,691,180	1,943,256
Less: Accumulated depreciation	(24,833,988)	(37,538,477)	(6,835,809)	(33,248,235)	(102,456,509)	(1,339,123)
Construction in progress	24,036,507	361,200	1,677,393	922,186	26,997,286	258,549
Other assets						
Special assessments	5,894	-	-	-	5,894	-
Unamortized debt discount	426,175	92,278	-	-	518,453	-
Total Noncurrent Assets	<u>132,993,750</u>	<u>159,339,191</u>	<u>11,971,773</u>	<u>47,040,133</u>	<u>351,344,847</u>	<u>2,421,309</u>
TOTAL ASSETS	<u>143,496,492</u>	<u>174,196,976</u>	<u>15,409,090</u>	<u>53,403,024</u>	<u>386,505,582</u>	<u>9,101,755</u>

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET ASSETS

December 31, 2005

	Business Type Activities- Enterprise Funds				Total	Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds		Internal Service Funds
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 2,831,974	\$ 232,794	\$ 815,840	\$ 271,633	\$ 4,152,241	\$ 309,404
Accrued compensation	-	31,310	91,077	24,545	146,932	-
Accrued liabilities	357,696	283,004	1,259	44,095	686,054	1,844,185
Advances from other funds	23,480	21,000	-	137,352	181,832	-
Due to other funds	3,867,948	624,510	2,747,028	178,823	7,418,309	57,537
Deferred revenue	-	-	9,805	-	9,805	-
Deferred property tax revenue	-	-	1,086,535	3,128,454	4,214,989	-
Liabilities payable from restricted assets						
Accrued interest	682,559	393,722	-	-	1,076,281	-
Current portion of long term debt	3,159,259	4,376,358	-	-	7,535,617	-
Deferred plant capacity revenue, current portion	-	1,043,940	-	-	1,043,940	-
Total Current Liabilities	<u>10,922,916</u>	<u>7,006,638</u>	<u>4,751,544</u>	<u>3,784,902</u>	<u>26,466,000</u>	<u>2,211,126</u>
Noncurrent Liabilities						
Compensated absences	477,868	385,103	91,707	34,428	989,106	42,310
Revenue bonds and notes payable	58,970,156	78,873,687	-	-	137,843,843	-
Deferred plant capacity revenue	-	46,977,334	-	-	46,977,334	-
Unamortized bond premium	796,119	-	-	-	796,119	-
Advances from other funds	930,395	832,125	-	1,274,142	3,036,662	-
Total Noncurrent Liabilities	<u>61,174,538</u>	<u>127,068,249</u>	<u>91,707</u>	<u>1,308,570</u>	<u>189,643,064</u>	<u>42,310</u>
TOTAL LIABILITIES	<u>72,097,454</u>	<u>134,074,887</u>	<u>4,843,251</u>	<u>5,093,472</u>	<u>216,109,064</u>	<u>2,253,436</u>
NET ASSETS						
Investment in capital assets, net of related debt	65,728,041	27,317,586	11,971,773	47,040,133	152,057,533	2,421,309
Restricted	3,890,613	4,592,311	-	-	8,482,924	-
Unrestricted (deficit)	1,780,384	8,212,192	(1,405,934)	1,269,419	9,856,061	4,427,010
TOTAL NET ASSETS	<u>\$ 71,399,038</u>	<u>\$ 40,122,089</u>	<u>\$ 10,565,839</u>	<u>\$ 48,309,552</u>	<u>\$ 170,396,518</u>	<u>\$ 6,848,319</u>

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2005

	Business Type Activities- Enterprise Funds				Total	Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds		Internal Service Funds
OPERATING REVENUES						
Charges for services	\$ 14,747,898	\$ 12,319,347	\$ 1,114,230	\$ 4,415,285	\$ 32,596,760	\$ 19,885,038
Other	-	-	37,379	19,637	57,016	18,350
Total Operating Revenues	<u>14,747,898</u>	<u>12,319,347</u>	<u>1,151,609</u>	<u>4,434,922</u>	<u>32,653,776</u>	<u>19,903,388</u>
OPERATING EXPENSES						
Public works	8,314,586	6,968,657	7,276,177	2,071,884	24,631,304	4,551,996
Education and recreation	-	-	-	876,245	876,245	-
General administration	-	-	-	-	-	15,402,802
Depreciation	2,389,922	3,858,542	1,031,244	1,748,315	9,028,023	239,552
Total Operating Expenses	<u>10,704,508</u>	<u>10,827,199</u>	<u>8,307,421</u>	<u>4,696,444</u>	<u>34,535,572</u>	<u>20,194,350</u>
Operating income (loss)	<u>4,043,390</u>	<u>1,492,148</u>	<u>(7,155,812)</u>	<u>(261,522)</u>	<u>(1,881,796)</u>	<u>(290,962)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	693,824	374,663	-	115,700	1,184,187	-
Interest expense	(1,940,210)	(2,163,637)	-	(74,981)	(4,178,828)	-
Intergovernmental interest reimbursement	-	1,239,921	-	-	1,239,921	-
Plant capacity income	-	1,043,941	-	-	1,043,941	-
Bond issue costs	-	(13,417)	-	-	(13,417)	-
Gain on sale of fixed assets	-	71,555	-	17,791	89,346	-
Amortization of bond discount	(75,968)	-	-	-	(75,968)	-
Subsidies from other governmental units	-	-	4,565,772	-	4,565,772	-
Tax Levy	-	-	1,010,419	443,595	1,454,014	78,776
Other	7,411	174,204	-	-	181,615	-
Total Nonoperating Revenues (Expenses)	<u>(1,314,943)</u>	<u>727,230</u>	<u>5,576,191</u>	<u>502,105</u>	<u>5,490,583</u>	<u>78,776</u>

CITY OF RACINE

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS
For the Year Ended December 31, 2005

	Business Type Activities- Enterprise Funds				Total	Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise Funds		Internal Service Funds
Income (loss) before capital contributions and transfers	\$ 2,728,447	\$ 2,219,378	\$ (1,579,621)	\$ 240,583	\$ 3,608,787	\$ (212,186)
CAPITAL CONTRIBUTIONS	4,594,785	-	1,375,687	143,260	6,113,732	528,704
TRANSFERS IN	-	-	364,564	160,813	525,377	2,812,345
TRANSFERS (OUT)	<u>(1,828,347)</u>	<u>(1,633,055)</u>	<u>(103,024)</u>	<u>-</u>	<u>(3,564,426)</u>	<u>-</u>
Change in Net Assets	5,494,885	586,323	57,606	544,656	6,683,470	3,128,863
TOTAL NET ASSETS - Beginning of Year	<u>65,904,153</u>	<u>39,535,766</u>	<u>10,508,233</u>	<u>47,764,896</u>	<u>163,713,048</u>	<u>3,719,456</u>
TOTAL NET ASSETS - END OF YEAR	<u>\$ 71,399,038</u>	<u>\$ 40,122,089</u>	<u>\$ 10,565,839</u>	<u>\$ 48,309,552</u>	<u>\$ 170,396,518</u>	<u>\$ 6,848,319</u>

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2005

	Business Type Activities- Enterprise Funds				Totals	Governmental
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise		Internal Service Fund
CASH FLOW FROM OPERATING ACTIVITIES						
Received from customers and users	\$ 14,485,688	\$ 11,183,502	\$ 1,208,263	\$ 4,450,257	\$ 31,327,710	\$ 19,896,596
Paid to suppliers	(4,779,597)	(6,450,504)	(4,848,319)	(1,533,801)	(17,612,221)	(16,375,662)
Paid to employees	(2,806,596)	(2,338,438)	(2,594,989)	(1,152,357)	(8,892,380)	(3,014,917)
Net Cash Provided (Used) by Operating Activities	<u>6,899,495</u>	<u>2,394,560</u>	<u>(6,235,045)</u>	<u>1,764,099</u>	<u>4,823,109</u>	<u>506,017</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Transfer from (to) other funds	(1,828,347)	(1,633,055)	(103,024)	-	(3,564,426)	2,553,796
Miscellaneous receipts	-	174,204	-	-	174,204	-
Operating grants received	-	-	4,348,497	-	4,348,497	-
Operating subsidies received (repayment)	-	-	2,609,585	443,595	3,053,180	78,776
Net Cash Provided (Used) by Noncapital Financing Activities	<u>(1,828,347)</u>	<u>(1,458,851)</u>	<u>6,855,058</u>	<u>443,595</u>	<u>4,011,455</u>	<u>2,632,572</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Debt issued	8,783,885	3,921,869	-	-	12,705,754	-
Debt retired	(18,314,686)	(4,152,828)	-	-	(22,467,514)	-
Advances retired	(21,719)	(19,425)	-	(130,190)	(171,334)	-
Interest paid on long-term debt	(1,856,122)	(2,123,010)	-	-	(3,979,132)	-
Interest paid on advances	-	(44,558)	-	(74,981)	(119,539)	-
Transfer from other funds for capital purposes	-	-	-	160,813	160,813	258,549
Acquisition and construction of capital assets	(12,787,216)	(3,589,276)	(1,677,038)	(902,647)	(18,956,177)	(258,549)
Connection charges received	1,432,170	-	-	-	1,432,170	-
Intergovernmental interest reimbursement	-	1,239,921	-	-	1,239,921	-
Proceeds for plant capacity	-	1,572,492	-	-	1,572,492	-
Capital subsidies received	3,474,100	-	1,057,025	-	4,531,125	-
Proceeds from sale of capital assets	-	154,533	-	-	154,533	-
Net Cash Used by Capital and Related Financing Activities	<u>(19,289,588)</u>	<u>(3,040,282)</u>	<u>(620,013)</u>	<u>(947,005)</u>	<u>(23,896,888)</u>	<u>-</u>

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2005

	Business Type Activities- Enterprise Funds				Totals	Governmental
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise		Internal Service Fund
CASH FLOW FROM INVESTING ACTIVITIES						
Purchase of investments	\$ (46,565,387)	\$ (30,145,240)	\$ -	\$ -	\$ (76,710,627)	\$ -
Proceeds on redemption of investments	58,481,782	32,218,734	-	-	90,700,516	-
Investment income received	655,867	355,515	-	115,700	1,127,082	-
Net Cash Provided by Investing Activities	<u>12,572,262</u>	<u>2,429,009</u>	<u>-</u>	<u>115,700</u>	<u>15,116,971</u>	<u>-</u>
Net Increase (Decrease) in Cash and Cash Equivalents	(1,646,178)	324,436	-	1,376,389	54,647	3,138,589
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>7,194,567</u>	<u>2,271,621</u>	<u>200</u>	<u>1,758,993</u>	<u>11,225,381</u>	<u>3,136,723</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 5,548,389</u>	<u>\$ 2,596,057</u>	<u>\$ 200</u>	<u>\$ 3,135,382</u>	<u>\$ 11,280,028</u>	<u>\$ 6,275,312</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ 4,043,390	\$ 1,492,148	\$ (7,155,812)	\$ (261,522)	\$ (1,881,796)	\$ (290,962)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities						
Depreciation and amortization	2,389,922	3,858,542	1,031,244	1,748,315	9,028,023	239,552
(Increase) decrease in accounts receivable	(704,180)	(444,889)	56,654	14,375	(1,078,040)	(2,474)
(Increase) decrease in taxes receivable	-	-	-	-	-	78,776
(Increase) decrease in other assets	(7,241)	-	-	-	(7,241)	-
(Increase) decrease in prepaid items	3,361	1	-	-	3,362	-
(Increase) decrease in inventories	(20,612)	(18,121)	69,182	-	30,449	13,907
(Increase) decrease in due from other funds	441,970	(690,956)	-	(93,483)	(342,469)	(4,317)
Increase (decrease) in accounts payable	(611,991)	(1,893,167)	(269,086)	214,253	(2,559,991)	19,629
Increase (decrease) in accrued liabilities	158,161	105,127	32,773	(10,688)	285,373	473,145
Increase (decrease) in deferred revenue	-	-	-	94,444	94,444	(78,776)
Increase (decrease) in due to other funds	1,206,715	(14,125)	-	58,405	1,250,995	57,537
Net Cash Provided (Used) by Operating Activities	<u>\$ 6,899,495</u>	<u>\$ 2,394,560</u>	<u>\$ (6,235,045)</u>	<u>\$ 1,764,099</u>	<u>\$ 4,823,109</u>	<u>\$ 506,017</u>

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2005

	Business Type Activities- Enterprise Funds				Totals	Governmental Activities-
	Water Utility	Wastewater Utility	Belle Urban Transit	Other Enterprise		Internal Service Fund
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET						
Cash and investments						
Unrestricted	\$ 4,364,534	\$ 6,510,762	\$ 200	\$ 3,135,382	\$ 14,010,878	\$ 6,275,312
Restricted	20,949,104	5,374,236	-	-	26,323,340	-
Total Cash and Investments	25,313,638	11,884,998	200	3,135,382	40,334,218	6,275,312
Less investments not meeting the definition of cash and cash equivalents	(19,765,249)	(9,288,941)	-	-	(29,054,190)	-
TOTAL CASH AND CASH EQUIVALENTS END OF YEAR	<u>\$ 5,548,389</u>	<u>\$ 2,596,057</u>	<u>\$ 200</u>	<u>\$ 3,135,382</u>	<u>\$ 11,280,028</u>	<u>\$ 6,275,312</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Estimated cost of fixed assets installed or financed by developers, customers or the City	\$ 2,026,888	\$ -	\$ -	\$ 143,260	\$ 2,170,148	\$ 528,704

See accompanying notes to financial statements.

CITY OF RACINE

Fiduciary Funds

STATEMENT OF FIDUCIARY NET ASSETS

December 31, 2005

	Agency Funds		
	Police Evidence	Tax Collecting	Total
ASSETS			
Cash and investments	\$ 245,791	\$ 37,048,139	\$ 37,293,930
Receivables			
Property taxes	-	2,883,519	2,883,519
TOTAL ASSETS	<u>245,791</u>	<u>39,931,658</u>	<u>40,177,449</u>
LIABILITIES			
Due to component unit	-	173,550	173,550
Due to other governments	245,791	39,758,108	40,003,899
Total Liabilities	<u>245,791</u>	<u>39,931,658</u>	<u>40,177,449</u>
NET ASSETS	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF RACINE

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CITY OF RACINE

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CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Racine, Wisconsin conform to generally accepted accounting principles as applicable to governmental units.

A. REPORTING ENTITY

This report includes all of the funds of the City of Racine. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government. A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by an individual organization that the specific primary government or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government. Blended component units, although legally separate entities, are, in substance, part of the governments operations and are reported with similar funds of the primary government. The discretely presented component units described below are reported in separate columns in the government-wide financial statements to emphasize that they are legally separate from the primary government.

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, 2005. Separately issued financial statements of the BID may be obtained from the BID's office.

Redevelopment Authority

The government-wide financial statements include the City of Racine Redevelopment Authority as a component unit. The Authority, created in February 1974, has a separate seven member board appointed by the mayor and approved by the City council. The Redevelopment Authority was created for the purpose of carrying out blight elimination, slum clearance, and urban renewal programs and projects as set forth in section 66.133 of Wisconsin State Statute. As a component unit, the Authorities financial statements as of December 31, 2005 have been presented as a discrete column in the City's financial statements.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net assets 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 units 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, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

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.

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

- a. Total assets, liabilities, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10 percent 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 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or enterprise fund that the City's management believes is particularly important to financial statement users may be reported as a major fund.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

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 major governmental funds:

Major Governmental Funds

- General Fund – accounts for the City's primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.
- HUD Special Revenue Fund – Accounts for resources legally restricted to supporting expenditures for the various HUD financed programs in the City.
- Tax Increment Districts Special Revenue Fund – accounts for expenditures outlined in the TID's project plans and related revenues and proceeds from long-term borrowing.
- Refunding Fund - used to account for the accumulation of resources for, and the current and advance refunding of, general long-term debt principal, interest, and related costs.
- Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt other than enterprise fund debt.

The City reports the following major enterprise funds:

Major Enterprise Funds

- Water Utility – accounts for operations of the water system.
- Wastewater Utility – accounts for operations of the sewer system.
- Belle Urban Transit Fund – accounts for operations of the Belle Urban Transit system.

The City reports the following non-major governmental and enterprise funds:

Non-Major Governmental Funds

- Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.
 - Other Public Safety
 - Public Safety Grants
 - HAZMAT
 - State Asset Forfeiture
 - Federal Asset Forfeiture
 - Special Assessments
 - Economic Development
 - Cemetery
 - Other Cemetery Fund
 - Municipal Court
 - Trusts
 - Other
 - Harbor Commission
 - Library
 - Recycling
 - Health
 - CAR 25

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

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: (cont.)

Non-Major Governmental Funds (cont.)

Capital Projects Funds – used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities.

TIF #9

TIF #10

TIF #11

Assessment Projects

Intergovernmental Revenue Sharing

2003 Capital Projects

2004 Capital Projects

2005 Capital Projects

City Projects

Permanent Funds – used to report resources that are legally 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

Enterprise Funds – may be used to 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

Storm Water Utility

Golf Courses

Civic Centre

Radio Repair

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

Building Complex

Health Insurance

Telephones

Agency funds are used to account for 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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

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

Government-Wide Financial Statements

The government-wide statement of net assets 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 deferred 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.

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's Water and Wastewater Utilities and Belle Urban Transit and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Fund Financial Statements

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues, except for reimbursable intergovernmental grants, to be available if they are collected within 60 days of the end of the current fiscal period. Reimbursable intergovernmental grants are considered to be available if they are collected within one year of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

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

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled the resources and the amounts are available. Amounts owed to the City which are not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

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

Fund Financial Statements (cont.)

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues. Delinquent special assessments being held for collection by the county are reported as receivables and reserved fund balance in the General Fund.

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

The City reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year which are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when a potential revenue does not meet both the "measurable" and "available" criteria for recognition in the current period. Deferred revenues also arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements (other than agency funds) 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 enterprise funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The proprietary funds distinguish *operating* revenues and expenses from *nonoperating* 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. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for enterprise funds and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

D. ASSETS, LIABILITIES, AND NET ASSETS 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.
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 does not address interest rate risk, investments highly sensitive to market changes and foreign currency risk. The investment policy does address custodial credit risk, credit risk and concentration of credit risk.

The investment policy states the following for custodial credit risk and credit risk: "Certificates of deposit or any other time deposit may be collateralized in an amount equal to 100% of the investment less the amount insured by the Federal Deposit Insurance Corporation (FDIC), by federal government bonds or securities which are a direct obligation of or guaranteed as the principal and interest by the federal government, and/or bonds or securities which are obligations of an agency, commission, board or other instrumentality of the federal government, as guaranteed as to principal and interest." The policy further provides that the Finance Committee may designate primary local depositories in which all funds deposited will not be restricted as to the amount of deposit or collateralization.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

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

1. Deposits, Investments and Equivalents (cont.)

It also states that “Collateral shall be held by an independent third party with whom the City has a current custodial agreement. Where this is not practicable (i.e. book entry investments), verifiable evidence of specific pledged securities must be supplied to the City. All other securities purchased by the City shall be held by a third party custodian and approved by the Finance Committee, and evidenced by safekeeping receipts.”

The investment policy states the following for concentration of credit risk: “The City shall diversify its investments by security type and institution. With the exception of government and agency securities and the Wisconsin Investment Trust, no more than 10% of the City’s total investment portfolio will be invested in a single security type or no more than 10% shall be invested with a single financial institution, unless fully collateralized.”

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average investment balances. The difference between the bank 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, 2005, the fair value of the City’s share of the LGIP’s assets was substantially equal to the amount as reported in these financial statements.

See Note IV.A. for further information.

2. Receivables

Property taxes are levied in November on the assessed value as of the prior January 1. In addition to property taxes for the City, taxes are collected for and remitted to the state and county governments as well as the local school district and technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund balance sheet.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

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

2. Receivables (cont.)

Property tax calendar – 2005 tax roll:

Lien date and levy date	November 2005
Tax bills mailed	December 2005
Payment in full, or	
First installment due	January 31, 2006
Second installment due	March 31, 2006
Third installment due	May 31, 2006
Fourth installment due	July 31, 2006
Personal property taxes in full	January 31, 2006
Final settlement with County	August 15, 2006
Tax deed by County – 2005	
Delinquent real estate taxes	October 2008

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 of the Water and Wastewater Utilities has been made for those utilities because they have the right by law to place delinquent bills on the tax roll.

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 assets. 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 fund balance reserve account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation.

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.

It is the City’s policy to record deferred revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as designated fund balance in the fund financial statements.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

D. ASSETS, LIABILITIES, AND NET ASSETS 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, 2005 were determined by physical counts. Inventory amounts of governmental funds were offset by fund balance reserve amounts as they are not expendable available financial resources.

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. Such amounts are offset by fund balance reserve accounts in governmental 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 assets.

5. Capital Assets

Government–Wide Statements

In the government-wide financial statements, fixed assets are accounted for as capital assets. 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 one year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets' lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Prior to January 2002, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but not required until January 1, 2006, when GASB 34 requires the City to retroactively report all major general infrastructure assets acquired since January 1, 1980. For the year ended December 31, 2005, the City has retroactively reported all network infrastructure acquired by its governmental fund types except for the land value of the right-of-way under the City streets which has not yet been retroactively reported.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

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

5. Capital Assets (cont.)

Government–Wide Statements (cont.)

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 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 assets. Depreciation 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:

Buildings and Building Improvements	10-50 Years
Land Improvements	20 Years
Machinery and Equipment, including buses	3-25 Years
Infrastructure:	
Streets, Roads, and Bridges	30-50 Years
Sidewalks	20 Years
Sewer Lines	50 Years
Shoreline Walls	50 Years
Other	15-100 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

6. Other Assets

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

7. 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 the rate of eight hours per month of full-time service to a maximum of 150 days. Employees are not compensated for unused sick leave upon termination of employment, except upon retirement or death. Upon retirement or death, accumulated sick leave, to a maximum of 70 days, is paid to the employee or the estate. Only benefits considered to be vested are disclosed in these statements.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

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

7. Compensated Absences (cont.)

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, 2005 are determined on the basis of current salary rates and include salary related payments.

8. 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 debt consists primarily of notes and bonds payable, and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts (plus any premiums) are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

For the government-wide statements and proprietary fund statements, bond premiums and discounts are deferred and amortized over the life of the issue using the straight-line method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for both premiums/discounts and gains/losses, as applicable, is shown as an increase or decrease in the liability section of the statement of net assets.

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 approximately \$46,465,000 made up of nine issues.

9. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

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

10. Equity Classifications

Government–Wide Statements

Equity is classified as net assets and displayed in three components:

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets less any unspent debt proceeds.
- b. Restricted net assets – Consists of net assets 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 assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

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. Fund balance is further classified as reserved and unreserved. Reserved fund balance represents amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purposes. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

The nature and purpose of each of the City’s reserves and designations are explained as follows:

1. Reserve for subsequent year’s expenses/expenditures – These reserves represent carryovers of 2005 budget appropriations, restricted under contractual agreements, to be utilized for specific purposes in the 2006 budget as legally authorized by City resolution.
2. Reserve for debt service – This reserve represents amounts provided for future payment of principal and interest on obligations of the City.
3. Reserve for capital projects – This reserve represents fully appropriated and legally authorized funds for future capital projects.
4. Reserve for endowments – To account for the segregation of donated monies, which may not be spent. However, the income earned may be spent for specific purposes.
5. Reserve for inventories – This reserve is discussed in Note (I)D3.
6. Reserve for prepaid items – This reserve is discussed in Note (I)D3.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

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

10. Equity Classifications (cont.)

Fund Statements (cont.)

- 7. Reserve for non-current receivables – This reserve represents receivable amounts that do not constitute expendable available financial resources.
- 8. Reserve for advance to other funds – This reserve represents advance amounts that do not constitute expendable available financial resources.
- 9. Reserve for encumbrances – This reserve represents the estimated amount of expenditures ultimately to result if unperformed contracts and open purchase orders at year end are fulfilled.
- 10. Reserve for community development – This reserve represents amounts provided for and restricted for certain community development projects and activities.
- 11. Designated for subsequent year's expenditures – These amounts represent the amount of fund balances to be utilized in the 2006 budget as authorized by City resolution.

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 ASSETS***

The governmental fund balance sheet includes a reconciliation between *fund balance – total governmental funds* and *net assets – governmental activities* as reported in the government-wide statement of net assets. One element of that reconciliation explains that “other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds”. The details of this difference are as follows:

Deferred revenue-loans	\$ 8,346,222
Deferred revenue-donations	200,000
Deferred revenue-debt service	1,807,000
Deferred revenue-special assessments	<u>1,421,588</u>
Combined Adjustment for Long-Term Assets	<u>\$ 11,774,810</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET ASSETS (cont.)

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 assets. The details of the difference are as follows:

Bonds and notes payable	\$ (99,045,885)
Compensated absences	(3,347,254)
Arbitrage rebate liability	(50,000)
Capital leases payable	(246,913)
Unamortized debt issue costs	920,226
Accrued interest	<u>(202,306)</u>
Combined Adjustment for Long-Term Assets	<u>\$ (101,972,132)</u>

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 assets of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation explains that “the issuance of long-term debt (e.g., bonds, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of this difference are as follows:

Debt issued or incurred	
Issuance of general obligation bonds	\$ (16,080,000)
Principal repayments	
General obligation debt and capital leases	<u>12,526,087</u>
Net adjustment to decrease <i>net changes in fund balances - total governmental funds</i> to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (3,553,913)</u>

Another element of that reconciliation states that “Revenues in the statement of activities do not provide current financial resources and are not reported as revenues in the governmental funds”. The net adjustment to increase the changes in fund balance-total governmental funds to arrive at the changes in net assets governmental activities of \$200,000 represents a multi-year donation promised during the year.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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 (cont.)

Another element of that reconciliation states that “Governmental funds report the effects of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of the differences are as follows:

Debt issuance costs incurred	\$ 33,648
Premium received	(254,019)
Discount received	69,800
Amortization of issuance costs	(64,055)
Amortization of premium	67,635
Amortization of deferred charge	<u>(172,960)</u>
Net adjustment to increase <i>net changes in fund balances-total</i> governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (319,951)</u>

Another element of that reconciliation states that “Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.” The details of this difference are as follows:

Compensated absences	\$ 36,777
Accrued interest	<u>(3,839)</u>
Net adjustment to increase <i>net changes in fund balances-total</i> governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ 32,938</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	\$ (924,170)
Principal paid on debt service loans	(41,144)
Proceeds from sale of fixed assets	(145,891)
Special assessments collections	<u>(197,780)</u>
Net adjustment to decrease <i>net changes in fund balances-total</i> governmental funds to arrive at <i>changes in net assets of governmental activities</i>	<u>\$ (1,308,985)</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 assets governmental activities of \$1,091,602 represents the amount of economic development loans made during the year.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I.

The City adopted annual Governmental Fund budgets for the following funds:

General Fund	Debt Service Fund:
Special Revenue Funds:	Currently Due
CAR 25	Capital Project Funds:
Cemetery	Assessment Projects
State Asset Forfeiture	Intergovernmental Revenue Sharing
Harbor Commission	2005 Capital Projects
Federal Asset Forfeiture	
Public Safety Grants	
Library	
HAZMAT	
Recycling	

These budgets are adopted in accordance with State Statutes. The budgeted amounts presented include any amendments made. Appropriation lapse at year-end unless specifically carried over. Carryovers to the following year include items encumbered at year-end. Carryovers to the following year were \$2,183,514. 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 \$816,360.

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

The following appropriation units have an excess of actual expenditures over appropriations for the year ended December 31, 2005:

<u>Fund</u>	<u>Department</u>	<u>Appropriation Unit</u>	<u>Amount</u>	
General Fund	Assessors	Interdepartmental	\$ 130	
	City Clerk	Operating Expenditures	13,670	
	City Development	Salaries and Fringes	115	
	Human Resources	Interdepartmental	2	
	Emergency Services	Operating Expenditures	16,898	
	Mayor	Operating Expenditures	1,427	
	Municipal Judge	Operating Expenditures	730	
	Municipal Judge	Interdepartmental	4	
	Insurance	Operating Expenditures	61,428	
	Miscellaneous Classified	Operating Expenditures	5,133	
	Police	Capital Outlay	11,680	
	Police and Fire Commission	Operating Expenditures	6,699	
	Purchasing	Interdepartmental	356	
	Public Works	Salaries and Fringes	15,019	
	Debt Service Fund	Debt Service	Interest and Fiscal Charges	125,227

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

C. DEFICIT BALANCES

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

Special Revenue Funds

Recycling Program – The fund deficit of \$618,014 is the result of expenditures in excess of revenues received from the State of Wisconsin for this mandated program. The continued operation of this program is dependent upon funding through tax levy.

Tax Incremental Districts – The accumulated fund deficits of \$7,774,062 are the result of expenditures exceeding available bond proceeds and tax increments. In future years, these deficits are expected to be offset as incremental tax revenues are collected.

Capital Project Funds

City Projects – The fund deficit of \$1,419,545 is the result of expenditures for manhole reconstruction in excess of fees collected from customers. Revenues will be received from the Wastewater Utility in subsequent years to eliminate this deficit.

Assessment Projects – The fund deficit of \$117,064 is the result of expenditures for assessment projects in excess of special assessments collected. Revenues will be received from citizens in subsequent years to eliminate this deficit.

D. LIMITATIONS ON THE CITY'S TAX LEVY

As part of Wisconsin's Act 25 (2005), new legislation was passed that limits the City's future tax levies. Generally, the City is limited to its prior tax levy dollar amount (excluding TIF districts), increased by the greater of the percentage change in the City's equalized value due to new construction or 2%. Changes in debt service from one year to the next are generally exempt from this limit. The levy limit begins with the 2005 levy collected in 2006 and is set to expire after the 2006 levy.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

Total cash and investments in the basic financial statements consist of the following:

	Carrying Value	Bank Balance	Associated Risks
Demand deposits	\$ 23,869,877	\$ 14,749,270	Custodial credit
Savings deposits	19,082,934	19,083,934	Custodial credit
Certificates of deposit	21,494	21,494	Custodial credit
Petty cash	6,236	-	NA
Total cash	\$ 42,980,541	\$ 33,854,698	
Wisconsin Local Government Investment Pool	\$ 10,629,522		Credit, Interest Rate
Money market funds	220,431		Credit
Mutual funds-equities	2,134,165		Credit
Mutual funds-fixed income	2,146,647		Credit, Interest Rate
U.S. Government agency securities-Explicit	48,377,781		Custodial credit, Interest Rate
U.S. Government agency securities-Implicit	29,054,190		Credit, Custodial credit, Interest Rate, Concentration of credit
Total investments	92,562,736		
Total cash and investments	\$ 135,543,277		
Reconciliation to financial statements			
Per statement of net assets-Primary Government			
Cash and investments	\$ 71,926,007		
Restricted cash and investments	26,323,340		
Per statement of net assets-fiduciary funds	37,293,930		
	\$ 135,543,277		

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 for noninterest bearing accounts.

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

Investments in the Wisconsin Local Government Investment Pool are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC and State of Wisconsin Guarantee Fund insurance.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

A. DEPOSITS AND INVESTMENTS (cont.)

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, 2005 the City's carrying value of deposits was \$42,974,305, as compared to bank balances of \$33,854,698. Of the bank balances \$33,833,204 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. \$21,494 was uninsured as of December 31, 2005.

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, 2005 the City's carrying value of investments subject to custodial credit risk was \$77,431,971. Of this investment balance, all amounts were covered by securities held by an agency in the City's name. The City does not have a formal policy addressing this type of investment risk.

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, 2005 were rated Aa3 by both Standard & Poor's and Moody's Investor's Service. As of December 31, 2005, the balance in these types of investments was \$77,431,971. The City also invests in mutual funds, and the local government investment pool which are not rated.

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, 2005, 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 Home Loan Bank	U.S. government agency notes	12.40%
Federal National Mortgage Association	U.S. government agency notes and mortgage backed securities	28.29%
Federal Home Loan	U.S. government agency notes and mortgage backed securities	31.37%

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

A. DEPOSITS AND INVESTMENTS (cont.)

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, 2005 were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Weighted Average Maturity (days)</u>	<u>Duration (years)</u>
U.S. Government Agency-explicitly guaranteed	\$ 29,054,190.00		6.351
U.S. Government Agency-implicitly guaranteed	3,648,800.00	235	
U.S. Government Agency-implicitly guaranteed	44,728,981.00	180	
Local Government Investment pool	10,629,522.00	32	
Mutual Funds-fixed income	2,146,647.00		3.38

During 2005, the City experienced unrealized losses on investments in the amount of \$912,244 in the General Fund. This amount is included in investment income. It is the intent of the City to hold these investments to maturity.

B. RECEIVABLES

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

	<u>General Fund</u>	<u>Transit</u>	<u>Other Enterprise</u>	<u>Internal Service</u>	<u>Other Non Major</u>	<u>Total</u>
Accounts receivable	\$ 680,398	\$ 52,711	\$ 20,511	\$ 41,471	\$ 29,237	\$ 824,328
Delinquent personal property	83,672	-	-	-	-	83,672
Total Uncollectibles	<u>\$ 764,070</u>	<u>\$ 52,711</u>	<u>\$ 20,511</u>	<u>\$ 41,471</u>	<u>\$ 29,237</u>	<u>\$ 908,000</u>

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

	<u>General Fund</u>	<u>Other HUD</u>	<u>Other Non Major</u>	<u>Total</u>
Special assessments	\$ -	\$ -	\$ 1,187,891	\$ 1,187,891
Delinquent personal property taxes	96,079	-	-	96,079
Loans and notes	158,100	8,873,859	-	9,031,959
	<u>\$ 254,179</u>	<u>\$ 8,873,859</u>	<u>\$ 1,187,891</u>	<u>\$ 10,315,929</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

B. RECEIVABLES (cont.)

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

	Unavailable	Unearned	Total
Property taxes receivable	\$ -	\$ 41,458,683	\$ 41,458,683
Loans receivable	8,346,222	158,100	8,504,322
Special assessments not yet due	1,421,588	88,305	1,509,893
Interest on loans and advances	-	1,403,079	1,403,079
Due from enterprise for debt service	1,807,000	-	1,807,000
Donations receivable	200,000	-	200,000
Grant drawdowns prior to meeting all eligibility requirements	-	154,372	154,372
	-	154,372	154,372
Total Deferred/Unearned Revenue for Governmental Funds	\$ 11,774,810	\$ 43,262,539	\$ 55,037,349

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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, 2005:

	Water Utility	Wastewater Utility	Total
Bond redemption account	\$ 3,095,838	\$ 1,031,454	\$ 4,127,292
Bond reserve account	3,683,104	426,332	4,109,436
Bond depreciation account	785,621	982,006	1,767,627
Connection charges account (Note V.G.)	496,829	-	496,829
Improvement Fund	12,999,300	-	12,999,300
Equipment replacement account	-	2,973,406	2,973,406
Plant capacity receivable (Note V.F.)	-	47,066,864	47,066,864
	<hr/>	<hr/>	<hr/>
Total Restricted Assets	21,060,692	52,480,062	73,540,754
Less: Restricted assets not funded by revenues	16,682,404	426,332	17,108,736
Less: Liabilities payable from restricted assets	<hr/> 487,675	<hr/> 47,461,419	<hr/> 47,949,094
Restricted Net Assets	<hr/> <u>\$ 3,890,613</u>	<hr/> <u>\$ 4,592,311</u>	<hr/> <u>\$ 8,482,924</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2005 was as follows:

	Restated Beginning Balance	Additions	Deletions	Transfers	Ending Balance
Governmental Activities					
Capital assets not being depreciated					
Land	\$ 8,310,748	\$ -	\$ -	\$ -	\$ 8,310,748
Construction in progress	8,421,867	10,240,266	5,783,611	-	12,878,522
Total Capital Assets Not Being Depreciated	<u>16,732,615</u>	<u>10,240,266</u>	<u>5,783,611</u>	<u>-</u>	<u>21,189,270</u>
Capital assets being depreciated					
Land improvements	7,455,620	19,847	-	-	7,475,467
Buildings	29,141,820	1,342,905	37,050	-	30,447,675
Machinery and equipment	27,400,787	1,248,016	1,056,039	(58,150)	27,534,614
Roads, streets, and bridges	120,547,209	2,152,340	436,692	58,150	122,321,007
Sidewalks	44,871,532	832,338	63,225	-	45,640,645
Sewer lines	28,813,814	665,307	53,942	-	29,425,179
Shoreline walls	13,633,325	1,003,585	-	-	14,636,910
Other	2,829,305	120,986	-	-	2,950,291
Total Capital Assets Being Depreciated	<u>274,693,412</u>	<u>7,385,324</u>	<u>1,646,948</u>	<u>-</u>	<u>280,431,788</u>
Less: accumulated depreciation for					
Land improvements	3,468,711	352,230	-	-	3,820,941
Buildings	11,912,382	647,500	29,522	-	12,530,360
Machinery and equipment	18,372,347	2,904,186	981,714	(4,327)	20,290,492
Roads, streets, and bridges	53,733,532	3,599,603	421,708	4,327	56,915,754
Sidewalks	30,319,040	1,456,490	63,225	-	31,712,305
Sewer lines	13,270,208	612,967	53,942	-	13,829,233
Shoreline walls	3,161,320	337,685	-	-	3,499,005
Other	924,970	66,147	-	-	991,117
Total Accumulated Depreciation	<u>135,162,510</u>	<u>9,976,808</u>	<u>1,550,111</u>	<u>-</u>	<u>143,589,207</u>
Total Capital Assets being Depreciated, Net	<u>139,530,902</u>	<u>(2,591,484)</u>	<u>96,837</u>	<u>-</u>	<u>136,842,581</u>
Governmental Activities Capital Assets, Net	<u>\$ 156,263,517</u>	<u>\$ 7,648,782</u>	<u>\$ 5,880,448</u>	<u>\$ -</u>	<u>\$ 158,031,851</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$	260,162
Education and recreation		2,022,353
Public works, which includes infrastructure		7,036,084
Public safety		<u>658,209</u>
Total Governmental Activities Depreciation Expense	\$	<u>9,976,808</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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	\$ 3,594,554	\$ 106,521	\$ -	\$ 3,701,075
Construction in progress	69,522,464	22,949,314	65,474,492	26,997,286
Total Capital Assets Not Being Depreciated	<u>73,117,018</u>	<u>23,055,835</u>	<u>65,474,492</u>	<u>30,698,361</u>
Capital assets being depreciated				
Land improvements	10,427,452	24,866		10,452,318
Improvements other than buildings	132,184,070	6,535,979	453,382	138,266,667
Buildings	83,729,286	35,900,243	1,800	119,627,729
Machinery and equipment	57,996,139	23,480,863	785,821	80,691,181
Total Capital Assets Being Depreciated	<u>284,336,947</u>	<u>65,941,951</u>	<u>1,241,003</u>	<u>349,037,895</u>
Less: accumulated depreciation for				
Land improvements	2,416,430	305,111	-	2,721,541
Improvements other than buildings	43,196,210	1,992,642	453,382	44,735,470
Buildings	25,942,590	2,881,296	1,800	28,822,086
Machinery and equipment	22,890,315	3,982,729	695,631	26,177,413
Total Accumulated Depreciation	<u>94,445,545</u>	<u>9,161,778</u>	<u>1,150,813</u>	<u>102,456,510</u>
Total Capital Assets being Depreciated, Net	<u>189,891,402</u>	<u>56,780,173</u>	<u>90,190</u>	<u>246,581,385</u>
Business-Type Activities Capital Assets, Net	<u>\$ 263,008,420</u>	<u>\$ 79,836,008</u>	<u>\$ 65,564,682</u>	<u>\$ 277,279,746</u>

Depreciation expense was charged to functions as follows:

Business-Type Activities	
Water	\$ 2,523,677
Wastewater	3,858,542
Belle Urban Transit	1,031,244
Other	<u>1,748,315</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 9,161,778</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

E. INTERFUND RECEIVABLES/PAYABLES AND TRANSFERS

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

Receivable Fund	Payable Fund	Amount due Within One Year
General Fund	Enterprise Fund-Transit	\$ 2,747,028
General Fund	Enterprise Fund-Civic Center	178,823
General Fund	Capital Projects-City Projects	502,725
General Fund	Special Revenue-Public Safety Grants	62,726
General Fund	Special Revenue-Recycling	611,303
General Fund	Special Revenue-Health	25,040
General Fund	Special Revenue-Other HUD	469,109
General Fund	Special Revenue-Harbor Commission	4,300
General Fund	Special Revenue-Other	12,000
General Fund	Internal Service-Building Complex	57,537
General Fund	Wastewater Utility	35,894
General Fund	Water Utility	1,682,002
Debt Service Fund	Water Utility	3,700
Debt Service Fund	Wastewater Utility	4,137
Wastewater Utility	Capital Projects-City Projects	2,710,642
Wastewater Utility	Water Utility	1,489,242
Wastewater Utility	General Fund	1,131,079
Water Utility	Wastewater Utility	583,522
Water Utility	General Fund	2,145,371
Capital Projects-City Projects	Water Utility	646,024
Internal Service Fund-Equipment Maint.	Water Utility	7,230
Internal Service Fund-Equipment Maint.	Wastewater Utility	994
Internal Service Fund-Health Insurance	Water Utility	33,262
Internal Service Fund-Telephone	Water Utility	862
Internal Service Fund-Telephone	Wastewater Utility	400
Special Revenue-Other	Water Utility	5,188
Subtotal-Fund Financial Statements		15,150,140
Less: Fund eliminations		(3,817,505)
Less: Government-wide eliminations		(11,974,184)
		\$ (641,549)

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

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

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

The general fund is advancing funds to various Tax Incremental Financing (TIF) Districts and the Golf Course. The amount advanced to the TIF Districts is determined by the deficiency of revenues over expenditures and other financing sources since the district's inception. The General Fund is charging the Golf Course interest at 6% and repayment schedules have been established for these amounts. The General Fund is charging the TIF Districts interest at the City's blended investment rate. No repayment schedules have been established for the advances to the TIF Districts. 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.

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Due Within One Year
General Fund	Tax Increment District # 3	\$ 573,683	\$ -
General Fund	Tax Increment District # 5	223,731	-
General Fund	Tax Increment District # 6	4,652,494	-
General Fund	Tax Increment District # 7	197,978	-
General Fund	Tax Increment District # 8	1,371,722	-
General Fund	Golf Courses Enterprise Fund	412,013	84,559
Debt Service Fund	Wastewater Utility	853,125	21,000
Debt Service Fund	Water Utility	953,875	23,480
City Projects Fund	Storm Water Utility	999,481	52,793
Special Assessment Fund	Tax Increment District # 8	<u>754,454</u>	-
Subtotal-Fund financial statements		10,992,556	<u>\$ 181,832</u>
Less: fund eliminations		<u>(7,774,062)</u>	
Total advance to other funds-government-wide statements		<u>\$ 3,218,494</u>	

Repayment schedules for advances with an established payment schedule follow:

	Golf Course	Storm Water Utility	Water Utility	Wastewater Utility
2006	107,401	97,770	72,767	65,081
2007	107,401	97,770	74,023	66,204
2008	107,401	97,770	75,366	67,406
2009	107,401	97,770	76,552	68,466
2010	42,912	97,770	78,053	69,809
2011-2024	<u>-</u>	<u>879,923</u>	<u>1,156,246</u>	<u>1,034,122</u>
Sub-total	472,516	1,368,773	1,533,007	1,371,088
Amount representing interest	<u>(60,503)</u>	<u>(369,292)</u>	<u>(579,132)</u>	<u>(517,963)</u>
	<u>\$ 412,013</u>	<u>\$ 999,481</u>	<u>\$ 953,875</u>	<u>\$ 853,125</u>

For the statement of net assets, 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
December 31, 2005

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

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

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount
General Fund	Special Revenue-Other	\$ 58,983
General Fund	Permanent	28,699
General Fund	Water	1,828,347
General Fund	Wastewater	1,633,055
Refunding	Debt Service	50,000
Debt Service Fund	Capital Projects-2005	8
Debt Service Fund	Special Revenue-TIF	1,895,798
Debt Service Fund	Capital Projects-TIF #9	512,125
Debt Service Fund	Capital Projects-TIF #10	120,089
Debt Service Fund	Refunding	8,622
Capital Projects-Assessment Projects	Special Revenue-Special Assessment	802,043
Capital Projects-City Projects	Capital Projects-2003	140,000
Capital Projects-City Projects	Capital Projects-2005	1,000,000
Enterprise-Transit	Capital Projects-2004	169,993
Enterprise-Transit	Capital Projects-2005	194,572
Enterprise-Parking	Capital Projects-2005	160,813
Internal Service-Health Insurance	General Fund	2,553,796
Internal Service-Information Systems	Capital Projects-2004	193,616
Internal Service-Information Systems	Capital Projects-2005	64,933
Special Revenue-Other	Enterprise	103,024
Special Revenue-Other Public Safety	General Fund	5,309
Special Revenue-Other	Special Revenue-Other	5,324
Special Revenue-CAR 25	Special Revenue-Other	20,670
Special Revenue-HAZMAT	Special Revenue-Other Public Safety	291,320
Special Revenue-State Asset Forfeiture	Special Revenue-Other Public Safety	24,905
Special Revenue-Federal Asset Forfeiture	Special Revenue-Other Public Safety	129,448
Special Revenue-Health	Special Revenue-HUD	32,537
Special Revenue-Public Safety	General Fund	2,124
Special Revenue-Other	Special Revenue-HUD	32,355
Subtotal-fund financial statements		12,062,508
Less: Fund eliminations		(7,972,705)
Add: Government-wide eliminations		(1,194,014)
		<u>\$ 2,895,789</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

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

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2005 was as follows:

	Beginning Balance (Restated)	Increases	Decreases	Ending Balance	Amounts Due Within One Year
GOVERNMENTAL ACTIVITIES					
General obligation					
bonds and notes payable	\$ 95,677,750	\$ 16,080,000	\$ 12,450,000	\$ 99,307,750	\$ 11,671,125
Add/(subtract)					
Deferred Amounts For:					
(Discounts)/Premiums	630,482	184,219	67,635	747,066	-
Refundings-Gains/(Loss)	(1,181,891)	-	(172,960)	(1,008,931)	-
Sub-total	<u>95,126,341</u>	<u>16,264,219</u>	<u>12,344,675</u>	<u>99,045,885</u>	<u>11,671,125</u>
Other Liabilities					
Vested compensated absences	3,384,032	288,557	283,026	3,389,563	246,507
Capital leases	323,000	-	76,087	246,913	79,115
Arbitrage rebate	50,000	-	-	50,000	50,000
Total Other Liabilities	<u>3,757,032</u>	<u>288,557</u>	<u>359,113</u>	<u>3,686,476</u>	<u>375,622</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 98,883,373</u>	<u>\$ 16,552,776</u>	<u>\$ 12,703,788</u>	<u>\$ 102,732,361</u>	<u>\$ 12,046,747</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

F. LONG-TERM OBLIGATIONS (cont.)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
BUSINESS-TYPE ACTIVITIES					
Bonds and Notes Payable					
Revenue bonds	\$ 155,384,884	\$ 12,705,754	\$ 22,467,514	\$ 145,623,124	\$ 7,535,617
Add/(Subtract) Deferred Amounts For (Discounts)/Premiums	840,435	-	44,316	796,119	-
Refundings - Gains/(Losses)	<u>(317,562)</u>	-	<u>(73,898)</u>	<u>(243,664)</u>	-
Sub-total	<u>155,907,757</u>	<u>12,705,754</u>	<u>22,437,932</u>	<u>146,175,579</u>	<u>7,535,617</u>
Other Liabilities					
Vested compensated absences	<u>980,292</u>	<u>48,576</u>	<u>8,452</u>	<u>1,020,416</u>	<u>31,310</u>
Total Other Liabilities	<u>980,292</u>	<u>48,576</u>	<u>8,452</u>	<u>1,020,416</u>	<u>31,310</u>
Total Business-Type Activities					
Long-Term Liabilities	<u>\$ 156,888,049</u>	<u>\$ 12,754,330</u>	<u>\$ 22,446,384</u>	<u>\$ 147,195,995</u>	<u>\$ 7,566,927</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, 2005, was \$178,629,305. Total general obligation debt outstanding at year end was \$99,307,750.

Debt Refunding

During 2005, the City issued \$6,980,000 of general obligation refunding bonds with an interest rate ranging from 3.50-4.75% to current refund the \$7,100,000 of General Obligation Promissory Notes dated 7/15/05.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

<u>Type/Series</u>	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance Outstanding 12/31/2005</u>
General Obligation Bonds					
1987	11/ 01/87	11/01/07	7.0-8.7%	\$ 5,012,875	\$ 1,037,750
2001	4/15/01	04/15/11	4.00-4.63	5,205,000	2,895,000
2003	11/1/03	11/01/23	2.00-5.70	16,895,000	16,250,000
2003	11/1/03	11/01/17	2.00-5.00	7,900,000	7,485,000
2003	7/15/03	07/15/18	2.00-4.90	8,650,000	7,850,000
2003	7/15/03	07/15/18	2.75-4.20	22,755,000	22,755,000
2004	11/5/04	11/05/19	2.00-5.25	6,880,000	6,250,000
2005	10/15/05	12/01/19	3.50-4.75	6,980,000	6,980,000
				<u>80,277,875</u>	<u>71,502,750</u>
General Obligation Promissory Notes					
2002	11/1/02	11/01/11	2.00-4.00	9,000,000	7,530,000
				<u>9,000,000</u>	<u>7,530,000</u>
Tax Incremental General Obligation Debt					
1991 (Tif #6)	10/01/91	10/01/11	5.00-7.00	3,945,000	250,000
1993 (Tif #7)	06/01/93	06/01/12	5.40-7.00	6,140,000	4,225,000
1993 (Tif #8)	06/01/93	06/01/12	5.40-7.00	6,065,000	4,185,000
2002 (Tif #9)	02/15/02	02/15/21	3.00-5.10	6,105,000	5,615,000
2003 (Tif #10)	7/30/03	7/30/06	2.50	2,000,000	2,000,000
2004 (Tif #10)	08/24/04	08/24/06	2.50	2,000,000	2,000,000
2005 (Tif #11)	6/30/05	6/30/06	3.75	2,000,000	2,000,000
				<u>28,255,000</u>	<u>20,275,000</u>
Total Governmental Activities - General Obligation Debt				<u>\$ 117,532,875</u>	<u>\$ 99,307,750</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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		
	Principal	Interest	Total
2006	\$ 11,671,125	\$ 4,393,118	\$ 16,064,243
2007	5,706,625	3,932,081	9,638,706
2008	5,595,000	3,705,560	9,300,560
2009	5,800,000	3,480,164	9,280,164
2010 – 2014	30,830,000	13,399,086	44,229,086
2015 – 2019	32,860,000	6,007,229	38,867,229
2020 – 2023	6,845,000	772,930	7,617,930
Totals	\$ 99,307,750	\$ 35,690,168	\$ 134,997,918

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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, 2005 consists of the following:

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance 12/31/05</u>
<u>Water Utility</u>					
Mortgage Revenue Bonds	02/1/1995	2/1/15	5.90-6.60	\$ 5,000,000	\$ 355,000
Safe Drinking Water Loan	02/10/1999	2/10/18	2.64	12,594,655	8,930,131
Mortgage Revenue Bonds	10/1/2001	10/1/21	3.50-5.25	11,460,000	10,565,000
Mortgage Revenue Bonds	04/15/2001	4/15/21	4.00-5.38	6,235,000	5,500,000
Safe Drinking Water Loan	2004	05/01/24	2.365	6,099,063	14,882,948
Mortgage Revenue Bonds	11/1/2004	09/01/24	2.50-5.00	<u>22,140,000</u>	<u>22,140,000</u>
Total Water Utility				<u>63,528,718</u>	<u>62,373,079</u>
<u>Wastewater Utility</u>					
State Cleanwater Fund Loans	04/27/1994	4/27/13	3.19	2,701,745	1,335,693
State Cleanwater Fund Loans	03/26/1997	3/26/16	3.00	1,158,993	748,614
State Cleanwater Fund Loans	05/27/1999	5/27/18	2.64	854,147	604,261
State Cleanwater Fund Loans	11/1/1999	11/1/19	2.64	797,249	605,381
State Cleanwater Fund Loans	09/27/2000	9/27/20	2.97	802,113	645,646
State Cleanwater Fund Loans	04/10/2002	4/10/21	2.75	4,073,012	3,583,482
State Cleanwater Fund Loans	07/24/2002	7/24/21	2.86	17,943,748	16,503,389
State Cleanwater Fund Loans	11/27/2002	11/27/22	2.87	60,724,848	58,193,579
Refunding Revenue Bonds	11/5/2004	12/15/08	2.5-3.0	<u>1,420,000</u>	<u>1,030,000</u>
Total Wastewater Utility				<u>90,475,855</u>	<u>83,250,045</u>
Total Business-Type Revenue Debt				<u>\$ 154,004,573</u>	<u>\$ 145,623,124</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Debt service requirements to maturity are as follows:

<u>Years</u>	Business-Type Activities General Obligation Debt		
	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2006	\$ 7,535,617	\$ 4,653,366	\$ 12,188,983
2007	7,754,957	4,430,896	12,185,853
2008	7,768,333	4,190,637	11,958,970
2009	7,800,858	3,951,968	11,752,826
2010	7,707,647	3,711,059	11,418,706
2011-2015	41,833,184	14,720,412	56,553,596
2016-2020	43,216,057	7,653,490	50,869,547
2021-2025	22,006,471	1,309,403	23,315,874
	<u>\$ 145,623,124</u>	<u>\$ 44,621,231</u>	<u>\$ 190,244,355</u>

Arbitrage Rebate Liability

The City has issued tax-exempt general obligation debt that is subject to arbitrage regulations. City management has reviewed the arbitrage regulations and believes that the potential for an arbitrage rebate liability exists. The City has engaged a third party to review the activity related to its debt issues and calculate the amount of any liability. As of December 31, 2005, the third party has not completed their analysis of the debt issues. Accordingly, the City has recorded \$50,000 as an estimated arbitrage rebate liability.

Other Debt Information

Estimated payments of compensated absences 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.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The City believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

During 2002, the Wastewater Utility was approved to borrow \$84,246,903 of State of Wisconsin Clean Water Fund loans for use in connection with the construction of the Wastewater Utility plant. At December 31, 2005, \$82,741,608 was drawn down on these loans and is included in long-term debt of the Utility with interest rates ranging from 2.75% to 2.867%.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

F. LONG-TERM OBLIGATIONS (cont.)

PRIOR-YEAR DEFEASANCE OF DEBT

In prior years, the City 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, 2005, \$10,995,000 of bonds outstanding is considered defeased. The bonds are callable from December 1, 2006 to December 1, 2011.

In prior years, the Water Utility defeased certain mortgage revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old rates and bonds. Accordingly, the trust account assets and the liability for the defeased rates and bonds are not included in the Water Utility's financial statements. At December 31, 2005, \$3,385,000 of bonds outstanding is considered defeased. The bonds are callable on September 1, 2007.

In prior years, the Wastewater Utility defeased certain mortgage revenue bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old rates and bonds. Accordingly, the trust account assets and the liability for the defeased rates and bonds are not included in the Wastewater Utility's financial statements. At December 31, 2005, \$1,090,000 of bonds outstanding is considered defeased. The bonds are callable from November 1, 2005 to November 1, 2008.

Deferred Amount on Refunding

Deferred amounts on refunding arise from advance refunding of debt. The difference between the cost of the securities placed in trust for future payment of refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deduction from debt payable in the government-wide and proprietary fund statements. Amortization for 2005 was \$73,898 for the Business type activities and \$172,960 for the Governmental activities.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS

December 31, 2005

DETAILED NOTES ON ALL FUNDS (cont.)

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 \$39,533 in 2005.

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

2006	\$	35,000
2007		35,000
2008		35,000
2009		35,000
2010		35,000
Thereafter		<u>1,435,000</u>
	\$	<u>1,610,000</u>

During 2004, the City entered into a capital lease for the purchase of computer equipment. The lease expires on September 9, 2008 and bears interest at 3.94%. At December 31, 2005 the equipment has a cost of \$325,511 and accumulated depreciation of \$97,653.

Future minimum payments for the remaining years under the lease:

2006	\$	88,072
2007		88,071
2008		<u>88,071</u>
		264,214
Less: Amount representing Interest		<u>(17,301)</u>
	\$	<u>246,913</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

H. NET ASSETS

Net assets reported on the government wide statement of net assets at December 31, 2005 includes the following:

Governmental Activities

Invested in capital assets, net of related debt	
Capital assets, net of accumulated depreciation	\$ 158,031,521
Less: related long-term debt outstanding	(72,227,652)
Plus: funds borrowed but not spent	<u>5,619,062</u>
Total Invested in Capital Assets, Net of Related Debt	<u>91,422,931</u>
Restricted for	
Debt service	1,130,447
Permanent Funds	
Nonexpendable	2,008,500
Expendable	1,393,584
HUD loan program	<u>10,388,783</u>
Total Restricted	<u>14,921,314</u>
Unrestricted	<u>15,870,976</u>
Total Governmental Activities Net Assets	<u>\$ 122,215,221</u>

Business-Type Activities

Invested in capital assets, net of related debt	
Other Capital assets, net of accumulated depreciation	\$ 277,279,746
Less: related long-term debt outstanding	(141,822,344)
Plus: debt restricted assets	<u>16,600,131</u>
Total Invested in Capital Assets, Net of Related Debt	<u>152,057,533</u>
Restricted for (See Note IV C for details)	
Water	3,890,613
Wastewater	<u>4,592,311</u>
Total Restricted	<u>8,482,924</u>
Unrestricted	<u>9,856,061</u>
Total Net Assets	<u>\$ 170,396,518</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

I. COMPONENT UNIT

This report contains the Downtown Racine Business Improvement District #1 (BID) and the Racine Redevelopment Authority, which are included as component units. Financial information is presented as a discrete column in the statement of net assets 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, 2005, the Redevelopment Authority has an advance from the City's economic development fund in the amount of \$450,000. There has been no amortization schedule established.

c. Cash and Investments

At December 31, 2005, the carrying value and bank balance of the Redevelopment Authority's deposits are \$4,100. Of that balance \$0 was covered by federal depository insurance.

d. Capital Assets

The Authority's capital assets are defined as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if actual amounts are not available. 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. The Authority's capital assets at December 31, 2005 consist of land and buildings that are being held for resale and are therefore not depreciable.

At December 31, 2005 the Authority had capital assets with a cost of \$1,196,496.

e. Long-term Liabilities

At December 31, 2005, the Redevelopment Authority has an advance payable to the City's economic development fund in the amount of \$450,000. There has been no amortization schedule established.

At December 31, 2005, the Authority has a three mortgages payable in the amount of \$300,000 each, due in full in 2008. Interest is due quarterly at a rate of 6%.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

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

I. COMPONENT UNIT (CONT.)

DOWNTOWN RACINE BUSINESS IMPROVEMENT DISTRICT #1 (BID)

a. Basis of Accounting/Measurement Focus

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

b. Transactions with the Primary Government

At December 31, 2005, the BID has a receivable of \$173,550 from the City's tax collection fund for a portion of the 2004 annual assessment and the entire subsequent year's annual assessment.

c. Cash and Investments

At December 31, 2005, the carrying value and bank balance of the BID's deposits are \$16,531. Of that balance \$16,531 was covered by federal depository insurance.

d. Capital Assets

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

At December 31, 2005 the District had capital assets with a cost of \$12,792 and accumulated depreciation of \$2,292. The District's net book value of capital assets was \$10,500.

J. RESTATEMENT OF NET ASSETS

Net assets of the governmental activities has been restated as a result of a recalculation of the City's vested compensated absences and an overstatement of the City's construction in progress.

Governmental Activities

Net assets - December 31, 2004 (as reported)	\$ 122,252,387
Adjustment to vested compensated absences	502,551
Adjustment to construction in progress	<u>(341,736)</u>
Net assets - January 1, 2005 (as restated)	<u>\$ 122,413,202</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible City employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 5.8% of their salary (2.8% for Executives and Elected Officials, 4.9% for Protective Occupations with Social Security, and 3.3% for Protective Occupations without Social Security) to the plan. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for City employees covered by the system for the year ended December 31, 2005 was \$47,581,377; the employer's total payroll was \$48,929,171. The total required contribution for the year ended December 31, 2005 was \$5,548,811 or 11.7 percent of covered payroll. Of this amount, 100 percent was contributed by the employer for the current year. Total contributions for the years ending December 31, 2004 and 2003 were \$5,356,178 and \$4,924,511 respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

B. 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, 2005. 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.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE V – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (CONT.)

Self Insurance

For health care claims, the uninsured risk of loss is \$25,000 per incident and \$1,000,000 in the aggregate 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.

For workers compensation claims, the uninsured risk of loss is \$250,000 per incident and \$750,000 in the aggregate 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>Prior Year</u>	<u>Current Year</u>
Unpaid claims – Beginning of Year	\$ 1,160,000	\$ 1,290,000
Current year claims and changes in estimates	12,327,191	13,031,253
Claim payments	<u>12,197,191</u>	<u>12,581,253</u>
 Unpaid Claims – End of Year	 <u>\$ 1,290,000</u>	 <u>\$ 1,740,000</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE V – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Public Entity Risk Pool

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

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

The CVMIC is a municipal mutual insurance company established on September 19, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the cities and villages which make up the membership of the WMIC.

The WMIC provided for the capitalization of the CVMIC through the issuance of \$28,645,000 of WMIC revenue bonds, dated November 11, 1987 and refinanced on December 15, 1997 in the amount of \$22,800,000. The bonds are due in varying installments starting in 1998 and ending in 2007. Interest rates vary from 5.74% to 6.47%. The underlying security for the revenue bonds are general obligation bonds of each of the cities and villages participating in the enterprise. Each city and village assumed a proportionate share of the revenue bond obligation and delivered its general obligation bond in that proportionate amount to the WMIC. The principal and interest payments made by each municipality to the WMIC on its general obligation bond provides the revenue stream to make the principal and interest payments on the WMIC revenue bonds.

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. The City's share of such losses is approximately 11.85%.

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.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
December 31, 2005

NOTE V – OTHER INFORMATION (cont.)

B. RISK MANAGEMENT (cont.)

Public Entity Risk Pool (cont.)

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

The City shows the general obligation bond that it owes to WMIC in the governmental activities column of government-wide statement of net assets in the amount of \$1,037,750.

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 \$175,000 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, 2005. A total liability of approximately \$1,086,987 at December 31, 2005 was recorded as claims payable in the governmental activities column of government-wide statement of net assets. Changes in the fund's claims loss liability follow:

	Beginning Balance	Incurred Claims	Claims Paid/ Settled	Ending Balance
2004	\$ 849,255	\$ 769,172	\$ 703,476	\$ 914,951
2005	914,951	653,347	481,311	1,086,987

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 2005, the TMI is protected by a \$1,250,000 self-insurance policy. In addition to the TMI protection, the City of Racine, combined with other members of Wisconsin Municipal Transit Insurance Commission, are covered by a \$5,000,000 excess insurance policy issued by General Reinsurance Corporation effective January 1, 2005 through January 1, 2006.

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

Initial contributions are determined in advance of each membership year. The board of directors may require that supplemental contributions be made by members to ensure adequate funds are available to meet the obligations applicable to the membership year. Members have a contractual obligation to fund any deficit attributable to a membership year during which they were a member. The City's share of this joint venture is 7.69%. A list of the other members is available in the TMI report, which is available from: Transit Mutual Insurance Corporation of Wisconsin, P.O. Box 1772, Appleton, WI 54912-1772.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

NOTE V – OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the City Attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position.

The City has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

The City borrowed for the purpose of making various capital improvements. These monies as well as other revenue sources are reflected in the capital projects funds. Work that has been completed but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures. The balance of contract amounts plus open purchase orders is \$3,914,301.

During the year, the Water Utility entered into contract agreements with various companies to perform professional services and construction activities. At December 31, 2005, contracts with these entities totaled \$25,956,241 of which \$18,783,284 was paid and \$7,172,957 is committed for future services to be performed.

The Transit System entered into an agreement for architect services for the Transit Center Depot. The total amount of the contract is \$209,546. Services completed as of December 31, 2005 are \$209,546. The Transit System also signed an agreement for construction services for the Transit Center. The total amount of the contract is \$1,412,478. Services completed as of December 31, 2005 are \$1,214,377.

D. OTHER POSTEMPLOYMENT BENEFITS

The City provides post employment health care and life benefits to retired employees and their dependents. The benefits can vary, depending upon the age and years of service of the retiree. Depending on the union contract, the City pays 100 percent of the health care costs for employees who retire with a combination of age and years of service between 75 and 80 years. The City also pays 100 percent of the Medicare premiums for those individuals. Life insurance premiums are paid to age 65 for those individuals who retire prior to age 65 and qualify as defined above. At December 31, 2005, the City had 721 retirees who received full health care coverage. In addition, 39 retirees who pay a percentage of their health care costs were covered under this benefit.

The City finances the plan on a "pay as you go basis". The total cost in fiscal year 2005 was \$7,033,233 which includes health care, Medicare premiums and life insurance premiums. Employee contributions totaled \$182,232.

E. ECONOMIC DEPENDENCY

The Water Utility had one major customer with sales of approximately \$3.0 million that accounted for 21% of the Utility's gross sales.

The Wastewater Utility had one major customer with sales of approximately \$1.6 million that accounted for 13% of the Utility's gross sales.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS December 31, 2005

NOTE V – OTHER INFORMATION (cont.)

F. INTERMUNICIPAL AGREEMENT

On April 25, 2002, the City of Racine, its Wastewater Commission, the Town of Mt. Pleasant and its Wastewater Utility, and the Town of Caledonia and its Wastewater Utility entered into an area-wide sewer service, revenue sharing, cooperation and settlement agreement. The Village of Sturtevant and North Park Utility also signed the Agreement in early May, 2002. This agreement will result in expansion of the City's wastewater plant to provide sewer service to serve new growth in the outlying communities, out to and two miles beyond I-94. Financing of the project is divided into deficiency work and new growth work. The costs of deficiency work will be shared among the communities through sewer rates, and the costs of new growth work will be paid based on capacity allocations as requested and agreed on by each party. As a result, City residents will pay for only a small portion of the new growth work while those communities that will receive growth will pay the vast majority of the new growth work. In addition, revenue sharing included as part of the agreement will provide an income stream to the City for a period of 30 years. It is based on a formula incorporating equalized value, population and municipal budgets. The City will receive approximately \$74,000,000 from the outlying communities over the period of 30 years, based on growth projections. In addition, the parties agreed to a transfer of Wastewater Utility reserve funds to the City, to the extent available, to complete the payoff of the value of assets transferred from the City to the Utility, and to compensate the City for provision of library, zoo and museum services that also benefit the outlying communities. The transfer of assets payment will be \$660,000 per year until paid off, in the year 2007, and an additional amount of approximately \$900,000 per year for the other elements, which will increase by 3% per year through 2007 with no increases in subsequent years. It is anticipated that utility reserves can support these payments for a period of at least 23 years. The agreement is for a period of 50 years and provides conditions for adding new territory and parties. For any such addition, the revenue sharing period would start fresh and continue for a full 30 year term. This agreement will result in enhanced cooperation among municipalities in this area and should provide a solid base for growth that will result in benefits to all parties.

In 2005, the wastewater plant expansion was complete and the Wastewater Utility accounts receivable and deferred revenue were recognized for the plant capacity allocated to the participating municipalities in the amount of \$49,065,215.

G. INTERGOVERNMENTAL RETAIL WATER SERVICE AGREEMENT

The Racine Water Utility entered into an intergovernmental retail water service agreement with the Village of Mount Pleasant. 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 Village that will directly and substantially serve future growth and development. Costs to remedy existing deficiencies in the water system may be recovered through the water sales.

The contract connection charges are deposited in an interest bearing segregated account and are restricted to pay future growth costs. Contract connection charges are recorded as revenue when received.

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**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

CITY OF RACINE
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 December 31, 2005

	Special Revenue Funds				
	Other Public Safety	Public Safety Grants	HAZMAT	State Asset Forfeiture	Federal Asset Forfeiture
ASSETS					
Cash and investments	\$ 225,670	\$ 2,787	\$ 286,787	\$ 22,467	\$ 81,537
Receivables					
Property taxes	-	48,650	-	-	-
Special assessment - tax roll	-	-	-	-	-
Special assessment	-	-	-	-	-
Accounts	-	-	-	-	-
Due from other funds	-	-	-	-	-
Due from other governments	108,864	-	-	-	-
Advances to component unit	-	-	-	-	-
Advances to other funds	-	-	-	-	-
TOTAL ASSETS	\$ 334,534	\$ 51,437	\$ 286,787	\$ 22,467	\$ 81,537
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 26,063	\$ -	\$ -	\$ -	\$ -
Accrued liabilities	75	2,787	1,403	-	-
Due to other funds	62,726	-	-	-	-
Due to other governments	6,672	-	-	-	-
Deferred revenues	28,646	-	-	-	-
Deferred property tax revenue	-	48,650	-	-	-
Total Liabilities	<u>124,182</u>	<u>51,437</u>	<u>1,403</u>	<u>-</u>	<u>-</u>
Fund Balances					
Reserved					
Encumbrances	7,864	-	45,255	-	-
Endowments	-	-	-	-	-
Capital projects	-	-	-	-	-
Advances	-	-	-	-	-
Unreserved					
Designated for subsequent years expenditures	-	-	-	7,000	51,770
Undesignated (deficit)	202,488	-	240,129	15,467	29,767
Total Fund Balances	<u>210,352</u>	<u>-</u>	<u>285,384</u>	<u>22,467</u>	<u>81,537</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 334,534	\$ 51,437	\$ 286,787	\$ 22,467	\$ 81,537

CITY OF RACINE
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 December 31, 2005

Special Revenue Funds

Special Assessments	Economic Development	Other Cemetery	Cemetery	Municipal Court	Trusts	Other	Harbor Commission	Library
\$ 1,761,861	\$ 136,909	\$ 1,304,595	\$ 1,227,221	\$ -	\$ 1,784,600	\$ 284,010	\$ 47,112	\$ 623,205
-	-	-	207,768	47,849	-	-	-	2,060,768
322,002	-	-	-	-	-	-	-	-
1,187,891	-	-	-	-	-	-	-	-
-	-	-	973	-	-	23,848	29,789	-
-	-	-	-	-	-	5,188	-	-
-	-	-	-	-	-	-	-	-
-	450,000	-	-	-	-	-	-	-
754,454	-	-	-	-	-	-	-	-
<u>\$ 4,026,208</u>	<u>\$ 586,909</u>	<u>\$ 1,304,595</u>	<u>\$ 1,435,962</u>	<u>\$ 47,849</u>	<u>\$ 1,784,600</u>	<u>\$ 313,046</u>	<u>\$ 76,901</u>	<u>\$ 2,683,973</u>
\$ -	\$ -	\$ 5,080	\$ 32,886	\$ -	\$ -	\$ 24,732	\$ 1,025	\$ 28,400
74,360	-	-	3,273	-	-	-	10,142	83,533
-	-	-	-	-	-	12,000	4,300	-
-	-	-	-	-	-	131	-	-
1,509,893	-	-	-	-	-	263	-	-
-	-	-	207,768	47,849	-	-	-	2,060,768
<u>1,584,253</u>	<u>-</u>	<u>5,080</u>	<u>243,927</u>	<u>47,849</u>	<u>-</u>	<u>37,126</u>	<u>15,467</u>	<u>2,172,701</u>
-	1,037	-	62,450	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	33,231	-
754,454	450,000	-	-	-	-	-	-	-
-	-	-	68,600	-	-	-	-	96,120
1,687,501	135,872	1,299,515	1,060,985	-	1,784,600	275,920	28,203	415,152
<u>2,441,955</u>	<u>586,909</u>	<u>1,299,515</u>	<u>1,192,035</u>	<u>-</u>	<u>1,784,600</u>	<u>275,920</u>	<u>61,434</u>	<u>511,272</u>
<u>\$ 4,026,208</u>	<u>\$ 586,909</u>	<u>\$ 1,304,595</u>	<u>\$ 1,435,962</u>	<u>\$ 47,849</u>	<u>\$ 1,784,600</u>	<u>\$ 313,046</u>	<u>\$ 76,901</u>	<u>\$ 2,683,973</u>

CITY OF RACINE
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 December 31, 2005

	Special Revenue Funds			Capital Project Funds		
	Recycling	Health	CAR 25	TIF #9	TIF #10	TIF #11
ASSETS						
Cash and investments	\$ -	\$ 182,687	\$ 6,881	\$ 1,084,749	\$ 1,184,696	\$ 703,575
Receivables						
Property taxes	973,020	-	-	756,832	-	-
Special assessment - tax roll	-	-	-	-	-	-
Special assessment	-	-	-	-	-	-
Accounts	-	-	74	-	-	292
Due from other funds	-	-	-	-	-	-
Due from other governments	-	42,069	-	-	549,810	-
Advances to component unit	-	-	-	-	-	-
Advances to other funds	-	-	-	-	-	-
TOTAL ASSETS	\$ 973,020	\$ 224,756	\$ 6,955	\$ 1,841,581	\$ 1,734,506	\$ 703,867
LIABILITIES AND FUND BALANCES						
Liabilities						
Accounts payable	\$ 246	\$ 44,289	\$ -	\$ 1,930	\$ 93,142	\$ 9,495
Accrued liabilities	6,465	22,495	1,407	-	-	1,695
Due to other funds	611,303	25,040	-	-	-	-
Due to other governments	-	-	-	-	-	-
Deferred revenues	-	125,463	-	-	-	-
Deferred property tax revenue	973,020	-	-	756,832	-	-
Total Liabilities	<u>1,591,034</u>	<u>217,287</u>	<u>1,407</u>	<u>758,762</u>	<u>93,142</u>	<u>11,190</u>
Fund Balances						
Reserved						
Encumbrances	-	336	-	6,677	57,839	-
Endowments	-	-	-	-	-	-
Capital projects	-	-	-	1,076,142	1,583,525	692,677
Advances	-	-	-	-	-	-
Unreserved						
Designated for subsequent years expenditures	-	-	-	-	-	-
Undesignated (deficit)	(618,014)	7,133	5,548	-	-	-
Total Fund Balances	<u>(618,014)</u>	<u>7,469</u>	<u>5,548</u>	<u>1,082,819</u>	<u>1,641,364</u>	<u>692,677</u>
TOTAL LIABILITIES AND FUND BALANCES	\$ 973,020	\$ 224,756	\$ 6,955	\$ 1,841,581	\$ 1,734,506	\$ 703,867

CITY OF RACINE
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 December 31, 2005

Capital Project Funds						Permanent Fund	Total Nonmajor Governmental Funds
Assessment Projects	Intergovernmental Revenue Sharing	2003	2004	2005	City Projects	Endowment Fund	
\$ -	\$ 2,663,968	\$ 264,105	\$ 1,676,569	\$ 2,247,986	\$ 541,359	\$ 3,425,861	\$ 21,771,197
-	-	-	-	-	-	-	4,094,887
-	-	-	-	-	-	-	322,002
-	-	-	-	-	-	-	1,187,891
-	-	-	-	8,025	749,849	-	812,850
-	-	-	-	-	646,024	-	651,212
-	-	-	-	-	-	-	700,743
-	-	-	-	-	-	-	450,000
-	-	-	-	-	999,481	-	1,753,935
<u>\$ -</u>	<u>\$ 2,663,968</u>	<u>\$ 264,105</u>	<u>\$ 1,676,569</u>	<u>\$ 2,256,011</u>	<u>\$ 2,936,713</u>	<u>\$ 3,425,861</u>	<u>\$ 31,744,717</u>
\$ 117,064	\$ -	\$ 118,990	\$ 394,193	\$ 324,450	\$ 942,891	\$ 23,777	\$ 2,188,653
-	140,811	-	-	-	-	-	348,446
-	-	-	-	-	3,213,367	-	3,928,736
-	-	-	-	-	-	-	6,803
-	-	-	-	-	200,000	-	1,864,265
-	-	-	-	-	-	-	4,094,887
<u>117,064</u>	<u>140,811</u>	<u>118,990</u>	<u>394,193</u>	<u>324,450</u>	<u>4,356,258</u>	<u>23,777</u>	<u>12,431,790</u>
35,176	477	44,435	432,596	841,791	1,729,693	4,780	3,270,406
-	-	-	-	-	-	1,393,584	1,393,584
-	2,375,680	100,680	849,780	1,089,770	-	-	7,801,485
-	-	-	-	-	999,481	-	2,203,935
-	147,000	-	-	-	-	-	370,490
<u>(152,240)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(4,148,719)</u>	<u>2,003,720</u>	<u>4,273,027</u>
<u>(117,064)</u>	<u>2,523,157</u>	<u>145,115</u>	<u>1,282,376</u>	<u>1,931,561</u>	<u>(1,419,545)</u>	<u>3,402,084</u>	<u>19,312,927</u>
<u>\$ -</u>	<u>\$ 2,663,968</u>	<u>\$ 264,105</u>	<u>\$ 1,676,569</u>	<u>\$ 2,256,011</u>	<u>\$ 2,936,713</u>	<u>\$ 3,425,861</u>	<u>\$ 31,744,717</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2005

	Special Revenue Funds				
	Other Public Safety	Public Safety Grants	HAZMAT	State Asset Forfeiture	Federal Asset Forfeiture
REVENUES					
Taxes	\$ -	\$ 42,090	\$ -	\$ -	\$ -
Special charges and assessments	-	-	-	-	-
Intergovernmental	408,964	129,049	129,486	-	-
Fines and Forfeitures	-	-	-	5,716	69,825
Investment income	1,131	-	10,562	-	3,507
Charges for services	92,623	-	10,629	6,482	-
Donations	4,564	-	-	-	-
Other	-	-	-	-	5,237
Total Revenues	<u>507,282</u>	<u>171,139</u>	<u>150,677</u>	<u>12,198</u>	<u>78,569</u>
EXPENDITURES					
Current					
Community development	-	-	-	-	-
Health	-	-	-	-	-
Education and recreation	-	-	-	-	-
Public works	-	-	-	-	-
Public safety	455,743	173,263	108,149	14,636	126,480
Capital outlay	9,783	-	48,464	-	-
Total Expenditures	<u>465,526</u>	<u>173,263</u>	<u>156,613</u>	<u>14,636</u>	<u>126,480</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>41,756</u>	<u>(2,124)</u>	<u>(5,936)</u>	<u>(2,438)</u>	<u>(47,911)</u>
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	-	-
Transfers in	5,309	2,124	291,320	24,905	129,448
Transfers (out)	(445,673)	-	-	-	-
Total Other Financing Sources (Uses)	<u>(440,364)</u>	<u>2,124</u>	<u>291,320</u>	<u>24,905</u>	<u>129,448</u>
Net Change in Fund Balances	(398,608)	-	285,384	22,467	81,537
FUND BALANCES (DEFICIT) - Beginning of Year	<u>608,960</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ 210,352</u>	<u>\$ -</u>	<u>\$ 285,384</u>	<u>\$ 22,467</u>	<u>\$ 81,537</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2005

Special Revenue Funds								
Special Assessments	Economic Development	Other Cemetery	Cemetery	Municipal Court	Trusts	Other	Harbor Commission	Library
\$ -	\$ -	\$ -	\$ 190,980	\$ -	\$ -	\$ 151,193	\$ -	\$ 2,048,773
523,136	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	29,789	1,439,819
-	-	-	-	-	-	-	-	-
122,533	9,370	48,805	53,661	-	91,660	5,596	-	50,970
-	100	20,313	246,798	-	-	266,120	26,046	107,178
-	-	2,610	-	-	113,738	56,276	-	-
-	-	-	-	-	-	1,111	-	7,653
<u>645,669</u>	<u>9,470</u>	<u>71,728</u>	<u>491,439</u>	<u>-</u>	<u>205,398</u>	<u>480,296</u>	<u>55,835</u>	<u>3,654,393</u>
-	229,266	-	-	-	-	228,895	-	-
-	-	-	-	-	-	70	-	-
-	-	5,091	490,971	-	42,173	129,831	-	3,514,091
-	-	-	-	-	-	271,639	17,001	-
-	-	-	-	-	-	36,144	-	-
-	-	-	101,086	-	-	16,289	36,486	-
<u>-</u>	<u>229,266</u>	<u>5,091</u>	<u>592,057</u>	<u>-</u>	<u>42,173</u>	<u>682,868</u>	<u>53,487</u>	<u>3,514,091</u>
<u>645,669</u>	<u>(219,796)</u>	<u>66,637</u>	<u>(100,618)</u>	<u>-</u>	<u>163,225</u>	<u>(202,572)</u>	<u>2,348</u>	<u>140,302</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	140,703	-	-
<u>(802,043)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(84,978)</u>	<u>-</u>	<u>-</u>
<u>(802,043)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>55,725</u>	<u>-</u>	<u>-</u>
(156,374)	(219,796)	66,637	(100,618)	-	163,225	(146,847)	2,348	140,302
<u>2,598,329</u>	<u>806,705</u>	<u>1,232,878</u>	<u>1,292,653</u>	<u>-</u>	<u>1,621,375</u>	<u>422,767</u>	<u>59,086</u>	<u>370,970</u>
<u>\$ 2,441,955</u>	<u>\$ 586,909</u>	<u>\$ 1,299,515</u>	<u>\$ 1,192,035</u>	<u>\$ -</u>	<u>\$ 1,784,600</u>	<u>\$ 275,920</u>	<u>\$ 61,434</u>	<u>\$ 511,272</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2005

	Special Revenue Funds			Capital Project Funds		
	Recycling	CAR 25	Health	TIF #9	TIF #10	TIF #11
REVENUES						
Taxes	\$ 933,387	\$ -	\$ -	\$ 745,448	\$ -	\$ -
Special assessments	-	-	-	-	-	-
Intergovernmental	434,952	-	766,927	136,266	653,933	-
Fines and Forfeitures	-	-	-	-	-	-
Investment income	-	-	-	58,638	55,871	22,705
Charges for services	29,904	66,129	4,850	-	19,282	4,512
Donations	-	-	167,381	-	-	-
Other	-	-	4,603	-	-	-
Total Revenues	<u>1,398,243</u>	<u>66,129</u>	<u>943,761</u>	<u>940,352</u>	<u>729,086</u>	<u>27,217</u>
EXPENDITURES						
Current						
Community development	-	-	-	-	-	-
Health	-	-	979,801	-	-	-
Education and recreation	-	81,251	-	-	-	-
Public works	1,281,345	-	-	-	-	-
Public safety	-	-	-	-	-	-
Capital outlay	-	-	-	7,150	509,549	1,334,540
Total Expenditures	<u>1,281,345</u>	<u>81,251</u>	<u>979,801</u>	<u>7,150</u>	<u>509,549</u>	<u>1,334,540</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>116,898</u>	<u>(15,122)</u>	<u>(36,040)</u>	<u>933,202</u>	<u>219,537</u>	<u>(1,307,323)</u>
OTHER FINANCING SOURCES (USES)						
Long-term debt issued	-	-	-	-	-	2,000,000
Transfers in	-	20,670	32,537	-	-	-
Transfers (out)	-	-	-	(512,125)	(120,089)	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>20,670</u>	<u>32,537</u>	<u>(512,125)</u>	<u>(120,089)</u>	<u>2,000,000</u>
Net Change in Fund Balances	116,898	5,548	(3,503)	421,077	99,448	692,677
FUND BALANCES (DEFICIT) - Beginning of Year	<u>(734,912)</u>	<u>-</u>	<u>10,972</u>	<u>661,742</u>	<u>1,541,916</u>	<u>-</u>
FUND BALANCES (DEFICIT) - END OF YEAR	<u>\$ (618,014)</u>	<u>\$ 5,548</u>	<u>\$ 7,469</u>	<u>\$ 1,082,819</u>	<u>\$ 1,641,364</u>	<u>\$ 692,677</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2005

Assessment Projects	Intergovernmental Revenue Sharing	Capital Project Funds			City Projects	Permanent Fund	Total Nonmajor Governmental Funds
		2003	2004	2005		Endowment Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,111,871
-	-	-	-	-	420,973	-	944,109
-	1,062,223	-	-	-	479,382	-	5,670,790
-	-	-	-	-	-	-	75,541
-	101,030	21,392	135,953	111,214	71,137	146,108	1,121,843
-	-	-	-	-	-	-	900,966
-	-	-	-	-	1,103,919	6,713	1,455,201
-	-	-	-	-	-	-	18,604
-	<u>1,163,253</u>	<u>21,392</u>	<u>135,953</u>	<u>111,214</u>	<u>2,075,411</u>	<u>152,821</u>	<u>14,298,925</u>
-	316,950	-	-	-	-	-	775,111
-	-	-	-	-	-	-	979,871
-	-	-	-	-	-	110,794	4,374,202
-	-	-	-	-	-	-	1,569,985
-	-	-	-	-	-	-	914,415
<u>912,052</u>	<u>-</u>	<u>397,478</u>	<u>2,358,562</u>	<u>3,809,327</u>	<u>3,413,917</u>	<u>-</u>	<u>12,954,683</u>
<u>912,052</u>	<u>316,950</u>	<u>397,478</u>	<u>2,358,562</u>	<u>3,809,327</u>	<u>3,413,917</u>	<u>110,794</u>	<u>21,568,267</u>
<u>(912,052)</u>	<u>846,303</u>	<u>(376,086)</u>	<u>(2,222,609)</u>	<u>(3,698,113)</u>	<u>(1,338,506)</u>	<u>42,027</u>	<u>(7,269,342)</u>
-	-	-	-	7,100,000	-	-	9,100,000
802,043	-	-	-	-	1,140,000	-	2,589,059
-	-	(140,000)	(363,609)	(1,470,326)	-	(28,699)	(3,967,542)
<u>802,043</u>	<u>-</u>	<u>(140,000)</u>	<u>(363,609)</u>	<u>5,629,674</u>	<u>1,140,000</u>	<u>(28,699)</u>	<u>7,721,517</u>
(110,009)	846,303	(516,086)	(2,586,218)	1,931,561	(198,506)	13,328	452,175
<u>(7,055)</u>	<u>1,676,854</u>	<u>661,201</u>	<u>3,868,594</u>	<u>-</u>	<u>(1,221,039)</u>	<u>3,388,756</u>	<u>18,860,752</u>
<u>\$ (117,064)</u>	<u>\$ 2,523,157</u>	<u>\$ 145,115</u>	<u>\$ 1,282,376</u>	<u>\$ 1,931,561</u>	<u>\$ (1,419,545)</u>	<u>\$ 3,402,084</u>	<u>\$ 19,312,927</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, 2005

	Public Safety Grants		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 42,090	\$ 42,090	\$ -
Intergovernmental	126,271	129,049	2,778
Fines and Forfeitures	-	-	-
Investment income	-	-	-
Charges for services	-	-	-
Other	-	-	-
Total Revenues	<u>168,361</u>	<u>171,139</u>	<u>2,778</u>
EXPENDITURES			
Current			
Community development	-	-	-
Health	-	-	-
Education and recreation	-	-	-
Public works	-	-	-
Public safety	168,361	173,263	(4,902)
Capital outlay	-	-	-
Total Expenditures	<u>168,361</u>	<u>173,263</u>	<u>(4,902)</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>(2,124)</u>	<u>(2,124)</u>
OTHER FINANCING SOURCES (USES)			
Transfers in	-	2,124	2,124
Transfers (out)	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>2,124</u>	<u>2,124</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
FUND BALANCES (DEFICIT) - Beginning of Year		<u>-</u>	
FUND BALANCES (DEFICIT) - END OF YEAR		<u>\$ -</u>	

CITY OF RACINE
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2005

Cemetery				Library			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 190,980	\$ 190,980	\$ 190,980	\$ -	\$ 2,048,773	\$ 2,048,773	\$ 2,048,773	\$ -
-	-	-	-	1,344,015	1,469,845	1,439,819	(30,026)
-	-	-	-	-	-	-	-
50,000	50,000	53,661	3,661	40,000	40,000	50,970	10,970
253,935	253,935	246,798	(7,137)	100,000	100,000	107,178	7,178
-	-	-	-	3,000	3,000	7,653	4,653
<u>494,915</u>	<u>494,915</u>	<u>491,439</u>	<u>(3,476)</u>	<u>3,535,788</u>	<u>3,661,618</u>	<u>3,654,393</u>	<u>(7,225)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
494,915	494,915	490,971	3,944	3,535,788	3,711,618	3,514,091	197,527
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>222,000</u>	<u>257,738</u>	<u>101,086</u>	<u>156,652</u>	-	-	-	-
<u>716,915</u>	<u>752,653</u>	<u>592,057</u>	<u>160,596</u>	<u>3,535,788</u>	<u>3,711,618</u>	<u>3,514,091</u>	<u>197,527</u>
<u>(222,000)</u>	<u>(257,738)</u>	<u>(100,618)</u>	<u>157,120</u>	<u>-</u>	<u>(50,000)</u>	<u>140,302</u>	<u>190,302</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ (222,000)</u>	<u>\$ (257,738)</u>	<u>(100,618)</u>	<u>\$ 157,120</u>	<u>\$ -</u>	<u>\$ (50,000)</u>	<u>140,302</u>	<u>\$ 190,302</u>
		<u>1,292,653</u>				<u>370,970</u>	
		<u>\$ 1,192,035</u>				<u>\$ 511,272</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, 2005

	Harbor Commission			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	40,000	40,000	29,789	(10,211)
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	29,000	29,000	26,046	(2,954)
Other	-	-	-	-
Total Revenues	<u>69,000</u>	<u>69,000</u>	<u>55,835</u>	<u>(13,165)</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	-	-	-	-
Public works	25,600	25,600	17,001	8,599
Public safety	-	-	-	-
Capital outlay	<u>50,000</u>	<u>50,000</u>	<u>36,486</u>	<u>13,514</u>
Total Expenditures	<u>75,600</u>	<u>75,600</u>	<u>53,487</u>	<u>22,113</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(6,600)</u>	<u>(6,600)</u>	<u>2,348</u>	<u>8,948</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	-	-
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>\$ (6,600)</u>	<u>\$ (6,600)</u>	<u>2,348</u>	<u>\$ 8,948</u>
FUND BALANCES (DEFICIT) - Beginning of Year			<u>59,086</u>	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ 61,434</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, 2005

HAZMAT				Recycling			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ 933,387	\$ 933,387	\$ 933,387	\$ -
122,500	129,486	129,486	-	390,000	390,000	434,952	44,952
-	-	-	-	-	-	-	-
8,564	8,564	10,562	1,998	-	-	-	-
-	10,629	10,629	-	77,000	77,000	29,904	(47,096)
-	-	-	-	-	-	-	-
<u>131,064</u>	<u>148,679</u>	<u>150,677</u>	<u>1,998</u>	<u>1,400,387</u>	<u>1,400,387</u>	<u>1,398,243</u>	<u>(2,144)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	1,400,387	1,400,387	1,281,345	119,042
111,600	150,742	108,149	42,593	-	-	-	-
-	45,255	48,464	(3,209)	-	-	-	-
<u>111,600</u>	<u>195,997</u>	<u>156,613</u>	<u>39,384</u>	<u>1,400,387</u>	<u>1,400,387</u>	<u>1,281,345</u>	<u>119,042</u>
19,464	(47,318)	(5,936)	41,382	-	-	116,898	116,898
-	-	291,320	291,320	-	-	-	-
-	-	-	-	-	-	-	-
-	-	291,320	291,320	-	-	-	-
<u>\$ 19,464</u>	<u>\$ (47,318)</u>	<u>285,384</u>	<u>\$ 332,702</u>	<u>\$ -</u>	<u>\$ -</u>	<u>116,898</u>	<u>\$ 116,898</u>
		-				(734,912)	
		<u>\$ 285,384</u>				<u>\$ (618,014)</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, 2005

	CAR 25			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Fines and Forfeitures	-	-	-	-
Investment income	-	-	-	-
Charges for services	66,550	66,550	66,129	(421)
Other	-	-	-	-
Total Revenues	<u>66,550</u>	<u>66,550</u>	<u>66,129</u>	<u>(421)</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Health	-	-	-	-
Education and recreation	66,550	98,104	81,251	16,853
Public works	-	-	-	-
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>66,550</u>	<u>98,104</u>	<u>81,251</u>	<u>16,853</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>-</u>	<u>(31,554)</u>	<u>(15,122)</u>	<u>16,432</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	20,670	20,670
Transfers (out)	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>20,670</u>	<u>20,670</u>
Net Change in Fund Balance	<u>\$ -</u>	<u>\$ (31,554)</u>	<u>5,548</u>	<u>\$ 37,102</u>
FUND BALANCES (DEFICIT) - Beginning of Year			<u>-</u>	
FUND BALANCES (DEFICIT) - END OF YEAR			<u>\$ 5,548</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, 2005

State Asset Forfeiture				Federal Asset Forfeiture			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
7,000	7,000	5,716	(1,284)	85,000	85,000	69,825	(15,175)
-	-	-	-	-	-	3,507	3,507
5,000	5,000	6,482	1,482	-	-	-	-
-	-	-	-	-	-	5,237	5,237
<u>12,000</u>	<u>12,000</u>	<u>12,198</u>	<u>198</u>	<u>85,000</u>	<u>85,000</u>	<u>78,569</u>	<u>(6,431)</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
15,000	15,000	14,636	364	147,400	147,400	126,480	20,920
-	-	-	-	-	-	-	-
<u>15,000</u>	<u>15,000</u>	<u>14,636</u>	<u>364</u>	<u>147,400</u>	<u>147,400</u>	<u>126,480</u>	<u>20,920</u>
<u>(3,000)</u>	<u>(3,000)</u>	<u>(2,438)</u>	<u>562</u>	<u>(62,400)</u>	<u>(62,400)</u>	<u>(47,911)</u>	<u>14,489</u>
-	-	24,905	24,905	-	-	129,448	129,448
-	-	-	-	-	-	-	-
-	-	<u>24,905</u>	<u>24,905</u>	-	-	<u>129,448</u>	<u>129,448</u>
<u>\$ (3,000)</u>	<u>\$ (3,000)</u>	<u>22,467</u>	<u>\$ 25,467</u>	<u>\$ (62,400)</u>	<u>\$ (62,400)</u>	<u>81,537</u>	<u>\$ 143,937</u>
		-				-	
		<u>\$ 22,467</u>				<u>\$ 81,537</u>	

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CITY OF RACINE

Debt Service Fund

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2005**

	Currently Due		
	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Tax Levy	\$ 5,653,367	\$ 5,653,367	\$ -
Other	845,830	700,698	(145,132)
Total Revenues	<u>6,499,197</u>	<u>6,354,065</u>	<u>(145,132)</u>
EXPENDITURES			
Debt service			
Principal retirement	5,426,087	5,426,087	-
Interest and fiscal charges	<u>4,141,052</u>	<u>4,266,279</u>	<u>(125,227)</u>
Total Expenditures	<u>9,567,139</u>	<u>9,692,366</u>	<u>(125,227)</u>
Deficiency of Revenues Under Expenditures	<u>(3,067,942)</u>	<u>(3,338,301)</u>	<u>(270,359)</u>
OTHER FINANCING SOURCES			
Transfers in	<u>2,407,923</u>	<u>2,536,642</u>	<u>128,719</u>
Net Change in Fund Balances	<u>\$ (660,019)</u>	<u>(801,659)</u>	<u>\$ (141,640)</u>
FUND BALANCES - Beginning of Year		<u>2,134,412</u>	
FUND BALANCES - END OF YEAR		<u>\$ 1,332,753</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, 2005

	2005 Capital Projects			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Investment income	81,212	45,212	111,214	66,002
Other	-	-	-	-
Total Revenues	<u>81,212</u>	<u>45,212</u>	<u>111,214</u>	<u>66,002</u>
EXPENDITURES				
Current				
Community development	-	-	-	-
Capital outlay	<u>7,936,212</u>	<u>5,274,710</u>	<u>3,809,327</u>	<u>1,465,383</u>
Total Expenditures	<u>7,936,212</u>	<u>5,274,710</u>	<u>3,809,327</u>	<u>1,465,383</u>
Excess (Deficiency) of Revenues over (under) Expenditures	<u>(7,855,000)</u>	<u>(5,229,498)</u>	<u>(3,698,113)</u>	<u>1,531,385</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	7,855,000	6,980,605	7,100,000	119,395
Transfers in	-	-	-	-
Transfers (out)	<u>-</u>	<u>(1,780,502)</u>	<u>(1,470,326)</u>	<u>310,176</u>
Total Other Financing Sources (Uses)	<u>7,855,000</u>	<u>5,200,103</u>	<u>5,629,674</u>	<u>429,571</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (29,395)</u>	<u>1,931,561</u>	<u>\$ 1,960,956</u>
FUND BALANCES - Beginning of Year			<u>-</u>	
FUND BALANCES - END OF YEAR			<u>\$ 1,931,561</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, 2005

Assessment Projects				Intergovernmental Revenue Sharing			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,062,223	1,062,223	1,062,223	-
-	-	-	-	24,000	24,000	101,030	77,030
-	-	-	-	-	-	-	-
-	-	-	-	1,086,223	1,086,223	1,163,253	77,030
-	-	-	-	355,000	355,477	316,950	38,527
1,400,000	1,404,077	912,052	492,025	-	-	-	-
1,400,000	1,404,077	912,052	492,025	355,000	355,477	316,950	38,527
(1,400,000)	(1,404,077)	(912,052)	492,025	731,223	730,746	846,303	115,557
-	-	-	-	-	-	-	-
1,400,000	1,400,000	802,043	(597,957)	-	-	-	-
-	-	-	-	(100,000)	(100,000)	-	100,000
1,400,000	1,400,000	802,043	(597,957)	(100,000)	(100,000)	-	100,000
\$ -	\$ (4,077)	(110,009)	\$ (105,932)	\$ 631,223	\$ 630,746	846,303	\$ 215,557
		(7,055)				1,676,854	
		<u>\$(117,064)</u>				<u>\$2,523,157</u>	

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS
December 31, 2005

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
ASSETS						
Current Assets						
Cash and investments	\$ 764,017	\$ 1,591,206	\$ 482,786	\$ 46,092	\$ 251,281	\$ 3,135,382
Receivables						
Accounts	27,077	9,058	-	51,936	10,984	99,055
Taxes	10,595	2,792,859	-	325,000	-	3,128,454
Total Current Assets	<u>801,689</u>	<u>4,393,123</u>	<u>482,786</u>	<u>423,028</u>	<u>262,265</u>	<u>6,362,891</u>
Noncurrent Assets						
Capital assets						
Land, buildings and improvements	16,476,737	50,518,642	3,702,757	6,733,819	136,026	77,567,981
Equipment, furniture and vehicles	728,934	760,354	-	296,000	12,913	1,798,201
Less: accumulated depreciation	<u>(4,450,172)</u>	<u>(24,830,227)</u>	<u>(1,294,176)</u>	<u>(2,613,681)</u>	<u>(59,979)</u>	<u>(33,248,235)</u>
	12,755,499	26,448,769	2,408,581	4,416,138	88,960	46,117,947
Construction in progress	135,946	786,240	-	-	-	922,186
Total Capital Assets (net of accumulated depreciation)	<u>12,891,445</u>	<u>27,235,009</u>	<u>2,408,581</u>	<u>4,416,138</u>	<u>88,960</u>	<u>47,040,133</u>
TOTAL ASSETS	<u>\$ 13,693,134</u>	<u>\$ 31,628,132</u>	<u>\$ 2,891,367</u>	<u>\$ 4,839,166</u>	<u>\$ 351,225</u>	<u>\$ 53,403,024</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET ASSETS
December 31, 2005

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 107,434	\$ 107,765	\$ 700	\$ 55,734	\$ -	\$ 271,633
Accrued compensation	6,452	10,435	-	5,090	2,568	24,545
Accrued liabilities	3,253	-	16,760	24,082	-	44,095
Due to other funds	-	-	-	178,823	-	178,823
Advances from other funds	-	52,793	84,559	-	-	137,352
Deferred property tax revenue	10,595	2,792,859	-	325,000	-	3,128,454
Total Current Liabilities	<u>127,734</u>	<u>2,963,852</u>	<u>102,019</u>	<u>588,729</u>	<u>2,568</u>	<u>3,784,902</u>
Noncurrent Liabilities						
Compensated absences	22,814	-	-	-	11,614	34,428
Advances from other funds	-	946,688	327,454	-	-	1,274,142
Total Noncurrent Liabilities	<u>22,814</u>	<u>946,688</u>	<u>327,454</u>	<u>-</u>	<u>11,614</u>	<u>1,308,570</u>
TOTAL LIABILITIES	<u>150,548</u>	<u>3,910,540</u>	<u>429,473</u>	<u>588,729</u>	<u>14,182</u>	<u>5,093,472</u>
NET ASSETS						
Invested in capital assets	12,891,445	27,235,009	2,408,581	4,416,138	88,960	47,040,133
Unrestricted (deficit)	651,141	482,583	53,313	(165,701)	248,083	1,269,419
TOTAL NET ASSETS	<u>\$ 13,542,586</u>	<u>\$ 27,717,592</u>	<u>\$ 2,461,894</u>	<u>\$ 4,250,437</u>	<u>\$ 337,043</u>	<u>\$ 48,309,552</u>

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CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS
For the Year Ended December 31, 2005

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Total
OPERATING REVENUES						
Charges for services	\$ 1,010,040	\$ 2,593,518	\$ 161,907	\$ 430,631	\$ 219,189	\$ 4,415,285
Other	1,625	18,000	2	10	-	19,637
Total Operating Revenues	<u>1,011,665</u>	<u>2,611,518</u>	<u>161,909</u>	<u>430,641</u>	<u>219,189</u>	<u>4,434,922</u>
OPERATING EXPENSES						
Public works	639,031	1,183,418	10,198	-	239,237	2,071,884
Education and recreation	-	-	-	876,245	-	876,245
Depreciation	362,785	1,050,760	89,028	243,053	2,689	1,748,315
Total Operating Expenses	<u>1,001,816</u>	<u>2,234,178</u>	<u>99,226</u>	<u>1,119,298</u>	<u>241,926</u>	<u>4,696,444</u>
Operating income (loss)	<u>9,849</u>	<u>377,340</u>	<u>62,683</u>	<u>(688,657)</u>	<u>(22,737)</u>	<u>(261,522)</u>
NONOPERATING REVENUES (EXPENSES)						
Investment income	-	98,568	17,132	-	-	115,700
Interest expense	-	(47,250)	(27,731)	-	-	(74,981)
Gain on sale of fixed assets	-	17,791	-	-	-	17,791
Tax levy	10,595	-	-	433,000	-	443,595
Total Nonoperating Revenues (Expenses)	<u>10,595</u>	<u>69,109</u>	<u>(10,599)</u>	<u>433,000</u>	<u>-</u>	<u>502,105</u>
Income (Loss) Before Capital Contributions and Transfers	20,444	446,449	52,084	(255,657)	(22,737)	240,583
CAPITAL CONTRIBUTIONS		143,260			-	143,260
TRANSFERS IN	<u>160,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>160,813</u>
Change in Net Assets	181,257	589,709	52,084	(255,657)	(22,737)	544,656
TOTAL NET ASSETS, Beginning of Year	<u>13,361,329</u>	<u>27,127,883</u>	<u>2,409,810</u>	<u>4,506,094</u>	<u>359,780</u>	<u>47,764,896</u>
TOTAL NET ASSETS, END OF YEAR	<u>\$ 13,542,586</u>	<u>\$ 27,717,592</u>	<u>\$ 2,461,894</u>	<u>\$ 4,250,437</u>	<u>\$ 337,043</u>	<u>\$ 48,309,552</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2005

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Totals
CASH FLOW FROM OPERATING ACTIVITIES						
Received from customers and users	\$ 1,004,454	\$ 2,602,460	\$ 161,909	\$ 427,983	\$ 253,451	\$ 4,450,257
Paid to suppliers	(201,641)	(411,749)	(12,695)	(814,891)	(92,825)	(1,533,801)
Paid to employees	(352,031)	(653,778)	-	-	(146,548)	(1,152,357)
Net Cash Provided (Used) by Operating Activities	<u>450,782</u>	<u>1,536,933</u>	<u>149,214</u>	<u>(386,908)</u>	<u>14,078</u>	<u>1,764,099</u>
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES						
Operating subsidies received-City	<u>10,595</u>	-	-	433,000	-	443,595
Net Cash Provided by Noncapital Financing Activities	<u>10,595</u>	-	-	<u>433,000</u>	-	<u>443,595</u>
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Advances retired	-	(50,520)	(79,670)	-	-	(130,190)
Interest paid on advances	-	(47,250)	(27,731)	-	-	(74,981)
Transfer from other funds for capital purposes	160,813	-	-	-	-	160,813
Acquisition and construction of capital assets	(160,813)	(718,888)	(22,946)	-	-	(902,647)
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>(816,658)</u>	<u>(130,347)</u>	<u>-</u>	<u>-</u>	<u>(947,005)</u>
CASH FLOW FROM INVESTING ACTIVITIES						
Investment income received	<u>-</u>	<u>98,568</u>	<u>17,132</u>	<u>-</u>	<u>-</u>	<u>115,700</u>
Net Increase in Cash and Cash Equivalents	461,377	818,843	35,999	46,092	14,078	1,376,389
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>302,640</u>	<u>772,363</u>	<u>446,787</u>	<u>-</u>	<u>237,203</u>	<u>1,758,993</u>
CASH AND CASH EQUIVALENTS - End of Year	<u>\$ 764,017</u>	<u>\$ 1,591,206</u>	<u>\$ 482,786</u>	<u>\$ 46,092</u>	<u>\$ 251,281</u>	<u>\$ 3,135,382</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2005

	Parking Utility	Storm Water Utility	Golf Courses	Civic Centre	Radio Repair	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES						
Operating income (loss)	\$ 9,849	\$ 377,340	\$ 62,683	\$ (688,657)	\$ (22,737)	\$ (261,522)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation	362,785	1,050,760	89,028	243,053	2,689	1,748,315
(Increase) decrease in accounts receivable	(7,210)	(9,058)	-	(2,658)	33,301	14,375
(Increase) decrease in due from other funds	-	(202,444)	-	108,000	961	(93,483)
Increase (decrease) in accounts payable	87,934	107,456	(3,097)	21,895	65	214,253
Increase (decrease) in accrued liabilities	(2,576)	10,435	600	(19,226)	79	(10,688)
Increase (decrease) in deferred revenue	-	202,444	-	(108,000)	-	94,444
Increase (decrease) in due to other funds	-	-	-	58,685	(280)	58,405
Net Cash Provided (Used) by Operating Activities	<u>\$ 450,782</u>	<u>\$ 1,536,933</u>	<u>\$ 149,214</u>	<u>\$ (386,908)</u>	<u>\$ 14,078</u>	<u>\$ 1,764,099</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES						
Estimated cost of fixed assets installed or financed by developers, customers or the City	<u>\$ -</u>	<u>\$ 143,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 143,260</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2005

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
ASSETS						
Current Assets						
Cash and investments	\$ 184,776	\$ 236,348	\$ -	\$ 5,720,470	\$ 133,718	\$ 6,275,312
Inventories	335,347	-	-	-	-	335,347
Receivables						
Accounts	24,474	-	-	202	2,363	27,039
Due from other funds	8,224	-	-	33,262	1,262	42,748
Total Current Assets	<u>552,821</u>	<u>236,348</u>	<u>-</u>	<u>5,753,934</u>	<u>137,343</u>	<u>6,680,446</u>
Noncurrent Assets						
Capital assets						
Land, buildings and improvements	1,558,627	-	-	-	-	1,558,627
Equipment, furniture and vehicles	308,172	980,518	-	-	654,566	1,943,256
Less: Accumulated depreciation	(632,805)	(614,676)	-	-	(91,642)	(1,339,123)
	1,233,994	365,842	-	-	562,924	2,162,760
Construction in progress	-	258,549	-	-	-	258,549
Total Capital Assets (net of accumulated depreciation)	<u>1,233,994</u>	<u>624,391</u>	<u>-</u>	<u>-</u>	<u>562,924</u>	<u>2,421,309</u>
TOTAL ASSETS	<u>\$ 1,786,815</u>	<u>\$ 860,739</u>	<u>\$ -</u>	<u>\$ 5,753,934</u>	<u>\$ 700,267</u>	<u>\$ 9,101,755</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET ASSETS

December 31, 2005

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 55,427	\$ 40,629	\$ 56,469	\$ 120,111	\$ 36,768	\$ 309,404
Accrued liabilities	35,191	16,955	8,033	1,784,006	-	1,844,185
Due to other funds	-	-	57,537	-	-	57,537
Total Current Liabilities	<u>90,618</u>	<u>57,584</u>	<u>122,039</u>	<u>1,904,117</u>	<u>36,768</u>	<u>2,211,126</u>
Noncurrent Liabilities						
Compensated absences	-	14,169	28,141	-	-	42,310
Total Noncurrent Liabilities	<u>-</u>	<u>14,169</u>	<u>28,141</u>	<u>-</u>	<u>-</u>	<u>42,310</u>
TOTAL LIABILITIES	<u>90,618</u>	<u>71,753</u>	<u>150,180</u>	<u>1,904,117</u>	<u>36,768</u>	<u>2,253,436</u>
NET ASSETS (LIABILITIES)						
Invested in capital assets	1,233,994	624,391	-	-	562,924	2,421,309
Unrestricted	462,203	164,595	(150,180)	3,849,817	100,575	4,427,010
TOTAL NET ASSETS	<u>\$ 1,696,197</u>	<u>\$ 788,986</u>	<u>\$ (150,180)</u>	<u>\$ 3,849,817</u>	<u>\$ 663,499</u>	<u>\$ 6,848,319</u>

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CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS

For the year ended December 31, 2005

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
OPERATING REVENUES						
Charges for services and sales						
Labor and equipment charges	\$ 1,867,095	\$ -	\$ -	\$ -	\$ -	\$ 1,867,095
Fuel, oil, parts and supplies sales	1,443,065	-	-	-	-	1,443,065
Health insurance premiums	-	-	-	13,925,487	-	13,925,487
Telephone service sales	-	-	-	-	208,423	208,423
Computer service sales	-	1,425,891	-	-	-	1,425,891
Facilities rent	-	-	1,015,077	-	-	1,015,077
Other	4,964	13,386	-	-	-	18,350
Total Operating Revenues	<u>3,315,124</u>	<u>1,439,277</u>	<u>1,015,077</u>	<u>13,925,487</u>	<u>208,423</u>	<u>19,903,388</u>
OPERATING EXPENSES						
Public Works						
Operating supplies and expenses	3,333,807	-	1,209,669	-	-	4,543,476
Office supplies and expenses	2,132	-	6,388	-	-	8,520
General administration						
Telephone expenses	-	-	-	-	167,921	167,921
Health insurance	-	-	-	13,932,223	-	13,932,223
Information systems	-	1,302,658	-	-	-	1,302,658
Depreciation	50,506	162,862	-	-	26,184	239,552
Total Operating Expenses	<u>3,386,445</u>	<u>1,465,520</u>	<u>1,216,057</u>	<u>13,932,223</u>	<u>194,105</u>	<u>20,194,350</u>
Operating Income (loss)	(71,321)	(26,243)	(200,980)	(6,736)	14,318	(290,962)
NONOPERATING REVENUES (EXPENSES)						
Tax levy	-	27,976	50,800	-	-	78,776
Total Nonoperating Revenues (Expenses)	-	27,976	50,800	-	-	78,776
Income (Loss) Before Capital Contributions and Transfers	(71,321)	1,733	(150,180)	(6,736)	14,318	(212,186)
CAPITAL CONTRIBUTIONS						
	-	528,704	-	-	-	528,704
TRANSFER IN						
	-	258,549	-	2,553,796	-	2,812,345
Change in Net Assets	(71,321)	788,986	(150,180)	2,547,060	14,318	3,128,863
TOTAL NET ASSETS - Beginning of Year	<u>1,767,518</u>	<u>-</u>	<u>-</u>	<u>1,302,757</u>	<u>649,181</u>	<u>3,719,456</u>
TOTAL NET ASSETS (LIABILITIES)- END OF YEAR	<u>\$ 1,696,197</u>	<u>\$ 788,986</u>	<u>\$ (150,180)</u>	<u>\$ 3,849,817</u>	<u>\$ 663,499</u>	<u>\$ 6,848,319</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2005

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Received from customers and users	\$ 3,310,999	\$ 1,439,277	\$ 1,015,077	\$ 13,923,467	\$ 207,776	\$ 19,896,596
Paid to suppliers	(1,087,776)	(790,190)	(695,431)	(13,630,281)	(171,984)	(16,375,662)
Paid to employees	(2,203,756)	(440,715)	(370,446)	-	-	(3,014,917)
Net Cash Provided by Operating Activities	<u>19,467</u>	<u>208,372</u>	<u>(50,800)</u>	<u>293,186</u>	<u>35,792</u>	<u>506,017</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Operating subsidies received-City	-	27,976	50,800	-	-	78,776
Transfer from other funds	-	-	-	2,553,796	-	2,553,796
Net Cash Provided by Noncapital Financing Activities	<u>-</u>	<u>27,976</u>	<u>50,800</u>	<u>2,553,796</u>	<u>-</u>	<u>2,632,572</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Transfer from other funds for capital purposes	-	258,549	-	-	-	258,549
Acquisition and construction of capital assets	-	(258,549)	-	-	-	(258,549)
Net Cash Used by Capital and Related Financing Activities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Increase in Cash and Cash Equivalents	19,467	236,348	-	2,846,982	35,792	3,138,589
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>165,309</u>	<u>-</u>	<u>-</u>	<u>2,873,488</u>	<u>97,926</u>	<u>3,136,723</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 184,776</u>	<u>\$ 236,348</u>	<u>\$ -</u>	<u>\$ 5,720,470</u>	<u>\$ 133,718</u>	<u>\$ 6,275,312</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2005

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
RECONCILIATION OF OPERATING INCOME (LOSS)						
TO NET CASH PROVIDED (USED) BY						
OPERATING ACTIVITIES:						
Operating Income (loss)	\$ (71,321)	\$ (26,243)	\$ (200,980)	\$ (6,736)	\$ 14,318	\$ (290,962)
Adjustments to reconcile operating income (loss) net cash provided (used) by operating activities						
Depreciation expense	50,506	162,862	-	-	26,184	239,552
(Increase) decrease in accounts receivable	(1,707)	-	-	(202)	(565)	(2,474)
(Increase) decrease in taxes receivable		27,976	50,800	-		78,776
(Increase) decrease in inventories	13,907	-	-	-		13,907
(Increase) decrease in due from other funds	(2,417)	-	-	(1,818)	(82)	(4,317)
Increase (decrease) in accounts payable	28,843	40,629	56,469	(102,249)	(4,063)	19,629
Increase (decrease) in accrued liabilities	1,656	31,124	36,174	404,191	-	473,145
Increase (decrease) in deferred revenue	-	(27,976)	(50,800)	-	-	(78,776)
Increase (decrease) in due to other funds	-	-	57,537	-	-	57,537
Total Adjustments	<u>90,788</u>	<u>234,615</u>	<u>150,180</u>	<u>299,922</u>	<u>21,474</u>	<u>796,979</u>
Net Cash Provided by Operating Activities	<u>\$ 19,467</u>	<u>\$ 208,372</u>	<u>\$ (50,800)</u>	<u>\$ 293,186</u>	<u>\$ 35,792</u>	<u>\$ 506,017</u>
NONCASH CAPITAL AND						
RELATED FINANCING ACTIVITIES						
Estimated cost of fixed assets installed or financed by developers, customers or the City	<u>\$ -</u>	<u>\$ 528,704</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 528,704</u>