

CITY OF RACINE

Racine, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2016

CITY OF RACINE

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INDEPENDENT AUDITORS' REPORT

INDEPENDENT AUDITORS' REPORT

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

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Racine, Wisconsin, as of and for the year ended December 31, 2016, and the related notes to the financial statements, which collectively comprise the City of Racine's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We did not audit the financial statements of the Racine Water and Wastewater Utilities, both major enterprise funds and 80 percent, 70 percent and 70 percent, respectively of the assets, net position and revenues of the business-type activities, or the Downtown Racine Business Improvement District #1, a discretely presented component unit. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Racine Water and Wastewater Utilities, both major enterprise funds, and the Downtown Racine Business Improvement District #1, a discretely presented component unit, are based solely on the report of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. The financial statements of the Racine Water and Wastewater Utilities, both major enterprise funds, and the Downtown Racine Business Improvement District #1, were not audited in accordance with *Government Auditing Standards*.

To the Mayor and Common Council
City of Racine

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

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

Opinions

In our opinion, based on our audit and the report of other auditors, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Racine, Wisconsin, as of December 31, 2016 and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the required supplementary information as listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Racine's basic financial statements. The supplementary information as listed in the table of contents is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the supplementary information is fairly stated in all material respects, in relation to the basic financial statements as a whole.

To the Mayor and Common Council
City of Racine

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated July 24, 2017 on our consideration of the City of Racine's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City of Racine's internal control over financial reporting and compliance.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
July 24, 2017

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS

(Unaudited)

As management of the City of Racine, we offer readers of the City of Racine's financial statements this narrative overview and analysis of the financial activities of the City of Racine for the fiscal year ended December 31, 2016.

Financial Highlights

- The assets and deferred outflows of resources of the City of Racine exceeded its liabilities and deferred inflows of resources at the close of the most recent fiscal year by \$227,354,714 (net position).
- The City's total net position decreased by \$11,298,134.
- As of the close of the current fiscal year, the City of Racine's governmental funds reported combined ending fund balances of \$83,728,502, an increase of \$5,384,594, in comparison with the prior year. Approximately 29.49% of this amount, \$24,689,717, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$24,693,496 or 31.01% of total general fund expenditures.
- Total long term obligations decreased by approximately \$13 million for the fiscal year ended December 31, 2016. Long term obligation activity during the year included the following:
 - \$11.735 million note anticipation notes for capital project purposes.
 - \$11.915 million of general obligation refunding debt issued to full call \$610,000 of 2006 debt issues. The remaining balance was used for the current refunding of the \$11.735 million note anticipation note
 - The Water Utility borrowed \$3.725 million in Mortgage Revenue Bonds.
 - Principal paid on outstanding debt was \$28.640 Million

Overview of the Financial Statements

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

Government-wide Financial Statements

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

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

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

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Government-wide Financial Statements (cont.)

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

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

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

Fund Financial Statements

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

Governmental Funds

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

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

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Governmental Funds (cont.)

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

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

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

Proprietary Funds

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

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

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

Fiduciary Funds

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

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

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Notes to the Financial Statements

The notes provide additional information that is essential to gain a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 33-98 of this report.

Other Information

The combining statements referred to earlier in connection with nonmajor governmental and proprietary funds is presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 102-128 of this report.

Government-wide Financial Analysis

Net position may serve over time as a useful indicator of a government's financial position. December 31, 2016 and 2015 City's assets exceeded liabilities by \$227,354,714 and \$238,652,848 respectively.

The largest portion of the City's net position is its investment in capital assets, less any related debt used to acquire those assets that is still outstanding. The City used these capital assets to provide services to citizens and therefore they are not available for future spending. Although the City's investment in capital assets is reported net of related debt, the resources need to repay this debt must be provided from other resources, since the capital assets cannot be used to liquidate these liabilities. The City's net investment in capital assets was \$306,670,081 and \$299,196,508 at December 31, 2016 and 2015.

An additional portion of the City of Racine's governmental activities net position represents restricted net position, or resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position may be used to meet the City's ongoing obligations to citizens and creditors. Restricted net position was \$54,104,488 and \$62,295,899 and unrestricted net position was \$(133,419,855) and \$(122,839,559) as of December 31, 2016 and 2015 respectively.

The City's governmental activities had a deficit unrestricted net position of \$(119,372,416) and \$(112,820,097) as of December 31, 2016 and 2015 respectively. The deficit is primarily the result of the increase in the City's OPEB obligation.

The City's net OPEB obligation was \$190,951,403 and \$171,272,555 as of December 31, 2016 and 2015 respectively.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Government-wide Financial Analysis (cont.)

Condensed financial information from the statements of net position is presented below for the years ended December 31, 2016 and 2015. Amounts are expressed in thousands.

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities	Total	Total
Current and other assets	\$ 167,945	\$ 173,399	\$ 68,680	\$ 71,258	\$ 236,625	\$ 244,657
Capital assets	<u>203,541</u>	<u>202,878</u>	<u>264,808</u>	<u>268,478</u>	<u>468,349</u>	<u>471,356</u>
Total assets	<u>371,486</u>	<u>376,277</u>	<u>333,488</u>	<u>339,736</u>	<u>704,974</u>	<u>716,013</u>
Deferred outflows of resources	<u>39,958</u>	<u>13,697</u>	<u>5,392</u>	<u>2,168</u>	<u>45,350</u>	<u>15,865</u>
Current and other liabilities	10,896	26,721	3,471	2,909	14,367	29,630
Liabilities payable from restricted assets	-	-	11,210	10,898	11,210	10,898
Long-term liabilities	<u>281,516</u>	<u>246,249</u>	<u>134,544</u>	<u>142,343</u>	<u>416,060</u>	<u>388,592</u>
Total liabilities	<u>292,412</u>	<u>272,970</u>	<u>149,225</u>	<u>156,150</u>	<u>441,637</u>	<u>429,120</u>
Deferred inflows of resources	<u>73,326</u>	<u>57,974</u>	<u>8,007</u>	<u>6,131</u>	<u>81,333</u>	<u>64,105</u>
Net position:						
Net Investment in capital assets	123,524	122,085	189,717	184,184	306,670	299,197
Restricted	41,554	49,764	12,550	12,758	54,104	62,296
Unrestricted	<u>(119,372)</u>	<u>(112,820)</u>	<u>(20,618)</u>	<u>(17,318)</u>	<u>(133,419)</u>	<u>(122,840)</u>
Total net position	<u>\$ 45,706</u>	<u>\$ 59,029</u>	<u>\$ 181,649</u>	<u>\$ 179,624</u>	<u>\$ 227,355</u>	<u>\$ 238,653</u>

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Government-wide Financial Analysis (cont.)

Condensed financial information from the statement of activities is presented below for the year ended December 31, 2016 and 2015. Amounts are expressed in thousands.

	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities	Total	Total
Revenues						
Charges for services	\$ 17,529	\$ 18,609	\$ 42,345	\$ 39,686	\$ 59,874	\$ 58,295
Operating grants and contributions	11,356	11,418	5,752	6,045	17,108	17,463
Capital grants and contributions	1,716	11,661	3,741	3,424	5,457	15,085
Taxes	54,370	53,010	1,510	1,509	55,880	54,519
Intergovernmental revenues not restricted to specific programs	29,507	28,525	-	-	29,507	28,525
Investment income	679	1,169	117	162	796	1,331
Other	989	920	18	30	1,007	950
Total revenues	<u>116,146</u>	<u>125,312</u>	<u>53,483</u>	<u>50,856</u>	<u>169,629</u>	<u>176,168</u>
Expenses						
General government	18,331	16,451	-	-	18,331	16,451
Community development	8,627	3,365	-	-	8,627	3,365
Health	3,680	3,573	-	-	3,680	3,573
Education and recreation	13,750	13,619	-	-	13,750	13,619
Public works	22,183	26,420	-	-	22,183	26,420
Public safety	62,655	61,542	-	-	62,655	61,542
Interest and fiscal charges	4,224	4,285	-	-	4,224	4,285
Water	-	-	15,998	16,120	15,998	16,120
Wastewater	-	-	13,723	14,409	13,723	14,409
Storm Water	-	-	4,310	4,323	4,310	4,323
Belle urban system	-	-	9,793	9,635	9,793	9,635
Other	-	-	3,653	3,223	3,653	3,223
Total expenses	<u>133,450</u>	<u>129,255</u>	<u>47,477</u>	<u>47,710</u>	<u>180,927</u>	<u>176,965</u>
Increase (decrease) in net position before transfers	(17,304)	(3,943)	6,006	3,146	(11,298)	(797)
Transfers	3,981	3,355	(3,981)	(3,355)	-	-
Increase (decrease) in net position	(13,323)	(588)	2,025	(209)	(11,298)	(797)
Net position-beginning of year	59,029	59,617	179,624	179,833	238,653	239,450
Net position-end of year	<u>\$ 45,706</u>	<u>\$ 59,029</u>	<u>\$ 181,649</u>	<u>\$ 179,624</u>	<u>\$ 227,355</u>	<u>\$ 238,653</u>

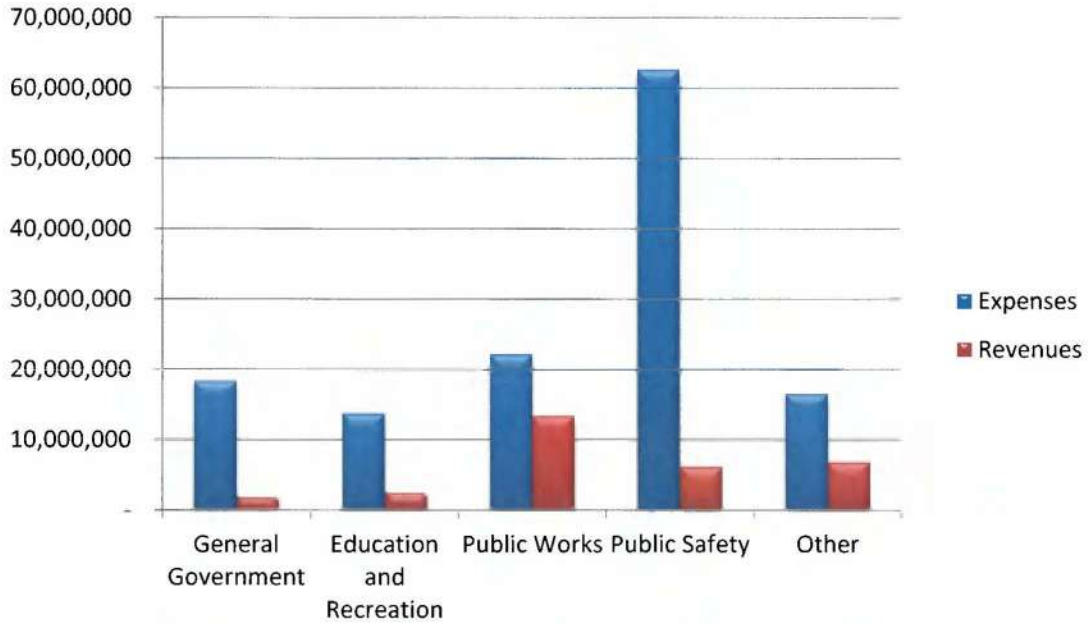
CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Governmental Activities

The net position in the governmental activities decreased by approximately \$13.3 million during the fiscal year.

Expenses and Program Revenues-Governmental Activities:

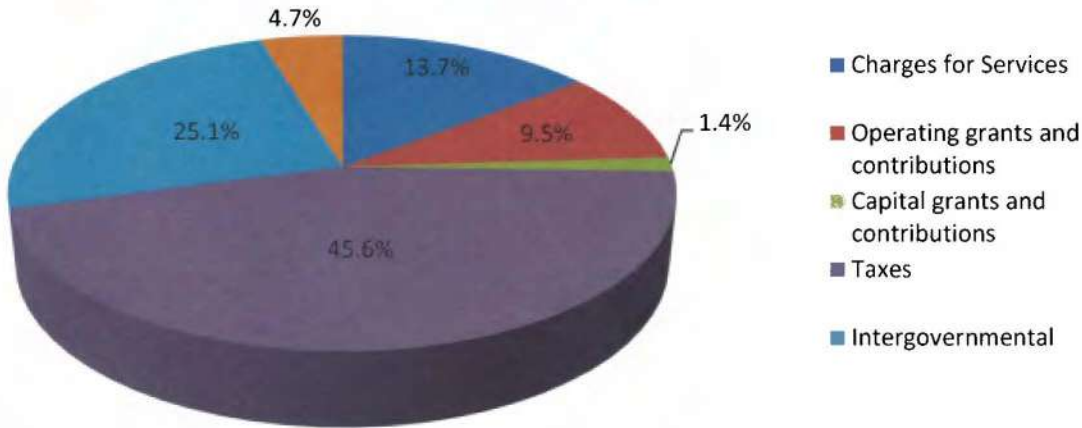


CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Governmental Activities (cont.)

Program and General Revenues by Source – Governmental Activities:



Business-type activities

Business-type activities net position increased by over \$2 million during the fiscal year 2016. Key elements of this increase are as follows:

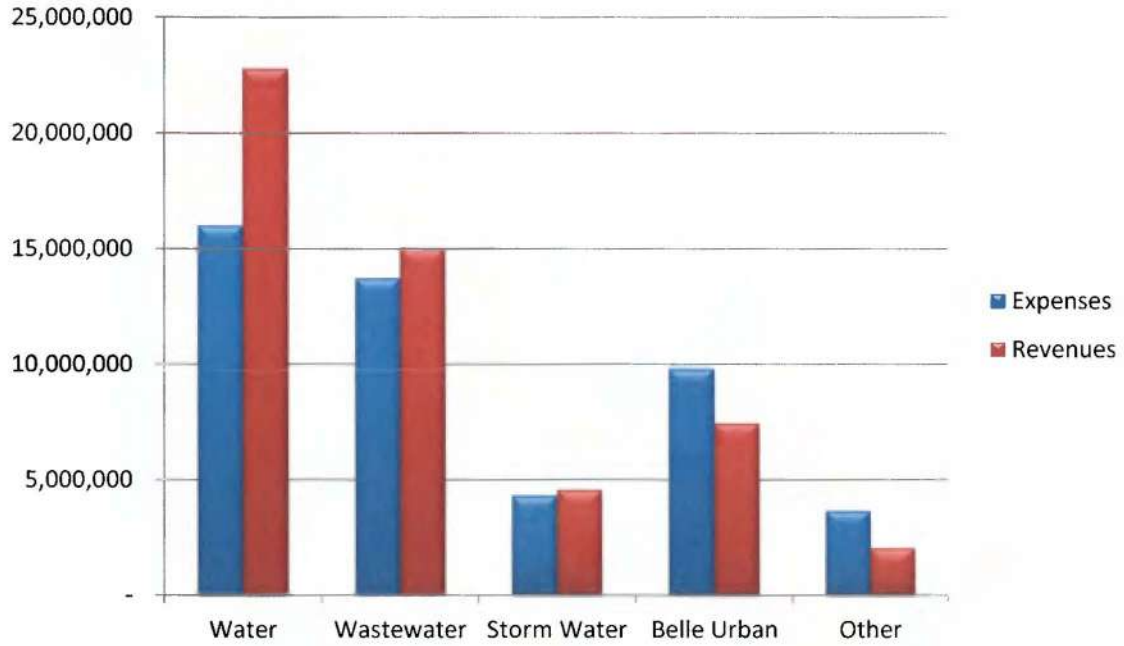
- The Water utility had an increase in net position of \$3.331 million. The increase in net position in the Water utility relates primarily to increases in metered sales, and a decrease in materials and supplies expenses.
- The Wastewater utility had an increase in net position of \$626,924.
- The Belle Urban Transit system had a decrease in net position of approximately \$1 million. Transit has a loss before contributions and transfers of \$1.3 million, which relates to rising pension and health care costs and a reduction in state aid and a reduction in fare revenue.
- The Storm Water Utility had a slight increase in net position of \$269,577. This relates to an increase in revenue from storm charges and a decrease in expenses in the operations area.
- The Other Enterprise Funds of the City had a decrease in net position of approximately \$1 million.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Business-type activities (cont.)

Expenses and Program Revenues – Business-type Activities:

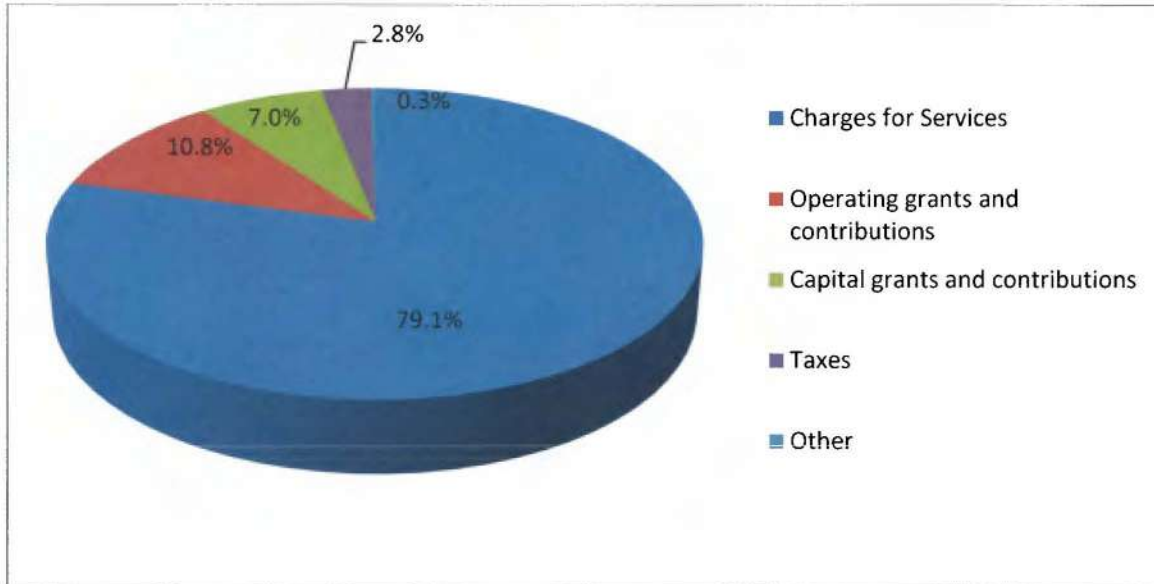


CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Business-Type Activities (cont.)

Revenues by Source – Business-type Activities:



Financial Analysis of the Government's Funds

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

Governmental Funds-The focus of the City of Racine's governmental funds is to provide information on near term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Racine's financing requirements. In particular, unassigned fund balance may serve as a useful measure a government's net resources available for spending at year end.

As of the end of the current fiscal year, the City of Racine's governmental funds reported combined ending fund balances of \$83,728,502. Approximately 29.49% of this amount, \$24,689,717 constitutes unassigned fund balance which is available for spending at the government's discretion.

The general fund is the primary operating fund of the City of Racine. At the end of the current fiscal year, unassigned fund balance of the general fund was \$24,693,496, while total fund balance totaled \$33,639,978. Unassigned fund balance represents 31.01% of total general fund expenditures, while total fund balance represents 42.25% of total general fund expenditures.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

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

Although the general fund was budgeted to use \$805 thousand of fund balances during 2016, the general fund added just over \$1.4 to fund balance for the year ended December 31, 2016. The resulting \$2.2 million positive variance is the result of actual revenues and transfers in over budgeted amounts by about \$1.3 million, while expenditures were under budget by just over \$900 thousand. The following details both the revenue factors that contributed to the positive variance:

- Intergovernmental revenues were over \$1 million over budget due to unexpected exempt computer aids coming from the State. Exempt computer aids fluctuate based on equipment added during the year and the depreciable values.
- The payment in lieu of tax payment from the Water Utility exceeded budgeted amounts by almost \$300 thousand.
- Positive results on the expenditure side came in the general government and health functions primarily.

The Debt service fund is another major governmental fund of the City of Racine. The fund accounts for principal and interest payments made on the City's outstanding debt obligations. The debt service fund has a total fund balance of at December 31, 2016 and 2015 of \$617,076 and \$731,944, all of which is restricted for the payment of debt service. Fund balance decreased by \$114,868 in 2016, and increased \$193,808 during 2015.

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 \$49,471,448 and \$45,409,697 in 2016 and 2015 respectively. The fund balances of these funds increased by just over \$4.0 million, during 2016. This was due primarily to the following:

1. The City's Tax Incremental Districts Capital Project fund increased their fund balance by over \$1 million which is a result of increment received, to be used for future projects.
2. The City's Intergovernmental Revenue Sharing Capital Project fund increased its fund balance by just over \$850 thousand. Funds will be used in subsequent years for upcoming economic development projects.
3. The Capital Project fund – Equipment Replacement fund had an increase in fund balance of approximately \$1.1 million. This relates to bond proceeds that will be spent in early 2017.

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

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

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

Unrestricted net position for the Water utility at the end of 2016 and 2015 amounted to \$(1,574,535) and \$354,330, for the Wastewater utility \$(15,253,437) and \$(13,169,736), for the Storm water utility \$(1,660,224) and \$(2,533,502), for the Belle urban system \$(1,940,614) and \$(1,972,093), and for the other enterprise funds \$(189,689) and \$228,757. The total change in net position for the Water Utility for 2016 and 2015 was \$3,330,585 and \$1,217,918, the Wastewater Utility \$626,924 and \$(1,787,500), the Storm water Utility \$269,577 and \$1,482,401, for the Belle urban system \$(1,082,548) and \$(816,322), and for the Other Enterprise funds \$(1,119,530) and \$(306,220) 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, 2016 and 2015 amounted to \$306,670,081 and \$299,196,508 respectively, net of accumulated depreciation. This investment in capital assets includes land, land improvements, buildings and improvements, machinery and equipment, and infrastructure. Infrastructure includes street, roads, bridges, sidewalks, drainage system, sewer lines, shoreline walls, and other infrastructure. As of December 31, 2016 and 2015, capital assets, net of accumulated depreciation totaled \$468,348,519 and \$471,356,342 respectively. Capital assets, net of accumulated depreciation decreased approximately \$3 million in 2016 and increased approximately \$8 million in 2015. The significant increase in 2015 relates primarily to several state road construction projects being finalized and capitalized in 2015.

Long-term debt – At the end of 2016 and 2015, the City of Racine had total general obligation and revenue bond debt outstanding of \$179,468,534 and \$192,390,718. Of this amount, the debt backed by the full faith and credit of the government is \$101,080,000 and \$104,215,000 in 2016 and 2015 respectively. The remainder of the City's debt represents bonds secured solely by specified revenue sources (ie. revenue bonds). The City's total outstanding debt decreased by approximately \$13 million in 2016. The majority of the decrease in 2016 was a result of significant principal paid in both the Water and the Wastewater Utility.

	Outstanding debt	
	2016	2015
Governmental Activities:		
General obligation bonds and notes	\$ 101,080,000	\$ 104,215,000
Business-Type Activities:		
Revenue bonds	78,388,534	88,175,718
Total	\$ 179,468,534	\$ 192,390,718

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Economic Conditions and 2017 and 2018 Budget Outlook

The City's, unemployment rate remains above the state and national average, however the City has seen a significant decline in the unemployment rate from May of 2016. In May of 2017, the City's unemployment rate is 4.2% compared to a state rate of 3.1% and a county rate of 3.4%. The City's unemployment rate is down more than 1% from this same time last year and the City no longer has the highest unemployment rate in the State.

Due to current market conditions, the assessed value of the City decreased slightly for the 2016 tax roll. Due to current market conditions, the City is expecting to see a slight increase in the assessed value for the 2017 tax roll.

The City continues to carry a strong unassigned fund balance in the general fund and has developed internal policies to ensure that the balance remains above 20% of general fund expenditures. In addition, the City has implemented various planning tools and procedures to minimize tax rate fluctuations in future years, including 10 year planning capital budgets.

The City used slightly over \$3.4 million of general fund, debt service fund, internal service and other governmental fund balances to stabilize the 2017 tax rate. This was up slightly from the prior year. The 2016 City tax rate was \$17.41 per thousand. In the 2018 budget the City will continue to make every effort to keep the tax rate steady while stabilizing the use of reserves.

Requests for information

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

BASIC FINANCIAL STATEMENTS

CITY OF RACINE

STATEMENT OF NET POSITION
As of December 31, 2016

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Business Improvement District	Redevelopment Authority
ASSETS					
Cash and investments	\$ 78,723,994	\$ 20,194,314	\$ 98,918,308	\$ 28,845	\$ 231,459
Receivables, net of allowance for uncollectible accounts	75,346,943	13,922,657	89,269,600	194,820	-
Internal balances	3,805,438	(3,805,438)	-	-	-
Due from other governments	2,353,669	1,021,100	3,374,769	-	-
Inventories	506,540	740,291	1,246,831	-	-
Prepaid items	30,822	25,817	56,639	-	-
Advances to other funds	1,093,869	(1,093,869)	-	-	-
Advances to component unit	2,736,585	-	2,736,585	-	-
Restricted assets					
Cash and investments	-	16,763,213	16,763,213	-	-
Plant capacity receivable, current portion	-	3,197,836	3,197,836	-	-
Plant capacity receivable, long term	-	17,714,887	17,714,887	-	-
Deposit in CVMIC	2,962,500	-	2,962,500	-	-
Assets held for resale	385,000	-	385,000	-	2,896,478
Capital assets					
Land	25,987,988	5,084,905	31,072,893	-	-
Construction in progress	9,357,814	3,241,870	12,599,684	-	-
Other capital assets, net of accumulated depreciation/amortization	168,195,207	256,480,735	424,675,942	3,899	-
Total Assets	<u>371,486,369</u>	<u>333,488,318</u>	<u>704,974,687</u>	<u>227,564</u>	<u>3,127,937</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts relating to pension	38,211,289	4,440,489	42,651,778	-	-
Unamortized loss on refunding	1,746,362	951,835	2,698,197	-	-
	<u>39,957,651</u>	<u>5,392,324</u>	<u>45,349,975</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Accounts payable	4,408,273	1,141,214	5,549,487	-	74,240
Accrued compensation and other current liabilities	6,194,592	626,389	6,820,981	-	800
Due to other governments	143,504	572,642	716,146	-	-
Accrued interest payable	150,029	-	150,029	-	-
Unearned capacity revenue	-	1,130,526	1,130,526	-	-
Liabilities payable from restricted assets					
Accrued interest payable	-	564,373	564,373	-	-
Current portion of long term debt	-	10,645,188	10,645,188	-	-
Noncurrent liabilities					
OPEB obligation	165,993,372	24,958,031	190,951,403	-	-
Net pension liability	6,698,329	777,309	7,475,638	-	-
Unearned capacity revenue	-	38,436,905	38,436,905	-	-
Due within one year	15,467,772	-	15,467,772	-	-
Due in more than one year	93,356,040	70,371,944	163,727,984	-	2,736,585
Total Liabilities	<u>292,411,911</u>	<u>149,224,521</u>	<u>441,636,432</u>	<u>-</u>	<u>2,811,625</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred amounts relating to pension	14,118,727	1,635,835	15,754,562	-	-
Unearned revenue	59,207,372	6,371,582	65,578,954	194,550	-
Total Deferred Inflows of Resources	<u>73,326,099</u>	<u>8,007,417</u>	<u>81,333,516</u>	<u>194,550</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	123,524,372	189,716,769	306,670,081	3,899	-
Restricted for					
Debt service	1,292,151	-	1,292,151	-	-
Permanent funds	2,306,696	-	2,306,696	-	-
Library	451,256	-	451,256	-	-
Loan Programs	6,207,393	-	6,207,393	-	-
Tax increment districts	13,561,538	-	13,561,538	-	-
Intergovernmental revenue sharing	10,864,038	-	10,864,038	-	-
Federal and State grant programs	558,848	-	558,848	-	-
Trusts	2,178,254	-	2,178,254	-	-
Special assessment program	3,461,622	-	3,461,622	-	-
Health, public safety, and parks programs	672,258	-	672,258	-	-
Water	-	5,776,514	5,776,514	-	-
Wastewater	-	6,773,920	6,773,920	-	-
Unrestricted (deficit)	<u>(119,372,416)</u>	<u>(20,618,499)</u>	<u>(133,419,855)</u>	<u>29,115</u>	<u>316,312</u>
TOTAL NET POSITION	<u>\$ 45,706,010</u>	<u>\$ 181,648,704</u>	<u>\$ 227,354,714</u>	<u>\$ 33,014</u>	<u>\$ 316,312</u>

CITY OF RACINE

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

Functions/Programs	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Totals	Business Improvement District	Redevelopment Authority
Primary Government									
Governmental activities									
General government	\$ 18,331,165	\$ 1,585,244	\$ 197,015	\$ -	\$ (16,548,906)	\$ -	\$ (16,548,906)	\$ -	\$ -
Community development	8,626,611	962,374	3,407,057	1,296,900	(2,960,280)	-	(2,960,280)	-	-
Health	3,680,030	470,665	627,307	58,337	(2,523,721)	-	(2,523,721)	-	-
Education and recreation	13,750,114	815,939	1,631,754	-	(11,302,421)	-	(11,302,421)	-	-
Public works	22,182,392	8,564,716	4,636,509	190,669	(8,790,498)	-	(8,790,498)	-	-
Public safety	62,655,093	5,130,017	856,417	169,690	(56,498,969)	-	(56,498,969)	-	-
Interest and fiscal charges	4,224,181	-	-	-	(4,224,181)	-	(4,224,181)	-	-
Total Governmental Activities	<u>133,449,586</u>	<u>17,528,955</u>	<u>11,356,059</u>	<u>1,715,596</u>	<u>(102,848,976)</u>	<u>-</u>	<u>(102,848,976)</u>	<u>-</u>	<u>-</u>
Business type activities									
Water	15,997,797	21,239,881	-	1,544,201	-	6,786,285	6,786,285	-	-
Wastewater	13,722,690	13,024,417	-	1,993,388	-	1,295,115	1,295,115	-	-
Storm Water	4,309,927	4,563,336	7,239	-	-	260,648	260,648	-	-
Belle Urban Transit	9,793,531	1,489,086	5,744,230	203,855	-	(2,356,360)	(2,356,360)	-	-
Other	3,652,653	2,028,481	-	-	-	(1,624,172)	(1,624,172)	-	-
Total Business Type Activities	<u>47,476,598</u>	<u>42,345,201</u>	<u>5,751,469</u>	<u>3,741,444</u>	<u>-</u>	<u>4,361,516</u>	<u>4,361,516</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 180,926,184</u>	<u>\$ 59,874,156</u>	<u>\$ 17,107,528</u>	<u>\$ 5,457,040</u>	<u>(102,848,976)</u>	<u>4,361,516</u>	<u>(98,487,460)</u>	<u>-</u>	<u>-</u>

CITY OF RACINE

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2016

	Program Revenues				Net (Expenses) Revenues and Changes in Net Position				
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government			Component Units	
					Governmental Activities	Business-Type Activities	Totals	Business Improvement District	Redevelopment Authority
Component Units									
Business Improvement District	\$ -	\$ -	\$ -	\$ -	-	-	-	(188,365)	-
Redevelopment Authority	-	-	-	-	-	-	-	-	(282,107)
	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(188,365)</u>	<u>(282,107)</u>
General Revenues									
Taxes									
Property taxes, levied for general purposes					35,098,257	1,509,670	36,607,927	197,600	-
Property taxes levied, for debt service					16,504,887	-	16,504,887	-	-
Property taxes, levied for TIF					2,217,402	-	2,217,402	-	-
Other taxes					549,833	-	549,833	-	-
Intergovernmental revenues not restricted to specific programs					29,506,583	-	29,506,583	-	-
Investment income					678,967	116,966	795,933	96	-
Other					988,883	17,878	1,006,761	4,000	-
Transfers					3,981,022	(3,981,022)	-	-	-
Total General Revenues and Transfers					<u>89,525,834</u>	<u>(2,336,508)</u>	<u>87,189,326</u>	<u>201,696</u>	<u>-</u>
Change in net position					(13,323,142)	2,025,008	(11,298,134)	13,331	(282,107)
NET POSITION - Beginning of Year					<u>59,029,152</u>	<u>179,623,696</u>	<u>238,652,848</u>	<u>19,683</u>	<u>598,419</u>
NET POSITION - END OF YEAR					<u>\$ 45,706,010</u>	<u>\$ 181,648,704</u>	<u>\$ 227,354,714</u>	<u>\$ 33,014</u>	<u>\$ 316,312</u>

CITY OF RACINE
Governmental Funds

BALANCE SHEET
As of December 31, 2016

	General Fund	Debt Service	Nonmajor Governmental Funds	Totals
ASSETS				
Cash and investments	\$ 27,948,914	\$ 690,316	\$ 41,648,411	\$ 70,287,641
Receivables				
Taxes	36,829,958	17,108,267	8,218,068	62,156,293
Special assessments				
and special charges - tax roll	-	-	629,438	629,438
Special assessments	-	-	2,413,377	2,413,377
Delinquent personal property taxes	116,650	-	-	116,650
Loans and notes	-	-	7,412,158	7,412,158
Accrued interest	126,651	-	402,110	528,761
Accounts	1,070,110	-	75,720	1,145,830
Total Receivables - Net	38,143,369	17,108,267	19,150,871	74,402,507
Due from other funds	8,168,719	1,572	2,348,665	10,518,956
Due from other governments	586,179	-	1,767,490	2,353,669
Inventories	82,443	-	-	82,443
Prepaid items	19,572	-	-	19,572
Deposit in CVMIC	2,962,500	-	-	2,962,500
Assets held for resale	-	-	385,000	385,000
Advances to component unit	-	-	2,736,585	2,736,585
Advances to other funds	-	825,104	7,777,677	8,602,781
TOTAL ASSETS	\$ 77,911,696	\$ 18,625,259	\$ 75,814,699	\$ 172,351,654
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 1,688,317	\$ 74,812	\$ 2,379,580	\$ 4,142,709
Accrued liabilities	2,587,173	-	361,934	2,949,107
Due to other funds	5,226,567	-	1,457,416	6,683,983
Due to other governments	118,294	-	25,210	143,504
Insurance claims payable	1,836,926	-	-	1,836,926
Advances from other funds	-	-	7,508,912	7,508,912
Total Liabilities	11,457,277	74,812	11,733,052	23,265,141
Deferred Inflows of Resources				
Unavailable revenue	-	825,104	5,325,535	6,150,639
Unearned interest/revenue	10,108	-	437,158	447,266
Unearned property tax revenue	32,804,333	17,108,267	8,847,506	58,760,106
Total Deferred Inflows of Resources	32,814,441	17,933,371	14,610,199	65,358,011
Fund Balances (Deficits)				
Nonspendable	7,641,482	-	-	7,641,482
Restricted	-	617,076	34,936,369	35,553,445
Committed	-	-	13,943,576	13,943,576
Assigned	1,305,000	-	595,282	1,900,282
Unassigned (deficit)	24,693,496	-	(3,779)	24,689,717
Total Fund Balances (Deficits)	33,639,978	617,076	49,471,448	83,728,502
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	\$ 77,911,696	\$ 18,625,259	\$ 75,814,699	

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

Capital assets used in governmental funds are not financial resources and therefore are not reported in funds. (See Note II)	201,630,959
Internal service fund net position.	10,587,062
Pension Liability, Outflows, and Inflows	16,710,363
Other long-term assets that are not currently available are reported as unearned revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements. (See Note II)	6,150,639
Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds. (See Note II)	(273,101,515)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 45,706,010

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2016

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
REVENUES				
Taxes	\$ 32,508,782	\$ 16,504,887	\$ 5,356,712	\$ 54,370,381
Special charges and assessments	-	-	1,020,775	1,020,775
Intergovernmental	34,138,205	144,544	7,447,086	41,729,835
Licenses and permits	2,194,499	-	-	2,194,499
Fines and forfeitures	2,324,969	-	391,603	2,716,572
Public charges for services	4,857,422	-	7,030,990	11,888,412
Miscellaneous	610,691	203,602	2,231,496	3,045,789
Total Revenues	<u>76,634,568</u>	<u>16,853,033</u>	<u>23,478,662</u>	<u>116,966,263</u>
EXPENDITURES				
Current				
General government	14,862,033	-	202,914	15,064,947
Health	1,917,057	-	1,061,903	2,978,960
Public safety	44,876,941	-	887,732	45,764,673
Public works	10,234,412	-	2,961,979	13,196,391
Education and recreation	5,915,309	-	4,213,230	10,128,539
Community Development	1,813,757	-	3,288,176	5,101,933
Capital Outlay	9,442	-	16,118,636	16,128,078
Debt Service				
Principal	-	26,785,000	-	26,785,000
Interest and fiscal charges	-	3,798,478	481,029	4,279,507
Total Expenditures	<u>79,628,951</u>	<u>30,583,478</u>	<u>29,215,599</u>	<u>139,428,028</u>
Excess (deficiency) of revenues over expenditures	<u>(2,994,383)</u>	<u>(13,730,445)</u>	<u>(5,736,937)</u>	<u>(22,461,765)</u>

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2016

	General Fund	Debt Service Fund	Nonmajor Governmental Funds	Totals
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	\$ -	\$ -	\$ 11,735,000	\$ 11,735,000
Premium on long-term debt issued	-	666,056	53,042	719,098
Refunding bonds issued	-	11,915,000	-	11,915,000
Transfers in	4,513,894	1,034,521	4,021,057	9,569,472
Transfers out	(81,800)	-	(6,010,411)	(6,092,211)
Total Other Financing Sources (Uses)	<u>4,432,094</u>	<u>13,615,577</u>	<u>9,798,688</u>	<u>27,846,359</u>
Net Change in Fund Balances	1,437,711	(114,868)	4,061,751	5,384,594
FUND BALANCES - Beginning of Year	<u>32,202,267</u>	<u>731,944</u>	<u>45,409,697</u>	<u>78,343,908</u>
FUND BALANCES - END OF YEAR	<u>\$ 33,639,978</u>	<u>\$ 617,076</u>	<u>\$ 49,471,448</u>	<u>\$ 83,728,502</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, 2016

Net change in fund balances - total governmental funds \$ 5,384,594

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

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

Capital outlay is reported in the fund financial statements but is capitalized in the government-wide financial statements	16,128,078
Some items reported as capital outlay are not capitalized	(3,336,186)
Depreciation is reported in the government-wide statements	(11,825,870)
Net book value of assets retired	(283,945)

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

Debt issued	(23,650,000)
Principal repaid	26,785,000

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.

Compensated absences	242,934
Unamortized discounts/premiums (see Note II. B.)	(665,459)
Pension expenses	(4,520,260)
Other postemployment benefits	(16,979,533)
Writeoff of loans	173,175
Accrued interest on debt	1,687

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

(924,344)

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

(562,079)

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

709,066

Change in net position of governmental activities

\$ (13,323,142)

CITY OF RACINE

General Fund

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
REVENUES				
Taxes	\$ 32,439,464	\$ 32,439,464	\$ 32,508,782	\$ 69,318
Intergovernmental	33,115,735	33,115,735	34,138,205	1,022,470
Licenses and permits	2,236,585	2,236,585	2,194,499	(42,086)
Fines and forfeitures	2,222,000	2,222,000	2,324,969	102,969
Charges for services	5,095,837	5,095,837	4,857,422	(238,415)
Other	502,650	502,650	610,691	108,041
Total Revenues	<u>75,612,271</u>	<u>75,612,271</u>	<u>76,634,568</u>	<u>1,022,297</u>
EXPENDITURES				
Current				
General government	15,514,336	15,514,336	14,862,033	652,303
Health	2,081,853	2,092,817	1,917,057	175,760
Public safety	45,162,930	45,187,474	44,876,941	310,533
Public works	9,904,307	9,920,612	10,234,412	(313,800)
Education and recreation	5,957,563	5,960,277	5,915,309	44,968
City Development	1,867,300	1,867,300	1,813,757	53,543
Capital outlay	10,000	10,000	9,442	558
Total Expenditures	<u>80,498,289</u>	<u>80,552,816</u>	<u>79,628,951</u>	<u>923,865</u>
Excess (deficiency) of revenues over expenditures	<u>(4,886,018)</u>	<u>(4,940,545)</u>	<u>(2,994,383)</u>	<u>1,946,162</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,217,818	4,217,818	4,513,894	296,076
Transfers out	(81,800)	(81,800)	(81,800)	-
Total Other Financing Sources	<u>4,136,018</u>	<u>4,136,018</u>	<u>4,432,094</u>	<u>296,076</u>
Net Change in Fund Balance	<u>\$ (750,000)</u>	<u>\$ (804,527)</u>	1,437,711	<u>\$ 2,242,238</u>
FUND BALANCE - Beginning of Year			<u>32,202,267</u>	
FUND BALANCE - END OF YEAR			<u>\$ 33,639,978</u>	

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET POSITION

As of December 31, 2016

	Business-Type Activities- Enterprise Funds					Total	Governmental Activities-
	Water Utility	Wastewater Utility	Storm Water Utility	Belle Urban Transit	Other Enterprise Funds		Internal Service Funds
ASSETS							
Current Assets							
Cash and investments	\$ 7,181,781	\$ 8,698,836	\$ 2,062,045	\$ 200	\$ 2,251,452	\$ 20,194,314	\$ 8,436,353
Receivables							
Accounts	3,523,425	3,606,049	-	37,690	38,726	7,205,890	944,436
Taxes	339,070	6,115	4,868,912	1,200,000	302,670	6,716,767	-
Due from other governments	-	-	-	1,021,100	-	1,021,100	-
Due from other funds	4,314,662	2,778,538	-	-	201	7,093,401	8,530
Inventories	387,571	54,325	-	286,409	11,986	740,291	424,097
Prepaid items	4,500	-	-	-	21,317	25,817	11,250
Total Current Assets	<u>15,751,009</u>	<u>15,143,863</u>	<u>6,930,957</u>	<u>2,545,399</u>	<u>2,626,352</u>	<u>42,997,580</u>	<u>9,824,666</u>
Noncurrent Assets							
Restricted Assets							
Cash and investments	9,816,794	6,946,419	-	-	-	16,763,213	-
Plant capacity, current portion	-	3,197,836	-	-	-	3,197,836	-
Plant capacity, long term	-	17,714,887	-	-	-	17,714,887	-
Capital assets							
Land	1,843,341	99,950	-	539,434	2,602,180	5,084,905	32,879
Construction in progress	1,816,898	947,078	477,894	-	-	3,241,870	119,775
Intangible assets	-	-	-	-	-	-	1,341,851
Land and building improvements	153,549,193	107,159,539	63,704,898	8,799,909	29,195,570	362,409,109	1,954,301
Equipment, furniture and vehicles	34,979,298	49,229,376	1,774,808	16,162,417	1,201,007	103,346,906	2,266,769
Less: Accumulated depreciation/amortization	(60,564,588)	(82,464,316)	(36,752,925)	(13,207,401)	(16,286,050)	(209,275,280)	(3,805,525)
Other assets							
Unamortized debt issuance expenses	-	-	-	-	-	-	-
Total Noncurrent Assets	<u>141,440,936</u>	<u>102,830,769</u>	<u>29,204,675</u>	<u>12,294,359</u>	<u>16,712,707</u>	<u>302,483,446</u>	<u>1,910,050</u>
Total Assets	<u>157,191,945</u>	<u>117,974,632</u>	<u>36,135,632</u>	<u>14,839,758</u>	<u>19,339,059</u>	<u>345,481,026</u>	<u>11,734,716</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred amounts relating to pension	2,137,617	1,605,987	442,167	-	254,718	4,440,489	1,536,488
Unamortized loss on refunding	951,835	-	-	-	-	951,835	-
	<u>3,089,452</u>	<u>1,605,987</u>	<u>442,167</u>	<u>-</u>	<u>254,718</u>	<u>5,392,324</u>	<u>1,536,488</u>

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET POSITION

As of December 31, 2016

	Business-Type Activities- Enterprise Funds					Total	Governmental Activities-
	Water Utility	Wastewater Utility	Storm Water Utility	Belle Urban Transit	Other Enterprise Funds		Internal Service Funds
LIABILITIES							
Current Liabilities							
Accounts payable	\$ 388,561	\$ 169,774	\$ 158,267	\$ 342,364	\$ 82,248	\$ 1,141,214	\$ 265,564
Accrued liabilities	246,193	147,340	10,157	68,601	154,098	626,389	1,408,559
Advances from other funds	73,082	65,363	85,675	-	-	224,120	-
Compensated absences	52,814	17,643	-	-	-	70,457	-
Due to other funds	4,905,052	2,868,840	-	2,832,390	292,557	10,898,839	38,065
Liabilities payable from restricted assets							
Accrued interest	391,874	172,499	-	-	-	564,373	-
Due to other governments	572,642	-	-	-	-	572,642	-
Unearned capacity revenue, current portion	-	1,130,526	-	-	-	1,130,526	-
Current portion of long term debt	5,051,267	5,523,464	-	-	-	10,574,731	-
Total Current Liabilities	11,681,485	10,095,449	254,099	3,243,355	528,903	25,803,291	1,712,188
Noncurrent Liabilities							
Compensated absences	573,549	442,643	6,529	42,658	29,220	1,094,599	119,336
OPEB obligation	11,693,693	7,701,933	3,484,253	-	2,078,152	24,958,031	-
Net pension liability	376,148	282,533	76,169	-	42,459	777,309	267,487
Revenue bonds and notes payable	37,889,926	31,387,419	-	-	-	69,277,345	-
Advances from other funds	362,472	324,187	183,090	-	-	869,749	-
Unearned capacity revenue	-	38,436,905	-	-	-	38,436,905	-
Total Noncurrent Liabilities	50,895,788	78,575,620	3,750,041	42,658	2,149,831	135,413,938	386,823
Total Liabilities	62,577,273	88,671,069	4,004,140	3,286,013	2,678,734	161,217,229	2,099,011
DEFERRED INFLOWS OF RESOURCES							
Unearned revenue	-	-	-	-	-	-	-
Unearned property tax revenue	-	-	4,868,912	1,200,000	302,670	6,371,582	-
Deferred amounts related to pension	791,597	594,587	160,296	-	89,355	1,635,835	585,131
Total Deferred Inflows of Resources	791,597	594,587	5,029,208	1,200,000	392,025	8,007,417	585,131
NET POSITION							
Net investment in capital assets	92,710,548	38,794,480	29,204,675	12,294,359	16,712,707	189,716,769	1,910,050
Restricted	5,776,514	6,773,920	-	-	-	12,550,434	-
Unrestricted (deficit)	(1,574,535)	(15,253,437)	(1,660,224)	(1,940,614)	(189,689)	(20,618,499)	8,677,012
TOTAL NET POSITION	\$ 96,912,527	\$ 30,314,963	\$ 27,544,451	\$ 10,353,745	\$ 16,523,018	\$ 181,648,704	\$ 10,587,062

CITY OF RACINE

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2016

	Business-Type Activities- Enterprise Funds					Totals	Governmental Activities-
	Water Utility	Wastewater Utility	Storm Water Utility	Belle Urban Transit	Other Enterprise Funds		Internal Service Funds
OPERATING REVENUES							
Charges for services	\$ 21,239,881	\$ 13,024,417	\$ 4,562,821	\$ 1,399,886	\$ 2,022,905	\$ 42,249,910	\$ 26,900,263
Other	-	-	515	89,200	5,576	95,291	1,285,169
Total Operating Revenues	<u>21,239,881</u>	<u>13,024,417</u>	<u>4,563,336</u>	<u>1,489,086</u>	<u>2,028,481</u>	<u>42,345,201</u>	<u>28,185,432</u>
OPERATING EXPENSES							
Operation and maintenance	10,184,101	8,825,743	2,928,729	8,401,837	1,569,946	31,910,356	6,169,439
Education and recreation	-	-	-	-	1,072,870	1,072,870	-
General administration	-	-	-	-	-	-	23,174,707
Depreciation	4,325,974	3,659,130	1,365,414	1,391,694	921,290	11,663,502	269,391
Total Operating Expenses	<u>14,510,075</u>	<u>12,484,873</u>	<u>4,294,143</u>	<u>9,793,531</u>	<u>3,564,106</u>	<u>44,646,728</u>	<u>29,613,537</u>
Operating income (loss)	<u>6,729,806</u>	<u>539,544</u>	<u>269,193</u>	<u>(8,304,445)</u>	<u>(1,535,625)</u>	<u>(2,301,527)</u>	<u>(1,428,105)</u>
NONOPERATING REVENUES (EXPENSES)							
Investment income (loss)	61,153	39,371	8,929	-	7,513	116,966	-
Interest expense	(1,466,070)	(1,073,071)	(15,784)	-	-	(2,554,925)	-
Intergovernmental interest reimbursement	-	627,059	-	-	-	627,059	-
Plant capacity income	-	1,130,526	-	-	-	1,130,526	-
Gain (loss) on sale of fixed assets	-	19,320	-	-	(88,547)	(69,227)	-
Amortization of premiums/discount and refunding loss	37,014	-	-	-	-	37,014	-
Bond Issue Costs	(58,666)	-	-	-	-	(58,666)	-
Subsidies from other governmental units	-	-	7,239	5,744,230	-	5,751,469	-
Tax levy	-	-	-	1,200,000	309,670	1,509,670	-
Household hazardous waste revenue	-	235,803	-	-	-	235,803	-
Household hazardous waste expense	-	(184,066)	-	-	-	(184,066)	-
Other	-	17,878	-	-	-	17,878	-
Total Nonoperating Revenues (Expenses)	<u>(1,426,569)</u>	<u>812,820</u>	<u>384</u>	<u>6,944,230</u>	<u>228,636</u>	<u>6,559,501</u>	<u>-</u>

CITY OF RACINE

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2016

	Business-Type Activities- Enterprise Funds					Governmental Activities-	
	Water Utility	Wastewater Utility	Storm Water Utility	Belle Urban Transit	Other Enterprise Funds	Totals	Internal Service Funds
Income (loss) before capital contributions and transfers	5,303,237	1,352,364	269,577	(1,360,215)	(1,306,989)	4,257,974	(1,428,105)
CAPITAL CONTRIBUTIONS	1,544,201	-	-	203,855	-	1,748,056	-
TRANSFERS IN	52,407	-	-	73,812	187,459	313,678	503,761
TRANSFERS (OUT)	(3,569,260)	(725,440)	-	-	-	(4,294,700)	-
Change in Net Position	3,330,585	626,924	269,577	(1,082,548)	(1,119,530)	2,025,008	(924,344)
NET POSTION - Beginning of Year	93,581,942	29,688,039	27,274,874	11,436,293	17,642,548	179,623,696	11,511,406
NET POSITION - END OF YEAR	\$ 96,912,527	\$ 30,314,963	\$ 27,544,451	\$ 10,353,745	\$ 16,523,018	\$ 181,648,704	\$ 10,587,062

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2016

	Business-Type Activities- Enterprise Funds					Totals	Governmental
	Water Utility	Wastewater Utility	Stormwater Utility	Belle Urban Transit	Other Enterprise		Internal Service Fund
CASH FLOW FROM OPERATING ACTIVITIES							
Received from customers and users	\$ 21,370,642	\$ 12,380,496	\$ 4,563,336	\$ 1,445,198	\$ 2,205,044	\$ 41,964,716	\$ 28,995,417
Paid to suppliers for goods and services	(1,636,806)	(2,397,477)	(1,627,239)	(8,855,881)	(1,833,512)	(16,350,915)	(23,898,448)
Paid to employees for services	(6,575,758)	(4,850,730)	(884,030)	-	(530,213)	(12,840,731)	(4,897,527)
Net Cash Flows From Operating Activities	13,158,078	5,132,289	2,052,067	(7,410,683)	(158,681)	12,773,070	199,442
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES							
Transfer to other funds	(3,516,853)	(725,440)	-	-	-	(4,242,293)	-
Advances retired	(96,855)	(86,625)	-	-	-	(183,480)	-
Principal retired	-	(274,702)	-	-	-	(274,702)	-
Interest paid on long-term debt	-	(31,813)	-	-	-	(31,813)	-
Interest paid on advances	(10,755)	(10,777)	-	-	-	(21,532)	-
Funds received from intergovernmental agreement	1,727,186	-	-	-	-	1,727,186	-
Payments on intergovernmental agreement	(1,154,544)	-	-	-	-	(1,154,544)	-
Miscellaneous receipts	-	69,615	-	-	-	69,615	-
Operating grants received	-	-	-	5,481,283	-	5,481,283	-
Operating subsidies received - tax levy	-	-	7,239	1,929,400	309,670	2,246,309	-
Net Cash Flows from Noncapital Financing Activities	(3,051,821)	(1,059,742)	7,239	7,410,683	309,670	3,616,029	-
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Debt issued	4,283,828	-	-	-	-	4,283,828	-
Premium on long-term debt issued	164,442	-	-	-	-	164,442	-
Debt retired	(4,620,998)	(5,175,312)	-	-	-	(9,796,310)	-
Proceeds from advances	-	-	-	-	-	-	-
Payment to escrow agent	(3,883,607)	-	-	-	-	(3,883,607)	-
Advances retired	-	-	(81,985)	-	-	(81,985)	-
Interest paid on long-term debt	(1,642,311)	(1,056,207)	-	-	-	(2,698,518)	-
Interest paid on advances	-	-	(15,784)	-	-	(15,784)	-
Transfer from other funds for capital purposes	-	-	-	73,812	187,459	261,271	503,761
Acquisition and construction of capital assets	(4,014,635)	(1,309,993)	(901,347)	(217,812)	(394,434)	(6,838,221)	(250,008)
Debt issue costs paid	(58,666)	-	-	-	-	(58,666)	-
REC and other fees received	738,592	-	-	-	-	738,592	-
Intergovernmental interest reimbursement	-	627,059	-	-	-	627,059	-
Proceeds for plant capacity charges	-	3,187,347	-	-	-	3,187,347	-
Capital subsidies received	-	-	-	144,000	-	144,000	-
Proceeds from sale of capital assets	-	154,320	-	-	-	154,320	-
Net Cash Flows From Capital and Related Financing Activities	(9,033,355)	(3,572,786)	(999,116)	-	(206,975)	(13,812,232)	253,753

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2016

	Business-Type Activities- Enterprise Funds					Totals	Governmental Activities-
	Water Utility	Wastewater Utility	Stormwater Utility	Belle Urban Transit	Other Enterprise		Internal Service Fund
CASH FLOW FROM INVESTING ACTIVITIES							
Investment income	\$ 61,153	\$ 39,371	\$ 8,929	\$ -	\$ 7,513	\$ 116,966	\$ -
Net Cash Flows From Investing Activities	61,153	39,371	8,929	-	7,513	116,966	-
Net Change in Cash and Cash Equivalents	1,134,055	539,132	1,069,119	-	(48,473)	2,693,833	453,195
CASH AND CASH EQUIVALENTS - Beginning of Year	15,864,520	15,106,123	992,926	200	2,299,925	34,263,694	7,983,158
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 16,998,575	\$ 15,645,255	\$ 2,062,045	\$ 200	\$ 2,251,452	\$ 36,957,527	\$ 8,436,353
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES							
Operating income (loss)	\$ 6,729,806	\$ 539,544	\$ 269,193	\$ (8,304,445)	\$ (1,535,625)	\$ (2,301,527)	\$ (1,428,105)
Adjustments to reconcile operating income (loss) to Net Cash Flows from operating activities							
Other postemployment benefits	1,081,743	963,056	343,211	-	311,304	2,699,314	-
Depreciation	4,471,324	3,659,130	1,365,414	1,391,694	921,290	11,808,852	269,391
Changes in assets, deferred outflows, liabilities, and deferred inflows							
Accounts receivable	127,495	(227,384)	-	15,968	87,410	3,489	815,573
Prepaid items	728	-	-	-	(3,849)	(3,121)	-
Inventories	(20,024)	(4,499)	-	(27,685)	1,263	(50,945)	(8,744)
Due from other funds	15,589	(396,042)	(307,868)	-	6,799	(681,522)	-
Pension benefits	(65,653)	(75,329)	75,725	-	47,090	(18,167)	231,079
Accounts payable	(240,743)	(64,255)	7,641	61,937	(170,756)	(406,176)	314,340
Accrued liabilities	72,830	45,714	(9,117)	(8,151)	3,801	105,077	(5,163)
Unearned revenue	-	-	307,868	(59,855)	(7,000)	241,013	-
Due to other funds	984,983	692,354	-	(480,146)	179,592	1,376,783	11,071
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 13,158,078	\$ 5,132,289	\$ 2,052,067	\$ (7,410,683)	\$ (158,681)	\$ 12,773,070	\$ 199,442

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016

	Business-Type Activities- Enterprise Funds					Totals	Governmental
	Water Utility	Wastewater Utility	Stormwater Utility	Belle Urban Transit	Other Enterprise		Internal Service Fund
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET							
Cash and investments							
Unrestricted	\$ 7,181,781	\$ 8,698,836	\$ 2,062,045	\$ 200	\$ 2,251,452	\$ 20,194,314	\$ 8,436,353
Restricted	9,816,794	6,946,419	-	-	-	16,763,213	-
Total Cash and Investments	<u>\$ 16,998,575</u>	<u>\$ 15,645,255</u>	<u>\$ 2,062,045</u>	<u>\$ 200</u>	<u>\$ 2,251,452</u>	<u>\$ 36,957,527</u>	<u>\$ 8,436,353</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES							
Cost of Capital assets installed							
or financed by developers, customers or the City	\$ 805,609	\$ -	\$ -	\$ -	\$ -	\$ 805,609	\$ -
Capital assets in accounts payable and due to other funds	\$ 533,608	\$ 342,580	\$ -	\$ -	\$ -	\$ 876,188	\$ -

CITY OF RACINE

Agency Funds

STATEMENT OF ASSETS AND LIABILITIES

As of December 31, 2016

	Agency Funds		
	Police Evidence	Tax Collecting	Totals
ASSETS			
Cash and investments	\$ 509,103	\$ 33,385,717	\$ 33,894,820
Receivables			
Property taxes	-	12,325,797	12,325,797
TOTAL ASSETS	<u>\$ 509,103</u>	<u>\$ 45,711,514</u>	<u>\$ 46,220,617</u>
LIABILITIES			
Accounts payable	\$ 509,103	\$ -	\$ 509,103
Due to component unit	-	194,550	194,550
Due to other agencies	-	78,526	78,526
Due to other governments	-	45,438,438	45,438,438
TOTAL LIABILITIES	<u>\$ 509,103</u>	<u>\$ 45,711,514</u>	<u>\$ 46,220,617</u>

CITY OF RACINE

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CITY OF RACINE

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CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the City of Racine, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. REPORTING ENTITY

This report includes all of the funds of the City of Racine. The reporting entity for the city consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading. The primary government is financially accountable if (1) it appoints a voting majority of the organization's governing body and it is able to impose its will on that organization, (2) it appoints a voting majority of the organization's governing body and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government, (3) the organization is fiscally dependent on and there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens on, the primary government. Certain legally separate, tax exempt organizations should also be reported as a component unit if all of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) the primary government or its component units, is entitled to, or has the ability to access, a majority of the economic resources received or held by the separate organization; and (3) the economic resources received or held by an individual organization that the primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to the primary government.

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

A. REPORTING ENTITY (cont.)

Discretely Presented Component Unit

Business Improvement District

The government-wide financial statements include the Downtown Racine Business Improvement District #1, (BID) as a component unit. The BID, created in November 2001, has a separate nine member board appointed by the mayor and approved by the city council. The BID was designed to provide for and promote the continued vitality of the city's downtown business district through an aggressive marketing plan to promote existing businesses and attract new business. The BID has its own independent budgetary authority and assessment capabilities. However, the city can impose its will on the BID as the city must approve the BID operating budget and annual assessment. The city has no responsibility for fund deficits of the BID. As a component unit, the BID's financial statements have been presented as a discrete column in the city's financial statements. The financial information presented for the BID is for the fiscal year ended December 31, 2016. Separately issued financial statements of the BID may be obtained from the BID office.

Redevelopment Authority

The government-wide financial statements include the City of Racine Redevelopment Authority as a component unit. The Authority is a legally separate organization, created in February 1974, has a separate seven member board appointed by the mayor and approved by the city council. The Redevelopment Authority was created for the purpose of carrying out blight elimination, slum clearance, and urban renewal programs and projects as set forth in section 66.133 of Wisconsin State Statute. Wisconsin Statutes provide for circumstances whereby the City can impose its will on the Authority, and also create a potential financial benefit to or burden on the City. As a component unit, the Authority's financial statements have been presented as a discrete column in the financial statements. The information presented is for the fiscal year ended December 31, 2016. The Authority does not issue separate financial statements.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

In March 2015, the GASB issued statement No. 72 – Fair Value Measurement and Application. The standard requires fair value measurement for certain investments and disclosures related to all fair value measurements. This standard was implemented January 1, 2016.

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

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

Fund Financial Statements

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

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

- a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, revenues, or expenditures/expenses of that individual governmental or enterprise fund are at least 10% of the corresponding total for all funds of that category or type, and
- b. The same element of the individual governmental fund or enterprise fund that met the 10% test is at least 5% of the corresponding total for all governmental and enterprise funds combined.
- c. In addition, any other governmental or proprietary fund that the city's management believes is particularly important to financial statement users may be reported as a major fund.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The city reports the following major governmental funds:

- General Fund – accounts for the city's primary operating activities. It is used to account for and report all financial resources except those accounted and reported in another fund.
- Debt Service Fund – used to account for and report financial resources that are restricted, committed or assigned to expenditure for the payment of general long-term debt principal, interest, and related cost on long-term debt other than enterprise fund debt.

The city reports the following major enterprise funds:

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

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

Special Revenue Funds – used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specific purposes (other than debt service or capital projects)

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

Capital Projects Funds – used to account for and report financial resources that are restricted, committed, or assigned to expenditure for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

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

Permanent Funds – used to account for and report resources that are restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry.

Endowment Fund

Enterprise Funds – used to account for and report any activity for which a fee is charged to external uses for goods or services, and must be used for activities which meet certain debt or cost recovering criteria.

Parking Utility	Civic Centre
Radio Repair	Golf Courses

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

In addition, the City reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the city, or to other governmental units, on a cost-reimbursement basis.

Equipment Maintenance Garage	Health Insurance	Building Complex
Information Systems	Telephones	

Agency funds are used to account for and report assets held by the city in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

Police Evidence	Tax Collecting
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C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

The government-wide statement of net position and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and unearned revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

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

Fund Financial Statements

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

Fund Financial Statements (cont.)

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

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

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

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

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

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

All Financial Statements

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

1. Deposits, Investments and Equivalents

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of City funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority, or Wisconsin Aerospace Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

Investment of most trust funds including cemetery perpetual care funds is regulated by Chapter 881 of the Wisconsin Statutes. Investment of library trust funds is regulated by Chapter 112. Those sections give broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

The City has adopted an investment policy. That policy follows the state statute for allowable investments. The investment policy seeks to attain the following five goals:

1. Safety – Investments by the government of the City of Racine, Wisconsin shall be undertaken in a manner that seeks to ensure the preservation of capital in the overall portfolio. To this end each investment transaction shall seek to first ensure that capital losses are avoided.
2. Legality – Investments by the government of the City of Racine, Wisconsin shall be made in accordance with Federal Law, Wisconsin Revised Statutes (particularly, WISSTATS 34.07, 66.04, 67.11 and 219.05), the Municipal Code of the City of Racine and this Investment Policy.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

1. Deposits, Investments and Equivalents (cont.)

3. Liquidity – Investments by the government of the City of Racine, Wisconsin shall be of sufficient liquidity to meet the cash requirements of the City.
4. Yield – Investments by the government of the City of Racine, Wisconsin shall be designed to attain a market-average rate of return throughout budgetary and economic cycles, taking into account the City's investment risk constraints and the cash flow characteristics of the portfolio.
5. Public Trust – Investments by the government of the City of Racine, Wisconsin shall be designed and managed with a degree of professionalism worthy of the public trust.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on methods and inputs as outlined in Note IV. A. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated based on average balances. The difference between the bank statement balance and carrying value is due to outstanding checks and/or deposits in transit.

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2016, the fair value of the city's share of the LGIP's assets was substantially equal to the amount as reported in these financial statements.

See Note IV.A. for further information.

2. Receivables

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

2. Receivables (cont.)

Property tax calendar – 2016 tax roll:

Lien date and levy date	November 2016
Tax bills mailed	December 2016
Payment in full, or	
First installment due	January 31, 2017
Second installment due	March 31, 2017
Third installment due	May 31, 2017
Fourth installment due	July 31, 2017
Personal property taxes in full	January 31, 2017
Final settlement with County	August 15, 2017
Tax deed by County – 2016	
Delinquent real estate taxes	October 2019

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water and wastewater utilities because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as “due to and from other funds.” Long-term interfund loans (noncurrent portion) are reported as “advances from and to other funds.” Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as internal balances.

In the governmental fund financial statements, advances to other funds are offset equally by a nonspendable fund balance account which indicates that they do not constitute expendable available financial resources and, therefore, are not available for appropriation or by a restricted fund balance account, if the funds will ultimately be restricted when the advance is repaid.

The City has received federal and state grant funds for economic development and housing rehabilitation loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed.

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

3. INVENTORIES AND PREPAID ITEMS

Governmental fund inventories, if material, are recorded at cost based on the weighted average method using the consumption method of accounting. Inventory quantities at December 31, 2016 were determined by physical counts. Proprietary fund inventories are generally used for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average method, and charged to operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

4. Restricted Assets

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$25,000 for infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed fund proceeds. There was no interest capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

Depreciation and amortization of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net position. Depreciation and amortization is provided over the assets' estimated useful lives using the straight-line method of depreciation with a half year convention. The range of estimated useful lives by type of asset is as follows:

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

Buildings and Building Improvements	10-50	Years
Intangibles	5	Years
Land Improvements	20	Years
Machinery and Equipment, including buses	3-25	Years
Infrastructure:		
Streets, Roads, and Bridges	30-50	Years
Sidewalks	20	Years
Sewer Lines	50	Years
Shoreline Walls	50	Years
Other	15-100	Years

Fund Financial Statements

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

6. Assets Held for Resale

Periodically, the city purchases land and buildings for redevelopment and resale. In both the fund financial statements and the government wide statements these items are reported at the lower of cost or market.

7. Deferred Outflows of Resources

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

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

8. Compensated Absences

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

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

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2016 are determined on the basis of current salary rates and include salary related payments.

9. Long-Term Obligations/Conduit Debt

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consists primarily of notes and bonds payable, and accrued compensated absences.

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

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the straight-line method. The balance at year end is shown as an increase or decrease in the liability section of the statement of net position.

The City has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the city. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is \$34,422,078 made up of six issues.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

10. Deferred Inflows of Resources

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

11. Equity Classifications

Government–Wide Statements

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

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent bond proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position – Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net position – All other net position that do not meet the definition of “restricted” or “net investment in capital assets.”

The net position section includes an adjustment of \$6.57 million for capital assets owned by the business type activities, but financed by the debt of the governmental activities. The amount is a reduction of “net investment of capital assets”, and an increase in “unrestricted” net position, shown only in the total column.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources as they are needed.

Fund Statements

Governmental fund equity is classified as fund balance and displayed as follows:

- a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.
- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2. law through constitutional provisions or enabling legislation.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

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

11. Equity Classifications (cont.)

Fund Statements (cont.)

- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through formal action resolution of the City. This formal action must occur prior to the end of the reporting year, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the city that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. The City Council has, by resolution, adopted a financial policy authorizing the Director of Finance to assign amounts for a specific purpose. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

The City has a formal minimum fund balance policy for the general fund. The policy is to maintain an unassigned fund balance of at least 20% of the subsequent year's general fund budgeted expenditures. The unassigned balance at year end was \$24,693,496 or 30.43%.

The City considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the City would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

Proprietary fund equity is classified the same as in the government-wide statements.

12. Pension

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

A. EXPLANATION OF CERTAIN DIFFERENCES BETWEEN THE GOVERNMENTAL FUND BALANCE SHEET AND THE STATEMENT OF NET POSITION

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

Unearned revenue-loans	\$ 2,912,158
Unearned revenue-debt service	825,104
Unearned revenue-special assessments	<u>2,413,377</u>
Combined Adjustment for Long-Term Assets	<u>\$ 6,150,639</u>

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

Bonds and notes payable	\$ 105,811,347
OPEB obligation	165,993,371
Compensated absences, not including internal service fund	2,893,130
Unamortized loss on refunding	(1,746,362)
Accrued interest	<u>150,029</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 273,101,515</u>

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

Land	\$ 25,987,988
Construction in progress	9,357,814
Other capital assets net of accumulated depreciation/amortization	168,195,207
Internal Service fund capital assets	<u>(1,910,050)</u>
Combined Adjustment for Capital Assets	<u>\$ 201,630,959</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between *net changes in fund balances – total governmental funds* and *changes in net position of governmental activities* as reported in the government-wide statement of activities. One element of that reconciliation states that “Governmental funds report the effects of issuance costs, premiums, discounts, and similar items when the debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.” The details of the differences are as follows:

Deferred charge incurred	\$ -
Premium received	(719,098)
Amortization of deferred charge and premium	<u>53,639</u>
Unamortized debt discounts/premiums/deferred charges	<u>\$ (665,459)</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	\$ (372,340)
Principal paid on debt service loans	(183,480)
Special assessments collections	<u>(6,259)</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (562,079)</u>

Another element of that reconciliation states that “Expenditures in the governmental funds that are not reported as expenses in the statement of activities.” The net adjustment to increase net changes in fund balance – total governmental funds to arrive at changes in Net Position governmental activities of \$709,066 represents the net amount of economic development loans made and written off during the year.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

The city adopted annual governmental fund budgets for the following funds:

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

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

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

Wisconsin State Statute 65.90 requires that an annual budget be adopted for all funds.

The budgeted amounts presented include any amendments made. Appropriation lapse at year-end unless specifically carried over. Carryovers to the following year include items encumbered at year-end. Carryovers to the following year were \$10,760,215. 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 \$7,971,741.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

The following appropriation units have an excess of actual expenditures over appropriations for the year ended December 31, 2016:

<u>Fund</u>	<u>Department</u>	<u>Appropriation Unit</u>	<u>Amount</u>
General Fund	City Administration	Operating Expenditures	\$ 28,603
	City Administration	Interdepartmental	66
	Finance	Salaries and Fringes	8,612
	Finance	Operating Expenditures	49,428
	Finance	Interdepartmental	99
	Health	Interdepartmental	202
	Fire	Operating Expenditures	222
	Police	Salaries and Fringes	57,708
	Public Works	Salaries and Fringes	240,424
	Public Works	Operating Expenditures	167,252
	Parks	Salaries and Fringes	81,641
Special Revenue Funds:			
Recycling		Interdepartmental	21,552
Municipal Court		Operating	5,448
Municipal Court		Interdepartmental	21
Cemetery		Salaries and Fringes	273
Cemetery		Interdepartmental	2,666
Private Property Maintenance		Operating	121,395
Sanitary Sewer Maintenance		Operating	64,941
Sanitary Sewer Maintenance		Capital Outlay	86,729
Health Lab		Salaries and Fringes	12,624
Health Lab		Interdepartmental	12

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end. The HUD grants fund had a \$3,779 deficit balance at year end.

D. LIMITATIONS ON THE CITY'S TAX LEVY

Wisconsin law limits the City's future tax levies. Generally the City is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the City's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The city's deposits and investments at year end comprised of the following:

	<u>Carrying</u> <u>Value</u>	<u>Statement</u> <u>Balances</u>	<u>Associated</u> <u>Risks</u>
Demand deposits	\$ 45,433,221	\$36,202,074	Custodial credit
Savings deposits	21,783,030	21,783,030	Custodial credit
Certificates of deposit	19,238,888	19,238,888	Custodial credit
Petty cash	8,950	-	NA
Total deposits	<u>86,464,089</u>	<u>77,223,992</u>	
Wisconsin Local Government			
Investment Pool	20,241,110		Credit
Money market funds	6,190,892		Credit
Mutual funds-equities	2,517,572		Credit
Mutual funds-fixed income	1,052,942		Credit, Interest Rate
			Credit, Custodial Credit,
			Interest Rate, Concentration of
			Credit
U.S. Government agency securities-Implicit	33,341,195		
Total investments	<u>63,343,711</u>		
Total Deposits and Investments	<u>\$ 149,807,800</u>		
Reconciliation to financial statements			
Per statement of net position			
Cash and Investments-Primary government	\$ 98,918,308		
Cash and investments-Component unit	231,459		
Restricted cash and investments	16,763,213		
Per statement of assets and liabilities-	33,894,820		
agency funds			
	<u>\$ 149,807,800</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit accounts.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

A. DEPOSITS AND INVESTMENTS (cont.)

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

Custodial Credit Risk for Deposits

Custodial credit risk for deposits is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City.

As of December 31, 2016 the City's carrying value of deposits was \$86,464,089, as compared to bank balances of \$77,223,992. Of the bank balances \$68,791,848 was insured by either federal depository insurance or collateralized by securities held by the bank or its correspondent bank but not in the City's name. \$8,432,144 was uninsured as of December 31, 2016.

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, 2016 the City's carrying value of U.S. Government Agency Securities and U.S. Treasury's subject to custodial credit risk \$33,341,195. Of this investment balance, all amounts were covered by securities held by an agency in the City's name.

Credit Risk for Investments

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

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

The City's U.S. Government agencies as of December 31, 2016 were rated Aaa by Moody's Investor's Services and AA+ by Standard & Poor's. As of December 31, 2016, the balance in these types of investments was \$33,341,195. The money market funds are rated A and the mutual funds range from a rating of A – BBB. The City also had investments in the LGIP which is an external pool that is not rated.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

A. DEPOSITS AND INVESTMENTS (cont.)

Concentration of Credit Risk for Investments

Concentration of credit risk is the risk of loss attributed to the magnitude of the City's investment in a single issuer.

At December 31, 2016, the City's investment portfolio had concentration of investments greater than 5% of the total portfolio as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage of Portfolio</u>
Federal National Mortgage Association	U.S. government agency notes and mortgage backed securities	27.56%
Federal Home Loan Bank Corporation	U.S. government agency notes and mortgage backed securities	23.54%
Federal Home Loan Mortgage Corporation	U.S. government agency notes and mortgage backed securities	46.23%

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, 2016 were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Duration in Years</u>
U.S Government Agency-implicitly guaranteed	\$ 4,512,276	0.772
U.S Government Agency-implicitly guaranteed	28,828,919	3.755
Mutual Funds-fixed income	1,052,942	4.94

During 2016, the City experienced net unrealized losses on investments in the amount of \$231,297. The loss has been allocated to each fund earning interest based on the interest allocated. This amount is included in investment income (loss) in each of the funds. It is the intent of the City to hold these investments to maturity.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

A. DEPOSITS AND INVESTMENTS (cont.)

Fair Value Hierarchy

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

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

>Quoted market prices

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Fund Equities	\$ -	\$ 2,517,572	\$ -	\$ 2,517,572
Mutual Fund Fixed Income	-	1,052,942	-	1,052,942
US Government Agencies	-	33,341,195	-	33,341,195
Total	<u>\$ -</u>	<u>\$ 36,911,709</u>	<u>\$ -</u>	<u>\$ 36,911,709</u>

B. RECEIVABLES

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

	<u>Account</u>	<u>Rescue</u>	<u>Loans</u>	<u>Delinquent</u>	<u>Total</u>
	<u>Receivable</u>	<u>Runs</u>	<u>Receivable</u>	<u>Personal</u>	
				<u>Property</u>	
General Fund	\$ 472,198	\$ 153,386	\$ -	\$ 354,851	\$ 980,435
HUD Fund	-	-	2,410,227	-	2,410,227
Transit	-	-	-	-	-
Other Enterprise	284	-	-	-	284
Internal Service	6,959	-	-	-	6,959
Other Non-Major Funds	35,154	-	-	-	35,154
	<u>\$ 514,595</u>	<u>\$ 153,386</u>	<u>\$ 2,410,227</u>	<u>\$ 354,851</u>	<u>\$ 3,433,059</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

B. RECEIVABLES (cont.)

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

	<u>General</u> <u>Fund</u>	<u>Other</u> <u>Non Major</u>	<u>Total</u>
Special Assessments	\$ -	\$ 2,413,377	\$ 2,413,377
Delinquent personal property taxes	116,650	-	116,650
Loans and notes	-	7,412,158	7,412,158
	<u>\$ 116,650</u>	<u>\$ 9,825,535</u>	<u>\$ 9,942,185</u>

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

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable	\$ -	\$ 58,760,106	\$ 58,760,106
Loans receivable	2,912,158	-	2,912,158
Special assessments not yet due	2,413,377	-	2,413,377
Interest on loans and advances	-	382,590	382,590
Due from enterprise for debt service	825,104	-	825,104
Grant drawdowns prior to meeting all eligibility requirements	-	64,676	64,676
Total Unearned/Unavailable Revenue for Governmental Funds	<u>\$ 6,150,639</u>	<u>\$ 59,207,372</u>	<u>\$ 65,358,011</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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, 2016:

	Water Utility	Wastewater Utility	Total
Bond redemption account	\$ 3,703,137	\$ 3,902,279	\$ 7,605,416
Bond reserve account	3,075,764	-	3,075,764
Bond depreciation account	800,000	-	800,000
Impact fund	1,665,251	-	1,665,251
Equipment replacement account	-	3,044,140	3,044,140
Held for other governments	572,642	-	572,642
Plant capacity receivable	-	20,912,723	20,912,723
Total Restricted Assets	9,816,794	27,859,142	37,675,936
Reconciliation to restricted net position			
Plant capacity receivable reported as unearned revenue	-	(20,912,723)	(20,912,723)
Accrued interest payable	(391,874)	(172,499)	(564,373)
Due to other governments	(572,642)	-	(572,642)
Bond reserve fund financed by bond proceeds	(3,075,764)	-	(3,075,764)
Restricted Net Position	\$ 5,776,514	\$ 6,773,920	\$ 12,550,434

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2016 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated/amortized				
Land	\$ 24,746,736	\$ 1,241,252	\$ -	\$ 25,987,988
Construction in progress	8,895,272	8,986,407	8,523,865	9,357,814
Total Capital Assets Not Being Depreciated/Amortized	<u>33,642,008</u>	<u>10,227,659</u>	<u>8,523,865</u>	<u>35,345,802</u>
Capital assets being depreciated/amortized				
Intangible assets	1,341,850	-	-	1,341,850
Land improvements	11,111,570	489,512	-	11,601,082
Buildings	46,888,861	1,861,041	232,420	48,517,482
Machinery and equipment	36,356,883	3,587,077	1,819,503	38,124,457
Roads, streets, and bridges	169,258,083	3,547,389	1,159,393	171,646,079
Sidewalks	54,167,667	238,916	27,668	54,378,915
Sewer lines	42,989,914	668,377	59,132	43,599,159
Shoreline walls and other	22,324,836	951,395	-	23,276,231
Total Capital Assets Being Depreciated/Amortized	<u>384,439,664</u>	<u>11,343,707</u>	<u>3,298,116</u>	<u>392,485,255</u>
Less: accumulated depreciation/amortization for				
Intangible assets	649,537	81,832	-	731,369
Land improvements	7,849,594	559,932	-	8,409,526
Buildings	22,704,957	1,774,201	126,233	24,352,925
Machinery and equipment	28,881,504	2,124,719	1,819,503	29,186,720
Roads, streets, and bridges	81,799,456	4,985,409	976,035	85,808,830
Sidewalks	43,898,727	1,129,216	27,668	45,000,275
Sewer lines	19,337,073	805,800	59,133	20,083,740
Shoreline walls and other	10,082,511	634,152	-	10,716,663
Total Accumulated Depreciation/Amortization	<u>215,203,359</u>	<u>12,095,261</u>	<u>3,008,572</u>	<u>224,290,048</u>
Total Capital Assets being Depreciated/Amortized, Net	<u>169,236,305</u>	<u>(751,554)</u>	<u>289,544</u>	<u>168,195,207</u>
Governmental Activities Capital Assets, Net	<u>\$ 202,878,313</u>	<u>\$ 9,476,105</u>	<u>\$ 8,813,409</u>	<u>\$ 203,541,009</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS (cont.)

Depreciation/amortization expense was charged to functions as follows:

Governmental Activities

General government	\$	574,422
Education and recreation		1,467,229
Public works, which includes infrastructure		8,910,773
Public safety		<u>1,142,837</u>
 Total Governmental Activities Depreciation/Amortization Expense	\$	<u><u>12,095,261</u></u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-Type Activities				
Capital assets not being depreciated				
Land	\$ 5,084,905	\$ -	\$ -	\$ 5,084,905
Construction in progress	5,006,717	7,516,104	9,280,951	3,241,870
Total Capital Assets Not Being Depreciated	10,091,622	7,516,104	9,280,951	8,326,775
Capital assets being depreciated				
Land improvements	9,680,597	-	56,626	9,623,971
Improvements other than buildings	200,676,148	3,412,108	402,632	203,685,624
Buildings	146,615,768	3,003,580	519,834	149,099,514
Machinery and equipment	101,090,851	3,755,709	1,499,654	103,346,906
Total Capital Assets Being Depreciated	458,063,364	10,171,397	2,478,746	465,756,015
Less: accumulated depreciation for				
Land improvements	5,767,234	369,731	8,496	6,128,469
Improvements other than buildings	69,706,967	3,276,380	402,704	72,580,643
Buildings	62,793,030	3,428,648	479,420	65,742,258
Machinery and equipment	61,409,726	4,778,761	1,364,577	64,823,910
Total Accumulated Depreciation	199,676,957	11,853,520	2,255,197	209,275,280
Total Capital Assets				
Depreciated, Net	258,386,407	(1,682,123)	223,549	256,480,735
Business-Type Activities				
Capital Assets, Net	\$ 268,478,029	\$ 5,833,981	\$ 9,504,500	\$ 264,807,510

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-Type Activities

Water	\$ 4,325,974
Wastewater	3,659,130
Stormwater	1,365,414
Belle Urban Transit	1,391,694
Other	<u>921,290</u>
Total Business-Type Activities Depreciation Expense	<u>\$ 11,663,502</u>

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

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

Receivable Fund	Payable Fund	Total
General Fund	Enterprise Fund-Transit	\$ 2,832,390
General Fund	Enterprise Fund-Civic Center	287,161
General Fund	Wastewater Utility	121,095
General Fund	Water Utility	3,470,657
General Fund	Special Revenue-HUD Grants	296,480
General Fund	Special Revenue-State Grants	277,818
General Fund	Special Revenue-Other Agency Grants	66,666
General Fund	Special Revenue-Federal Grants	89,747
General Fund	Special Revenue-Loans	2,812
General Fund	Special Revenue-Trusts	10,889
General Fund	Permanent Funds	1,687
General Fund	Capital Projects-City Projects	711,317
Debt Service Fund	Water Utility	830
Debt Service Fund	Wastewater Utility	742
Wastewater Utility	Enterprise Fund-Golf Courses	5,396
Wastewater Utility	Water Utility	1,051,269
Wastewater Utility	General Fund	1,696,340
Wastewater Utility	Internal Service Fund-Building Complex	25,533
Water Utility	Wastewater Utility	771,903
Water Utility	General Fund	3,530,227
Water Utility	Internal Service Fund-Building Complex	12,532

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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

Receivable Fund	Payable Fund	Total
Capital Projects-City Projects	Wastewater Utility	1,972,726
Capital Projects-City Projects	Water Utility	375,839
Other Enterprise-Radio Repair	Water Utility	201
Internal Service Fund-Equipment Maint.	Water Utility	4,273
Internal Service Fund-Equipment Maint.	Wastewater Utility	1,464
Internal Service Fund-Telephone	Water Utility	1,983
Internal Service Fund-Telephone	Wastewater Utility	810
Special Revenue-Library	Wastewater Utility	100
Subtotal-Fund Financial Statements		17,620,887
Less: Fund eliminations		(3,286,185)
Less: Government-wide eliminations		(10,529,264)
		<u>\$ 3,805,438</u>

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

All amounts are due within one year except for \$4,576,967 of funds owed to the general fund from other City funds. This amount is included in nonspendable fund balance in the general fund as a non current receivable.

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

The Intergovernmental Revenue Sharing fund is advancing funds to several TID's to cover the shortfall in each TID. The fund is charging interest at the City's blended investment rate and a repayment schedule has not been determined. The City Projects fund is charging the Storm Water Utility interest at 4.5% and a repayment schedule has been established. A repayment schedule has been established for the advances to the Water and Wastewater Utility based on their percentage of the pension liability.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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

The following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Due Within One Year
Debt Service Fund	Wastewater Utility	\$ 389,550	\$ 65,363
Debt Service Fund	Water Utility	435,554	73,082
City Projects Fund	Storm Water Utility	268,765	85,675
Intergovernmental Revenue Sharing	Tax Increment District #19	52,074	-
Intergovernmental Revenue Sharing	Tax Increment District #17	26,408	-
Intergovernmental Revenue Sharing	Tax Increment District #18	7,151,988	-
Intergovernmental Revenue Sharing	Tax Increment District # 16	278,442	-
Subtotal-Fund financial statements		\$ 8,602,781	\$ 224,120
Less: fund eliminations		(7,508,912)	
Total advance to other funds-government wide statements		\$ 1,093,869	

Repayment schedules for advances with an established payment schedule follow:

	Storm Water Utility	Water Utility	Wastewater Utility
2017	\$ 97,770	\$ 82,325	\$ 73,630
2018	97,770	125,279	112,047
2019	97,769	125,234	112,007
2020	-	125,437	112,187
Sub-total	293,309	458,275	409,871
Amount representing interest	(24,544)	(22,721)	(20,321)
	\$ 268,765	\$ 435,554	\$ 389,550

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

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

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount
General Fund	Enterprise - Water	\$ 3,569,260
General Fund	Enterprise - Wastewater	673,033
General Fund	Special Revenue-Loans	236,642
General Fund	Special Revenue-HUD Grants	34,959
Debt Service Fund	Capital Projects-TID	1,034,521
Capital Projects-City Projects	Special Revenue-Special Assessment	1,062,161
Capital Projects-Equipment Replacement	Capital Projects - General Obligation	919,835
Enterprise-Transit	Capital Projects - General Obligation	73,812
Enterprise-Civic Centre	Capital Projects - General Obligation	187,459
Enterprise - Water	Enterprise - Wastewater	52,407
Internal Service-Information Systems	Capital Projects - General Obligation	503,761
Special Revenue-Cemetery	Special Revenue-Restricted	44,566
Special Revenue-HUD Grants	Special Revenue-Loans	2,270
Special Revenue-Loans	Special Revenue-Federal Grants	73,400
Special Revenue-Loans	Special Revenue-HUD Grants	636,815
Special Revenue-Restricted	Special Revenue-HUD Grants	18,598
Special Revenue-State Grants	General Fund	81,800
Special Revenue-Library	Capital Projects - General Obligation	314,661
Subtotal-fund financial statements		9,519,960
Less: Fund eliminations		(5,016,396)
Add: Government wide eliminations		(522,542)
		<u>\$ 3,981,022</u>

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2016 was as follows:

GOVERNMENTAL ACTIVITIES

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General obligation					
bonds and notes payable	\$ 104,215,000	\$ 23,650,000	\$ 26,785,000	\$ 101,080,000	\$ 15,160,000
Premiums	4,593,787	719,098	581,538	4,731,347	-
Sub-total	<u>108,808,787</u>	<u>24,369,098</u>	<u>27,366,538</u>	<u>105,811,347</u>	<u>15,160,000</u>
Other Liabilities					
Vested compensated absences	3,275,840	654,820	918,195	3,012,465	307,772
Other post employment benefits	149,013,838	28,401,248	11,421,714	165,993,372	-
Net pension liability (asset)	(10,722,724)	17,421,053	-	6,698,329	-
Total Other Liabilities	<u>141,566,954</u>	<u>46,477,121</u>	<u>12,339,909</u>	<u>175,704,166</u>	<u>307,772</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 250,375,741</u>	<u>\$ 70,846,219</u>	<u>\$ 39,706,447</u>	<u>\$ 281,515,513</u>	<u>\$ 15,467,772</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

BUSINESS-TYPE ACTIVITIES

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Bonds and notes payable					
Revenue bonds	\$ 88,175,718	\$ 4,283,828	\$14,071,012	\$ 78,388,534	\$10,396,659
(Discounts)/Premiums	1,452,505	164,442	153,405	1,463,542	178,072
Sub-total	<u>89,628,223</u>	<u>4,448,270</u>	<u>14,224,417</u>	<u>79,852,076</u>	<u>10,574,731</u>
Other Liabilities					
Vested compensated absences	1,125,540	136,078	96,562	1,165,056	70,457
Other post employment benefits	22,258,717	4,303,776	1,604,462	24,958,031	-
Net pension liability (asset)	<u>(909,002)</u>	<u>1,686,311</u>	<u>-</u>	<u>777,309</u>	<u>-</u>
Total Other Liabilities	<u>22,475,255</u>	<u>6,126,165</u>	<u>1,701,024</u>	<u>26,900,396</u>	<u>70,457</u>
 Total Business Type Activities					
Long-Term Liabilities	<u>\$ 112,103,478</u>	<u>\$10,574,435</u>	<u>\$15,925,441</u>	<u>\$106,752,472</u>	<u>\$10,645,188</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, 2016, was \$160,618,000. Total general obligation debt outstanding at year end was \$101,080,000.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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>Maturity Date</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Outstanding 12/31/2016</u>
General Obligation Bonds					
2006	10/5/06	12/01/20	4.00-4.50%	\$ 7,130,000	\$ 635,000
2007	11/13/07	12/01/21	4.00-5.00	7,610,000	1,360,000
2008	12/09/08	12/01/22	3.00-5.00	7,680,000	1,955,000
2011	10/25/11	10/25/25	3.50-4.00	8,080,000	8,080,000
2012	12/27/12	12/27/26	2.00-4.00	9,830,000	7,570,000
2012	7/10/12	12/10/18	0.65-1.65	3,775,000	1,505,000
2012	7/10/12	12/10/19	2.00-4.00	7,360,000	3,600,000
2013	11/06/13	12/10/27	2.00-4.00	26,450,000	14,585,000
2013	12/02/13	12/02/20	1.75-5.00	4,450,000	4,360,000
2014	12/09/14	12/09/28	2.00-4.00	17,675,000	15,085,000
2015	12/07/15	12/07/29	2.00-3.00	11,130,000	9,480,000
2016	12/07/16	12/07/30	2.00-4.00	11,915,000	11,915,000
					<u>80,130,000</u>
Taxable General Obligation Bonds					
2009	12/08/09	12/01/23	1.00-5.30	7,760,000	4,625,000
2010	11/24/10	12/01/24	0.85-4.70	9,850,000	5,055,000
2011	10/25/11	10/25/20	0.55-2.55	12,925,000	7,420,000
					<u>17,100,000</u>
Tax Incremental General Obligation Debt					
2006 (Tif #10)	10/3/06	10/3/25	4.0 - 4.75	3,970,000	235,000
2010 (Tif #9)	07/27/10	12/01/21	2.00-4.00	3,895,000	2,230,000
2015 (Tif #11)	09/08/15	12/01/25	1.00-3.10	1,410,000	1,385,000
					<u>3,850,000</u>
Total Governmental Activities - General Obligation Debt					<u><u>\$ 101,080,000</u></u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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
2017	\$ 15,160,000	\$ 3,494,000	\$ 18,654,000
2018	14,275,000	3,048,783	17,323,783
2019	11,830,000	2,626,115	14,456,115
2020	10,315,000	2,217,653	12,532,653
2021	9,040,000	1,874,798	10,914,798
2022-2026	31,840,000	4,879,013	36,719,013
2027-2030	8,620,000	648,450	9,268,450
Totals	\$ 101,080,000	\$ 18,788,812	\$ 119,868,812

Current Debt Refunding

On December 7, 2016, the City issued \$11,915,000 in general obligation refunding bonds, with an interest rate ranging from 2.0%-4.0%, to current refund \$11,735,000 of Note Anticipation Notes dated September 7, 2016 with an interest rate of 2.25%. These bonds were also used to fully call, \$610,000 of the 2006A refunding bonds with an interest rate of 4.5%.

The cash flow requirements on the refunded debt prior to the current refunding was \$12,541,009 from 2017 through 2018. The cash flow requirements on the general obligation refunding bonds are \$15,022,961 from 2017 through 2030.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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, 2016 consists of the following:

<u>Type/Series</u>	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance Outstanding 12/31/2016</u>
Water Utility					
Safe Drinking Water Loan	2/10/1999	5/1/2018	2.64%	12,594,655	\$ 1,578,195
Safe Drinking Water Loan	12/22/2004	5/1/2024	2.37%	16,666,035	7,985,281
Mortgage Revenue Bonds	12/8/2009	9/1/2029	3.00-4.50%	2,760,000	2,510,000
Mortgage Revenue Refunding Bonds	10/25/2011	9/1/1931	2.00-4.50%	6,500,000	5,810,000
Mortgage Revenue Refunding Bonds	7/10/2012	9/1/2024	2.00-4.00%	14,140,000	11,490,000
Safe Drinking Water Loan	5/27/2015	5/1/1935	1.65%	1,230,346	1,789,175
Mortgage Revenue Refunding Bonds	9/8/2015	9/1/2026	2.00-4.00%	6,590,000	6,590,000
Mortgage Revenue Refunding Bonds	9/7/2016	9/1/2021	2.00-3.00%	3,725,000	3,725,000
Total Water Utility					<u>\$ 41,477,651</u>
Wastewater Utility					
Clean Water Fund Loans	5/27/1998	5/1/2018	2.640%	854,147	\$ 106,789
Clean Water Fund Loans	10/29/1999	5/1/2019	2.640%	797,249	148,925
Clean Water Fund Loans	9/27/2000	5/1/2020	2.970%	805,113	200,742
Clean Water Fund Loans	4/10/2002	5/1/2021	2.750%	4,073,012	1,290,875
Clean Water Fund Loans	12/22/2004	5/1/2021	2.860%	17,943,748	6,822,601
Clean Water Fund Loans	11/27/2002	5/1/2022	2.867%	60,724,848	24,332,458
Clean Water Fund Loans	1/23/2008	5/1/2027	2.480%	3,481,931	2,131,505
Clean Water Fund Loans	3/24/2010	5/1/2029	2.200%	2,579,652	1,876,988
Total Wastewater Utility					<u>\$ 36,910,883</u>
Total Business-Type Revenue Debt					<u>\$ 78,388,534</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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 Revenue Debt		
	Principal	Interest	Total
2017	\$ 10,396,659	\$ 2,155,006	\$ 12,551,665
2018	10,631,581	1,888,404	12,519,985
2019	10,011,014	1,684,302	11,695,316
2020	10,256,698	1,411,169	11,667,867
2021	10,494,529	1,109,714	11,604,243
2022-2026	21,916,416	2,340,449	24,256,865
2027-2031	4,257,415	442,964	4,700,379
2032-2035	424,222	14,143	438,365
	\$ 78,388,534	\$ 11,046,151	\$ 89,434,685

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

The Water Utility has pledged future customer revenues, net of specified operating expenses, to repay \$85.2 million in water system revenue bonds issued between 1999 and 2016. Proceeds from the bonds provided financing for various extension, replacement, repair and improvement projects throughout the water treatment and distribution system and acquiring equipment, and refunding. The bonds are payable solely from water customer net revenues and are payable through 2035. Annual principal and interest payments on the bonds are expected to require less than 75% of net revenues. The total principal and interest remaining to be paid on the bonds is \$49,076,435. Principal and interest paid for the current year and total customer net revenues were \$6,422,050 and \$11,855,525, respectively.

The Wastewater Utility has pledged future customer revenues, net of specified operating expenses, to repay \$92.4 million in clean water fund loans issued between 1994 and 2010. Proceeds from the bonds provided financing for the construction of certain projects in the wastewater treatment system. The loans are payable solely from wastewater customer net revenues and are payable through 2029. Annual principal and interest payments on the loans are expected to require less than 90% of net revenues. The total principal and interest remaining to be paid on the bonds is \$40,358,249. Principal and interest paid for the current year and total revenues were \$6,562,187 and \$8,421,847, respectively.

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. With the exception of the violation noted above, the Utility believes they are in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information

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

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

Defeasance of Debt

The City has defeased certain general obligation notes and bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old notes and bonds. Accordingly, the trust account assets and the liability for the defeased notes and bonds are not included in the City's financial statements. At December 31, 2016, \$4,530,000 of bonds outstanding is considered defeased. The bonds are callable on December 1, 2017 and 2018.

G. LEASE DISCLOSURES

The Wastewater Utility leases a parcel of land from the Racine Commercial Airport Corporation. The lease, which is for 50 years expiring in 2052, is classified as an operating lease. Lease payments are the greater of \$35,000 adjusted annually for inflation or half of the property taxes levied on the Airport's real property. Rent expense for the lease was \$46,917 in 2016.

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

2017	35,000
2018	35,000
2019	35,000
2020	35,000
2021	35,000
Thereafter	1,050,000
	<u>\$ 1,225,000</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

H. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2016 includes the following:

Governmental Activities

Net Investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 203,541,009
Less: related long-term debt outstanding	(87,088,940)
Plus: funds borrowed but not spent	7,072,303
Total Net Investment in Capital Assets	<u>123,524,372</u>
Restricted for	
Debt service	1,292,151
Permanent funds	
Non Expendable	964,701
Expendable	1,341,995
Library	451,256
Loan programs	6,207,393
Tax increment districts	13,561,538
Intergovernmental revenue sharing	10,864,038
Federal and State grant programs	558,848
Trusts	2,178,254
Health and other	672,258
Special assessment program	3,461,622
Total Restricted	<u>41,554,054</u>
Unrestricted (deficit)	<u>(119,372,416)</u>
Total Governmental Activities Net Positions	<u>\$ 45,706,010</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

H. NET POSITION/FUND BALANCES (cont.)

Business-Type Activities

Net investment in capital assets	
Capital assets, net of accumulated depreciation	\$ 264,807,509
Less: related long-term debt outstanding	<u>(75,090,740)</u>
Total Net Investment in Capital Assets	<u>189,716,769</u>
Restricted for	
Debt service	7,041,043
Depreciation fund	800,000
DNR equipment replacement fund	3,044,140
Impact fund	<u>1,665,251</u>
Total Restricted	<u>12,550,434</u>
Unrestricted (deficit)	<u>(20,618,499)</u>
Total Business-Type Activities Net Position	<u>\$ 181,648,704</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2016 include the following:

	General Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Fund Balances:				
Nonspendable				
Non Current Receivables	\$ 4,576,967	\$ -	\$ -	\$ 4,576,967
Inventories	82,443	-	-	82,443
Prepaid Items	19,572	-	-	19,572
Deposit in CVMIC	2,962,500	-	-	2,962,500
	<u>7,641,482</u>	<u>-</u>	<u>-</u>	<u>7,641,482</u>
Restricted for:				
Loan Program	-	-	3,295,235	3,295,235
Debt Service	-	617,076	-	617,076
State Grant Program	-	-	2,975	2,975
Federal Grant Programs	-	-	555,873	555,873
Special Assessment Program	-	-	1,048,245	1,048,245
Public Safety	-	-	349,497	349,497
Health Services	-	-	74,421	74,421
Cemetery Donations	-	-	195,278	195,278
Park and Recreation Programs	-	-	53,063	53,063
Trusts	-	-	2,178,254	2,178,254
Library Services	-	-	451,256	451,256
Tax Incremental Districts	-	-	13,561,538	13,561,538
Revenue Sharing	-	-	10,864,038	10,864,038
Endowments	-	-	2,306,696	2,306,696
	<u>-</u>	<u>617,076</u>	<u>34,936,369</u>	<u>35,553,445</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

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

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds (cont.)

	General Fund	Debt Service	Nonmajor Governmental Funds	Total Governmental Funds
Committed to:				
Harbor Commission	\$ -	\$ -	\$ 135,369	\$ 135,369
Fire Prevention	-	-	33,129	33,129
Room Tax	-	-	42,711	42,711
Racine Safe Neighborhood	-	-	8,608	8,608
Sister Cities	-	-	16,585	16,585
Comm Center Concessions	-	-	15,347	15,347
Landmark Preservation	-	-	4,104	4,104
Open Space Park Land	-	-	18,328	18,328
Recycling	-	-	150,434	150,434
Municipal Court	-	-	53,416	53,416
Cemetery	-	-	418,849	418,849
City Projects	-	-	2,002,064	2,002,064
Private Property Maintenance	-	-	393,196	393,196
Sanitary Sewer Maintenance	-	-	289,034	289,034
Health Lab	-	-	188,806	188,806
Capital projects	-	-	10,173,596	10,173,596
	<u>-</u>	<u>-</u>	<u>13,943,576</u>	<u>13,943,576</u>
Assigned to:				
Budget Stabilization	1,305,000	-	-	1,305,000
Economic Development	-	-	595,282	595,282
	<u>1,305,000</u>	<u>-</u>	<u>595,282</u>	<u>1,900,282</u>
Unassigned (deficit)	<u>24,693,496</u>	<u>-</u>	<u>(3,779)</u>	<u>24,689,717</u>
 Total Fund Balances	 <u>\$ 33,639,978</u>	 <u>\$ 617,076</u>	 <u>\$ 49,471,448</u>	 <u>\$ 83,728,502</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS

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

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

CITY OF RACINE REDEVELOPMENT AUTHORITY

a. Basis of Accounting/Measurement Focus

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

b. Transactions with the Primary Government

At December 31, 2016, the Redevelopment Authority has advances from the City in the amount of \$2,736,585. There has been no amortization schedule established.

c. Assets Held for Resale

The Authority obtains land and buildings to redevelop and resale. All assets are recorded at lower of cost or market. Donated assets are recorded at fair market value at the date of donation. The Authority's assets are being held for resale and are therefore not depreciable.

At December 31, 2016 the Authority had assets held for resale of \$2,896,478.

d. Cash and Investments

At December 31, 2016, the carrying value and bank balance of the Redevelopment Authority's deposits are \$231,459. These monies are commingled with other City funds and therefore FDIC coverage is not able to be determined.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

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

I. COMPONENT UNITS (cont.)

DOWNTOWN RACINE BUSINESS IMPROVEMENT DISTRICT #1 (BID)

a. Basis of Accounting/Measurement Focus

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

b. Transactions with the Primary Government

At December 31, 2016, the BID has a receivable of \$194,820 from the City's tax collection fund for the entire subsequent year's annual assessment.

c. Cash and Investments

At December 31, 2016, the carrying value and bank balance of the BID's deposits are \$28,845 and \$30,479, respectively. Of that balance all was covered by federal depository insurance.

d. Capital Assets

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

At December 31, 2016, the District had capital assets with a cost of \$14,232 and accumulated depreciation of \$10,333. The District's net book value of capital assets was \$3,899. There were no current year additions.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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

General Information About the Pension Plan

Plan description. The WRS is a cost-sharing multiple-employer defined benefit pension plan. WRS benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. Benefit terms may only be modified by the legislature. The retirement system is administered by the Wisconsin Department of Employee Trust Funds (ETF). The system provides coverage to all eligible State of Wisconsin, local government and other public employees. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year (880 hours for teachers and school district educational support employees) and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Vesting. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998, and prior to July 1, 2011, are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011, must have five years of creditable service to be vested.

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

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and State executive participants) are entitled to receive an unreduced retirement benefit. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor.

Final average earnings is the average of the participant's three highest years' earnings. Creditable service is the creditable current and prior service expressed in years or decimal equivalents of partial years for which a participant receives earnings and makes contributions as required. The formula factor is a standard percentage based on employment category.

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

Year	Core Fund Adjustment	Variable Fund Adjustment
2006	0.8%	3%
2007	3.0	10
2008	6.6	0
2009	(2.1)	(42)
2010	(1.3)	22
2011	(1.2)	11
2012	(7.0)	(7)
2013	(9.6)	9
2014	4.7	25
2015	2.9	2.0

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

During the reporting period, the WRS recognized \$4,349,215 in contributions from the city.

Contribution rates as of December 31, 2016 are:

<u>Employee Category</u>	<u>Employee</u>	<u>Employer</u>
General	6.6%	6.6%
Executives & Elected Officials	6.6%	6.6%
Protective with Social Security	6.6%	9.4%
Protective without Social Security	6.6%	13.2%

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

At December 31, 2016, the city reported a liability of \$7,475,638 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2015, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of December 31, 2014 rolled forward to December 31, 2015. No material changes in assumptions or benefit terms occurred between the actuarial valuation date and the measurement date. The city's proportion of the net pension liability was based on the city's share of contributions to the pension plan relative to the contributions of all participating employers. At December 31, 2016, the city's proportion was .460044730%, which was a decrease of .013506970% from its proportion measured as of December 31, 2015.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

For the year ended December 31, 2016, the city recognized pension expense of \$9,312,785.

At December 31, 2016, the city reported deferred outflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between expected and actual experience	\$ 1,264,666	\$ 15,754,562
Changes of actuarial assumptions	5,230,281	-
Net differences between projected and actual earnings on pension plan investments	30,607,400	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	961,430	-
Employer contributions subsequent to the measurement date	4,588,001	-
Total	<u>\$ 42,651,778</u>	<u>\$ 15,754,562</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

\$4,588,001 reported as deferred outflows related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability (asset) in the year ended December 31, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended <u>December 31:</u>	Deferred Outflow of Resources	Deferred Inflow of Resources
2017	\$ 9,886,452	\$ 3,807,258
2018	9,886,452	3,807,258
2019	9,886,451	3,807,258
2020	8,218,676	3,807,258
2021	185,746	525,530
Thereafter	-	-

Actuarial assumptions. The total pension liability in the December 31, 2015 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement:

Actuarial Valuation Date:	December 31, 2014
Measurement Date of Net Pension Liability (Asset)	December 31, 2015
Actuarial Cost Method:	Entry Age
Asset Valuation Method:	Fair Market Value
Long-Term Expected Rate of Return:	7.2%
Discount Rate:	7.2%
Salary Increases:	
Inflation	3.2%
Seniority/Merit	0.2% - 5.8%
Mortality:	Wisconsin 2012 Mortality Table
Post-retirement Adjustments*	2.1%

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

Actuarial assumptions are based upon an experience study conducted in 2012 using experience from 2009 – 2011. The total pension liability for December 31, 2015 is based upon a roll-forward of the liability calculated from the December 31, 2014 actuarial valuation.

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

Core Fund Asset Class	Current Asset Allocation %	Destination Target Asset Allocation %	Long-Term Expected Rate of Return %	Long-Term Real Rate of Return
US Equities	27%	23%	7.6%	4.7%
International Equities	24.5	22	8.5	5.6
Fixed Income	27.5	37	4.4	1.6
Inflation Sensitive Assets	10	20	4.2	1.4
Real Estate	7	7	6.5	3.6
Private Equity/Debt	7	7	9.4	6.5
Multi-Asset	4	4	6.7	3.8
Total Core Fund	107	120	7.4	4.5

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

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

	1% Decrease to Discount Rate (6.20%)	Current Discount Rate (7.20%)	1% Increase to Discount Rate (8.20%)
The City's proportionate share of the net pension liability (asset)	<u>\$52,434,265</u>	<u>\$7,475,638</u>	<u>\$(27,637,852)</u>

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

At December 31, 2016, the city reported a payable to the pension plan, which represents contractually required contributions outstanding as of the end of the year.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

B. RACINE TRANSIT SYSTEM PENSION PLAN

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

The Transit System makes contributions to the Fund, on behalf of their employee participants, at rates specified in their collective bargaining agreement. Contributions to the plan were \$759,042, \$735,881, and \$751,300, for the years ended December 31, 2016, 2014, and 2013 respectively. The following table shows the rate charged per week for each contract year:

Contract Period	Rate per week
July 1, 2016- June 30, 2017	\$226
July 1, 2015 – June 30, 2016	217
July 1, 2014 – June 30, 2015	205
July 1, 2013 – June 30, 2014	193

The Plan provides several pension benefits. Benefit levels are generally based on the participant's contribution levels, length of vested service and age. Generally, at least 10 years of service are required to be eligible for any benefit level. The Plan's principal benefit has been a "20-Year Service Pension", which is available to participants who attain age 57 and have twenty years of service credits. Greater benefits apply to participants who accumulate 25, 30 or 35 years of contributory credit.

Under certain conditions, partial pensions are available at reduced amounts where participation has been divided between the Plan and other pension plans that have reciprocal agreements with the Fund. The Plan also provides for a monthly disability benefit, a lump-sum disability benefit and various death benefits.

The amount shown as the "pension benefit obligation" below, is a standardized disclosure measure of the present value of pension benefits, estimated to be payable in the future as a result of employee service to date and applying other significant assumptions regarding mortality rates, age of retirement, and rates of termination for reasons other than death or retirement. The measure is intended to help users assess the funding status of the Plan on a going-concern basis, and to assess progress made in accumulating sufficient assets to pay benefits when due. The Plan does not make separate measurements of assets and pension benefit obligations for separate employers.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

B. RACINE TRANSIT SYSTEM PENSION PLAN (cont.)

FUNDED PERCENTAGE

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

	2016	2015	2014
Valuation Date	January 1, 2016	January 1, 2015	January 1, 2014
Funded Percentage	42.10%	47.86%	48.39%
Value of Assets	\$16,425,541,620	\$16,781,283,666	\$17,028,061,298
Value of Liabilities	\$39,046,354,526	\$35,062,805,288	\$35,189,411,452

FAIR MARKET VALUE OF ASSETS

Asset values in the chart above are actuarial values, not market values. Market values tend to show a clearer picture of a plan's funded status as of a given point in time. However, because market values can fluctuate daily based on factors in the marketplace, such as changes in the stock market, pension law allows plans to use actuarial values for funding purposes. While actuarial values fluctuate less than market values, they are estimates. Below are the fair market values (FMVs) of the Plan's assets for each respective year.

	<u>2016</u>	<u>2015</u>	<u>2014</u>
FMV of Plan Assets	\$ 15,267,533,341	\$ 16,126,208,142	\$ 17,863,105,558

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

C. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. The City is self-insured for medical coverage and workers compensation at December 31, 2016. The City purchases general and automobile liability insurance from the Cities and Villages Mutual Insurance Company. The City purchases commercial insurance for property and casualty claims. There have been no significant reductions in insurance coverage for any risk of loss in the past year and settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

Self Insurance

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

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

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

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

Claims Liability

	<u>Current</u>	<u>Prior Year</u>
Unpaid claims – Beginning of Year	\$ 974,625	\$ 900,923
Current year claims and changes in estimates	14,778,630	13,447,942
Claim payments	<u>(14,465,576)</u>	<u>(13,374,240)</u>
Unpaid Claims – End of Year	<u>\$ 1,287,679</u>	<u>\$ 974,625</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

C. RISK MANAGEMENT (cont.)

Public Entity Risk Pool

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

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

The CVMIC is a municipal mutual insurance company established on September 14, 1987 under Section 611.23 of the Wisconsin Statutes. The CVMIC provides liability insurance coverage to the cities and villages which make up the membership of the WMIC.

The CVMIC is self-insured up to a maximum of \$2,000,000 of each insurance risk. Losses paid by CVMIC plus administrative expenses will be recovered through premiums to the participating pool of municipalities.

Member equity ownership attributable to the WMIC bonds (\$25 million) is based on the amount of the bond the member delivered in proportion to the bonds delivered by all members. The City's percentage participation in WMIC and CVMIC at December 31, 2016 was 11.85% or \$2,962,500. This amount has been recorded as a deposit in CVMIC in the City's general fund.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The City does not exercise any control over the activities of the agencies beyond the election of the officers and board.

Financial statements of WMIC and CVMIC are available from: Cities and Village Mutual Insurance Company, 1250 South Sunnyslope Road, Suite 105, Brookfield, WI 53005.

The City pays an annual premium to the mutual for its general liability insurance, which provides coverage up to \$10,000,000 per occurrence, less the City's retained liability. The City's retained liability is limited to \$225,000 per occurrence and an annual aggregate limit of \$750,000. An actuarially determined estimate has been recorded for this liability, as well as for claims incurred but not reported at December 31, 2016. A total liability of approximately \$1,836,936 at December 31, 2016 was recorded as claims payable in the governmental activities column of government-wide statement of Net Position. Changes in the fund's claims loss liability follow:

	Beginning Balance	Incurred Claims	Claims Paid/ Settled	Ending Balance
2016	\$ 2,066,372	1,301,187	1,530,623	\$ 1,836,936
2015	1,662,240	1,806,415	1,402,283	2,066,372

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

C. RISK MANAGEMENT (cont.)

Public Entity Risk Pool (cont.)

Transit Mutual Insurance Corporation of Wisconsin (TMI)

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

In 2016, TMI issued a Motor Vehicle Insurance Policy to its members with the following available coverages:

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

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

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

Initial contributions are determined in advance of each membership year. The board of directors may require that supplemental contributions be made by members to ensure adequate funds are available to meet the obligations applicable to the membership year. Members have a contractual obligation to fund any deficit attributable to a membership year during which they were a member. The city's share of this joint venture is 7.33% for auto liability and 13.25% for physical damage liability. A list of the other members is in the TMI report, which can be obtained directly from TMIC's offices.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

D. COMMITMENTS AND CONTINGENCIES

Claims and judgments are as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

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

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

The City borrowed for the purpose of making various capital improvements. These monies as well as other revenue sources are reflected in the capital projects funds. Work that has been completed but not yet paid for (including contract retainages) is reflected as accounts payable and expenditures. The balance of contract amounts plus open purchase orders is \$5,329,315.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS

The City provides post employment health care and life benefits to retired employees and their dependents. The benefits can vary, depending upon the age and years of service of the retiree. Depending on the union contract, the City pays 100 percent of the health care costs for employees who retire with a combination of age and years of service between 75 and 80 years. The City also pays 100 percent of the Medicare premiums for those individuals. Life insurance premiums are paid to age 65 for those individuals who retire prior to age 65 and qualify as defined above. Required contributions range from 0%-10% based on labor negotiations and retirement date.

The City of Racine administers a single-employer defined benefit healthcare plan ("the Retiree Health Plan"). The plan provides health insurance benefits for eligible retirees and their spouses through the City's group health insurance plan, which covers both active and retired members. Benefit provisions are established through collective bargaining agreements, personnel policy guidelines, or past practice and state that eligible retirees and their spouses receive lifetime healthcare insurance at established contribution rates. The Retiree Health Plan does not issue a publicly available financial report

Contribution requirements are established through collective bargaining agreements and may be amended only through negotiations between the City and the union. The City makes the same monthly health insurance contribution on behalf of the retiree as it makes on behalf of all other active employees during that year. The amount of the City's contribution ranges from 92.5-100% based on the employee's year of retirement and bargaining unit. For fiscal year 2016, the City contributed \$13,026,176 to the plan. Eligible plan member contributions vary based on the specific collective bargaining agreement. Plan member contributions range from 0-10% of their premium costs. For fiscal year 2016, total retiree member contributions were \$337,216.

The City's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to plan, and changes in the City's net OPEB obligation:

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

	Governmental Activities	Business Type Activities	Total
Annual required contribution	\$ 31,301,194	\$ 4,739,869	\$ 36,041,063
Interest on net OPEB obligation	4,453,886	669,774	5,123,660
Adjustment to annual required contribution	<u>(7,353,832)</u>	<u>(1,105,867)</u>	<u>(8,459,699)</u>
Annual OPEB cost	28,401,248	4,303,776	32,705,024
Contributions made	<u>(11,421,714)</u>	<u>(1,604,462)</u>	<u>(13,026,176)</u>
Increase in net OPEB obligation	16,979,534	2,699,314	19,678,848
Net OPEB obligation beginning of year	<u>149,013,838</u>	<u>22,258,717</u>	<u>171,272,555</u>
Net OPEB obligation end of year	<u>\$ 165,993,372</u>	<u>\$ 24,958,031</u>	<u>\$ 190,951,403</u>

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2016 and the two preceding years is as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
Governmental Activities			
12/31/2014	\$ 24,969,135	39.49%	\$ 131,617,888
12/31/2015	27,956,647	35.25%	149,013,838
12/31/2016	28,401,247	40.22%	165,993,371
Business Type Activities			
12/31/2014	\$ 3,469,091	42.58%	\$ 19,350,810
12/31/2015	4,223,056	31.14%	22,258,717
12/31/2016	4,303,777	37.28%	24,958,031

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

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

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

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

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

In the December 31, 2016 actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumptions include a 3% investment rate of return and an annual healthcare cost trend rate of 6.7% initially, reduced by decrements to an ultimate rate of 4.40% after 2050. Retiree Health Plan's unfunded actuarial accrued liability is being amortized over 30 years from establishment.

F. ECONOMIC DEPENDENCY

One major customer accounted for 16.6% of Water Utility gross sales aggregating \$3,533,888 and 15.0% of gross sales aggregating \$3,091,086 in 2016 and 2015, respectively.

Two major customers accounted for 27.1% and 15.4% of Wastewater Utility gross sales aggregating \$5,535,493 in 2016. Total accounts receivable from these customers totaled \$1,304,947 at December 31, 2016.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

G. INTERMUNICIPAL AGREEMENT

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

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

Interest payments under the agreement are recorded as revenue when earned. Principal payments are recorded as reductions of the account receivable – capacity rights account. The unearned revenue will be recognized as revenue on a straight-line basis over the term of the agreement. The capacity revenue recognized was \$1,130,526 for the years ended December 31, 2016 and 2015.

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

The agreement also requires the Wastewater Utility to make payments from its reserve accounts to the City of Racine, Wisconsin, with respect to the Racine Public Library, Racine Zoo, and the Charles A. Wustum Museum of Fine Arts which were determined to be regional cultural services and facilities which benefit the outlying parties. These payments in the amount of \$673,033 and \$789,049 for 2016 and 2015, respectively, are reported as transfers to other funds in the statement of revenues, expenses and changes in net position.

H. INTERGOVERNMENTAL RETAIL WATER SERVICE AGREEMENT

The Racine Water Utility entered into an intergovernmental retail water service agreement with the Village of Mount Pleasant and the Village of Sturtevant. The agreement was reached to provide an equitable allocation of the cost expansion of existing and future water service facilities, which are necessary to continue providing high quality reliable water service, and allow for future growth needs. Projects designed to serve future growth funded through the water rates, contract connection charges and contract front foot charges for new mains installed in the City and Villages that will directly and substantially serve future growth and development. Costs to remedy existing deficiencies in the water system may be recovered through the water sales. In 2013 the Water Utility entered into an intergovernmental wholesale water service agreement with the Village of Caledonia. The Village of Caledonia opted to prepay its residents portion of these charges in two installments, one in 2013 and one in 2014.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

H. INTERGOVERNMENTAL RETAIL WATER SERVICE AGREEMENT (cont.)

The residential equivalent connection (REC) fees are deposited in an interest bearing segregated account and are restricted to pay future growth costs. REC fees are recorded as revenue when received. The REC fees balance as of December 31, 2016 was \$1,665,251.

I. INFILTRATION/INFLOW REMOVAL AGREEMENT

In 1994, the Wastewater Utility entered into an agreement with the City of Racine to periodically replace the manholes and upgrade other structures to promote infiltration/inflow removal in the City of Racine. As part of the agreement, the Utility paid the construction cost for the manhole replacement and upgrades and was allowed to place a special charge on the bills of the City residents to recover its costs. At December 31, 2016, the Wastewater Utility had excess collections of \$1,358,667 which was reported as due to the City of Racine.

J. MUNICIPAL REVENUE OBLIGATIONS

In 2006, the city issued a municipal revenue obligation as part of a development agreement. The amount of the obligation is \$1,888,000, and is payable to the developer solely from tax increments collected from a specific development in Tax Incremental District No.13.

The obligation has no established repayment terms. The obligation bears interest at 6.5% and matures on October 1, 2030. In no case, shall the term of this obligation and the city's obligation to make payments, extend beyond the statutory expiration of Tax Incremental District No.13, nor shall the amount of principal to be paid under the obligation exceed \$1,888,000.

The obligation does not constitute a charge upon any funds of the city. In the event that future tax increments are not sufficient to pay off the obligation, the obligation terminates with no further liability to the city. Since the amount of future payments is contingent on the collection of future tax increments, the obligation is not reported as a liability in the accompanying financial statements. The balance of the commitment outstanding at year end is \$1,412,501.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2016

NOTE V – OTHER INFORMATION (cont.)

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

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

- > *Statement No. 73, Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68*
- > *Statement No. 74, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*
- > *Statement No. 75, Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*
- > *Statement No. 80, Blending Requirements for Certain Component Units - an Amendment of GASB Statement No. 14*
- > *Statement No. 81, Irrevocable Split-Interest Agreements*
- > *Statement No. 82, Pension Issues - an Amendment of GASB Statements No. 67, No. 68, and No. 73*

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

L. SUBSEQUENT EVENT

In May 2017, the Redevelopment authority and City of Racine reached a tentative settlement agreement with Main Lake, LLC for the partial payoff of an \$800,000 home fund loan. The City is anticipating receiving more than half of the payoff amount due, however, a final settlement amount has not been reached.

In December of 2014, the City made a loan to a developer in the amount of \$4,500,000 with an interest rate of 1%. The loan requires interest only payments in 2016 with the loan due in full on August 31, 2016. The loan has been classified as a long term receivable. The loan remains unpaid as of December 31, 2016 and the developer has been notified of default. The City is working on reaching an agreement with the developer.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RACINE

SCHEDULE OF FUNDING PROGRESS OF OTHER POSTEMPLOYMENT BENEFITS

For the Year Ended December 31, 2016

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

CITY OF RACINE

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)
WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2016

Fiscal Year Ending	Proportion of the Net Pension (Asset) Liability	Proportionate Share of the Net Pension (Asset) Liability	Covered Payroll	Proportionate Share of the Net Pension Liability (Asset) as a Percentage of Covered Payroll	Plan Fiduciary Net Position as a Percentage of Total Penion Liability
12/31/15	0.47355171%	\$ (11,628,527)	\$ 49,050,285	23.71%	102.74%
12/31/16	0.46004473%	\$ 7,475,638	\$ 48,506,039	15.41%	98.20%

SCHEDULE OF EMPLOYER CONTRIBUTIONS - WISCONSIN RETIREMENT SYSTEM
For the Year Ended December 31, 2016

Fiscal Year Ending	Contractually Required Contributions	Contributions in Relation to the Contractually Required Contributions	Contribution Deficiency (Excess)	Covered Payroll	Contributions as a Percentage of Covered Payroll
12/31/15	\$ 4,704,517	\$ 4,704,517	\$ -	\$ 48,506,039	9.70%
12/31/16	\$ 4,588,001	\$ 4,588,001	\$ -	\$ 47,598,083	9.64%

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

CITY OF RACINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2016

WISCONSIN RETIREMENT SYSTEM (WRS) PENSION

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

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

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

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

**COMBINING AND INDIVIDUAL FUND STATEMENTS
AND SCHEDULES**

CITY OF RACINE
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 As of December 31, 2016

	Special Revenue Funds				
	HUD Grants	State Grants	Other Agency Grants	Federal Grants	Loans
ASSETS					
Cash and investments	\$ 75,785	\$ 22,813	\$ 24,399	\$ 451,870	\$ 3,409,664
Receivables					
Property taxes	-	-	-	-	-
Special assessment - tax roll	-	-	-	-	-
Special assessment	-	-	-	-	-
Accrued interest	-	-	-	-	402,110
Accounts	-	25	-	-	-
Loans and notes (net)	23,657	-	-	306,171	2,445,210
Due from other funds	-	-	-	-	-
Due from other governments	434,828	414,843	70,066	208,650	-
Assets held for resale	-	-	-	-	-
Advances to component unit	-	-	-	-	-
Advances to other funds	-	-	-	-	-
TOTAL ASSETS	\$ 534,270	\$ 437,681	\$ 94,465	\$ 966,691	\$ 6,256,984
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES					
Liabilities					
Accounts payable	\$ 209,529	\$ 112,896	\$ 3,400	\$ 9,633	\$ 7,581
Accrued liabilities	8,177	16,828	830	1,432	99,667
Due to other funds	296,480	277,818	66,666	89,747	2,812
Due to other governments	206	-	-	-	23,889
Advances from other funds	-	-	-	-	-
Total Liabilities	<u>514,392</u>	<u>407,542</u>	<u>70,896</u>	<u>100,812</u>	<u>133,949</u>
Deferred Inflows of Resources					
Unavailable revenues	23,657	-	-	306,171	2,445,210
Unearned revenues	-	27,164	23,569	3,835	382,590
Unearned property tax revenue	-	-	-	-	-
Total Deferred Inflows of Resources	<u>23,657</u>	<u>27,164</u>	<u>23,569</u>	<u>310,006</u>	<u>2,827,800</u>
Fund Balances (Deficits)					
Nonspendable	-	-	-	-	-
Restricted	-	2,975	-	555,873	3,295,235
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (deficit)	(3,779)	-	-	-	-
Total Fund Balances (Deficits)	<u>(3,779)</u>	<u>2,975</u>	<u>-</u>	<u>555,873</u>	<u>3,295,235</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 534,270	\$ 437,681	\$ 94,465	\$ 966,691	\$ 6,256,984

CITY OF RACINE
 Nonmajor Governmental Funds
 COMBINING BALANCE SHEET
 As of December 31, 2016

Special Revenue Funds							
Special Assessments	Restricted	Trusts	Library	Recycling	Municipal Court	Cemetery	Private Property Maintenance
\$ 1,167,916	\$ 996,551	\$ 2,189,143	\$ 543,801	\$ 168,016	\$ 61,680	\$ 448,447	\$ 346,746
-	17,654	-	1,910,909	1,082,080	86,605	202,744	-
629,438	-	-	-	-	-	-	-
2,413,377	-	-	-	-	-	-	-
-	20,212	-	-	-	-	-	47,983
-	-	-	100	-	-	-	-
-	-	-	-	-	-	-	-
-	590,000	-	-	-	-	-	-
<u>\$ 4,210,731</u>	<u>\$ 1,624,417</u>	<u>\$ 2,189,143</u>	<u>\$ 2,454,810</u>	<u>\$ 1,250,096</u>	<u>\$ 148,285</u>	<u>\$ 651,191</u>	<u>\$ 394,729</u>
\$ -	\$ 54,541	\$ -	\$ 21,052	\$ 10,076	\$ -	\$ 24,627	\$ 467
119,671	10,495	-	71,549	7,506	8,264	4,971	-
-	-	10,889	-	-	-	-	-
-	5	-	44	-	-	-	1,066
119,671	65,041	10,889	92,645	17,582	8,264	29,598	1,533
2,413,377	-	-	-	-	-	-	-
629,438	17,654	-	1,910,909	1,082,080	86,605	202,744	-
3,042,815	17,654	-	1,910,909	1,082,080	86,605	202,744	-
1,048,245	672,259	2,178,254	451,256	-	-	-	-
-	274,181	-	-	150,434	53,416	418,849	393,196
-	595,282	-	-	-	-	-	-
1,048,245	1,541,722	2,178,254	451,256	150,434	53,416	418,849	393,196
<u>\$ 4,210,731</u>	<u>\$ 1,624,417</u>	<u>\$ 2,189,143</u>	<u>\$ 2,454,810</u>	<u>\$ 1,250,096</u>	<u>\$ 148,285</u>	<u>\$ 651,191</u>	<u>\$ 394,729</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2016

	Special Revenue Funds		Capital Projects Funds	
	Sanitary	Health Lab	Tax	
	Sewer Maintenance		Incremental Districts	City Projects
ASSETS				
Cash and investments	\$ 410,496	\$ 195,093	\$ 13,861,497	\$ 496,529
Receivables				
Property taxes	1,853,959	249,687	2,814,430	-
Special assessment - tax roll	-	-	-	-
Special assessment	-	-	-	-
Accrued interest	-	-	-	-
Accounts	-	-	7,500	-
Loans and notes	-	-	4,517,120	-
Due from other funds	-	-	-	2,348,565
Due from other governments	-	-	605,803	33,300
Assets held for resale	-	-	385,000	-
Advances to component unit	-	-	1,805,753	120,000
Advances to other funds	-	-	-	268,765
TOTAL ASSETS	\$ 2,264,455	\$ 444,780	\$ 23,997,103	\$ 3,267,159
LIABILITIES AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 120,114	\$ -	\$ 94,539	\$ 552,560
Accrued liabilities	1,348	6,287	564	1,218
Due to other funds	-	-	-	711,317
Due to other governments	-	-	-	-
Advances from other funds	-	-	7,508,912	-
Total Liabilities	<u>121,462</u>	<u>6,287</u>	<u>7,604,015</u>	<u>1,265,095</u>
Deferred Inflows of Resources				
Unavailable revenues	-	-	17,120	-
Unearned revenues	-	-	-	-
Unearned property tax revenue	1,853,959	249,687	2,814,430	-
Total Deferred Inflows of Resource:	<u>1,853,959</u>	<u>249,687</u>	<u>2,831,550</u>	<u>-</u>
Fund Balances				
Nonspendable	-	-	-	-
Restricted	-	-	13,561,538	-
Committed	289,034	188,806	-	2,002,064
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances (Deficits)	<u>289,034</u>	<u>188,806</u>	<u>13,561,538</u>	<u>2,002,064</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES	\$ 2,264,455	\$ 444,780	\$ 23,997,103	\$ 3,267,159

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2016

Capital Projects Funds			Permanent Fund	Total Nonmajor Governmental Funds
General Obligation Bond Projects	Equipment Replacement	Intergovernmental Revenue Sharing	Endowment Fund	
\$ 8,028,720	\$ 3,133,942	\$ 3,302,569	\$ 2,312,734	\$ 41,648,411
-	-	-	-	8,218,068
-	-	-	-	629,438
-	-	-	-	2,413,377
-	-	-	-	402,110
-	-	-	-	75,720
-	-	120,000	-	7,412,158
-	-	-	-	2,348,665
-	-	-	-	1,767,490
-	-	-	-	385,000
-	-	220,832	-	2,736,585
-	-	7,508,912	-	7,777,677
<u>\$ 8,028,720</u>	<u>\$ 3,133,942</u>	<u>\$ 11,152,313</u>	<u>\$ 2,312,734</u>	<u>\$ 75,814,699</u>
\$ 953,290	\$ 32,649	\$ 168,275	\$ 4,351	\$ 2,379,580
3,127	-	-	-	361,934
-	-	-	1,687	1,457,416
-	-	-	-	25,210
-	-	-	-	7,508,912
<u>956,417</u>	<u>32,649</u>	<u>168,275</u>	<u>6,038</u>	<u>11,733,052</u>
-	-	120,000	-	5,325,535
-	-	-	-	437,158
-	-	-	-	8,847,506
-	-	120,000	-	14,610,199
-	-	-	-	-
-	-	10,864,038	2,306,696	34,936,369
7,072,303	3,101,293	-	-	13,943,576
-	-	-	-	595,282
-	-	-	-	(3,779)
<u>7,072,303</u>	<u>3,101,293</u>	<u>10,864,038</u>	<u>2,306,696</u>	<u>49,471,448</u>
<u>\$ 8,028,720</u>	<u>\$ 3,133,942</u>	<u>\$ 11,152,313</u>	<u>\$ 2,312,734</u>	<u>\$ 75,814,699</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2016

	Special Revenue Funds						
	HUD Grants	State Grants	Other Agency Grants	Federal Grants	Loans	Special Assessments	Restricted
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 195,401
Special charges and assessments	-	-	-	-	-	1,020,775	-
Intergovernmental	1,735,669	920,441	19,081	411,949	-	-	99,104
Licenses and permits	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	120,272
Charges for services	-	500	126,883	25,651	389,011	-	114,605
Miscellaneous	153,828	35,271	6,459	210,249	28,228	170,332	138,139
Total Revenues	<u>1,889,497</u>	<u>956,212</u>	<u>152,423</u>	<u>647,849</u>	<u>417,239</u>	<u>1,191,107</u>	<u>667,521</u>
EXPENDITURES							
Current							
General Government	-	-	-	-	-	-	202,914
Health	-	539,729	133,341	79,931	-	-	29,434
Public safety	-	435,645	-	18,576	-	-	128,808
Public works	-	-	-	-	-	61,670	6,055
Education and recreation	-	-	-	-	-	-	138,314
Community development	951,877	-	-	188,565	736,498	-	-
Debt Service - interest and fiscal charges	-	-	-	-	-	-	-
Capital outlay	330,310	63,337	19,082	130,713	-	-	68,445
Total Expenditures	<u>1,282,187</u>	<u>1,038,711</u>	<u>152,423</u>	<u>417,785</u>	<u>736,498</u>	<u>61,670</u>	<u>573,970</u>
Excess (deficiency) of revenues over expenditures	<u>607,310</u>	<u>(82,499)</u>	<u>-</u>	<u>230,064</u>	<u>(319,259)</u>	<u>1,129,437</u>	<u>93,551</u>
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	-	-	-	-	-	-	-
Premium on long-term debt	-	-	-	-	-	-	-
Transfers in	2,270	81,800	-	-	710,215	-	18,598
Transfers out	(690,372)	-	-	(73,400)	(238,912)	(1,062,161)	(44,566)
Total Other Financing Sources (Uses)	<u>(688,102)</u>	<u>81,800</u>	<u>-</u>	<u>(73,400)</u>	<u>471,303</u>	<u>(1,062,161)</u>	<u>(25,968)</u>
Net Change in Fund Balances	<u>(80,792)</u>	<u>(699)</u>	<u>-</u>	<u>156,664</u>	<u>152,044</u>	<u>67,276</u>	<u>67,583</u>
FUND BALANCES - Beginning of Year	<u>77,013</u>	<u>3,674</u>	<u>-</u>	<u>399,209</u>	<u>3,143,191</u>	<u>980,969</u>	<u>1,474,139</u>
FUND BALANCES (DEFICITS) - END OF YEAR	<u>\$ (3,779)</u>	<u>\$ 2,975</u>	<u>\$ -</u>	<u>\$ 555,873</u>	<u>\$ 3,295,235</u>	<u>\$ 1,048,245</u>	<u>\$ 1,541,722</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2016

Special Revenue Funds							
Trusts	Library	Recycling	Municipal Court	Cemetery	Private Property Maintenance	Sanitary Sewer Maintenance	Health Lab
\$ -	\$ 1,862,642	\$ 442,121	\$ 86,605	\$ 302,744	\$ 110	\$ -	\$ 249,687
-	1,398,584	300,150	-	-	-	-	-
-	-	-	271,331	-	-	-	-
-	74,477	778,515	-	353,531	420,138	1,854,400	19,051
284,570	1,835	39,419	183	715	582	3,164	832
<u>284,570</u>	<u>3,337,538</u>	<u>1,560,205</u>	<u>358,119</u>	<u>656,990</u>	<u>420,830</u>	<u>1,857,564</u>	<u>269,570</u>
-	-	-	-	-	-	-	-
-	-	-	304,703	-	-	-	279,468
-	-	1,485,822	-	-	291,575	602,848	-
132,805	3,299,298	-	-	542,471	-	-	-
-	-	-	-	-	-	-	-
-	363,824	-	-	46,215	-	1,141,153	-
<u>132,805</u>	<u>3,663,122</u>	<u>1,485,822</u>	<u>304,703</u>	<u>588,686</u>	<u>291,575</u>	<u>1,744,001</u>	<u>279,468</u>
-	-	-	-	-	-	-	-
151,765	(325,584)	74,383	53,416	68,304	129,255	113,563	(9,898)
-	-	-	-	-	-	-	-
-	314,661	-	-	44,566	-	-	-
-	314,661	-	-	44,566	-	-	-
151,765	(10,923)	74,383	53,416	112,870	129,255	113,563	(9,898)
<u>2,026,489</u>	<u>462,179</u>	<u>76,051</u>	<u>-</u>	<u>305,979</u>	<u>263,941</u>	<u>175,471</u>	<u>198,704</u>
<u>\$ 2,178,254</u>	<u>\$ 451,256</u>	<u>\$ 150,434</u>	<u>\$ 53,416</u>	<u>\$ 418,849</u>	<u>\$ 393,196</u>	<u>\$ 289,034</u>	<u>\$ 188,806</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2016

	Capital Projects Funds				Intergovernmental Revenue Sharing	Permanent Fund	Total Nonmajor Governmental Funds
	Tax Incremental Districts	City Projects	General Obligation Bond Projects	Equipment Replacement		Endowment Fund	
REVENUES							
Taxes	\$ 2,217,402	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 5,356,712
Special charges and assessments	-	-	-	-	-	-	1,020,775
Intergovernmental	922,478	35,873	-	-	1,603,757	-	7,447,086
Licenses and permits	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	391,603
Charges for services	-	2,867,828	-	-	6,400	-	7,030,990
Miscellaneous	606,374	18,010	115,287	176,014	116,107	125,898	2,231,496
Total Revenues	3,746,254	2,921,711	115,287	176,014	1,726,264	125,898	23,478,662
EXPENDITURES							
Current							
General Government	-	-	-	-	-	-	202,914
Health	-	-	-	-	-	-	1,061,903
Public safety	-	-	-	-	-	-	887,732
Public works	-	231,093	271,884	11,032	-	-	2,961,979
Education and recreation	-	-	41,915	-	-	58,427	4,213,230
Community development	634,556	-	-	-	776,680	-	3,288,176
Debt Service - interest and fiscal charges	61,863	369,470	49,696	-	-	-	481,029
Capital outlay	1,004,965	3,031,428	7,747,248	1,991,238	91,856	88,822	16,118,636
Total Expenditures	1,701,384	3,631,991	8,110,743	2,002,270	868,536	147,249	29,215,599
Excess (deficiency) of revenues over expenditures	2,044,870	(710,280)	(7,995,456)	(1,826,256)	857,728	(21,351)	(5,736,937)
OTHER FINANCING SOURCES (USES)							
Long-term debt issued	-	-	9,735,000	2,000,000	-	-	11,735,000
Premium on long-term debt	-	-	53,042	-	-	-	53,042
Transfers in	866,951	1,062,161	-	919,835	-	-	4,021,057
Transfers out	(1,901,472)	-	(1,999,528)	-	-	-	(6,010,411)
Total Other Financing Sources (Uses)	(1,034,521)	1,062,161	7,788,514	2,919,835	-	-	9,798,688
Net Change in Fund Balances	1,010,349	351,881	(206,942)	1,093,579	857,728	(21,351)	4,061,751
FUND BALANCES - Beginning of Year	12,551,189	1,650,183	7,279,245	2,007,714	10,006,310	2,328,047	45,409,697
FUND BALANCES (DEFICITS) - END OF YEAR	\$ 13,561,538	\$ 2,002,064	\$ 7,072,303	\$ 3,101,293	\$ 10,864,038	\$ 2,306,696	\$ 49,471,448

CITY OF RACINE
Special Revenue Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2016

	Library			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 1,862,639	\$ 1,862,639	\$ 1,862,642	\$ 3
Intergovernmental	1,398,584	1,398,584	1,398,584	-
Licenses and permits	-	-	-	-
Fines and Forfeitures	-	-	-	-
Charges for services	83,350	83,350	74,477	(8,873)
Miscellaneous	11,348	11,348	1,835	(9,513)
Total Revenues	<u>3,355,921</u>	<u>3,355,921</u>	<u>3,337,538</u>	<u>(18,383)</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Health	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Education and recreation	3,372,603	3,372,603	3,299,298	73,305
Community development	-	-	-	-
Capital outlay	36,685	460,244	363,824	96,420
Total Expenditures	<u>3,409,288</u>	<u>3,832,847</u>	<u>3,663,122</u>	<u>169,725</u>
Excess (deficiency) of revenues over expenditures	<u>(53,367)</u>	<u>(476,926)</u>	<u>(325,584)</u>	<u>151,342</u>
OTHER FINANCING SOURCES				
Transfers in	53,367	423,559	314,661	(108,898)
Transfers out	-	-	-	-
Total Other Financing Sources	<u>53,367</u>	<u>423,559</u>	<u>314,661</u>	<u>(108,898)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (53,367)</u>	<u>(10,923)</u>	<u>\$ 42,444</u>
FUND BALANCES - Beginning of Year			462,179	
FUND BALANCES - END OF YEAR			<u>\$ 451,256</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, 2016

Recycling				Municipal Court			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ 442,121	\$ 442,121	\$ 442,121	\$ -	\$ 86,605	\$ 86,605	\$ 86,605	\$ -
252,864	252,864	300,150	47,286	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	220,000	220,000	271,331	51,331
784,620	784,620	778,515	(6,105)	-	-	-	-
40,000	40,000	39,419	(581)	-	-	183	183
<u>1,519,605</u>	<u>1,519,605</u>	<u>1,560,205</u>	<u>40,600</u>	<u>306,605</u>	<u>306,605</u>	<u>358,119</u>	<u>51,514</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	306,605	306,605	304,703	1,902
1,519,605	1,519,605	1,485,822	33,783	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>1,519,605</u>	<u>1,519,605</u>	<u>1,485,822</u>	<u>33,783</u>	<u>306,605</u>	<u>306,605</u>	<u>304,703</u>	<u>1,902</u>
-	-	74,383	74,383	-	-	53,416	53,416
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ -</u>	<u>74,383</u>	<u>\$ 74,383</u>	<u>\$ -</u>	<u>\$ -</u>	<u>53,416</u>	<u>\$ 53,416</u>
		76,051				-	
		<u>\$ 150,434</u>				<u>\$ 53,416</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, 2016

	Cemetery			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 302,744	\$ 302,744	\$ 302,744	\$ -
Intergovernmental	-	-	-	-
Licenses and permits	-	-	-	-
Fines and Forfeitures	-	-	-	-
Charges for services	300,000	300,000	353,531	53,531
Miscellaneous	-	-	715	715
Total Revenues	<u>602,744</u>	<u>602,744</u>	<u>656,990</u>	<u>54,246</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Health	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Education and recreation	602,744	602,744	542,471	60,273
Community development	-	-	-	-
Capital outlay	45,000	94,931	46,215	48,716
Total Expenditures	<u>647,744</u>	<u>697,675</u>	<u>588,686</u>	<u>108,989</u>
Excess (deficiency) of revenues over expenditures	<u>(45,000)</u>	<u>(94,931)</u>	<u>68,304</u>	<u>163,235</u>
OTHER FINANCING SOURCES				
Transfers in	45,000	93,495	44,566	(48,929)
Transfers out	-	-	-	-
Total Other Financing Sources	<u>45,000</u>	<u>93,495</u>	<u>44,566</u>	<u>(48,929)</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (1,436)</u>	112,870	<u>\$ 114,306</u>
FUND BALANCES - Beginning of Year			<u>305,979</u>	
FUND BALANCES - END OF YEAR			<u>\$ 418,849</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, 2016

Private Property Maintenance				Sanitary Sewer Maintenance			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ 110	\$ 110	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
177,108	177,108	420,138	243,030	2,750,109	1,770,109	1,854,400	84,291
-	-	582	582	10,000	10,000	3,164	(6,836)
<u>177,108</u>	<u>177,108</u>	<u>420,830</u>	<u>243,722</u>	<u>2,760,109</u>	<u>1,780,109</u>	<u>1,857,564</u>	<u>77,455</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
177,108	177,873	291,575	(113,702)	580,109	580,109	602,848	(22,739)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	2,180,000	1,359,709	1,141,153	218,556
<u>177,108</u>	<u>177,873</u>	<u>291,575</u>	<u>(113,702)</u>	<u>2,760,109</u>	<u>1,939,818</u>	<u>1,744,001</u>	<u>195,817</u>
-	(765)	129,255	130,020	-	(159,709)	113,563	273,272
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>\$ -</u>	<u>\$ (765)</u>	<u>129,255</u>	<u>\$ 130,020</u>	<u>\$ -</u>	<u>\$ (159,709)</u>	<u>113,563</u>	<u>\$ 273,272</u>
		<u>263,941</u>				<u>175,471</u>	
		<u>\$ 393,196</u>				<u>\$ 289,034</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, 2016

	Health Lab			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 249,687	\$ 249,687	\$ 249,687	\$ -
Intergovernmental	-	-	-	-
Licenses and permits	-	-	-	-
Fines and Forfeitures	-	-	-	-
Charges for services	11,000	11,000	19,051	8,051
Miscellaneous	-	-	832	832
Total Revenues	<u>260,687</u>	<u>260,687</u>	<u>269,570</u>	<u>8,883</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Health	270,687	270,687	279,468	(8,781)
Public safety	-	-	-	-
Public works	-	-	-	-
Education and recreation	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>270,687</u>	<u>270,687</u>	<u>279,468</u>	<u>(8,781)</u>
Excess (deficiency) of revenues over expenditures	<u>(10,000)</u>	<u>(10,000)</u>	<u>(9,898)</u>	<u>102</u>
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (10,000)</u>	<u>\$ (10,000)</u>	<u>(9,898)</u>	<u>\$ 102</u>
FUND BALANCES - Beginning of Year			<u>198,704</u>	
FUND BALANCES - END OF YEAR			<u>\$ 188,806</u>	

CITY OF RACINE

Debt Service Fund

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL

For the Year Ended December 31, 2016

	<u>Original and Final Budget</u>	<u>Actual</u>	<u>Variance with Final Budget</u>
REVENUES			
Taxes	\$ 16,504,887	\$ 16,504,887	\$ -
Intergovernmental	149,709	144,544	(5,165)
Miscellaneous	203,602	203,602	-
Total Revenues	<u>16,858,198</u>	<u>16,853,033</u>	<u>(5,165)</u>
EXPENDITURES			
Debt service			
Principal	14,530,000	26,785,000	(12,255,000)
Interest and fiscal charges	3,573,021	3,798,478	(225,457)
Total Expenditures	<u>18,103,021</u>	<u>30,583,478</u>	<u>(12,480,457)</u>
Deficiency of revenues over expenditures	<u>(1,244,823)</u>	<u>(13,730,445)</u>	<u>(12,485,622)</u>
OTHER FINANCING SOURCES (USES)			
Refunding bonds issued	-	11,915,000	11,915,000
Premium on long-term debt issued	-	666,056	666,056
Payment to escrow agent	-	-	-
Transfers in	1,034,823	1,034,521	(302)
Total Other Financing Sources (Uses)	<u>1,034,823</u>	<u>13,615,577</u>	<u>12,580,754</u>
Net Change in Fund Balances	<u>\$ (210,000)</u>	<u>(114,868)</u>	<u>\$ 95,132</u>
FUND BALANCES - Beginning of Year		<u>731,944</u>	
FUND BALANCES - END OF YEAR		<u>\$ 617,076</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, 2016

	General Obligation Bond Projects			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous	-	-	115,287	115,287
Total Revenues	<u>-</u>	<u>-</u>	<u>115,287</u>	<u>115,287</u>
EXPENDITURES				
Current	-	-	-	-
Public safety	-	-	-	-
Public works	267,125	267,125	271,884	(4,759)
Education and recreation	54,714	54,714	41,915	12,799
Community development	-	-	-	-
Debt Service - interest and fiscal charges	49,696	49,696	49,696	-
Capital outlay	<u>13,351,935</u>	<u>13,351,935</u>	<u>7,747,248</u>	<u>5,604,687</u>
Total Expenditures	<u>13,723,470</u>	<u>13,723,470</u>	<u>8,110,743</u>	<u>5,612,727</u>
Excess (deficiency) of revenues over expenditures	<u>(13,723,470)</u>	<u>(13,723,470)</u>	<u>(7,995,456)</u>	<u>5,728,014</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	9,696,000	9,696,000	9,735,000	39,000
Premium on long-term debt	-	-	53,042	53,042
Transfers in	-	-	-	-
Transfers out	<u>(3,186,599)</u>	<u>(3,186,599)</u>	<u>(1,999,528)</u>	<u>1,187,071</u>
Total Other Financing Sources (Uses)	<u>6,509,401</u>	<u>6,509,401</u>	<u>7,788,514</u>	<u>1,279,113</u>
Net Change in Fund Balances	<u>\$ (7,214,069)</u>	<u>\$ (7,214,069)</u>	<u>(206,942)</u>	<u>\$ 7,007,127</u>
FUND BALANCES - Beginning of Year			<u>7,279,245</u>	
FUND BALANCES - END OF YEAR			<u>\$ 7,072,303</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, 2016

Equipment Replacement Fund				Intergovernmental Revenue Sharing			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	1,603,757	1,603,757	1,603,757	-
-	-	-	-	-	-	6,400	6,400
<u>84,000</u>	<u>84,000</u>	<u>176,014</u>	<u>92,014</u>	-	-	<u>116,107</u>	<u>116,107</u>
<u>84,000</u>	<u>84,000</u>	<u>176,014</u>	<u>92,014</u>	<u>1,603,757</u>	<u>1,603,757</u>	<u>1,726,264</u>	<u>122,507</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	11,032	(11,032)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	616,580	616,580	776,680	(160,100)
<u>3,083,501</u>	<u>3,083,501</u>	<u>1,991,238</u>	<u>1,092,263</u>	<u>700,000</u>	<u>700,000</u>	<u>91,856</u>	<u>608,144</u>
<u>3,083,501</u>	<u>3,083,501</u>	<u>2,002,270</u>	<u>1,081,231</u>	<u>1,316,580</u>	<u>1,316,580</u>	<u>868,536</u>	<u>448,044</u>
-	-	-	-	-	-	-	-
<u>(2,999,501)</u>	<u>(2,999,501)</u>	<u>(1,826,256)</u>	<u>1,173,245</u>	<u>287,177</u>	<u>287,177</u>	<u>857,728</u>	<u>570,551</u>
-	-	-	-	-	-	-	-
2,034,320	2,034,320	2,000,000	(34,320)	-	-	-	-
-	-	-	-	-	-	-	-
969,835	969,835	919,835	(50,000)	-	-	-	-
-	-	-	-	-	-	-	-
<u>3,004,155</u>	<u>3,004,155</u>	<u>2,919,835</u>	<u>(84,320)</u>	-	-	-	-
<u>\$ 4,654</u>	<u>\$ 4,654</u>	1,093,579	<u>\$ 1,088,925</u>	<u>\$ 287,177</u>	<u>\$ 287,177</u>	857,728	<u>\$ 570,551</u>
		<u>2,007,714</u>				<u>10,006,310</u>	
		<u>\$ 3,101,293</u>				<u>\$ 10,864,038</u>	

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION
As of December 31, 2016

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Total
ASSETS					
Current Assets					
Cash and investments	\$ 1,192,561	\$ 144,959	\$ 300,032	\$ 613,900	\$ 2,251,452
Receivables					
Accounts	8,629	-	13,177	16,920	38,726
Taxes	9,670	-	293,000	-	302,670
Due from other funds	-	-	-	201	201
Inventories	-	-	11,986	-	11,986
Prepaid items	-	-	21,317	-	21,317
Total Current Assets	<u>1,210,860</u>	<u>144,959</u>	<u>639,512</u>	<u>631,021</u>	<u>2,626,352</u>
Noncurrent Assets					
Capital assets					
Land	1,014,105	1,432,654	140,421	15,000	2,602,180
Land and building improvements	17,516,058	3,178,439	8,344,860	156,213	29,195,570
Equipment, furniture and vehicles	757,632	-	430,462	12,913	1,201,007
Less: accumulated depreciation	<u>(8,715,442)</u>	<u>(2,240,186)</u>	<u>(5,217,988)</u>	<u>(112,434)</u>	<u>(16,286,050)</u>
Total Capital Assets, Net	<u>10,572,353</u>	<u>2,370,907</u>	<u>3,697,755</u>	<u>71,692</u>	<u>16,712,707</u>
Total Assets	<u>\$ 11,783,213</u>	<u>\$ 2,515,866</u>	<u>\$ 4,337,267</u>	<u>\$ 702,713</u>	<u>\$ 19,339,059</u>
Deferred Outflows of Resources					
Deferred amounts relating to pension	\$ 166,805	\$ -	\$ -	\$ 87,913	\$ 254,718
Total Deferred Outflows of Resources	<u>166,805</u>	<u>-</u>	<u>-</u>	<u>87,913</u>	<u>254,718</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION
As of December 31, 2016

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Total
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 19,911	\$ 2,475	\$ 58,283	\$ 1,579	\$ 82,248
Accrued liabilities	12,619	21,475	113,848	6,156	154,098
Due to other funds	-	5,396	287,161	-	292,557
Total Current Liabilities	<u>32,530</u>	<u>29,346</u>	<u>459,292</u>	<u>7,735</u>	<u>528,903</u>
Noncurrent Liabilities					
Compensated absences	17,172	-	-	12,048	29,220
Pension Liability	27,641	-	-	14,818	42,459
OPEB obligation	1,414,816	-	-	663,336	2,078,152
Total Noncurrent Liabilities	<u>1,459,629</u>	<u>-</u>	<u>-</u>	<u>690,202</u>	<u>2,149,831</u>
Total Liabilities	<u>1,492,159</u>	<u>29,346</u>	<u>459,292</u>	<u>697,937</u>	<u>2,678,734</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred amounts relating to pension	58,171	-	-	31,184	89,355
Unearned property tax revenue	9,670	-	293,000	-	302,670
Total Deferred Inflows of Resources	<u>67,841</u>	<u>-</u>	<u>293,000</u>	<u>31,184</u>	<u>392,025</u>
NET POSITION					
Net Investment in capital assets	10,572,353	2,370,907	3,697,755	71,692	16,712,707
Unrestricted (deficit)	<u>(182,335)</u>	<u>115,613</u>	<u>(112,780)</u>	<u>(10,187)</u>	<u>(189,689)</u>
TOTAL NET POSITION	<u>\$ 10,390,018</u>	<u>\$ 2,486,520</u>	<u>\$ 3,584,975</u>	<u>\$ 61,505</u>	<u>\$ 16,523,018</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
For the Year Ended December 31, 2016

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Total
OPERATING REVENUES					
Charges for services	\$ 977,702	\$ 169,813	\$ 590,840	\$ 284,550	\$ 2,022,905
Other	2,855	-	2,721	-	5,576
Total Operating Revenues	<u>980,557</u>	<u>169,813</u>	<u>593,561</u>	<u>284,550</u>	<u>2,028,481</u>
OPERATING EXPENSES					
Operation and maintenance	1,201,953	-	-	367,993	1,569,946
Education and recreation	-	107,896	964,974	-	1,072,870
Depreciation	484,419	91,726	338,937	6,208	921,290
Total Operating Expenses	<u>1,686,372</u>	<u>199,622</u>	<u>1,303,911</u>	<u>374,201</u>	<u>3,564,106</u>
Operating Loss	<u>(705,815)</u>	<u>(29,809)</u>	<u>(710,350)</u>	<u>(89,651)</u>	<u>(1,535,625)</u>
NONOPERATING REVENUES (EXPENSES)					
Investment income	5,052	299	-	2,162	7,513
Interest expense	-	-	-	-	-
Subsidies from other governmental units	-	-	-	-	-
Gain (loss) on sale of fixed assets	-	-	(88,547)	-	(88,547)
Tax levy	9,670	-	300,000	-	309,670
Total Nonoperating Revenues (Expenses)	<u>14,722</u>	<u>299</u>	<u>211,453</u>	<u>2,162</u>	<u>228,636</u>
Loss Before Transfers	(691,093)	(29,510)	(498,897)	(87,489)	(1,306,989)
TRANSFERS IN	<u>-</u>	<u>-</u>	<u>187,459</u>	<u>-</u>	<u>187,459</u>
Change in Net Position	(691,093)	(29,510)	(311,438)	(87,489)	(1,119,530)
TOTAL NET POSITION, Beginning of Year	<u>11,081,111</u>	<u>2,516,030</u>	<u>3,896,413</u>	<u>148,994</u>	<u>17,642,548</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 10,390,018</u>	<u>\$ 2,486,520</u>	<u>\$ 3,584,975</u>	<u>\$ 61,505</u>	<u>\$ 16,523,018</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,035,875	\$ 169,813	\$ 628,492	\$ 370,864	\$ 2,205,044
Payments to suppliers	(677,450)	(108,301)	(934,915)	(112,846)	(1,833,512)
Payments to employees	(363,865)	-	-	(166,348)	(530,213)
Net Cash Flows From Operating Activities	<u>(5,440)</u>	<u>61,512</u>	<u>(306,423)</u>	<u>91,670</u>	<u>(158,681)</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating subsidies received-tax levy	9,670	-	300,000	-	309,670
Net Cash Flows From Noncapital Financing Activities	<u>9,670</u>	<u>-</u>	<u>300,000</u>	<u>-</u>	<u>309,670</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Transfer from other funds for capital purposes	-	-	187,459	-	187,459
Acquisition and construction of capital assets	(264,800)	(8,061)	(121,573)	-	(394,434)
Net Cash Flows From Capital and Related Financing Activities	<u>(264,800)</u>	<u>(8,061)</u>	<u>65,886</u>	<u>-</u>	<u>(206,975)</u>
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment Income	5,052	299	-	2,162	7,513
Net Cash Flows From Investing Activities	<u>5,052</u>	<u>299</u>	<u>-</u>	<u>2,162</u>	<u>7,513</u>
Change in Cash and Cash Equivalents	(255,518)	53,750	59,463	93,832	(48,473)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>1,448,079</u>	<u>91,209</u>	<u>240,569</u>	<u>520,068</u>	<u>2,299,925</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 1,192,561</u>	<u>\$ 144,959</u>	<u>\$ 300,032</u>	<u>\$ 613,900</u>	<u>\$ 2,251,462</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Totals
CASH FLOW FROM OPERATING ACTIVITIES					
Operating loss	\$ (705,815)	\$ (29,809)	\$ (710,350)	\$ (89,651)	\$ (1,535,625)
Adjustments to Reconcile Operating Loss to net cash flows from operating activities:					
Other postemployment benefits	207,987	-	-	103,317	311,304
Depreciation	484,419	91,726	338,937	6,208	921,290
Changes in assets, deferred outflows, liabilities, and deferred inflows					
Accounts receivable	(2,852)	-	34,931	55,331	87,410
Inventories	-	-	1,263	-	1,263
Prepaid items	-	-	(3,849)	-	(3,849)
Due from other funds	-	-	7,000	(201)	6,799
Pension activity	31,119	-	-	15,971	47,090
Accounts payable	(21,841)	2,475	(152,914)	1,524	(170,756)
Accrued liabilities	1,543	(2,608)	5,695	(829)	3,801
Unearned revenues	-	-	(7,000)	-	(7,000)
Due to other funds	-	(272)	179,864	-	179,592
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ (5,440)	\$ 61,512	\$ (306,423)	\$ 91,670	\$ (158,681)
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
None					

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET POSITION

As of December 31, 2016

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
ASSETS						
Current Assets						
Cash and investments	\$ 527,675	\$ 239,779	\$ 404,114	\$ 7,128,675	\$ 136,110	\$ 8,436,353
Receivables						
Accounts	10,029	-	20,429	912,162	1,816	944,436
Inventories	424,097	-	-	-	-	424,097
Prepaid expenditures	-	11,250	-	-	-	11,250
Due from other funds	5,737	-	-	-	2,793	8,530
Total Current Assets	<u>967,538</u>	<u>251,029</u>	<u>424,543</u>	<u>8,040,837</u>	<u>140,719</u>	<u>9,824,666</u>
Noncurrent Assets						
Capital assets						
Land	32,879	-	-	-	-	32,879
Intangible assets	-	1,341,851	-	-	-	1,341,851
Buildings and land improvements	1,954,301	-	-	-	-	1,954,301
Equipment, furniture and vehicles	454,151	1,333,725	216,384	-	262,509	2,266,769
Less: Accumulated depreciation and amortization	(1,437,854)	(1,954,001)	(163,808)	-	(249,862)	(3,805,525)
	<u>1,003,477</u>	<u>721,575</u>	<u>52,576</u>	<u>-</u>	<u>12,647</u>	<u>1,790,275</u>
Construction in progress	-	119,775	-	-	-	119,775
Total Capital Assets (net of accumulated depreciation/amortization)	<u>1,003,477</u>	<u>841,350</u>	<u>52,576</u>	<u>-</u>	<u>12,647</u>	<u>1,910,050</u>
Total Assets	<u>\$ 1,971,015</u>	<u>\$ 1,092,379</u>	<u>\$ 477,119</u>	<u>\$ 8,040,837</u>	<u>\$ 153,366</u>	<u>\$ 11,734,716</u>
Deferred Outflows of Resources						
Deferred amounts relating to pension	\$ 776,358	\$ 304,254	\$ 455,876	\$ -	\$ -	\$ 1,536,488

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET POSITION

As of December 31, 2016

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
LIABILITIES						
Current Liabilities						
Accounts payable	\$ 42,793	\$ 5,017	\$ 17,747	\$ 199,914	\$ 93	\$ 265,564
Accrued liabilities	55,661	21,795	38,213	1,292,890	-	1,408,559
Due to other funds	-	-	38,065	-	-	38,065
Total Current Liabilities	<u>98,454</u>	<u>26,812</u>	<u>94,025</u>	<u>1,492,804</u>	<u>93</u>	<u>1,712,188</u>
Noncurrent Liabilities						
Pension Liability	130,703	58,375	78,409	-	-	267,487
Compensated absences	62,832	9,851	46,653	-	-	119,336
Total Noncurrent Liabilities	<u>193,535</u>	<u>68,226</u>	<u>125,062</u>	<u>-</u>	<u>-</u>	<u>386,823</u>
Total Liabilities	<u>291,989</u>	<u>95,038</u>	<u>219,087</u>	<u>1,492,804</u>	<u>93</u>	<u>2,099,011</u>
Deferred Inflows of Resources						
Deferred amounts relating to pension	275,062	145,058	165,011	-	-	585,131
Total Deferred Outflows of Resources	<u>275,062</u>	<u>145,058</u>	<u>165,011</u>	<u>-</u>	<u>-</u>	<u>585,131</u>
NET POSITION						
Net investment in capital assets	1,003,477	841,350	52,576	-	12,647	1,910,050
Unrestricted	1,176,845	315,187	496,321	6,548,033	140,626	8,677,012
TOTAL NET POSITION	<u>\$ 2,180,322</u>	<u>\$ 1,156,537</u>	<u>\$ 548,897</u>	<u>\$ 6,548,033</u>	<u>\$ 153,273</u>	<u>\$ 10,587,062</u>

CITY OF RACINE

Internal Service Funds

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

For the year ended December 31, 2016

	<u>Equipment Maintenance Garage</u>	<u>Information Systems</u>	<u>Building Complex</u>	<u>Health Insurance</u>	<u>Telephones</u>	<u>Total</u>
OPERATING REVENUES						
Charges for services and sales						
Labor, fuel, parts and equipment charges	\$ 3,578,120	\$ -	\$ -	\$ -	\$ -	\$ 3,578,120
Health insurance premiums	-	-	-	19,442,967	-	19,442,967
Telephone service sales	-	-	-	-	118,325	118,325
Computer service sales	-	1,240,309	-	-	-	1,240,309
Facilities rent	-	-	2,520,542	-	-	2,520,542
Other	37,080	2,906	684	1,244,474	25	1,285,169
Total Operating Revenues	<u>3,615,200</u>	<u>1,243,215</u>	<u>2,521,226</u>	<u>20,687,441</u>	<u>118,350</u>	<u>28,185,432</u>
OPERATING EXPENSES						
Public Works						
Operating supplies and expenses	3,601,422	-	2,568,017	-	-	6,169,439
General administration						
Telephone expenses	-	-	-	-	112,730	112,730
Health insurance	-	-	-	21,449,327	-	21,449,327
Information systems	-	1,612,650	-	-	-	1,612,650
Depreciation and amortization	94,989	131,605	15,255	-	27,542	269,391
Total Operating Expenses	<u>3,696,411</u>	<u>1,744,255</u>	<u>2,583,272</u>	<u>21,449,327</u>	<u>140,272</u>	<u>29,613,537</u>
Operating Loss Before Transfers	(81,211)	(501,040)	(62,046)	(761,886)	(21,922)	(1,428,105)
TRANSFER IN	-	<u>503,761</u>	-	-	-	<u>503,761</u>
Change in Net Position	(81,211)	2,721	(62,046)	(761,886)	(21,922)	(924,344)
TOTAL NET POSITION - Beginning of Year	<u>2,261,533</u>	<u>1,153,816</u>	<u>610,943</u>	<u>7,309,919</u>	<u>175,195</u>	<u>11,511,406</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 2,180,322</u>	<u>\$ 1,156,537</u>	<u>\$ 548,897</u>	<u>\$ 6,548,033</u>	<u>\$ 153,273</u>	<u>\$ 10,587,062</u>

CITY OF RACINE
Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 3,606,032	\$ 1,243,217	\$ 2,506,281	\$ 21,521,528	\$ 118,359	\$ 28,995,417
Payments to suppliers	(1,643,695)	(948,139)	(1,444,289)	(19,749,653)	(112,672)	(23,898,448)
Payments to employees	(1,810,468)	(687,564)	(1,078,321)	(1,321,174)	-	(4,897,527)
Net Cash Flows From Operating Activities	<u>151,869</u>	<u>(392,486)</u>	<u>(16,329)</u>	<u>450,701</u>	<u>5,687</u>	<u>199,442</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Transfer from other funds for capital purposes	-	503,761	-	-	-	503,761
Acquisition and construction of capital assets	(38,411)	(197,952)	(13,645)	-	-	(250,008)
Net Cash Flows From Capital and Related Financing Activities	<u>(38,411)</u>	<u>305,809</u>	<u>(13,645)</u>	<u>-</u>	<u>-</u>	<u>253,753</u>
Change in Cash and Cash Equivalents	113,458	(86,677)	(29,974)	450,701	5,687	453,195
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>414,217</u>	<u>326,456</u>	<u>434,088</u>	<u>6,677,974</u>	<u>130,423</u>	<u>7,983,158</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 527,675</u>	<u>\$ 239,779</u>	<u>\$ 404,114</u>	<u>\$ 7,128,675</u>	<u>\$ 136,110</u>	<u>\$ 8,436,353</u>

CITY OF RACINE
Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Telephones	Total
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED FLOWS FROM OPERATING ACTIVITIES:						
Operating Loss	\$ (81,211)	\$ (501,040)	\$ (62,046)	\$ (761,886)	\$ (21,922)	\$ (1,428,105)
Adjustments to Reconcile Operating Loss to Net Cash						
Flows From Operating Activities						
Depreciation/Amortization expense	94,989	131,605	15,255	-	27,542	269,391
Changes in assets, deferred outflows, liabilities, and deferred inflows						
Accounts receivable	(3,567)	-	(14,946)	834,086	-	815,573
Inventories and prepaids	2,506	(11,250)	-	-	-	(8,744)
Due from other funds	-	-	-	-	-	-
Pension benefits	136,599	31,894	62,586	-	-	231,079
Accounts payable	10,677	(41,022)	(33,221)	377,847	59	314,340
Accrued liabilities	(6,613)	(2,673)	3,469	654	-	(5,163)
Due to other funds	(1,511)	-	12,574	-	8	11,071
NET CASH FLOW FROM OPERATING ACTIVITIES	\$ 151,869	\$ (392,486)	\$ (16,329)	\$ 450,701	\$ 5,687	\$ 199,442

**NONCASH CAPITAL AND
RELATED FINANCING ACTIVITIES**

None

CITY OF RACINE

Component Unit

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016

	<u>Redevelopment Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from customers and users	\$ 185,154
Payments to suppliers	<u>(308,225)</u>
Net Cash Flows From Operating Activities	<u>(123,071)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
ACTIVITIES	
Investment Income	<u>1,120</u>
Net Cash Flows From Capital and Related Investing Activities	<u>1,120</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING	
ACTIVITIES	
Proceeds from sale of capital assets	34,037
Acquisition and construction of capital assets	<u>(4,500)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>29,537</u>
Change in Cash and Cash Equivalents	(92,414)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>323,873</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 231,459</u>

CITY OF RACINE

Component Unit

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2016

	<u>Redevelopment Authority</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH PROVIDED FLOWS FROM OPERATING ACTIVITIES:	
Operating Loss	\$ (212,264)
Adjustments to Reconcile Operating Loss to Net Cash	
Changes in assets and liabilities	
Accounts receivable	15,247
Accounts payable	<u>73,946</u>
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>\$ (123,071)</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
None	