

CITY OF RACINE

Racine, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2025

CITY OF RACINE

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Independent Auditors' Report

To the Common Council of
City of Racine

Report on the Audit of the Financial Statements

Opinions

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 (the City), as of and for the year ended December 31, 2025, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

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 as of December 31, 2025 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.

We did not audit the financial statements of Racine Water and Wastewater Utilities, both major enterprise funds of the City, which represent 88%, 82% and 66%, respectively of the assets, net position and revenues of the business-type activities. Those statements were audited by other auditors, whose reports have been furnished to us, and our opinions, insofar as it relates to the amounts included for Racine Water and Wastewater Utilities, both major enterprise funds of the City, are based solely on the reports of the other auditors.

Basis for Opinions

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (GAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of City and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions. The financial statements of Racine Water and Wastewater Utilities were not audited in accordance with *Government Auditing Standards*.

Emphasis of Matter

As discussed in Note 1, the City adopted the provisions of GASB Statement No. 100, which is effective as of January 1, 2025. Our opinions are not modified with respect to these matters.

As discussed in Note 5 to the financial statements, net position as of December 31, 2024 has been adjusted to account for changes in major funds due to the implementation of GASB Statement No. 100, *Accounting Changes and Error Corrections*. Our opinions are not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditors' Responsibilities for the Audit of the Financial Statements

In performing an audit in accordance with GAAS and GAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.

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

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated July 28, 2026 on our consideration of the City'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 solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the City's 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's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Baker Tilly US, LLP". The signature is written in a cursive, flowing style.

Milwaukee, Wisconsin
July 28, 2026

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, 2025.

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 \$362,517,344 (net position).
- The City's total net position increased by \$35,087,832.
- As of the close of the current fiscal year, the City of Racine's governmental funds reported combined ending fund balances of \$135,985,646, an increase of \$23,783,220, in comparison with the prior year. Approximately 17.4% of this amount, \$23,688,248, is available for spending at the government's discretion (unassigned fund balance).
- At the end of the current fiscal year, unassigned fund balance for the general fund was \$23,820,452 or 26.6% of total general fund expenditures.
- Total long-term obligations decreased by approximately \$10.2 million for the fiscal year ended December 31, 2025. Long-term obligation activity during the year included the following:
 - \$40 million of general obligation bonds issued
 - \$14 million of revenue obligations were issued for Utility projects
 - Principal paid on general obligation outstanding debt was \$17.2 million
 - Principal paid on revenue obligations outstanding was \$5 million
 - WRS Pension liability increased by approximately \$912 thousand
 - Net OPEB obligation decreased by approximately \$23.9 million
 - Increase in deferred capacity income of approximately \$2.7
 - Decrease in the Life Insurance liability and vested compensated absences contributed to the remaining reductions.

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 Downtown Business Improvement District #1 and Community Development 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 18-20 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, ARPA Fund, Federal Grant Fund, Debt Service Fund, General Obligation Bond Projects Fund and Tax Incremental Districts, 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 21-25 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, 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 26-32 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 one fiduciary fund. The 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 pages 33 and 34 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 35-109 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 115-143 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, 2025 and 2024 City's assets exceeded liabilities by \$362,517,344 and \$327,429,512 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 \$472,615,687 and \$450,562,557 at December 31, 2025 and 2024.

An additional portion of the City of Racine's 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 \$82,557,382 and \$71,469,332 and unrestricted net position was \$(192,655,725) and \$(194,602,377) as of December 31, 2025 and 2024 respectively.

The City's governmental activities had a deficit unrestricted net position of \$(168,218,418) and \$(172,973,046) as of December 31, 2025 and 2024 respectively. The deficit is primarily the result of the City's OPEB obligation.

The City's total healthcare OPEB obligation was \$212,149,205 and \$236,042,487 as of December 31, 2025 and 2024 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, 2025 and 2024. Amounts are expressed in thousands.

	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>	<u>2025</u>	<u>2024</u>
	Governmental	Governmental	Business-Type	Business-Type	Total	Total
	Activities	Activities	Activities	Activities		
Current and other assets	\$ 286,586	\$ 261,286	\$ 81,835	\$ 79,405	\$ 368,421	\$ 340,691
Capital assets	208,264	211,172	434,864	405,847	643,128	617,019
Total assets	<u>494,850</u>	<u>472,458</u>	<u>516,699</u>	<u>485,252</u>	<u>1,011,549</u>	<u>957,710</u>
Deferred outflows of resources	<u>59,463</u>	<u>84,797</u>	<u>8,293</u>	<u>11,806</u>	<u>67,756</u>	<u>96,603</u>
Current and other liabilities	21,156	37,671	21,853	11,595	43,009	49,266
Liabilities payable from restricted assets	-	-	-	7,346	-	7,346
Long-term liabilities	<u>334,346</u>	<u>331,235</u>	<u>154,560</u>	<u>147,286</u>	<u>488,906</u>	<u>478,521</u>
Total liabilities	<u>355,502</u>	<u>368,906</u>	<u>176,413</u>	<u>166,227</u>	<u>531,915</u>	<u>535,133</u>
Deferred inflows of resources	<u>167,352</u>	<u>174,083</u>	<u>17,520</u>	<u>17,668</u>	<u>184,872</u>	<u>191,751</u>
Net position:						
Net Investment in capital assets	131,244	128,143	345,237	326,133	472,616	450,563
Restricted	68,433	59,096	14,124	12,372	82,557	71,468
Unrestricted	<u>(168,218)</u>	<u>(172,973)</u>	<u>(28,303)</u>	<u>(25,342)</u>	<u>(192,656)</u>	<u>(194,602)</u>
Total net position	<u>\$ 31,459</u>	<u>\$ 14,266</u>	<u>\$ 331,058</u>	<u>\$ 313,163</u>	<u>\$ 362,517</u>	<u>\$ 327,429</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, 2025 and 2024. Amounts are expressed in thousands.

	2025 Governmental Activities	2024 Governmental Activities	2025 Business- Type Activities	2024 Business-Type Activities	2025 Total	2024 Total
Revenues						
Charges for services	\$ 25,903	\$ 23,310	\$ 51,931	\$ 52,033	\$ 77,834	\$ 75,343
Capital and Operating grants and contributions	56,012	19,435	26,202	19,968	82,214	39,403
Taxes	69,742	66,417	1,708	1,603	71,450	68,020
Unrestricted intergovernmental revenues	43,793	41,085	-	-	43,793	41,085
Investment Income & Other	8,306	8,863	2,047	2,146	10,353	11,009
Total revenues	<u>203,756</u>	<u>159,110</u>	<u>81,888</u>	<u>75,750</u>	<u>285,644</u>	<u>234,860</u>
Expenses						
General government	12,465	19,484	-	-	12,465	19,484
Community development	57,013	17,232	-	-	57,013	17,232
Health	8,977	5,267	-	-	8,977	5,267
Education and recreation	16,346	16,889	-	-	16,346	16,889
Public works	30,782	26,950	-	-	30,782	26,950
Public safety	60,262	52,683	-	-	60,262	52,683
Interest and fiscal charges	5,101	4,861	-	-	5,101	4,861
Water	-	-	21,074	18,792	21,074	18,792
Wastewater	-	-	14,295	13,630	14,295	13,630
Storm Water	-	-	7,460	6,492	7,460	6,492
Belle urban system	-	-	14,837	14,415	14,837	14,415
Other	-	-	1,944	2,848	1,944	2,848
Total expenses	<u>190,946</u>	<u>143,366</u>	<u>59,610</u>	<u>56,177</u>	<u>250,556</u>	<u>199,543</u>
Increase (decrease) in net position before transfers	12,810	15,744	22,278	19,573	35,088	35,317
Transfers	4,383	4,111	(4,383)	(4,111)	-	-
Increase (decrease) in net position	17,193	19,855	17,895	15,462	35,088	35,317
Net position-beginning of year	14,266	(5,589)	313,163	297,701	327,429	292,112
Net position-end of year	<u>\$ 31,459</u>	<u>\$ 14,266</u>	<u>\$ 331,058</u>	<u>\$ 313,163</u>	<u>\$ 362,517</u>	<u>\$ 327,429</u>

CITY OF RACINE

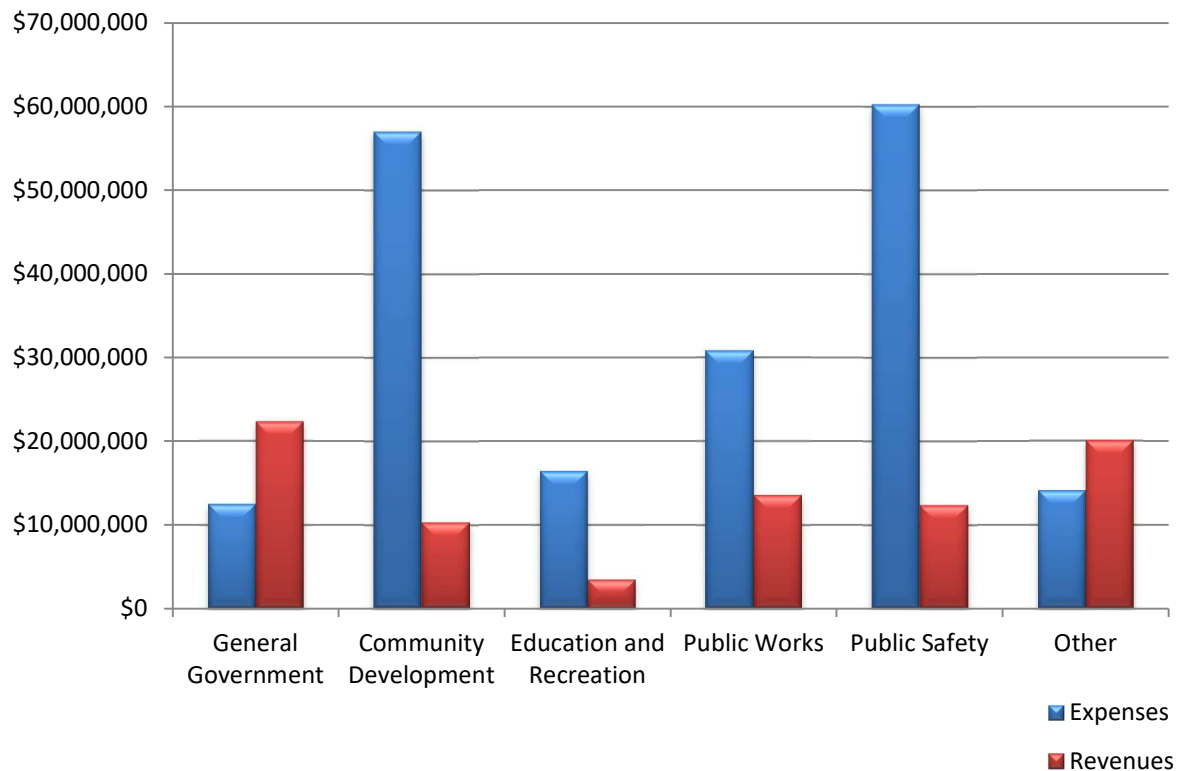
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Governmental Activities

The net position in the governmental activities increased by approximately \$17.2 million during the fiscal year, primarily relating to increase investment income and intergovernmental revenues.

Expenses and Program Revenues-Governmental Activities:



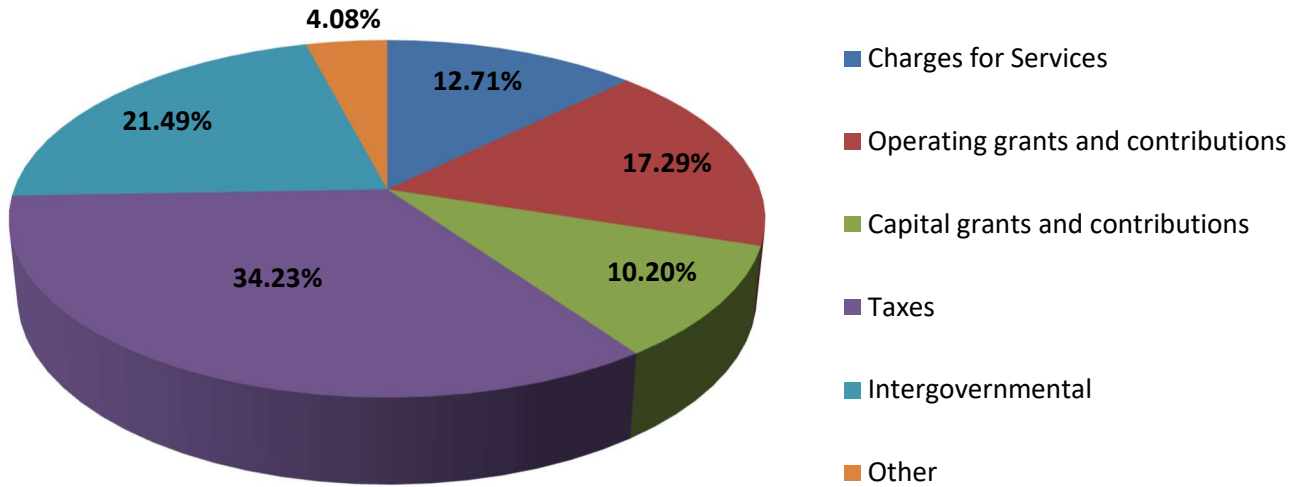
CITY OF RACINE

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 \$17.9 million during the fiscal year 2025. Key elements of this increase are as follows:

- The Water utility had an increase in net position of \$11 million. The increase in net position in the Water utility relates primarily to increases in capital contributions for water infrastructure. It also includes water revenues exceeding projections, and expenses lower than projections.
- The Wastewater utility had an increase in net position of \$4.1 million. The increase in net position in the Wastewater utility relates to capital contributions, revenues higher than projected, and expenses lower than projections.
- Net position also increased in all of the other Enterprise funds in 2025 by \$2.8M in the aggregate.

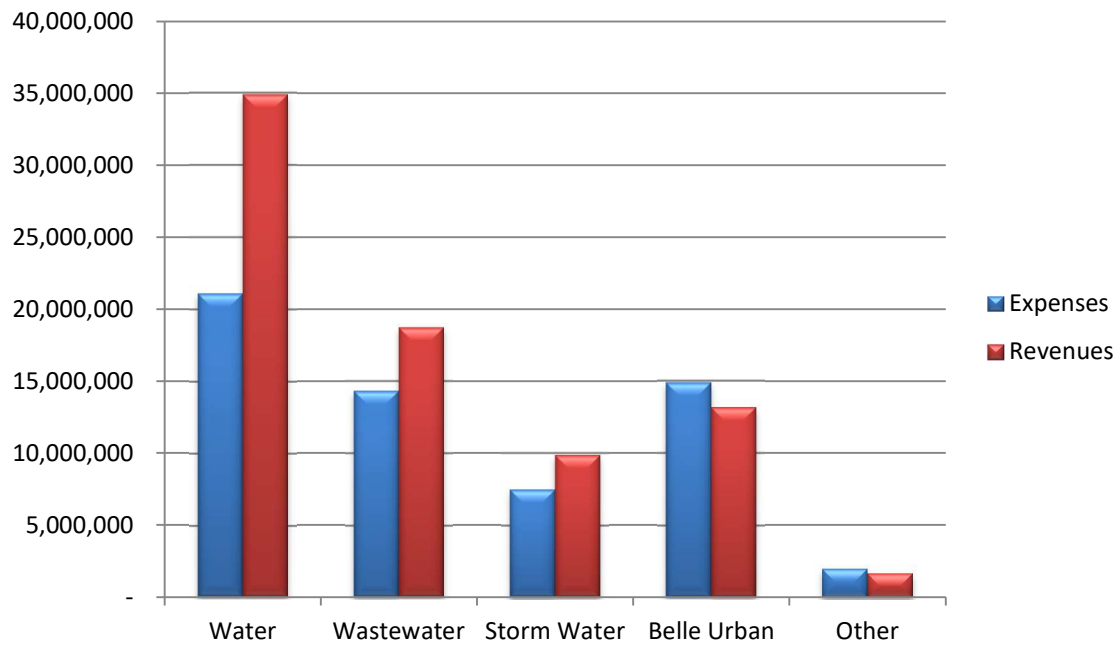
CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

Business-type activities (cont.)

Expenses and Program Revenues – Business-type Activities:



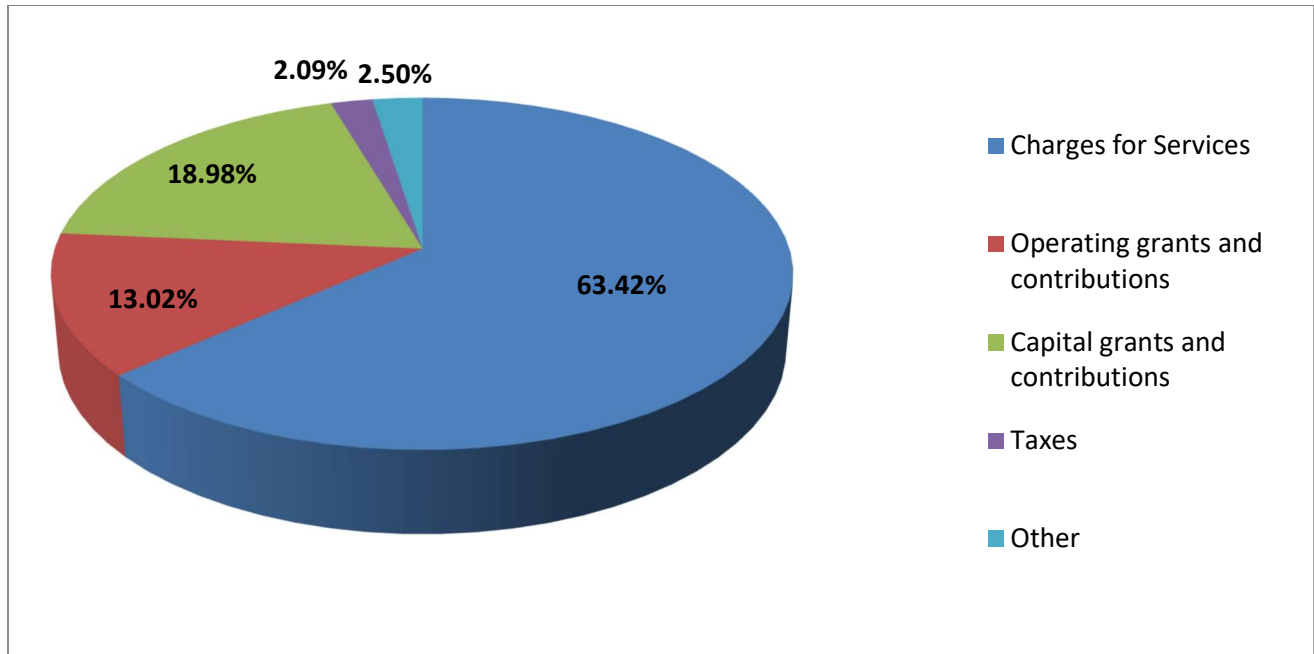
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Racine, Wisconsin

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 \$135,985,646. Approximately 17.4% of this amount, \$23,688,248, constitutes unassigned fund balance which is available for spending at the government's discretion.

The general fund is the primary operating fund of the City of Racine. At the end of the current fiscal year, unassigned fund balance of the general fund was \$23,820,452, while total fund balance totaled \$51,156,851. Unassigned fund balance represents 26.6% of total general fund expenditures, while total fund balance represents 57.1% of total general fund expenditures. The Common Council has resolved that any unassigned fund balance in excess of 25% of general fund expenditures be assigned for wage and benefit provision and budget stabilization. Assigned fund balance in the general fund was \$21,437,348 on December 31, 2025 of which \$4,764,090 was assigned for wage and benefit provision and \$16,673,258 was assigned for budget stabilization. The budget stabilization fund balance has been accumulated over the last 5 years while Federal ARPA funds were supporting operations. This fund balance is intended to be spent down over the next 3-5 years as annual budgetary support.

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 \$4,559,032 of fund balances during 2025, the general fund increased fund balance by \$3,008,454. The \$7,567,486 million positive results in the general fund came primarily from revenues exceeding expectations by over \$1.4 million and expenditures, beating expectations by over \$5.6M. Revenues in building permits, charges for services, and interest income all exceeded expectations. Expenditures were under budget by \$5M due primarily to grant programs covering salary costs in public safety, community development, and health.

The ARPA special revenue fund is another major governmental fund of the City of Racine. The fund accounts for the revenues and expenditures associated with the City's direct ARPA allocation from the US Department of Treasury. Expenditures in the ARPA fund in 2025 were \$20.3M which were a result of construction costs associated with the construction of the Lincoln King Community Center and Clinic project. This is a new major fund for 2025 and remaining funds will be exhausted by the end of 2026.

The Federal grant special revenue fund is another major governmental fund of the City of Racine. The fund accounts for the revenues and expenditures associated with the City's federal grants, excluding HUD grants. Expenditures in the fund in 2025 were \$22M which were a result of construction costs associated with the construction of the Lincoln King Community Center and Clinic project and pass through funding for public safety. This is a new major fund for 2025.

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 at December 31, 2025 and 2024 of \$2,301,564 and \$764,557, all of which is restricted for the payment of debt service. The increase in fund balance during 2025 was a result of bond premium proceeds that are intended to be used for principal and interest payments in 2026.

The General Obligation Bond capital project fund is another major governmental fund of the City of Racine. The fund accounts for the proceeds and associated expenditures of bond issues. The general obligation bond fund has a total fund balance at December 31, 2025 and 2024 of \$30,024,569 and \$11,703,286, all of which is restricted for capital projects. The increase in fund balance during 2025 was a result of bond proceeds issued for the Dr. Martin Luther King Community Center project that are intended to be completed in late 2026.

The Tax Incremental Districts is another major governmental fund of the City of Racine. The fund accounts for all activity within all of the open tax incremental districts in the City of Racine. The Tax Incremental District fund has a total fund balance at December 31, 2025 and 2024 of \$1,540,304 and \$3,855,053, all of which is restricted for development within the districts. The decrease in fund balance in the Tax Incremental District fund is due to development incentives paid to developers for residential and commercial activity.

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 \$50,324,779 and \$47,093,325 in 2025 and 2024 (as adjusted) respectively. The fund balances of these funds increased by \$3,231,454. This increase is a result of unspent revenues in bond funds and intergovernmental funds in 2025. Accounting changes were implemented during 2025 to report two funds as major funds for the 2025 financial statements. This change resulted in a \$12,341,094 reduction in the previously reported 2024 non-major governmental fund balance.

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 2025 and 2024 amounted to \$(4,677,079) and \$(1,450,477), for the Wastewater utility \$(27,088,694) and \$(25,278,641), for the Storm water utility \$3,722,873 and \$2,494,610, for the Belle urban system \$(288,104) and \$(318,543), and for the other enterprise funds \$28,427 and \$(788,980). The total change in net position for the Water Utility for 2025 and 2024 was \$10,999,076 and \$10,115,187, the Wastewater Utility \$4,092,730 and \$3,996,285, the Storm water Utility \$2,573,449 and \$3,263,643, for the Belle urban system \$116,220 and \$(1,089,034), and for the Other Enterprise funds \$113,886 and \$(823,938) 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 net investment in capital assets for its governmental and business-type activities as of December 31, 2025 and 2024 amounted to \$472,615,687 and \$450,562,557 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, 2025 and 2024, capital assets, net of accumulated depreciation totaled \$643,128,085 and \$617,018,948 respectively. Capital assets, net of accumulated depreciation increased approximately \$26 million in 2025 and approximately \$15 million in 2024, largely due to infrastructure additions in the Water Utility, Wastewater Utility and State Highway projects.

Long-term debt – At the end of 2025 and 2024, the City of Racine had total general obligation and revenue bond debt outstanding of \$210,351,983 and \$178,891,445. Of this amount, the debt backed by the full faith and credit of the government is \$122,056,051 and \$99,972,835 in 2025 and 2024 respectively. The remainder of the City's debt represents bonds secured solely by specified revenue sources (i.e., revenue bonds). The City's total outstanding debt increased by approximately \$31.4 million in 2025 due to utility borrowings of 14M and City borrowing for the community center project of \$17M.

	Outstanding debt	
	<u>2025</u>	<u>2024</u>
Governmental Activities:		
General obligation bonds and notes	\$ 122,056,051	\$ 99,972,835
Business-Type Activities:		
Revenue bonds	<u>88,295,932</u>	<u>78,918,610</u>
Total	<u>\$ 210,351,983</u>	<u>\$ 178,891,445</u>

CITY OF RACINE
Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS
(Unaudited)

Economic Conditions and 2025 and 2026 Budget Outlook

While grant funds have been made available to the City for expenses and lost revenue and government services, the City continues to struggle with revenue shortfalls in various areas and expense increases that continue to outpace increases in revenue sources.

Strong fiscal planning, and strong cash balances, allows the City to maintain services and has led to positive fiscal results, however, the City continues to struggle with inflationary pressures in all areas. The City has seen a return to almost full staffing levels in the last year which will positively impact resident services particularly in public safety, but will put a strain on operational budgets into the future.

The City has been allocated funds through the American Rescue Plan Act on March 11, 2021 to respond to the COVID-19 public health emergency and its negative economic impacts. The City of Racine's award is \$46,246,465, which will be used to combat the negative effects of the public health emergency in the local economy. The funds have been thoughtfully allocated through Common Council resolution to be used for various program including home ownership and neighborhood revitalization, budget stabilization, workforce opportunities, community resiliency and expansion of healthcare opportunities. Funds remaining on hand will be used for the revitalization of our Lincoln King Neighborhood, with the construction of a new community center and clinic and new residential housing units in that neighborhood. The funds are to cover costs incurred or encumbered by December 31, 2025 and will be expended through 2026.

The City of Racine's the assessed value is on the rise. The assessed value rose again for the 2025 tax roll to the highest level recorded, \$5.7B, and is expected to increase another 4%-7% for the 2026 tax roll. The City has seen significant private investment in our community over the last three years and is anticipating private investment continuing in the near future, although inflationary pressures and high interest rates, continue to negatively affect private development. Home values continue to be affordable compared to our neighbors, but home sales and home values are on the rise. The 2025 City tax rate was \$11.74 per thousand, a 2.93% decrease from the prior year and the lowest rate in over 15 years. The City continues to focus on reducing the tax rate to be more comparable to our surrounding communities. The City will continue our focus on neighborhood revitalization and the construction of a new fire station in 2026 and 2027, with significant funding allocated for these purposes.

The City continues to focus on economic development and job creation and looks forward to positive impacts from the large developments that are occurring in our City and County, however job creation anticipated in 2018-2019 has not materialized.

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 has instituted a conservative approach to the use of fund balance to support the budget each year. Savings from prior year's budgets are assigned to a budget stabilization fund to be used strategically over the next several years. The City saw significant savings in both the general fund and health care fund as result of the pandemic in both 2020 and 2021. Those savings have been assigned to budget stabilization and a portion was used to stabilize the 2026 budget. The City used slightly over \$4 million of general fund, debt service fund, internal service and other operational fund balances to fund operations in the 2026 budget, however, the City has over \$12 million of fund balance set aside for future years budget stabilization. Based on current 2026 results, we anticipate using less than the \$4 million of fund balance assigned to the 2026 budget. While the City continues to struggle with a structural deficit resulting from State levy limits that prevent us from covering even basic cost increases, difficult decisions were made during both the 2020 and 2021 budget to mitigate legacy costs in the future and we are beginning to see the positive results from those decisions. Near term budgets will continue to be difficult, but long-term planning and continued fiscal responsibility will assist future years budgeting.

CITY OF RACINE

Racine, Wisconsin

MANAGEMENT'S DISCUSSION AND ANALYSIS (Unaudited)

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, 2025

	Primary Government			Component Units	
	Governmental Activities	Business-Type Activities	Total	Downtown Business Improvement District #1	Community Development Authority
ASSETS					
Cash and investments	\$ 138,137,788	\$ 25,065,785	\$ 163,203,573	\$ 152,920	\$ -
Receivables, net of allowance for uncollectible accounts	126,993,149	9,672,511	136,665,660	325,000	5,515
Internal balances	6,296,102	(6,296,102)	-	-	-
Due from other governments	6,514,193	12,163,841	18,678,034	-	-
Inventories	1,046,648	1,301,047	2,347,695	-	-
Prepaid items	569,176	-	569,176	-	-
Other assets-lease receivable-current	-	190,535	190,535	-	-
Advances to component unit	3,681,266	-	3,681,266	-	-
Restricted assets:					
Cash and investments	-	19,892,645	19,892,645	-	-
Plant capacity receivable, current portion	-	1,358,815	1,358,815	-	-
Plant capacity receivable, long term	-	12,947,390	12,947,390	-	-
Deposit in CVMIC	2,962,500	-	2,962,500	-	-
Assets held for resale	385,000	-	385,000	-	6,198,184
Other assets-lease receivable-non current	-	4,529,104	4,529,104	-	-
Notes receivable	-	1,009,327	1,009,327	-	-
Capital assets:					
Land	25,256,315	5,446,810	30,703,125	-	-
Construction in progress	24,353,451	60,458,796	84,812,247	-	2,969,851
Other capital assets, net of accumulated depreciation/amortization	158,654,312	368,958,401	527,612,713	23,256	-
Total Assets	<u>494,849,900</u>	<u>516,698,905</u>	<u>1,011,548,805</u>	<u>501,176</u>	<u>9,173,550</u>
DEFERRED OUTFLOWS OF RESOURCES					
Deferred amounts relating to pension	43,852,551	4,863,223	48,715,774	-	-
Deferred amounts relating to health OPEB	14,442,988	2,995,433	17,438,421	-	-
Deferred amounts relating to life insurance OPEB	976,382	254,207	1,230,589	-	-
Unamortized loss on refunding	190,550	179,684	370,234	-	-
	<u>59,462,471</u>	<u>8,292,547</u>	<u>67,755,018</u>	<u>-</u>	<u>-</u>
LIABILITIES					
Accounts payable	7,646,638	8,067,300	15,713,938	14,464	72,004
Accrued compensation and other current liabilities	9,671,828	1,409,712	11,081,540	-	2,800
Due to other governments	212,438	4,132,556	4,344,994	-	-
Accrued interest payable	1,048,063	-	1,048,063	-	-
Deferred revenue	2,576,895	-	2,576,895	-	-
Liabilities payable from restricted assets:					
Accrued interest payable	-	619,374	619,374	-	-
Unearned capacity revenue	-	1,725,088	1,725,088	-	-
Current portion of long term debt	-	5,899,258	5,899,258	-	-
Noncurrent liabilities:					
Total health OPEB liability	189,672,854	22,476,351	212,149,205	-	-
Net pension liability	7,473,539	780,184	8,253,723	-	-
Net life insurance liability	3,160,049	607,702	3,767,751	-	-
Unearned capacity revenue	-	43,379,922	43,379,922	-	-
Due within one year	20,160,385	-	20,160,385	-	1,394,681
Due in more than one year	113,878,916	87,315,686	201,194,602	-	2,286,585
Total Liabilities	<u>355,501,605</u>	<u>176,413,133</u>	<u>531,914,738</u>	<u>14,464</u>	<u>3,756,070</u>
DEFERRED INFLOWS OF RESOURCES					
Deferred amounts relating to pension	21,762,010	2,544,131	24,306,141	-	-
Deferred amounts relating to leases	-	4,296,824	4,296,824	-	-
Deferred amounts relating to health OPEB	57,355,994	7,766,706	65,122,700	-	-
Deferred amounts relating to life insurance OPEB	2,204,967	453,069	2,658,036	-	-
Rate Stabilization Fund	-	500,000	500,000	-	-
Unearned revenue	86,028,830	1,959,210	87,988,040	325,000	-
Total Deferred Inflows of Resources	<u>167,351,801</u>	<u>17,519,940</u>	<u>184,871,741</u>	<u>325,000</u>	<u>-</u>
NET POSITION					
Net investment in capital assets	131,243,626	345,237,331	472,615,687	23,256	-
Restricted for:					
Debt service	1,253,501	-	1,253,501	-	-
Permanent funds	2,382,694	-	2,382,694	-	-
Library	1,000,397	-	1,000,397	-	-
HUD Loan Programs	6,720,209	-	6,720,209	-	-
Tax increment districts	24,692,412	-	24,692,412	-	-
Intergovernmental revenue sharing	24,152,655	-	24,152,655	-	-
Federal and State grant programs	2,509,356	-	2,509,356	-	-
Trusts	2,160,229	-	2,160,229	-	-
Special assessment program	2,108,187	-	2,108,187	-	-
Health, public safety, and parks programs	1,454,117	-	1,454,117	-	-
Water	-	8,113,328	8,113,328	-	-
Wastewater	-	6,010,297	6,010,297	-	-
Unrestricted (deficit)	<u>(168,218,418)</u>	<u>(28,302,577)</u>	<u>(192,655,725)</u>	<u>138,456</u>	<u>5,417,480</u>
TOTAL NET POSITION	<u>\$ 31,458,965</u>	<u>\$ 331,058,379</u>	<u>\$ 362,517,344</u>	<u>\$ 161,712</u>	<u>\$ 5,417,480</u>

See accompanying notes to financial statements.

CITY OF RACINE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2025

	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	Downtown Business Improvement District #1	Community Development Authority
Functions/Programs									
Primary Government									
Governmental activities									
General government	\$ 12,465,203	\$ 1,479,905	\$ 20,796,072	\$ -	\$ 9,810,774	\$ -	\$ 9,810,774	\$ -	\$ -
Community development	57,013,495	2,114,905	5,572,981	2,585,064	(46,740,545)	-	(46,740,545)	-	-
Health	8,976,802	365,928	1,549,197	18,119,020	11,057,343	-	11,057,343	-	-
Education and recreation	16,346,022	1,108,527	2,341,203	-	(12,896,292)	-	(12,896,292)	-	-
Public works	30,781,592	12,081,172	1,362,947	75,000	(17,262,473)	-	(17,262,473)	-	-
Public safety	60,262,173	8,752,578	3,610,101	-	(47,899,494)	-	(47,899,494)	-	-
Interest and fiscal charges	5,100,755	-	-	-	(5,100,755)	-	(5,100,755)	-	-
Total Governmental Activities	<u>190,946,042</u>	<u>25,903,015</u>	<u>35,232,501</u>	<u>20,779,084</u>	<u>(109,031,442)</u>	<u>-</u>	<u>(109,031,442)</u>	<u>-</u>	<u>-</u>
Business type activities									
Water	21,073,921	25,814,840	-	9,048,449	-	13,789,368	13,789,368	-	-
Wastewater	14,295,559	14,080,913	-	4,586,899	-	4,372,253	4,372,253	-	-
Storm Water	7,459,864	9,412,347	200,333	225,000	-	2,377,816	2,377,816	-	-
Belle Urban Transit	14,836,883	986,842	10,459,809	1,681,643	-	(1,708,589)	(1,708,589)	-	-
Other	1,944,199	1,636,048	-	-	-	(308,151)	(308,151)	-	-
Total Business Type Activities	<u>59,610,426</u>	<u>51,930,990</u>	<u>10,660,142</u>	<u>15,541,991</u>	<u>-</u>	<u>18,522,697</u>	<u>18,522,697</u>	<u>-</u>	<u>-</u>
Total Primary Government	<u>\$ 250,556,468</u>	<u>\$ 77,834,005</u>	<u>\$ 45,892,643</u>	<u>\$ 36,321,075</u>	<u>(109,031,442)</u>	<u>18,522,697</u>	<u>(90,508,745)</u>	<u>-</u>	<u>-</u>

See accompanying notes to financial statements.

CITY OF RACINE

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2025

	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	Downtown Business Improvement District #1	Community Development Authority
Component Units									
Downtown Business Improvement District #1	\$ 286,766	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ (286,766)	\$ -
Community Development Authority	4,162,782	-	-	5,213,566	-	-	-	-	1,050,784
	<u>\$ 4,449,548</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,213,566</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(286,766)</u>	<u>1,050,784</u>
General Revenues									
Taxes:									
Property taxes, levied for general purposes					36,309,000	1,708,210	38,017,210	-	-
Property taxes levied, for debt service					20,512,890	-	20,512,890	-	-
Property taxes, levied for TIF					11,822,508	-	11,822,508	-	-
Other taxes					1,097,994	-	1,097,994	301,938	-
Intergovernmental revenues not restricted to specific programs					43,793,367	-	43,793,367	-	-
Investment income					6,492,149	1,757,424	8,249,573	1,436	5,637
Other					1,812,708	290,327	2,103,035	4,500	-
Sale of capital assets					-	-	-	-	66,170
Transfers					4,383,297	(4,383,297)	-	-	-
Total General Revenues and Transfers					<u>126,223,913</u>	<u>(627,336)</u>	<u>125,596,577</u>	<u>307,874</u>	<u>71,807</u>
Change in net position					17,192,471	17,895,361	35,087,832	21,108	1,122,591
NET POSITION - Beginning of Year					<u>14,266,494</u>	<u>313,163,018</u>	<u>327,429,512</u>	<u>140,604</u>	<u>4,294,889</u>
NET POSITION - END OF YEAR					<u>\$ 31,458,965</u>	<u>\$ 331,058,379</u>	<u>\$ 362,517,344</u>	<u>\$ 161,712</u>	<u>\$ 5,417,480</u>

See accompanying notes to financial statements.

CITY OF RACINE
Governmental Funds

BALANCE SHEET
As of December 31, 2025

	General Fund	Special Revenue Funds		Debt Service	Capital Project Fund		Nonmajor Governmental Funds	Totals
		ARPA	Federal Grants		General Obligation Bond Projects	Tax Incremental Districts		
ASSETS								
Cash and investments	\$ 34,112,569	\$ 2,643,526	\$ 616,712	\$ 2,301,564	\$ 31,956,826	\$ 15,886,536	\$ 36,239,242	\$ 123,756,975
Receivables:								
Taxes	39,961,695	-	-	22,881,089	-	17,520,785	10,223,208	90,586,777
Special assessments								
and special charges - tax roll	-	-	-	-	-	-	471,908	471,908
Special assessments	-	-	-	-	-	-	2,108,187	2,108,187
Loans and notes	-	-	1,867,093	-	-	23,152,108	4,294,906	29,314,107
Accrued interest	355,295	-	80,688	-	-	-	186,738	622,721
Accounts	3,027,194	-	-	-	2,675	73,821	341,395	3,445,085
Total Receivables - Net	43,344,184	-	1,947,781	22,881,089	2,675	40,746,714	17,626,342	126,548,785
Due from other funds	16,554,020	-	-	-	-	-	317,761	16,871,781
Due from other governments	-	-	2,524,439	-	-	-	3,989,754	6,514,193
Inventories	565,502	-	-	-	-	-	-	565,502
Prepaid items	555,676	-	-	-	-	12,000	-	567,676
Deposit in CVMIC	2,962,500	-	-	-	-	-	-	2,962,500
Assets held for resale	-	-	-	-	-	385,000	-	385,000
Advances to component unit	1,394,681	-	-	-	-	1,805,753	480,832	3,681,266
Advances to other funds	-	-	-	-	-	-	16,374,915	16,374,915
TOTAL ASSETS	\$ 99,489,132	\$ 2,643,526	\$ 5,088,932	\$ 25,182,653	\$ 31,959,501	\$ 58,836,003	\$ 75,028,846	\$ 298,228,593
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)								
Liabilities								
Accounts payable	\$ 1,055,382	\$ 66,631	\$ 769,569	\$ -	\$ 1,909,303	\$ 227,481	\$ 2,628,535	\$ 6,656,901
Accrued liabilities	6,268,163	-	28,456	-	25,629	20,410	548,060	6,890,718
Due to other funds	5,327,679	-	1,705,547	-	-	-	3,542,453	10,575,679
Due to other governments	123,156	-	-	-	-	-	89,282	212,438
Unearned revenues	-	2,576,895	-	-	-	-	-	2,576,895
Insurance claims payable	1,504,277	-	-	-	-	-	-	1,504,277
Advances from other funds	-	-	-	-	-	16,374,915	-	16,374,915
Total Liabilities	14,278,657	2,643,526	2,503,572	-	1,934,932	16,622,806	6,808,330	44,791,823
Deferred Inflows of Resources								
Unavailable revenue	-	-	1,867,093	-	-	23,152,108	6,403,093	31,422,294
Unearned interest/revenue	-	-	80,688	-	-	-	797,528	878,216
Unearned property tax revenue	34,053,624	-	-	22,881,089	-	17,520,785	10,695,116	85,150,614
Total Deferred Inflows of Resources	34,053,624	-	1,947,781	22,881,089	-	40,672,893	17,895,737	117,451,124
Fund Balances (Deficits)								
Nonspendable	5,899,051	-	-	-	-	12,000	-	5,911,051
Restricted	-	-	637,579	2,301,564	-	1,528,304	33,580,079	38,047,526
Committed	-	-	-	-	30,024,569	-	16,873,053	46,897,622
Assigned	21,437,348	-	-	-	-	-	3,851	21,441,199
Unassigned (deficit)	23,820,452	-	-	-	-	-	(132,204)	23,688,248
Total Fund Balances (Deficits)	51,156,851	-	637,579	2,301,564	30,024,569	1,540,304	50,324,779	135,985,646
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (DEFICITS)	\$ 99,489,132	\$ 2,643,526	\$ 5,088,932	\$ 25,182,653	\$ 31,959,501	\$ 58,836,003	\$ 75,028,846	

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)	206,146,213
Internal service fund net position.	15,183,111
Net Pension Liability, Deferred Outflows and Deferred Inflows of Resources	13,997,604
OPEB Health Liability, Deferred Outflows and Deferred Inflows of Resources	(232,585,860)
Life Insurance Liability, Deferred Outflows and Deferred Inflows of Resources	(4,250,058)
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.	31,422,294
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)	(134,439,985)
NET POSITION OF GOVERNMENTAL ACTIVITIES	\$ 31,458,965

See accompanying notes to financial statements.

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2025

	General Fund	Special Revenue Funds		Debt Service Fund	Capital Project Funds		Nonmajor Governmental Funds	Totals
		ARPA	Federal Grants		General Obligation Bonds	Tax Incremental Districts		
REVENUES								
Taxes	\$ 33,982,873	\$ -	\$ -	\$ 20,512,890	\$ -	\$ 11,822,508	\$ 3,424,138	\$ 69,742,409
Special charges and assessments	-	-	-	-	-	-	747,961	747,961
Intergovernmental	40,749,434	20,358,726	22,328,188	-	75,000	824,128	14,710,363	99,045,839
Licenses and permits	2,362,108	-	-	-	-	-	455,144	2,817,252
Fines and forfeitures	1,837,059	-	-	-	-	-	285,133	2,122,192
Public charges for services	4,341,074	-	9,528	-	-	-	15,994,047	20,344,649
Miscellaneous	4,411,669	-	-	-	828,203	842,888	3,028,942	9,111,702
Total Revenues	<u>87,684,217</u>	<u>20,358,726</u>	<u>22,337,716</u>	<u>20,512,890</u>	<u>903,203</u>	<u>13,489,524</u>	<u>38,645,728</u>	<u>203,932,004</u>
EXPENDITURES								
Current:								
General government	9,504,922	685,308	309,622	-	554,771	-	180,710	11,235,333
Health	3,359,875	-	1,150,460	-	-	-	1,123,590	5,633,925
Public safety	52,734,519	-	1,040,678	-	-	-	10,902,143	64,677,340
Public works	12,314,509	-	-	-	931,292	-	5,897,796	19,143,597
Education and recreation	8,304,795	-	-	-	110,870	-	5,615,255	14,030,920
Community Development	3,345,646	19,673,418	19,798,258	-	-	16,874,380	5,223,816	64,915,518
Capital outlay	-	-	38,927	-	10,937,375	760,676	9,225,061	20,962,039
Debt service:								
Principal	-	-	-	17,150,000	-	691,784	-	17,841,784
Interest and fiscal charges	-	-	-	3,608,594	-	811,588	883,447	5,303,629
Total Expenditures	<u>89,564,266</u>	<u>20,358,726</u>	<u>22,337,945</u>	<u>20,758,594</u>	<u>12,534,308</u>	<u>19,138,428</u>	<u>39,051,818</u>	<u>223,744,085</u>
Excess (deficiency) of revenues over expenditures	<u>(1,880,049)</u>	<u>-</u>	<u>(229)</u>	<u>(245,704)</u>	<u>(11,631,105)</u>	<u>(5,648,904)</u>	<u>(406,090)</u>	<u>(19,812,081)</u>

See accompanying notes to financial statements.

CITY OF RACINE
Governmental Funds

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2025

	General Fund	Special Revenue Funds		Debt Service Fund	Capital Project Funds		Nonmajor Governmental Funds	Totals
		ARPA	Federal Grants		General Obligation Bonds	Tax Incremental Districts		
OTHER FINANCING SOURCES (USES)								
Long-term debt issued	\$ -	\$ -	\$ -	\$ -	\$ 31,720,000	\$ 4,090,000	\$ 4,115,000	\$ 39,925,000
Premium on long-term debt issued	-	-	-	1,026,866	511,834	-	-	1,538,700
Refunding bonds issued	-	-	-	-	-	-	-	-
Transfers in	5,128,981	-	-	755,845	-	-	9,782,013	15,666,839
Transfers out	(240,478)	-	-	-	(2,279,446)	(755,845)	(10,259,469)	(13,535,238)
Total Other Financing Sources (Uses)	<u>4,888,503</u>	<u>-</u>	<u>-</u>	<u>1,782,711</u>	<u>29,952,388</u>	<u>3,334,155</u>	<u>3,637,544</u>	<u>43,595,301</u>
Net Change in Fund Balances	3,008,454	-	(229)	1,537,007	18,321,283	(2,314,749)	3,231,454	23,783,220
FUND BALANCES - Beginning of Year, as previously reported	48,148,397	-	-	764,557	-	3,855,053	59,434,419	112,202,426
Accounting Changes (see note disclosure)	<u>-</u>	<u>-</u>	<u>637,808</u>	<u>-</u>	<u>11,703,286</u>	<u>-</u>	<u>(12,341,094)</u>	<u>-</u>
FUND BALANCES, Beginning, as Adjusted	<u>48,148,397</u>	<u>-</u>	<u>637,808</u>	<u>764,557</u>	<u>11,703,286</u>	<u>3,855,053</u>	<u>47,093,325</u>	<u>112,202,426</u>
FUND BALANCES - END OF YEAR	<u>\$ 51,156,851</u>	<u>\$ -</u>	<u>\$ 637,579</u>	<u>\$ 2,301,564</u>	<u>\$ 30,024,569</u>	<u>\$ 1,540,304</u>	<u>\$ 50,324,779</u>	<u>\$ 135,985,646</u>

See accompanying notes to financial statements.

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, 2025

Net change in fund balances - total governmental funds	\$ 23,783,220
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Amounts reported for governmental activities in the statement of net position are different because:

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

Capital outlay is reported in the fund financial statements but is capitalized in the government-wide financial statements	20,962,039
Some items reported as capital outlay are not capitalized	(9,667,166)
Depreciation is reported in the government-wide statements	(13,963,884)

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	(39,925,000)
Principal repaid	17,841,784

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	49,041
Unamortized discounts/premiums (see Note II. B.)	(726,159)
Pension liability and related deferred outflows/inflows	(2,910,076)
Other postemployment benefits and related deferred outflows/inflows	14,331,120
Writeoff of loans	(39,567)
Accrued interest on debt	(609,667)

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.

82,496

Revenues in the governmental funds that are not reported as revenues in the statement of activities (See Note II. B.)	(129,038)
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Expenditures in the governmental funds that are not reported as expenses in the statement of activities (See Note II. B.)	<u>8,113,328</u>
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Change in net position of governmental activities	<u>\$ 17,192,471</u>
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See accompanying notes to financial statements.

CITY OF RACINE

General Fund

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Year Ended December 31, 2025

	Budgeted Amounts		Actual	Variance with Final Budget
	Original Budget	Final Budget		
REVENUES				
Taxes	\$ 33,944,662	\$ 33,944,662	\$ 33,982,873	\$ 38,211
Intergovernmental	42,354,825	42,354,825	40,749,434	(1,605,391)
Licenses and permits	1,990,500	1,990,500	2,362,108	371,608
Fines and forfeitures	1,142,000	1,142,000	1,837,059	695,059
Charges for services	4,172,159	4,172,159	4,341,074	168,915
Other	<u>2,699,772</u>	<u>2,699,772</u>	<u>4,411,669</u>	<u>1,711,897</u>
Total Revenues	<u>86,303,918</u>	<u>86,303,918</u>	<u>87,684,217</u>	<u>1,380,299</u>
EXPENDITURES				
Current:				
General government	10,734,633	10,886,774	9,504,922	1,381,852
Health	3,725,723	3,736,839	3,359,875	376,964
Public safety	54,613,403	54,356,209	52,734,519	1,621,690
Public works	13,423,435	13,976,745	12,314,509	1,662,236
Education and recreation	8,719,823	8,719,823	8,304,795	415,028
Community Development	<u>3,491,691</u>	<u>3,563,066</u>	<u>3,345,646</u>	<u>217,420</u>
Total Expenditures	<u>94,708,708</u>	<u>95,239,456</u>	<u>89,564,266</u>	<u>5,675,190</u>
Excess (deficiency) of revenues over expenditures	<u>(8,404,790)</u>	<u>(8,935,538)</u>	<u>(1,880,049)</u>	<u>7,055,489</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	4,626,506	4,626,506	5,128,981	502,475
Transfers out	<u>(250,000)</u>	<u>(250,000)</u>	<u>(240,478)</u>	<u>9,522</u>
Total Other Financing Sources (Uses)	<u>4,376,506</u>	<u>4,376,506</u>	<u>4,888,503</u>	<u>511,997</u>
Net Change in Fund Balance	<u>\$ (4,028,284)</u>	<u>\$ (4,559,032)</u>	3,008,454	<u>\$ 7,567,486</u>
FUND BALANCE - Beginning of Year			<u>48,148,397</u>	
FUND BALANCE - END OF YEAR			<u>\$ 51,156,851</u>	

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET POSITION

As of December 31, 2025

	Business-Type Activities- Enterprise Funds					Governmental Activities-	
	Water Utility	Wastewater Utility	Storm Water Utility	Belle Urban Transit	Other Enterprise Funds	Total	Internal Service Funds
ASSETS							
Current Assets							
Cash and investments	\$ 9,507,665	\$ 9,667,012	\$ 5,353,657	\$ 200	\$ 537,251	\$ 25,065,785	\$ 14,380,813
Receivables:							
Accounts	5,560,835	2,015,017	-	136,484	965	7,713,301	444,364
Taxes	-	-	-	1,600,000	359,210	1,959,210	-
Leases-current	190,535	-	-	-	-	190,535	-
Notes receivable-current	-	645,126	-	-	-	645,126	-
Due from other governments	1,555,545	1,234,977	323,701	9,049,618	-	12,163,841	-
Due from other funds	5,054,839	2,659,608	2,676,070	-	-	10,390,517	-
Inventories	557,614	128,309	-	615,124	-	1,301,047	481,146
Prepaid items	-	-	-	-	-	-	1,500
Total Current Assets	<u>22,427,033</u>	<u>16,350,049</u>	<u>8,353,428</u>	<u>11,401,426</u>	<u>897,426</u>	<u>59,429,362</u>	<u>15,307,823</u>
Noncurrent Assets							
Restricted assets:							
Cash and investments	13,760,830	6,131,815	-	-	-	19,892,645	-
Plant capacity, current portion	-	1,358,815	-	-	-	1,358,815	-
Plant capacity, long term	-	12,947,390	-	-	-	12,947,390	-
Capital assets:							
Land	1,843,341	461,855	-	539,434	2,602,180	5,446,810	32,879
Construction in progress	22,038,468	32,615,463	2,866,909	2,837,956	100,000	60,458,796	-
Intangible assets	-	-	-	-	-	-	4,237,532
Land and building improvements	306,806,431	137,653,138	74,026,704	8,930,762	31,193,142	558,610,177	1,954,301
Equipment, furniture and vehicles	43,078,745	49,034,602	3,304,521	26,293,034	1,205,961	122,916,863	4,396,292
Less: accumulated depreciation/amortization	(104,256,862)	(112,136,283)	(47,754,050)	(24,006,474)	(24,414,970)	(312,568,639)	(8,503,139)
Other assets:							
Leases receivable-long term	4,529,104	-	-	-	-	4,529,104	-
Notes receivable-long term	-	364,201	-	-	-	364,201	-
Total Noncurrent Assets	<u>287,800,057</u>	<u>128,430,996</u>	<u>32,444,084</u>	<u>14,594,712</u>	<u>10,686,313</u>	<u>473,956,162</u>	<u>2,117,865</u>
Total Assets	<u>310,227,090</u>	<u>144,781,045</u>	<u>40,797,512</u>	<u>25,996,138</u>	<u>11,583,739</u>	<u>533,385,524</u>	<u>17,425,688</u>
DEFERRED OUTFLOWS OF RESOURCES							
Deferred amounts relating to pension	2,340,452	1,615,344	613,378	294,049	-	4,863,223	1,763,522
Deferred amounts relating to OPEB	1,832,376	515,379	541,276	106,402	-	2,995,433	-
Deferred amounts relating to life insurance	121,090	126,879	6,096	142	-	254,207	36,796
Unamortized loss on refunding	179,684	-	-	-	-	179,684	-
	<u>4,473,602</u>	<u>2,257,602</u>	<u>1,160,750</u>	<u>400,593</u>	<u>-</u>	<u>8,292,547</u>	<u>1,800,318</u>

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF NET POSITION

As of December 31, 2025

	Business-Type Activities- Enterprise Funds						Governmental Activities-
	Water Utility	Wastewater Utility	Storm Water Utility	Belle Urban Transit	Other Enterprise Funds	Total	Internal Service Funds
LIABILITIES							
Current Liabilities							
Accounts payable	\$ 2,290,996	\$ 3,127,965	\$ 950,028	\$ 1,498,265	\$ 200,046	\$ 8,067,300	\$ 989,737
Accrued liabilities	257,827	203,642	45,407	897,836	5,000	1,409,712	1,276,833
Due to other governments	4,132,556	-	-	-	-	4,132,556	-
Other Postemployment benefits	613,285	444,894	-	-	-	1,058,179	-
Due to other funds	7,356,556	2,286,883	1,299	6,737,138	304,743	16,686,619	-
Leases payable-current portion	-	12,320	-	-	-	12,320	-
Liabilities payable from restricted assets							
Accrued interest	497,856	121,518	-	-	-	619,374	-
Unearned capacity revenue, current portion	-	1,725,088	-	-	-	1,725,088	-
Current portion of long term debt	3,699,520	2,187,418	-	-	-	5,886,938	-
Total Current Liabilities	<u>18,848,596</u>	<u>10,109,728</u>	<u>996,734</u>	<u>9,133,239</u>	<u>509,789</u>	<u>39,598,086</u>	<u>2,266,570</u>
Noncurrent Liabilities							
Compensated absences	539,114	423,650	63,677	121,858	-	1,148,299	456,829
Total health OPEB liability	11,910,943	6,513,794	2,091,224	902,211	-	21,418,172	-
Leases payable	-	1,727,458	-	-	-	1,727,458	-
Net pension liability	350,384	248,102	118,782	62,916	-	780,184	231,265
Net life insurance liability	291,956	241,052	55,329	19,365	-	607,702	97,564
Revenue bonds and notes payable	50,395,390	34,044,539	-	-	-	84,439,929	-
Unearned capacity revenue	-	43,379,922	-	-	-	43,379,922	-
Total Noncurrent Liabilities	<u>63,487,787</u>	<u>86,578,517</u>	<u>2,329,012</u>	<u>1,106,350</u>	<u>-</u>	<u>153,501,666</u>	<u>785,658</u>
Total Liabilities	<u>82,336,383</u>	<u>96,688,245</u>	<u>3,325,746</u>	<u>10,239,589</u>	<u>509,789</u>	<u>193,099,752</u>	<u>3,052,228</u>
DEFERRED INFLOWS OF RESOURCES							
Unearned property tax revenue	-	-	-	1,600,000	359,210	1,959,210	-
Rate stabilization fund	-	500,000	-	-	-	500,000	-
Deferred amounts relating to leases	4,296,824	-	-	-	-	4,296,824	-
Deferred amounts relating to OPEB	3,293,793	2,129,571	2,149,517	193,825	-	7,766,706	-
Deferred amounts relating to life insurance	214,312	196,803	33,842	8,112	-	453,069	77,808
Deferred amounts related to pension	1,280,203	933,131	282,200	48,597	-	2,544,131	912,859
Total Deferred Inflows of Resources	<u>9,085,132</u>	<u>3,759,505</u>	<u>2,465,559</u>	<u>1,850,534</u>	<u>359,210</u>	<u>17,519,940</u>	<u>990,667</u>
NET POSITION							
Net investment in capital assets	219,842,928	67,669,294	32,444,084	14,594,712	10,686,313	345,237,331	2,117,865
Restricted	8,113,328	6,010,297	-	-	-	14,123,625	-
Unrestricted (deficit)	<u>(4,677,079)</u>	<u>(27,088,694)</u>	<u>3,722,873</u>	<u>(288,104)</u>	<u>28,427</u>	<u>(28,302,577)</u>	<u>13,065,246</u>
TOTAL NET POSITION	<u>\$ 223,279,177</u>	<u>\$ 46,590,897</u>	<u>\$ 36,166,957</u>	<u>\$ 14,306,608</u>	<u>\$ 10,714,740</u>	<u>\$ 331,058,379</u>	<u>\$ 15,183,111</u>

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the Year Ended December 31, 2025

	Business-Type Activities- Enterprise Funds						Governmental Activities-
	Water Utility	Wastewater Utility	Storm Water Utility	Belle Urban Transit	Other Enterprise Funds	Totals	Internal Service Funds
OPERATING REVENUES							
Charges for services	\$ 25,062,770	\$ 14,080,913	\$ 9,381,483	\$ 915,734	\$ 1,636,048	\$ 51,076,948	\$ 34,976,224
Other	752,070	-	30,864	71,108	-	854,042	23,117
Total Operating Revenues	25,814,840	14,080,913	9,412,347	986,842	1,636,048	51,930,990	34,999,341
OPERATING EXPENSES							
Public Works	10,759,681	10,268,593	5,865,947	12,839,927	1,143,531	40,877,679	8,349,712
Public Safety	-	-	-	-	(900,279)	(900,279)	-
Education and recreation	-	-	-	-	884,296	884,296	-
General administration	-	-	-	-	-	-	27,490,867
Depreciation	7,268,206	3,087,445	1,593,917	1,996,956	816,651	14,763,175	1,327,962
Total Operating Expenses	18,027,887	13,356,038	7,459,864	14,836,883	1,944,199	55,624,871	37,168,541
Operating income (loss)	7,786,953	724,875	1,952,483	(13,850,041)	(308,151)	(3,693,881)	(2,169,200)
NONOPERATING REVENUES (EXPENSES)							
Investment income (loss)	994,103	560,914	195,633	-	6,774	1,757,424	-
Interest expense	(1,617,757)	(722,433)	-	-	-	(2,340,190)	-
Intergovernmental interest reimbursement	-	987,916	-	-	-	987,916	-
Plant capacity income	-	1,725,088	-	-	-	1,725,088	-
Gain (loss) on sale of fixed assets	-	(5,363)	-	-	-	(5,363)	-
Amortization of premiums/discount and refunding loss	155,116	-	-	-	-	155,116	-
Subsidies from other governmental units	-	-	-	10,459,809	-	10,459,809	-
Tax levy	-	-	-	1,400,000	308,210	1,708,210	-
Intergovernmental grants	1,583,393	-	200,333	-	-	1,783,726	-
Customer grants awarded	(1,583,393)	-	-	-	-	(1,583,393)	-
Household hazardous waste revenue	-	136,481	-	-	-	136,481	-
Household hazardous waste expense	-	(211,725)	-	-	-	(211,725)	-
Other	-	290,274	-	-	53	290,327	-
Total Nonoperating Revenues (Expenses)	(468,538)	2,761,152	395,966	11,859,809	315,037	14,863,426	-

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION For the Year Ended December 31, 2025

	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	\$ 7,318,415	\$ 3,486,027	\$ 2,348,449	\$ (1,990,232)	\$ 6,886	\$ 11,169,545	\$ (2,169,200)
CAPITAL CONTRIBUTIONS	7,465,056	1,737,414	225,000	1,681,643	-	11,109,113	-
TRANSFERS IN	51,985	-	-	424,809	107,000	583,794	2,251,696
TRANSFERS (OUT)	(3,836,380)	(1,130,711)	-	-	-	(4,967,091)	-
Change in Net Position	10,999,076	4,092,730	2,573,449	116,220	113,886	17,895,361	82,496
TOTAL NET POSITION, Beginning of Year	<u>212,280,101</u>	<u>42,498,167</u>	<u>33,593,508</u>	<u>14,190,388</u>	<u>10,600,854</u>	<u>313,163,018</u>	<u>15,100,615</u>
NET POSITION - END OF YEAR	<u>\$ 223,279,177</u>	<u>\$ 46,590,897</u>	<u>\$ 36,166,957</u>	<u>\$ 14,306,608</u>	<u>\$ 10,714,740</u>	<u>\$ 331,058,379</u>	<u>\$ 15,183,111</u>

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2025

	Business-Type Activities- Enterprise Funds						Governmental Activities-
	Water Utility	Wastewater Utility	Stormwater Utility	Belle Urban Transit	Other Enterprise	Totals	Internal Service Fund
CASH FLOW FROM OPERATING ACTIVITIES							
Received from customers and users	\$ 27,183,870	\$ 12,920,658	\$ 9,048,365	\$ 1,003,109	\$ 1,659,485	\$ 51,815,487	\$ 34,995,507
Paid to suppliers for goods and services	(4,873,612)	(4,100,229)	(1,758,376)	(1,155,513)	(1,880,015)	(13,767,745)	(29,333,220)
Paid to employees for services	(5,896,004)	(4,926,732)	(3,778,333)	(7,282,256)	-	(21,883,325)	(6,206,626)
Net Cash Flows From Operating Activities	16,414,254	3,893,697	3,511,656	(7,434,660)	(220,530)	16,164,417	(544,339)
CASH FLOW FROM NONCAPITAL FINANCING ACTIVITIES							
Transfer (to) from other funds	(3,784,395)	(1,130,711)	-	-	-	(4,915,106)	-
Funds received from intergovernmental agreement	-	1,594,231	-	-	-	1,594,231	-
Payments on intergovernmental agreement	(296,046)	-	-	-	-	(296,046)	-
Miscellaneous receipts	-	215,030	-	-	-	215,030	-
Operating grants received	-	-	-	6,561,608	-	6,561,608	-
Operating subsidies received - tax levy	-	-	-	1,400,000	308,210	1,708,210	-
Net Cash Flows from Noncapital Financing Activities	(4,080,441)	678,550	-	7,961,608	308,210	4,867,927	-
CASH FLOW FROM CAPITAL AND RELATED FINANCING ACTIVITIES							
Debt issued	4,863,665	9,526,755	-	-	-	14,390,420	-
Debt retired	(3,262,267)	(1,761,003)	-	-	-	(5,023,270)	-
Lease payments received	(1,518,012)	-	-	-	-	(1,518,012)	-
Interest paid on long-term debt	(1,646,691)	(692,279)	-	-	-	(2,338,970)	-
Transfer from other funds for capital purposes	-	-	-	424,809	107,000	531,809	2,251,696
Acquisition and construction of capital assets	(17,002,220)	(13,600,609)	(2,939,102)	(2,082,737)	(113,130)	(35,737,798)	(1,088,706)
REC and other fees received	379,969	-	-	-	-	379,969	-
Intergovernmental interest reimbursement	-	900,500	-	-	-	900,500	-
Proceeds for plant capacity charges	-	962,430	-	-	-	962,430	-
Capital subsidies received	-	-	101,630	797,074	-	898,704	-
Proceeds from retirement of capital assets	-	3,491	-	333,906	-	337,397	-
Net Cash Flows From Capital and Related Financing Activities	(18,185,556)	(4,660,715)	(2,837,472)	(526,948)	(6,130)	(26,216,821)	1,162,990

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2025

	Business-Type Activities- Enterprise Funds						Governmental Activities-
	Water Utility	Wastewater Utility	Stormwater Utility	Belle Urban Transit	Other Enterprise	Totals	Internal Service Fund
CASH FLOW FROM INVESTING ACTIVITIES							
Investment income	\$ 994,103	\$ 560,914	\$ 195,633	\$ -	\$ 6,774	\$ 1,757,424	\$ -
Net Cash Flows From Investing Activities	994,103	560,914	195,633	-	6,774	1,757,424	-
Net Change in Cash and Cash Equivalents	(4,857,640)	472,446	869,817	-	88,324	(3,427,053)	618,651
CASH AND CASH EQUIVALENTS - Beginning of Year	28,126,135	15,326,381	4,483,840	200	448,927	48,385,483	13,762,162
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 23,268,495</u>	<u>\$ 15,798,827</u>	<u>\$ 5,353,657</u>	<u>\$ 200</u>	<u>\$ 537,251</u>	<u>\$ 44,958,430</u>	<u>\$ 14,380,813</u>
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES							
Operating income (loss)	\$ 7,786,953	\$ 724,875	\$ 1,952,483	\$ (13,850,041)	\$ (308,151)	\$ (3,693,881)	\$ (2,169,200)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities							
Other postemployment benefits	(1,454,118)	(773,394)	(471,417)	(11,131)	(900,279)	(3,610,339)	85,026
Depreciation	7,421,771	3,085,699	1,593,917	1,996,956	816,651	14,914,994	1,327,962
Changes in assets, deferred outflows, liabilities, and deferred inflows	-	-	-	-	-	-	-
Accounts receivable	(277,390)	(1,334,446)	(363,982)	16,267	23,437	(1,936,114)	(13,336)
Inventories	(72,321)	(3,023)	-	(98,220)	-	(173,564)	41,348
Due from other funds	(886,568)	231,588	-	(200,000)	-	(854,980)	9,503
Accounts payable	4,059,794	464,138	788,449	242,579	130,465	5,685,425	185,071
Accrued liabilities	59,569	120,493	10,907	250,529	(8,319)	433,179	414
Deferred outflow/inflows	2,409,315	376,830	-	-	-	2,786,145	-
Due to other governments	(3,524,893)	-	-	-	-	(3,524,893)	-
Due to other funds	892,142	1,000,937	1,299	4,218,401	25,666	6,138,445	(11,127)
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 16,414,254</u>	<u>\$ 3,893,697</u>	<u>\$ 3,511,656</u>	<u>\$ (7,434,660)</u>	<u>\$ (220,530)</u>	<u>\$ 16,164,417</u>	<u>\$ (544,339)</u>

See accompanying notes to financial statements.

CITY OF RACINE

Proprietary Funds

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2025

	Business-Type Activities- Enterprise Funds						Governmental Activities-
	Water Utility	Wastewater Utility	Stormwater Utility	Belle Urban Transit	Other Enterprise	Totals	Internal Service Fund
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE BALANCE SHEET							
Cash and investments							
Unrestricted	\$ 9,507,665	\$ 9,667,012	\$ 5,353,657	\$ 200	\$ 537,251	\$ 25,065,785	\$ 14,380,813
Restricted	13,760,830	6,131,815	-	-	-	19,892,645	-
Total Cash and Investments	<u>\$ 23,268,495</u>	<u>\$ 15,798,827</u>	<u>\$ 5,353,657</u>	<u>\$ 200</u>	<u>\$ 537,251</u>	<u>\$ 44,958,430</u>	<u>\$ 14,380,813</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES							
Cost of Capital assets installed							
or financed by developers, customers or the City	<u>\$ 7,085,087</u>	<u>\$ 1,737,414</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8,822,501</u>	<u>\$ -</u>
Capital assets in accounts and retainage payable	<u>\$ 901,615</u>	<u>\$ 1,987,746</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,889,361</u>	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF RACINE

Fiduciary Fund

STATEMENT OF FIDUCIARY NET POSITION

As of December 31, 2025

	<u>Custodial Fund</u>
	<u>Tax</u>
	<u>Collecting</u>
ASSETS	
Cash and investments	\$ 28,202,203
Receivables:	
Property taxes	<u>26,690,052</u>
TOTAL ASSETS	<u>\$ 54,892,255</u>
LIABILITIES	
Due to component unit	\$ 375,025
Due to other governments	<u>54,517,230</u>
TOTAL LIABILITIES	<u>\$ 54,892,255</u>
NET POSITION	<u>\$ -</u>

See accompanying notes to financial statements.

CITY OF RACINE

Fiduciary Fund

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION For the year ended December 31, 2025

	<u>Custodial Fund</u>
	<u>Tax</u>
	<u>Collecting</u>
ADDITIONS	
Tax collections	\$ 52,686,967
Total Additions	<u>52,686,967</u>
DEDUCTIONS	
Payments to overlying districts	<u>52,686,967</u>
Total Deductions	<u>52,686,967</u>
Change in Net Position	-
NET POSITION - Beginning of Year	<u>-</u>
NET POSITION - END OF YEAR	<u><u>\$ -</u></u>

See accompanying notes to financial statements.

CITY OF RACINE

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CITY OF RACINE

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CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

NOTE I – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

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

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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, 2025. Separately issued financial statements of the BID may be obtained from the BID office.

Community Development Authority

The government-wide financial statements include the City of Racine Community Development 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 Community Development 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, 2025. The Authority does not issue separate financial statements.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In June 2022, the GASB issued Statement No. 100, *Accounting Changes and Error Corrections*. This Statement establishes accounting and financial reporting requirements for (a) accounting changes and (b) the correction of an error in previously issued financial statements (error correction). This standard was implemented January 1, 2025.

Government-Wide Financial Statements

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

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

Fund Financial Statements

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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.
- Special Revenue Fund – ARPA – used to account for and report financial resources that are restricted, committed or assigned to expenditure for the ARPA program.
- Special Revenue Fund-Federal Grants-Used to account for and report financial resources that are restricted, committed or assigned to expenditures for federal grant programs.
- 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.
- Capital Project Fund – General Obligation Bond Projects-used to account for and report financial resources that are restricted, committed or assigned to expenditures associated with general obligation bond proceeds.
- Capital Project Fund – Tax Incremental Districts-used to account for and report financial resources that are restricted, committed or assigned to expenditures associated with open Tax Incremental Districts.

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, 2025

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
Other Agency Grants	Municipal Court
Loans	Cemetery
Special Assessments	Recycling
Restricted	Library
Room Tax	Trusts
EMS	Referendum

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

City Projects	Intergovernmental Revenue Sharing
Equipment Replacement	
Equipment Leasing	

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, 2025

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		

Custodial fund is 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.

Tax Collecting

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

Government-Wide Financial Statements

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

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are charges between the City's Water and Wastewater Utilities, 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, 2025

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.

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, 2025

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, 2025

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, 2025, 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 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 fiduciary net position – fiduciary fund.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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 – 2025 tax roll:

Lien date and levy date	November 2025
Tax bills mailed	December 2025
Payment in full, or	
First installment due	January 31, 2026
Second installment due	March 31, 2026
Third installment due	May 31, 2026
Fourth installment due	July 31, 2026
Final settlement with County	August 15, 2026
Tax deed by County – 2025	
Delinquent real estate taxes	October 2028

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, 2025

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, 2025 were determined by physical counts. Proprietary fund inventories are generally used for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average method, and charged to operation and maintenance expense when used.

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

4. Restricted Assets

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

5. Capital Assets

Government–Wide Statements

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

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. 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, 2025

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. Leases

The City is a lessor because it leases capital assets to other entities. As a lessor, the City reports a lease receivable and corresponding deferred inflow of resources in both the fund statements and government-wide financial statements. The City continues to report and depreciate the capital assets being leased as capital assets of the primary government.

The City is a lessee because it leases capital assets from other entities. As a lessee, the City reports a lease liability and an intangible right-to-use capital asset (known as the lease asset) on the government-wide financial statements and proprietary fund statements.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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

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

8. Deferred Outflows of Resources

A deferred outflow of resources represents a consumption of net assets 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.

9. 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 a portion of unused accrued vacation. Sick leave is earned at varying rates based on the union contract. All employees, with the exception of firefighters, earn sick leave at the rate of eight hours per month of full-time service to a maximum of 1,200 hours. Employees are not compensated for unused sick leave upon termination of employment, except upon retirement or death. As of January 1, 2022 the sick leave payout at retirement benefit will be phased out with the last year being 2025.

There shall be no sick leave severance payment for those employees retiring on or after January 1, 2026. No person hired on or after January 1, 2021, shall be entitled to any payment for accrued, but unused, sick leave upon retirement.

The City recognizes a liability for compensated absences for leave time that (1) has been earned for services provided (2) accumulates and is allowed to be carried over to subsequent years (3) is more likely than not to be used as time off during employment.

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.

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, 2025 are determined on the basis of current salary rates and include salary related payments.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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. 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 \$31,818,996 made up of four issues.

11. Deferred Inflows of Resources

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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.)

12. 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 \$3,865,270 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, 2025

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.)

12. 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 \$23,820,452 or 25%.

The policy also states that to the extent that any unassigned General Fund Balance is in excess of 25%, but no more than 30%, of the subsequent year's expenditures shall be assigned to the Wage and Benefit Provision account on an annual basis subsequent to audit review.

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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.)

13. Pension and OPEBs

The fiduciary net position of the Wisconsin Retirement System (WRS) has been determined using the flow of economic resources measurement focus and accrual basis of accounting. This includes for purposes of measuring the following:

- Net Pension Liability (Asset);
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions; and
- Pension Expense (Revenue).

Information about the fiduciary net position of the WRS and additions to/deductions from WRS' fiduciary net position have been determined on the same basis as they are reported by the 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.

For purposes of measuring the total OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB and OPEB expense, information about the City Health OPEB Plan have been determined on the same basis as they are reported by the City Health OPEB Plan. For this purpose, the City Health OPEB Plan recognizes benefit payments when due and payable in accordance with the benefit terms.

The fiduciary net position of the Local Retiree Life Insurance Fund (LRLIF) has been determined using the flow of economic resources measurement focus and the accrual basis of accounting. This includes for purposes of measuring following:

- Net OPEB Liability (Asset);
- Deferred Outflows of Resources and Deferred Inflows of Resources Related to Other Postemployment Benefits; and
- OPEB Expense (Revenue).

Information about the fiduciary net position of the LRLIF and additions to/deductions from LRLIF's fiduciary net position have been determined on the same basis as they are reported by LRLIF. For this purpose, benefit payments (including refunds of member 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, 2025

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	\$ 29,314,107
Unearned revenue-special assessments	<u>2,108,187</u>
Combined Adjustment for Long-Term Assets	<u>\$ 31,422,294</u>

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

Bonds and notes payable, including premiums	\$ 128,613,904
Compensated absences, not including internal service fund	4,968,568
Unamortized loss on refunding	(190,550)
Accrued interest	<u>1,048,063</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 134,439,985</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	\$ 25,256,315
Construction in progress	24,353,451
Other capital assets net of accumulated depreciation/amortization	158,654,312
Less: Internal Service Funds capital assets	<u>(2,117,865)</u>
Combined Adjustment for Capital Assets	<u>\$ 206,146,213</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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:

Premium received	\$ (1,538,700)
Amortization of loss on refunding and premium (net)	<u>812,541</u>
Unamortized debt premiums/unamortized loss on refunding	<u>\$ (726,159)</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	\$ (206,553)
Special assessments collections	<u>77,515</u>
Net adjustment to decrease net changes in fund balances-total governmental funds to arrive at changes in net position of governmental activities	<u>\$ (129,038)</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 \$8,113,328 represents the amount of economic development loans made during the year.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

NOTE III – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

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

General Fund	Debt Service Fund
Special Revenue Funds:	Capital Projects Funds:
Cemetery	Intergovernmental Revenue Sharing
Referendum	General Obligation Bond Projects
Library	Equipment Replacement
Private Property Maintenance	Equipment Leasing
Recycling	
Sanitary Sewer Maintenance	
Municipal Court	
Room Tax	
EMS	

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
ARPA
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 \$35,045,275. 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 \$31,251,393.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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, 2025:

<u>Fund</u>	<u>Department</u>	<u>Appropriation Unit</u>	<u>Amount</u>
General Fund	Administration	Salaries and Fringes	\$ 26,634
	Administration	Operating	22,501
	Non Departmental	Operating	45,965
	Customer Service	Interdepartmental	1,720
	Health	Interdepartmental	291
	Police	Operating	173,392
Special Revenue Funds:			
Library		Interdepartmental	1,042
Library		Capital Outlay	11,185
EMS		Salary and Fringes	2,368,563
EMS		Operating	20,627
Recycling		Salary and Fringes	179,685
Recycling		Interdepartmental	10,967
Municipal Court		Salary and Fringes	4,060
Cemetery		Salary and Fringes	8,550
Private Property		Operating	107,209

C. DEFICIT FUND BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit fund balances at year end. The Special Revenue Special Assessment Fund had a deficit fund balance of \$132,204. This deficit will be funded by future special assessment collections.

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, 2025

NOTE IV – DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

The City maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as cash and investments. In addition, investments are separately held by several of the City's funds.

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

	Carrying Value	Statement Balances	Associated Risks
Demand deposits	\$ 61,966,098	\$ 62,633,797	Custodial credit
Savings deposits	209,570	209,570	Custodial credit
Certificates of deposit	29,080,560	29,080,560	Custodial credit
Petty cash	6,700	-	NA
Total deposits	<u>\$ 91,262,928</u>	<u>\$ 91,923,927</u>	
Wisconsin Local Government			
Investment Pool	77,412,717		Credit
Mutual funds-equities	2,453,561		Credit
Mutual funds-fixed income	1,093,624		Credit, Interest Rate
U.S. Government agency securities-Explicit	957,976		Custodial Credit, Interest Rate, Investments Highly Sensitive to Interest Rate Changes
U.S. Government agency securities-Implicit	<u>38,270,535</u>		Credit, Custodial Credit, Interest Rate, Concentration of Credit, Investments Highly Sensitive to Interest Rate Changes
Total investments	<u>120,188,413</u>		
Total Deposits and Investments	<u>\$ 211,451,341</u>		
Reconciliation to financial statements			
Per statement of net position			
Cash and Investments-Primary government	\$ 163,203,573		
Cash and investments-Component units	152,920		
Restricted cash and investments	19,892,645		
Per statement of fiduciary net position			
Custodial fund	<u>28,202,203</u>		
	<u>\$ 211,451,341</u>		

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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

A. DEPOSITS AND INVESTMENTS (cont.)

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.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$1,000,000. 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, 2025, the City's carrying value of deposits was \$91,262,928, as compared to bank balances of \$91,923,927. Of the bank balances \$84,053,670 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. \$7,870,256 was uninsured as of December 31, 2025.

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, 2025, the City's carrying value of U.S. Government Agency Securities subject to custodial credit risk was \$39,228,511. 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, 2025 were rated Aaa by Moody's Investor's Services and AA+ by Standard & Poor's. As of December 31, 2025, the balance in these types of investments was \$38,270,535. 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, 2025

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, 2025, the City's investment portfolio had concentration of investments greater than 5% of the total portfolio as follows:

<u>Issuer</u>	<u>Investment Type</u>	<u>Percentage of Portfolio</u>
Federal Home Loan Bank Corporation	U.S. government agency notes and mortgage backed securities	37.10%
Federal Home Loan Mortgage Corporation	U.S. government agency notes and mortgage backed securities	13.37%
U. S Treasury Notes	U.S. government agency notes and mortgage backed securities	14.62%
Federal Farm Credit Bank Corporation	U.S. government agency notes and mortgage backed securities	30.18%

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, 2025 were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Duration in Years</u>
U.S. Government Agency-implicitly guaranteed	\$ 34,009,314	2.86
U.S. Government Agency-implicitly guaranteed	4,261,221	1.44
U.S. Government Agency-explicitly guaranteed	957,976	0.58
Mutual Funds-fixed income	1,093,624	4.63

Investments Highly Sensitive to Interest Rate Changes

At December 31, 2025, the City held various investments in U.S. agencies which mature from 2026-2050 with coupons ranging from .90% to 6.645%. The market value of these investments at December 31, 2025 was \$39,228,511.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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

A. DEPOSITS AND INVESTMENTS (cont.)

Fair Value Hierarchy

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

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

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

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Mutual Fund Equities	\$ -	\$ 2,453,561	\$ -	\$ 2,453,561
Mutual Fund Fixed Income	-	1,093,624	-	1,093,624
U.S. Government Agencies	957,976	38,270,535	-	39,228,511
Total	<u>\$ 957,976</u>	<u>\$ 41,817,720</u>	<u>\$ -</u>	<u>\$ 42,775,696</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>Receivable</u>	<u>Rescue</u> <u>Runs</u>	<u>Total</u>
General Fund	\$ 820,925	\$ 832,927	\$ 1,653,852
Radio Tower	1,680	-	1,680
Transit	125	-	125
Storm Water Utility	11,201	-	11,201
Internal Service	104,896	-	104,896
Water Utility	24,304	-	24,304
Wastewater Utility	77,680	-	77,680
General Obligation Bonds	2,235	-	2,235
Tax Incremental Districts	5,287,544	-	5,287,544
Other Non-Major Funds	28,696	-	28,696
	<u>\$ 6,359,286</u>	<u>\$ 832,927</u>	<u>\$ 7,192,213</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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

B. RECEIVABLES (cont.)

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

	Federal Grants	Tax Incremental Districts	Other Non Major	Total
Special Assessments	\$ -	\$ -	\$ 2,108,087	\$ 2,108,087
Loans and notes	1,867,093	23,152,108	4,294,906	29,314,107
	<u>\$ 1,867,093</u>	<u>\$ 23,152,108</u>	<u>\$ 6,402,993</u>	<u>\$ 31,422,194</u>

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

	Unavailable	Unearned
Property taxes receivable	\$ -	\$ 85,150,614
Loans receivable	29,310,403	-
Special assessments not yet due	2,108,187	-
Interest on loans and advances	-	184,238
ARPA	-	2,576,895
Grant receivables	<u>3,704</u>	<u>693,978</u>
Total Unearned/Unavailable Revenue for Governmental Funds	<u>\$ 31,422,294</u>	<u>\$ 88,605,725</u>
Unearned Revenue shown as a liability		\$ 2,576,895
Unearned Revenue shown as a deferred inflow		<u>86,028,830</u>
		<u>\$ 88,605,725</u>

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

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.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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

C. RESTRICTED ASSETS (cont.)

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.

Following is a list of restricted assets for the Water and Wastewater Utility on December 31, 2025:

	Water Utility	Wastewater Utility
Bond redemption account	\$ 2,425,379	\$ 2,343,855
Bond reserve account	5,149,646	-
Bond depreciation account	800,000	-
Equipment replacement account	5,385,805	3,787,960
Plant capacity receivable	-	14,306,205
Total Restricted Assets	13,760,830	20,438,020
Reconciliation to restricted net position		
Plant capacity receivable reported as unearned revenue	-	(14,306,205)
Accrued interest payable	(497,856)	(121,518)
Bond reserve fund financed by bond proceeds	(5,149,646)	-
Restricted Net Position	<u>\$ 8,113,328</u>	<u>\$ 6,010,297</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2025 was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated/amortized				
Land	\$ 25,256,315	\$ -	\$ -	\$ 25,256,315
Construction in progress	24,263,204	5,430,040	5,339,793	24,353,451
Total Capital Assets Not Being Depreciated/Amortized	49,519,519	5,430,040	5,339,793	49,609,766
Capital assets being depreciated/amortized				
Intangible assets	3,793,874	443,657	-	4,237,531
Land improvements	18,709,963	811,521	20,000	19,501,484
Buildings	60,880,595	1,606,454	12,766	62,474,283
Machinery and equipment	55,208,987	5,833,500	1,953,197	59,089,290
Roads, streets, and bridges	203,844,942	2,773,524	272,162	206,346,304
Sidewalks	58,744,979	826,014	118,380	59,452,613
Sewer lines	50,481,225	-	68,471	50,412,754
Shoreline walls and other	25,822,653	-	-	25,822,653
Total Capital Assets Being Depreciated/Amortized	477,487,218	12,294,670	2,444,976	487,336,912
Less: accumulated depreciation/amortization for				
Intangible assets	2,996,245	601,848	-	3,598,093
Land improvements	13,384,175	892,403	18,666	14,257,912
Buildings	39,541,523	1,958,270	12,766	41,487,027
Machinery and equipment	42,673,232	3,919,892	1,953,196	44,639,928
Roads, streets, and bridges	123,101,362	5,521,883	272,160	128,351,085
Sidewalks	51,374,830	729,560	118,380	51,986,010
Sewer lines	26,575,314	957,711	68,471	27,464,554
Shoreline walls and other	16,187,712	710,279	-	16,897,991
Total Accumulated Depreciation/Amortization	315,834,393	15,291,846	2,443,639	328,682,600
Total Capital Assets being Depreciated/Amortized, Net	161,652,825	(2,997,176)	1,337	158,654,312
Governmental Activities Capital Assets, Net	\$ 211,172,344	\$ 2,432,864	\$ 5,341,130	\$ 208,264,078

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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	\$ 1,647,771
Education and recreation	2,386,174
Public works, which includes infrastructure	9,555,531
Public safety	<u>1,702,370</u>
 Total Governmental Activities Depreciation/Amortization Expense	 \$ <u><u>15,291,846</u></u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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	\$ 5,446,810	\$ -	\$ -	\$ 5,446,810
Construction in progress	33,562,030	44,455,628	17,558,862	60,458,796
Total Capital Assets Not Being Depreciated	<u>39,008,840</u>	<u>44,455,628</u>	<u>17,558,862</u>	<u>65,905,606</u>
Capital assets being depreciated				
Land improvements	9,973,000	-	-	9,973,000
Improvements other than buildings	367,304,037	14,176,217	405,727	381,074,527
Buildings	166,170,680	506,338	883,938	165,793,080
Leased land and improvements	1,769,570	-	-	1,769,570
Machinery and equipment	120,273,873	3,222,993	580,003	122,916,863
Total Capital Assets Being Depreciated	<u>665,491,160</u>	<u>17,905,548</u>	<u>1,869,668</u>	<u>681,527,040</u>
Less: accumulated depreciation for				
Land improvements	8,764,195	272,887	-	9,037,082
Improvements other than buildings	104,695,270	6,353,546	507,396	110,541,420
Buildings	93,405,134	6,769,123	-	100,174,257
Leased land and improvements	221,196	55,299	-	276,495
Machinery and equipment	91,567,601	1,544,678	572,894	92,539,385
Total Accumulated Depreciation	<u>298,653,396</u>	<u>14,995,533</u>	<u>1,080,290</u>	<u>312,568,639</u>
Total Capital Assets				
Depreciated, Net	<u>366,837,764</u>	<u>2,910,015</u>	<u>789,378</u>	<u>368,958,401</u>
Business-Type Activities				
Capital Assets, Net	<u>\$ 405,846,604</u>	<u>\$ 47,365,643</u>	<u>\$ 18,348,240</u>	<u>\$ 434,864,007</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Business-Type Activities

Water	\$ 7,268,206
Wastewater	3,087,445
Stormwater	1,593,917
Belle Urban Transit	1,996,956
Other	<u>816,651</u>
Total Business-Type Activities Depreciation Expense	<u><u>\$ 14,763,175</u></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, 2025

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	\$ 6,737,138
General Fund	Enterprise Fund-Civic Center	304,743
General Fund	Wastewater Utility	311,867
General Fund	Water Utility	3,952,272
General Fund	Special Revenue-HUD Grants	597,212
General Fund	Special Revenue-State Grants	2,672,797
General Fund	Special Revenue-Restricted	128,274
General Fund	Special Revenue-Federal Grants	1,705,547
General Fund	Special Revenue-Trusts	36,003
General Fund	Permanent Funds	5,390
General Fund	Capital Projects-City Projects	102,777
Wastewater Utility	Water Utility	728,214
Wastewater Utility	General Fund	1,931,394
Water Utility	Wastewater Utility	1,657,255
Water Utility	General Fund	3,396,285
Water Utility	Enterprise-Storm	1,299
Enterprise-Storm	Water Utility	2,676,070
Special Revenue-Sanitary Sewer	Wastewater Utility	317,761
		<u>27,262,298</u>
	Less: Fund Eliminations	(10,310,838)
	Less: Government Wide Eliminations	(10,655,358)
		<u>\$ 6,296,102</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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

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

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 \$1,815,372 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 noncurrent 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 following is a schedule of interfund advances:

Receivable Fund	Payable Fund	Amount	Amount Due Within One Year
Intergovernmental Revenue Sharing	Tax Increment District #30	\$ 48,095	\$ -
Intergovernmental Revenue Sharing	Tax Increment District #27	3,796,886	-
Intergovernmental Revenue Sharing	Tax Increment District #26	1,265,762	-
Intergovernmental Revenue Sharing	Tax Increment District #24	1,285,812	-
Intergovernmental Revenue Sharing	Tax Increment District #25	1,032,739	-
Intergovernmental Revenue Sharing	Tax Increment District #18	8,918,842	-
Intergovernmental Revenue Sharing	Tax Increment District #16	26,779	-
Subtotal-Fund financial statements		\$ 16,374,915	\$ -
Less: fund eliminations		(16,374,915)	
Total advance to other funds-government wide statements		\$ -	

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, 2025

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	\$ 3,836,380
General Fund	Enterprise - Wastewater	1,078,726
General Fund	Special Revenue-HUD Grants	213,875
Debt Service Fund	Capital Projects-TID	755,845
Capital Projects-City Projects	Capital Projects-General Obligation	568,476
Capital Projects-City Projects	Special Revenue-Special Assessment	800,000
Enterprise -Civic Center	Capital Projects - Equipment Replacen	107,000
Enterprise-Transit	Capital Projects - General Obligation	424,809
Enterprise - Water	Enterprise - Wastewater	51,985
Internal Service-Information Systems	Capital Projects - General Obligation	1,286,161
Internal Service-Information Systems	Capital Projects - Equipment Replacen	965,535
Special Revenue-Private Property	Special Revenue-HUD Grants	657,498
Special Revenue-Sanitary Sewer	Capital Projects-City Projects	7,437,499
Special Revenue-Library	General Fund	200,000
Special Revenue-Restricted	Special Revenue-HUD Grants	57,126
Special Revenue-Loans	Special Revenue-HUD Grants	20,936
Special Revenue-State Grants	General Fund	40,478
Subtotal-fund financial statements		18,502,329
Less: Fund eliminations		(13,055,414)
Add: Government wide eliminations		(1,063,618)
		<u>\$ 4,383,297</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, 2025

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2025 was as follows:

GOVERNMENTAL ACTIVITIES

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
General Obligation					
Bonds and notes payable	\$ 90,420,000	\$ 39,925,000	\$ 17,150,000	\$ 113,195,000	\$ 17,355,000
Direct borrowing	9,552,835	-	691,784	8,861,051	715,148
Premiums	5,996,952	1,538,700	977,799	6,557,853	-
Sub-total	<u>105,969,787</u>	<u>41,463,700</u>	<u>18,819,583</u>	<u>128,613,904</u>	<u>18,070,148</u>
Other Liabilities					
Compensated absences	5,403,716	2,111,917	2,090,236	5,425,397	2,090,237
Total health OPEB liability	209,728,413	9,281,437	29,336,996	189,672,854	-
Net pension liability	6,633,901	839,638	-	7,473,539	-
Net life insurance OPEB liability	3,499,234	-	339,185	3,160,049	-
Total Other Liabilities	<u>225,265,264</u>	<u>12,232,992</u>	<u>31,766,417</u>	<u>205,731,839</u>	<u>2,090,237</u>
Total Governmental Activities					
Long-Term Liabilities	<u>\$ 331,235,051</u>	<u>\$ 53,696,692</u>	<u>\$ 50,586,000</u>	<u>\$ 334,345,743</u>	<u>\$ 20,160,385</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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	\$ 73,836,033	\$ 9,526,755	\$ 4,920,831	\$ 78,441,957	\$ 5,497,418
Direct Borrowings	5,082,577	4,863,665	92,267	9,853,975	389,520
Premiums	2,226,148	-	195,213	2,030,935	-
Sub-total	<u>81,144,758</u>	<u>14,390,420</u>	<u>5,208,311</u>	<u>90,326,867</u>	<u>5,886,938</u>
Other Liabilities					
Compensated absences	1,082,385	368,547	302,633	1,148,299	-
Total health OPEB liability	26,314,074	-	3,837,723	22,476,351	1,058,179
Net pension liability	707,116	78,983	5,915	780,184	-
Net life insurance OPEB liability	738,682	-	130,980	607,702	-
Lease liability	1,749,950	-	10,172	1,739,778	12,320
Total Other Liabilities	<u>30,592,207</u>	<u>447,530</u>	<u>4,287,423</u>	<u>26,752,314</u>	<u>1,070,499</u>
Total Business Type Activities					
Long-Term Liabilities	<u>\$ 111,736,965</u>	<u>\$ 14,837,950</u>	<u>\$ 9,495,734</u>	<u>\$ 117,079,181</u>	<u>\$ 6,957,437</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 5% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2025, was \$286,043,795. Total general obligation debt outstanding at year end was \$122,056,051.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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 Rate</u>	<u>Original Indebtedness</u>	<u>Outstanding 12/31/2025</u>
General Obligation Bonds					
2014	12/09/2014	12/9/2028	2.00-4.00%	\$ 15,395,000	\$ 2,420,000
2015	12/07/2015	12/7/2029	2.00-3.00	11,130,000	3,340,000
2016	12/07/2016	12/7/2030	2.00-4.00	11,915,000	4,305,000
2017	12/05/2017	12/5/2031	3.00-5.00	19,145,000	4,610,000
2018	12/11/2018	12/11/2032	4.00-5.00	9,720,000	5,045,000
2019	12/20/2019	12/20/2033	3.00-5.00	13,390,000	6,900,000
2020	10/06/2020	12/1/2027	.40-1.05	10,525,000	2,800,000
2020	12/18/2020	12/1/2034	2.00-4.00	13,755,000	5,440,000
2021	12/17/2021	12/1/2035	2.00-5.00	14,550,000	10,300,000
2022	12/16/2022	12/1/2036	4.00-5.00	14,655,000	7,170,000
2023	11/28/2023	12/1/2037	5.00	17,775,000	8,125,000
2024	11/5/2024	12/1/2038	4.0-6.0	16,525,000	9,235,000
2025	03/17/2025	3/1/2027	4.5	17,000,000	17,000,000
2025	10/22/2025	12/1/2039	5.0	18,835,000	18,835,000
					<u>105,525,000</u>
Taxable Incremental General Obligation Debt					
2025 (Tif #26)	10/22/25	12/1/2045	4.00-5.35	4,090,000	4,090,000
2023 (Tif #18)	11/28/2023	12/1/2041	5.40-5.90	3,605,000	3,580,000
					<u>7,670,000</u>
Board of Commissioners of Public Lands-Direct Borrowings					
2021	12/07/2021	3/15/2031	3.0	4,000,000	2,804,910
2021	06/21/2021	3/15/2041	4.0	5,500,000	5,267,908
2020	05/04/2020	3/15/2040	3.75	900,000	788,233
					<u>8,861,051</u>
Total Governmental Activities-General Obligation Debt					<u>\$ 122,056,051</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		
	Principal	Interest	Total
2026	\$ 17,355,000	\$ 5,223,119	\$ 22,578,119
2027	26,400,000	3,685,678	30,085,678
2028	8,640,000	2,908,190	11,548,190
2029	8,150,000	2,535,970	10,685,970
2030	7,595,000	2,219,300	9,814,300
2031-2035	29,655,000	7,091,548	36,746,548
2036-2040	13,055,000	2,101,487	15,156,487
2041-2045	2,345,000	288,098	2,633,098
Totals	\$ 113,195,000	\$ 26,053,390	\$ 139,248,390

Years	Governmental Activities Notes from Direct Borrowings		
	Principal	Interest	Total
2026	\$ 715,148	\$ 324,422	\$ 1,039,570
2027	739,317	300,253	1,039,570
2028	763,565	276,005	1,039,570
2029	790,155	249,416	1,039,571
2030	816,911	222,660	1,039,571
2031-2035	2,352,564	774,064	3,126,628
2036-2040	2,246,904	361,920	2,608,824
2041	436,487	17,459	453,946
Totals	\$ 8,861,051	\$ 2,526,199	\$ 11,387,250

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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 on December 31, 2025 consists of the following:

<u>Type/Series</u>	<u>Date of Issue</u>	<u>Final Maturity Date</u>	<u>Interest Rates</u>	<u>Original Indebted- ness</u>	<u>Balance Outstanding 12/31/2025</u>
Water Utility					
Safe Drinking Water Loan-Direct	5/27/2015	5/1/2035	1.65	1,230,346	\$ 1,010,691
Safe Drinking Water Loan-Direct	9/11/2024	5/1/2044	2.65	6,991,427	6,991,427
Safe Drinking Water Loan-Direct	10/23/2024	5/1/2044	0.25	971,871	917,871
Safe Drinking Water Loan-Direct	10/22/2025	5/1/2045	2.48	100,488	100,488
Safe Drinking Water Loan-Direct	10/22/2025	5/1/2045	0.25	833,498	833,498
Mortgage Revenue Refunding Bonds	9/8/2015	9/1/2026	2.00-4.00	6,590,000	740,000
Mortgage Revenue Bonds	12/28/2017	9/1/2031	3.00-5.00	6,135,000	3,635,000
Mortgage Revenue Bonds	2/19/2019	9/1/2039	3.00-5.00	20,000,000	18,940,000
Mortgage Revenue Bonds	2/11/2021	9/1/2041	1.00-5.00	19,890,000	18,895,000
Total Water Utility					<u>\$ 52,063,975</u>
Wastewater Utility					
Clean Water Fund Loans	1/23/2008	5/1/2027	2.480	3,481,931	\$ 431,360.00
Clean Water Fund Loans	3/24/2010	5/1/2029	2.200	2,524,712	635,034
Clean Water Fund Loans	5/23/2018	5/1/2038	1.870	521,526	360,511
Clean Water Fund Loans	6/27/2018	5/1/2038	1.870	13,088,291	9,074,235
Clean Water Fund Loans	11/10/2021	5/1/2041	1.485	784,277	743,381
Clean Water Fund Loans	9/27/2023	5/1/2043	2.145	4,846,788	4,475,419
Clean Water Fund Loans	10/11/2023	5/1/2043	2.190	12,247,610	12,247,610
Clean Water Fund Loans	10/11/2023	5/1/2043	2.190	2,500,618	2,500,618
Clean Water Fund Loans	12/11/2024	5/1/2044	2.200	5,763,789	5,763,789
Total Wastewater Utility					<u>\$ 36,231,957</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Debt service requirements to maturity are as follows:

Years	Business-Type Activities Revenue Debt		
	Principal	Interest	Total
2026	\$ 5,497,418	2,132,401	\$ 7,629,819
2027	4,908,493	1,940,556	6,849,049
2028	4,896,824	1,762,022	6,658,846
2029	5,064,340	1,583,964	6,648,304
2030	4,800,155	1,433,355	6,233,510
2031-2035	23,752,112	5,329,077	29,081,189
2036-2040	22,934,144	2,207,836	25,141,980
2041-2044	6,588,471	214,570	6,803,041
	<u>\$ 78,441,957</u>	<u>\$ 16,603,781</u>	<u>\$ 95,045,738</u>

Years	Business-Type Activities Notes from Direct Borrowings		
	Principal	Interest	Total
2026	\$ 389,520	\$ 188,551	\$ 578,071
2027	495,075	175,813	670,888
2028	504,144	166,645	670,789
2029	513,411	157,277	670,688
2030	522,881	147,703	670,584
2031-2035	2,763,884	587,395	3,351,279
2036-2040	2,462,987	337,700	2,800,687
2041-2045	2,202,073	87,916	2,289,989
	<u>\$ 9,853,975</u>	<u>\$ 1,849,000</u>	<u>\$ 11,702,975</u>

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

Other Debt Information

The Water Utility has pledged future customer revenues, net of specified operating expenses, to repay \$62.6 million in water system revenue bonds issued between 2015 and 2025. 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 2045. 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 \$52,191,544. Principal and interest paid for the current year and total customer net revenues were \$5,283,264 and \$15,281,871, respectively.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information (cont.)

The Wastewater Utility has pledged future customer revenues, net of specified operating expenses, to repay \$46.4 million in clean water fund loans issued between 2008 and 2024. 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 2044. 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 \$42,854,195. Principal and interest paid for the current year and total revenues were \$2,397,446 and \$5,421,910, respectively.

There are a number of limitations and restrictions contained in the various Wastewater Utility bond indentures and loan agreements. One such covenant requires that the Utility will produce each year, Net Revenues, as defined by the agreement, equivalent to not less than 110% of annual principal and interest requirements of all bonds or similar obligations payable from the revenues of the Utility. The Utility has determined that annual cash receipts under the Sanitary Sewer Services Agreement, rather than annual revenue recognized should be utilized in this calculation. The receipts of payments from the Sanitary Sewer Services Agreement participants are planned to meet debt service requirements. However, the revenue recognized over the life of the agreement is substantially longer than the repayment terms. As such, the Utility believe the cash flows better represent the Utility's ability to meet debt services requirements. The calculation used to determine compliance with the covenant at December 31, 2025 is below.

	<u>2025</u>	<u>2024</u>
Operating Revenues	\$ 14,080,913	\$ 14,831,268
Investment Earnings	560,914	649,497
Household Hazardous Waste Revenues	136,481	184,457
Miscellaneous Income	290,274	529,001
Cash payments received under Intergovernmental Sanitary Sewer Service Agreement	<u>1,326,757</u>	<u>986,435</u>
Gross Revenues	<u>16,395,339</u>	<u>17,180,658</u>
Operation and Maintenance Expenses	(10,402,411)	(9,517,532)
Other Post Employment Benefit Expense	450,333	759,835
Bad Debt	(57,397)	(42,724)
Taxes	(260,864)	(238,526)
Household Hazardous Waste Expense	<u>(211,725)</u>	<u>(157,797)</u>
Net Revenues	<u>\$ 5,913,275</u>	<u>\$ 7,983,914</u>
Annual Debt Service Payment	<u>\$ 2,924,626</u>	<u>\$ 2,286,378</u>
Coverage Ratio	2.02	3.49

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information p

At December 31, 2025 the Wastewater Utility was in compliance with the covenant based on the above calculation.

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.

G. LEASE DISCLOSURES

The Water Utility, acting as a lessor, leases water tower space and related equipment under long-term, noncancelable lease agreements. The leases expire at various dates through 2049 and provide for renewal options ranging from one to five years. During the year ended December 31, 2025, the Water Utility recognized \$276,515 and \$137,620 in lease revenue and interest revenue, respectively, pursuant to these contracts.

Certain leases provide for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index, subject to certain minimum increases. Total future minimum lease payments to be received under lease agreements are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 190,535	\$ 133,817	\$ 324,352
2027	204,073	128,096	332,169
2028	200,970	122,079	323,049
2029	173,688	116,602	290,290
2030	175,975	111,637	287,612
2031-2035	1,101,042	469,797	1,570,839
2036-2040	1,362,595	291,452	1,654,047
2041-2045	1,300,825	78,378	1,379,203
2046-2049	9,936	12	9,948
	<u>\$ 4,719,639</u>	<u>\$ 1,451,870</u>	<u>\$ 6,171,509</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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

G. LEASE DISCLOSURES (cont.)

The Wastewater Utility leases land and improvements under long-term noncancelable lease agreement that expires in 2054. This lease does not include any renewal terms and provides for increases in future minimum annual rental payments based on defined increases in the Consumer Price Index.

Future minimum payments under the lease are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2026	\$ 12,320	\$ 49,467	\$ 61,787
2027	14,586	49,055	63,641
2028	16,975	48,575	65,550
2029	19,493	48,023	67,516
2030	22,146	47,396	69,542
2031-2035	155,650	224,633	380,283
2036-2040	245,757	195,096	440,853
2041-2045	360,395	150,674	511,069
2046-2050	505,056	87,413	592,469
2051-2054	387,400	12,465	399,865
	<u>\$ 1,739,778</u>	<u>\$ 912,797</u>	<u>\$ 2,652,575</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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

H. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position on December 31, 2025 includes the following:

Governmental Activities

Net Investment in capital assets	
Capital assets, net of accumulated depreciation/amortization	\$ 208,264,078
Less: related long-term debt outstanding, premiums plus unamortized loss on refunding	(91,027,032)
Plus: funds borrowed but not spent	14,006,580
Total Net Investment in Capital Assets	<u>131,243,626</u>
Restricted for	
Debt service	1,253,501
Permanent Funds	
Non Expendable	1,000,401
Expendable	1,382,293
Library	1,000,397
Loan programs	6,720,209
Tax incremental districts	24,692,412
Intergovernmental revenue sharing	24,152,655
Federal and State grant programs	2,509,356
Trusts	2,160,229
Health and other	1,454,117
Special assessment program	2,108,187
Total Restricted	<u>68,433,757</u>
Unrestricted (deficit)	<u>(168,218,418)</u>
Total Governmental Activities Net Position	<u><u>\$ 31,458,965</u></u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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	\$ 434,864,007
Less: related long-term debt outstanding	<u>(89,626,676)</u>
Total Net Investment in Capital Assets	<u>345,237,331</u>
Restricted for	
Debt Service	4,149,860
Depreciation Fund	800,000
DNR equipment replacement fund	<u>9,173,765</u>
Total Restricted	<u>14,123,625</u>
Unrestricted (deficit)	<u>(28,302,577)</u>
Total Business-Type Activities Net Position	<u><u>\$ 331,058,379</u></u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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 on December 31, 2025 include the following:

		Special	Capital Projects Funds				
		Revenue Fund	Tax			Nonmajor	Total
	General	Federal	Incremental	General	Debt	Governmental	Governmental
	Fund	Grants	Districts	Obligation	Service	Funds	Funds
Fund Balances:							
Nonspendable							
Non current receivables	\$ 1,815,373	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,815,373
Inventories	565,502	-	-	-	-	-	565,502
Prepaid Items	555,676	-	12,000	-	-	-	567,676
Deposit in CVMIC	2,962,500	-	-	-	-	-	2,962,500
	<u>5,899,051</u>	<u>-</u>	<u>12,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>5,911,051</u>
Restricted for:							
Loan program	-	-	-	-	-	2,429,007	2,429,007
Debt service	-	-	-	-	2,301,564	-	2,301,564
State grant programs	-	-	-	-	-	980	980
Federal grant programs	-	637,579	-	-	-	-	637,579
Public safety	-	-	-	-	-	573,957	573,957
Health services	-	-	-	-	-	128,486	128,486
Cemetery donations	-	-	-	-	-	621,479	621,479
Park and recreation programs	-	-	-	-	-	130,195	130,195
Trusts	-	-	-	-	-	2,160,229	2,160,229
Library services	-	-	-	-	-	1,000,397	1,000,397
Tax incremental districts	-	-	1,528,304	-	-	-	1,528,304
Revenue sharing	-	-	-	-	-	24,152,655	24,152,655
Endowments	-	-	-	-	-	2,382,694	2,382,694
	<u>-</u>	<u>637,579</u>	<u>1,528,304</u>	<u>-</u>	<u>2,301,564</u>	<u>33,580,079</u>	<u>38,047,526</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds (cont.)

	Special		Capital Project Funds			Nonmajor	Total
	Revenue Fund		Tax			Governmental	Governmental
	General	Federal	Incremental	General	Debt	Governmental	Governmental
	Fund	Grants	Districts	Obligation	Service	Funds	Funds
Committed to:							
Harbor Commission	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 341,779	\$ 341,779
Fire Prevention	-	-	-	-	-	62,707	62,707
Safe Neighborhood	-	-	-	-	-	10,050	10,050
General Government	-	-	-	-	-	190,989	190,989
Boat Launch	-	-	-	-	-	4,736	4,736
Comm Center Concessions	-	-	-	-	-	636	636
Landmark Preservation	-	-	-	-	-	15,892	15,892
Open Space Park Land	-	-	-	-	-	12,887	12,887
Recycling	-	-	-	-	-	1,096,952	1,096,952
EMS	-	-	-	-	-	701,934	701,934
Municipal Court	-	-	-	-	-	33,078	33,078
Cemetery	-	-	-	-	-	33,345	33,345
City Projects	-	-	-	-	-	338,272	338,272
Private Property	-	-	-	-	-		
Maintenance	-	-	-	-	-	787,256	787,256
Sanitary Sewer	-	-	-	-	-		
Maintenance	-	-	-	-	-	10,547,146	10,547,146
Room Tax	-	-	-	-	-	1,464,453	1,464,453
Equipment Replacement	-	-	-	-	-	982,011	982,011
Equipment Lease	-	-	-	-	-	248,930	248,930
Capital projects	-	-	-	30,024,569	-	-	30,024,569
	-	-	-	30,024,569	-	16,873,053	46,897,622
Assigned to:							
Budget Stabilization	16,673,258	-	-	-	-	-	16,673,258
Wage Provision	4,764,090	-	-	-	-	-	4,764,090
Economic Development	-	-	-	-	-	3,851	3,851
	21,437,348	-	-	-	-	3,851	21,441,199
Unassigned (deficit)	23,820,452	-	-	-	-	(132,204)	23,688,248
Total Fund Balances	\$ 51,156,851	\$ 637,579	\$ 1,540,304	\$ 30,024,569	\$ 2,301,564	\$ 50,324,779	\$ 135,985,646

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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

I. COMPONENT UNITS

This report contains the Downtown Racine Business Improvement District #1 (BID) and the Community Development 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.

COMMUNITY DEVELOPMENT AUTHORITY

a. Basis of Accounting/Measurement Focus

The Community Development 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, 2025, the Community Development Authority has advances from the City in the amount of \$2,286,585. 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, 2025 the Authority had assets held for resale of \$6,198,184.

d. Cash and Investments

At December 31, 2025, the carrying value and bank balance of the Community Development Authority's deposits are \$0. 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, 2025

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, 2025, the BID has a receivable of \$325,000 from the City's tax collection fund for the entire subsequent year's annual assessment.

c. Cash and Investments

At December 31, 2025, the carrying value of the BID's deposits is \$152,920. 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, 2025, the District had capital assets with a cost of \$51,934 and accumulated depreciation of \$28,678. The District's net book value of capital assets was \$23,256. There were no current year additions.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

NOTE V – OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

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

ETF issues a standalone Annual Comprehensive Financial Report, which can be found at <http://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Additionally, ETF issued a standalone Wisconsin Retirement System Financial Report, which can also be found using the link above.

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

Benefits provided. Employees who retire at or after age 65 (54 for protective occupation employees, 62 for elected officials and executive service retirement participants, if hired on or before 12/31/2016) are entitled to retirement benefit based on a formula factor, their average earnings and creditable service.

Final average earnings is the average of the participant's three highest annual earnings period. Creditable service includes current service and prior service for which a participant received earnings and made contributions as required. Creditable service also includes creditable military service. The retirement benefit will be calculated as a money purchase benefit based on the employee's contributions plus matching employer's contributions, with interest, if that benefit is higher than the formula benefit.

Vested participants may retire at age 55 (50 for protective occupations) and receive an actuarially reduced benefit. Participants terminating covered employment prior to eligibility for an annuity may either receive employee-required contributions plus interest as a separation benefit or leave contributions on deposit and defer application until eligible to receive a retirement benefit.

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, 2025

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
2015	2.9%	2.0%
2016	0.5	(5.0)
2017	2.0	4.0
2018	2.4	17.0
2019	0.0	(10.0)
2020	1.7	21.0
2021	5.1	13.0
2022	7.4	15.0
2023	1.6	(21.0)
2024	3.6	15.0

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, including Teachers, Executives and Elected Officials. Starting on January 1, 2016, the Executive and Elected Officials category was merged into the General Employee category. 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, 2025

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

During the reporting period, the WRS recognized \$7,282,278 in contributions from the City.

Contribution rates for the plan year reported as of December 31, 2025 are:

Employee Category	Employee	Employer
General	6.90%	6.90%
Executives & Elected Officials	6.90%	6.95%
Protective with Social Security	6.90%	14.30%
Protective without Social Security	6.90%	19.10%

Pension Liability, Pension Expense (Revenue), Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions

At December 31, 2025, the City reported a liability of \$8,253,723 for its proportionate share of the net pension liability. The net pension liability was measured as of December 31, 2024, and the total pension liability used to calculate the net pension asset was determined by an actuarial valuation as of December 31, 2023 rolled forward to December 31, 2024. 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, 2024, the City's proportion was .50230633%, which was an increase of .00856219% from its proportion measured as of December 31, 2023.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

For the year ended December 31, 2025, the City recognized pension expense of \$10,728,287.

At December 31, 2025, the City reported deferred outflows and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflow of Resources	Deferred Inflow of Resources
Differences between projected and actual experience	\$ 25,632,330	\$ 24,086,350
Changes of actuarial assumptions	2,448,997	-
Net differences between projected and actual earnings on pension plan investments	12,541,970	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	196,987	219,791
Employer contributions subsequent to the measurement date	<u>7,895,490</u>	<u>-</u>
Total	<u>\$ 48,715,774</u>	<u>\$ 24,306,141</u>

\$7,895,490 reported as deferred outflows of resources related to pension resulting from the WRS Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pension will be recognized in pension expense as follows:

Year ended December 31:	Deferred Outflow (inflow) of Resources (net)
2026	\$ 4,980,049
2027	17,134,156
2028	(4,256,206)
2029	(1,343,856)

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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

Actuarial Valuation Date:	December 31, 2023
Measurement Date of Net Pension Liability	December 31, 2024
Experience Study:	January 1, 2021-December 31, 2023 Published November 19, 2024
Actuarial Cost Method:	Entry Age Normal
Asset Valuation Method:	Fair Value
Long-Term Expected Rate of Return:	6.8%
Discount Rate:	6.8%
Salary Increases:	
Wage Inflation	3.0%
Seniority/Merit	0.1% - 5.7%
Mortality:	2020 WRS Experience Mortality Table
Post-retirement Adjustments*	1.7%*

* No post-retirement adjustment is guaranteed. Actual adjustments are based on recognized investment return, actuarial experience and other factors. 1.7% is the assumed annual adjustment based on the investment return assumption and the post-retirement discount rate.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Actuarial assumptions are based upon an experience study conducted in 2024 that covered a three-year period from January 1, 2021 to December 31, 2023. The Total Pension liability for December 31, 2024 is based upon a roll-forward of the liability calculated from the December 31, 2023 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 weighing 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	Asset Allocation %	Long-Term Expected Rate of Return %	Long-Term Real Rate of Return
Public Equities	38.0%	7.0%	4.3%
Public Fixed Income	27.0	6.1	3.4
Inflation Sensitive	19.0	4.8	2.1
Real Estate	8.0	6.5	3.8
Private Equity/Debt	20.0	9.5	6.7
Leverage	(12.0)	3.7	1.1
Total Core Fund	100.0%	7.5%	4.8%

Variable Fund Asset	Asset Allocation %	Long-Term Expected Rate of Return %	Long-Term Real Rate of Return
US Equities	70.0%	6.5%	3.8 %
International Equities	30.0	7.4	4.7
Total Variable Fund	100%	7.9%	4.2%

New England Pension Consultants Long Term US CPI (inflation) Forecast: 2.6%

The investment policy used for the Core Fund involves reducing equity exposure by leveraging lower-volatility assets such as fixed income securities. Currently an asset allocation target of 12% policy leverage is used subject to an allowable range of up to 20%

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

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

NOTE V – OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

Single discount rate. A single discount rate of 6.8% was used to measure the total pension liability for the current and prior year. This discount rate was based on the expected rate of return on pension plan investments of 6.8% and a municipal bond rate of 4.08%. (Source: "20-Bond GO Index" is the Bond Buyer Index, general obligation, 20 years to maturity, mixed quality as of December 31, 2024. In describing this index, the Bond buyer notes that the bonds average quality is roughly equivalent to Moody's Investors Services Aa2 rating and Standard and Poors Corps AA). Because of the unique structure of WRS, the 6.8% expected rate of return implies that a dividend of approximately 1.7% 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 municipal bond 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 6.8%, 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 (5.8%) or 1- percentage-point higher (7.8%) than the current rate:

	1% Decrease to Discount Rate (5.8%)	Current Discount Rate (6.8%)	1% Increase to Discount Rate (7.8%)
The City's proportionate share of the net pension liability (asset)	<u>\$77,430,711</u>	<u>\$8,253,723</u>	<u>\$(40,894,540)</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://eft.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

NOTE V – OTHER INFORMATION (cont.)

B. RACINE TRANSIT SYSTEM PENSION PLAN

The Transit System's union employees participate in the Central States, Southeast and Southwest Areas Pension Plan, which is 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. Transit Management has designated employer Trustees to establish and amend any plan benefits.

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 \$1,049,673, \$1,013,253, and \$970,862, for the years ended December 31, 2025, 2024, and 2023 respectively. The following table shows the rate charged per week for each contract year:

Contract Period	Rate per week
July 1, 2025 – June 30, 2026	\$309
July 1, 2024 – June 30, 2025	309
July 1, 2023 – June 30, 2024	297
July 1, 2022 – June 30, 2023	286

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. The Transit System has approximately 75 teamster union employees covered by this plan.

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, 2025

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.

In accordance with Treasury Department guidance, the funded percentage and asset values in the chart above do not reflect the special financial assistance ("SFA") paid to the Plan by the PBGC under the American Rescue Plan Act ("ARPA"). If the SFA were to be reflected in the above chart, the funded percentage as of January 1, 2025 is 98.1% and the value of assets is \$37,023,030,615.

	<u>2025</u>	<u>2024</u>	<u>2023</u>
Valuation Date	January 1, 2025	January 1, 2024	January 1, 2023
Funded Percentage	16.0%	15.0%	14.0%
Value of Assets	\$5,938,770,504	\$6,194,022,775	\$5,937,242,356
Value of Liabilities	\$37,737,312,831	\$41,421,589,600	\$42,334,779,122

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>2025</u>	<u>2024</u>	<u>2023</u>
FMV of Plan Assets	\$ 38,338,530,996	\$ 38,345,142,157	\$ 41,776,279,289

On January 12, 2023, the Central States pension fund received \$35.76 billion in Special Financial Assistance (SFA) funds under the American Rescue Act Plan Act of 2022. As a result of the SFA, Central States is now well-funded with a highly conservative investment policy that is projected to result in full funding in the future.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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, 2025. 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 \$350,000 per member incurred in the calendar year. Settled claims have not exceeded the commercial coverage in any of the past three years.

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

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

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

Claims Liability

	<u>Current</u>	<u>Prior Year</u>
Unpaid claims – Beginning of Year	\$ 1,290,191	\$ 1,277,744
Current year claims and changes in estimates	12,169,197	12,003,314
Claim payments	<u>(12,187,867)</u>	<u>(11,990,867)</u>
Unpaid Claims – End of Year	<u>\$ 1,271,521</u>	<u>\$ 1,290,191</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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, 2025 was 5.497% 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, 2025. A total liability of \$1,504,277 at December 31, 2025 was recorded as accrued liabilities 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
2025	\$ 1,553,742	1,028,272	1,077,737	\$ 1,504,277
2024	1,517,113	1,987,494	1,950,865	1,553,742

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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 2024, 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, \$1,000 flat deductible per accident for all bus units

TMI retains \$2,500,000 per occurrence (accident) of the liability limits and cedes \$4,500,000 to Great American Reinsurance Corporation. TMI retains \$750,000 per occurrence (accident) of the physical damage limits and cedes the balance up to \$13,250,000 to Great American Reinsurance Corporation.

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 12.00% for auto liability and 9.86% 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, 2025

NOTE V – OTHER INFORMATION (cont.)

D. COMMITMENTS AND CONTINGENCIES

Claims and judgments are reported 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 \$31,070,696.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS

HEALTH INSURANCE

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% 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% 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 2025, the City contributed \$11,081,997 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 2025, total retiree member contributions were \$540,921.

Plan Description and Benefits Provided

The City's total OPEB liability of \$212,149,205 was measured as of December 31, 2024.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

Actuarial Assumptions and Other Inputs

The total OPEB liability in the actuarial valuation was determined using the following actuarial assumptions and other inputs. Where consistent with the terms of the plan, actuarial assumptions have utilized the assumptions for the Wisconsin Retirement System (WRS) as provided in the December 31, 2023 Actuarial Valuation reports.

Interest Discount Rate-4.08% for 2025
Mortality-Based on the Wisconsin 2020 Experience Table
Employee Turnover/Withdrawal 9.4%-12.5%
Annual Medical Trends-5.80%
Salary Adjustment Factors 3.0%

The actuarial assumptions used in the December 31, 2023 valuation were based on the results of an actuarial experience study for the years 2021-2024. This information was rolled forward to determine the valuation as of December 31, 2025.

Changes in the Total Health OPEB liability

	Governmental Activities	Business Type Activities	Total
Balance at December 31, 2024	\$ 209,728,413	\$ 26,314,074	\$ 236,042,487
Changes for the year:			
Service Cost	2,644,026	349,003	2,993,029
Interest	6,637,411	975,959	7,613,370
Differences between expected and actual experience	-	-	-
Changes in assumption or other input	(19,752,439)	(3,665,245)	(23,417,684)
Benefit payments	(9,584,557)	(1,497,440)	(11,081,997)
Net changes	(20,055,559)	(3,837,723)	(23,893,282)
Balance at December 31, 2025	\$ 189,672,854	\$ 22,476,351	\$ 212,149,205

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

Sensitivity of the Total OPEB Liability to Changes in the Discount Rate

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using a different discount rate that is 1-percentage-point lower (3.08%) or 1-percentage-point higher (5.08%) than the current discount rate:

	<u>1% Decrease to Discount Rate (3.08)%</u>	<u>Current Discount Rate (4.08)%</u>	<u>1% Increase to Discount Rate (5.08%)</u>
Total OPEB Liability	\$ <u>241,254,525</u>	\$ <u>212,149,205</u>	\$ <u>188,265,453</u>

Sensitivity of the Total OPEB Liability to Changes in the Healthcare Cost Trend Rates

The following presents the total OPEB liability of the City, as well as what the City's total OPEB liability would be if it were calculated using healthcare cost trend rates that a 1-percentage-point lower 1-percentage-point higher than the current healthcare cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Total OPEB Liability	\$ <u>187,371,988</u>	\$ <u>212,149,205</u>	\$ <u>242,445,916</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

OPEB Expense and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB

For the year ended December 31, 2025, the City recognized OPEB-Health expense (benefit) of \$(14,545,375).

At December 31, 2025, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources

	Deferred Outflows of Resources	Deferred Inflow of Resources
<u>Governmental Activities</u>		
Differences between actual and expected experience	\$ 2,670,591	\$ 14,347,272
Changes in assumptions or inputs	2,187,840	43,008,722
Employer contributions subsequent to the measurement date	<u>9,584,557</u>	<u>-</u>
	<u>14,442,988</u>	<u>57,355,994</u>
<u>Business Type Activities</u>		
Differences between actual and expected experience	909,684	1,307,887
Changes in assumptions or inputs	588,310	6,458,819
Employer contributions subsequent to the measurement date	<u>1,497,439</u>	<u>-</u>
	<u>2,995,433</u>	<u>7,766,706</u>
 Total	 <u>\$ 17,438,421</u>	 <u>\$ 65,122,700</u>

The \$11,081,996 reported as deferred outflows relating to employer contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized as OPEB expense as follows:

<u>Year Ended December 31,</u>	<u>Deferred Outflow (inflow) of Resources (net)</u>
2026	(21,735,140)
2027	(22,145,657)
2028	(10,775,111)
2029	(3,931,558)
2030	(178,333)
Thereafter	(476)

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

LOCAL RETIREE LIFE INSURANCE FUND (LRLIF)

Plan description. The LRLIF is a multiple-employer' defined benefit OPEB plan. LRLIF benefits and other plan provisions are established by Chapter 40 of the Wisconsin Statutes. The Wisconsin Department of Employee Trust Funds (ETF) and the Group Insurance Board have statutory authority for program administration and oversight. The plan provides post-employment life insurance benefits for all eligible employees.

OPEB Plan Fiduciary Net Position. ETF issued a standalone Annual Comprehensive Financial Report (ACFR), which can be found at: <https://etf.wi.gov/about-etf/reports-and-studies/financial-reports-and-statements>.

Additionally, ETF issued a standalone Retiree Life Insurance Financial Report, which can also be found using the link above.

Benefits provided. The LRLIF plan provides fully paid up life insurance benefits for post-age 64 retired employees and pre-65 retirees who pay for their coverage.

Contributions. The Group Insurance Board approves contribution rates annually, based on recommendations from the insurance carrier. Recommended rates are based on an annual valuation, taking into consideration an estimate of the present value of future benefits and the present value of future contributions. A portion of employer contributions made during a member's working lifetime funds a post-retirement benefit.

Employers are required to pay the following contribution based on employee contributions for active members to provide them with Basic Coverage after age 65. There are no employer contributions required for pre-age 65 annuitant coverage. If a member retires prior to age 65, they must continue paying the member premiums until age 65 in order to be eligible for the benefit after age 65.

Contribution rates for the plan year reported as of are:

Coverage Type	Employer Contribution
50% Post Retirement Coverage	40% of member contribution
25% Post Retirement Coverage	20% of member contribution

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

LOCAL RETIREE LIFE INSURANCE FUND (LRLIF) (cont.)

Member contributions are based upon nine age bands through age 69 and an additional eight age bands for those age 70 and over. Participating members must pay monthly contribution rates per \$1,000 of coverage until the age of 65 (age 70 if active). The member contribution rates in effect for the plan year are as listed below:

<u>Attained Age</u>	<u>Basic</u>	<u>Supplemental</u>
Under 30	\$0.05	\$0.05
30-34	0.06	0.06
35-39	0.07	0.07
40-44	0.08	0.08
45-49	0.12	0.12
50-54	0.22	0.22
55-59	0.39	0.39
60-64	0.49	0.49
65-69	0.57	0.57

Disabled members under age 70 receive a waiver of premium benefit

During the reporting period, the LRLIF recognized \$20,258 in contributions from the employer.

OPEB Liability, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEBs

At December 31, 2025 the City reported a liability of \$3,767,751 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of December 31, 2024, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of January 1, 2024 rolled forward to December 31, 2024. 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 OPEB liability was based on the City's share of contributions to the OPEB plan relative to the contributions of all participating employers. At December 31, 2024, the City's proportion was .96306300%, which was a increase of .04190800% from its proportion measured as of December 31, 2023.

For the year ended December 31, 2025, the City recognized OPEB-Life expense of \$217,739

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

LOCAL RETIREE LIFE INSURANCE FUND (LRLIF) (cont.)

At December 31, 2026, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	\$ 391,978
Changes in assumptions	924,499	2,113,252
Net differences between projected and actual earnings on plan investments	51,740	-
Changes in proportion and differences between employer contributions and proportionate share of contributions	231,964	152,806
Employer contributions subsequent to the measurement date	22,386	-
Total	<u>\$ 1,230,589</u>	<u>\$ 2,658,036</u>

\$22,386 reported as deferred outflows related to OPEB resulting from the LRLIF Employer's contributions subsequent to the measurement date will be recognized as a reduction of the net OPEB liability in the year ended December 31, 2026. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year ended December 31,</u>	<u>Deferred Outflows and Deferred Inflows (Net)</u>
2026	\$ (120,133)
2027	(308,958)
2028	(453,041)
2029	(392,048)
2030	(74,156)
Thereafter	(101,497)

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

LOCAL RETIREE LIFE INSURANCE FUND (LRLIF) (cont.)

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

Actuarial Valuation Date:	January 1, 2024
Measurement Date of Net OPEB Liability (Asset)	December 31, 2024
Experience Study:	January 1, 2021-December 31, 2023 Published November 19, 2024
Actuarial Cost Method:	Entry Age Normal
20 Year Tax-Exempt Municipal Bond Yield*	4.08%
Long-Term Expected Rate of Return:	4.25%
Discount Rate:	4.09%
Salary Increases:	
Inflation	3.0%
Seniority/Merit	0.10% - 5.7%
Mortality:	2020 WRS Experience Mortality Table

*Based on the Bond Buyers GO 20 Year Bond Municipal Index

Actuarial assumptions are based upon an experience study conducted in 2024 that covered a three-year period from January 1, 2021 to December 31, 2023. The Total OPEB liability for December 31, 2024 is based upon a roll-forward of the liability calculated from the January 1, 2024 actuarial valuation.

Long-term expected return on plan assets. The long-term expected rate of return is determined by adding expected inflation to expected long-term real returns and reflecting expected volatility and correlation. Investments for the LRLIF are held with Securian, the insurance carrier. Interest is calculated and credited to the LRLIF based on the rate of return for a segment of the insurance carriers' general fund, specifically 10-year A-Bonds (as a proxy, and not tied to any specific investments). The overall aggregate interest rate is calculated using a tiered approach based on the year the funds were originally invested and the rate of return for that year. Investment interest is credited based on the aggregate rate of return and assets are not adjusted to fair market value. Furthermore, the insurance carrier guarantees the principal amounts of the reserves, including all interest previously credited thereto.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

NOTE V – OTHER INFORMATION (cont.)

E. OTHER POSTEMPLOYMENT BENEFITS (cont.)

LOCAL RETIREE LIFE INSURANCE FUND (LRLIF) (cont.)

<u>Asset Class</u>	<u>Index</u>	<u>Target Allocation</u>	<u>Geometric Real Rate of Return</u>
US Intermediate Credit Bonds	Bloomberg US Interm Credit	40.00%	2.41%
U Mortgages	Bloomberg US MBS	60.00%	2.71%
Inflation			2.30%
Long Term Expected Rate of Return			4.25%

Single discount rate. A single discount rate of 4.09% was used to measure the total OPEB liability for the current year as opposed to a discount rate of 3.32% for the prior year. The change in the discount rate was primarily caused by the increase in the municipal bond rate from 3.26% as of December 31, 2023 to 4.08% as of December 31, 2024. The Plan's fiduciary net position was projected to be insufficient to make all projected future benefit payments of current active and inactive members. Therefore, the discount rate for calculating the Total OPEB Liability is equal to the single equivalent rate that results in the same actuarial present value as the long-term expected rate of return applied to benefit payments, to the extent that the plan's fiduciary net position is projected to be sufficient to make projected benefit payments, and the municipal bond rate applied to benefit payment to the extent that the plan's fiduciary net position is projected to be insufficient. The plan's fiduciary net position was projected to be available to make projected future benefit payments of current plan members through December 31, 2037. The projection of cash flows used to determine the single discount rate assumed that employer contributions will be made according to the current employer contribution schedule and the contributions made by plan members retiring prior to age 65.

Sensitivity of the City's proportionate share of the net OPEB liability to changes in the discount rate. The following presents the City's proportionate share of the net OPEB liability calculated using the discount rate of 4.09%, as well as what the City's proportionate share of the net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (3.09%) or 1-percentage-point higher (5.09%) than the current rate:

	<u>1% Decrease to Discount Rate (3.09%)</u>	<u>Current Discount Rate (4.09%)</u>	<u>1% Increase to Discount Rate (5.09%)</u>
Proportionate share of the net OPEB liability	<u>\$5,036,126</u>	<u>\$3,767,751</u>	<u>\$2,790,353</u>

F. ECONOMIC DEPENDENCY

One major customer accounted for 4.74% of Water Utility gross sales aggregating \$1,222,914 and 17.9% of gross sales aggregating \$4,466,044 in 2025 and 2024, respectively.

Two major customers accounted for 18.85% and 15.26% of Wastewater Utility gross sales aggregating \$5,065,543 in 2025.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

NOTE V – OTHER INFORMATION (cont.)

G. INTERMUNICIPAL SANITARY SEWER SERVICE AGREEMENT

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

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

Interest payments under the agreement are recorded as revenue when earned. Principal payments are recorded as reductions of the account receivable – capacity rights account. The unearned revenue will be recognized as revenue on a straight-line basis over the term of the agreement. The capacity revenue recognized was \$1,725,088 for the year ended December 31, 2025.

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. This payment in the amount of \$1,078,726 for 2025 is reported as a transfer 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 resident's portion of these charges.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

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 Utility recognized \$379,969 of REC fee revenue in 2025.

In 2018, the Water Utility amended the intergovernmental agreement with the Village of Mount Pleasant. As part of the amendment, the Water Utility facilitates engineering and construction costs for Village development projects. Amounts paid by the Utility for such projects are billed to the Village, and the Village reimburses the Utility. The Village maintains ownership of those assets during construction. As of December 31, 2025 the Utility is reporting an outstanding receivable from the Village in due from other governments on the statement of net position of \$0.

The amendment also establishes the minimum required annual revenues that are required to finance project related debt service payments. In the event that the designated annual revenues are below the established thresholds, the Village of Mount Pleasant is required to remit the designated shortfall to the Utility. These payments are recoverable in the event annual revenues exceed established thresholds. During the year ended December 31, 2025 the Water Utility received no shortfall payments from the Village.

The amendment also decreased annual REC fees for all classes of customers and guarantees cash flows sufficient to meet existing debt service requirements for related debt. In the event annual collections of REC fees are less than agreed upon amounts, payments will be made to the Utility. These payments are recoverable in the event future receipts exceed debt service requirements. At December 31, 2025, the Water Utility held \$4,132,249 of REC fees, which are included in due to other governments on the statement of net position.

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, 2025, the Wastewater Utility had no excess collections.

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.

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

NOTE V – OTHER INFORMATION (cont.)

J. MUNICIPAL REVENUE OBLIGATIONS (cont.)

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 \$496,305.

K. ACCOUNTING CHANGES

Two of the City's funds, Special Revenue Fund-Federal Grants and Capital Projects Fund-General Obligation Bonds, were determined to be a major fund as of December 31, 2025.

Based on the activity in the funds during 2025, the Special Revenue Fund-Federal Grants and Capital Project Fund-General Obligation Bond funds will shift from a nonmajor to a major fund presentation. The changes are summarized below.

	Balance <u>12/31/2024</u> As Previously <u>Reported</u>	Change to or Within the Financial Reporting <u>Entity</u>	Balance <u>12/31/2024</u> <u>As Adjusted</u>
Governmental Funds			
Major Funds:			
Special Revenue Fund -Federal Grants	\$ -	\$ 637,808	\$ 637,808
Capital Project Fund - General Obligation Bonds	-	11,703,286	11,703,286
Nonmajor Funds	<u>59,434,419</u>	<u>(12,341,094)</u>	<u>47,093,325</u>
Total Governmental Funds	<u>\$ 59,434,419</u>	<u>\$ -</u>	<u>\$ 59,434,419</u>

CITY OF RACINE

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2025

NOTE V – OTHER INFORMATION (cont.)

L. SUBSEQUENT EVENT

In December of 2025, the Water Utility was notified of pre-award for financing through the Wisconsin Department of Natural Resources Safe Drinking Water Loan Program (SDWLP) related to water system improvement projects, including lead service line replacements.

The approved financing includes \$21,606,708 of private-side principal forgiveness, \$4,491,692 of private-side loan funding, and \$13,901,600 of public-side loan funding. The \$40 million in proceeds will be used for eligible water infrastructure improvements and lead service line replacement activities.

Because the financing was not approved until after year end, no related debt, receivable, or construction activity has been recorded in the accompanying financial statements as of December 31, 2025.

Management is currently evaluating the timing and accounting impact of the financing and related project expenditures in future reporting periods.

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

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

- Statement No. 103, *Financial Reporting Model Improvements*
- Statement No. 104, *Disclosure of Certain Capital Assets*
- Statement No. 105, *Subsequent Events*

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

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF RACINE
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the Total OPEB Health Insurance Liability and Related Ratios
Last 10 Fiscal Years*

For the year ended December 31, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
<u>Governmental Activities</u>								
Service cost	\$ 2,644,026	\$ 2,966,408	\$ 4,429,663	\$ 5,417,604	\$ 4,524,265	\$ 4,561,773	\$ 5,774,719	\$ 5,190,182
Interest on total OPEB Liability	6,637,411	8,620,391	6,063,933	5,595,807	6,551,554	10,942,731	9,900,105	10,340,209
Effect of economic/demographic (gains) or losses	-	(24,542,499)	-	-	-	(6,146,214)	(1,500,584)	(1,680,025)
Effect of assumption changes or inputs	(19,752,439)	(5,602,371)	(62,289,417)	29,226,377	22,060,930	(25,520,780)	(26,677,205)	14,443,077
Benefit payments	(9,584,557)	(9,180,367)	(8,365,443)	(8,375,836)	(10,974,562)	(10,936,751)	(8,736,005)	(8,670,045)
Net Change in Total OPEB Liability	(20,055,559)	(27,738,438)	(60,161,264)	31,863,952	22,162,187	(27,099,241)	(21,238,970)	19,623,398
Total OPEB-Health Liability Beginning	209,728,413	237,466,851	297,628,115	265,764,163	243,601,976	270,701,217	291,940,187	272,316,789
Total OPEB-Health Liability Ending	\$ 189,672,854	\$ 209,728,413	\$ 237,466,851	\$ 297,628,115	\$ 265,764,163	\$ 243,601,976	\$ 270,701,217	\$ 291,940,187
Covered Employee Payroll	\$ 68,564,610	\$ 54,281,429	\$ 51,823,944	\$ 48,109,708	\$ 45,055,269	\$ 45,398,488	\$ 43,503,529	\$ 41,932,280
Total OPEB Liability as a Percentage of Covered Payroll	276.63%	386.37%	458.22%	618.64%	589.86%	536.59%	622.25%	696.22%
<u>Business Type Activities</u>								
Service cost	\$ 349,003	\$ 400,114	\$ 630,144	\$ 868,824	\$ 694,099	\$ 698,995	\$ 1,013,250	\$ 785,602
Interest on total OPEB Liability	975,959	1,204,271	882,847	889,650	1,041,757	1,747,436	1,693,562	1,525,236
Effect of economic/demographic (gains) or losses	-	(894,062)	-	-	-	(1,588,592)	(34,569)	(742)
Effect of assumption changes or inputs	(3,665,243)	(1,474,466)	(10,910,632)	2,027,319	3,531,196	(4,116,413)	(4,428,078)	2,051,148
Benefit payments	(1,497,439)	(1,467,713)	(1,496,871)	(2,453,514)	(1,821,450)	(2,072,297)	(1,742,986)	(1,529,452)
Net Change in Total OPEB Liability	(3,837,720)	(2,231,856)	(10,894,512)	1,332,279	3,445,602	(5,330,871)	(3,498,821)	2,831,792
Total OPEB-Health Liability Beginning	26,314,071	28,545,927	39,440,439	38,108,160	34,662,558	39,993,429	43,492,249	40,660,457
Total OPEB-Health Liability Ending	\$ 22,476,351	\$ 26,314,071	\$ 28,545,927	\$ 39,440,439	\$ 38,108,160	\$ 34,662,558	\$ 39,993,428	\$ 43,492,249
Covered Employee Payroll	\$ 8,978,880	\$ 9,662,902	\$ 8,801,278	\$ 8,301,490	\$ 8,947,955	\$ 8,265,132	\$ 8,787,027	\$ 7,951,687
Total OPEB Liability as a Percentage of Covered Payroll	250.32%	272.32%	324.34%	475.10%	425.89%	419.38%	455.14%	546.96%

*This schedule is presented to illustrate the requirements to show information for 10 years. However, recalculations of prior year are not required and if prior years are not reported in accordance with the current GASB standards, they should not be reported

See independent auditor's report and accompanying notes to the required supplementary information.

CITY OF RACINE
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net OPEB Liability and Employer Contributions
Local Life Insurance Fund

For the year ended December 31, 2025

	2025	2024	2023	2022	2021	2020	2019	2018
Schedule of Employer's Proportionate Share of the Net OPEB Liability (Asset)								
Employer's proportion of the net OPEB liability (asset)	0.96306300%	0.92115500%	0.92806700%	0.00000000%	1.00238700%	0.98002870%	0.95373400%	0.92586300%
Employer's proportionate share of the net OPEB liability (asset)	\$ 3,767,751	\$ 4,237,916	\$ 3,535,775	\$ 5,469,486	\$ 5,513,852	\$ 4,174,253	\$ 2,460,957	\$ 2,785,534
Employer's covered-employee payroll	\$ 59,346,000	\$ 53,874,000	\$ 52,664,000	\$ 52,265,000	\$ 51,124,000	\$ 50,786,000	\$ 48,425,000	\$ 38,935,188
Employer's proportionate share of the net OPEB liability (asset) as a percentage of its covered payroll	6.35%	7.87%	6.71%	10.46%	10.79%	8.22%	5.08%	7.15%
Plan fiduciary net position as a percentage of the total OPEB liability (asset)	37.20%	33.90%	38.81%	29.57%	31.36%	37.58%	48.69%	44.81%
Schedule of Employer Contributions (Fiscal Year Basis)								
Contractually required contributions	\$ 22,386	\$ 20,429	\$ 18,944	\$ 18,617	\$ 18,408	\$ 19,863	\$ 19,387	\$ 18,335
Contributions in relation to the contractually required contributions	\$ (22,386)	\$ (20,429)	\$ (18,944)	\$ (18,617)	\$ (18,408)	\$ (19,863)	\$ (19,387)	\$ (18,335)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 68,564,610	\$ 63,934,331	\$ 60,625,222	\$ 56,411,198	\$ 54,003,224	\$ 57,250,278	\$ 54,654,395	\$ 52,350,961
Contributions as a percentage of covered-employee payroll	0.03%	0.03%	0.03%	0.03%	0.03%	0.03%	0.04%	0.04%

*This schedule is presented to illustrate the requirements to show information for 10 years. However, recalculations of prior year are not required and if prior years are not reported in accordance with the current GASB standards, they should not be reported

See independent auditor's report and accompanying notes to the required supplementary information.

CITY OF RACINE
REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Proportionate Share of the Net Pension Liability (Asset)
Wisconsin Retirement System
Last 10 Measurement Period*

For the year ended December 31, 2025

SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY (ASSET)

	2025	2024	2023	2022	2021	2020	2019	2018	2017	2016
Schedule of Employer's Proportionate Share of the Net Pension Liability (Asset)										
Employer's proportion of the net pension liability (asset)	0.50230633%	0.49374414%	0.48588801%	0.49040709%	0.49580833%	0.48246164%	0.47161079%	0.46066710%	0.457494490%	0.46004473%
Employer's proportionate share of the net pension liability (asset)	\$ 8,253,723	\$ 7,341,017	\$ 25,740,907	\$ (39,527,713)	\$ (30,954,001)	\$ (15,556,765)	\$ 16,778,433	\$ (13,677,753)	\$ 3,770,847	\$ 7,475,638
Employer's covered-employee payroll	\$ 63,934,331	\$ 60,625,222	\$ 56,411,197	\$ 54,033,223	\$ 57,250,277	\$ 54,654,394	\$ 52,350,961	\$ 49,607,263	\$ 49,260,898	\$ 48,506,039
Employer's proportionate share of the net pension liability (asset) as a percentage of its covered payroll	12.91%	12.11%	45.63%	-73.15%	-54.07%	-28.46%	32.05%	-27.57%	7.65%	15.41%
Plan fiduciary net position as a percentage of the total pension liability (asset)	97.79%	98.85%	95.72%	106.02%	105.26%	102.96%	96.45%	102.93%	99.12%	98.20%

SCHEDULE OF EMPLOYER CONTRIBUTIONS-WISCONSIN RETIREMENT SYSTEM

Schedule of Employer Contributions (Fiscal Year Basis)										
Contractually required contributions	\$ 7,895,490	\$ 7,399,617	\$ 6,793,026	\$ 5,665,578	\$ 5,627,599	\$ 5,794,214	\$ 5,503,715	\$ 5,434,187	\$ 5,219,080	\$ 4,588,001
Contributions in relation to the contractually required contributions	\$ (7,895,490)	\$ (7,399,617)	\$ (6,793,026)	\$ (5,665,578)	\$ (5,627,599)	\$ (5,794,214)	\$ (5,503,715)	\$ (5,434,187)	\$ (5,219,080)	\$ (4,588,001)
Contribution deficiency (excess)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Employer's covered-employee payroll	\$ 68,564,610	\$ 63,934,331	\$ 60,625,222	\$ 56,411,198	\$ 54,003,224	\$ 57,250,278	\$ 54,654,395	\$ 52,350,961	\$ 48,329,498	\$ 49,260,898
Contributions as a percentage of covered-employee payroll	11.52%	11.57%	11.20%	10.04%	10.42%	10.12%	10.07%	10.38%	10.80%	9.31%

*This schedule is presented to illustrate the requirements to show information for 10 years. However, recalculations of prior year are not required and if prior years are not reported in accordance with the current GASB standards, they should not be reported

See independent auditor's report and accompanying notes to the required supplementary information.

CITY OF RACINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2025

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

Supplemental schedules are 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 IN BENEFIT TERMS AND ASSUMPTIONS

Wisconsin Retirement System

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

Changes in assumptions. Based on a three-year experience study conducted in 2021 covering January 1, 2018, through December 31, 2020, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-end December 31, 2021, including the following:

- Lowering the long-term expected rate of return from 7.0% to 6.8%
- Lowering the discount rate from 7.0% to 6.8%
- Lowering the price inflation rate from 2.5% to 2.4%
- Lowering the post-retirement adjustments from 1.9% to 1.7%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table

Based on a three-year experience study conducted in 2018 covering January 1, 2015, through December 31, 2017, the ETF Board adopted assumption changes that were used to measure the total pension liability beginning with the year-ended December 31, 2018, including the following:

- Lowering the long-term expected rate of return from 7.2% to 7.0%
- Lowering the discount rate from 7.2% to 7.0%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Lowering the post-retirement adjustments from 2.1% to 1.9%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table

CITY OF RACINE

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2025

Other Postemployment Benefits, Health Insurance

The data presented in the Schedule of Changes in the Total OPEB Liability and Related Ratios was taken from the reports issued by the actuary.

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

Changes in benefit terms. There were no changes of benefit terms for the City.

Changes in assumptions. Changes in assumptions from the previous study are as follows:

- The discount rate was changed from 3.72% to 4.08%
- Expected claims and medical trend rates were changed to reflect the anticipated experience under the most recent Getzen model application

Other Postemployment Benefits, Local Retiree Life Insurance Fund

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

Changes in benefit terms. There were no changes of benefit terms for any participating employer in the Local Retiree Life Insurance Fund.

Changes in assumptions. In addition to the rate changes detailed in the tables above, the State of Wisconsin Employee Trust Fund Board adopted economic and demographic assumption changes based on a three-year experience study performed for the Wisconsin Retirement System. These assumptions are used in the actuarial valuations of OPEB liabilities (assets) for the retiree life insurance programs and are summarized below.

The assumption changes that were used to measure the December 31, 2021, total OPEB liabilities, including the following:

- Lowering the price inflation rate from 2.5% to 2.4%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2018 Mortality Table to the 2020 WRS Experience Mortality Table

The assumption changes that were used to measure the December 31, 2018, total OPEB liabilities, including the following:

- Lowering the long-term expected rate of return from 5.0% to 4.25%
- Lowering the wage inflation rate from 3.2% to 3.0%
- Lowering the price inflation rate from 2.7% to 2.5%
- Mortality assumptions were changed to reflect updated trends by transitioning from the Wisconsin 2012 Mortality Table to the Wisconsin 2018 Mortality Table

SUPPLEMENTARY INFORMATION

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2025

	Special Revenue Funds				
	HUD Grants	State Grants	Other Agency Grants	Loans	Special Assessments
ASSETS					
Cash and investments	\$ 44,861	\$ 321,687	\$ 314,651	\$ 2,776,014	\$ 95,072
Receivables:					
Property taxes	-	-	-	-	-
Special assessment - tax roll	-	-	-	-	471,908
Special assessment	-	-	-	-	2,108,187
Accrued interest	-	-	-	186,738	-
Accounts	-	-	-	-	1,900
Loans and notes (net)	3,704	-	-	4,291,202	-
Due from other funds	-	-	-	-	-
Due from other governments	827,679	3,162,075	-	-	-
Advances to component unit	-	-	-	-	-
Advances to other funds	-	-	-	-	-
TOTAL ASSETS	<u>\$ 876,244</u>	<u>\$ 3,483,762</u>	<u>\$ 314,651</u>	<u>\$ 7,253,954</u>	<u>\$ 2,677,067</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (Deficits)					
Liabilities					
Accounts payable	\$ 266,241	\$ 467,078	\$ 41,976	\$ 269,372	\$ 501
Accrued liabilities	-	2,292	-	-	228,675
Due to other funds	597,212	2,672,797	-	-	-
Due to other governments	9,087	-	-	80,135	-
Total Liabilities	<u>872,540</u>	<u>3,142,167</u>	<u>41,976</u>	<u>349,507</u>	<u>229,176</u>
Deferred Inflows of Resources					
Unavailable revenues	3,704	-	-	4,291,202	2,108,187
Unearned revenues	-	340,615	272,675	184,238	-
Unearned property tax revenue	-	-	-	-	471,908
Total Deferred Inflows of Resources	<u>3,704</u>	<u>340,615</u>	<u>272,675</u>	<u>4,475,440</u>	<u>2,580,095</u>
Fund Balances (Deficits)					
Restricted	-	980	-	2,429,007	-
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned (deficit)	-	-	-	-	(132,204)
Total Fund Balances (Deficits)	<u>-</u>	<u>980</u>	<u>-</u>	<u>2,429,007</u>	<u>(132,204)</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES (deficits)	<u>\$ 876,244</u>	<u>\$ 3,483,762</u>	<u>\$ 314,651</u>	<u>\$ 7,253,954</u>	<u>\$ 2,677,067</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2025

Special Revenue Funds								
Restricted	Trusts	Referendum	Library	Recycling	EMS	Municipal Court	Cemetery	Private Property Maintenance
\$ 2,159,101	\$ 2,196,232	\$ -	\$ 1,104,144	\$ 1,148,309	\$ 849,303	\$ 56,949	\$ 83,416	\$ 690,779
34,968	-	1,500,000	2,674,237	2,642,787	-	301,512	64,973	162,049
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
3,000	-	-	-	-	-	-	-	145,351
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
140,000	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>\$ 2,337,069</u>	<u>\$ 2,196,232</u>	<u>\$ 1,500,000</u>	<u>\$ 3,778,381</u>	<u>\$ 3,791,096</u>	<u>\$ 849,303</u>	<u>\$ 358,461</u>	<u>\$ 148,389</u>	<u>\$ 998,179</u>
\$ 58,145	\$ -	\$ -	\$ 15,376	\$ 36,965	\$ -	\$ 14,678	\$ 44,186	\$ 23,498
18,038	-	-	88,311	14,392	147,369	9,193	5,885	25,376
128,274	36,003	-	-	-	-	-	-	-
-	-	-	60	-	-	-	-	-
<u>204,457</u>	<u>36,003</u>	<u>-</u>	<u>103,747</u>	<u>51,357</u>	<u>147,369</u>	<u>23,871</u>	<u>50,071</u>	<u>48,874</u>
-	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
34,968	-	1,500,000	2,674,237	2,642,787	-	301,512	64,973	162,049
<u>34,968</u>	<u>-</u>	<u>1,500,000</u>	<u>2,674,237</u>	<u>2,642,787</u>	<u>-</u>	<u>301,512</u>	<u>64,973</u>	<u>162,049</u>
1,454,117	2,160,229	-	1,000,397	-	-	-	-	-
639,676	-	-	-	1,096,952	701,934	33,078	33,345	787,256
3,851	-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-	-
<u>2,097,644</u>	<u>2,160,229</u>	<u>-</u>	<u>1,000,397</u>	<u>1,096,952</u>	<u>701,934</u>	<u>33,078</u>	<u>33,345</u>	<u>787,256</u>
<u>\$ 2,337,069</u>	<u>\$ 2,196,232</u>	<u>\$ 1,500,000</u>	<u>\$ 3,778,381</u>	<u>\$ 3,791,096</u>	<u>\$ 849,303</u>	<u>\$ 358,461</u>	<u>\$ 148,389</u>	<u>\$ 998,179</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2025

	Special Revenue Funds		Capital Projects Funds	
	Sanitary Sewer Maintenance	Room Tax	City Projects	Equipment Replacement
ASSETS				
Cash and investments	\$ 11,336,413	\$ 1,459,355	305,232	\$ 1,071,869
Receivables:				
Property taxes	2,842,682	-	-	-
Special assessment - tax roll	-	-	-	-
Special assessment	-	-	-	-
Accrued interest	-	-	-	-
Accounts	-	46,626	144,518	-
Loans and notes	-	-	-	-
Due from other funds	317,761	-	-	-
Due from other governments	-	-	-	-
Advances to component unit	-	-	120,000	-
Advances to other funds	-	-	-	-
TOTAL ASSETS	<u>\$ 14,496,856</u>	<u>\$ 1,505,981</u>	<u>\$ 569,750</u>	<u>\$ 1,071,869</u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES (Deficits)				
Liabilities				
Accounts payable	\$ 1,100,563	\$ 41,528	\$ 126,637	\$ 89,858
Accrued liabilities	6,465	-	2,064	-
Due to other funds	-	-	102,777	-
Due to other governments	-	-	-	-
Total Liabilities	<u>1,107,028</u>	<u>41,528</u>	<u>231,478</u>	<u>89,858</u>
Deferred Inflows of Resources				
Unavailable revenues	-	-	-	-
Unearned revenues	-	-	-	-
Unearned property tax revenue	2,842,682	-	-	-
Total Deferred Inflows of Resources	<u>2,842,682</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund Balances				
Restricted	-	-	-	-
Committed	10,547,146	1,464,453	338,272	982,011
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total Fund Balances (Deficits)	<u>10,547,146</u>	<u>1,464,453</u>	<u>338,272</u>	<u>982,011</u>
TOTAL LIABILITIES, DEFERRED INFLOW OF RESOURCES, AND FUND BALANCES (Deficits)	<u>\$ 14,496,856</u>	<u>\$ 1,505,981</u>	<u>\$ 569,750</u>	<u>\$ 1,071,869</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING BALANCE SHEET
As of December 31, 2025

Capital Projects Funds		Permanent Fund	Total
Intergovernmental			Nonmajor
Revenue Sharing	Equipment Leasing	Endowment Fund	Governmental Funds
\$ 7,588,841	\$ 248,930	2,388,084	\$ 36,239,242
-	-	-	10,223,208
-	-	-	471,908
-	-	-	2,108,187
-	-	-	186,738
-	-	-	341,395
-	-	-	4,294,906
-	-	-	317,761
-	-	-	3,989,754
220,832	-	-	480,832
16,374,915	-	-	16,374,915
<u>\$ 24,184,588</u>	<u>\$ 248,930</u>	<u>\$ 2,388,084</u>	<u>\$ 75,028,846</u>
\$ 31,933	\$ -	\$ -	\$ 2,628,535
-	-	-	548,060
-	-	5,390	3,542,453
-	-	-	89,282
<u>31,933</u>	<u>-</u>	<u>5,390</u>	<u>6,808,330</u>
-	-	-	6,403,093
-	-	-	797,528
-	-	-	10,695,116
<u>-</u>	<u>-</u>	<u>-</u>	<u>17,895,737</u>
24,152,655	-	2,382,694	33,580,079
-	248,930	-	16,873,053
-	-	-	3,851
-	-	-	(132,204)
<u>24,152,655</u>	<u>248,930</u>	<u>2,382,694</u>	<u>50,324,779</u>
<u>\$ 24,184,588</u>	<u>\$ 248,930</u>	<u>\$ 2,388,084</u>	<u>\$ 75,028,846</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2025

	Special Revenue Funds			
	HUD Grants	State Grants	Other Agency Grants	Federal Grants
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Special charges and assessments	-	-	-	-
Intergovernmental	2,897,741	6,506,190	-	-
Licenses and permits	-	-	-	-
Fines and Forfeitures	-	-	-	-
Charges for services	-	-	-	-
Miscellaneous and investment income	-	-	243,439	-
Total Revenues	<u>2,897,741</u>	<u>6,506,190</u>	<u>243,439</u>	<u>-</u>
EXPENDITURES				
Current:				
General government	-	-	127,724	-
Health	-	1,123,590	-	-
Public safety	-	3,673,734	-	-
Public works	-	630,335	-	-
Education and recreation	-	25,202	-	-
Community development	2,464,885	-	-	-
Debt service - interest and fiscal charges	-	-	-	-
Capital outlay	-	1,093,807	115,715	-
Total Expenditures	<u>2,464,885</u>	<u>6,546,668</u>	<u>243,439</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>432,856</u>	<u>(40,478)</u>	<u>-</u>	<u>-</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Transfers in	-	40,478	-	-
Transfers out	(949,435)	-	-	-
Total Other Financing Sources (Uses)	<u>(949,435)</u>	<u>40,478</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>(516,579)</u>	<u>-</u>	<u>-</u>	<u>-</u>
FUND BALANCES - Beginning of Year, as Previously Reported (Deficits)	516,579	980	-	637,808
Accounting Changes (see note disclosure)	-	-	-	(637,808)
FUND BALANCES, Beginning of year, as Adjusted (Deficits)	<u>516,579</u>	<u>980</u>	<u>-</u>	<u>-</u>
FUND BALANCES - END OF YEAR (Deficits)	<u>\$ -</u>	<u>\$ 980</u>	<u>\$ -</u>	<u>\$ -</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2025

Special Revenue Funds							
Loans	Special Assessments	Restricted	Trusts	Library	Recycling	EMS	Municipal Court
\$ -	\$ -	\$ -	\$ -	\$ 2,257,320	\$ -	\$ -	\$ 286,341
-	747,961	-	-	-	-	-	-
-	-	169,096	-	2,172,079	314,403	-	-
-	-	6,987	-	-	-	-	-
-	-	100,440	-	-	-	-	184,693
193,880	-	267,329	-	21,489	2,539,248	5,557,720	-
57,647	112,990	535,753	326,820	92,290	88,335	32,475	6,682
<u>251,527</u>	<u>860,951</u>	<u>1,079,605</u>	<u>326,820</u>	<u>4,543,178</u>	<u>2,941,986</u>	<u>5,590,195</u>	<u>477,716</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	493,660	-	-	-	5,728,966	460,222
-	12,731	31,515	-	-	2,746,356	-	-
-	-	167,466	84,045	4,530,419	-	-	-
663,090	-	16,196	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	401,542	-	43,685	100,000	-	-
<u>663,090</u>	<u>12,731</u>	<u>1,110,379</u>	<u>84,045</u>	<u>4,574,104</u>	<u>2,846,356</u>	<u>5,728,966</u>	<u>460,222</u>
<u>(411,563)</u>	<u>848,220</u>	<u>(30,774)</u>	<u>242,775</u>	<u>(30,926)</u>	<u>95,630</u>	<u>(138,771)</u>	<u>17,494</u>
-	-	-	-	-	-	-	-
20,936	-	57,126	-	200,000	-	-	-
-	(800,000)	-	-	-	-	-	-
<u>20,936</u>	<u>(800,000)</u>	<u>57,126</u>	<u>-</u>	<u>200,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
(390,627)	48,220	26,352	242,775	169,074	95,630	(138,771)	17,494
2,819,634	(180,424)	2,071,292	1,917,454	831,323	1,001,322	840,705	15,584
-	-	-	-	-	-	-	-
<u>2,819,634</u>	<u>(180,424)</u>	<u>2,071,292</u>	<u>1,917,454</u>	<u>831,323</u>	<u>1,001,322</u>	<u>840,705</u>	<u>15,584</u>
<u>\$ 2,429,007</u>	<u>\$ (132,204)</u>	<u>\$ 2,097,644</u>	<u>\$ 2,160,229</u>	<u>\$ 1,000,397</u>	<u>\$ 1,096,952</u>	<u>\$ 701,934</u>	<u>\$ 33,078</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2025

	Special Revenue Funds			
			Sanitary	
	Cemetery	Private Property Maintenance	Sewer Maintenance	Room Tax
REVENUES				
Taxes	\$ -	\$ 220,816	\$ -	\$ 659,661
Special charges and assessments	-	-	-	-
Intergovernmental	-	-	-	-
Licenses and permits	-	448,157	-	-
Fines and Forfeitures	-	-	-	-
Charges for services	515,858	348,321	6,419,634	-
Miscellaneous and investment income	7,119	10,460	139,846	64,989
Total Revenues	<u>522,977</u>	<u>1,027,754</u>	<u>6,559,480</u>	<u>724,650</u>
EXPENDITURES				
Current:				
General government	-	-	-	-
Health	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	2,349,181	-
Education and recreation	723,974	-	-	-
Community development	-	1,554,229	-	407,784
Debt service - interest and fiscal charges	-	-	883,447	-
Capital outlay	-	-	2,276,867	-
Total Expenditures	<u>723,974</u>	<u>1,554,229</u>	<u>5,509,495</u>	<u>407,784</u>
Excess (deficiency) of revenues over expenditures	<u>(200,997)</u>	<u>(526,475)</u>	<u>1,049,985</u>	<u>316,866</u>
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Transfers in	-	657,498	7,437,499	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	<u>-</u>	<u>657,498</u>	<u>7,437,499</u>	<u>-</u>
Net Change in Fund Balances	<u>(200,997)</u>	<u>131,023</u>	<u>8,487,484</u>	<u>316,866</u>
FUND BALANCES - Beginning of Year, as Previously Reported (Deficits)	234,342	656,233	2,059,662	1,147,587
Accounting Changes (see note disclosure)	-	-	-	-
FUND BALANCES, Beginning of year, as Adjusted (Deficits)	<u>234,342</u>	<u>656,233</u>	<u>2,059,662</u>	<u>1,147,587</u>
FUND BALANCES - END OF YEAR (Deficits)	<u>\$ 33,345</u>	<u>\$ 787,256</u>	<u>\$ 10,547,146</u>	<u>\$ 1,464,453</u>

CITY OF RACINE
Nonmajor Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
For the Year Ended December 31, 2025

Capital Project Funds				Capital Projects Fund		Permanent Fund	Total Nonmajor Governmental Funds
City Projects	Capital Grants	General Obligation Bond Projects	Equipment Replacement	Intergovernmental Revenue Sharing	Equipment Leasing	Endowment Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 3,424,138
-	-	-	-	-	-	-	747,961
-	-	-	-	2,650,854	-	-	14,710,363
-	-	-	-	-	-	-	455,144
-	-	-	-	-	-	-	285,133
130,568	-	-	-	-	-	-	15,994,047
-	-	-	30,742	697,032	340,406	241,917	3,028,942
<u>130,568</u>	<u>-</u>	<u>-</u>	<u>30,742</u>	<u>3,347,886</u>	<u>340,406</u>	<u>241,917</u>	<u>38,645,728</u>
-	-	-	-	-	52,986	-	180,710
-	-	-	-	-	-	-	1,123,590
-	-	-	-	-	545,561	-	10,902,143
127,678	-	-	-	-	-	-	5,897,796
-	-	-	-	-	-	84,149	5,615,255
-	-	-	-	117,632	-	-	5,223,816
-	-	-	-	-	-	-	883,447
1,514,879	-	-	3,618,475	-	-	60,091	9,225,061
<u>1,642,557</u>	<u>-</u>	<u>-</u>	<u>3,618,475</u>	<u>117,632</u>	<u>598,547</u>	<u>144,240</u>	<u>39,051,818</u>
<u>(1,511,989)</u>	<u>-</u>	<u>-</u>	<u>(3,587,733)</u>	<u>3,230,254</u>	<u>(258,141)</u>	<u>97,677</u>	<u>(406,090)</u>
-	-	-	4,115,000	-	-	-	4,115,000
1,368,476	-	-	-	-	-	-	9,782,013
<u>(7,437,499)</u>	<u>-</u>	<u>-</u>	<u>(1,072,535)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(10,259,469)</u>
<u>(6,069,023)</u>	<u>-</u>	<u>-</u>	<u>3,042,465</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,637,544</u>
(7,581,012)	-	-	(545,268)	3,230,254	(258,141)	97,677	3,231,454
7,919,284	-	11,703,286	1,527,279	20,922,401	507,071	2,285,017	59,434,419
-	-	(11,703,286)	-	-	-	-	(12,341,094)
<u>7,919,284</u>	<u>-</u>	<u>-</u>	<u>1,527,279</u>	<u>20,922,401</u>	<u>507,071</u>	<u>2,285,017</u>	<u>47,093,325</u>
\$ 338,272	\$ -	\$ -	\$ 982,011	\$ 24,152,655	\$ 248,930	\$ 2,382,694	\$ 50,324,779

CITY OF RACINE
Special Revenue Funds

**SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES - BUDGET AND ACTUAL
For the Year Ended December 31, 2025**

	Library			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 2,257,317	\$ 2,257,317	\$ 2,257,320	\$ 3
Intergovernmental	2,158,719	2,158,719	2,172,079	13,360
Licenses and permits	-	-	-	-
Fines and Forfeitures	-	-	-	-
Charges for services	13,000	13,000	21,489	8,489
Miscellaneous and investment income	26,100	26,100	92,290	66,190
Total Revenues	<u>4,455,136</u>	<u>4,455,136</u>	<u>4,543,178</u>	<u>88,042</u>
EXPENDITURES				
Current				
Public safety	-	-	-	-
Public works	-	-	-	-
Education and recreation	4,699,764	4,699,764	4,530,419	169,345
Community development	-	-	-	-
Capital outlay	<u>32,500</u>	<u>32,500</u>	<u>43,685</u>	<u>(11,185)</u>
Total Expenditures	<u>4,732,264</u>	<u>4,732,264</u>	<u>4,574,104</u>	<u>158,160</u>
Excess (deficiency) of revenues over expenditures	<u>(277,128)</u>	<u>(277,128)</u>	<u>(30,926)</u>	<u>246,202</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	200,000	200,000	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources (Uses)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ (77,128)</u>	<u>\$ (77,128)</u>	<u>169,074</u>	<u>\$ 246,202</u>
FUND BALANCES - Beginning of Year			<u>831,323</u>	
FUND BALANCES - END OF YEAR			<u>\$ 1,000,397</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, 2025**

Recycling				EMS			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
315,000	315,000	314,403	(597)	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
2,517,283	2,517,283	2,539,248	21,965	3,014,777	3,339,777	5,557,720	2,217,943
80,000	80,000	88,335	8,335	-	-	32,475	32,475
<u>2,912,283</u>	<u>2,912,283</u>	<u>2,941,986</u>	<u>29,703</u>	<u>3,014,777</u>	<u>3,339,777</u>	<u>5,590,195</u>	<u>2,250,418</u>
-	-	-	-	3,014,777	3,339,777	5,728,966	(2,389,189)
2,802,283	3,307,376	2,746,356	561,020	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
<u>110,000</u>	<u>110,000</u>	<u>100,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>2,912,283</u>	<u>3,417,376</u>	<u>2,846,356</u>	<u>571,020</u>	<u>3,014,777</u>	<u>3,339,777</u>	<u>5,728,966</u>	<u>(2,389,189)</u>
-	(505,093)	95,630	600,723	-	-	(138,771)	(138,771)
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
\$ -	\$ (505,093)	95,630	\$ 600,723	\$ -	\$ -	(138,771)	\$ (138,771)
		<u>1,001,322</u>				<u>840,705</u>	
		<u>\$ 1,096,952</u>				<u>\$ 701,934</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, 2025**

	Municipal Court			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Taxes	\$ 286,341	\$ 286,341	\$ 286,341	\$ -
Intergovernmental	-	-	-	-
Licenses and permits	-	-	-	-
Fines and Forfeitures	170,000	170,000	184,693	14,693
Charges for services	-	-	-	-
Miscellaneous	-	-	6,682	6,682
Total Revenues	<u>456,341</u>	<u>456,341</u>	<u>477,716</u>	<u>21,375</u>
EXPENDITURES				
Current				
Public safety	456,341	456,341	460,222	(3,881)
Public works	-	-	-	-
Education and recreation	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	<u>456,341</u>	<u>456,341</u>	<u>460,222</u>	<u>(3,881)</u>
Excess (deficiency) of revenues over expenditures	-	-	17,494	17,494
OTHER FINANCING SOURCES				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources	-	-	-	-
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ -</u>	17,494	<u>\$ 17,494</u>
FUND BALANCES - Beginning of Year			15,584	
FUND BALANCES - END OF YEAR			<u>\$ 33,078</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, 2025**

Cemetery				Private Property Maintenance			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ 220,680	\$ 220,680	\$ 220,816	\$ 136
-	-	-	-	-	-	-	-
-	-	-	-	273,000	273,000	448,157	175,157
-	-	-	-	-	-	-	-
700,000	700,000	515,858	(184,142)	290,000	290,000	348,321	58,321
-	-	7,119	7,119	20,000	20,000	10,460	(9,540)
<u>700,000</u>	<u>700,000</u>	<u>522,977</u>	<u>(177,023)</u>	<u>803,680</u>	<u>803,680</u>	<u>1,027,754</u>	<u>224,074</u>
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
745,191	755,056	723,974	31,082	-	-	-	-
-	-	-	-	1,461,178	1,461,178	1,554,229	(93,051)
-	-	-	-	-	-	-	-
<u>745,191</u>	<u>755,056</u>	<u>723,974</u>	<u>31,082</u>	<u>1,461,178</u>	<u>1,461,178</u>	<u>1,554,229</u>	<u>(93,051)</u>
<u>(45,191)</u>	<u>(55,056)</u>	<u>(200,997)</u>	<u>(145,941)</u>	<u>(657,498)</u>	<u>(657,498)</u>	<u>(526,475)</u>	<u>131,023</u>
-	-	-	-	657,498	657,498	657,498	-
-	-	-	-	-	-	-	-
-	-	-	-	<u>657,498</u>	<u>657,498</u>	<u>657,498</u>	-
<u>\$ (45,191)</u>	<u>\$ (55,056)</u>	<u>(200,997)</u>	<u>\$ (145,941)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>131,023</u>	<u>\$ 131,023</u>
		<u>234,342</u>				<u>656,233</u>	
		<u>\$ 33,345</u>				<u>\$ 787,256</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, 2025**

	Sanitary Sewer Maintenance				Room Tax		
	Original Budget	Final Budget	Actual	Variance with Final Budget	Original and Final Budget	Actual	Variance with Final Budget
REVENUES							
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 558,800	\$ 659,661	\$ 100,861
Intergovernmental	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Fines and Forfeitures	-	-	-	-	-	-	-
Charges for services	6,578,400	6,578,400	6,419,634	(158,766)	-	-	-
Miscellaneous	-	-	139,846	139,846	22,000	64,989	42,989
Total Revenues	<u>6,578,400</u>	<u>6,578,400</u>	<u>6,559,480</u>	<u>(18,920)</u>	<u>580,800</u>	<u>724,650</u>	<u>143,850</u>
EXPENDITURES							
Current							
Public safety	-	-	-	-	-	-	-
Public works	1,950,000	2,420,369	2,349,181	71,188	-	-	-
Education and recreation	-	-	-	-	-	-	-
Community development	-	-	-	-	580,800	407,784	173,016
Debt service-principal & interest	1,978,400	1,978,400	883,447	1,094,953	-	-	-
Capital outlay	<u>2,650,000</u>	<u>2,798,469</u>	<u>2,276,867</u>	<u>521,602</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Expenditures	<u>6,578,400</u>	<u>7,197,238</u>	<u>5,509,495</u>	<u>1,687,743</u>	<u>580,800</u>	<u>407,784</u>	<u>173,016</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(618,838)</u>	<u>1,049,985</u>	<u>1,668,823</u>	<u>-</u>	<u>316,866</u>	<u>316,866</u>
OTHER FINANCING SOURCES							
Transfers in	-	-	7,437,499	7,437,499	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Sources	<u>-</u>	<u>-</u>	<u>7,437,499</u>	<u>7,437,499</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balances	<u>\$ -</u>	<u>\$ (618,838)</u>	<u>8,487,484</u>	<u>\$ 9,106,322</u>	<u>\$ -</u>	<u>316,866</u>	<u>\$ 316,866</u>
FUND BALANCES - Beginning of Year			<u>2,059,662</u>			<u>1,147,587</u>	
FUND BALANCES - END OF YEAR			<u>\$ 10,547,146</u>			<u>\$ 1,464,453</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, 2025**

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 20,512,890	\$ 20,512,890	\$ -
Total Revenues	<u>20,512,890</u>	<u>20,512,890</u>	<u>-</u>
EXPENDITURES			
Debt service:			
Principal	18,005,000	17,150,000	855,000
Interest and fiscal charges	<u>3,353,735</u>	<u>3,608,594</u>	<u>(254,859)</u>
Total Expenditures	<u>21,358,735</u>	<u>20,758,594</u>	<u>600,141</u>
Excess (Deficiency) of revenues over expenditures	<u>(845,845)</u>	<u>(245,704)</u>	<u>600,141</u>
OTHER FINANCING SOURCES			
Premium on long-term debt issued	-	1,026,866	1,026,866
Transfers in	<u>745,845</u>	<u>755,845</u>	<u>10,000</u>
Total Other Financing Sources	<u>745,845</u>	<u>1,782,711</u>	<u>1,036,866</u>
Net Change in Fund Balances	<u>\$ (100,000)</u>	<u>1,537,007</u>	<u>\$ 1,637,007</u>
FUND BALANCES - Beginning of Year		<u>764,557</u>	
FUND BALANCES - END OF YEAR		<u>\$ 2,301,564</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, 2025

	General Obligation Bond Projects			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental	\$ -	\$ -	\$ 75,000	\$ 75,000
Miscellaneous	-	-	828,203	828,203
Total Revenues	-	-	903,203	903,203
EXPENDITURES				
Current:				
General administration	-	1,078,718	554,771	523,947
Public safety	-	-	-	-
Public works	907,959	907,959	931,292	(23,333)
Education and recreation	107,380	107,380	110,870	(3,490)
Community development	-	-	-	-
Capital outlay	11,771,600	36,330,221	10,937,375	25,392,846
Total Expenditures	12,786,939	38,424,278	12,534,308	25,889,970
Excess (deficiency) of revenues over expenditures	(12,786,939)	(38,424,278)	(11,631,105)	26,793,173
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	14,719,596	31,719,596	31,720,000	404
Premium on long-term debt	-	-	511,834	511,834
Transfers out	(1,932,657)	(4,226,284)	(2,279,446)	1,946,838
Total Other Financing Sources (Uses)	12,786,939	27,493,312	29,952,388	2,459,076
Net Change in Fund Balances	\$ -	\$ (10,930,966)	18,321,283	\$ 29,252,249
FUND BALANCES - Beginning of Year			11,703,286	
FUND BALANCES - END OF YEAR			<u>\$ 30,024,569</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, 2025

Equipment Replacement				Intergovernmental Revenue Sharing			
Original Budget	Final Budget	Actual	Variance with Final Budget	Original Budget	Final Budget	Actual	Variance with Final Budget
\$ -	\$ -	\$ -	\$ -	\$ 2,470,000	\$ 2,470,000	\$ 2,650,854	\$ 180,854
-	-	30,742	30,742	300,000	300,000	697,032	397,032
-	-	30,742	30,742	2,770,000	2,770,000	3,347,886	577,886
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
-	-	-	-	-	-	-	-
3,146,600	4,521,357	3,618,475	902,882	2,770,000	2,834,345	117,632	2,716,713
3,146,600	4,521,357	3,618,475	902,882	-	-	-	-
3,146,600	4,521,357	3,618,475	902,882	2,770,000	2,834,345	117,632	2,716,713
(3,146,600)	(4,521,357)	(3,587,733)	933,624	-	(64,345)	3,230,254	3,294,599
4,112,135	4,112,135	4,115,000	2,865	-	-	-	-
-	-	-	-	-	-	-	-
(965,535)	(1,115,535)	(1,072,535)	43,000	-	-	-	-
3,146,600	2,996,600	3,042,465	45,865	-	-	-	-
\$ -	\$ (1,524,757)	(545,268)	\$ 979,489	\$ -	\$ (64,345)	3,230,254	\$ 3,294,599
		1,527,279				20,922,401	
		\$ 982,011				\$ 24,152,655	

CITY OF RACINE

Capital Project Funds

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL For the Year Ended December 31, 2025

	Equipment Leasing			
	Original Budget	Final Budget	Actual	Variance with Final Budget
REVENUES				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Miscellaneous	260,000	260,000	340,406	80,406
Total Revenues	260,000	260,000	340,406	80,406
EXPENDITURES				
Current:				
General administration	48,000	48,000	52,986	(4,986)
Public safety	250,000	250,000	545,561	(295,561)
Public works	-	-	-	-
Education and recreation	-	-	-	-
Community development	-	-	-	-
Capital outlay	-	-	-	-
Total Expenditures	298,000	298,000	598,547	(300,547)
Excess (deficiency) of revenues over expenditures	(38,000)	(38,000)	(258,141)	(220,141)
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	-	-
Premium on long-term debt	-	-	-	-
Transfers out	-	-	-	-
Total Other Financing Sources (Uses)	-	-	-	-
Net Change in Fund Balances	\$ (38,000)	\$ (38,000)	(258,141)	\$ (220,141)
FUND BALANCES - Beginning of Year			507,071	
FUND BALANCES - END OF YEAR			\$ 248,930	

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION
As of December 31, 2025

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Total
ASSETS					
Current Assets					
Cash and investments	\$ 188,126	\$ 3,871	\$ 13,654	\$ 331,600	\$ 537,251
Receivables:					
Accounts	600	-	-	365	965
Taxes	9,210	-	350,000	-	359,210
Total Current Assets	<u>197,936</u>	<u>3,871</u>	<u>363,654</u>	<u>331,965</u>	<u>897,426</u>
Noncurrent Assets					
Capital assets:					
Land	1,014,105	1,432,654	140,421	15,000	2,602,180
Land and building improvements	18,552,462	3,178,439	9,273,082	189,159	31,193,142
Equipment, furniture and vehicles	677,290	-	515,758	12,913	1,205,961
Construction in progress	100,000	-	-	-	100,000
Less: accumulated depreciation	<u>(13,270,158)</u>	<u>(2,824,250)</u>	<u>(8,146,898)</u>	<u>(173,664)</u>	<u>(24,414,970)</u>
Total Capital Assets, Net	<u>7,073,699</u>	<u>1,786,843</u>	<u>1,782,363</u>	<u>43,408</u>	<u>10,686,313</u>
Total Assets	<u>\$ 7,271,635</u>	<u>\$ 1,790,714</u>	<u>\$ 2,146,017</u>	<u>\$ 375,373</u>	<u>\$ 11,583,739</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF NET POSITION
As of December 31, 2025

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Total
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 167,591	\$ -	\$ 32,455	\$ -	\$ 200,046
Accrued liabilities	-	5,000	-	-	5,000
Due to other funds	-	-	304,743	-	304,743
Total Current Liabilities	<u>167,591</u>	<u>5,000</u>	<u>337,198</u>	<u>-</u>	<u>509,789</u>
Total Liabilities	<u>167,591</u>	<u>5,000</u>	<u>337,198</u>	<u>-</u>	<u>509,789</u>
DEFERRED INFLOWS OF RESOURCES					
Unearned property tax revenue	<u>9,210</u>	<u>-</u>	<u>350,000</u>	<u>-</u>	<u>359,210</u>
Total Deferred Inflows of Resources	<u>9,210</u>	<u>-</u>	<u>350,000</u>	<u>-</u>	<u>359,210</u>
NET POSITION					
Net Investment in capital assets	7,073,699	1,786,843	1,782,363	43,408	10,686,313
Unrestricted (deficit)	<u>21,135</u>	<u>(1,129)</u>	<u>(323,544)</u>	<u>331,965</u>	<u>28,427</u>
TOTAL NET POSITION (Deficit)	<u>\$ 7,094,834</u>	<u>\$ 1,785,714</u>	<u>\$ 1,458,819</u>	<u>\$ 375,373</u>	<u>\$ 10,714,740</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSTION
For the Year Ended December 31, 2025

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Total
OPERATING REVENUES					
Charges for services	\$ 1,197,446	\$ -	\$ 438,602	\$ -	\$ 1,636,048
Total Operating Revenues	<u>1,197,446</u>	<u>-</u>	<u>438,602</u>	<u>-</u>	<u>1,636,048</u>
OPERATING EXPENSES					
Public Works	1,143,531	-	-	-	1,143,531
Public Safety	-	-	-	(900,279)	(900,279)
Education and recreation	-	-	884,296	-	884,296
Depreciation	<u>493,319</u>	<u>47,475</u>	<u>269,873</u>	<u>5,984</u>	<u>816,651</u>
Total Operating Expenses	<u>1,636,850</u>	<u>47,475</u>	<u>1,154,169</u>	<u>(894,295)</u>	<u>1,944,199</u>
Operating (Loss) Income	<u>(439,404)</u>	<u>(47,475)</u>	<u>(715,567)</u>	<u>894,295</u>	<u>(308,151)</u>
NONOPERATING REVENUES					
Investment income	6,649	125	-	-	6,774
Other	53	-	-	-	53
Tax levy	<u>9,210</u>	<u>-</u>	<u>299,000</u>	<u>-</u>	<u>308,210</u>
Total Nonoperating Revenues	<u>15,912</u>	<u>125</u>	<u>299,000</u>	<u>-</u>	<u>315,037</u>
(Loss) Income Before Transfers	<u>(423,492)</u>	<u>(47,350)</u>	<u>(416,567)</u>	<u>894,295</u>	<u>6,886</u>
TRANSFERS IN	<u>-</u>	<u>-</u>	<u>107,000</u>	<u>-</u>	<u>107,000</u>
Change in Net Position	<u>(423,492)</u>	<u>(47,350)</u>	<u>(309,567)</u>	<u>894,295</u>	<u>113,886</u>
TOTAL NET POSITION (DEFICIT), Beginning of Year	<u>7,518,326</u>	<u>1,833,064</u>	<u>1,768,386</u>	<u>(518,922)</u>	<u>10,600,854</u>
TOTAL NET POSITION, END OF YEAR	<u>\$ 7,094,834</u>	<u>\$ 1,785,714</u>	<u>\$ 1,458,819</u>	<u>\$ 375,373</u>	<u>\$ 10,714,740</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2025

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Totals
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 1,198,179	\$ -	\$ 438,602	\$ 22,704	\$ 1,659,485
Payments to suppliers	(1,017,372)	-	(857,048)	(5,595)	(1,880,015)
Payments to employees	-	-	-	-	-
Net Cash Flows From Operating Activities	180,807	-	(418,446)	17,109	(220,530)
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES					
Operating subsidies received-tax levy	9,210	-	299,000	-	308,210
Net Cash Flows From Noncapital Financing Activities	9,210	-	299,000	-	308,210
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Transfer from other funds for capital purposes	-	-	107,000	-	107,000
Acquisition and construction of capital assets	(100,000)	-	(13,130)	-	(113,130)
Net Cash Flows From Capital and Related Financing Activities	(100,000)	-	93,870	-	(6,130)
CASH FLOWS FROM INVESTING ACTIVITIES					
Investment income (loss)	6,649	125	-	-	6,774
Net Cash Flows From Investing Activities	6,649	125	-	-	6,774
Change in Cash and Cash Equivalents	96,666	125	(25,576)	17,109	88,324
CASH AND CASH EQUIVALENTS - Beginning of Year	91,460	3,746	39,230	314,491	448,927
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 188,126</u>	<u>\$ 3,871</u>	<u>\$ 13,654</u>	<u>\$ 331,600</u>	<u>\$ 537,251</u>

CITY OF RACINE
Nonmajor Enterprise Funds

COMBINING STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2025

	Parking Utility	Golf Courses	Civic Centre	Radio Repair	Totals
RECONCILIATION OF OPERATING (LOSS) INCOME TO NET					
CASH FLOW FROM OPERATING ACTIVITIES					
Operating (loss) income provided	\$ (439,404)	\$ (47,475)	\$ (715,567)	\$ 894,295	\$ (308,151)
Adjustments to Reconcile Operating (Loss) Income to net cash flows from operating activities:					
Other postemployment benefits	-	-	-	(900,279)	(900,279)
Depreciation	493,319	47,475	269,873	5,984	816,651
Changes in assets and liabilities					
Accounts receivable	733	-	-	22,704	23,437
Accounts payable	126,159	-	7,098	(2,792)	130,465
Accrued liabilities	-	-	(5,516)	(2,803)	(8,319)
Due to other funds	-	-	25,666	-	25,666
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ 180,807</u>	<u>\$ -</u>	<u>\$ (418,446)</u>	<u>\$ 17,109</u>	<u>\$ (220,530)</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES					
None					

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET POSITION

As of December 31, 2025

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Total
ASSETS					
Current Assets					
Cash and investments	\$ 210,784	\$ 611,603	\$ 526,128	\$ 13,032,298	\$ 14,380,813
Receivables					
Accounts	22,116	16,177	70	406,001	444,364
Inventories	481,146	-	-	-	481,146
Prepaid expenditures	-	-	-	1,500	1,500
Total Current Assets	<u>714,046</u>	<u>627,780</u>	<u>526,198</u>	<u>13,439,799</u>	<u>15,307,823</u>
Noncurrent Assets					
Capital assets:					
Land	32,879	-	-	-	32,879
Intangible assets	-	4,237,532	-	-	4,237,532
Buildings and land improvements	1,954,301	-	-	-	1,954,301
Equipment, furniture and vehicles	491,994	3,642,869	261,429	-	4,396,292
Less: Accumulated depreciation and amortization	<u>(2,067,931)</u>	<u>(6,173,779)</u>	<u>(261,429)</u>	<u>-</u>	<u>(8,503,139)</u>
Total Capital Assets (net of accumulated depreciation/amortization)	<u>411,243</u>	<u>1,706,622</u>	<u>-</u>	<u>-</u>	<u>2,117,865</u>
Total Assets	<u>1,125,289</u>	<u>2,334,402</u>	<u>526,198</u>	<u>13,439,799</u>	<u>17,425,688</u>
Deferred Outflows of Resources					
Deferred amounts relating to pension	863,074	367,535	532,913	-	1,763,522
Deferred amounts relating to life insurance	<u>17,360</u>	<u>8,465</u>	<u>10,971</u>	<u>-</u>	<u>36,796</u>
Total Deferred Outflows of Resources	<u>\$ 880,434</u>	<u>\$ 376,000</u>	<u>\$ 543,884</u>	<u>\$ -</u>	<u>\$ 1,800,318</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF NET POSITION

As of December 31, 2025

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Total
LIABILITIES					
Current Liabilities					
Accounts payable	\$ 57,707	\$ 284,923	\$ 139,890	\$ 507,217	\$ 989,737
Accrued liabilities	54,305	47,437	39,011	1,136,080	1,276,833
Total Current Liabilities	<u>112,012</u>	<u>332,360</u>	<u>178,901</u>	<u>1,643,297</u>	<u>2,266,570</u>
Noncurrent Liabilities					
Life insurance liability	45,924	23,238	28,402	-	97,564
Net pension liability	103,435	64,142	63,688	-	231,265
Compensated absences	177,016	121,862	157,951	-	456,829
Total Noncurrent Liabilities	<u>326,375</u>	<u>209,242</u>	<u>250,041</u>	<u>-</u>	<u>785,658</u>
Total Liabilities	<u>438,387</u>	<u>541,602</u>	<u>428,942</u>	<u>1,643,297</u>	<u>3,052,228</u>
Deferred Inflows of Resources					
Deferred amounts relating to pension	443,813	190,963	278,083	-	912,859
Deferred amounts relating to life insurance	36,597	18,359	22,852	-	77,808
Total Deferred Inflows of Resources	<u>480,410</u>	<u>209,322</u>	<u>300,935</u>	<u>-</u>	<u>990,667</u>
NET POSITION					
Net investment in capital assets	411,243	1,706,622	-	-	2,117,865
Unrestricted	675,683	252,856	340,205	11,796,502	13,065,246
TOTAL NET POSITION	<u>\$ 1,086,926</u>	<u>\$ 1,959,478</u>	<u>\$ 340,205</u>	<u>\$ 11,796,502</u>	<u>\$ 15,183,111</u>

CITY OF RACINE

Internal Service Funds

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

For the year ended December 31, 2025

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Total
OPERATING REVENUES					
Charges for services and sales:					
Labor, fuel, parts and equipment charges	\$ 4,375,278	\$ -	\$ -	\$ -	\$ 4,375,278
Health insurance premiums	-	-	-	22,820,413	22,820,413
Computer service sales	-	4,063,055	-	-	4,063,055
Facilities rent	-	-	3,717,478	-	3,717,478
Other	23,117	-	-	-	23,117
Total Operating Revenues	<u>4,398,395</u>	<u>4,063,055</u>	<u>3,717,478</u>	<u>22,820,413</u>	<u>34,999,341</u>
OPERATING EXPENSES					
Public Works:					
Operating supplies and expenses	4,638,079	-	3,711,633	-	8,349,712
General administration:					
Health insurance	-	-	-	22,418,087	22,418,087
Information systems	-	5,072,780	-	-	5,072,780
Depreciation and amortization	30,026	1,297,936	-	-	1,327,962
Total Operating Expenses	<u>4,668,105</u>	<u>6,370,716</u>	<u>3,711,633</u>	<u>22,418,087</u>	<u>37,168,541</u>
Operating (Loss) Income Before Transfers	(269,710)	(2,307,661)	5,845	402,326	(2,169,200)
TRANSFER IN	<u>-</u>	<u>2,251,696</u>	<u>-</u>	<u>-</u>	<u>2,251,696</u>
Change in Net Position	(269,710)	(55,965)	5,845	402,326	82,496
TOTAL NET POSITION, Beginning of Year	<u>1,356,636</u>	<u>2,015,443</u>	<u>334,360</u>	<u>11,394,176</u>	<u>15,100,615</u>
TOTAL NET POSITION - END OF YEAR	<u>\$ 1,086,926</u>	<u>\$ 1,959,478</u>	<u>\$ 340,205</u>	<u>\$ 11,796,502</u>	<u>\$ 15,183,111</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2025

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Receipts from customers and users	\$ 4,403,708	\$ 4,055,031	\$ 3,802,248	\$ 22,734,520	\$ 34,995,507
Payments to suppliers	(2,234,461)	(3,709,370)	(2,109,167)	(21,280,222)	(29,333,220)
Payments to employees	(2,246,434)	(1,492,552)	(1,494,302)	(973,338)	(6,206,626)
Net Cash Flows From Operating Activities	(77,187)	(1,146,891)	198,779	480,960	(544,339)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES					
Transfer from (to) other funds for capital purposes	-	2,251,696	-	-	2,251,696
Acquisition and construction of capital assets	-	(1,088,706)	-	-	(1,088,706)
Net Cash Flows From Capital and Related Financing Activities	-	1,162,990	-	-	1,162,990
Change in Cash and Cash Equivalents	(77,187)	16,099	198,779	480,960	618,651
CASH AND CASH EQUIVALENTS - Beginning of Year	287,971	595,504	327,349	12,551,338	13,762,162
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 210,784</u>	<u>\$ 611,603</u>	<u>\$ 526,128</u>	<u>\$ 13,032,298</u>	<u>\$ 14,380,813</u>

CITY OF RACINE

Internal Service Funds

COMBINING STATEMENT OF CASH FLOWS

For the Year Ended December 31, 2025

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

	Equipment Maintenance Garage	Information Systems	Building Complex	Health Insurance	Total
Operating (loss) income	\$ (269,710)	\$ (2,307,661)	\$ 5,845	\$ 402,326	\$ (2,169,200)
Adjustments to reconcile operating (loss) income to net cash flows from operating activities:					
Other post employment benefits	44,001	26,613	14,412	-	85,026
Depreciation/amortization expense	30,026	1,297,936	-	-	1,327,962
Changes in assets, deferred outflows, liabilities, and deferred inflows:					
Accounts receivable	(1,396)	(10,817)	84,770	(85,893)	(13,336)
Inventories and prepaids	42,848	-	-	(1,500)	41,348
Due from other funds	6,710	2,793	-	-	9,503
Accounts payable	48,321	(189,223)	87,839	238,134	185,071
Accrued liabilities	22,013	33,468	17,040	(72,107)	414
Due to other funds	-	-	(11,127)	-	(11,127)
NET CASH FLOW FROM OPERATING ACTIVITIES	\$ (77,187)	\$ (1,146,891)	\$ 198,779	\$ 480,960	\$ (544,339)

NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES

None

CITY OF RACINE

Component Unit

STATEMENT OF CASH FLOWS
For the Year Ended December 31, 2025

	<u>Community Development Authority</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Payments to suppliers	\$ (2,740,840)
Net Cash Flows From Operating Activities	<u>(2,740,840)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
ACTIVITIES	
Investment Income:	<u>5,637</u>
Net Cash Flows From	
Capital and Related Investing Activities	<u>5,637</u>
CASH FLOWS FROM NONCAPITAL AND RELATED FINANCING	
ACTIVITIES	
Proceeds from sale of assets:	<u>66,170</u>
Net Cash Flows From	
Noncapital and Related Financing Activities	<u>66,170</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING	
ACTIVITIES	
Capital contribution received	5,213,569
Acquisition and construction of capital assets	<u>(3,294,851)</u>
Net Cash Flows From	
Capital and Related Financing Activities	<u>1,918,718</u>
Change in Cash and Cash Equivalents	(750,315)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>750,315</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ -</u>

CITY OF RACINE

Component Unit

STATEMENT OF CASH FLOWS For the Year Ended December 31, 2025

	Community Development Authority
RECONCILIATION OF OPERATING INCOME TO NET CASH FLOW FROM OPERATING ACTIVITIES	
Operating Income	\$ 1,050,784
Adjustments to Reconcile Operating Income to Net Cash:	
Capital Contributions	(5,213,569)
Changes in assets and liabilities	
Accounts receivable	(3,131)
Due to Municipality	1,394,682
Accounts payable	30,394
NET CASH FLOW FROM OPERATING ACTIVITIES	<u>\$ (2,740,840)</u>
NONCASH INVESTING, CAPITAL, AND RELATED FINANCING ACTIVITIES	
None	