

**CITY OF PEWAUKEE**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2004**

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FINANCIAL STATEMENTS  
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December 31, 2004**

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ROTROFF  
JEANSON & Company, SC

Certified Public Accountants & Consultants

Honorable Mayor and Common Council  
City of Pewaukee  
Waukesha County, Wisconsin

Dear Council Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pewaukee, Wisconsin as of and for the year ended December 31, 2004, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Pewaukee's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pewaukee, Wisconsin as of December 31, 2004, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management discussion and analysis on pages 3 through 14 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Honorable Mayor and Common Council  
City of Pewaukee  
Page Two

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

*Rolf Janson & Company*

April 29, 2005



The City in the Country

## Office of the Mayor

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 Pewaukee, Wisconsin 53072  
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## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2004

This discussion and analysis presents the highlights of financial activities and financial position for the City of Pewaukee (City) for the year ended December 31, 2004. The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budgetary comparisons, and specific issues related to funds and the economic factors affecting the City. We encourage readers to consider the information presented here in conjunction with the City's basic financial statements, which follow this section.

### Financial Highlights

The assets of the City exceeded its liabilities at the close of the most recent fiscal year by \$77,431,230 (net assets). Of this amount, \$11,349,039 is considered unrestricted and available to meet the government's ongoing obligations to citizens and creditors.

The City's December 31, 2003 net assets were restated to reflect the initial recording of the City's storm sewer system in the amount of \$3,841,286 net of accumulated depreciation. During 2004 the City's net assets increased by \$1,350,816, or 2%. The City's business-type activities increased \$1,701,835 while the governmental activities decreased by \$351,019.

At December 31, 2004, the City's governmental funds reported combined ending fund balances of \$9,751,258, an increase of \$305,169 from the previous year. Of the combined fund balances, \$4,240,374 remains from borrowings from the past two years for the purposes of acquiring park land and constructing a fire station. \$1,252,972 has also been reserved for future road construction projects. An additional \$620,580 been committed to provide funding for the City's 2005 budgeted expenditures. Unreserved fund balance for the general fund was \$2,297,818 or approximately 23% of general fund expenditures.

During 2004, the City's fixed assets, net of accumulated depreciation, increased 14%, from \$66,469,621 to \$75,909,818. This included the retroactive recording of all storm sewer infrastructure assets, including those existing at January 1, 2004, of \$3,841,286 and the expansion of the City Hall. Other public domain (infrastructure) assets consisting of improvements such as bridges, sidewalks, drainage systems, and lighting systems are not included with this report.

The City borrowed \$6,495,000 during the year for construction of a fire station, funding of the City's portion of a joint library with the Village of Pewaukee, and construction of water utility infrastructure.

### Overview of the Financial Statements

The City's annual financial report consists of several sections. Taken together they provide a comprehensive financial look at the City. The components of the report include the following:

#### Management's Discussion and Analysis

This section of the report is intended to serve as an introduction to the City's basic financial statements providing an overview of financial highlights and economic factors affecting the City.

**CITY OF PEWAUKEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2004**

### **Financial Report Overview**

The City's basic financial statements are comprised of government-wide financial statements, fund financial statements and notes to these financial statements. This report also contains other supplementary information including combining and individual fund financial statements and schedules.

### **Government-Wide Financial Statements**

The government-wide financial statements, found on pages 15 – 16, are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business.

The Statement of Net Assets focuses on resources available for future operations. In simple terms, this statement presents a picture of the assets the City owns, the liabilities it owes and the net difference as of December 31, 2004. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities focuses on gross and net costs of City activities. This statement summarizes and simplifies the user's analysis to determine the extent to which activities are self-supporting and/or subsidized by general revenues, including local tax revenues. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, net of amounts estimated to be uncollectible, 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 future fiscal periods (e.g., uncollected billings and earned but unused employee benefits).

Both of the government-wide financial statements distinguish functions of the City 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 include general government, public safety and judicial, health and sanitation, public works, culture and recreation, and economic development. Business-type activities include operations of the City's water and sewer utility.

### **Fund Financial Statements**

A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. All of the funds of the City can be divided into three categories: governmental funds, proprietary funds, and fiduciary funds and can be found in the statements on pages 17 - 25.

#### ***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 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.

**CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2004**

Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

Although the City of Pewaukee maintains the following fourteen governmental funds, only three (general, debt service and the City Hall expansion capital projects fund) are considered to be "major" funds.

- General
- Special Revenue:
  - Park dedication
  - Impact fee
  - Tourism and convention
  - Green space facilities
  - Police equitable sharing
  - Expendable cemetery
- Debt Service
- Capital Projects:
  - City Hall expansion
  - Road construction
  - Storm water drainage
  - Fire station construction
  - Park land acquisition
- Permanent:
  - Cemetery – Perpetual care

Fund financial statements focus separately on major 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 City's three major funds – general, debt service and City Hall expansion. The six special revenue funds, four non-major capital project funds and the permanent fund are combined into a column titled "Other Governmental Funds." Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report

In accordance with GASB 34, budgetary comparison statements are required to be presented for the general fund and each major special revenue fund. Since there are no major special revenue funds, the budgetary comparison statement includes only the general fund. The City does budget for several non-major funds and this information is included elsewhere in this report.

***Proprietary funds***

The proprietary statements for the City's proprietary and fiduciary funds follow the governmental funds and include revenues, expenses, changes in fund net assets, and cash flows.

Proprietary funds provide the same type of information as the "business-type" activities in the government-wide statements, only in more detail. They include operations for the City's water and sewer utility.

***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 statement because the resources of those funds are not available to support the City of Pewaukee's own programs.

**CITY OF PEWAUKEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2004**

The fiduciary fund maintained by the City is used to account for assets held by the City as an agent for individuals, private organizations, or other governments but is primarily related to current year taxes levied and collected on behalf of other taxing jurisdictions. These "agency" funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

**Notes to the Financial Statements**

The notes provide additional information that is essential to 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 26 - 47 of this report.

**Supporting Schedules**

Readers desiring additional information on non-major funds can find it in the supporting schedules found on pages 48 – 69, immediately following the notes to the basic financial statements. These schedules include information and data about the City's non-major funds as well as providing additional detail about the City's major funds including:

- Combining statements including balance sheets and statements of revenues, expenditures and changes in fund balances
- Budgetary information for all funds
- Capital Assets

**Government-Wide Financial Analysis**

**Statement of Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Pewaukee, assets exceeded liabilities by \$77,431,230 and \$72,239,128 at the close of the most recent fiscal years.

**Statement of Net Assets at December 31, 2004 and 2003**  
(in thousands)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total Change</u>	
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>Dollars</u>	<u>%</u>
Current and other assets	\$ 17,811	19,502	14,557	13,572	32,368	33,074	706	2.2%
Capital assets	16,905	24,178	49,565	51,731	66,470	75,909	9,439	14.2%
Total assets	34,716	43,680	64,122	65,303	98,838	108,983	10,145	10.3%
Other liabilities	7,894	9,115	3,345	2,158	11,239	11,273	34	0.3%
Long-term obligations	5,771	10,024	9,589	10,255	15,360	20,279	4,919	32.0%
Total liabilities	13,665	19,139	12,934	12,413	26,599	31,552	4,953	18.6%
Net assets:								
Invested in capital assets,								
Net of related debt	13,511	19,585	38,989	40,455	52,500	60,040	7,540	14.4%
Restricted	5,106	3,570	2,178	2,473	7,284	6,043	(1,241)	(17.0%)
Unrestricted	2,434	1,386	10,021	9,962	12,455	11,348	(1,107)	(8.9%)
Total net assets	\$ 21,051	24,541	51,188	52,890	72,239	77,431	5,192	7.2%

**CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2004**

Total net assets increased by \$1,350,816 during the current fiscal year. Governmental net assets declined by \$351,019 while business-type net assets increased by \$1,701,835. The increase in the business-type net assets was primarily attributable to developer-constructed assets and reserve capacity assessments contributed to the water utility of \$442,208 and to the sewer utility of \$1,028,175.

As described earlier, infrastructure assets of the governmental activities reflect the cost of the City's streets and roads and storm sewers. Other infrastructure assets, however, such as bridges, sidewalks, drainage systems, and lighting systems, have not been included with this report. Despite this omission, the largest portion of the City's net assets (77.5%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding.

The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

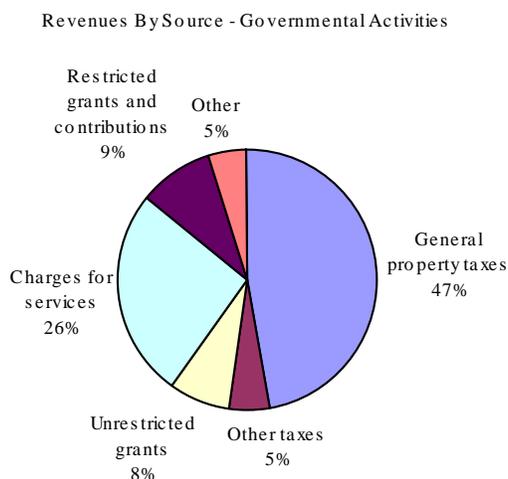
A portion of the year-end net assets is restricted for specific purposes. The restrictions represent legal or contractual limitations on how the assets may be expended. These include development charges, bond and note proceeds, and other collections limited to the repayment of debt. Of the amounts shown as "Restricted net assets", \$3,997,486 has been restricted for future debt service payments.

### **Statement of Activity**

#### ***Governmental Activities***

The City's net assets from governmental activities decreased by \$351,019 in 2004. This was a significant change from 2003 when governmental activity net assets increased \$287,036. The increase of \$818,553 in program related revenues during 2004 was offset by a corresponding increase in program expenses of \$1,545,379. The majority of the increased spending was due to the City's initial cost of \$1,000,000 for a new joint public library system, which will be operated with the Village of Pewaukee. The City issued general obligation bonds to fund this joint venture, the issuance of which increased long-term liabilities – not net assets.

As shown of the following graph, taxes (general property and public accommodation) totaling \$5,796,819 made up 52.3% of the total governmental revenues during the current fiscal year.



**CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2004**

Program charges for services, which directly offset related program expenses, accounted for \$2,893,233 and \$2,508,312 respectively, for the years ended December 31, 2004 and 2003 and included the following:

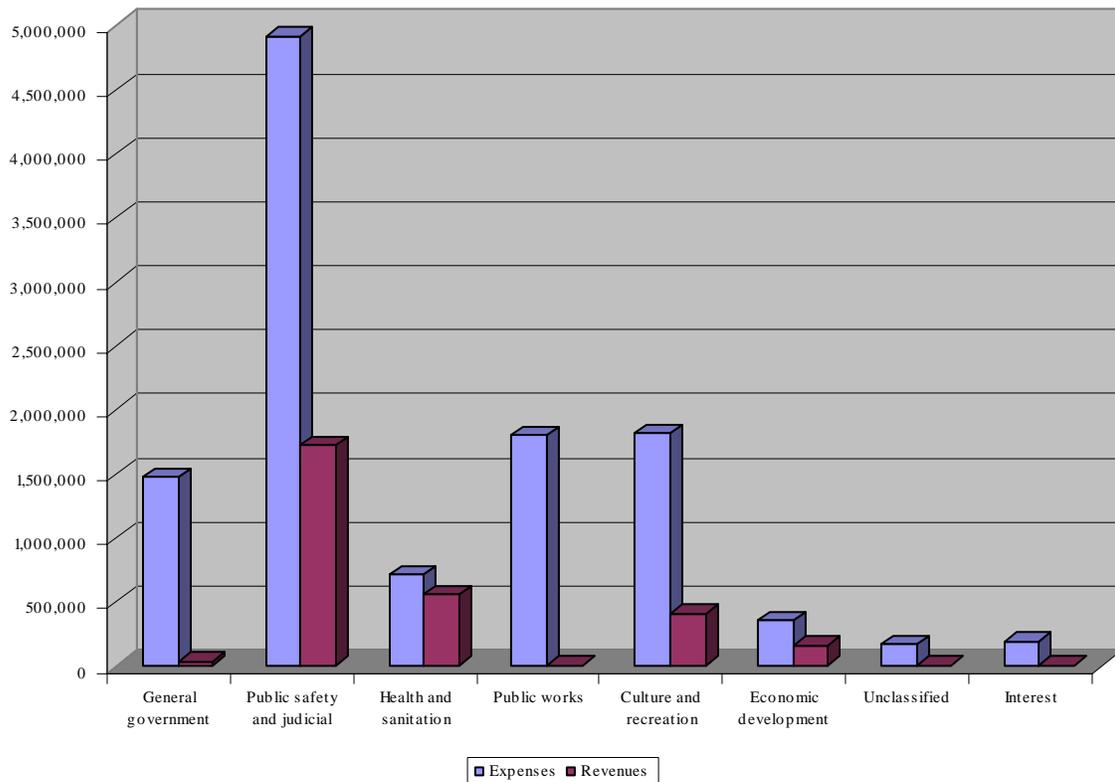
	<u>2004</u>	<u>2003</u>
Public safety and judicial	\$ 1,722,030	1,483,514
Health and sanitation	555,002	529,875
Culture and recreation	411,179	400,260
Economic development	162,383	51,186
Miscellaneous	42,639	43,477

Public safety and judicial charges include shared fire and rescue services with the Village of Pewaukee, court fines, and building related services and permits; the latter of which accounted for approximately 60% of the increase in revenues of \$238,516.

Restricted program grants and contributions include aids received from the State of Wisconsin for fire insurance dues, water safety aids and special assessments levied against benefiting City property owners for road projects finalized in 2004. In addition, they include developer constructed assets which have been contributed to the City. In 2004 these included \$600,782 for developer contributed storm sewers within the City. The majority of unrestricted grants were shared revenues and highway and transportation aids received from the State of Wisconsin.

The following graph provides an illustration of the breakdown of the City's governmental activities and the related expenses, directly related revenues offsetting these expenses.

**Program Expenses and Program Revenues -  
Governmental Activities**



**CITY OF PEWAUKEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2004**

For governmental activity expenses, 43% related to public safety and judicial operations, which includes police protection, fire and rescue protection, building inspection and municipal court operations. An additional 16% was spent for public works, i.e. maintenance of City streets and roads. In addition, the City's spent \$1,814,848, or 16%, towards its culture and recreation programs in 2004. This was significantly higher than 2003 costs of \$808,083. The increase in spending was a result of the City contributing \$1,000,000 towards a new joint public library, which will be operated with the Village of Pewaukee. 78% of health and sanitation program expenses were directly offset by related revenues. Depreciation of the City assets of \$1,523,892 was allocated to the above activities during 2004 based upon actual usage of the various capital assets, compared to \$1,314,777 in 2003. 66% of the current year depreciation was related to the City's public works operations, the majority of which related to roads and storm sewer infrastructure.

***Business-type Activities***

Business-type activities for the water and sewer utility operations increased the City of Pewaukee's net assets by \$1,701,835. Operating expenses include directly allocable interest expense and amortization of debt costs of \$411,292. Net operating income after operating expenses, but before consideration of grants, contributions, general revenues and transfers, included:

	<u>2004</u>	<u>2003</u>
Water operations	\$ 228,531	313,219
Sewer operations	171,755	282,987

**Summary of water and sewer operations**  
**(in thousands)**

	<u>Water</u>		<u>Sewer</u>		<u>Total</u>		<u>Total Change</u>	
	<u>Operations</u>	<u>Operations</u>	<u>Operations</u>	<u>Operations</u>	<u>Operations</u>	<u>Operations</u>	<u>Dollars</u>	<u>%</u>
	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003</u>	<u>2004</u>	<u>2003 - 2004</u>	
User charges	\$ 1,589	1,560	2,415	2,460	4,004	4,020	16	0.4%
Expenses	1,276	1,331	2,132	2,288	3,408	3,619	211	6.2%
Operating income	\$ 313	229	283	172	596	401	(195)	(32.7)%

As reflected above, operating revenues increased only minimally during 2004, while operating expenses increased by 6%. The increase in total operating expenses was primarily a result of the following:

- Salaries and wages increasing 24% as additional staff were added in 2004
- Employee benefits increased 42% as health insurance costs rose approximately 30%, and additional employees became eligible for retirement benefits
- Sewage treatment costs increased from \$694,094 in 2003 to \$783,733 in 2004

In addition the City received capital grants and contributions during 2004 and 2003.

	<u>2004</u>	<u>2003</u>
Developer constructed assets, dedicated to City	\$ 991,975	2,548,750
Utility constructed assets assessed to property owners	-	1,239,199
Capacity assessments collected for system expansion	433,408	185,788
Capital grants received	<u>45,000</u>	<u>-</u>
	<u>\$ 1,470,383</u>	<u>3,973,737</u>

**CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2004**

The following is a summary of the Statement of Activity for the current fiscal year.

**Statement of Activities for the Years Ended December 31, 2003 and 2004  
(in thousands)**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>		<u>Total Change</u>	
	2003	2004	2003	2004	2003	2004	Dollars 2003 - 2004	%
<b>REVENUES</b>								
Program revenues:								
Charges for services	\$ 2,508	2,893	4,004	4,020	6,512	6,913	401	6.2%
Operating grants and contributions	143	207	-	-	143	207	64	44.8%
Capital grants and contributions	463	833	3,974	1,470	4,437	2,303	(2,134)	(48.1%)
General revenues:								
General property taxes	5,116	5,229	-	-	5,116	5,229	113	2.2%
Public accommodation taxes	569	568	-	-	569	568	(1)	(0.2%)
Unrestricted grants	853	833	-	-	853	833	(20)	(2.3%)
Interest earnings	76	99	142	151	218	250	32	14.7%
Other	160	95	-	6	160	101	(59)	(36.9%)
Total revenues	9,888	10,757	8,120	5,647	18,008	16,404	(1,604)	(8.9%)
<b>EXPENSES</b>								
General government	1,484	1,471	-	-	1,484	1,471	(13)	(0.9%)
Public safety and judicial	4,641	4,922	-	-	4,641	4,922	281	6.1%
Health and sanitation	655	713	-	-	655	713	58	8.9%
Public works	1,646	1,799	-	-	1,646	1,799	153	9.3%
Culture and recreation	808	1,815	-	-	808	1,815	1,007	124.6%
Economic development	355	358	-	-	355	358	3	0.8%
Unclassified	154	166	53	-	207	166	(41)	(19.8%)
Interest and fiscal charges	145	190	-	-	145	190	45	31.0%
Water utility operations	-	-	1,276	1,331	1,276	1,331	55	4.3%
Sewer utility operations	-	-	2,132	2,288	2,132	2,288	156	7.3%
Total expenses	9,888	11,434	3,461	3,619	13,349	15,053	1,704	12.8%
Increase in net assets								
Before transfers	-	(677)	4,659	2,028	4,659	1,351	(3,308)	(71.0%)
Transfers	287	326	(287)	(326)	-	-	-	-
Increase in net assets	287	(351)	4,372	1,702	4,659	1,351	(3,308)	(71.0%)
Net assets – beginning of year	24,605	24,892	46,816	51,188	71,421	76,080	4,659	6.5%
Net assets – end of year	\$ 24,892	24,541	51,188	52,890	76,080	77,431	1,351	1.8%

As previously noted, the City's net assets at January 1, 2004 were restated due to the retroactive reporting of the storm sewer infrastructure of \$3,841,286, net of accumulated depreciation.

### Financial Analysis of the City's Funds

The City of Pewaukee uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City'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's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,751,258. Approximately 35% of this total amount (\$3,396,519) constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed for various purposes including capital purchases or construction projects (\$5,493,346) and payment debt service (\$645,234).

**CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2004**

The following capital projects have fund balances which have been reserved:

Fire station construction	\$ 3,244,398
Road construction	1,252,972
Parkland acquisition	995,976

Of the \$3,396,519 unreserved fund balance, the use of \$1,098,701 or approximately 32%, was restricted to specific types of activities:

2004 budgeted expenditures	\$ 620,580
Special revenue fund activities	427,317
Capital projects activities	50,804

The general fund balance increased by \$295,670 during 2004. The primary reason for the increase was attributable to a 2004 borrowing of approximately \$1,500,000 to finance the City's share of a joint public library. For governmental fund purposes, borrowings provide current financial resources and therefore increase the City's fund balance. The initial contribution of \$1,000,000 was made during 2004 with the balance of \$500,000 budgeted to be paid in 2005. In addition, the following expenditures (outflows) for the following exceeded budgeted amounts for: General government (\$62,279), public safety and judicial (\$80,541) and health and sanitation (\$165,292). Health and sanitation was over budget as the City invested \$155,000 in weed harvesting equipment to control the weeds in Pewaukee Lake.

The debt service fund has a total fund balance of \$645,234, all of which is reserved for the payment of debt service. The fund balance decrease of \$57,376 was not as much as anticipated in the 2004 budget of \$100,000 primarily due to the collection of substantially more special assessments than had been anticipated.

The City hall expansion project was substantially complete in 2004. Current year expenditures of \$3,240,559 were financed by funds remaining from prior year borrowings and transfers from the impact fee fund of \$1,436,505 and the road construction fund of \$200,800. The other governmental fund balances increased by \$1,670,129 as follows:

Special revenues funds:	
Park dedication	\$ 250
Impact fee	(1,300,813)
Tourism and convention	41,495
Green space facilities	(135,659)
Police equitable sharing	74
Cemetery – expendable	(2,523)
Capital projects funds:	
Road construction	(163,222)
Storm water drainage	(14,692)
Fire station construction	3,244,398
Park land acquisition	88
Permanent funds:	
Cemetery – nonexpendable	733

In 2004 the City borrowed \$6,495,000. Of this amount approximately \$3,335,000 was to finance the construction of a new fire station, with virtually no spending occurring in 2004.

**CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2004**

## Capital Assets and Debt Administration

### Capital Assets

As of December 31, 2004 the City had invested \$75,909,818 in capital assets, net of accumulated depreciation. During 2004 the City's capital assets increased \$9,440,197, \$4,359,144 of which was the result of recording storm sewers not only for current year additions but also for those existing prior to January 1, 2004. In addition, approximately \$3,240,000 was for the City Hall addition and related land improvements, furniture and equipment. As mentioned earlier, the infrastructure assets recorded include the City's streets and roads and storm sewers. Other infrastructure assets consisting of improvements such as bridges, sidewalks, drainage systems, and lighting systems are not included with this report.

### Capital Assets at December 31, 2004 (in thousands)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Government</b>
Land	\$ 828	220	1,048
Buildings	8,098	3,265	11,363
Furniture and equipment	5,420	617	6,037
Infrastructure and improvements other than buildings	24,092	58,500	82,592
Construction in progress	68	1,241	1,309
Total capital assets	38,506	63,843	102,349
Less: Accumulated depreciation	14,328	12,112	26,440
Total net assets	\$ 24,178	51,731	75,909

The following table reconciles the change in capital assets. Additions include assets acquired or under construction at year-end.

### Change in Capital Assets Net of Accumulated Depreciation (in thousands)

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Government</b>
Beginning balance	\$ 20,746	49,565	70,311
Additions	5,335	3,609	8,944
Disposals	(379)	-	(379)
Depreciation	(1,524)	(1,443)	(2,967)
Ending balance	\$ 24,178	51,731	75,909

**CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2004**

Depreciation for governmental assets for the current fiscal year was allocated and included in the direct expenses for the following activities:

General government	\$ 150,813
Public safety	263,517
Public works and infrastructure	999,200
Culture and recreation	<u>110,362</u>
	<u>\$ 1,523,892</u>

**Debt Outstanding**

As of year-end, the City had \$21,916,700 in outstanding debt at December 31, 2004, \$1,637,838 of which is due within one year.

**Outstanding Debt at Fiscal Year End  
(in thousands)**

<b>Governmental:</b>	
General obligation notes	\$ 5,654
General obligation bonds	4,852
Compensated absences	<u>134</u>
	<u>10,640</u>
<b>Business-type:</b>	
Sewerage system revenue bonds	5,957
General obligation bonds	3,403
General obligation notes	1,543
Installment loans	<u>527</u>
	<u>11,430</u>
<b>Total</b>	<u>\$ 22,070</u>

There was one new borrowing during the year. The City borrowed \$6,495,000 during the year to finance capital projects including fire station construction, joint public library, and water system expansion. Total principal repaid during 2004 was:

Governmental activities	\$ 642,131
Proprietary activities	<u>989,645</u>
	<u>\$ 1,631,776</u>

**Other Economic Factors**

The City of Pewaukee continues to enjoy a very good financial position as it relates to fiscal ability to provide needed and desired public services to City residents and taxpayers at a relatively low expenditure of tax dollars. The City's 2004 full value effect tax rate is again the lowest of all 190 cities in the state. Moody's financial rating of the City is Aa2, which is higher than or equal to 24 of the 39 states that Moody's rates.

**CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2004**

Such a financial position is due, in large part, to three occurrences over the past 25 years; namely; (1) Significant growth of high value office and industrial development that requires limited public service expenditure, (2) Significant growth of high value residential development and, (3) Relatively frugal expenditure of funds by the Common Councils and Town Boards during the same period.

As of December 31, 2004, the City's debt burden is only 14% of our \$112 million dollar capacity to borrow. The recent increased debt burden is due to the need for land and buildings for new fire stations that will house a 24 hour-7 days per week operation of firefighters and EMT/EMS employees, payments for the construction of a new joint City/Village of Pewaukee Library which will open in September of 2005, land and buildings for an expanded park/recreation programs, and the cost of the City Hall addition and renovation which began in early 2004 and was significantly complete at the end of the year. The Common Council has also proposed to continue forward in the coming years with improvements to streets, land purchases for parks, a building for a new fire station on the eastside of the City, and various water and sewer projects.

In its transition from a primarily rural town in 1980 to a primarily urban city in 2004, the City of Pewaukee has reached a plateau in its physical infrastructure and employment structure. The necessity to house a larger full time staff, particularly in the police and fire/rescue departments, and the demands of increased urban services such as a joint library and increased formal recreation opportunities to a population of urban immigrants, dictates that the City, during the next 20 years, will have to raise its expenditure level and, therefore perhaps, its tax rate.

Because the City (and former Town) anticipated these increased physical and fiscal needs, their impact on the future financial status of the City was planned for and, therefore, can and should be readily accommodated.

### **Financial Contact**

The City's financial statements are designed to present users (citizens, taxpayers, customers, investors, and creditors) with a general overview of the City's finances and to demonstrate the City's accountability. If you have questions about the report or need additional financial information, please contact the City Administrator at W240 N3065 Pewaukee Road, Pewaukee, WI 53072.

CITY OF PEWAUKEE  
STATEMENT OF NET ASSETS  
December 31, 2004

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 8,490,465	5,983,626	14,474,091
Property taxes receivable	3,689,860	-	3,689,860
Other receivables (net)	816,500	1,089,968	1,906,468
Internal balances	(1,483,977)	1,483,977	-
Inventories and prepaid expenses	155,720	53,768	209,488
Restricted assets:			
Debt retirement assets:			
Cash and cash equivalents	1,524,850	404,962	1,929,812
Investments	-	2,067,674	2,067,674
Capital projects:			
Cash and cash equivalents	5,493,346	-	5,493,346
Non-current assets:			
Fixed assets:			
Land and construction in progress	896,293	1,461,655	2,357,948
Capital assets, net of accumulated depreciation	23,282,127	50,269,743	73,551,870
Special assessments	727,595	2,369,539	3,097,134
Unamortized debt expenses	87,247	33,626	120,873
Deferred expenses	-	84,483	84,483
	<u>\$ 43,680,026</u>	<u>65,303,021</u>	<u>108,983,047</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 1,609,251	766,717	2,375,968
Deferred revenue	6,889,503	-	6,889,503
Current portion of long-term obligations	616,385	1,021,453	1,637,838
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	10,023,982	10,254,880	20,278,862
Deferred assessments due developers	-	318,906	318,906
Construction contracts payable	-	50,740	50,740
	<u>19,139,121</u>	<u>12,412,696</u>	<u>31,551,817</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	19,584,533	40,455,065	60,039,598
Restricted for:			
Expendable:			
Capital projects	1,854,868	-	1,854,868
Debt service	1,524,850	2,472,636	3,997,486
Other purposes	142,120	-	142,120
Nonexpendable:			
Perpetual care	48,119	-	48,119
Unrestricted	1,386,415	9,962,624	11,349,039
	<u>24,540,905</u>	<u>52,890,325</u>	<u>77,431,230</u>
	<u>\$ 43,680,026</u>	<u>65,303,021</u>	<u>108,983,047</u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2004

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities							
Direct expenses:							
General government	\$ 1,471,945	33,391	-	-	(1,438,554)	-	(1,438,554)
Public safety and judicial	4,922,108	1,722,030	181,315	-	(3,018,763)	-	(3,018,763)
Health and sanitation	712,960	555,002	26,030	-	(131,928)	-	(131,928)
Public works	1,798,983	5,548	-	832,770	(960,665)	-	(960,665)
Culture and recreation	1,814,848	411,179	-	-	(1,403,669)	-	(1,403,669)
Economic development	357,514	162,383	-	-	(195,131)	-	(195,131)
Unclassified	165,488	3,700	-	-	(161,788)	-	(161,788)
Indirect expenses:							
Interest and other related charges	189,844	-	-	-	(189,844)	-	(189,844)
Total governmental activities	<u>11,433,690</u>	<u>2,893,233</u>	<u>207,345</u>	<u>832,770</u>	<u>(7,500,342)</u>	<u>-</u>	<u>(7,500,342)</u>
Business-type activities:							
Water utility	1,331,437	1,559,968	-	442,208	-	670,739	670,739
Sewer utility	2,287,900	2,459,655	-	1,028,175	-	1,199,930	1,199,930
Total business-type activities	<u>3,619,337</u>	<u>4,019,623</u>	<u>-</u>	<u>1,470,383</u>	<u>-</u>	<u>1,870,669</u>	<u>1,870,669</u>
Total primary government	<u>\$ 15,053,027</u>	<u>6,912,856</u>	<u>207,345</u>	<u>2,303,153</u>	<u>(7,500,342)</u>	<u>1,870,669</u>	<u>(5,629,673)</u>
General revenues:							
Property taxes					5,228,683	-	5,228,683
Public accommodation taxes					568,136	-	568,136
Grants not restricted to specific programs					833,256	-	833,256
Cable television franchise fees					81,513	-	81,513
Interest and investment earnings					98,746	150,818	249,564
Miscellaneous					46,548	-	46,548
Gain (loss) on disposal of assets					(33,011)	5,800	(27,211)
Transfers					325,452	(325,452)	-
Total general revenues, special items and transfers					<u>7,149,323</u>	<u>(168,834)</u>	<u>6,980,489</u>
Change in Net Assets					(351,019)	1,701,835	1,350,816
Net Assets - Beginning of Year					24,891,924	51,188,490	76,080,414
Net Assets - End of Year					<u>\$ 24,540,905</u>	<u>52,890,325</u>	<u>77,431,230</u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE  
BALANCE SHEET  
Governmental Funds  
December 31, 2004

	General Fund	Debt Service	City Hall Expansion	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 7,407,471	1,052,519	295,635	6,753,036	15,508,661
Receivables:					
Current taxes	2,972,915	449,728	-	254,897	3,677,540
Delinquent personal property taxes	12,320	-	-	-	12,320
Accounts	115,724	-	-	35,542	151,266
Special assessments	-	727,595	-	-	727,595
Intergovernmental	275,996	-	-	-	275,996
Interest	7,805	-	-	-	7,805
Inventory of supplies	111,533	-	-	-	111,533
Prepaid expenditures	44,187	-	-	-	44,187
	<u>\$ 10,947,951</u>	<u>2,229,842</u>	<u>295,635</u>	<u>7,043,475</u>	<u>20,516,903</u>
<b>Liabilities and Fund Balance:</b>					
Liabilities:					
Accounts payable	\$ 534,155	1,259	49,756	323,023	908,193
Construction contracts payable	-	-	245,879	84,284	330,163
Accrued payroll	136,306	-	-	-	136,306
Accrued compensated absences	144,255	-	-	-	144,255
Other accrued liabilities	16,305	-	-	-	16,305
Due to other funds	1,483,977	-	-	-	1,483,977
Deferred revenue	5,667,095	1,583,349	-	496,002	7,746,446
Total liabilities	<u>7,982,093</u>	<u>1,584,608</u>	<u>295,635</u>	<u>903,309</u>	<u>10,765,645</u>
Fund Balance:					
Reserved for:					
Delinquent personal property taxes	12,320	-	-	-	12,320
Inventory of supplies	111,533	-	-	-	111,533
Prepaid expenditures	44,187	-	-	-	44,187
Debt service	-	645,234	-	-	645,234
Capital projects	-	-	-	5,493,346	5,493,346
Perpetual care	-	-	-	48,119	48,119
Unreserved:					
Designated for subsequent year's expenditures	500,000	-	-	120,580	620,580
Undesignated, reported in:					
General fund	2,297,818	-	-	-	2,297,818
Special revenue funds	-	-	-	427,317	427,317
Capital projects funds	-	-	-	50,804	50,804
Total fund balance	<u>2,965,858</u>	<u>645,234</u>	<u>-</u>	<u>6,140,166</u>	<u>9,751,258</u>
Total liabilities and fund balance	<u>\$ 10,947,951</u>	<u>2,229,842</u>	<u>295,635</u>	<u>7,043,475</u>	<u>20,516,903</u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE  
RECONCILIATION OF THE BALANCE SHEET  
TO THE STATEMENT OF NET ASSETS  
Governmental Funds  
December 31, 2004

Total fund balances - governmental funds		\$	9,751,258
Amounts reported for governmental activities in the Statement of Net assets are different because:			
Certain accounts receivable are not available soon enough after year-end to pay for the current year's expenditures, and therefore are not reported in the governmental funds			381,433
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:			
Governmental capital assets	\$	38,506,601	
Less: Accumulated depreciation		<u>(14,328,181)</u>	24,178,420
Other long-term assets are not available to pay for current year expenditures and therefore are deferred in the funds.			856,943
Costs associated with the issuance of long-term debt obligations are reported as expenditures in the governmental funds.			87,247
Interest payable used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.			(74,029)
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.			(134,295)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.			<u>(10,506,072)</u>
Total net assets - governmental activities	\$		<u><u>24,540,905</u></u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
Governmental Funds  
Year Ended December 31, 2004

	General	Debt Service	City Hall Expansion	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 4,533,103	691,339	-	820,216	6,044,658
Intergovernmental	1,015,098	-	-	1,132	1,016,230
Regulation and compliance	784,108	-	-	-	784,108
Charges for services	1,698,856	-	-	225,091	1,923,947
Recreation	188,227	-	-	-	188,227
Interest	47,860	8,238	-	42,648	98,746
Miscellaneous	75,895	-	-	250	76,145
Total revenues	8,343,147	699,577	-	1,089,337	10,132,061
Expenditures:					
Current:					
General government	1,336,190	-	-	-	1,336,190
Public safety and judicial	4,900,349	-	-	1,132	4,901,481
Health and sanitation	867,182	-	-	-	867,182
Public works	908,246	-	-	-	908,246
Culture and recreation	1,739,772	-	-	-	1,739,772
Economic development	-	-	-	357,514	357,514
Unclassified	167,444	-	-	29,141	196,585
Capital outlay	-	-	3,240,559	632,996	3,873,555
Debt service:					
Principal retirement	-	642,131	-	-	642,131
Interest and fiscal charges	-	211,376	-	-	211,376
Total expenditures	9,919,183	853,507	3,240,559	1,020,783	15,034,032
Excess of revenues over (under) expenditures	(1,576,036)	(153,930)	(3,240,559)	68,554	(4,901,971)
Other financing sources (uses):					
Proceeds of long-term debt	1,516,106	-	-	3,335,434	4,851,540
Transfers in	325,452	96,554	1,637,305	-	2,059,311
Transfers out	-	-	-	(1,733,859)	(1,733,859)
Increase in reserve for inventory	30,148	-	-	-	30,148
Total other financing sources (uses)	1,871,706	96,554	1,637,305	1,601,575	5,207,140
Excess of revenues and other financing sources over (under) expenditures and other financing uses	295,670	(57,376)	(1,603,254)	1,670,129	305,169
Fund balance, January 1	2,670,188	702,610	1,603,254	4,470,037	9,446,089
Fund balance, December 31	\$ 2,965,858	645,234	-	6,140,166	9,751,258

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
Governmental Funds  
Year Ended December 31, 2004

Net change in fund balances - total governmental funds	\$	305,169
Amounts reported for governmental activities in the Statement of Activities are different because:		
Revenues in the Statement of Activities do not include those which were earned in prior years, but provide financial resources of the current year.		99,014
Long-term special assessment which are not available to pay for current year expenditures are deferred until collected in the governmental funds. In the Statement of Activities however, these are reported when they are earned.		(15,851)
Capital outlays are reported in governmental funds as expenditures. In the Statement of Activities, however, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital asset purchases (\$5,015,514) exceeds depreciation expense (\$1,523,892).		3,491,622
Compensated absences not payable from current year resources are not reported as expenditures of the current year. In the Statement of Activities, however, these costs are current year expenses		(15,406)
Note proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.		(4,851,540)
Repayment of long-term debt obligations is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets.		642,131
Interest on long-term debt is recognized as an expenditure in the funds when it is due. In the Statement of Activities, however, interest expense is recognized as it accrues.		21,532
In governmental funds proceeds from the sale of assets are financial resources and are recognized as revenue. In the Statement of Activities, only the amount by which the sales proceeds exceed the remaining book value of the sold asset is recognized as revenue.		(58,787)
Debt issuance costs are reported in governmental funds as expenditures. However, in the Statement of Activities, the cost of those assets is amortized over their estimated useful lives.		<u>31,097</u>
Change in net assets of governmental activities	\$	<u><u>(351,019)</u></u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE  
BUDGETARY COMPARISON STATEMENT  
General Fund  
Year Ended December 31, 2004

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary fund balance, January 1	\$ 2,670,188	2,670,188	2,670,188	-
Resources (inflows):				
Taxes	4,523,638	4,523,638	4,533,103	9,465
Intergovernmental	952,066	952,066	1,015,098	63,032
Regulation and compliance	916,925	916,925	784,108	(132,817)
Charges for services	1,684,830	1,684,830	1,698,856	14,026
Recreation	222,600	222,600	188,227	(34,373)
Interest	70,000	70,000	47,860	(22,140)
Miscellaneous	59,800	59,800	75,895	16,095
Proceeds of long-term debt	-	1,516,106	1,516,106	-
Transfers in	325,000	325,000	325,452	452
Non-departmental:				
Increase in reserve for inventory	-	-	30,148	30,148
Amounts available for appropriation	<u>11,425,047</u>	<u>12,941,153</u>	<u>12,885,041</u>	<u>(56,112)</u>
Charges to appropriations (outflows):				
General government	1,273,911	1,449,380	1,336,190	113,190
Public safety and judicial	4,819,808	4,900,349	4,900,349	-
Health and sanitation	701,890	870,980	867,182	3,798
Public works	991,582	991,582	908,246	83,336
Culture and recreation	799,597	1,799,597	1,739,772	59,825
Unclassified	168,071	168,071	167,444	627
Total charges to appropriations	<u>8,754,859</u>	<u>10,179,959</u>	<u>9,919,183</u>	<u>260,776</u>
Fund balance, December 31	<u>\$ 2,670,188</u>	<u>2,761,194</u>	<u>2,965,858</u>	<u>204,664</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE  
STATEMENT OF NET ASSETS  
Proprietary Funds  
December 31, 2004

Assets:	
Current assets:	
Cash and cash equivalents	\$ 5,983,626
Other receivables	1,089,968
Internal balances	1,483,977
Inventories and prepaid expenses	53,768
Restricted assets:	
Debt retirement assets:	
Cash and cash equivalents	404,962
Investments	2,067,674
Non-current assets:	
Fixed assets:	
Non-depreciable:	
Land	220,552
Construction in progress	1,241,103
Depreciable:	
Buildings	3,265,071
Improvements other than buildings	58,499,865
Furniture and equipment	616,650
Less: Accumulated depreciation	(12,111,843)
Special assessments	2,369,539
Unamortized debt expenses	33,626
Deferred expenses	84,483
	84,483
Total assets	\$ 65,303,021
Liabilities:	
Current liabilities:	
Accounts payable	\$ 472,527
Construction contracts payable	129,640
Customer advances on construction	103,917
Accrued interest on long-term debt	60,633
Current portion of long-term obligations	1,021,453
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	10,254,880
Deferred assessments due developers	318,906
Long-term contracts payable	50,740
	50,740
Total liabilities	12,412,696
Net Assets:	
Invested in capital assets, net of related debt	40,455,065
Restricted for:	
Expendable:	
Debt service	2,472,636
Unrestricted	9,962,624
	9,962,624
Total net assets	52,890,325
	52,890,325
Total liabilities and net assets	\$ 65,303,021

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE  
STATEMENT OF REVENUES, EXPENSES AND  
CHANGES IN NET ASSETS  
Proprietary Funds  
Year Ended December 31, 2004

Operating revenues	\$ <u>4,019,623</u>
Operating expenses:	
Operation and maintenance	1,762,822
Depreciation	1,443,373
Taxes	<u>1,850</u>
Total operating expenses	<u>3,208,045</u>
Operating income	<u>811,578</u>
Nonoperating revenues (expenses):	
Interest income	150,818
Interest expense and fiscal fees	(350,600)
Gain on disposal of fixed assets	5,800
Amortization of deferred refunding costs	(46,581)
Amortization of debt issue expenses	<u>(14,111)</u>
	<u>(254,674)</u>
Income before contributions and transfers	556,904
Grants and contributions	1,470,383
Transfers out	<u>(325,452)</u>
Change in net assets	1,701,835
Total net assets:	
January 1	<u>51,188,490</u>
December 31	\$ <u><u>52,890,325</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE  
STATEMENT OF CASH FLOWS  
Proprietary Funds  
Year Ended December 31, 2004

Cash flows from operating activities:	
Receipts from customers	\$ 4,116,436
Payments to suppliers	(1,271,089)
Payments to employees	(310,023)
Net cash provided by operating activities	<u>2,535,324</u>
Cash flows from non-capital financing activities:	
Operating transfers to other funds	<u>(325,452)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(3,805,060)
Gain on sale of fixed assets	5,800
Reserve capacity assessments received	433,408
County grants received	45,000
Long-term debt retirements	(989,645)
Collection of special assessments, net	109,139
Repayment of developer advances on construction, net	(44,725)
Preliminary design fees for system expansion	(12,546)
Interest and fiscal charges paid on bonds and notes payable	<u>(383,066)</u>
Net cash used by capital and related financing activities	<u>(4,641,695)</u>
Cash flows from investing activities:	
Interest received on cash and investments	141,048
Maturities of securities	2,125,519
Purchases of securities	(4,193,193)
Net cash used by investing activities	<u>(1,926,626)</u>
Net decrease in cash and cash equivalents	(4,358,449)
Cash and cash equivalents, January 1	<u>10,747,037</u>
Cash and cash equivalents, December 31	<u>\$ 6,388,588</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets	
Unrestricted	\$ 5,983,626
Restricted - Debt retirement	404,962
	<u>\$ 6,388,588</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 811,578
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,443,373
Changes in assets and liabilities:	
Accounts receivable, net	96,813
Inventories	(922)
Prepaid expenses	(48,186)
Accounts payable and accrued expenses	<u>232,668</u>
Net cash provided by operating activities	<u>\$ 2,535,324</u>
Schedule of non-cash activities:	
Plant assets contributed by developers	\$ 991,638
Capital project costs assessed to property owners	337
	<u>\$ 991,975</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE  
STATEMENT OF FIDUCIARY NET ASSETS  
Agency Fund  
December 31, 2004

Assets:	
Cash and cash equivalents	\$ 15,050,397
Taxes receivable	<u>16,268,717</u>
 Total assets	 \$ <u><u>31,319,114</u></u>
 Liabilities:	
Due to other taxing units:	
School districts	\$ 25,266,411
Waukesha County	5,252,185
State of Wisconsin	447,985
Lake Pewaukee Sanitary District	1,209
 Deposits:	
Ditch and erosion	166,740
Holding tank	75,400
Street opening	48,120
Occupancy	53,600
Developer	7,364
Park reservation	<u>100</u>
 Total liabilities	 \$ <u><u>31,319,114</u></u>

The accompanying notes are an integral part of the financial statements

**CITY OF PEWAUKEE**  
**NOTES TO FINANCIAL STATEMENTS**

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## CITY OF PEWAUKEE NOTES TO FINANCIAL STATEMENTS

### **(1) Summary of Significant Accounting Policies**

The accounting and reporting policies of the City of Pewaukee included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. Generally accepted accounting principles for local governments include those principles prescribed by the Governmental Accounting Standards Board (GASB), the American Institute of Certified Public Accountants in the publication entitled "Audits of State and Local Governmental Units" and by the Financial Accounting Standards Board (FASB), when applicable. As allowed in the GASB's "Codification of Governmental Accounting and Financial Reporting Standards, the City has elected not to apply to its proprietary activities FASB Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedures issued after November 30, 1989.

#### **A. Reporting Entity**

This report includes all of the funds of the City of Pewaukee. The reporting entity for the City consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

Based upon the application of these criteria, operations of the joint park and recreation department, described in Note 5 (D), have been blended with the City and are included in these financial statements as component units.

#### **B. Government-Wide and Fund Financial Statements**

##### **Government-Wide Financial Statements**

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are 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 instead as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

**CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS**

**(1) Summary Significant Accounting Policies - Continued**

**B. Government-Wide and Fund Financial Statements - continued**

**Fund Financial Statements**

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

The City reports the following major governmental funds:

General Fund – accounts for the City’s primary operating activities. It is used to account for all financial resources except those required to be accounted for in another fund.

Debt Service Fund – accounts for resources accumulated and payments made for principal and interest on long-term debt other than enterprise fund debt.

City Hall Expansion Fund – accounts for financial resources to be used for the city hall expansion project.

The City reports the following major enterprise funds:

Water and Sewer Utility – accounts for the operations of the water and sewer system.

The City reports the following non-major governmental funds:

Special Revenue Funds – used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specific purposes and includes:

Park Dedication Fund  
Impact Fee Fund  
Tourism and Convention Fund  
Green Space Facilities Fund  
Police Equitable Sharing Fund  
Expendable Cemetery Fund

**CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS**

**(1) Summary of Significant Accounting Policies - Continued**

**B. Government-Wide and Fund Financial Statements - continued**

**Fund Financial Statements - continued**

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

Road Construction Fund  
Storm Water Drainage Fund  
Fire Station Construction Fund  
Park Land Acquisition Fund

Permanent Fund - used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry and includes:

Non-Expendable Cemetery Fund

In addition, the City reports the following fund type:

Agency Fund - used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**

**Government-Wide Financial Statements**

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

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 sewer utilities 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 to be available if they are collected within sixty days of the end 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, and compensated absences, which are recorded as a fund liability when expected to be paid with expendable available financial resources. Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

**CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS**

**(1) Summary of Significant Accounting Policies - Continued**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued**

**Fund Financial Statements - continued**

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

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues.

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

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

Proprietary and fiduciary fund financial statements 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 nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer utilities are charges to customers for sales and services. Operating expenses for proprietary 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.

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

**D. Assets, Liabilities, and Net Assets or Equity**

**1. Deposits and Investments**

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.

Wisconsin municipalities are authorized by statute to invest idle funds in the following institutions and investments:

- (a) Time deposits in any credit union, bank, savings bank, trust company or savings and loan association, which is authorized to transact business in the state if the time deposits mature in not more than 3 years.

**CITY OF PEWAUKEE**  
**NOTES TO FINANCIAL STATEMENTS**

**(1) Summary of Significant Accounting Policies - Continued**

**D. Assets, Liabilities, and Net Assets or Equity - continued**

**1. Deposits and Investments - continued**

- (b) Bonds or securities issued or guaranteed as to principal and interest by the federal government or by a commission, board or other instrumentality of the federal government.
- (c) Bonds or securities of any county, city, drainage district, technical college district, village, town or school district of this state.
- (d) Bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district or local cultural arts district.
- (e) Bonds issued by the University of Wisconsin Hospitals and Clinics Authority.
- (f) Any security which matures or which may be tendered for purchase at the option of the holder within not more than 7 years of the date on which it is acquired, if that security has a rating which is the highest or 2nd highest rating category assigned by Standard & Poor's corporation, Moody's investors service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
- (g) Securities of an open-end management investment company or investment trust (mutual fund), if the portfolio is limited to the following:
  - 1. Bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government.
  - 2. Bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government.
  - 3. Repurchase agreements that are fully collateralized by bonds or securities under (g) 1 or 2.
- (h) Bonds or securities issued under the authority of the municipality, whether the bonds or securities create a general municipality liability or a liability of the property owners of the municipality for special improvements, and may sell or hypothecate the bonds or securities.
- (i) The Local Government Pooled Investment Fund.
- (j) Repurchase agreements with public depositories, if federal bonds or securities secure the agreement.

Investments made during 2004 were held in the City's name and were in accordance with those allowable by state statutes.

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, 2004, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

**CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS**

**(1) Summary of Significant Accounting Policies - Continued**

**D. Assets, Liabilities, and Net Assets or Equity - continued**

**2. Receivables**

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

Property tax calendar – 2004 tax roll:

Levy:

Tax lien and levy date	December 2004
Tax bills mailed	December 2004

Real property taxes:

Payment in full, or first installment	January 31, 2005
Second installment payable to County	July 31, 2005

Personal property taxes, special assessments  
and special charges, in full

January 31, 2005

Tax settlements with taxing jurisdictions:

First settlement	January 15, 2005
Second settlement	February 20, 2005
Final settlement	August 20, 2005

Uncollectible personal property tax  
charge backs to taxing jurisdictions

April 1, 2006

Tax sale - 2004 delinquent real estate taxes

October 2008

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the water and sewer utilities because they have the right by law to place delinquent bills on the tax roll.

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

**3. Inventories and Prepaid Items**

Governmental fund inventories are valued at the lower of cost (first in, first out) or market. Inventory in the general fund consists of expendable supplies held for consumption. Costs are recorded as expenditures at the time individual inventory items are purchased. Reported inventories are equally offset by a fund balance reserve, which indicates that they do not constitute "available spendable resources" even though they are a component of net assets.

Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction, operation and maintenance expense when used.

**CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS**

**(1) Summary of Significant Accounting Policies - Continued**

**D. Assets, Liabilities, and Net Assets or Equity - continued**

**3. Inventories and Prepaid Items - continued**

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 assets.

**5. Capital Assets**

**Government – Wide Statements**

In the government-wide financial statements, fixed assets are accounted for as capital assets. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 and an estimated useful life in excess of 5 years. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated fixed assets are recorded at their estimated fair value at the date of donation.

Governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation of GASB 34. Retroactive reporting of all major general infrastructure assets is encouraged but not required until January 1, 2007, when GASB 34 requires the City to retroactively report all major general infrastructure assets acquired since January 1, 1980. For the year ended December 31, 2004, the City retroactively reported the infrastructure assets associated with City owned storm sewers. The City intends to capitalize its bridges and other miscellaneous infrastructure in future years.

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. In accordance with SFAS No. 62, interest costs on restricted tax-exempt borrowings, less any interest earned on temporary investment of the proceeds of those borrowings during the construction period, have been capitalized as part of the cost of the related assets. No interest was capitalized during the current year. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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

Buildings and improvements	10-40 Years
Machinery and equipment	5-20 Years
Water and sewer plant	7-100 Years
Infrastructure	20-60 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.

**CITY OF PEWAUKEE**  
**NOTES TO FINANCIAL STATEMENTS**

**(1) Summary of Significant Accounting Policies - Continued**

**D. Assets, Liabilities, and Net Assets or Equity - continued**

**6. Other Assets**

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

**7. Compensated Absences**

Compensated absences represent liabilities arising from the City's sick leave and vacation leave policies. The sick leave policy allows employees to accrue sick leave at a rate of one day per month to a maximum of 120 days. If such days are not taken as paid time off during the course of employment, payment may be received upon retirement at a rate of 50% of total accrued benefits. A liability is recorded only to the extent that it is estimated to result in termination payments. At December 31, 2004 the total liability for retirement payments related to accrued sick time was \$134,295.

The City's vacation leave policy allows employees to accrue vacation benefits beginning in the year of hire. Vacation leave accrues to a maximum of five weeks based upon each employee's length of service. Vacation leave is forfeited if not used by the end of the calendar year following the year earned. The liability for earned vacation benefits at December 31, 2004 was \$144,255.

All vested vacation and sick leave pay is accrued when earned in the full-accrual government-wide and proprietary fund financial statements. The vacation pay liability is reported in governmental fund financial statements however, vested sick pay is accrued only to the extent that it is expected to utilize current financial resources.

**8. Long-Term Obligations**

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 consist 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) is reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

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

**9. Claims and Judgments**

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

**CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS**

**(1) Summary of Significant Accounting Policies - Continued**

**D. Assets, Liabilities, and Net Assets or Equity - continued**

**10. Equity Classifications**

**Government-Wide Statements**

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

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

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

**Fund Statements**

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled “designated”. The balance of unreserved fund balance is labeled “undesignated”, which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

**(2) Reconciliation of Government-Wide and Fund Financial Statements**

**A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets**

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net assets – governmental activities as reported in the government-wide statement of net assets.

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Capital assets, net of accumulated depreciation \$ 24,178,420.

Long-term liabilities applicable to the City’s governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All current and long-term liabilities are reported in the statement of net assets.

Bonds and notes payable	\$ 10,506,072
Compensated absences	134,295
Accrued interest	74,029
Unamortized debt discount and issue costs	<u>(87,247)</u>
Combined Adjustment for Long-Term Liabilities	\$ <u>10,627,149</u>

**CITY OF PEWAUKEE**  
**NOTES TO FINANCIAL STATEMENTS**

**(2) Reconciliation of Government-Wide and Fund Financial Statements - Continued**

**A. Explanation of Differences between the Governmental Fund Balance Sheet and the Statement of Net Assets - continued**

The long-term portion of special assessment receivable that is not available to pay for current year expenditures of \$856,943 is deferred in the governmental fund financial statements.

Certain accounts receivable that were not available soon enough after year-end to pay for the current year's expenditures, and therefore are not reported in the governmental funds total \$381,433.

**B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities**

The governmental fund statement of revenues, expenditures, and changes in fund balances includes a reconciliation between net changes in fund balances – total governmental funds and changes in net assets of governmental activities as reported in the government-wide statement of activities.

A significant element of the reconciliation is the issuance of long-term debt (e.g., bonds, leases) which provides current financial resources to governmental funds and the repayment of the principal of long-term debt which consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Governmental funds also report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.”

The details of this difference are as follows:

Debt issued or incurred:	
Long-term debt issued	\$ 4,851,540
Less issuance costs	(31,097)
Principal repayments	<u>(642,131)</u>
	\$ <u>4,178,312</u>

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

Accrued interest payable	\$ (21,532)
Accumulated depreciation for disposed of assets	58,787
Accrued compensated absences	<u>15,406</u>
	\$ <u>52,661</u>

Another element of the reconciliation is the amount by which the capital outlays exceed depreciation expense, totaling \$3,491,622.

The final element of the reconciliation relates to revenues that are reported in statement of activities but do not provide financial resources in the current year for the governmental funds, totaling \$83,163.

**CITY OF PEWAUKEE**  
**NOTES TO FINANCIAL STATEMENTS**

**(3) 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 1 (C). The City prepares an annual budget for all governmental funds on a basis consistent with generally accepted accounting principles.

The general fund budget is adopted at the departmental level of expenditure. All other governmental funds of the City are adopted at the functional level of expenditure. Transfers between departments and changes to the overall budget must be approved by a two-thirds majority of the Common Council.

Amendments made to the original approved budget were in accordance with these requirements and included the following:

	<u>Original</u>	<u>Amended</u>
General Fund		
Expenditures:		
General government	\$ 1,273,911	1,449,380
Public safety	4,819,808	4,900,349
Health and sanitation	701,890	870,980
Culture and recreation	799,597	1,799,597
Other financing sources:		
Net proceeds of long-term debt	-	1,516,106
City Hall Expansion Fund		
Expenditures:		
City hall	3,250,000	3,628,345
Other financing sources:		
Transfers from other funds	1,250,000	1,637,305
Impact Fee Fund		
Other financing uses:		
Transfer to capital projects fund	1,250,000	1,436,505
Green Space Fund		
Expenditures:		
Bike trail	200,000	220,800
Road Construction Fund		
Other financing uses:		
Transfer to capital projects fund	-	200,800
Fire Station Construction Fund		
Expenditures:		
Fire station construction	-	67,782
Debt discount and issue costs	-	23,254
Other financing sources:		
Proceeds of long-term debt	-	3,335,434

The budgetary comparison statement for the general fund is shown as part of the basic financial statements. Budgetary comparisons for all other governmental funds are included in the supporting schedules.

**CITY OF PEWAUKEE**  
**NOTES TO FINANCIAL STATEMENTS**

**(4) Detailed Notes on All Funds**

**A. Deposits and Investments**

At December 31, 2004, idle funds were invested in time and demand deposits of authorized depositories. Such investments are insured in any one banking institution in the amount of \$100,000 through federal depository insurance funds. The carrying amount of the City's deposits was \$39,015,320, and the bank balance was \$37,774,612. Of the bank balance, \$219,367 was covered by federal depository insurance, and \$6,926,560 was invested in an insured account with the State of Wisconsin Local Government Investment Pool. The balance of funds, in the amount of \$30,628,685 was neither insured nor collateralized. The difference between the carrying value and the bank balance is due to deposits in transit and outstanding checks.

In addition, there is insurance currently available through the State of Wisconsin depository insurance program, which would provide a maximum of \$400,000 of insurance on deposits in any one institution. The amount available to fund the entire Wisconsin program is limited and, therefore, the actual benefits available at a time of claim would depend upon the remaining balance in the state fund.

Fluctuating cash flows during January and December, due to tax collections, result in temporary cash and investment balances, which significantly exceed insured amounts, until settlement with the respective taxing jurisdictions during the following month.

Reconciliation of deposits and investments to statement of net assets and statement of fiduciary assets:

Per Statement of Net Assets –	
Unrestricted cash and cash equivalents	\$ 15,998,941
Restricted cash, cash equivalents and investments	7,965,982
Per Statement of Fiduciary Net Assets	<u>15,050,397</u>
	<u>\$ 39,015,320</u>

**B. Receivables**

Governmental fund financial statements report deferred revenues in connection with receivables not considered 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 the City's receivables included deferred and/or unearned revenue reported in the governmental fund financial statements as follows:

	<u>Unearned</u>	<u>Unavailable</u>	<u>Total</u>
Current year property taxes receivable:			
General fund	\$ 2,972,915	-	2,972,915
Debt service fund	449,728	-	449,728
Other funds	254,897	-	254,897
Special assessments not yet due	<u>-</u>	<u>727,595</u>	<u>727,595</u>
	<u>\$ 3,677,540</u>	<u>727,595</u>	<u>4,405,135</u>

**CITY OF PEWAUKEE**  
**NOTES TO FINANCIAL STATEMENTS**

**(4) Detailed Notes on All Funds - Continued**

**B. Receivables – continued**

In addition, other receivables are reported in the government-wide financial statements net of the following amounts estimated to be uncollectible.

Estimated uncollectible traffic citations	\$ 230,342
Estimated uncollectible ambulance billings	<u>13,066</u>
	<u>\$ 243,408</u>

**C. Capital Assets**

Capital asset activity in the governmental activities for the year ended December 31, 2004 was as follows:

	Balance <u>12/01/03</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/04</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 828,511	-	-	828,511
Construction in progress	<u>387,786</u>	-	<u>320,004</u>	<u>67,782</u>
	<u>1,216,297</u>	-	<u>320,004</u>	<u>896,293</u>
Capital Assets Being Depreciated:				
Buildings and improvements	5,079,010	3,018,956	-	8,097,966
Land improvements	460,616	473,514	-	934,130
Equipment	4,584,513	931,368	96,170	5,419,711
Infrastructure	<u>22,400,665</u>	<u>911,679</u>	<u>153,843</u>	<u>23,158,501</u>
	<u>32,524,804</u>	<u>5,335,517</u>	<u>250,013</u>	<u>37,610,308</u>
Total capital assets	<u>33,741,101</u>	<u>5,335,517</u>	<u>570,017</u>	<u>38,506,601</u>
Less Accumulated Depreciation:				
Buildings and improvements	(1,412,711)	(171,570)	-	(1,584,281)
Land improvements	(233,221)	(31,710)	-	(264,931)
Equipment	(2,464,765)	(448,308)	(69,002)	(2,844,071)
Infrastructure	<u>(8,884,817)</u>	<u>(872,304)</u>	<u>(122,223)</u>	<u>(9,634,898)</u>
	<u>(12,995,514)</u>	<u>(1,523,892)</u>	<u>(191,225)</u>	<u>(14,328,181)</u>
Capital assets, net of depreciation	\$ <u>20,745,587</u>	<u>3,811,625</u>	<u>378,792</u>	<u>24,178,420</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 150,813
Public safety	263,517
Public works, including infrastructure	999,200
Parks and recreation	<u>110,362</u>
	\$ <u>1,523,892</u>

**CITY OF PEWAUKEE**  
**NOTES TO FINANCIAL STATEMENTS**

**(4) Detailed Notes on All Funds - Continued****C. Capital Assets - Continued**

Capital asset activity in the business type activities for the year ended December 31, 2004 was as follows:

	Balance <u>12/31/03</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/04</u>
<b>BUSINESS TYPE ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 220,552	-	-	220,552
Construction in process	<u>964,502</u>	<u>276,601</u>	-	<u>1,241,103</u>
	<u>1,185,054</u>	<u>276,601</u>	-	<u>1,461,655</u>
Capital Assets Being Depreciated:				
Buildings	3,261,542	3,529	-	3,265,071
Improvements other than buildings	55,333,281	3,176,663	10,079	58,499,865
Furniture and equipment	<u>485,799</u>	<u>152,656</u>	<u>21,805</u>	<u>616,650</u>
	<u>59,080,622</u>	<u>3,332,848</u>	<u>31,884</u>	<u>62,381,586</u>
Total gross capital assets	<u>60,265,676</u>	<u>3,609,449</u>	<u>31,884</u>	<u>63,843,241</u>
Less Accumulated Depreciation:				
Buildings	(816,997)	(93,282)	-	(910,279)
Improvements other than buildings	(9,522,171)	(1,286,549)	(10,079)	(10,798,641)
Furniture and equipment	<u>(361,186)</u>	<u>(63,542)</u>	<u>(21,805)</u>	<u>(402,923)</u>
	<u>(10,700,354)</u>	<u>(1,443,373)</u>	<u>(31,884)</u>	<u>(12,111,843)</u>
Capital assets, net of depreciation	<u>\$ 49,565,322</u>	<u>2,166,076</u>	-	<u>51,731,398</u>

Depreciation expense was charged to functions as follows:

Business-type activities:

Water utility	\$ 553,710
Sewer utility	<u>889,663</u>
	<u>\$ 1,443,373</u>

**D. Payables**

Payables as of December 31, 2004 for the City's individual major funds and non-major funds in the aggregate, are as follows:

	<u>General</u>	<u>Debt Service</u>	<u>City Hall Expansion</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Accounts payable	\$ 534,155	1,259	49,756	323,023	908,193
Construction contracts payable	-	-	245,879	84,284	330,163
Accrued payroll	136,306	-	-	-	136,306
Accrued compensated absences	144,255	-	-	-	144,255
Other accrued liabilities	<u>16,305</u>	-	-	-	<u>16,305</u>
Total per fund balance sheet	831,021	1,259	295,635	407,307	1,535,222
Accrued interest	-	<u>74,029</u>	-	-	<u>74,029</u>
Total per government-wide statement of net assets	<u>\$ 831,021</u>	<u>75,288</u>	<u>295,635</u>	<u>407,307</u>	<u>1,609,251</u>

**CITY OF PEWAUKEE**  
**NOTES TO FINANCIAL STATEMENTS**

**(4) Detailed Notes on All Funds - Continued**

**E. Interfund Receivables/Payables and Transfers**

The balance of interfund receivables/payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

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

Transfers between funds include payments from the City's special revenue funds to the debt service fund to partially fund current year principal and interest requirements and payments from the impact fee fund and road construction fund to the City Hall expansion fund to finance construction costs of the current fiscal year. In addition, transfers between business type and governmental funds include property tax equivalent payments. The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
Debt service	Non-major governmental funds – Park dedication	\$ 35,213
Debt service	Non-major governmental funds – Impact fee	61,341
City Hall Expansion	Non-major governmental funds – Impact fee	1,436,505
City Hall Expansion	Non-major governmental funds – Capital projects – road construction	200,800
General	Business-type activities Water utility	<u>325,452</u>
Total per fund statements		2,059,311
Interfund eliminations		<u>(1,733,859)</u>
Total per statement of activities		<u>\$ 325,452</u>

**F. Long-Term Obligations**

Long-term obligations activity for the year ended December 31, 2004 was as follows:

	<u>Balance</u> <u>12/31/03</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/04</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Bonds and notes payable:					
General obligation debt	\$ 6,296,663	4,851,540	642,131	10,506,072	616,385
Other liabilities:					
Vested compensated absences	<u>118,889</u>	<u>15,406</u>	<u>-</u>	<u>134,295</u>	<u>-</u>
Total governmental long-term liabilities	\$ <u>6,415,552</u>	<u>4,866,946</u>	<u>642,131</u>	<u>10,640,367</u>	<u>616,385</u>
Business-type Activities:					
Bonds and notes payable:					
General obligation debt	\$ 4,417,465	1,643,459	587,661	5,473,263	649,716
Revenue bonds	6,359,199	-	401,982	5,957,217	414,869
Debt discount expenses	<u>(200,727)</u>	<u>-</u>	<u>(46,580)</u>	<u>(154,147)</u>	<u>(43,131)</u>
Total business-type long-term liabilities	\$ <u>10,575,937</u>	<u>1,643,459</u>	<u>943,063</u>	<u>11,276,333</u>	<u>1,021,454</u>

**CITY OF PEWAUKEE**  
**NOTES TO FINANCIAL STATEMENTS**

**(4) Detailed Notes on All Funds - Continued**

**F. Long-Term Obligations – Continued**

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. Business-type activities debt is payable by revenues from user fees of those funds.

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 of \$2,239,922,900. The debt limit as of December 31, 2004, was \$111,996,145. Total general obligation debt outstanding at year-end was \$15,979,335. The business-type activity sewer system revenue bonds are not general obligation debt and therefore, have been excluded from debt capacity computation. The following is a list of long-term obligations at December 31, 2004:

**Governmental Activities**

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/04</u>	<u>Amounts Due Within One Year</u>
General obligation debt:						
1997 G.O. note	03/03/97	03/01/07	5.25%	\$ 680,000	250,016	79,965
1998 G.O. note	12/15/98	03/01/08	4.50%	325,000	140,000	35,000
2000 G.O. note	01/31/00	01/31/08	0.00%	93,685	41,638	10,409
2001 G.O. note	01/31/01	01/31/09	4.20%	92,350	51,844	9,534
2001 G.O. note	01/31/01	01/31/09	4.20%	125,700	70,567	12,977
2002 G.O. note	02/01/02	02/01/10	0.00%	131,432	98,574	16,429
2003 G.O. note	08/01/03	03/01/13	1.30 – 3.70%	5,419,893	5,001,892	343,756
2004 G.O. bonds	12/01/04	12/01/24	2.25 – 4.30%	4,851,541	<u>4,851,541</u>	<u>108,315</u>
Total Governmental Activities Debt					\$ <u>10,506,072</u>	<u>616,385</u>

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 616,385	339,891	956,276
2006	943,716	322,830	1,266,546
2007	1,005,889	297,296	1,303,185
2008	986,615	269,266	1,255,881
2009	968,843	240,936	1,209,779
2010-2014	3,762,524	757,106	4,519,630
2015-2019	997,245	378,150	1,375,395
2020-2024	<u>1,224,855</u>	<u>160,261</u>	<u>1,385,116</u>
	\$ <u>10,506,072</u>	<u>2,765,736</u>	<u>13,271,808</u>

**CITY OF PEWAUKEE**  
**NOTES TO FINANCIAL STATEMENTS**

**(4) Detailed Notes on All Funds - Continued**

**F. Long-Term Obligations – Continued**

**Business-type Activities**

	Date of	Final	Interest	Original	Balance	Amounts
	<u>Issue</u>	<u>Maturity</u>	<u>Rates</u>	<u>Indebtedness</u>	<u>12/31/04</u>	<u>Due Within</u>
						<u>One Year</u>
1995 G.O. bonds	09/01/95	06/01/05	5.10%	\$ 2,100,000	200,000	200,000
1996 DNR loan	10/09/96	05/01/16	3.21%	8,049,176	5,957,217	414,869
1998 Installment loan	03/17/98	05/01/16	3.15%	816,870	526,697	36,787
2001 G.O. bonds	03/15/01	12/01/10	4.0 – 4.3%	1,620,000	1,560,000	270,000
2003 G.O. note	08/01/03	03/01/13	1.3 – 3.7%	1,675,107	1,543,107	106,244
2004 G.O. bonds	12/01/04	12/01/24	2.25 – 4.30%	1,643,459	<u>1,643,459</u>	<u>36,685</u>
Total Business-type Activities Debt					\$ <u>11,430,480</u>	<u>1,064,585</u>

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2005	\$ 1,064,585	374,098	1,438,683
2006	977,683	339,939	1,317,622
2007	1,006,496	307,935	1,314,431
2008	1,042,135	274,166	1,316,301
2009	1,061,464	238,811	1,300,275
2010-2014	4,267,443	694,519	4,961,962
2015-2019	1,595,531	168,667	1,764,198
2020-2024	<u>415,143</u>	<u>54,277</u>	<u>469,420</u>
	\$ <u>11,430,480</u>	<u>2,452,412</u>	<u>13,882,892</u>

**G. Governmental Activities Net Assets/Fund Balances**

Governmental activities net assets reported on the government-wide statement of net assets at December 31, 2004 includes the following:

Governmental Activities

Invested in capital assets, net of related debt:	
Capital assets, net of accumulated depreciation	\$ 24,178,420
Less: related long-term debt outstanding, excluding	
unspent capital related debt proceeds and non-capital borrowings	<u>(4,593,887)</u>
	19,584,533
Restricted	
Expendable	
Capital projects	1,854,868
Debt service	1,524,850
Other purposes	142,120
Nonexpendable	
Perpetual care	48,119
Unrestricted	<u>1,386,415</u>
Total Governmental Activities Net Assets	\$ <u>24,540,905</u>

**CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS**

**(4) Detailed Notes on All Funds - Continued**

**G. Governmental Activities Net Assets/Fund Balances - Continued**

Governmental fund balances reported on the fund financial statements at December 31, 2004 include the following:

Reserved - Major Funds	
General Fund	
Reserved for prepaid and delinquent personal property taxes	\$ 56,507
Inventory of supplies	111,533
Debt Service Fund	
Reserved for debt service	645,234
Reserved - Non-Major Funds	
Capital Projects Funds	
Road construction	1,252,972
Fire station construction	3,244,398
Park land acquisition	995,976
Permanent Fund	
Cemetery perpetual care	48,119
Unreserved - Designated for subsequent year expenditures	
Major Fund	
General Fund	500,000
Non-Major Funds	
Special Revenue Fund	
Impact fee	54,570
Capital Projects Fund	
Storm water drainage	66,010
Undesignated:	
Major Funds	
General Fund	2,297,818
Non-Major Funds	
Special Revenue Funds	
Park dedication	10,859
Impact fee	285,072
Tourism and convention	128,213
Green space facilities	(10,734)
Police equitable sharing	74
Cemetery – expendable	13,833
Capital Projects Fund	
Storm water drainage	50,804

**CITY OF PEWAUKEE**  
**NOTES TO FINANCIAL STATEMENTS**

**(5) Other Information**

**A. Employees' Retirement System**

The City maintains a defined contribution pension plan covering all full and certain part time employees. Under a defined contribution pension plan the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. Employees are eligible to participate on the 1<sup>st</sup> of the month following the attainment of age 18 and completion of 1,000 hours of service within a 12-month period. Plan benefits vest according to a seven-year graded vesting schedule.

The City's total payroll for 2004 was \$4,021,021. During the year the City's required contribution to the plan amounted to \$342,855, which represents 11% of its current year covered payroll of \$3,116,862.

**B. Risk Management**

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage during the past three years.

**C. Commitments**

**Business-type Activities**

The City of Pewaukee has an ownership interest in the treatment capacity of a regional sewage treatment facility operated by the City of Brookfield known as the Fox River Water Pollution Control Center. In September 1996 the City of Pewaukee entered into an agreement with the City of Brookfield to share the design and construction costs to upgrade existing capacity, upgrade a lift station and interceptor, and to purchase an additional 1.1 million gallons per day capacity in an expansion of the treatment facility. Project costs were shared between the participating communities based upon ownership percentages in the treatment plant's capacity.

Funding for the project was provided by sewer revenue bonds issued through the Clean Water Fund Financial Assistance Program, which is administered jointly by the Wisconsin Department of Natural Resources and the Wisconsin Department of Administration. The Clean Water Fund Financial Assistance Program provides subsidized interest rate loans through grants passed through the Wisconsin Department of Natural Resources from the U.S. Environmental Protection Agency. As a sub-recipient of a major federal award program the City of Pewaukee is required to provide for an audit made in accordance with the U.S. Office of Management and Budget (OMB) Circular A-133.

The City of Brookfield, which is the principal owner of the treatment facility, is serving as the designated agent for this project. As agent, the City of Brookfield has sole authority for requesting and receiving proceeds of the sewer revenue bonds. The revenue bonds financing the project are issued on a draw basis. As construction costs are incurred the City of Brookfield makes draws against the bond issue and allocates the proceeds on a pro-rata basis to each participating community. The City of Pewaukee's share of the draws through December 31, 2004 was \$7,830,808 and the outstanding balance was \$5,957,217. The City of Brookfield has engaged its auditors to perform a Federal Single Audit, in compliance with OMB Circular A-133, for this project for the year ended December 31, 2004.

**CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS**

**(5) Other Information – Continued**

**C. Commitments - continued**

**Business-type Activities - continued**

The City of Pewaukee has pledged, as security for the bonds, revenues derived from future wastewater sewer service charges or, in the event that those revenues are not sufficient, supplemental revenues from other sources. The bond indenture requires the City to maintain sewage service revenues, net of operating expenses, of at least 110% of the annual principal and interest requirements on all outstanding debt payable from the wastewater sewer service charge. On September 24, 1996, in accordance with these provisions, a resolution was adopted revising sewer service rates to include a debt service component for the purpose of providing sufficient revenues to meet the debt service requirements on the revenue bonds. For the year ended December 31, 2004 the sewage service revenues net of operating expenses, exclusive of depreciation charges, was \$1,383,314. Total debt service requirements on all outstanding debt payable from the wastewater sewer service charge were \$597,266.

**D. Joint Ventures**

**Parks and Recreation**

On November 4, 1996 the City entered into an agreement with the Village of Pewaukee to create a joint park and recreation department commencing January 1, 1997. The agreement created a joint board comprised of seven voting and two non-voting members for purposes of facilitating and overseeing the operation of the department. The voting board members, one from each municipality's governing board, two citizen representatives from the Village and three from the City, are appointed to staggered terms.

Operating costs and resulting revenues of the department are apportioned to each participant based upon the percentage determined as part of the budget formulation for the subsequent year. All costs for acquisition, improvement or maintenance of land, buildings and fixtures are borne by the municipality in which the land or facilities are located. Total operating costs for 2004 were \$739,772 and the City received \$172,455 for costs apportioned to the Village.

The joint department agreement provides for dissolution of the department in the event of an affirmative vote of the governing bodies. Such dissolution would be delayed for six months to allow time for the joint department to wind up its affairs. Upon dissolution, either of the units of government may provide the other unit of government the opportunity to purchase its interest in the assets of the joint department at the value fixed by agreement or by appraisal.

**E. Segment Information**

The City maintains two enterprise funds which provide water and sewer services. Segment information for the year ended December 31, 2004 is as follows:

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 1,559,968	2,459,655	4,019,623
Expenses:			
Operations and maintenance	686,481	1,076,341	1,762,822
Depreciation expense	553,710	889,663	1,443,373
Taxes	1,850	-	1,850
Net operating income	317,927	493,651	811,578

**CITY OF PEWAUKEE**  
**NOTES TO FINANCIAL STATEMENTS**

**(5) Other Information - Continued**

**E. Segment Information - continued**

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Non-operating income:			
Interest income			\$ 150,818
Gain on disposal of fixed assets			5,800
Non-operating expenses:			
Interest expense and fiscal fees			350,600
Amortization of debt expenses			60,692
Grants and contributions			1,470,383
Transfers to City – property tax equivalent			325,452
Total assets:			
Current assets			11,083,975
Capital assets, net of depreciation			51,731,398
Other assets			2,487,648
Total assets			65,303,021
Total liabilities:			
Current liabilities			1,788,170
Long-term liabilities			10,254,880
Other liabilities			369,646
Total liabilities			12,412,696
Net assets:			
January 1, 2004			51,188,490
Change in net assets			1,701,835
December 31, 2004:			
Invested in capital assets, net of related debt			40,455,065
Restricted for debt service			2,472,636
Unrestricted			9,962,624
Net cash provided (used) by:			
Operating activities			2,535,324
Non-capital financing activities			(325,452)
Capital and related financing activities			(4,641,695)
Investing activities			(1,926,626)
Cash and cash equivalents:			
January 1, 2004			10,747,037
December 31, 2004			6,388,588

## **SUPPORTING SCHEDULES**

CITY OF PEWAUKEE  
Non-Major Governmental Funds

COMBINING BALANCE SHEET

December 31, 2004

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Non-Major Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 760,785	5,944,132	48,119	6,753,036
<b>Receivables:</b>				
Current taxes	-	254,897	-	254,897
Accounts	<u>35,542</u>	<u>-</u>	<u>-</u>	<u>35,542</u>
Total assets	<u>\$ 796,327</u>	<u>6,199,029</u>	<u>48,119</u>	<u>7,043,475</u>
<b>Liabilities and Fund Balance:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 303,468	19,555	-	323,023
Construction contracts payable	-	84,284	-	84,284
Deferred revenue	<u>10,972</u>	<u>485,030</u>	<u>-</u>	<u>496,002</u>
Total liabilities	<u>314,440</u>	<u>588,869</u>	<u>-</u>	<u>903,309</u>
<b>Fund Balance:</b>				
<b>Reserved for:</b>				
Capital projects	-	5,493,346	-	5,493,346
Perpetual care	-	-	48,119	48,119
<b>Unreserved:</b>				
Designated for subsequent year's expenditures	54,570	66,010	-	120,580
Undesignated	<u>427,317</u>	<u>50,804</u>	<u>-</u>	<u>478,121</u>
Total fund balance	<u>481,887</u>	<u>5,610,160</u>	<u>48,119</u>	<u>6,140,166</u>
Total liabilities and fund balance	<u>\$ 796,327</u>	<u>6,199,029</u>	<u>48,119</u>	<u>7,043,475</u>

CITY OF PEWAUKEE  
Non-Major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2004

	Special Revenue	Capital Projects	Permanent	Total Non-Major Funds
Revenues:				
Taxes	\$ 482,916	337,300	-	820,216
Intergovernmental	1,132	-	-	1,132
Charges for services	224,358	-	733	225,091
Interest	12,640	30,008	-	42,648
Miscellaneous	250	-	-	250
Total revenues	721,296	367,308	733	1,089,337
Expenditures:				
Current:				
Public safety	1,132	-	-	1,132
Economic development	357,514	-	-	357,514
Unclassified	5,887	23,254	-	29,141
Capital outlay	220,880	412,116	-	632,996
Total expenditures	585,413	435,370	-	1,020,783
Excess of revenues over (under) expenditures	135,883	(68,062)	733	68,554
Other financing sources (uses):				
Proceeds of long-term debt	-	3,335,434	-	3,335,434
Transfers out	(1,533,059)	(200,800)	-	(1,733,859)
Total other financing sources (uses)	(1,533,059)	3,134,634	-	1,601,575
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,397,176)	3,066,572	733	1,670,129
Fund balance (deficit), January 1	1,879,063	2,543,588	47,386	4,470,037
Fund balance, December 31	\$ 481,887	5,610,160	48,119	6,140,166

CITY OF PEWAUKEE  
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2004

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
Taxes:			
General property	\$ 4,441,588	4,441,588	-
Public accommodation	85,220	82,050	3,170
Land-use penalties	6,293	-	6,293
Other	2	-	2
	<u>4,533,103</u>	<u>4,523,638</u>	<u>9,465</u>
Intergovernmental:			
State shared revenues	344,775	331,006	13,769
Exempt computer aids	112,516	118,700	(6,184)
Fire insurance dues	76,444	70,000	6,444
Police training aids	4,451	-	4,451
Transportation aids	375,965	368,800	7,165
Insect control grant	1,659	2,500	(841)
Water safety patrol	36,324	28,000	8,324
Tank inspection aids	12,894	6,360	6,534
Federal law enforcement grants	1,187	3,000	(1,813)
Federal homeland security grant	3,600	-	3,600
Fire ACT grant	41,581	-	41,581
County recycling aids	-	23,700	(23,700)
Emergency medical grants	3,702	-	3,702
	<u>1,015,098</u>	<u>952,066</u>	<u>63,032</u>
Regulation and compliance:			
Licenses:			
Liquor class A	30	240	(210)
Liquor class B	13,460	12,900	560
Beer class A wholesale	25	25	-
Special class B licenses	30	10	20
Advertising	35	600	(565)
Operator	5,015	5,000	15
Cigarette	800	900	(100)
Amusement	940	900	40
Hotel and motel	75	300	(225)
Dog and kennel	5,743	5,000	743

CITY OF PEWAUKEE  
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2004

	<u>Actual</u>	<u>Budget</u>	<u>Variance: Favorable (Unfavorable)</u>
Regulation and compliance - continued:			
Permits:			
Building	\$ 218,135	250,000	(31,865)
Electrical	38,795	60,000	(21,205)
Plumbing	38,294	50,000	(11,706)
Erosion	7,100	1,800	5,300
State code stamps	1,200	750	450
Sign	887	3,000	(2,113)
Other	315	-	315
Fines:			
Court	371,186	455,000	(83,814)
Animal	530	500	30
Cable TV franchise	81,513	70,000	11,513
	<u>784,108</u>	<u>916,925</u>	<u>(132,817)</u>
Charges for services:			
Publication fees	1,834	1,500	334
Maps and code books	1,754	800	954
Administrative fees	759	900	(141)
Planning and zoning fees	5,110	2,000	3,110
Certified survey maps and plat review fees	2,930	2,000	930
Legal review fees	10,685	7,000	3,685
Engineering review fees	54,391	20,000	34,391
Refuse collection	551,181	545,000	6,181
House numbers	811	750	61
Highway materials and services	229	-	229
Culverts	5,319	-	5,319
Summer lake patrol	11,304	11,900	(596)
Winter lake patrol	13,304	11,400	1,904
Police sales and copies	2,783	2,500	283
Boat launch fees	8,707	6,000	2,707

CITY OF PEWAUKEE  
 General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2004

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
Charges for services - continued:			
Fire runs	\$ 820	16,000	(15,180)
Fire inspections	128	-	128
Ambulance runs	232,853	210,000	22,853
Fire and ambulance contracts	477,050	527,900	(50,850)
Police services	4,800	-	4,800
Private fire protection plan	4,090	1,500	2,590
False fire alarm fee	-	2,480	(2,480)
Management services	30,000	30,000	-
SEWRPC services	19,629	-	19,629
Building inspection contract	78,790	75,000	3,790
Park equipment usage fees	7,140	7,500	(360)
Park and recreation contracts	172,455	202,700	(30,245)
	<u>1,698,856</u>	<u>1,684,830</u>	<u>14,026</u>
Recreation:			
Program fees	96,887	95,000	1,887
Land o' Leagues	38,295	50,000	(11,705)
Field trips	23,180	25,000	(1,820)
Club use fees	10,147	11,000	(853)
Reservation fees	19,713	20,000	(287)
Recreation programs not shared	-	20,000	(20,000)
Brochure advertising	5	1,600	(1,595)
	<u>188,227</u>	<u>222,600</u>	<u>(34,373)</u>
Interest:			
Investments	44,497	70,000	(25,503)
Other	3,363	-	3,363
	<u>47,860</u>	<u>70,000</u>	<u>(22,140)</u>
Miscellaneous:			
Rent:			
Water and sewer utility	10,000	10,000	-
Other	6,775	6,000	775
Recycling	3,821	800	3,021
Sale of assets	25,776	43,000	(17,224)
Insurance recoveries	4,935	-	4,935
Gifts and donations	22,974	-	22,974
Other	1,614	-	1,614
	<u>75,895</u>	<u>59,800</u>	<u>16,095</u>
Total revenues	<u>\$ 8,343,147</u>	<u>8,429,859</u>	<u>(86,712)</u>

CITY OF PEWAUKEE  
General Fund

STATEMENT OF EXPENDITURES COMPARED TO BUDGET

Year Ended December 31, 2004

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
General government:			
Mayor	\$ 10,426	10,870	444
Common council	43,787	43,787	-
Police commission	366	810	444
Public works commission	-	750	750
Administration	61,877	68,100	6,223
Human resources	55,663	55,663	-
Clerk/ treasurer	286,908	297,799	10,891
Assessor	191,390	258,522	67,132
Outside services	346,773	346,773	-
Elections	35,009	35,009	-
Facilities	75,532	87,700	12,168
Information technology	21,201	21,201	-
Insurance	154,068	168,000	13,932
Plan commission	52,516	52,516	-
Board of appeals	674	1,880	1,206
	<u>1,336,190</u>	<u>1,449,380</u>	<u>113,190</u>
Public safety and judicial:			
Municipal court	108,467	108,467	-
Law enforcement	2,740,540	2,740,540	-
Fire and rescue	1,768,988	1,768,988	-
Building services	282,354	282,354	-
	<u>4,900,349</u>	<u>4,900,349</u>	<u>-</u>
Health and sanitation:			
Animal control	6,699	6,700	1
Weed control	279,490	279,490	-
Refuse collection and recycling	580,993	584,790	3,797
	<u>867,182</u>	<u>870,980</u>	<u>3,798</u>

CITY OF PEWAUKEE  
 General Fund

STATEMENT OF EXPENDITURES COMPARED TO BUDGET

Year Ended December 31, 2004

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
Public works:			
Engineering	\$ 198,714	220,375	21,661
Safety program	4,031	5,000	969
Highway and transportation	687,737	747,127	59,390
Facilities	<u>17,764</u>	<u>19,080</u>	<u>1,316</u>
	<u>908,246</u>	<u>991,582</u>	<u>83,336</u>
Culture and recreation:			
Library	1,000,000	1,000,000	-
Parks	376,540	379,035	2,495
Recreation	<u>363,232</u>	<u>420,562</u>	<u>57,330</u>
	<u>1,739,772</u>	<u>1,799,597</u>	<u>59,825</u>
Unclassified	<u>167,444</u>	<u>168,071</u>	<u>627</u>
Total expenditures	<u>\$ 9,919,183</u>	<u>10,179,959</u>	<u>260,776</u>

CITY OF PEWAUKEE  
Special Revenue Funds

COMBINING BALANCE SHEET

December 31, 2004

	Park Dedication	Impact Fee	Tourism and Convention	Green Space Facilities	Police Equitable Sharing	Cemetery	Total
<b>Assets:</b>							
Cash and cash equivalents	\$ 10,859	339,642	175,259	210,146	11,046	13,833	760,785
Accounts receivable	-	-	35,542	-	-	-	35,542
<b>Total assets</b>	<b>\$ 10,859</b>	<b>339,642</b>	<b>210,801</b>	<b>210,146</b>	<b>11,046</b>	<b>13,833</b>	<b>796,327</b>
<b>Liabilities and Fund Balance:</b>							
<b>Liabilities:</b>							
Accounts payable	\$ -	-	82,588	220,880	-	-	303,468
Deferred revenues	-	-	-	-	10,972	-	10,972
	-	-	82,588	220,880	10,972	-	314,440
<b>Fund balance:</b>							
<b>Unreserved:</b>							
Designated for subsequent year's expenditures	-	54,570	-	-	-	-	54,570
Undesignated	10,859	285,072	128,213	(10,734)	74	13,833	427,317
	10,859	339,642	128,213	(10,734)	74	13,833	481,887
<b>Total liabilities and fund balance</b>	<b>\$ 10,859</b>	<b>339,642</b>	<b>210,801</b>	<b>210,146</b>	<b>11,046</b>	<b>13,833</b>	<b>796,327</b>

CITY OF PEWAUKEE  
Special Revenue Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2004

	Park Dedication	Impact Fee	Tourism and Convention	Green Space Facilities	Police Equitable Sharing	Cemetery	Total
Revenues:							
Public accommodation tax	\$ -	-	397,695	85,221	-	-	482,916
Intergovernmental:							
Federal public safety aids	-	-	-	-	1,132	-	1,132
Charges for services:							
Fees in lieu of land dedications	34,650	-	-	-	-	-	34,650
Impact fees	-	186,741	-	-	-	-	186,741
Interment fees	-	-	-	-	-	2,600	2,600
Lot sales	-	-	-	-	-	367	367
Interest earnings	563	10,292	1,314	-	74	397	12,640
Donations	250	-	-	-	-	-	250
Total revenues	<u>35,463</u>	<u>197,033</u>	<u>399,009</u>	<u>85,221</u>	<u>1,206</u>	<u>3,364</u>	<u>721,296</u>
Expenditures:							
Public safety:							
Law enforcement	-	-	-	-	1,132	-	1,132
Economic development:							
Tourism	-	-	357,514	-	-	-	357,514
Unclassified	-	-	-	-	-	5,887	5,887
Capital outlay:							
Bike trail	-	-	-	220,880	-	-	220,880
Total expenditures	<u>-</u>	<u>-</u>	<u>357,514</u>	<u>220,880</u>	<u>1,132</u>	<u>5,887</u>	<u>585,413</u>
Excess of revenues over (under) expenditures	<u>35,463</u>	<u>197,033</u>	<u>41,495</u>	<u>(135,659)</u>	<u>74</u>	<u>(2,523)</u>	<u>135,883</u>
Other financing uses:							
Transfer to capital projects fund	-	(1,436,505)	-	-	-	-	(1,436,505)
Transfer to debt service fund	(35,213)	(61,341)	-	-	-	-	(96,554)
	<u>(35,213)</u>	<u>(1,497,846)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,533,059)</u>
Excess of revenues over (under) expenditures and other financing uses	250	(1,300,813)	41,495	(135,659)	74	(2,523)	(1,397,176)
Fund balance, January 1	<u>10,609</u>	<u>1,640,455</u>	<u>86,718</u>	<u>124,925</u>	<u>-</u>	<u>16,356</u>	<u>1,879,063</u>
Fund balance (deficit), December 31	<u>\$ 10,859</u>	<u>339,642</u>	<u>128,213</u>	<u>(10,734)</u>	<u>74</u>	<u>13,833</u>	<u>481,887</u>

CITY OF PEWAUKEE  
Special Revenue Fund:

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES  
ACTUAL AND BUDGET

Year Ended December 31, 2004

	Park Dedicator		Impact Fee		Tourism and Conventior		Green Space		Total	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Revenues:										
Public accommodation ta:	\$ -	-	-	-	397,695	382,900	85,221	82,050	482,916	464,950
Charges for services										
In lieu of land dedication:	34,650	76,500	-	-	-	-	-	-	34,650	76,500
Impact fees	-	-	186,741	150,000	-	-	-	-	186,741	150,000
Interest earnings	563	-	10,292	8,000	1,314	-	-	500	12,169	8,500
Donations	250	-	-	-	-	-	-	-	250	-
Total revenues:	<u>35,463</u>	<u>76,500</u>	<u>197,033</u>	<u>158,000</u>	<u>399,009</u>	<u>382,900</u>	<u>85,221</u>	<u>82,550</u>	<u>716,726</u>	<u>699,950</u>
Expenditures:										
Capital outlay										
Tourism	-	-	-	-	357,514	382,900	-	-	357,514	382,900
Bike trail	-	-	-	-	-	-	220,880	220,800	220,880	220,800
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>357,514</u>	<u>382,900</u>	<u>220,880</u>	<u>220,800</u>	<u>578,394</u>	<u>603,700</u>
Excess of revenues over (under) expenditure:	<u>35,463</u>	<u>76,500</u>	<u>197,033</u>	<u>158,000</u>	<u>41,495</u>	<u>-</u>	<u>(135,659)</u>	<u>(138,250)</u>	<u>138,332</u>	<u>96,250</u>
Other financing uses:										
Transfer to capital projects func	-	-	(1,436,505)	(1,436,505)	-	-	-	-	(1,436,505)	(1,436,505)
Transfer to debt service func	(35,213)	(76,500)	(61,341)	(61,341)	-	-	-	-	(96,554)	(137,841)
	<u>(35,213)</u>	<u>(76,500)</u>	<u>(1,497,846)</u>	<u>(1,497,846)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,533,059)</u>	<u>(1,574,346)</u>
Excess of revenues ove (under) expenditures and other financing uses:	<u>250</u>	<u>-</u>	<u>(1,300,813)</u>	<u>(1,339,846)</u>	<u>41,495</u>	<u>-</u>	<u>(135,659)</u>	<u>(138,250)</u>	<u>(1,394,727)</u>	<u>(1,478,096)</u>
Fund balance, January 1	<u>10,609</u>		<u>1,640,455</u>		<u>86,718</u>		<u>124,925</u>		<u>1,862,707</u>	
Fund balance (deficit), December 31	<u>\$ 10,859</u>		<u>339,642</u>		<u>128,213</u>		<u>(10,734)</u>		<u>467,980</u>	

CITY OF PEWAUKEE  
Debt Service Fund

## BALANCE SHEET

December 31, 2004

## Assets:

Cash and temporary investments	\$	1,052,519
Receivables:		
Taxes		449,728
Special assessments		<u>727,595</u>
Total assets	\$	<u><u>2,229,842</u></u>

## Liabilities and Fund Balance:

## Liabilities:

Accounts Payable	\$	1,259
Deferred revenues:		
Current tax levy		855,754
Long-term special assessments		<u>727,595</u>
Total liabilities		<u>1,584,608</u>

## Fund balance:

Reserved for debt service		<u>645,234</u>
Total fund balance		<u>645,234</u>
Total liabilities and fund balance	\$	<u><u>2,229,842</u></u>

CITY OF PEWAUKEE  
Debt Service Fund

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
ACTUAL AND BUDGET

Year Ended December 31, 2004

	<u>Actual</u>	<u>Budget</u>	<u>Variance: Favorable (Unfavorable)</u>
Revenues:			
Taxes:			
General tax levy	\$ 443,500	443,500	-
Special assessments	247,839	172,487	75,352
Interest earnings	8,238	3,500	4,738
	<u>699,577</u>	<u>619,487</u>	<u>80,090</u>
Total revenues			
Expenditures:			
Debt service:			
Principal retirement	642,131	644,378	2,247
Interest	211,376	212,200	824
Fiscal charges	-	750	750
	<u>853,507</u>	<u>857,328</u>	<u>3,821</u>
Total expenditures			
Excess of revenues over (under) expenditures	<u>(153,930)</u>	<u>(237,841)</u>	<u>83,911</u>
Other financing sources:			
Transfer from park dedication fund	35,213	76,500	(41,287)
Transfer from impact fee fund	61,341	61,341	-
	<u>96,554</u>	<u>137,841</u>	<u>(41,287)</u>
Total other financing sources			
Excess of revenues and other financing sources over (under) expenditures	(57,376)	<u>(100,000)</u>	<u>42,624</u>
Fund balance, January 1	<u>702,610</u>		
Fund balance, December 31	\$ <u><u>645,234</u></u>		

CITY OF PEWAUKEE  
Major Capital Projects Fund -  
City Hall Expansion Project

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
PROJECT ACTUAL AND BUDGET

Year Ended December 31, 2004

	Actual Costs		Project Budget	Variance: Favorable (Unfavorable)
	Current Year	Cumulative		
Revenues:				
Interest earnings	\$ -	3,040	5,800	(2,760)
Expenditures:				
Capital outlays:				
City hall construction	3,240,559	3,628,345	3,628,345	-
Debt issuance costs	-	14,891	-	(14,891)
	3,240,559	3,643,236	3,628,345	(14,891)
Excess of revenues over (under) expenditures	(3,240,559)	(3,640,196)	(3,622,545)	(17,651)
Other financing sources (uses):				
Net proceeds of long term debt	-	2,002,891	-	2,002,891
Transfer from:				
Impact fee fund	1,436,505	1,436,505	1,436,505	-
Road construction fund	200,800	200,800	200,800	-
	1,637,305	3,640,196	1,637,305	2,002,891
Excess of revenues and other financing sources over (under) expenditures and other financing uses	(1,603,254)	-	(1,985,240)	1,985,240
Fund balance, January 1	1,603,254			
Fund balance, December 31	\$ -			

CITY OF PEWAUKEE  
Non-Major Capital Projects Funds

COMBINING BALANCE SHEET

December 31, 2004

	Road Construction	Storm Water Drainage	Fire Station Construction	Park Land Acquisition	Total
<b>Assets:</b>					
Cash and temporary investments	\$ 1,500,963	116,814	3,330,229	996,126	5,944,132
Taxes receivable	<u>181,323</u>	<u>-</u>	<u>73,574</u>	<u>-</u>	<u>254,897</u>
Total assets	<u>\$ 1,682,286</u>	<u>116,814</u>	<u>3,403,803</u>	<u>996,126</u>	<u>6,199,029</u>
<b>Liabilities and Fund Balance:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	-	19,405	150	19,555
Construction contracts payable	84,284	-	-	-	84,284
Deferred revenue	<u>345,030</u>	<u>-</u>	<u>140,000</u>	<u>-</u>	<u>485,030</u>
Total liabilities	<u>429,314</u>	<u>-</u>	<u>159,405</u>	<u>150</u>	<u>588,869</u>
<b>Fund balance:</b>					
Reserved for construction projects	1,252,972	-	3,244,398	995,976	5,493,346
<b>Unreserved:</b>					
Designated for subsequent year's expenditures	-	66,010	-	-	66,010
Undesignated	<u>-</u>	<u>50,804</u>	<u>-</u>	<u>-</u>	<u>50,804</u>
Total fund balance	<u>1,252,972</u>	<u>116,814</u>	<u>3,244,398</u>	<u>995,976</u>	<u>5,610,160</u>
Total liabilities and fund balance	<u>\$ 1,682,286</u>	<u>116,814</u>	<u>3,403,803</u>	<u>996,126</u>	<u>6,199,029</u>

CITY OF PEWAUKEE  
Non-Major Capital Projects Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
ACTUAL AND BUDGET

Year Ended December 31, 2004

	Road Construction		Storm Water Drainage		Fire Station Construction		Park Land Acquisition		Total	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Revenues:										
Taxes:										
General tax levy	\$ 337,300	337,300	-	-	-	-	-	-	337,300	337,300
Intergovernmental:										
Local road improvement grant	-	22,200	-	-	-	-	-	-	-	22,200
Interest earnings	16,315	9,000	1,518	-	-	-	12,175	-	30,008	9,000
Total revenues	<u>353,615</u>	<u>368,500</u>	<u>1,518</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>12,175</u>	<u>-</u>	<u>367,308</u>	<u>368,500</u>
Expenditures:										
Road construction	316,037	778,000	-	-	-	-	-	-	316,037	778,000
Fire station construction	-	-	-	-	67,782	67,782	-	-	67,782	67,782
Park acquisition costs	-	-	-	-	-	-	12,087	12,087	12,087	12,087
Storm water drainage	-	-	1,838	10,000	-	-	-	-	1,838	10,000
Ditch maintenance	-	-	14,372	65,000	-	-	-	-	14,372	65,000
Debt discount and issue costs	-	-	-	-	23,254	23,254	-	-	23,254	23,254
Total expenditures	<u>316,037</u>	<u>778,000</u>	<u>16,210</u>	<u>75,000</u>	<u>91,036</u>	<u>91,036</u>	<u>12,087</u>	<u>12,087</u>	<u>435,370</u>	<u>956,123</u>
Excess of revenues over (under) expenditures	<u>37,578</u>	<u>(409,500)</u>	<u>(14,692)</u>	<u>(75,000)</u>	<u>(91,036)</u>	<u>(91,036)</u>	<u>88</u>	<u>(12,087)</u>	<u>(68,062)</u>	<u>(587,623)</u>
Other financing sources (uses):										
Proceeds of long-term debt	-	-	-	-	3,335,434	3,335,434	-	-	3,335,434	3,335,434
Transfer to City Hall expansion fund	(200,800)	(200,800)	-	-	-	-	-	-	(200,800)	(200,800)
	<u>(200,800)</u>	<u>(200,800)</u>	<u>-</u>	<u>-</u>	<u>3,335,434</u>	<u>3,335,434</u>	<u>-</u>	<u>-</u>	<u>3,134,634</u>	<u>3,134,634</u>
Excess of revenues and other financing sources over (under) expenditures and other financing uses	<u>(163,222)</u>	<u>(610,300)</u>	<u>(14,692)</u>	<u>(75,000)</u>	<u>3,244,398</u>	<u>3,244,398</u>	<u>88</u>	<u>(12,087)</u>	<u>3,066,572</u>	<u>2,547,011</u>
Fund balance, January 1	<u>1,416,194</u>		<u>131,506</u>		<u>-</u>		<u>995,888</u>		<u>2,543,588</u>	
Fund balance, December 31	\$ <u>1,252,972</u>		<u>116,814</u>		<u>3,244,398</u>		<u>995,976</u>		<u>5,610,160</u>	

CITY OF PEWAUKEE  
Permanent Fund - Cemetery Perpetual CareSTATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2004

## Revenues:

## Charges for services:

Perpetual care \$ 733

## Expenditures:

Unclassified: -Excess of revenues  
over expenditures 733Fund balance, January 1 47,386Fund balance, December 31 \$ 48,119

CITY OF PEWAUKEE  
Enterprise Funds  
Water and Sewer Utility  
BALANCE SHEETS

December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>		<u>2004</u>	<u>2003</u>
<u>Assets</u>			<u>Liabilities and Net Assets</u>		
Current assets:			Liabilities:		
Cash and cash equivalents	\$ 5,983,626	8,568,370	Current liabilities:		
Restricted assets:			Accounts payable	\$ 464,513	382,180
Long-term capital projects:			Due to general fund	148,025	-
Due from general fund	1,632,002	-	Due to City of Waukesha	7,316	5,474
Debt retirement assets:			Construction contracts payable	129,640	1,316,889
Cash and cash equivalents	404,962	2,178,667	Customer advances on construction	103,917	148,642
Investments	2,067,674	-	Accrued interest on long-term debt	60,633	93,099
Receivables:			Other accrued expenses	698	230
Accounts	817,623	957,361	Current portion of long-term debt	1,064,584	987,496
Due from general fund	-	29,140	Less: current portion of deferred amount on refunding	(43,131)	(32,975)
Special assessments	96,301	105,660			
Accrued interest	10,386	616	Total current liabilities	<u>1,936,195</u>	<u>2,901,035</u>
Other	165,658	93,593			
Inventory of supplies	5,582	4,660	Long-term liabilities (net of current portion):		
Prepaid expenses	48,186	-	General obligation debt	4,823,548	3,831,951
Total current assets	<u>11,232,000</u>	<u>11,938,067</u>	Sewerage system revenue bonds	5,542,348	5,957,217
			Construction contracts payable	50,740	50,740
			Less: deferred amount on refunding	(111,016)	(167,752)
Fixed assets:					
Land	220,552	220,552	Other liabilities:		
Buildings	3,265,071	3,261,542	Deferred assessments due to developers	318,906	360,566
Improvements other than buildings	58,499,865	55,333,281			
Furniture and equipment	616,650	485,799	Total liabilities	<u>12,560,721</u>	<u>12,933,757</u>
Construction in progress	1,241,103	964,502			
	63,843,241	60,265,676	Net assets:		
Less: Accumulated depreciation	12,111,843	10,700,354	Invested in capital assets, net of related debt	40,455,065	38,989,385
			Restricted for debt service	2,472,636	2,178,667
Net fixed assets	<u>51,731,398</u>	<u>49,565,322</u>	Unrestricted	9,962,624	10,020,438
Other assets:			Total net assets	<u>52,890,325</u>	<u>51,188,490</u>
Long-term portion of special assessments receivable	2,369,539	2,510,642			
Unamortized debt discount and issue expenses	33,626	36,279	Total liabilities and net assets	<u>\$ 65,451,046</u>	<u>64,122,247</u>
Deferred expenses	84,483	71,937			
Total other assets	<u>2,487,648</u>	<u>2,618,858</u>			
Total assets	<u>\$ 65,451,046</u>	<u>64,122,247</u>			

CITY OF PEWAUKEE  
Enterprise Funds  
Water and Sewer Utility

COMBINING STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS

Years Ended December 31, 2004 and 2003

	2004			2003
	Water	Sewer	Combined	Combined
Operating revenues	\$ 1,559,968	2,459,655	4,019,623	4,003,813
Operating expenses:				
Operation and maintenance	686,481	1,076,341	1,762,822	1,585,049
Depreciation	553,710	889,663	1,443,373	1,382,589
Taxes	1,850	-	1,850	2,426
Total operating expenses	1,242,041	1,966,004	3,208,045	2,970,064
Operating income	\$ <u>317,927</u>	<u>493,651</u>	<u>811,578</u>	<u>1,033,749</u>
Nonoperating revenues (expenses):				
Interest income			150,818	142,475
Interest expense and fiscal fees			(350,600)	(398,561)
Gain (loss) on the disposal of fixed assets			5,800	(52,980)
Amortization of deferred refunding costs			(46,581)	(30,005)
Amortization of debt issue expenses			(14,111)	(8,977)
Total nonoperating revenues (expenses)			(254,674)	(348,048)
Income before contributions and transfers			556,904	685,701
Grants and contributions			1,470,383	3,973,737
Transfers out			(325,452)	(287,161)
Change in net assets			1,701,835	4,372,277
Total net assets, January 1			51,188,490	46,816,213
Total net assets, December 31			\$ <u>52,890,325</u>	<u>51,188,490</u>

CITY OF PEWAUKEE  
Enterprise Fund  
Water Utility

STATEMENTS OF OPERATING INCOME AND EXPENSES

Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>Operating revenues</u>		
Sale of water:		
Residential	\$ 623,465	648,702
Commercial	391,131	412,424
Industrial	93,894	97,746
Public authorities	<u>2,474</u>	<u>2,518</u>
	1,110,964	1,161,390
Public fire protection	389,341	371,988
Private fire protection	53,035	50,565
Customer's forfeited discounts	1,751	878
Other revenue	<u>4,877</u>	<u>4,275</u>
Total operating revenues	<u>1,559,968</u>	<u>1,589,096</u>
 <u>Operating expenses</u>		
Plant operation and maintenance:		
Salaries and wages	163,009	156,874
Transportation expense	19,889	18,971
Power purchased for pumping	142,717	150,163
Chemicals	45,231	43,499
Operating supplies	45,764	38,067
Repairs of water plant	<u>88,436</u>	<u>127,588</u>
	<u>505,046</u>	<u>535,162</u>
General operating expenses:		
Administrative salaries	46,566	29,813
Office supplies and expenses	12,014	10,348
Outside services employed	28,340	17,579
Insurance	11,391	8,600
Employee benefits	77,304	58,543
Other general expenses	<u>5,820</u>	<u>5,312</u>
	<u>181,435</u>	<u>130,195</u>
Total operation and maintenance expenses	686,481	665,357
Depreciation	553,710	511,620
Taxes	<u>1,850</u>	<u>2,426</u>
Total operating expenses	<u>1,242,041</u>	<u>1,179,403</u>
Net operating income	<u>\$ 317,927</u>	<u>409,693</u>

CITY OF PEWAUKEE  
Enterprise Fund  
Sewer Utility

STATEMENTS OF OPERATING INCOME AND EXPENSES

Years Ended December 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
<u>Operating revenues</u>		
Sewer service charges:		
Residential	\$ 1,330,830	1,305,061
Commercial	963,342	953,679
Industrial	152,135	144,727
Public authorities	4,361	4,361
Other revenue	<u>8,987</u>	<u>6,889</u>
Total operating revenues	<u>2,459,655</u>	<u>2,414,717</u>
 <u>Operating expenses</u>		
Plant operation and maintenance:		
Sewage treatment charges	783,733	694,094
Salaries and wages	53,883	33,247
Power purchased for pumping	18,978	19,380
Supplies and expenses	10,250	14,602
Maintenance	<u>63,450</u>	<u>40,649</u>
	<u>930,294</u>	<u>801,972</u>
General operating expenses:		
Administrative salaries	46,565	29,813
Office supplies and expenses	15,142	15,170
Outside services employed	30,941	37,166
Insurance	11,391	8,600
Employee benefits	36,189	21,660
Other general expenses	<u>5,819</u>	<u>5,311</u>
	<u>146,047</u>	<u>117,720</u>
Total operation and maintenance expenses	1,076,341	919,692
Depreciation	<u>889,663</u>	<u>870,969</u>
Total operating expenses	<u>1,966,004</u>	<u>1,790,661</u>
Net operating income	\$ <u><u>493,651</u></u>	<u><u>624,056</u></u>

CITY OF PEWAUKEE  
Enterprise Funds  
Water and Sewer Utility

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2004 and 2003

	2004	2003
Cash flows from operating activities:		
Operating income	\$ 811,578	1,033,749
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,443,373	1,382,589
Decrease (increase) in accounts receivable	96,813	20,586
Decrease (increase) in inventory	(922)	(1,092)
Decrease (increase) in prepaid expenses	(48,186)	-
Increase (decrease) in accounts payable and accrued expenses	232,668	(40,858)
Net cash provided by operating activities	2,535,324	2,394,974
Cash flows from non-capital financing activities:		
Operating transfers to other funds	(325,452)	(287,161)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(3,805,060)	(850,434)
Gain on sale of assets	5,800	-
Reserve capacity assessments received	433,408	185,788
County grants received	45,000	-
Net proceeds of long-term debt	-	1,550,000
Long-term debt retirements	(989,645)	(2,510,372)
Collection of special assessments, net	109,139	771,781
Developer advances on construction, net	(44,725)	92,368
Preliminary design fees for system expansion	(12,546)	(56,760)
Interest and fiscal charges paid on bonds and notes payable	(383,066)	(361,252)
Net cash used by capital and related financing activities	(4,641,695)	(1,178,881)
Cash flows from investing activities:		
Interest received on cash and investments	141,048	142,439
Maturities of securities	2,125,519	1,048,836
Purchases of securities	(4,193,193)	(1,048,836)
Net cash used by investing activities	(1,926,626)	142,439
Net decrease in cash and cash equivalents	(4,358,449)	1,071,371
Cash and cash equivalents, January 1	10,747,037	9,675,666
Cash and cash equivalents, December 31	\$ 6,388,588	10,747,037

CITY OF PEWAUKEE  
Enterprise Funds  
Water and Sewer Utility

ANALYSIS OF UTILITY PLANT IN SERVICE

Years Ended December 31, 2004 and 2003

	Utility Plant				% Rate	Accumulated Depreciation			
	Balance Dec. 31, 2003	Additions	Disposals	Balance Dec. 31, 2004		Balance Dec. 31, 2003	Additions	Disposals	Balance Dec. 31, 2004
<u>Water Utility</u>									
Source of supply plant:									
Wells and springs	\$ 1,013,713	-	-	1,013,713	2.90	281,491	29,397	-	310,888
Supply mains	176,607	-	-	176,607	1.80	37,326	3,179	-	40,505
Pumping plant:									
Land	220,552	-	-	220,552	-	-	-	-	-
Structures and improvements	2,334,635	-	-	2,334,635	3.20	609,318	74,708	-	684,026
Electric pumping equipment	707,636	10,244	7,500	710,380	4.40	68,845	31,196	7,500	92,541
Other pumping equipment	149,569	-	-	149,569	4.40	61,160	6,581	-	67,741
Water treatment plant	23,350	22,406	-	45,756	6.00	14,381	2,073	-	16,454
Transmission and distribution plant:									
Distribution reservoirs and standpipes	1,065,799	-	-	1,065,799	1.90	351,187	20,251	-	371,438
Transmission and distribution mains	14,107,923	1,580,141	-	15,688,064	1.30	1,299,499	193,674	-	1,493,173
Services	2,068,823	204,419	-	2,273,242	2.90	456,403	62,960	-	519,363
Meters	363,145	32,739	2,579	393,305	12.50	198,048	47,278	2,579	242,747
Hydrants	1,725,778	137,319	-	1,863,097	2.20	293,920	39,478	-	333,398
General plant:									
Transportation equipment	149,063	33,317	21,805	160,575	13.30	113,733	20,591	21,805	112,519
Office furniture and equipment	59,054	36,525	-	95,579	Var.	37,687	13,993	-	51,680
Other general equipment	114,581	29,869	-	144,450	Var.	83,249	8,351	-	91,600
Power operating equipment	175	-	-	175	7.50	175	-	-	175
	<u>24,280,403</u>	<u>2,086,979</u>	<u>31,884</u>	<u>26,335,498</u>		<u>3,906,422</u>	<u>553,710</u>	<u>31,884</u>	<u>4,428,248</u>
<u>Sewer Utility</u>									
Buildings and structures	926,907	3,529	-	930,436	2.00	207,679	18,574	-	226,253
Collection sewers	18,607,125	996,242	-	19,603,367	1.00	1,866,391	191,052	-	2,057,443
Force mains	591,426	571	-	591,997	3.33	113,299	19,704	-	133,003
Services	2,449,473	186,409	-	2,635,882	1.00	244,092	25,427	-	269,519
Pumping equipment	1,510,809	6,173	-	1,516,982	5.00	434,978	75,694	-	510,672
Other equipment	162,926	52,945	-	215,871	Var.	126,342	20,607	-	146,949
Treatment plant	10,772,105	-	-	10,772,105	5.00	3,801,151	538,605	-	4,339,756
	<u>35,020,771</u>	<u>1,245,869</u>	<u>-</u>	<u>36,266,640</u>		<u>6,793,932</u>	<u>889,663</u>	<u>-</u>	<u>7,683,595</u>
Construction in progress	964,502	276,601	-	1,241,103		-	-	-	-
Total	\$ <u>60,265,676</u>	<u>3,609,449</u>	<u>31,884</u>	<u>63,843,241</u>		<u>10,700,354</u>	<u>1,443,373</u>	<u>31,884</u>	<u>12,111,843</u>