

**CITY OF PEWAUKEE**

**FINANCIAL STATEMENTS**

**YEAR ENDED DECEMBER 31, 2005**

**CITY OF PEWAUKEE  
FINANCIAL STATEMENTS  
TABLE OF CONTENTS  
December 31, 2005**

<b><u>Basic Financial Statements</u></b>	<b><u>Exhibit</u></b>	<b><u>Page</u></b>
Independent Auditors' Opinion		1
Management's Discussion and Analysis		3
Government-Wide Financial Statements:		
Statement of Net Assets	A	15
Statement of Activities	B	16
Fund Financial Statements:		
Governmental Funds:		
Balance Sheet	C	17
Reconciliation of the Balance Sheet to the Statement of Net Assets	D	18
Statement of Revenues, Expenditures and Changes in Fund Balances	E	19
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances to the Statement of Activities	F	20
General Fund:		
Budgetary Comparison Statement	G	21
Proprietary Funds:		
Statement of Net Assets	H	22
Statement of Revenues, Expenses and Changes in Net Assets	I	23
Statement of Cash Flows	J	24
Agency Fund:		
Statement of Fiduciary Net Assets	K	25
Notes to the Financial Statements		26

**CITY OF PEWAUKEE  
FINANCIAL STATEMENTS  
TABLE OF CONTENTS - Continued  
December 31, 2005**

<b><u>Supporting Schedules</u></b>	<b><u>Schedule</u></b>	<b><u>Page</u></b>
Non-Major Governmental Funds:		
Combining Balance Sheet	1	48
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	2	49
General Fund:		
Statement of Revenues Compared to Budget	3	50
Statement of Expenditures Compared to Budget	4	53
Special Revenue Funds:		
Combining Balance Sheet	5	55
Combining Statement of Revenues, Expenditures and Changes in Fund Balances	6	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Actual and Budget	7	57
Debt Service Fund:		
Balance Sheet	8	58
Statement of Revenues, Expenditures and Changes in Fund Balance - Actual and Budget	9	59
Non-Major Capital Projects Funds:		
Combining Balance Sheet	10	60
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Actual and Budget	11	61
Permanent Fund:		
Statement of Revenues, Expenditures and Changes in Fund Balances – Cemetery Perpetual Care	12	62

**CITY OF PEWAUKEE  
FINANCIAL STATEMENTS  
TABLE OF CONTENTS - Continued  
December 31, 2005**

<b><u>Supporting Schedules - Continued</u></b>	<b><u>Schedule</u></b>	<b><u>Page</u></b>
Enterprise Funds:		
Balance Sheets – Water and Sewer Utility	13	63
Combining Statements of Revenues, Expenses and Changes in Net Assets – Water and Sewer Utility	14	64
Statements of Operating Income and Expenses - Water Utility	15	65
Statements of Operating Income and Expenses - Sewer Utility	16	66
Statements of Cash Flows – Water and Sewer Utility	17	67
Analysis of Utility Plant in Service – Water and Sewer Utility	18	68



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, 2005, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of 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, 2005, 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.

A handwritten signature in black ink that reads "Rotroy Johnson & Company". The signature is written in a cursive, flowing style.

March 28, 2006



## Office of the Mayor

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## MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2005

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, 2005. 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 \$79,506,614 (net assets). Of this amount, \$10,998,207 is considered unrestricted and available to meet the government's ongoing obligations to citizens and creditors.

The City's December 31, 2004 net assets were restated to reflect the initial recording of the City's bridge system in the amount of \$155,368 net of accumulated depreciation. During 2005 the City's net assets increased by \$1,920,016, or 2%. The City's business-type activities increased \$1,643,257 while the governmental activities increased by \$276,759.

At December 31, 2005, the City's governmental funds reported combined ending fund balances of \$9,711,399, a decrease of \$39,859 from the previous year. Of the combined fund balances, \$3,633,480 remains from borrowings from previous years for the purposes of acquiring park land and constructing a fire station. In addition, \$1,472,264 has been reserved for future road construction projects. Unreserved fund balance for the general fund was \$2,259,166 or approximately 23% of general fund expenditures.

During 2005, the City's fixed assets, net of accumulated depreciation, increased from \$75,909,818 to \$76,279,838. This included the retroactive recording of all bridge infrastructure assets, including those existing at January 1, 2005, of \$155,368.

### 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, 2005**

### **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, 2005. 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, 2005**

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 two (general and debt service 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:
  - Road construction
  - Storm water drainage
  - City Hall expansion
  - 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 two major funds – general and debt service. The six special revenue funds, five 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 financial statements for the City's proprietary funds follow the governmental funds and include statements of net assets, revenues, expenses and changes in fund net assets, and cash flows for the City's water and sewer utilities.

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, 2005**

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 – 68, 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 \$79,506,614 and \$77,431,230 at the close of the most recent fiscal years.

**Statement of Net Assets at December 31, 2005 and 2004**  
(in thousands)

	<b>Governmental</b>		<b>Business-Type</b>		<b>Total</b>		<b>Total Change</b>	
	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>2004</b>	<b>2005</b>	<b>Dollars</b>	<b>%</b>
Current and other assets	19,502	19,576	13,572	13,804	33,074	33,380	306	0.9%
Capital assets	24,178	23,993	51,731	52,287	75,909	76,280	371	0.5%
Total assets	43,680	43,569	65,303	66,091	108,983	109,660	677	0.6%
Other liabilities	9,115	9,527	2,158	2,244	11,273	11,771	498	4.4%
Long-term obligations	10,024	9,069	10,255	9,313	20,279	18,382	(1,897)	(9.4%)
Total liabilities	19,139	18,596	12,413	11,557	31,552	30,153	(1,399)	(4.4%)
Net assets:								
Invested in capital assets,								
Net of related debt	19,585	20,882	40,455	42,032	60,040	62,914	2,874	4.8%
Restricted	3,570	3,041	2,473	2,554	6,043	5,595	(448)	(7.4%)
Unrestricted	1,386	1,050	9,962	9,948	11,348	10,998	(350)	(3.1%)
Total net assets	24,541	24,973	52,890	54,534	77,431	79,507	2,076	2.7%

**CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2005**

Total net assets increased by \$1,920,016 during the current fiscal year. Governmental net assets increased by \$276,759 and business-type net assets increased by \$1,643,257. 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 \$1,012,522 and to the sewer utility of \$511,286.

As described earlier, infrastructure assets of the governmental activities reflect the cost of the City's streets and roads, storm sewers and bridges. The largest portion of the City's net assets (79.1%) 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's 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.

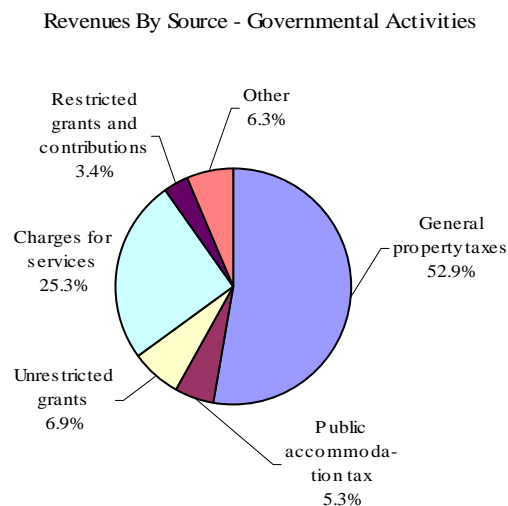
A portion of the year-end net assets is restricted for specific purposes. The restrictions represent legal or contractual limitations on how the assets may be expended. These include development charges, bond and note proceeds, and other collections limited to the repayment of debt. Of the amounts shown as "Restricted net assets", \$4,085,964 has been restricted for future debt service payments.

### **Statement of Activity**

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

Despite a 3% increase in operating expenses and a decrease in capital contributions of \$667,461, the City's net assets from governmental activities increased by \$276,759 in 2005. This was a significant change from 2004 when governmental activity net assets decreased \$351,019. The increase in net assets is primarily attributable to increases in tax revenues, including public accommodation taxes, of \$1,222,397, direct program revenues of \$156,044 and interest earnings of \$137,694.

As shown of the following graph, taxes (general property and public accommodation) totaling \$7,019,216 made up 58.2% of the total governmental revenues during the current fiscal year.



**CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2005**

Program charges for services, which directly offset related program expenses, accounted for \$3,049,277 and \$2,893,233 respectively, for the years ended December 31, 2005 and 2004 and included the following:

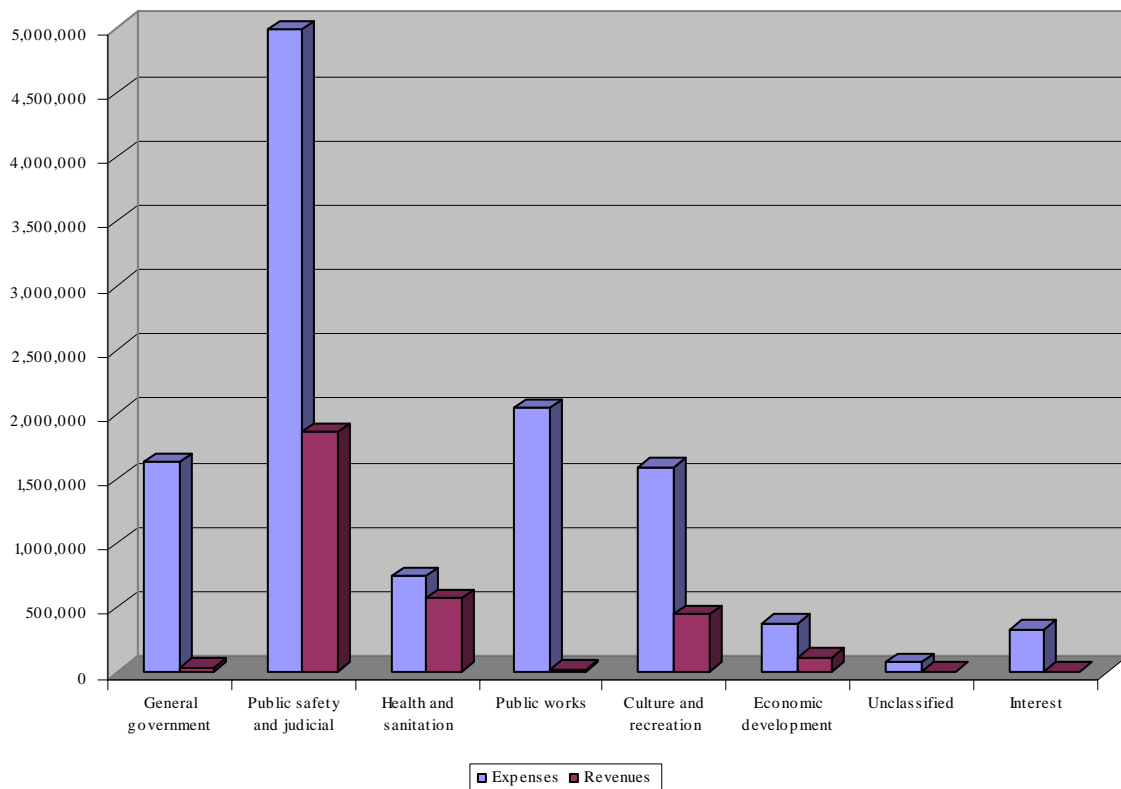
	<u>2005</u>	<u>2004</u>
Public safety and judicial	\$ 1,864,789	1,722,030
Health and sanitation	568,926	555,002
Culture and recreation	445,659	411,179
Economic development	112,125	162,383
Miscellaneous	57,778	42,639

Public safety and judicial charges include shared fire and rescue services with the Village of Pewaukee, court fines, and building related services and permits. Together these accounted for approximately 91% of the increase in program charges for service revenues of \$156,044.

Restricted program grants and contributions include aids received from the State of Wisconsin for fire insurance dues, water safety aids, Pewaukee Lake weed control grants and special assessments levied against benefiting City property owners for road projects finalized in 2005. 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, 2005**

For governmental activity expenses, 42% related to public safety and judicial operations, which includes police protection, fire and rescue protection, building inspection and municipal court operations. An additional 17% was spent for public works, i.e. maintenance of City streets and roads. In addition, the City spent \$1,594,310, or 14%, towards its culture and recreation programs in 2005. 77% of health and sanitation program expenses were directly offset by related revenues. Depreciation of the City assets of \$1,660,094 was allocated to the above activities during 2005 based upon actual usage of the various capital assets, compared to \$1,523,892 in 2004. 62% of the current year depreciation was related to the City's public works operations, the majority of which related to roads, bridges 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 \$1,643,257. Operating expenses include directly allocable interest expense and amortization of debt costs of \$428,083. Net operating income after operating expenses, but before consideration of grants, contributions, general revenues and transfers, included:

	<u>2005</u>	<u>2004</u>
Water operations	\$ 93,042	228,531
Sewer operations	173,989	171,755

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

	<u>Water Operations</u>		<u>Sewer Operations</u>		<u>Total</u>		<u>Total Change</u>	
	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>2004</u>	<u>2005</u>	<u>Dollars</u>	<u>%</u>
User charges	\$ 1,560	1,675	2,460	2,510	4,020	4,185	165	4.1%
Expenses	1,331	1,582	2,288	2,336	3,619	3,918	299	8.3%
Operating income	\$ 229	93	172	174	401	267	(134)	(33.4%)

As reflected above, operating revenues increased by 4.1% during 2005, were offset by an increase in operating expenses of 8.3%. The increase in total operating expenses included the following:

- Sewage treatment costs increased from \$783,733 in 2004 to \$854,775 in 2005, a 9% increase
- Purchased power for pumping increased from \$142,717 in 2004 to \$186,496 in 2005, a 31% increase

In addition the City received capital grants and contributions during 2005 and 2004.

	<u>2005</u>	<u>2004</u>
Developer constructed assets, dedicated to City	\$ 188,262	991,975
Utility constructed assets assessed to property owners	673,726	-
Capacity assessments collected for system expansion	661,820	433,408
Capital grants received	-	45,000
	<u>\$ 1,523,808</u>	<u>1,470,383</u>

**CITY OF PEWAUKEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2005**

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

**Statement of Activities for the Years Ended December 31, 2004 and 2005**  
(in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>		<u>Total Change</u>	
	2004	2005	2004	2005	2004	2005	Dollars	%
<b>REVENUES</b>								
Program revenues:								
Charges for services	\$ 2,893	3,049	4,020	4,185	6,913	7,234	321	4.6%
Operating grants and contributions	207	242	-	-	207	242	35	16.9%
Capital grants and contributions	833	165	1,470	1,524	2,303	1,689	(614)	(26.7%)
General revenues:								
General property taxes	5,229	6,379	-	-	5,229	6,379	1,150	22.0%
Public accommodation taxes	568	641	-	-	568	641	73	12.9%
Unrestricted grants	833	832	-	-	833	832	(1)	(0.1%)
Interest earnings	99	236	151	286	250	522	272	108.8%
Other	95	193	6	-	101	193	92	91.1%
Total revenues	10,757	11,737	5,647	5,995	16,404	17,732	1,328	8.1%
<b>EXPENSES</b>								
General government	1,471	1,627	-	-	1,471	1,627	156	10.6%
Public safety and judicial	4,922	4,990	-	-	4,922	4,990	68	1.4%
Health and sanitation	713	742	-	-	713	742	29	4.1%
Public works	1,799	2,051	-	-	1,799	2,051	252	14.0%
Culture and recreation	1,815	1,594	-	-	1,815	1,594	(221)	(12.2%)
Economic development	358	374	-	-	358	374	16	4.5%
Unclassified	166	75	-	106	166	181	15	9.0%
Interest and fiscal charges	190	335	-	-	190	335	145	76.3%
Water utility operations	-	-	1,331	1,582	1,331	1,582	251	18.9%
Sewer utility operations	-	-	2,288	2,336	2,288	2,336	48	2.1%
Total expenses	11,434	11,788	3,619	4,024	15,053	15,812	759	5.0%
Increase in net assets before transfers	(677)	(51)	2,028	1,971	1,351	1,920	569	42.1%
Transfers	326	328	(326)	(328)	-	-	-	-
Increase in net assets	(351)	277	1,702	1,643	1,351	1,920	569	42.1%
Net assets – beginning of year	25,047	24,696	51,188	52,890	76,235	77,586	1,506	2.0%
Net assets – end of year	\$24,696	24,973	52,890	54,533	77,586	79,506	2,075	2.7%

As previously noted, the City's net assets at January 1, 2005 were restated due to the retroactive reporting of the bridge infrastructure of \$155,368, 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.

**CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2005**

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,711,399. Approximately 33% of this total amount (\$3,183,790) 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 (\$5,643,263) and payment debt service (\$726,050).

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

Road construction	\$ 1,603,329
Fire station construction	3,040,928
Parkland acquisition	999,006

Of the \$3,183,790 unreserved fund balance, the use of \$924,624 or approximately 29%, was restricted to specific types of activities:

2006 budgeted expenditures	\$ 105,653
Future equipment purchases	47,420
Special revenue fund activities	771,551

The general fund balance decreased by \$550,632 during 2005. The approved 2005 budget had anticipated utilizing \$500,000 of general fund surplus. Collections of \$159,325 in omitted taxes and unspent funds for the City's police department of \$158,317 and highway department of \$139,419 were offset by unbudgeted transfers of \$331,531 from the general fund to the City Hall expansion fund.

The debt service fund has a total fund balance of \$726,050, all of which is reserved for the payment of debt service. The fund balance increased \$80,816 primarily due to the collection of substantially more special assessments than had been anticipated.

The City hall expansion project was completed in 2005. Current year expenditures of \$331,531 were financed with a transfer from the general fund. The other governmental fund balances increased by \$429,957 as follows:

Special revenues funds:	
Impact fee	\$ 120,466
Tourism and convention	77,615
Green space facilities	94,483
Cemetery – expendable	(2,900)
Capital projects funds:	
Road construction	350,357
Storm water drainage	(11,161)
Fire station construction	(203,470)
Park land acquisition	3,030
Permanent funds:	
Cemetery – nonexpendable	1,537

**CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2005**

### 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 2005 the City's gross capital assets increased \$3,092,957, 60% of which was related to water and sewer utility plant and equipment. In addition the City acquired \$1,222,617 of general assets which included the completion of the City Hall addition (\$331,531), acquisition of land for a future fire station (\$200,000), payment toward a new fire truck (\$160,000) and purchase of weed harvesting equipment (\$128,295).

**Capital Assets at December 31, 2005  
(in thousands)**

	<b>Governmental Activities</b>	<b>Business-type Activities</b>	<b>Total Government</b>
Land	\$ 1,029	221	1,250
Buildings	8,251	4,379	12,630
Furniture and equipment	5,765	850	6,615
Infrastructure and improvements other than buildings	24,857	59,676	84,533
Construction in progress	435	587	1,022
Total capital assets	40,337	65,713	106,050
Less: Accumulated depreciation	16,344	13,426	29,770
Total net assets	\$ 23,993	52,287	76,280

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	\$ 24,334	51,731	76,065
Additions	1,331	2,829	4,160
Disposals	(12)	(760)	(772)
Depreciation	(1,660)	(1,513)	(3,173)
Ending balance	\$ 23,993	52,287	76,280



**CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2005**

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

General government	\$ 218,726
Public safety	275,164
Public works including infrastructure	1,037,204
Culture and recreation	<u>129,000</u>
	<u>\$ 1,660,094</u>

**Debt Outstanding**

The City had \$20,378,878 in outstanding debt at December 31, 2005, \$1,921,400 of which is due within one year.

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

<b>Governmental:</b>	
General obligation notes	\$ 5,147
General obligation bonds	4,743
Compensated absences	<u>123</u>
	<u>10,013</u>
<b>Business-type:</b>	
Sewerage system revenue bonds	5,542
General obligation bonds	2,897
General obligation notes	1,437
Installment loans	<u>490</u>
	<u>10,366</u>
 Total	 <u>\$ 20,379</u>

Total principal repaid during 2005 was:

Governmental activities	\$ 616,315
Proprietary activities	<u>1,064,584</u>
	<u>\$ 1,680,899</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 2005 full value effect tax rate is again the lowest of all 190 cities in the state and Moody's continues its financial rating of the City at Aa2.

**CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2005**

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 and, (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, 2005, the City's general obligation debt burden is only 12% of its \$123 million dollar capacity to borrow. The recent increased debt burden is due to the need for land and buildings for a new fire station that will house a 24 hour-7 days per week operation of firefighters and EMT/EMS employees on the west side, payments for the construction of a new joint City/ Village of Pewaukee Library which opened in September of 2005, land and buildings for an expanded park/recreation programs, and the cost of the City Hall addition and renovation which was completed in 2005. 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 east side of the City, and various water and sewer projects.

Taxes account for the largest source of operating revenue at 60.6% followed by charges for services at 18.1%. The General Fund saw an increase in expenditures in 2005 due to the inclusion of the joint library's operations. The City of Pewaukee was allowed a waiver to the statutory levy limits, receiving approximately \$578,000 of levy dollars which formerly flowed to the county for the library.

In its transition from a primarily rural town in 1980 to a primarily urban city in 2005, 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 W240N3065 Pewaukee Road, Pewaukee, WI 53072.

CITY OF PEWAUKEE  
STATEMENT OF NET ASSETS  
December 31, 2005

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 4,949,558	7,440,869	12,390,427
Property taxes receivable	4,039,958	-	4,039,958
Other receivables (net)	981,747	1,120,281	2,102,028
Internal balances	605,407	(605,407)	-
Inventories and prepaid expenses	85,477	7,646	93,123
Restricted assets:			
Debt retirement assets:			
Cash and cash equivalents	1,532,394	1,537,625	3,070,019
Investments	-	1,015,945	1,015,945
Capital projects:			
Cash and cash equivalents	6,638,138	-	6,638,138
Non-current assets:			
Fixed assets:			
Land and construction in progress	1,463,842	807,691	2,271,533
Capital assets, net of accumulated depreciation	22,528,768	51,479,537	74,008,305
Special assessments	664,289	3,186,743	3,851,032
Unamortized debt expenses	79,438	17,986	97,424
Deferred expenses	-	81,938	81,938
	<u>\$ 43,569,016</u>	<u>66,090,854</u>	<u>109,659,870</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 1,145,522	586,703	1,732,225
Deferred revenue	7,437,480	-	7,437,480
Current portion of long-term obligations	943,716	942,168	1,885,884
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	9,069,266	9,312,711	18,381,977
Deferred assessments due developers	-	664,950	664,950
Construction contracts payable	-	50,740	50,740
Total liabilities	<u>18,595,984</u>	<u>11,557,272</u>	<u>30,153,256</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	20,881,387	42,032,349	62,913,736
Restricted for:			
Expendable:			
Capital projects	1,242,216	-	1,242,216
Debt service	1,532,394	2,553,570	4,085,964
Other purposes	216,835	-	216,835
Nonexpendable:			
Perpetual care	49,656	-	49,656
Unrestricted	1,050,544	9,947,663	10,998,207
Total net assets	<u>24,973,032</u>	<u>54,533,582</u>	<u>79,506,614</u>
Total liabilities and net assets	<u>\$ 43,569,016</u>	<u>66,090,854</u>	<u>109,659,870</u>

The accompanying notes are an integral part of these financial statements