

CITY OF PEWAUKEE

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2007

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FINANCIAL STATEMENTS
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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, 2007, 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, 2007, 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.

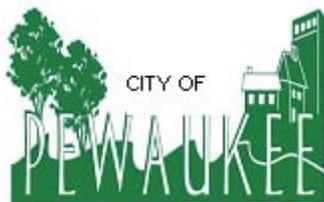
The management discussion and analysis on pages 3 through 14 are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management 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
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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

July 22, 2008

**Office of the Mayor**

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**MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007**

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, 2007. 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 \$99,486,430 (net assets). Of this amount, \$10,408,303 is considered unrestricted and available to meet the government's ongoing obligations to citizens and creditors.

During 2007 the City's net assets increased by \$11,238,156 or 13%. The City's business-type activities increased \$8,404,341 while the governmental activities increased by \$2,833,815.

At December 31, 2007, the City's governmental funds reported combined ending fund balances of \$9,694,980, an increase of \$97,547 from the previous year. Of the combined fund balances, \$3,988,715 has been reserved for future capital projects. Unreserved fund balance for the general fund was \$3,655,522 or approximately 33% of current year general fund expenditures.

During 2007, the City's fixed assets, net of accumulated depreciation, increased from \$84,939,471 to \$95,964,681 including \$7,472,291 of water and sewer utility assets contributed to the City by local developers.

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, 2007

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, 2007. 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, 2007**

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 the general and debt service funds are considered to be "major" funds.

- General
- Special Revenue:
 - Park dedication
 - Impact fee
 - Tourism and convention
 - Green space facilities
 - Public safety grants
 - Expendable cemetery
- Debt Service
- Capital Projects:
 - Road construction
 - Storm water drainage
 - Fire station construction
 - Park land acquisition
 - Sports complex
- 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
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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
- 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 \$99,486,430 and \$88,248,274 at the close of the most recent fiscal years.

Statement of Net Assets at December 31, 2006 and 2007
(in thousands)

	<u>Governmental</u>		<u>Business-Type</u>		<u>Total</u>		<u>Total Change</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>Dollars</u>	<u>%</u>
Current and other assets	19,332	20,259	14,945	13,142	34,277	33,401	(876)	(2.6)%
Capital assets	26,487	28,065	58,452	67,899	84,939	95,964	11,025	13.0%
Total assets	45,819	48,324	73,397	81,041	119,216	129,365	10,149	8.5%
Other liabilities	9,789	10,579	2,529	2,753	12,318	13,332	1,014	8.2%
Long-term obligations	9,611	8,492	9,039	8,055	18,650	16,547	(2,103)	(11.3)%
Total liabilities	19,400	19,071	11,568	10,808	30,968	29,879	(1,089)	(3.5)%
Net assets:								
Invested in capital assets,								
Net of related debt	21,305	23,177	49,139	59,565	70,444	82,742	12,298	17.5%
Restricted	3,270	3,380	2,753	2,956	6,023	6,336	313	5.2%
Unrestricted	1,844	2,696	9,937	7,712	11,781	10,408	(1,373)	(11.6)%
Total net assets	26,419	29,253	61,829	70,233	88,248	99,486	11,238	12.7%

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007**

Total net assets increased by \$11,238,156 during the current fiscal year. Governmental net assets increased by \$2,833,815 and business-type net assets increased by \$8,404,341. 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 \$2,356,030 and to the sewer utility of \$5,591,042.

Capital assets include infrastructure assets of the governmental activities and reflect the cost of the City's streets and roads, storm sewers and bridges. The largest portion of the City's net assets (82.8%) 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.

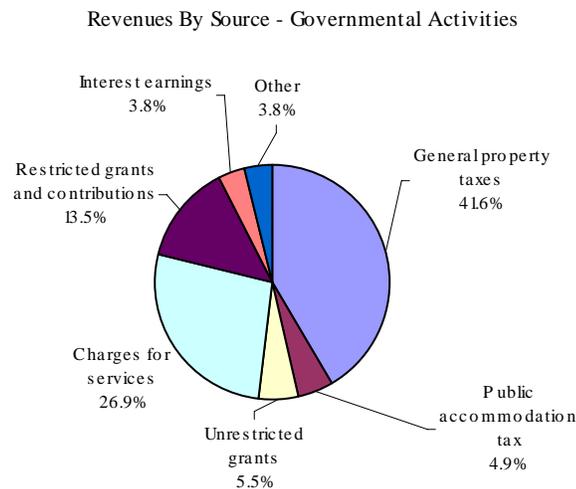
A portion of the year-end net assets is restricted for specific purposes. The restrictions represent legal or contractual limitations on how the assets may be expended. These include development charges, bond and note proceeds, and other collections limited to the repayment of debt. Of the amounts shown as "Restricted net assets", \$3,807,985 has been restricted for future debt service payments.

Statement of Activity

Governmental Activities

Although operating expenses increased 5%, the City's net assets from governmental activities increased \$2,833,815 in 2007. The increase in net assets is primarily attributable to increases in capital contributions of \$819,593 and direct program revenues relating to public safety and judicial of \$558,011 and economic development of \$343,228. In addition, interest earnings totaled \$602,687; a significant increase from the prior year's \$415,875.

As shown of the following graph, taxes (general property and public accommodation) totaling \$7,366,272 made up 46.5% of the total governmental revenues during the current fiscal year.



**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007**

Program charges for services, which directly offset related program expenses, totaled \$4,265,377 and \$3,315,318 respectively, for the years ended December 31, 2007 and 2006 and included the following:

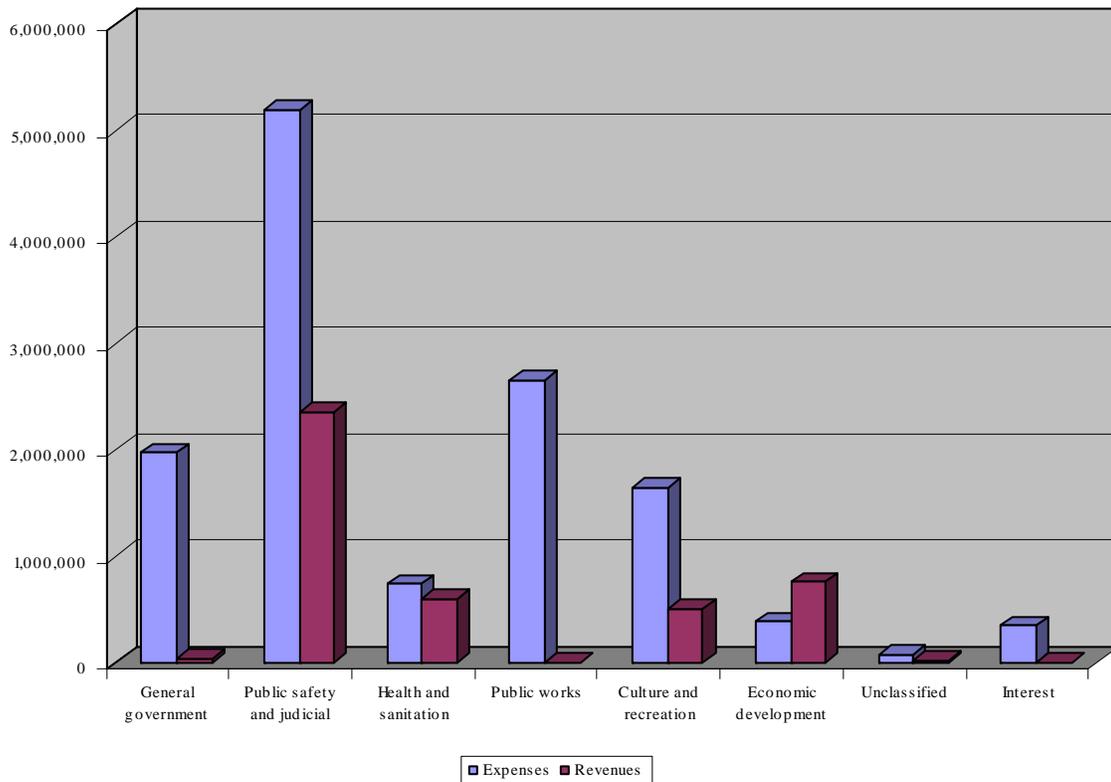
	<u>2007</u>	<u>2006</u>
Public safety and judicial	\$ 2,355,782	1,797,771
Health and sanitation	595,871	582,994
Culture and recreation	503,223	480,656
Economic development	760,072	416,844
Miscellaneous	50,429	37,053

Public safety and judicial charges include shared fire and rescue services with the Village of Pewaukee, court fines, and building related services and permits. Engineering services billed to developers accounted for the increase in economic development revenues.

Restricted program grants and contributions include aids received from the State of Wisconsin for fire insurance dues and water safety aids. They also include infrastructure assets (roads and storm sewers) financed by developers and contributed to 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, the related expenses, and the directly related revenues offsetting these expenses.

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



CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007

For governmental activity expenses, 40% related to public safety and judicial operations, which includes police protection, fire and rescue protection, building inspection and municipal court operations. An additional 20% was spent for public works, i.e. maintenance of City streets and roads. In addition, the City spent \$1,648,102, or 13%, towards its culture and recreation programs in 2007. 81% of health and sanitation program expenses were directly offset by related revenues. Depreciation of the City assets of \$1,693,094 was allocated to the above activities during 2007 based upon actual usage of the various capital assets, compared to \$1,669,877 in 2006. 64% 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 \$8,404,341. Operating expenses include directly allocable interest expense and amortization of debt costs of \$344,296. Net operating income (loss) after operating expenses, but before consideration of grants, contributions, general revenues and transfers, included:

	<u>2007</u>	<u>2006</u>
Water operations	\$ 77,888	(30,765)
Sewer operations	221,578	143,941

Summary of water and sewer operations
(in thousands)

	<u>Water</u> <u>Operations</u>		<u>Sewer</u> <u>Operations</u>		<u>Total</u>		<u>Total Change</u> <u>Dollars</u> <u>%</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006 - 2007</u>	<u>%</u>
User charges	\$ 1,572	1,743	2,560	2,624	4,132	4,367	235	5.7%
Expenses	1,603	1,665	2,416	2,402	4,019	4,067	48	1.2%
Operating income (loss)	\$ (31)	78	144	222	113	300	187	165.5%

The water utility, which had incurred an operating loss of \$30,765 in 2006, generated a profit from operations of \$77,888 in 2007. Operating revenues increased \$170,483, offsetting an increase in operating expenses of 3.9%.

In addition the City received capital grants and contributions during 2007 and 2006.

	<u>2007</u>	<u>2006</u>
Developer constructed assets, dedicated to City	\$ 7,472,291	6,767,156
Capacity assessments collected for system expansion	<u>474,781</u>	<u>322,082</u>
	<u>\$ 7,947,072</u>	<u>7,089,238</u>

CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007

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

Statement of Activities for the Years Ended December 31, 2006 and 2007
(in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>		<u>Total Change</u>	
	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>Dollars</u>	<u>%</u>
REVENUES								
Program revenues:								
Charges for services	\$ 3,315	4,265	4,132	4,366	7,447	8,631	1,184	15.9%
Operating grants and contributions	217	209	-	-	217	209	(8)	(3.7%)
Capital grants and contributions	1,111	1,931	7,089	7,947	8,200	9,878	1,678	20.5%
General revenues:								
General property taxes	6,657	6,595	-	-	6,657	6,595	(62)	(0.9%)
Public accommodation taxes	750	771	-	-	750	771	21	2.8%
Unrestricted grants	886	875	-	-	886	875	(11)	(1.2%)
Interest earnings	416	603	456	510	872	1,113	241	27.6%
Other	163	250	-	-	163	250	87	53.4%
Total revenues	13,515	15,499	11,677	12,823	25,192	28,322	3,130	12.4%
EXPENSES								
General government	1,827	1,974	-	-	1,827	1,974	147	8.0%
Public safety and judicial	4,844	5,195	-	-	4,844	5,195	351	7.2%
Health and sanitation	736	736	-	-	736	736	-	-
Public works	2,715	2,657	-	-	2,715	2,657	(58)	(2.1%)
Culture and recreation	1,514	1,648	-	-	1,514	1,648	134	8.9%
Economic development	371	387	-	-	371	387	16	4.3%
Unclassified	21	75	37	-	58	75	17	29.3%
Interest and fiscal charges	366	345	-	-	366	345	(21)	(5.7%)
Water utility operations	-	-	1,603	1,665	1,603	1,665	66	3.9%
Sewer utility operations	-	-	2,416	2,402	2,416	2,402	(18)	(0.6%)
Total expenses	12,394	13,017	4,056	4,067	16,450	17,084	634	3.9%
Increase (decrease) in net assets before transfers	1,121	2,482	7,621	8,756	8,742	11,238	2,496	28.6%
Transfers	326	352	(326)	(352)	-	-	-	-
Increase in net assets	1,447	2,834	7,295	8,404	8,742	11,238	2,496	28.6%
Net assets – beginning of year	24,973	26,420	54,533	61,828	79,506	88,248	8,742	11.0%
Net assets – end of year	\$26,420	29,254	61,828	70,232	88,248	99,486	11,238	12.7%

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, 2007**

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$9,694,980. Approximately 53% of this total amount (\$5,101,481) 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 (\$3,988,715) and payment debt service (\$390,274).

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

Fire station construction	\$ 2,426,414
Road construction	1,311,577
Sports complex construction	144,566
Storm water drainage improvements	91,208
Park land acquisition and development	14,950

Of the \$5,101,481 unreserved fund balance, the use of \$1,445,959 or approximately 28%, was restricted to specific types of activities:

Special revenue fund activities	\$ 1,390,559
2008 unbudgeted expenditures	55,400

The general fund balance increased by \$646,211 during 2007. This resulted due to a combination of certain revenues exceeding budgets and various departments not spending theirs. The City exceeded its revenue budget by \$153,744 on interest earned on investments, court fines by \$147,630 and building permit revenue by \$114,428. In addition, the City's fire and rescue department expenditures of \$1,756,353 were approximately \$97,000 less than the amount budgeted. Overspending in other departments was offset by related revenues (i.e. engineering costs incurred by the City were charged back and recovered from benefiting developers).

The debt service fund has a total fund balance of \$390,274, all of which is reserved for the payment of future debt service. The fund balance decreased \$203,781 primarily due to increased debt service costs. The approved 2007 budget had anticipated a deficit of \$207,000.

In 2007, the City began construction on a new fire station. Expenditures totaled \$782,667 were financed using funds remaining from a 2004 borrowing. This capital projects fund has a fund balance of \$2,426,414 at December 31, 2007. The fire station is expected to be completion in 2008.

The other governmental total fund balances decreased by \$344,883. The individual fund increases (decreases) are as follows:

Special revenues funds:	
Impact fee	\$ 202,199
Tourism and convention	25,066
Green space facilities	8,743
Cemetery – expendable	5,172
Capital projects funds:	
Road construction	(46,434)
Storm water drainage	1,125
Fire station construction	(679,413)
Park land acquisition	(10,914)
Sports complex	144,566
Permanent funds:	
Cemetery – nonexpendable	5,007

CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2006 the City had invested \$84,939,471 in capital assets, net of accumulated depreciation. During 2007 the City's gross capital assets increased \$11,025,210, 86% of which was related to water and sewer utility plant and equipment. In addition the City acquired \$1,578,117 of general assets which included the initial construction costs related to a new fire station totaling \$782,667. General infrastructure asset additions (roads and storm sewers) included those financed by developers and contributed to the City totaled \$2,044,753.

Capital Assets at December 31, 2007
(in thousands)

	Governmental Activities	Business-type Activities	Total Government
Land	\$ 3,665	220	3,885
Buildings	8,251	7,061	15,312
Furniture and equipment	6,553	854	7,407
Infrastructure and improvements other than buildings	27,860	74,158	102,018
Construction in progress	875	2,409	3,284
Total capital assets	47,204	84,702	131,906
Less: Accumulated depreciation	19,139	16,803	35,942
Total net assets	\$ 28,065	67,899	95,964

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)

	Governmental Activities	Business-type Activities	Total Government
Beginning balance	\$ 26,487	58,452	84,939
Additions	3,331	11,232	14,563
Disposals, net	(60)	-	(60)
Depreciation	(1,693)	(1,785)	(3,478)
Ending balance	\$ 28,065	67,899	95,964

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007**

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

General government	\$ 229,108
Public safety	258,484
Public works including infrastructure	1,084,262
Culture and recreation	<u>121,240</u>
	<u>\$ 1,693,094</u>

Debt Outstanding

The City had \$17,957,986 in outstanding debt, net of unamortized debt issuance costs, at December 31, 2007, \$2,173,751 of which is due within one year.

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

Governmental:	
General obligation notes	\$ 5,225
General obligation bonds	4,235
Compensated absences	<u>164</u>
	<u>9,624</u>
Business-type:	
Sewerage system revenue bonds	4,672
General obligation bonds	2,200
General obligation notes	1,097
Installment loans	413
Less: Unamortized debt costs	<u>(48)</u>
	<u>8,334</u>
 Total	 <u>\$ 17,958</u>

Total principal repaid during 2007 was:

Governmental activities	\$ 1,145,959
Proprietary activities	<u>1,006,496</u>
	<u>\$ 2,152,455</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 tax rate continues to be the lowest of all 190 cities in the state. The financial rating of the City is Aa2.

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2007**

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, 2007, the City's general obligation debt burden is only 9.4% of our \$140 million dollar capacity to borrow. The recent increased debt burden was due to the need for land for a proposed sports complex to house expanded park/recreation programs for the community. 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.

Taxes account for the largest source of operating revenue at 46.5% followed by charges for services at 26.9%. General Fund expenditures in 2007 increased by 5% over General Fund expenditures in 2006.

In its transition from a primarily rural town in 1980 to a primarily urban city in 2007, 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, 2007

	Governmental Activities	Business-type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 7,040,233	5,541,196	12,581,429
Property taxes receivable	4,598,425	-	4,598,425
Other receivables (net)	1,432,394	2,257,502	3,689,896
Internal balances	531,729	(531,729)	-
Inventories and prepaid expenses	149,075	5,561	154,636
Restricted assets:			
Debt retirement assets:			
Cash and cash equivalents	852,056	1,943,228	2,795,284
Investments	-	1,012,701	1,012,701
Capital projects:			
Cash and cash equivalents	5,221,647	-	5,221,647
Non-current assets:			
Fixed assets:			
Land and construction in progress	4,540,718	2,629,586	7,170,304
Capital assets, net of accumulated depreciation	23,524,720	65,269,657	88,794,377
Special assessments	349,638	2,820,870	3,170,508
Unamortized debt expenses	84,018	(1,169)	82,849
Deferred expenses	-	93,666	93,666
Total assets	\$ 48,324,653	81,041,069	129,365,722
Liabilities:			
Current liabilities:			
Accounts payable	\$ 1,698,471	1,731,469	3,429,940
Deferred revenue	7,748,839	-	7,748,839
Current portion of long-term obligations	1,131,615	1,021,318	2,152,933
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	8,492,130	7,312,923	15,805,053
Deferred assessments due developers	-	691,787	691,787
Construction contracts payable	-	50,740	50,740
Total liabilities	19,071,055	10,808,237	29,879,292
Net Assets:			
Invested in capital assets, net of related debt	23,176,872	59,565,002	82,741,874
Restricted for:			
Expendable:			
Capital projects	2,065,055	-	2,065,055
Debt service	852,056	2,955,929	3,807,985
Other purposes	407,683	-	407,683
Nonexpendable:			
Perpetual care	55,530	-	55,530
Unrestricted	2,696,402	7,711,901	10,408,303
Total net assets	29,253,598	70,232,832	99,486,430
Total liabilities and net assets	\$ 48,324,653	81,041,069	129,365,722

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2007

	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	\$ 1,973,754	35,347	-	-	(1,938,407)	-	(1,938,407)
Public safety and judicial	5,194,836	2,355,782	168,988	-	(2,670,066)	-	(2,670,066)
Health and sanitation	735,540	595,871	40,118	-	(99,551)	-	(99,551)
Public works	2,657,499	1,082	-	1,930,728	(725,689)	-	(725,689)
Culture and recreation	1,648,102	503,223	-	-	(1,144,879)	-	(1,144,879)
Economic development	386,803	760,072	-	-	373,269	-	373,269
Unclassified	75,524	14,000	-	-	(61,524)	-	(61,524)
Indirect expenses:							
Interest and other related charges	344,926	-	-	-	(344,926)	-	(344,926)
Total governmental activities	<u>13,016,984</u>	<u>4,265,377</u>	<u>209,106</u>	<u>1,930,728</u>	<u>(6,611,773)</u>	<u>-</u>	<u>(6,611,773)</u>
Business-type activities:							
Water utility	1,664,905	1,742,793	-	2,356,030	-	2,433,918	2,433,918
Sewer utility	2,402,083	2,623,661	-	5,591,042	-	5,812,620	5,812,620
Total business-type activities	<u>4,066,988</u>	<u>4,366,454</u>	<u>-</u>	<u>7,947,072</u>	<u>-</u>	<u>8,246,538</u>	<u>8,246,538</u>
Total primary government	<u>\$ 17,083,972</u>	<u>8,631,831</u>	<u>209,106</u>	<u>9,877,800</u>	<u>(6,611,773)</u>	<u>8,246,538</u>	<u>1,634,765</u>
General revenues:							
Property taxes					6,594,945	-	6,594,945
Public accommodation taxes					771,327	-	771,327
Grants not restricted to specific programs					874,731	-	874,731
Cable television franchise fees					99,956	-	99,956
Interest and investment earnings					602,687	510,014	1,112,701
Miscellaneous					149,731	-	149,731
Transfers					352,211	(352,211)	-
Total general revenues, special items and transfers					<u>9,445,588</u>	<u>157,803</u>	<u>9,603,391</u>
Change in Net Assets					2,833,815	8,404,341	11,238,156
Net Assets - Beginning of Year					26,419,783	61,828,491	88,248,274
Net Assets - End of Year					<u>\$ 29,253,598</u>	<u>70,232,832</u>	<u>99,486,430</u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE
BALANCE SHEET
Governmental Funds
December 31, 2007

	General Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 6,156,538	894,516	6,062,882	13,113,936
Receivables:				
Current taxes	3,624,690	712,971	250,859	4,588,520
Delinquent personal property taxes	9,905	-	-	9,905
Accounts	376,418	-	62,362	438,780
Special assessments	-	349,638	-	349,638
Intergovernmental	330,699	-	-	330,699
Due from other funds	531,729	-	-	531,729
Inventory of supplies	101,805	-	-	101,805
Prepaid expenditures	47,270	-	-	47,270
Total assets	\$ 11,179,054	1,957,125	6,376,103	19,512,282
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	\$ 644,013	-	113,729	757,742
Construction contracts payable	-	-	354,669	354,669
Accrued payroll	252,586	-	-	252,586
Accrued compensated absences	173,219	-	-	173,219
Developer deposits	-	-	42,055	42,055
Other accrued liabilities	45,594	-	-	45,594
Deferred revenue	6,193,740	1,566,851	430,846	8,191,437
Total liabilities	7,309,152	1,566,851	941,299	9,817,302
Fund Balance:				
Reserved for:				
Delinquent personal property taxes	9,905	-	-	9,905
Inventory of supplies	101,805	-	-	101,805
Prepaid expenditures	47,270	-	-	47,270
Debt service	-	390,274	-	390,274
Capital projects	-	-	3,988,715	3,988,715
Perpetual care	-	-	55,530	55,530
Unreserved:				
Designated for:				
Subsequent year's expenditures	55,400	-	684,287	739,687
Undesignated, reported in:				
General fund	3,655,522	-	-	3,655,522
Special revenue funds	-	-	706,272	706,272
Total fund balance	3,869,902	390,274	5,434,804	9,694,980
Total liabilities and fund balance	\$ 11,179,054	1,957,125	6,376,103	19,512,282

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, 2007

Total fund balances - governmental funds	\$	9,694,980
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		
		662,915
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	\$ 47,204,409	
Less: Accumulated depreciation	<u>(19,138,971)</u>	28,065,438
Other long-term assets are not available to pay for current year expenditures and therefore are deferred in the funds.		
		442,598
Accrued compensated absences are not due and payable in the current period and therefore are not reported in the governmental funds.		
		(163,662)
Costs associated with the issuance of long-term debt obligations are reported as expenditures in the governmental funds.		
		84,018
Interest and other payables used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.		
		(72,606)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.		
		<u>(9,460,083)</u>
Total net assets - governmental activities	\$	<u><u>29,253,598</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, 2007

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 5,788,326	1,193,163	586,209	7,567,698
Intergovernmental	1,056,736	-	27,598	1,084,334
Regulation and compliance	1,229,843	-	-	1,229,843
Charges for services	2,520,203	-	246,499	2,766,702
Recreation	250,517	-	-	250,517
Interest	343,744	49,668	209,275	602,687
Miscellaneous	166,600	-	314,195	480,795
Total revenues	<u>11,355,969</u>	<u>1,242,831</u>	<u>1,383,776</u>	<u>13,982,576</u>
Expenditures:				
Current:				
General government	1,794,256	-	-	1,794,256
Public safety and judicial	4,949,341	-	-	4,949,341
Health and sanitation	735,540	-	-	735,540
Public works	1,892,239	-	-	1,892,239
Culture and recreation	1,628,601	-	-	1,628,601
Economic development	-	-	386,803	386,803
Unclassified	58,331	-	7,008	65,339
Capital outlay	-	-	1,277,164	1,277,164
Debt service:				
Principal	-	1,145,959	-	1,145,959
Interest	-	354,769	-	354,769
Total expenditures	<u>11,058,308</u>	<u>1,500,728</u>	<u>1,670,975</u>	<u>14,230,011</u>
Excess (deficiency) of revenues over expenditures	<u>297,661</u>	<u>(257,897)</u>	<u>(287,199)</u>	<u>(247,435)</u>
Other financing sources (uses):				
Transfers in	355,779	54,116	138,600	548,495
Transfers out	-	-	(196,284)	(196,284)
Decrease in reserve for inventory	(7,229)	-	-	(7,229)
Total other financing sources (uses)	<u>348,550</u>	<u>54,116</u>	<u>(57,684)</u>	<u>344,982</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	646,211	(203,781)	(344,883)	97,547
Fund balance, January 1	<u>3,223,691</u>	<u>594,055</u>	<u>5,779,687</u>	<u>9,597,433</u>
Fund balance, December 31	<u>\$ 3,869,902</u>	<u>390,274</u>	<u>5,434,804</u>	<u>9,694,980</u>

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, 2007

Net change in fund balances - total governmental funds	\$	97,547
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.		148,834
Contributed capital assets are not included as revenues in the governmental funds. In the Statement of Activities, however, contributed capital assets are reported at their estimated fair value at the time of acquisition.		1,522,643
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.		(12,303)
Employment settlements using current year resources are reported as expenditures of the current year. In the Statement of Activities, however, these costs were reported in the year the liability was incurred.		20,000
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.		(143,163)
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 purchases (\$1,760,871) exceeds depreciation expense (\$1,693,094)		67,777
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		(13,137)
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.		(10,185)
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.		9,843
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.		<u>1,145,959</u>
Change in net assets of governmental activities	\$	<u><u>2,833,815</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, 2007

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary fund balance, January 1	\$ 3,223,691	3,223,691	3,223,691	-
Resources (inflows):				
Taxes	5,770,300	5,791,180	5,788,326	(2,854)
Intergovernmental	1,051,629	1,057,204	1,056,736	(468)
Regulation and compliance	935,145	1,082,774	1,229,843	147,069
Charges for services	2,115,935	2,611,132	2,520,203	(90,929)
Recreation	223,600	223,600	250,517	26,917
Interest	190,000	190,000	343,744	153,744
Miscellaneous	55,200	127,168	166,600	39,432
Transfers in	350,000	350,000	355,779	5,779
Amounts available for appropriation	<u>13,915,500</u>	<u>14,656,749</u>	<u>14,935,439</u>	<u>278,690</u>
Charges to appropriations (outflows):				
General government	1,730,303	1,964,279	1,794,256	170,023
Public safety and judicial	5,161,407	5,100,332	4,949,341	150,991
Health and sanitation	757,026	757,026	735,540	21,486
Public works	1,317,773	1,863,924	1,892,239	(28,315)
Culture and recreation	1,612,300	1,634,497	1,628,601	5,896
Unclassified	113,000	113,000	58,331	54,669
Non-departmental:				
Decrease in reserve for inventory	-	-	7,229	(7,229)
Total charges to appropriations	<u>10,691,809</u>	<u>11,433,058</u>	<u>11,065,537</u>	<u>367,521</u>
Fund balance, December 31	<u>\$ 3,223,691</u>	<u>3,223,691</u>	<u>3,869,902</u>	<u>646,211</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE
STATEMENT OF NET ASSETS
Proprietary Funds
December 31, 2007

Assets:	
Current assets:	
Cash and cash equivalents	\$ 5,541,196
Other receivables	2,257,502
Inventories and prepaid expenses	5,561
Restricted assets:	
Debt retirement assets:	
Cash and cash equivalents	1,943,228
Investments	1,012,701
Non-current assets:	
Fixed assets:	
Non-depreciable:	
Land	220,552
Construction in progress	2,409,034
Depreciable:	
Buildings	7,060,938
Improvements other than buildings	74,157,995
Furniture and equipment	854,038
Less: Accumulated depreciation	(16,803,314)
Special assessments	2,820,870
Unamortized debt expenses	(1,169)
Deferred expenses	93,666
	93,666
Total assets	\$ 81,572,798
Liabilities:	
Current liabilities:	
Accounts payable	\$ 636,095
Due to general fund	531,729
Construction contracts payable	434,456
Customer advances on construction	614,736
Accrued interest on long-term debt	46,182
Current portion of long-term obligations	1,021,318
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	7,312,923
Deferred assessments due developers	691,787
Long-term contracts payable	50,740
	50,740
Total liabilities	11,339,966
Net Assets:	
Invested in capital assets, net of related debt	59,565,002
Restricted for:	
Expendable:	
Debt service	2,955,929
Unrestricted	7,711,901
	7,711,901
Total net assets	70,232,832
	70,232,832
Total liabilities and net assets	\$ 81,572,798

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, 2007

Operating revenues	\$ <u>4,366,454</u>
Operating expenses:	
Operation and maintenance	1,936,638
Depreciation	1,784,427
Taxes	<u>1,627</u>
Total operating expenses	<u>3,722,692</u>
Operating income	<u>643,762</u>
Nonoperating revenues (expenses):	
Interest income	510,014
Interest expense and fiscal fees	(308,631)
Amortization of deferred refunding costs	(28,025)
Amortization of debt issue expenses	<u>(7,640)</u>
Total nonoperating revenues (expenses)	<u>165,718</u>
Income before contributions and transfers	809,480
Grants and contributions	7,947,072
Transfers out	<u>(352,211)</u>
Change in net assets	8,404,341
Total net assets:	
January 1	<u>61,828,491</u>
December 31	\$ <u><u>70,232,832</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, 2007

Cash flows from operating activities:	
Receipts from customers	\$ 4,379,485
Payments to suppliers	(1,093,419)
Payments to employees	(447,538)
Net cash provided by operating activities	<u>2,838,528</u>
Cash flows from non-capital financing activities:	
Operating transfers to other funds	<u>(352,211)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(4,920,651)
Reserve capacity assessments received	474,781
Long-term debt retirements	(1,006,496)
Collection of special assessments, net	305,238
Collection of developer advances on construction, net	70,112
Preliminary design fees for system expansion	(11,728)
Interest and fiscal charges paid on bonds and notes payable	<u>(313,742)</u>
Net cash used by capital and related financing activities	<u>(5,402,486)</u>
Cash flows from investing activities:	
Interest received on cash and investments	509,329
Maturities of securities	2,151,995
Purchases of securities	(2,093,900)
Net cash provided by investing activities	<u>567,424</u>
Net increase in cash and cash equivalents	(2,348,745)
Cash and cash equivalents, January 1	<u>9,833,169</u>
Cash and cash equivalents, December 31	<u>\$ 7,484,424</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets	
Unrestricted	\$ 5,541,196
Restricted - Debt retirement	1,943,228
	<u>\$ 7,484,424</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 643,762
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,784,427
Changes in assets and liabilities:	
Accounts receivable, net	13,031
Inventories	(721)
Prepaid expenses	2,122
Accounts payable and accrued expenses	395,907
Net cash provided by operating activities	<u>\$ 2,838,528</u>
Schedule of non-cash activities:	
Plant assets contributed by developers	<u>\$ 7,472,291</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE
STATEMENT OF FIDUCIARY NET ASSETS
Agency Fund
December 31, 2007

Assets:	
Cash and cash equivalents	\$ 14,291,238
Taxes receivable	<u>19,741,935</u>
 Total assets	 <u>\$ 34,033,173</u>
 Liabilities:	
Due to other taxing units:	
School districts	\$ 28,245,441
Waukesha County	4,982,281
State of Wisconsin	476,007
Lake Pewaukee Sanitary District	2,099
 Deposits:	
Ditch and erosion	147,620
Holding tank	75,400
Street opening	55,620
Occupancy	41,500
Developer	6,000
Park reservation	<u>1,205</u>
 Total liabilities	 <u>\$ 34,033,173</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 is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported 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.

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
Public Safety Grants 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
Sports Complex 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 2007 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 unrated and 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, 2007, 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 – 2007 tax roll:

Levy:

Tax lien and levy date	December 2007
Tax bills mailed	December 2007

Real property taxes:

Payment in full, or first installment	January 31, 2008
Second installment payable to County	July 31, 2008

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

January 31, 2008

Tax settlements with taxing jurisdictions:

First settlement	January 15, 2008
Second settlement	February 20, 2008
Final settlement	August 20, 2008

Uncollectible personal property tax
charge backs to taxing jurisdictions

April 1, 2009

Tax sale - 2007 delinquent real estate taxes

October 2011

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 4 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, although encouraged, was not required until January 1, 2007, when GASB 34 required the City to retroactively report all major general infrastructure assets acquired since January 1, 1980.

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	4-100 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, 2007 the total liability for retirement payments related to accrued sick time was \$163,662.

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 can only be accrued to a maximum of 150% of the earned benefit based upon the employee's seniority at any point during the year. The liability for earned vacation benefits at December 31, 2007 was \$173,219.

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 \$28,065,438.

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	\$ 9,460,083
Accrued compensated absences	163,662
Accrued interest and other long-term payables	72,606
Unamortized debt discount and issue costs	<u>(84,018)</u>
Combined Adjustment for Long-Term Liabilities	\$ <u>9,612,333</u>

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

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

A. Explanation of Certain 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 \$442,598 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 \$662,915.

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 purchase of long-term capital assets which consumes current financial resources of governmental funds. Purchases of long lived assets are not considered current year expenditures and are not therefore reported in the Statement of Activities. Capital asset additions in 2007 totaled \$1,760,871.

Another significant element of the reconciliation is the repayment of the principal of long-term debt which consumes current financial resources of governmental funds but does not affect net assets. The details of this difference are as follows:

Principal repayments	\$ <u>1,145,959</u>
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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	\$ 9,843
Accrued compensated absences	(13,137)
Accrued claims settlement	20,000
Debt issuance costs	<u>(10,185)</u>
	\$ <u>6,521</u>

Depreciation expense of \$1,693,094 and the net book value of assets disposed of, less trade-in allowances received, of \$12,303 are reported in the Statement of Activities. These do not require the use of current financial resources and are therefore not reported as expenditures in governmental funds."

Long-term special assessment receivables 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. Total collections in 2007 were \$143,163.

The final element of the reconciliation relates to revenues that are reported in statement of activities, including capital assets contributed by developers, but do not provide financial resources in the current year for the governmental funds, totaling \$1,671,477.

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		
Revenues:		
Regulation and compliance	\$ 935,145	1,082,774
Charges for services	2,115,935	2,611,132
Expenditures:		
General government	1,730,303	1,964,279
Public works	1,317,773	1,863,924

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.

(4) Detailed Notes on All Funds

A. Deposits and Investments

At December 31, 2007, idle funds were invested in time and demand deposits of authorized depositories. Such investments are insured in any one banking institution through federal depository insurance funds. Insured amounts are limited to \$100,000 for time and savings accounts and \$100,000 for demand deposit accounts in each institution. The carrying amount of the City's deposits was \$35,902,299, and the bank balance was \$36,860,819. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. Of the bank balance, \$309,874 was covered by federal depository insurance, and \$11,150,214 was invested in an insured account with the State of Wisconsin Local Government Investment Pool. The balance of funds, in the amount of \$25,400,731 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	\$ 12,581,429
Restricted cash, cash equivalents and investments	9,029,632
Per Statement of Fiduciary Net Assets	<u>14,291,238</u>
	<u>\$ 35,902,299</u>

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

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	\$ 3,624,690	-	3,624,690
Debt service fund	712,971	-	712,971
Cemetery – expendable fund	17,221	-	17,221
Road construction fund	210,208	-	210,208
Storm water drainage fund	23,430	-	23,430
Special assessments not yet due	-	<u>349,638</u>	<u>349,638</u>
	<u>\$ 4,588,520</u>	<u>349,638</u>	<u>4,938,158</u>

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

Estimated uncollectible ambulance billings	\$ 77,458
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C. Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2007 was as follows:

	<u>Balance</u> <u>12/01/06</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/07</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 3,665,326	-	-	3,665,326
Construction in progress	<u>306,209</u>	<u>569,183</u>	-	<u>875,392</u>
	<u>3,971,535</u>	<u>569,183</u>	-	<u>4,540,718</u>
Capital Assets Being Depreciated:				
Buildings and improvements	8,250,694	-	-	8,250,694
Land improvements	1,101,751	30,191	-	1,131,942
Equipment	6,097,567	687,387	232,319	6,552,635
Infrastructure	<u>24,702,361</u>	<u>2,044,753</u>	<u>18,694</u>	<u>26,728,420</u>
	<u>40,152,373</u>	<u>2,762,331</u>	<u>251,013</u>	<u>42,663,691</u>
Total capital assets	<u>44,123,908</u>	<u>3,331,514</u>	<u>251,013</u>	<u>47,204,409</u>
Less Accumulated Depreciation:				
Buildings and improvements	(1,998,926)	(208,278)	-	(2,207,204)
Land improvements	(356,677)	(48,293)	-	(404,970)
Equipment	(3,565,795)	(516,588)	(172,016)	(3,910,367)
Infrastructure	<u>(11,715,189)</u>	<u>(919,935)</u>	<u>(18,694)</u>	<u>(12,616,430)</u>
	<u>(17,636,587)</u>	<u>(1,693,094)</u>	<u>(190,710)</u>	<u>(19,138,971)</u>
Capital assets, net of depreciation	<u>\$ 26,487,321</u>	<u>1,638,420</u>	<u>60,303</u>	<u>28,065,438</u>

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

C. Capital Assets - continued

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 229,108
Public safety	258,484
Public works, including infrastructure	1,084,262
Culture and recreation	<u>121,240</u>
	<u>\$ 1,693,094</u>

Capital asset activity in the business type activities for the year ended December 31, 2007 was as follows:

	Balance 12/31/06	Additions	Disposals	Balance 12/31/07
BUSINESS TYPE ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 220,552	-	-	220,552
Construction in process	<u>1,166,697</u>	<u>1,242,337</u>	-	<u>2,409,034</u>
	<u>1,387,249</u>	<u>1,242,337</u>	-	<u>2,629,586</u>
Capital Assets Being Depreciated:				
Buildings	5,286,153	1,774,785	-	7,060,938
Improvements other than buildings	65,944,356	8,214,398	759	74,157,995
Furniture and equipment	<u>854,038</u>	-	-	<u>854,038</u>
	<u>72,084,547</u>	<u>9,989,183</u>	<u>759</u>	<u>82,072,971</u>
Total capital assets	<u>73,471,796</u>	<u>11,231,520</u>	<u>759</u>	<u>84,702,557</u>
Less Accumulated Depreciation:				
Buildings	(1,159,668)	(170,283)	-	(1,329,951)
Improvements other than buildings	(13,439,121)	(1,549,576)	(759)	(14,987,938)
Furniture and equipment	<u>(420,857)</u>	<u>(64,568)</u>	-	<u>(485,425)</u>
	<u>(15,019,646)</u>	<u>(1,784,427)</u>	<u>(759)</u>	<u>(16,803,314)</u>
Capital assets, net of depreciation	<u>\$ 58,452,150</u>	<u>9,447,093</u>	<u>-</u>	<u>67,899,243</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Water utility	\$ 728,402
Sewer utility	<u>1,056,025</u>
	<u>\$ 1,784,427</u>

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

D. Payables

Payables as of December 31, 2007 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>Other Governmental Funds</u>	<u>Total</u>
Accounts payable	\$ 644,013	-	113,729	757,742
Construction contracts payable	-	-	354,669	354,669
Accrued payroll	252,586	-	-	252,586
Accrued compensated absences	173,219	-	-	173,219
Developer deposits	-	-	42,055	42,055
Other accrued liabilities	<u>45,594</u>	<u>-</u>	<u>-</u>	<u>45,594</u>
 Total per fund balance sheet	 1,115,412	 -	 510,453	 1,625,865
Accrued interest	<u>-</u>	<u>72,606</u>	<u>-</u>	<u>72,606</u>
Total per government-wide statement of net assets	<u>\$ 1,115,412</u>	<u>72,606</u>	<u>510,453</u>	<u>1,698,471</u>

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 to the Sports Complex capital projects fund to finance future construction costs. 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	\$ 54,116
Non-major governmental funds- Sports complex	Non-major governmental funds- Tourism and convention	138,600
General	Non-major governmental funds- Tourism and convention	3,568
General	Business-type activities Water utility	<u>352,211</u>
Total per fund statements		548,495
Interfund eliminations		<u>(196,284)</u>
Total per statement of activities		<u>\$ 352,211</u>

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

F. Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2007 was as follows:

	<u>Balance</u> <u>12/31/06</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/07</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Bonds and notes payable:					
General obligation debt	\$ 10,606,042	-	1,145,959	9,460,083	1,131,615
Other liabilities:					
Vested compensated absences	<u>150,525</u>	<u>13,137</u>	-	<u>163,662</u>	-
Total governmental long-term liabilities	<u>\$ 10,756,567</u>	<u>13,137</u>	<u>1,145,959</u>	<u>9,623,745</u>	<u>1,131,615</u>
Business-type Activities:					
Bonds and notes payable:					
General obligation debt	\$ 4,274,035	-	564,599	3,709,436	586,072
Revenue bonds	5,114,178	-	441,897	4,672,281	456,064
Debt discount expenses	<u>(75,501)</u>	-	<u>(28,025)</u>	<u>(47,476)</u>	<u>(20,818)</u>
Total business-type long-term liabilities	<u>\$ 9,312,712</u>	<u>-</u>	<u>978,471</u>	<u>8,334,241</u>	<u>1,021,318</u>

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 \$2,804,890,100. The debt limit as of December 31, 2007, was \$140,244,505. Total general obligation debt outstanding at year-end was \$13,169,519. 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, 2007:

Governmental Activities

	<u>Date of</u> <u>Issue</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rates</u>	<u>Original</u> <u>Indebtedness</u>	<u>Balance</u> <u>12/31/07</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
General obligation debt:						
1998 G.O. note	12/15/98	3/01/08	4.50%	325,000	35,000	35,000
2000 G.O. note	1/31/00	1/31/08	0.00%	93,685	10,410	10,410
2001 G.O. note	1/31/01	1/31/09	4.20%	92,350	22,025	10,786
2001 G.O. note	1/31/01	1/31/09	4.20%	125,700	29,979	14,681
2002 G.O. note	2/01/02	2/01/10	0.00%	131,432	49,287	16,429
2003 G.O. note	8/01/03	3/01/13	2.4 – 3.7%	5,419,893	3,558,116	637,859
2004 G.O. bonds	12/01/04	12/01/24	3.0 – 4.3%	4,851,541	4,235,266	261,450
2006 G.O. note	3/01/06	3/01/16	3.45 – 3.75%	1,660,000	<u>1,520,000</u>	<u>145,000</u>
Total Governmental Activities Debt					\$ <u>9,460,083</u>	<u>1,131,615</u>

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

F. Long-Term Obligations - continued

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,131,615	322,021	1,453,636
2009	1,118,843	288,401	1,407,244
2010	1,154,429	251,456	1,405,885
2011	1,108,456	213,509	1,321,965
2012	904,309	178,124	1,082,433
2013-2017	2,395,519	528,727	2,924,246
2018-2022	1,127,970	255,461	1,383,431
2023-2024	<u>518,942</u>	<u>33,600</u>	<u>552,542</u>
	<u>\$ 9,460,083</u>	<u>2,071,299</u>	<u>11,531,382</u>

Business-type Activities

	<u>Date of</u> <u>Issue</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rates</u>	<u>Original</u> <u>Indebtedness</u>	<u>Balance</u> <u>12/31/07</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
1996 DNR loan	10/09/96	5/01/16	3.21%	\$ 8,049,176	4,672,281	456,064
1998 Installment loan	3/17/98	5/01/16	3.15%	816,870	412,817	40,380
2001 G.O. bonds	3/15/01	12/01/10	4.125 – 4.30%	1,620,000	765,000	260,000
2003 G.O. note	8/01/03	3/01/13	2.4 – 3.7%	1,675,107	1,096,884	197,142
2004 G.O. bonds	12/01/04	12/01/24	3.0 – 4.3%	1,643,459	<u>1,434,735</u>	<u>88,550</u>
Total Business-type Activities Debt				<u>\$ 8,381,717</u>		<u>1,042,136</u>

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2008	\$ 1,042,136	274,166	1,316,302
2009	1,061,463	238,811	1,300,274
2010	1,090,745	201,746	1,292,491
2011	847,220	163,533	1,010,753
2012	798,839	136,384	935,223
2013-2017	2,983,224	317,899	3,301,123
2018-2022	382,030	86,522	468,552
2023-2024	<u>176,060</u>	<u>11,379</u>	<u>187,439</u>
	<u>\$ 8,381,717</u>	<u>1,430,440</u>	<u>9,812,157</u>

**CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS**

(4) Detailed Notes on All Funds - Continued

G. Governmental Activities Net Assets/Fund Balances

Governmental activities net assets reported on the government-wide statement of net assets at December 31, 2007 includes the following:

Governmental Activities	
Invested in capital assets, net of related debt:	
Capital assets, net of accumulated depreciation	\$ 28,065,438
Less: related long-term debt outstanding, excluding	
unspent capital related debt proceeds and non-capital borrowings	<u>(4,888,566)</u>
	23,176,872
Restricted	
Expendable	
Capital projects	2,065,055
Debt service	852,056
Other purposes	407,683
Nonexpendable	
Perpetual care	55,530
Unrestricted	<u>2,696,402</u>
Total Governmental Activities Net Assets	\$ <u>29,253,598</u>

Governmental fund balances reported on the fund financial statements at December 31, 2007 include the following:

Reserved - Major Funds	
General Fund	
Delinquent personal property taxes	\$ 9,905
Inventory of supplies	101,805
Prepaid expenditures	47,270
Debt Service Fund	
Reserved for debt service	390,274
Reserved - Non-Major Funds	
Capital Projects Funds	
Road construction	1,311,577
Storm water drainage projects	91,208
Fire station construction	2,426,414
Park land acquisition	14,950
Sports complex	144,566
Permanent Fund	
Cemetery perpetual care	55,530
Unreserved - Designated for subsequent year expenditures	
Major Funds	
General Fund	55,400
Non-Major Funds	
Special Revenue Funds	
Impact fee	625,287
Green space facilities	59,000

**CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS**

(4) Detailed Notes on All Funds - Continued

G. Governmental Activities Net Assets/Fund Balances - continued

Undesignated:

Major Funds

General Fund	\$ 3,655,522
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Non-Major Funds

Special Revenue Funds

Park dedication	10,859
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Impact fee	105,817
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Tourism and convention	393,821
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Green space facilities	181,913
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Public safety grants	74
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Cemetery – expendable	13,788
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(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 1st 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 2007 was \$4,901,723. During the year the City's required contribution to the plan amounted to \$442,045, which represents 11% of its current year covered payroll of \$4,018,587.

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.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(5) Other Information - Continued

C. Commitments - continued

Business-type Activities - continued

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 were incurred the City of Brookfield made 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, 2007 was \$8,049,176 and the outstanding balance was \$4,672,281. 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, 2007.

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, 2007 the sewage service revenues net of operating expenses, exclusive of depreciation charges, was \$1,516,014. Total debt service requirements on all outstanding debt payable from the wastewater sewer service charge were \$596,413.

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 2007 were \$951,462 and the City received \$183,918 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.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(5) Other Information - Continued

E. Segment Information

The City maintains two enterprise funds which provide water and sewer services. Segment information for the year ended December 31, 2007 is as follows:

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 1,742,793	2,623,661	4,366,454
Expenses:			
Operations and maintenance	828,991	1,107,647	1,936,638
Depreciation expense	728,402	1,056,025	1,784,427
Taxes	1,627	-	1,627
Net operating income	183,773	459,989	643,762
			<u>Total Water and Sewer</u>
Non-operating income:			
Interest income		\$ 510,014	
Non-operating expenses:			
Interest expense and fiscal fees			308,631
Amortization of debt expenses			35,665
Grants and contributions			7,947,072
Transfers to City –			
Property tax equivalent			352,211
Assets:			
Current assets			10,760,188
Capital assets, net of depreciation			67,899,243
Other assets			2,913,367
Total assets			81,572,798
Liabilities:			
Current liabilities			3,284,516
Long-term liabilities			7,363,663
Other liabilities			691,787
Total liabilities			11,339,966
Net assets:			
January 1, 2007			61,828,491
Change in net assets			8,404,341
December 31, 2007:			
Invested in capital assets, net of related debt			59,565,002
Restricted for debt service			2,955,929
Unrestricted			7,711,901
Net cash provided (used) by:			
Operating activities			2,838,528
Non-capital financing activities			(352,211)
Capital and related financing activities			(5,402,486)
Investing activities			567,424
Cash and cash equivalents:			
January 1, 2007			9,833,169
December 31, 2007			7,484,424

**CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS**

(5) Other Information - Continued

F. Contingencies

At December 31, 2007 the City was involved in several matters, which either have or could result in litigation. The City intends to contest the claims vigorously and certain matters have been tendered to the City's insurance carrier. The ultimate outcome of these matters cannot presently be determined. Accordingly, no provision for loss, if any that may result from the resolution of these matters has been made in these financial statements.

SUPPORTING SCHEDULES

CITY OF PEWAUKEE
Non-Major Governmental Funds

COMBINING BALANCE SHEET

December 31, 2007

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Non-Major Funds</u>
Assets:				
Cash and cash equivalents	\$ 1,454,069	4,553,283	55,530	6,062,882
Receivables:				
Current taxes	17,221	233,638		250,859
Accounts	<u>31,240</u>	<u>31,122</u>	<u>-</u>	<u>62,362</u>
Total assets	\$ <u>1,502,530</u>	<u>4,818,043</u>	<u>55,530</u>	<u>6,376,103</u>
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	\$ 80,000	33,729	-	113,729
Construction contracts payable	-	354,669	-	354,669
Developer deposits	-	42,055	-	42,055
Deferred revenues	<u>31,971</u>	<u>398,875</u>		<u>430,846</u>
Total liabilities	<u>111,971</u>	<u>829,328</u>	<u>-</u>	<u>941,299</u>
Fund Balance:				
Reserved for:				
Capital projects	-	3,988,715	-	3,988,715
Perpetual care	-	-	55,530	55,530
Unreserved:				
Designated for subsequent year's expenditures	684,287	-	-	684,287
Undesignated	<u>706,272</u>	<u>-</u>	<u>-</u>	<u>706,272</u>
Total fund balance	<u>1,390,559</u>	<u>3,988,715</u>	<u>55,530</u>	<u>5,434,804</u>
Total liabilities and fund balance	\$ <u>1,502,530</u>	<u>4,818,043</u>	<u>55,530</u>	<u>6,376,103</u>

CITY OF PEWAUKEE
Non-Major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2007

	Special Revenue	Capital Projects	Permanent	Total Non-Major Funds
Revenues:				
Taxes	\$ 539,929	46,280	-	586,209
Intergovernmental	23,106	4,492	-	27,598
Charges for services	241,492	-	5,007	246,499
Interest	49,854	159,421	-	209,275
Miscellaneous	-	314,195	-	314,195
Total revenues	854,381	524,388	5,007	1,383,776
Expenditures:				
Current:				
Economic development	386,803	-	-	386,803
Unclassified	7,008	-	-	7,008
Capital outlay	23,106	1,254,058	-	1,277,164
Total expenditures	416,917	1,254,058	-	1,670,975
Excess (deficiency) of revenues over expenditures	437,464	(729,670)	5,007	(287,199)
Other financing sources (uses):				
Transfers in	-	138,600	-	138,600
Transfers out	(196,284)	-	-	(196,284)
Total other financing sources (uses)	(196,284)	138,600	-	(57,684)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	241,180	(591,070)	5,007	(344,883)
Fund balance, January 1	1,149,379	4,579,785	50,523	5,779,687
Fund balance, December 31	\$ 1,390,559	3,988,715	55,530	5,434,804

CITY OF PEWAUKEE
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2007

	Actual	Budget	Variance: Favorable (Unfavorable)
Taxes:			
General property	\$ 5,544,758	5,544,758	-
Public accommodation	185,118	188,042	(2,924)
Land-use penalties	46,772	46,771	1
Omitted	11,610	11,609	1
Other	68	-	68
	<u>5,788,326</u>	<u>5,791,180</u>	<u>(2,854)</u>
Intergovernmental:			
State shared revenues	396,329	382,461	13,868
Exempt computer aids	80,364	95,450	(15,086)
Fire insurance dues	77,496	87,500	(10,004)
Highway safety aids	21,304	20,000	1,304
Transportation aids	398,670	396,318	2,352
Water safety patrol	28,798	32,000	(3,202)
Tank inspection aids	13,487	6,000	7,487
Police training aids	2,200	3,500	(1,300)
County recycling aids	29,916	28,400	1,516
Community development block grant	5,575	5,575	-
Other	2,597	-	2,597
	<u>1,056,736</u>	<u>1,057,204</u>	<u>(468)</u>
Regulation and compliance:			
Licenses:			
Liquor class A	1,025	700	325
Liquor class B	12,580	13,800	(1,220)
Beer class A wholesale	125	125	-
Special class B licenses	10	40	(30)
Advertising	-	700	(700)
Operator	9,820	6,000	3,820
Cigarette	663	1,000	(337)
Amusement	940	900	40
Hotel and motel	75	80	(5)
Dog and kennel	4,197	6,600	(2,403)

CITY OF PEWAUKEE
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2007

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
Regulation and compliance - continued:			
Permits:			
Building	\$ 384,428	270,000	114,428
Electrical	62,334	60,000	2,334
Plumbing	51,673	40,000	11,673
Erosion	110	-	110
State code stamps	1,650	1,200	450
Sign	4,370	4,000	370
Street opening	6,100	500	5,600
Other	1,986	1,300	686
Fines:			
Court	587,630	587,629	1
Animal	171	200	(29)
Cable TV franchise	<u>99,956</u>	<u>88,000</u>	<u>11,956</u>
	<u>1,229,843</u>	<u>1,082,774</u>	<u>147,069</u>
Charges for services:			
Publication fees	1,119	1,500	(381)
Copies	1,116	1,500	(384)
Administrative fees	784	600	184
Planning and zoning fees	7,800	6,000	1,800
Certified survey maps and plat review fees	2,682	3,000	(318)
Legal review fees	43,772	43,526	246
Engineering review fees	557,447	571,671	(14,224)
Refuse collection	590,533	612,000	(21,467)
House numbers	1,065	700	365
Highway materials and services	-	475	(475)
Culverts	1,082	5,000	(3,918)
Summer lake patrol	14,375	17,000	(2,625)
Winter lake patrol	4,813	9,000	(4,187)
Police sales and copies	2,893	2,000	893
Boat launch fees	10,203	8,000	2,203
Fire runs	7,174	24,500	(17,326)
Fire inspections	48,400	52,300	(3,900)
Ambulance runs	270,548	276,360	(5,812)
Fire and ambulance contracts	596,327	600,000	(3,673)

CITY OF PEWAUKEE
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2007

	Actual	Budget	Variance: Favorable (Unfavorable)
Charges for services - continued:			
Police services	\$ 2,208	900	1,308
Private fire protection plan	1,870	2,000	(130)
Management services	42,000	42,000	-
SEWRPC services	11,611	10,800	811
Building inspection contract	108,555	75,000	33,555
Park equipment usage fees	7,908	8,000	(92)
Park and recreation contracts	183,918	237,300	(53,382)
	<u>2,520,203</u>	<u>2,611,132</u>	<u>(90,929)</u>
Recreation:			
Program fees	125,385	98,000	27,385
Land O' Leagues	51,130	48,000	3,130
Field trips	28,137	30,000	(1,863)
Club use fees	10,761	10,000	761
Reservation fees	27,043	25,000	2,043
WPRA ticket sales	6,525	10,000	(3,475)
Brochure advertising	1,536	2,600	(1,064)
	<u>250,517</u>	<u>223,600</u>	<u>26,917</u>
Interest:			
Investments	335,714	190,000	145,714
Other	8,030	-	8,030
	<u>343,744</u>	<u>190,000</u>	<u>153,744</u>
Miscellaneous:			
Rent:			
Water and sewer utility	34,000	34,000	-
Other	7,196	3,700	3,496
Recycling	5,338	4,000	1,338
Sale of assets	6,000	13,000	(7,000)
Insurance recoveries	84,721	71,968	12,753
Gifts and donations	13,185	-	13,185
Insurance dividend	13,082	-	13,082
Other	3,078	500	2,578
	<u>166,600</u>	<u>127,168</u>	<u>39,432</u>
Total revenues	<u>\$ 11,355,969</u>	<u>11,083,058</u>	<u>272,911</u>

CITY OF PEWAUKEE
General Fund

STATEMENT OF EXPENDITURES COMPARED TO BUDGET

Year Ended December 31, 2007

	Actual	Budget	Variance: Favorable (Unfavorable)
General government:			
Mayor	\$ 9,684	10,021	337
Common council	45,544	46,354	810
Police commission	879	1,302	423
Public works commission	22	700	678
Administration	118,471	126,753	8,282
Human resources	52,057	54,115	2,058
Clerk/ treasurer	288,130	309,042	20,912
Assessor	217,092	242,457	25,365
Board of review	414	822	408
Outside services	439,799	479,018	39,219
Elections	13,934	19,180	5,246
Facilities	192,271	192,272	1
Information technology	204,680	231,688	27,008
Insurance	141,124	178,000	36,876
Plan commission	69,440	69,365	(75)
Board of appeals	715	3,190	2,475
	<u>1,794,256</u>	<u>1,964,279</u>	<u>170,023</u>
Public safety and judicial:			
Municipal court	92,592	93,192	600
Law enforcement	2,814,029	2,837,609	23,580
Fire and rescue	1,756,353	1,853,581	97,228
Building services	286,367	315,950	29,583
	<u>4,949,341</u>	<u>5,100,332</u>	<u>150,991</u>
Health and sanitation:			
Animal control	6,699	7,000	301
Weed, lake and wetlands	92,239	99,900	7,661
Refuse collection and recycling	636,602	650,126	13,524
	<u>735,540</u>	<u>757,026</u>	<u>21,486</u>

CITY OF PEWAUKEE
 General Fund

STATEMENT OF EXPENDITURES COMPARED TO BUDGET

Year Ended December 31, 2007

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
Public works:			
Engineering	\$ 877,914	845,252	(32,662)
Safety program	5,152	9,500	4,348
Highway and transportation	1,009,173	1,009,172	(1)
	<u>1,892,239</u>	<u>1,863,924</u>	<u>(28,315)</u>
Culture and recreation:			
Library	677,139	662,139	(15,000)
Parks	549,040	549,040	-
Recreation	402,422	423,318	20,896
	<u>1,628,601</u>	<u>1,634,497</u>	<u>5,896</u>
Unclassified	<u>58,331</u>	<u>113,000</u>	<u>54,669</u>
Total expenditures	<u>\$ 11,058,308</u>	<u>11,433,058</u>	<u>374,750</u>

CITY OF PEWAUKEE
Special Revenue Funds

COMBINING BALANCE SHEET

December 31, 2007

	Park Dedication	Impact Fee	Tourism and Convention	Green Space Facilities	Public Safety Grants	Cemetery	Total
Assets:							
Cash and cash equivalents	\$ 10,859	731,104	442,581	240,913	2,645	25,967	1,454,069
Taxes receivable	-	-	-	-	-	17,221	17,221
Accounts receivable	-	-	31,240	-	-	-	31,240
Total assets	\$ 10,859	731,104	473,821	240,913	2,645	43,188	1,502,530
Liabilities and Fund Balance:							
Liabilities:							
Accounts payable	\$ -	-	80,000	-	-	-	80,000
Deferred revenues	-	-	-	-	2,571	29,400	31,971
Total liabilities	-	-	80,000	-	2,571	29,400	111,971
Fund balance:							
Unreserved:							
Designated for subsequent year's expenditures	-	625,287	-	59,000	-	-	684,287
Undesignated	10,859	105,817	393,821	181,913	74	13,788	706,272
Total fund balance	10,859	731,104	393,821	240,913	74	13,788	1,390,559
Total liabilities and fund balance	\$ 10,859	731,104	473,821	240,913	2,645	43,188	1,502,530

CITY OF PEWAUKEE
Special Revenue Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2007

	Park Dedication	Impact Fee	Tourism and Convention	Green Space Facilities	Public Safety Grants	Cemetery	Total
Revenues:							
Public accommodation tax	\$ -	-	539,929	-	-	-	539,929
Intergovernmental:							
Federal public safety grant	-	-	-	-	3,706	-	3,706
State public safety grant	-	-	-	-	19,400	-	19,400
Charges for services:							
Fees in lieu of land dedications	54,000	-	-	-	-	-	54,000
Impact fees	-	178,499	-	-	-	-	178,499
Interment fees	-	-	-	-	-	6,500	6,500
Lot sales	-	-	-	-	-	2,493	2,493
Interest earnings	116	23,700	14,108	8,743	-	3,187	49,854
Total revenues	<u>54,116</u>	<u>202,199</u>	<u>554,037</u>	<u>8,743</u>	<u>23,106</u>	<u>12,180</u>	<u>854,381</u>
Expenditures:							
Economic development:							
Tourism	-	-	386,803	-	-	-	386,803
Unclassified	-	-	-	-	-	7,008	7,008
Capital outlay:							
Public safety expenditures	-	-	-	-	15,903	-	15,903
EMS expenditures	-	-	-	-	7,203	-	7,203
Total expenditures	<u>-</u>	<u>-</u>	<u>386,803</u>	<u>-</u>	<u>23,106</u>	<u>7,008</u>	<u>416,917</u>
Excess of revenues over expenditures	<u>54,116</u>	<u>202,199</u>	<u>167,234</u>	<u>8,743</u>	<u>-</u>	<u>5,172</u>	<u>437,464</u>
Other financing uses:							
Transfer to general fund	-	-	(3,568)	-	-	-	(3,568)
Transfer to debt service fund	(54,116)	-	-	-	-	-	(54,116)
Transfer to capital projects	-	-	(138,600)	-	-	-	(138,600)
	<u>(54,116)</u>	<u>-</u>	<u>(142,168)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(196,284)</u>
Excess of revenues over expenditures and other financing uses	-	202,199	25,066	8,743	-	5,172	241,180
Fund balance, January 1	<u>10,859</u>	<u>528,905</u>	<u>368,755</u>	<u>232,170</u>	<u>74</u>	<u>8,616</u>	<u>1,149,379</u>
Fund balance, December 31	<u>\$ 10,859</u>	<u>731,104</u>	<u>393,821</u>	<u>240,913</u>	<u>74</u>	<u>13,788</u>	<u>1,390,559</u>

CITY OF PEWAUKEE
Special Revenue Funds

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

Year Ended December 31, 2007

	Park Dedicator		Impact Fee		Tourism and Conventior		Green Space		Total	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Revenues:										
Public accommodation tax:	\$ -	-	-	-	539,929	547,000	-	-	539,929	547,000
Bike trail grants	-	-	-	-	-	-	-	484,000	-	484,000
Charges for services										
In lieu of land dedications:	54,000	50,000	-	-	-	-	-	-	54,000	50,000
Impact fees	-	-	178,499	120,000	-	-	-	-	178,499	120,000
Interest earnings	116	500	23,700	8,000	14,108	2,000	8,743	4,000	46,667	14,500
Total revenues:	<u>54,116</u>	<u>50,500</u>	<u>202,199</u>	<u>128,000</u>	<u>554,037</u>	<u>549,000</u>	<u>8,743</u>	<u>488,000</u>	<u>819,095</u>	<u>1,215,500</u>
Expenditures:										
Economic development										
Tourism	-	-	-	-	386,803	379,442	-	-	386,803	379,442
Capital outlay										
Bike trail	-	-	-	-	-	-	-	675,250	-	675,250
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>386,803</u>	<u>379,442</u>	<u>-</u>	<u>675,250</u>	<u>386,803</u>	<u>1,054,692</u>
Excess (deficiency) of revenues over expenditure	<u>54,116</u>	<u>50,500</u>	<u>202,199</u>	<u>128,000</u>	<u>167,234</u>	<u>169,558</u>	<u>8,743</u>	<u>(187,250)</u>	<u>432,292</u>	<u>160,808</u>
Other financing uses:										
Transfer to general fund	-	-	-	-	(3,568)	-	-	-	(3,568)	-
Transfer to capital projects fund	-	-	-	-	(138,600)	-	-	-	(138,600)	-
Transfer to debt service fund	(54,116)	(48,747)	-	-	-	-	-	-	(54,116)	(48,747)
	<u>(54,116)</u>	<u>(48,747)</u>	<u>-</u>	<u>-</u>	<u>(142,168)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(196,284)</u>	<u>(48,747)</u>
Excess of revenues over expenditures and other financing uses	-	<u>1,753</u>	<u>202,199</u>	<u>128,000</u>	<u>25,066</u>	<u>169,558</u>	<u>8,743</u>	<u>(187,250)</u>	<u>236,008</u>	<u>112,061</u>
Fund balance, January 1	<u>10,859</u>		<u>528,905</u>		<u>368,755</u>		<u>232,170</u>		<u>1,140,689</u>	
Fund balance, December 31	\$ <u>10,859</u>		<u>731,104</u>		<u>393,821</u>		<u>240,913</u>		<u>1,376,697</u>	

CITY OF PEWAUKEE
Debt Service Fund

BALANCE SHEET

December 31, 2007

Assets:

Cash and temporary investments	\$	894,516
Receivables:		
Taxes		712,971
Special assessments		<u>349,638</u>
Total assets	\$	<u><u>1,957,125</u></u>

Liabilities and Fund Balance:

Liabilities:

Deferred revenues:

Current tax levy	\$	1,217,213
Long-term special assessments		<u>349,638</u>

Total liabilities 1,566,851

Fund balance:

 Reserved for debt service 390,274

Total fund balance 390,274

Total liabilities and fund balance \$ 1,957,125

CITY OF PEWAUKEE
Debt Service Fund

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

Year Ended December 31, 2007

	Actual	Budget	Variance: Favorable (Unfavorable)
Revenues:			
Taxes:			
General tax levy	\$ 1,050,000	1,050,000	-
Special assessments	143,163	185,000	(41,837)
Interest earnings	49,668	10,000	39,668
	1,242,831	1,245,000	(2,169)
Total revenues			
Expenditures:			
Debt service:			
Principal	1,145,959	1,145,826	(133)
Interest	354,769	355,004	235
	1,500,728	1,500,830	102
Total expenditures			
Excess (deficiency) of revenues over expenditures	(257,897)	(255,830)	(2,067)
Other financing sources:			
Transfer from park dedication fund	54,116	48,747	5,369
	54,116	48,747	5,369
Excess (deficiency) of revenues and other financing sources over expenditures	(203,781)	(207,083)	3,302
Fund balance, January 1	594,055		
Fund balance, December 31	\$ 390,274		

CITY OF PEWAUKEE
Capital Projects Funds

COMBINING BALANCE SHEET

December 31, 2007

	Road Construction	Storm Water Drainage	Fire Station Construction	Park Land Acquisition	Sports Complex	Total
Assets:						
Cash and temporary investments	\$ 1,504,807	107,778	2,769,413	14,950	156,335	4,553,283
Taxes receivable	210,208	23,430	-	-	-	233,638
Accounts receivable	28,444	-	-	-	2,678	31,122
Total assets	\$ 1,743,459	131,208	2,769,413	14,950	159,013	4,818,043
Liabilities and Fund Balance:						
Liabilities:						
Accounts payable	\$ 19,282	-	-	-	14,447	33,729
Construction contracts payable	11,670	-	342,999	-	-	354,669
Developer deposits	42,055	-	-	-	-	42,055
Deferred revenues	358,875	40,000	-	-	-	398,875
Total liabilities	431,882	40,000	342,999	-	14,447	829,328
Fund balance:						
Reserved for capital projects	1,311,577	91,208	2,426,414	14,950	144,566	3,988,715
Total liabilities and fund balance	\$ 1,743,459	131,208	2,769,413	14,950	159,013	4,818,043

CITY OF PEWAUKEE
Capital Projects Funds

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

Year Ended December 31, 2007

	Road Construction		Storm Water Drainage		Fire Station Construction		Park Land Acquisition		Sports Complex		Total	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Revenues:												
Taxes:												
Public accommodation tax	\$ -	-	-	-	-	-	-	-	46,280	46,400	46,280	46,400
Intergovernmental:												
Local road improvement grant	-	22,625	-	-	-	-	-	-	-	-	-	22,625
DNR storm water grant	-	-	4,492	-	-	-	-	-	-	-	4,492	-
Interest earnings	49,391	30,000	3,350	1,000	103,254	84,000	754	-	2,672	-	159,421	115,000
Miscellaneous:												
Developer contributions	314,195	-	-	-	-	-	-	-	-	-	314,195	-
Total revenues	<u>363,586</u>	<u>52,625</u>	<u>7,842</u>	<u>1,000</u>	<u>103,254</u>	<u>84,000</u>	<u>754</u>	<u>-</u>	<u>48,952</u>	<u>46,400</u>	<u>524,388</u>	<u>184,025</u>
Expenditures:												
Fire station construction	-	-	-	-	782,667	-	-	-	-	-	782,667	-
Road construction	410,020	985,000	-	-	-	-	-	-	-	-	410,020	985,000
Park land expenditures	-	-	-	-	-	-	11,668	22,430	-	-	11,668	22,430
Storm water studies	-	-	-	21,500	-	-	-	-	-	-	-	21,500
Storm water improvements	-	-	6,717	25,000	-	-	-	-	-	-	6,717	25,000
Sports complex	-	-	-	-	-	-	-	-	42,986	50,000	42,986	50,000
Total expenditures	<u>410,020</u>	<u>985,000</u>	<u>6,717</u>	<u>46,500</u>	<u>782,667</u>	<u>-</u>	<u>11,668</u>	<u>22,430</u>	<u>42,986</u>	<u>50,000</u>	<u>1,254,058</u>	<u>1,103,930</u>
Excess (deficiency) of revenues over expenditures	<u>(46,434)</u>	<u>(932,375)</u>	<u>1,125</u>	<u>(45,500)</u>	<u>(679,413)</u>	<u>84,000</u>	<u>(10,914)</u>	<u>(22,430)</u>	<u>5,966</u>	<u>(3,600)</u>	<u>(729,670)</u>	<u>(919,905)</u>
Other financing sources:												
Transfer from other funds	-	-	-	-	-	-	-	-	138,600	3,600	138,600	3,600
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>138,600</u>	<u>3,600</u>	<u>138,600</u>	<u>3,600</u>
Excess (deficiency) of revenues and other financing sources over expenditures	<u>(46,434)</u>	<u>(932,375)</u>	<u>1,125</u>	<u>(45,500)</u>	<u>(679,413)</u>	<u>84,000</u>	<u>(10,914)</u>	<u>(22,430)</u>	<u>144,566</u>	<u>-</u>	<u>(591,070)</u>	<u>(916,305)</u>
Fund balance, January 1	<u>1,358,011</u>		<u>90,083</u>		<u>3,105,827</u>		<u>25,864</u>		<u>-</u>		<u>4,579,785</u>	
Fund balance, December 31	<u>\$ 1,311,577</u>		<u>91,208</u>		<u>2,426,414</u>		<u>14,950</u>		<u>144,566</u>		<u>3,988,715</u>	

CITY OF PEWAUKEE
Permanent Fund - Cemetery Perpetual Care
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Year Ended December 31, 2007

Revenues:		
Charges for services:		
Perpetual care	\$	5,007
Expenditures:		
Unclassified:		<u> -</u>
Excess of revenues over expenditures		5,007
Fund balance, January 1		<u>50,523</u>
Fund balance, December 31	\$	<u><u>55,530</u></u>

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

BALANCE SHEETS

December 31, 2007 and 2006

	2007	2006
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 5,541,196	8,151,377
Restricted assets:		
Debt retirement assets:		
Cash and cash equivalents	1,943,228	1,681,792
Investments	1,012,701	1,070,796
Receivables:		
Accounts	1,105,120	1,008,919
Special assessments	73,601	87,964
Accrued interest	3,615	2,930
Due from general fund	20,235	9,279
Other	42,133	162,321
Developers	1,033,033	-
Inventory of supplies	4,381	3,660
Prepaid expenses	1,180	3,302
	10,780,423	12,182,340
Total current assets		
Fixed assets:		
Land	220,552	220,552
Buildings	7,060,938	5,286,153
Improvements other than buildings	74,157,995	65,944,356
Furniture and equipment	854,038	854,038
Construction in progress	2,409,034	1,166,697
	84,702,557	73,471,796
Less: Accumulated depreciation	16,803,314	15,019,646
Net fixed assets	67,899,243	58,452,150
Other assets:		
Long-term portion of special assessments receivable	2,820,870	3,074,268
Unamortized debt discount and issue expenses	(1,169)	6,471
Deferred expenses	93,666	81,938
	2,913,367	3,162,677
Total other assets		
Total assets	\$ 81,593,033	73,797,167

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

BALANCE SHEETS

December 31, 2007 and 2006

	2007	2006
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 626,713	383,267
Due to general fund	551,964	400,352
Due to City of Waukesha	8,674	7,942
Construction contracts payable	434,456	562,845
Customer advances on construction	614,736	544,624
Accrued interest on long-term debt	46,182	51,293
Other accrued expenses	708	591
Current portion of long-term debt	1,042,136	1,006,496
Less: current portion of deferred amount on refunding	(20,818)	(28,025)
Total current liabilities	3,304,751	2,929,385
Long-term liabilities (net of current portion):		
General obligation debt	3,123,364	3,709,436
Sewerage system revenue bonds	4,216,217	4,672,281
Construction contracts payable	50,740	50,740
Less: deferred amount on refunding	(26,658)	(47,476)
Other liabilities:		
Deferred assessments due to developers	691,787	654,310
Total liabilities	11,360,201	11,968,676
Net assets:		
Invested in capital assets, net of related debt	59,565,002	49,139,438
Restricted for debt service	2,955,929	2,752,588
Unrestricted	7,711,901	9,936,465
Total net assets	70,232,832	61,828,491
Total liabilities and net assets	\$ 81,593,033	73,797,167

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

Years Ended December 31, 2007 and 2006

	2007			2006
	Water	Sewer	Combined	Combined
Operating revenues	\$ 1,742,793	2,623,661	4,366,454	4,132,635
Operating expenses:				
Operation and maintenance	828,991	1,107,647	1,936,638	2,024,453
Depreciation	728,402	1,056,025	1,784,427	1,611,180
Taxes	1,627	-	1,627	1,412
Total operating expenses	1,559,020	2,163,672	3,722,692	3,637,045
Operating income	\$ 183,773	459,989	643,762	495,590
Nonoperating revenues (expenses):				
Interest income			510,014	456,023
Interest expense and fiscal fees			(308,631)	(335,384)
Loss on the disposal of fixed assets			-	(37,040)
Amortization of deferred refunding costs			(28,025)	(35,516)
Amortization of debt issue expenses			(7,640)	(11,514)
Total nonoperating revenues (expenses)			165,718	36,569
Income before contributions and transfers			809,480	532,159
Grants and contributions			7,947,072	7,089,238
Transfers out			(352,211)	(326,488)
Change in net assets			8,404,341	7,294,909
Total net assets, January 1			61,828,491	54,533,582
Total net assets, December 31			\$ 70,232,832	61,828,491

CITY OF PEWAUKEE
Enterprise Fund
Water Utility

STATEMENTS OF OPERATING INCOME AND EXPENSES

Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>Operating revenues</u>		
Sale of water:		
Residential	\$ 650,893	634,490
Commercial	416,002	390,836
Industrial	84,816	91,304
Public authorities	<u>3,407</u>	<u>2,740</u>
	1,155,118	1,119,370
Public fire protection	518,508	386,310
Private fire protection	60,847	58,592
Customer's forfeited discounts	4,197	2,615
Other revenue	<u>4,123</u>	<u>5,423</u>
Total operating revenues	<u>1,742,793</u>	<u>1,572,310</u>
 <u>Operating expenses</u>		
Plant operation and maintenance:		
Salaries and wages	165,429	169,986
Transportation expense	21,979	24,298
Power purchased for pumping	196,479	166,102
Chemicals	76,363	51,916
Operating supplies	56,719	50,057
Repairs of water plant	<u>88,158</u>	<u>96,819</u>
	<u>605,127</u>	<u>559,178</u>
General operating expenses:		
Administrative salaries	65,644	63,361
Office supplies and expenses	15,142	13,999
Outside services employed	43,562	54,819
Insurance	14,951	18,527
Employee benefits	66,546	85,696
Other general expenses	<u>18,019</u>	<u>16,149</u>
	<u>223,864</u>	<u>252,551</u>
Total operation and maintenance expenses	828,991	811,729
Depreciation	728,402	668,697
Taxes	<u>1,627</u>	<u>1,412</u>
Total operating expenses	<u>1,559,020</u>	<u>1,481,838</u>
Net operating income	<u>\$ 183,773</u>	<u>90,472</u>

CITY OF PEWAUKEE
Enterprise Fund
Sewer Utility

STATEMENTS OF OPERATING INCOME AND EXPENSES

Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
<u>Operating revenues</u>		
Sewer service charges:		
Residential	\$ 1,429,151	1,401,390
Commercial	1,027,584	1,000,518
Industrial	150,460	143,294
Public authorities	4,889	4,778
Other revenue	<u>11,577</u>	<u>10,345</u>
Total operating revenues	<u>2,623,661</u>	<u>2,560,325</u>
 <u>Operating expenses</u>		
Plant operation and maintenance:		
Sewage treatment charges	817,096	843,281
Salaries and wages	54,321	48,006
Power purchased for pumping	28,276	22,279
Supplies and expenses	12,780	20,633
Maintenance	<u>27,519</u>	<u>95,482</u>
	<u>939,992</u>	<u>1,029,681</u>
General operating expenses:		
Administrative salaries	65,644	63,361
Office supplies and expenses	23,210	19,270
Outside services employed	15,877	31,167
Insurance	14,952	18,528
Employee benefits	29,954	34,568
Other general expenses	<u>18,018</u>	<u>16,149</u>
	<u>167,655</u>	<u>183,043</u>
Total operation and maintenance expenses	1,107,647	1,212,724
Depreciation	<u>1,056,025</u>	<u>942,483</u>
Total operating expenses	<u>2,163,672</u>	<u>2,155,207</u>
Net operating income	\$ <u><u>459,989</u></u>	<u><u>405,118</u></u>

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2007 and 2006

	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:		
Receipts from customers	\$ 4,379,485	3,963,864
Payments to suppliers	(1,093,419)	(1,762,716)
Payments to employees	(447,538)	(464,978)
Net cash provided by operating activities	<u>2,838,528</u>	<u>1,736,170</u>
Cash flows from non-capital financing activities:		
Operating transfers to other funds	<u>(352,211)</u>	<u>(326,488)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(4,920,651)	(489,141)
Reserve capacity assessments received	474,781	322,082
Long-term debt retirements	(1,006,496)	(977,682)
Collection of special assessments, net	305,238	113,311
Collection of developer advances on construction, net	70,112	398,070
Preliminary design fees for system expansion	(11,728)	-
Interest and fiscal charges paid on bonds and notes payable	<u>(313,742)</u>	<u>(339,939)</u>
Net cash used by capital and related financing activities	<u>(5,402,486)</u>	<u>(973,299)</u>
Cash flows from investing activities:		
Interest received on cash and investments	509,329	473,143
Maturities of securities	2,151,995	2,051,124
Purchases of securities	<u>(2,093,900)</u>	<u>(2,105,975)</u>
Net cash provided by investing activities	<u>567,424</u>	<u>418,292</u>
Net increase (decrease) in cash and cash equivalents	(2,348,745)	854,675
Cash and cash equivalents, January 1	<u>9,833,169</u>	<u>8,978,494</u>
Cash and cash equivalents, December 31	\$ <u>7,484,424</u>	<u>9,833,169</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Unrestricted	\$ 5,541,196	8,151,377
Restricted - Debt retirement	1,943,228	1,681,792
	\$ <u>7,484,424</u>	<u>9,833,169</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 643,762	495,590
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,784,427	1,611,180
Changes in assets and liabilities:		
Accounts receivable, net	13,031	(168,771)
Inventories	(721)	1,050
Prepaid expenses	2,122	(366)
Accounts payable and accrued expenses	395,907	(202,513)
Net cash provided by operating activities	\$ <u>2,838,528</u>	<u>1,736,170</u>
Schedule of non-cash activities:		
Plant assets contributed by developers	\$ <u>7,472,291</u>	<u>6,767,156</u>

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

ANALYSIS OF UTILITY PLANT IN SERVICE

Years Ended December 31, 2007 and 2006

	Utility Plant				% Rate	Accumulated Depreciation			
	Balance Dec. 31, 2006	Additions	Disposals	Balance Dec. 31, 2007		Balance Dec. 31, 2006	Additions	Disposals	Balance Dec. 31, 2007
Water Utility									
Source of supply plant:									
Wells and springs	\$ 1,582,150	-	-	1,582,150	2.90	394,196	45,883	-	440,079
Supply mains	176,607	-	-	176,607	1.80	46,863	3,179	-	50,042
Pumping plant:									
Land	220,552	-	-	220,552	-	-	-	-	-
Structures and improvements	3,482,976	836,211	-	4,319,187	3.20	887,470	124,834	-	1,012,304
Electric pumping equipment	914,130	-	-	914,130	4.40	117,655	40,221	-	157,876
Other pumping equipment	149,569	-	-	149,569	4.40	80,903	6,581	-	87,484
Water treatment plant	67,135	273,726	-	340,861	6.00	23,831	12,240	-	36,071
Transmission and distribution plant:									
Distribution reservoirs and standpipes	1,428,254	-	-	1,428,254	1.90	422,063	27,137	-	449,200
Transmission and distribution mains	17,153,584	2,130,501	-	19,284,085	1.30	1,911,242	236,845	-	2,148,087
Services	2,510,281	398,035	-	2,908,316	2.90	650,218	78,570	-	728,788
Meters	428,545	12,612	759	440,398	12.50	320,928	54,309	759	374,478
Hydrants	2,078,239	331,839	-	2,410,078	2.20	400,398	49,371	-	449,769
General plant:									
Transportation equipment	165,768	-	-	165,768	13.30	135,637	22,048	-	157,685
Office furniture and equipment	99,976	-	-	99,976	Var.	65,928	2,886	-	68,814
Other general equipment	304,268	-	-	304,268	Var.	58,486	24,298	-	82,784
Power operating equipment	175	-	-	175	7.50	175	-	-	175
	<u>30,762,209</u>	<u>3,982,924</u>	<u>759</u>	<u>34,744,374</u>		<u>5,515,993</u>	<u>728,402</u>	<u>759</u>	<u>6,243,636</u>
Sewer Utility									
Buildings and structures	1,803,177	938,574	-	2,741,751	2.00	272,198	45,449	-	317,647
Collection sewers	22,032,515	3,309,863	-	25,342,378	1.00	2,461,674	236,874	-	2,698,548
Force mains	1,244,748	584,470	-	1,829,218	3.33	183,298	51,182	-	234,480
Services	2,989,205	575,570	-	3,564,775	1.00	324,007	32,770	-	356,777
Pumping equipment	2,417,289	597,782	-	3,015,071	5.00	684,879	135,809	-	820,688
Other equipment	283,851	-	-	283,851	Var.	160,631	15,336	-	175,967
Treatment plant	10,772,105	-	-	10,772,105	5.00	5,416,966	538,605	-	5,955,571
	<u>41,542,890</u>	<u>6,006,259</u>	<u>-</u>	<u>47,549,149</u>		<u>9,503,653</u>	<u>1,056,025</u>	<u>-</u>	<u>10,559,678</u>
Construction in progress	1,166,697	1,242,337	-	2,409,034		-	-	-	-
Total	\$ <u>73,471,796</u>	<u>11,231,520</u>	<u>759</u>	<u>84,702,557</u>		<u>15,019,646</u>	<u>1,784,427</u>	<u>759</u>	<u>16,803,314</u>