

CITY OF PEWAUKEE

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2008

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FINANCIAL STATEMENTS
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ROTROFF
JEANSON & Company, SC

Certified Public Accountants & Consultants

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

Dear Council Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pewaukee, Wisconsin as of and for the year ended December 31, 2008, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

Honorable Mayor and Common Council
City of Pewaukee
Page Two

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

Rolf Janson & Company

June 24, 2009



The City in the Country

Office of the Mayor

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MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2008

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, 2008. 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 \$99,903,633 (net assets). Of this amount, \$6,694,095 is considered unrestricted and available to meet the government's ongoing obligations to citizens and creditors.

During 2008 the City's net assets increased by \$417,203 or .4%. The City's governmental activities increased \$398,488 while the business-type activities increased by \$18,715.

At December 31, 2008, the City's governmental funds reported combined ending fund balances of \$6,640,724, a decrease of \$3,054,256 from the previous year. Of the combined fund balances, \$574,938 has been reserved for future capital projects and \$205,332 for future debt service. Unreserved fund balance for the general fund was \$3,400,866 or approximately 30% of current year general fund expenditures.

During 2008, the City's fixed assets, net of accumulated depreciation, increased \$5,629,832; from \$95,964,681 to \$101,594,513, including \$2,045,609 for a fire station constructed on the WCTC campus.

The City implemented Governmental Accounting Standards Board (GASB) Statement No. 45, *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)* during the year ended December 31, 2008. This statement establishes uniform reporting for other postemployment benefits in the government-wide statements of the City. Implementation of this statement is done prospectively and resulted in an increase of expenditures of \$169,736 in the government-wide statements.

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, 2008

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, 2008. 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, 2008**

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, debt service and capital project - fire station construction 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:
 - Fire station construction
 - Road construction
 - Storm water drainage
 - 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 three major funds – general, debt service and capital project - fire station construction. The six special revenue funds, four non-major capital project funds and the permanent fund are combined into a column titled "Other Governmental Funds." Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

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

Proprietary funds

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

CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008

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 \$99,903,633 and \$99,486,430 at the close of the most recent fiscal years.

Statement of Net Assets at December 31, 2007 and 2008
(in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>		<u>Total Change</u>	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>Dollars</u> <u>2007 – 2008</u>	<u>%</u>
Current and other assets	20,259	16,940	13,142	9,489	33,401	26,429	(6,972)	(20.9)%
Capital assets	28,065	30,731	67,899	70,863	95,964	101,594	5,630	5.9%
Total assets	48,324	47,671	81,041	80,352	129,365	128,023	(1,342)	(1.0)%
Other liabilities	10,579	10,445	2,753	2,653	13,332	13,098	(234)	(1.8)%
Long-term obligations	8,492	7,574	8,055	7,447	16,547	15,021	(1,526)	(9.2)%
Total liabilities	19,071	18,019	10,808	10,100	29,879	28,119	(1,760)	(5.9)%
Net assets:								
Invested in capital assets,								
Net of related debt	23,177	23,685	59,565	63,563	82,742	87,248	4,506	5.4%
Restricted	3,380	2,819	2,956	3,143	6,336	5,962	(374)	(5.9)%
Unrestricted	2,696	3,148	7,712	3,546	10,408	6,694	(3,714)	(35.7)%
Total net assets	29,253	29,652	70,233	70,252	99,486	99,904	418	.4%

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008**

Total net assets increased by \$417,203 during the current fiscal year. Governmental net assets increased by \$398,488 and business-type net assets increased by \$18,715.

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 (87.3%) 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.

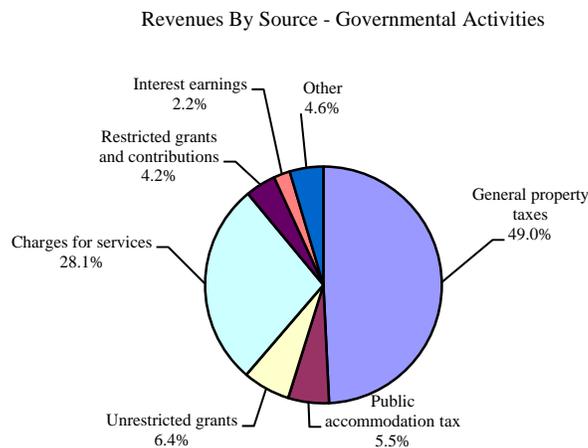
A portion of the year-end net assets is restricted for specific purposes. The restrictions represent legal or contractual limitations on how the assets may be expended. These include development charges, bond and note proceeds, and other collections limited to the repayment of debt. Of the amounts shown as "Restricted net assets", \$3,756,219 has been restricted for future debt service payments.

Statement of Activity

Governmental Activities

Although operating expenses increased 3.7%, the City's net assets from governmental activities increased \$398,488 in 2008. The increase in net assets is primarily attributable to increases in direct program revenues relating to public safety and judicial of \$206,477. In addition, property taxes increased by a total of \$210,109.

As shown by the following graph, taxes (general property and public accommodation) totaling \$7,573,720 made up 54.5% of the total governmental revenues during the current fiscal year.



**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008**

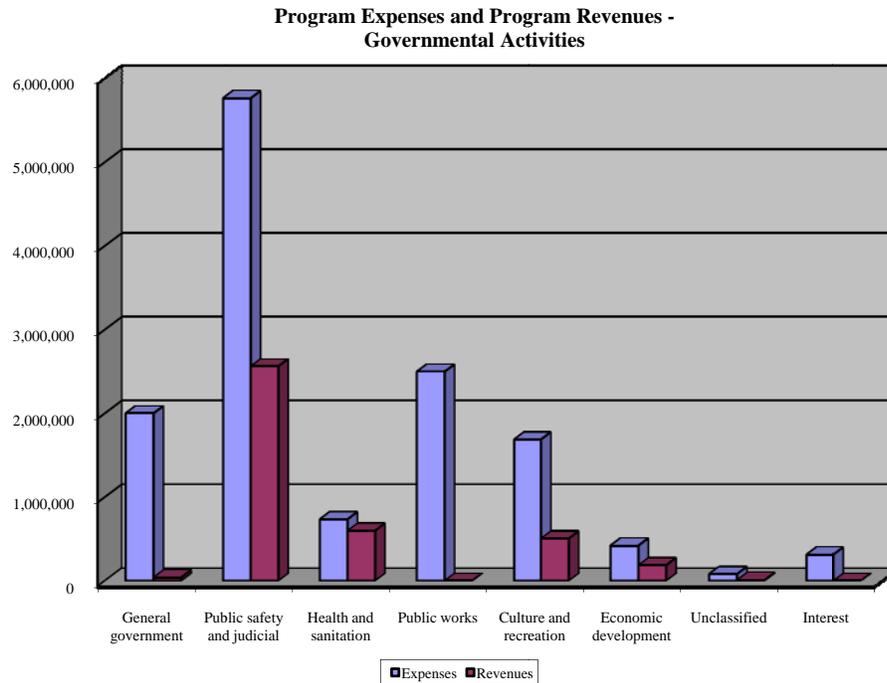
Program charges for services, which directly offset related program expenses, totaled \$3,901,090 and \$4,265,377 respectively, for the years ended December 31, 2008 and 2007 and included the following:

	<u>2008</u>	<u>2007</u>
Public safety and judicial	\$ 2,562,259	2,355,782
Health and sanitation	597,985	595,871
Culture and recreation	504,437	503,223
Economic development	185,976	760,072
Miscellaneous	50,433	50,429

Public safety and judicial charges include shared fire and rescue services with the Village of Pewaukee, court fines, and building related services and permits. As a result of a decline in development within the City in 2008, fees charged to developers for engineering services decreased \$552,416.

Restricted program grants and contributions include aids received from the State of Wisconsin for fire insurance dues and water safety aids. In 2008 this also included FEMA disaster aids of \$253,443 for costs incurred due to the harsh winter and to the summer flooding. 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.



CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008

For governmental activity expenses, 43% related to public safety and judicial operations, which includes police protection, fire and rescue protection, building inspection and municipal court operations. An additional 18% was spent for public works, i.e. maintenance of City streets and roads. The City spent \$1,687,626, or 13%, towards its culture and recreation programs in 2008. 87% of health and sanitation program expenses were directly offset by related revenues. Depreciation of the City assets of \$1,701,642 was allocated to the above activities during 2008 based upon actual usage of the various capital assets, compared to \$1,693,094 in 2007. 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 City are comprised of its water and sewer utilities. The utilities increased the City of Pewaukee's net assets by \$18,715, as displayed in Exhibit B, and produced a net operating income of \$249,754 as displayed in Exhibit I. The table below is a summary of the water and sewer utility operating income.

Summary of water and sewer operations
(in thousands)

	<u>Water</u>		<u>Sewer</u>		<u>Total</u>		<u>Total Change</u>	
	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>Dollars</u>	<u>%</u>
Operations:								
Revenues	\$ 1,743	1,744	2,624	2,663	4,367	4,407	40	.9%
Expenses	1,559	1,671	2,164	2,486	3,723	4,157	434	11.6%
Operating income (loss)	\$ 184	73	460	177	644	250	(394)	(61.2)%

The City did receive capital grants and contributions during 2008 and 2007.

	<u>2008</u>	<u>2007</u>
Developer constructed assets, dedicated to City	\$ 379,720	7,472,291
Capacity assessments collected for system expansion	439,177	474,781
	<u>\$ 818,897</u>	<u>7,947,072</u>

CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008

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

Statement of Activities for the Years Ended December 31, 2007 and 2008
(in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>		<u>Total Change</u>	
	2007	2008	2007	2008	2007	2008	Dollars	%
REVENUES								
Program revenues:								
Charges for services	\$ 4,265	3,901	4,366	4,407	8,631	8,308	(323)	(3.7)%
Operating grants and contributions	209	449	-	-	209	449	240	114.8%
Capital grants and contributions	1,931	127	7,947	819	9,878	946	(8,932)	(90.4)%
General revenues:								
General property taxes	6,595	6,805	-	-	6,595	6,805	210	3.2%
Public accommodation taxes	771	769	-	-	771	769	(2)	(0.2)%
Unrestricted grants	875	894	-	-	875	894	19	2.2%
Interest earnings	603	310	510	220	1,113	530	(583)	(52.4)%
Other	250	247	-	(585)	250	(338)	(588)	(235.2)%
Total revenues	15,499	13,502	12,823	4,861	28,322	18,363	(9,959)	(35.2)%
EXPENSES								
General government	1,974	1,999	-	-	1,974	1,999	25	1.3%
Public safety and judicial	5,195	5,764	-	-	5,195	5,764	569	11.0%
Health and sanitation	736	734	-	-	736	734	(2)	(.3)%
Public works	2,657	2,497	-	-	2,657	2,497	(160)	(6.0)%
Culture and recreation	1,648	1,688	-	-	1,648	1,688	40	2.4%
Economic development	387	420	-	-	387	420	33	8.5%
Unclassified	75	80	-	-	75	80	5	6.7%
Interest and fiscal charges	345	313	-	-	345	313	(32)	(9.3)%
Water utility operations	-	-	1,665	1,761	1,665	1,761	96	5.8%
Sewer utility operations	-	-	2,402	2,690	2,402	2,690	288	12.0%
Total expenses	13,017	13,495	4,067	4,451	17,084	17,946	862	5.0%
Increase (decrease) in net assets before transfers	2,482	7	8,756	410	11,238	417	(10,821)	
Transfers	352	391	(352)	(391)	-	-	-	
Increase in net assets	2,834	398	8,404	19	11,238	417	(10,821)	
Net assets – beginning of year	26,420	29,254	61,828	70,232	88,248	99,486	11,238	
Net assets – end of year	\$29,254	29,652	70,232	70,251	99,486	99,903	417	

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, 2008**

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,640,724. Approximately 83% of this total amount \$5,520,391 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, \$574,938, and the payment of debt service, \$205,332.

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

Road construction	\$ 224,260
Sports complex construction	259,067
Storm water drainage improvements	91,611

Of the \$5,520,391 unreserved fund balance, the use of \$2,119,525 or approximately 39%, is restricted to specific types of activities:

Special revenue fund activities	\$ 1,454,525
2009 general fund expenditures	665,000

The general fund balance increased by \$477,801 during 2008. The City exceeded its original revenue budget by \$681,361. Charges for services were \$147,393 over budget. Miscellaneous revenues including proceeds from the sale of assets, insurance recoveries and donations exceeded budgeted amounts by \$182,902. The excess revenues were partially offset by certain department's expenditures exceeding budgeted amounts including:

Fire and rescue	\$ 135,711
Highway	89,486
Flood disaster	75,932

The debt service fund has a total fund balance of \$205,332, all of which is reserved for the payment of future debt service. The fund balance decreased \$184,942 primarily due to increased debt service costs. The approved 2008 budget had anticipated a deficit of \$161,456.

In 2008, the City continued construction on a new fire station. Expenditures totaling \$2,636,490 were financed using funds remaining from a 2004 borrowing and a transfer from the impact fee fund of \$186,155. The fire station was substantially finished in 2008 with an early 2009 occupancy date.

The other governmental total fund balances decreased by \$920,701. The individual fund increases (decreases) are as follows:

Special revenues funds:	
Impact fee	\$ (35,895)
Park dedication	49,106
Tourism and convention	8,710
Green space facilities	13,009
Cemetery – expendable	29,036
Capital projects funds:	
Road construction	(1,087,317)
Storm water drainage	403
Park land acquisition	(14,950)
Sports complex	114,501
Permanent funds:	
Cemetery – nonexpendable	2,696

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008**

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2008 the City had invested \$101,594,513 in capital assets, net of accumulated depreciation. During 2008 the City's gross capital assets increased \$8,353,162, 58% of which was related to water and sewer utility plant and equipment. In addition the City acquired \$4,492,447 of general assets which included construction costs related to a new fire station totaling \$2,635,367. General infrastructure asset additions (roads and storm sewers) included those financed by developers and contributed to the City totaled \$1,470,731.

On January 1, 2008 the City transferred to the City of Waukesha, utility assets with a historical cost of \$592,721 in accordance with the border agreement approved in 1998. This transfer resulted in a loss on disposal of fixed assets of \$572,045.

**Capital Assets at December 31, 2008
(in thousands)**

	Governmental Activities	Business-type Activities	Total Government
Land	\$ 3,940	370	4,310
Buildings	8,304	7,526	15,830
Furniture and equipment	6,482	861	7,343
Infrastructure and improvements other than buildings	29,083	80,044	109,127
Construction in progress	2,921	728	3,649
Total capital assets	50,730	89,529	140,259
Less: Accumulated depreciation	19,999	18,666	38,665
Total net assets	\$ 30,731	70,863	101,594

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	\$ 28,065	67,899	95,964
Additions	4,492	5,475	9,967
Disposals, net	(125)	(589)	(714)
Depreciation	(1,701)	(1,922)	(3,623)
Ending balance	\$ 30,731	70,863	101,594

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2008**

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

General government	\$ 233,067
Public safety	254,788
Public works including infrastructure	1,091,520
Culture and recreation	<u>122,267</u>
	<u>\$ 1,701,642</u>

Debt Outstanding

The City had \$16,006,390 in outstanding debt, net of unamortized debt issuance costs, at December 31, 2008, \$2,180,307 of which is due within one year.

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

Governmental:	
General obligation notes	\$ 4,354
General obligation bonds	3,974
Compensated absences	195
Other postemployment benefits	<u>170</u>
	<u>8,693</u>
Business-type:	
Sewerage system revenue bonds	4,216
General obligation bonds	1,851
General obligation notes	900
Installment loans	372
Less: Unamortized debt costs	<u>(26)</u>
	<u>7,313</u>
Total	<u>\$ 16,006</u>

Total principal repaid during 2008 was:

Governmental activities	\$ 1,131,615
Proprietary activities	<u>1,042,136</u>
	<u>\$ 2,173,751</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 in 2008 is the second 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, 2008**

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, 2008, the City's general obligation debt burden is only 8.1% of our \$141 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.

In its transition from a primarily rural town in 1980 to a primarily urban city in 2008, 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, 2008

	Governmental Activities	Business-type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 8,724,973	988,471	9,713,444
Property taxes receivable	4,494,003	-	4,494,003
Other receivables (net)	1,257,312	1,589,069	2,846,381
Internal balances	(511,168)	511,168	-
Inventories and prepaid expenses	265,466	6,136	271,602
Restricted assets:			
Debt retirement assets:			
Cash and cash equivalents	613,427	3,142,792	3,756,219
Capital projects:			
Cash and cash equivalents	1,701,949	-	1,701,949
Non-current assets:			
Fixed assets:			
Land and construction in progress	6,861,350	1,099,043	7,960,393
Capital assets, net of accumulated depreciation	23,869,867	69,764,253	93,634,120
Special assessments	319,649	3,163,544	3,483,193
Unamortized debt expenses	73,833	(5,773)	68,060
Deferred expenses	-	93,666	93,666
Total assets	\$ 47,670,661	80,352,369	128,023,030
Liabilities:			
Current liabilities:			
Accounts payable	\$ 1,287,585	1,606,333	2,893,918
Deferred revenue	8,038,078	-	8,038,078
Current portion of long-term obligations	1,118,843	1,047,240	2,166,083
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	7,574,069	6,289,676	13,863,745
Deferred assessments due developers	-	1,106,833	1,106,833
Construction contracts payable	-	50,740	50,740
Total liabilities	18,018,575	10,100,822	28,119,397
Net Assets:			
Invested in capital assets, net of related debt	23,684,908	63,562,807	87,247,715
Restricted for:			
Expendable:			
Debt service	613,427	3,142,792	3,756,219
Capital projects	1,701,949	-	1,701,949
Other purposes	445,429	-	445,429
Nonexpendable:			
Perpetual care	58,226	-	58,226
Unrestricted	3,148,147	3,545,948	6,694,095
Total net assets	29,652,086	70,251,547	99,903,633
Total liabilities and net assets	\$ 47,670,661	80,352,369	128,023,030

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2008

	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	\$ 1,999,494	40,548	-	-	(1,958,946)	-	(1,958,946)
Public safety and judicial	5,764,007	2,562,259	389,275	-	(2,812,473)	-	(2,812,473)
Health and sanitation	734,327	597,985	38,676	-	(97,666)	-	(97,666)
Public works	2,497,071	1,035	21,279	110,146	(2,364,611)	-	(2,364,611)
Culture and recreation	1,687,626	504,437	-	16,494	(1,166,695)	-	(1,166,695)
Economic development	420,303	185,976	-	-	(234,327)	-	(234,327)
Unclassified	80,194	8,850	-	-	(71,344)	-	(71,344)
Indirect expenses:							
Interest and other related charges	312,579	-	-	-	(312,579)	-	(312,579)
Total governmental activities	<u>13,495,601</u>	<u>3,901,090</u>	<u>449,230</u>	<u>126,640</u>	<u>(9,018,641)</u>	<u>-</u>	<u>(9,018,641)</u>
Business-type activities:							
Water utility	1,761,048	1,743,678	-	381,115	-	363,745	363,745
Sewer utility	2,690,384	2,663,464	-	437,782	-	410,862	410,862
Total business-type activities	<u>4,451,432</u>	<u>4,407,142</u>	<u>-</u>	<u>818,897</u>	<u>-</u>	<u>774,607</u>	<u>774,607</u>
Total primary government	<u>\$ 17,947,033</u>	<u>8,308,232</u>	<u>449,230</u>	<u>945,537</u>	<u>(9,018,641)</u>	<u>774,607</u>	<u>(8,244,034)</u>
General revenues:							
Property taxes				6,805,054	-	6,805,054	
Public accommodation taxes				768,666	-	768,666	
Grants not restricted to specific programs				894,570	-	894,570	
Cable television franchise fees				114,856	-	114,856	
Interest and investment earnings				310,754	220,167	530,921	
Miscellaneous				132,333	(13,118)	119,215	
Loss on transfer of assets to City of Waukesha				-	(572,045)	(572,045)	
Transfers				390,896	(390,896)	-	
Total general revenues, special items and transfers				<u>9,417,129</u>	<u>(755,892)</u>	<u>8,661,237</u>	
Change in Net Assets				398,488	18,715	417,203	
Net Assets - Beginning of Year				29,253,598	70,232,832	99,486,430	
Net Assets - End of Year				<u>\$ 29,652,086</u>	<u>70,251,547</u>	<u>99,903,633</u>	

The accompanying notes are an integral part of these financial statements

BALANCE SHEET
Governmental Funds
December 31, 2008

	General Fund	Debt Service	Capital Project - Fire Station Construction	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and cash equivalents	\$ 7,013,984	789,926	312,181	2,924,258	11,040,349
Receivables:					
Current taxes	3,669,657	721,823	-	86,152	4,477,632
Delinquent personal property taxes	16,371	-	-	-	16,371
Accounts	98,279	-	-	56,038	154,317
Special assessments	-	319,649	-	-	319,649
Intergovernmental	548,911	-	-	-	548,911
Due from other funds	123,047	-	-	-	123,047
Inventory of supplies	117,572	-	-	-	117,572
Prepaid expenditures	147,894	-	-	-	147,894
	<u>\$ 11,735,715</u>	<u>1,831,398</u>	<u>312,181</u>	<u>3,066,448</u>	<u>16,945,742</u>
Liabilities and Fund Balance:					
Liabilities:					
Accounts payable	\$ 449,825	-	74,616	7,724	532,165
Construction contracts payable	-	-	237,565	59,000	296,565
Due to other funds	-	-	-	634,215	634,215
Accrued payroll	112,523	-	-	-	112,523
Accrued compensated absences	190,219	-	-	-	190,219
Developer deposits	-	-	-	42,901	42,901
Other accrued liabilities	50,257	-	-	-	50,257
Deferred revenue	6,585,188	1,626,066	-	234,919	8,446,173
Total liabilities	<u>7,388,012</u>	<u>1,626,066</u>	<u>312,181</u>	<u>978,759</u>	<u>10,305,018</u>
Fund Balance:					
Reserved for:					
Delinquent personal property taxes	16,371	-	-	-	16,371
Inventory of supplies	117,572	-	-	-	117,572
Prepaid expenditures	147,894	-	-	-	147,894
Debt service	-	205,332	-	-	205,332
Capital projects	-	-	-	574,938	574,938
Perpetual care	-	-	-	58,226	58,226
Unreserved:					
Designated for:					
Subsequent year's expenditures	665,000	-	-	147,300	812,300
Undesignated, reported in:					
General fund	3,400,866	-	-	-	3,400,866
Special revenue funds	-	-	-	1,307,225	1,307,225
Total fund balance	<u>4,347,703</u>	<u>205,332</u>	<u>-</u>	<u>2,087,689</u>	<u>6,640,724</u>
	<u>\$ 11,735,715</u>	<u>1,831,398</u>	<u>312,181</u>	<u>3,066,448</u>	<u>16,945,742</u>
Total liabilities and fund balance	<u>\$ 11,735,715</u>	<u>1,831,398</u>	<u>312,181</u>	<u>3,066,448</u>	<u>16,945,742</u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET ASSETS
Governmental Funds
December 31, 2008

Total fund balances - governmental funds		\$	6,640,724
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			
			554,084
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:			
Governmental capital assets	\$	50,730,522	
Less: Accumulated depreciation		<u>(19,999,305)</u>	30,731,217
Other long-term assets are not available to pay for current year expenditures and therefore are deferred in the funds.			
			408,095
Accrued employee benefits are not due and payable in the current period and therefore are not reported in the governmental funds.			
			(364,444)
Costs associated with the issuance of long-term debt obligations are reported as expenditures in the governmental funds.			
			73,833
Interest and other payables used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.			
			(62,955)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.			
			<u>(8,328,468)</u>
Total net assets - governmental activities	\$		<u><u>29,652,086</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, 2008

	General	Debt Service	Capital Project - Fire Station Construction	Other Governmental Funds	Total Governmental Funds
Revenues:					
Taxes	\$ 5,507,379	1,239,224	-	966,341	7,712,944
Intergovernmental	1,360,099	-	-	1,637	1,361,736
Regulation and compliance	1,320,487	-	-	-	1,320,487
Charges for services	2,342,478	-	-	196,671	2,539,149
Recreation	260,454	-	-	-	260,454
Interest	210,102	29,679	23,921	47,052	310,754
Miscellaneous	231,802	-	-	-	231,802
Total revenues	11,232,801	1,268,903	23,921	1,211,701	13,737,326
Expenditures:					
Current:					
General government	1,785,113	-	-	-	1,785,113
Public safety and judicial	5,441,737	-	-	-	5,441,737
Health and sanitation	734,327	-	-	-	734,327
Public works	1,507,371	-	-	-	1,507,371
Culture and recreation	1,640,060	-	-	-	1,640,060
Economic development	-	-	-	420,303	420,303
Unclassified	60,032	-	-	9,977	70,009
Capital outlay	-	-	2,636,490	1,508,990	4,145,480
Debt service:					
Principal	-	1,131,615	-	-	1,131,615
Interest	-	322,230	-	-	322,230
Total expenditures	11,168,640	1,453,845	2,636,490	1,939,270	17,198,245
Excess (deficiency) of revenues over expenditures	64,161	(184,942)	(2,612,569)	(727,569)	(3,460,919)
Other financing sources (uses):					
Transfers in	397,873	-	186,155	124,950	708,978
Transfers out	-	-	-	(318,082)	(318,082)
Increase in reserve for inventory	15,767	-	-	-	15,767
Total other financing sources (uses)	413,640	-	186,155	(193,132)	406,663
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	477,801	(184,942)	(2,426,414)	(920,701)	(3,054,256)
Fund balance, January 1	3,869,902	390,274	2,426,414	3,008,390	9,694,980
Fund balance, December 31	\$ 4,347,703	205,332	-	2,087,689	6,640,724

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, 2008

Net change in fund balances - total governmental funds	\$ (3,054,256)
Amounts reported for governmental activities in the Statement of Activities are different because:	
Revenues in the Statement of Activities include items which were earned in prior years, but do not provide financial resources of the current year.	(108,831)
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.	(90,799)
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.	(34,503)
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 (\$4,458,220) exceeds depreciation expense (\$1,701,642)	2,756,578
Employee benefits 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	(200,782)
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.	9,651
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>1,131,615</u>
Change in net assets of governmental activities	\$ <u><u>398,488</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, 2008

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary fund balance, January 1	\$ 3,869,902	3,869,902	3,869,902	-
Resources (inflows):				
Taxes	5,516,850	5,516,850	5,507,379	(9,471)
Intergovernmental	1,080,985	1,358,128	1,360,099	1,971
Regulation and compliance	1,228,620	1,276,908	1,320,487	43,579
Charges for services	2,195,085	2,282,508	2,342,478	59,970
Recreation	231,000	248,587	260,454	11,867
Interest	250,000	250,000	210,102	(39,898)
Miscellaneous	48,900	48,900	231,802	182,902
Transfers in	350,000	356,977	397,873	40,896
Non-departmental:				
Increase in reserve for inventory	-	-	15,767	15,767
Amounts available for appropriation	<u>14,771,342</u>	<u>15,208,760</u>	<u>15,516,343</u>	<u>307,583</u>
Charges to appropriations (outflows):				
General government	1,730,531	1,835,385	1,785,113	50,272
Public safety and judicial	5,250,276	5,478,609	5,441,737	36,872
Health and sanitation	762,189	762,189	734,327	27,862
Public works	1,403,882	1,510,549	1,507,371	3,178
Culture and recreation	1,633,562	1,651,149	1,640,060	11,089
Unclassified	121,000	94,000	60,032	33,968
Total charges to appropriations	<u>10,901,440</u>	<u>11,331,881</u>	<u>11,168,640</u>	<u>163,241</u>
Fund balance, December 31	<u>\$ 3,869,902</u>	<u>3,876,879</u>	<u>4,347,703</u>	<u>470,824</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE
STATEMENT OF NET ASSETS
Proprietary Funds
December 31, 2008

Assets:	
Current assets:	
Cash and cash equivalents	\$ 988,471
Other receivables	1,589,069
Due from general fund	511,168
Inventories and prepaid expenses	6,136
Restricted assets:	
Debt retirement assets:	
Cash and cash equivalents	3,142,792
Non-current assets:	
Fixed assets:	
Non-depreciable:	
Land	370,387
Construction in progress	728,656
Depreciable:	
Buildings	7,525,764
Improvements other than buildings	80,043,911
Furniture and equipment	860,888
Less: Accumulated depreciation	(18,666,310)
Special assessments	3,163,544
Unamortized debt expenses	(5,773)
Deferred expenses	93,666
	93,666
Total assets	\$ 80,352,369
Liabilities:	
Current liabilities:	
Accounts payable	\$ 471,970
Construction contracts payable	871,377
Customer advances on construction	222,348
Accrued interest on long-term debt	40,638
Current portion of long-term obligations	1,047,240
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	6,289,676
Deferred assessments due developers	1,106,833
Long-term contracts payable	50,740
Total liabilities	10,100,822
Net Assets:	
Invested in capital assets, net of related debt	63,562,807
Restricted for:	
Expendable:	
Debt service	3,142,792
Unrestricted	3,545,948
Total net assets	70,251,547
Total liabilities and net assets	\$ 80,352,369

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, 2008

Operating revenues	\$ <u>4,407,142</u>
Operating expenses:	
Operation and maintenance	2,234,080
Depreciation	1,921,697
Taxes	<u>1,611</u>
Total operating expenses	<u>4,157,388</u>
Operating income	<u>249,754</u>
Non-operating revenues (expenses):	
Interest income	220,167
Interest expense and fiscal fees	(268,622)
Loss on the disposal of fixed assets	(13,118)
Amortization of deferred refunding costs	(20,818)
Amortization of debt issue expenses	<u>(4,604)</u>
Total non-operating revenues (expenses)	<u>(86,995)</u>
Income before contributions and transfers	162,759
Grants and contributions	818,897
Loss on transfer of assets	(572,045)
Transfers out	<u>(390,896)</u>
Change in net assets	18,715
Total net assets:	
January 1	<u>70,232,832</u>
December 31	\$ <u><u>70,251,547</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, 2008

Cash flows from operating activities:	
Receipts from customers	\$ 4,533,297
Receipts for interfund services	(490,933)
Payments to suppliers	(1,870,325)
Payments to employees	(506,073)
Payments for interfund services	(551,964)
Net cash provided by operating activities	<u>1,114,002</u>
Cash flows from non-capital financing activities:	
Operating transfers to other funds	<u>(390,896)</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(4,123,716)
Proceeds from the sale of fixed assets	3,934
Reserve capacity assessments received	439,177
Long-term debt retirements	(1,042,136)
Collection of special assessments, net	76,545
Collection of developer advances on construction, net	(392,388)
Interest and fiscal charges paid on bonds and notes payable	(274,166)
Net cash used by capital and related financing activities	<u>(5,312,750)</u>
Cash flows from investing activities:	
Interest received on cash and investments	223,782
Maturities of securities	2,015,853
Purchases of securities	(1,003,152)
Net cash provided by investing activities	<u>1,236,483</u>
Net decrease in cash and cash equivalents	(3,353,161)
Cash and cash equivalents, January 1	<u>7,484,424</u>
Cash and cash equivalents, December 31	<u>\$ 4,131,263</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets	
Unrestricted	\$ 988,471
Restricted - Debt retirement	3,142,792
	<u>\$ 4,131,263</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 249,754
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,921,697
Changes in assets and liabilities:	
Accounts receivable, net	(364,778)
Inventories	(1,755)
Prepaid expenses	1,180
Accounts payable and accrued expenses	(692,096)
Net cash provided by operating activities	<u>\$ 1,114,002</u>
Schedule of non-cash activities:	
Plant assets contributed by developers	<u>\$ 379,720</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE
STATEMENT OF FIDUCIARY NET ASSETS
Agency Fund
December 31, 2008

Assets:	
Cash and cash equivalents	\$ 15,578,895
Taxes receivable	<u>18,806,990</u>
 Total assets	 \$ <u><u>34,385,885</u></u>
 Liabilities:	
Due to other taxing units:	
School districts	\$ 28,559,106
Waukesha County	5,047,047
State of Wisconsin	479,087
 Deposits:	
Ditch and erosion	126,420
Holding tank	75,400
Street opening	56,120
Occupancy	35,500
Developer	6,000
Park reservation	<u>1,205</u>
 Total liabilities	 \$ <u><u>34,385,885</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

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CITY OF PEWAUKEE NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

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

The City implemented GASB Statement No. 45, *Financial Reporting by Employers for Postemployment Benefits Other Than Pensions (OPEB)* during the year ended December 31, 2008. This statement establishes uniform financial reporting standards for other postemployment benefits. The standard was implemented prospectively and therefore prior year balances for the net assets of the government-wide or the proprietary fund financial statements were not restated.

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.

Capital Project Fund – Fire Station Construction – accounts for the resources accumulated and expenditures incurred related to the construction of a new fire station on the WCTC campus.

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
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, City 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 or the Wisconsin Aerospace 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 2008 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, 2008, 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 – 2008 tax roll:

Levy:

Tax lien and levy date	December 2008
Tax bills mailed	December 2008

Real property taxes:

Payment in full, or first installment	January 31, 2009
Second installment payable to County	July 31, 2009

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

January 31, 2009

Tax settlements with taxing jurisdictions:

First settlement	January 15, 2009
Second settlement	February 20, 2009
Final settlement	August 20, 2009

Uncollectible personal property tax
charge backs to taxing jurisdictions

April 1, 2010

Tax sale - 2008 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, 2008 the total liability for retirement payments related to accrued sick time was \$194,708.

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, 2008 was \$190,218.

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 \$30,731,217.

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	\$ 8,328,468
Accrued employee benefits	364,444
Accrued interest and other long-term payables	62,955
Unamortized debt discount and issue costs	<u>(73,833)</u>
Combined Adjustment for	
Long-Term Liabilities	\$ <u>8,682,034</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 \$408,095 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 \$554,084.

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 and the repayment of the principal of long-term debt. Both consume current financial resources of governmental funds; however neither is considered current year expenditures and is not therefore reported in the Statement of Activities.

Capital asset additions	\$ 4,458,220
Principal repayment	<u>1,131,615</u>
	\$ <u>5,589,835</u>

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

Depreciation expenses	\$ 1,701,642
Net book value of assets disposed of, less trade-in allowances	90,799
Reduction in accrued interest payable	(9,651)
Increase in accrued long-term employee benefits	200,782
Amortization of debt issuance costs	<u>10,185</u>
	\$ <u>1,993,757</u>

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 2008 were \$34,503.

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 \$108,831.

(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.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(3) Stewardship, Compliance, and Accountability - Continued

A. Budgetary Information - continued

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:		
Intergovernmental	\$ 1,080,985	1,358,128
Charges for services	2,195,085	2,282,508
Expenditures:		
General government	1,730,531	1,835,385
Public safety and judicial	5,250,276	5,478,609
Public works	1,403,882	1,510,549

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

The City's deposits and investments at December 31, 2008 were comprised of the following:

	<u>Carrying Value</u>	<u>Bank and Investment Balances</u>	<u>Associated Risks</u>
Demand deposits	\$ 22,535,323	18,270,802	Custodial credit risk
LGIP	8,213,279	8,213,279	Credit risk, interest rate risk
Petty cash	<u>1,905</u>	<u>1,905</u>	
	<u>\$ 30,750,507</u>	<u>26,485,986</u>	

The difference between the carrying value and bank balance is due to deposits in transit and outstanding checks. Reconciliation of carrying value of deposits and investments to statement of net assets and statement of fiduciary assets:

Per Statement of Net Assets:	
Unrestricted	\$ 9,713,444
Restricted	5,458,168
Per Statement of Fiduciary Net Assets	<u>15,578,895</u>
	<u>\$ 30,750,507</u>

At December 31, 2008, idle funds were invested in time and demand deposits of authorized depositories. Such deposits and investments are insured in any one banking institution through federal depository insurance funds. Insured amounts are limited to \$250,000 for interest bearing accounts and \$250,000 for non-interest bearing accounts in each institution.

In addition to FDIC insurance, 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.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

A. Deposits and Investments - continued

The State Investment Fund, which the LGIP is a part of, had 91.6% of its investments in U.S. government securities. In addition, at December 31, 2008 certain of the remaining investments were insured against credit losses to LGIP participants by an AAA-rated insurance company, providing coverage for securities held in the portfolio other than obligations of the U.S. government or its agencies, State of Wisconsin agencies and Wisconsin banks. However, purchases of commercial paper and negotiable certificates of deposits for the LGIP after February 15, 2009 will no longer be insured against credit loss.

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to it. At December 31, 2008 all of the City's demand deposits were insured and collateralized.

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. The City does not have a deposit policy for custodial credit risk.

Credit and Interest Rate Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value has to changes in market interest rates. The City does not have a formal investment policy that limits investment alternatives as a means of managing its exposure of fair value losses arising from changes in interest rates.

At December 31, 2008 the City held investments with a fair value of \$8,213,279 in the LGIP. The average maturity date for investments held by the LGIP is 80 days, but funds are due to the City on demand

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	\$ 3,669,657	-	3,669,657
Debt service fund	721,823	-	721,823
Cemetery – expendable fund	16,299	-	16,299
Road construction fund	58,211	-	58,211
Storm water drainage fund	11,642	-	11,642
Special assessments not yet due	-	319,649	319,649
	<u>\$ 4,477,632</u>	<u>319,649</u>	<u>4,797,281</u>

In addition, other receivables are reported in the government-wide financial statements net of amounts estimated to be uncollectible of \$238,011.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

C. Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2008 was as follows:

	Balance <u>12/01/07</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/08</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 3,665,326	275,023	-	3,940,349
Construction in progress	<u>875,392</u>	<u>2,045,609</u>	-	<u>2,921,001</u>
	<u>4,540,718</u>	<u>2,320,632</u>	-	<u>6,861,350</u>
Capital Assets Being Depreciated:				
Buildings and improvements	8,250,694	53,250	-	8,303,944
Land improvements	1,131,942	204,490	-	1,336,432
Equipment	6,552,635	443,343	513,645	6,482,333
Infrastructure	<u>26,728,420</u>	<u>1,470,731</u>	<u>452,688</u>	<u>27,746,463</u>
	<u>42,663,691</u>	<u>2,171,814</u>	<u>966,333</u>	<u>43,869,172</u>
Total capital assets	<u>47,204,409</u>	<u>4,492,446</u>	<u>966,333</u>	<u>50,730,522</u>
Less Accumulated Depreciation:				
Buildings and improvements	(2,207,204)	(208,746)	-	(2,415,950)
Land improvements	(404,970)	(53,973)	-	(458,943)
Equipment	(3,910,367)	(502,605)	(395,379)	(4,017,593)
Infrastructure	<u>(12,616,430)</u>	<u>(936,318)</u>	<u>(445,929)</u>	<u>(13,106,819)</u>
	<u>(19,138,971)</u>	<u>(1,701,642)</u>	<u>(841,308)</u>	<u>(19,999,305)</u>
Capital assets, net of depreciation	\$ <u>28,065,438</u>	<u>2,790,804</u>	<u>125,025</u>	<u>30,731,217</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 233,067
Public safety	254,788
Public works, including infrastructure	1,091,520
Culture and recreation	<u>122,267</u>
	\$ <u>1,701,642</u>

Capital asset activity in the business type activities for the year ended December 31, 2008 was as follows:

	Balance <u>12/31/07</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/08</u>
BUSINESS TYPE ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 220,552	149,835	-	370,387
Construction in process	<u>2,409,034</u>	-	<u>1,680,378</u>	<u>728,656</u>
	<u>2,629,586</u>	<u>149,835</u>	<u>1,680,378</u>	<u>1,099,043</u>
Capital Assets Being Depreciated:				
Buildings	7,060,938	464,826	-	7,525,764
Improvements other than buildings	74,157,995	6,510,087	624,171	80,043,911
Furniture and equipment	<u>854,038</u>	<u>30,477</u>	<u>23,627</u>	<u>860,888</u>
	<u>82,072,971</u>	<u>7,005,390</u>	<u>647,798</u>	<u>88,430,563</u>
Total capital assets	<u>84,702,557</u>	<u>7,155,225</u>	<u>2,328,176</u>	<u>89,529,606</u>

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

C. Capital Assets - continued

	Balance <u>12/31/07</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/08</u>
Less Accumulated Depreciation:				
Buildings	\$ (1,329,951)	(197,699)	-	(1,527,650)
Improvements other than buildings	(14,987,938)	(1,669,029)	(35,074)	(16,621,893)
Furniture and equipment	<u>(485,425)</u>	<u>(54,969)</u>	<u>(23,627)</u>	<u>(516,767)</u>
	<u>(16,803,314)</u>	<u>(1,921,697)</u>	<u>(58,701)</u>	<u>(18,666,310)</u>
Capital assets, net of depreciation	\$ <u>67,899,243</u>	<u>5,233,528</u>	<u>2,269,475</u>	<u>70,863,296</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Water utility	\$ 771,505
Sewer utility	<u>1,150,192</u>
	\$ <u>1,921,697</u>

D. Payables

Payables as of December 31, 2008 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>Capital Project Fire Station</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Accounts payable	\$ 449,825	-	74,616	7,724	532,165
Construction contracts payable	-	-	237,565	59,000	296,565
Accrued payroll	112,523	-	-	-	112,523
Accrued compensated absences	190,219	-	-	-	190,219
Developer deposits	-	-	-	42,901	42,901
Other accrued liabilities	<u>50,257</u>	-	-	-	<u>50,257</u>
Total per fund balance sheet	802,824	-	312,181	109,625	1,224,630
Accrued interest	-	<u>62,955</u>	-	-	<u>62,955</u>
Total per government-wide statement of net assets	\$ <u>802,824</u>	<u>62,955</u>	<u>312,181</u>	<u>109,625</u>	<u>1,287,585</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 the Fire Construction and the Sports Complex capital projects fund to finance construction costs. In addition, transfers between business type and governmental funds include property tax equivalent payments.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

E. Interfund Receivables/Payables and Transfers - continued

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
General	Business-type activities Water utility	\$ 390,896
General	Non-major governmental funds- Tourism and convention	6,977
Capital Project – Fire station construction	Non-major governmental funds – Impact Fee Fund	186,155
Non-major governmental funds- Sports complex	Non-major governmental funds- Tourism and convention	100,000
Non-major governmental funds- Green Space	Non-major governmental funds- Tourism and convention	10,000
Non-major governmental funds- Sports complex	Non-major governmental funds- Park Land acquisition	<u>14,950</u>
Total per fund statements		708,978
Interfund eliminations		<u>(318,082)</u>
Total per statement of activities		<u>\$ 390,896</u>

F. Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2008 was as follows:

	<u>Balance</u> <u>12/31/07</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/08</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Bonds and notes payable:					
General obligation debt	\$ 9,460,083	-	1,131,615	8,328,468	1,118,843
Other liabilities:					
Vested compensated absences	163,662	31,046	-	194,708	-
Post retirement benefits	-	<u>169,736</u>	-	<u>169,736</u>	-
Total governmental long-term liabilities	<u>\$ 9,623,745</u>	<u>200,782</u>	<u>1,131,615</u>	<u>8,692,912</u>	<u>1,118,843</u>
Business-type Activities:					
Bonds and notes payable:					
General obligation debt	\$ 3,709,436	-	586,072	3,123,364	590,778
Revenue bonds	4,672,281	-	456,064	4,216,217	470,686
Debt discount expenses	<u>(47,476)</u>	-	<u>(20,818)</u>	<u>(26,658)</u>	<u>(14,224)</u>
Total business-type long-term liabilities	<u>\$ 8,334,241</u>	<u>-</u>	<u>1,021,318</u>	<u>7,312,923</u>	<u>1,047,240</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.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

F. Long-Term Obligations - continued

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 \$2,822,705,624. The debt limit as of December 31, 2008, was \$141,135,281. Total general obligation debt outstanding at year-end was \$11,451,832. 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, 2008:

Governmental Activities

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/08</u>	<u>Amounts Due Within One Year</u>
General obligation debt:						
2001 G.O. note	1/31/01	1/31/09	4.20%	92,350	11,239	11,239
2001 G.O. note	1/31/01	1/31/09	4.20%	125,700	15,298	15,298
2002 G.O. note	2/01/02	2/01/10	0.00%	131,432	32,858	16,429
2003 G.O. note	8/01/03	3/01/13	2.7 – 3.7%	5,419,893	2,920,257	656,957
2004 G.O. bonds	12/01/04	12/01/24	3.0 – 4.3%	4,851,541	3,973,816	268,920
2006 G.O. note	3/01/06	3/01/16	3.5 – 3.75%	1,660,000	<u>1,375,000</u>	<u>150,000</u>
Total Governmental Activities Debt					\$ <u>8,328,468</u>	<u>1,118,843</u>

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	934,120	145,798	1,079,918
2014-2018	1,666,825	451,386	2,118,211
2019-2023	1,176,525	209,201	1,385,726
2024	<u>264,961</u>	<u>11,403</u>	<u>276,364</u>
	\$ <u>8,328,468</u>	<u>1,749,279</u>	<u>10,077,747</u>

Business-type Activities

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/08</u>	<u>Amounts Due Within One Year</u>
1996 DNR loan	10/09/96	5/01/16	3.21%	\$ 8,049,176	4,216,217	470,686
1998 Installment loan	3/17/98	5/01/16	3.15%	816,870	372,437	41,655
2001 G.O. bonds	3/15/01	12/01/10	4.15 – 4.3%	1,620,000	505,000	255,000
2003 G.O. note	8/01/03	3/01/13	2.7 – 3.7%	1,675,107	899,743	203,043
2004 G.O. bonds	12/01/04	12/01/24	3.0 – 4.3%	1,643,459	<u>1,346,184</u>	<u>91,080</u>
Total Business-type Activities Debt					\$ <u>7,339,581</u>	<u>1,061,464</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>
2009	\$ 1,061,464	238,811	1,300,275
2010	1,090,744	201,746	1,292,490
2011	847,220	163,533	1,010,753
2012	798,839	136,384	935,223
2013	822,061	108,629	930,690
2014-2018	2,230,738	232,456	2,463,194
2019-2023	398,475	70,854	469,329
2024	<u>90,040</u>	<u>3,861</u>	<u>93,901</u>
	<u>\$ 7,339,581</u>	<u>1,156,274</u>	<u>8,495,855</u>

G. Governmental Activities Net Assets/Fund Balances

Governmental activities net assets reported on the government-wide statement of net assets at December 31, 2008 includes the following:

Governmental Activities

Invested in capital assets, net of related debt:

Capital assets, net of accumulated depreciation	\$ 30,731,217
Less: related long-term debt outstanding, excluding unspent capital related debt proceeds and non-capital borrowings	<u>(7,046,309)</u>
	23,684,908

Restricted

Expendable

Debt service	613,427
Capital projects	1,701,949
Other purposes	445,429

Nonexpendable

Perpetual care	58,226
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Unrestricted

3,148,147

Total Governmental Activities Net Assets

\$ 29,652,086

Governmental fund balances reported on the fund financial statements at December 31, 2008 include the following:

Reserved - Major Funds

General Fund

Delinquent personal property taxes	\$ 16,371
Inventory of supplies	117,572
Prepaid expenditures	147,894

Debt Service Fund

Reserved for debt service	205,332
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Reserved - Non-Major Funds

Capital Projects Funds

Road construction	224,260
Storm water drainage	91,611
Sports complex	259,067

Permanent Fund

Cemetery perpetual care	58,226
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**CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS**

(4) Detailed Notes on All Funds - Continued

G. Governmental Activities Net Assets/Fund Balances – continued

Unreserved - Designated for subsequent year expenditures	
Major Funds	
General Fund	\$ 665,000
Non-Major Funds	
Special Revenue Funds	
Green space facilities	147,300
Undesignated:	
Major Funds	
General Fund	3,400,866
Non-Major Funds	
Special Revenue Funds	
Park dedication	59,965
Impact fee	695,209
Tourism and convention	402,531
Green space facilities	106,622
Public safety grants	74
Cemetery – expendable	<u>42,824</u>
Total Governmental Activities Net Assets	\$ <u>6,640,724</u>

(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 2008 was \$5,296,498. During the year the City's required contribution to the plan amounted to \$488,505, which represents 11% of its current year covered payroll of \$4,440,955.

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.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(5) Other Information - Continued

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. The City of Pewaukee issued sewer revenue bonds in the amount of \$8,049,176 and the outstanding balance as of December 31, 2008 was \$3,745,531.

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, 2008 the sewage service revenues net of operating expenses, exclusive of depreciation charges, was \$1,326,906. Total debt service requirements on all outstanding debt payable from the wastewater sewer service charge were \$596,110.

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 2008 were \$970,421 and the City received \$192,240 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, 2008 is as follows:

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 1,743,678	2,663,464	4,407,142
Expenses:			
Operations and maintenance	897,522	1,336,558	2,234,080
Depreciation expense	771,505	1,150,192	1,921,697
Taxes	1,611	-	1,611
Net operating income	73,040	176,714	249,754
		<u>Total Water and Sewer</u>	
Non-operating income:			
Interest income		\$ 220,167	
Non-operating expenses:			
Interest expense and fiscal fees		268,622	
Loss on disposal of fixed assets		13,118	
Amortization of debt expenses		25,422	
Grants and contributions		818,897	
Loss on transfer of assets to City of Waukesha		572,045	
Transfers to City –			
Property tax equivalent		390,896	
Assets:			
Current assets		6,237,636	
Capital assets, net of depreciation		70,863,296	
Other assets		3,251,437	
Total assets		80,352,369	
Liabilities:			
Current liabilities		2,653,573	
Long-term liabilities		6,340,416	
Other liabilities		1,106,833	
Total liabilities		10,100,822	
Net assets:			
January 1, 2008		70,232,832	
Change in net assets		18,715	
December 31, 2008:			
Invested in capital assets, net of related debt		63,550,373	
Restricted for debt service		3,142,792	
Unrestricted		3,558,382	
Net cash provided (used) by:			
Operating activities		1,114,002	
Non-capital financing activities		(390,896)	
Capital and related financing activities		(5,312,750)	
Investing activities		1,236,483	
Cash and cash equivalents:			
January 1, 2008		7,484,424	
December 31, 2008		4,131,263	

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(5) Other Information - Continued

F. Contingencies

At December 31, 2008 the City was involved in an employment discrimination claim filed under the retaliation provisions of Title VII and the Americans with Disabilities Act on behalf of an incumbent officer. The claim involves a violation of the officer's First and Fourteenth Amendment rights. The primary defendants are two employees of the City. The potential exposure associated with this claim is capped at a maximum of \$300,000; none of which is reflected in the financial statements of the City. This litigation is in the preliminary stages and the ultimate outcome cannot presently be determined. The City has retained legal counsel and intends to vigorously fight this claim.

G. Other Postemployment Benefits

The City provides and administers a single-employer defined benefit healthcare plan. The plan provides healthcare and dental coverage to eligible retired city employees and their spouses. Contribution requirements are established through collective bargaining agreements and resolution of the Common Council. The Plan provides eligible retirees with the opportunity to stay on the city's health and dental insurance plan. Eligible retirees and spouses contribute the full amount of the insurance premium.

The City's annual other postemployment benefit cost (expense) is calculated based on the annual required contribution (ARC) of the employer, an amount actuarially determined in accordance with parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. For the year ended December 31, 2008 the Net OPEB obligation is \$193,729 which is equal to the ARC.

The City does not intend to fund this accrued liability; therefore the City will continue on the pay-as-you-go method. The status of the plan as of December 31, 2008, the most recent actuarial valuation date, was as follows:

Unfunded Actuarial Accrued Liability (UAAL)	\$ <u>1,239,180</u>
Covered payroll (active plan members)	\$ <u>4,743,825</u>
UAAL as a percentage of covered payroll	<u>26.1%</u>

Actuarial valuations of an ongoing plan involve estimates for the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

In the actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumption did not include a rate of return on the City's investments due to the fact that the City does not plan to fund the accrued liability. An annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after 10 years is included in the actuarial assumptions. This rate includes a 3% inflation assumption. The remaining amortization period at December 31, 2008, was 29 years.

SUPPORTING SCHEDULES

CITY OF PEWAUKEE
Non-Major Governmental Funds

COMBINING BALANCE SHEET

December 31, 2008

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Non-Major Funds</u>
Assets:				
Cash and cash equivalents	\$ 1,518,551	1,347,481	58,226	2,924,258
Receivables:				
Current taxes	16,299	69,853	-	86,152
Accounts	<u>27,594</u>	<u>28,444</u>	<u>-</u>	<u>56,038</u>
Total assets	<u>\$ 1,562,444</u>	<u>1,445,778</u>	<u>58,226</u>	<u>3,066,448</u>
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	\$ -	7,724	-	7,724
Construction contracts payable	-	59,000	-	59,000
Due to other funds	-	634,215	-	634,215
Developer deposits	-	42,901	-	42,901
Deferred revenues	<u>107,919</u>	<u>127,000</u>	<u>-</u>	<u>234,919</u>
Total liabilities	<u>107,919</u>	<u>870,840</u>	<u>-</u>	<u>978,759</u>
Fund Balance:				
Reserved for:				
Capital projects	-	574,938	-	574,938
Perpetual care	-	-	58,226	58,226
Unreserved:				
Designated for subsequent year's expenditures	147,300	-	-	147,300
Undesignated	<u>1,307,225</u>	<u>-</u>	<u>-</u>	<u>1,307,225</u>
Total fund balance	<u>1,454,525</u>	<u>574,938</u>	<u>58,226</u>	<u>2,087,689</u>
Total liabilities and fund balance	<u>\$ 1,562,444</u>	<u>1,445,778</u>	<u>58,226</u>	<u>3,066,448</u>

CITY OF PEWAUKEE
Non-Major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2008

	Special Revenue	Capital Projects	Permanent	Total Non-Major Funds
Revenues:				
Taxes	\$ 567,466	398,875	-	966,341
Intergovernmental	1,637	-	-	1,637
Charges for services	193,975	-	2,696	196,671
Interest	25,937	21,115	-	47,052
Total revenues	789,015	419,990	2,696	1,211,701
Expenditures:				
Current:				
Economic development	420,303	-	-	420,303
Unclassified	9,977	-	-	9,977
Capital outlay	1,637	1,507,353	-	1,508,990
Total expenditures	431,917	1,507,353	-	1,939,270
Excess (deficiency) of revenues over expenditures	357,098	(1,087,363)	2,696	(727,569)
Other financing sources (uses):				
Transfers in	10,000	114,950	-	124,950
Transfers out	(303,132)	(14,950)	-	(318,082)
Total other financing sources (uses)	(293,132)	100,000	-	(193,132)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	63,966	(987,363)	2,696	(920,701)
Fund balance, January 1	1,390,559	1,562,301	55,530	3,008,390
Fund balance, December 31	\$ 1,454,525	574,938	58,226	2,087,689

CITY OF PEWAUKEE
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2008

	Actual	Budget	Variance: Favorable (Unfavorable)
Taxes:			
General property	\$ 5,266,380	5,266,380	-
Public accommodation	230,600	240,000	(9,400)
Land-use penalties	10,263	10,470	(207)
Other	136	-	136
	<u>5,507,379</u>	<u>5,516,850</u>	<u>(9,471)</u>
Intergovernmental:			
State shared revenues	419,605	396,903	22,702
Exempt computer aids	68,113	83,700	(15,587)
Fire insurance dues	75,986	88,500	(12,514)
Highway safety aids	17,748	20,000	(2,252)
Transportation aids	406,852	406,088	764
FEMA disaster grants	253,443	253,443	-
Water safety patrol	38,901	32,000	6,901
Tank inspection aids	11,851	8,500	3,351
Police training aids	2,770	3,500	(730)
County recycling aids	40,118	29,000	11,118
County block grant	16,494	16,494	-
Federal Homeland Security grant	-	10,000	(10,000)
Other	8,218	10,000	(1,782)
	<u>1,360,099</u>	<u>1,358,128</u>	<u>1,971</u>
Regulation and compliance:			
Licenses:			
Liquor class A	692	1,000	(308)
Liquor class B	14,387	12,000	2,387
Beer class A wholesale	125	125	-
Special class B licenses	10	20	(10)
Operator	3,785	6,000	(2,215)
Cigarette	1,200	1,000	200
Amusement	990	900	90
Hotel and motel	75	75	-
Dog and kennel	5,702	5,800	(98)

CITY OF PEWAUKEE
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2008

	Actual	Budget	Variance: Favorable (Unfavorable)
Regulation and compliance - continued:			
Permits:			
Building	\$ 355,867	360,000	(4,133)
Electrical	90,576	75,000	15,576
Plumbing	57,432	50,000	7,432
Erosion	3,900	10,000	(6,100)
State code stamps	1,140	1,200	(60)
Sign	3,167	4,000	(833)
Street opening	4,950	1,000	3,950
Fire inspection - commercial buildings	148,288	148,288	-
Other	1,400	1,300	100
Fines:			
Court	510,468	500,000	10,468
Animal	437	200	237
Deposit forfeitures	1,040	-	1,040
Cable TV franchise	114,856	99,000	15,856
	<u>1,320,487</u>	<u>1,276,908</u>	<u>43,579</u>
Charges for services:			
Publication fees	1,032	1,500	(468)
Copies	1,020	1,500	(480)
Administrative fees	7,953	600	7,353
Planning and zoning fees	2,400	6,000	(3,600)
Certified survey maps and plat review fees	2,666	4,200	(1,534)
Legal review fees	25,706	15,000	10,706
Engineering review fees	230,998	220,000	10,998
Refuse collection	590,087	625,500	(35,413)
House numbers	622	900	(278)
Highway materials and services	-	600	(600)
Culverts	1,035	5,000	(3,965)
Summer lake patrol	10,985	17,000	(6,015)
Winter lake patrol	3,952	9,000	(5,048)
Police sales and copies	3,577	2,000	1,577
Boat launch fees	6,052	8,000	(1,948)
Fire runs	4,189	15,000	(10,811)
Fire inspections	56,350	56,350	-
Ambulance runs	257,885	225,000	32,885
Fire and ambulance contracts	798,383	705,458	92,925

CITY OF PEWAUKEE
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2008

	Actual	Budget	Variance: Favorable (Unfavorable)
Charges for services - continued:			
Police services	\$ -	900	(900)
Private fire protection plan	3,050	2,000	1,050
Management services	42,000	42,000	-
SEWRPC services	11,773	11,000	773
Building inspection contract	83,561	75,000	8,561
Park equipment usage fees	4,962	8,000	(3,038)
Park and recreation contracts	192,240	225,000	(32,760)
	<u>2,342,478</u>	<u>2,282,508</u>	<u>59,970</u>
Recreation:			
Program fees	141,186	122,587	18,599
Land O' Leagues	40,656	51,000	(10,344)
Field trips	37,261	30,000	7,261
Club use fees	8,231	10,000	(1,769)
Reservation fees	24,125	25,000	(875)
WPRA ticket sales	6,995	10,000	(3,005)
Brochure advertising	2,000	-	2,000
	<u>260,454</u>	<u>248,587</u>	<u>11,867</u>
Interest:			
Investments	202,157	250,000	(47,843)
Other	7,945	-	7,945
	<u>210,102</u>	<u>250,000</u>	<u>(39,898)</u>
Miscellaneous:			
Rent:			
Water and sewer utility	34,000	34,000	-
Other	3,400	3,400	-
Recycling	7,898	4,000	3,898
Sale of assets	95,796	7,000	88,796
Insurance recoveries	41,250	-	41,250
Gifts and donations	29,668	-	29,668
Insurance dividend	14,391	-	14,391
Other	5,399	500	4,899
	<u>231,802</u>	<u>48,900</u>	<u>182,902</u>
Total revenues	<u>\$ 11,232,801</u>	<u>10,981,881</u>	<u>250,920</u>

CITY OF PEWAUKEE
General Fund

STATEMENT OF EXPENDITURES COMPARED TO BUDGET

Year Ended December 31, 2008

	Actual	Budget	Variance: Favorable (Unfavorable)
General government:			
Mayor	\$ 9,669	10,024	355
Common council	47,221	47,221	-
Police commission	1,632	1,632	-
Public works commission	-	958	958
Administration	120,684	129,642	8,958
Human resources	60,655	60,655	-
Clerk/ treasurer	281,789	283,256	1,467
Assessor	229,706	241,089	11,383
Board of review	971	1,140	169
Outside services	325,298	325,298	-
Elections	34,363	35,110	747
Facilities	226,367	228,228	1,861
Information technology	220,166	231,516	11,350
Insurance	154,926	165,500	10,574
Plan commission	71,436	72,205	769
Board of appeals	230	1,911	1,681
	<u>1,785,113</u>	<u>1,835,385</u>	<u>50,272</u>
Public safety and judicial:			
Municipal court	105,310	112,618	7,308
Law enforcement	2,899,517	2,899,517	-
Fire and rescue	2,001,309	2,001,309	-
Building services	359,669	389,233	29,564
Flood disaster	75,932	75,932	-
	<u>5,441,737</u>	<u>5,478,609</u>	<u>36,872</u>
Health and sanitation:			
Animal control	6,699	7,000	301
Weed, lake and wetlands	91,537	93,250	1,713
Refuse collection and recycling	636,091	661,939	25,848
	<u>734,327</u>	<u>762,189</u>	<u>27,862</u>

CITY OF PEWAUKEE
 General Fund

STATEMENT OF EXPENDITURES COMPARED TO BUDGET

Year Ended December 31, 2008

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
Public works:			
Engineering	\$ 475,741	475,741	-
Safety program	2,822	6,000	3,178
Highway and transportation	1,028,808	1,028,808	-
	<u>1,507,371</u>	<u>1,510,549</u>	<u>3,178</u>
Culture and recreation:			
Library	669,639	669,639	-
Parks	528,437	539,526	11,089
Recreation	441,984	441,984	-
	<u>1,640,060</u>	<u>1,651,149</u>	<u>11,089</u>
Unclassified	<u>60,032</u>	<u>94,000</u>	<u>33,968</u>
Total expenditures	<u>\$ 11,168,640</u>	<u>11,331,881</u>	<u>163,241</u>

CITY OF PEWAUKEE
Special Revenue Funds

COMBINING BALANCE SHEET

December 31, 2008

	Park Dedication	Impact Fee	Tourism and Convention	Green Space Facilities	Public Safety Grants	Cemetery	Total
Assets:							
Cash and cash equivalents	\$ 59,965	695,209	374,937	253,922	80,443	54,075	1,518,551
Taxes receivable	-	-	-	-	-	16,299	16,299
Accounts receivable	-	-	27,594	-	-	-	27,594
Total assets	\$ 59,965	695,209	402,531	253,922	80,443	70,374	1,562,444
Liabilities and Fund Balance:							
Liabilities:							
Deferred revenues	\$ -	-	-	-	80,369	27,550	107,919
Total liabilities	-	-	-	-	80,369	27,550	107,919
Fund balance:							
Unreserved:							
Designated for subsequent year's expenditures	-	-	-	147,300	-	-	147,300
Undesignated	59,965	695,209	402,531	106,622	74	42,824	1,307,225
Total fund balance	59,965	695,209	402,531	253,922	74	42,824	1,454,525
Total liabilities and fund balance	\$ 59,965	695,209	402,531	253,922	80,443	70,374	1,562,444

CITY OF PEWAUKEE
Special Revenue Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2008

	Park Dedication	Impact Fee	Tourism and Convention	Green Space Facilities	Public Safety Grants	Cemetery	Total
Revenues:							
General tax levy	-	-	-	-	-	29,400	29,400
Public accommodation tax	-	-	538,066	-	-	-	538,066
Intergovernmental:							
Federal public safety grant	-	-	-	-	1,637	-	1,637
Charges for services:							
Fees in lieu of land dedications	49,050	-	-	-	-	-	49,050
Impact fees	-	138,771	-	-	-	-	138,771
Interment fees	-	-	-	-	-	4,750	4,750
Lot sales	-	-	-	-	-	1,404	1,404
Interest earnings	56	11,489	7,924	4,924	-	1,544	25,937
Total revenues	<u>49,106</u>	<u>150,260</u>	<u>545,990</u>	<u>4,924</u>	<u>1,637</u>	<u>37,098</u>	<u>789,015</u>
Expenditures:							
Economic development:							
Tourism	-	-	420,303	-	-	-	420,303
Unclassified	-	-	-	1,915	-	8,062	9,977
Capital outlay:							
Public safety expenditures	-	-	-	-	1,637	-	1,637
Total expenditures	<u>-</u>	<u>-</u>	<u>420,303</u>	<u>1,915</u>	<u>1,637</u>	<u>8,062</u>	<u>431,917</u>
Excess of revenues over expenditures	<u>49,106</u>	<u>150,260</u>	<u>125,687</u>	<u>3,009</u>	<u>-</u>	<u>29,036</u>	<u>357,098</u>
Other financing sources (uses):							
Transfer from tourism and convention	-	-	-	10,000	-	-	10,000
Transfer to general fund	-	-	(6,977)	-	-	-	(6,977)
Transfer to green space fund	-	-	(10,000)	-	-	-	(10,000)
Transfer to capital projects	-	(186,155)	(100,000)	-	-	-	(286,155)
	<u>-</u>	<u>(186,155)</u>	<u>(116,977)</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>(293,132)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	49,106	(35,895)	8,710	13,009	-	29,036	63,966
Fund balance, January 1	<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>
Fund balance, December 31	<u>\$ 59,965</u>	<u>695,209</u>	<u>402,531</u>	<u>253,922</u>	<u>74</u>	<u>42,824</u>	<u>1,454,525</u>

CITY OF PEWAUKEE
Special Revenue Funds

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

Year Ended December 31, 2008

	Park Dedication		Impact Fee		Tourism and Convention		Green Space		Cemetery		Total	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Revenues:												
Public accommodation tax	\$ -	-	-	-	538,066	560,000	-	-	-	-	538,066	560,000
General property	-	-	-	-	-	-	-	-	29,400	29,400	29,400	29,400
Charges for services:												
In lieu of land dedications	49,050	32,400	-	-	-	-	-	-	-	-	49,050	32,400
Impact fees	-	-	138,771	80,000	-	-	-	-	-	-	138,771	80,000
Interment fees	-	-	-	-	-	-	-	-	4,750	3,500	4,750	3,500
Perpetual care	-	-	-	-	-	-	-	-	-	1,206	-	1,206
Lot sales	-	-	-	-	-	-	-	-	1,404	594	1,404	594
Interest earnings	56	1,000	11,489	8,000	7,924	8,500	4,924	6,000	1,544	2,500	25,937	26,000
Total revenues	<u>49,106</u>	<u>33,400</u>	<u>150,260</u>	<u>88,000</u>	<u>545,990</u>	<u>568,500</u>	<u>4,924</u>	<u>6,000</u>	<u>37,098</u>	<u>37,200</u>	<u>787,378</u>	<u>733,100</u>
Expenditures:												
Economic development:												
Tourism	-	-	-	-	420,303	437,500	-	-	-	-	420,303	437,500
Capital outlay:												
Bike trail	-	-	-	-	-	-	1,915	75,000	-	-	1,915	75,000
Cemetery	-	-	-	-	-	-	-	-	8,062	34,400	8,062	34,400
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>420,303</u>	<u>437,500</u>	<u>1,915</u>	<u>75,000</u>	<u>8,062</u>	<u>34,400</u>	<u>430,280</u>	<u>546,900</u>
Excess (deficiency) of revenues over expenditures	<u>49,106</u>	<u>33,400</u>	<u>150,260</u>	<u>88,000</u>	<u>125,687</u>	<u>131,000</u>	<u>3,009</u>	<u>(69,000)</u>	<u>29,036</u>	<u>2,800</u>	<u>357,098</u>	<u>186,200</u>
Other financing sources (uses):												
Transfer from tourism and convention	-	-	-	-	-	-	10,000	10,000	-	-	10,000	10,000
Transfer to general fund	-	-	-	-	(6,977)	(9,000)	-	-	-	-	(6,977)	(9,000)
Transfer to green space fund	-	-	-	-	(10,000)	(10,000)	-	-	-	-	(10,000)	(10,000)
Transfer to capital projects fund	-	-	(186,155)	(713,287)	(100,000)	(100,000)	-	-	-	-	(286,155)	(813,287)
	<u>-</u>	<u>-</u>	<u>(186,155)</u>	<u>(713,287)</u>	<u>(116,977)</u>	<u>(119,000)</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>-</u>	<u>(293,132)</u>	<u>(822,287)</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>49,106</u>	<u>33,400</u>	<u>(35,895)</u>	<u>(625,287)</u>	<u>8,710</u>	<u>12,000</u>	<u>13,009</u>	<u>(59,000)</u>	<u>29,036</u>	<u>2,800</u>	<u>63,966</u>	<u>(636,087)</u>
Fund balance, January 1	<u>10,859</u>		<u>731,104</u>		<u>393,821</u>		<u>240,913</u>		<u>13,788</u>		<u>1,390,485</u>	
Fund balance, December 31	\$ <u>59,965</u>		<u>695,209</u>		<u>402,531</u>		<u>253,922</u>		<u>42,824</u>		<u>1,454,451</u>	

CITY OF PEWAUKEE
Debt Service Fund

BALANCE SHEET

December 31, 2008

Assets:

Cash and temporary investments	\$	789,926
Receivables:		
Taxes		721,823
Special assessments		<u>319,649</u>
Total assets	\$	<u><u>1,831,398</u></u>

Liabilities and Fund Balance:

Liabilities:

Deferred revenues:

Current tax levy	\$	1,306,417
Long-term special assessments		<u>319,649</u>

Total liabilities 1,626,066

Fund balance:

 Reserved for debt service 205,332

Total fund balance 205,332

Total liabilities and fund balance \$ 1,831,398

CITY OF PEWAUKEE
Debt Service Fund

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

Year Ended December 31, 2008

	Actual	Budget	Variance: Favorable (Unfavorable)
Revenues:			
Taxes:			
General tax levy	\$ 1,100,000	1,100,000	-
Special assessments	139,224	185,000	(45,776)
Interest earnings	29,679	7,389	22,290
Total revenues	1,268,903	1,292,389	(23,486)
Expenditures:			
Debt service:			
Principal	1,131,615	1,131,615	-
Interest	322,230	322,230	-
Total expenditures	1,453,845	1,453,845	-
Excess (deficiency) of revenues over expenditures	(184,942)	(161,456)	(23,486)
Fund balance, January 1	390,274		
Fund balance, December 31	\$ 205,332		

CITY OF PEWAUKEE
Capital Projects Fund - Fire Station Construction

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

Year Ended December 31, 2008

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
Revenues:			
Interest earnings	<u>23,921</u>	<u>50,000</u>	<u>(26,079)</u>
Total revenues	<u>23,921</u>	<u>50,000</u>	<u>(26,079)</u>
Expenditures:			
Fire station construction	<u>2,636,490</u>	<u>3,712,000</u>	<u>1,075,510</u>
Total expenditures	<u>2,636,490</u>	<u>3,712,000</u>	<u>1,075,510</u>
Excess (deficiency) of revenues over expenditures	(2,612,569)	(3,662,000)	1,049,431
Other financing sources:			
Transfer from impact fee fund	<u>186,155</u>	<u>713,287</u>	<u>(527,132)</u>
Excess (deficiency) of revenues and other financing sources over expenditures	(2,426,414)	<u>(2,948,713)</u>	<u>522,299</u>
Fund balance, January 1	<u>2,426,414</u>		
Fund balance, December 31	<u><u>-</u></u>		

CITY OF PEWAUKEE
Capital Projects Funds

COMBINING BALANCE SHEET

December 31, 2008

		Road Construction	Storm Water Drainage	Sports Complex	Total
Assets:					
Cash and temporary investments	\$	983,854	104,260	259,367	1,347,481
Taxes receivable		58,211	11,642	-	69,853
Accounts receivable		28,444	-	-	28,444
Total assets	\$	<u>1,070,509</u>	<u>115,902</u>	<u>259,367</u>	<u>1,445,778</u>
Liabilities and Fund Balance:					
Liabilities:					
Accounts payable	\$	3,133	4,291	300	7,724
Construction contracts payable		59,000	-	-	59,000
Due to other funds		634,215	-	-	634,215
Developer deposits		42,901	-	-	42,901
Deferred revenues		107,000	20,000	-	127,000
Total liabilities		<u>846,249</u>	<u>24,291</u>	<u>300</u>	<u>870,840</u>
Fund balance:					
Reserved for capital projects		<u>224,260</u>	<u>91,611</u>	<u>259,067</u>	<u>574,938</u>
Total liabilities and fund balance	\$	<u>1,070,509</u>	<u>115,902</u>	<u>259,367</u>	<u>1,445,778</u>

CITY OF PEWAUKEE
Capital Projects Funds

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

Year Ended December 31, 2008

	Road Construction		Storm Water Drainage		Park Land Acquisition		Sports Complex		Total	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Revenues:										
Taxes:										
General property	\$ 358,875	358,875	40,000	40,000	-	-	-	-	398,875	398,875
Interest earnings	15,280	10,000	1,819	1,000	-	-	4,016	15,000	21,115	26,000
Total revenues	<u>374,155</u>	<u>368,875</u>	<u>41,819</u>	<u>41,000</u>	<u>-</u>	<u>-</u>	<u>4,016</u>	<u>15,000</u>	<u>419,990</u>	<u>424,875</u>
Expenditures:										
Road construction	1,461,472	1,461,472	-	-	-	-	-	-	1,461,472	1,461,472
Storm water studies	-	-	2,513	45,500	-	-	-	-	2,513	45,500
Storm water improvements	-	-	38,903	68,500	-	-	-	-	38,903	68,500
Sports complex	-	-	-	-	-	-	4,465	40,000	4,465	40,000
Total expenditures	<u>1,461,472</u>	<u>1,461,472</u>	<u>41,416</u>	<u>114,000</u>	<u>-</u>	<u>-</u>	<u>4,465</u>	<u>40,000</u>	<u>1,507,353</u>	<u>1,615,472</u>
Excess (deficiency) of revenues over expenditures	<u>(1,087,317)</u>	<u>(1,092,597)</u>	<u>403</u>	<u>(73,000)</u>	<u>-</u>	<u>-</u>	<u>(449)</u>	<u>(25,000)</u>	<u>(1,087,363)</u>	<u>(1,190,597)</u>
Other financing sources (uses):										
Proceeds of long term debt	-	277,395	-	-	-	-	-	-	-	277,395
Transfer from other funds	-	-	-	-	-	-	114,950	114,950	114,950	114,950
Transfer to other funds	-	-	-	-	(14,950)	(14,950)	-	-	(14,950)	(14,950)
	<u>-</u>	<u>277,395</u>	<u>-</u>	<u>-</u>	<u>(14,950)</u>	<u>(14,950)</u>	<u>114,950</u>	<u>114,950</u>	<u>100,000</u>	<u>377,395</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>(1,087,317)</u>	<u>(815,202)</u>	<u>403</u>	<u>(73,000)</u>	<u>(14,950)</u>	<u>(14,950)</u>	<u>114,501</u>	<u>89,950</u>	<u>(987,363)</u>	<u>(813,202)</u>
Fund balance, January 1	<u>1,311,577</u>		<u>91,208</u>		<u>14,950</u>		<u>144,566</u>		<u>1,562,301</u>	
Fund balance, December 31	<u>\$ 224,260</u>		<u>91,611</u>		<u>-</u>		<u>259,067</u>		<u>574,938</u>	

CITY OF PEWAUKEE
Permanent Fund - Cemetery Perpetual Care
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Year Ended December 31, 2008

Revenues:		
Charges for services:		
Perpetual care	\$	2,696
Expenditures:		
Unclassified:		<u>-</u>
Excess of revenues over expenditures		2,696
Fund balance, January 1		<u>55,530</u>
Fund balance, December 31	\$	<u><u>58,226</u></u>

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

BALANCE SHEETS

December 31, 2008 and 2007

	2008	2007
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 988,471	5,541,196
Restricted assets:		
Debt retirement assets:		
Cash and cash equivalents	3,142,792	1,943,228
Investments	-	1,012,701
Receivables:		
Accounts	927,838	1,105,120
Special assessments	69,428	73,601
Intergovernmental	62,611	-
Accrued interest	-	3,615
Other	30,649	42,133
Developers	498,543	1,033,033
Due from general fund	511,168	20,235
Inventory of supplies	6,136	4,381
Prepaid expenses	-	1,180
	<u>6,237,636</u>	<u>10,780,423</u>
Fixed assets:		
Land	370,387	220,552
Buildings	7,525,764	7,060,938
Improvements other than buildings	80,043,911	74,157,995
Furniture and equipment	860,888	854,038
Construction in progress	728,656	2,409,034
	<u>89,529,606</u>	<u>84,702,557</u>
Less: Accumulated depreciation	<u>18,666,310</u>	<u>16,803,314</u>
Net fixed assets	<u>70,863,296</u>	<u>67,899,243</u>
Other assets:		
Long-term portion of special assessments receivable	3,163,544	2,820,870
Unamortized debt discount and issue expenses	(5,773)	(1,169)
Deferred expenses	93,666	93,666
	<u>3,251,437</u>	<u>2,913,367</u>
Total other assets	<u>3,251,437</u>	<u>2,913,367</u>
Total assets	<u>\$ 80,352,369</u>	<u>81,593,033</u>

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

BALANCE SHEETS

December 31, 2008 and 2007

	2008	2007
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 459,096	626,713
Due to general fund	-	551,964
Due to City of Waukesha	12,101	8,674
Construction contracts payable	871,377	434,456
Customer advances on construction	222,348	614,736
Accrued interest on long-term debt	40,638	46,182
Other accrued expenses	773	708
Current portion of long-term debt	1,061,464	1,042,136
Less: current portion of deferred amount on refunding	(14,224)	(20,818)
Total current liabilities	2,653,573	3,304,751
Long-term liabilities (net of current portion):		
General obligation debt	2,532,586	3,123,364
Less: deferred amount on refunding	(12,434)	(26,658)
Sewerage system revenue bonds	3,745,531	4,216,217
Construction contracts payable	50,740	50,740
Accrued post retirement benefits	23,993	-
Other liabilities:		
Deferred assessments due to developers	1,106,833	691,787
Total liabilities	10,100,822	11,360,201
Net assets:		
Invested in capital assets, net of related debt	63,562,807	59,565,002
Restricted for debt service	3,142,792	2,955,929
Unrestricted	3,545,948	7,711,901
Total net assets	70,251,547	70,232,832
Total liabilities and net assets	\$ 80,352,369	81,593,033

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

Years Ended December 31, 2008 and 2007

	2008			2007
	Water	Sewer	Combined	Combined
Operating revenues	\$ 1,743,678	2,663,464	4,407,142	4,366,454
Operating expenses:				
Operation and maintenance	897,522	1,336,558	2,234,080	1,936,638
Depreciation	771,505	1,150,192	1,921,697	1,784,427
Taxes	1,611	-	1,611	1,627
Total operating expenses	1,670,638	2,486,750	4,157,388	3,722,692
Operating income	\$ 73,040	176,714	249,754	643,762
Non-operating revenues (expenses):				
Interest income			220,167	510,014
Interest expense and fiscal fees			(268,622)	(308,631)
Loss on the disposal of fixed assets			(13,118)	-
Amortization of deferred refunding costs			(20,818)	(28,025)
Amortization of debt issue expenses			(4,604)	(7,640)
Total non-operating revenues (expenses)			(86,995)	165,718
Income before contributions and transfers			162,759	809,480
Grants and contributions			818,897	7,947,072
Loss on transfer of assets to City of Waukesha			(572,045)	-
Transfers out			(390,896)	(352,211)
Change in net assets			18,715	8,404,341
Total net assets, January 1			70,232,832	61,828,491
Total net assets, December 31			\$ 70,251,547	70,232,832

CITY OF PEWAUKEE
Enterprise Fund
Water Utility

STATEMENTS OF OPERATING INCOME AND EXPENSES

Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Operating revenues</u>		
Sale of water:		
Residential	\$ 675,628	650,893
Commercial	409,607	416,002
Industrial	66,775	84,816
Public authorities	<u>3,571</u>	<u>3,407</u>
	1,155,581	1,155,118
Public fire protection	517,211	518,508
Private fire protection	60,943	60,847
Customer's forfeited discounts	4,273	4,197
Other revenue	<u>5,670</u>	<u>4,123</u>
Total operating revenues	<u>1,743,678</u>	<u>1,742,793</u>
 <u>Operating expenses</u>		
Plant operation and maintenance:		
Salaries and wages	159,993	165,429
Transportation expense	20,885	21,979
Power purchased for pumping	203,645	196,479
Chemicals	88,126	76,363
Operating supplies	46,476	56,719
Repairs of water plant	<u>116,074</u>	<u>88,158</u>
	<u>635,199</u>	<u>605,127</u>
General operating expenses:		
Administrative salaries	70,126	65,644
Office supplies and expenses	15,942	15,142
Outside services employed	59,614	43,562
Insurance	15,465	14,951
Employee benefits	76,172	66,546
Other general expenses	<u>25,004</u>	<u>18,019</u>
	<u>262,323</u>	<u>223,864</u>
Total operation and maintenance expenses	897,522	828,991
Depreciation	771,505	728,402
Taxes	<u>1,611</u>	<u>1,627</u>
Total operating expenses	<u>1,670,638</u>	<u>1,559,020</u>
Net operating income	<u>\$ 73,040</u>	<u>183,773</u>

CITY OF PEWAUKEE
Enterprise Fund
Sewer Utility

STATEMENTS OF OPERATING INCOME AND EXPENSES

Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
<u>Operating revenues</u>		
Sewer service charges:		
Residential	\$ 1,445,091	1,429,151
Commercial	1,056,438	1,027,584
Industrial	141,551	150,460
Public authorities	6,519	4,889
Other revenue	<u>13,865</u>	<u>11,577</u>
Total operating revenues	<u>2,663,464</u>	<u>2,623,661</u>
 <u>Operating expenses</u>		
Plant operation and maintenance:		
Sewage treatment charges	936,212	817,096
Salaries and wages	60,735	54,321
Power purchased for pumping	31,534	28,276
Supplies and expenses	11,991	12,780
Maintenance	<u>72,209</u>	<u>27,519</u>
	<u>1,112,681</u>	<u>939,992</u>
General operating expenses:		
Administrative salaries	70,127	65,644
Office supplies and expenses	15,941	23,210
Outside services employed	52,412	15,877
Insurance	15,465	14,952
Employee benefits	44,927	29,954
Other general expenses	<u>25,005</u>	<u>18,018</u>
	<u>223,877</u>	<u>167,655</u>
Total operation and maintenance expenses	1,336,558	1,107,647
Depreciation	<u>1,150,192</u>	<u>1,056,025</u>
Total operating expenses	<u>2,486,750</u>	<u>2,163,672</u>
Net operating income	\$ <u><u>176,714</u></u>	<u><u>459,989</u></u>

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2008 and 2007

	<u>2008</u>	<u>2007</u>
Cash flows from operating activities:		
Receipts from customers	\$ 4,533,297	4,390,441
Receipts for interfund services	(490,933)	(10,956)
Payments to suppliers	(1,870,325)	(1,245,031)
Payments to employees	(506,073)	(447,538)
Payments for interfund services	(551,964)	151,612
Net cash provided by operating activities	<u>1,114,002</u>	<u>2,838,528</u>
Cash flows from non-capital financing activities:		
Operating transfers to other funds	<u>(390,896)</u>	<u>(352,211)</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(4,123,716)	(4,920,651)
Proceeds from the sale of fixed assets	3,934	-
Reserve capacity assessments received	439,177	474,781
Long-term debt retirements	(1,042,136)	(1,006,496)
Collection of special assessments, net	76,545	305,238
Developer advances on construction, net	(392,388)	70,112
Preliminary design fees for system expansion	-	(11,728)
Interest and fiscal charges paid on bonds and notes payable	<u>(274,166)</u>	<u>(313,742)</u>
Net cash used by capital and related financing activities	<u>(5,312,750)</u>	<u>(5,402,486)</u>
Cash flows from investing activities:		
Interest received on cash and investments	223,782	509,329
Maturities of securities	2,015,853	2,151,995
Purchases of securities	<u>(1,003,152)</u>	<u>(2,093,900)</u>
Net cash provided by investing activities	<u>1,236,483</u>	<u>567,424</u>
Net increase (decrease) in cash and cash equivalents	(3,353,161)	(2,348,745)
Cash and cash equivalents, January 1	<u>7,484,424</u>	<u>9,833,169</u>
Cash and cash equivalents, December 31	\$ <u>4,131,263</u>	<u>7,484,424</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Unrestricted	\$ 988,471	5,541,196
Restricted - Debt retirement	<u>3,142,792</u>	<u>1,943,228</u>
	\$ <u>4,131,263</u>	<u>7,484,424</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 249,754	643,762
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,921,697	1,784,427
Changes in assets and liabilities:		
Accounts receivable, net	(364,778)	13,031
Inventory of supplies	(1,755)	(721)
Prepaid expenses	1,180	2,122
Accounts payable and accrued expenses	<u>(692,096)</u>	<u>395,907</u>
Net cash provided by operating activities	\$ <u>1,114,002</u>	<u>2,838,528</u>
Schedule of non-cash activities:		
Plant assets contributed by developers	\$ <u>379,720</u>	<u>7,472,291</u>

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

ANALYSIS OF UTILITY PLANT IN SERVICE

Years Ended December 31, 2008 and 2007

	Utility Plant				% Rate	Accumulated Depreciation			
	Balance Dec. 31, 2007	Additions	Disposals	Balance Dec. 31, 2008		Balance Dec. 31, 2007	Additions	Disposals	Balance Dec. 31, 2008
Water Utility									
Source of supply plant:									
Wells and springs	\$ 1,582,150	-	-	1,582,150	2.90	440,079	45,882	-	485,961
Supply mains	176,607	-	-	176,607	1.80	50,042	3,179	-	53,221
Pumping plant:									
Land	220,552	149,835	-	370,387	-	-	-	-	-
Structures and improvements	4,319,187	364	-	4,319,551	3.20	1,012,304	138,220	-	1,150,524
Electric pumping equipment	914,130	36,320	19,870	930,580	4.40	157,876	40,585	6,309	192,152
Other pumping equipment	149,569	-	-	149,569	4.40	87,484	6,581	-	94,065
Water treatment plant	340,861	119	-	340,980	6.00	36,071	20,455	-	56,526
Transmission and distribution plant:									
Distribution reservoirs and standpipes	1,428,254	-	-	1,428,254	1.90	449,200	27,137	-	476,337
Transmission and distribution mains	19,284,085	775,778	522,289	19,537,574	1.30	2,148,087	252,340	14,451	2,385,976
Services	2,908,316	55,872	20,527	2,943,661	2.90	728,788	84,854	76	813,566
Meters	440,398	24,344	5,581	459,161	12.50	374,478	56,222	5,581	425,119
Hydrants	2,410,078	97,314	55,904	2,451,488	2.20	449,769	53,478	8,657	494,590
General plant:									
Transportation equipment	165,768	30,477	23,627	172,618	13.30	157,685	15,388	23,627	149,446
Office furniture and equipment	99,976	-	-	99,976	Var.	68,814	2,886	-	71,700
Other general equipment	304,268	-	-	304,268	Var.	82,784	24,298	-	107,082
Power operating equipment	175	-	-	175	7.50	175	-	-	175
	<u>34,744,374</u>	<u>1,170,423</u>	<u>647,798</u>	<u>35,266,999</u>		<u>6,243,636</u>	<u>771,505</u>	<u>58,701</u>	<u>6,956,440</u>
Sewer Utility									
Buildings and structures	2,741,751	464,462	-	3,206,213	2.00	317,647	59,479	-	377,126
Collection sewers	25,342,378	4,254,210	-	29,596,588	1.00	2,698,548	274,695	-	2,973,243
Force mains	1,829,218	261,321	-	2,090,539	3.33	234,480	65,264	-	299,744
Services	3,564,775	588,546	-	4,153,321	1.00	356,777	38,591	-	395,368
Pumping equipment	3,015,071	416,263	-	3,431,334	5.00	820,688	161,160	-	981,848
Other equipment	283,851	-	-	283,851	Var.	175,967	12,397	-	188,364
Treatment plant	10,772,105	-	-	10,772,105	5.00	5,955,571	538,606	-	6,494,177
	<u>47,549,149</u>	<u>5,984,802</u>	<u>-</u>	<u>53,533,951</u>		<u>10,559,678</u>	<u>1,150,192</u>	<u>-</u>	<u>11,709,870</u>
Construction in progress	2,409,034	-	1,680,378	728,656		-	-	-	-
Total	<u>\$ 84,702,557</u>	<u>7,155,225</u>	<u>2,328,176</u>	<u>89,529,606</u>		<u>16,803,314</u>	<u>1,921,697</u>	<u>58,701</u>	<u>18,666,310</u>