

CITY OF PEWAUKEE

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2009

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FINANCIAL STATEMENTS
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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, 2009, 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, 2009, 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.

Rottloff Janson & Company

June 22, 2010



Office of the Mayor

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MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2009

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, 2009. 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 \$102,091,283 (net assets). Of this amount, \$7,683,076 is considered unrestricted and available to meet the government's ongoing obligations to citizens and creditors.

During 2009 the City's net assets increased by \$2,187,650 or 2.2%. The City's governmental activities decreased \$385,887 while the business-type activities increased by \$2,573,537.

At December 31, 2009, the City's governmental funds reported combined ending fund balances of \$5,137,845, a decrease of \$1,502,879 from the previous year. Of the combined fund balances, \$392,208 has been reserved for future capital projects and \$270,861 for future debt service. Unreserved fund balance for the general fund was \$3,016,302 or approximately 25.3% of current year general fund expenditures.

During 2009, the City's fixed assets, net of accumulated depreciation, decreased \$747,970; from \$101,594,513 to \$100,846,543.

The City's long-term obligations, including \$464,520 of vested employee benefits, totaled \$13,987,814 at December 31, 2009. At December 31, 2008 total long-term obligations had been \$16,029,828.

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, 2009

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, 2009. 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, 2009**

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

Although the City of Pewaukee maintains the following fourteen governmental funds, only the general and debt service are considered to be "major" funds.

- General
- Special Revenue:
 - Park dedication
 - Impact fee
 - Tourism and convention
 - Green space facilities
 - Public safety grants
 - Expendable cemetery
- Debt Service
- Capital Projects:
 - Road construction
 - Storm water drainage
 - Sports complex
 - Fire station construction
 - Capital equipment
- Permanent:
 - Non-Expendable Cemetery – Perpetual care

Fund financial statements focus separately on major governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the City's two major funds – general, and debt service. The six special revenue funds, five capital project funds and the permanent fund are considered "non-major" and 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, 2009

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 - 48 of this report.

Supporting Schedules

Readers desiring additional information on non-major funds can find it in the supporting schedules found on pages 49 – 70, 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 \$102,091,283 and \$99,903,633 at the close of the most recent fiscal years.

Statement of Net Assets at December 31, 2008 and 2009
(in thousands)

	Governmental Activities		Business-Type Activities		Total		Total Change	
	2008	2009	2008	2009	2008	2009	Dollars 2008 – 2009	%
Current and other assets	\$ 16,940	15,930	9,489	11,086	26,429	27,016	587	2.2%
Capital assets	30,731	30,797	70,863	70,050	101,594	100,847	(747)	(0.7)%
Total assets	47,671	46,727	80,352	81,136	128,023	127,863	(160)	(0.1)%
Other liabilities	10,445	10,965	2,653	1,835	13,098	12,800	(298)	(2.3)%
Long-term obligations	7,574	6,496	7,447	6,476	15,021	12,972	(2,049)	(13.6)%
Total liabilities	18,019	17,461	10,100	8,311	28,119	25,772	(2,347)	(8.3)%
Net assets:								
Invested in capital assets, Net of related debt	23,685	24,744	63,563	63,784	87,248	88,528	1,280	1.5%
Restricted	2,819	2,564	3,143	3,316	5,962	5,880	(82)	(1.4)%
Unrestricted	3,148	1,958	3,546	5,725	6,694	7,683	989	14.8%
Total net assets	\$ 29,652	29,266	70,252	72,825	99,904	102,091	2,187	2.2%

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009**

Total net assets increased by \$2,187,650 during the current fiscal year. Governmental net assets decreased by \$385,887 and business-type net assets increased by \$2,573,537.

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 (86.7%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding.

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

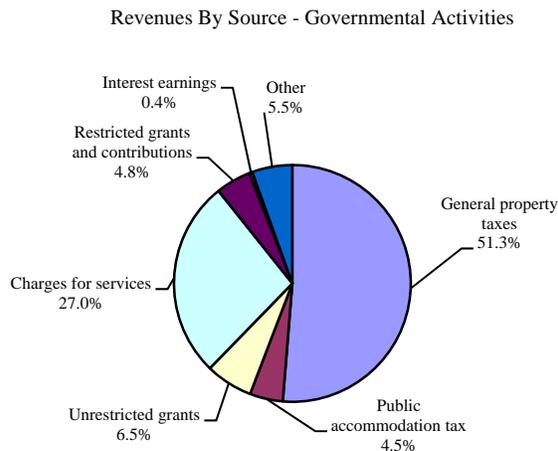
A portion of the year-end net assets is restricted for specific purposes. The restrictions represent legal or contractual limitations on how the assets may be expended. These include development charges, bond and note proceeds, and other collections limited to the repayment of debt. Of the amounts shown as "Restricted net assets", \$4,073,116 has been restricted for future debt service payments and \$1,356,980 for future capital projects.

Statement of Activity

Governmental Activities

The City's net assets from governmental activities decreased \$385,887 in 2009. The decrease in net assets is primarily attributable to decreases in program revenues of \$156,828 while operating expenses increased 3.5%. General property tax increases of \$161,909 were offset by declining interest earnings and public accommodation taxes of \$254,290 and 154,372, respectively.

As shown by the following graph, taxes (general property and public accommodation) totaling \$7,581,257 made up 55.8% of the total governmental revenues during the current fiscal year.



**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009**

Program charges for services, which directly offset related program expenses, totaled \$3,666,470 and \$3,901,090 respectively, for the years ended December 31, 2009 and 2008 and included the following:

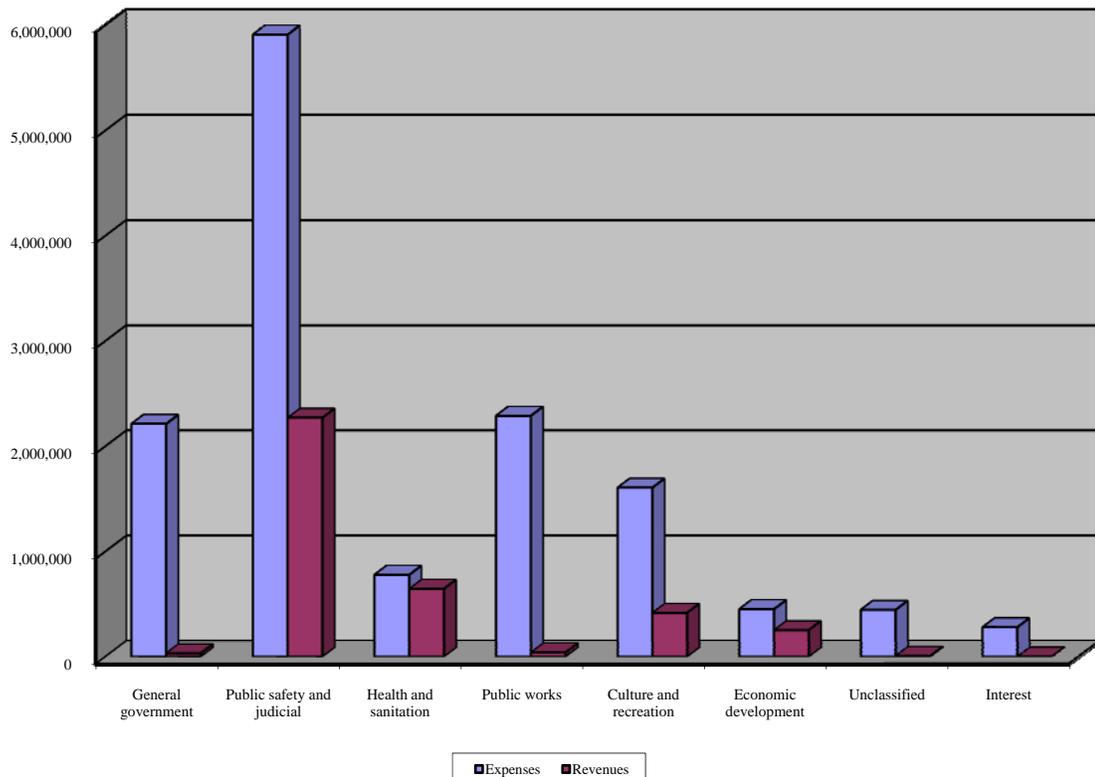
	<u>2009</u>	<u>2008</u>
Public safety and judicial	\$ 2,270,415	2,562,259
Health and sanitation	645,127	597,985
Culture and recreation	416,646	504,437
Economic development	252,032	185,976
Miscellaneous	82,250	50,433

Public safety and judicial charges include shared fire and rescue services with the Village of Pewaukee, court fines, and building related services and permits. The significant reduction in revenues in 2009 was attributable primarily due to a decline in building permit and impact fee revenue of \$141,435 and \$111,889 respectively.

Restricted program grants and contributions include special assessments for road improvements charged to the benefitting property owners, and aids received from the State of Wisconsin for fire insurance dues, law enforcement and water safety. The majority of unrestricted grants were shared revenues and highway and transportation aids received from the State of Wisconsin.

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

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



**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009**

For governmental activity expenses, 42% relate to public safety and judicial operations, which includes police protection, fire and rescue protection, building inspection and municipal court operations. An additional 16% was spent for public works, i.e. maintenance of City streets and roads. The City spent \$1,605,720, or 12%, towards its culture and recreation programs in 2009. 83% of health and sanitation program expenses were directly offset by related revenues. In 2009, an employee retirement settlement in the amount of \$276,006 is included in unclassified expenses. Depreciation of the City assets of \$1,706,443 was allocated to the various governmental activities during 2009 based upon actual usage of the various capital assets, compared to \$1,701,642 in 2008. 63% 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 \$2,573,537, as displayed in Exhibit B, and produced a net operating income of \$160,844 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 Operations</u>		<u>Sewer Operations</u>		<u>Total</u>		<u>Total Change</u>	
	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>Dollars</u>	<u>%</u>
Operations:								
Revenues	\$ 1,744	1,805	2,663	2,699	4,407	4,504	97	2.2%
Expenses	1,671	1,757	2,486	2,586	4,157	4,343	186	4.5%
Operating income (loss)	\$ 73	48	177	113	250	161	(89)	(35.6)%

The City received capital grants and contributions during 2009 and 2008.

	<u>2009</u>	<u>2008</u>
Developer constructed assets, dedicated to City	\$ 301,556	379,720
Special assessments for Utility projects:		
Sewer	2,481,690	-
Water	18,180	-
Capacity assessments collected for system expansion	<u>233,504</u>	<u>439,177</u>
	<u>\$ 3,034,930</u>	<u>818,897</u>

CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009

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

Statement of Activities for the Years Ended December 31, 2008 and 2009
(in thousands)

	Governmental Activities		Business-Type Activities		Total		Total Change	
	2008	2009	2008	2009	2008	2009	Dollars	%
REVENUES								
Program revenues:								
Charges for services	\$ 3,901	3,666	4,407	4,504	8,308	8,170	(138)	(1.7)%
Operating grants and contributions	449	280	-	-	449	280	(169)	(37.6)%
Capital grants and contributions	127	374	819	3,035	946	3,409	2,463	260.4%
General revenues:								
General property taxes	6,805	6,967	-	-	6,805	6,967	162	2.4%
Public accommodation taxes	769	614	-	-	769	614	(155)	(20.2)%
Unrestricted grants	894	877	-	-	894	877	(17)	(1.9)%
Interest earnings	310	56	220	77	530	133	(397)	(74.9)%
Other	247	315	(585)	(18)	(338)	297	635	187.9%
Total revenues	13,502	13,149	4,861	7,598	18,363	20,747	2,384	13.0%
EXPENSES								
General government	1,999	2,211	-	-	1,999	2,211	212	10.6%
Public safety and judicial	5,764	5,910	-	-	5,764	5,910	146	2.5%
Health and sanitation	734	777	-	-	734	777	43	5.9%
Public works	2,497	2,289	-	-	2,497	2,289	(208)	(8.3)%
Culture and recreation	1,688	1,606	-	-	1,688	1,606	(82)	(4.9)%
Economic development	420	451	-	-	420	451	31	7.4%
Unclassified	80	445	-	-	80	445	365	456.3%
Interest and fiscal charges	313	278	-	-	313	278	(35)	(11.2)%
Water utility operations	-	-	1,761	1,832	1,761	1,832	71	4.0%
Sewer utility operations	-	-	2,690	2,760	2,690	2,760	70	2.6%
Total expenses	13,495	13,967	4,451	4,592	17,946	18,559	613	3.4%
Increase (decrease) in net assets before transfers	7	(818)	410	3,006	417	2,188	1,771	
Transfers	391	432	(391)	(432)	-	-	-	
Increase (decrease) in net assets	398	(386)	19	2,574	417	2,188	1,771	
Net assets – beginning of year	29,254	29,652	70,232	70,251	99,486	99,903	417	
Net assets – end of year	\$29,652	29,266	70,251	72,825	99,903	102,091	2,188	

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, 2009**

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$5,137,845. Approximately 82% of this total amount \$4,210,551 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, \$392,208, and the payment of debt service, \$270,861.

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

Sports complex construction	\$	300,036
Storm water drainage improvements		92,172

Of the \$4,210,551 unreserved fund balance, the use of \$1,194,249 or approximately 28%, is restricted to specific types of activities:

Special revenue fund activities	\$	1,099,732
Termination benefits		94,517

The Council had budgeted to use \$665,000 of general fund surplus in 2009. It actually decreased by \$1,032,393. The City's total revenues fell short of the 2009 budget by \$467,144. Regulation and compliance fees and charges for services were under budget by \$318,730 and \$283,932, respectively. Interest revenues were \$251,182 under budget and \$161,284 less than the previous year. Other miscellaneous revenues (i.e. Sale of assets and insurance dividends), exceeded budgets and partially offset these shortfalls. In addition, the City transferred \$200,000 to the general fund from the Green Space special revenue fund to offset the current year deficit.

General fund expenditures exceeded the originally approved 2009 budget by \$233,060. The more significant variances were the following:

General government	\$	(228,242)
Public safety and judicial		(157,082)
Public works		274,139
Unclassified:		
Termination benefits		(181,489)

The debt service fund has a total fund balance of \$270,861; all of which is reserved for the payment of future debt service. The fund balance increased \$65,529 primarily due to special assessment collections exceeding expectations.

The other governmental total fund balances decreased by \$536,015. The individual fund increases (decreases) are as follows:

Special revenues funds:		
Park dedication	\$	12
Impact fee		(63,215)
Tourism and convention		(82,101)
Green space facilities		(236,887)
Public safety grants		362
Cemetery – expendable		27,036
Capital projects funds:		
Road construction		(224,260)
Storm water drainage		561
Sports complex		40,969
Permanent funds:		
Cemetery – nonexpendable		1,508

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009**

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2009 the City had invested \$100,846,543 in capital assets, net of accumulated depreciation. During 2009 the City's gross capital assets increased \$2,979,779, 39% of which was related to water and sewer utility plant and equipment. The City completed construction of the fire station at Waukesha County Technical College, reconstructed roads at a cost of approximately \$582,000 and made the initial deposit of \$550,000 on two new fire trucks. Public works equipment of \$266,368 was also purchased in 2009.

Capital Assets at December 31, 2009
(in thousands)

	Governmental Activities	Business-type Activities	Total Government
Land	\$ 3,950	370	4,320
Buildings	11,252	7,788	19,040
Furniture and equipment	6,544	861	7,405
Infrastructure and improvements other than buildings	29,658	80,564	110,222
Construction in progress	564	1,020	1,584
Total capital assets	51,968	90,603	142,571
Less: Accumulated depreciation	21,171	20,553	41,724
Total net assets	\$ 30,797	70,050	100,847

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	\$ 30,731	70,863	101,594
Additions	1,805	1,175	2,980
Disposals, net	(33)	(18)	(51)
Depreciation	(1,706)	(1,970)	(3,676)
Ending balance	\$ 30,797	70,050	100,847

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

General government	\$ 232,923
Public safety	284,363
Public works, including infrastructure	1,078,102
Culture and recreation	<u>111,055</u>
	<u>\$ 1,706,443</u>

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009**

Debt Outstanding

The City had \$13,987,814 in outstanding debt, net of unamortized debt issuance costs, at December 31, 2009, \$2,260,803 of which is due within one year.

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

Governmental:	
General obligation notes	\$ 3,505
General obligation bonds	3,705
Compensated absences	136
Other postemployment benefits	233
Termination benefits	<u>95</u>
	<u>7,674</u>
Business-type:	
Sewerage system revenue bonds	3,745
General obligation bonds	1,505
General obligation notes	697
Installment loans	331
Other postemployment benefits	48
Less: Unamortized debt costs	<u>(12)</u>
	<u>6,314</u>
Total	\$ <u>13,988</u>

2009 debt repayments, including long-term employee benefits were:

Governmental activities	\$ 1,200,243
Proprietary activities	<u>1,047,241</u>
	\$ <u>2,247,484</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 2009 is the second lowest of all 190 cities in the state. The financial rating of the City is Aa2.

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.

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2009**

In early 2009, the city's revenues were reduced significantly due to the downturn in the economy and the lack of new construction and growth. Adjustments were made by the city to the 2009 budget to accommodate these reductions. In planning for the 2010 budget, the City of Pewaukee Common Council voted on October 19, 2009 to disband the police department. Effective January 1, 2010, police services are contracted with the Waukesha County Sheriff's Department.

As of December 31, 2009, the City's general obligation debt burden is only 6.9% of our \$141 million dollar capacity to borrow. The most recent increase in debt burden that took place in 2006 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 2009, 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 fire/rescue department, 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, 2009

	Governmental Activities	Business-type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 6,826,522	916,791	7,743,313
Investments	-	500,000	500,000
Property taxes receivable	4,780,931	-	4,780,931
Other receivables (net)	1,070,478	1,651,739	2,722,217
Internal balances	491,727	(491,727)	-
Inventories and prepaid expenses	188,302	6,231	194,533
Restricted assets:			
Debt retirement assets:			
Cash and cash equivalents	756,606	3,316,510	4,073,116
Capital projects:			
Cash and cash equivalents	1,356,980	-	1,356,980
Non-current assets:			
Fixed assets:			
Land and construction in progress	4,514,579	1,389,945	5,904,524
Capital assets, net of accumulated depreciation	26,282,445	68,659,574	94,942,019
Special assessments	395,135	5,100,958	5,496,093
Unamortized debt expenses	63,648	(8,046)	55,602
Deferred expenses	-	93,913	93,913
Total assets	\$ 46,727,353	81,135,888	127,863,241
Liabilities:			
Current liabilities:			
Accounts payable	\$ 1,140,187	751,878	1,892,065
Deferred revenue	8,646,822	-	8,646,822
Current portion of long-term obligations	1,178,058	1,082,745	2,260,803
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	6,496,087	5,230,924	11,727,011
Deferred assessments due developers	-	1,194,517	1,194,517
Construction contracts payable	-	50,740	50,740
Total liabilities	17,461,154	8,310,804	25,771,958
Net Assets:			
Invested in capital assets, net of related debt	24,743,815	63,783,836	88,527,651
Restricted for:			
Expendable:			
Debt service	756,606	3,316,510	4,073,116
Capital projects	1,356,980	-	1,356,980
Other purposes	390,726	-	390,726
Nonexpendable:			
Perpetual care	59,734	-	59,734
Unrestricted	1,958,338	5,724,738	7,683,076
Total net assets	29,266,199	72,825,084	102,091,283
Total liabilities and net assets	\$ 46,727,353	81,135,888	127,863,241

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2009

	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	\$ 2,211,013	33,051	-	-	(2,177,962)	-	(2,177,962)
Public safety and judicial	5,910,202	2,270,415	239,971	-	(3,399,816)	-	(3,399,816)
Health and sanitation	777,531	645,127	40,000	-	(92,404)	-	(92,404)
Public works	2,288,538	40,946	-	373,691	(1,873,901)	-	(1,873,901)
Culture and recreation	1,605,720	416,646	-	-	(1,189,074)	-	(1,189,074)
Economic development	450,928	252,032	-	-	(198,896)	-	(198,896)
Unclassified	444,610	8,253	-	-	(436,357)	-	(436,357)
Indirect expenses:							
Interest and other related charges	278,312	-	-	-	(278,312)	-	(278,312)
Total governmental activities	<u>13,966,854</u>	<u>3,666,470</u>	<u>279,971</u>	<u>373,691</u>	<u>(9,646,722)</u>	<u>-</u>	<u>(9,646,722)</u>
Business-type activities:							
Water utility	1,832,314	1,805,060	-	301,172	-	273,918	273,918
Sewer utility	2,760,448	2,699,187	-	2,733,758	-	2,672,497	2,672,497
Total business-type activities	<u>4,592,762</u>	<u>4,504,247</u>	<u>-</u>	<u>3,034,930</u>	<u>-</u>	<u>2,946,415</u>	<u>2,946,415</u>
Total primary government	<u>\$ 18,559,616</u>	<u>8,170,717</u>	<u>279,971</u>	<u>3,408,621</u>	<u>(9,646,722)</u>	<u>2,946,415</u>	<u>(6,700,307)</u>
General revenues:							
Property taxes					6,966,963	-	6,966,963
Public accommodation taxes					614,294	-	614,294
Grants not restricted to specific programs					877,116	-	877,116
Cable television franchise fees					115,781	-	115,781
Interest and investment earnings					56,464	77,169	133,633
Miscellaneous					198,482	(18,312)	180,170
Transfers					431,735	(431,735)	-
Total general revenues, special items and transfers					<u>9,260,835</u>	<u>(372,878)</u>	<u>8,887,957</u>
Change in Net Assets					(385,887)	2,573,537	2,187,650
Net Assets - Beginning of Year					29,652,086	70,251,547	99,903,633
Net Assets - End of Year					<u>\$ 29,266,199</u>	<u>72,825,084</u>	<u>102,091,283</u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE
BALANCE SHEET
Governmental Funds
December 31, 2009

	General Fund	Debt Service	Other Governmental Funds	Total Governmental Funds
Assets:				
Cash and cash equivalents	\$ 5,988,863	1,013,128	1,938,117	8,940,108
Receivables:				
Current taxes	3,582,715	884,078	297,949	4,764,742
Delinquent personal property taxes	16,189	-	-	16,189
Accounts	132,472	-	28,323	160,795
Special assessments	-	395,135	-	395,135
Intergovernmental	400,824	-	-	400,824
Due from other funds	491,727	-	-	491,727
Inventory of supplies	148,006	-	-	148,006
Prepaid expenditures	40,296	-	-	40,296
	<u>\$ 10,801,092</u>	<u>2,292,341</u>	<u>2,264,389</u>	<u>15,357,822</u>
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	\$ 422,170	596	31,417	454,183
Construction contracts payable	-	-	131,358	131,358
Accrued payroll	362,192	-	-	362,192
Other accrued liabilities	139,677	-	-	139,677
Deferred revenue	6,561,743	2,020,884	549,940	9,132,567
Total liabilities	<u>7,485,782</u>	<u>2,021,480</u>	<u>712,715</u>	<u>10,219,977</u>
Fund Balance:				
Reserved for:				
Delinquent personal property taxes	16,189	-	-	16,189
Inventory of supplies	148,006	-	-	148,006
Prepaid expenditures	40,296	-	-	40,296
Debt service	-	270,861	-	270,861
Capital projects	-	-	392,208	392,208
Perpetual care	-	-	59,734	59,734
Unreserved:				
Designated for:				
Termination benefits	94,517	-	-	94,517
Subsequent year's expenditures	-	-	127,804	127,804
Undesignated, reported in:				
General fund	3,016,302	-	-	3,016,302
Special revenue funds	-	-	971,928	971,928
Total fund balance	<u>3,315,310</u>	<u>270,861</u>	<u>1,551,674</u>	<u>5,137,845</u>
	<u>\$ 10,801,092</u>	<u>2,292,341</u>	<u>2,264,389</u>	<u>15,357,822</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, 2009

Total fund balances - governmental funds		\$	5,137,845
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			
			508,859
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:			
Governmental capital assets	\$	51,968,487	
Less: Accumulated depreciation		<u>(21,171,463)</u>	30,797,024
Other long-term assets are not available to pay for current year expenditures and therefore are deferred in the funds.			
			485,745
Accrued employee benefits are not due and payable in the current period and therefore are not reported in the governmental funds.			
			(464,520)
Costs associated with the issuance of long-term debt obligations are reported as expenditures in the governmental funds.			
			63,648
Interest and other payables used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.			
			(52,777)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.			
			<u>(7,209,625)</u>
Total net assets - governmental activities	\$		<u><u>29,266,199</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, 2009

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues:				
Taxes	\$ 5,796,701	1,471,935	584,556	7,853,192
Intergovernmental	1,070,324	-	109,545	1,179,869
Regulation and compliance	1,055,190	-	-	1,055,190
Charges for services	2,485,668	-	63,485	2,549,153
Recreation	220,319	-	-	220,319
Interest	48,818	927	6,719	56,464
Miscellaneous	212,391	-	-	212,391
Total revenues	10,889,411	1,472,862	764,305	13,126,578
Expenditures:				
Current:				
General government	1,968,076	-	-	1,968,076
Public safety and judicial	6,415,477	-	-	6,415,477
Health and sanitation	777,531	-	-	777,531
Public works	1,298,727	-	-	1,298,727
Culture and recreation	1,470,912	-	-	1,470,912
Economic development	-	-	413,514	413,514
Unclassified	332,313	-	7,595	339,908
Capital outlay	-	-	1,000,148	1,000,148
Debt service:				
Principal	-	1,118,843	-	1,118,843
Interest	-	288,490	-	288,490
Total expenditures	12,263,036	1,407,333	1,421,257	15,091,626
Excess (deficiency) of revenues over expenditures	(1,373,625)	65,529	(656,952)	(1,965,048)
Other financing sources (uses):				
Transfers in	642,987	-	524,729	1,167,716
Transfers out	(332,189)	-	(403,792)	(735,981)
Increase in reserve for inventory	30,434	-	-	30,434
Total other financing sources (uses)	341,232	-	120,937	462,169
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(1,032,393)	65,529	(536,015)	(1,502,879)
Fund balance, January 1	4,347,703	205,332	2,087,689	6,640,724
Fund balance, December 31	\$ 3,315,310	270,861	1,551,674	5,137,845

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, 2009

Net change in fund balances - total governmental funds	\$ (1,502,879)
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.	(45,225)
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.	(9,771)
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.	77,650
Capital outlays are reported in governmental funds as expenditures. In the Statement of Activities, however, the cost of those assets is depreciated over their estimated useful lives. This is the amount by which capital purchases (\$1,782,021) exceeds depreciation expense (\$1,706,443)	75,578
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	(100,076)
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.	10,178
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>1,118,843</u>
Change in net assets of governmental activities	\$ <u><u>(385,887)</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, 2009

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary fund balance, January 1	\$ 4,347,703	4,347,703	4,347,703	-
Resources (inflows):				
Taxes	5,847,089	5,847,089	5,796,701	(50,388)
Intergovernmental	1,113,927	1,113,927	1,070,324	(43,603)
Regulation and compliance	1,373,920	1,373,920	1,055,190	(318,730)
Charges for services	2,769,600	2,769,600	2,485,668	(283,932)
Recreation	226,540	226,540	220,319	(6,221)
Interest	300,000	300,000	48,818	(251,182)
Miscellaneous	48,900	48,900	212,391	163,491
Transfers in	350,000	550,000	642,987	92,987
Non-departmental:				
Increase in reserve for inventory	-	-	30,434	30,434
Amounts available for appropriation	<u>16,377,679</u>	<u>16,577,679</u>	<u>15,910,535</u>	<u>(667,144)</u>
Charges to appropriations (outflows):				
General government	1,739,834	2,092,684	1,968,076	124,608
Public safety and judicial	6,258,395	6,996,146	6,415,477	580,669
Health and sanitation	796,904	796,904	777,531	19,373
Public works	1,572,866	1,582,866	1,298,727	284,139
Culture and recreation	1,553,977	1,553,977	1,470,912	83,065
Unclassified	108,000	373,480	332,313	41,167
Transfers out	665,000	665,000	332,189	332,811
Total charges to appropriations	<u>12,694,976</u>	<u>14,061,057</u>	<u>12,595,225</u>	<u>1,465,832</u>
Fund balance, December 31	<u>\$ 3,682,703</u>	<u>2,516,622</u>	<u>3,315,310</u>	<u>798,688</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE
STATEMENT OF NET ASSETS
Proprietary Funds
December 31, 2009

Assets:	
Current assets:	
Cash and cash equivalents	\$ 916,791
Investments	500,000
Other receivables	1,651,739
Inventory of supplies	6,231
Restricted assets:	
Debt retirement assets:	
Cash and cash equivalents	3,316,510
Non-current assets:	
Fixed assets:	
Non-depreciable:	
Land	370,387
Construction in progress	1,019,558
Depreciable:	
Buildings	7,787,901
Improvements other than buildings	80,564,238
Furniture and equipment	860,888
Less: Accumulated depreciation	(20,553,453)
Special assessments	5,100,958
Unamortized debt expenses	(8,046)
Deferred expenses	93,913
	93,913
Total assets	\$ 81,627,615
Liabilities:	
Current liabilities:	
Accounts payable	\$ 390,856
Due to general fund	491,727
Construction contracts payable	103,600
Customer advances on construction	222,733
Accrued interest on long-term debt	34,689
Current portion of long-term obligations	1,082,745
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	5,230,924
Deferred assessments due developers	1,194,517
Long-term contracts payable	50,740
Total liabilities	8,802,531
Net Assets:	
Invested in capital assets, net of related debt	63,783,836
Restricted for:	
Expendable:	
Debt service	3,316,510
Unrestricted	5,724,738
Total net assets	72,825,084
Total liabilities and net assets	\$ 81,627,615

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, 2009

Operating revenues	\$ <u>4,504,247</u>
Operating expenses:	
Operation and maintenance	2,371,604
Depreciation	1,970,324
Taxes	<u>1,475</u>
Total operating expenses	<u>4,343,403</u>
Operating income	<u>160,844</u>
Non-operating revenues (expenses):	
Interest income	77,169
Interest expense and fiscal fees	(232,862)
Loss on the disposal of fixed assets	(18,312)
Amortization of deferred refunding costs	(14,224)
Amortization of debt issue expenses	<u>(2,273)</u>
Total non-operating revenues (expenses)	<u>(190,502)</u>
Income (loss) before contributions and transfers	(29,658)
Grants and contributions	3,034,930
Transfers out	<u>(431,735)</u>
Change in net assets	2,573,537
Total net assets:	
January 1	<u>70,251,547</u>
December 31	\$ <u><u>72,825,084</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, 2009

Cash flows from operating activities:	
Receipts from customers	\$ 4,547,868
Receipts for interfund services	515,529
Payments to suppliers	(1,915,962)
Payments to employees	<u>(458,702)</u>
Net cash provided by operating activities	<u>2,688,733</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,729,105)
Reserve capacity assessments received	233,504
Long-term debt retirements	(1,061,465)
Collection of special assessments, net	633,289
Collection of developer advances on construction, net	385
Preliminary design fees for system expansion	(247)
Interest and fiscal charges paid on bonds and notes payable	<u>(238,811)</u>
Net cash used by capital and related financing activities	<u>(2,162,450)</u>
Cash flows from investing activities:	
Interest received on cash and investments	75,755
Purchases of securities	<u>(500,000)</u>
Net cash provided by investing activities	<u>(424,245)</u>
Net increase in cash and cash equivalents	102,038
Cash and cash equivalents, January 1	<u>4,131,263</u>
Cash and cash equivalents, December 31	<u>\$ 4,233,301</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets	
Unrestricted	\$ 916,791
Restricted - Debt retirement	<u>3,316,510</u>
	<u>\$ 4,233,301</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 160,844
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,970,324
Changes in assets and liabilities:	
Accounts receivable, net	554,789
Inventories	(95)
Accounts payable and accrued expenses	<u>2,871</u>
Net cash provided by operating activities	<u>\$ 2,688,733</u>
Schedule of non-cash activities:	
Plant assets contributed by developers	<u>\$ 301,556</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE
STATEMENT OF FIDUCIARY NET ASSETS
Agency Fund
December 31, 2009

Assets:	
Cash and cash equivalents	\$ 16,738,419
Taxes receivable	<u>19,657,310</u>
 Total assets	 \$ <u><u>36,395,729</u></u>
 Liabilities:	
Due to other taxing units:	
School districts	\$ 30,408,590
Waukesha County	5,265,595
State of Wisconsin	479,039
 Deposits:	
Ditch and erosion	124,900
Holding tank	75,400
Occupancy	26,000
Street opening	10,000
Developer	5,000
Park reservation	<u>1,205</u>
 Total liabilities	 \$ <u><u>36,395,729</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. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

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.

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.

**CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS**

(1) Summary Significant Accounting Policies - Continued

B. Government-Wide and Fund Financial Statements - continued

Fund Financial Statements - continued

Funds are organized as major funds or non-major funds within the governmental and proprietary statements. An emphasis is placed on major funds within the governmental and proprietary categories. A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

The City reports the following major governmental funds:

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

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

The City reports the following major enterprise funds:

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

The City reports the following non-major governmental funds:

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

Park Dedication Fund
Impact Fee Fund
Tourism and Convention Fund
Green Space Facilities Fund
Public Safety Grants Fund
Expendable Cemetery Fund

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
Sports Complex Fund
Fire Station Construction Fund
Capital Equipment 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

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, termination benefits, 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.

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.

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

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.
- (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.

**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

- (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 2009 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, 2009, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

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.

**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 - continued

Property tax calendar – 2009 tax roll:

Levy:

Tax lien and levy date	December 2009
Tax bills mailed	December 2009

Due dates:

Real property taxes:

Payment in full or first installment	January 31, 2010
Second installment payable to County	July 31, 2010

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

January 31, 2010

Tax settlements with taxing jurisdictions:

First settlement	January 15, 2010
Second settlement	February 20, 2010
Final settlement	August 20, 2010

Uncollectible personal property tax
charge backs to taxing jurisdictions

April 1, 2011

Tax sale - 2009 delinquent real estate taxes

October 2012

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.

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.

**CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS**

(1) Summary of Significant Accounting Policies - Continued

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

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.

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.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies - Continued

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

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, 2009 the total liability for retirement payments related to accrued sick time was \$136,937.

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, 2009 was \$86,105.

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. Termination Benefits

Termination benefits represent a liability arising from the City's retirement agreement with the former police chief. These benefits are accrued when earned in the full-accrual government-wide financial statements. Liabilities are recorded based upon the discounted value of expected future benefit payments.

In the governmental fund financial statements these benefits are accrued when they become payable. Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements.

9. 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 and termination benefits.

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.

**CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS**

(1) Summary of Significant Accounting Policies - Continued

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

10. 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.

11. 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 \$30,797,024.

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

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	\$ 7,209,625
Accrued employee benefits	464,520
Accrued interest and other long-term payables	52,777
Unamortized debt discount and issue costs	<u>(63,648)</u>
	\$ <u>7,663,274</u>

The long-term portion of special assessment receivable that is not available to pay for current year expenditures of \$485,745 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 \$508,859.

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	\$ 1,782,021
Principal repayment	<u>1,118,843</u>
	\$ <u>2,900,864</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	\$ 1,706,443
Net book value of assets disposed of, less trade-in allowances	9,771
Reduction in accrued interest payable	(10,178)
Increase in accrued long-term employee benefits	100,076
Amortization of debt issuance costs	<u>10,185</u>
	\$ <u>1,816,297</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 2009 were \$77,650.

The final element of the reconciliation relates a reduction of 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 \$45,225.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(3) Stewardship, Compliance, and Accountability

A. Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1 (C). The City prepares an annual budget for all funds on a basis consistent with generally accepted accounting principles.

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

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

	<u>Original</u>	<u>Amended</u>
General Fund		
Expenditures:		
General government	1,739,834	2,092,684
Public safety and judicial	6,258,395	6,669,146
Unclassified	108,000	373,480
Other Financing Sources:		
Transfers in	350,000	550,000

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, 2009 were comprised of the following:

	<u>Carrying</u> <u>Value</u>	<u>Bank and</u> <u>Investment</u> <u>Balances</u>	<u>Associated Risks</u>
Demand deposits	\$ 26,214,888	21,055,697	Custodial credit risk
LGIP	4,196,537	4,196,537	Credit risk, interest rate risk
Petty cash	403	403	
	<u>\$ 30,411,828</u>	<u>25,252,637</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	\$ 7,743,313
Restricted	5,430,096
Investments	500,000
Per Statement of Fiduciary Net Assets	<u>16,738,419</u>
	<u>\$ 30,411,828</u>

At December 31, 2009, 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.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

A. Deposits and Investments - continued

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.

The State Investment Fund, which the LGIP is a part of, had 88% of its investments in U.S. government securities. In addition, at December 31, 2009, the remaining 12% were held in FDIC insured deposit accounts.

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, 2009 \$1,641,047 of the City's demand deposits are exposed to custodial credit risk as uninsured and uncollateralized.

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's deposit and investment policy requires that any deposits in excess of \$500,000 in any single public depository be properly collateralized or specifically approved by the City Council. This policy does not include funds established for tax collections or other accounts requiring segregation as specified by approved agreements.

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.

At December 31, 2009 the City held investments with a fair value of \$4,196,537 in the LGIP. The average maturity date for investments held by the LGIP is 88 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	\$ 3,582,715	-	3,582,715
Debt service fund	884,078	-	884,078
Capital equipment fund	297,949	-	297,949
Special assessments not yet due	-	<u>395,135</u>	<u>395,135</u>
	<u>\$ 4,764,742</u>	<u>395,135</u>	<u>5,159,877</u>

In addition, other receivables are reported in the government-wide financial statements net of amounts estimated to be uncollectible of \$80,801.

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, 2009 was as follows:

	Balance <u>12/01/08</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/09</u>
GOVERNMENTAL ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 3,940,349	10,052	-	3,950,401
Construction in progress	<u>2,921,001</u>	<u>550,030</u>	<u>2,906,853</u>	<u>564,178</u>
	<u>6,861,350</u>	<u>560,082</u>	<u>2,906,853</u>	<u>4,514,579</u>
Capital Assets Being Depreciated:				
Buildings and improvements	8,303,944	2,947,934	-	11,251,878
Land improvements	1,336,432	40,432	-	1,376,864
Equipment	6,482,333	565,279	503,694	6,543,918
Infrastructure	<u>27,746,463</u>	<u>598,047</u>	<u>63,262</u>	<u>28,281,248</u>
	<u>43,869,172</u>	<u>4,151,692</u>	<u>566,956</u>	<u>47,453,908</u>
Total capital assets	<u>50,730,522</u>	<u>4,711,774</u>	<u>3,473,809</u>	<u>51,968,487</u>
Less Accumulated Depreciation:				
Buildings and improvements	(2,415,950)	(245,952)	-	(2,661,902)
Land improvements	(458,943)	(59,789)	-	(518,732)
Equipment	(4,017,593)	(471,101)	(471,023)	(4,017,671)
Infrastructure	<u>(13,106,819)</u>	<u>(929,601)</u>	<u>(63,262)</u>	<u>(13,973,158)</u>
	<u>(19,999,305)</u>	<u>(1,706,443)</u>	<u>(534,285)</u>	<u>(21,171,463)</u>
Capital assets, net of depreciation	\$ <u>30,731,217</u>	<u>3,005,331</u>	<u>2,939,524</u>	<u>30,797,024</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 232,923
Public safety	284,363
Public works, including infrastructure	1,078,102
Culture and recreation	<u>111,055</u>
	\$ <u>1,706,443</u>

Capital asset activity in the business type activities for the year ended December 31, 2009 was as follows:

	Balance <u>12/31/08</u>	<u>Additions</u>	<u>Disposals</u>	Balance <u>12/31/09</u>
BUSINESS TYPE ACTIVITIES				
Capital Assets Not Being Depreciated:				
Land	\$ 370,387	-	-	370,387
Construction in process	<u>728,656</u>	<u>290,902</u>	-	<u>1,019,558</u>
	<u>1,099,043</u>	<u>290,902</u>	-	<u>1,389,945</u>
Capital Assets Being Depreciated:				
Buildings	7,525,764	262,137	-	7,787,901
Improvements other than buildings	80,043,911	621,819	101,492	80,564,238
Furniture and equipment	860,888	-	-	860,888
	<u>88,430,563</u>	<u>883,956</u>	<u>101,492</u>	<u>89,213,027</u>
Total capital assets	<u>89,529,606</u>	<u>1,174,858</u>	<u>101,492</u>	<u>90,602,972</u>

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

C. Capital Assets - continued

	Balance <u>12/31/08</u>	Additions	Disposals	Balance <u>12/31/09</u>
Less Accumulated Depreciation:				
Buildings	\$ (1,527,650)	(204,973)	-	(1,732,623)
Improvements other than buildings	(16,621,893)	(1,702,812)	(83,181)	(18,241,524)
Furniture and equipment	(516,767)	(62,539)	-	(579,306)
	<u>(18,666,310)</u>	<u>(1,970,324)</u>	<u>(83,181)</u>	<u>(20,553,453)</u>
Capital assets, net of depreciation	\$ <u>70,863,296</u>	<u>(795,466)</u>	<u>18,311</u>	<u>70,049,519</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Water utility	\$ 768,272
Sewer utility	<u>1,202,052</u>
	\$ <u>1,970,324</u>

D. Payables

Payables as of December 31, 2009 for the City's individual major funds and non-major funds in the aggregate, are as follows:

	<u>General</u>	Debt <u>Service</u>	Other Governmental <u>Funds</u>	<u>Total</u>
Accounts payable	\$ 422,170	596	31,417	454,183
Construction contracts payable	-	-	131,358	131,358
Accrued payroll	362,192	-	-	362,192
Accrued compensated absences	86,105	-	-	86,105
Other accrued liabilities	<u>53,572</u>	-	-	<u>53,572</u>
Total per fund balance sheet	924,039	596	162,775	1,087,410
Accrued interest	-	<u>52,777</u>	-	<u>52,777</u>
Total per government-wide statement of net assets	\$ <u>924,039</u>	<u>53,373</u>	<u>162,775</u>	<u>1,140,187</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 Green Space special revenue fund to the General fund to fund current operating costs. Transfers were also made from the General Fund, Impact Fee fund and Tourism and Convention fund to the City's various capital projects funds to finance current year 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 fund	Business-type activities Water utility	\$ 431,735
General fund	Non-major governmental fund - Green Space fund	200,000
General fund	Non-major governmental fund - Public Safety Grant fund	11,252
Non-major governmental fund - Road Construction fund	General fund	260,189
Non-major governmental funds- Storm Water Drainage fund	General fund	72,000
Non-major governmental fund - Sports Complex fund	Non-major governmental fund - Tourism and Convention fund	100,000
Non-major governmental fund - Fire Station Construction fund	Non-major governmental fund - Impact Fee fund	<u>92,540</u>
Total per fund statements		1,167,716
Interfund eliminations		<u>(735,981)</u>
Total per statement of activities		<u>\$ 431,735</u>

F. Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2009 was as follows:

	<u>Balance</u> <u>12/31/08</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/09</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Bonds and notes payable:					
General obligation debt	\$ 8,328,468	-	1,118,843	7,209,625	1,154,429
Other liabilities:					
Vested compensated absences	194,708	-	57,771	136,937	-
Termination benefits payable	-	118,146	23,629	94,517	23,629
Post retirement benefits	<u>169,736</u>	<u>63,330</u>	<u>-</u>	<u>233,066</u>	<u>-</u>
Total governmental long-term liabilities	<u>\$ 8,692,912</u>	<u>181,476</u>	<u>1,200,243</u>	<u>7,674,145</u>	<u>1,178,058</u>
Business-type Activities:					
Bonds and notes payable:					
General obligation debt	\$ 3,123,364	-	590,779	2,532,585	604,969
Revenue bonds	4,216,217	-	470,686	3,745,531	485,776
Debt discount expenses	<u>(26,658)</u>	<u>-</u>	<u>(14,224)</u>	<u>(12,434)</u>	<u>(8,000)</u>
Total business-type long-term liabilities	<u>\$ 7,312,923</u>	<u>-</u>	<u>1,047,241</u>	<u>6,265,682</u>	<u>1,082,745</u>

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

F. Long-Term Obligations - continued

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies and special assessment collections. Business-type activities debt is payable by revenues from user fees of those funds.

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction of \$2,817,885,000. The debt limit as of December 31, 2009, was \$140,894,250. Total general obligation debt outstanding at year-end was \$9,742,210. 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, 2009:

Governmental Activities

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/09</u>	<u>Amounts Due Within One Year</u>
General obligation debt:						
2002 G.O. note	2/01/02	2/01/10	0.00%	131,432	16,429	16,429
2003 G.O. note	8/01/03	3/01/13	3.05 – 3.7%	5,419,893	2,263,300	706,610
2004 G.O. bonds	12/01/04	12/01/24	3.4 – 4.3%	4,851,541	3,704,896	276,390
2006 G.O. note	3/01/06	3/01/16	3.55 – 3.75%	1,660,000	<u>1,225,000</u>	<u>155,000</u>
Total Governmental Activities Debt					\$ <u>7,209,625</u>	<u>1,154,429</u>

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2010	\$ 1,154,429	251,455	1,405,884
2011	1,108,456	213,509	1,321,965
2012	904,309	178,123	1,082,432
2013	934,120	145,799	1,079,919
2014	501,210	119,094	620,304
2015-2019	1,382,245	392,631	1,774,876
2020-2024	<u>1,224,856</u>	<u>160,262</u>	<u>1,385,118</u>
	\$ <u>7,209,625</u>	<u>1,460,873</u>	<u>8,670,498</u>

Business-type Activities

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/09</u>	<u>Amounts Due Within One Year</u>
1996 DNR loan	10/09/96	5/01/16	3.21%	\$ 8,049,176	3,745,531	485,776
1998 Installment loan	3/17/98	5/01/16	3.15%	816,870	330,781	42,970
2001 G.O. bonds	3/15/01	12/01/10	4.2 – 4.3%	1,620,000	250,000	250,000
2003 G.O. note	8/01/03	3/01/13	3.1 – 3.7%	1,675,107	696,700	218,389
2004 G.O. bonds	12/01/04	12/01/24	3.4 – 4.3%	1,643,459	<u>1,255,104</u>	<u>93,610</u>
Total Business-type Activities Debt					\$ <u>6,278,116</u>	<u>1,090,745</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>
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	822,060	108,629	930,689
2014	708,578	84,227	792,805
2015-2019	1,595,530	168,667	1,764,197
2020-2024	<u>415,145</u>	<u>54,277</u>	<u>469,422</u>
	<u>\$ 6,278,116</u>	<u>917,463</u>	<u>7,195,579</u>

G. Governmental Activities Net Assets/Fund Balances

Governmental activities net assets reported on the government-wide statement of net assets at December 31, 2009 includes the following:

Governmental Activities		
Invested in capital assets, net of related debt:		
Capital assets, net of accumulated depreciation		\$ 30,797,024
Less: related long-term debt outstanding, excluding unspent capital related debt proceeds and non-capital borrowings		<u>(6,053,209)</u>
		24,743,815
Restricted		
Expendable		
Debt service		756,606
Capital projects		1,356,980
Other purposes		390,726
Nonexpendable		
Perpetual care		59,734
Unrestricted		<u>1,958,338</u>
Total Governmental Activities Net Assets		<u>\$ 29,266,199</u>

Governmental fund balances reported on the fund financial statements at December 31, 2009 include the following:

Reserved - Major Funds		
General Fund		
Delinquent personal property taxes		\$ 16,189
Inventory of supplies		148,006
Prepaid expenditures		40,296
Debt Service Fund		
Reserved for debt service		270,861
Reserved - Non-Major Funds		
Capital Projects Fund		
Storm water drainage		92,172
Sports complex		300,036
Permanent Fund		
Cemetery perpetual care		59,734

**CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS**

(4) Detailed Notes on All Funds - Continued

G. Governmental Activities Net Assets/Fund Balances – continued

Unreserved -	
Major Funds	
General Fund	
Future termination benefits	\$ 94,517
Non-Major Funds - Designated for subsequent year expenditures	
Special Revenue Funds	
Impact Fees	107,000
Cemetery – expendable	20,804
Undesignated:	
Major Funds	
General Fund	3,016,302
Non-Major Funds	
Special Revenue Funds	
Park dedication	59,977
Impact fee	524,994
Tourism and convention	320,430
Green space facilities	17,035
Public safety grants	436
Cemetery – expendable	<u>49,056</u>
Total Governmental Activities Net Assets	\$ <u>5,137,845</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 2009 was \$5,597,570. During the year the City's required contribution to the plan amounted to \$518,185, which represents 11% of its current year covered payroll of \$4,710,773.

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, 2009 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, 2009 the sewage service revenues net of operating expenses, exclusive of depreciation charges, was \$1,315,241. Total debt service requirements on all outstanding debt payable from the wastewater sewer service charge were \$595,797.

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 2009 were \$810,552 and the City received \$193,677 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, 2009 is as follows:

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 1,805,060	2,699,187	4,504,247
Expenses:			
Operations and maintenance	987,658	1,383,946	2,371,604
Depreciation expense	768,272	1,202,052	1,970,324
Taxes	1,475	-	1,475
Net operating income	47,655	113,189	160,844
		<u>Total Water and Sewer</u>	
Non-operating income:			
Interest income		\$ 77,169	
Non-operating expenses:			
Interest expense and fiscal fees		232,862	
Loss on disposal of fixed assets		18,312	
Amortization of debt expenses		16,497	
Grants and contributions		3,034,930	
Transfers to City –			
Property tax equivalent		431,735	
Assets:			
Current assets		6,391,271	
Capital assets, net of depreciation		70,049,519	
Other assets		5,186,825	
Total assets		81,627,615	
Liabilities:			
Current liabilities		2,326,350	
Long-term liabilities		5,281,664	
Other liabilities		1,194,517	
Total liabilities		8,802,531	
Net assets:			
January 1, 2009		70,251,547	
Change in net assets		2,573,537	
December 31, 2009:			
Invested in capital assets, net of related debt		63,783,836	
Restricted for debt service		3,316,510	
Unrestricted		5,724,738	
Net cash provided (used) by:			
Operating activities		2,688,733	
Capital and related financing activities		(2,162,450)	
Investing activities		(424,245)	
Cash and cash equivalents:			
January 1, 2009		4,131,263	
December 31, 2009		4,233,301	

**CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS**

(5) Other Information - Continued

F. Contingencies

At December 31, 2009 the City was involved in an employment discrimination claim arising under the retaliation provisions of Title VII and the Americans with Disabilities Act on behalf of a former police officer. The claim also involves a violation of the officer's First and Fourteenth Amendment rights. The claim has been amended several times and most recently based upon the fact that the City abolished the police department. Under Title VII/ADA claims the City's exposure for compensatory and punitive damages is capped at \$50,000 but there is no cap on compensatory damages under constitutional claims. Besides the City defendants of the claim include two former City police officers who the City would ultimately be responsible for under Section 895.46 of the Wisconsin Statutes. In addition, under the claim, the City would be responsible for the payment of attorneys fees incurred by the plaintiff. The potential exposure associated with this claim is estimated to be \$500,000 none of which is reflected in the financial statements of the City. The ultimate outcome of this litigation 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 continue participation in the city's health and dental insurance plans. Eligible retirees and spouses contribute the full amount of the insurance premium of the provided benefits. The insurance premiums are computed on an average cost basis of all participants of the City's plans, and therefore, are not rated for the age of the individual participant.

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, 2009 the Net OPEB obligation is \$281,052 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, 2009, the most recent actuarial valuation date, was as follows:

Unfunded Actuarial Accrued Liability (UAAL)	\$ <u>886,837</u>
Covered payroll (active plan members)	\$ <u>3,107,045</u>
UAAL as a percentage of covered payroll	<u>29 %</u>

The Unfunded Actuarial Accrued Liability (UAAL) was reduced by \$416,922 due to the disbandment of the City's police department.

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.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(5) Other Information - Continued

G. Other Postemployment Benefits - Continued

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, 2009, was 28 years.

H. Termination Agreement

On January 16, 2009 the City and former police chief entered into a retirement agreement. This agreement terminated the employment of the chief as of December 31, 2008. According to the terms of the agreement the former police chief received a lump sum payment of \$170,000. This payment was made on January 30, 2009 and is included in the current year general fund expenditures.

This agreement also allowed the former police chief to continue to participate in the health, dental and vision insurance plan as a current City employee not represented by a labor organization until such time as the former police chief becomes eligible for Medicare or obtains the age of sixty-six, whichever occurs sooner.

The estimated cost of this benefit was determined using the discounted present value of the expected future benefit payments. At December 31, 2009 the total liability for health care related termination benefits is \$94,517.

The cost of this benefit is recorded as a liability in the full-accrual government-wide financial statements. In the governmental fund financial statements this benefit will be amortized over the term of the agreement, as these benefits require the utilization of current financial resources.

I. Disbandment of Police Department

On October 19, 2009 the City of Pewaukee Common Council voted to disband the City's police department. The City subsequently entered into a contract with the Waukesha County Sheriff's Department to provide police protection to the City residents. The police department was officially disbanded on December 31, 2009. The cost to disband the department included a final payout to department employees for accrued vacation pay, compensated absences and related payroll taxes. The total cost of these benefits of \$282,534 is included in these financial statements.

SUPPORTING SCHEDULES

CITY OF PEWAUKEE
Non-Major Governmental Funds

COMBINING BALANCE SHEET

December 31, 2009

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Non-Major Funds</u>
Assets:				
Cash and cash equivalents	\$ 1,076,477	801,906	59,734	1,938,117
Receivables:				
Current taxes	-	297,949	-	297,949
Accounts	<u>28,323</u>	<u>-</u>	<u>-</u>	<u>28,323</u>
Total assets	<u>\$ 1,104,800</u>	<u>1,099,855</u>	<u>59,734</u>	<u>2,264,389</u>
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	\$ 2,628	28,789	-	31,417
Construction contracts payable	-	131,358	-	131,358
Deferred revenues	<u>2,440</u>	<u>547,500</u>	<u>-</u>	<u>549,940</u>
Total liabilities	<u>5,068</u>	<u>707,647</u>	<u>-</u>	<u>712,715</u>
Fund Balance:				
Reserved for:				
Capital projects	-	392,208	-	392,208
Perpetual care	-	-	59,734	59,734
Unreserved:				
Designated for subsequent year's expenditures	127,804	-	-	127,804
Undesignated	<u>971,928</u>	<u>-</u>	<u>-</u>	<u>971,928</u>
Total fund balance	<u>1,099,732</u>	<u>392,208</u>	<u>59,734</u>	<u>1,551,674</u>
Total liabilities and fund balance	<u>\$ 1,104,800</u>	<u>1,099,855</u>	<u>59,734</u>	<u>2,264,389</u>

CITY OF PEWAUKEE
Non-Major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2009

	Special Revenue	Capital Projects	Permanent	Total Non-Major Funds
Revenues:				
Taxes	\$ 457,556	127,000	-	584,556
Intergovernmental	85,439	24,106	-	109,545
Charges for services	33,567	28,410	1,508	63,485
Interest	5,146	1,573	-	6,719
Total revenues	581,708	181,089	1,508	764,305
Expenditures:				
Current:				
Economic development	413,514	-	-	413,514
Unclassified	7,595	-	-	7,595
Capital outlay	111,600	888,548	-	1,000,148
Total expenditures	532,709	888,548	-	1,421,257
Excess (deficiency) of revenues over expenditures	48,999	(707,459)	1,508	(656,952)
Other financing sources (uses):				
Transfers in	-	524,729	-	524,729
Transfers out	(403,792)	-	-	(403,792)
Total other financing sources (uses)	(403,792)	524,729	-	120,937
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	(354,793)	(182,730)	1,508	(536,015)
Fund balance, January 1	1,454,525	574,938	58,226	2,087,689
Fund balance, December 31	\$ 1,099,732	392,208	59,734	1,551,674

CITY OF PEWAUKEE
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2009

	Actual	Budget	Variance: Favorable (Unfavorable)
Taxes:			
General property	\$ 5,607,089	5,607,089	-
Public accommodation	184,288	240,000	(55,712)
Land-use penalties	5,205	-	5,205
Other	119	-	119
	<u>5,796,701</u>	<u>5,847,089</u>	<u>(50,388)</u>
Intergovernmental:			
State shared revenues	388,869	412,042	(23,173)
Exempt computer aids	71,496	85,000	(13,504)
Fire insurance dues	75,774	85,000	(9,226)
Highway safety aids	16,582	15,000	1,582
Transportation aids	416,751	409,885	6,866
FEMA disaster grants	10,181	10,000	181
Water safety patrol	31,062	35,000	(3,938)
Tank inspection aids	11,829	8,500	3,329
Police training aids	600	3,500	(2,900)
County recycling aids	38,676	40,000	(1,324)
Federal Homeland Security grant	-	10,000	(10,000)
Other	8,504	-	8,504
	<u>1,070,324</u>	<u>1,113,927</u>	<u>(43,603)</u>
Regulation and compliance:			
Licenses:			
Liquor class A	1,600	400	1,200
Liquor class B	13,040	11,400	1,640
Beer class A wholesale	-	125	(125)
Special class B licenses	20	20	-
Operator	5,595	5,500	95
Cigarette	1,300	1,200	100
Amusement	1,010	800	210
Hotel and motel	75	75	-
Dog and kennel	4,177	6,000	(1,823)

CITY OF PEWAUKEE
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2009

	Actual	Budget	Variance: Favorable (Unfavorable)
Regulation and compliance - continued:			
Permits:			
Building	\$ 226,228	360,000	(133,772)
Electrical	63,480	75,000	(11,520)
Plumbing	49,342	50,000	(658)
Erosion	28,879	500	28,379
State code stamps	1,130	1,200	(70)
Sign	3,488	2,000	1,488
Street opening	3,050	2,000	1,050
Fire inspection - commercial buildings	149,048	150,000	(952)
Other	1,375	1,300	75
Fines:			
Court	386,401	600,000	(213,599)
Animal	171	200	(29)
Cable TV franchise	115,781	106,200	9,581
	<u>1,055,190</u>	<u>1,373,920</u>	<u>(318,730)</u>
Charges for services:			
Publication fees	900	1,500	(600)
Copies	531	1,500	(969)
Administrative fees	3,057	-	3,057
Planning and zoning fees	800	6,000	(5,200)
Certified survey maps and plat review fees	3,940	3,600	340
Legal review fees	25,579	20,000	5,579
Engineering review fees	171,835	215,000	(43,165)
Refuse collection	640,989	657,000	(16,011)
House numbers	418	900	(482)
Highway materials and services	3,738	600	3,138
Culverts	8,798	5,000	3,798
Summer lake patrol	9,821	17,000	(7,179)
Winter lake patrol	7,991	9,000	(1,009)
Police sales and copies	1,746	2,000	(254)
Boat launch fees	10,308	9,000	1,308
Fire runs	14,977	15,000	(23)
Fire inspections	65,880	57,000	8,880
Ambulance runs	357,852	500,000	(142,148)
Fire and ambulance contracts	842,689	900,000	(57,311)

CITY OF PEWAUKEE
 General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2009

	Actual	Budget	Variance: Favorable (Unfavorable)
Charges for services - continued:			
Police services	\$ 674	500	174
Private fire protection plan	1,850	2,000	(150)
Management services	42,000	42,000	-
SEWRPC services	12,523	12,000	523
Building inspection contract	61,524	60,000	1,524
Park equipment usage fees	1,571	8,000	(6,429)
Park and recreation contracts	193,677	225,000	(31,323)
	<u>2,485,668</u>	<u>2,769,600</u>	<u>(283,932)</u>
Recreation:			
Program fees	133,983	120,000	13,983
Land O' Leagues	23,340	28,540	(5,200)
Field trips	18,650	34,000	(15,350)
Club use fees	13,349	11,000	2,349
Reservation fees	26,145	25,000	1,145
WPRA ticket sales	4,852	8,000	(3,148)
	<u>220,319</u>	<u>226,540</u>	<u>(6,221)</u>
Interest:			
Investments	42,728	300,000	(257,272)
Other	6,090	-	6,090
	<u>48,818</u>	<u>300,000</u>	<u>(251,182)</u>
Miscellaneous:			
Rent:			
Water and sewer utility	34,000	34,000	-
Other	7,506	3,400	4,106
Recycling	4,138	4,000	138
Sale of assets	56,917	7,000	49,917
Insurance recoveries	39,470	-	39,470
Gifts and donations	7,401	-	7,401
Insurance dividend	33,316	-	33,316
Other	29,643	500	29,143
	<u>212,391</u>	<u>48,900</u>	<u>163,491</u>
Total revenues	<u>\$ 10,889,411</u>	<u>11,679,976</u>	<u>(790,565)</u>

CITY OF PEWAUKEE
General Fund

STATEMENT OF EXPENDITURES COMPARED TO BUDGET

Year Ended December 31, 2009

	Actual	Budget	Variance: Favorable (Unfavorable)
General government:			
Mayor	\$ 9,624	10,024	400
Common council	45,085	45,597	512
Police and fire commission	1,425	1,425	-
Public works commission	50	958	908
Administration	115,083	131,917	16,834
Human resources	69,429	86,570	17,141
Clerk/ treasurer	285,336	291,555	6,219
Assessor	225,178	236,414	11,236
Board of review	352	1,140	788
Outside services	493,040	493,040	-
Elections	16,658	28,313	11,655
Facilities	288,370	308,738	20,368
Information technology	179,549	213,111	33,562
Insurance	169,920	169,920	-
Plan commission	68,667	72,051	3,384
Board of appeals	310	1,911	1,601
	<u>1,968,076</u>	<u>2,092,684</u>	<u>124,608</u>
Public safety and judicial:			
Municipal court	86,994	112,983	25,989
Law enforcement	2,919,808	3,065,905	146,097
Fire and rescue	3,038,731	3,425,839	387,108
Building services	343,074	364,549	21,475
Flood disaster	26,870	26,870	-
	<u>6,415,477</u>	<u>6,996,146</u>	<u>580,669</u>
Health and sanitation:			
Animal control	6,699	7,000	301
Weed, lake and wetlands	95,979	96,465	486
Refuse collection and recycling	674,853	693,439	18,586
	<u>777,531</u>	<u>796,904</u>	<u>19,373</u>

CITY OF PEWAUKEE
 General Fund

STATEMENT OF EXPENDITURES COMPARED TO BUDGET

Year Ended December 31, 2009

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
Public works:			
Engineering	\$ 301,457	451,565	150,108
Safety program	3,223	6,000	2,777
Highway and transportation	994,047	1,125,301	131,254
	<u>1,298,727</u>	<u>1,582,866</u>	<u>284,139</u>
Culture and recreation:			
Library	660,360	660,360	-
Parks	423,252	478,834	55,582
Recreation	387,300	414,783	27,483
	<u>1,470,912</u>	<u>1,553,977</u>	<u>83,065</u>
Unclassified	<u>332,313</u>	<u>373,480</u>	<u>41,167</u>
Total expenditures	<u>\$ 12,263,036</u>	<u>13,396,057</u>	<u>1,133,021</u>

CITY OF PEWAUKEE
Special Revenue Funds

COMBINING BALANCE SHEET

December 31, 2009

	Park Dedication	Impact Fee	Tourism and Convention	Green Space Facilities	Public Safety Grants	Cemetery	Total
Assets:							
Cash and cash equivalents	\$ 59,977	631,994	292,107	17,035	5,504	69,860	1,076,477
Accounts receivable	-	-	28,323	-	-	-	28,323
Total assets	\$ 59,977	631,994	320,430	17,035	5,504	69,860	1,104,800
Liabilities and Fund Balance:							
Liabilities:							
Accounts payable	-	-	-	-	2,628	-	2,628
Deferred revenues	-	-	-	-	2,440	-	2,440
Total liabilities	-	-	-	-	5,068	-	5,068
Fund balance:							
Unreserved:							
Designated for subsequent year's expenditures	-	107,000	-	-	-	20,804	127,804
Undesignated	59,977	524,994	320,430	17,035	436	49,056	971,928
Total fund balance	59,977	631,994	320,430	17,035	436	69,860	1,099,732
Total liabilities and fund balance	\$ 59,977	631,994	320,430	17,035	5,504	69,860	1,104,800

CITY OF PEWAUKEE
Special Revenue Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2009

	<u>Park Dedication</u>	<u>Impact Fee</u>	<u>Tourism and Convention</u>	<u>Green Space Facilities</u>	<u>Public Safety Grants</u>	<u>Cemetery</u>	<u>Total</u>
Revenues:							
General tax levy	\$ -	-	-	-	-	27,550	27,550
Public accommodation tax	-	-	430,006	-	-	-	430,006
Intergovernmental:							
State EMS grant	-	-	-	-	12,717	-	12,717
Federal public safety grant	-	-	-	-	72,722	-	72,722
Charges for services:							
Impact fees	-	26,822	-	-	-	-	26,822
Interment fees	-	-	-	-	-	6,000	6,000
Lot sales	-	-	-	-	-	745	745
Interest earnings	12	2,503	1,407	527	361	336	5,146
Total revenues	<u>12</u>	<u>29,325</u>	<u>431,413</u>	<u>527</u>	<u>85,800</u>	<u>34,631</u>	<u>581,708</u>
Expenditures:							
Economic development:							
Tourism	-	-	413,514	-	-	-	413,514
Unclassified	-	-	-	-	-	7,595	7,595
Capital outlay	-	-	-	37,414	74,186	-	111,600
Total expenditures	<u>-</u>	<u>-</u>	<u>413,514</u>	<u>37,414</u>	<u>74,186</u>	<u>7,595</u>	<u>532,709</u>
Excess (deficiency) of revenues over expenditures	<u>12</u>	<u>29,325</u>	<u>17,899</u>	<u>(36,887)</u>	<u>11,614</u>	<u>27,036</u>	<u>48,999</u>
Other financing uses:							
Transfer to general fund	-	-	-	(200,000)	(11,252)	-	(211,252)
Transfer to capital projects	-	(92,540)	(100,000)	-	-	-	(192,540)
	<u>-</u>	<u>(92,540)</u>	<u>(100,000)</u>	<u>(200,000)</u>	<u>(11,252)</u>	<u>-</u>	<u>(403,792)</u>
Excess (deficiency) of revenues over expenditures and other financing uses	12	(63,215)	(82,101)	(236,887)	362	27,036	(354,793)
Fund balance, January 1	<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>
Fund balance, December 31	<u>\$ 59,977</u>	<u>631,994</u>	<u>320,430</u>	<u>17,035</u>	<u>436</u>	<u>69,860</u>	<u>1,099,732</u>

CITY OF PEWAUKEE
Special Revenue Funds

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

Year Ended December 31, 2009

	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	\$ -	-	-	-	430,006	560,000	-	-	-	-	430,006	560,000
General property	-	-	-	-	-	-	-	-	27,550	27,550	27,550	27,550
Charges for services:												
In lieu of land dedications	-	40,000	-	-	-	-	-	-	-	-	-	40,000
Impact fees	-	-	26,822	80,000	-	-	-	-	-	-	26,822	80,000
Interment fees	-	-	-	-	-	-	-	-	6,000	2,500	6,000	2,500
Perpetual care	-	-	-	-	-	-	-	-	-	804	-	804
Lot sales	-	-	-	-	-	-	-	-	745	396	745	396
Interest earnings	12	1,000	2,503	2,000	1,407	8,500	527	5,000	336	1,600	4,785	18,100
Total revenues	<u>12</u>	<u>41,000</u>	<u>29,325</u>	<u>82,000</u>	<u>431,413</u>	<u>568,500</u>	<u>527</u>	<u>5,000</u>	<u>34,631</u>	<u>32,850</u>	<u>495,908</u>	<u>729,350</u>
Expenditures:												
Economic development:												
Tourism	-	-	-	-	413,514	416,000	-	-	-	-	413,514	416,000
Capital outlay	-	-	-	-	-	-	37,414	152,300	-	-	37,414	152,300
Cemetery	-	-	-	-	-	-	-	-	7,595	36,850	7,595	36,850
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>413,514</u>	<u>416,000</u>	<u>37,414</u>	<u>152,300</u>	<u>7,595</u>	<u>36,850</u>	<u>458,523</u>	<u>605,150</u>
Excess (deficiency) of revenues over expenditures	<u>12</u>	<u>41,000</u>	<u>29,325</u>	<u>82,000</u>	<u>17,899</u>	<u>152,500</u>	<u>(36,887)</u>	<u>(147,300)</u>	<u>27,036</u>	<u>(4,000)</u>	<u>37,385</u>	<u>124,200</u>
Other financing uses:												
Transfer to general fund	-	-	-	-	-	-	(200,000)	(200,000)	-	-	(200,000)	(200,000)
Transfer to capital projects fund	-	-	(92,540)	-	(100,000)	(100,000)	-	-	-	-	(192,540)	(100,000)
	<u>-</u>	<u>-</u>	<u>(92,540)</u>	<u>-</u>	<u>(100,000)</u>	<u>(100,000)</u>	<u>(200,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>-</u>	<u>(392,540)</u>	<u>(300,000)</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>12</u>	<u>41,000</u>	<u>(63,215)</u>	<u>82,000</u>	<u>(82,101)</u>	<u>52,500</u>	<u>(236,887)</u>	<u>(347,300)</u>	<u>27,036</u>	<u>(4,000)</u>	<u>(355,155)</u>	<u>(175,800)</u>
Fund balance, January 1	59,965		695,209		402,531		253,922		42,824		1,454,451	
Fund balance, December 31	\$ <u>59,977</u>		<u>631,994</u>		<u>320,430</u>		<u>17,035</u>		<u>69,860</u>		<u>1,099,296</u>	

CITY OF PEWAUKEE
Debt Service Fund

BALANCE SHEET

December 31, 2009

Assets:

Cash and temporary investments	\$	1,013,128
Receivables:		
Taxes		884,078
Special assessments		<u>395,135</u>
Total assets	\$	<u><u>2,292,341</u></u>

Liabilities and Fund Balance:

Liabilities:

Accounts payable	\$	596
Deferred revenues:		
Current tax levy		1,625,749
Long-term special assessments		<u>395,135</u>
Total liabilities		<u>2,021,480</u>

Fund balance:

Reserved for debt service		<u>270,861</u>
Total fund balance		<u>270,861</u>
Total liabilities and fund balance	\$	<u><u>2,292,341</u></u>

CITY OF PEWAUKEE
Debt Service Fund

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

Year Ended December 31, 2009

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
Revenues:			
Taxes:			
General tax levy	\$ 1,200,000	1,200,000	-
Special assessments	271,935	185,000	86,935
Interest earnings	927	7,000	(6,073)
Total revenues	<u>1,472,862</u>	<u>1,392,000</u>	<u>80,862</u>
Expenditures:			
Debt service:			
Principal	1,118,843	1,118,843	-
Interest	288,490	288,490	-
Total expenditures	<u>1,407,333</u>	<u>1,407,333</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	65,529	<u>(15,333)</u>	<u>80,862</u>
Fund balance, January 1	<u>205,332</u>		
Fund balance, December 31	<u>\$ 270,861</u>		

CITY OF PEWAUKEE
Capital Projects Funds

COMBINING BALANCE SHEET

December 31, 2009

		<u>Road Construction</u>	<u>Storm Water Drainage</u>	<u>Sports Complex</u>	<u>Fire Station Construction</u>	<u>Capital Equipment</u>	<u>Total</u>
Assets:							
Cash and temporary investments	\$	65,924	116,840	300,036	69,555	249,551	801,906
Taxes receivable		-	-	-	-	297,949	297,949
		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>297,949</u>	<u>297,949</u>
Total assets	\$	<u>65,924</u>	<u>116,840</u>	<u>300,036</u>	<u>69,555</u>	<u>547,500</u>	<u>1,099,855</u>
Liabilities and Fund Balance:							
Liabilities:							
Accounts payable	\$	2,341	24,668	-	1,780	-	28,789
Construction contracts payable		63,583	-	-	67,775	-	131,358
Deferred revenues		-	-	-	-	547,500	547,500
Total liabilities		<u>65,924</u>	<u>24,668</u>	<u>-</u>	<u>69,555</u>	<u>547,500</u>	<u>707,647</u>
Fund balance:							
Reserved for capital projects		<u>-</u>	<u>92,172</u>	<u>300,036</u>	<u>-</u>	<u>-</u>	<u>392,208</u>
Total liabilities and fund balance	\$	<u>65,924</u>	<u>116,840</u>	<u>300,036</u>	<u>69,555</u>	<u>547,500</u>	<u>1,099,855</u>

CITY OF PEWAUKEE
Capital Projects Funds

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

Year Ended December 31, 2009

	Road Construction		Storm Water Drainage		Sports Complex		Fire Station Construction		Total	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Revenues:										
Taxes:										
General property	\$ 107,000	107,000	20,000	20,000	-	-	-	-	127,000	127,000
Intergovernmental:										
LRIP grant	24,106	-	-	-	-	-	-	-	24,106	-
Charges for services	28,410	-	-	-	-	-	-	-	28,410	-
Interest earnings	-	6,000	391	500	1,182	12,000	-	1,000	1,573	19,500
Total revenues	<u>159,516</u>	<u>113,000</u>	<u>20,391</u>	<u>20,500</u>	<u>1,182</u>	<u>12,000</u>	<u>-</u>	<u>1,000</u>	<u>181,089</u>	<u>146,500</u>
Expenditures:										
Road construction	643,965	1,345,000	-	-	-	-	-	-	643,965	1,345,000
Storm water studies	-	-	66,609	111,800	-	-	-	-	66,609	111,800
Storm water improvements	-	-	25,221	33,000	-	-	-	-	25,221	33,000
Fire station construction	-	-	-	-	-	-	92,540	500,000	92,540	500,000
Sports complex	-	-	-	-	60,213	60,213	-	-	60,213	60,213
Total expenditures	<u>643,965</u>	<u>1,345,000</u>	<u>91,830</u>	<u>144,800</u>	<u>60,213</u>	<u>60,213</u>	<u>92,540</u>	<u>500,000</u>	<u>888,548</u>	<u>2,050,013</u>
Excess (deficiency) of revenues over expenditures	(484,449)	(1,232,000)	(71,439)	(124,300)	(59,031)	(48,213)	(92,540)	(499,000)	(707,459)	(1,903,513)
Other financing sources:										
Transfer from other funds	260,189	593,000	72,000	72,000	100,000	100,000	92,540	-	524,729	765,000
Excess (deficiency) of revenues and other financing sources over expenditures	(224,260)	<u>(639,000)</u>	561	<u>(52,300)</u>	40,969	<u>51,787</u>	-	<u>(499,000)</u>	(182,730)	<u>(1,138,513)</u>
Fund balance, January 1	<u>224,260</u>		<u>91,611</u>		<u>259,067</u>		<u>-</u>		<u>574,938</u>	
Fund balance, December 31	<u>\$ -</u>		<u>92,172</u>		<u>300,036</u>		<u>-</u>		<u>392,208</u>	

CITY OF PEWAUKEE
Permanent Fund - Cemetery Perpetual Care
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Year Ended December 31, 2009

Revenues:		
Charges for services:		
Perpetual care	\$	1,508
Expenditures:		
Unclassified:		<u>-</u>
Excess of revenues over expenditures		1,508
Fund balance, January 1		<u>58,226</u>
Fund balance, December 31	\$	<u><u>59,734</u></u>

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

BALANCE SHEETS

December 31, 2009 and 2008

	2009	2008
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 916,791	988,471
Investments	500,000	-
Restricted assets:		
Debt retirement assets:		
Cash and cash equivalents	3,316,510	3,142,792
Receivables:		
Accounts	956,942	927,838
Special assessments	86,279	69,428
Intergovernmental	5,865	62,611
Accrued interest	1,414	-
Other	14,670	30,649
Developers	586,569	498,543
Due from general fund	-	511,168
Inventory of supplies	6,231	6,136
	6,391,271	6,237,636
Total current assets		
Fixed assets:		
Land	370,387	370,387
Buildings	7,787,901	7,525,764
Improvements other than buildings	80,564,238	80,043,911
Furniture and equipment	860,888	860,888
Construction in progress	1,019,558	728,656
	90,602,972	89,529,606
Less: Accumulated depreciation	20,553,453	18,666,310
	70,049,519	70,863,296
Net fixed assets		
Other assets:		
Long-term portion of special assessments receivable	5,100,958	3,163,544
Unamortized debt discount and issue expenses	(8,046)	(5,773)
Deferred expenses	93,913	93,666
	5,186,825	3,251,437
Total other assets		
Total assets	\$ 81,627,615	80,352,369

CITY OF PEWAUKEE
 Enterprise Funds
 Water and Sewer Utility

BALANCE SHEETS

December 31, 2009 and 2008

	2009	2008
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 378,057	459,096
Due to general fund	491,727	-
Due to City of Waukesha	12,101	12,101
Construction contracts payable	103,600	871,377
Customer advances on construction	222,733	222,348
Accrued interest on long-term debt	34,689	40,638
Other accrued expenses	698	773
Current portion of long-term debt	1,090,745	1,061,464
Less: current portion of deferred amount on refunding	(8,000)	(14,224)
Total current liabilities	2,326,350	2,653,573
Long-term liabilities (net of current portion):		
General obligation debt	1,927,617	2,532,586
Less: deferred amount on refunding	(4,434)	(12,434)
Sewerage system revenue bonds	3,259,755	3,745,531
Construction contracts payable	50,740	50,740
Accrued post retirement benefits	47,986	23,993
Other liabilities:		
Deferred assessments due to developers	1,194,517	1,106,833
Total liabilities	8,802,531	10,100,822
Net assets:		
Invested in capital assets, net of related debt	63,783,836	63,562,807
Restricted for debt service	3,316,510	3,142,792
Unrestricted	5,724,738	3,545,948
Total net assets	72,825,084	70,251,547
Total liabilities and net assets	\$ 81,627,615	80,352,369

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET ASSETS

Years Ended December 31, 2009 and 2008

	2009			2008
	Water	Sewer	Combined	Combined
Operating revenues	\$ 1,805,060	2,699,187	4,504,247	4,407,142
Operating expenses:				
Operation and maintenance	987,658	1,383,946	2,371,604	2,234,080
Depreciation	768,272	1,202,052	1,970,324	1,921,697
Taxes	1,475	-	1,475	1,611
Total operating expenses	1,757,405	2,585,998	4,343,403	4,157,388
Operating income	\$ 47,655	113,189	160,844	249,754
Non-operating revenues (expenses):				
Interest income			77,169	220,167
Interest expense and fiscal fees			(232,862)	(268,622)
Loss on the disposal of fixed assets			(18,312)	(13,118)
Amortization of deferred refunding costs			(14,224)	(20,818)
Amortization of debt issue expenses			(2,273)	(4,604)
Total non-operating revenues (expenses)			(190,502)	(86,995)
Income (loss) before contributions and transfers			(29,658)	162,759
Grants and contributions			3,034,930	818,897
Loss on transfer of assets to City of Waukesha			-	(572,045)
Transfers out			(431,735)	(390,896)
Change in net assets			2,573,537	18,715
Total net assets, January 1			70,251,547	70,232,832
Total net assets, December 31			\$ 72,825,084	70,251,547

CITY OF PEWAUKEE
Enterprise Fund
Water Utility

STATEMENTS OF OPERATING INCOME AND EXPENSES

Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Operating revenues</u>		
Sale of water:		
Residential	\$ 676,797	675,628
Commercial	449,933	409,607
Industrial	66,372	66,775
Public authorities	<u>3,537</u>	<u>3,571</u>
	1,196,639	1,155,581
Public fire protection	540,906	517,211
Private fire protection	60,353	60,943
Customer's forfeited discounts	4,295	4,273
Other revenue	<u>2,867</u>	<u>5,670</u>
Total operating revenues	<u>1,805,060</u>	<u>1,743,678</u>
 <u>Operating expenses</u>		
Plant operation and maintenance:		
Salaries and wages	168,959	159,993
Transportation expense	21,555	20,885
Power purchased for pumping	216,162	203,645
Chemicals	89,412	88,126
Operating supplies	55,975	46,476
Repairs of water plant	<u>172,544</u>	<u>116,074</u>
	<u>724,607</u>	<u>635,199</u>
General operating expenses:		
Administrative salaries	82,477	70,126
Office supplies and expenses	15,716	15,942
Outside services employed	42,751	59,614
Insurance	16,811	15,465
Employee benefits	82,672	76,172
Other general expenses	<u>22,624</u>	<u>25,004</u>
	<u>263,051</u>	<u>262,323</u>
Total operation and maintenance expenses	987,658	897,522
Depreciation	768,272	771,505
Taxes	<u>1,475</u>	<u>1,611</u>
Total operating expenses	<u>1,757,405</u>	<u>1,670,638</u>
Net operating income	<u>\$ 47,655</u>	<u>73,040</u>

CITY OF PEWAUKEE
Enterprise Fund
Sewer Utility

STATEMENTS OF OPERATING INCOME AND EXPENSES

Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
<u>Operating revenues</u>		
Sewer service charges:		
Residential	\$ 1,477,510	1,445,091
Commercial	1,067,163	1,056,438
Industrial	138,074	141,551
Public authorities	7,994	6,519
Other revenue	<u>8,446</u>	<u>13,865</u>
Total operating revenues	<u>2,699,187</u>	<u>2,663,464</u>
 <u>Operating expenses</u>		
Plant operation and maintenance:		
Sewage treatment charges	949,943	936,212
Salaries and wages	70,778	60,735
Power purchased for pumping	36,762	31,534
Supplies and expenses	10,923	11,991
Maintenance	<u>101,404</u>	<u>72,209</u>
	<u>1,169,810</u>	<u>1,112,681</u>
General operating expenses:		
Administrative salaries	82,476	70,127
Office supplies and expenses	15,716	15,941
Outside services employed	25,546	52,412
Insurance	16,811	15,465
Employee benefits	50,964	44,927
Other general expenses	<u>22,623</u>	<u>25,005</u>
	<u>214,136</u>	<u>223,877</u>
Total operation and maintenance expenses	1,383,946	1,336,558
Depreciation	<u>1,202,052</u>	<u>1,150,192</u>
Total operating expenses	<u>2,585,998</u>	<u>2,486,750</u>
Net operating income	\$ <u>113,189</u>	<u>176,714</u>

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2009 and 2008

	<u>2009</u>	<u>2008</u>
Cash flows from operating activities:		
Receipts from customers	\$ 4,547,868	4,533,297
Receipts for interfund services	515,529	(490,933)
Payments to suppliers	(1,915,962)	(1,870,325)
Payments to employees	(458,702)	(506,073)
Payments for interfund services	-	(551,964)
Net cash provided by operating activities	<u>2,688,733</u>	<u>1,114,002</u>
Cash flows from non-capital financing activities:		
Operating transfers to other funds	-	(390,896)
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,729,105)	(4,123,716)
Proceeds from the sale of fixed assets	-	3,934
Reserve capacity assessments received	233,504	439,177
Long-term debt retirements	(1,061,465)	(1,042,136)
Collection of special assessments, net	633,289	76,545
Developer advances on construction, net	385	(392,388)
Preliminary design fees for system expansion	(247)	-
Interest and fiscal charges paid on bonds and notes payable	<u>(238,811)</u>	<u>(274,166)</u>
Net cash used by capital and related financing activities	<u>(2,162,450)</u>	<u>(5,312,750)</u>
Cash flows from investing activities:		
Interest received on cash and investments	75,755	223,782
Maturities of securities	-	2,015,853
Purchases of securities	<u>(500,000)</u>	<u>(1,003,152)</u>
Net cash provided (used) by investing activities	<u>(424,245)</u>	<u>1,236,483</u>
Net increase (decrease) in cash and cash equivalents	102,038	(3,353,161)
Cash and cash equivalents, January 1	<u>4,131,263</u>	<u>7,484,424</u>
Cash and cash equivalents, December 31	<u>\$ 4,233,301</u>	<u>4,131,263</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Unrestricted	\$ 916,791	988,471
Restricted - Debt retirement	<u>3,316,510</u>	<u>3,142,792</u>
	<u>\$ 4,233,301</u>	<u>4,131,263</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 160,844	249,754
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,970,324	1,921,697
Changes in assets and liabilities:		
Accounts receivable, net	554,789	(364,778)
Inventory of supplies	(95)	(1,755)
Prepaid expenses	-	1,180
Accounts payable and accrued expenses	<u>2,871</u>	<u>(692,096)</u>
Net cash provided by operating activities	<u>\$ 2,688,733</u>	<u>1,114,002</u>
Schedule of non-cash activities:		
Plant assets contributed by developers	<u>\$ 301,556</u>	<u>379,720</u>

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

ANALYSIS OF UTILITY PLANT IN SERVICE

Years Ended December 31, 2009 and 2008

	Utility Plant				% Rate	Accumulated Depreciation			
	Balance Dec. 31, 2008	Additions	Disposals	Balance Dec. 31, 2009		Balance Dec. 31, 2008	Additions	Disposals	Balance Dec. 31, 2009
Water Utility									
Source of supply plant:									
Wells and springs	\$ 1,582,150	-	-	1,582,150	2.90	485,961	45,882	-	531,843
Supply mains	176,607	-	-	176,607	1.80	53,221	3,179	-	56,400
Pumping plant:									
Land	370,387	-	-	370,387	-	-	-	-	-
Structures and improvements	4,319,551	-	-	4,319,551	3.20	1,150,524	138,227	-	1,288,751
Electric pumping equipment	930,580	63,724	85,629	908,675	4.40	192,152	42,347	67,318	167,181
Other pumping equipment	149,569	-	-	149,569	4.40	94,065	6,581	-	100,646
Water treatment plant	340,980	-	-	340,980	6.00	56,526	20,460	-	76,986
Transmission and distribution plant:									
Distribution reservoirs and standpipes	1,428,254	-	-	1,428,254	1.90	476,337	27,137	-	503,474
Transmission and distribution mains	19,537,574	190,742	-	19,728,316	1.30	2,385,976	255,228	-	2,641,204
Services	2,943,661	4,004	-	2,947,665	2.90	813,566	85,424	-	898,990
Meters	459,161	20,125	15,863	463,423	12.50	425,119	39,562	15,863	448,818
Hydrants	2,451,488	15,468	-	2,466,956	2.20	494,590	54,103	-	548,693
General plant:									
Transportation equipment	172,618	-	-	172,618	13.30	149,446	22,958	-	172,404
Office furniture and equipment	99,976	-	-	99,976	Var.	71,700	2,886	-	74,586
Other general equipment	304,268	-	-	304,268	Var.	107,082	24,298	-	131,380
Power operating equipment	175	-	-	175	7.50	175	-	-	175
	<u>35,266,999</u>	<u>294,063</u>	<u>101,492</u>	<u>35,459,570</u>		<u>6,956,440</u>	<u>768,272</u>	<u>83,181</u>	<u>7,641,531</u>
Sewer Utility									
Buildings and structures	3,206,213	262,137	-	3,468,350	2.00	377,126	66,746	-	443,872
Collection sewers	29,596,588	122,283	-	29,718,871	1.00	2,973,243	296,577	-	3,269,820
Force mains	2,090,539	3,163	-	2,093,702	3.33	299,744	69,668	-	369,412
Services	4,153,321	4,897	-	4,158,218	1.00	395,368	41,557	-	436,925
Pumping equipment	3,431,334	197,413	-	3,628,747	5.00	981,848	176,502	-	1,158,350
Other equipment	283,851	-	-	283,851	Var.	188,364	12,397	-	200,761
Treatment plant	10,772,105	-	-	10,772,105	5.00	6,494,177	538,605	-	7,032,782
	<u>53,533,951</u>	<u>589,893</u>	<u>-</u>	<u>54,123,844</u>		<u>11,709,870</u>	<u>1,202,052</u>	<u>-</u>	<u>12,911,922</u>
Construction in progress	728,656	290,902	-	1,019,558		-	-	-	-
Total	\$ <u>89,529,606</u>	<u>1,174,858</u>	<u>101,492</u>	<u>90,602,972</u>		<u>18,666,310</u>	<u>1,970,324</u>	<u>83,181</u>	<u>20,553,453</u>