

CITY OF PEWAUKEE

FINANCIAL STATEMENTS  
YEAR ENDED DECEMBER 31, 2010

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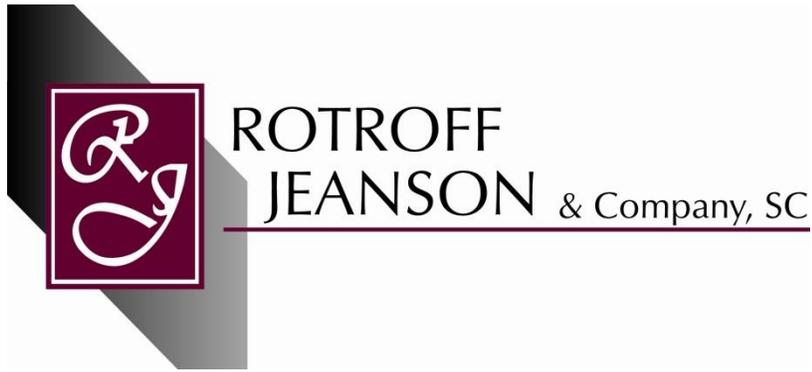
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Honorable Mayor and Common Council  
City of Pewaukee  
Waukesha County, Wisconsin

Dear Council Members:

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Pewaukee, Wisconsin as of and for the year ended December 31, 2010, 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, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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

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

*Rolf Hanson, Esq., CPA*

May 6, 2011



The City in the Country

## Office of the Mayor

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2010

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, 2010. 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 \$104,174,035 (net assets). Of this amount, \$8,696,536 is considered unrestricted and available to meet the government's ongoing obligations to citizens and creditors.

During 2010 the City's net assets increased by \$2,082,752 or 2.0%. The City's governmental activities increased \$1,854,521 while the business-type activities increased by \$228,231.

At December 31, 2010, the City's governmental funds reported combined ending fund balances of \$7,596,112, an increase of \$2,458,267 from the previous year. Of the combined fund balances, \$2,640,862 has been reserved for future capital projects and \$241,352 for future debt service. Unreserved fund balance for the general fund was \$2,993,279 or approximately 28.6% of current year general fund expenditures.

During 2010, the City's fixed assets, net of accumulated depreciation, decreased \$776,797; from \$100,846,543 to \$100,069,746.

The City's long-term obligations, including \$609,009 of vested employee benefits, totaled \$14,733,784 at December 31, 2010. At December 31, 2009 total long-term obligations had been \$13,987,814.

### 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.

#### 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.

CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2010

### 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, 2010. 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.

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.

CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2010

Although the City of Pewaukee maintains the following fourteen governmental funds, only the general, storm water management and debt service funds are considered to be “major” funds.

- General
- Special Revenue:
  - Park dedication
  - Impact fee
  - Storm water management
  - Tourism and convention
  - Green space facilities
  - Public safety grants
  - Expendable cemetery
- Debt Service
- Capital Projects:
  - Road construction
  - Storm water drainage
  - Sports complex
  - 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 three major funds – general, storm water management, and debt service. The other special revenue funds, four 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 with a legally adopted budget. The budgetary comparison statement for 2010 includes only the general fund. Although the storm water management fund is a major special revenue fund, it was not created until September 2010 and therefore did not have a legally adopted budget. 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  
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The fiduciary fund maintained by the City is used to account for assets held by the City as an agent for individuals, private organizations, or other governments but is primarily related to current year taxes levied and collected on behalf of other taxing jurisdictions. These "agency" funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

#### Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 26 - 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 – 69, immediately following the notes to the basic financial statements. These schedules include information and data about the City's non-major funds as well as providing additional detail about the City's major funds including:

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

### Government-Wide Financial Analysis

#### Statement of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Pewaukee, assets exceeded liabilities by \$104,174,035 and \$102,091,283 at the close of the most recent fiscal years.

**Statement of Net Assets at December 31, 2009 and 2010**  
(in thousands)

	Governmental Activities		Business-Type Activities		Total		Total Change	
	2009	2010	2009	2010	2009	2010	Dollars	%
Current and other assets	\$ 15,930	19,848	11,086	11,685	27,016	31,533	4,517	16.7%
Capital assets	30,797	31,524	70,050	68,545	100,847	100,069	(778)	(0.8)%
<b>Total assets</b>	<b>46,727</b>	<b>51,372</b>	<b>81,136</b>	<b>80,230</b>	<b>127,863</b>	<b>131,602</b>	<b>3,739</b>	<b>2.9%</b>
Other liabilities	10,965	12,372	1,835	1,346	12,800	13,718	918	7.2%
Long-term obligations	6,496	7,879	6,476	5,831	12,972	13,710	738	5.7%
<b>Total liabilities</b>	<b>17,461</b>	<b>20,251</b>	<b>8,311</b>	<b>7,177</b>	<b>25,772</b>	<b>27,428</b>	<b>1,656</b>	<b>6.4%</b>
Net assets:								
Invested in capital assets,								
Net of related debt	24,744	23,539	63,784	63,134	88,528	86,673	(1,855)	(2.1)%
Restricted	2,564	5,578	3,316	3,226	5,880	8,804	2,924	49.7%
Unrestricted	1,958	2,004	5,725	6,693	7,683	8,697	1,014	13.2%
<b>Total net assets</b>	<b>\$ 29,266</b>	<b>31,121</b>	<b>72,825</b>	<b>73,053</b>	<b>102,091</b>	<b>104,174</b>	<b>2,083</b>	<b>2.0%</b>

CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2010

Total net assets increased by \$2,082,752 during the current fiscal year. Governmental net assets increased by \$1,854,521 and business-type net assets increased by \$228,231.

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 (83.2%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure); less any related debt used to acquire those assets that is still outstanding.

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

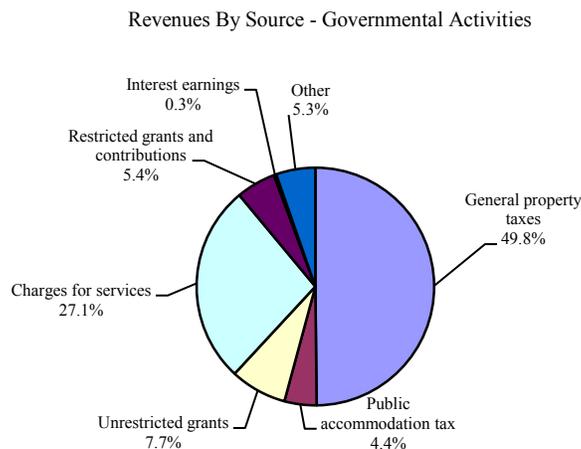
A portion of the year-end net assets is restricted for specific purposes. The restrictions represent legal or contractual limitations on how the assets may be expended. These include development charges, bond and note proceeds, and other collections limited to the repayment of debt. Of the amounts shown as "Restricted net assets", \$3,932,928 has been restricted for future debt service payments and \$4,343,790 for future capital projects.

### Statement of Activity

#### *Governmental Activities*

The City's net assets from governmental activities increased \$1,854,521 in 2010. The increase in net assets is primarily attributable to increases in program revenues, capital grants and contributions, and grants not restricted to specific programs totaling \$1,015,518 while operating expenses decreased 4.8%.

As shown by the following graph, taxes (general property and public accommodation) totaling \$8,212,670 made up 54.2% of the total governmental revenues during the current fiscal year.



**CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2010**

Program charges for services, which directly offset related program expenses, totaled \$4,103,482 and \$3,666,470 respectively, for the years ended December 31, 2010 and 2009 and included the following:

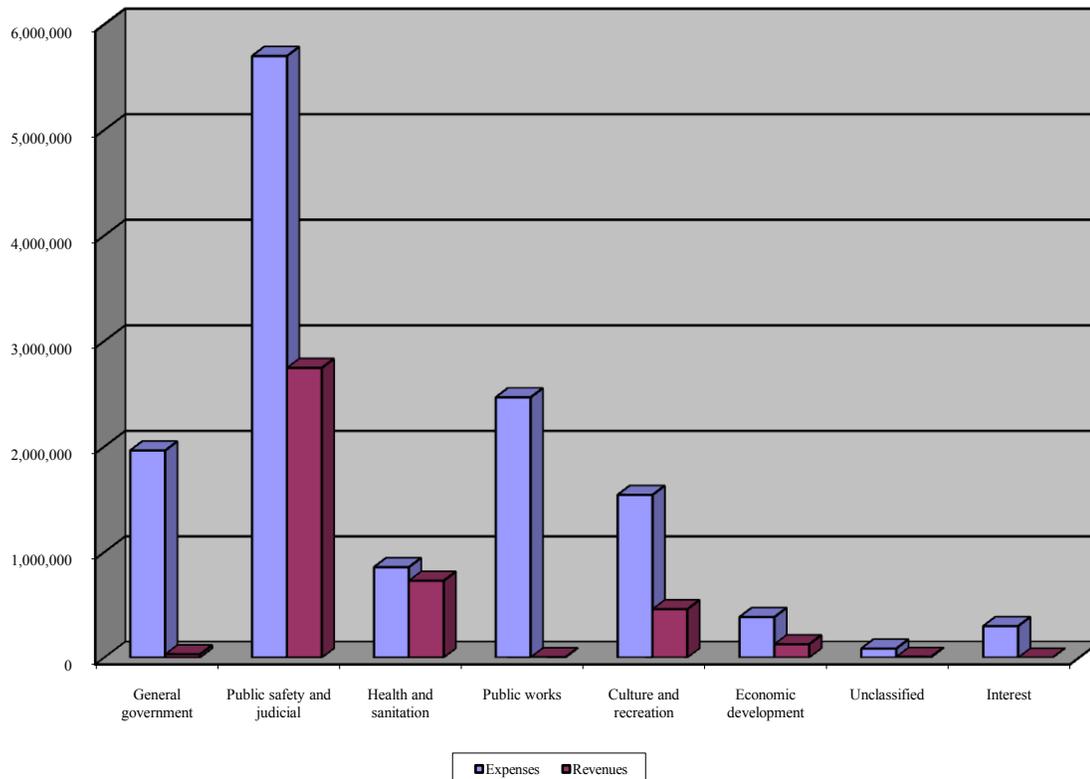
	<u>2010</u>	<u>2009</u>
Public safety and judicial	\$ 2,745,899	2,270,415
Health and sanitation	728,780	645,127
Culture and recreation	459,185	416,646
Economic development	126,937	252,032
Miscellaneous	42,681	82,250

Public safety and judicial charges include fire and rescue services contracted by the Village of Pewaukee, court fines, and building related services and permits. The significant increase in revenues in 2010 was attributable primarily due to an increase in building permit and ambulance and fire contracts of \$203,417 and \$128,110 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, 2010

For governmental activity expenses, 43% relate to public safety and judicial operations, which includes police protection, fire and rescue protection, building inspection and municipal court operations. An additional 19% was spent for public works, i.e. maintenance of City streets and roads. The City spent \$1,542,246, or 12%, towards its culture and recreation programs in 2010. 85% of health and sanitation program expenses were directly offset by related revenues. Depreciation of the City governmental activity fixed assets of \$1,765,927 was allocated to the various governmental activities during 2010 based upon actual usage of the various capital assets, compared to \$1,706,443 in 2009. 62% of the current year depreciation was related to the City's public works operations, the majority of which related to roads, bridges and storm sewer infrastructure.

*Business-type Activities*

Business-type activities for the City are comprised of its water and sewer utilities. The utilities increased the City of Pewaukee's net assets by \$228,231, as displayed in Exhibit B. Net. This was primarily the result of net operating income increasing \$241,042 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)

Operations:	Water Operations		Sewer Operations		Total		Total Change	
	2009	2010	2009	2010	2009	2010	Dollars 2009 – 2010	%
Revenues	\$ 1,805	1,830	2,699	2,794	4,504	4,624	120	2.7%
Expenses	1,757	1,693	2,586	2,690	4,343	4,383	40	0.9%
Operating income	\$ 48	137	113	104	161	241	80	49.7%

The City received capital grants and contributions during 2010 and 2009.

	<u>2010</u>	<u>2009</u>
Developer constructed assets, dedicated to City	\$ 6,425	301,556
Special assessments for Utility projects:		
Sewer	-	2,481,690
Water	-	18,180
Capacity assessments collected for system expansion	<u>540,800</u>	<u>233,504</u>
	<u>\$ 547,225</u>	<u>3,034,930</u>

**CITY OF PEWAUKEE**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
**December 31, 2010**

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

**Statement of Activities for the Years Ended December 31, 2009 and 2010**  
(in thousands)

	Governmental Activities		Business-Type Activities		Total		Total Change	
	2009	2010	2009	2010	2009	2010	Dollars	%
<b>REVENUES</b>								
Program revenues:								
Charges for services	\$ 3,666	4,103	4,504	4,624	8,170	8,727	557	6.8%
Operating grants and contributions	280	148	-	-	280	148	(132)	(47.1)%
Capital grants and contributions	374	665	3,035	547	3,409	1,212	(2,197)	(64.4)%
General revenues:								
General property taxes	6,967	7,551	-	-	6,967	7,551	584	8.4%
Public accommodation taxes	614	662	-	-	614	662	48	7.8%
Unrestricted grants	877	1,165	-	-	877	1,165	288	32.8%
Interest earnings	56	52	77	126	133	178	45	33.8%
Other	315	336	(18)	(7)	297	329	32	10.8%
Total revenues	13,149	14,682	7,598	5,290	20,747	19,972	(775)	(3.7)%
<b>EXPENSES</b>								
General government	2,211	1,963	-	-	2,211	1,963	(248)	(11.2)%
Public safety and judicial	5,910	5,701	-	-	5,910	5,701	(209)	(3.5)%
Health and sanitation	777	857	-	-	777	857	80	10.3%
Public works	2,289	2,467	-	-	2,289	2,467	178	7.8%
Culture and recreation	1,606	1,542	-	-	1,606	1,542	(64)	(4.0)%
Economic development	451	384	-	-	451	384	(67)	(14.9)%
Unclassified	445	86	-	-	445	86	(359)	(80.7)%
Interest and fiscal charges	278	299	-	-	278	299	21	7.6%
Water utility operations	-	-	1,832	1,753	1,832	1,753	(79)	(4.3)%
Sewer utility operations	-	-	2,760	2,837	2,760	2,837	77	2.8%
Total expenses	13,967	13,299	4,592	4,590	18,559	17,889	(670)	(3.6)%
Increase (decrease) in net assets before transfers	(818)	1,383	3,006	700	2,188	2,083	(105)	
Transfers	432	472	(432)	(472)	-	-	-	
Increase (decrease) in net assets	(386)	1,855	2,574	228	2,188	2,083	(105)	
Net assets – beginning of year	29,652	29,266	70,251	72,825	99,903	102,091	2,188	
Net assets – end of year	\$29,266	31,121	72,825	73,053	102,091	104,174	2,083	

## Financial Analysis of the City's Funds

The City of Pewaukee uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The focus of the City's governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$7,596,112. Approximately 58% of this total amount \$4,375,516 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, \$2,640,862, and the payment of debt service, \$241,352.

CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2010

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

Road construction	\$ 2,203,547
Sports complex construction	299,035
Capital equipment purchases	138,280

Of the \$4,375,516 unreserved fund balance, the use of \$1,224,913 or approximately 28%, is restricted to specific types of activities:

Special revenue fund activities	\$ 1,154,025
Termination benefits	70,888

The Common Council budgeted to increase the general fund surplus by \$480,657 in 2010. It actually increased however, by \$145,261. The City's total revenues and other financing sources exceeded the originally approved 2010 budget by \$1,006,620. Intergovernmental, regulation and compliance fees and charges for services exceeded budget by \$337,356, \$305,068, and \$212,246, respectively. Other miscellaneous revenues (i.e. Sale of assets and insurance dividends), exceeded budgets by \$151,950.

General fund expenditures were under the originally approved 2010 budget by \$508,857. The more significant variances were the following:

Public safety and judicial	\$ 276,375
Public works	162,485
Culture and recreation	75,858

Transfers from the general fund were made to the Road Construction fund for future road projects in the amount of \$1,600,000 and to the Storm Water Drainage fund to cover a deficit fund balance in the amount of \$320,400. Neither of these transfers was included in the originally approved 2010 budget.

The debt service fund has a total fund balance of \$241,352; all of which is reserved for the payment of future debt service. Although the fund balance decreased by \$29,509 it was less than the budgeted deficit of \$50,000.

In September 2010, the Common Council established a Storm Water Management Utility special revenue fund. This fund will be a self sustaining fund and will be used for public improvements necessary to manage storm water runoff within the City. In 2010 and previous years these costs were accounted for in the Storm Water Drainage capital project fund. At December 31, 2010 this fund had a deficit fund balance of \$80,499 which will be covered by future revenues. A portion of the general fund balance was reserved as an "advance" for this deficit.

The other governmental total fund balances increased by \$2,423,014. The individual fund increases (decreases) are as follows:

Special revenues funds:	
Park dedication	\$ 34,807
Impact fee	62,478
Tourism and convention	80,374
Green space facilities	(298)
Public safety grants	93
Cemetery – expendable	(6,008)
Capital projects funds:	
Road construction	2,203,547
Storm water drainage	(92,172)
Sports complex	(1,001)
Capital equipment	138,280
Permanent funds:	
Cemetery – nonexpendable	2,914

CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2010

## Capital Assets and Debt Administration

### Capital Assets

As of December 31, 2010 the City had invested \$100,069,746 in capital assets, net of accumulated depreciation. During 2010 the City's gross capital assets decreased \$776,797, as \$1,507,377 were either sold or otherwise disposed of; \$1,156,011 of which related to public safety.

**Capital Assets at December 31, 2010**  
(in thousands)

	Governmental Activities	Business-type Activities	Total Government
Land	\$ 3,958	370	4,328
Buildings	11,241	7,813	19,054
Furniture and equipment	6,877	858	7,735
Infrastructure and improvements other than buildings	31,038	80,827	111,865
Construction in progress	14	1,133	1,147
Total capital assets	53,128	91,001	144,129
Less: Accumulated depreciation	21,603	22,456	44,059
Total net assets	<u>\$ 31,525</u>	<u>68,545</u>	<u>100,070</u>

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	\$ 30,797	70,050	100,847
Additions	2,667	464	3,131
Disposals, net	(173)	(27)	(200)
Depreciation	(1,766)	(1,942)	(3,708)
Ending balance	<u>\$ 31,525</u>	<u>68,545</u>	<u>100,070</u>

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

General government	\$ 233,844
Public safety	316,649
Public works, including infrastructure	1,102,166
Culture and recreation	<u>113,268</u>
	<u>\$ 1,765,927</u>

CITY OF PEWAUKEE  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
December 31, 2010

### Debt Outstanding

The City had \$14,733,784 in outstanding debt, net of unamortized debt issuance costs, at December 31, 2010, \$2,225,614 of which is due within one year.

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

<b>Governmental:</b>	
General obligation notes	\$ 2,627
General obligation bonds	6,063
Compensated absences	140
Other postemployment benefits	350
Termination benefits	<u>71</u>
	<u>9,251</u>
<b>Business-type:</b>	
Sewerage system revenue bonds	3,260
General obligation bonds	1,161
General obligation notes	478
Intermunicipal loans	516
Other postemployment benefits	72
Less: Unamortized debt costs	<u>(4)</u>
	<u>5,483</u>
<b>Total</b>	<b>\$ <u>14,734</u></b>

2010 debt repayments, including long-term employee benefits were:

Governmental activities	\$ 1,453,058
Proprietary activities	<u>1,090,746</u>
	<u>\$ 2,543,804</u>

In 2010 the City issued Build America Bonds to finance certain capital equipment purchases and road construction projects within its governmental activities in the amount of \$2,910,000. In addition, the proprietary fund entered into an intermunicipal agreement with the City of Brookfield to finance improvements to the sewerage treatment plant in the amount of \$228,013.

### 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 2010 continues to be one of the lowest of all 190 cities in the state. In April 2010, Moody's recalibrated their rating scale which resulted in a change in the City's financial rating to Aa1.

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, 2010

During the budget process for 2010, the city scrutinized all revenues and expenditures and put forth a budget that was very conservative, which took into consideration the losses realized in 2009 and 2010 due to the continued downturn in the economy and lack of new construction and growth. Effective January 1, 2010, the City of Pewaukee contracts for police services with the Waukesha County Sheriff's Department.

As of December 31, 2010, the City's general obligation debt burden is only 8.2% of our \$133 million dollar capacity to borrow. In 2010, the City issued Build America Bonds in the amount of \$2,910,000. The funds have been utilized to improve streets in the community and to purchase capital equipment, which included the purchase of two fire engines. The Common Council has proposed borrowing funds in 2011 to continue to improve streets requiring repair or replacement and purchase capital equipment for the newly formed storm water utility. 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 2010, 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, 2010

	Governmental Activities	Business-type Activities	Total
<b>Assets:</b>			
Current assets:			
Cash and cash equivalents	\$ 6,645,606	2,306,988	8,952,594
Investments	-	508,075	508,075
Property taxes receivable	5,209,136	-	5,209,136
Other receivables (net)	1,374,979	1,542,500	2,917,479
Internal balances	908,526	(908,526)	-
Inventories and prepaid expenses	172,855	5,710	178,565
Restricted assets:			
Debt retirement assets:			
Cash and cash equivalents	706,506	3,226,422	3,932,928
Capital projects:			
Cash and cash equivalents	4,343,790	-	4,343,790
Non-current assets:			
Fixed assets:			
Land and construction in progress	3,971,852	1,503,930	5,475,782
Capital assets, net of accumulated depreciation	27,552,684	67,041,280	94,593,964
Special assessments	386,300	4,918,993	5,305,293
Unamortized debt expenses	100,009	(8,791)	91,218
Deferred expenses	-	93,913	93,913
	<u>\$ 51,372,243</u>	<u>80,230,494</u>	<u>131,602,737</u>
<b>Liabilities:</b>			
Current liabilities:			
Accounts payable	\$ 721,801	492,504	1,214,305
Deferred revenue	10,278,867	-	10,278,867
Current portion of long-term obligations	1,372,085	853,529	2,225,614
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	7,878,770	4,629,400	12,508,170
Deferred assessments due developers	-	1,151,006	1,151,006
Construction contracts payable	-	50,740	50,740
	<u>20,251,523</u>	<u>7,177,179</u>	<u>27,428,702</u>
<b>Net Assets:</b>			
Invested in capital assets, net of related debt	23,538,688	63,134,260	86,672,948
Restricted for:			
Expendable:			
Debt service	706,506	3,226,422	3,932,928
Capital projects	4,343,790	-	4,343,790
Other purposes	465,185	-	465,185
Nonexpendable:			
Perpetual care	62,648	-	62,648
Unrestricted	2,003,903	6,692,633	8,696,536
	<u>31,120,720</u>	<u>73,053,315</u>	<u>104,174,035</u>
Total net assets	<u>\$ 51,372,243</u>	<u>80,230,494</u>	<u>131,602,737</u>
Total liabilities and net assets	<u>\$ 51,372,243</u>	<u>80,230,494</u>	<u>131,602,737</u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE  
STATEMENT OF ACTIVITIES  
Year Ended December 31, 2010

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Primary government:							
Governmental activities							
Direct expenses:							
General government	\$ 1,963,098	31,830	10,910	-	(1,920,358)	-	(1,920,358)
Public safety and judicial	5,701,007	2,745,899	124,855	-	(2,830,253)	-	(2,830,253)
Health and sanitation	857,233	728,780	12,400	-	(116,053)	-	(116,053)
Public works	2,466,884	3,754	-	664,502	(1,798,628)	-	(1,798,628)
Culture and recreation	1,542,246	459,185	-	-	(1,083,061)	-	(1,083,061)
Economic development	384,537	126,937	-	-	(257,600)	-	(257,600)
Unclassified	85,891	7,097	-	-	(78,794)	-	(78,794)
Indirect expenses:							
Interest and other related charge	298,599	-	-	-	(298,599)	-	(298,599)
Total governmental activities	<u>13,299,495</u>	<u>4,103,482</u>	<u>148,165</u>	<u>664,502</u>	<u>(8,383,346)</u>	<u>-</u>	<u>(8,383,346)</u>
Business-type activities:							
Water utility	1,752,511	1,830,223	-	261,785	-	339,497	339,497
Sewer utility	2,837,170	2,793,492	-	285,440	-	241,762	241,762
Total business-type activities	<u>4,589,681</u>	<u>4,623,715</u>	<u>-</u>	<u>547,225</u>	<u>-</u>	<u>581,259</u>	<u>581,259</u>
Total primary government	<u>\$ 17,889,176</u>	<u>8,727,197</u>	<u>148,165</u>	<u>1,211,727</u>	<u>(8,383,346)</u>	<u>581,259</u>	<u>(7,802,087)</u>
General revenues and transfers:							
Property taxes					7,550,930	-	7,550,930
Public accommodation taxes					661,740	-	661,740
Grants not restricted to specific programs					1,164,811	-	1,164,811
Cable television franchise fees					123,513	-	123,513
Interest and investment earnings					51,723	125,676	177,399
Miscellaneous					212,921	(6,475)	206,446
Transfers					472,229	(472,229)	-
Total general revenues and transfers					<u>10,237,867</u>	<u>(353,028)</u>	<u>9,884,839</u>
Change in Net Assets					1,854,521	228,231	2,082,752
Net Assets - Beginning of Year					29,266,199	72,825,084	102,091,283
Net Assets - End of Year					<u>\$ 31,120,720</u>	<u>73,053,315</u>	<u>104,174,035</u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE  
BALANCE SHEET  
Governmental Funds  
December 31, 2010

	General Fund	Storm Water Management	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Assets:</b>					
Cash and cash equivalents	\$ 5,385,318	980,047	974,575	4,355,962	11,695,902
<b>Receivables:</b>					
Current taxes	3,585,659	403,387	861,554	336,156	5,186,756
Delinquent personal property taxes	22,380	-	-	-	22,380
Accounts	115,286	-	-	24,118	139,404
Special assessments	-	-	386,300	-	386,300
Intergovernmental	482,081	-	-	-	482,081
Due from other funds	908,526	-	-	-	908,526
Inventory of supplies	157,013	-	-	-	157,013
Prepaid expenditures	15,842	-	-	-	15,842
	<b>\$ 10,672,105</b>	<b>1,383,434</b>	<b>2,222,429</b>	<b>4,716,236</b>	<b>18,994,204</b>
<b>Liabilities and Fund Balance:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ 404,316	3,864	-	22,898	431,078
Construction contracts payable	-	-	-	51,892	51,892
Accrued payroll	69,424	-	-	-	69,424
Other accrued liabilities	101,677	-	-	-	101,677
Deferred revenue	6,636,117	1,460,069	1,981,077	666,758	10,744,021
Total liabilities	7,211,534	1,463,933	1,981,077	741,548	11,398,092
<b>Fund Balance (Deficit):</b>					
<b>Reserved for:</b>					
Advance to other funds	80,499	-	-	-	80,499
Delinquent personal property taxes	22,380	-	-	-	22,380
Inventory of supplies	157,013	-	-	-	157,013
Prepaid expenditures	15,842	-	-	-	15,842
Debt service	-	-	241,352	-	241,352
Capital projects	-	-	-	2,640,862	2,640,862
Perpetual care	-	-	-	62,648	62,648
<b>Unreserved:</b>					
<b>Designated for:</b>					
Termination benefits	70,888	-	-	-	70,888
Subsequent year's expenditures	120,670	-	-	36,654	157,324
<b>Undesignated, reported in:</b>					
General fund	2,993,279	-	-	-	2,993,279
Special revenue funds	-	(80,499)	-	1,234,524	1,154,025
Total fund balance (deficit)	3,460,571	(80,499)	241,352	3,974,688	7,596,112
Total liabilities and fund balance	\$ 10,672,105	1,383,434	2,222,429	4,716,236	18,994,204

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, 2010

Total fund balances - governmental funds	\$	7,596,112
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		
		753,494
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	\$	53,127,974
Less: Accumulated depreciation		<u>(21,603,438)</u>
		31,524,536
Other long-term assets are not available to pay for current year expenditures and therefore are deferred in the funds.		
		465,154
Accrued employee benefits are not due and payable in the current period and therefore are not reported in the governmental funds.		
		(560,659)
Costs associated with the issuance of long-term debt obligations are reported as expenditures in the governmental funds.		
		100,009
Interest and other payables used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.		
		(67,730)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.		
		<u>(8,690,196)</u>
Total net assets - governmental activities	\$	<u><u>31,120,720</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, 2010

	General	Storm Water Management	Debt Service	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>					
Taxes	\$ 5,688,319	-	1,686,604	1,010,718	8,385,641
Intergovernmental	1,335,740	-	11,266	29,602	1,376,608
Regulation and compliance	1,279,363	-	-	-	1,279,363
Charges for services	2,575,896	-	-	102,880	2,678,776
Recreation	231,683	-	-	-	231,683
Interest	45,196	-	974	5,553	51,723
Miscellaneous	311,885	-	-	-	311,885
Total revenues	<u>11,468,082</u>	<u>-</u>	<u>1,698,844</u>	<u>1,148,753</u>	<u>14,315,679</u>
<b>Expenditures:</b>					
<b>Current:</b>					
General government	1,695,687	-	-	-	1,695,687
Public safety and judicial	5,293,122	-	-	-	5,293,122
Health and sanitation	857,233	-	-	-	857,233
Public works	1,049,629	80,499	-	-	1,130,128
Culture and recreation	1,467,059	-	-	-	1,467,059
Economic development	-	-	-	384,176	384,176
Unclassified	93,218	-	-	39,859	133,077
Capital outlay	-	-	-	2,562,287	2,562,287
<b>Debt service:</b>					
Principal	-	-	1,429,429	-	1,429,429
Interest	-	-	283,646	-	283,646
Total expenditures	<u>10,455,948</u>	<u>80,499</u>	<u>1,713,075</u>	<u>2,986,322</u>	<u>15,235,844</u>
Excess (deficiency) of revenues over expenditures	<u>1,012,134</u>	<u>(80,499)</u>	<u>(14,231)</u>	<u>(1,837,569)</u>	<u>(920,165)</u>
<b>Other financing sources (uses):</b>					
Transfers in	487,507	-	-	1,920,400	2,407,907
Transfers out	(1,920,400)	-	(15,278)	-	(1,935,678)
Face amount of long-term debt	559,475	-	-	2,350,525	2,910,000
Bond discount costs	(2,462)	-	-	(10,342)	(12,804)
Increase in reserve for inventory	9,007	-	-	-	9,007
Total other financing sources (uses)	<u>(866,873)</u>	<u>-</u>	<u>(15,278)</u>	<u>4,260,583</u>	<u>3,378,432</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	145,261	(80,499)	(29,509)	2,423,014	2,458,267
<b>Fund balance (deficit):</b>					
January 1	<u>3,315,310</u>	<u>-</u>	<u>270,861</u>	<u>1,551,674</u>	<u>5,137,845</u>
December 31	<u>\$ 3,460,571</u>	<u>(80,499)</u>	<u>241,352</u>	<u>3,974,688</u>	<u>7,596,112</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE  
RECONCILIATION OF THE STATEMENT OF REVENUES,  
EXPENDITURES AND CHANGES IN FUND BALANCES  
TO THE STATEMENT OF ACTIVITIES  
Governmental Funds  
Year Ended December 31, 2010

Net change in fund balances - total governmental funds	\$	2,458,267
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.		244,635
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.		(93,426)
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.		(20,591)
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 (\$2,586,865) exceeds depreciation expense (\$1,765,927)		820,938
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		(96,139)
Note proceeds provide current financial resources to government funds, but issuing debt increases long-term liabilities in the Statement of Net Assets.		(2,910,000)
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.		36,361
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.		(14,953)
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>1,429,429</u>
Change in net assets of governmental activities	\$	<u><u>1,854,521</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, 2010

	Budget		Actual Amounts	Variance with Final Budget
	Original	Final		
Budgetary fund balance, January 1	\$ 3,315,310	3,315,310	3,315,310	-
Resources (inflows):				
Taxes	5,649,633	5,649,633	5,688,319	38,686
Intergovernmental	998,384	1,063,567	1,335,740	272,173
Regulation and compliance	974,295	974,295	1,279,363	305,068
Charges for services	2,363,650	2,363,650	2,575,896	212,246
Recreation	208,000	208,000	231,683	23,683
Interest	50,000	50,000	45,196	(4,804)
Miscellaneous	217,500	217,500	311,885	94,385
Proceeds of long-term debt	574,000	574,000	557,013	(16,987)
Transfers in	410,000	410,000	487,507	77,507
Non-departmental:				
Increase in reserve for inventory	-	-	9,007	9,007
Amounts available for appropriation	<u>14,760,772</u>	<u>14,825,955</u>	<u>15,836,919</u>	<u>1,010,964</u>
Charges to appropriations (outflows):				
General government	1,684,676	1,812,677	1,695,687	116,990
Public safety and judicial	5,569,497	5,572,312	5,293,122	279,190
Health and sanitation	850,540	858,522	857,233	1,289
Public works	1,212,114	1,212,999	1,049,629	163,370
Culture and recreation	1,542,917	1,542,917	1,467,059	75,858
Unclassified	105,061	105,061	93,218	11,843
Transfers out	-	1,920,400	1,920,400	-
Total charges to appropriations	<u>10,964,805</u>	<u>13,024,888</u>	<u>12,376,348</u>	<u>648,540</u>
Fund balance, December 31	<u>\$ 3,795,967</u>	<u>1,801,067</u>	<u>3,460,571</u>	<u>1,659,504</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE  
STATEMENT OF NET ASSETS  
Proprietary Funds  
December 31, 2010

Assets:	
Current assets:	
Cash and cash equivalents	\$ 2,306,988
Investments	508,075
Other receivables	1,542,500
Inventory of supplies	5,710
Restricted assets:	
Debt retirement assets:	
Cash and cash equivalents	3,226,422
Non-current assets:	
Fixed assets:	
Non-depreciable:	
Land	370,387
Construction in progress	1,133,543
Depreciable:	
Buildings	7,812,727
Improvements other than buildings	80,826,614
Furniture and equipment	857,903
Less: Accumulated depreciation	(22,455,964)
Special assessments	4,918,993
Unamortized debt expenses	(8,791)
Deferred expenses	93,913
	93,913
Total assets	\$ 81,139,020
Liabilities:	
Current liabilities:	
Accounts payable	\$ 357,822
Due to general fund	908,526
Construction contracts payable	47,208
Customer advances on construction	58,552
Accrued interest on long-term debt	28,922
Current portion of long-term obligations	853,529
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	4,629,400
Deferred assessments due developers	1,151,006
Long-term contracts payable	50,740
	50,740
Total liabilities	8,085,705
Net Assets:	
Invested in capital assets, net of related debt	63,134,260
Restricted for:	
Expendable:	
Debt service	3,226,422
Unrestricted	6,692,633
	6,692,633
Total net assets	73,053,315
Total liabilities and net assets	\$ 81,139,020

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, 2010

Operating revenues	\$ <u>4,623,715</u>
Operating expenses:	
Operation and maintenance	2,438,446
Depreciation	1,942,358
Taxes	<u>1,869</u>
Total operating expenses	<u>4,382,673</u>
Operating income	<u>241,042</u>
Non-operating revenues (expenses):	
Interest income	125,676
Interest expense and fiscal fees	(198,262)
Loss on the disposal of fixed assets	(6,475)
Amortization of deferred refunding costs	(8,001)
Amortization of debt issue expenses	<u>(745)</u>
Total non-operating revenues (expenses)	<u>(87,807)</u>
Income before contributions and transfers	153,235
Grants and contributions	547,225
Transfers out	<u>(472,229)</u>
Change in net assets	228,231
Total net assets:	
January 1	<u>72,825,084</u>
December 31	\$ <u><u>73,053,315</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, 2010

Cash flows from operating activities:	
Receipts from customers	\$ 4,572,735
Receipts for interfund services - net	(55,430)
Payments to suppliers	(1,916,090)
Payments to employees	(532,745)
Net cash provided by operating activities	<u>2,068,470</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(173,079)
Proceeds from disposals of fixed assets	20,135
Reserve capacity assessments received	618,440
Long-term debt retirements	(1,090,747)
Collection of special assessments, net	185,003
Developer advances on construction, net	(164,181)
Interest and fiscal charges paid on bonds and notes payable	<u>(204,029)</u>
Net cash used by capital and related financing activities	<u>(808,458)</u>
Cash flows from investing activities:	
Interest received on cash and investments	48,172
Maturities of securities	500,000
Purchases of securities	(508,075)
Net cash provided by investing activities	<u>40,097</u>
Net increase in cash and cash equivalents	1,300,109
Cash and cash equivalents, January 1	<u>4,233,301</u>
Cash and cash equivalents, December 31	<u><u>\$ 5,533,410</u></u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets:	
Unrestricted	\$ 2,306,988
Restricted - Debt retirement	3,226,422
	<u>\$ 5,533,410</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 241,042
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	1,942,358
Changes in assets and liabilities:	
Accounts receivable, net	(50,980)
Inventories	521
Accounts payable and accrued expenses	(64,471)
Net cash provided by operating activities	<u>\$ 2,068,470</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE  
STATEMENT OF FIDUCIARY NET ASSETS  
Agency Fund  
December 31, 2010

Assets:	
Cash and cash equivalents	\$ 17,188,505
Taxes receivable	<u>19,713,655</u>
 Total assets	 \$ <u><u>36,902,160</u></u>
 Liabilities:	
Due to other taxing units:	
School districts	\$ 30,823,493
Waukesha County	5,233,773
State of Wisconsin	450,889
 Deposits:	
Ditch and erosion	225,400
Holding tank	75,400
Occupancy	39,000
Street opening	3,000
Developer	50,000
Park reservation	<u>1,205</u>
 Total liabilities	 \$ <u><u>36,902,160</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.

Storm Water Management Fund – a special revenue fund which accounts for resources accumulated and payments made for storm water management projects.

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  
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 2010 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, 2010, 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 – 2010 tax roll:

Levy:

Tax lien and levy date	December 2010
Tax bills mailed	December 2010

Due dates:

Real property taxes:

Payment in full or first installment	January 31, 2011
Second installment payable to County	July 31, 2011

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

January 31, 2011

Tax settlements with taxing jurisdictions:

First settlement	January 15, 2011
Second settlement	February 20, 2011
Final settlement	August 20, 2011

Uncollectible personal property tax  
charge backs to taxing jurisdictions

April 1, 2012

Tax sale - 2010 delinquent real estate taxes

October 2013

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 130 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, 2010 the total liability for retirement payments related to accrued sick time was \$140,172.

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, 2010 was \$82,502.

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 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 \$31,524,536.

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	\$ 8,690,196
Accrued employee benefits	560,659
Accrued interest and other long-term payables	67,730
Unamortized debt discount and issue costs	<u>(100,009)</u>
	<u>\$ 9,218,576</u>

The long-term portion of special assessment receivable that is not available to pay for current year expenditures of \$465,154 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 \$753,494.

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 and 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	\$ 2,586,865
Principal repayment	1,429,429
Net increase in debt issuance costs	<u>36,361</u>
	<u>\$ 4,052,655</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 expense	\$ 1,765,927
Net book value of assets disposed of, less trade-in allowances	93,426
Increase in accrued interest payable	14,953
Increase in accrued long-term employee benefits	<u>96,139</u>
	<u>\$ 1,970,445</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 2010 were \$20,591.

Another element of the reconciliation relates to note proceeds of \$2,910,000 which provide financial resources in the governmental funds but increase long-term liabilities in the statement of net assets.

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

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

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 - continued

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 \$244,635.

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 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. The City did not budget for the Storm Water Management Fund, a major special revenue fund

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	1,684,676	1,812,677
Other Financing Sources:		
Transfers out	-	1,920,400
Road Construction Fund:		
Other Financing Sources:		
Transfers in	145,000	1,745,000
Storm Water Drainage Capital Projects Fund:		
Other Financing Sources:		
Transfers in	-	320,400

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, 2010 were comprised of the following:

	Carrying Value	Bank and Investment Balances	<u>Associated Risks</u>
Demand deposits	\$ 30,580,943	25,057,502	Custodial credit risk
LGIP	4,344,224	4,344,224	Credit risk, interest rate risk
Petty cash	725	725	
	<u>\$ 34,925,892</u>	<u>29,402,451</u>	

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

A. Deposits and Investments - continued

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	\$ 8,952,594
Restricted	8,276,718
Investments	508,075
Per Statement of Fiduciary Net Assets	<u>17,188,505</u>
	<u>\$ 34,925,892</u>

At December 31, 2010, 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. The Dodd-Frank Wall Street Reform and Consumer Protection Act signed into law on July 21, 2010 provides for unlimited insurance coverage of non-interest bearing transaction accounts beginning December 31, 2010 and continues through December 31, 2012.

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. This coverage has not been considered in computing the custodial credit risk.

The State Investment Fund, which the LGIP is a part of, had 96.9% of its investments in U.S. government securities.

*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, 2010 all of the City's demand deposits are insured or collateralized.

Fluctuating cash flows during January and December, due to tax collections, result in temporary cash and investment balances, which significantly exceed insured amounts, until settlement with the respective taxing jurisdictions during the following month. The City'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, 2010 the City held investments with a fair value of \$4,344,224 in the LGIP. The average maturity date for investments held by the LGIP is 73 days, but funds are due to the City on demand.

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

B. Receivables

Governmental fund financial statements report deferred revenues in connection with receivables not considered available to liquidate liabilities of the current period. Property taxes levied for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned.

At the end of the current fiscal year, the various components of the City's receivables included deferred and/or unearned revenue reported in the governmental fund financial statements as follows:

	<u>Unearned</u>	<u>Unavailable</u>	<u>Total</u>
Current year property taxes receivable:			
General fund	\$ 3,585,659	-	3,585,659
Debt service fund	861,554	-	861,554
Storm water management fund	403,387	-	403,387
Capital equipment fund	336,156	-	336,156
Special assessments not yet due	-	386,300	386,300
	<u>\$ 5,186,756</u>	<u>386,300</u>	<u>5,573,056</u>

In addition, other receivables are reported in the government-wide financial statements net of amounts estimated to be uncollectible of \$96,683.

C. Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2010 was as follows:

	<u>Balance</u> <u>12/01/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/10</u>
<b>GOVERNMENTAL ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 3,950,401	7,273	-	3,957,674
Construction in progress	564,178	-	550,000	14,178
	<u>4,514,579</u>	<u>7,273</u>	<u>550,000</u>	<u>3,971,852</u>
Capital Assets Being Depreciated:				
Buildings and improvements	11,251,878	24,010	34,940	11,240,948
Land improvements	1,376,864	23,850	-	1,400,714
Equipment	6,543,918	1,805,123	1,472,437	6,876,604
Infrastructure	28,281,248	1,356,608	-	29,637,856
	<u>47,453,908</u>	<u>3,209,591</u>	<u>1,507,377</u>	<u>49,156,122</u>
Total capital assets	<u>51,968,487</u>	<u>3,216,864</u>	<u>2,057,377</u>	<u>53,127,974</u>
Less Accumulated Depreciation:				
Buildings and improvements	(2,661,902)	(281,329)	(19,959)	(2,923,272)
Land improvements	(518,732)	(60,773)	-	(579,505)
Equipment	(4,017,671)	(483,451)	(1,313,993)	(3,187,129)
Infrastructure	(13,973,158)	(940,374)	-	(14,913,532)
	<u>(21,171,463)</u>	<u>(1,765,927)</u>	<u>(1,333,952)</u>	<u>(21,603,438)</u>
Capital assets, net of depreciation	<u>\$ 30,797,024</u>	<u>(1,450,937)</u>	<u>723,425</u>	<u>31,524,536</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 233,844
Public safety	316,649
Public works, including infrastructure	1,102,166
Culture and recreation	113,268
	<u>\$ 1,765,927</u>

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

C. Capital Assets – continued

Capital asset activity in the business type activities for the year ended December 31, 2010 was as follows:

	<u>Balance</u> <u>12/31/09</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/10</u>
<b>BUSINESS TYPE ACTIVITIES</b>				
Capital Assets Not Being Depreciated:				
Land	\$ 370,387	-	-	370,387
Construction in process	<u>1,019,558</u>	<u>113,985</u>	-	<u>1,133,543</u>
	<u>1,389,945</u>	<u>113,985</u>	-	<u>1,503,930</u>
Capital Assets Being Depreciated:				
Buildings	7,787,901	34,826	10,000	7,812,727
Improvements other than buildings	80,564,238	288,356	25,980	80,826,614
Furniture and equipment	<u>860,888</u>	<u>27,492</u>	<u>30,477</u>	<u>857,903</u>
	<u>89,213,027</u>	<u>350,674</u>	<u>66,457</u>	<u>89,497,244</u>
Total capital assets	<u>90,602,972</u>	<u>464,659</u>	66,457	91,001,174
Less Accumulated Depreciation:				
Buildings	(1,732,623)	(208,142)	(5,760)	(1,935,005)
Improvements other than buildings	(18,241,524)	(1,692,592)	(25,980)	(19,908,136)
Furniture and equipment	<u>(579,306)</u>	<u>(41,624)</u>	<u>(8,107)</u>	<u>(612,823)</u>
	<u>(20,553,453)</u>	<u>(1,942,358)</u>	<u>(39,847)</u>	<u>(22,455,964)</u>
Capital assets, net of depreciation	\$ <u>70,049,519</u>	<u>(1,477,699)</u>	<u>26,610</u>	<u>68,545,210</u>

Depreciation expense was charged to functions as follows:

Business-type activities:

Water utility	\$ 726,207
Sewer utility	<u>1,216,151</u>
	\$ <u>1,942,358</u>

D. Payables

Payables as of December 31, 2010 for the City's individual major funds and non-major funds in the aggregate, are as follows:

	<u>General</u>	<u>Debt</u> <u>Service</u>	<u>Storm</u> <u>Water</u> <u>Management</u>	<u>Other</u> <u>Governmental</u> <u>Funds</u>	<u>Total</u>
Accounts payable	\$ 404,316	-	3,864	22,898	431,078
Construction contracts payable	-	-	-	51,892	51,892
Accrued payroll	69,424	-	-	-	69,424
Accrued compensated absences	82,502	-	-	-	82,502
Other accrued liabilities	<u>19,175</u>	-	-	-	<u>19,175</u>
Total per fund balance sheet	575,417	-	3,864	74,790	654,071
Accrued interest	-	<u>67,730</u>	-	-	<u>67,730</u>
Total per government-wide statement of net assets	\$ <u>575,417</u>	<u>67,730</u>	<u>3,864</u>	<u>74,790</u>	<u>721,801</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.

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

E. Interfund Receivables/Payables and Transfers - continued

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 to the City's Storm Water Drainage fund to cover current year's operating costs and to the Road Construction fund to finance future road construction costs. A transfer was also made from the Debt Service fund to the General fund to finance the 2010 payment to the county for new infrastructure. Transfers between business type and governmental funds include property tax equivalent payments.

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>
General fund	Business-type activities Water utility	\$ 472,229
General fund	Debt Service fund	15,278
Non-major governmental fund - Storm Water Drainage	General fund	320,400
Non-major governmental fund - Road Construction	General fund	<u>1,600,000</u>
Total per fund statements		2,407,907
Interfund eliminations		<u>(1,935,678)</u>
Total per statement of activities		\$ <u>472,229</u>

F. Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2010 was as follows:

	<u>Balance</u> <u>12/31/09</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/10</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
<b>Governmental Activities:</b>					
Bonds and notes payable:					
General obligation debt	\$ 7,209,625	2,910,000	1,429,429	8,690,196	1,348,456
Other liabilities:					
Vested compensated absences	136,937	3,235	-	140,172	-
Termination benefits payable	94,517	-	23,629	70,888	23,629
Post retirement benefits	<u>233,066</u>	<u>116,533</u>	<u>-</u>	<u>349,599</u>	<u>-</u>
Total governmental long-term liabilities	\$ <u>7,674,145</u>	<u>3,029,768</u>	<u>1,453,058</u>	<u>9,250,855</u>	<u>1,372,085</u>
<b>Business-type Activities:</b>					
Bonds and notes payable:					
General obligation debt	\$ 2,532,585	228,013	604,970	2,155,628	355,027
Revenue bonds	3,745,531	-	485,776	3,259,755	501,350
Debt discount expenses	<u>(12,434)</u>	<u>-</u>	<u>(8,001)</u>	<u>(4,433)</u>	<u>(2,848)</u>
Total business-type long-term liabilities	\$ <u>6,265,682</u>	<u>228,013</u>	<u>1,082,745</u>	<u>5,410,950</u>	<u>853,529</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 \$2,656,418,000. The debt limit as of December 31, 2010, was \$132,820,900. Total general obligation debt outstanding at year-end was \$10,845,824. 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, 2010:

Governmental Activities

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/10</u>	<u>Amounts Due Within One Year</u>
General obligation debt:						
2003 G.O. note	8/01/03	3/01/13	3.2 – 3.7%	\$ 5,419,893	1,556,690	664,596
2004 G.O. bonds	12/01/04	12/01/24	3.5 – 4.3%	4,851,541	3,428,506	283,860
2006 G.O. note	3/01/06	3/01/16	3.6 – 3.75%	1,660,000	1,070,000	160,000
2010 G.O. bonds	4/01/10	9/01/19	.65 – 4.2%	2,910,000	<u>2,635,000</u>	<u>240,000</u>
Total Governmental Activities Debt					\$ <u>8,690,196</u>	<u>1,348,456</u>

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,348,456	288,977	1,637,433
2012	1,149,309	251,190	1,400,499
2013	1,179,120	215,681	1,394,801
2014	801,210	183,709	984,919
2015	678,015	158,100	836,115
2016-2020	2,533,330	472,707	3,006,037
2021-2024	<u>1,000,756</u>	<u>108,584</u>	<u>1,109,340</u>
	\$ <u>8,690,196</u>	<u>1,678,948</u>	<u>10,369,144</u>

Business-type Activities

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/10</u>	<u>Amounts Due Within One Year</u>
1996 DNR loan	10/09/96	5/01/16	3.21%	\$ 8,049,176	3,259,755	501,350
1998 Installment loan	3/17/98	5/01/16	3.15%	816,870	287,811	44,326
2003 G.O. note	8/01/03	3/01/13	3.2 – 3.7%	1,675,107	478,310	205,404
2004 G.O. bonds	12/01/04	12/01/24	3.5 – 4.3%	1,643,459	1,161,494	96,140
2010 G.O. note	8/02/10	5/01/29	2.91%	228,013	<u>228,013</u>	<u>9,157</u>
Total Business-type Activities Debt					\$ <u>5,415,383</u>	<u>856,377</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>
2011	\$ 856,377	170,035	1,026,412
2012	808,262	142,616	950,878
2013	831,756	114,582	946,338
2014	718,558	89,894	808,452
2015	691,248	66,170	757,418
2016-2020	1,046,463	147,505	1,193,968
2021-2025	403,893	50,146	454,039
2026-2029	58,826	3,485	62,311
	<u>\$ 5,415,383</u>	<u>784,433</u>	<u>6,199,816</u>

G. Governmental Activities Net Assets/Fund Balances

Governmental activities net assets reported on the government-wide statement of net assets at December 31, 2010 includes the following:

Governmental Activities

Invested in capital assets, net of related debt:

Capital assets, net of accumulated depreciation	\$ 31,524,536
Less: related long-term debt outstanding, excluding unspent capital related debt proceeds and non-capital borrowings	<u>(7,985,848)</u>
	23,538,688

Restricted

Expendable

Debt service	706,506
Capital projects	4,343,790
Other purposes	465,185

Nonexpendable

Perpetual care	62,648
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Unrestricted

	<u>2,003,903</u>
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Total Governmental Activities Net Assets \$ 31,120,720

Governmental fund balances reported on the fund financial statements at December 31, 2010 include the following:

Reserved - Major Funds

General Fund

Advance to other funds	\$ 80,499
Delinquent personal property taxes	22,380
Inventory of supplies	157,013
Prepaid expenditures	15,842

Debt Service Fund

Reserved for debt service	241,352
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Reserved - Non-Major Funds

Capital Projects Fund

Road construction	2,203,547
Sports complex	299,035
Capital equipment	138,280

Permanent Fund

Cemetery perpetual care	62,648
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CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds – Continued

G. Governmental Activities Net Assets/Fund Balances - continued

Unreserved -	
Major Funds	
General Fund	
Future termination benefits	\$ 70,888
Non-Major Funds - Designated for subsequent year expenditures	
General Fund	120,670
Special Revenue Funds	
Green space facilities	10,000
Cemetery – expendable	26,654
Undesignated:	
Major Funds	
General Fund	2,993,279
Special Revenue Fund (deficit)	
Storm water management	(80,499)
Non-Major Funds	
Special Revenue Funds	
Park dedication	94,784
Impact fee	694,472
Tourism and convention	400,804
Green space facilities	6,737
Public safety grants	529
Cemetery – expendable	<u>37,198</u>
Total Governmental Activities Net Assets	\$ <u>7,596,112</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 1<sup>st</sup> of the month following the attainment of age 18 and completion of 1,000 hours of service within a 12-month period. Plan benefits vest according to a seven-year graded vesting schedule.

The City's total payroll for 2010 was \$3,822,929. During the year the City's required contribution to the plan amounted to \$329,065, which represents 11% of its current year covered payroll of \$2,991,500.

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, 2010 was \$3,259,755.

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, 2010 the sewage service revenues net of operating expenses, exclusive of depreciation charges, was \$1,319,853. Total debt service requirements on all outstanding debt payable from the wastewater sewer service charge were \$595,475.

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 2010 were \$804,487 and the City received \$174,293 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, 2010 is as follows:

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 1,830,223	2,793,492	4,623,715
Expenses:			
Operations and maintenance	964,807	1,473,639	2,438,446
Depreciation expense	726,207	1,216,151	1,942,358
Taxes	1,869	-	1,869
Net operating income	137,340	103,702	241,042
		<u>Total Water and Sewer</u>	
Non-operating income:			
Interest income		\$ 125,676	
Non-operating expenses:			
Interest expense and fiscal fees		198,262	
Loss on disposal of fixed assets		6,475	
Amortization of debt expenses		8,746	
Grants and contributions		547,225	
Transfers to City –			
Property tax equivalent		472,229	
Assets:			
Current assets		6,681,169	
Capital assets, net of depreciation		68,545,210	
Other assets		5,004,115	
Total assets		80,230,494	
Liabilities:			
Current liabilities		2,254,559	
Long-term liabilities		4,680,140	
Other liabilities		1,151,006	
Total liabilities		8,085,705	
Net assets:			
January 1, 2010		72,825,084	
Change in net assets		228,231	
December 31, 2010:			
Invested in capital assets, net of related debt		63,134,260	
Restricted for debt service		3,226,422	
Unrestricted		6,692,633	
Net cash provided (used) by:			
Operating activities		2,068,470	
Capital and related financing activities		(808,458)	
Investing activities		40,097	
Cash and cash equivalents:			
January 1, 2010		4,233,301	
December 31, 2010		5,533,410	

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

(5) Other Information - Continued

F. 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, 2010 the Net OPEB obligation is \$421,578 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, 2010, the most recent actuarial valuation date, was as follows:

Unfunded Actuarial Accrued Liability (UAAL)	\$ <u>886,837</u>
Covered payroll (active plan members)	\$ <u>3,254,974</u>
UAAL as a percentage of covered payroll	<u>27 %</u>

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

In the actuarial valuation, the projected unit credit actuarial cost method was used. The actuarial assumption did not include a rate of return on the City's investments due to the fact that the City does not plan to fund the accrued liability. An annual healthcare cost trend rate of 10% initially, reduced by decrements to an ultimate rate of 5% after 10 years is included in the actuarial assumptions. This rate includes a 3% inflation assumption. The remaining amortization period at December 31, 2010, was 28 years.

CITY OF PEWAUKEE  
NOTES TO FINANCIAL STATEMENTS

(5) Other Information – Continued

G. 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 in 2009 which was included in general fund expenditures during that year.

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, 2010 the total liability for health care related termination benefits is \$70,888. 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 is being amortized over the term of the agreement, as these benefits require the utilization of current financial resources.

H. Subsequent Events

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through May 6, 2011, the date the financial statements were available to be issued.

## SUPPORTING SCHEDULES

CITY OF PEWAUKEE  
Non-Major Governmental Funds

COMBINING BALANCE SHEET

December 31, 2010

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Non-Major Funds</u>
<b>Assets:</b>				
Cash and cash equivalents	\$ 1,292,293	3,001,021	62,648	4,355,962
<b>Receivables:</b>				
Current taxes	-	336,156	-	336,156
Accounts	<u>24,118</u>	<u>-</u>	<u>-</u>	<u>24,118</u>
<b>Total assets</b>	<b>\$ <u>1,316,411</u></b>	<b><u>3,337,177</u></b>	<b><u>62,648</u></b>	<b><u>4,716,236</u></b>
<b>Liabilities and Fund Balance:</b>				
<b>Liabilities:</b>				
Accounts payable	\$ -	22,898	-	22,898
Construction contracts payable	-	51,892	-	51,892
Deferred revenues	<u>45,233</u>	<u>621,525</u>	<u>-</u>	<u>666,758</u>
<b>Total liabilities</b>	<b><u>45,233</u></b>	<b><u>696,315</u></b>	<b><u>-</u></b>	<b><u>741,548</u></b>
<b>Fund Balance:</b>				
<b>Reserved for:</b>				
Capital projects	-	2,640,862	-	2,640,862
Perpetual care	-	-	62,648	62,648
<b>Unreserved:</b>				
Designated for subsequent year's expenditures	36,654	-	-	36,654
Undesignated	<u>1,234,524</u>	<u>-</u>	<u>-</u>	<u>1,234,524</u>
<b>Total fund balance</b>	<b><u>1,271,178</u></b>	<b><u>2,640,862</u></b>	<b><u>62,648</u></b>	<b><u>3,974,688</u></b>
<b>Total liabilities and fund balance</b>	<b>\$ <u>1,316,411</u></b>	<b><u>3,337,177</u></b>	<b><u>62,648</u></b>	<b><u>4,716,236</u></b>

CITY OF PEWAUKEE  
Non-Major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2010

	Special Revenue	Capital Projects	Permanent	Total Non-Major Funds
Revenues:				
Taxes	\$ 463,218	547,500	-	1,010,718
Intergovernmental	5,970	23,632	-	29,602
Charges for services	99,966	-	2,914	102,880
Interest	3,191	2,362	-	5,553
Total revenues	572,345	573,494	2,914	1,148,753
Expenditures:				
Current:				
Economic development	384,176	-	-	384,176
Unclassified	10,392	29,467	-	39,859
Capital outlay	6,331	2,555,956	-	2,562,287
Total expenditures	400,899	2,585,423	-	2,986,322
Excess (deficiency) of revenues over expenditures	171,446	(2,011,929)	2,914	(1,837,569)
Other financing sources (uses):				
Transfers in	-	1,920,400	-	1,920,400
Proceeds of long term debt	-	2,350,525	-	2,350,525
Bond discount costs	-	(10,342)	-	(10,342)
Total other financing sources (uses)	-	4,260,583	-	4,260,583
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	171,446	2,248,654	2,914	2,423,014
Fund balance, January 1	1,099,732	392,208	59,734	1,551,674
Fund balance, December 31	\$ 1,271,178	2,640,862	62,648	3,974,688

CITY OF PEWAUKEE  
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
<b>Taxes:</b>			
General property	\$ 5,489,633	5,489,633	-
Public accommodation	198,522	160,000	38,522
Other	164	-	164
	<u>5,688,319</u>	<u>5,649,633</u>	<u>38,686</u>
<b>Intergovernmental:</b>			
State shared revenues	638,466	413,137	225,329
Exempt computer aids	75,259	65,000	10,259
Fire insurance dues	77,768	75,000	2,768
Transportation aids	439,820	436,930	2,890
Water safety patrol	28,963	25,000	3,963
Tank inspection aids	9,349	8,500	849
Police training aids	1,903	-	1,903
Federal police vest grant	900	-	900
County recycling aids	52,400	40,000	12,400
Community development block grant	10,910	-	10,910
Other	2	-	2
	<u>1,335,740</u>	<u>1,063,567</u>	<u>272,173</u>
<b>Regulation and compliance:</b>			
<b>Licenses:</b>			
Liquor class A	600	400	200
Liquor class B	14,343	13,000	1,343
Special class B licenses	10	20	(10)
Operator	5,530	5,300	230
Cigarette	800	1,200	(400)
Amusement	1,240	800	440
Hotel and motel	75	75	-
Dog and kennel	3,710	5,700	(1,990)
<b>Permits:</b>			
Building	337,568	200,000	137,568
Electrical	92,086	50,000	42,086
Plumbing	75,671	40,000	35,671

CITY OF PEWAUKEE  
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2010

	Actual	Budget	Variance: Favorable (Unfavorable)
Regulation and compliance - continued:			
Permits - continued:			
Erosion	\$ 66,021	20,000	46,021
State code stamps	2,320	1,200	1,120
Sign	2,168	2,000	168
Street opening	4,150	2,000	2,150
Fire inspection - commercial buildings	149,219	150,000	(781)
Other	1,150	1,300	(150)
Fines:			
Court	399,189	375,000	24,189
Animal	-	100	(100)
Cable TV franchise	123,513	106,200	17,313
	1,279,363	974,295	305,068
Charges for services:			
Publication fees	1,098	1,500	(402)
Copies	1,361	500	861
Administrative fees	2,379	-	2,379
Planning and zoning fees	5,600	6,000	(400)
Certified survey maps and plat review fees	1,380	2,750	(1,370)
Legal review fees	30,288	20,000	10,288
Engineering review fees	45,130	135,000	(89,870)
Refuse collection	723,242	715,000	8,242
House numbers	1,086	300	786
Highway materials and services	1,739	600	1,139
Weed cutting	1,485	-	1,485
Culverts	-	5,000	(5,000)
Summer lake patrol	15,463	15,000	463
Winter lake patrol	8,096	7,000	1,096
Police sales and copies	684	1,000	(316)
Boat launch fees	9,669	7,000	2,669
Fire runs	7,584	8,000	(416)
Fire inspections	61,140	57,000	4,140
Ambulance runs	324,722	450,000	(125,278)
Fire and ambulance contracts	970,799	600,000	370,799

CITY OF PEWAUKEE  
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
Charges for services - continued:			
Police leased equipment fees	\$ 9,520	-	9,520
Fire and ambulance services	2,303	-	2,303
Private fire protection plan	1,855	2,000	(145)
Management services	50,000	50,000	-
SEWRPC services	11,875	12,000	(125)
Building inspection contract	104,365	42,000	62,365
Park equipment usage fees	8,740	8,000	740
Park and recreation contracts	<u>174,293</u>	<u>218,000</u>	<u>(43,707)</u>
	<u>2,575,896</u>	<u>2,363,650</u>	<u>212,246</u>
Recreation:			
Program fees	153,393	130,000	23,393
Field trips	19,780	34,000	(14,220)
Club use fees	18,456	11,000	7,456
Reservation fees	34,544	25,000	9,544
WPRA ticket sales	<u>5,510</u>	<u>8,000</u>	<u>(2,490)</u>
	<u>231,683</u>	<u>208,000</u>	<u>23,683</u>
Interest:			
Investments	34,219	50,000	(15,781)
Other	<u>10,977</u>	<u>-</u>	<u>10,977</u>
	<u>45,196</u>	<u>50,000</u>	<u>(4,804)</u>
Miscellaneous:			
Rent:			
Water and sewer utility	34,000	34,000	-
Other	4,270	4,000	270
Recycling	5,538	4,000	1,538
Sale of assets	187,849	150,000	37,849
Insurance recoveries	34,286	-	34,286
Gifts and donations	3,169	-	3,169
Insurance dividend	27,122	25,000	2,122
Other	<u>15,651</u>	<u>500</u>	<u>15,151</u>
	<u>311,885</u>	<u>217,500</u>	<u>94,385</u>
Total revenues	<u>\$ 11,468,082</u>	<u>10,526,645</u>	<u>941,437</u>

CITY OF PEWAUKEE  
General Fund

STATEMENT OF EXPENDITURES COMPARED TO BUDGET

Year Ended December 31, 2010

	Actual	Budget	Variance: Favorable (Unfavorable)
General government:			
Mayor	\$ 8,171	8,274	103
Common council	39,967	40,493	526
Police and fire commission	220	450	230
Public works commission	-	600	600
Administration	116,223	117,136	913
Human resources	68,334	71,376	3,042
Clerk/ treasurer	300,310	300,310	-
Assessor	228,229	244,674	16,445
Board of review	3,141	3,141	-
Outside services	386,624	386,624	-
Elections	23,547	23,547	-
Facilities	185,888	232,300	46,412
Information technology	178,814	178,814	-
Insurance	85,189	131,418	46,229
Plan commission	69,946	71,670	1,724
Board of appeals	1,084	1,850	766
	<u>1,695,687</u>	<u>1,812,677</u>	<u>116,990</u>
Public safety and judicial:			
Municipal court	101,398	101,398	-
Law enforcement	2,240,814	2,255,306	14,492
Fire and rescue	2,590,774	2,847,680	256,906
Building services	360,136	367,928	7,792
	<u>5,293,122</u>	<u>5,572,312</u>	<u>279,190</u>
Health and sanitation:			
Animal control	6,699	7,000	301
Weed, lake and wetlands	89,113	90,101	988
Refuse collection and recycling	761,421	761,421	-
	<u>857,233</u>	<u>858,522</u>	<u>1,289</u>
Public works:			
Engineering	\$ 305,705	380,255	74,550
Safety program	5,785	5,785	-
Highway and transportation	738,139	826,959	88,820
	<u>1,049,629</u>	<u>1,212,999</u>	<u>163,370</u>
Culture and recreation:			
Library	662,572	662,572	-
Parks	440,526	476,984	36,458
Recreation	363,961	403,361	39,400
	<u>1,467,059</u>	<u>1,542,917</u>	<u>75,858</u>
Unclassified	<u>93,218</u>	<u>105,061</u>	<u>11,843</u>
Total expenditures	<u>\$ 10,455,948</u>	<u>11,104,488</u>	<u>648,540</u>

CITY OF PEWAUKEE  
Special Revenue Funds

COMBINING BALANCE SHEET

December 31, 2010

	Park Dedication	Impact Fee	Tourism and Convention	Green Space Facilities	Public Safety Grants	Cemetery	Total
<b>Assets:</b>							
Cash and cash equivalents	\$ 94,784	694,472	376,686	16,737	45,762	63,852	1,292,293
Accounts receivable	-	-	24,118	-	-	-	24,118
<b>Total assets</b>	<b>\$ 94,784</b>	<b>694,472</b>	<b>400,804</b>	<b>16,737</b>	<b>45,762</b>	<b>63,852</b>	<b>1,316,411</b>
<b>Liabilities and Fund Balance:</b>							
<b>Liabilities:</b>							
Deferred revenues	\$ -	-	-	-	45,233	-	45,233
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>45,233</b>	<b>-</b>	<b>45,233</b>
<b>Fund balance:</b>							
<b>Unreserved:</b>							
Designated for subsequent year's expenditures	-	-	-	10,000	-	26,654	36,654
Undesignated	94,784	694,472	400,804	6,737	529	37,198	1,234,524
<b>Total fund balance</b>	<b>94,784</b>	<b>694,472</b>	<b>400,804</b>	<b>16,737</b>	<b>529</b>	<b>63,852</b>	<b>1,271,178</b>
<b>Total liabilities and fund balance</b>	<b>\$ 94,784</b>	<b>694,472</b>	<b>400,804</b>	<b>16,737</b>	<b>45,762</b>	<b>63,852</b>	<b>1,316,411</b>

CITY OF PEWAUKEE  
Special Revenue Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2010

	Park Dedication	Impact Fee	Tourism and Convention	Green Space Facilities	Public Safety Grants	Cemetery	Total
Revenues:							
Public accommodation tax	\$ -	-	463,218	-	-	-	463,218
Intergovernmental:							
State EMS grant	-	-	-	-	5,970	-	5,970
Charges for services:							
Lot fee in lieu of land dedication	34,800	-	-	-	-	-	34,800
Impact fees	-	60,983	-	-	-	-	60,983
Interment fees	-	-	-	-	-	2,750	2,750
Lot sales	-	-	-	-	-	1,433	1,433
Interest earnings	7	1,495	1,332	63	93	201	3,191
Total revenues	<u>34,807</u>	<u>62,478</u>	<u>464,550</u>	<u>63</u>	<u>6,063</u>	<u>4,384</u>	<u>572,345</u>
Expenditures:							
Economic development:							
Tourism	-	-	384,176	-	-	-	384,176
Unclassified	-	-	-	-	-	10,392	10,392
Capital outlay	-	-	-	361	5,970	-	6,331
Total expenditures	<u>-</u>	<u>-</u>	<u>384,176</u>	<u>361</u>	<u>5,970</u>	<u>10,392</u>	<u>400,899</u>
Excess (deficiency) of revenues over expenditures	34,807	62,478	80,374	(298)	93	(6,008)	171,446
Fund balance, January 1	<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>
Fund balance, December 31	<u>\$ 94,784</u>	<u>694,472</u>	<u>400,804</u>	<u>16,737</u>	<u>529</u>	<u>63,852</u>	<u>1,271,178</u>

CITY OF PEWAUKEE  
Special Revenue Funds

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

Year Ended December 31, 2010

	Park Dedication		Impact Fee		Tourism and Convention		Cemetery		Total	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Revenues:										
Public accommodation tax	\$ -	-	-	-	463,218	420,000	-	-	463,218	420,000
Charges for services:										
In lieu of land dedications	34,800	-	-	-	-	-	-	-	34,800	-
Impact fees	-	-	60,983	36,000	-	-	-	-	60,983	36,000
Interment fees	-	-	-	-	-	-	2,750	2,500	2,750	2,500
Lot sales	-	-	-	-	-	-	1,433	646	1,433	646
Interest earnings	7	50	1,495	2,000	1,332	5,000	201	500	3,035	7,550
Total revenues	<u>34,807</u>	<u>50</u>	<u>62,478</u>	<u>38,000</u>	<u>464,550</u>	<u>425,000</u>	<u>4,384</u>	<u>3,646</u>	<u>566,219</u>	<u>466,696</u>
Expenditures:										
Economic development:										
Tourism	-	-	-	-	384,176	386,000	-	-	384,176	386,000
Cemetery	-	-	-	-	-	-	10,392	24,450	10,392	24,450
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>384,176</u>	<u>386,000</u>	<u>10,392</u>	<u>24,450</u>	<u>394,568</u>	<u>410,450</u>
Excess (deficiency) of revenues over expenditures	<u>34,807</u>	<u>50</u>	<u>62,478</u>	<u>38,000</u>	<u>80,374</u>	<u>39,000</u>	<u>(6,008)</u>	<u>(20,804)</u>	<u>171,651</u>	<u>56,246</u>
Other financing uses:										
Transfer to capital projects fund	-	-	-	(145,000)	-	-	-	-	-	(145,000)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>(145,000)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(145,000)</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>34,807</u>	<u>50</u>	<u>62,478</u>	<u>(107,000)</u>	<u>80,374</u>	<u>39,000</u>	<u>(6,008)</u>	<u>(20,804)</u>	<u>171,651</u>	<u>(88,754)</u>
Fund balance, January 1	<u>59,977</u>		<u>631,994</u>		<u>320,430</u>		<u>69,860</u>		<u>1,082,261</u>	
Fund balance, December 31	<u>\$ 94,784</u>		<u>694,472</u>		<u>400,804</u>		<u>63,852</u>		<u>1,253,912</u>	

## CITY OF PEWAUKEE

## Debt Service Fund

## BALANCE SHEET

December 31, 2010

## Assets:

Cash and temporary investments	\$	974,575
Receivables:		
Taxes		861,554
Special assessments		<u>386,300</u>
Total assets	\$	<u><u>2,222,429</u></u>

## Liabilities and Fund Balance:

## Liabilities:

## Deferred revenues:

Current tax levy	\$	1,594,777
Long-term special assessments		<u>386,300</u>

        Total liabilities 1,981,077

## Fund balance:

Reserved for debt service		<u>241,352</u>
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        Total fund balance 241,352

        Total liabilities and fund balance \$ 2,222,429

CITY OF PEWAUKEE  
Debt Service Fund

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

Year Ended December 31, 2010

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
Revenues:			
Taxes:			
General tax levy	\$ 1,513,633	1,513,633	-
Special assessments	172,971	150,000	22,971
Build America bond rebate	11,266	-	11,266
Interest earnings	974	500	474
Total revenues	<u>1,698,844</u>	<u>1,664,133</u>	<u>34,711</u>
Expenditures:			
Debt service:			
Principal	1,429,429	1,406,929	(22,500)
Interest	283,646	307,204	23,558
Total expenditures	<u>1,713,075</u>	<u>1,714,133</u>	<u>1,058</u>
Excess (deficiency) of revenues over expenditures	(14,231)	(50,000)	35,769
Other financing uses:			
Transfer to general fund	<u>(15,278)</u>	<u>(15,278)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing uses	(29,509)	<u>(65,278)</u>	<u>35,769</u>
Fund balance, January 1	<u>270,861</u>		
Fund balance, December 31	<u>\$ 241,352</u>		

CITY OF PEWAUKEE  
Capital Projects Funds

COMBINING BALANCE SHEET

December 31, 2010

	Road Construction	Storm Water Drainage	Sports Complex	Capital Equipment	Total
<b>Assets:</b>					
Cash and temporary investments	\$ 2,255,439	21,727	299,035	424,820	3,001,021
Taxes receivable	-	-	-	336,156	336,156
<b>Total assets</b>	<b>\$ 2,255,439</b>	<b>21,727</b>	<b>299,035</b>	<b>760,976</b>	<b>3,337,177</b>
<b>Liabilities and Fund Balance:</b>					
<b>Liabilities:</b>					
Accounts payable	\$ -	21,727	-	1,171	22,898
Construction contracts payable	51,892	-	-	-	51,892
Deferred revenues	-	-	-	621,525	621,525
<b>Total liabilities</b>	<b>51,892</b>	<b>21,727</b>	<b>-</b>	<b>622,696</b>	<b>696,315</b>
<b>Fund balance:</b>					
Reserved for capital projects	2,203,547	-	299,035	138,280	2,640,862
<b>Total liabilities and fund balance</b>	<b>\$ 2,255,439</b>	<b>21,727</b>	<b>299,035</b>	<b>760,976</b>	<b>3,337,177</b>

CITY OF PEWAUKEE  
Capital Projects Funds

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

Year Ended December 31, 2010

	Road Construction		Storm Water Drainage		Sports Complex		Capital Equipment		Total	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Revenues:										
Taxes:										
General property	\$ -	-	-	-	-	-	547,500	547,500	547,500	547,500
Intergovernmental:										
CDBG grant	-	-	-	256,000	-	-	-	-	-	256,000
LRIP grant	23,632	-	-	-	-	-	-	-	23,632	-
Interest earnings	1,256	1,000	-	-	1,106	3,000	-	-	2,362	4,000
Total revenues	<u>24,888</u>	<u>1,000</u>	<u>-</u>	<u>256,000</u>	<u>1,106</u>	<u>3,000</u>	<u>547,500</u>	<u>547,500</u>	<u>573,494</u>	<u>807,500</u>
Expenditures:										
Road construction	909,857	985,000	-	-	-	-	-	-	909,857	985,000
Storm water studies	-	-	56,223	23,300	-	-	-	-	56,223	23,300
Storm water improvements	-	-	356,349	415,500	-	-	-	-	356,349	415,500
Capital equipment purchases	-	-	-	-	-	-	1,231,420	1,345,700	1,231,420	1,345,700
Sports complex	-	-	-	-	2,107	-	-	-	2,107	-
Unclassified	18,982	-	-	-	-	-	10,485	-	29,467	-
Total expenditures	<u>928,839</u>	<u>985,000</u>	<u>412,572</u>	<u>438,800</u>	<u>2,107</u>	<u>-</u>	<u>1,241,905</u>	<u>1,345,700</u>	<u>2,585,423</u>	<u>2,769,500</u>
Excess (deficiency) of revenues over expenditures	<u>(903,951)</u>	<u>(984,000)</u>	<u>(412,572)</u>	<u>(182,800)</u>	<u>(1,001)</u>	<u>3,000</u>	<u>(694,405)</u>	<u>(798,200)</u>	<u>(2,011,929)</u>	<u>(1,962,000)</u>
Other financing sources (uses):										
Transfer from other funds	1,600,000	1,745,000	320,400	320,400	-	-	-	-	1,920,400	2,065,400
Face amount of long-term debt	1,514,160	1,350,000	-	-	-	-	836,365	798,200	2,350,525	2,148,200
Bond discount costs	(6,662)	-	-	-	-	-	(3,680)	-	(10,342)	-
	<u>3,107,498</u>	<u>3,095,000</u>	<u>320,400</u>	<u>320,400</u>	<u>-</u>	<u>-</u>	<u>832,685</u>	<u>798,200</u>	<u>4,260,583</u>	<u>4,213,600</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>2,203,547</u>	<u>2,111,000</u>	<u>(92,172)</u>	<u>137,600</u>	<u>(1,001)</u>	<u>3,000</u>	<u>138,280</u>	<u>-</u>	<u>2,248,654</u>	<u>2,251,600</u>
Fund balance, January 1	<u>-</u>		<u>92,172</u>		<u>300,036</u>		<u>-</u>		<u>392,208</u>	
Fund balance, December 31	\$ <u>2,203,547</u>		<u>-</u>		<u>299,035</u>		<u>138,280</u>		<u>2,640,862</u>	

CITY OF PEWAUKEE  
Permanent Fund - Cemetery Perpetual Care  
STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCE  
Year Ended December 31, 2010

Revenues:		
Charges for services:		
Perpetual care	\$	2,914
Expenditures:		
Unclassified:		<u>-</u>
Excess of revenues over expenditures		2,914
Fund balance, January 1		<u>59,734</u>
Fund balance, December 31	\$	<u><u>62,648</u></u>

CITY OF PEWAUKEE  
Enterprise Funds  
Water and Sewer Utility

BALANCE SHEETS

December 31, 2010 and 2009

	2010	2009
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 2,306,988	916,791
Investments	508,075	500,000
Receivables:		
Accounts	1,001,412	956,942
Special assessments	117,408	86,279
Intergovernmental	-	5,865
Accrued interest	1,240	1,414
Other	27,045	14,670
Developers	395,395	586,569
Inventory of supplies	5,710	6,231
Restricted assets:		
Debt retirement assets:		
Cash and cash equivalents	3,226,422	3,316,510
Total current assets	7,589,695	6,391,271
Fixed assets:		
Land	370,387	370,387
Construction in progress	1,133,543	1,019,558
Buildings	7,812,727	7,787,901
Improvements other than buildings	80,826,614	80,564,238
Furniture and equipment	857,903	860,888
	91,001,174	90,602,972
Less: Accumulated depreciation	22,455,964	20,553,453
Net fixed assets	68,545,210	70,049,519
Other assets:		
Long-term portion of special assessments receivable	4,918,993	5,100,958
Unamortized debt discount and issue expenses	(8,791)	(8,046)
Deferred expenses	93,913	93,913
Total other assets	5,004,115	5,186,825
Total assets	\$ 81,139,020	81,627,615

CITY OF PEWAUKEE  
 Enterprise Funds  
 Water and Sewer Utility

BALANCE SHEETS

December 31, 2010 and 2009

	2010	2009
<u>Liabilities and Net Assets</u>		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 344,018	378,057
Due to City of Waukesha	13,804	12,101
Due to general fund	908,526	491,727
Construction contracts payable	47,208	103,600
Customer advances on construction	58,552	222,733
Accrued interest on long-term debt	28,922	34,689
Other accrued expenses	-	698
Current portion of long-term debt	856,377	1,090,745
Less: current portion of deferred amount on refunding	(2,848)	(8,000)
Total current liabilities	2,254,559	2,326,350
Long-term liabilities (net of current portion):		
General obligation debt	1,800,601	1,927,617
Less: deferred amount on refunding	(1,585)	(4,434)
Sewerage system revenue bonds	2,758,405	3,259,755
Construction contracts payable	50,740	50,740
Accrued post retirement benefits	71,979	47,986
Other liabilities:		
Deferred assessments due to developers	1,151,006	1,194,517
Total liabilities	8,085,705	8,802,531
Net assets:		
Invested in capital assets, net of related debt	63,134,260	63,783,836
Restricted for debt service	3,226,422	3,316,510
Unrestricted	6,692,633	5,724,738
Total net assets	73,053,315	72,825,084
Total liabilities and net assets	\$ 81,139,020	81,627,615

CITY OF PEWAUKEE  
Enterprise Funds  
Water and Sewer Utility

COMBINING STATEMENTS OF REVENUES, EXPENSES  
AND CHANGES IN NET ASSETS

Years Ended December 31, 2010 and 2009

	2010			2009
	Water	Sewer	Combined	Combined
Operating revenues	\$ 1,830,223	2,793,492	4,623,715	4,504,247
Operating expenses:				
Operation and maintenance	964,807	1,473,639	2,438,446	2,371,604
Depreciation	726,207	1,216,151	1,942,358	1,970,324
Taxes	1,869	-	1,869	1,475
Total operating expenses	1,692,883	2,689,790	4,382,673	4,343,403
Operating income	\$ <u>137,340</u>	<u>103,702</u>	<u>241,042</u>	<u>160,844</u>
Non-operating revenues (expenses):				
Interest income			125,676	77,169
Interest expense and fiscal fees			(198,262)	(232,862)
Loss on the disposal of fixed assets			(6,475)	(18,312)
Amortization of deferred refunding costs			(8,001)	(14,224)
Amortization of debt issue expenses			(745)	(2,273)
Total non-operating revenues (expenses)			(87,807)	(190,502)
Income (loss) before contributions and transfers			153,235	(29,658)
Grants and contributions			547,225	3,034,930
Transfers out			(472,229)	(431,735)
Change in net assets			228,231	2,573,537
Total net assets, January 1			72,825,084	70,251,547
Total net assets, December 31			\$ 73,053,315	72,825,084

CITY OF PEWAUKEE  
Enterprise Fund  
Water Utility

STATEMENTS OF OPERATING INCOME AND EXPENSES

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Operating revenues</u>		
Sale of water:		
Residential	\$ 677,414	676,797
Commercial	427,511	449,933
Industrial	71,183	66,372
Public authorities	3,810	3,537
	<u>1,179,918</u>	<u>1,196,639</u>
Public fire protection	578,246	540,906
Private fire protection	62,735	60,353
Customer's forfeited discounts	5,912	4,295
Other revenue	3,412	2,867
Total operating revenues	<u>1,830,223</u>	<u>1,805,060</u>
 <u>Operating expenses</u>		
Plant operation and maintenance:		
Salaries and wages	171,299	168,959
Transportation expense	16,057	21,555
Power purchased for pumping	229,867	216,162
Chemicals	94,848	89,412
Operating supplies	42,177	55,975
Repairs of water plant	67,674	172,544
	<u>621,922</u>	<u>724,607</u>
General operating expenses:		
Administrative salaries	75,031	82,477
Office supplies and expenses	20,200	15,716
Outside services employed	121,375	42,751
Insurance	15,932	16,811
Employee benefits	91,907	82,672
Other general expenses	18,440	22,624
	<u>342,885</u>	<u>263,051</u>
Total operation and maintenance expenses	964,807	987,658
Depreciation	726,207	768,272
Taxes	1,869	1,475
Total operating expenses	<u>1,692,883</u>	<u>1,757,405</u>
Net operating income	\$ <u>137,340</u>	<u>47,655</u>

CITY OF PEWAUKEE  
Enterprise Fund  
Sewer Utility

STATEMENTS OF OPERATING INCOME AND EXPENSES

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
<u>Operating revenues</u>		
Sewer service charges:		
Residential	\$ 1,536,773	1,477,510
Commercial	1,091,582	1,067,163
Industrial	143,956	138,074
Public authorities	8,164	7,994
Other revenue	13,017	8,446
Total operating revenues	<u>2,793,492</u>	<u>2,699,187</u>
 <u>Operating expenses</u>		
Plant operation and maintenance:		
Sewage treatment charges	1,016,531	949,943
Salaries and wages	82,120	70,778
Power purchased for pumping	37,539	36,762
Supplies and expenses	8,822	10,923
Maintenance	98,828	101,404
	<u>1,243,840</u>	<u>1,169,810</u>
General operating expenses:		
Administrative salaries	75,031	82,476
Office supplies and expenses	20,199	15,716
Outside services employed	38,848	25,546
Insurance	15,931	16,811
Employee benefits	61,350	50,964
Other general expenses	18,440	22,623
	<u>229,799</u>	<u>214,136</u>
Total operation and maintenance expenses	1,473,639	1,383,946
Depreciation	1,216,151	1,202,052
Total operating expenses	<u>2,689,790</u>	<u>2,585,998</u>
Net operating income	\$ <u>103,702</u>	<u>113,189</u>

CITY OF PEWAUKEE  
Enterprise Funds  
Water and Sewer Utility

STATEMENTS OF CASH FLOWS

Years Ended December 31, 2010 and 2009

	<u>2010</u>	<u>2009</u>
Cash flows from operating activities:		
Receipts from customers	\$ 4,572,735	4,547,868
Receipts for interfund services - net	(55,430)	515,529
Payments to suppliers	(1,916,090)	(1,915,962)
Payments to employees	(532,745)	(458,702)
Net cash provided by operating activities	<u>2,068,470</u>	<u>2,688,733</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(173,079)	(1,729,105)
Proceeds from disposals of fixed assets	20,135	-
Reserve capacity assessments received	618,440	233,504
Long-term debt retirements	(1,090,747)	(1,061,465)
Collection of special assessments, net	185,003	633,289
Developer advances on construction, net	(164,181)	385
Preliminary design fees for system expansion	-	(247)
Interest and fiscal charges paid on bonds and notes payable	(204,029)	(238,811)
Net cash used by capital and related financing activities	<u>(808,458)</u>	<u>(2,162,450)</u>
Cash flows from investing activities:		
Interest received on cash and investments	48,172	75,755
Maturities of securities	500,000	-
Purchases of securities	(508,075)	(500,000)
Net cash provided (used) by investing activities	<u>40,097</u>	<u>(424,245)</u>
Net increase in cash and cash equivalents	1,300,109	102,038
Cash and cash equivalents, January 1	<u>4,233,301</u>	<u>4,131,263</u>
Cash and cash equivalents, December 31	\$ <u>5,533,410</u>	<u>4,233,301</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Assets		
Unrestricted	\$ 2,306,988	916,791
Restricted - Debt retirement	3,226,422	3,316,510
	\$ <u>5,533,410</u>	<u>4,233,301</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 241,042	160,844
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	1,942,358	1,970,324
Changes in assets and liabilities:		
Accounts receivable, net	(50,980)	554,789
Inventory of supplies	521	(95)
Accounts payable and accrued expenses	(64,471)	2,871
Net cash provided by operating activities	\$ <u>2,068,470</u>	<u>2,688,733</u>
Schedule of non-cash activities:		
Plant assets contributed by developers	\$ -	<u>301,556</u>

CITY OF PEWAUKEE  
Enterprise Funds  
Water and Sewer Utility

ANALYSIS OF UTILITY PLANT IN SERVICE

Years Ended December 31, 2010 and 2009

	Utility Plant				% Rate	Accumulated Depreciation			
	Balance Dec. 31, 2009	Additions	Disposals	Balance Dec. 31, 2010		Balance Dec. 31, 2009	Additions	Disposals	Balance Dec. 31, 2010
<u>Water Utility</u>									
Source of supply plant:									
Wells and springs	\$ 1,582,150	-	-	1,582,150	2.90	531,843	45,883	-	577,726
Supply mains	176,607	-	-	176,607	1.80	56,400	3,179	-	59,579
Pumping plant:									
Land	370,387	-	-	370,387	-	-	-	-	-
Structures and improvements	4,319,551	33,735	10,000	4,343,286	3.20	1,288,751	138,764	5,760	1,421,755
Electric pumping equipment	908,675	-	-	908,675	4.40	167,181	39,982	-	207,163
Other pumping equipment	149,569	-	-	149,569	4.40	100,646	6,581	-	107,227
Water treatment plant	340,980	-	-	340,980	6.00	76,986	20,458	-	97,444
Transmission and distribution plant:									
Distribution reservoirs and standpipes	1,428,254	-	-	1,428,254	1.90	503,474	27,136	-	530,610
Transmission and distribution mains	19,728,316	6,793	-	19,735,109	1.30	2,641,204	256,513	-	2,897,717
Services	2,947,665	243	-	2,947,908	2.90	898,990	85,486	-	984,476
Meters	463,423	28,320	25,980	465,763	12.50	448,818	18,715	25,980	441,553
Hydrants	2,466,956	836	-	2,467,792	2.20	548,693	54,282	-	602,975
General plant:									
Transportation equipment	172,618	27,492	30,477	169,633	13.30	172,404	2,042	8,107	166,339
Office furniture and equipment	99,976	-	-	99,976	Var.	74,586	2,887	-	77,473
Other general equipment	304,268	-	-	304,268	Var.	131,380	24,299	-	155,679
Power operating equipment	175	-	-	175	7.50	175	-	-	175
	<u>35,459,570</u>	<u>97,419</u>	<u>66,457</u>	<u>35,490,532</u>		<u>7,641,531</u>	<u>726,207</u>	<u>39,847</u>	<u>8,327,891</u>
<u>Sewer Utility</u>									
Buildings and structures	3,468,350	1,091	-	3,469,441	2.00	443,872	69,378	-	513,250
Collection sewers	29,718,871	18,551	-	29,737,422	1.00	3,269,820	297,282	-	3,567,102
Force mains	2,093,702	597	-	2,094,299	3.33	369,412	69,730	-	439,142
Services	4,158,218	4,434	-	4,162,652	1.00	436,925	41,604	-	478,529
Pumping equipment	3,628,747	569	-	3,629,316	5.00	1,158,350	181,451	-	1,339,801
Other equipment	283,851	-	-	283,851	Var.	200,761	12,396	-	213,157
Treatment plant	10,772,105	228,013	-	11,000,118	5.00	7,032,782	544,310	-	7,577,092
	<u>54,123,844</u>	<u>253,255</u>	<u>-</u>	<u>54,377,099</u>		<u>12,911,922</u>	<u>1,216,151</u>	<u>-</u>	<u>14,128,073</u>
Construction in progress	<u>1,019,558</u>	<u>113,985</u>	<u>-</u>	<u>1,133,543</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>90,602,972</u>	<u>464,659</u>	<u>66,457</u>	<u>91,001,174</u>		<u>20,553,453</u>	<u>1,942,358</u>	<u>39,847</u>	<u>22,455,964</u>