

CITY OF PEWAUKEE

FINANCIAL STATEMENTS

YEAR ENDED DECEMBER 31, 2012

CITY OF PEWAUKEE
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Independent Auditors' Report

Common Council
City of Pewaukee
Waukesha County, Wisconsin

Dear Council Members:

Report on the Financial Statements

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, 2012, and the respective changes in financial position and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 3 through 14 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Pewaukee, Wisconsin's basic financial statements. The combining and individual fund financial statements, business-type activities statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements, business-type activities statements, and statistical section are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Rotzoff Johnson & Company



The City in the Country

Office of the Mayor

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MANAGEMENT'S DISCUSSION AND ANALYSIS December 31, 2012

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, 2012. 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 \$111,728,586 (net position). Of this amount, \$91,154,731 relates to the net investment in capital assets. \$4,387,309 is restricted for debt service, capital projects and other various purposes. \$16,186,546 is considered unrestricted and available to meet the government's ongoing obligations to citizens and creditors.

During 2012 the City's net position increased by \$2,835,149 or 2.6%. The City's governmental activities increased \$1,958,144 while the business-type activities increased by \$877,005.

At December 31, 2012, the City's governmental funds reported combined ending fund balances of \$13,696,396, an increase of \$848,137 from the previous year. The Road Construction Fund comprised \$5,845,631, or 42.7%, of the combined fund balances; of which \$2,036,356 remains from prior borrowings and is therefore considered restricted. Additional restricted funds from various special revenue funds totaled \$846,191.

The Common Council adopted resolutions and ordinances committing \$4,782,200 for future capital projects; of which \$3,145,068 is for future road construction projects, \$1,022,015 for storm water management, \$335,000 for public safety capital equipment and \$280,117 for other capital needs within the City.

The General Fund balance increased by \$857,873 in 2012 to \$4,622,775. Of this amount \$143,000 was assigned by the Common Council for a public safety communication system and playground equipment replacement. Other components of the assigned fund balance include \$511,808 for future capital purchases, \$664,207 for road construction, \$16,782 for green space improvements and \$388,504 for future debt service expenditures.

Unassigned fund balance for the general fund was \$4,080,648 or approximately 35.1% of current year general fund expenditures, up from the prior year's 28.3%.

During 2012, the City's fixed assets, net of accumulated depreciation, increased \$349,550; from \$102,182,263 to \$102,531,813.

The City's long-term obligations, including \$878,896 of vested employee benefits, totaled \$15,169,490 at December 31, 2012. At December 31, 2011 total long-term obligations had been \$16,720,887.

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:

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012**

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.

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 Position 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, 2012. The net difference is further separated into amounts restricted for specific purposes and unrestricted amounts. Over time, increases or decreases in net position 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 position 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 affect 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.

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012**

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.

Although the City of Pewaukee maintains the following thirteen governmental funds, only the general, storm water management, debt service and road construction funds are considered to be "major" funds.

- General
- Special Revenue:
 - Storm water management
 - Park dedication
 - Impact fee
 - Tourism and convention
 - Green space facilities
 - Public safety grants
 - Expendable cemetery
- Debt Service
- Capital Projects:
 - Road construction
 - 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 four major funds – general, storm water management, debt service and road construction. The other special revenue funds, 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 2012 includes the general fund and the storm water management fund. The City does budget for several non-major funds and this information is included elsewhere in this report.

Proprietary funds

The financial statements for the City's proprietary funds follow the governmental funds and include statements of net position, revenues, expenses and changes in fund net position, 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.

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012**

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.

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 - 50 of this report.

Supporting Schedules

Readers desiring additional supplementary information can find it in the supporting schedules found on pages 51 – 74, 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 Position

As noted earlier, net position 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 \$111,728,586 and \$108,893,437 at the close of the most recent fiscal years.

**Statement of Net Position at December 31, 2011 and 2012
(in thousands)**

	Governmental Activities		Business-Type Activities		Total		Total Change	
	2011	2012	2011	2012	2011	2012	Dollars	%
Current & other assets	\$25,661	26,576	12,102	12,172	37,763	38,748	985	2.6%
Capital assets	33,107	33,412	69,075	69,120	102,182	102,532	350	0.4%
Total assets	<u>58,768</u>	<u>59,988</u>	<u>81,177</u>	<u>81,292</u>	<u>139,945</u>	<u>141,280</u>	<u>1,335</u>	<u>1.0%</u>
Other liabilities	13,041	13,327	1,842	1,863	14,883	15,190	307	2.1%
Long-term obligations	10,711	9,686	5,458	4,675	16,169	14,361	(1,808)	(11.2)%
Total liabilities	<u>23,752</u>	<u>23,013</u>	<u>7,300</u>	<u>6,538</u>	<u>31,052</u>	<u>29,551</u>	<u>(1,501)</u>	<u>(4.8)%</u>
Net position:								
Net investment in capital assets	22,688	26,024	64,491	65,131	87,179	91,155	3,976	4.6%
Restricted	4,503	910	3,315	3,477	7,818	4,387	(3,431)	(43.9)%
Unrestricted	7,825	10,040	6,071	6,146	13,896	16,186	2,290	16.5%
Total net position	<u>\$35,016</u>	<u>36,974</u>	<u>73,877</u>	<u>74,754</u>	<u>108,893</u>	<u>111,728</u>	<u>2,835</u>	<u>2.6%</u>

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012**

Capital assets include infrastructure assets of the governmental activities and reflect the cost of the City's streets and roads, storm sewers, bridges, and water and sewer utility improvements. The largest portion of the City's net position (81.6%) 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.

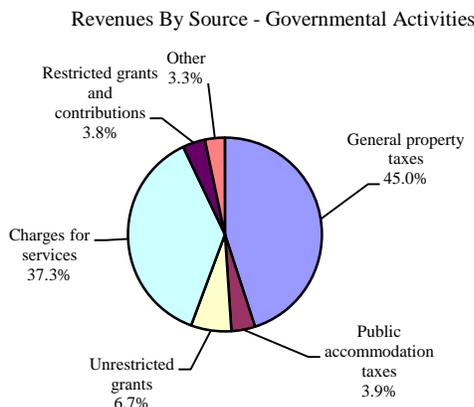
The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from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

A portion of the year-end net position is restricted for specific purposes. The restrictions represent legal or contractual limitations on how the assets may be expended. These include development charges and other collections limited to the repayment of debt. Of the amounts shown as "Restricted net assets", \$3,476,795 has been restricted for future debt service payments.

Statement of Activity

Governmental Activities

The City's net position from governmental activities increased \$1,958,144 in 2012. The increase in net position is primarily attributable to increases in program revenues and delays in infrastructure project expenditures. These infrastructure projects are scheduled in 2013. As shown by the following graph, taxes (general property and public accommodation) totaling \$8,224,543 made up 48.9% of the total governmental revenues during the current fiscal year.



Program charges for services, which directly offset related program expenses, totaled \$6,263,920 and \$6,242,510 respectively, for the years ended December 31, 2012 and 2011 and included the following:

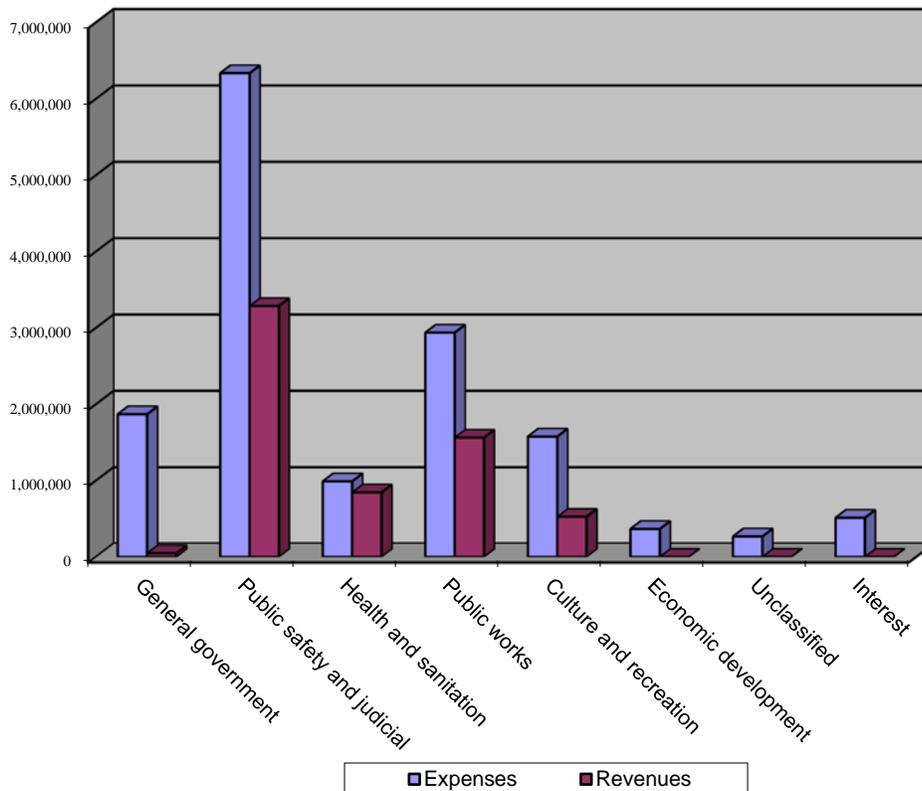
	<u>2012</u>	<u>2011</u>
Public safety and judicial	\$ 3,285,848	3,341,133
Health and sanitation	844,098	773,522
Public works	1,561,450	1,586,681
Culture and recreation	525,046	468,906
Miscellaneous	47,478	72,268

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

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012**

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 Revenues -
Governmental Activities**



For governmental activity expenses, 42.7% relate to public safety and judicial operations, which includes police protection, fire, paramedic and rescue protection, building inspection and municipal court operations. An additional 19.8% was spent for public works, i.e. maintenance of City streets, roads and storm water management. The City spent \$1,575,789, or 10.6%, towards its culture and recreation programs in 2012. 85% of health and sanitation program expenses were directly offset by related revenues. Depreciation of the City governmental activity fixed assets of \$1,964,253 was allocated to the various governmental activities during 2012 based upon actual usage of the various capital assets, compared to \$1,849,364 in 2011. 65% 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 position by \$877,005, as displayed in Exhibit B. This was primarily the result of grants and contributions of \$1,816,417 which offset the loss on operations and transfers of \$939,412. The table below is a summary of the water and sewer utility operations.

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012**

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

Operations:	Water Operations		Sewer Operations		Total		Total Change	
	2011	2012	2011	2012	2011	2012	Dollars	%
Revenues	\$ 1,846	1,979	2,835	2,900	4,681	4,879	198	4.2%
Expenses	1,713	2,198	2,608	3,033	4,321	5,231	910	21.1%
Operating income (loss)	\$ 133	(219)	227	(133)	360	(352)	(712)	(197.8)%

The City's utilities received capital grants and contributions during 2012 and 2011.

	2012	2011
Developer assets, dedicated to City	\$ 562,457	141,730
Special assessments for Utility projects:		
Sewer	360,027	446,866
Water	4,733	155,848
Capacity assessments collected for system expansion	<u>889,200</u>	<u>922,738</u>
	\$ <u>1,816,417</u>	<u>1,667,182</u>

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

**Statement of Activities for the Years Ended December 31, 2011 and 2012
(in thousands)**

	Governmental Activities		Business-Type Activities		Total		Total Change	
	2011	2012	2011	2012	2011	2012	Dollars	%
REVENUES								
Program revenues:								
Charges for services	\$ 6,242	6,264	4,681	4,879	10,923	11,143	220	2.0%
Operating grants & contributions	195	178	-	-	195	178	(17)	(8.7)%
Capital grants & contributions	971	453	1,667	1,816	2,638	2,269	(369)	(14.0)%
General revenues:								
General property taxes	7,557	7,561	-	-	7,557	7,561	4	0.1%
Public accommodation taxes	717	664	-	-	717	664	(53)	(7.4)%
Unrestricted grants	1,237	1,130	-	-	1,237	1,130	(107)	(8.6)%
Interest earnings	37	33	167	154	204	187	(17)	(8.3)%
Other	730	(3)	(742)	(3)	(12)	(6)	6	(50.0)%
Total revenues	<u>17,686</u>	<u>16,280</u>	<u>5,773</u>	<u>6,846</u>	<u>23,459</u>	<u>23,126</u>	<u>(333)</u>	<u>(1.4)%</u>
EXPENSES								
General government	1,921	1,868	-	-	1,921	1,868	(53)	(2.8)%
Public safety and judicial	5,888	6,335	-	-	5,888	6,335	447	7.6%
Health and sanitation	945	989	-	-	945	989	44	4.7%
Public works	2,771	2,937	-	-	2,771	2,937	166	6.0%
Culture and recreation	1,547	1,576	-	-	1,547	1,576	29	1.9%
Economic development	433	365	-	-	433	365	(68)	(15.7)%
Unclassified	388	267	-	-	388	267	(121)	(31.2)%
Interest and fiscal charges	370	512	-	-	370	512	142	38.4%
Water utility operations	-	-	1,753	2,309	1,753	2,309	556	31.7%
Sewer utility operations	-	-	2,724	3,133	2,724	3,133	409	15.0%
Total expenses	<u>14,263</u>	<u>14,849</u>	<u>4,477</u>	<u>5,442</u>	<u>18,740</u>	<u>20,291</u>	<u>1,551</u>	<u>8.3%</u>
Change in net position before transfers	3,423	1,431	1,296	1,404	4,719	2,835	(1,884)	
Transfers	472	527	(472)	(527)	-	-	-	
Change in net position	3,895	1,958	824	877	4,719	2,835	(1,884)	
Net position – beginning of year	31,121	35,016	73,053	73,877	104,174	108,893	4,719	
Net position – end of year	<u>\$35,016</u>	<u>36,974</u>	<u>73,877</u>	<u>74,754</u>	<u>108,893</u>	<u>111,728</u>	<u>2,835</u>	

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012**

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, unassigned 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 \$13,696,396. Approximately 30% of this total amount, or \$4,080,648, constitutes unassigned fund balance, which is available for spending at the government's discretion. The assigned fund balance, \$1,724,301, indicates that the City has set these balances aside for specific purposes; \$143,000 from the general fund for equipment, \$388,504 for debt service repayments, \$664,207 for road construction and \$528,590 for future capital projects. The following funds have fund balances which have been assigned:

Green space facilities	\$ 16,782
Sports complex construction	292,789
Capital equipment	219,019

Committed fund balances of \$4,782,200 represent amounts which can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances adopted prior to the end of the current fiscal year of the Common Council, the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Common Council removes the specified use by taking the same type of action imposing the commitment. The following funds have fund balances which have been committed:

General fund	\$ 236,750
Storm water management	1,022,015
Road construction	3,145,068
Capital equipment	335,000
Expendable cemetery	43,367

The restricted fund balance of \$2,882,547 is constrained by creditors, contributors and laws or regulations of other governments; or imposed by law through constitutional provisions and enabling legislation. The following funds have fund balances which are restricted:

Road construction –	
Unexpended debt proceeds	\$2,036,356
Park dedication	158,582
Impact fees	117,602
Tourism and convention	570,007

The Common Council originally budgeted to use \$264,650 of its general fund surplus in 2012. Fund balance actually increased however, by \$857,873. General fund expenditures exceeded the originally approved 2012 budget by \$101,051; however they were more than offset by additional revenues and other financing sources that exceeded the originally approved 2012 budget by \$1,776,361. Regulation and compliance fees and charges for services exceeded budget by \$452,964 and \$425,589, respectively. Transfers into the general fund exceeded budgets by \$840,284, primarily as a result of a transfer from the impact fee fund of \$782,785 to reimburse the general fund for prior year expenditures on qualifying projects.

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012**

In September 2010, the Common Council established a Storm Water Management Utility special revenue fund. This fund is a self-sustaining fund and is used for public improvements necessary to manage storm water runoff within the City. At December 31, 2012 this fund had a fund balance of \$1,022,015 which is presented as committed for storm water management expenditures.

The City had borrowed \$3,565,000 to provide financing for the 2011 Road Construction fund projects. In 2012 the City spent \$979,280 on road related projects. As of December 31, 2012 \$2,036,356 of these borrowings remain unspent and is therefore classified as a restricted portion of the fund balance. A portion of the road construction fund balance is committed by Common Council resolutions totaling \$3,145,068 with the remaining balance being classified as assigned for future projects in the amount of \$664,207. Other governmental total fund balances decreased by \$423,966. The individual fund increases (decreases) are as follows:

Special revenues funds:	
Park dedication	\$ 3,792
Impact fee	(681,913)
Tourism and convention	99,797
Green space facilities	22
Cemetery – expendable	(2,583)
Debt service fund	13,629
Capital projects funds:	
Sports complex	(6,665)
Capital equipment	162,713
Permanent funds:	
Cemetery – nonexpendable	871

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2012 the City had invested \$102,531,813 in capital assets, net of accumulated depreciation. During 2012 the City's gross capital assets increased \$5,603,671, as \$4,418,869 of infrastructure was completed in 2012 in the form of roads, storm sewers, culverts and additions to the water and sewer utility's system.

**Capital Assets at December 31, 2012
(in thousands)**

	Governmental Activities	Business-type Activities	Total Government
Land	\$ 3,936	530	4,466
Buildings	11,219	8,651	19,870
Furniture and equipment	7,608	952	8,560
Infrastructure and improvements other than buildings	34,614	84,457	119,071
Construction in progress	-	716	716
Total capital assets	57,377	95,306	152,683
Less: Accumulated depreciation	23,965	26,186	50,151
Total net assets	\$ 33,412	69,120	102,532

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012**

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	\$ 33,107	69,075	102,182
Additions	2,545	2,102	4,647
Disposals, net	(276)	(2)	(278)
Depreciation	(1,964)	(2,055)	(4,019)
Ending balance	<u>\$ 33,412</u>	<u>69,120</u>	<u>102,532</u>

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

General government	\$ 226,541
Public safety	371,453
Public works, including infrastructure	1,270,339
Culture and recreation	<u>95,920</u>
	<u>\$ 1,964,253</u>

Debt Outstanding

The City has \$15,169,490 in outstanding debt at December 31, 2012, including long-term employee benefits. \$2,266,126 of the debt comes due within one year.

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

Governmental:

General obligation notes	\$ 4,484
General obligation bonds	5,818
Compensated absences	170
Other postemployment benefits	606
Termination benefits	<u>23</u>
	<u>11,101</u>

Business-type:

Sewerage system revenue bonds	2,241
General obligation bonds	1,047
General obligation notes	136
Intermunicipal loans	565
Other postemployment benefits	<u>79</u>
	<u>4,068</u>
	<u>\$ 15,169</u>

2012 debt repayments, including long-term employee benefits were:

Governmental activities	\$ 4,149,343
Proprietary activities	<u>1,568,176</u>
	<u>\$ 5,717,519</u>

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012**

On June 12, 2012 the City issued \$3,875,000 of general obligation refunding bonds. The proceeds of this issue were transferred to an escrow agent, Associated Trust Company for the purpose of refunding \$2,975,000 of the December 1, 2004 general obligation corporate purpose bonds and \$565,000 of the March 1, 2006 general obligation promissory notes and their related interest. As a result, the refunded bonds are considered defeased and the liability has been removed from the City's statement of net position. The refunding was undertaken to reduce future debt service payments. The transaction resulted in a reduction of \$272,498 in future debt service payments and an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$252,840.

Other Economic Factors

The City of Pewaukee has consistently maintained a solid financial position as it relates to the fiscal ability to provide needed and desired public services to City residents. The City's tax rate in 2012 continues to be one of the lowest of all 190 cities in Wisconsin.

In 2012, the City developed a Long-Term Financial Plan. This exercise assisted the Common Council and staff in identifying issues related to future changes in staffing and capital improvements. The Common Council has proposed to continue forward in the coming years with infrastructure improvements including streets, storm water management, and various water and sewer projects as well as building a new fire station on the eastside of the City.

On an annual basis the City of Pewaukee evaluates the current level of staffing and the needs of the community as they relate to the services that are provided. With the passage of Wisconsin Act 10 in 2011, all General category employees are now required to contribute 50% of their actuarially determined pension contribution rate. The required contribution rate for Protective services employees is the same rate as General employees. The City may not pay the employee required contribution unless provided for by an existing collective bargaining agreement.

In 2012, Moody's Investors Service reviewed and assigned a rating of Aa1 to the City of Pewaukee. As of December 31, 2012, the City's general obligation debt burden is 9.23% of our \$130.5 million dollar capacity to borrow. In 2012, the City issued general obligation debt which was utilized to refinance prior debt resulting in a substantial interest savings.

For the past three years, the City of Pewaukee has continued to stand apart from other communities in the area as it relates to the number of single-family homes started in the community. In 2012, the City issued 92 new home permits, which was the highest in the Greater Milwaukee area and third in the entire State of Wisconsin.

The City of Pewaukee has established agreements with surrounding agencies to maximize a high level of service which the community has come to expect, while being cost conscious. This is demonstrated by the following agreements:

- The City has contracted for police services from the Waukesha County Sheriff's Department since 2010.
- The Village of Pewaukee currently contracts with the City for Fire/EMS services and Building Inspection services.
- The Pewaukee Public Library is a joint City/Village library with the City of Pewaukee responsible for 74% of the total expenses.
- The City and Village have had a Joint Park/Recreation Department since 1996 with the City of Pewaukee responsible for 66% of the expenses and revenues.

The City of Pewaukee elected officials and staff continue to work cooperatively to maintain a solid financial position, prepare for the continued development of the community, and provide a desired level of service to the citizens.

**CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2012**

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 POSITION
December 31, 2012

	Governmental Activities	Business-type Activities	Total
Assets:			
Current assets:			
Cash and cash equivalents	\$ 19,085,019	2,470,304	21,555,323
Investments	-	259,386	259,386
Property taxes receivable	5,130,630	-	5,130,630
Other receivables (net)	930,745	1,053,574	1,984,319
Internal balances	718,365	(718,365)	-
Inventories and prepaid expenses	133,785	6,061	139,846
Restricted assets:			
Debt retirement assets:			
Cash and cash equivalents	-	3,476,795	3,476,795
Non-current assets:			
Fixed assets:			
Land and construction in progress	3,936,474	1,246,498	5,182,972
Capital assets, net of accumulated depreciation	29,475,552	67,873,289	97,348,841
Special assessments	494,834	5,612,313	6,107,147
Deferred expenses	-	12,621	12,621
Unamortized debt expenses	82,206	-	82,206
Total assets	\$ 59,987,610	81,292,476	141,280,086
Liabilities:			
Current liabilities:			
Accounts payable	\$ 1,193,048	1,012,401	2,205,449
Deferred revenue	10,718,745	-	10,718,745
Current portion of long-term obligations	1,415,529	850,597	2,266,126
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	9,685,937	3,217,427	12,903,364
Deferred assessments due developers	-	1,407,076	1,407,076
Construction contracts payable	-	50,740	50,740
Total liabilities	23,013,259	6,538,241	29,551,500
Net Position:			
Net investment in capital assets	26,023,723	65,131,008	91,154,731
Restricted	910,514	3,476,795	4,387,309
Unrestricted	10,040,114	6,146,432	16,186,546
Total net position	36,974,351	74,754,235	111,728,586
Total liabilities and net position	\$ 59,987,610	81,292,476	141,280,086

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2012

	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		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	\$ 1,868,333	47,478	-	-	(1,820,855)	-	(1,820,855)
Public safety and judicial	6,335,384	3,285,848	116,018	51,300	(2,882,218)	-	(2,882,218)
Health and sanitation	988,640	844,098	62,242	-	(82,300)	-	(82,300)
Public works	2,936,742	1,561,450	-	401,510	(973,782)	-	(973,782)
Culture and recreation	1,575,789	525,046	-	-	(1,050,743)	-	(1,050,743)
Economic development	365,550	-	-	-	(365,550)	-	(365,550)
Unclassified	267,140	-	-	-	(267,140)	-	(267,140)
Indirect expenses:							
Interest and other related charges	511,669	-	-	-	(511,669)	-	(511,669)
Total governmental activities	<u>14,849,247</u>	<u>6,263,920</u>	<u>178,260</u>	<u>452,810</u>	<u>(7,954,257)</u>	<u>-</u>	<u>(7,954,257)</u>
Business-type activities:							
Water utility	2,308,644	1,978,976	-	565,663	-	235,995	235,995
Sewer utility	3,133,658	2,899,760	-	1,250,754	-	1,016,856	1,016,856
Total business-type activities	<u>5,442,302</u>	<u>4,878,736</u>	<u>-</u>	<u>1,816,417</u>	<u>-</u>	<u>1,252,851</u>	<u>1,252,851</u>
Total primary government	<u>\$ 20,291,549</u>	<u>11,142,656</u>	<u>178,260</u>	<u>2,269,227</u>	<u>(7,954,257)</u>	<u>1,252,851</u>	<u>(6,701,406)</u>
General revenues and transfers:							
Property taxes					7,560,727	-	7,560,727
Public accommodation taxes					663,816	-	663,816
Grants not restricted to specific programs					1,130,638	-	1,130,638
Cable television franchise fees					134,595	-	134,595
Interest and investment earnings					32,356	154,157	186,513
Miscellaneous					51,441	-	51,441
Loss on the disposal of fixed assets					(188,671)	(2,504)	(191,175)
Transfers					527,499	(527,499)	-
Total general revenues and transfers					<u>9,912,401</u>	<u>(375,846)</u>	<u>9,536,555</u>
Change in Net Position					1,958,144	877,005	2,835,149
Net Position - Beginning of Year					35,016,207	73,877,230	108,893,437
Net Position - End of Year					<u>\$ 36,974,351</u>	<u>74,754,235</u>	<u>111,728,586</u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE
BALANCE SHEET
Governmental Funds
December 31, 2012

	General Fund	Storm Water Management	Debt Service	Road Construction	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and cash equivalents	\$ 7,394,832	2,267,132	1,153,345	6,063,631	2,206,079	19,085,019
Receivables:						
Current taxes	3,595,769	257,411	835,373	104,422	332,692	5,125,667
Delinquent personal property taxes	4,963	-	-	-	-	4,963
Accounts	117,551	-	-	-	26,183	143,734
Special assessments	-	-	494,834	-	-	494,834
Intergovernmental	415,413	-	-	-	-	415,413
Due from other funds	718,365	-	-	-	-	718,365
Inventory of supplies	125,035	-	-	-	-	125,035
Prepaid expenditures	8,750	-	-	-	-	8,750
Total assets	<u>\$ 12,380,678</u>	<u>2,524,543</u>	<u>2,483,552</u>	<u>6,168,053</u>	<u>2,564,954</u>	<u>26,121,780</u>
Liabilities and Fund Balance:						
Liabilities:						
Accounts payable	\$ 684,295	34,643	-	54,084	95,490	868,512
Construction contracts payable	-	7,294	-	68,338	766	76,398
Accrued payroll	77,382	-	-	-	-	77,382
Other accrued liabilities	103,618	-	-	-	-	103,618
Deferred revenue	6,892,608	1,460,591	2,095,048	200,000	651,227	11,299,474
Total liabilities	<u>7,757,903</u>	<u>1,502,528</u>	<u>2,095,048</u>	<u>322,422</u>	<u>747,483</u>	<u>12,425,384</u>
Fund Balance:						
Nonspendable	162,377	-	-	-	64,323	226,700
Restricted	-	-	-	2,036,356	846,191	2,882,547
Committed	236,750	1,022,015	-	3,145,068	378,367	4,782,200
Assigned	143,000	-	388,504	664,207	528,590	1,724,301
Unassigned	4,080,648	-	-	-	-	4,080,648
Total fund balance	<u>4,622,775</u>	<u>1,022,015</u>	<u>388,504</u>	<u>5,845,631</u>	<u>1,817,471</u>	<u>13,696,396</u>
Total liabilities and fund balance	<u>\$ 12,380,678</u>	<u>2,524,543</u>	<u>2,483,552</u>	<u>6,168,053</u>	<u>2,564,954</u>	<u>26,121,780</u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE
 RECONCILIATION OF THE BALANCE SHEET
 TO THE STATEMENT OF NET POSITION
 Governmental Funds
 December 31, 2012

Total fund balances - governmental funds	\$	13,696,396
Amounts reported for governmental activities in the Statement of Net position 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		371,598
Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:		
Governmental capital assets	\$ 57,376,796	
Less: Accumulated depreciation	<u>(23,964,770)</u>	33,412,026
Other long-term assets are not available to pay for current year expenditures and therefore are deferred in the funds.		580,729
Post employment benefits are not due and payable in the current period and therefore are not reported in the governmental funds.		(799,651)
Costs associated with the issuance of long-term debt obligations are reported as expenditures in the governmental funds.		82,206
Interest and other payables used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.		(67,138)
Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.		<u>(10,301,815)</u>
Total net position - governmental activities	\$	<u><u>36,974,351</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, 2012

	General	Storm Water Management	Debt Service	Road Construction	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 5,640,017	-	1,626,389	34,855	1,199,671	8,500,932
Intergovernmental	1,278,045	-	25,574	-	56,579	1,360,198
Regulation and compliance	1,660,049	-	-	-	-	1,660,049
Charges for services	3,040,639	1,437,099	-	-	141,275	4,619,013
Recreation	226,391	-	-	-	-	226,391
Interest	19,190	2,485	496	7,076	3,109	32,356
Miscellaneous	115,808	-	-	98,606	-	214,414
Total revenues	11,980,139	1,439,584	1,652,459	140,537	1,400,634	16,613,353
Expenditures:						
Current:						
General government	1,652,101	-	-	-	-	1,652,101
Public safety and judicial	5,890,802	-	-	-	-	5,890,802
Health and sanitation	981,971	-	-	-	6,669	988,640
Public works	1,104,563	981,992	-	-	-	2,086,555
Culture and recreation	1,529,695	-	-	-	-	1,529,695
Economic development	-	-	-	-	365,550	365,550
Unclassified	455,981	-	38,280	-	-	494,261
Capital outlay	-	-	-	979,280	637,064	1,616,344
Debt service:						
Principal	-	-	1,338,613	-	-	1,338,613
Interest	-	-	307,069	-	-	307,069
Total expenditures	11,615,113	981,992	1,683,962	979,280	1,009,283	16,269,630
Excess (deficiency) of revenues over expenditures	365,026	457,592	(31,503)	(838,743)	391,351	343,723
Other financing sources (uses):						
Transfers in	1,310,284	12,792	54,169	823,129	-	2,200,374
Transfers out	(803,389)	(54,169)	-	-	(815,317)	(1,672,875)
Face amount of long-term debt	-	-	3,040,788	-	-	3,040,788
Bond discount	-	-	(26,831)	-	-	(26,831)
Payment to refunded bond escrow agent	-	-	(3,022,994)	-	-	(3,022,994)
Decrease in reserve for inventory	(14,048)	-	-	-	-	(14,048)
Total other financing sources (uses)	492,847	(41,377)	45,132	823,129	(815,317)	504,414
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	857,873	416,215	13,629	(15,614)	(423,966)	848,137
Fund balance:						
January 1	3,764,902	605,800	374,875	5,861,245	2,241,437	12,848,259
December 31	\$ 4,622,775	1,022,015	388,504	5,845,631	1,817,471	13,696,396

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, 2012

Net change in fund balances - total governmental funds	\$	848,137
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.		(279,078)
Contributed capital assets are not included as revenues in the governmental funds. In the Statement of Activities, however, they are reported at their estimated fair value at the time of acquisition.		146,597
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.		(245,671)
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 earned.		44,691
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 exceed depreciation expense.		403,957
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.		(112,974)
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.		31,293
Note proceeds provide current financial resources to government funds but issuing debt increases long-term liabilities in the Statement of Net Position.		(3,040,788)
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.		36,266
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 Position.		<u>4,125,714</u>
Change in net position of governmental activities	\$	<u><u>1,958,144</u></u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE
BUDGETARY COMPARISON STATEMENT
General Fund and Storm Water Management Fund
Year Ended December 31, 2012

	Budget		Actual	Variance
	Original	Final	Amounts	with Final Budget
General Fund:				
Budgetary fund balance, January 1	\$ 3,764,902	3,764,902	3,764,902	-
Resources (inflows):				
Taxes	5,640,911	5,640,911	5,640,017	(894)
Intergovernmental	1,269,116	1,269,116	1,278,045	8,929
Regulation and compliance	1,207,085	1,207,085	1,660,049	452,964
Charges for services	2,615,050	2,615,050	3,040,639	425,589
Recreation	206,000	206,000	226,391	20,391
Interest	25,000	25,000	19,190	(5,810)
Miscellaneous	80,900	80,900	115,808	34,908
Transfers in	470,000	470,000	1,310,284	840,284
Amounts available for appropriation	15,278,964	15,278,964	17,055,325	1,776,361
Charges to appropriations (outflows):				
General government	1,901,091	1,920,022	1,652,101	267,921
Public safety and judicial	5,920,095	5,990,236	5,890,802	99,434
Health and sanitation	939,347	982,272	981,971	301
Public works	1,032,208	1,110,026	1,104,563	5,463
Culture and recreation	1,593,721	1,593,721	1,529,695	64,026
Unclassified	127,600	455,981	455,981	-
Transfers out	264,650	1,055,691	803,389	252,302
Non-departmental:				
Decrease in reserve for inventory	-	-	14,048	(14,048)
Total charges to appropriations	11,778,712	13,107,949	12,432,550	675,399
Fund balance, December 31	\$ 3,500,252	2,171,015	4,622,775	2,451,760
Special Revenue Fund - Storm Water Management:				
Budgetary fund balance, January 1	\$ 605,800	605,800	605,800	-
Resources (inflows):				
Charges for services	1,427,500	1,427,500	1,437,099	9,599
Interest	100	100	2,485	2,385
Proceeds of long-term debt	220,000	220,000	-	(220,000)
Transfers in	13,150	13,150	12,792	(358)
Amounts available for appropriation	2,266,550	2,266,550	2,058,176	(208,374)
Charges to appropriations (outflows):				
Storm water management	1,905,790	1,905,790	981,992	923,798
Transfer out	54,169	54,169	54,169	-
Total charges to appropriations	1,959,959	1,959,959	1,036,161	923,798
Fund balance, December 31	\$ 306,591	306,591	1,022,015	715,424

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE
STATEMENT OF NET POSITION
Proprietary Funds
December 31, 2012

Assets:	
Current assets:	
Cash and cash equivalents	\$ 2,470,304
Investments	259,386
Other receivables	1,053,574
Inventory of supplies	6,061
Restricted assets:	
Debt retirement assets:	
Cash and cash equivalents	3,476,795
Non-current assets:	
Fixed assets:	
Non-depreciable:	
Land	530,387
Construction in progress	716,111
Depreciable:	
Buildings	8,650,950
Improvements other than buildings	84,456,742
Furniture and equipment	952,234
Less: Accumulated depreciation	(26,186,637)
Special assessments	5,612,313
Deferred expenses	12,621
Total assets	<u>\$ 82,010,841</u>
Liabilities:	
Current liabilities:	
Accounts payable	\$ 755,452
Due to general fund	718,365
Construction contracts payable	181,042
Customer advances on construction	58,555
Accrued interest on long-term debt	17,352
Current portion of long-term obligations	850,597
Noncurrent liabilities:	
Noncurrent portion of long-term obligations	3,217,427
Deferred assessments due developers	1,407,076
Long-term contracts payable	50,740
Total liabilities	<u>7,256,606</u>
Net Position:	
Net investment in capital assets	65,131,008
Restricted for:	
Expendable:	
Debt service	3,476,795
Unrestricted	<u>6,146,432</u>
Total net position	<u>74,754,235</u>
Total liabilities and net position	<u>\$ 82,010,841</u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE
STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN NET POSITION
Proprietary Funds
Year Ended December 31, 2012

Operating revenues	\$ <u>4,878,736</u>
Operating expenses:	
Operation and maintenance	3,174,411
Depreciation	2,054,691
Taxes	<u>1,552</u>
Total operating expenses	<u>5,230,654</u>
Operating loss	<u>(351,918)</u>
Non-operating revenues (expenses):	
Interest income	154,157
Interest expense and fiscal fees	(211,648)
Loss on the disposal of fixed assets	<u>(2,504)</u>
Total non-operating revenues (expenses)	<u>(59,995)</u>
Loss before contributions and transfers	(411,913)
Grants and contributions	1,816,417
Transfers out	<u>(527,499)</u>
Change in net position	877,005
Total net position:	
January 1	<u>73,877,230</u>
December 31	\$ <u><u>74,754,235</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, 2012

Cash flows from operating activities:	
Receipts from customers	\$ 4,930,594
Payments for interfund services - net	(493,891)
Payments to suppliers	(2,238,366)
Payments to employees	(557,296)
Net cash provided by operating activities	<u>1,641,041</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(1,835,333)
Reserve capacity assessments received	889,201
Proceeds of long-term debt	972,859
Long-term debt retirements	(1,568,177)
Collection of special assessments, net	272,972
Developer advances on construction, net	3
Interest and fiscal charges paid on bonds and notes payable	<u>(214,951)</u>
Net cash used by capital and related financing activities	<u>(1,483,426)</u>
Cash flows from investing activities:	
Interest received on cash and investments	59,385
Maturities of securities	770,437
Purchases of securities	(516,076)
Net cash provided by investing activities	<u>313,746</u>
Net increase in cash and cash equivalents	471,361
Cash and cash equivalents, January 1	5,475,738
Cash and cash equivalents, December 31	<u>\$ 5,947,099</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Unrestricted	\$ 2,470,304
Restricted - Debt retirement	3,476,795
	<u>\$ 5,947,099</u>
Reconciliation of operating loss to net cash provided by operating activities:	
Operating loss	\$ (351,918)
Adjustments to reconcile operating loss to net cash provided by operating activities:	
Depreciation	2,054,691
Changes in assets and liabilities:	
Accounts receivable, net	51,858
Inventories	(284)
Accounts payable and accrued expenses	(113,306)
Net cash provided by operating activities	<u>\$ 1,641,041</u>
Schedule of non-cash activities:	
Plant assets contributed by developers	<u>\$ 562,457</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE
STATEMENT OF FIDUCIARY NET POSITION
Agency Fund
December 31, 2012

Assets:	
Cash and cash equivalents	\$ 18,111,001
Taxes receivable	<u>19,155,085</u>
Total assets	<u>\$ 37,266,086</u>
Liabilities:	
Due to other taxing units:	
School districts	\$ 30,734,823
Waukesha County	5,493,857
State of Wisconsin	442,941
Deposits:	
Ditch and erosion	295,160
Holding tank	71,600
Occupancy	33,500
Street opening	3,000
Developer	190,000
Park reservation	<u>1,205</u>
Total liabilities	<u>\$ 37,266,086</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 position 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 position/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.

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

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

Road Construction Fund – a capital projects fund which accounts for resources accumulated and payments made for road construction 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

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies - Continued

B. Government-Wide and Fund Financial Statements - continued

Fund Financial Statements - continued

Capital Projects Funds – used to account for financial resources to be used for the acquisition or construction of equipment and/or major capital facilities and includes:

Sports Complex Fund
Capital Equipment Fund

Permanent Fund - used to report resources that are legally restricted to the extent that only earnings, and not principal, may be used for purposes that support the reporting government's programs, that is, for the benefit of the government or its citizenry and includes:

Non-Expendable Cemetery Fund

In addition, the City reports the following fund type:

Agency Fund - used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

Government-Wide Financial Statements

The government-wide statement of net position 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 and are recognized as revenues in the succeeding year when services financed by the levy are being provided.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation - continued

Fund Financial Statements - continued

Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City but not available are recorded as receivables and deferred revenues. Amounts received prior to the entitlement period are also recorded as deferred revenues.

Special assessments are recorded as revenues when they become measurable and available as current assets. Annual installments due in future years are reflected as receivables and deferred revenues.

Revenues susceptible to accrual include property taxes, miscellaneous taxes, charges for services, special assessments and interest. Other general revenues such as fines and forfeitures, inspection fees, recreation fees, and miscellaneous revenues are recognized when received in cash or when measurable and available under the criteria described above.

The City reports deferred revenues on its governmental funds balance sheet. Deferred revenues arise from taxes levied in the current year but are for subsequent year's operations. For governmental fund financial statements, deferred revenues arise when potential revenue does not meet both the measurable and available criteria for recognition in the current period. Deferred revenues also arise when resources are received before the City has a legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods, when both revenue recognition criteria are met, or when the City has a legal claim to the resources, the liability for deferred revenue is removed from the balance sheet and revenue is recognized.

Proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer utilities are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

D. Assets, Liabilities, and Net Position 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.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies - Continued

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

1. Deposits and Investments - continued

- (c) Bonds or securities of any county, city, village, town, drainage district, technical college district, or school district of this state.
- (d) Bonds issued by a local exposition district, local professional baseball park district, local professional football stadium district or local cultural arts district.
- (e) Bonds issued by the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.
- (f) Any security which matures or which may be tendered for purchase at the option of the holder within not more than 7 years of the date on which it is acquired, if that security has a rating which is the highest or 2nd highest rating category assigned by Standard & Poor's corporation, Moody's investors service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
- (g) Securities of an open-end management investment company or investment trust (mutual fund), if the portfolio is limited to the following:
 - 1. Bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government.
 - 2. Bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government.
 - 3. Repurchase agreements 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 2012 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, 2012, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies - Continued

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

2. Receivables

Property taxes are levied in December on the assessed value as of the prior January 1. In addition to property taxes for the City, taxes are collected for and remitted to the state and county governments as well as local school districts and the technical college district. Taxes for all state and local governmental units billed in the current year for the succeeding year are reflected as receivables and due to other taxing units on the accompanying agency fund balance sheet.

Property tax calendar – 2012 tax roll:

Levy:	
Tax lien and levy date	December 2012
Tax bills mailed	December 2012

Due dates:

Real property taxes:	
Payment in full or first installment	January 31, 2013
Second installment payable to County	July 31, 2013
Personal property taxes, special assessments and special charges, in full	January 31, 2013

Tax settlements with taxing jurisdictions:

First settlement	January 15, 2013
Second settlement	February 20, 2013
Final settlement	August 20, 2013

Tax sale - 2012 delinquent real estate taxes	October 2015
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Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. The City maintains responsibility for collection of delinquent personal property taxes. Accounts receivable have been shown net of an allowance for uncollectible accounts. 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 position. 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 position.

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 Position 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 one year. 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. 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 position. 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	20-40 Years
Land improvements	10-40 Years
Machinery and equipment	2-20 Years
Water and sewer plant	4-100 Years
Infrastructure	20-60 Years

Fund Financial Statements

In the fund financial statements, capital assets used in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund upon acquisition. Capital assets used in proprietary fund operations are accounted for the same way as in the government-wide statements.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies - Continued

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

6. Other Assets

In governmental funds, debt issuance costs are recognized as expenditures in the current period. For the government-wide and the proprietary fund type financial statements, debt issuance costs are deferred and amortized over the term of the debt issue.

7. Compensated Absences

Compensated absences represent liabilities arising from the City's sick 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 termination 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, 2012 the total liability for termination payments related to accrued sick time was \$169,977.

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, 2012 was \$95,305.

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 Position 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 position and displayed in three components:

- a. Net investment in capital assets - 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 - Consists of net position 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 - All other net positions that do not meet the definition of "net investment in capital assets" or "restricted".

Fund Statements

Governmental fund equity is classified as fund balance. In accordance with Governmental Standards Board Statement No. 54 fund balance is further categorized into five classifications based on the constraints imposed on the use of these resources. These five classifications are nonspendable, restricted, committed, assigned or unassigned.

Nonspendable fund balance includes amounts that cannot be spent because they are either not in spendable form – prepaids or inventories; or are legally or contractually required to be maintained intact. The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

- a. Restricted - This classification reflects the constraints imposed on resources externally by creditors, grantors, contributors, or laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation.
- b. Committed - These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the Common Council, the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the Common Council removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies - Continued

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

11. Equity Classifications - continued

Fund Statements - continued

- c. Assigned - This classification reflects the amounts constrained by the City's intent to be used for a specific purpose, but are neither restricted nor committed. The Common Council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.
- d. Unassigned - This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

The City has not adopted a fund balance spend-down policy regarding the order in which fund balance will be utilized. In these circumstances GASB Statement No. 54 indicates that restricted funds are to be spent first, followed by committed funds, and then assigned funds. Unassigned funds would be spent last.

12. Use of Estimates

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.

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

A. Explanation of Certain Differences between the Governmental Fund Balance Sheet and the Government-Wide Statement of Net Position

The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position.

Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. Capital assets, net of accumulated depreciation \$33,412,026.

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 position.

Bonds and notes payable	\$ 10,301,815
Accrued employee benefits	799,651
Accrued interest payable	67,138
Unamortized debt discount and issue costs	<u>(82,206)</u>
	\$ <u>11,086,398</u>

The long-term portion of special assessment receivable that is not available to pay for current year expenditures of \$580,729 is deferred in the governmental fund financial statements.

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 Government-Wide Statement of Net Position - continued

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 \$371,598.

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

Capital asset additions	\$ 2,368,210
Principal repayment	4,125,714
Net increase in debt issuance costs	<u>36,266</u>
	<u>\$ 6,530,190</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	\$ 1,964,253
Net book value of assets disposed, less trade-in allowances	245,671
Decrease in accrued interest payable	(31,293)
Increase in accrued long-term employee benefits	<u>112,974</u>
	<u>\$ 2,291,605</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 2012 were \$44,691.

Another element of the reconciliation relates to note proceeds of \$3,040,788 which provide financial resources in the governmental funds but increase long-term liabilities in the statement of net position.

Contributions of assets from third parties are reported as revenues in the statement of activities but since they do not provide current financial resources they are omitted from the governmental fund statements. These totaled \$146,597 in 2012.

The final element of the reconciliation relates to revenues of \$279,078 which provide financial resources in the current year and therefore are reported in the governmental funds. Since they were earned in prior years however, they are excluded from the statement of activities.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(3) Stewardship, Compliance, and Accountability

A. Budgetary Information

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

The general fund budget is adopted at the departmental level of expenditure. All other governmental funds of the City are adopted at the functional level of expenditure. Transfers between departments and changes to the overall budget must be approved by a two-thirds majority of the Common Council. Amendments made to the original approved budget were in accordance with these requirements and included the following:

	<u>Original</u>	<u>Amended</u>
General Fund		
Expenditures:		
Unclassified	\$ 127,600	455,981
Other financing uses:		
Transfer to road construction fund	-	791,041
Debt Service Fund:		
Expenditures:		
Refunding bond issue costs	-	38,280
Other financing sources:		
Face amount of long-term debt	-	3,040,788
Other financing uses:		
Refunding bond discount	-	26,831
Payment of bond escrow agent	-	3,022,994
Impact Fee Fund:		
Other financing uses:		
Transfer to general fund	-	782,785
Transfer to road construction fund	-	32,088
Road Construction Fund:		
Other financing sources:		
Transfer from general fund	-	791,041

The budgetary comparison statement for the general fund and the storm water management funds are shown as part of the basic financial statements. Budgetary comparisons for all other governmental funds are included in the supporting schedules.

B. Limitations of the City's Tax Levy

As part of Wisconsin's Act 10, legislation was passed that limits the City's future tax levies. The City is limited to its prior tax levy dollar amount, increased by the percentage change in the City's equalized value due to new construction. Changes in debt service from one year to the next are generally exempt from this limit.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds

A. Deposits and Investments

The City's deposits and investments at December 31, 2012 were comprised of the following:

	Carrying Value	Bank and Investment Balances	Associated Risks
Demand deposits	\$ 36,984,975	34,237,639	Custodial credit risk
LGIP	6,416,355	6,416,355	Credit risk, interest rate risk
Petty cash	1,175	1,175	
	<u>\$ 43,402,505</u>	<u>40,655,169</u>	

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

Per Statement of Net Position:	
Unrestricted	\$ 21,555,323
Restricted	3,476,795
Investments	259,386
Per Statement of Fiduciary Net Position	<u>18,111,001</u>
	<u>\$ 43,402,505</u>

At December 31, 2012, idle funds were invested in time and demand deposits of authorized depositories. Such deposits and investments are insured in any one depository institution through federal depository insurance funds. Insurance coverage for governmental depositories depends upon the type of deposit and the location of the insured depository institution. Insured amounts are limited to \$250,000 per insured depository institution for interest bearing savings accounts.

The Dodd-Frank Wall Street Reform and Consumer Protection Act signed into law on July 21, 2010 provide unlimited insurance coverage of non-interest bearing transaction accounts. Beginning July 21, 2011 the Act provides an additional \$250,000 of coverage for interest bearing demand deposit accounts at depository institutions located within the same state as the government. The provisions of this Act expired 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 99.4% of its investments in U.S. government securities at December 31, 2012.

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. Of the City's total bank balance, \$28,861,911 was collateralized by securities held by the pledging financial institution in excess of federal depository insurance limits. The remaining balance of \$3,807,679 was exposed to custodial credit risk as uninsured and uncollateralized.

Fluctuating cash flows during January and December, due to tax collections, result in temporary cash and investment balances, which significantly exceed insured amounts, until settlement with the respective taxing jurisdictions during the following month.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

A. Deposits and Investments - continued

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, 2012 the City held investments with a fair value of \$6,416,355 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.

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	\$ 3,595,769	-	3,595,769
Storm water management fund	257,411	-	257,411
Debt service fund	835,373	-	835,373
Road construction fund	104,422	-	104,422
Capital equipment fund	332,692	-	332,692
Special assessments not yet due	-	494,834	494,834
	<u>\$ 5,125,667</u>	<u>494,834</u>	<u>5,620,501</u>

In addition, other receivables are reported in the government-wide financial statements net of amounts estimated to be uncollectible of \$59,968.

C. Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2012 was as follows:

	<u>Balance</u> <u>12/31/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/12</u>
Capital Assets Not Being Depreciated:				
Land	\$ <u>3,936,474</u>	-	-	<u>3,936,474</u>
Capital Assets Being Depreciated:				
Buildings and improvements	11,424,785	194,058	400,000	11,218,843
Land improvements	1,423,179	57,381	-	1,480,560
Equipment	7,197,125	717,527	306,788	7,607,864
Infrastructure	<u>31,788,517</u>	<u>1,575,734</u>	<u>231,196</u>	<u>33,133,055</u>
	<u>51,833,606</u>	<u>2,544,700</u>	<u>937,984</u>	<u>53,440,322</u>
Total capital assets	<u>55,770,080</u>	<u>2,544,700</u>	<u>937,984</u>	<u>57,376,796</u>

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

C. Capital Assets - continued

	<u>Balance</u> <u>12/31/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/12</u>
Less Accumulated Depreciation:				
Buildings and improvements	\$ (3,084,712)	(289,014)	(159,112)	(3,214,614)
Land improvements	(641,049)	(63,810)	-	(704,859)
Equipment	(3,186,158)	(562,987)	(292,367)	(3,456,778)
Infrastructure	<u>(15,751,018)</u>	<u>(1,048,442)</u>	<u>(210,941)</u>	<u>(16,588,519)</u>
	<u>(22,662,937)</u>	<u>(1,964,253)</u>	<u>(662,420)</u>	<u>(23,964,770)</u>
Capital assets, net of depreciation	<u>\$ 33,107,143</u>	<u>580,447</u>	<u>275,564</u>	<u>33,412,026</u>

Depreciation expense was charged to functions as follows:

Governmental activities:	
General government	\$ 226,541
Public safety	371,453
Public works, including infrastructure	1,270,339
Culture and recreation	<u>95,920</u>
	<u>\$ 1,964,253</u>

Capital asset activity in the business-type activities for the year ended December 31, 2012 was as follows:

	<u>Balance</u> <u>12/31/11</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/12</u>
Capital Assets Not Being Depreciated:				
Land	\$ 370,387	160,000	-	530,387
Construction in process	<u>1,673,220</u>	<u>-</u>	<u>957,109</u>	<u>716,111</u>
	<u>2,043,607</u>	<u>160,000</u>	<u>957,109</u>	<u>1,246,498</u>
Capital Assets Being Depreciated:				
Buildings	7,812,727	838,223	-	8,650,950
Improvements other than buildings	82,696,853	2,004,912	245,023	84,456,742
Furniture and equipment	<u>896,398</u>	<u>55,836</u>	<u>-</u>	<u>952,234</u>
	<u>91,405,978</u>	<u>2,898,971</u>	<u>245,023</u>	<u>94,059,926</u>
Total capital assets	<u>93,449,585</u>	<u>3,058,971</u>	<u>1,202,132</u>	<u>95,306,424</u>
Less Accumulated Depreciation:				
Buildings	(2,143,379)	(219,729)	-	(2,363,108)
Improvements other than buildings	(21,590,534)	(1,761,605)	(242,519)	(23,109,620)
Furniture and equipment	<u>(640,552)</u>	<u>(73,357)</u>	<u>-</u>	<u>(713,909)</u>
	<u>(24,374,465)</u>	<u>(2,054,691)</u>	<u>(242,519)</u>	<u>(26,186,637)</u>
Capital assets, net of depreciation	<u>\$ 69,075,120</u>	<u>1,004,280</u>	<u>959,613</u>	<u>69,119,787</u>

Depreciation expense was charged to functions as follows:

Business-type activities:	
Water utility	\$ 810,724
Sewer utility	<u>1,243,967</u>
	<u>\$ 2,054,691</u>

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

D. Payables

Payables as of December 31, 2012 for the City's individual major and non-major governmental funds in the aggregate, are as follows:

	<u>General</u>	<u>Storm Water Management</u>	<u>Road Construction</u>	<u>Other Funds</u>	<u>Total</u>
Accounts payable	\$ 684,295	34,643	54,084	95,490	868,512
Construction contracts payable	-	7,294	68,338	766	76,398
Accrued payroll	77,382	-	-	-	77,382
Accrued compensated absences	95,305	-	-	-	95,305
Other accrued liabilities	<u>8,313</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,313</u>
Total per fund balance sheet	\$ <u>865,295</u>	<u>41,937</u>	<u>122,422</u>	<u>96,256</u>	1,125,910
Accrued interest					<u>67,138</u>
Total per government-wide statement of net position				\$ <u>1,193,048</u>	

E. Interfund Receivables/Payables and Transfers

The balance of interfund receivables/payables resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

For the statement of net position, interfund balances which are owed within the governmental activities or business-type activities are netted and eliminated.

Transfers between funds included one between the water utility and the general fund for payment of the property tax equivalent payment. The impact fee fund transferred accumulated funds to the general fund. A transfer was made to the road construction fund from the impact fee fund to cover the cost of pre-emptive signals installed in 2012. A transfer was also made to the debt service fund from the storm water management fund to reimburse the fund for principal and interest payments made on long term debt used to purchase equipment used by the storm water management fund.

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	\$ 527,499
General fund	Non-major governmental fund - Impact fee fund	782,785
Storm Water Management fund	General fund	12,348
Storm Water Management fund	Non-major governmental fund - Expendable Cemetery fund	444
Debt Service fund	Storm Water Management fund	54,169
Road Construction fund	Non-major governmental fund - Impact Fee fund	32,088
Road Construction fund	General fund	<u>791,041</u>
Total per fund statements		2,200,374
Interfund eliminations		<u>(1,672,875)</u>
Total per statement of activities		\$ <u>527,499</u>

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

F. Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2012 was as follows:

	<u>Balance</u> <u>12/31/11</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/12</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Bonds and notes payable:					
General obligation debt	\$ 11,386,741	3,040,788	4,125,714	10,301,815	1,391,900
Other liabilities:					
Vested compensated absences	154,575	15,402	-	169,977	-
Termination benefits payable	47,258	-	23,629	23,629	23,629
Post-retirement benefits	484,844	121,201	-	606,045	-
Total governmental long-term liabilities	<u>\$ 12,073,418</u>	<u>3,177,391</u>	<u>4,149,343</u>	<u>11,101,466</u>	<u>1,415,529</u>
 Business-type Activities:					
Bonds and notes payable:					
General obligation debt	\$ 1,825,692	972,858	1,050,753	1,747,797	316,585
Revenue bonds	2,758,405	-	517,423	2,240,982	534,012
Other liabilities:					
Post-retirement benefits	63,372	15,873	-	79,245	-
Total business-type long-term liabilities	<u>\$ 4,647,469</u>	<u>988,731</u>	<u>1,568,176</u>	<u>4,068,024</u>	<u>850,597</u>

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies 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 \$2,609,715,000. The debt limit as of December 31, 2012, was \$130,485,750. Total general obligation debt outstanding at year-end was \$12,049,612. 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, 2012:

Governmental Activities

	<u>Date of</u> <u>Issue</u>	<u>Final</u> <u>Maturity</u>	<u>Interest</u> <u>Rates</u>	<u>Original</u> <u>Indebtedness</u>	<u>Balance</u> <u>12/31/12</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
General obligation debt:						
2004 G.O. bonds	12/01/04	12/01/14	3.6%	\$ 4,851,541	627,480	306,270
2006 G.O. note	3/01/06	3/01/13	3.65%	1,660,000	175,000	175,000
2010 G.O. note	4/01/10	9/01/19	1.3-4.2%	2,910,000	2,150,000	245,000
2011 G.O. note	2/24/11	3/01/20	2.5-2.75%	4,937,095	4,308,547	618,547
2012 G.O. bonds	6/12/12	12/01/24	.5-2.15%	3,040,788	3,040,788	47,083
				<u>\$ 10,301,815</u>	<u>1,391,900</u>	

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

F. Long-Term Obligations – continued

Governmental Activities - continued

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 1,391,900	236,713	1,628,613
2014	1,304,543	203,105	1,507,648
2015	1,194,513	170,899	1,365,412
2016	1,218,436	147,149	1,365,585
2017	1,088,262	121,315	1,209,577
2018-2022	3,570,551	228,865	3,799,416
2023-2024	533,610	16,808	550,418
	<u>\$ 10,301,815</u>	<u>1,124,854</u>	<u>11,426,669</u>

On June 12, 2012 the City issued \$3,875,000 of general obligation refunding bonds. The proceeds of this issue were transferred to an escrow agent, Associated Trust Company, for the purpose of refunding \$2,975,000 of the December 1, 2004 general obligation corporate purpose bonds and \$565,000 of the March 1, 2006 general obligation promissory notes and their related interest. As a result, the refunded bonds are considered defeased and the liability has been removed from the City's statement of net position.

The refunding was undertaken to reduce future debt service payments. The transaction resulted in a reduction of \$272,498 in future debt service payments and an economic gain (difference between the present value of the debt service payments on the old and new debt) of \$252,840.

Business-type Activities

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/12</u>	<u>Amounts Due Within One Year</u>
1996 Revenue bonds	10/09/96	5/01/16	3.21%	\$8,049,176	2,240,982	534,012
1998 Installment loan	3/17/98	5/01/16	3.15%	816,870	197,760	47,167
2004 G.O. bonds	12/01/04	12/01/14	3.6%	1,643,459	212,520	103,730
2010 G.O. note	8/02/10	5/01/29	2.91%	228,013	205,573	9,519
2011 G.O. note	2/24/11	3/1/13	2.5%	272,905	136,453	136,453
2011 G.O. note	7/13/11	5/1/31	2.4%	174,403	161,279	6,799
2012 G.O. bonds	6/12/12	12/1/24	.5-2.15%	834,212	<u>834,212</u>	<u>12,917</u>
					<u>\$ 3,988,779</u>	<u>850,597</u>

Debt service requirements to maturity are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 850,597	98,504	949,101
2014	777,004	73,613	850,617
2015	741,692	49,468	791,160
2016	763,021	28,229	791,250
2017	84,889	16,718	101,607
2018-2022	442,831	64,094	506,925
2023-2027	258,810	21,529	280,339
2028-2031	69,935	2,829	72,764
	<u>\$ 3,988,779</u>	<u>354,984</u>	<u>4,343,763</u>

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

G. Governmental Activities Net Position/Fund Balances

Governmental activities net position reported on the government-wide statement of net position at December 31, 2012 includes the following:

Governmental Activities	
Net investment in capital assets:	
Capital assets, net of accumulated depreciation	\$ 33,412,026
Less: related long-term debt outstanding, excluding unspent capital related debt proceeds and non-capital borrowings	<u>(7,388,303)</u>
	26,023,723
Restricted	
Non-Expendable	
Cemetery perpetual care	64,323
Expendable	
Park dedication	158,582
Impact fee	117,602
Tourism and convention	570,007
Unrestricted	<u>10,040,114</u>
Total Governmental Activities Net Position	\$ <u>36,974,351</u>

Governmental fund balances reported on the fund financial statements at December 31, 2012 include the following:

Nonspendable -	
Major Funds	
General Fund	
Delinquent personal property taxes	\$ 4,963
Inventory of supplies	125,035
Prepaid expenditures	8,750
Termination benefits	23,629
Non-major Funds	
Permanent Fund - Cemetery Perpetual Care	64,323
Restricted -	
Major Funds	
Road construction - unspent borrowings	2,036,356
Non-Major Funds	
Park dedication	158,582
Impact fee	117,602
Tourism and convention	570,007
Committed -	
Major Funds	
General Fund - Future capital outlays	236,750
Storm water management	1,022,015
Road construction	3,145,068
Non-Major Funds	
Cemetery - Expendable	43,367
Capital equipment	335,000

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

G. Governmental Activities Net Position/Fund Balances - continued

Assigned -	
Major Funds	
General fund - Communication system	\$ 100,000
- Playground equipment replacement	43,000
Debt service	388,504
Road construction	664,207
Non-Major Funds	
Green space	16,782
Sports complex	292,789
Capital equipment	219,019
Unassigned - General Fund	<u>4,080,648</u>
Total Governmental fund balance	<u>\$ 13,696,396</u>

(5) Other Information

A. Defined Benefit Pension Plan

All eligible employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. Employees hired to work nine or ten months per year but expected to return year after year are considered to have met the one-year requirement.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was changed to one-half of the actuarially determined contribution rate for General category employees, including Teachers, and Executives and Elected Officials. Required contributions for protective contributions are the same rate as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for 2012 are:

	<u>Employee</u>	<u>Employer</u>
General	5.9%	5.9%
Protective with Social Security	5.9%	9.0%

The payroll for City's employees covered by the WRS for the year ended December 31, 2012 was \$3,998,378; the employer's total payroll was \$4,364,618. The total required contribution for the year ended December 31, 2012, was \$528,988. This amount consisted of \$293,084, or 7.3% of payroll from the employer and \$235,904, or 5.9% of payroll from employees. Total contribution for the year ended December 31, 2011 was \$482,771, equal to the required contribution. The amount of the City's contributions as compared to those required of all participating entities is .034%. At December 31, 2012 there was no pension related debt for the City.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(5) Other Information - Continued

A. Defined Benefit Pension Plan - continued

Employees who retire at or after age 65, (62 for elected officials and 54 for protective occupation employees with less than 25 years of service and 53 for protective occupation employees with more than 25 years of service), are entitled to receive a retirement benefit. Employees may retire at age 55, (50 for protective occupation employees), and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest year's earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of the Wisconsin Statutes. The WRS issues an annual financial report that may be obtained by writing to the Department of Employee Trust Funds in Madison, Wisconsin.

B. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by commercial insurance purchased from independent third parties. Settled claims from these risks have not exceeded commercial insurance coverage during the past three years.

C. Commitments

Business-type Activities

The City of Pewaukee has an ownership interest in the treatment capacity of a regional sewage treatment facility operated by the City of Brookfield known as the Fox River Water Pollution Control Center. In September 1996 the City of Pewaukee entered into an agreement with the City of Brookfield to share the design and construction costs to upgrade existing capacity, upgrade a lift station and interceptor, and to purchase an additional 1.1 million gallons per day capacity in an expansion of the treatment facility. Project costs were shared between the participating communities based upon ownership percentages in the treatment plant's capacity.

Funding for the project was provided by sewer revenue bonds issued through the Clean Water Fund Financial Assistance Program, which is administered jointly by the Wisconsin Department of Natural Resources and the Wisconsin Department of Administration. The Clean Water Fund Financial Assistance Program provides subsidized interest rate loans through grants passed through the Wisconsin Department of Natural Resources from the U.S. Environmental Protection Agency. The City of Pewaukee issued sewer revenue bonds in the amount of \$8,049,176 and the outstanding balance as of December 31, 2012 was \$2,240,982.

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

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(5) Other Information - Continued

C. Commitments - continued

Business-type Activities - continued

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, 2012 the sewage service revenues net of operating expenses, exclusive of depreciation charges, was \$1,110,853. Total debt service requirements on all outstanding debt payable from the wastewater sewer service charge were \$594,799.

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 2012 were \$867,872 and the City received \$196,966 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.

E. Segment Information

The City maintains two enterprise funds which provide water and sewer services. Segment information for the year ended December 31, 2012 is as follows:

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 1,978,976	2,899,760	4,878,736
Expenses:			
Operations and maintenance	1,385,504	1,788,907	3,174,411
Depreciation expense	810,724	1,243,967	2,054,691
Taxes	1,552	-	1,552
Net operating loss	(218,804)	(133,114)	(351,918)

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(5) Other Information - Continued

E. Segment Information - continued

	Total Water and Sewer
Non-operating income:	
Interest income	\$ 154,157
Non-operating expenses:	
Interest expense and fiscal fees	211,648
Loss on disposal of fixed assets	2,504
Grants and contributions	1,816,417
Transfers to City:	
Property tax equivalent	572,499
Assets:	
Current assets	7,266,120
Capital assets, net of depreciation	69,119,787
Other assets	5,624,934
Total assets	82,010,841
Liabilities:	
Current liabilities	2,581,363
Long-term liabilities	3,268,167
Other liabilities	1,407,076
Total liabilities	7,256,606
Net position:	
January 1, 2012	73,877,230
Change in net position	877,005
December 31, 2012:	
Invested in capital assets, net of related debt	65,131,008
Restricted for debt service	3,476,795
Unrestricted	6,146,432
Net cash provided (used) by:	
Operating activities	1,641,041
Capital and related financing activities	(1,483,426)
Investing activities	313,746
Cash and cash equivalents:	
January 1, 2012	5,475,738
December 31, 2012	5,947,099

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, 2012 the Net OPEB obligation is \$685,260 which is equal to the ARC.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(5) Other Information - Continued

F. Other Postemployment Benefits - continued

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, 2012, the most recent actuarial valuation date, was as follows:

Unfunded Actuarial Accrued Liability (UAAL)	\$ <u>1,015,642</u>
Covered payroll (active plan members)	\$ <u>3,429,025</u>
UAAL as a percentage of covered payroll	<u>30 %</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, 2012, was 26 years.

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, 2012 the total liability for health care related termination benefits is \$23,629. 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 28, 2013, the date the financial statements were available to be issued. There were no subsequent events that required recognition or disclosure.

SUPPORTING SCHEDULES

CITY OF PEWAUKEE
Non-Major Governmental Funds

COMBINING BALANCE SHEET

December 31, 2012

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Non-Major Funds</u>
Assets:				
Cash and cash equivalents	\$ 982,751	1,159,005	64,323	2,206,079
Receivables:				
Current taxes	-	332,692	-	332,692
Accounts	<u>26,183</u>	<u>-</u>	<u>-</u>	<u>26,183</u>
Total assets	<u>\$ 1,008,934</u>	<u>1,491,697</u>	<u>64,323</u>	<u>2,564,954</u>
Liabilities and Fund Balance:				
Liabilities:				
Accounts payable	\$ 86,367	9,123	-	95,490
Construction contracts payable	-	766	-	766
Deferred revenues	<u>16,227</u>	<u>635,000</u>	<u>-</u>	<u>651,227</u>
Total liabilities	<u>102,594</u>	<u>644,889</u>	<u>-</u>	<u>747,483</u>
Fund Balance:				
Nonspendable	-	-	64,323	64,323
Restricted	846,191	-	-	846,191
Committed	43,367	335,000	-	378,367
Assigned	<u>16,782</u>	<u>511,808</u>	<u>-</u>	<u>528,590</u>
Total fund balance	<u>906,340</u>	<u>846,808</u>	<u>64,323</u>	<u>1,817,471</u>
Total liabilities and fund balance	<u>\$ 1,008,934</u>	<u>1,491,697</u>	<u>64,323</u>	<u>2,564,954</u>

CITY OF PEWAUKEE
Non-Major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2012

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Non-Major Funds</u>
Revenues:				
Taxes	\$ 464,671	735,000	-	1,199,671
Intergovernmental	5,279	51,300	-	56,579
Charges for services	140,404	-	871	141,275
Interest	1,576	1,533	-	3,109
Total revenues	<u>611,930</u>	<u>787,833</u>	<u>871</u>	<u>1,400,634</u>
Expenditures:				
Current:				
Health and sanitation	6,669	-	-	6,669
Economic development	365,550	-	-	365,550
Capital outlay	5,279	631,785	-	637,064
Total expenditures	<u>377,498</u>	<u>631,785</u>	<u>-</u>	<u>1,009,283</u>
Excess of revenues over expenditures	234,432	156,048	871	391,351
Other financing uses:				
Transfers out	<u>(815,317)</u>	<u>-</u>	<u>-</u>	<u>(815,317)</u>
Excess (deficiency) of revenues over expenditures and other financing uses	(580,885)	156,048	871	(423,966)
Fund balance, January 1	<u>1,487,225</u>	<u>690,760</u>	<u>63,452</u>	<u>2,241,437</u>
Fund balance, December 31	<u>\$ 906,340</u>	<u>846,808</u>	<u>64,323</u>	<u>1,817,471</u>

CITY OF PEWAUKEE
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
Taxes:			
General property	\$ 5,430,911	5,430,911	-
Public accommodation	199,145	210,000	(10,855)
Other	9,961	-	9,961
	<u>5,640,017</u>	<u>5,640,911</u>	<u>(894)</u>
Intergovernmental:			
State shared revenues	622,920	643,204	(20,284)
Exempt computer aids	76,624	74,000	2,624
Fire insurance dues	83,941	76,000	7,941
Transportation aids	405,516	403,261	2,255
Lake patrol reimbursements	13,311	14,151	(840)
Tank inspection aids	8,624	8,500	124
Fire ACT grant	4,863	-	4,863
County recycling aids	62,242	50,000	12,242
Other	4	-	4
	<u>1,278,045</u>	<u>1,269,116</u>	<u>8,929</u>
Regulation and compliance:			
Licenses:			
Liquor class A	238	600	(362)
Liquor class B	14,782	12,600	2,182
Special class B licenses	10	10	-
Operator	5,576	5,000	576
Cigarette	1,000	800	200
Amusement	1,060	1,000	60
Hotel and motel	75	75	-
Dog and kennel	3,926	5,000	(1,074)
Permits:			
Building	442,096	310,000	132,096
Electrical	107,418	73,000	34,418
Plumbing	107,898	60,000	47,898

CITY OF PEWAUKEE
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
Regulation and compliance - continued:			
Permits - continued:			
Erosion	\$ 110,682	45,200	65,482
State code stamps	3,800	1,500	2,300
Sign	4,434	2,000	2,434
Street opening	6,250	2,000	4,250
Fire inspection - commercial buildings	150,266	150,000	266
Other	1,225	1,300	(75)
Fines:			
Court	564,718	413,000	151,718
Cable TV franchise	134,595	124,000	10,595
	<u>1,660,049</u>	<u>1,207,085</u>	<u>452,964</u>
Charges for services:			
Publication fees	1,268	1,500	(232)
Copies	355	500	(145)
Administrative fees	855	-	855
Planning and zoning fees	8,750	2,400	6,350
Certified survey maps and plat review fees	2,725	1,800	925
Legal review fees	14,610	30,000	(15,390)
Engineering review fees	60,431	51,000	9,431
Refuse collection	831,431	800,000	31,431
House numbers	1,416	500	916
Highway materials and services	1,046	1,550	(504)
Weed cutting	588	1,000	(412)
Culverts	150	5,000	(4,850)
Police sales and copies	38	500	(462)
Boat launch fees	7,479	9,000	(1,521)
Fire runs	10,289	4,000	6,289
Fire inspections	71,332	60,000	11,332
Ambulance runs	407,280	400,000	7,280

CITY OF PEWAUKEE
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
Charges for services - continued:			
Police services	\$ 4,855	4,000	855
Fire and ambulance services	1,210,156	900,000	310,156
Private fire protection plan	4,350	2,000	2,350
Management services	50,000	50,000	-
SEWRPC services	12,367	12,300	67
Building inspection contract	135,632	60,000	75,632
Park equipment usage fees	6,270	8,000	(1,730)
Park and recreation contracts	<u>196,966</u>	<u>210,000</u>	<u>(13,034)</u>
	<u>3,040,639</u>	<u>2,615,050</u>	<u>425,589</u>
Recreation:			
Program fees	140,868	140,000	868
Field trips	14,569	20,000	(5,431)
Club use fees	18,997	15,000	3,997
Reservation fees	44,964	25,000	19,964
WPRA ticket sales	<u>6,993</u>	<u>6,000</u>	<u>993</u>
	<u>226,391</u>	<u>206,000</u>	<u>20,391</u>
Interest:			
Investments	11,925	25,000	(13,075)
Other	<u>7,265</u>	<u>-</u>	<u>7,265</u>
	<u>19,190</u>	<u>25,000</u>	<u>(5,810)</u>
Miscellaneous:			
Rent:			
Water and sewer utility	34,000	34,000	-
Other	4,618	5,000	(382)
Recycling	7,367	6,000	1,367
Sale of assets	57,000	15,000	42,000
Credit card rebate	4,065	-	4,065
Gifts and donations	4,401	-	4,401
Insurance dividend	-	20,000	(20,000)
Other	<u>4,357</u>	<u>900</u>	<u>3,457</u>
	<u>115,808</u>	<u>80,900</u>	<u>34,908</u>
Total revenues	<u>\$ 11,980,139</u>	<u>11,044,062</u>	<u>936,077</u>

CITY OF PEWAUKEE
General Fund

STATEMENT OF EXPENDITURES COMPARED TO BUDGET

Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
General government:			
Mayor	\$ 9,624	9,624	-
Common council	44,960	51,803	6,843
Police and fire commission	80	450	370
Public works commission	180	700	520
Administration	169,674	173,467	3,793
Human resources	78,276	78,276	-
Clerk/ treasurer	309,050	374,709	65,659
Assessor	122,914	196,859	73,945
Board of review	564	1,600	1,036
Outside services	251,182	251,384	202
Elections	54,868	54,868	-
Facilities	238,685	294,686	56,001
Information technology	212,816	233,220	20,404
Insurance	82,574	120,470	37,896
Plan commission	76,056	76,056	-
Board of appeals	598	1,850	1,252
	<u>1,652,101</u>	<u>1,920,022</u>	<u>267,921</u>
Public safety and judicial:			
Municipal court	108,950	115,268	6,318
Law enforcement	2,293,857	2,342,678	48,821
Fire and rescue	3,147,954	3,147,954	-
Building services	340,041	384,336	44,295
	<u>5,890,802</u>	<u>5,990,236</u>	<u>99,434</u>
Health and sanitation:			
Animal control	6,699	7,000	301
Weed, lake and wetlands	101,640	101,640	-
Refuse collection and recycling	873,632	873,632	-
	<u>981,971</u>	<u>982,272</u>	<u>301</u>
Public works:			
Engineering	293,859	293,859	-
Safety program	3,581	5,300	1,719
Highway and transportation	807,123	810,867	3,744
	<u>1,104,563</u>	<u>1,110,026</u>	<u>5,463</u>

CITY OF PEWAUKEE
General Fund

STATEMENT OF EXPENDITURES COMPARED TO BUDGET

Year Ended December 31, 2012

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
Culture and recreation:			
Library	\$ 661,823	661,823	-
Parks	473,462	522,626	49,164
Recreation	394,410	409,272	14,862
	<u>1,529,695</u>	<u>1,593,721</u>	<u>64,026</u>
Unclassified:			
Contingency	<u>455,981</u>	<u>455,981</u>	-
Total expenditures	\$ <u><u>11,615,113</u></u>	<u><u>12,052,258</u></u>	<u><u>437,145</u></u>

CITY OF PEWAUKEE
Non-Major Special Revenue Funds

COMBINING BALANCE SHEET

December 31, 2012

	<u>Park Dedication</u>	<u>Impact Fee</u>	<u>Tourism and Convention</u>	<u>Green Space Facilities</u>	<u>Public Safety Grants</u>	<u>Cemetery</u>	<u>Total</u>
Assets:							
Cash and cash equivalents	\$ 158,582	117,841	628,824	16,782	16,227	44,495	982,751
Accounts receivable	<u>-</u>	<u>-</u>	<u>26,183</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,183</u>
Total assets	<u>\$ 158,582</u>	<u>117,841</u>	<u>655,007</u>	<u>16,782</u>	<u>16,227</u>	<u>44,495</u>	<u>1,008,934</u>
Liabilities and Fund Balance:							
Liabilities:							
Accounts payable	\$ -	239	85,000	-	-	1,128	86,367
Deferred revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,227</u>	<u>-</u>	<u>16,227</u>
Total liabilities	<u>-</u>	<u>239</u>	<u>85,000</u>	<u>-</u>	<u>16,227</u>	<u>1,128</u>	<u>102,594</u>
Fund balance:							
Restricted	158,582	117,602	570,007	-	-	-	846,191
Committed	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>43,367</u>	<u>43,367</u>
Assigned	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,782</u>	<u>-</u>	<u>-</u>	<u>16,782</u>
Total fund balance	<u>158,582</u>	<u>117,602</u>	<u>570,007</u>	<u>16,782</u>	<u>-</u>	<u>43,367</u>	<u>906,340</u>
Total liabilities and fund balance	<u>\$ 158,582</u>	<u>117,841</u>	<u>655,007</u>	<u>16,782</u>	<u>16,227</u>	<u>44,495</u>	<u>1,008,934</u>

CITY OF PEWAUKEE
Non-Major Special Revenue Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2012

	Park Dedication	Impact Fee	Tourism and Convention	Green Space Facilities	Public Safety Grants	Cemetery	Total
Revenues:							
Public accommodation tax	\$ -	-	464,671	-	-	-	464,671
Intergovernmental:							
State EMS grant	-	-	-	-	5,279	-	5,279
Charges for services:							
Lot fee in lieu of land dedication	3,600	-	-	-	-	-	3,600
Impact fees	-	132,375	-	-	-	-	132,375
Interment fees	-	-	-	-	-	4,000	4,000
Lot sales	-	-	-	-	-	429	429
Interest earnings	192	585	676	22	-	101	1,576
Total revenues	<u>3,792</u>	<u>132,960</u>	<u>465,347</u>	<u>22</u>	<u>5,279</u>	<u>4,530</u>	<u>611,930</u>
Expenditures:							
Health and sanitation	-	-	-	-	-	6,669	6,669
Economic development	-	-	365,550	-	-	-	365,550
Capital outlay	-	-	-	-	5,279	-	5,279
Total expenditures	<u>-</u>	<u>-</u>	<u>365,550</u>	<u>-</u>	<u>5,279</u>	<u>6,669</u>	<u>377,498</u>
Excess (deficiency) of revenues over expenditures	3,792	132,960	99,797	22	-	(2,139)	234,432
Other financing uses:							
Transfer to other funds	<u>-</u>	<u>(814,873)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(444)</u>	<u>(815,317)</u>
Excess (deficiency) of revenues over expenditures and other financing uses	3,792	(681,913)	99,797	22	-	(2,583)	(580,885)
Fund balance, January 1	<u>154,790</u>	<u>799,515</u>	<u>470,210</u>	<u>16,760</u>	<u>-</u>	<u>45,950</u>	<u>1,487,225</u>
Fund balance, December 31	<u>\$ <u>158,582</u></u>	<u><u>117,602</u></u>	<u><u>570,007</u></u>	<u><u>16,782</u></u>	<u><u>-</u></u>	<u><u>43,367</u></u>	<u><u>906,340</u></u>

CITY OF PEWAUKEE
Special Revenue Funds

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

Year Ended December 31, 2012

	Park Dedication		Impact Fee		Tourism and Convention		Green Space		Cemetery		Total	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Revenues:												
Public accommodation tax	\$ -	-	-	-	464,671	490,000	-	-	-	-	464,671	490,000
Charges for services:												
In lieu of land dedications	3,600	6,000	-	-	-	-	-	-	-	-	3,600	6,000
Impact fees	-	-	132,375	45,000	-	-	-	-	-	-	132,375	45,000
Interment fees	-	-	-	-	-	-	-	-	4,000	2,500	4,000	2,500
Lot sales	-	-	-	-	-	-	-	-	429	646	429	646
Interest earnings	192	10	585	1,500	676	700	22	-	101	200	1,576	2,410
Total revenues	<u>3,792</u>	<u>6,010</u>	<u>132,960</u>	<u>46,500</u>	<u>465,347</u>	<u>490,700</u>	<u>22</u>	<u>-</u>	<u>4,530</u>	<u>3,346</u>	<u>606,651</u>	<u>546,556</u>
Expenditures:												
Economic development	-	-	-	-	365,550	389,800	-	-	-	-	365,550	389,800
Health and sanitation	-	-	-	-	-	-	-	-	6,669	24,000	6,669	24,000
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>365,550</u>	<u>389,800</u>	<u>-</u>	<u>-</u>	<u>6,669</u>	<u>24,000</u>	<u>372,219</u>	<u>413,800</u>
Excess (deficiency) of revenues over expenditures	3,792	6,010	132,960	46,500	99,797	100,900	22	-	(2,139)	(20,654)	234,432	132,756
Other financing uses:												
Transfer to other funds	<u>-</u>	<u>-</u>	<u>(814,873)</u>	<u>(814,783)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(444)</u>	<u>(500)</u>	<u>(815,317)</u>	<u>(815,227)</u>
Excess (deficiency) of revenues over expenditures and other financing uses	<u>3,792</u>	<u>6,010</u>	<u>(681,913)</u>	<u>(768,283)</u>	<u>99,797</u>	<u>100,900</u>	<u>22</u>	<u>-</u>	<u>(2,583)</u>	<u>(21,154)</u>	<u>(580,885)</u>	<u>(682,471)</u>
Fund balance, January 1	<u>154,790</u>		<u>799,515</u>		<u>470,210</u>		<u>16,760</u>		<u>45,950</u>		<u>1,487,225</u>	
Fund balance, December 31	<u>\$ 158,582</u>		<u>117,602</u>		<u>570,007</u>		<u>16,782</u>		<u>43,367</u>		<u>906,340</u>	

CITY OF PEWAUKEE
Storm Water Management Fund

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

Year Ended December 31, 2012

	Actual	Budget	Variance: Favorable (Unfavorable)
Revenues:			
Charges for services	\$ 1,437,099	1,427,500	9,599
Interest earnings	2,485	100	2,385
Total revenues	1,439,584	1,427,600	11,984
Expenditures:			
Administration	145,798	272,162	126,364
Storm water maintenance	10,221	130,804	120,583
Ditch and culvert maintenance	64,292	122,782	58,490
Yard maintenance	78	10,239	10,161
Street sweeping	15,805	40,678	24,873
Catch basin maintenance	41,496	63,211	21,715
Permit compliance	14,221	118,762	104,541
Capital outlay:			
Equipment	7,220	8,000	780
Infrastructure improvements	682,861	1,139,152	456,291
Total expenditures	981,992	1,905,790	923,798
Excess (deficiency) of revenues over expenditures	457,592	(478,190)	935,782
Other financing sources (uses):			
Transfer from general fund	12,348	12,650	(302)
Transfer from cemetery fund	444	500	(56)
Transfer to debt service	(54,169)	(54,169)	-
Face amount of long-term debt	-	220,000	(220,000)
Total other financing sources (uses)	(41,377)	178,981	(220,358)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources (uses)	416,215	(299,209)	715,424
Fund balance, January 1	605,800		
Fund balance, December 31	\$ 1,022,015		

CITY OF PEWAUKEE
Debt Service Fund

BALANCE SHEET

December 31, 2012

Assets:	
Cash and temporary investments	\$ 1,153,345
Receivables:	
Taxes	835,373
Special assessments	<u>494,834</u>
Total assets	\$ <u><u>2,483,552</u></u>
Liabilities and Fund Balance:	
Liabilities:	
Deferred revenues:	
Current tax levy	\$ 1,600,214
Long-term special assessments	<u>494,834</u>
Total liabilities	<u>2,095,048</u>
Fund balance:	
Assigned	<u>388,504</u>
Total liabilities and fund balance	\$ <u><u>2,483,552</u></u>

CITY OF PEWAUKEE
Debt Service Fund

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

Year Ended December 31, 2012

	Actual	Budget	Variance: Favorable (Unfavorable)
Revenues:			
Taxes:			
General tax levy	\$ 1,350,000	1,350,000	-
Special assessments	276,389	150,000	126,389
Build America bond rebate	25,574	25,573	1
Interest earnings	496	500	(4)
Total revenues	1,652,459	1,526,073	126,386
Expenditures:			
Unclassified:			
Refunding bond issue costs	38,280	38,280	-
Debt service:			
Principal	1,338,613	1,338,613	-
Interest	307,069	344,192	37,123
Total expenditures	1,683,962	1,721,085	37,123
Excess (deficiency) of revenues over expenditures	(31,503)	(195,012)	163,509
Other financing sources (uses):			
Transfer from storm water management	54,169	54,169	-
Face amount of refunding bonds	3,040,788	3,040,788	-
Refunding bond discount	(26,831)	(26,831)	-
Payment to refunded bond escrow agent	(3,022,994)	(3,022,994)	-
Total other financing sources (uses)	45,132	45,132	-
Excess (deficiency) of revenues and other sources over expenditures and other uses	13,629	(149,880)	163,509
Fund balance, January 1	374,875		
Fund balance, December 31	\$ 388,504		

CITY OF PEWAUKEE
Non-Major Capital Projects Funds

COMBINING BALANCE SHEET

December 31, 2012

	<u>Sports Complex</u>	<u>Capital Equipment</u>	<u>Total</u>
Assets:			
Cash and temporary investments	\$ 292,789	866,216	1,159,005
Taxes receivable	<u>-</u>	<u>332,692</u>	<u>332,692</u>
 Total assets	 <u>\$ 292,789</u>	 <u>1,198,908</u>	 <u>1,491,697</u>
 Liabilities and Fund Balance:			
Liabilities:			
Accounts payable	\$ -	9,123	9,123
Construction contracts payable	-	766	766
Deferred revenues	<u>-</u>	<u>635,000</u>	<u>635,000</u>
Total liabilities	<u>-</u>	<u>644,889</u>	<u>644,889</u>
 Fund balance:			
Committed	-	335,000	335,000
Assigned	<u>292,789</u>	<u>219,019</u>	<u>511,808</u>
Total fund balance	<u>292,789</u>	<u>554,019</u>	<u>846,808</u>
 Total liabilities and fund balance	 <u>\$ 292,789</u>	 <u>1,198,908</u>	 <u>1,491,697</u>

CITY OF PEWAUKEE
Non-Major Capital Projects Funds

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

Year Ended December 31, 2012

	<u>Sports Complex</u>		<u>Capital Equipment</u>		<u>Total</u>	
	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>	<u>Actual</u>	<u>Budget</u>
Revenues:						
Taxes:						
General property	\$ -	-	735,000	735,000	735,000	735,000
Intergovernmental	-	-	51,300	-	51,300	-
Interest earnings	385	1,050	1,148	-	1,533	1,050
Total revenues	<u>385</u>	<u>1,050</u>	<u>787,448</u>	<u>735,000</u>	<u>787,833</u>	<u>736,050</u>
Expenditures:						
Capital outlays	<u>7,050</u>	<u>7,050</u>	<u>624,735</u>	<u>774,700</u>	<u>631,785</u>	<u>781,750</u>
Total expenditures	<u>7,050</u>	<u>7,050</u>	<u>624,735</u>	<u>774,700</u>	<u>631,785</u>	<u>781,750</u>
Excess (deficiency) of revenues over expenditures	(6,665)	<u>(6,000)</u>	162,713	<u>(39,700)</u>	156,048	<u>(45,700)</u>
Fund balance, January 1	<u>299,454</u>		<u>391,306</u>		<u>690,760</u>	
Fund balance, December 31	<u>\$ 292,789</u>		<u>554,019</u>		<u>846,808</u>	

CITY OF PEWAUKEE
Road Construction Fund

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

Year Ended December 31, 2012

	Actual	Budget	Variance: Favorable (Unfavorable)
Revenues:			
Taxes:			
General property	\$ 34,855	34,855	-
Developer contribution	98,606	-	98,606
Interest earnings	7,076	5,000	2,076
Total revenues	140,537	39,855	100,682
Expenditures:			
Capital outlays:			
Road construction	979,280	2,710,012	1,730,732
Total expenditures	979,280	2,710,012	1,730,732
Excess (deficiency) of revenues over expenditures	(838,743)	(2,670,157)	1,831,414
Other financing sources:			
Transfer from other funds	823,129	823,041	88
Excess (deficiency) of revenues and other financing sources over expenditures	(15,614)	(1,847,116)	1,831,502
Fund balance, January 1	5,861,245		
Fund balance, December 31	\$ 5,845,631		

CITY OF PEWAUKEE
Permanent Fund - Cemetery Perpetual Care

STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE

Year Ended December 31, 2012

Revenues:		
Charges for services:		
Perpetual care	\$	871
Expenditures:		
Unclassified:		<u>-</u>
Excess of revenues over expenditures		871
Fund balance, January 1		<u>63,452</u>
Fund balance, December 31	\$	<u><u>64,323</u></u>

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

COMPARATIVE STATEMENTS OF POSITION

December 31, 2012 and 2011

	2012	2011
Assets:		
Current assets:		
Cash and cash equivalents	\$ 2,470,304	2,160,965
Investments	259,386	513,747
Receivables:		
Accounts	889,175	936,210
Special assessments	126,562	171,707
Intergovernmental	26,050	25,355
Accrued interest	235	631
Other	11,552	17,070
Developers	-	97,581
Inventory of supplies	6,061	5,777
Restricted assets:		
Debt retirement assets:		
Cash and cash equivalents	3,476,795	3,314,773
Total current assets	7,266,120	7,243,816
Fixed assets:		
Land	530,387	370,387
Construction in progress	716,111	1,673,220
Buildings	8,650,950	7,812,727
Improvements other than buildings	84,456,742	82,696,853
Furniture and equipment	952,234	896,398
	95,306,424	93,449,585
Less: Accumulated depreciation	26,186,637	24,374,465
Net fixed assets	69,119,787	69,075,120
Other assets:		
Long-term portion of special assessments receivable	5,612,313	5,542,974
Deferred expenses	12,621	-
Total other assets	5,624,934	5,542,974
Total assets	\$ 82,010,841	81,861,910

CITY OF PEWAUKEE
 Enterprise Funds
 Water and Sewer Utility

COMPARATIVE STATEMENTS OF POSITION

December 31, 2012 and 2011

	2012	2011
Liabilities and Net Position:		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 755,452	390,740
Due to general fund	718,365	684,757
Construction contracts payable	181,042	561,930
Customer advances on construction	58,555	58,552
Accrued interest on long-term debt	17,352	20,655
Current portion of long-term debt	850,597	809,937
Total current liabilities	2,581,363	2,526,571
Long-term liabilities (net of current portion):		
General obligation debt	1,431,212	1,533,178
Sewerage system revenue bonds	1,706,970	2,240,982
Construction contracts payable	50,740	50,740
Accrued post retirement benefits	79,245	63,372
Other liabilities:		
Deferred assessments due to developers	1,407,076	1,569,837
Total liabilities	7,256,606	7,984,680
Net position:		
Net investment in capital assets	65,131,008	64,491,023
Restricted for debt service	3,476,795	3,314,773
Unrestricted	6,146,432	6,071,434
Total net position	74,754,235	73,877,230
Total liabilities and net position	\$ 82,010,841	81,861,910

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

Years Ended December 31, 2012 and 2011

	2012			2011
	Water	Sewer	Combined	Combined
Operating revenues	\$ 1,978,976	2,899,760	4,878,736	4,680,926
Operating expenses:				
Operation and maintenance	1,385,504	1,788,907	3,174,411	2,318,533
Depreciation	810,724	1,243,967	2,054,691	2,000,398
Taxes	1,552	-	1,552	2,110
Total operating expenses	2,197,780	3,032,874	5,230,654	4,321,041
Operating income (loss)	\$ (218,804)	(133,114)	(351,918)	359,885
Non-operating revenues (expenses):				
Interest income			154,157	167,010
Interest expense and fiscal fees			(211,648)	(160,302)
Gain (loss) on the disposal of fixed assets			(2,504)	7,047
Amortization of deferred refunding costs			-	4,358
Total non-operating revenues (expenses)			(59,995)	18,113
Income (loss) before contributions and transfers			(411,913)	377,998
Grants and contributions			1,816,417	1,667,182
Loss on transfer of assets to Lake Pewaukee Sanitary District			-	(748,798)
Transfers out			(527,499)	(472,467)
Change in net position			877,005	823,915
Total net position, January 1			73,877,230	73,053,315
Total net position, December 31			\$ 74,754,235	73,877,230

CITY OF PEWAUKEE
Enterprise Fund
Water Utility

COMPARATIVE STATEMENTS OF OPERATING INCOME AND EXPENSES

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Sale of water:		
Residential	\$ 817,387	718,091
Commercial	457,647	431,176
Industrial	79,678	72,199
Public authorities	<u>3,492</u>	<u>3,352</u>
	1,358,204	1,224,818
Public fire protection	542,980	546,157
Private fire protection	61,609	62,254
Customer's forfeited discounts	10,800	8,869
Other revenue	<u>5,383</u>	<u>3,863</u>
Total operating revenues	<u>1,978,976</u>	<u>1,845,961</u>
Operating expenses:		
Plant operation and maintenance:		
Salaries and wages	128,944	157,018
Transportation expense	23,105	22,002
Power purchased for pumping	255,864	239,552
Chemicals	115,261	99,030
Operating supplies	43,283	52,120
Repairs of water plant	<u>473,680</u>	<u>68,346</u>
	<u>1,040,137</u>	<u>638,068</u>
General operating expenses:		
Administrative salaries	122,762	97,657
Office supplies and expenses	19,328	21,442
Outside services employed	68,712	58,507
Insurance	12,619	11,538
Employee benefits	103,261	86,338
Other general expenses	<u>18,685</u>	<u>20,604</u>
	<u>345,367</u>	<u>296,086</u>
Total operation and maintenance expenses	1,385,504	934,154
Depreciation	810,724	776,677
Taxes	<u>1,552</u>	<u>2,110</u>
Total operating expenses	<u>2,197,780</u>	<u>1,712,941</u>
Net operating income (loss)	\$ <u><u>(218,804)</u></u>	<u><u>133,020</u></u>

CITY OF PEWAUKEE
Enterprise Fund
Sewer Utility

COMPARATIVE STATEMENTS OF OPERATING INCOME AND EXPENSES

Years Ended December 31, 2012 and 2011

	<u>2012</u>	<u>2011</u>
Operating revenues:		
Sewer service charges:		
Residential	\$ 1,605,287	1,573,854
Commercial	1,114,565	1,087,493
Industrial	148,438	139,886
Public authorities	8,270	8,110
Other revenue	<u>23,200</u>	<u>25,622</u>
Total operating revenues	<u>2,899,760</u>	<u>2,834,965</u>
Operating expenses:		
Plant operation and maintenance:		
Sewage treatment charges	1,314,501	944,491
Salaries and wages	40,450	60,961
Power purchased for pumping	38,329	38,312
Supplies and expenses	8,543	9,824
Maintenance	<u>104,182</u>	<u>90,373</u>
	<u>1,506,005</u>	<u>1,143,961</u>
General operating expenses:		
Administrative salaries	122,763	97,657
Office supplies and expenses	19,328	21,442
Outside services employed	54,518	43,971
Insurance	12,619	11,538
Employee benefits	54,989	45,206
Other general expenses	<u>18,685</u>	<u>20,604</u>
	<u>282,902</u>	<u>240,418</u>
Total operation and maintenance expenses	1,788,907	1,384,379
Depreciation	<u>1,243,967</u>	<u>1,223,721</u>
Total operating expenses	<u>3,032,874</u>	<u>2,608,100</u>
Net operating income (loss)	\$ <u>(133,114)</u>	<u>226,865</u>

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

COMPARATIVE STATEMENTS OF CASH FLOWS

Years Ended December 31, 2012 and 2011

	2012	2011
Cash flows from operating activities:		
Receipts from customers	\$ 4,930,594	4,730,748
Payments for interfund services - net	(493,891)	(696,236)
Payments to suppliers	(2,238,366)	(1,742,955)
Payments to employees	(557,296)	(553,444)
Net cash provided by operating activities	1,641,041	1,738,113
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(1,835,333)	(2,230,926)
Proceeds from disposals of fixed assets	-	7,047
Reserve capacity assessments received	889,201	811,531
Proceeds of long-term debt	972,859	296,636
Long-term debt retirements	(1,568,177)	(1,127,922)
Collection of special assessments, net	272,972	542,394
Developer advances on construction, net	3	-
Interest and fiscal charges paid on bonds and notes payable	(214,951)	(168,569)
Net cash used by capital and related financing activities	(1,483,426)	(1,869,809)
Cash flows from investing activities:		
Interest received on cash and investments	59,385	79,696
Maturities of securities	770,437	508,075
Purchases of securities	(516,076)	(513,747)
Net cash provided by investing activities	313,746	74,024
Net increase (decrease) in cash and cash equivalents	471,361	(57,672)
Cash and cash equivalents, January 1	5,475,738	5,533,410
Cash and cash equivalents, December 31	\$ 5,947,099	5,475,738
Reconciliation of cash and cash equivalents to the Statement of Net Position		
Unrestricted	\$ 2,470,304	2,160,965
Restricted - Debt retirement	3,476,795	3,314,773
	\$ 5,947,099	5,475,738
Reconciliation of operating income (loss) to net cash provided by operating activities:		
Operating income (loss)	\$ (351,918)	359,885
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:		
Depreciation	2,054,691	2,000,398
Changes in assets and liabilities:		
Accounts receivable, net	51,858	49,822
Inventory of supplies	(284)	(67)
Accounts payable and accrued expenses	(113,306)	(671,925)
Net cash provided by operating activities	\$ 1,641,041	1,738,113
Schedule of non-cash activities:		
Plant assets contributed by developers	\$ 562,457	141,731

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

ANALYSIS OF UTILITY PLANT IN SERVICE

Years Ended December 31, 2012 and 2011

	Utility Plant				% Rate	Accumulated Depreciation			
	Balance Dec. 31, 2011	Additions	Disposals	Balance Dec. 31, 2012		Balance Dec. 31, 2011	Additions	Disposals	Balance Dec. 31, 2012
Water Utility:									
Source of supply plant:									
Wells and springs	\$ 1,634,640	304,648	-	1,939,288	2.90	624,369	51,822	-	676,191
Supply mains	176,607	-	-	176,607	1.80	62,758	3,179	-	65,937
Pumping plant:									
Land	370,387	160,000	-	530,387	-	-	-	-	-
Structures and improvements	4,343,286	495,450	-	4,838,736	3.20	1,560,740	146,912	-	1,707,652
Electric pumping equipment	908,675	160,413	-	1,069,088	4.40	247,145	43,511	-	290,656
Other pumping equipment	149,569	-	-	149,569	4.40	113,808	6,581	-	120,389
Water treatment plant	340,980	-	-	340,980	6.00	117,903	20,459	-	138,362
Transmission and distribution plant:									
Distribution reservoirs and standpipes	1,428,254	-	-	1,428,254	1.90	557,747	27,137	-	584,884
Transmission and distribution mains	21,336,529	301,530	1,800	21,636,259	1.30	3,164,682	279,335	1,800	3,442,217
Services	3,135,138	50,545	-	3,185,683	2.90	1,072,680	91,652	-	1,164,332
Meters	478,451	263,636	237,223	504,864	12.50	468,463	26,465	237,223	257,705
Hydrants	2,642,032	86,680	6,000	2,722,712	2.20	659,183	59,078	3,496	714,765
General plant:									
Transportation equipment	183,755	36,114	-	219,869	13.30	142,601	26,841	-	169,442
Office furniture and equipment	112,163	16,439	-	128,602	Var.	94,174	3,454	-	97,628
Other general equipment	304,268	-	-	304,268	Var.	179,977	24,298	-	204,275
Power operating equipment	175	-	-	175	7.50	175	-	-	175
	<u>37,544,909</u>	<u>1,875,455</u>	<u>245,023</u>	<u>39,175,341</u>		<u>9,066,405</u>	<u>810,724</u>	<u>242,519</u>	<u>9,634,610</u>
Sewer Utility:									
Buildings and structures	3,469,441	342,773	-	3,812,214	2.00	582,639	72,817	-	655,456
Collection sewers	29,572,116	328,936	-	29,901,052	1.00	3,831,888	297,365	-	4,129,253
Force mains	2,094,299	-	-	2,094,299	3.33	508,882	69,740	-	578,622
Services	4,146,398	77,730	-	4,224,128	1.00	512,064	41,853	-	553,917
Pumping equipment	3,629,316	292,148	-	3,921,464	5.00	1,521,267	188,770	-	1,710,037
Other equipment	296,037	3,283	-	299,320	Var.	223,625	18,764	-	242,389
Treatment plant	11,023,849	138,646	-	11,162,495	5.00	8,127,695	554,658	-	8,682,353
	<u>54,231,456</u>	<u>1,183,516</u>	<u>-</u>	<u>55,414,972</u>		<u>15,308,060</u>	<u>1,243,967</u>	<u>-</u>	<u>16,552,027</u>
Construction in progress	<u>1,673,220</u>	<u>-</u>	<u>957,109</u>	<u>716,111</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>93,449,585</u>	<u>3,058,971</u>	<u>1,202,132</u>	<u>95,306,424</u>		<u>24,374,465</u>	<u>2,054,691</u>	<u>242,519</u>	<u>26,186,637</u>