

CITY OF PEWAUKEE

FINANCIAL STATEMENTS
YEAR ENDED DECEMBER 31, 2014

CITY OF PEWAUKEE
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December 31, 2014

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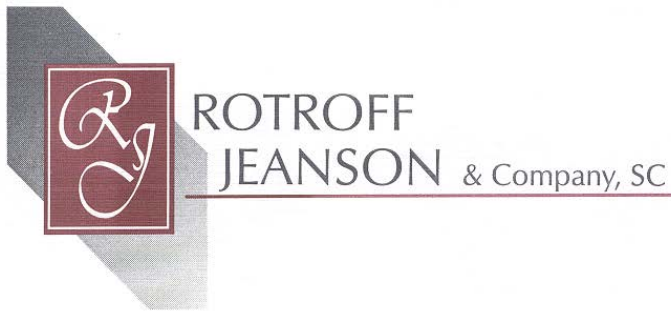
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Certified Public Accountants & Consultants

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, 2014, and the related notes to the financial statements, 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 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, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the budgetary comparison for the general fund and the storm water management fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

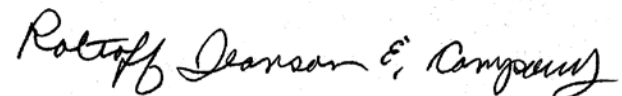
Required Supplementary Information

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 basic 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 combining and individual fund financial statements, business-type activities statements, and statistical section are fairly stated, in all material respects, in relation to the basic financial statements as a whole.



Delafield, Wisconsin
May 26, 2015



The City in the Country

Office of the Mayor

W240 N3065 Pewaukee Road
 Pewaukee, Wisconsin 53072
 Phone (262) 691-0770 Fax (262) 691-1798

MANAGEMENT'S DISCUSSION AND ANALYSIS

December 31, 2014

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, 2014. 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 and deferred inflows of resources at the close of the most recent fiscal year by \$127,103,904 (net position). Of this amount, \$100,707,392 relates to the net investment in capital assets. \$7,513,311 is restricted for debt service, capital projects and other various purposes. \$18,883,201 is considered unrestricted and available to meet the government's ongoing obligations to citizens and creditors.

During 2014 the City's net position increased by \$7,144,408 or 5.9%. The City's governmental activities increased \$4,779,911 while the business-type activities increased by \$2,364,497.

At December 31, 2014, the City's governmental funds reported combined ending fund balances of \$14,740,065, a decrease of \$234,204 from the previous year. The Storm Water Management Fund comprised \$3,148,696 or 21% of the combined fund balances, of which \$1,304,576 remains from the prior year borrowings and is, therefore, considered restricted. The Road Construction Fund comprised \$2,061,693, or 14% of the combined fund balances. Additional restricted funds from various special revenue funds totaled \$1,092,499.

The Common Council adopted resolutions and ordinances committing \$4,002,903 for future capital projects of which \$1,844,120 is for future storm water management, \$977,631 for public safety capital equipment, \$752,450 for City Hall Improvements, and \$428,702 for other capital needs within the City.

The General Fund balance increased by \$87,185 in 2014 to \$4,764,960. Of this amount \$122,652 was committed by the Common Council for playground and public works equipment replacement and repaving of the parking lot at Wagner Park.

Components of the assigned fund balance include \$2,061,693 for road construction, \$550,453 for future capital purchases, \$476,786 for construction of a sports complex, \$16,790 for green space improvements, \$526,680 for future debt service expenditures and \$19,122 for community policing events.

Unassigned fund balance was \$4,473,519 or approximately 34% of current year general fund revenues.

During 2014, the City's fixed assets, net of accumulated depreciation, increased \$8,410,632 from \$110,121,394 to \$118,532,026.

The City's long-term obligations, including \$444,539 of vested employee benefits, totaled \$18,906,088 at December 31, 2014. At December 31, 2013 total long-term obligations had been \$22,258,230.

CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

Overview of the Financial Statements

The City's annual financial report consists of several sections. Taken together they provide a comprehensive financial look at the City. The components of the report include the following:

Management's Discussion and Analysis

This section of the report is intended to serve as an introduction to the City's basic financial statements providing an overview of financial highlights and economic factors affecting the City.

Financial Report Overview

The City's basic financial statements are comprised of government-wide financial statements, fund financial statements and notes to these financial statements. They also contain 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, 2014. 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.

CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

Governmental funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions.

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

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 2014 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.

CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

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.

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 - 49 of this report.

Supporting Schedules

Readers desiring additional supplementary information can find it in the supporting schedules found on pages 50 – 72, 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**

GASB Statement No. 65 established accounting and financial reporting standards that reclassify, as deferred inflows of resources, certain items that were previously reported as liabilities. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category, property tax levies for the subsequent year, special assessments and storm water fees. These amounts will be recognized as an inflow of resources in the subsequent year for which they were levied and/or assessed.

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 and deferred inflows of resources by \$127,103,904 and \$119,959,496 at the close of the most recent fiscal years.

CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

Statement of Net Position at December 31, 2013 and 2014
(in thousands)

	Governmental Activities		Business-Type Activities		Total		Total Change	
	2013	2014	2013	2014	2013	2014	Dollars	%
Current and other assets	\$27,841	28,082	18,565	14,263	46,406	42,345	(4,061)	(8.8)%
Capital assets	39,014	41,815	71,107	76,717	110,121	118,532	8,411	7.6%
Total assets	<u>66,855</u>	<u>69,897</u>	<u>89,672</u>	<u>90,980</u>	<u>156,527</u>	<u>160,877</u>	<u>4,350</u>	<u>2.8%</u>
Current and other liabilities	3,725	3,730	1,988	2,116	5,713	5,846	133	2.3%
Long-term obligations	11,630	9,518	9,465	8,280	21,095	17,798	(3,297)	(15.6)%
Total liabilities	<u>15,355</u>	<u>13,248</u>	<u>11,453</u>	<u>10,396</u>	<u>26,808</u>	<u>23,644</u>	<u>(3,164)</u>	<u>(11.8)%</u>
Deferred inflows of resources	9,760	10,129	-	-	9,760	10,129	369	3.8%
Net position:								
Net investment in capital assets	29,783	31,998	62,054	68,710	91,837	100,708	8,871	9.7%
Restricted	980	2,462	9,193	5,051	10,173	7,513	(2,660)	(26.1)%
Unrestricted	10,977	12,060	6,972	6,823	17,949	18,883	934	5.2%
Total net position	<u>\$41,740</u>	<u>46,520</u>	<u>78,219</u>	<u>80,584</u>	<u>119,959</u>	<u>127,104</u>	<u>7,145</u>	<u>6.0%</u>

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 (79.2%) reflects its investment in capital assets (e.g., land, buildings, machinery, equipment and infrastructure) less any related debt used to acquire those assets that is still outstanding.

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

A portion of the year-end net 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", \$4,044,754 has been restricted for future debt service payments.

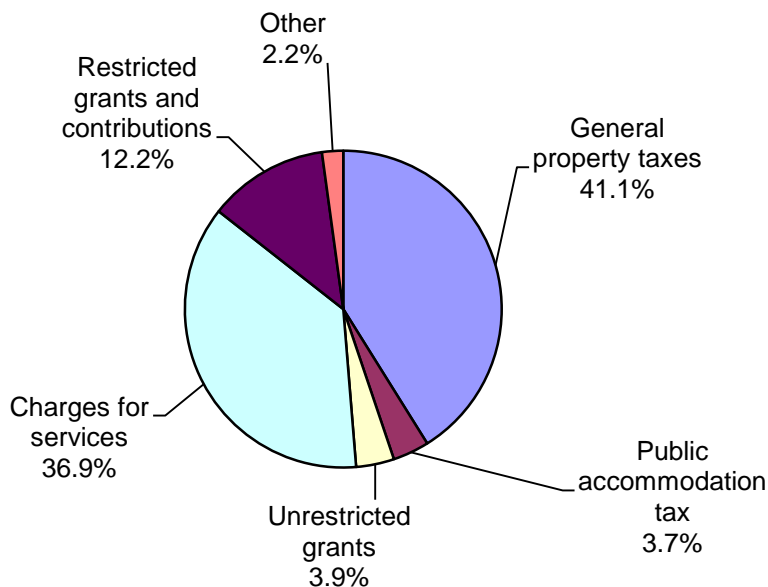
Statement of Activity

Governmental Activities

The City's net position from governmental activities increased \$4,779,911 in 2014. The increase in net position is primarily attributable to increases in program revenues and infrastructure assets contributed to the City by developers. As shown by the following graph, taxes (general property and public accommodation) totaling \$8,681,184 made up 44.8% of the total governmental revenues during the current fiscal year.

CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

Revenues By Source - Governmental Activities



Program charges for services, which directly offset related program expenses, totaled \$7,144,712 and \$6,582,642 respectively, for the years ended December 31, 2014 and 2013 and included the following:

	2014	2013
Public safety and judicial	\$ 3,693,816	3,305,335
Health and sanitation	925,572	894,242
Public works	1,870,741	1,796,889
Culture and recreation	565,616	507,601
Miscellaneous	88,967	78,575

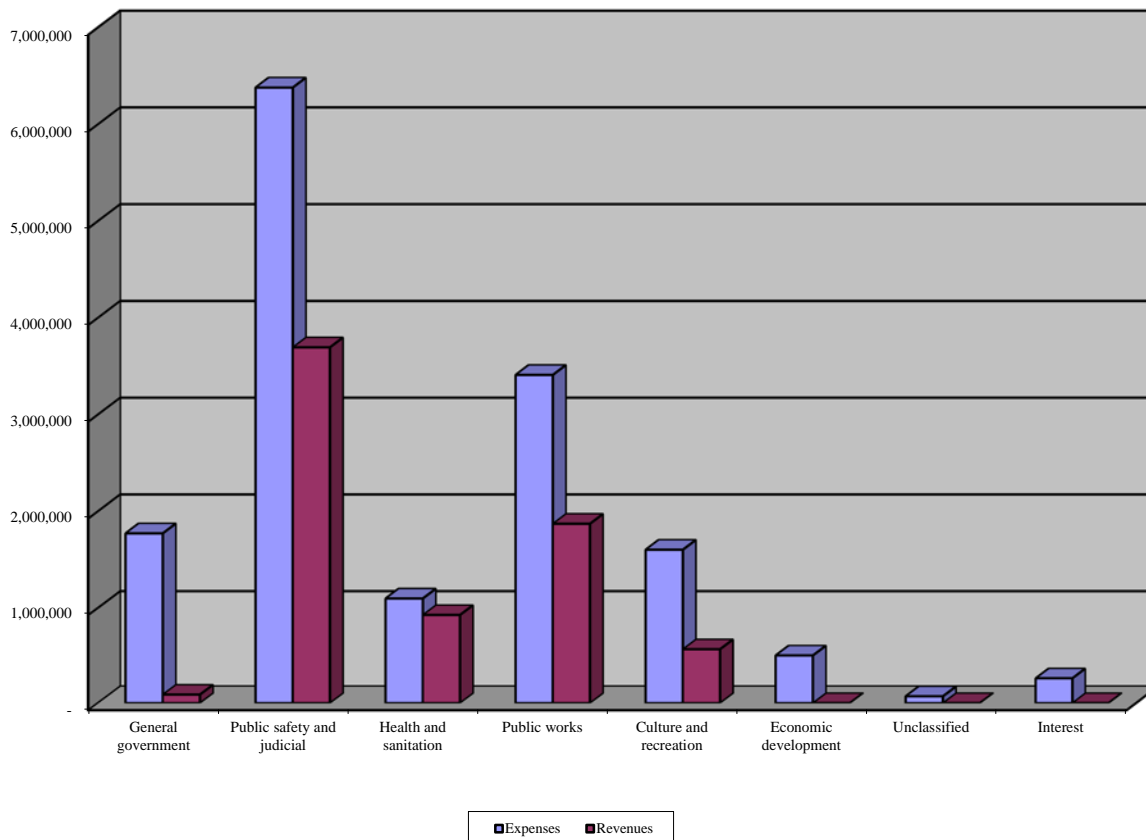
Restricted program grants and contributions include special assessments for road improvements charged to the benefitting property owners, developer financed roads subsequently contributed to the City, aids received from the State of Wisconsin for fire insurance dues, law enforcement, water safety, and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

For governmental activity expenses, 42.3% relate to public safety and judicial operations, which includes police protection, fire, paramedic and rescue protection, building inspection and municipal court operations. An additional 22.6% was spent for public works, i.e. maintenance of City streets, roads and storm water management. The City spent \$1,602,506, or 10.6%, towards its culture and recreation programs in 2014. 84.3% of health and sanitation program expenses were directly offset by related revenues. Depreciation of the City governmental activity fixed assets of \$2,371,053 was allocated to the various governmental activities during 2014 based upon actual usage of the various capital assets, compared to \$2,149,927 in 2013. 68.4% 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.

CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

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**



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 \$2,364,497 as displayed in Exhibit B. This was primarily the result of grants and contributions of \$3,165,764 less the transfer to the general fund of \$504,100 for the 2014 property tax equivalent and the loss on the disposal of fixed assets of \$257,302. In 2014, the water utility changed their rate structure to a water conservation rate with a flat charge for all water used. The table below is a summary of the water and sewer utility operations.

**Summary of Water and Sewer operations
(in thousands)**

	<u>Water Operations</u>		<u>Sewer Operations</u>		<u>Total</u>		<u>Total Change</u>	
	2013	2014	2013	2014	2013	2014	2013 - 2014	%
Revenues	\$ 1,897	1,967	3,044	3,064	4,941	5,031	90	1.8%
Expenses	2,014	2,148	2,924	2,808	4,938	4,956	18	.4%
Operating income (loss)	\$ (117)	(181)	120	256	3	75	72	

CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

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

Statement of Activities for the Years Ended December 31, 2013 and 2014
(in thousands)

	<u>Governmental</u> <u>Activities</u>		<u>Business-Type</u> <u>Activities</u>		<u>Total</u>		<u>Total Change</u>	
	2013	2014	2013	2014	2013	2014	Dollars	%
REVENUES								
Program revenues:								
Charges for services	\$ 6,583	7,145	4,941	5,031	11,524	12,176	652	5.7%
Grants and contributions:								
Operating	583	628	-	-	583	628	45	7.7%
Capital	2,456	1,744	3,885	3,166	6,341	4,910	(1,431)	(22.6)%
General revenues:								
General property taxes	7,897	7,962	-	-	7,897	7,962	65	.8%
Public accommodation taxes	724	719	-	-	724	719	(5)	(.7)%
Unrestricted grants	749	752	-	-	749	752	3	.4%
Interest earnings	28	60	169	89	197	149	(48)	(24.4)%
Other	443	358	3	(257)	446	101	(345)	(77.4)%
Total revenues	19,463	19,368	8,998	8,029	28,461	27,397	(1,064)	(3.7)%
EXPENSES								
General government	1,843	1,771	-	-	1,843	1,771	(72)	(3.9)%
Public safety and judicial	6,565	6,380	-	-	6,565	6,380	(185)	(2.8)%
Health and sanitation	1,056	1,098	-	-	1,056	1,098	42	4.0%
Public works	3,274	3,409	-	-	3,274	3,409	135	4.1%
Culture and recreation	1,608	1,603	-	-	1,608	1,603	(5)	(.3)%
Economic development	466	500	-	-	466	500	34	7.3%
Unclassified	74	71	-	-	74	71	(3)	(4.1)%
Interest and fiscal charges	268	260	-	-	268	260	(8)	(3.0)%
Water utility operations	-	-	2,004	2,264	2,004	2,264	260	13.0%
Sewer utility operations	-	-	2,990	2,896	2,990	2,896	(94)	(3.1)%
Total expenses	15,154	15,092	4,994	5,160	20,148	20,252	104	.5%
Change in net position before transfers	4,309	4,276	4,004	2,869	8,313	7,145	(1,168)	
Transfers	539	504	(539)	(504)	-	-	-	
Change in net position	4,848	4,780	3,465	2,365	8,313	7,145	(1,168)	
Net position – beginning of year	36,892	41,740	74,754	78,219	111,646	119,959	8,313	
Net position – end of year	\$41,740	46,520	78,219	80,584	119,959	127,104	7,145	

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 \$14,740,065. Approximately 30% of this total amount, or \$4,473,519, constitutes unassigned fund balance, which is available for spending at the government's discretion.

The assigned fund balance, \$3,651,524 indicates that the City has set these balances aside for specific purposes; \$19,122 from the general fund for police community events, \$526,680 for debt service repayments, \$2,061,693 for road construction projects and \$1,044,029 for future capital outlays. The following funds have fund balances which have been assigned:

Green space facilities	\$ 16,790
Sports complex construction	476,786
Capital equipment	550,453

CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

Committed fund balances of \$4,002,903 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	\$ 122,652
Storm water management	1,844,120
Capital equipment	2,036,131

The restricted fund balance of \$2,397,075 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:

Storm water management – Unexpended debt proceeds	\$ 1,304,576
Park dedication	158,700
Impact fees	466,700
Tourism and convention	415,006
Cemetery – Expendable	52,093

Although the Common Council originally budgeted to use \$412,350 of its general fund surplus in 2014, the fund balance actually increased by \$87,185. General fund revenues exceeded the originally approved 2014 budget by \$1,188,291 and general fund expenditures were \$304,111 less than budgeted. These were partially offset by net transfers between the general fund and other funds which exceeded originally budgeted amounts by \$992,867.

Regulation and compliance revenue exceeded original budgeted amounts by \$479,598. This was primarily due to court fine collections, budgeted at \$500,000, totaling \$674,408 and permit fees budgeted at \$700,000, totaling, \$989,126. Charges for services exceeded original budgeted amounts by \$503,535. This was the result of engineering review fees and intergovernmental fire and ambulance service contract revenues exceeding budgeted amounts by \$216,806 and \$300,833, respectively.

Various departmental expenditures were less than originally budgeted. These were partially offset by engineering costs for developer financed projects which exceeded the original budget by \$208,836. Overall the general fund expenditures totaled \$12,123,872, 2.4% less than budgeted. The City also spent \$1,097,159 and \$1,932,869 on storm water management and road construction projects, respectively, during 2014.

The individual fund balance increases (decreases) are as follows:

General	\$ 87,185
Storm water management	146,693
Debt service fund	(27,994)
Road construction	(1,713,786)
Park dedication	40
Impact fee	220,866
Tourism and convention	(96,197)
Expendable cemetery	(15,546)
Sports complex	83,826
Capital equipment	1,079,655
Cemetery – perpetual care	1,054

CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

Capital Assets and Debt Administration

Capital Assets

As of December 31, 2014 the City had invested \$118,532,026 in capital assets, net of accumulated depreciation. During 2014 the City's gross capital assets increased \$11,638,995, as \$8,390,563 were completed and funded by the City in the form of roads, storm sewers, equipment and additions to the water and sewer utility's system. In addition, developer donated assets of \$3,248,432 were contributed to the City in the form of roads, storm sewers, and water and sewer utility's system.

Capital Assets at December 31, 2014
(in thousands)

	Governmental Activities	Business-type Activities	Total Government
Land	\$ 3,936	530	4,466
Buildings	11,271	9,619	20,890
Furniture and equipment	8,086	1,083	9,169
Infrastructure and improvements other than buildings	44,988	94,990	139,978
Construction in progress	167	758	925
Total capital assets	68,448	106,980	175,428
Less: Accumulated depreciation	26,633	30,263	56,896
Total net assets	<u>\$ 41,815</u>	<u>76,717</u>	<u>118,532</u>

The following table reconciles the change in capital assets. Additions include assets acquired or under construction at year-end.

Change in Capital Assets, Net of Accumulated Depreciation
(in thousands)

	Governmental Activities	Business-type Activities	Total Government
Beginning balance	\$ 39,014	71,107	110,121
Additions	5,260	8,124	13,384
Disposals, net	(88)	(257)	(345)
Depreciation	(2,371)	(2,257)	(4,628)
Ending balance	<u>\$ 41,815</u>	<u>76,717</u>	<u>118,532</u>

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

General government	\$ 242,730
Public safety	403,667
Health and sanitation	786
Public works, including infrastructure	1,622,306
Culture and recreation	<u>101,564</u>
	<u>\$ 2,371,053</u>

CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

Debt Outstanding

The City has \$18,906,088 in outstanding debt at December 31, 2014, including long-term employee benefits of \$444,539. \$2,411,204 of the debt comes due within one year.

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

Governmental:	
General obligation notes	\$ 4,800
General obligation bonds	5,654
Compensated absences	<u>445</u>
	<u>10,899</u>
Business-type:	
Sewerage system revenue bonds	1,156
General obligation bonds	6,415
Intermunicipal loans	<u>436</u>
	<u>8,007</u>
	<u>\$ 18,906</u>

2014 debt repayments, including long-term employee benefits were:

Governmental activities	\$ 1,515,719
Proprietary activities	<u>1,045,828</u>
	<u>\$ 2,561,547</u>

Other Economic Factors

The City of Pewaukee has consistently established a very good financial position as it relates to the fiscal ability to provide needed and desired public services to City residents and taxpayers at a relatively low expenditure of tax dollars. The City's tax rate in 2014 continues to be one of the lowest of all 190 cities in Wisconsin.

In 2013, the City developed a Strategic Plan that covers the five-year period from 2014 through 2018. The Common Council and staff utilized this activity to establish future goals. In 2013, Moody's Investors Service reviewed and assigned a rating of Aa1 to the City of Pewaukee. As of December 31, 2014, the City's general obligation debt burden is 12.9% of our \$134.1 million dollar capacity to borrow. The City continues to commit funds for the purchase of capital equipment, i.e.: fire engines, plow trucks and ambulances, in future years in order to more equally distribute the cost. The Common Council has proposed to continue forward in the coming years with improvements to streets, storm water management improvements, the building of a new fire station on the eastside of the City, and various water and sewer projects. As outlined in the Long-Term Financial Plan, the City anticipates borrowing to maintain the infrastructure.

For the past four years, the City of Pewaukee has continued to stand apart from other communities in the area related to the increase in the number of single-family homes started in the community. In 2014, the City issued 100 new home permits, which ranked first in the Greater Milwaukee area.

The City of Pewaukee evaluates the current level of staffing and the needs of the community related to the services that are provided on an annual basis. With the passage of Wisconsin Act 10 in 2011, most employees are now required to make a 50% contribution to their pensions.

CITY OF PEWAUKEE
MANAGEMENT'S DISCUSSION AND ANALYSIS
December 31, 2014

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 shared expenses.
- The City and Village have had a Joint Park/Recreation Department since 1996 with the City of Pewaukee responsible for 67% 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.

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, 2014

	<u>Governmental</u> <u>Activities</u>	<u>Business-type</u> <u>Activities</u>	<u>Total</u>
Assets:			
Current assets:			
Cash and cash equivalents	\$ 11,497,510	2,559,492	14,057,002
Investments	2,284,873	262,253	2,547,126
Property taxes receivable	4,881,816	-	4,881,816
Other receivables (net)	1,184,727	1,376,042	2,560,769
Internal balances	122,682	(122,682)	-
Inventories and prepaid expenses	146,919	8,405	155,324
Restricted assets:			
Cash and cash equivalents:			
Debt retirement	-	4,044,754	4,044,754
Capital projects	1,304,576	1,006,105	2,310,681
Non-current assets:			
Investments	6,190,996	-	6,190,996
Fixed assets:			
Land and construction in progress	4,103,204	1,288,151	5,391,355
Capital assets, net of accumulated depreciation	37,711,593	75,429,078	113,140,671
Special assessments	468,032	4,842,941	5,310,973
Unamortized charges	-	285,422	285,422
Total assets	<u>69,896,928</u>	<u>90,979,961</u>	<u>160,876,889</u>
Liabilities:			
Current liabilities:			
Accounts payable	1,438,428	1,085,789	2,524,217
Unearned revenue	910,942	-	910,942
Current portion of long-term obligations	1,380,365	1,030,839	2,411,204
Noncurrent liabilities:			
Noncurrent portion of long-term obligations	9,518,369	6,976,515	16,494,884
Assessments due developers	-	1,252,327	1,252,327
Construction contracts payable	-	50,740	50,740
Total liabilities	<u>13,248,104</u>	<u>10,396,210</u>	<u>23,644,314</u>
Deferred Inflows of Resources:			
Subsequent year's tax levy	8,159,381	-	8,159,381
Special assessments	484,962	-	484,962
Storm water fees	1,484,328	-	1,484,328
Total deferred inflows or resources	<u>10,128,671</u>	<u>-</u>	<u>10,128,671</u>
Net Position:			
Net investment in capital assets	31,997,517	68,709,875	100,707,392
Restricted	2,462,452	5,050,859	7,513,311
Unrestricted	12,060,184	6,823,017	18,883,201
Total net position	<u>\$ 46,520,153</u>	<u>80,583,751</u>	<u>127,103,904</u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE
STATEMENT OF ACTIVITIES
Year Ended December 31, 2014

	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	\$ 1,771,302	88,967	1,286	-	(1,681,049)	-	(1,681,049)
Public safety and judicial	6,379,619	3,693,816	124,133	-	(2,561,670)	-	(2,561,670)
Health and sanitation	1,098,108	925,572	63,864	-	(108,672)	-	(108,672)
Public works	3,409,193	1,870,741	436,045	1,727,574	625,167	-	625,167
Culture and recreation	1,602,506	565,616	-	16,494	(1,020,396)	-	(1,020,396)
Economic development	500,309	-	-	-	(500,309)	-	(500,309)
Unclassified	71,012	-	2,500	-	(68,512)	-	(68,512)
Indirect expenses:							
Interest and other related charges	260,069	-	-	-	(260,069)	-	(260,069)
Total governmental activities	<u>15,092,118</u>	<u>7,144,712</u>	<u>627,828</u>	<u>1,744,068</u>	<u>(5,575,510)</u>	<u>-</u>	<u>(5,575,510)</u>
Business-type activities:							
Water utility	2,263,808	1,967,415	-	1,016,392	-	719,999	719,999
Sewer utility	2,896,683	3,063,548	-	2,149,372	-	2,316,237	2,316,237
Total business-type activities	<u>5,160,491</u>	<u>5,030,963</u>	<u>-</u>	<u>3,165,764</u>	<u>-</u>	<u>3,036,236</u>	<u>3,036,236</u>
Total primary government	<u>\$ 20,252,609</u>	<u>12,175,675</u>	<u>627,828</u>	<u>4,909,832</u>	<u>(5,575,510)</u>	<u>3,036,236</u>	<u>(2,539,274)</u>
General revenues and transfers:							
Property taxes					\$ 7,962,280	-	7,962,280
Public accommodation taxes					718,904	-	718,904
Grants not restricted to specific programs					752,155	-	752,155
Cable television franchise fees					134,290	-	134,290
Interest and investment earnings					59,898	89,663	149,561
Miscellaneous					94,499	-	94,499
Gain (loss) on the disposal of fixed assets					129,295	(257,302)	(128,007)
Transfers					504,100	(504,100)	-
Total general revenues and transfers					<u>10,355,421</u>	<u>(671,739)</u>	<u>9,683,682</u>
Change in Net Position					4,779,911	2,364,497	7,144,408
Net Position - Beginning of Year					41,740,242	78,219,254	119,959,496
Net Position - End of Year					<u>\$ 46,520,153</u>	<u>80,583,751</u>	<u>127,103,904</u>

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE
BALANCE SHEET
Governmental Funds
December 31, 2014

	General	Storm Water Management	Debt Service	Road Construction	Other Governmental Funds	Total Governmental Funds
Assets:						
Cash and investments	\$ 2,176,699	3,154,925	1,121,734	2,470,179	4,858,846	13,782,383
Receivables:						
Current taxes	3,398,740	232,592	580,393	97,819	569,524	4,879,068
Delinquent personal property taxes	2,748	-	-	-	-	2,748
Accounts	252,171	-	1,242	-	27,405	280,818
Special assessments	-	-	468,032	-	-	468,032
Intergovernmental	497,684	-	-	-	-	497,684
Due from other funds	122,682	-	-	-	-	122,682
Inventory of supplies	126,861	-	-	-	-	126,861
Prepaid expenditures	20,058	-	-	-	-	20,058
Restricted assets:						
Cash and cash equivalents - capital projects	-	1,304,576	-	-	-	1,304,576
Non-current assets:						
Investments	6,190,996	-	-	-	-	6,190,996
Total assets	\$ 12,788,639	4,692,093	2,171,401	2,567,998	5,455,775	27,675,906
Liabilities, Deferred Inflows of Resources and Fund Balance:						
Liabilities:						
Accounts payable	\$ 700,846	16,014	-	30,051	42,599	789,510
Construction contracts payable	-	43,055	-	276,254	766	320,075
Accrued payroll	95,021	-	-	-	-	95,021
Other accrued liabilities	162,352	-	-	-	-	162,352
Unearned revenue	891,568	-	-	-	19,374	910,942
Total liabilities	1,849,787	59,069	-	306,305	62,739	2,277,900
Deferred Inflows of Resources:						
Subsequent year's tax levy	5,704,381	-	1,100,000	200,000	1,155,000	8,159,381
Special assessments	469,511	-	544,721	-	-	1,014,232
Storm water fees	-	1,484,328	-	-	-	1,484,328
Total deferred inflows of resources	6,173,892	1,484,328	1,644,721	200,000	1,155,000	10,657,941
Fund Balance:						
Nonspendable	149,667	-	-	-	65,377	215,044
Restricted	-	1,304,576	-	-	1,092,499	2,397,075
Committed	122,652	1,844,120	-	-	2,036,131	4,002,903
Assigned	19,122	-	526,680	2,061,693	1,044,029	3,651,524
Unassigned	4,473,519	-	-	-	-	4,473,519
Total fund balance	4,764,960	3,148,696	526,680	2,061,693	4,238,036	14,740,065
Total liabilities, deferred inflows of resources and fund balance	\$ 12,788,639	4,692,093	2,171,401	2,567,998	5,455,775	27,675,906

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, 2014

Total fund balances - governmental funds	\$	14,740,065
<p>Amounts reported for governmental activities in the Statement of Net position are different because:</p>		
<p>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</p>		
		406,225
<p>Capital assets used in governmental activities are not financial resources and therefore are not reported in the governmental funds:</p>		
Governmental capital assets	\$ 68,447,874	
Less: Accumulated depreciation	<u>(26,633,077)</u>	41,814,797
<p>Other long-term assets are not available to pay for current year expenditures and therefore are deferred in the funds.</p>		
		529,270
<p>Post employment benefits are not due and payable in the current period and therefore are not reported in the governmental funds.</p>		
		(444,539)
<p>Interest and other payables used in the governmental activities are not payable from current resources and therefore are not reported in the governmental funds.</p>		
		(71,470)
<p>Long-term liabilities are not due and payable in the current year and therefore are not reported in the governmental funds.</p>		
		<u>(10,454,195)</u>
Total net position - governmental activities	\$	<u><u>46,520,153</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, 2014

	General	Storm Water Management	Debt Service	Road Construction	Other Governmental Funds	Total Governmental Funds
Revenues:						
Taxes	\$ 5,904,451	-	1,425,803	200,000	1,276,733	8,806,987
Intergovernmental	1,352,203	-	20,987	13,543	9,744	1,396,477
Regulation and compliance	2,016,813	-	-	-	-	2,016,813
Charges for services	3,338,310	1,551,444	-	-	229,901	5,119,655
Recreation	228,028	-	-	-	-	228,028
Interest	42,587	5,909	1,026	5,540	4,836	59,898
Miscellaneous	188,882	-	-	-	-	188,882
Total revenues	<u>13,071,274</u>	<u>1,557,353</u>	<u>1,447,816</u>	<u>219,083</u>	<u>1,521,214</u>	<u>17,816,740</u>
Expenditures:						
Current:						
General government	1,697,548	-	-	-	-	1,697,548
Public safety and judicial	6,162,427	-	-	-	9,744	6,172,171
Health and sanitation	1,080,785	-	-	-	38,232	1,119,017
Public works	1,453,378	1,097,159	-	-	-	2,550,537
Culture and recreation	1,651,976	-	-	-	-	1,651,976
Economic development	-	-	-	-	500,309	500,309
Unclassified	77,758	-	-	-	-	77,758
Capital outlay	-	-	-	1,932,869	1,050,754	2,983,623
Debt service:						
Principal	-	-	1,515,720	-	-	1,515,720
Interest	-	-	286,385	-	-	286,385
Total expenditures	<u>12,123,872</u>	<u>1,097,159</u>	<u>1,802,105</u>	<u>1,932,869</u>	<u>1,599,039</u>	<u>18,555,044</u>
Excess (deficiency) of revenues over expenditures	<u>947,402</u>	<u>460,194</u>	<u>(354,289)</u>	<u>(1,713,786)</u>	<u>(77,825)</u>	<u>(738,304)</u>
Other financing sources (uses):						
Transfers in	504,100	12,794	326,295	-	1,451,967	2,295,156
Transfers out	(1,364,317)	(326,295)	-	-	(100,444)	(1,791,056)
Total other financing sources (uses)	<u>(860,217)</u>	<u>(313,501)</u>	<u>326,295</u>	<u>-</u>	<u>1,351,523</u>	<u>504,100</u>
Excess (deficiency) of revenues and other financing sources over expenditures and other financing uses	<u>87,185</u>	<u>146,693</u>	<u>(27,994)</u>	<u>(1,713,786)</u>	<u>1,273,698</u>	<u>(234,204)</u>
Fund balance:						
January 1	<u>4,677,775</u>	<u>3,002,003</u>	<u>554,674</u>	<u>3,775,479</u>	<u>2,964,338</u>	<u>14,974,269</u>
December 31	<u>\$ 4,764,960</u>	<u>3,148,696</u>	<u>526,680</u>	<u>2,061,693</u>	<u>4,238,036</u>	<u>14,740,065</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES
TO THE STATEMENT OF ACTIVITIES
Governmental Funds
Year Ended December 31, 2014

Net change in fund balances - total governmental funds	\$	(234,204)
Amounts reported for governmental activities in the Statement of Activities are different because:		
Revenues in the governmental funds include items which were earned in prior years, but provide financial resources of the current year.		(92,125)
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 these are reported when earned.		68,003
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.		1,225,413
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.		1,533,768
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.		41,543
Accrued sick leave 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.		(31,777)
Termination of post employment benefit plan in 2014 resulted in income within the Statement of Activities as these cost were recorded as expenses in prior years.		727,254
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.		26,317
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>1,515,719</u>
Change in net position of governmental activities	\$	<u><u>4,779,911</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, 2014

	Budget		Actual	Variance
	Original	Final	Amounts	with Final Budget
General Fund:				
Budgetary fund balance, January 1	\$ 4,677,775	4,677,775	4,677,775	-
Resources (inflows):				
Taxes	5,896,495	5,896,495	5,904,451	7,956
Intergovernmental	1,274,148	1,274,148	1,352,203	78,055
Regulation and compliance	1,537,215	1,581,417	2,016,813	435,396
Charges for services	2,834,775	3,051,581	3,338,310	286,729
Recreation	214,000	214,000	228,028	14,028
Interest	14,250	14,250	42,587	28,337
Miscellaneous	112,100	112,100	188,882	76,782
Transfers in	545,000	545,000	504,100	(40,900)
Amounts available for appropriation	17,105,758	17,366,766	18,253,149	886,383
Charges to appropriations (outflows):				
General government	1,810,928	1,855,453	1,697,548	157,905
Public safety and judicial	6,286,211	6,286,211	6,162,427	123,784
Health and sanitation	1,073,999	1,081,646	1,080,785	861
Public works	1,333,098	1,541,934	1,453,378	88,556
Culture and recreation	1,755,547	1,755,547	1,651,976	103,571
Unclassified	168,200	168,200	77,758	90,442
Transfers out	412,350	1,364,317	1,364,317	-
Total charges to appropriations	12,840,333	14,053,308	13,488,189	565,119
Fund balance, December 31	\$ 4,265,425	3,313,458	4,764,960	1,451,502
Storm Water Management Fund:				
Budgetary fund balance, January 1	\$ 3,002,003	3,002,003	3,002,003	-
Resources (inflows):				
Charges for services	1,475,800	1,475,800	1,551,444	75,644
Interest	2,300	2,300	5,909	3,609
Proceeds of long-term debt	2,010,000	2,010,000	-	(2,010,000)
Transfers in	12,794	12,794	12,794	-
Amounts available for appropriation	6,502,897	6,502,897	4,572,150	(1,930,747)
Charges to appropriations (outflows):				
Public works	4,854,768	4,854,768	1,097,159	3,757,609
Debt discount	20,000	20,000	-	20,000
Transfer out	326,295	326,295	326,295	-
Total charges to appropriations	5,201,063	5,201,063	1,423,454	3,777,609
Fund balance, December 31	\$ 1,301,834	1,301,834	3,148,696	1,846,862

The accompanying notes are an integral part of these financial statements

CITY OF PEWAUKEE
STATEMENT OF NET POSITION
Proprietary Funds
December 31, 2014

Assets:

Current assets:

Cash and cash equivalents	\$ 2,559,492
Investments	262,253
Other receivables	1,376,042
Inventory of supplies	8,405

Restricted assets - cash and cash equivalents:

Debt retirement	4,044,754
Capital projects	1,006,105

Non-current assets:

Fixed assets:

Non-depreciable:

Land	530,387
Construction in progress	757,764

Depreciable:

Capital assets, net of accumulated depreciation	75,429,078
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Special assessments	4,842,941
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Unamortized charges	285,422
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Total assets	<u>91,102,643</u>
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Liabilities:

Current liabilities:

Accounts payable	686,809
Due to general fund	122,682
Construction contracts payable	290,862
Customer advances on construction	56,274
Accrued interest on long-term debt	51,844
Current portion of long-term obligations	1,030,839

Noncurrent liabilities:

Noncurrent portion of long-term obligations	6,976,515
Assessments due developers	1,252,327
Long-term contracts payable	50,740
Total liabilities	<u>10,518,892</u>

Net Position:

Net investment in capital assets	68,709,875
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Restricted for:

Expendable - Debt service and capital projects	5,050,859
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Unrestricted	6,823,017
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Total net position	<u>\$ 80,583,751</u>
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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, 2014

Operating revenues	\$ <u>5,030,963</u>
Operating expenses:	
Operation and maintenance	2,655,252
Depreciation	2,256,976
Amortization	42,500
Taxes	<u>1,780</u>
Total operating expenses	<u>4,956,508</u>
Operating income	<u>74,455</u>
Non-operating revenues (expenses):	
Interest income	89,663
Interest expense and fiscal fees	(203,983)
Loss on the disposal of fixed assets	<u>(257,302)</u>
Total non-operating revenues (expenses)	<u>(371,622)</u>
Loss before contributions and transfers	(297,167)
Grants and contributions	3,165,764
Transfers out	<u>(504,100)</u>
Change in net position	2,364,497
Total net position:	
January 1	<u>78,219,254</u>
December 31	\$ <u><u>80,583,751</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, 2014

Cash flows from operating activities:	
Receipts from customers	\$ 5,024,236
Payments for interfund services - net	(1,061,605)
Payments to suppliers	(1,890,928)
Payments to employees	<u>(678,928)</u>
Net cash provided by operating activities	<u>1,392,775</u>
Cash flows from capital and related financing activities:	
Acquisition and construction of capital assets	(6,605,545)
Reserve capacity assessments received	1,298,237
Long-term debt retirements	(1,045,828)
Collection of special assessments, net	450,740
Interest and fiscal charges paid on bonds and notes payable	<u>(243,678)</u>
Net cash used by capital and related financing activities	<u>(6,146,074)</u>
Cash flows from investing activities:	
Interest received on cash and investments	61,987
Securities matured	260,686
Securities purchased	<u>(262,254)</u>
Net cash provided by investing activities	<u>60,419</u>
Net decrease in cash and cash equivalents	(4,692,880)
Cash and cash equivalents, January 1	<u>12,303,231</u>
Cash and cash equivalents, December 31	<u>\$ 7,610,351</u>
Reconciliation of Cash and Cash Equivalents to the Statement of Net Position:	
Unrestricted	\$ 2,559,492
Restricted - Debt retirement and capital projects	<u>5,050,859</u>
	<u>\$ 7,610,351</u>
Reconciliation of operating income to net cash provided by operating activities:	
Operating income	\$ 74,455
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation	2,256,976
Amortization	42,500
Changes in assets and liabilities:	
Accounts receivable, net	(6,727)
Inventory of supplies	(902)
Accounts payable and accrued expenses	<u>(973,527)</u>
Net cash provided by operating activities	<u>\$ 1,392,775</u>
Schedule of non-cash activities:	
Plant assets contributed by developers	<u>\$ 1,714,664</u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE
STATEMENT OF FIDUCIARY NET POSITION
Agency Fund
December 31, 2014

Assets:		
Cash and cash equivalents	\$	18,116,440
Taxes receivable		<u>16,845,772</u>
Total assets	\$	<u><u>34,962,212</u></u>
Liabilities:		
Due to other taxing units:		
School districts	\$	28,120,861
Waukesha County		5,583,483
State of Wisconsin		455,384
Deposits:		
Ditch and erosion		366,200
Developer		340,029
Holding tank		44,050
Occupancy		45,000
Street opening		6,000
Park reservation		<u>1,205</u>
Total liabilities	\$	<u><u>34,962,212</u></u>

The accompanying notes are an integral part of the financial statements

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

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CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies

The accounting and reporting policies of the City of Pewaukee included in the accompanying basic financial statements conform to accounting principles generally accepted in the United States of America applicable to state and local governments. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The following is a summary of the more significant accounting policies:

A. Reporting Entity

This report includes all of the funds of the City of Pewaukee. The reporting entity for the City consists of the primary government, organizations for which the primary government is financially accountable and other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and is able to impose its will on that organization or there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

Based upon the application of these criteria, operations of the joint park and recreation department, described in Note 5 (D), have been blended with the City and are included in these financial statements as component units.

B. Government-Wide and Fund Financial Statements

Government-Wide Financial Statements

The statement of net 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

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues and expenditures. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

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

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

- a. Total assets and deferred outflows of resources, liabilities and deferred inflows of resources, 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. Accordingly, all the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position.

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 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 inflows of resources. 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.

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

Property taxes are recorded in the year levied as receivables and deferred inflows of resources and are recognized as revenues in the succeeding year when services financed by the levy are being provided. Intergovernmental aids and grants are recognized as revenues in the period the City is entitled to the resources and the amounts are available. Amounts owed to the City but not available are recorded as receivables and deferred inflows of resources. Amounts received prior to the entitlement period are recorded as current liabilities.

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 inflows of resources.

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.

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, Deferred Outflows/Inflows of Resources 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.
- 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.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies - Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity – continued

1. Deposits and Investments - continued

- e. Bonds issued by the University of Wisconsin Hospitals and Clinics Authority or the Wisconsin Aerospace Authority.
- f. Any security which matures or which may be tendered for purchase at the option of the holder within not more than 7 years of the date on which it is acquired, if that security has a rating which is the highest or 2nd highest rating category assigned by Standard & Poor's corporation, Moody's investors service or other similar nationally recognized rating agency or if that security is senior to, or on a parity with, a security of the same issuer which has such a rating.
- g. Securities of an open-end management investment company or investment trust (mutual fund), if the portfolio is limited to the following:
 - 1. Bonds and securities issued by the federal government or a commission, board or other instrumentality of the federal government.
 - 2. Bonds that are guaranteed as to principal and interest by the federal government or a commission, board or other instrumentality of the federal government.
 - 3. Repurchase agreements 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 2014 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, 2014, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

2. Receivables

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

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies - Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity – continued

2. Receivables - continued

Property tax calendar – 2014 tax roll:

Levy:

Tax lien and levy date	December 2014
Tax bills mailed	December 2014

Due dates:

Real property taxes:

Payment in full or first installment	January 31, 2015
Second installment payable to County	July 31, 2015

Personal property taxes, special assessments and special charges, in full	January 31, 2015
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Tax settlements with taxing jurisdictions:

First settlement	January 15, 2015
Second settlement	February 20, 2015
Final settlement	August 20, 2015

Tax sale - 2014 delinquent real estate taxes	October 2017
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Real estate taxes delinquent as of July 31 are assumed by Waukesha County. 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 cost on a first in, first out basis. Inventory in the general fund consists of expendable supplies held for consumption. Costs are recorded as expenditures at the time individual inventory items are consumed. Reported inventories are offset as nonspendable fund balance, which indicates that they do not constitute "available spendable resources" even though they are a component of fund balance.

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 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.

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.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies - Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity – continued

5. Deferred Outflows/Inflows of Resources

In addition to assets, the statement of financial position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element represents a consumption of net position or fund balance that applies to a future period(s) and thus, will not be recognized as an outflow of resources (expenditure) until then. The City currently does not have any items that qualify for reporting in this category.

In addition to liabilities, the statement of financial position will sometimes report a separate section of deferred inflows of resources. This separate financial statement element represents an acquisition of net position or fund balance that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. The City has three items that qualify for reporting in this category, property taxes, special assessments and storm water fees. These amounts will be recognized as an inflow of resources (revenue) in the subsequent year for which they were levied and/or assessed.

6. 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

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies - Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity – continued

6. Capital Assets - continued

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.

7. Compensated Absences

Compensated absences represent liabilities arising from the City's sick and vacation leave policies. The sick leave policy allows employees (excluding firefighters) to accrue sick leave at a rate of one day per month to a maximum of 130 days. Firefighters are allowed to accrue up to 135 hours per year to a maximum of 1,920 hours. 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.

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.

All vested vacation and sick leave pay is accrued when earned in the full-accrual government-wide and proprietary fund financial statements. The vacation pay liability is reported in governmental fund financial statements however, vested sick pay is accrued only to the extent that it is expected to utilize current financial resources.

8. Long-Term Obligations

All long-term obligations to be repaid from governmental and business-type resources are reported as liabilities in the government-wide statements. The long-term obligations consist primarily of notes and bonds payable and accrued compensated absences.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of debts 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.

9. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. Claims and judgments that would normally be liquidated with expendable available financial resources are recorded during the year as expenditures in the governmental funds. If they are not to be liquidated with expendable available financial resources, no liability is recognized in the governmental fund statements. The related expenditure is recognized when the liability is liquidated. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies - Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity – continued

10. 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 and 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.
- 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.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(1) Summary of Significant Accounting Policies - Continued

D. Assets, Liabilities, Deferred Outflows/Inflows of Resources and Net Position or Equity – continued

11. 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 financial statements include reconciliation between fund balance – total governmental funds as reported in the governmental fund balance sheet and net position – governmental activities as reported in the government-wide statement of net position.

Capital assets net of accumulated depreciation of \$41,814,797 used in governmental funds are not financial resources and, therefore, are not reported in the funds.

The long-term portion of special assessments receivable that is not available to pay for current year expenditures of \$529,270 is recorded as deferred inflows of resources in the governmental fund financial statements.

Certain accounts receivable that were not available soon enough after year-end to pay for the current year's expenditures, and therefore are not reported in the governmental funds total \$406,225.

Certain 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	\$ 10,454,195
Accrued employee benefits	444,539
Accrued interest payable	<u>71,470</u>
	<u>\$ 10,970,204</u>

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 financial statements include reconciliation between net change in fund balances – total governmental funds as reported in the statement of revenues, expenditures and changes in fund balances and change in net position of governmental activities as reported in the government-wide statement of activities.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

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

B. Explanation of Certain Differences between the Governmental Fund Statement of Revenues, Expenditures, and Changes in Fund Balances and the Government-Wide Statement of Activities - continued

A significant element of the reconciliation is the purchase and disposal of long-term capital assets and the repayment of long-term debt and employee benefits, both of which consume current financial resources of governmental funds. These are not considered current year expenditures in the government-wide statement of activities.

Capital asset additions	\$ 3,596,466
Principal repayment	1,515,719
Decrease in accrued interest payable	26,317
Net book value of assets disposed	<u>41,543</u>
	<u>\$ 5,180,045</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	\$ 2,371,053
Increase in accrued sick leave accrual	<u>31,777</u>
	<u>\$ 2,402,830</u>

Long-term special assessment receivables which are not available to pay for current year expenditures are recorded as deferred inflows of resources until collected in the governmental funds. In the Statement of Activities these are reported when they are earned and totaled \$68,003 in 2014.

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 \$1,533,768 in 2014.

Termination of the City's post-employment benefit plan resulted in the reduction of long-term liabilities of \$727,254 which is reported in the statement of activities but does not provide current financial resources in the governmental fund statements.

The final element of the reconciliation relates to a revenue of \$92,125 that was earned in prior years but provides financial resources in the current year for the governmental funds.

(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.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(3) Stewardship, Compliance, and Accountability - Continued

A. Budgetary Information - continued

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

	<u>Original</u>	<u>Amended</u>
General Fund		
Revenues:		
Charges for services	\$ 2,834,775	3,051,581
Expenditures:		
Public works	1,333,098	1,541,934
Other financing uses:		
Transfers to other funds	412,350	1,364,317
Debt Service Fund		
Expenditures:		
Principal	1,479,543	1,515,720
Capital Equipment Fund		
Expenditures:		
Capital outlay	544,500	1,033,755
Other financing sources:		
Transfer from general fund	400,000	1,351,967
Tourism and Convention Fund		
Expenditures:		
Economic development	456,700	500,309

The budgetary comparison statement for the general fund and the storm water management funds are shown as part of the basic financial statements.

B. Limitations of the City's Tax Levy

Wisconsin Statute 66.0602 limits the City's property tax levy, with exceptions, to its prior tax levy, 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.

(4) Detailed Notes on All Funds

A. Deposits and Investments

The City's deposits and investments at December 31, 2014 were comprised of the following:

	<u>Carrying Value</u>	<u>Bank and Investment Balances</u>	<u>Associated Risks</u>
Deposits	\$ 35,844,324	32,215,066	Custodial credit risk
Non-negotiable certificates of deposit	5,224,083	5,224,083	Custodial credit risk
Investments:			
Federal Home Loan Bank	1,991,085	1,991,085	Credit risk, interest rate risk
Federal Farm Credit Bank	753,751	753,751	Credit risk, interest rate risk
Federal National Mortgage Association	742,850	742,850	Credit risk, interest rate risk
City of Oshkosh bond	26,353	26,353	Credit risk, interest rate risk
LGIP	2,683,930	2,683,930	Credit risk, interest rate risk
Petty cash	623	623	
	\$ <u>47,266,999</u>	<u>43,637,741</u>	

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

A. Deposits and Investments - continued

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

Per Statement of Net Position:	
Cash and cash equivalents:	
Unrestricted	\$ 14,057,002
Restricted	6,355,435
Current investments	2,547,126
Long term investments	6,190,996
Per Statement of Fiduciary Net Position	<u>18,116,440</u>
	<u>\$ 47,266,999</u>

All time and savings deposits owned by the City and held by the City's official custodian in an insured depository institution within the State of Wisconsin are combined and insured up to \$250,000. All demand deposits owned by the City and held by the City's official custodian in an insured depository institution within the State of Wisconsin are combined and insured up to \$250,000. For the purpose of these rules, the term 'time and savings deposits' includes NOW accounts, money market deposit accounts and certificates of deposit. The term 'demand deposits' means both interest-bearing and noninterest-bearing deposits that are payable on demand and for which the depository institution does not reserve the right to require advance notice of an intended withdrawal. For accounts held by the City located outside the State of Wisconsin, all time, savings, and demand deposits are combined within each depository institution and insured up to \$250,000.

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% of its investments in U.S. government securities at December 31, 2014.

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, \$37,077,238 was collateralized by securities held by the pledging financial institution in excess of federal depository insurance limits. The remaining balance of \$362,534 was exposed to custodial credit risk as uninsured and uncollateralized.

The City's investments include securities which are backed the United States Government, totaling \$3,487,686 at December 31, 2014.

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

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

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

A. Deposits and Investments - continued

Credit and Interest Rate Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value has to changes in market interest rates. The fair value of investments grouped by maturity at December 31, 2014, is:

<u>Maturity</u>		
Current to one year	\$	2,547,126
One to two years		969,656
Two to three years		2,730,028
Three to four years		<u>2,491,312</u>
	\$	<u>8,738,122</u>

At December 31, 2014 the City held investments with a fair value of \$2,683,930 in the LGIP. The average maturity date for investments held by the LGIP is 117 days.

B. Receivables

Governmental fund financial statements report deferred inflows of resources 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 as deferred inflows of resources reported in the governmental fund financial statements are as follows:

	<u>Unearned</u>	<u>Unavailable</u>	<u>Total</u>
Current year property taxes receivable:			
General fund	\$ 3,398,740	-	3,398,740
Storm water management fund	232,592	-	232,592
Debt service fund	580,393	-	580,393
Road construction fund	97,819	-	97,819
Capital equipment fund	563,003	-	563,003
Expendable cemetery fund	6,521	-	6,521
Special assessments not yet due	-	<u>468,032</u>	<u>468,032</u>
	<u>\$ 4,879,068</u>	<u>468,032</u>	<u>5,347,100</u>

In addition, other receivables are reported in the government-wide financial statements net of amounts estimated to be uncollectible of \$138,077.

C. Capital Assets

Capital asset activity in the governmental activities for the year ended December 31, 2014 was as follows:

	<u>Balance</u> <u>12/31/13</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/14</u>
Capital Assets Not Being Depreciated:				
Land	\$ 3,936,474	-	-	3,936,474
Construction in progress	<u>12,878</u>	<u>166,730</u>	<u>12,878</u>	<u>166,730</u>
	<u>3,949,352</u>	<u>166,730</u>	<u>12,878</u>	<u>4,103,204</u>

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

C. Capital Assets – continued

	<u>Balance</u> <u>12/31/13</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/14</u>
Capital Assets Being Depreciated:				
Buildings and improvements	\$ 11,229,428	81,335	40,068	11,270,695
Land improvements	1,500,296	40,992	48,065	1,493,223
Equipment	7,652,234	959,997	526,623	8,085,608
Infrastructure	<u>40,095,689</u>	<u>4,023,441</u>	<u>623,986</u>	<u>43,495,144</u>
	<u>60,477,647</u>	<u>5,105,765</u>	<u>1,238,742</u>	<u>64,344,670</u>
	<u>64,426,999</u>	<u>5,272,495</u>	<u>1,251,620</u>	<u>68,447,874</u>
Less Accumulated Depreciation:				
Buildings and improvements	(3,499,133)	(286,058)	(31,904)	(3,753,287)
Land improvements	(770,776)	(66,501)	(34,305)	(802,972)
Equipment	(3,607,311)	(647,707)	(460,707)	(3,794,311)
Infrastructure	<u>(17,535,706)</u>	<u>(1,370,787)</u>	<u>(623,986)</u>	<u>(18,282,507)</u>
	<u>(25,412,926)</u>	<u>(2,371,053)</u>	<u>(1,150,902)</u>	<u>(26,633,077)</u>
Capital assets, net of depreciation	<u>\$ 39,014,073</u>	<u>2,901,442</u>	<u>100,718</u>	<u>41,814,797</u>

Depreciation expense for governmental activities was charged to functions as follows:

General government	\$ 242,730
Public safety	403,667
Health and sanitation	786
Public works, including infrastructure	1,622,306
Culture and recreation	<u>101,564</u>
	<u>\$ 2,371,053</u>

Capital asset activity in the business-type activities for the year ended December 31, 2014 was as follows:

	<u>Balance</u> <u>12/31/13</u>	<u>Additions</u>	<u>Disposals</u>	<u>Balance</u> <u>12/31/14</u>
Capital Assets Not Being Depreciated:				
Land	\$ 530,387	-	-	530,387
Construction in process	<u>1,253,845</u>	-	<u>496,081</u>	<u>757,764</u>
	<u>1,784,232</u>	-	<u>496,081</u>	<u>1,288,151</u>
Capital Assets Being Depreciated:				
Buildings	8,650,950	1,214,906	246,867	9,618,989
Improvements other than buildings	87,947,060	7,301,917	259,199	94,989,778
Furniture and equipment	<u>979,817</u>	<u>103,444</u>	-	<u>1,083,261</u>
	<u>97,577,827</u>	<u>8,620,267</u>	<u>506,066</u>	<u>105,692,028</u>
	<u>99,362,059</u>	<u>8,620,267</u>	<u>1,002,147</u>	<u>106,980,179</u>
Less Accumulated Depreciation:				
Buildings	(2,594,192)	(249,125)	(103,684)	(2,739,633)
Improvements other than buildings	(24,888,841)	(1,910,615)	(145,080)	(26,654,376)
Furniture and equipment	<u>(771,705)</u>	<u>(97,236)</u>	-	<u>(868,941)</u>
	<u>(28,254,738)</u>	<u>(2,256,976)</u>	<u>(248,764)</u>	<u>(30,262,950)</u>
Capital assets, net of depreciation	<u>\$ 71,107,321</u>	<u>6,363,291</u>	<u>753,383</u>	<u>76,717,229</u>

Depreciation expense for business-type activities was charged to functions as follows:

Water utility	\$ 947,887
Sewer utility	<u>1,309,089</u>
	<u>\$ 2,256,976</u>

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(4) Detailed Notes on All Funds - Continued

D. Payables

Payables as of December 31, 2014 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	\$ 700,846	16,014	30,051	42,599	789,510
Construction contracts payable	-	43,055	276,254	766	320,075
Accrued payroll	95,021	-	-	-	95,021
Accrued compensated absences	120,746	-	-	-	120,746
Other accrued liabilities	<u>41,606</u>	-	-	-	<u>41,606</u>
Total per fund balance sheet	\$ <u>958,219</u>	<u>59,069</u>	<u>306,305</u>	<u>43,365</u>	1,366,958
Accrued interest					<u>71,470</u>
Total per government-wide statement of net position					\$ <u>1,438,428</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. Transfers from the general fund were made to the capital equipment fund to finance various capital expenditures. A transfer was 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 tourism and convention fund transferred funds to the sports complex fund for construction of a future sports facility.

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	\$ 504,100
Storm Water Management fund	General fund	12,350
Storm Water Management fund	Non-major governmental fund -	
	Expendable Cemetery fund	444
Debt Service fund	Storm Water Management fund	326,295
Non-major governmental fund -		
Capital Equipment fund	General fund	1,351,967
Non-major governmental fund -	Non-major governmental fund -	
Sports Complex fund	Tourism and Convention fund	<u>100,000</u>
Total per fund statements		2,295,156
Interfund eliminations		<u>(1,791,056)</u>
Total per statement of activities		\$ <u>504,100</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, 2014 was as follows:

	<u>Balance</u> <u>12/31/13</u>	<u>Increases</u>	<u>Decreases</u>	<u>Balance</u> <u>12/31/14</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
Governmental Activities:					
Bonds and notes payable:					
General obligation debt	\$ 11,969,914	-	1,515,719	10,454,195	1,380,365
Other liabilities:					
Vested compensated absences	412,762	31,777	-	444,539	-
Post-retirement benefits	<u>727,254</u>	<u>-</u>	<u>727,254</u>	<u>-</u>	<u>-</u>
Total governmental long-term liabilities	<u>\$ 13,109,930</u>	<u>31,777</u>	<u>2,242,973</u>	<u>10,898,734</u>	<u>1,380,365</u>
Business-type Activities:					
Bonds and notes payable:					
General obligation debt	\$ 7,346,211	-	494,695	6,851,516	462,038
Revenue bonds	1,706,971	-	551,133	1,155,838	568,801
Other liabilities:					
Post-retirement benefits	<u>95,118</u>	<u>-</u>	<u>95,118</u>	<u>-</u>	<u>-</u>
Total business-type long-term liabilities	<u>\$ 9,148,300</u>	<u>-</u>	<u>1,140,946</u>	<u>8,007,354</u>	<u>1,030,839</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 of \$2,682,773,200. The debt limit as of December 31, 2014, was \$134,138,660. Total general obligation debt outstanding at year-end was \$17,305,711. 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, 2014:

Governmental Activities

Date of	<u>Final</u> <u>Issue</u>	<u>Maturity</u>	<u>Interest</u> <u>Rates</u>	<u>Original</u> <u>Indebtedness</u>	<u>Balance</u> <u>12/31/14</u>	<u>Amounts</u> <u>Due Within</u> <u>One Year</u>
General obligation debt:						
2010 G.O. note	4/1/10	9/1/19	2.4-4.2%	2,910,000	1,605,000	305,000
2011 G.O. note	2/24/11	3/1/20	2.5-2.75%	4,937,095	3,195,000	505,000
2012 G.O. bonds	6/12/12	12/1/24	.5-2.15%	3,040,788	2,769,195	415,365
2013 G.O. bonds	5/30/13	9/1/32	2.0-3.0%	3,060,000	<u>2,885,000</u>	<u>155,000</u>
					<u>\$ 10,454,195</u>	<u>1,380,365</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 for governmental activities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,380,365	235,600	1,615,965
2016	1,384,100	208,565	1,592,665
2017	1,216,570	179,799	1,396,369
2018	1,227,835	150,145	1,377,980
2019	1,270,305	118,046	1,388,351
2020-2024	2,570,020	310,467	2,880,487
2025-2029	845,000	145,618	990,618
2030-2032	<u>560,000</u>	<u>34,050</u>	<u>594,050</u>
	<u>\$ 10,454,195</u>	<u>1,382,290</u>	<u>11,836,485</u>

Business-type Activities

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/14</u>	<u>Amounts Due Within One Year</u>
1996 Revenue bonds	10/9/96	5/1/16	3.21%	\$ 8,049,176	1,155,838	568,801
1998 Installment loan	3/17/98	5/1/16	3.16%	816,870	101,936	50,192
2010 G.O. note	8/2/10	5/1/29	2.91%	222,618	186,258	10,081
2011 G.O. note	7/13/11	5/1/31	2.4%	174,403	147,517	7,130
2012 G.O. bonds	6/12/12	12/1/24	.5-2.15%	834,212	805,805	74,635
2013 G.O. bonds	5/30/13	9/1/32	2.0-3.0%	5,915,000	<u>5,610,000</u>	<u>320,000</u>
					<u>\$ 8,007,354</u>	<u>1,030,839</u>

Debt service requirements to maturity for business-type activities are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2015	\$ 1,030,839	178,653	1,209,492
2016	992,356	151,198	1,143,554
2017	361,582	134,719	496,301
2018	370,807	128,216	499,023
2019	378,840	121,394	500,234
2020-2024	2,003,751	493,185	2,496,936
2025-2029	1,758,583	293,419	2,052,002
2030-2032	<u>1,110,596</u>	<u>66,497</u>	<u>1,177,093</u>
	<u>\$ 8,007,354</u>	<u>1,567,281</u>	<u>9,574,635</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, 2014 includes the following:

Governmental Activities	
Net investment in capital assets:	
Capital assets, net of accumulated depreciation	\$ 41,814,797
Less: related long-term debt outstanding, excluding unspent capital related debt proceeds and non-capital borrowings	<u>(9,817,280)</u>
	31,997,517
Restricted	
Non-Expendable	
Cemetery perpetual care	65,377
Expendable	
Storm water management	1,304,576
Park dedication	158,700
Impact fee	466,700
Tourism and convention	415,006
Cemetery	52,093
Unrestricted	<u>12,060,184</u>
Total Governmental Activities Net Position	\$ <u>46,520,153</u>

Governmental fund balances reported on the fund financial statements at December 31, 2014 include the following:

Nonspendable - Major Funds	
General Fund	
Delinquent personal property taxes	\$ 2,748
Inventory of supplies	126,861
Prepaid expenditures	20,058
Non-major Funds	
Permanent Fund - Cemetery Perpetual Care	65,377
Restricted - Major Funds	
Storm Water Management	1,304,576
Non-Major Funds	
Park dedication	158,700
Impact fee	466,700
Tourism and convention	415,006
Cemetery - Expendable	52,093
Committed - Major Funds	
General Fund – Park and recreation equipment and parking lot	122,652
Storm Water Management	1,844,120
Non-Major Funds	
Capital equipment – Future capital outlays	2,036,131
Assigned - Major Funds	
General fund – Police community services	19,122
Debt service	526,680
Road construction	2,061,693
Non-Major Funds	
Green space	16,790
Sports complex	476,786
Capital equipment	550,453
Unassigned - General Fund	<u>4,473,519</u>
Total Governmental fund balance	\$ <u>14,740,065</u>

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(5) Other Information

A. Defined Benefit Pension Plan

All eligible City employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees who participated in the WRS prior to July 1, 2011 and are expected to work at least 600 hours a year and be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees who had not participated in the WRS prior to July 1, 2011 and are expected to work at least 1200 hours a year and 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 employees in the General Employment category. 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 2014 are:

	<u>Employee</u>	<u>Employer</u>
General	7.00%	7.00%
Protective with Social Security	7.00%	10.31%

The payroll for City employees covered by the WRS for the year ended December 31, 2014 was \$4,320,562; the employer's total payroll was \$4,689,800. The total required contribution for the year ended December 31, 2014, was \$672,464. This amount consisted of \$370,024, or 8.6% of payroll from the employer and \$302,439, or 7.0% of payroll from employees. Total contributions for the years ending December 31, 2013 and 2012 were \$591,783 and \$528,988, respectively, equal to the required contribution for each year. At December 31, 2014 there was no pension related debt for the City.

Employees who retire at or after age 65 (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 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be 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.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(5) Other Information - Continued

C. Commitments

Business-type Activities

The City of Pewaukee has an ownership interest in the treatment capacity of a regional sewage treatment facility operated by the City of Brookfield known as the Fox River Water Pollution Control Center.

In September 1996 the City of Pewaukee entered into an agreement with the City of Brookfield to share the design and construction costs to upgrade existing capacity, upgrade a lift station and interceptor, and to purchase an additional 1.1 million gallons per day capacity in an expansion of the treatment facility. Project costs were shared between the participating communities based upon ownership percentages in the treatment plant's capacity.

Funding for the project was provided by sewer revenue bonds issued through the Clean Water Fund Financial Assistance Program, which is administered jointly by the Wisconsin Department of Natural Resources and the Wisconsin Department of Administration. The Clean Water Fund Financial Assistance Program provides subsidized interest rate loans through grants passed through the Wisconsin Department of Natural Resources from the U.S. Environmental Protection Agency. The City of Pewaukee issued sewer revenue bonds in the amount of \$8,049,176 and the outstanding balance as of December 31, 2014 was \$1,155,838.

The City of Pewaukee has pledged, as security for the bonds, revenues derived from future wastewater sewer service charges or, in the event that those revenues are not sufficient, supplemental revenues from other sources. The bond indenture requires the City to maintain sewage service revenues, net of operating expenses, of at least 110% of the annual principal and interest requirements on all outstanding debt payable from the wastewater sewer service charge

On September 24, 1996, in accordance with these provisions, a resolution was adopted revising sewer service rates to include a debt service component for the purpose of providing sufficient revenues to meet the debt service requirements on the revenue bonds. For the year ended December 31, 2014 the sewage service revenues net of operating expenses, exclusive of depreciation charges, was \$1,564,647. Total debt service requirements on all outstanding debt payable from the wastewater sewer service charge were \$594,078.

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 2014 were \$977,653 and the City received \$195,936 for costs apportioned to the Village.

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(5) Other Information - Continued

D. Joint Ventures - continued

Parks and Recreation - continued

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.

Library

The City of Pewaukee and the Village of Pewaukee jointly operate the Pewaukee Public Library that provides library services to both communities since 2005. The Joint Library Board consists of seven members, three citizens from each community and one representative nominated by the Superintendent of the Pewaukee School District. Local representatives are appointed by the Mayor, subject to confirmation by the Common Council. The Joint Library Board shall plan for, implement and manage all library services, programs and activities. The Board prepares a budget for the operation and maintenance of the library which is presented to the City and Village on or before August 1 of each year. The City made payments totaling \$674,323 to the library for 2014, or 74% of the shared expenditures.

The intergovernmental agreement is for a twenty-year term and then automatically renews for five-year terms unless notice of intent to terminate the agreement is provided. Termination would become effective on January 1 at least twelve months from the date of notification.

Financial information related to the library as of December 31, 2014 is available directly from the Library Director.

E. Segment Information

The City maintains two enterprise funds which provide water and sewer services. Segment information for the year ended December 31, 2014 is as follows:

	<u>Water Utility</u>	<u>Sewer Utility</u>	<u>Total Enterprise Funds</u>
Operating revenues	\$ 1,967,415	3,063,548	5,030,963
Operating expenses:			
Operations and maintenance	1,156,351	1,498,901	2,655,252
Depreciation expense	947,887	1,309,089	2,256,976
Amortization expense	42,500	-	42,500
Taxes	1,780	-	1,780
Net operating income (loss)	(181,103)	255,558	74,455
Transfers to General Fund:			
Payment in lieu of property taxes			504,100

CITY OF PEWAUKEE
NOTES TO FINANCIAL STATEMENTS

(5) Other Information – Continued

E. Segment Information - continued

	<u>Total Enterprise Funds</u>
Assets:	
Current assets	\$ 9,257,051
Capital assets, net of depreciation	76,717,229
Other assets	5,128,363
Total assets	91,102,643
Liabilities:	
Current liabilities	2,239,310
Long-term liabilities	7,027,255
Other liabilities	1,252,327
Total liabilities	10,518,892
Net position:	
January 1, 2014	78,219,254
Change in net position	2,364,497
December 31, 2014:	
Invested in capital assets, net of related debt	68,709,875
Restricted for debt service and capital projects	5,050,859
Unrestricted	6,823,017
Net cash provided (used) by:	
Operating activities	1,392,775
Capital and related financing activities	(6,146,074)
Investing activities	60,419
Cash and cash equivalents:	
January 1, 2014	12,303,231
December 31, 2014	7,610,351

F. Other Postemployment Benefits

The City provides and administers a single-employer defined benefit healthcare plan. Prior to 2014 the plan provided eligible retirees with the opportunity to continue participation in the City's health and dental insurance plans. Eligible retirees and spouses contributed the full amount of the insurance premium of the provided benefits. The insurance premiums were computed on an average cost basis of all participants of the City's plans, and therefore, were not rated for the age of the individual participant.

Starting in 2014 retired City employees and their spouses are no longer eligible to participate in the City's healthcare plan. The termination of this postemployment benefit plan resulted in a reduction of long term OPEB liabilities in the amount of \$727,254 for Governmental Activities and \$95,118 for Business-type Activities.

G. Subsequent Events

In preparing the financial statements, the City has evaluated events and transactions for potential recognition or disclosure through May 26, 2015 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
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2014

	Actual	Budget	Variance: Favorable (Unfavorable)
Taxes:			
General property	\$ 5,688,637	5,688,637	-
Public accommodation	215,671	207,858	7,813
Other	143	-	143
	<u>5,904,451</u>	<u>5,896,495</u>	<u>7,956</u>
Intergovernmental:			
State shared revenues	649,472	619,830	29,642
Exempt computer aids	81,696	80,000	1,696
Fire insurance dues	94,214	85,000	9,214
Transportation aids	422,502	407,318	15,184
Lake patrol reimbursements	11,616	13,500	(1,884)
Tank inspection aids	8,559	8,500	59
County recycling aids	63,864	60,000	3,864
ADA grant	16,494	-	16,494
Other	3,786	-	3,786
	<u>1,352,203</u>	<u>1,274,148</u>	<u>78,055</u>
Regulation and compliance:			
Licenses:			
Liquor class A	-	250	(250)
Liquor class B	14,277	13,600	677
Special class B licenses	10	10	-
Operator	5,657	5,200	457
Cigarette	1,000	800	200
Amusement	790	1,000	(210)
Hotel and motel	50	75	(25)
Dog and kennel	6,333	4,000	2,333
Permits:			
Building	601,339	480,000	121,339
Electrical	147,081	134,202	12,879
Plumbing	139,427	60,000	79,427
Erosion	101,279	70,000	31,279
State code stamps	3,920	4,000	(80)
Sign	2,502	4,000	(1,498)
Street opening	11,425	6,000	5,425

CITY OF PEWAUKEE
General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2014

	Actual	Budget	Variance: Favorable (Unfavorable)
Regulation and compliance - continued:			
Permits - continued:			
Outdoor entertainment	\$ 270	480	(210)
Fire inspection - commercial buildings	156,217	152,000	4,217
Special event	9,240	5,500	3,740
Other	4,145	1,300	2,845
Fines:			
Court	674,408	500,000	174,408
Lake patrol	3,153	3,000	153
Cable TV franchise	101,018	112,000	(10,982)
AT&T video service fee	33,272	24,000	9,272
	2,016,813	1,581,417	435,396
Charges for services:			
Publication fees	1,460	1,500	(40)
Copies	211	500	(289)
Administrative fees	6,640	-	6,640
Planning and zoning fees	17,438	6,000	11,438
Certified survey maps and plat review fees	7,465	3,000	4,465
Zoning letter fees	-	200	(200)
Legal review fees	21,712	15,000	6,712
Engineering review fees	269,806	269,806	-
Refuse collection	909,781	909,675	106
House numbers	1,475	1,500	(25)
Highway materials and services	1,548	1,500	48
Weed cutting	171	500	(329)
Police sales and copies	4	500	(496)
Boat launch fees	7,338	8,000	(662)
Fire runs	6,150	13,800	(7,650)
Fire inspections	86,880	70,000	16,880
Ambulance runs	346,833	410,000	(63,167)
Police services	7,132	4,800	2,332
Fire and ambulance services	1,300,833	1,000,000	300,833
Private fire protection plan	5,485	5,000	485

CITY OF PEWAUKEE
 General Fund

STATEMENT OF REVENUES COMPARED TO BUDGET

Year Ended December 31, 2014

	Actual	Budget	Variance: Favorable (Unfavorable)
Charges for services - continued:			
Management services	\$ 55,000	55,000	-
SEWRPC services	12,565	12,300	265
Building inspection contract	75,996	60,000	15,996
Park equipment usage fees	451	8,000	(7,549)
Park and recreation contracts	195,936	195,000	936
	<u>3,338,310</u>	<u>3,051,581</u>	<u>286,729</u>
Recreation:			
Program fees	165,305	140,000	25,305
Field trips	12,817	20,000	(7,183)
Club use fees	15,530	18,000	(2,470)
Reservation fees	28,643	30,000	(1,357)
WPRA ticket sales	5,733	6,000	(267)
	<u>228,028</u>	<u>214,000</u>	<u>14,028</u>
Interest:			
Investments	34,445	10,000	24,445
Other	8,142	4,250	3,892
	<u>42,587</u>	<u>14,250</u>	<u>28,337</u>
Miscellaneous:			
Rent:			
Water and sewer utility	36,000	36,000	-
Other	4,995	5,000	(5)
Recycling	6,631	7,000	(369)
Sale of assets	87,752	35,000	52,752
Insurance recoveries	14,367	-	14,367
Credit card rebate	10,333	8,000	2,333
Gifts and donations	3,544	3,000	544
Insurance dividend	16,622	15,000	1,622
Delinquent personal property recoveries	920	2,000	(1,080)
Other	7,718	1,100	6,618
	<u>188,882</u>	<u>112,100</u>	<u>76,782</u>
Total revenues	\$ <u>13,071,274</u>	<u>12,143,991</u>	<u>927,283</u>

CITY OF PEWAUKEE
General Fund

STATEMENT OF EXPENDITURES COMPARED TO BUDGET

Year Ended December 31, 2014

	Actual	Budget	Variance: Favorable (Unfavorable)
General government:			
Mayor	\$ 9,624	9,624	-
Common council	44,686	45,191	505
Fire commission	151	262	111
Public works committee	151	696	545
Administration	188,242	188,242	-
Human resources	124,974	124,974	-
Clerk/treasurer	342,778	350,309	7,531
Assessor	68,808	90,677	21,869
Board of review	1,136	1,754	618
Outside services	290,037	290,037	-
Elections	26,787	41,200	14,413
Facilities	229,217	293,837	64,620
Information technology	233,410	263,379	29,969
Insurance	83,283	97,110	13,827
Plan commission	52,125	56,022	3,897
Board of appeals	2,139	2,139	-
	1,697,548	1,855,453	157,905
Public safety and judicial:			
Municipal court	123,660	129,808	6,148
Law enforcement	2,318,887	2,335,798	16,911
Fire and rescue	3,399,936	3,474,085	74,149
Building services	319,944	346,520	26,576
	6,162,427	6,286,211	123,784
Health and sanitation:			
Animal control	6,699	7,000	301
Weed, lake and wetlands	123,664	124,224	560
Refuse collection and recycling	950,422	950,422	-
	1,080,785	1,081,646	861

CITY OF PEWAUKEE
General Fund

STATEMENT OF EXPENDITURES COMPARED TO BUDGET

Year Ended December 31, 2014

	<u>Actual</u>	<u>Budget</u>	Variance: Favorable (Unfavorable)
Public works:			
Engineering	\$ 499,315	499,315	-
Safety program	4,307	5,300	993
Highway and transportation	<u>949,756</u>	<u>1,037,319</u>	<u>87,563</u>
	<u>1,453,378</u>	<u>1,541,934</u>	<u>88,556</u>
Culture and recreation:			
Library	674,323	674,323	-
Parks	440,471	459,490	19,019
Recreation	<u>537,182</u>	<u>621,734</u>	<u>84,552</u>
	<u>1,651,976</u>	<u>1,755,547</u>	<u>103,571</u>
Unclassified:			
Contingency	<u>77,758</u>	<u>168,200</u>	<u>90,442</u>
Total expenditures	\$ <u><u>12,123,872</u></u>	<u><u>12,688,991</u></u>	<u><u>565,119</u></u>

CITY OF PEWAUKEE
Storm Water Management Fund

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

Year Ended December 31, 2014

	Actual	Budget	Variance: Favorable (Unfavorable)
Revenues:			
Charges for services	\$ 1,551,444	1,475,800	75,644
Interest earnings	5,909	2,300	3,609
Total revenues	1,557,353	1,478,100	79,253
Expenditures:			
Administration	212,718	177,762	(34,956)
Storm water maintenance	22,166	31,415	9,249
Ditch and culvert maintenance	66,772	96,706	29,934
Yard maintenance	-	5,757	5,757
Street sweeping	20,674	14,106	(6,568)
Catch basin maintenance	29,802	70,919	41,117
Permit compliance	27,753	117,883	90,130
Infrastructure improvements	668,478	4,201,220	3,532,742
Capital equipment	48,796	114,000	65,204
Debt issue costs	-	25,000	25,000
Total expenditures	1,097,159	4,854,768	3,757,609
Excess (deficiency) of revenues over expenditures	460,194	(3,376,668)	3,836,862
Other financing sources (uses):			
Transfer from general fund	12,350	12,350	-
Transfer from cemetery fund	444	444	-
Transfer to debt service	(326,295)	(326,295)	-
Face amount of long-term debt	-	2,010,000	(2,010,000)
Debt discount	-	(20,000)	20,000
Total other financing sources (uses)	(313,501)	1,676,499	(1,990,000)
Excess (deficiency) of revenues and other financing sources over expenditures and other financing sources (uses)	146,693	(1,700,169)	1,846,862
Fund balance, January 1	3,002,003		
Fund balance, December 31	\$ 3,148,696		

CITY OF PEWAUKEE
Debt Service Fund

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

Year Ended December 31, 2014

	Actual	Budget	Variance: Favorable (Unfavorable)
Revenues:			
Taxes:			
General tax levy	\$ 1,300,000	1,300,000	-
Special assessments	125,803	150,000	(24,197)
Build America bond rebate	20,987	20,988	(1)
Interest earnings	1,026	500	526
Total revenues	1,447,816	1,471,488	(23,672)
Expenditures:			
Debt service:			
Principal	1,515,720	1,515,720	-
Interest	286,385	289,988	3,603
Total expenditures	1,802,105	1,805,708	3,603
Excess (deficiency) of revenues over expenditures	(354,289)	(334,220)	(20,069)
Other financing sources:			
Transfer from storm water management	326,295	326,295	-
Total other financing sources	326,295	326,295	-
Excess (deficiency) of revenues and other sources over expenditures	(27,994)	(7,925)	(20,069)
Fund balance, January 1	554,674		
Fund balance, December 31	\$ 526,680		

CITY OF PEWAUKEE
Road Construction Fund

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

Year Ended December 31, 2014

	Actual	Budget	Variance: Favorable (Unfavorable)
Revenues:			
General property taxes	\$ 200,000	200,000	-
Intergovernmental	13,543	-	13,543
Interest earnings	5,540	4,000	1,540
Total revenues	219,083	204,000	15,083
Expenditures:			
Capital outlays:			
Road construction	1,932,869	3,366,400	1,433,531
Total expenditures	1,932,869	3,366,400	1,433,531
Excess (deficiency) of revenues over expenditures	(1,713,786)	(3,162,400)	1,448,614
Other financing sources:			
Face amount of long-term debt	-	893,738	(893,738)
	-	893,738	(893,738)
Excess (deficiency) of revenues and other financing sources over expenditures	(1,713,786)	(2,268,662)	554,876
Fund balance, January 1	3,775,479		
Fund balance, December 31	\$ 2,061,693		

CITY OF PEWAUKEE
Non-Major Governmental Funds

COMBINING BALANCE SHEET

December 31, 2014

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Non-Major Funds</u>
Assets:				
Cash and cash equivalents	\$ 1,109,737	3,683,732	65,377	4,858,846
Receivables:				
Current taxes	6,521	563,003	-	569,524
Accounts	<u>27,405</u>	<u>-</u>	<u>-</u>	<u>27,405</u>
Total assets	<u>\$ 1,143,663</u>	<u>4,246,735</u>	<u>65,377</u>	<u>5,455,775</u>
Liabilities, Deferred Inflows of Resources and Fund Balance:				
Liabilities:				
Accounts payable	\$ -	42,599	-	42,599
Construction contracts payable	-	766	-	766
Unearned revenue	<u>19,374</u>	<u>-</u>	<u>-</u>	<u>19,374</u>
Total liabilities	<u>19,374</u>	<u>43,365</u>	<u>-</u>	<u>62,739</u>
Deferred Inflows of Resources				
Subsequent year's tax levy	<u>15,000</u>	<u>1,140,000</u>	<u>-</u>	<u>1,155,000</u>
Fund Balance:				
Nonspendable	-	-	65,377	65,377
Restricted	1,092,499	-	-	1,092,499
Committed	-	2,036,131	-	2,036,131
Assigned	<u>16,790</u>	<u>1,027,239</u>	<u>-</u>	<u>1,044,029</u>
Total fund balance	<u>1,109,289</u>	<u>3,063,370</u>	<u>65,377</u>	<u>4,238,036</u>
Total liabilities, deferred inflows of resources and fund balance	<u>\$ 1,143,663</u>	<u>4,246,735</u>	<u>65,377</u>	<u>5,455,775</u>

CITY OF PEWAUKEE
Non-Major Governmental Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2014

	<u>Special Revenue</u>	<u>Capital Projects</u>	<u>Permanent</u>	<u>Total Non-Major Funds</u>
Revenues:				
Taxes	\$ 518,233	758,500	-	1,276,733
Intergovernmental	9,744	-	-	9,744
Charges for services	228,847	-	1,054	229,901
Interest	1,068	3,768	-	4,836
Total revenues	<u>757,892</u>	<u>762,268</u>	<u>1,054</u>	<u>1,521,214</u>
Expenditures:				
Current:				
Public safety	9,744	-	-	9,744
Health and sanitation	38,232	-	-	38,232
Economic development	500,309	-	-	500,309
Capital outlay	-	1,050,754	-	1,050,754
Total expenditures	<u>548,285</u>	<u>1,050,754</u>	<u>-</u>	<u>1,599,039</u>
Excess (deficiency) of revenues over expenditures	<u>209,607</u>	<u>(288,486)</u>	<u>1,054</u>	<u>(77,825)</u>
Other financing sources (uses):				
Transfers in	-	1,451,967	-	1,451,967
Transfers out	<u>(100,444)</u>	<u>-</u>	<u>-</u>	<u>(100,444)</u>
Total other financing sources (uses)	<u>(100,444)</u>	<u>1,451,967</u>	<u>-</u>	<u>1,351,523</u>
Excess of revenues and other financing sources over expenditures and other financing uses	109,163	1,163,481	1,054	1,273,698
Fund balance, January 1	<u>1,000,126</u>	<u>1,899,889</u>	<u>64,323</u>	<u>2,964,338</u>
Fund balance, December 31	<u>\$ 1,109,289</u>	<u>3,063,370</u>	<u>65,377</u>	<u>4,238,036</u>

CITY OF PEWAUKEE
Non-Major Special Revenue Funds

COMBINING BALANCE SHEET

December 31, 2014

	Park Dedication	Impact Fee	Tourism and Convention	Green Space Facilities	Public Safety Grants	Cemetery	Total
Assets:							
Cash and cash equivalents	\$ 158,700	466,700	387,601	16,790	19,374	60,572	1,109,737
Taxes receivable	-	-	-	-	-	6,521	6,521
Accounts receivable	-	-	27,405	-	-	-	27,405
Total assets	\$ 158,700	466,700	415,006	16,790	19,374	67,093	1,143,663
Liabilities, Deferred Inflows of Resources and Fund Balance:							
Liabilities:							
Unearned revenue	\$ -	-	-	-	19,374	-	19,374
Deferred inflows of resources:							
Subsequent year's tax levy	-	-	-	-	-	15,000	15,000
Fund balance:							
Restricted	158,700	466,700	415,006	-	-	52,093	1,092,499
Assigned	-	-	-	16,790	-	-	16,790
Total fund balance	158,700	466,700	415,006	16,790	-	52,093	1,109,289
Total liabilities, deferred inflows of resources and fund balance	\$ 158,700	466,700	415,006	16,790	19,374	67,093	1,143,663

CITY OF PEWAUKEE
Non-Major Special Revenue Funds

COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES

Year Ended December 31, 2014

	Park Dedication	Impact Fee	Tourism and Convention	Green Space Facilities	Public Safety Grants	Cemetery	Total
Revenues:							
General tax levy	\$ -	-	-	-	-	15,000	15,000
Public accommodation tax	-	-	503,233	-	-	-	503,233
Intergovernmental	-	-	-	-	9,744	-	9,744
Charges for services:							
Impact fees	-	220,741	-	-	-	-	220,741
Interment fees	-	-	-	-	-	7,250	7,250
Lot sales	-	-	-	-	-	396	396
Columbarium niche sales	-	-	-	-	-	460	460
Interest earnings	40	125	879	-	-	24	1,068
Total revenues	<u>40</u>	<u>220,866</u>	<u>504,112</u>	<u>-</u>	<u>9,744</u>	<u>23,130</u>	<u>757,892</u>
Expenditures:							
Public safety	-	-	-	-	9,744	-	9,744
Health and sanitation	-	-	-	-	-	38,232	38,232
Economic development	-	-	500,309	-	-	-	500,309
Total expenditures	<u>-</u>	<u>-</u>	<u>500,309</u>	<u>-</u>	<u>9,744</u>	<u>38,232</u>	<u>548,285</u>
Excess (deficiency) of revenues over expenditures	<u>40</u>	<u>220,866</u>	<u>3,803</u>	<u>-</u>	<u>-</u>	<u>(15,102)</u>	<u>209,607</u>
Other financing uses:							
Transfers out	<u>-</u>	<u>-</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(444)</u>	<u>(100,444)</u>
Excess (deficiency) of revenues over expenditures and other financing uses	40	220,866	(96,197)	-	-	(15,546)	109,163
Fund balance, January 1	158,660	245,834	511,203	16,790	-	67,639	1,000,126
Fund balance, December 31	<u>\$ 158,700</u>	<u>466,700</u>	<u>415,006</u>	<u>16,790</u>	<u>-</u>	<u>52,093</u>	<u>1,109,289</u>

CITY OF PEWAUKEE
Non-Major Special Revenue Funds

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

Year Ended December 31, 2014

	Park Dedication		Impact Fee		Tourism and Convention		Cemetery		Total	
	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget	Actual	Budget
Revenues:										
General tax levy	\$ -	-	-	-	-	-	15,000	15,000	15,000	15,000
Public accommodation tax	-	-	-	-	503,233	485,000	-	-	503,233	485,000
Charges for services:										
Impact fees	-	-	220,741	115,000	-	-	-	-	220,741	115,000
Interment fees	-	-	-	-	-	-	7,250	3,000	7,250	3,000
Lot sales	-	-	-	-	-	-	396	-	396	-
Columbarium niche sales	-	-	-	-	-	-	460	500	460	500
Interest earnings	40	150	125	250	879	700	24	100	1,068	1,200
Total revenues	<u>40</u>	<u>150</u>	<u>220,866</u>	<u>115,250</u>	<u>504,112</u>	<u>485,700</u>	<u>23,130</u>	<u>18,600</u>	<u>748,148</u>	<u>619,700</u>
Expenditures:										
Economic development	-	-	-	-	500,309	500,309	-	-	500,309	500,309
Health and sanitation	-	-	-	-	-	-	38,232	40,000	38,232	40,000
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>500,309</u>	<u>500,309</u>	<u>38,232</u>	<u>40,000</u>	<u>538,541</u>	<u>540,309</u>
Excess (deficiency) of revenues over expenditures	<u>40</u>	<u>150</u>	<u>220,866</u>	<u>115,250</u>	<u>3,803</u>	<u>(14,609)</u>	<u>(15,102)</u>	<u>(21,400)</u>	<u>209,607</u>	<u>79,391</u>
Other financing uses:										
Transfer to other funds	-	-	-	-	(100,000)	(100,000)	(444)	(444)	(100,444)	(100,444)
Excess (deficiency) of revenues over expenditures and other financing uses	<u>40</u>	<u>150</u>	<u>220,866</u>	<u>115,250</u>	<u>(96,197)</u>	<u>(114,609)</u>	<u>(15,546)</u>	<u>(21,844)</u>	<u>109,163</u>	<u>(21,053)</u>
Fund balance, January 1	<u>158,660</u>		<u>245,834</u>		<u>511,203</u>		<u>67,639</u>		<u>983,336</u>	
Fund balance, December 31	<u>\$ 158,700</u>		<u>466,700</u>		<u>415,006</u>		<u>52,093</u>		<u>1,092,499</u>	

CITY OF PEWAUKEE
Non-Major Capital Projects Funds

COMBINING BALANCE SHEET

December 31, 2014

	<u>Sports Complex</u>	<u>Capital Equipment</u>	<u>Total</u>
Assets:			
Cash and temporary investments	\$ 486,785	3,196,947	3,683,732
Taxes receivable	<u>-</u>	<u>563,003</u>	<u>563,003</u>
 Total assets	 <u>\$ 486,785</u>	 <u>3,759,950</u>	 <u>4,246,735</u>
 Liabilities, Deferred Inflows of Resources and Fund Balance			
Liabilities:			
Accounts payable	\$ 9,999	32,600	42,599
Construction contracts payable	<u>-</u>	<u>766</u>	<u>766</u>
Total liabilities	<u>9,999</u>	<u>33,366</u>	<u>43,365</u>
 Deferred inflows of resources:			
Subsequent year's tax levy	<u>-</u>	<u>1,140,000</u>	<u>1,140,000</u>
 Fund balance:			
Committed	-	2,036,131	2,036,131
Assigned	<u>476,786</u>	<u>550,453</u>	<u>1,027,239</u>
Total fund balance	<u>476,786</u>	<u>2,586,584</u>	<u>3,063,370</u>
 Total liabilities, deferred inflows of resources and fund balance	 <u>\$ 486,785</u>	 <u>3,759,950</u>	 <u>4,246,735</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, 2014

	Sports Complex		Capital Equipment		Total	
	Actual	Budget	Actual	Budget	Actual	Budget
Revenues:						
Taxes:						
General property	\$ -	-	758,500	758,500	758,500	758,500
Interest earnings	825	400	2,943	1,000	3,768	1,400
Total revenues	825	400	761,443	759,500	762,268	759,900
Expenditures:						
Capital outlays	16,999	16,999	1,033,755	1,033,755	1,050,754	1,050,754
Excess of revenues over expenditures	(16,174)	(16,599)	(272,312)	(274,255)	(288,486)	(290,854)
Other financing sources:						
Transfer from other funds	100,000	100,000	1,351,967	1,351,967	1,451,967	1,451,967
Excess of revenues and other sources over expenditures	83,826	83,401	1,079,655	1,077,712	1,163,481	1,161,113
Fund balance, January 1	392,960		1,506,929		1,899,889	
Fund balance, December 31	\$ 476,786		2,586,584		3,063,370	

CITY OF PEWAUKEE
Permanent Fund - Cemetery Perpetual Care
STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE
Year Ended December 31, 2014

Revenues:		
Charges for services:		
Perpetual care	\$	1,054
Expenditures:		
Unclassified		<u>-</u>
Excess of revenues over expenditures		1,054
Fund balance, January 1		<u>64,323</u>
Fund balance, December 31	\$	<u><u>65,377</u></u>

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

COMPARATIVE STATEMENTS OF POSITION

December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Assets:		
Current assets:		
Cash and cash equivalents	\$ 2,559,492	3,109,688
Investments	262,253	260,685
Receivables:		
Accounts	1,065,636	1,058,796
Special assessments	244,460	131,060
Intergovernmental	26,103	26,103
Accrued interest	289	283
Other	39,554	39,667
Inventory of supplies	8,405	7,503
Restricted assets:		
Cash and cash equivalents:		
Debt retirement	4,044,754	4,015,959
Capital projects	1,006,105	5,177,584
Total current assets	<u>9,257,051</u>	<u>13,827,328</u>
Fixed assets:		
Land	530,387	530,387
Construction in progress	757,764	1,253,845
Buildings	9,618,989	8,650,950
Improvements other than buildings	94,989,778	87,947,060
Furniture and equipment	1,083,261	979,817
	<u>106,980,179</u>	<u>99,362,059</u>
Less: Accumulated depreciation	<u>30,262,950</u>	<u>28,254,738</u>
Net fixed assets	<u>76,717,229</u>	<u>71,107,321</u>
Other assets:		
Long-term portion of special assessments receivable	4,842,941	5,322,076
Unamortized charges	285,422	95,255
Total other assets	<u>5,128,363</u>	<u>5,417,331</u>
Total assets	<u>\$ 91,102,643</u>	<u>90,351,980</u>

CITY OF PEWAUKEE
 Enterprise Funds
 Water and Sewer Utility

COMPARATIVE STATEMENTS OF POSITION

December 31, 2014 and 2013

	2014	2013
Liabilities and Net Position:		
Liabilities:		
Current liabilities:		
Accounts payable	\$ 686,809	503,613
Due to general fund	122,682	680,187
Construction contracts payable	290,862	254,218
Customer advances on construction	56,274	56,274
Accrued interest on long-term debt	51,844	91,539
Current portion of long-term debt	1,030,839	1,082,004
Total current liabilities	2,239,310	2,667,835
Long-term liabilities (net of current portion):		
General obligation debt	6,389,478	6,815,339
Sewerage system revenue bonds	587,037	1,155,839
Construction contracts payable	50,740	50,740
Accrued post retirement benefits	-	95,118
Other liabilities:		
Assessments due to developers	1,252,327	1,347,855
Total liabilities	10,518,892	12,132,726
Net position:		
Net investment in capital assets	68,709,875	62,054,139
Restricted for debt service and capital projects	5,050,859	9,193,543
Unrestricted	6,823,017	6,971,572
Total net position	\$ 80,583,751	78,219,254

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

COMBINING STATEMENTS OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION

Years Ended December 31, 2014 and 2013

	2014			2013
	Water	Sewer	Combined	Combined
Operating revenues	\$ 1,967,415	3,063,548	5,030,963	4,940,563
Operating expenses:				
Operation and maintenance	1,156,351	1,498,901	2,655,252	2,765,312
Depreciation	947,887	1,309,089	2,256,976	2,127,671
Amortization	42,500	-	42,500	42,500
Taxes	1,780	-	1,780	1,974
Total operating expenses	<u>2,148,518</u>	<u>2,807,990</u>	<u>4,956,508</u>	<u>4,937,457</u>
Operating income (loss)	\$ <u>(181,103)</u>	<u>255,558</u>	<u>74,455</u>	<u>3,106</u>
Non-operating revenues (expenses):				
Interest income			89,663	169,117
Interest expense and fiscal fees			(203,983)	(172,691)
Debt issue premium, net of issue costs			-	116,283
Gain (loss) on the disposal of fixed assets			(257,302)	3,000
Total non-operating revenues (expenses)			<u>(371,622)</u>	<u>115,709</u>
Income (loss) before contributions and transfers			(297,167)	118,815
Grants and contributions			3,165,764	3,885,336
Transfers out			<u>(504,100)</u>	<u>(539,132)</u>
Change in net position			2,364,497	3,465,019
Total net position, January 1			<u>78,219,254</u>	<u>74,754,235</u>
Total net position, December 31			\$ <u><u>80,583,751</u></u>	<u><u>78,219,254</u></u>

CITY OF PEWAUKEE
Enterprise Fund
Water Utility

COMPARATIVE STATEMENTS OF OPERATING INCOME AND EXPENSES

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Sale of water:		
Residential	\$ 822,652	748,052
Commercial	536,692	435,979
Industrial	84,396	74,875
Public authorities	<u>3,078</u>	<u>2,697</u>
	1,446,818	1,261,603
Public fire protection	439,041	555,828
Private fire protection	63,715	64,363
Customer's forfeited discounts	10,042	9,460
Other revenue	<u>7,799</u>	<u>5,702</u>
Total operating revenues	<u>1,967,415</u>	<u>1,896,956</u>
Operating expenses:		
Plant operation and maintenance:		
Salaries and wages	153,777	176,037
Transportation expense	25,517	28,011
Power purchased for pumping	252,923	255,358
Chemicals	116,642	116,830
Operating supplies	38,931	45,272
Repairs of water plant	<u>176,959</u>	<u>91,012</u>
	<u>764,749</u>	<u>712,520</u>
General operating expenses:		
Administrative salaries	161,771	130,469
Office supplies and expenses	27,348	21,566
Outside services employed	115,071	93,147
Insurance	12,209	11,015
Employee benefits	55,647	117,519
Other general expenses	<u>19,556</u>	<u>19,897</u>
	<u>391,602</u>	<u>393,613</u>
Total operation and maintenance expenses	1,156,351	1,106,133
Depreciation	947,887	863,035
Amortization	42,500	42,500
Taxes	<u>1,780</u>	<u>1,974</u>
Total operating expenses	<u>2,148,518</u>	<u>2,013,642</u>
Net operating income (loss)	\$ <u>(181,103)</u>	<u>(116,686)</u>

CITY OF PEWAUKEE
Enterprise Fund
Sewer Utility

COMPARATIVE STATEMENTS OF OPERATING INCOME AND EXPENSES

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Operating revenues:		
Sewer service charges:		
Residential	\$ 1,723,337	1,685,265
Commercial	1,146,121	1,150,178
Industrial	162,439	175,983
Public authorities	8,875	8,875
Other revenue	<u>22,776</u>	<u>23,306</u>
Total operating revenues	<u>3,063,548</u>	<u>3,043,607</u>
Operating expenses:		
Plant operation and maintenance:		
Sewage treatment charges	1,101,536	1,175,121
Salaries and wages	47,932	45,122
Power purchased for pumping	41,703	39,706
Supplies and expenses	9,424	9,368
Maintenance	<u>27,007</u>	<u>117,178</u>
	<u>1,227,602</u>	<u>1,386,495</u>
General operating expenses:		
Administrative salaries	161,771	130,469
Office supplies and expenses	27,348	21,565
Outside services employed	47,504	33,879
Insurance	12,208	11,014
Employee benefits	2,912	55,860
Other general expenses	<u>19,556</u>	<u>19,897</u>
	<u>271,299</u>	<u>272,684</u>
Total operation and maintenance expenses	1,498,901	1,659,179
Depreciation	<u>1,309,089</u>	<u>1,264,636</u>
Total operating expenses	<u>2,807,990</u>	<u>2,923,815</u>
Net operating income	<u>\$ 255,558</u>	<u>119,792</u>

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

COMPARATIVE STATEMENTS OF CASH FLOWS

Years Ended December 31, 2014 and 2013

	<u>2014</u>	<u>2013</u>
Cash flows from operating activities:		
Receipts from customers	\$ 5,024,236	4,742,774
Payments for interfund services - net	(1,061,605)	(577,310)
Payments to suppliers	(1,890,928)	(2,365,091)
Payments to employees	(678,928)	(639,603)
Net cash provided by operating activities	<u>1,392,775</u>	<u>1,160,770</u>
Cash flows from capital and related financing activities:		
Acquisition and construction of capital assets	(6,605,545)	(840,080)
Proceeds from disposals of fixed assets	-	3,000
Reserve capacity assessments received	1,298,237	601,020
Proceeds of long-term debt	-	5,915,000
Debt issue premium, net of issue costs	-	116,283
Long-term debt retirements	(1,045,828)	(850,597)
Collection of special assessments, net	450,740	283,093
Developer advances on construction, net	-	(2,281)
Interest and fiscal charges paid on bonds and notes payable	<u>(243,678)</u>	<u>(98,504)</u>
Net cash provided (used) by capital and related financing activities	<u>(6,146,074)</u>	<u>5,126,934</u>
Cash flows from investing activities:		
Interest received on cash and investments	61,987	69,727
Securities matured	260,686	259,386
Securities purchased	<u>(262,254)</u>	<u>(260,685)</u>
Net cash provided by investing activities	<u>60,419</u>	<u>68,428</u>
Net increase (decrease) in cash and cash equivalents	(4,692,880)	6,356,132
Cash and cash equivalents, January 1	<u>12,303,231</u>	<u>5,947,099</u>
Cash and cash equivalents, December 31	<u>\$ 7,610,351</u>	<u>12,303,231</u>
Reconciliation of cash and cash equivalents to the Statement of Net Position		
Unrestricted	\$ 2,559,492	3,109,688
Restricted - Debt retirement and capital projects	<u>5,050,859</u>	<u>9,193,543</u>
	<u>\$ 7,610,351</u>	<u>12,303,231</u>
Reconciliation of operating income to net cash provided by operating activities:		
Operating income	\$ 74,455	3,106
Adjustments to reconcile operating income to net cash provided by operating activities:		
Depreciation	2,256,976	2,127,671
Amortization	42,500	42,500
Changes in assets and liabilities:		
Accounts receivable, net	(6,727)	(197,789)
Inventory of supplies	(902)	(1,442)
Accounts payable and accrued expenses	<u>(973,527)</u>	<u>(813,276)</u>
Net cash provided by operating activities	<u>\$ 1,392,775</u>	<u>1,160,770</u>
Schedule of non-cash activities:		
Plant assets contributed by developers	<u>\$ 1,714,664</u>	<u>3,327,083</u>

CITY OF PEWAUKEE
Enterprise Funds
Water and Sewer Utility

ANALYSIS OF UTILITY PLANT IN SERVICE

Years Ended December 31, 2014 and 2013

	Utility Plant				% Rate	Accumulated Depreciation			
	Balance Dec. 31, 2013	Additions	Disposals	Balance Dec. 31, 2014		Balance Dec. 31, 2013	Additions	Disposals	Balance Dec. 31, 2014
Water Utility:									
Source of supply plant:									
Wells and springs	\$ 1,940,950	411,185	-	2,352,135	2.90	732,455	62,249	-	794,704
Supply mains	176,607	61,042	-	237,649	1.80	69,115	3,728	-	72,843
Pumping plant:									
Land	530,387	-	-	530,387	-	-	-	-	-
Structures and improvements	4,838,736	982,003	-	5,820,739	3.20	1,862,492	170,552	-	2,033,044
Electric pumping equipment	1,069,088	578,153	31,194	1,616,047	4.40	337,661	59,725	10,981	386,405
Other pumping equipment	149,569	52,145	-	201,714	4.40	126,971	7,728	-	134,699
Water treatment plant	340,980	41,858	-	382,838	6.00	158,820	21,715	-	180,535
Transmission and distribution plant:									
Distribution reservoirs and standpipes	1,428,254	572,845	-	2,001,099	1.90	612,021	32,579	-	644,600
Transmission and distribution mains	22,412,959	2,823,381	48,650	25,187,690	1.30	3,728,537	309,721	7,589	4,030,669
Services	3,445,097	514,756	4,298	3,955,555	2.90	1,260,478	107,372	1,345	1,366,505
Meters	521,427	39,114	31,218	529,323	5.50	255,625	29,754	31,218	254,161
Hydrants	2,879,350	409,215	-	3,288,565	2.20	776,388	67,846	-	844,234
General plant:									
Transportation equipment	221,056	32,079	-	253,135	13.30	172,244	31,533	-	203,777
Office furniture and equipment	141,800	35,682	-	177,482	Var.	116,520	19,086	-	135,606
Other general equipment	304,268	-	-	304,268	Var.	228,573	24,299	-	252,872
Power operating equipment	175	-	-	175	7.50	175	-	-	175
	<u>40,400,703</u>	<u>6,553,458</u>	<u>115,360</u>	<u>46,838,801</u>		<u>10,438,075</u>	<u>947,887</u>	<u>51,133</u>	<u>11,334,829</u>
Sewer Utility:									
Buildings and structures	3,812,214	232,903	246,867	3,798,250	2.00	731,700	78,573	103,684	706,589
Collection sewers	31,761,902	880,323	56,696	32,585,529	1.00	4,437,569	322,021	6,804	4,752,786
Force mains	2,094,299	151,188	-	2,245,487	3.33	648,362	72,257	-	720,619
Services	4,642,619	293,651	-	4,936,270	1.00	598,250	47,895	-	646,145
Pumping equipment	3,921,464	193,701	87,143	4,028,022	5.00	1,906,110	200,916	87,143	2,019,883
Other equipment	312,518	35,683	-	348,201	Var.	254,193	22,318	-	276,511
Treatment plant	11,162,495	279,360	-	11,441,855	5.00	9,240,479	565,109	-	9,805,588
	<u>57,707,511</u>	<u>2,066,809</u>	<u>390,706</u>	<u>59,383,614</u>		<u>17,816,663</u>	<u>1,309,089</u>	<u>197,631</u>	<u>18,928,121</u>
Construction in progress	<u>1,253,845</u>	<u>-</u>	<u>496,081</u>	<u>757,764</u>		<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	\$ <u>99,362,059</u>	<u>8,620,267</u>	<u>1,002,147</u>	<u>106,980,179</u>		<u>28,254,738</u>	<u>2,256,976</u>	<u>248,764</u>	<u>30,262,950</u>