

COMPREHENSIVE ANNUAL FINANCIAL REPORT

INCLUDING AUDITORS' REPORTS

**For the Fiscal Year Ended
DECEMBER 31, 2008**



City of Waukesha, Wisconsin

CITY OF WAUKESHA

MAYOR: LARRY NELSON

CITY ADMINISTRATOR: LORI CURTIS LUTHER

COMMON COUNCIL

PRESIDENT: JOAN FRANCOEUR

ALDERPERSONS

DISTRICT 1	TERRY THIEME
DISTRICT 2	ERIC PAYNE
DISTRICT 3	CHRISTOPHER HERNANDEZ
DISTRICT 4	JOE PIEPER
DISTRICT 5	PAUL YBARRA
DISTRICT 6	PAUL FURRER
DISTRICT 7	PEGGY BULL
DISTRICT 8	EMANUELE J. VITALE
DISTRICT 9	KATHLEEN CUMMINGS
DISTRICT 10	STEVE JOHNSON
DISTRICT 11	RANDY RADISH
DISTRICT 12	CHARLES LICHTIE
DISTRICT 13	RICK P. TORTOMASI
DISTRICT 14	JOAN FRANCOEUR
DISTRICT 15	CARROL WALDENBERGER



FRONT COVER: Veteran's Sundial, Veteran's Park, Corner of N. West Ave. and Wisconsin Ave

**COMPREHENSIVE ANNUAL
FINANCIAL REPORT
OF THE
CITY OF WAUKESHA, WISCONSIN
INCLUDING AUDITOR'S REPORTS
FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2008**

**PREPARED BY DEPARTMENT OF FINANCE
STEPHEN NEAMAN, FINANCE MANAGER**

**CITY OF WAUKESHA, WISCONSIN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS**

Year Ended December 31, 2008

	<u>Page No.</u>
INTRODUCTORY SECTION	
Letter of Transmittal from Finance Manager, Mayor and Administrator	1 - 8
Certificate of Achievement	9
Organization Chart	10
Officials of the City of Waukesha	11
FINANCIAL SECTION	
INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS	12 - 13
MANAGEMENT'S DISCUSSION AND ANALYSIS	14 - 23
BASIC FINANCIAL STATEMENTS	
Government-wide Financial Statements	
Statement of Net Assets	24
Statement of Activities	25 - 26
Fund Financial Statements	
Balance Sheet - Government Funds	27 - 28
Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds	29 - 30
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund	31
Statement of Net Assets - Proprietary Funds	32 - 35
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	36 - 37
Statement of Cash Flows - Proprietary Funds	38 - 41
Notes to Basic Financial Statements	42 - 69
REQUIRED SUPPLEMENTAL INFORMATION	
Schedule of Funding Progress Other Post-Employment Benefit Plan	70
Schedule of Employer Contributions Other Post-Employment Benefit Plan	71
SUPPLEMENTAL INFORMATION	
Schedule of Revenues and Other Financing Sources - Budget and Actual - General Fund	72 - 73
Schedule of Expenditures and Other Financing Uses - Budget and Actual - General Fund	74 - 75
Combining Balance Sheet - Nonmajor Governmental Funds	76 - 79
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	80 - 83

**CITY OF WAUKESHA, WISCONSIN
 COMPREHENSIVE ANNUAL FINANCIAL REPORT
 TABLE OF CONTENTS**

Year Ended December 31, 2008

	<u>Page No.</u>
SUPPLEMENTAL INFORMATION (Continued)	
Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual	
Special Revenue Funds	84 - 92
Debt Service Funds	93 - 94
Capital Projects Funds	95 - 99
Permanent Funds	100 - 102
Combining Statement of Net Assets - Internal Service Funds	103
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Internal Service Funds	104
Combining Statement of Cash Flows - Internal Service Funds	105 - 106
Statement of Net Assets - Component Units	107
Statement of Revenues, Expenses and Changes in Net Assets - Component Units	108
ADDITIONAL INDEPENDENT AUDITORS' REPORT FOR BASIC FINANCIAL STATEMENTS	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With Government Auditing Standards	109 - 110
STATISTICAL SECTION	
FINANCIAL TRENDS - TABLES 1-4	
These schedules contain trend information to help the reader understand how the City's financial performance and position has changed over time.	
Table 1 - Information about net assets of the City	111
Table 2 - Information about changes in net assets of the City	112 - 113
Table 3 - Year End Fund Balances - Governmental Funds	114
Table 4 - Changes in Fund Balances	115 - 116
REVENUE CAPACITY - TABLES 5-9	
These schedules contain information to help the reader assess the City's most significant local revenue - the property tax.	
Table 5 - Assessed Value and Estimated Fair Market Value of Taxable Property	117 - 118
Table 6 - Property Tax Rates	119
Table 7 - Information about Principal Revenue Payers	120 - 121
Table 8 - Property Tax Levies and Collections	122 - 123
Table 9 - Tax Incremental Districts	124 - 127
DEBT CAPACITY - TABLES 10-14	
These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's capacity to issue additional debt in the future.	
Table 10 - Ratios of Outstanding Debt by Type	128
Table 11 - Ratios of General Obligation Debt Outstanding	129
Table 12 - Direct and Overlapping Debt	130
Table 13 - Legal Debt Margin Information	131 - 132
Table 14 - Pledged Revenue Coverage for Revenue Debt	133 - 134

**CITY OF WAUKESHA, WISCONSIN
COMPREHENSIVE ANNUAL FINANCIAL REPORT
TABLE OF CONTENTS**

Year Ended December 31, 2008

Page No.

STATISTICAL SECTION (Continued)

DEMOGRAPHIC AND ECONOMIC INFORMATION - TABLES 15-16

These schedules detail demographic and economic indicators to help the reader understand the population which the City serves.

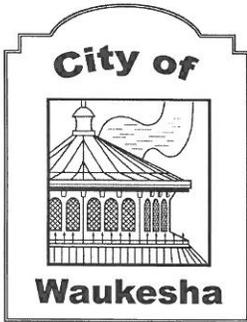
Table 15 - Demographic and Economic Statistics	135
Table 16 - Principal Employers	136

OPERATING INFORMATION - TABLES 17-20

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Table 17 - Number of Employees of the City by Function	137
Table 18 - Demand and Level of City Services	138 - 139
Table 19 - Capital Asset Statistics	140
Table 20 - Insurance Coverage	141

INTRODUCTORY SECTION



FINANCE DEPARTMENT

201 DELAFIELD STREET
sneaman@ci.waukesha.wi.us
WAUKESHA, WISCONSIN 53188-3633
TELEPHONE 262/524-3560 FAX 262/524-3555

Stephen Neaman, Finance Manager

June 26, 2009

City of Waukesha
Common Council Members
Waukesha, Wisconsin

Ladies and Gentlemen:

We are pleased to submit the Comprehensive Annual Financial Report (CAFR) of the City of Waukesha, Wisconsin for fiscal year ending December 31, 2008. Management for the City of Waukesha is responsible for all information presented in the CAFR and, to the best of our knowledge and belief, the enclosed data is accurate in all material respects and is reported in a manner designed to present fairly the financial position and results of operations of the various funds of the City. All disclosures necessary to enable the reader to gain an understanding of the City's financial activities have been included. The CAFR represents the culmination of all budgeting and accounting activities engaged in by management during the year, covering all funds of the City, its component unit and its financial transactions.

Report Format

The CAFR is presented in three main sections: Introductory, Financial, and Statistical. The **Introductory section** includes this transmittal letter, the City's organizational chart and a list of principal officials. The **Financial section** includes the independent auditors' report, management's discussion and analysis (MD&A), the audited basic financial statements, disclosure notes, required supplementary information, and supporting statements and schedules necessary to fairly present the financial position and the results of operations of the City in conformity with generally accepted accounting principles. The MD&A is prepared by management to provide a narrative introduction, overview, and analysis to accompany the basic financial statements. This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The **Statistical section** includes selected financial and demographic information, typically presented on a multi-year comparative basis.

City policy, in accordance with state and federal requirements, is to provide for an annual audit of the financial records of the government by a competent certified public accountant. In addition to meeting the financial requirements set forth above, the audit was also designed to meet the requirements of the federal Single Audit Act of 1984 and related U.S. Office of Management and Budget Circular A-133. The independent auditors' report on the basic financial statements is included in the financial section of this report. The auditors' reports related specifically to the single audit are included in a separate issued single audit report.

Reporting Entity

This report includes all of the funds and component units of the City of Waukesha. The criteria used in determining the reporting entity are consistent with criteria established by the Governmental Accounting Standards Board (GASB) as outlined in the Codification of Governmental Accounting and Financial Reporting Standards. This report includes the General fund, which accounts for the general administration of the City, and the Special Revenue funds relating to festival and recreational activities, grants, loan programs, impact fees, garbage collection, the Public Library, Police Department, and Fire Department.

The report also includes the City's capital projects, debt service, and enterprise funds that account for water, sewer, transit and parking utilities, and cemetery. Internal service funds provide information on the operations of the self-insured health insurance and dental programs; property and liability insurance; and the Print Shop.

Financial data for the Business Improvement District is included in the reporting entity by discrete presentation because the District is a component unit of the City. The downtown Business Improvement District accounts for the collection of special assessments from their members for business promotion within the district.

Profile of the City of Waukesha

Waukesha is a city that was incorporated in 1896, with an identity of mixed residential housing, and is home to educational programs (public and private) from certified pre-school to college/technical schools. It has large/small company job opportunities, and municipal services from safety to recreation. The mission of the City of Waukesha is to provide quality service delivery at an affordable tax rate. Land use zoning incorporating residential/business/commercial attractive neighborhoods/districts sets the identity of who we are. The seat of Waukesha County government is located within our city boundary, as well as 800 non-profit properties, meeting individual needs whether social or religious. The importance of redevelopment rather than massive raw land development is also a mission of our community. The City of Waukesha's vision started in 1896 and continues into the 21st Century.

The City of Waukesha is located in southeastern Wisconsin, approximately 15 miles west of the City of Milwaukee. The City encompasses an area of over 25 square miles and is the County seat for Waukesha County. The County covers an area of 576 square miles and consists of 8 cities, 18 villages and 12 towns.

The City of Waukesha is the most populous municipality in Waukesha County with an estimated 2008 population of 68,030. The City is easily accessible via Interstate 94 and State Highway 18. The Highway 18 corridor parallels I-94 and has been an area of sustained growth, as commercial establishments of all types have been built along the road. Several other major county and state highways serve the City's transportation needs as well. Milwaukee's General Mitchell International Airport is located approximately 20 minutes from the City and a regional airport, Crites Field, is located in the City.

The City of Waukesha provides its residents with services including police and fire, garbage and refuse collection, a downtown system of on-street and off-street parking, a municipal transit system, water and sewer system, and general government services. The City is governed under the Mayor-Aldermanic form of government. The fifteen member Common Council is elected by aldermanic district for three-year staggered terms. The Mayor is elected at-large for a four-year term.

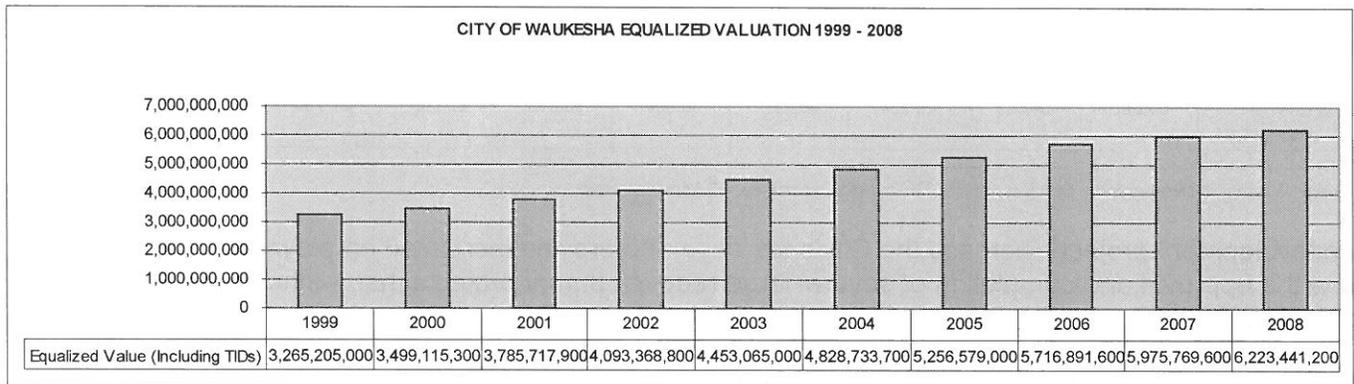
In 1999, the City of Waukesha created the position of City Administrator. The City Administrator is responsible for overseeing the various department heads. The day-to-day administration of the City is

the responsibility of the various department heads. Members of the administration are appointed to their positions with the exception of the City Assessor, Attorney, Clerk-Treasurer, and part-time Judge who are elected to their four-year term positions.

Factors Affecting Financial Condition

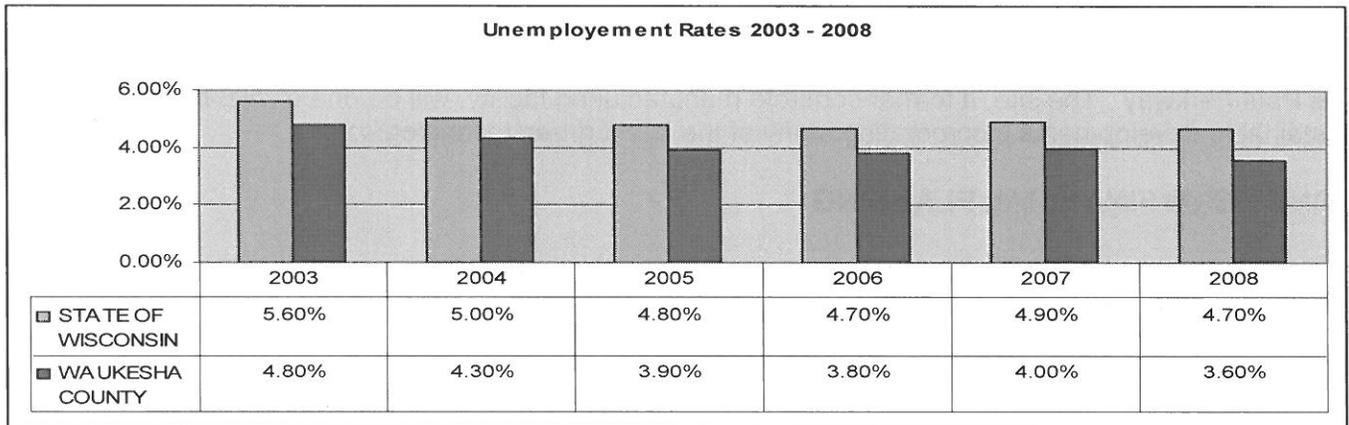
According to the Wisconsin Department of Administration, Demographic Services Center, Waukesha County is the third largest county in the State, with a 2008 population of over 382,600 people. The County has the second highest equalized property tax base and per capita income.

Over the past ten years, the City has experienced phenomenal growth. In that same ten year period, the City's equalized property value has nearly doubled, growing nearly 90%. Annual increases are shown in the table below:



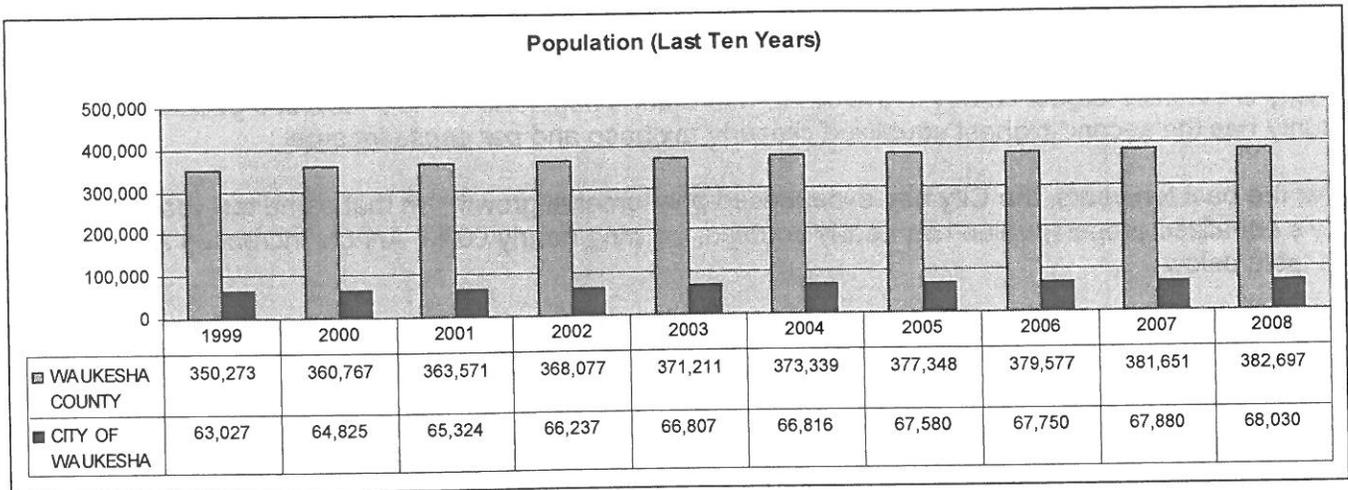
Source: Wisconsin Department of Revenue, Bureau of Property Tax

As the chart below shows, the annual average unemployment rate for the City of Waukesha and Waukesha County is well below the State average.



Source: Wisconsin Department of Workforce Development

Population has continued to increase. The 2008 estimated population of 68,030 is an increase of nearly 8.0% from 1999.



Source: Wisconsin Demographic Services Center, Wisconsin Department of Administration

Redevelopment projects increase the City's tax base and provide increased employment. The last year saw the approval and completion of several large redevelopment projects that will have long lasting positive effects on the City's economic development.

The Shoppes at Fox River, a 54 acre redevelopment of a former grocery distribution facility, was approved and began construction in 2008. The first class retail project will hold approximately 498,500 square feet of retail space. Retail stores and restaurants already committed to locate in the new center include Target, Pick N Save, CVS Pharmacy, Buffalo Wild Wings, and Noodles. The City expects that the assessed valuation of the site will increase from \$7,500,000 to \$62,000,000. In addition, a significant number of jobs will be created as the stores and restaurants open for business.

Other significant retail projects include a Super Wal-Mart approved at the corner of West Avenue and Les Paul Parkway. The site, a former concrete manufacturing facility, will be one of Wal-Mart's most sustainable developments incorporating many of the latest green technologies.

LONG TERM FINANCIAL PLANNING

In planning for the future, the City annually reviews and approves a five year capital improvement program. Capital items not identified as major or long-term are part of the debt service program wherein capital expenditures are scheduled to assure that debt service payments remain at a relatively steady level.

Long-term projects identified as major are considered stand-alone projects. Funding for these projects is done with longer-term borrowing and is considered to be additions to the planned debt service.

The City is in the process of completing a comprehensive five-year strategic plan for the City, with the initial plan covering the years 2009 – 2013. The strategic plan will be used to set organizational direction and guide future decision-making. The strategic plan will be incorporated into the annual budget process and will include performance measures. Multi-year operational budget forecasts will be implemented and will focus on the following objectives – diversify funding sources, enhance existing long term financial planning, maintain or improve the City's bond rating, maintain sufficient reserve fund, maintain stable debt service payments and maximize the recovery of costs.

MAJOR INITIATIVES

The following were among the many activities that City staff and officials undertook in 2008:

Municipal Facilities

During the year, the City constructed a new fire station, the City's fifth, to serve the growing west central and northwestern parts of the City. The \$2,661,700 construction contract for the 15,000 square foot facility, located at 3051 Summit Avenue, was awarded by the Common Council on March 4, 2008. As an outlying station, Fire Station Number 5 is designed to house five to a maximum of eight personnel and will house an engine and ambulance. This new station is part of a long range initiative to improve response times for the City's Fire and EMS calls. Future capital plans include the relocation of Fire Stations 2 and 3.

The Library also spent much of 2008 preparing to expand and renovate the Children's area. The area will include an early learning center for children birth to three years old and their families. Construction of this \$1.575 million expansion will begin in 2009.

At the close of 2008, the City had a total of \$10,440,000 in anticipation notes outstanding. Of the total, \$6,105,000 was used as interim financing for the construction of Fire Station Number 5 and the expansion of the Library. Long-term debt will be issued in 2009 to refund this issue.

City Water Supply

In 2008, the City negotiated a settlement with the Department of Justice, which will allow the City until 2018 to come into final compliance with the radium standards for its water supply. The settlement is consistent with the City's long-term plan to develop and enhance multiple sources of water supply from multiple ground water aquifers to the application for diversion of Great Lakes water.

Tax Incremental District 15

Tax Incremental District Number 15 (TID 15) was created in 2006 to finance upgrades to the existing booster pumping station infrastructure and to increase water availability to the City's northwest quadrant. These upgrades were necessary to address a deficiency and increase water supply to accommodate development of Life Care Hospital and future development on General Electric's campus. The hospital was completed in the fall of 2007, and was completely on the tax rolls in 2008. The City anticipates that the District will be closed in 2009, in advance of the planned 2010 closure date.

Tax Incremental Districts 16 and 17

Tax Incremental District Number 16 (TID 16) was created in 2007 to promote redevelopment of the downtown central city. The City established a low or no interest loan program in the District in 2008, using tax incremental financing, to provide loans to residential property owners to make improvements to their properties. The District has a considerable amount of aging housing stock and this program is vital to increasing property values and to stabilize the neighborhoods. Improvements are anticipated to add \$20 million to the District.

Tax Incremental District Number 17 (TID 17) was also created in 2007. The purpose of the District is to stimulate redevelopment activities and improvements within the District. The first redevelopment project was completed in 2008. This \$9,649,900 project remediated a former rubber factory site and taxable student housing for Carroll University was constructed.

FINANCIAL INFORMATION

Accounting System and Budgetary Control

The diverse nature of government operations and the necessity of assuring legal compliance preclude recording and summarizing all governmental financial transactions and balances in a single accounting entity. From an accounting and financial management viewpoint, a governmental unit is a combination of several different fiscal and accounting entities, each having a separate set of accounts and functioning independently of each other. Each accounting entity is accounted for in a separate fund. A fund is defined as a fiscal accounting entity with a self-balancing set of accounts recording cash and other financial resources together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restrictions, or limitations.

Budgetary control is maintained through an annual budget ordinance passed by the City Council. Formal budgetary integration is employed as a management control device during the year for the General Fund, Debt Service Fund, and certain Special Revenue Funds, and is adopted on a basis consistent with generally accepted accounting principles. Fixed, long-term budgets on a project basis are used for Capital Project Funds. Flexible annual budgets are approved for proprietary funds to provide for financial management. The City Administrator and Finance Manager may authorize transfers of budgeted amounts within departments; however, transfers between departments and additional appropriations to the original budget must be made by Council resolution. The level at which expenditures may not exceed budget is by department or division.

Internal Control

In developing and evaluating the City's accounting system, consideration is given to the adequacy of internal accounting controls. Internal accounting controls are designed to provide reasonable, but not absolute assurance regarding: (1) the safeguarding of assets against loss from unauthorized use or disposition; and (2) the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of internal control should not exceed the benefits likely to be derived and that the evaluation of cost and benefits requires estimates and judgments by management.

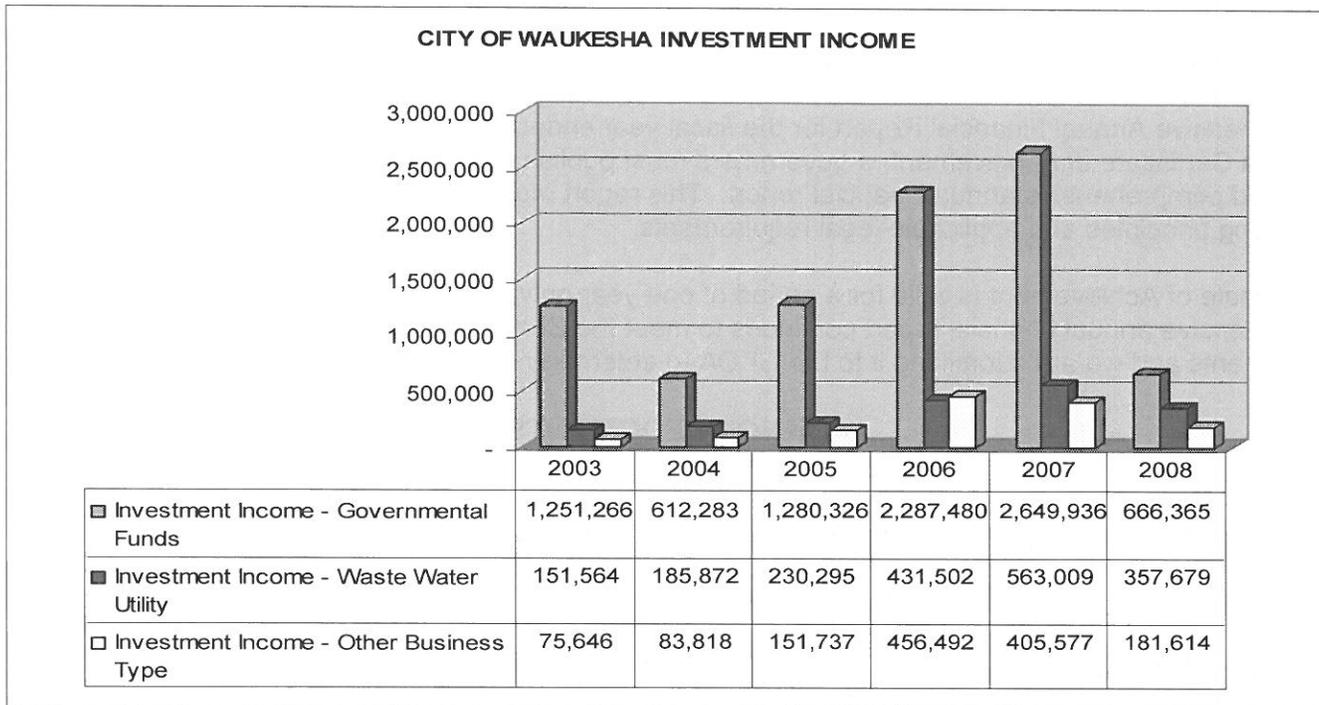
All internal control evaluations occur within the above framework. We believe that the City's internal accounting controls adequately safeguard assets and provide reasonable assurance of proper recording of financial transactions.

Cash Management

The cash management program consists of two phases. The first phase is a contractual agreement with Waukesha State Bank for services. This contract specifies that the bank will pay interest on account balances based on the Federal Funds daily rate. The banking arrangement links seven checking accounts to an interest bearing sweep account, which ensures that all excess funds are earning interest.

The second phase is a long-term investment program. Funds that are available for 30 days or longer are diversified by security type, institution, and terms of maturity to reduce investment portfolio risk. With the exception of US Treasury securities and authorized pools, no more than 50 percent of the City's total investment portfolio will be invested in a single security type or with a single financial institution. The City will maintain at least 10 percent of its total investment portfolio in instruments maturing in 30 days or less.

Collateralization is required on all savings and demand deposits, non-negotiable Certificates of Deposit, and repurchase agreements. The following summary shows investment earnings for the past six years.



Risk Management

On January 1, 2003, the City became a member of Community Insurance Corporation, which has since grown to 25 cities and 48 villages. Community Insurance has provided risk management and liability insurance services since January 1, 2002. Under this program, the City's self-insured retention is \$10,000 per occurrence and \$75,000 annual aggregate. Through a strong risk management program, the City has retained \$62,198 of its self-insured retention level from January 1, 2003 through December 31, 2008.

The City's workers' compensation coverage is with Wausau General Insurance Company. Through a strong partnership with Wausau's risk management program, the City has maintained a very favorable experience modification factor, which was .66 in 2008. The City was awarded the Wausau Safety Achievement Award for its workers' compensation experience. Since 2002, the City has been 49% below the average compared to similar municipalities. This favorable modification factor saved the City \$349,914 in premiums during 2008.

INDEPENDENT AUDIT

Included in the financial section is the independent auditors' report, which is a significant part of the Comprehensive Annual Financial Report (CAFR). In this report, Schenck SC, Certified Public Accountants, express their opinion that the financial statements are presented fairly in conformity with generally accepted accounting principles and comment on the scope of the examination. The opinion is unqualified and signifies a substantial level of achievement. Compliance audits of the City's federal and state financial assistance programs for year ending December 31, 2008 were also completed by the independent auditors. These reports are available under separate cover.

REPORTING ACHIEVEMENT

GFOA Certificate of Achievement

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a Certificate of Achievement for Excellence in Financial Reporting to the City of Waukesha for its Comprehensive Annual Financial Report for the fiscal year ended December 31, 2007. In order to receive a Certificate of Achievement, a government must publish an easily readable and efficiently organized comprehensive annual financial report. This report must satisfy both generally accepted accounting principles and applicable legal requirements.

A Certificate of Achievement is valid for a period of one year only. We believe that our current comprehensive annual financial report continues to meet the Certificate of Achievement Program's requirements and we are submitting it to the GFOA to determine its eligibility for another certificate.

ACKNOWLEDGMENTS

The preparation of this report on a timely basis could not be accomplished without the dedicated services of the Finance Office staff. We would like to express our appreciation to all members of our accounting staff: Vicki Krueger, Keith Yahn, Bonnie Ehrendreich, Nancy Lovejoy, and Laura Szecsy, who assisted in and contributed to the preparation of this report.

We would like to thank the City Council for their support in planning and conducting the financial operations of the City in a responsible manner. Appreciation is also expressed for the excellent assistance received from our independent auditors, Schenck SC, Certified Public Accountants.

Respectfully Submitted,



Stephen Neaman
Finance Manager



Larry Nelson
Mayor



Lori Curtis Luther
City Administrator

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of Waukesha
Wisconsin

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2007

A Certificate of Achievement for Excellence in Financial Reporting is presented by the Government Finance Officers Association of the United States and Canada to government units and public employee retirement systems whose comprehensive annual financial reports (CAFRs) achieve the highest standards in government accounting and financial reporting.

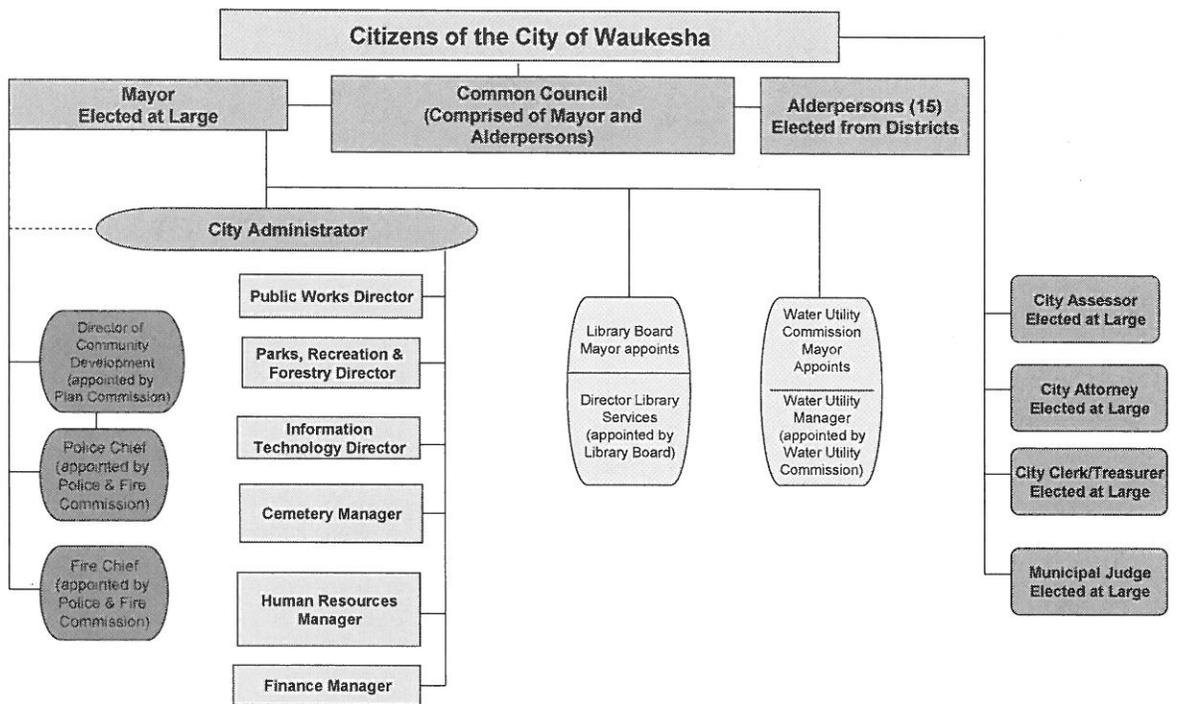


A handwritten signature in black ink, appearing to read "M. L. R. T.", positioned above the title "President".

President

A handwritten signature in black ink, appearing to read "Jeffrey R. Emer", positioned above the title "Executive Director".

Executive Director



**CITY OF WAUKESHA, WISCONSIN
ELECTED AND APPOINTED OFFICIALS**

Elected Officials

		Term Begins	Term Expires
District 1	Terry Thieme	April 2009	April 2010
District 2	Eric Payne	April 2008	April 2011
District 3	Christopher Hernandez	April 2008	April 2011
District 4	Joe Pieper	April 2007	April 2010
District 5	Paul Ybarra	April 2007	April 2010
District 6	Paul Furrer	April 2008	April 2011
District 7	Peggy Bull	April 2008	April 2011
District 8	Emanuele Vitale	April 2007	April 2010
District 9	Kathleen Cummings	April 2007	April 2010
District 10	Steve Johnson	April 2008	April 2011
District 11	Randy Radish	April 2007	April 2010
District 12	Charles Lichtie	April 2007	April 2010
District 13	Rick Tortomasi	April 2008	April 2011
District 14	Joan Francoeur	April 2007	April 2010
District 15	Carrol Waldenberger	April 2007	April 2010
Mayor	Larry Nelson	April 2006	April 2010
Clerk/Treasurer	Thomas Neill	May 2006	April 2010
Assessor	Paul Klauck	June 2006	May 2010
Attorney	Curt Meitz	May 2006	April 2010
Municipal Judge	Joseph Cook	May 2006	April 2010

Appointed Officials

Lori Curtis Luther.....	City Administrator
Jane Ameel.....	Library Director
Steven Crandell.....	Director of Community Development
Fred Abadi.....	Director of Public Works
Ron Grall.....	Director of Parks, Recreation & Forestry
Bret Mantey.....	Information Technology Director
David Brenner.....	Cemetery Director
Stephen Neaman.....	Finance Manager
Leslie Sharrock.....	Chief of Police
Allen LaConte.....	Chief of Fire Department

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS

To the City Council
City of Waukesha
Waukesha, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of Waukesha, Wisconsin ("the City") as of and for the year ended December 31, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Waukesha's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall basic financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note D, the City has implemented GASB Statement No. 45, Accounting and Financial Reporting by Employers for Post-employment Benefits Other than Pensions, for the year ended December 31, 2008.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 25, 2009, on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

MANAGEMENT'S DISCUSSION AND ANALYSIS

**City of Waukesha, Wisconsin
Management's Discussion and Analysis**

This discussion and analysis of the City of Waukesha's financial performance is intended to provide an overview of the City's financial activities for the fiscal year ended December 31, 2008 in comparison with the year ended December 31, 2007. Please consider it in conjunction with the City's financial statements, which begin on page 24, following this narrative.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City of Waukesha's basic financial statements are comprised of three components: 1) government-wide statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements, themselves.

Government-Wide Financial Statements

The two *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector business entities.

The *Statement of Net Assets* presents information on all of the City of Waukesha's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The *Statement of Activities* presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish those functions of the municipality that are principally supported by taxes and intergovernmental revenues, known as *governmental activities*, from other functions that are intended to recover all or a significant portion of their costs through user fees and service charges, called *business-type activities*. The governmental activities of the City of Waukesha include general government, public safety, highways and streets, culture and recreation, conservation and development and other interest and fiscal charges. The business-type activities of the City include a water utility, wastewater utility, mass transit, parking utility and the city cemetery.

The government-wide financial statements include not only the City of Waukesha itself (*the primary government*) but also a legally separate Business Improvement District for which the City is accountable (*component unit*). Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 24 through 26 of this report.

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. The City of Waukesha, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with various finance related legal requirements. All of the funds of the City of Waukesha can be divided into three categories: *governmental funds, proprietary funds and fiduciary 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 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 the City'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 municipality'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.

The City of Waukesha maintains 44 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 General Fund, General Debt Service and Combined TIF Debt Service, all of which are considered to be major funds or funds for which separate reporting has been determined to be helpful in fulfilling other legal reporting requirements. Data from the other 33 governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The governmental fund financial statements can be found beginning on page 27 of this report.

Proprietary Funds maintained by the City of Waukesha are of two different types: *enterprise funds* and *internal service funds*. *Enterprise funds* are used to report those functions presented as business-type activities in the government-wide financial statements. The City's fund financial statements present separate enterprise fund information for the Water Utility, Wastewater Utility, Transit Utility, Parking Utility and the city's only non-major enterprise fund (Cemetery). *Internal service funds* are used to account for enterprise-like operations that provide services, on a user fee basis, primarily or exclusively to departmental customers within the governmental entity itself, rather than to external customers. The City of Waukesha uses internal service funds to account for its print shop, dental and life insurance, health insurance, and property, liability and workers compensation insurance. These internal functions are reported in a single, aggregated proprietary fund statement presentation and included with other governmental activities in the government-wide financial statements.

The proprietary fund financial statements can be found beginning on page 32 of this report.

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 would not be available to support the City of Waukesha's own programs. The accounting for fiduciary funds is similar to that used for proprietary funds. The City of Waukesha has no fiduciary funds to report.

Notes to the Financial Statements

The notes to the financial statements provide additional detail 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 beginning on page 42 of this report.

Supplementary Information

Following the basic government-wide and fund financial statements, accompanying notes, and required supplementary information (RSI), additional supplementary information has been provided as part of this report. The supplementary information includes combining statements for the non-major governmental, enterprise, internal service, and permanent funds. This supplementary information section of the report begins on page 70.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

The City of Waukesha's statement of net assets is summarized in the table below. The City's assets exceeded liabilities by \$213 million at the close of 2008. This is an increase of \$500,000 over last year. The increase was do to the favorable operations of the City's Water and Waste Water Utilities. The vast majority of these net assets 98% reflect the City's investment in capital assets including land, land improvements, buildings, machinery and equipment, infrastructure, plant in service and construction in progress, net of related outstanding debt used to acquire the assets. These capital assets are used to provide services to citizens and 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 debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. The Unrestricted Net Assets of the Governmental Activities fell by \$10.7 million from 2007. This was a result of the City recording its OPEB liability (\$1.8 million), the issuance of Taxable G.O. Notes (\$3.9 Million) and Note Anticipation Notes (\$2.5 million) for TID development incentives and the issuance of Note Anticipation Notes (\$6.1 million) to construct a new Fire station and to remodel the children's section of the library. Unrestricted Net Assets from Business Activities fell by \$2.2 million from 2007. This was primarily due to an increase in restricted assets used for equipment replacement in the water utility (\$3.4 million). The overall change in Net Assets of the Business Type Activities increased by \$4.8 million over 2007.

City of Waukesha, Wisconsin Summary Statement of Net Assets

	Governmental Activities		Business-Type Activities		Totals	
	2008	2007	2008	2007	2008	2007
Current and Other Assets	\$ 159,005,779	\$ 149,103,910	\$ 25,675,024	\$ 23,992,727	\$ 184,680,803	\$ 173,096,637
Capital Assets (net)	\$ 152,933,820	\$ 150,377,597	\$ 146,347,847	\$ 141,739,536	\$ 299,281,667	\$ 292,117,133
Total Assets	\$ 311,939,599	\$ 299,481,507	\$ 172,022,871	\$ 165,732,263	\$ 483,962,470	\$ 465,213,770
Current Liabilities	\$ 129,746,549	\$ 123,053,960	\$ 5,164,043	\$ 4,809,847	\$ 134,910,592	\$ 127,863,807
Non-current Liabilities	\$ 108,312,095	\$ 98,314,419	\$ 27,649,734	\$ 26,534,815	\$ 135,961,829	\$ 124,849,234
Total Liabilities	\$ 238,058,644	\$ 221,368,379	\$ 32,813,777	\$ 31,344,662	\$ 270,872,421	\$ 252,713,041
Net Assets:						
Invested in Capital, Net of Debt	\$ 88,972,632	\$ 82,268,340	\$ 120,709,077	\$ 116,908,403	\$ 209,681,709	\$ 199,176,743
Restricted	\$ 956,413	\$ 1,127,450	\$ 8,856,311	\$ 5,608,935	\$ 9,812,724	\$ 6,736,385
Unrestricted (deficit)	\$ (16,048,090)	\$ (5,282,662)	\$ 9,643,706	\$ 11,870,263	\$ (6,404,384)	\$ 6,587,601
Total Net Assets	\$ 73,880,955	\$ 78,113,128	\$ 139,209,094	\$ 134,387,601	\$ 213,090,049	\$ 212,500,729
Total Net Assets as a % of Total Liabilities	31%	35%	424%	429%	79%	84%
Unrestricted Nets Assets as a % of Total Liabilities	-7%	-2%	29%	38%	-2%	3%

A portion of the City's net assets (4.6%) represents resources that are subject to other restrictions as to how they may be used.

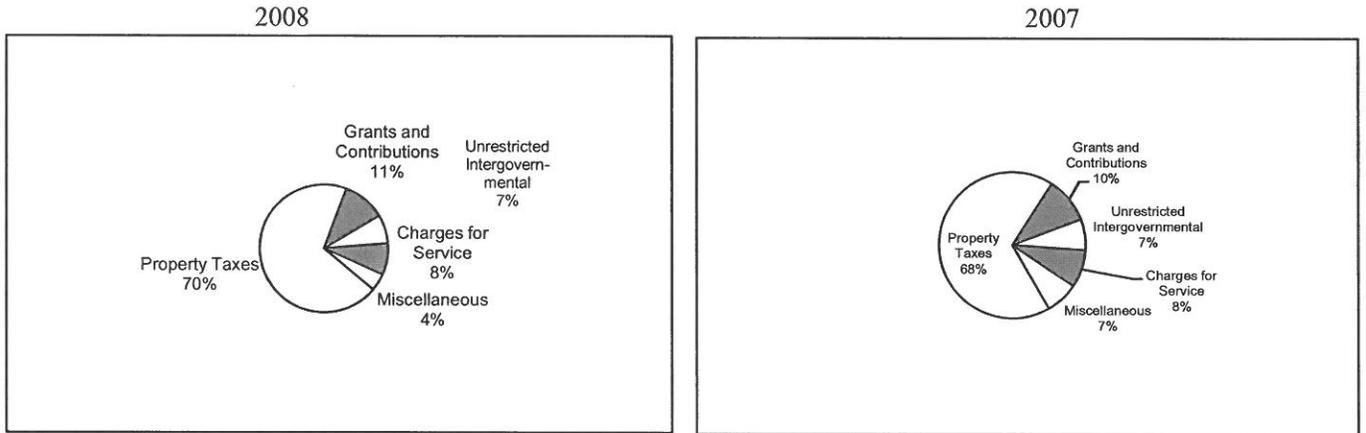
**City of Waukesha, Wisconsin
Summary Statement of Activities**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues						
Charges for service	\$ 5,465,291	\$ 5,559,848	\$ 19,733,018	\$ 19,438,024	\$ 25,198,309	\$ 24,997,872
Operating grants and contributions	\$ 5,716,460	\$ 5,407,127	\$ 6,267,265	\$ 5,975,788	\$ 11,983,725	\$ 11,382,915
Capital grants and contributions	\$ 1,617,421	\$ 1,401,088	\$ 5,785,709	\$ 4,488,732	\$ 7,403,130	\$ 5,889,820
General Revenues						
Property taxes	\$ 47,448,481	\$ 44,976,412	\$ 1,415,730	\$ 1,028,530	\$ 48,864,211	\$ 46,004,942
Other taxes	\$ 1,831,921	\$ 1,705,736	\$ -	\$ -	\$ 1,831,921	\$ 1,705,736
Intergovernmental revenues	\$ 4,951,903	\$ 4,553,754	\$ -	\$ -	\$ 4,951,903	\$ 4,553,754
Investment earnings	\$ 666,365	\$ 2,649,936	\$ 539,293	\$ 968,586	\$ 1,205,658	\$ 3,618,522
Miscellaneous	\$ 518,924	\$ 488,496	\$ 9,713	\$ 96	\$ 528,637	\$ 488,592
Total Revenues	<u>\$ 68,216,766</u>	<u>\$ 66,742,397</u>	<u>\$ 33,750,728</u>	<u>\$ 31,899,756</u>	<u>\$ 101,967,494</u>	<u>\$ 98,642,153</u>
Expenses						
General government	\$ 7,715,578	\$ 9,187,580			\$ 7,715,578	\$ 9,187,580
Public safety	\$ 30,189,386	\$ 27,621,969			\$ 30,189,386	\$ 27,621,969
Highways and streets	\$ 13,433,437	\$ 14,163,612			\$ 13,433,437	\$ 14,163,612
Sanitation	\$ 2,334,667	\$ 2,111,547			\$ 2,334,667	\$ 2,111,547
Culture and recreation	\$ 11,033,570	\$ 10,856,358			\$ 11,033,570	\$ 10,856,358
Conservation and development	\$ 4,330,430	\$ 1,958,871			\$ 4,330,430	\$ 1,958,871
Interest and fiscal charges	\$ 3,733,260	\$ 3,684,246			\$ 3,733,260	\$ 3,684,246
Water			\$ 6,889,948	\$ 5,956,426	\$ 6,889,948	\$ 5,956,426
Wastewater			\$ 9,577,051	\$ 9,687,032	\$ 9,577,051	\$ 9,687,032
Transit			\$ 10,530,371	\$ 9,926,045	\$ 10,530,371	\$ 9,926,045
Parking			\$ 894,062	\$ 955,564	\$ 894,062	\$ 955,564
Other	\$ -	\$ -	\$ 716,414	\$ 753,079	\$ 716,414	\$ 753,079
Total Expenses	<u>\$ 72,770,328</u>	<u>\$ 69,584,183</u>	<u>\$ 28,607,846</u>	<u>\$ 27,278,146</u>	<u>\$ 101,378,174</u>	<u>\$ 96,862,329</u>
Changes in Net Assets Before Transfers	\$ (4,553,562)	\$ (2,841,786)	\$ 5,142,882	\$ 4,621,610	\$ 589,320	\$ 1,779,824
Transfers	\$ 321,389	\$ 159,009	\$ (321,389)	\$ (159,009)	\$ -	\$ -
Change in Net Assets	\$ (4,232,173)	\$ (2,682,777)	\$ 4,821,493	\$ 4,462,601	\$ 589,320	\$ 1,779,824
NET ASSETS - Beginning of Year	\$ 78,113,128	\$ 80,380,370	\$ 134,387,601	\$ 129,925,000	\$ 212,500,729	\$ 210,305,370
Prior Period Adjustment	\$ -	\$ 415,535	\$ -	\$ -	\$ -	\$ 415,535
NET ASSETS - End of Year	<u>\$ 73,880,955</u>	<u>\$ 78,113,128</u>	<u>\$ 139,209,094</u>	<u>\$ 134,387,601</u>	<u>\$ 213,090,049</u>	<u>\$ 212,500,729</u>

The Governmental activities net assets fell during the year by \$4.2 million during 2008. This was primarily the result of issuing developer incentives TID projects (\$6.4 million) and recording of the City's OPEB liability (\$1.8 million) in accordance with GASB statement 45. During 2008 the City issued \$3.9 million in taxable G.O. Notes for an incentive to redevelop an idle food distribution center into a 54 acre retail shopping center. The value of the property is expected to increase from \$7.5 million to \$62 million once the project is complete. The remaining \$2.5 million of incentives went to six smaller TID redevelopment projects. The Business-type activities net assets grew by \$4.8 million as a result of favorable operations and capital contributions. For further information on the Business-type activities please refer to the Financial Analysis Section of the major Proprietary funds.

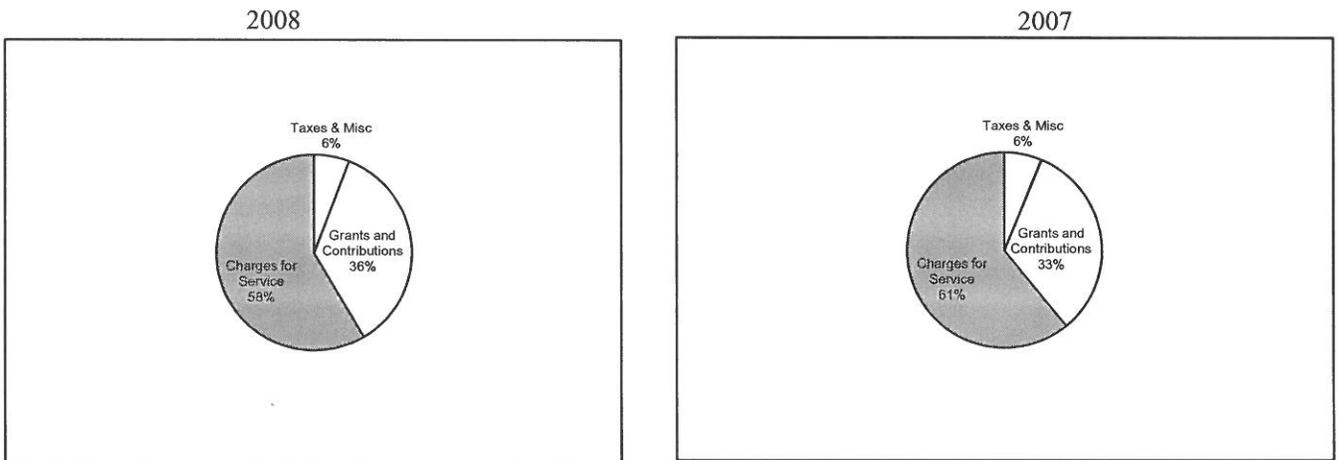
An examination of the statement of activities can provide a concise picture of how the various activities of the City are funded. The following pie charts draw data from the statement of activities. For governmental services, the City is highly dependent upon property taxes for funding, deriving 70% in 2008 and 68% in 2007 of its revenue from this single source. Operating and capital grants and contributions along with unrestricted intergovernmental revenues comprise another 18% in 2008 and 17% in 2007. Charges for services remained constant at 8% of revenues. Miscellaneous revenues fell in 2007 by 3% as a result of reduced in interest income on City investments.

Governmental Activities
Revenues by Source



In the case of business-type activities, the data shows a considerably different picture. Charges for services (58% 2008, 61% 2007) replace property taxes as the primary revenue. Grants and contributions related to intergovernmental aid for transit operations and developer contributed water and sewer mains were 36% in 2008 and 33% in 2007 of business type revenues.

Business-Type Activities
Revenues by Source



FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information regarding near-term inflows, outflows and spendable resources. Such information can be useful in assessing the City's financing requirements. In particular, the level of unreserved fund balances may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2008, the City of Waukesha's governmental funds reported combined ending fund balances of approximately \$26 million, an increase of \$2 million over the previous year. This was from favorable operations and from the accumulation of funds for future acquisition of assets. Of the total fund balance for 2008, \$7.7 million is reserved for specific legal requirements and other commitments, leaving total unreserved governmental fund balances of \$18.4 million available for spending at the discretion of the City's common council. This is an increase of \$3 million from 2007. As the result of past actions and policy decisions, \$9.8 million of these unreserved balances have been segregated or otherwise designated for specific uses, leaving an unreserved, undesignated fund balance of \$8.6 million in the governmental funds. Which is an increase of \$0.1 million over last year.

General Fund: The general fund is the primary governmental fund of the city. As of December 31, 2008 the fund balance for the general fund was approximately \$8.9 million. This is an increase of \$60,799 over the ending fund balance from the previous year. The increase in fund balance is due primarily from favorable operations.

General Debt Service: The debt service fund accounts for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs. The ending fund balance for 2008 was \$837,513. This was a decrease of \$266,197 from the 2007 balance. The City had budgeted for a \$204,000 reduction of the fund balance. The \$62,000 additional reduction was caused by lower than expected interest earnings.

Tax Incremental Financing Debt Service: The TIF debt service funds account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs associated with the six open tax incremental districts of the city. The TIF debt service fund balance increased in aggregate by \$95,160 from the previous year to \$118,900. The increase was due to capitalized interest from Taxable Notes issued during the year.

The aggregated other governmental funds column includes various special revenue, revolving loan, grant, endowment and capital project funds used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specific purposes. The accumulated fund balances of these funds increased by \$2.3 million during 2008 primarily as a result accumulation of funds for capital construction that will be completed during 2009.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in greater detail. The net assets of the enterprise-type proprietary funds at the end of 2008 totaled \$139 million, up \$4.8 million from the previous year. Capital contributions to the Water, Sewer and Transit utilities amounted to \$5.5 million during the year. Most of the contributions were for the distribution and collection systems and were added by outside developers. Contributions in 2007 amounted to \$4.3 million.

The net assets of the City's internal service-type proprietary funds increased during the year by \$990,376. The majority of the increase was attributable to favorable claims activity for the City's self insured health insurance fund.

GENERAL FUND BUDGETARY HIGHLIGHTS

As shown in the "Statement of Revenues, Expenditures and Changes in Fund Balance – Budget and Actual for the General Fund", the original 2008 general fund budget authorized expenditures and transfers out of approximately \$53.2 million, funded by anticipated revenues and transfers in of \$53.2 million. During the year, the Common Council increased expenditure appropriations by \$90,847 to accommodate carryovers from the previous year and additional capital grants. The revenue budget was increased by \$4,500 for additional revenues associated with these new grants.

The City ended the year with a favorable general fund budget variance for both revenues and expenses. Revenues were \$153,729 or 0.3 above the final amended budget while expenditures came in \$31,984 below the final budget amount. Transfers out were over budget by \$38,804 as a result of retirement sick leave conversions to health insurance being higher than anticipated. Overall the General Fund ended the year on a positive note, with revenues and transfers in exceeding expenditures and transfers out by \$60,799. The General fund was able to end on a positive note despite expenditures for two Federally declared disasters and a large reduction in interest earnings.

During February 2008 heavy snow falls resulted in the declaration of a disaster by the Federal government which allowed the City to receive \$92,753 in aid from FEMA. The declaration was for a two day period on February 6th and 7th however, the snow fall for the entire winter season was higher than normal resulting in increased road salt usage, fuel and overtime expenses for plowing operations. In June of 2008 the Federal government also declared the area a disaster after heavy rain fall resulted in record flooding.

The general fund received \$24,024 in 2008 and will receive an additional \$81,901 in 2009 to help offset operating expenditures for the year. The combination of the two disasters resulted in unfavorable actual to budget operations for the Highways and streets department of \$447,132. The expense budget was aided by the City's contingency line item and unallocated employee benefits both coming in under budget by \$125,000.

Despite an unfavorable variance of \$405,769 in interest earnings, revenues overall were higher than budget in several areas. Delinquent taxes and interest finished the year \$74,976 higher than budget and room taxes were \$45,433 over budget. Intergovernmental revenues finished higher than budget due to the unanticipated aid from FEMA and from higher than anticipated State and county aids. Building permits also posted higher than anticipated revenues (\$160,973 over budget) from several large commercial buildings constructed in the city during the year. Insurance recoveries finished higher than budget by \$76,952. Two large claims involving a plow truck damaged during a snow storm and a front end loader damaged during the flooding in the city accounted for a large portion of this. Miscellaneous revenues also finished the year \$87,132 over budget primarily as a result of a festival held in downtown in connection with the 105th anniversary celebration of Harley-Davidson.

CAPITAL ASSETS AND LONG TERM DEBT

Capital Assets

In accordance with the implementation requirements of GASB #34, the City has recorded historical costs and depreciation expense associated with all of its capital assets, including infrastructure. As summarized in the table below, the City's reported net investment in capital assets for governmental and business type activities as of December 31, 2008 totaled over \$299 million.

Total accumulated depreciation at the end of the year was \$184.6 million, or approximately 38% of the historical asset cost.

City of Waukesha, Wisconsin Capital Assets, Net of Accumulated Depreciation

	Governmental Activities		Business-Type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	Land	\$ 25,945,460	\$ 24,935,688	\$ 2,975,579	\$ 2,925,343	\$ 28,921,039
Improvements	\$ 4,829,444	\$ 4,671,663			\$ 4,829,444	\$ 4,671,663
Buildings	\$ 50,315,315	\$ 47,531,810	\$ 75,431,606	\$ 74,055,315	\$ 125,746,921	\$ 121,587,125
Machinery and Equipment	\$ 35,897,374	\$ 33,705,065	\$ 44,963,815	\$ 41,459,136	\$ 80,861,189	\$ 75,164,201
Infrastructure	\$ 149,773,676	\$ 146,846,947	\$ 88,791,132	\$ 84,127,201	\$ 238,564,808	\$ 230,974,148
Construction in Progress	\$ 1,070,015	\$ 2,470,166	\$ 3,922,357	\$ 4,003,203	\$ 4,992,372	\$ 6,473,369
Sub-total	<u>\$ 267,831,284</u>	<u>\$ 260,161,339</u>	<u>\$ 216,084,489</u>	<u>\$ 206,570,198</u>	<u>\$ 483,915,773</u>	<u>\$ 466,731,537</u>
Less: Accumulated Depreciation	<u>\$ (114,897,464)</u>	<u>\$ (109,956,260)</u>	<u>\$ (69,736,642)</u>	<u>\$ (64,830,662)</u>	<u>\$ (184,634,106)</u>	<u>\$ (174,786,922)</u>
Net Capital Assets	<u>\$ 152,933,820</u>	<u>\$ 150,205,079</u>	<u>\$ 146,347,847</u>	<u>\$ 141,739,536</u>	<u>\$ 299,281,667</u>	<u>\$ 291,944,615</u>

Some of the most significant additions to the City's capital assets during 2008 included:

• Additional 5th Fire Station	\$2.8 million
• Street network additions	\$2.2 million
• Water mains and distribution assets	\$8.4 million
• ROW Land Additions	\$1.0 million
• Sanitary sewer collection system additions	\$0.9 million
• Fleet and heavy Equipment	\$2.1 million

Additional information related to the City of Waukesha's capital assets is reported in Note C.4. – capital assets following the financial statements.

Long-Term Debt

On December 31, 2008, the City of Waukesha had \$125,488,162 of long-term notes, bonds, bond anticipation and note anticipation notes outstanding and revenue bonds, as summarized in the following table:

City of Waukesha, Wisconsin Notes and Bonds Outstanding

	Governmental Activities		Business-Type Activities		Total	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
	General Obligation Bonds and Notes	\$ 97,877,992	\$ 89,733,621	\$ 4,578,599	\$ 5,029,695	\$ 102,456,591
Revenue Bonds	\$ -	\$ -	\$ 23,031,571	\$ 21,505,120	\$ 23,031,571	\$ 21,505,120
Total	\$ 97,877,992	\$ 89,733,621	\$ 27,610,170	\$ 26,534,815	\$ 125,488,162	\$ 116,268,436

It is anticipated that the outstanding bond and note anticipation notes will be refinanced with long-term bonds and notes over the next few years.

Under Wisconsin State Statutes, the outstanding long-term debt of a municipality may not exceed 5% of the equalized property value of all taxable property within the jurisdiction. The net applicable debt of the City totaled \$90,204,632 which is 28% of the maximum legal limit of \$311,170,560. This is an decrease of 3% of the percent of maximum legal limit over 2007. During 2008, the City issued new debt for the following amounts and purposes:

City of Waukesha, Wisconsin Long-Term Debt Issued during 2008

<u>Date</u>	<u>Type of Debt</u>	<u>Amount</u>	Moody's <u>Rating</u>
8/5/2008	General Obligation Promissory Notes	\$ 2,310,000	Aa2
8/5/2008	Taxable General Obligation Promissory Notes	\$ 3,860,000	Aa2
4/22/2008	Revenue Bonds	\$ 4,945,000	Aa2
8/5/2008	Note Anticipation Note	\$ 6,105,000	MIG1
8/5/2008	Taxable Note Anticipation Note	\$ 2,530,000	MIG1
		<u>\$ 19,750,000</u>	

For more information on the city's long-term obligations refer to Note C.7. – long-term obligations.

CURRENTLY KNOWN FACTS

The adoption of the 2009 general fund budget resulted in an expenditure increase of 4.31% over the previous year. The general fund property tax levy increased by 6.9%, while other revenue sources declined by 0.89%. A large portion of the reduction in other revenue was a result of reduced interest income projected by the city. The tax levy increase for all funds in 2009 was 3.30% and the assessed tax rate increased by 1.14%.

REQUESTS FOR INFORMATION

This report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City's finances and to provide accountability for the financial resources it receives. If you have questions about the information contained in this report or need additional financial information concerning the City of Waukesha, please contact the City Finance Office, 201 Delafield St., Room 111, Waukesha, Wisconsin, 53188. Our telephone number is 262-524-3560 and our e-mail address is Finance@ci.waukesha.wi.us.

BASIC FINANCIAL STATEMENTS

CITY OF WAUKESHA, WISCONSIN
Statement of Net Assets
December 31, 2008

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Totals	
ASSETS				
Cash and investments	\$ 86,686,574	\$ 3,563,533	\$ 90,250,107	\$ 196,262
Receivables (net of allowance for uncollectibles)				
Taxes	64,970,549	-	64,970,549	23,410
Accounts	1,375,459	6,319,205	7,694,664	-
Special assessments	139,878	647,315	787,193	106,163
Accrued interest	936	-	936	-
Long-Term loans	5,056,487	64,807	5,121,294	-
Prepaid items and inventories	433,359	1,424,473	1,857,832	-
Other assets	355,591	80,976	436,567	-
Internal balances	1,614,393	(1,614,393)	-	-
Due from other governmental units	70,641	-	70,641	-
Restricted Assets				
Cash and investments	-	13,441,110	13,441,110	-
Interest receivable	-	49,910	49,910	-
Advances	(1,698,088)	1,698,088	-	-
Capital Assets				
Land	25,945,460	2,975,579	28,921,039	-
Construction in progress	1,070,015	3,922,357	4,992,372	-
Buildings	50,315,315	75,431,606	125,746,921	-
Improvements other than buildings	4,829,444	-	4,829,444	-
Machinery and equipment	35,897,374	44,963,815	80,861,189	-
Infrastructure	149,773,676	88,791,132	238,564,808	-
Less: Accumulated depreciation	(114,897,464)	(69,736,642)	(184,634,106)	-
Total Assets	311,939,599	172,022,871	483,962,470	325,835
LIABILITIES				
Accounts payable and accrued expenses	6,834,428	4,702,428	11,536,856	-
Due to other governmental units	69,137,632	-	69,137,632	-
Unearned revenues	53,269,866	373,623	53,643,489	163,396
Deposits	504,623	-	504,623	-
Other	-	87,992	87,992	-
Noncurrent Liabilities				
Due within one year	16,282,521	4,193,942	20,476,463	-
Due in more than one year	92,029,574	23,455,792	115,485,366	-
Total Liabilities	238,058,644	32,813,777	270,872,421	163,396
NET ASSETS				
Invested in capital assets, net of related debt	88,972,632	120,709,077	209,681,709	-
Restricted				
Debt service	956,413	-	956,413	-
Equipment replacement	-	8,856,311	8,856,311	-
Unrestricted (deficit)	(16,048,090)	9,643,706	(6,404,384)	162,439
TOTAL NET ASSETS	\$ 73,880,955	\$139,209,094	\$213,090,049	\$ 162,439

CITY OF WAUKESHA, WISCONSIN
Statement of Activities
Year Ended December 31, 2008

Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 7,715,578	\$ 526,568	\$ -	\$ -
Public safety	30,189,386	2,855,147	427,641	4,867
Highways and streets	13,433,437	512,726	3,088,013	1,563,697
Sanitation	2,334,667	41,977	-	-
Culture and recreation	11,033,570	1,528,853	1,725,963	48,857
Conservation and development	4,330,430	20	474,843	-
Interest and fiscal charges	3,733,260	-	-	-
Total Governmental Activities	72,770,328	5,465,291	5,716,460	1,617,421
Business-type Activities				
Water Utility	6,889,948	7,948,314	-	3,420,234
Wastewater Utility	9,577,051	8,930,019	21,419	1,286,810
Transit System Utility	10,530,371	1,939,909	6,244,561	1,078,665
Parking Utility	894,062	496,504	-	-
Cemetery	716,414	418,272	1,285	-
Total Business-type Activities	28,607,846	19,733,018	6,267,265	5,785,709
Total Primary Government	\$ 101,378,174	\$ 25,198,309	\$ 11,983,725	\$ 7,403,130
Component Unit				
Business Improvement District	\$ 251,272	\$ 163,791	\$ 52,733	\$ -

General Revenue

Taxes

Property taxes levied for general purposes

Property taxes levied for debt service

Property taxes levied for nonmajor funds

Franchise fees and other taxes

Intergovernmental revenues not restricted for specific programs

Investment income

Miscellaneous

Gain on sale of assets

Transfers

Total General Revenue and Transfers

Change in Net Assets

NET ASSETS - January 1

NET ASSETS - December 31

The notes to the basic financial statements are an integral part of this statement.

Government Activities	Business-type Activities	Totals	Component Unit
\$ (7,189,010)	\$ -	\$ (7,189,010)	\$ -
(26,901,731)	-	(26,901,731)	-
(8,269,001)	-	(8,269,001)	-
(2,292,690)	-	(2,292,690)	-
(7,729,897)	-	(7,729,897)	-
(3,855,567)	-	(3,855,567)	-
(3,733,260)	-	(3,733,260)	-
<u>(59,971,156)</u>	<u>-</u>	<u>(59,971,156)</u>	<u>-</u>
-	4,478,600	4,478,600	-
-	661,197	661,197	-
-	(1,267,236)	(1,267,236)	-
-	(397,558)	(397,558)	-
-	(296,857)	(296,857)	-
<u>-</u>	<u>3,178,146</u>	<u>3,178,146</u>	<u>-</u>
<u>(59,971,156)</u>	<u>3,178,146</u>	<u>(56,793,010)</u>	<u>-</u>
-	-	-	(34,748)
35,492,446	1,415,730	36,908,176	41,510
10,334,910	-	10,334,910	-
1,621,125	-	1,621,125	-
1,831,921	-	1,831,921	-
4,951,903	-	4,951,903	-
666,365	539,293	1,205,658	6,410
417,021	9,713	426,734	-
101,903	-	101,903	-
321,389	(321,389)	-	-
<u>55,738,983</u>	<u>1,643,347</u>	<u>57,382,330</u>	<u>47,920</u>
(4,232,173)	4,821,493	589,320	13,172
<u>78,113,128</u>	<u>134,387,601</u>	<u>212,500,729</u>	<u>149,267</u>
<u>\$ 73,880,955</u>	<u>\$139,209,094</u>	<u>\$213,090,049</u>	<u>\$ 162,439</u>

CITY OF WAUKESHA, WISCONSIN
Balance Sheet
Governmental Funds
December 31, 2008

	General	Debt Service - General	Debt Service- TIF Districts	Other Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 62,124,565	\$ 397,513	\$ 939,263	\$ 18,674,026	\$ 82,135,367
Receivables					
Taxes	53,068,899	8,833,716	2,839,627	228,307	64,970,549
Accounts	1,273,972	-	484	56,531	1,330,987
Special assessments	-	-	2,014	137,864	139,878
Loans	-	440,000	-	4,616,487	5,056,487
Accrued interest	936	-	-	-	936
Due from other governmental units	-	-	-	70,641	70,641
Due from other funds	2,631,331	-	-	-	2,631,331
Inventories	181,314	-	-	-	181,314
Prepaid items	82,053	-	-	149,491	231,544
TOTAL ASSETS	\$ 119,363,070	\$ 9,671,229	\$ 3,781,388	\$ 23,933,347	\$ 156,749,034
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 1,014,032	\$ -	\$ -	\$ 1,728,100	\$ 2,742,132
Other accrued liabilities	1,490,404	-	-	3,309	1,493,713
Compensated absences	634,754	-	-	-	634,754
Due to other governmental units	69,137,632	-	-	-	69,137,632
Due to other funds	-	-	820,847	175,221	996,068
Deposits	228,813	-	-	275,810	504,623
Advance due to other funds	-	-	-	1,698,088	1,698,088
Deferred revenue	37,996,653	8,833,716	2,841,641	3,744,047	53,416,057
Total Liabilities	110,502,288	8,833,716	3,662,488	7,624,575	130,623,067
Fund Balances					
Reserved	263,367	837,513	118,900	6,516,284	7,736,064
Unreserved and undesignated, reported in:					
General Fund	8,597,415	-	-	-	8,597,415
Special Revenue Funds	-	-	-	1,228,973	1,228,973
Capital Projects Funds	-	-	-	8,563,515	8,563,515
Total Fund Balances	8,860,782	837,513	118,900	16,308,772	26,125,967
TOTAL LIABILITIES AND FUND BALANCES	\$ 119,363,070	\$ 9,671,229	\$ 3,781,388	\$ 23,933,347	\$ 156,749,034

(Continued)

CITY OF WAUKESHA, WISCONSIN
Balance Sheet (Continued)
Governmental Funds
December 31, 2008

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balance from previous page:		\$ 26,125,967
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds		152,747,838
Some receivables that are not currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements		
Special assessments		146,191
Internal service funds are reported in the statement of net assets as governmental funds		4,038,816
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds.		
Long-term debt	\$ (97,877,992)	
Accrued interest	(1,221,353)	
Compensated absences	(7,048,994)	
OPEB liability	(1,819,750)	
Long-term disability payable	(568,858)	
(Premium)/discount on debt issued	(640,910)	
		(109,177,857)
NET ASSETS OF GOVERNMENTAL ACTIVITIES		<u><u>\$ 73,880,955</u></u>

The notes to the basic financial statements are an integral part of this statement.

CITY OF WAUKESHA, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2008

	General	Debt Service- General	Debt Service - TIF Districts	Other Governmental Funds	Total Governmental Funds
REVENUES					
Taxes	\$ 36,384,490	\$ 8,192,059	\$ 2,143,215	\$ 1,746,130	\$ 48,465,894
Intergovernmental	8,705,620	19,124	33,991	1,335,149	10,093,884
Licenses and permits	1,932,383	-	-	535	1,932,918
Fines, forfeitures and penalties	583,069	-	-	69,770	652,839
Public charges for services	2,759,900	-	-	1,016,614	3,776,514
Interdepartment charges	862,484	-	-	-	862,484
Special assessments	-	-	2,014	141,756	143,770
Investment income	894,231	74,092	14,173	(316,132)	666,364
Miscellaneous	294,869	-	-	692,024	986,893
Total Revenues	52,417,046	8,285,275	2,193,393	4,685,846	67,581,560
EXPENDITURES					
Current					
General government	7,365,276	-	19,000	213,609	7,597,885
Public safety	27,234,441	-	-	17,108	27,251,549
Highways and streets	8,679,759	-	-	-	8,679,759
Sanitation	846,910	-	-	1,487,757	2,334,667
Culture and recreation	9,017,990	-	-	687,216	9,705,206
Conservation and development	-	-	-	370,640	370,640
Capital Outlay	-	-	-	13,911,652	13,911,652
Debt Service					
Principal retirement	-	5,456,918	1,225,000	-	6,681,918
Interest and fiscal charges	-	2,753,198	1,273,548	-	4,026,746
Total Expenditures	53,144,376	8,210,116	2,517,548	16,687,982	80,560,022
Excess (Deficiency) of Revenues Over (Under) Expenditures	(727,330)	75,159	(324,155)	(12,002,136)	(12,978,462)
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	-	-	14,826,289	14,826,289
Premium on bonds	-	-	-	61,678	61,678
Sale of City property	-	-	-	101,903	101,903
Transfers in	922,933	125,369	419,315	246,623	1,714,240
Transfers out	(134,804)	(466,725)	-	(904,564)	(1,506,093)
Total Other Financing Sources (Uses)	788,129	(341,356)	419,315	14,331,929	15,198,017
Net Changes in Fund Balances	60,799	(266,197)	95,160	2,329,793	2,219,555
FUND BALANCES - January 1	8,799,983	1,103,710	23,740	13,978,979	23,906,412
FUND BALANCES - December 31	\$ 8,860,782	\$ 837,513	\$ 118,900	\$ 16,308,772	\$ 26,125,967

The notes to the basic financial statements are an integral part of this statement.

CITY OF WAUKESHA, WISCONSIN
Reconciliation of the Statement of Revenues, Expenditures
and Changes in Governmental Fund Balances
to the Statement of Activities
December 31, 2008

Net change in fund balances - from previous page \$ 2,219,555

Amounts reported for governmental activities in the statement of activities is different because:

Governmental funds report capital outlays as expenditures. However in the statement of net assets the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expenses in the statement of activities.

Capital outlay is reported in governmental fund statements	\$ 7,274,776	
Depreciation reported in the government-wide statements	(5,967,504)	
Capital assets contributed	1,348,136	
Net book value of assets retired	<u>(101,005)</u>	2,554,403

Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements. (74,164)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.

Debt issued	\$ (14,826,289)	
Principal repaid	<u>6,681,918</u>	(8,144,371)

Some expenses in the statement of activities do not require the use of current financial resources and therefore are not reported as expenditures in the governmental funds.

Compensated absences	\$ (214,078)	
Long-term disability	21,048	
OPEB liability	(1,819,750)	
Accrued interest on debt	<u>41,149</u>	(1,971,631)

Governmental funds report debt premiums, discounts and issuance costs as other financing sources (uses). However, in the statement of net assets, these are deferred and reported as other assets. These are allocated over the period the debt is outstanding in the statement of activities and are reported as amortization expense.

Debt discount/premium and issuance costs	\$ 45,948	
Amortization	<u>147,711</u>	193,659

Internal service funds are used by management to charge the costs of health, life and dental insurance and print shop costs to individual funds. The net revenue of the internal service funds is reported with governmental activities. 990,376

CHANGES IN NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ (4,232,173)

The notes to the basic financial statements are an integral part of this statement.

CITY OF WAUKESHA, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual - General Fund
Year Ended December 31, 2008

	Original Budget	Final Budget	Actual	Variance with Final Budget - Positive (Negative)
REVENUES				
Taxes	\$ 36,223,933	\$ 36,223,933	\$ 36,384,490	\$ 160,557
Intergovernmental	8,449,604	8,449,604	8,705,620	256,016
Licenses and permits	1,715,600	1,715,600	1,932,383	216,783
Fines, forfeitures and penalties	699,000	699,000	583,069	(115,931)
Public charges for services	2,776,886	2,781,386	2,759,900	(21,486)
Interdepartment charges	979,981	979,981	862,484	(117,497)
Investment income	1,300,000	1,300,000	894,231	(405,769)
Miscellaneous	113,813	113,813	294,869	181,056
Total Revenues	52,258,817	52,263,317	52,417,046	153,729
EXPENDITURES				
Current				
General government	7,591,202	7,685,022	7,365,276	319,746
Public safety	27,365,130	27,329,472	27,234,441	95,031
Highways and streets	8,192,893	8,232,627	8,679,759	(447,132)
Sanitation	867,761	867,761	846,910	20,851
Culture and recreation	9,079,527	9,061,478	9,017,990	43,488
Total Expenditures	53,096,513	53,176,360	53,144,376	31,984
Excess (deficiency) of Revenues Over (Under) Expenditures	(837,696)	(913,043)	(727,330)	185,713
OTHER FINANCING SOURCES (USES)				
Transfers in	922,696	922,696	922,933	237
Transfers out	(85,000)	(96,000)	(134,804)	(38,804)
Total Other Financing Sources (Uses)	837,696	826,696	788,129	(38,567)
Net Changes in Fund Balance	-	(86,347)	60,799	147,146
FUND BALANCE - January 1	8,799,983	8,799,983	8,799,983	-
FUND BALANCE - December 31	\$ 8,799,983	\$ 8,713,636	\$ 8,860,782	\$ 147,146

The notes to the basic financial statements are an integral part of this statement.

CITY OF WAUKESHA, WISCONSIN
Statement of Net Assets
Proprietary Funds
December 31, 2008

	Business-type Enterprise Funds			
	Water Utility	Wastewater Utility	Transit System Utility	Parking Utility
ASSETS				
Current Assets				
Cash and investments	\$ 1,643,315	\$ 1,569,963	\$ -	\$ 90,914
Accounts receivable	4,051,356	377,762	1,502,427	23,884
Special assessments receivable	-	647,315	-	-
Due from other funds	-	1,500,407	327,164	-
Inventories	357,400	-	106,783	-
Prepaid items	88,645	-	55,305	-
Total Current Assets	<u>6,140,716</u>	<u>4,095,447</u>	<u>1,991,679</u>	<u>114,798</u>
Noncurrent Assets				
Restricted Assets				
Revenue bond redemption	645,150	2,026,040	-	-
Revenue bond reserve	1,402,360	-	-	-
Depreciation	4,074,007	-	-	-
Equipment replacement	-	5,293,553	-	-
Interest receivable	-	49,910	-	-
Total Restricted Assets	<u>6,121,517</u>	<u>7,369,503</u>	<u>-</u>	<u>-</u>
Utility Plant				
Utility plant in service (at cost)	86,542,180	90,205,230	23,155,061	11,576,352
Construction work in progress	3,063,305	859,052	-	-
Total Utility Plant	<u>89,605,485</u>	<u>91,064,282</u>	<u>23,155,061</u>	<u>11,576,352</u>
Equipment	-	-	-	-
Less: Accumulated depreciation	<u>(21,772,527)</u>	<u>(35,239,820)</u>	<u>(7,856,898)</u>	<u>(4,507,356)</u>
Net Plant/Equipment	<u>67,832,958</u>	<u>55,824,462</u>	<u>15,298,163</u>	<u>7,068,996</u>
Other Assets				
Preliminary survey and investigation	22,370	-	-	-
Unamortized debt issuance costs	-	3,713	-	34,801
Long-Term receivable	-	64,807	-	-
Advance to other funds	-	1,698,088	-	-
Total Other Assets	<u>22,370</u>	<u>1,766,608</u>	<u>-</u>	<u>34,801</u>
Total Noncurrent Assets	<u>73,976,845</u>	<u>64,960,573</u>	<u>15,298,163</u>	<u>7,103,797</u>
Total Assets	<u>80,117,561</u>	<u>69,056,020</u>	<u>17,289,842</u>	<u>7,218,595</u>

(Continued)

Non-Major Prairie Home Cemetery	Totals Current Year	Governmental Activities - Internal Service Funds
\$ 259,341	\$ 3,563,533	\$ 4,551,207
363,776	6,319,205	44,472
-	647,315	-
-	1,827,571	-
816,340	1,280,523	19,097
-	143,950	1,404
1,439,457	13,782,097	4,616,180
-	2,671,190	-
-	1,402,360	-
-	4,074,007	-
-	5,293,553	-
-	49,910	-
-	13,491,020	-
683,309	212,162,132	-
-	3,922,357	-
683,309	216,084,489	-
-	-	254,780
(360,041)	(69,736,642)	(68,798)
323,268	146,347,847	185,982
-	22,370	-
20,092	58,606	-
-	64,807	-
-	1,698,088	-
20,092	1,843,871	-
343,360	161,682,738	185,982
1,782,817	175,464,835	4,802,162

CITY OF WAUKESHA, WISCONSIN
Statement of Net Assets (Continued)
Proprietary Funds
December 31, 2008

	Business-type Enterprise Funds			
	Water Utility	Wastewater Utility	Transit System Utility	Parking Utility
LIABILITIES				
Current Liabilities				
Accounts payable	980,342	501,171	563,543	10,378
Accrued liabilities	147,755	36,294	47,160	5,711
Claims payable	-	-	-	-
Accrued interest	-	-	-	34,435
Current portion of long-term debt	800,000	3,080,042	-	271,454
Due to other funds	2,502,199	-	57,198	-
Unearned revenue	-	-	-	-
Compensated absences	84,833	555,266	314,363	64,908
Other current liabilities	162,970	-	629,687	-
Accrued interest	242,202	81,011	-	-
Total Current Liabilities	4,920,301	4,253,784	1,611,951	386,886
Noncurrent Liabilities				
Revenue bonds	13,225,000	6,129,626	-	-
Unamortized debt (discount)/premium	(50,185)	-	-	124,915
Unearned revenues	104,416	-	-	-
OPEB liability	-	39,564	-	-
General obligation debt	-	474,769	-	2,985,509
Total Noncurrent Liabilities	13,279,231	6,643,959	-	3,110,424
Total Liabilities	18,199,532	10,897,743	1,611,951	3,497,310
NET ASSETS				
Invested in capital assets net of related debt	55,260,503	46,140,025	15,298,163	3,687,118
Restricted For:				
Equipment replacement and debt service	4,476,955	4,379,356	-	-
Unpaid claims and restricted deposits	-	-	-	-
Unrestricted (Deficit)	2,180,571	7,638,896	379,728	34,167
TOTAL NET ASSETS	\$61,918,029	\$58,158,277	\$15,677,891	\$3,721,285

The notes to the basic financial statements are an integral part of this statement.

Non-Major Prairie Home Cemetery	Totals Current Year	Governmental Activities Internal Service Funds
156,397	2,211,831	16,711
3,774	240,694	1,919
-	-	699,412
8,693	43,128	-
42,446	4,193,942	-
882,567	3,441,964	20,870
269,207	269,207	-
71,535	1,090,905	24,434
-	792,657	-
-	323,213	-
1,434,619	12,607,541	763,346
-	19,354,626	-
13,262	87,992	-
-	104,416	-
-	39,564	-
601,324	4,061,602	-
614,586	23,648,200	-
2,049,205	36,255,741	763,346
323,268	120,709,077	185,982
-	8,856,311	-
-	-	3,735,445
(589,656)	9,643,706	117,389
\$ (266,388)	\$139,209,094	\$ 4,038,816

CITY OF WAUKESHA, WISCONSIN
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
Year Ended December 31, 2008

	Business-type Enterprise Funds			
	Water Utility	Wastewater Utility	Transit System Utility	Parking Utility
OPERATING REVENUES				
Charges for services	\$ 7,491,828	\$ 8,870,340	\$ 1,807,747	\$ 211,614
Parking fines	-	-	-	284,890
Sales of crypts and niches	-	-	-	-
Sales of lots	-	-	-	-
Other revenue	456,486	59,679	132,162	-
Total Operating Revenues	<u>7,948,314</u>	<u>8,930,019</u>	<u>1,939,909</u>	<u>496,504</u>
OPERATING EXPENSES				
Operation and maintenance	4,487,487	6,582,065	9,389,495	497,073
Depreciation	1,809,395	2,527,370	1,139,803	275,698
Total Operating Expenses	<u>6,296,882</u>	<u>9,109,435</u>	<u>10,529,298</u>	<u>772,771</u>
Operating Income (Loss)	<u>1,651,432</u>	<u>(179,416)</u>	<u>(8,589,389)</u>	<u>(276,267)</u>
NONOPERATING REVENUES (EXPENSES)				
Investment income (loss)	198,417	357,679	-	2,700
Miscellaneous	3,219	-	-	-
Interest and fiscal charges	(596,285)	(467,616)	-	(121,291)
General property taxes	-	-	1,205,026	-
Intergovernmental revenue	-	21,419	-	-
Sale of capital assets	-	9,620	(1,073)	93
Reimbursement of operating loss	-	-	6,244,561	-
Total Nonoperating	<u>(394,649)</u>	<u>(78,898)</u>	<u>7,448,514</u>	<u>(118,498)</u>
Income (Loss) Before Transfers and Contributions	<u>1,256,783</u>	<u>(258,314)</u>	<u>(1,140,875)</u>	<u>(394,765)</u>
Transfers in	-	82,644	-	400,000
Transfers out	(922,296)	(4,436)	-	-
Capital contributions	3,420,234	1,286,810	844,583	-
Capital contributions - municipality	-	-	234,082	-
	<u>2,497,938</u>	<u>1,365,018</u>	<u>1,078,665</u>	<u>400,000</u>
Changes in Net Assets	3,754,721	1,106,704	(62,210)	5,235
TOTAL NET ASSETS - JANUARY 1	<u>58,163,308</u>	<u>57,051,573</u>	<u>15,740,101</u>	<u>3,716,050</u>
TOTAL NET ASSETS - DECEMBER 31	<u>\$ 61,918,029</u>	<u>\$58,158,277</u>	<u>\$ 15,677,891</u>	<u>\$ 3,721,285</u>

The notes to the basic financial statements are an integral part of this statement.

Nonmajor Prairie Home Cemetery	Totals Current Year	Governmental Activities - Internal Service Funds
\$ 248,116	\$ 18,629,645	\$ 11,522,428
-	284,890	-
108,869	108,869	-
61,232	61,232	-
55	648,382	559,495
418,272	19,733,018	12,081,923
660,391	21,616,511	11,173,663
28,263	5,780,529	31,126
688,654	27,397,040	11,204,789
(270,382)	(7,664,022)	877,134
(19,503)	539,293	-
-	3,219	-
(27,760)	(1,212,952)	-
210,704	1,415,730	-
1,285	22,704	-
-	8,640	-
-	6,244,561	-
164,726	7,021,195	-
(105,656)	(642,827)	877,134
122,699	605,343	113,242
-	(926,732)	-
-	5,551,627	-
-	234,082	-
122,699	5,464,320	113,242
17,043	4,821,493	990,376
(283,431)	134,387,601	3,048,440
\$ (266,388)	\$139,209,094	\$ 4,038,816

CITY OF WAUKESHA, WISCONSIN
Statement of Cash Flows
Proprietary Funds
Year Ended December 31, 2008

	Business-type Enterprise Funds			
	Water Utility	Wastewater Utility	Transit System Utility	Parking Utility
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 7,718,605	\$ 9,010,431	\$ 1,818,137	\$ 472,620
Cash received from interfund services provided	-	-	-	-
Cash paid to suppliers for goods and services	(2,043,673)	(3,285,485)	(7,192,738)	(205,501)
Cash payments to employees	(2,160,398)	(2,963,091)	(2,042,921)	(310,289)
Net Cash Flows From Operating Activities	3,514,534	2,761,855	(7,417,522)	(43,170)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES				
General property taxes	-	-	1,205,026	-
Operating grants received	-	-	6,538,384	-
Repayments of advances	-	68,838	-	-
Collection of long-term receivables	-	333,208	-	-
Tax equivalent paid	(893,117)	-	-	-
Transfers out	-	(4,436)	-	-
Transfers in	-	82,644	-	400,000
Net Cash Flows From Non-Capital Financing Activities	(893,117)	480,254	7,743,410	400,000
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income (loss)	198,417	381,602	-	2,700
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt issued	4,945,000	-	-	50,000
Principal payments	(660,000)	(2,955,951)	-	(266,377)
Interest paid	(445,315)	(488,033)	-	(140,419)
Debt issuance costs	(31,600)	-	-	-
Capital contributions	2,215,760	75,728	742,576	-
Sale of capital assets	-	9,620	16,500	93
Acquisition and construction of capital assets	(6,833,793)	(2,013,668)	(1,084,964)	-
Net Cash Flows From Capital and Financing Activities	(809,948)	(5,372,304)	(325,888)	(356,703)
Net Increase (Decrease) in Cash and Cash Equivalents	2,009,886	(1,748,593)	-	2,827
CASH AND CASH EQUIVALENTS - January 1	5,754,946	10,638,149	-	88,087
CASH AND CASH EQUIVALENTS - December 31	\$ 7,764,832	\$ 8,889,556	\$ -	\$ 90,914

Nonmajor Prairie Home Cemetery	Totals Current Year	Governmental Activities - Internal Service Funds
\$ 377,632	\$ 19,397,425	\$ -
-	-	12,158,623
(243,532)	(12,970,929)	(11,039,677)
(420,981)	(7,897,680)	(44,614)
(286,881)	(1,471,184)	1,074,332
210,704	1,415,730	-
1,285	6,539,669	-
-	68,838	-
-	333,208	-
-	(893,117)	-
-	(4,436)	-
122,699	605,343	113,242
334,688	8,065,235	113,242
(19,503)	563,216	-
-	4,995,000	-
(37,317)	(3,919,645)	-
(27,581)	(1,101,348)	-
-	(31,600)	-
-	3,034,064	-
-	26,213	-
(5,010)	(9,937,435)	(32,946)
(69,908)	(6,934,751)	(32,946)
(41,604)	222,516	1,154,628
300,945	16,782,127	3,396,579
\$ 259,341	\$ 17,004,643	\$ 4,551,207

CITY OF WAUKESHA, WISCONSIN
Statement of Cash Flows
Proprietary Funds (Continued)
Year Ended December 31, 2008

	Business - Type Enterprise Funds			
	Water Utility	Wastewater Utility	Transit System Utility	Parking Utility
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH PROVIDED BY OPERATING ACTIVITIES				
Operating income (loss)	\$ 1,651,432	\$ (179,416)	\$ (8,590,462)	\$ (276,267)
Adjustments to reconcile operating income (loss) to net cash flows from operating activities				
Nonoperating income				
Depreciation	1,809,395	2,527,370	1,139,803	275,698
Depreciation charged to operating accounts	195,144	-	-	-
Income from merchandising and jobbing	3,219	-	-	-
Changes in Assets and Liabilities				
Accounts receivable	(232,928)	97,330	(121,772)	(23,884)
Due from other funds	-	(16,918)	-	-
Inventories	(46,124)	-	(4,444)	-
Prepaid items	(3,437)	-	123	-
Deferred debits	13,348	-	-	-
Accounts payable	9,915	173,911	(32,675)	(26,140)
Deferred revenue	-	-	-	-
Due to other funds	16,918	-	54,173	-
Accrued liabilities	10,964	18,961	139,871	1,935
OPEB liability	-	39,564	-	-
Other current liabilities	86,688	101,053	(2,139)	5,488
NET CASH FLOWS FROM OPERATING ACTIVITIES	\$ 3,514,534	\$ 2,761,855	\$ (7,417,522)	\$ (43,170)
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS				
Cash and investments	\$ 1,643,315	\$ 1,569,963	\$ -	\$ 90,914
Restricted cash and investments	6,121,517	7,319,593	-	-
CASH AND CASH EQUIVALENTS END OF YEAR	\$ 7,764,832	\$ 8,889,556	\$ -	\$ 90,914
NONCASH INVESTING, CAPITAL AND FINANCING ACTIVITIES				
Contributed property and equipment	\$ 1,204,474	\$ 290,837	\$ 234,082	\$ -

The notes to the basic financial statements are an integral part of this statement.

Non-Major Prairie Home Cemetery	Totals Current Year	Governmental Activities - Internal Service Funds
\$ (270,382)	\$ (7,665,095)	\$ 877,134
28,263	5,780,529	31,126
-	195,144	-
-	3,219	-
(40,286)	(321,540)	75,387
35,909	18,991	-
58,208	7,640	(5,674)
-	(3,314)	-
-	13,348	-
23,333	148,344	14,997
(36,263)	(36,263)	(20,471)
(92,844)	(21,753)	20,870
2,593	174,324	2,228
-	39,564	-
4,588	195,678	78,735
<u>\$ (286,881)</u>	<u>\$ (1,471,184)</u>	<u>\$ 1,074,332</u>
\$ 259,341	\$ 3,563,533	\$ 4,551,207
-	13,441,110	-
<u>\$ 259,341</u>	<u>\$ 17,004,643</u>	<u>\$ 4,551,207</u>
<u>\$ -</u>	<u>\$ 1,729,393</u>	<u>\$ -</u>

CITY OF WAUKESHA, WISCONSIN

INDEX TO NOTES TO FINANCIAL STATEMENTS
December 31, 2008

NOTE	<u>Page</u>
A. Summary of Significant Accounting Policies	
1. The Financial Reporting Entity	42
2. Individual Component Unit Disclosures	42
3. Government-wide and Fund Financial Statements	43 - 44
4. Measurement Focus and Basis of Accounting	44 - 45
5. Assets, Liabilities and Net Assets or Equity	45
a. Cash and Investments	45
b. Receivables	45
c. Interfund Receivables and Payables	45
d. Restricted Assets	46
e. Inventories	46
f. Prepaid Items	46
g. Capital Assets	46
h. Other Assets	47
i. Other Deferred Debits	47
j. Compensated Absences	47
k. Deferred Revenue	47
l. Long-term Obligations	47
m. Fund Equity	48
6. Use of Estimates	48
B. Stewardship and Compliance	
1. Budgets and Budgetary Accounting	48 - 49
2. Excess of Expenditures Over Budget Appropriations	49
3. Deficit Fund Equity	49
C. Detailed Notes on All Funds	
1. Cash and Investments	50 - 53
2. Property Taxes	53
3. Restricted Assets	53
4. Capital Assets	54 - 55
5. Interfund Receivables, Payables, and Transfers	56 - 57
6. Deferred Revenues	57
7. Long-term Obligations	58 - 62
8. Conduit Debt Obligations	62
9. Fund Equity	62 - 63
10. Component Units	64
a. Basis of Accounting/Measurement Focus	64
b. Deposits and Investments	64
D. Other Post-employment Benefits	64 - 65
E. Other Information	
1. Retirement Commitments	66
2. Risk Management	67 - 68
3. Property Tax Levy Limit	68
4. Contingencies	68 - 69

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the City of Waukesha, Wisconsin ("the City") have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The significant accounting principles and policies utilized by the City are described below:

1. The Financial Reporting Entity

The City of Waukesha is a municipal corporation governed by an elected fifteen-member council. Included in the City's operations (the primary government) is the City's Water Utility and Transit Commission which are City departments managed by separate commissions appointed by the City Council. In accordance with GAAP, the basic financial statements are required to include the City and any separate component units that have a significant operational or financial relationship with the City. The City's Redevelopment Authority (RDA) is governed by a board appointed by the City Council. Operating activities of the RDA are reported in the City's general fund.

2. Individual Component Unit Disclosures

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 (a) it is able to impose its will on that organization, or (b) 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.

Included within the reporting entity:

Business Improvement District (BID)

The BID, created under the provisions of Wisconsin Statute Section 66.1109, is a discretely presented component unit with a separate board appointed and approved by the City Council. The purpose of the BID is to allow businesses within the district boundaries to develop, manage, and promote the district and to establish an assessment method to finance these activities. The BID has its own independent budgetary authority and borrowing capabilities. However, the City can impose its will on the BID. The BID financial information is presented for the fiscal year ended December 31, 2008. Separate financial statements for the BID can be obtained from its office at 913 Clinton Street, Waukesha, Wisconsin 53186.

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

3. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the City and its component unit. For the most part, the effect of interfund activity has been removed from these statements. *Governmental activities*, which are primarily supported by taxes and intergovernmental revenues, are reported separately from *business-type activities*, which rely to a significant extent on fees and charges for services. Likewise, the *primary government* is reported separately from certain legally separate *component units* for which the primary government is financially accountable.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds and proprietary funds. Governmental funds include general, special revenue, permanent, debt service and capital projects funds. Proprietary funds include enterprise funds and internal service funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

GENERAL FUND

This is the City's main operating fund. It accounts for all financial resources of the general government, except those accounted for in another fund.

DEBT SERVICE FUND

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds other than TIF Districts.

DEBT SERVICE FUND - TIF DISTRICTS

This fund accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of the City's TIF Districts.

The City reports the following major enterprise funds:

WATER UTILITY

This fund accounts for transactions relating to the provision of water service to utility customers.

WASTEWATER UTILITY

This fund accounts for transactions relating to the provision of sewage collection and treatment service to utility customers.

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

TRANSIT SYSTEM UTILITY

This fund accounts for transactions relating to the operation mass transit services to the City and surrounding areas.

PARKING UTILITY

This fund accounts for transactions relating to the operation and maintenance of the City's parking facilities.

Additionally, the government reports the following fund types:

Internal service funds account for dental, life, vision, health and property insurance and printing services provided to other departments or agencies of the City, or to other governments, on a cost reimbursement basis.

4. Measurement Focus and Basis of Accounting

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues susceptible to accrual include intergovernmental grants, intergovernmental charges for services, City ordinance forfeitures, public charges for services and interest. Other revenues such as licenses and permits, other fines and forfeits and miscellaneous revenues are recognized when received in cash or when measurable and available.

Certain private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following certain subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The City has elected not to follow subsequent private-sector guidance.

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the City's water and sewer functions and various other functions of the City. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, and fees and fines, 2) operating grants and contributions, and 3) capital grants and contributions. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

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 City's enterprise funds are charges to customers for services. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources, as they are needed.

5. Assets, Liabilities and Net Assets or Equity

a. Cash and Investments

Cash and investments are combined in the financial statements. Cash deposits consist of demand and time deposits with financial institutions and are carried at cost. Investments are stated at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale. For purposes of the statement of cash flows, all cash deposits and highly liquid investments (including restricted assets) with a maturity of three months or less from date of acquisition are considered to be cash equivalents.

b. Receivables

Accounts receivable have been shown net of allowance for uncollectible accounts of \$668,339.

Loans receivable represent the balance of loans made by the City to businesses or individuals from the proceeds of federal and state grants. The loans receivable balance is offset with a reserved fund balance to indicate that they are not available resources.

c. Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds for goods provided or services rendered. These receivables and payables are classified as "due from other funds" and "due to other funds" in the fund financial statements. Noncurrent portions of the interfund receivables for the governmental funds are reported as "advances to other funds" and are offset by a reservation of fund balance since they do not constitute expendable available financial resources and therefore are not available for appropriation. Long-term interfund loans are reported as "advances from other funds."

The amount reported on the statement of net assets for internal balances represents the residual balance outstanding between the governmental and business-type activities.

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

d. Restricted Assets

Mandatory segregation of assets is 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.

e. Inventories

Inventories of governmental funds are recorded at cost, which approximates market, using the first-in, first-out method. Inventories consist of expendable supplies held for consumption. The cost is recorded as an expenditure at the time individual inventory items are consumed rather than when purchased.

Inventories of governmental funds in the fund financial statements are offset by fund balance reserve amounts to indicate that they do not represent spendable available financial resources.

Inventories of proprietary funds are valued at cost based on weighted average method. The cost is charged to construction or expense at the time the individual inventory items are used.

f. Prepaid Items

Payments made to vendors that will benefit periods beyond the end of the current fiscal year are recorded as prepaid items.

Prepaid items of governmental funds in the fund financial statements are offset by fund balance reserve amounts to indicate that they do not represent spendable available financial resources.

g. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets, are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 for general capital assets and \$25,000 for infrastructure assets and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	Governmental	Business-type
	Activities	Activities
	Years	
Land improvements	20	20
Buildings	20 - 70	20 - 70
Improvements other than buildings	20	-
Machinery and equipment	2 - 20	2 - 20
Infrastructure	25 - 70	15 - 120

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

h. Other Assets

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

i. Other Deferred Debits

Advances made by water utility customers through the main advance certificate rule and main advance free limit rule are included in this account and may be refundable if connection to the system or annexation to the municipality occurs on specific properties during specific time periods.

j. Compensated Absences

It is the City's policy to permit non-represented employees to accumulate earned but unused vacation leave. All employees may accumulate sick leave benefits in accordance with bargaining unit agreements. All vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements and are payable with expendable available resources.

Employees may convert a number of days of accumulated sick leave to pay for health care premiums. The cost is paid by the City. Funding for those costs is provided out of the current operating budget of the City in full upon retirement and transferred to the sick leave conversion special revenue fund. The annual costs of the benefits used are transferred from the sick leave conversion special revenue fund to the internal service fund. Total expenditures for such costs during the year for non-police and fire employees were \$86,409. The total amount outstanding for all employees at year-end to be paid in the future is \$180,418 and is included in the government-wide statement of net assets.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2008 are determined on the basis of current salary rates and include salary related payments.

k. Deferred Revenue

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period or for resources that have been received, but not yet recognizable.

l. Long-term Obligations

In the government-wide financial statements, and proprietary funds in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental funds recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

m. Fund Equity

GOVERNMENTAL FUND FINANCIAL STATEMENTS

Governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

GOVERNMENT-WIDE AND PROPRIETARY FUND STATEMENTS

Equity is classified as net assets and displayed in three components:

- Invested in capital assets, net of related debt - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- Restricted net assets - Amount of net assets that are subject to restrictions that are imposed 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.
- Unrestricted net assets - Net assets that are neither classified as restricted nor as invested in capital assets, net of related debt.

6. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

NOTE B - STEWARDSHIP AND COMPLIANCE

1. Budgets and Budgetary Accounting

The City follows these procedures in establishing the budgetary data reflected in the basic financial statements:

- a. During October, City management submits to the City Council a proposed operating and capital budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted by City Council action.
- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general fund, select special revenue funds, select debt service funds, and select capital projects funds. Budget is defined as the originally approved budget plus or minus approved amendments. Individual amendments throughout the year were not material in relation to the original budget. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE B - STEWARDSHIP AND COMPLIANCE (Continued)

- c. During the year, formal budgetary integration is employed as a management control device for the general fund, select special revenue funds, debt service funds, and select capital projects funds.
- d. Expenditures may not exceed appropriations provided in detailed budget accounts maintained for each activity or department of the City, with the following exceptions. The Community Development Block Grant special revenue fund, TIF District debt service fund, and TIF District capital projects fund adopt budgets by total expenditures. Amendments to the budget during the year require initial approval by management and are subsequently authorized by the City Council.

The City did not have any material violation of legal or contractual provisions for the fiscal year ended December 31, 2008.

2. Excess of Expenditures Over Budget Appropriations

The following expenditure accounts had actual expenditures in excess of budget appropriations for the year ended December 31, 2008 as follows:

Fund	Function	Excess Expenditures
General Fund	Highways and streets	\$ 447,132
Special Revenue Funds		
Tourism Bureau	General government	9,015
Police Crime Prevention	Public safety	14,763
WHEDA Loan Program	Conservation and development	7,567
Garbage Collection	Sanitation	32,559
Crime Prevention Grant	Capital outlay	7,028
Confiscated Property	Public safety	2,345
	Capital outlay	44,371
Cable TV Franchise Fees	Culture and recreation	99
WP & L	Capital outlay	20,635
TIF District Capital Projects Fund	General government	25,824
Permanent Funds		
Cemetery Lot Maintenance	General government	6,246
Cemetery Specific Endowment	General government	2,391
Library Endowment	Culture and recreation	1,284

The above excess expenditures were funded using available fund balance.

3. Deficit Fund Equity

The following funds had deficit fund equity as of December 31, 2008:

Fund	Deficit Fund Equity
Cable TV franchise fees special revenue fund	\$ 44,138
Prairie Home Cemetery enterprise fund	266,388

The City anticipates funding the above deficits from future revenues of the funds.

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

Invested cash consists of deposits and investments for general government purposes are restricted by Wisconsin Statutes to the following: Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool. Investment of cemetery perpetual care funds and library trust funds are regulated by separate Wisconsin Statutes which allow the acquisition of stocks, bonds and debentures which cannot be acquired for general government purposes.

The carrying amount of the City's cash and investments totaled \$103,691,217 on December 31, 2008 as summarized below:

Petty cash funds	\$ 11,338
Deposits with financial institutions	52,010,928
Investments	51,668,951
	\$ 103,691,217

Reconciliation to the basic financial statements:

Basic financial statements	
Cash and investments	\$ 90,250,107
Restricted cash and investments	13,441,110
	\$ 103,691,217

Deposits and investments of the City are subject to various risks. Presented below is a discussion of the specific risks and the City's policy related to the risk.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Wisconsin statutes require repurchase agreements to be fully collateralized by bonds or securities issued or guaranteed by the federal government or its instrumentalities. The City does not have an additional custodial credit risk policy.

Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$250,000 per official custodian through December 31, 2013. In addition, the City's non-interest bearing transaction accounts are fully insured under the Temporary Liquidity Guarantee Program through December 31, 2009. On January 1, 2014, the coverage limit for all accounts will return to \$100,000 for interest bearing accounts and \$100,000 for non-interest bearing accounts. In addition, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

As of December 31, 2008, \$7,227,042 of the City's deposits with financial institutions were in excess of federal depository insurance limits and uncollateralized.

On December 31, 2008, the City held repurchase agreement investments of \$17,014,744 of which the underlying securities are held by the investment's counterparty, not in the name of the City.

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. Wisconsin statutes limit investments in securities to the top two ratings assigned by nationally recognized statistical rating organizations. The City does not have an additional credit risk policy. Presented below is the actual rating as of year end for each investment type.

Investment Type	Amount	Exempt From Disclosure	AAA	A	Other	Not Rated
U.S. Treasury notes	\$ 1,436,002	\$ 1,436,002	\$ -	\$ -	\$ -	\$ -
Federal National Mortgage	260,489	-	260,489	-	-	-
Federal Home Loan Mort.	996,051	-	996,051	-	-	-
Corporate obligations	49,687	-	-	24,893	24,794	-
Mutual funds	6,562,703	-	-	-	-	6,562,703
Common stock	480,406	-	-	-	-	480,406
Wisconsin local government investment pool	24,868,869	-	-	-	-	24,868,869
Totals	34,654,207	\$ 1,436,002	\$ 1,256,540	\$ 24,893	\$ 24,794	\$ 31,911,978
Repurchase agreements	17,014,744					
Total Investments	<u>\$ 51,668,951</u>					

Concentration of Credit Risk

The investment policy of the City contains no limitations on the amount that can be invested in any one issuer. Investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total City investments are as follows:

Issuer	Investment Type	Reported Amount
--------	-----------------	-----------------

None.

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Interest Rate Risk

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 to changes in market interest rates. As stated in the City's investment policy, the City manages its exposure to interest rate risk by limiting maturities of certificates of deposit to be one year or less unless this type of instrument is used for the long-term portion of the portfolio, which will then require the term length to comply with State Statute 66.02(2). Additionally, maturities of obligations of the US government and its agencies in excess of one year shall be limited to 10% of the portfolio unless this type of instrument is used for the long-term portion of the portfolio, which will then require the term length to comply with State Statute 66.04(2).

Information about the sensitivity of the fair values of the City's investments to market interest rate fluctuations is provided by the following table that shows the distribution of the City's investments by maturity:

Investment Type	Amount	Remaining Maturity (in Months)			
		12 Months or Less	13 to 24 Months	25 to 60 Months	More Than 60 Months
U.S. treasury notes	\$ 1,436,002	\$ 1,436,002	\$ -	\$ -	\$ -
Federal National Mortgage	260,489	260,489	-	-	-
Federal Home Loan Mortgage	996,051	996,051	-	-	-
Corporate obligations	49,687	49,687	-	-	-
Repurchase agreements	17,014,744	17,014,744	-	-	-
Wisconsin local government investment pool	24,868,869	24,868,869	-	-	-
Totals	44,625,842	\$ 44,625,842	\$ -	\$ -	\$ -
Mutual funds	6,562,703				
Common stock	480,406				
	<u>\$ 51,668,951</u>				

Investments with Fair Values Highly Sensitive to Interest Rate Fluctuations

The City's investments include the following investments that are highly sensitive to interest rate fluctuations (to a greater degree than already indicated in the information provided above):

Highly Sensitive Investments	Fair Value at Year End
Mortgage backed securities. These securities are subject to early payment in a period of declining interest rates. The resultant reduction in expected total cash flows affects the fair value of these securities and makes the fair values of these securities highly sensitive to changes in interest rates.	<u>\$ 1,256,540</u>

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Investment in Wisconsin Local Government Investment Pool

The City has investments in the Wisconsin local government investment pool of \$24,868,869 at year-end. 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 not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2008, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

Investments in the Wisconsin Local Government Investment Pool are covered under a surety bond issued by Financial Security Assurance, Inc. through February 15, 2009. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool. The bond provides unlimited coverage on principal losses, reduced by any FDIC, State of Wisconsin Guarantee Fund insurance, and income on the investment during the calendar quarter a loss occurs.

2. Property Taxes

Property taxes consist of taxes on real estate and personal property. They are levied during December of the prior year and become an enforceable lien on property the following January 1. Property taxes are payable in various options depending on the type and amount. Personal property taxes are payable on or before January 31 in full. Real estate taxes are payable in full by January 31 or in three equal installments on or before January 31, March 31 and May 31. Real estate taxes not paid by May 31 are purchased by the County as part of the tax settlement. Delinquent personal property taxes remain the collection responsibility of the City.

The City bills and collects its own property taxes and also levies and collects taxes for the Waukesha School District, Waukesha County, Waukesha County Area Technical College and the State of Wisconsin.

3. Restricted Assets

Restricted assets on December 31, 2008 totaled \$13,491,020 and consisted of cash and investments of \$13,441,110 and accrued interest receivable of \$49,910 held for the following purposes:

Water Utility	
Revenue bond redemption	\$ 645,150
Revenue bond reserve	1,402,360
Depreciation fund	4,074,007
Wastewater Utility	
Revenue bond redemption	2,026,040
Equipment replacement fund	5,293,553
Accrued interest	49,910
Total Restricted Assets	\$ 13,491,020

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

4. Capital Assets

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

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 24,935,688	\$ 1,009,772	\$ -	\$ 25,945,460
Construction in progress	2,470,166	862,280	2,262,431	1,070,015
Total capital assets, not being depreciated	<u>27,405,854</u>	<u>1,872,052</u>	<u>2,262,431</u>	<u>27,015,475</u>
Capital assets, being depreciated:				
Buildings	47,531,810	2,783,505	-	50,315,315
Improvements other than buildings	4,671,663	157,781	-	4,829,444
Machinery and equipment	33,705,066	2,997,335	805,027	35,897,374
Infrastructure	146,846,947	3,107,614	180,885	149,773,676
Subtotals	<u>232,755,486</u>	<u>9,046,235</u>	<u>985,912</u>	<u>240,815,809</u>
Less accumulated depreciation for:				
Buildings	13,533,667	1,088,208	-	14,621,875
Improvements other than building	1,885,470	192,638	-	2,078,108
Machinery and equipment	21,374,938	2,759,614	805,027	23,329,525
Infrastructure	72,989,667	1,958,169	79,880	74,867,956
Subtotals	<u>109,783,742</u>	<u>5,998,629</u>	<u>884,907</u>	<u>114,897,464</u>
Total capital assets, being depreciated, net	<u>122,971,744</u>	<u>3,047,606</u>	<u>101,005</u>	<u>125,918,345</u>
Governmental activities capital assets, net	<u>\$ 150,377,598</u>	<u>\$ 4,919,658</u>	<u>\$ 2,363,436</u>	152,933,820
Less related long-term debt outstanding				<u>63,961,188</u>
Invested in capital assets, net of related debt				<u>\$ 88,972,632</u>

(Continued)

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

	Beginning Balance	Increases	Decreases	Ending Balance
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 2,925,343	\$ 50,236	\$ -	\$ 2,975,579
Construction in progress	4,003,203	3,514,147	3,594,993	3,922,357
Total capital assets, not being depreciated	<u>6,928,546</u>	<u>3,564,383</u>	<u>3,594,993</u>	<u>6,897,936</u>
Capital assets, being depreciated:				
Buildings and improvements	74,055,315	1,390,851	14,560	75,431,606
Machinery and equipment	41,459,136	4,553,874	1,049,195	44,963,815
Infrastructure	84,127,201	4,866,611	202,680	88,791,132
Subtotals	<u>199,641,652</u>	<u>10,811,336</u>	<u>1,266,435</u>	<u>209,186,553</u>
Less accumulated depreciation for:				
Water Utility	19,952,193	2,184,781	364,447	21,772,527
Wastewater Utility	32,870,637	2,527,370	158,187	35,239,820
Transit System Utility	7,444,396	1,139,803	727,301	7,856,898
Parking Utility	4,231,658	275,698	-	4,507,356
Cemetery	331,778	28,263	-	360,041
Subtotals	<u>64,830,662</u>	<u>6,155,915</u>	<u>1,249,935</u>	<u>69,736,642</u>
Total capital assets, being depreciated, net	<u>134,810,990</u>	<u>4,655,421</u>	<u>16,500</u>	<u>139,449,911</u>
Business-type activities capital assets, net	<u>\$ 141,739,536</u>	<u>\$ 8,219,804</u>	<u>\$ 3,611,493</u>	146,347,847
Less related long-term debt outstanding				(25,564,040)
Plus unamortized debt issuance costs and unamortized loss on advance refunding				<u>(74,730)</u>
Invested in capital assets, net of related debt				<u>\$ 120,709,077</u>
Depreciation expense was charged to functions of the City as follows:				
Governmental activities				
General government				\$ 983,234
Public safety				1,259,127
Highways and streets, including depreciation of infrastructure assets				2,556,872
Culture and recreation				1,194,683
Conservation and development				4,713
Total depreciation expense - governmental activities				<u>\$ 5,998,629</u>
Business-type activities				
Water Utility				\$ 2,184,781
Wastewater Utility				2,527,370
Transit System Utility				1,139,803
Parking Utility				275,698
Cemetery				28,263
Total depreciation expense - business-type activities				<u>\$ 6,155,915</u>

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

5. Interfund Receivables, Payables, and Transfers

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2008 are detailed below:

	Interfund Receivables	Interfund Payables
General Fund	\$ 2,631,331	\$ -
Special Revenue Funds		
Community Development Block Grant	-	43,199
Cable TV franchise fees	-	44,138
Debt Service Fund - TIF Districts	-	820,847
Capital Project Fund		
TIF Districts	-	87,312
Permanent Funds		
Cemetery Trust Fund K	-	540
H. B. Mills Recreation	-	32
Enterprise Funds		
Water Utility	-	2,502,199
Wastewater Utility	1,500,407	-
Transit System Utility	327,164	57,198
Prairie Home Cemetery	-	882,567
Internal Service Funds		
Property and Liability Insurance	-	20,870
Totals	\$ 4,458,902	\$ 4,458,902

The outstanding balances between funds result mainly 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.

A long-term advance exists between the following nonmajor governmental fund and proprietary fund as of December 31, 2008. The advance has no repayment schedule.

	Advance Receivable	Advance Payable
Wastewater Utility	\$ 1,698,088	\$ -
Nonmajor Governmental Fund		
Fleet replacement capital projects fund	-	1,698,088
Totals	\$ 1,698,088	\$ 1,698,088

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Interfund transfers for the year ended December 31, 2008 were as follows:

	Transfers to:								Total
	General Fund	Debt Service Fund - General	Debt Service Fund - TIF Districts	Nonmajor Governmental Funds	Waste-water Utility	Parking Utility	Nonmajor Enterprise Funds	Internal Service Fund	
Transfers from:									
General fund	\$ -	\$ -	\$ -	\$ 21,562	\$ -	\$ -	\$ -	\$ 113,242	\$ 134,804
Debt service - general	-	-	-	-	-	400,000	66,725	-	466,725
Nonmajor governmental funds	637	125,369	419,315	220,625	82,644	-	55,974	-	904,564
Enterprise funds									
Water utility	922,296								922,296
Wastewater utility	-	-	-	4,436	-	-	-	-	4,436
	<u>\$ 922,933</u>	<u>\$ 125,369</u>	<u>\$ 419,315</u>	<u>\$ 246,623</u>	<u>\$ 82,644</u>	<u>\$ 400,000</u>	<u>\$ 122,699</u>	<u>\$ 113,242</u>	<u>\$ 2,432,825</u>

Transfers are used to: (1) move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations; (2) move revenues from the fund that is required to collect them to the fund that is required or allowed to expend them; and (3) move receipts restricted to or allowed for debt service from the funds collecting the receipts to the debt service funds as debt service payments become due.

6. Deferred Revenues

Governmental activities and governmental funds defer revenue recognition in connection with resources that have been received, but not yet earned. Governmental funds also report deferred revenue in connection with receivables for resources that are not considered to be available to liquidate liabilities of the current period. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue were as follows:

	Unavailable	Unearned
Subsequent year tax levy receivable		
General fund	\$ -	\$ 37,920,123
Debt service fund - general	-	8,833,716
Debt service fund - TIF Districts	-	2,839,627
Nonmajor governmental funds	-	228,307
Special assessments		
General fund	6,313	-
Debt service fund - TIF Districts	2,014	-
Nonmajor governmental funds	137,864	-
Grant draw downs prior to meeting all eligibility requirements		
General fund	-	12,856
Nonmajor governmental funds	-	112,200
Revenues received in advance		
General fund	-	57,361
Nonmajor governmental funds	-	3,265,676
Totals	<u>\$ 146,191</u>	<u>\$ 53,269,866</u>

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

7. Long-term Obligations

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2008:

	Outstanding 1/1/08	Issued	Retired	Outstanding 12/31/08	Due Within One Year
Governmental activities:					
General obligation debt	\$ 87,073,075	\$ 6,191,289	\$ 6,681,918	\$ 86,582,446	\$ 7,539,846
Bond and note anticipation notes	1,805,000	8,635,000	-	10,440,000	7,910,000
Promissory note	855,546	-	-	855,546	-
Unamortized premium	1,155,976	30,053	189,528	996,501	172,675
OPEB liability	-	1,819,750	-	1,819,750	-
Long-term disability	589,906	-	21,048	568,858	40,000
Compensated absences	6,834,916	421,235	207,157	7,048,994	620,000
Governmental activities Long-term obligations	<u>\$ 98,314,419</u>	<u>\$ 17,097,327</u>	<u>\$ 7,099,651</u>	<u>\$ 108,312,095</u>	<u>\$ 16,282,521</u>
Business-type activities:					
General obligation debt	\$ 5,029,695	\$ 50,000	\$ 501,096	\$ 4,578,599	\$ 516,997
Revenue bonds	21,505,120	4,945,000	3,418,549	23,031,571	3,676,945
OPEB liability	-	39,564	-	39,564	-
Business-type activities Long-term obligations	<u>\$ 26,534,815</u>	<u>\$ 5,034,564</u>	<u>\$ 3,919,645</u>	<u>\$ 27,649,734</u>	<u>\$ 4,193,942</u>

Total interest paid during the year on long-term debt totaled \$4,633,698.

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

\$679,119 issued 01/01/01; \$82,650 due in 2009; interest 4.20%	\$ 82,650
\$12,935,000 issued 03/15/01; \$140,000 to \$940,000 due annually through 2017; interest 4.125% to 5.00%	6,585,000
\$6,715,000 issued 06/01/01; \$1,380,000 due in 2009 and \$1,480,000 due in 2010; interest 4.125% to 5.00%	2,860,000
\$1,520,000 issued 06/01/01; \$190,000 due in 2009 and \$200,000 due in 2010; interest 4.125% to 5.10%	390,000
\$4,425,000 issued 06/01/01; \$100,000 to \$465,000 due annually through 2020; interest 4.125% to 5.10%	4,165,000
\$4,835,000 issued 06/01/02; \$500,000 to \$1,000,000 due annually through 2011; interest 3.00% to 4.125%	2,285,000
\$900,000 issued 03/01/03; \$105,000 to \$115,000 due annually through 2012; interest 2.50% to 4.00%	440,000
\$2,175,000 issued 07/01/03; \$210,000 due in 2009; interest 2.50%	210,000
\$3,085,000 issued 10/01/03; \$305,000 to \$415,000 due annually through 2013; interest 2.00% to 3.75%	1,695,000
\$4,920,885 issued 01/28/04; \$194,193 to \$397,419 due annually through 2023; interest 5.25%	4,268,395
\$21,925,000 issued 02/15/04; \$625,000 to \$2,425,000 due annually through 2019; interest 2.375% to 5.00%	18,240,000
\$1,215,000 issued 07/01/04; \$210,000 due in 2009 and \$225,000 due in 2010; interest 3.50% to 4.00%	435,000
\$2,750,000 issued 07/01/04; \$290,000 to \$355,000 due annually through 2014; interest 3.00% to 4.20%	1,935,000
\$3,500,000 issued 12/15/04; \$170,000 to \$485,000 due annually through 2018; interest 3.10% to 4.10%	3,185,000
\$4,220,000 issued 4/1/05; \$45,000 to \$605,000 due annually through 2021; interest 3.50% to 5.00%	3,810,000
\$4,770,000 issued 5/1/05; \$435,000 to \$835,000 due annually through 2014; interest 3.25% to 4.00%	3,865,000
\$1,700,000 issued 5/1/05; \$100,000 to \$165,000 due annually 2011 through 2023; interest 3.625% to 4.375%	1,700,000
\$8,900,000 issued 3/15/06; \$500,000 to \$820,000 due annually through 2021; interest 4.00% to 4.25%	8,420,000
\$6,975,000 issued 6/30/06; \$650,000 to \$1,100,000 due annually through 2015; interest 4.00% to 4.50%	6,585,000
\$7,950,000 issued 5/21/07, \$625,000 to \$1,520,000 due annually through 2016, interest 3.75% to 4.25%	7,950,000
\$5,885,000 issued 5/21/07, \$20,000 to \$935,000 due annually through 2021; interest 4.00% to 4.75%	5,885,000
\$2,310,000 issued 8/5/08, \$200,000 to \$340,000 due annually 2010 through 2017; interest 3.00% to 4.00%	2,310,000
\$3,860,000 issued 8/5/08, \$570,000 to \$725,000 due annually 2012 through 2017; interest 4.65% to 5.40%	3,860,000
	<hr/>
Total Outstanding General Obligation Debt	<u>\$ 91,161,045</u>

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Annual principal and interest maturities of the outstanding general obligation debt of \$91,161,045 on December 31, 2008 are detailed below:

Year Ended December 31	Governmental Activities		Business-type Activities		Totals	
	Principal	Interest	Principal	Interest	Principal	Interest
2009	\$ 7,539,846	\$ 3,761,157	\$ 516,997	\$ 197,368	\$ 8,056,843	\$ 3,958,525
2010	8,187,169	3,424,524	537,218	179,225	8,724,387	3,603,749
2011	8,920,446	3,088,002	349,673	158,953	9,270,119	3,246,955
2012	8,805,054	2,724,677	360,832	144,876	9,165,886	2,869,553
2013	9,111,247	2,356,409	377,024	129,908	9,488,271	2,486,317
2014-2018	35,037,774	6,363,060	2,119,455	383,469	37,157,229	6,746,529
2019-2023	8,980,910	886,789	317,400	36,680	9,298,310	923,469
	<u>\$ 86,582,446</u>	<u>\$ 22,604,618</u>	<u>\$ 4,578,599</u>	<u>\$ 1,230,479</u>	<u>\$ 91,161,045</u>	<u>\$ 23,835,097</u>

For governmental activities, the other long-term liabilities are generally funded by the general fund.

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2008 was \$220,965,928 as follows:

Equalized valuation of the City	\$6,223,411,200
Statutory limitation percentage	<u>(x) 5%</u>
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes	311,170,560
Total outstanding general obligation debt applicable to debt limitation	\$ 91,161,045
Less: Amounts available for financing general obligation debt	
Debt service fund	<u>956,413</u>
Net outstanding general obligation debt applicable to debt limitation	<u>90,204,632</u>
Legal Margin for New Debt	<u>\$ 220,965,928</u>

Anticipation notes currently outstanding are detailed as follows:

	<u>Outstanding 12/31/08</u>
\$1,805,000 issued 11/20/07, \$1,805,000 due 2009, interest rate 4.75%	\$ 1,805,000
\$6,105,000 issued 8/5/08, \$6,105,000 due 2009, interest rate 2.50%	6,105,000
\$2,530,000 issued 8/5/08, \$2,530,000 due 2011, interest rate 4.65%	<u>2,530,000</u>
Total Outstanding Bond and Note Anticipation Notes	<u>\$ 10,440,000</u>

Annual principal and interest maturities of the outstanding bond anticipation notes of \$10,440,000 on December 31, 2008 are as detailed below:

Due	Totals	
	Principal	Interest
2009	\$ 7,910,000	\$ 374,308
2010	-	117,645
2011	2,530,000	117,645
	<u>\$ 10,440,000</u>	<u>\$ 609,598</u>

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Enterprise Fund Revenue Bonds

Revenue bond debt service requirements are financed by income derived from the acquired or constructed assets of the enterprise funds.

Detail of outstanding enterprise fund revenue bonds totaling \$23,031,571 on December 31, 2008 follows:

	Outstanding 12/31/08
<u>Water Utility</u>	
\$4,405,000 issued 06/15/01; \$235,000 to \$340,000 due annually through 2015; interest 4.00% to 4.88%	\$ 2,045,000
\$7,865,000 issued 4/15/06; \$270,000 to \$530,000 due annually through 2026; interest 4.00% to 5.00%	7,035,000
\$4,945,000 issued 4/22/08; \$115,000 to \$455,000 due annually through 2022; interest 3.0% to 4.375%	4,945,000
<u>Wastewater Utility</u>	
\$40,531,133 issued 03/08/99; \$2,876,945 to \$3,129,202 due annually through 2011; interest 4.29%	9,006,571
	\$ 23,031,571

Annual principal and interest maturities of the above outstanding enterprise fund debt of \$23,031,571 on December 31, 2008 are shown below:

Due	Principal	Interest	Total
2009	\$ 3,676,945	\$ 1,024,132	\$ 4,701,077
2010	3,920,424	780,233	4,700,657
2011	4,084,202	612,772	4,696,974
2012	990,000	508,094	1,498,094
2013	915,000	468,781	1,383,781
2014-2018	4,120,000	1,753,656	5,873,656
2019-2023	3,810,000	872,137	4,682,137
2024-2026	1,515,000	154,000	1,669,000
	\$ 23,031,571	\$ 6,173,805	\$ 29,205,376

A statutory mortgage lien upon the City's system and any additions, improvements and extensions thereto is created by Section 66.066 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The City's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

Other Debt Information

There are a number of limitations and restrictions contained in the various bond and note obligations. The City believes it is substantially in compliance with all material limitations and restrictions.

Promissory Note

The City has entered into an agreement with a developer whereby the developer agrees to loan the City certain amounts necessary for completion of a project for Tax Incremental District No. 13 (TID No. 13). The note will be repaid with tax increments generated by TID No. 13. Should TID No. 13 not generate sufficient revenues over its life to repay the note, any remaining balance will be forgiven by the developer. The balance of the note outstanding at December 31, 2008 is \$855,546.

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Long-term Disability

The City is responsible for making monthly premium payments for long-term disability coverage for three former public safety employees. The total premiums paid during 2008 were \$21,048. The total estimated future liability for these premiums is \$568,858.

Compensated Absences

Estimated compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

8. Conduit Debt Obligations

From time to time, the City has issued Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the private-sector entity served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements.

As of December 31, 2008, there were four series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$8,938,754.

9. Fund Equity

Government-wide Statements

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

Invested in capital assets, net of related debt	
Land	\$ 25,945,460
Construction in progress	1,070,015
Buildings	50,315,315
Improvements other than buildings	4,829,444
Machinery and equipment	35,897,374
Infrastructure	149,773,676
Less: Accumulated depreciation	(114,897,464)
Related long-term debt outstanding	(63,961,188)
Total Invested in Capital Assets, Net of Related Debt	88,972,632
Restricted for debt service	956,413
Unrestricted	(16,048,090)
Total Governmental Activities Net Assets	\$ 73,880,955

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Fund Statements

In the fund financial statements, portions of governmental fund balances are reserved and not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2008, fund balance was reserved as follows:

General Fund	
Reserved for inventories	\$ 181,314
Reserved for prepaid items	82,053
	<u>\$ 263,367</u>
Special Revenue Funds	
Reserved for loans receivable	\$ 4,424,236
Reserved for prepaid items	12,573
	<u>\$ 4,436,809</u>
Debt Service Funds/TIF Debt	
Reserved for debt retirement	<u>\$ 956,413</u>
Capital Projects Funds	
Reserved for prepaid items	<u>\$ 136,918</u>
Permanent Funds	
Reserved for donor restrictions	<u>\$ 1,942,557</u>

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

10. Component Units

BUSINESS IMPROVEMENT DISTRICT

This report also contains the Business Improvement District of the City of Waukesha (BID), which is included as a discretely presented component unit in the statement of net assets and statement of activities.

In addition to the basic financial statements and the preceding notes to the basic financial statements which apply, the following additional disclosures are considered necessary for a fair presentation.

- a. Basis of Accounting/Measurement Focus
The BID follows the accrual basis of accounting and the flow of economic resources measurement focus.
- b. Deposits and Investments
The BID, as a fund of the City, maintains both common and separate cash accounts from the City. Federal depository insurance and State of Wisconsin Guarantee Fund insurance apply to the City of Waukesha as an individual municipality and, accordingly, the amount of insured funds for the common cash is not determinable for the BID. The carrying amount of the common cash is \$51,155.

At year end, the carrying amount of the BID's separate deposits was \$145,107 and the bank balance was \$154,663. The entire bank balance was covered by federal depository insurance.

NOTE D - OTHER POST-EMPLOYMENT BENEFITS

Plan Description - The City provides health care insurance coverage for employees who retire with a minimum of 15 years of continuous service for sworn police and fire services and 10 years of employment for general employees. For police and fire retirees, the City will pay 50% of the premium until the retiree ceases to pay their portion of the premium or until they become eligible for Medicare. All other retirees are required to pay 100% of the premium after any applicable accrued sick leave balance is exhausted. There are 456 active and 60 retired employees in the plan.

Annual OPEB Cost and Net OPEB Obligation - The annual other post-employment benefit (OPEB) cost (expense) is calculated based on the annual required contribution (ARC), and the amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the net OPEB obligation.

Component	Amount
Annual required contribution	\$ 2,500,904
Interest on net OPEB	-
Adjustment to annual required contribution	-
Annual OPEB cost (expense)	2,500,904
Contributions made	541,590
Change in net OPEB obligation	1,959,314
OPEB obligation - beginning of year	-
OPEB obligation - end of year	<u>\$ 1,959,314</u>

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE D - OTHER POST-EMPLOYMENT BENEFITS (Continued)

The annual required contribution for the current year was determined as part of an actuarial valuation using the projected unit credit method. The actuarial assumptions included (a) 4.5% discount rate, and (b) projected salary increases at 3%.

The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with a long-term perspective of the calculations. The unfunded actuarial accrued liability is being amortized as a level dollar amount of projected payroll. The remaining amortization period at December 31, 2008 is 29 years, and the remaining amount is \$21,542,350.

Trend Information - The annual OPEB cost, the percentage of the annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 for the plan is as follows:

Fiscal Year Ended	Annual OPEB Cost	Percentage Of Annual OPEB Cost Contributed	Net OPEB Obligation
12/31/2008	\$2,500,904	26%	\$1,859,314

Funded Status and Funding Progress - As of the most recent actuarial valuations, conducted during 2008, the plan's unfunded actuarial accrued liability (UAAL) was \$21,542,350. The annual payroll for active employees covered by the plan for the 2008 fiscal year was \$32,206,133 for a ratio of the UAAL to covered payroll of 67%.

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future, such as assumptions about future terminations, mortality, and healthcare cost trends. Actuarially determined amounts are subject to continual revision as actuarial results are compared with past experience and new estimates are made about the future.

Actuarial Methods and Assumptions - Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the 2008 actuarial valuation, the projected unit credit method was used. The actuarial assumptions included a rate of 4.5% to discount expected liabilities to the valuation date. The initial healthcare trend rate for the plan was 10%; decreasing by 0.5% per year down to 5.5% The UAAL is being amortized as a level percentage of projected payrolls. The remaining amortization period at December 31, 2008 was 29 years.

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE E - OTHER INFORMATION

1. Retirement Commitments

All eligible City employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, defined benefit, multiple-employer public employee retirement system. All permanent employees expected to work over 600 hours a year (440 hours for teachers) are eligible to participate in the WRS. Covered employees in the General category are required by statute to contribute 6.0% of their salary (3.0% for Executives and Elected Officials, 5.1% for Protective Occupations with Social Security, and 3.4% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for City employees covered by the WRS for the year ended December 31, 2008 was \$31,579,629; the employer's total payroll was \$33,972,818. The total required contribution for the year ended December 31, 2008 was \$3,891,710, which consisted of \$2,193,239, or 6.8% of covered payroll from the employer and \$1,698,471, or 5.2% of covered payroll from employees. The required contribution for employees for the year ended December 31, 2008 was financed by the City. Total contributions for the years ending December 31, 2007 and 2006 were \$3,779,507 and \$3,593,669 respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective 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 or after April 24, 1998 are immediately vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE E - OTHER INFORMATION (Continued)

2. Risk Management

The City is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; employee health and accident claims; or acts of God. A description of the City's risk management program follows:

Self-Insurance Fund

For dental claims, the uninsured risk of loss is \$1,000 per incident for a policy year. Settled claims have not exceeded the commercial coverage in any of the past three years.

All funds of the City participate in risk management program. Amounts payable are based upon actuarial estimates of the amounts necessary to pay prior and current year claims. The claims liability of \$15,913 reported in the fund at December 31, 2008 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount for 2007 and 2008 follow:

	Liability January 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability December 31
2007	\$ 15,237	\$ 404,200	\$ 406,430	\$ 13,007
2008	13,007	417,666	414,760	15,913

For health claims, the uninsured risk of loss is \$100,000 per incident for a policy year. Settled claims have not exceeded the commercial coverage in the past year.

All funds of the City participate in risk management program. Amounts payable are based upon actuarial estimates of the amounts necessary to pay prior and current year claims. The claims liability of \$683,499 reported in the fund at December 31, 2008 is based on the requirements of GASB Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of the loss can be reasonably estimated. Changes in the fund's claims liability amount for 2007 and 2008 follow:

	Liability January 1	Current Year Claims and Changes in Estimates	Claim Payments	Liability December 31
2007	\$ 817,243	\$ 8,140,426	\$ 8,349,999	\$ 607,670
2008	607,670	8,011,800	7,935,971	683,499

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE E - OTHER INFORMATION (Continued)

Transit System Liability Insurance

The City's transit system is exposed to various risks of loss related to torts; theft, damage or destruction of assets; errors or omissions; injuries to employees; or acts of God. During 1985, the transit system became a member of the Transit Mutual Insurance Corporation of Wisconsin (TMI). TMI was created by several governmental units within the State of Wisconsin to provide liability insurance services to its members. The transit system pays premiums to TMI for its liability insurance coverage. The actuary for TMI determines charges to its members for the expected losses and loss adjustment expenses on which premiums are based.

Other Risk Management Programs

The City also purchases commercial insurance policies for various property and other liability risks. These insurance costs are accounted for in the insurance internal service fund. The insurance fund charges other funds of the City based on coverage provided.

Insurance settlements have not exceeded insurance coverage for each of the past three years. There have been no significant changes in insurance coverage from the prior year.

3. Property Tax Levy Limit

Wisconsin Act 25, effective July 27, 2005, imposed a limit on the property tax levies for all Wisconsin cities, villages, towns and counties for a two-year period. Wisconsin State Budget bill SB40 continues the limit on the property tax levies through 2009. The budget bill limits the increase in the maximum allowable tax levy to the greater of the percentage change in the City's January 1 equalized value as a result of net new construction or 3.86% in the 2008 budget and 2.0% in the 2009 budget. The actual limit for the City for the 2008 budget was 3.86%. The levy limit is applied to both operations and debt service. However, the Act allows the limit to be increased for debt service authorized prior to July 1, 2005 and in certain other situations.

4. Contingencies

- a. The City participates in a number of federal and state assisted grant programs. These programs are subject to program compliance audits by the grantors or their representatives. An audit under OMB Circular A-133 has been conducted but final acceptance is still pending. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time although the City expects such amounts, if any, to be immaterial.
- b. From time to time, the City is party to other various pending claims and legal proceedings. Although the outcome of such matters cannot be forecast with certainty, it is the opinion of management and legal counsel that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the City's financial position or results of operations.

CITY OF WAUKESHA, WISCONSIN
Notes to Basic Financial Statements
December 31, 2008

NOTE E - OTHER INFORMATION (Continued)

- c. On April 12, 1992, the State of Wisconsin commenced a legal action against the Utility entitled State of Wisconsin, Department of Natural Resources vs. City of Waukesha Water Utility. Case No. 91-CV-1027, Circuit Court, Waukesha County, Wisconsin, case number 92-2530, Court of Appeals and Supreme Court of the State of Wisconsin. In that case the State has requested judgment against the Utility for (1) an injunction requiring the Utility to bring its water supply system into compliance with Wisconsin Administrative Code NR 109.50(1); (2) the forfeitures provided for in sections 144.99, Stats., for past violations of Wisconsin Administrative Code Sec. NR 109.50; (3) a penalty assessment pursuant to Sect. 165.87(2) (Stats.).

This matter has been resolved by stipulation and order. The Utility, as part of its settlement, agreed to pay forfeitures for past violations including penalty assessments, in the amount of \$55,000. The Utility did not admit to any liability or risk relative to the current level of radionuclides in its water supply. As part of the stipulation, the Wisconsin Department of Natural Resources agreed to hold off enforcement of this matter until such times as the Environmental Protection Agency (EPA) establishes a new standard for the above radionuclides.

Although the Federal legislation underpinning EPA regulations of radionuclide's has been renewed, the EPA has examined the 1996 amendments to the Safe Drinking Water Act and taken the position that the contaminant level (MCL) of 5 pCi/L of radium in drinking water for Ra 226 and Ra 228, combined. The EPA conducted a new rulemaking proceeding and published a Notice of Data Availability and concluded the rulemaking in 2000.

In December 2000, the EPA finalized its rule for radium 226 and 228. In response to this rule, the City of Waukesha, doing business as the City of Waukesha Water Utility, petitioned the United States Court of Appeals, District of Columbia Circuit, in Washington, D.C. to review the rule promulgated by the EPA. The case City of Waukesha, et al. v. EPA, 01-1028, was heard on November 20, 2002. On February 25, 2003 the United States Court of Appeals ruled in favor of the EPA. As such, the municipality terminated the legal process and began negotiations with the Wisconsin Department of Natural Resources (WDNR) to develop a consent order/compliance agreement to bring the water supply into compliance with the radium standard. As required by the EPA and WDNR, the municipality entered into a consent order/compliance agreement with the WDNR on December 19, 2003, and immediately began working towards compliance.

The agreement required the Utility to develop new shallow wells, install treatment at some of the existing wells and blend the non-compliant water with compliant water to bring the water supply in compliance with the radium standards. The estimated cost of the improvements is approximately thirteen million five hundred thousand dollars (\$13,500,000). The Utility is balancing the radium compliance projects with other projects that will become part of the long term water supply strategy. While the Utility continues to investigate the potential to develop a new water supply, the compliance strategy focuses on projects that will ultimately be part of the long term solution. The development of the new water supply will cost approximately sixty (60) to eighty (80) million dollars. This estimate consists of the initial capital expenditures, plus operation for 20 years, and is based on implementation of one of the two highest ranked water supply options identified in a 2001 engineering study of water supply alternatives. It is estimated that the new water supply will be available by June 30, 2018.