

OFFICIAL STATEMENT

NEW ISSUES (BOOK ENTRY ONLY)

MOODY'S INVESTORS SERVICE INC.

BANK QUALIFIED – NOTE ANTICIPATION NOTES ONLY

NANs "MIG 1" NOTES: "Aaa"

*In the opinion of Quarles & Brady LLP, Bond Counsel, assuming continued compliance with the requirements of the Internal Revenue Code of 1986, as amended (the "Code") under existing law interest on the NANs is excludable from gross income and is not an item of tax preference for federal income tax purposes. See "LEGAL MATTERS - Tax Exemption" herein for a more detailed discussion of some of the federal income tax consequences of owning the NANs. The interest on the NANs is not exempt from present Wisconsin income or franchise taxes. The NANs will be designated by the City as "Qualified Tax-Exempt Obligations" for purposes of Section 265(b)(3) of the Code.*

*In the opinion of Quarles & Brady LLP, Bond Counsel, under existing law interest on the Notes is included in gross income for federal income tax purposes. See "LEGAL MATTERS – Tax Status" herein. The interest on the Notes is not exempt from present Wisconsin income or franchise taxes.*

**CITY OF WAUWATOSA  
MILWAUKEE COUNTY, WISCONSIN**

**\$9,400,000 Note Anticipation Notes, Series 2009**

Dated: July 1, 2009

Due: November 1, 2010

The Note Anticipation Notes, Series 2009 (the "NANs") are being issued pursuant to Section 67.12(1)(b) of the Wisconsin Statutes. The NANs will be special obligations of the City of Wauwatosa, Milwaukee County, Wisconsin (the "City"), and do not constitute general obligation indebtedness of the City nor a charge against its general credit or taxing power. The NANs are being issued for the purpose of paying the cost of constructing and equipping a new fire station.

Principal of the NANs, payable at maturity on November 1, 2010, and interest, payable each May 1 and November 1, commencing May 1, 2010, will be paid to DTC, which will in turn remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the NANs as described herein.

The NANs are not subject to optional redemption prior to their stated maturity.

**\$5,300,000 Taxable General Obligation Promissory Notes, Series 2009  
(Build America Bonds – Direct Payment)**

Dated: July 1, 2009

Due: December 1, 2010 - 2018

As shown herein.

The Taxable General Obligation Promissory Notes, Series 2009 (Build America Bonds – Direct Payment) (the "Notes") are being issued pursuant to Section 67.12(12) of the Wisconsin Statutes. The Notes will be general obligations of the City for which its full faith, credit and resources are pledged. The Notes are being issued for the purpose of paying the cost of various public improvements included in the City's 2009 Capital Project Plan, including repairing and upgrading streets, parks, storm and sanitary sewers.

Principal of the Notes, payable annually each December 1, commencing December 1, 2010, and interest, payable each June 1 and December 1, commencing December 1, 2009, will be paid to DTC, which will in turn remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Notes as described herein.

The Notes are not subject to optional redemption prior to their stated maturities.

The Notes are subject to Extraordinary Redemption as described in "THE NOTES – Redemption Provisions" herein.

The NANs and Notes will be issued as fully registered obligations without coupons and, when issued, will be registered in the name of Cede & Co., as nominee of The Depository Trust Company ("DTC"). DTC will act as securities depository of the NANs and Notes. Individual purchases may be made in book entry form only, in the principal amount of \$5,000 and integral multiples thereof. Purchasers will not receive certificates representing their interest in the NANs and Notes purchased.

*The NANs and Notes are offered when, as and if issued, subject to the receipt of the approving opinions of Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel. The NANs and Notes will be available for delivery on or about July 1, 2009, through the facilities of DTC in New York, New York.*

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THIS COVER PAGE CONTAINS CERTAIN INFORMATION FOR QUICK REFERENCE ONLY. IT IS **NOT** A SUMMARY OF THE ISSUES. INVESTORS MUST READ THE ENTIRE OFFICIAL STATEMENT TO OBTAIN INFORMATION ESSENTIAL TO THE MAKING OF AN INFORMED INVESTMENT DECISION.

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June 16, 2009

**HutchinsonShockeyErley&Co**

**CITY OF WAUWATOSA  
MILWAUKEE COUNTY, WISCONSIN**

**\$9,400,000 Note Anticipation Notes, Series 2009  
Dated July 1, 2009**

The NANs will mature November 1, as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP No.</u>
2010	\$ 9,400,000	1.75%	1.15%	943504N63

Principal of the NANs, payable at maturity on November 1, 2010, and interest, payable each May 1 and November 1, commencing May 1, 2010, will be paid to DTC, which will in turn remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the NANs as described herein.

The NANs are not subject to optional redemption prior to their stated maturity.

**\$5,300,000 Taxable General Obligation Promissory Notes, Series 2009  
(Build America Bonds – Direct Payment)  
Dated July 1, 2009**

The Notes will mature December 1, as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP No.</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP No.</u>
2010	\$ 300,000	2.125%	2.00%	943504M56	2015	\$ 700,000	4.375%	4.15%	943504N22
2011	400,000	2.375	2.25	943504M64	2016	700,000	4.875	4.60	943504N30
2012	500,000	2.875	2.75	943504M72	2017	700,000	5.00	4.85	943504N48
2013	600,000	3.375	3.25	943504M80	2018	700,000	5.25	5.00	943504N55
2014	700,000	4.10	3.90	943504M98					

Principal of the Notes, payable annually each December 1, commencing December 1, 2010, and interest, payable each June 1 and December 1, commencing December 1, 2009, will be paid to DTC, which will in turn remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Notes as described herein.

The Notes are not subject to optional redemption prior to their stated maturities.

The Notes are subject to Extraordinary Redemption as described in "THE NOTES – Redemption Provisions" herein.

Unless otherwise indicated, information contained in this Official Statement is based upon material provided by the City and available at the date of publication of the Official Statement. Certain information contained herein has been obtained from sources other than records of the City, and is believed to be reliable, but is not guaranteed as to accuracy or completeness.

No dealer, broker, salesperson or other person has been authorized by the City to give any information or to make any representation other than as contained in this Official Statement in connection with the offering of the NANs and Notes and, if given or made, such other information or representations must not be relied upon as having been authorized by the City or the Underwriter. This Official Statement does not constitute an offer to sell or the solicitation of an offer to buy nor shall there be any sale of the NANs and Notes by any person in any jurisdiction in which it is unlawful for such person to make such offer, solicitation or sale. The information and expressions of opinion herein are subject to change without notice and neither the delivery of this Official Statement nor any sale made hereunder shall, under any circumstances, create any implication that there has been no change in the operations of the City since the date of this Official Statement.

The NANs and Notes have not been registered pursuant to the Securities Act of 1933, in reliance upon exemptions contained in such Act.

This Official Statement is in a form deemed final by the City for the purpose of Rule 15c2-12 under the Securities Exchange Act of 1934, as amended (except for certain information permitted to be omitted under Rule 15c2-12(b)(1)).

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**CITY OF WAUWATOSA  
MILWAUKEE COUNTY, WISCONSIN**

Jill Didier  
Mayor  
(Term Expires April 2012)

**COMMON COUNCIL**

<u>Name</u>	<u>Aldermanic District</u>	<u>Term Expiration</u>
Peter Donegan	1	April, 2010
Linda Janis-Nikceovich	1	April, 2012
James J. Krol (President)	2	April, 2010
Eric B. Meaux	2	April, 2012
Tim J. Hanson	3	April, 2010
Jacqueline S. Jay	3	April, 2012
Jill M. Organ	4	April, 2010
Dennis R. McBride	4	April, 2012
Jerome R. Stepaniak	5	April, 2010
Michael G. Walsh	5	April, 2012
Brian M. Ewerdt	6	April, 2010
Thomas P. Herzog	6	April, 2012
Donald Birschel	7	April, 2010
Cheryl Berdan	7	April, 2010 *
Robert Dennik	8	April, 2010 *
Jason G. Wilke	8	April, 2010 *

\* Appointed

**ADMINISTRATIVE STAFF**

James Archambo..... City Administrator  
Carla A. Ledesma ..... City Clerk  
Ronald G. Braier ..... Finance Director  
Alan R. Kesner ..... City Attorney

**BOND COUNSEL**

Quaries & Brady LLP  
Milwaukee, Wisconsin

**UNDERWRITER**

Hutchinson, Shockey, Erley & Co.  
Chicago, Illinois  
Milwaukee, Wisconsin





## OFFICIAL STATEMENT

**CITY OF WAUWATOSA**  
**MILWAUKEE COUNTY, WISCONSIN**  
**\$9,400,000 Note Anticipation Notes, Series 2009**  
**\$5,300,000 Taxable General Obligation Promissory Notes, Series 2009**  
**(Build America Bonds – Direct Payment)**

### INTRODUCTION

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information in connection with the issuance of \$9,400,000 Note Anticipation Notes, Series 2009 (the "NANs") and \$5,300,000 Taxable General Obligation Promissory Notes, Series 2009 (Build America Bonds – Direct Payment) (the "Notes") of the City of Wauwatosa, Wisconsin (the "City").

This Official Statement speaks only as of its date, and the information contained herein is subject to change.

The information contained in this Official Statement is based upon material provided by the City or obtained from other sources and is believed to be reliable, but is not guaranteed as to accuracy or completeness.

All references to material included in this Official Statement not purporting to be quoted in full are only summaries of certain provisions thereof and do not purport to summarize or describe all the provisions thereof. Reference is made to such instruments, documents and other materials for the complete provisions thereof, copies of which will be furnished upon request.

Information, including the City's prior years' financial statements, is available on the City's web site at [www.wauwatosa.net](http://www.wauwatosa.net) or upon request and upon payment to the City of a charge for any copying, mailing and handling if required, from Mr. Ronald G. Braier, Finance Director, City of Wauwatosa, 7725 W. North Avenue, Wauwatosa, Wisconsin 53213-0068, telephone (414) 479-8962, or from Hutchinson, Shockey, Erley & Co. at (414) 298-9898.

### THE NANS

#### Purpose

The NANs are being issued for the purpose of paying the cost of constructing and equipping a new fire station (the "Project").

#### Authority for Issuance

The NANs are being issued pursuant to Section 67.12(1)(b), Wisconsin Statutes, a Resolution Authorizing the Issuance of \$9,400,000 General Obligation Promissory Notes and the Issuance and Sale of \$9,400,000 Note Anticipation Notes, Series 2009 in Anticipation Thereof, adopted by the Common Council on May 19, 2009 (the "Initial NAN Resolution"); and a Resolution Awarding the Sale of \$9,400,000 Note Anticipation Notes, Series 2009 (the "NAN Resolution") adopted by the Common Council on June 16, 2009.

#### Description

The NANs will be dated July 1, 2009, and will bear interest from their dated date to their maturity date. Principal of the NANs will be payable at maturity on November 1, 2010. Interest will be payable each May 1 and November 1, commencing May 1, 2010.

#### Sources and Applications of Funds

##### Sources of Funds

Par Amount of NANs	\$ 9,400,000
Premium	3,369
Interest Income	<u>30,000</u>
Total Sources	<u>\$ 9,433,369</u>

##### Applications of Funds

Project Costs	\$ 9,430,000
Deposit to Debt Service	<u>3,369</u>
Total Applications	<u>\$ 9,433,369</u>

## **Sources of Payment for the NANs**

The NANs shall in no event be a general obligation of the City and do not constitute an indebtedness of the City nor a charge against its general credit or taxing power. No lien shall be created upon the Project or other property of the City as a result of the issuance of the NANs. The NANs shall be payable from (a) any proceeds of the NANs set aside for payment of interest on the NANs as it becomes due; and (b) the proceeds to be derived from the issuance and sale of general obligation promissory notes, which proceeds are declared to constitute a Special Trust Fund to be held by the City Clerk and expended solely for the payment of principal of and interest on the NANs when due. The City agrees that, in the event such monies are not sufficient to pay the principal of and interest on the NANs when due, if necessary, the City will pay such deficiency out of the tax levy or other available funds of the City; provided, however, that such payment shall be subject to annual budgetary appropriations therefor and applicable levy limitations, if any; and provided further, that neither the NAN Resolution nor any such payment shall be construed as constituting an obligation of the City to make any such appropriation or any further payment.

## **Security for the NANs**

The NANs are special obligations of the City payable from any proceeds of the NANs set aside for payment of interest on the NANs and from proceeds to be derived from the issuance and sale of general obligation promissory notes, which the City has covenanted to issue pursuant to the NAN Resolution.

## **Redemption Provisions**

The NANs are not subject to optional redemption prior to their stated maturity.

## **THE NAN RESOLUTIONS**

The Initial NAN Resolution and the NAN Resolution are adopted by the Common Council pursuant to the procedures prescribed by State Statutes. Reference is made to the Initial NAN Resolution and the NAN Resolution for a complete recital of the terms.

The Initial NAN Resolution authorizes the issuance and sale of the NANs. The NAN Resolution awards the NANs to the Underwriter and establishes the form and terms of the NANs, including the dating, maturity schedule, interest payment dates and redemption provisions, as shown in this Official Statement, and approves the interest rate to be borne by the NANs. Pursuant to the Initial NAN Resolution, the City has covenanted to issue general obligation promissory notes in an amount sufficient to retire the NANs. The NAN Resolution establishes, separate and distinct from all other funds of the City, a debt service fund with respect to payment of principal and interest on the NANs.

## **THE NOTES**

### **Purpose**

The Notes are being issued for the purpose of paying the cost of various public improvements included in the City's 2009 Capital Project Plan, including repairing and upgrading streets, parks, storm and sanitary sewers (the "Project").

### **Authority for Issuance**

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, a Resolution Authorizing the Borrowing of \$5,300,000; and Providing for the Issuance and Sale of Taxable General Obligation Promissory Notes (Build America Bonds – Direct Payment) Therefor, adopted by the Common Council on May 19, 2009 (the "Initial Note Resolution"); and a Resolution Awarding the Sale of \$5,300,000 Taxable General Obligation Promissory Notes, Series 2009 (Build America Bonds – Direct Payment) (the "Note Resolution"), adopted by the Common Council on June 16, 2009.

### **Description**

The Notes will be dated July 1, 2009, and will bear interest from their dated date to their respective maturities. Principal of the Notes will be payable annually on each December 1, commencing December 1, 2010. Interest will be payable June 1 and December 1, commencing December 1, 2009.

The City intends to designate the Notes as "Build America Bonds - Direct Payment". See "LEGAL MATTERS – Designation of the Notes as Build America Bonds - Direct Payment" herein.

## Sources and Applications of Funds

### Sources of Funds

Par Amount of Notes	\$ 5,300,000
Interest Income	<u>32,000</u>
Total	<u>\$ 5,332,000</u>

### Applications of Funds

Project Costs	\$ 5,332,000
Total	<u>\$ 5,332,000</u>

## Sources of Payment for the Notes

The City is authorized and required by law to levy on all property taxable by the City such *ad valorem* taxes, without limitation as to rate or amount, as may be necessary to pay the Notes and the interest thereon.

## Security for the Notes

As security for the Notes, the City pledges its full faith, credit and resources and there will be levied on all of the taxable property in the City a direct, annual irrevocable tax in an amount and at times sufficient to pay the principal of and interest on the Notes. The tax will be levied under the Note Resolution for collection in each of the years 2010 through 2018. Pursuant to the Note Resolution, debt service taxes levied in anticipation of the sale of the Notes shall be deposited in the Debt Service Fund Account for the Notes in a sum sufficient to pay the interest due on December 1, 2009.

The Note Resolution provides that the tax will be, from year to year, carried onto the tax rolls of the City and collected as other taxes are collected and that the City shall not repeal such levy or obstruct the collection of the tax. Provision is made for reducing the amount of tax carried onto the tax rolls by the amount of any surplus money in the Debt Service Account for the Notes.

## Redemption Provisions

### Optional Redemption

The Notes are not subject to optional redemption prior to their stated maturities.

### Extraordinary Redemption

The Notes shall be subject to redemption prior to maturity, in whole or in part, at the option of the City, on any day, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the date of redemption, in the event that an Extraordinary Event occurs.

An "Extraordinary Event" will have occurred if either (a) Section 54AA or 6431 of the Code is repealed, amended or modified in a manner which results in a reduction or elimination of the City's 35% cash subsidy payment from the United States Treasury or (b) the United States Treasury fails to make a cash subsidy payment to which the City is entitled and such failure is not caused by any action or inaction by the City.

### Notice of Redemption

Notice of redemption shall be given by registered or certified mail, facsimile transmission, overnight express delivery or electronic transmission to DTC or its nominee as the registered owner of the Notes. Such notice shall be mailed not more than 60 days prior to the date fixed for redemption. Except as set forth in any undertaking by the City to provide continuing disclosure, the City will not be responsible for mailing notices of redemption to anyone other than DTC or its nominee.

## THE NOTE RESOLUTIONS

The Initial Note Resolution and the Note Resolution are adopted by the Common Council pursuant to the procedures prescribed by State Statutes. Reference is made to the Initial Note Resolution and Note Resolution for a complete recital of the terms.

The Initial Note Resolution authorizes the issuance and sale of the Notes. The Note Resolution awards the Notes to the Underwriter and establishes the form and terms of the Notes, including the dating, maturity schedule, interest payment dates and redemption provisions, as shown in this Official Statement, and approves the interest rates to be borne by the Notes. Pursuant to the Note Resolution, the City pledges its full faith, credit and resources and there will be levied on all of the taxable property in the City a direct, annual irrevocable tax in an amount and at times sufficient to pay the principal of and interest on the Notes. The Note Resolution establishes, separate and distinct from all other funds of the City, a debt service fund with respect to payment of principal and interest on the Notes.

## BOOK-ENTRY-ONLY SYSTEM

*The following information has been furnished by The Depository Trust Company for use in this Official Statement. Neither the Issuer nor the Underwriter takes any responsibility for the accuracy or completeness of such information or as to the absence of material adverse changes in such information subsequent to the date of this Official Statement.*

1. The Depository Trust Company ("DTC"), New York, NY, will act as securities depository for the securities (the "Securities"). The Securities will be issued as fully-registered securities registered in the name of Cede & Co. (DTC's partnership nominee) or such other name as may be requested by an authorized representative of DTC. One fully-registered Security certificate will be issued for each maturity of the Securities, each in the aggregate principal amount of such maturity, and will be deposited with DTC.

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 2.2 million issues of U.S. and non-U.S. equity, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC, in turn, is owned by a number of Direct Participants of DTC and Members of the National Securities Clearing Corporation, Fixed Income Clearing Corporation, and Emerging Markets Clearing Corporation (NSCC, FICC, and EMCC, also subsidiaries of DTCC), as well as by the New York Stock Exchange, Inc., the American Stock Exchange LLC, and the National Association of Securities Dealers, Inc. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has Standard & Poor's highest rating: AAA. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at [www.dtcc.com](http://www.dtcc.com) and [www.dtc.org](http://www.dtc.org).

3. Purchases of Securities under the DTC system must be made by or through Direct Participants, which will receive a credit for the Securities on DTC's records. The ownership interest of each actual purchaser of each Security ("Beneficial Owner") is in turn to be recorded on the Direct and Indirect Participants' records. Beneficial Owners will not receive written confirmation from DTC of their purchase. Beneficial Owners are, however, expected to receive written confirmations providing details of the transaction, as well as periodic statements of their holdings, from the Direct or Indirect Participant through which the Beneficial Owner entered into the transaction. Transfers of ownership interests in the Securities are to be accomplished by entries made on the books of Direct and Indirect Participants acting on behalf of Beneficial Owners. Beneficial Owners will not receive certificates representing their ownership interests in Securities, except in the event that use of the book-entry system for the Securities is discontinued.

4. To facilitate subsequent transfers, all Securities deposited by Direct Participants with DTC are registered in the name of DTC's partnership nominee, Cede & Co. or such other name as may be requested by an authorized representative of DTC. The deposit of Securities with DTC and their registration in the name of Cede & Co. or such other nominee do not effect any change in beneficial ownership. DTC has no knowledge of the actual Beneficial Owners of the Securities; DTC's records reflect only the identity of the Direct Participants to whose accounts such Securities are credited, which may or may not be the Beneficial Owners. The Direct and Indirect Participants will remain responsible for keeping account of their holdings on behalf of their customers.

5. Conveyance of notices and other communications by DTC to Direct Participants, by Direct Participants to Indirect Participants, and by Direct Participants and Indirect Participants to Beneficial Owners will be governed by arrangements among them, subject to any statutory or regulatory requirements as may be in effect from time to time. Beneficial Owners of Securities may wish to take certain steps to augment transmission to them of notices of significant events with respect to the Securities, such as redemptions, tenders, defaults, and proposed amendments to the security documents. For example, Beneficial Owners of Securities may wish to ascertain that the nominee holding the Securities for their benefit has agreed to obtain and transmit notices to Beneficial Owners, in the alternative, Beneficial Owners may wish to provide their names and addresses to the registrar and request that copies of the notices be provided directly to them.

6. Redemption notices shall be sent to DTC. If less than all of the Securities within a maturity are being redeemed, DTC's practice is to determine by lot the amount of the interest of each Direct Participant in such maturity to be redeemed.

7. Neither DTC nor Cede & Co. (nor such other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after

the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC (nor its nominee), Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. DTC may discontinue providing its services as securities depository with respect to the Securities at any time by giving reasonable notice to Issuer or Agent. Under such circumstances, in the event that a successor securities depository is not obtained, Security certificates are required to be printed and delivered.

10. Issuer may decide to discontinue use of the system of book-entry-only transfers through DTC (or a successor securities depository). In that event, Security certificates will be printed and delivered to DTC.

11. The information in this section concerning DTC and DTC's book-entry system has been obtained from sources that Issuer believes to be reliable, but Issuer takes no responsibility for the accuracy thereof.

#### **Registrar and Fiscal Agent**

The City's Finance Director will act as the registrar and fiscal agent for the NANs and the Notes.

## **THE CITY**

### **Introduction**

The City is adjacent to the City of Milwaukee in Milwaukee County. The City has been a municipal corporation since 1897. It encompasses 13.07 square miles and has a 2008 population estimate of 45,880.

The City has 461 employees.

#### Transportation

The City is located along two interstate highways, three U.S. highways, and several state highways. The City is also served by passenger and freight railroads and General Mitchell International Airport in the City of Milwaukee.

### **Common Council**

The City has a mayor/alderman form of government with the 16 members of the Common Council elected to serve alternating four-year terms. The Council President is elected to that position by the Council members. The Mayor is also elected for a four-year term and is responsible for conducting the Council meetings.

### **Board of Public Debt Commissioners**

The City created a board of public debt commissioners (the "Board") in May 1938. The Board consists of three resident citizens, the City Finance Director and Deputy Treasurer, three of whom shall constitute a quorum. The Mayor appoints, subject to the approval of a majority of the Common Council, one member each for a term of one, two and three years, respectively. The members receive no compensation and the Board maintains its own records of proceedings, makes its own rules and provides for its own meetings, except when ordered by the Mayor. The Board oversees the issuance and retirement of municipal bonds issued by the City.

The current Board members are:

Ronald G. Braier, Finance Director  
Vacant, Deputy Treasurer  
Joel E. Simpson  
Marlyn Spear  
James P. Maloney

### **Administrative Organization**

The policies of the City of Wauwatosa are set by a 16-member Council.

The City Administrator has the responsibility of administering the day-to-day operations of the City and executing the policy decisions of the Council.

The Finance Director is responsible for the financial operations of the City and has responsibility for the formulation and enforcement of the budget for all departments.

### **Services**

The City of Wauwatosa provides the full range of municipal services, including police and fire protection, parks, public works operations, parking, water and sewer utilities, community development, and general administrative services.

#### Public Safety

The City has a 118-member police force providing public safety and protection for the City's residents and a 115-member fire department that provides fire protection and ambulance service.

### **Employee Relations and Collective Bargaining**

The following five bargaining units represent the respective number of City employees:

<u>Union/Association</u>	<u>Contract Term</u>	<u>Number of Members</u>
Public Works Employees, Local 305, AFSCME	1/1/08 – 12/31/10	84
Fire Department Employees, Local 1923, IAFF	1/1/08 – 12/31/10	102
Clerical Employees OPEIU, Local 35	1/1/08 – 12/31/10	85
Police Department Employees		
Policemen's Non-Supervisory Unit	1/1/08 – 12/31/10	88
Police & Fire Dispatchers, Local 494, IBEW	1/1/08 – 12/31/10	14

According to the City, relations between the City and the bargaining units are termed satisfactory.

Wisconsin Statutes provide for a limited "right to strike" procedure for municipal labor organizations. This procedure does not apply to law enforcement and fire fighting personnel. Wisconsin Statutes require a mediation-arbitration process for Wisconsin public employers and employee labor organizations. This process effectively eliminates the prospect that labor and management would provide the opportunity for the right to strike to be exercised.

## Demographic Information

### Population

The Wisconsin Department of Administration has estimated the population trends to be as shown below. The City's 2000 U.S. Census population was 47,271.

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
City of Wauwatosa	45,880	45,930	46,120	46,312	46,511
Milwaukee County	938,490	937,324	936,892	938,995	939,358
State of Wisconsin	5,675,156	5,648,124	5,617,744	5,580,757	5,532,955

### Median Age

The median ages for the City, County and State as of the 2000 U.S. Census are as follows:

	<u>Median Age as of the 2000 Census</u>
City of Wauwatosa	39.1 years
Milwaukee County	33.7
State of Wisconsin	36.0

Source: Wisconsin Department of Revenue

### Income

Per return income data for the City, County and State are presented in the following table:

<u>Year</u>	<u>City of Wauwatosa</u>	<u>Milwaukee County</u>	<u>State of Wisconsin</u>
2007	\$63,414	\$43,390	\$48,985
2006	61,544	42,296	48,107
2005	57,826	40,244	45,357
2004	54,161	38,350	43,512
2003	53,063	37,459	42,474

Source: Bureau of Economic Analysis - Wisconsin Department of Revenue

## Economic Information

### Construction

Construction activity in the City is indicated by the construction value of building permits issued, as set forth in the following table:

<u>Year</u>	<u>Value of Building Permits</u>
2008	\$ 29,933,434
2007	176,503,421
2006	106,047,776
2005	95,363,412
2004 <sup>1</sup>	131,650,303

<sup>1</sup> Includes construction of the GE Medical Systems facility.

Source: City of Wauwatosa

### Employment

The Wisconsin Department of Workforce Development, Workforce Policy and Information Bureau has estimated the percentage of unemployment to be as follows:

	<u>April</u> <u>2009</u>	<u>2008</u> <u>Average</u>	<u>2007</u> <u>Average</u>	<u>2006</u> <u>Average</u>	<u>2005</u> <u>Average</u>	<u>2004</u> <u>Average</u>
City of Wauwatosa	6.3%	3.6%	3.6%	3.7%	3.7%	4.0%
Milwaukee County	9.5	5.5	5.6	5.6	5.8	6.3
State of Wisconsin	8.8	4.7	4.7	4.7	4.8	5.0

### Average Annual Employment

The table below presents average annual employment by selected categories within Milwaukee County for the last five available years.

	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>	<u>2003</u>
ALL INDUSTRIES	496,522	492,848	490,157	491,924	499,055
Construction	13,921	13,122	12,363	12,390	12,595
Education & Health	124,111	123,279	121,429	121,270	121,226
Financial activities	37,323	37,220	37,824	37,553	39,090
Information	12,176	12,112	12,170	12,423	12,292
Leisure & Hospitality	45,098	43,734	42,715	41,940	42,494
Manufacturing	60,501	61,464	62,851	64,448	66,215
Natural resources	100	109	115	122	120
Other services	15,682	15,283	15,640	16,002	16,407
Professional & Business Services	77,074	74,943	72,853	73,364	71,279
Public Administration	22,073	22,318	22,378	22,585	23,317
Trade, Transportation, Utilities	88,448	89,216	89,807	89,813	93,989
Not assigned	16	48	12	*	*

\* Data suppressed.

Source: Wisconsin Department of Workforce Development, Bureau of Workforce Information

### Major Employers

The following table lists the major commercial, industrial and institutional establishments in the City by employment:

<u>Employer</u>	<u>Product/Business</u>	<u>Approximate</u> <u>Employment</u>
Milwaukee Regional Medical Center	Medical facilities	15,000
Harley Davidson Inc.	Motorcycle manufacturer	1,384
Briggs & Stratton Corp.	Small engine manufacturer	1,100
GE Medical Systems, Inc.	IT, ultrasound & e-commerce functions	1,100
Wauwatosa Unified School District	Education	880
J.C. Penney Company	Warehouse, catalog sales, store	560
UnitedHealth Care	Insurance	504
Lutheran Home of the Aging, Inc.	Nursing home; assisted living	500
City of Wauwatosa	Municipal government	461
Grede Foundries Liberty Div.	Foundry iron castings; corporate offices	200
Bostik Findley	Adhesives	159
Penzeys Spices	Corporate headquarters; store	150

Source: Employer survey, May 2009.

## Tax Levies and Collections

Real estate and personal property taxes are levied in December by the Common Council in conjunction with the adoption of the annual budget for the ensuing fiscal year beginning January 1. Levies are based on assessed property values certified on January 1 of the prior year and become a lien on the property at the beginning of the fiscal year. Real estate taxes are payable in full by January 31, or in three installments on January 31, March 31, and May 31. Personal property taxes must be paid in full by January 31. The City Treasurer is responsible for collection of taxes for all taxing purposes on properties within the City through May. On January 15 and February 15 and on the 15<sup>th</sup> of each month following a month in which an installment payment is due, settlements are made with all taxing entities. On or before August 20, the County pays the City in full for all outstanding real estate taxes due, and assumes responsibility for remaining balances. The City retains responsibility for collection of personal property taxes.

City tax levies for the past five calendar years were as follows:

<u>Year of Collection</u>	<u>City Tax Levies</u>	<u>Levy Rate Per \$1000 of Assessed Valuation</u>
2009	\$35,527,935	\$ 6.69
2008	34,506,385	6.52
2007	34,066,800	6.43
2006	33,076,013	8.49
2005	31,595,958	8.10

The City experiences no real estate tax delinquencies since Milwaukee County is required to settle in full with the City on or before August 20 of each year.

## Mill Rates

The following are the mill rates per \$1,000 of assessed value for the City for the last five collection years.

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
State	\$ .17	\$ .18	\$ .18	\$ .24	\$ .23
Sewer District	1.31	1.34	1.30	1.83	1.74
County	5.00	5.10	4.96	6.95	6.56
City	6.69	6.52	6.43	8.49	8.10
School District	7.54	7.20	6.70	8.75	8.78
Technical College District	1.86	1.86	1.77	2.42	2.20
School and County Tax Credits	<u>(2.25)</u>	<u>(2.17)</u>	<u>(2.06)</u>	<u>(2.60)</u>	<u>(2.53)</u>
Net Tax Rate	\$ 20.32	\$ 20.03	\$ 19.28	\$ 26.08	\$ 25.08
Ratio of Assessed to Equalized	97.91%	96.42%	99.82%	78.53%	87.91%

## **Equalized Valuations**

The City has experienced 25.14% growth in equalized value (Tax Increment Value included) over the past five years. This growth trend is outlined in the table below.

	<u>Including Tax Increment Value</u>	<u>% Change</u>	<u>Excluding Tax Increment Value</u>	<u>% Change</u>
2008	\$5,645,219,200	(2.21)%	\$5,372,543,900	(3.16)%
2007	5,772,851,800	4.87	5,547,750,200	4.54
2006	5,504,957,000	7.13	5,306,974,200	5.83
2005	5,138,673,800	13.91	5,014,597,000	13.64
2004	4,511,276,400	5.63	4,412,872,000	5.70

The equalized value by class of property for 2008 is as follows:

Real Estate	
Residential	\$ 3,618,088,300
Commercial	1,676,215,200
Manufacturing	<u>94,572,000</u>
Total Real Estate	5,388,875,500
Total Personal Property	<u>256,343,700</u>
Total	<u>\$ 5,645,219,200</u>

The percentage mix of equalized value by class of property for the past five years was as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>	<u>2004</u>
Real Estate					
Residential	64.09%	62.89%	65.05%	63.85%	66.48%
Commercial	29.69	31.95	29.60	30.26	27.76
Manufacturing	1.68	1.61	1.82	1.77	2.54
Personal Property	<u>4.54</u>	<u>3.55</u>	<u>3.53</u>	<u>4.12</u>	<u>3.22</u>
	100.00%	100.00%	100.00%	100.00%	100.00%
Total Equalized Value (billions)	\$5.645	\$5.773	\$5.505	\$5.139	\$4.511

### Largest Taxpayers for 2008

The table below shows the City's larger taxpayers for 2008.

<u>Name</u>	<u>Type of Business</u>	<u>2008 Assessed Valuation</u>	<u>Net Taxes Due</u>
Mayfair Properties (Mayfair Mall)	Shopping center & office tower	\$ 289,877,810	\$ 5,890,317
Covenant Healthcare System Inc.	Health care provider	88,535,890	1,799,049
GE Medical Systems Inc.	IT, ultrasound & e-commerce functions	78,464,590	1,594,400
Harley Davidson Inc.	Motorcycle manufacturer	67,663,600	1,374,924
Briggs & Stratton Corp.	Small engine manufacturer	26,181,400	532,006
North Mayfair 8	Office buildings	25,740,000	523,037
Bonstores Realty One LLC	Boston Store	25,323,540	514,574
Innovation Partners LLC	Office building	23,443,000	476,362
J.C. Penney Properties Inc.	Warehouse; catalog sales; store	21,431,720	435,493
Chestnut Street Properties I LLC	Apartments	<u>20,483,100</u>	<u>416,217</u>
		<u>\$ 667,144,650</u>	<u>\$ 13,556,379</u>

## DEBT STRUCTURE

### Total Outstanding General Obligation Debt Summary (as of July 1, 2009)

#### General Obligation Debt by Issue

Type of Obligation	Date of Issue	Original Amount Issued	Maturity Date	Current Amount Outstanding
G.O. Corp. Purpose Bonds, Series 1996	03/15/96	\$ 5,100,000	12/01/11	\$ 725,000
G.O. Prom. Notes, Series 2000	04/01/00	3,300,000	12/01/09	575,000
G.O. Prom. Notes, Series 2001	05/15/01	3,500,000	12/01/10	1,300,000
G.O. Prom. Notes, Series 2002	03/15/02	3,500,000	12/01/11	1,800,000
G. O. Prom. Notes, Series 2003	04/01/03	3,500,000	12/01/12	2,200,000
G. O. Prom. Notes, Series 2004	03/15/04	2,300,000	12/01/13	1,750,000
G. O. Refunding Bonds, Series 2004	10/15/04	2,225,000	10/01/09	325,000
State Trust Fund Loan	01/25/05	10,000,000	03/15/24	8,676,394
G.O. Prom. Notes, Series 2005	05/01/05	3,300,000	12/01/14	2,750,000
G.O. Prom. Notes, Series 2006	04/01/06	4,000,000	12/01/15	3,550,000
G.O. Prom. Notes, Series 2007	04/15/07	3,500,000	12/01/16	3,300,000
State Trust Fund Loan	01/09/08	400,000	03/15/12	309,362
G.O. Prom. Notes, Series 2008	05/01/08	6,200,000	12/01/17	6,200,000
Taxable G.O. Prom. Notes, Series 2009 (Build America Bonds – Direct Payment)	07/01/09	5,300,000	12/01/18	<u>5,300,000</u> <sup>1</sup>
Total General Obligation Debt				38,760,756
Less Remaining 2009 Principal Payments				<u>( 3,775,000)</u>
Net General Obligation Debt				<u>\$ 34,985,756</u>

<sup>1</sup> New issue.

#### Note Anticipation Note Debt by Issue<sup>1</sup> (As of July 1, 2009)

Type of Obligation	Date of Issue	Original Amount Issued	Maturity Dates	Current Amount Outstanding
Note Anticipation Notes, Series 2008	11/01/08	\$ 2,000,000	11/01/10	\$ 2,000,000
Note Anticipation Notes, Series 2009	07/01/09	9,400,000	11/01/10	<u>9,400,000</u> <sup>2</sup>
Total Note Anticipation Note Debt Outstanding				<u>\$ 11,400,000</u>

<sup>1</sup> Issued pursuant to the provisions of Section 67.12(1)(b), Wisconsin Statutes which provides that it does not constitute an indebtedness of the City and shall not be included in the computation of the constitutional debt limitation of the City.

<sup>2</sup> New issue.

#### General Obligation Debt Service Schedules

	\$5,100,000 G O Bonds Series 1996 - 03/15/96		\$3,300,000 G O Notes Series 2000 - 04/01/00		\$3,500,000 G O Notes Series 2001 - 05/15/01		\$3,500,000 G O Notes Series 2002 – 03/15/02	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
	12/01	Interest	12/01	Interest	12/01	Interest	12/01	Interest
2009	\$ 225,000	\$ 33,350	\$ 575,000	\$ 29,469	\$ 625,000	\$ 57,875	\$ 500,000	\$ 73,325
2010	250,000	23,000			675,000	30,375	625,000	53,325
2011	<u>250,000</u>	<u>11,500</u>					<u>675,000</u>	<u>28,012</u>
	725,000	67,850	575,000	29,469	1,300,000	88,250	1,800,000	154,662
Less 2009 Payments	<u>225,000</u>	<u>33,350</u>	<u>575,000</u>	<u>29,469</u>	<u>625,000</u>	<u>57,875</u>	<u>500,000</u>	<u>73,325</u>
	\$ 500,000	\$ 34,500	\$ -	\$ -	\$ 675,000	\$ 30,375	\$ 1,300,000	\$ 81,337

General Obligation Debt Service Schedules continued

	<u>\$3,500,000 G O Notes</u> <u>Series 2003 - 04/01/03</u>		<u>\$2,300,000 G O Notes</u> <u>Series 2004 - 3/15/04</u>		<u>\$2,225,000 G O Ref</u> <u>Bonds, Ser 04 - 10/15/04</u>		<u>\$10,000,000 State</u> <u>Trust Fund Loan - 01/25/05</u>	
	Principal		Principal		Principal		Principal	
	<u>12/01</u>	<u>Interest</u>	<u>12/01</u>	<u>Interest</u>	<u>12/01</u>	<u>Interest</u>	<u>03/15</u>	<u>Interest</u>
2009	\$ 400,000	\$ 67,013	\$ 225,000	\$ 52,469	\$ 325,000	\$ 9,750	\$ 375,075	\$ 475,202
2010	500,000	55,012	325,000	46,843			394,766	455,511
2011	625,000	40,013	375,000	37,500			415,492	434,785
2012	675,000	21,262	400,000	25,781			436,173	414,104
2013			425,000	13,281			460,204	390,073
2014							484,365	365,912
2015							509,794	340,483
2016							535,698	314,579
2017							564,682	285,595
2018							594,328	255,949
2019							625,530	224,747
2020							657,845	192,432
2021							692,907	157,370
2022							729,285	120,992
2023							767,572	82,705
2024							807,753	42,523
	<u>2,200,000</u>	<u>183,300</u>	<u>1,750,000</u>	<u>175,874</u>	<u>325,000</u>	<u>9,750</u>	<u>9,051,469</u>	<u>4,552,962</u>
Less 2009								
Payments	<u>400,000</u>	<u>67,013</u>	<u>225,000</u>	<u>52,469</u>	<u>325,000</u>	<u>9,750</u>	<u>375,075</u>	<u>475,202</u>
	\$ 1,800,000	\$ 116,287	\$ 1,525,000	\$ 123,405	\$ -	\$ -	\$ 8,676,394	\$ 4,077,760

	<u>\$3,300,000 G O Notes</u> <u>Series 2005 - 05/01/05</u>		<u>\$4,000,000 G O Notes</u> <u>Series 2006 - 04/01/06</u>		<u>\$3,500,000 G O Notes</u> <u>Series 2007 - 4/15/07</u>		<u>\$6,200,000 G O Notes</u> <u>Series 2008 - 05/01/08</u>	
	Principal		Principal		Principal		Principal	
	<u>12/01</u>	<u>Interest</u>	<u>12/01</u>	<u>Interest</u>	<u>12/01</u>	<u>Interest</u>	<u>12/01</u>	<u>Interest</u>
2009	\$ 250,000	\$ 100,481	\$ 350,000	\$ 137,969	\$ 200,000	\$ 132,000	\$ 100,000	\$ 205,375
2010	350,000	91,731	350,000	123,969	250,000	124,000	300,000	202,375
2011	400,000	79,831	450,000	110,844	300,000	114,000	500,000	193,375
2012	575,000	65,831	500,000	93,969	350,000	102,000	600,000	178,375
2013	575,000	44,988	625,000	75,219	400,000	88,000	800,000	158,875
2014	600,000	24,000	625,000	51,000	500,000	72,000	900,000	132,875
2015			650,000	26,000	625,000	52,000	1,000,000	102,500
2016					675,000	27,000	1,000,000	68,750
2017							1,000,000	35,000
	<u>2,750,000</u>	<u>406,862</u>	<u>3,550,000</u>	<u>618,970</u>	<u>3,300,000</u>	<u>711,000</u>	<u>6,200,000</u>	<u>1,277,500</u>
Less 2009								
Payments	<u>250,000</u>	<u>100,481</u>	<u>350,000</u>	<u>137,969</u>	<u>200,000</u>	<u>132,000</u>	<u>100,000</u>	<u>205,375</u>
	\$ 2,500,000	\$ 306,381	\$ 3,200,000	\$ 481,001	\$ 3,100,000	\$ 579,000	\$ 6,100,000	\$ 1,072,125

General Obligation Debt Service Schedules continued

	<u>\$400,000 State Trust Fund Loan - 01/09/08</u>		<u>\$5,300,000 Taxable G O Notes, Ser 2009 - 07/01/09 <sup>1</sup></u>	
	<u>Principal</u>		<u>Principal</u>	
	<u>03/15</u>	<u>Interest</u>	<u>12/01</u>	<u>Interest <sup>2</sup></u>
2009	\$ 90,638	\$ 22,435		\$ 89,875
2010	98,379	14,695	\$ 300,000	215,700
2011	103,051	10,022	400,000	209,325
2012	107,932	5,141	500,000	199,825
2013			600,000	185,450
2014			700,000	165,200
2015			700,000	136,500
2016			700,000	105,875
2017			700,000	71,750
2018			<u>700,000</u>	<u>36,750</u>
	<u>400,000</u>	<u>52,293</u>	<u>5,300,000</u>	<u>1,416,250</u>
Less 2009 Payments	<u>90,638</u>	<u>22,435</u>	<u>-</u>	<u>89,875</u>
	\$ 309,362	\$ 29,858	\$ 5,300,000	\$ 1,326,375

<sup>1</sup> New Issue.

<sup>2</sup> The Notes were issued as Build America Bonds-Direct Payment. The City expects to receive a 35% interest subsidy from the United States Treasury.

Total General Obligation Debt

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Debt Service</u>
2009	\$ 4,240,713	\$ 1,486,588	\$ 5,727,301
2010	4,418,145	1,436,536	5,854,681
2011	4,493,543	1,269,207	5,762,750
2012	4,144,105	1,106,288	5,250,393
2013	3,885,204	955,886	4,841,090
2014	3,809,365	810,987	4,620,352
2015	3,484,794	657,483	4,142,277
2016	2,910,698	516,204	3,426,902
2017	2,264,682	392,345	2,657,027
2018	1,294,328	292,699	1,587,027
2019	625,530	224,747	850,277
2020	657,845	192,432	850,277
2021	692,907	157,370	850,277
2022	729,285	120,992	850,277
2023	767,572	82,705	850,277
2024	<u>807,753</u>	<u>42,523</u>	<u>850,276</u>
	<u>39,226,469</u>	<u>9,744,992</u>	<u>48,971,461</u>
Less 2009 Payments	<u>4,240,713</u>	<u>1,486,588</u>	<u>5,727,301</u>
	\$ 34,985,756	\$ 8,258,404	\$ 43,244,160

Note Anticipation Note Debt Service Schedule

	<u>\$2,000,000 Note Anticipation Notes 11/01/08</u>		<u>\$9,400,000 Note Anticipation Notes <sup>1</sup> 07/01/09</u>				
	<u>Principal 11/01</u>	<u>Interest</u>	<u>Principal 11/01</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2009		\$ 80,000		\$ 137,083		\$ 217,083	\$ 217,083
2010	\$ 2,000,000	80,000	\$ 9,400,000	82,250	\$ 11,400,000	162,250	11,562,250
	\$ 2,000,000	\$ 160,000	\$ 9,400,000	\$ 219,333	\$ 11,400,000	\$ 379,333	\$ 11,779,333

<sup>1</sup> New Issue.

**Total Outstanding Revenue Debt Summary (as of July 1, 2009)**

Waterworks System

Type of Obligation	Date of Issue	Original Amount	Maturity Dates	Current Amount Outstanding
Revenue Bonds, Series 1995	11/01/95	\$ 1,300,000	01/01/09	- 0 -
Revenue Bonds, Series 1998	06/01/98	2,000,000	01/01/18	\$ 1,150,000
Revenue Bonds, Series 1999	01/01/99	1,840,000	01/01/09	- 0 -
Revenue Bonds, Series 2002	07/15/02	4,000,000	01/01/22	2,975,000
Revenue Ref Bonds, Series 2003	12/15/03	900,000	01/01/09	- 0 -
Total Waterworks System Revenue Debt				4,125,000
Less 2009 Principal Payments				- 0 -
Net Waterworks System Revenue Debt				\$ 4,125,000

Revenue Debt Service Schedules

	<u>\$1,300,000 Waterworks System Rev Bonds Series 1995 - 11/01/95</u>		<u>\$2,000,000 Waterworks System Rev Bonds Series 1998 - 06/01/98</u>		<u>\$1,840,000 Waterworks System Rev Bonds Series 1999 - 01/01/99</u>		<u>\$4,000,000 Waterworks System Rev Bonds Series 2002 - 7/15/02</u>	
	Principal		Principal		Principal		Principal	
	<u>01/01</u>	<u>Interest</u>	<u>01/01</u>	<u>Interest</u>	<u>01/01</u>	<u>Interest</u>	<u>01/01</u>	<u>Interest</u>
2009	\$ 155,000	\$ 8,215	\$ 100,000	\$ 62,025	\$ 225,000	\$ 9,563	\$ 150,000	\$ 156,175
2010			100,000	57,175			175,000	150,475
2011			100,000	52,325			200,000	143,475
2012			125,000	47,475			175,000	135,225
2013			125,000	41,412			200,000	127,788
2014			125,000	35,350			200,000	119,187
2015			125,000	29,038			225,000	108,188
2016			150,000	22,725			225,000	95,250
2017			150,000	15,150			225,000	82,312
2018			150,000	7,575			250,000	69,375
2019							250,000	55,000
2020							275,000	42,500
2021							275,000	28,750
2022							300,000	15,000
	<u>155,000</u>	<u>8,215</u>	<u>1,250,000</u>	<u>370,250</u>	<u>225,000</u>	<u>9,563</u>	<u>3,125,000</u>	<u>1,328,700</u>
Less 2009 Payments	<u>155,000</u>	<u>8,215</u>	<u>100,000</u>	<u>62,025</u>	<u>225,000</u>	<u>9,563</u>	<u>150,000</u>	<u>156,175</u>
	\$ -	\$ -	\$ 1,150,000	\$ 308,225	\$ -	\$ -	\$ 2,975,000	\$ 1,172,525

	<u>\$900,000 Waterworks System Rev Ref Bonds Series 2003 - 12/15/03</u>	
	Principal	
	<u>01/01</u>	<u>Interest</u>
2009	\$ 200,000	\$ 6,250
	200,000	6,250
Less 2009 Payments	<u>200,000</u>	<u>6,250</u>
	\$ -	\$ -

Total Revenue Debt and Coverage Ratio

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Debt Service</u>	<u>Coverage Ratio <sup>1</sup></u>
2009	\$ 830,000	\$ 242,228	\$ 1,072,228	1.73
2010	275,000	207,650	482,650	3.85
2011	300,000	195,800	495,800	3.75
2012	300,000	182,700	482,700	3.85
2013	325,000	169,200	494,200	3.76
2014	325,000	154,537	479,537	3.88
2015	350,000	137,226	487,226	3.82
2016	375,000	117,975	492,975	3.77
2017	375,000	97,462	472,462	3.94
2018	400,000	76,950	476,950	3.90
2019	250,000	55,000	305,000	6.10
2020	275,000	42,500	317,500	5.86
2021	275,000	28,750	303,750	6.12
2022	<u>300,000</u>	<u>15,000</u>	<u>315,000</u>	5.90
	4,955,000	1,722,978	6,677,978	
Less 2009 Payments	<u>830,000</u>	<u>242,228</u>	<u>1,072,228</u>	
	\$ 4,125,000	\$ 1,480,750	\$ 5,605,750	

<sup>1</sup> Coverage based on audited 2008 net revenues of \$1,859,569.

**Lease Revenue Debt**

The Wauwatosa Redevelopment Authority (the "Authority") has issued \$24,500,000 Taxable Redevelopment Lease Revenue Bonds, Series 2004 dated August 15, 2004 (the "2004 Bonds") and \$6,200,000 Redevelopment Refunding Lease Revenue Bonds, Series 2007 dated October 15, 2007 (the "2007 Bonds") (collectively, the Lease Revenue Bonds). The Lease Revenue Bonds are not general obligations of the Authority or the City and do not constitute indebtedness of the City or the Authority within any constitutional or statutory limitation or provision. The Lease Revenue Bonds are limited obligations of the Authority payable solely from the revenues and income derived by the Authority pursuant to the terms of the respective lease agreements of the 2004 Bonds and the 2007 Bonds between the Authority and the City (the "Lease Agreements").

The 2007 Bonds are also payable from the amounts available in the Reserve Account for the 2007 Bonds.

The Lease Agreements generally provide for payments by the City to the Authority in amounts sufficient to pay the principal and interest on the 2004 Bonds and the 2007 Bonds as they come due. It is the City's intent to annually budget the rental payments under the Lease Agreements, and finance such payments with tax increments generated by Tax Incremental District No. 2, subject to annual appropriation by the Common Council.

In addition, Milwaukee County has agreed to guarantee payment if tax increments generated by Tax Incremental District No. 2 are insufficient to pay principal and interest due on the 2004 Bonds and the 2007 Bonds.

Lease Revenue Bonds debt service schedules follow on page 18.

Lease Revenue Bonds Debt Service Schedules

Following are the principal and interest requirements payable on the 2004 Bonds:

	\$24,500,000		
	Redevelopment Authority		
	<u>Taxable Lease Revenue Bonds – 08/15/04</u>		
	Principal		Total
	<u>12/01</u>	Interest	<u>Debt Service</u>
2009	\$ 1,375,000	\$ 1,185,344	\$ 2,560,344
2010	2,075,000	1,123,469	3,198,469
2011	2,175,000	1,027,500	3,202,500
2012	2,275,000	920,925	3,195,925
2013	2,375,000	802,625	3,177,625
2014	2,500,000	679,125	3,179,125
2015	2,600,000	549,125	3,149,125
2016	3,600,000	399,625	3,999,625
2017	<u>3,350,000</u>	<u>192,625</u>	<u>3,542,625</u>
	22,325,000	6,880,363	29,205,363
Less 2009			
Payments	<u>1,375,000</u>	<u>1,185,344</u>	<u>2,560,344</u>
	\$ 20,950,000	\$ 5,695,019	\$ 26,645,019

Following are the principal and interest requirements payable on the 2007 Bonds:

	\$6,200,000		
	Redevelopment Refunding Lease		
	<u>Revenue Bond, Series 2007 – 10/15/07</u>		
	Principal		Total
	<u>12/01</u>	Interest	<u>Debt Service</u>
2009		\$ 248,000	\$ 248,000
2010		248,000	248,000
2011		248,000	248,000
2012	\$ 6,200,000	<u>248,000</u>	<u>6,448,000</u>
	6,200,000	992,000	7,192,000
Less 2009			
Payments	<u>-</u>	<u>248,000</u>	<u>248,000</u>
	\$ 6,200,000	\$ 744,000	\$ 6,944,000

**Debt Ratios**

Outstanding general obligation direct debt as a percentage of equalized value and on a per capita basis estimated for December 31, 2009, and actual for the past five years ended December 31 follows:

Ratios of General Obligation Debt to  
Equalized Valuation and Population

<u>Year</u>	Outstanding General Obligation Debt	Equalized Valuation	Percent of Equalized Value	Population <sup>1</sup>	Per Capita
2009	\$ 34,985,756 <sup>2</sup>	\$ 5,645,219,200	.62%	45,880	\$ 762.55
2008	33,926,469	5,645,219,200	.60	45,880	739.46
2007	31,406,550	5,772,851,800	.54	45,930	683.79
2006	31,995,556	5,504,957,000	.58	46,120	693.75
2005	32,180,292	5,138,673,800	.63	46,312	694.86
2004	22,716,673	4,511,276,400	.50	46,511	488.42

<sup>1</sup> Estimated by the Wisconsin Department of Administration.

<sup>2</sup> Unaudited.

**Indirect Debt**

The indirect general obligation debt of the City as of June 1, 2009 is listed below.

<u>Governmental Unit</u>	<u>Outstanding Debt as of June 1, 2009 (Less: 2009 Sinking Funds)</u>	<u>Percent of Debt Within City</u>	<u>Amount of Debt Within City</u>
Wauwatosa School District	\$ 2,745,000	100.00%	\$ 2,745,000
Milwaukee County <sup>1</sup>	388,620,746	8.23	31,983,487
Milwaukee Metro Sewerage District <sup>2</sup>	858,123,407	8.41	72,168,179
Milwaukee Area Technical College District <sup>3</sup>	60,890,000	6.75	4,110,075
			<u>\$ 111,006,741</u>

<sup>1</sup> The County anticipates issuing approximately \$31,000,000 in June or July 2009.

<sup>2</sup> The Sewerage District expects to issue approximately \$120,000,000 in Clean Water Fund Loans ("CWF Loans") in 2009. The CWF Loans are supported by the full faith and credit of the Sewerage District.

<sup>3</sup> The District expects to issue \$2,000,000 through June 2009.

Total Indirect Debt	\$ 110,006,741
Indirect Debt Per Capita	\$ 2,419.50
Indirect Debt as a % of Equalized Value	1.97%
Total Direct Debt	\$ 34,985,756
Direct Debt Per Capita	\$ 762.55
Direct Debt as a % of Equalized Value	.62%
Total Direct and Indirect Debt	\$ 145,992,497
Total Direct and Indirect Debt Per Capita	\$ 3,182.05
Total Direct and Indirect Debt as a % of Equalized Value	2.59%

**Short Term Debt**

The City does not issue short-term debt for operational purposes.

**Legal Debt Limit**

The City has the power to incur indebtedness for City purposes specified by statute (Article 11, Section 3 of the Wisconsin Constitution and Chapter 67, Wisconsin Statutes) in an aggregate amount, not exceeding five percent of the equalized value of taxable property in the City, as last determined by the State of Wisconsin Department of Revenue. In general, such indebtedness may be in the form of bonds and promissory notes for various public purposes.

The City's unused borrowing capacity is as follows:

Equalized Value of Taxable Property in the City for 2008	\$ 5,645,219,200
Total General Obligation Debt Outstanding	\$ 38,760,756
Less: Remaining 2009 Payments	( 3,775,000)
Net General Obligation Debt Outstanding	\$ 34,985,756
Legal Debt Capacity (5% of Equalized Value)	\$ 282,260,960
Unused Margin of indebtedness	\$ 247,275,204
Unused Legal Debt Capacity	87.61%

Legal Debt Limit continued

The City is issuing \$9,400,000 Note Anticipation Notes, Series 2009 dated July 1, 2009 (the "NANs") and has issued \$2,000,000 Note Anticipation Notes dated November 1, 2008 (the "2008 NANs"). The City has covenanted that it will maintain a debt limit capacity, such that the combined outstanding principal balance of the NANs, the 2008 NANs and all City general obligation debt shall at no time exceed the constitutional debt limit of the City. The combined total of the NANs, the 2008 NANs and all City general obligation debt is within the City's legal debt limit as represented in the following schedule.

Net General Obligation Debt	\$ 34,985,756
2008 NANs	2,000,000
NANs	<u>9,400,000</u>
Total Indebtedness	\$ 46,385,756
Unused Margin of Indebtedness	\$ 235,875,204
Unused Legal Debt Capacity	83.57%

**No Default on City Indebtedness**

The City has never defaulted on any of its prior or outstanding indebtedness.

**Future Financings**

The City does not anticipate issuing additional debt during the remainder of calendar year 2009.

**FINANCIAL INFORMATION**

**Annual Budgets**

Development of the annual budget begins in May. Developmental budget requests are submitted to the City Administrator and Finance Director in early August. After review by the Mayor and City Administrator, the budget is finalized and submitted to the Budget Committee by the end of August. The Budget Committee completes its review by mid-October and recommends a proposed budget to the Common Council.

In November of each year the Common Council, after conducting public hearings on the budget proposals at which time any resident or taxpayer of the City has an opportunity to be heard, adopts a final budget for the succeeding year and levies taxes for proposed budget purposes. The amounts of taxes so levied, the amounts of the various appropriations and the purposes for such appropriations stated in the final budget (after any alterations made pursuant to the public hearing) may not be changed unless authorized by a vote of two-thirds of the entire membership of the Common Council. Notice of any changes made in the foregoing manner must be published within 10 days thereafter. Failure to give such notice precludes any changes in the budget.

Summaries of the 2008 and 2009 Adopted Budgets follow on page 21 herein. A more detailed budget can be found on the City's web site at [www.wauwatosa.net](http://www.wauwatosa.net).

City of Wauwatosa General Fund Budget  
2008 and 2009

	2008 Adopted <u>Budget</u>	2009 Adopted <u>Budget</u>	Percent of Total
<b>REVENUES</b>			
General Property Tax Levy	\$ 32,440,012	\$ 33,345,829	67.15%
Other Taxes	1,009,800	1,179,800	2.38
Special Charges	20,825	23,725	.05
State Shared Revenues	2,571,069	2,409,751	4.85
State Grants and Aids	2,545,790	2,304,867	4.64
Federal Shared Revenues/Grants	67,864	83,243	.17
Licenses & Permits	1,095,655	1,180,590	2.38
Fines, Forfeits & Penalties	876,250	997,000	2.01
Public Charges for Services	2,498,770	2,225,705	4.48
Intergovernmental Charges	1,509,963	1,519,563	3.06
Miscellaneous Revenue	1,986,300	2,033,425	4.09
Transfers from Other Funds & Use of Equity			
Revolving Funds - Net	26,340	26,340	.05
Transfer from Water Utility	491,636	515,500	1.04
Appropriated Surplus Applied	<u>2,022,898</u>	<u>1,814,082</u>	<u>3.65</u>
<b>TOTAL</b>	<b><u>\$ 49,163,172</u></b>	<b><u>\$ 49,659,420</u></b>	<b><u>100.00%</u></b>
<b>EXPENDITURES</b>			
General Government	\$ 4,839,918	\$ 4,993,585	10.06%
Public Safety	28,346,057	28,957,685	58.31
Transportation – General	4,935,455	5,152,026	10.38
Sanitation	3,207,736	2,559,419	5.15
Health	1,439,127	1,451,721	2.92
Leisure Activities	2,579,127	2,640,900	5.32
Non-Departmental & General	72,752	70,584	.14
Capital Outlay – Internal Service Funds	35,000	35,000	.07
Transfers to Other Funds & Equity Use:			
Amortization Fund	1,820,000	1,888,500	3.80
Debt Service Fund	1,775,000	1,800,000	3.63
Insurance Reserve Funds	<u>113,000</u>	<u>110,000</u>	<u>.22</u>
<b>TOTAL</b>	<b><u>\$ 49,163,172</u></b>	<b><u>\$ 49,659,420</u></b>	<b><u>100.00%</u></b>

## Summary of Operations

### Revenues, Expenditures and Changes in Fund Balances General Fund For the Years Ended December 31

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>REVENUES:</b>			
Taxes	\$ 32,153,917	\$ 31,734,854	\$ 30,181,879
Intergovernmental revenues	5,397,546	5,215,297	5,651,891
Licenses and permits	1,140,206	1,351,915	1,293,073
Penalties and forfeitures	977,022	925,052	867,028
Public improvement revenues	50,978	49,385	30,560
Public charges for services	2,588,821	2,548,081	1,484,828
Intergovernmental charges for services	1,562,790	1,699,302	1,903,274
Commercial revenues	<u>2,186,992</u>	<u>3,500,070</u>	<u>1,867,655</u>
<b>Total Revenues</b>	<b>46,058,272</b>	<b>47,023,956</b>	<b>43,280,188</b>
<b>EXPENDITURES:</b>			
General government	4,555,979	5,590,029	5,315,360
Protection of persons and property	28,419,544	27,297,865	26,135,266
Health and sanitation	3,991,273	4,728,731	3,715,474
Highway and transportation	5,219,087	4,770,220	4,239,093
Education and recreation	1,058,876	908,481	840,656
Conservation and development	1,163,454	1,083,593	1,115,310
Unclassified	<u>435,769</u>	<u>427,633</u>	<u>333,252</u>
<b>Total Expenditures</b>	<b>44,843,982</b>	<b>44,806,552</b>	<b>41,694,411</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>1,214,290</b>	<b>2,217,404</b>	<b>1,585,777</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-term debt issued	400,000	-	-
Operating transfers in	558,383	518,131	756,524
Operating transfers out	<u>(1,522,930)</u>	<u>(2,779,750)</u>	<u>(1,308,000)</u>
<b>Net change in fund balances</b>	<b>649,743</b>	<b>(44,215)</b>	<b>1,034,301</b>
<b>FUIND BALANCES – BEGINNING OF YEAR</b>	<b><u>17,322,189</u></b> <sup>1</sup>	<b><u>16,874,613</u></b>	<b><u>15,840,312</u></b>
<b>FUND BALANCES - END OF YEAR</b>	<b><u>\$ 17,971,932</u></b>	<b><u>\$ 16,830,398</u></b>	<b><u>\$ 16,874,613</u></b>
<b>Reserved</b>	<b>\$ 1,581,084</b>	<b>\$ 8,679,723</b>	<b>\$ 6,316,034</b>
<b>Unreserved</b>			
<b>Designated</b>	<b>\$ 10,213,183</b>	<b>\$ 2,449,614</b>	<b>\$ 4,464,431</b>
<b>Undesignated</b>	<b>\$ 6,177,665</b>	<b>\$ 5,701,061</b>	<b>\$ 6,094,148</b>

<sup>1</sup> Restated. See Note 7 to the audited financial statements attached as Appendix A.

Revenues, Expenditures and Changes in Fund Balances  
All Governmental Funds  
For the Years Ended December 31

	<u>2008</u>	<u>2007</u>	<u>2006</u>
<b>REVENUES:</b>			
Taxes	\$ 40,524,683	\$ 39,377,016	\$ 36,977,673
Intergovernmental revenues	8,567,342	7,160,003	8,073,476
Licenses and permits	1,140,206	1,351,915	1,293,073
Penalties and forfeitures	977,022	925,052	867,028
Public improvement revenues	769,365	724,677	1,254,273
Public charges for services	2,962,299	2,888,172	1,846,806
Intergovernmental charges for services	1,562,790	1,699,302	1,903,274
Commercial revenues	<u>3,191,646</u>	<u>4,711,875</u>	<u>2,467,606</u>
<b>Total Revenues</b>	<b>59,695,353</b>	<b>58,838,012</b>	<b>54,683,209</b>
<b>EXPENDITURES:</b>			
General government	4,555,979	5,590,029	5,315,360
Protection of persons and property	28,419,544	27,297,865	26,135,266
Health and sanitation	4,598,362	5,398,979	4,224,835
Highway and transportation	5,219,087	4,770,220	4,239,093
Education and recreation	3,555,635	3,143,836	2,668,224
Conservation and development	2,936,635	2,272,273	2,888,021
Unclassified	435,769	427,633	333,252
Debt service			
Principal	3,476,076	10,861,201	3,007,483
Interest	2,445,805	2,643,916	2,770,643
Capital outlay	<u>6,437,889</u>	<u>3,146,717</u>	<u>3,671,167</u>
<b>Total Expenditures</b>	<b>62,080,781</b>	<b>65,552,669</b>	<b>55,253,344</b>
<b>Excess of Revenues Over (Under) Expenditures</b>	<b>(2,385,428)</b>	<b>(6,714,657)</b>	<b>(570,135)</b>
<b>OTHER FINANCING SOURCES (USES)</b>			
Long-term debt issued	4,306,000	7,342,382	1,803,000
Proceeds from sale of capital assets	79,787	2,637,347	-
Operating transfers in	7,827,888	15,401,771	8,675,727
Operating transfers out	<u>(7,315,472)</u>	<u>(14,729,238)</u>	<u>(8,343,228)</u>
<b>Net change in fund balances</b>	<b>2,512,775</b>	<b>3,937,605</b>	<b>1,565,364</b>
<b>FUND BALANCES - BEGINNING OF YEAR</b>	<b><u>38,673,911</u></b> <sup>1</sup>	<b><u>34,244,515</u></b>	<b><u>32,679,151</u></b> <sup>1</sup>
<b>FUND BALANCES - END OF YEAR</b>	<b><u>\$ 41,186,686</u></b>	<b><u>\$ 38,182,120</u></b>	<b><u>\$ 34,244,515</u></b>
Reserved	\$ 2,556,084	\$ 9,654,723	\$ 18,319,034
Unreserved			
Designated	\$ 32,247,357	\$ 22,533,735	\$ 9,595,046
Undesignated	\$ 6,383,245	\$ 5,993,662	\$ 6,330,435

<sup>1</sup> Restated. For 2008, see Note 7 to the audited financial statements attached as Appendix A.

### Pension Plan

All eligible City of Wauwatosa employees participate in the Wisconsin Retirement System ("System"), a cost-sharing multiple-employer public employee retirement system (PERS). All employees expected to work over 600 hours a year are eligible to participate in the System. 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 the employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for employees covered by the System for the year ended December 31, 2008 was \$28,114,092; the employer's total payroll was \$27,957,371. The total required contribution for the year ended December 31, 2008 was \$4,220,964, or 15.01% of covered payroll. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ended December 31, 2007 and 2006 were \$3,963,993 and \$3,782,474, respectively, equal to the required contributions for each year.

For more information, see Note 5 to the audited financial statements attached as Appendix A.

The pension related debt for the City was paid off in 2005.

### **Other Post-Employment Benefits**

The City recently completed an Other Post-Employment Benefits ("OPEB") actuarial study which calculated an estimated \$51.8 million liability, and a \$6.2 million annual required contribution.

For more information, see Note 5 to the audited financial statements attached as Appendix A.

## **LEGAL MATTERS**

### **Pending Litigation**

The City certifies that there is no pending litigation or threatened litigation, which would restrain or enjoin the issuance, sale, execution or delivery of the NANs and Notes or in any way contest or affect the validity of the NANs and Notes or of any proceedings of the City taken with respect to the issuance and sale of the NANs and Notes.

### **Tax Levy Limits**

Section 66.0602 of the Wisconsin Statutes imposes a limit on property tax levies by cities, villages, towns and counties. For levy year 2008, no city, village, town or county was permitted to increase its tax levy by a percentage that exceeds its valuation factor (which is defined as a percentage equal to the greater of two percent or the percentage change in the municipality's January 1 equalized value due to new construction less improvements removed). This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

Special provisions were made with respect to property taxes levied to pay general obligation debt service. In addition, the statute provides for certain other exclusions from and adjustments to the tax levy limit, including adjustments applicable upon termination of a tax incremental district.

Section 66.0602 is repealed effective November 30, 2009. As a result, the levy limits described above will not be applicable in levy years 2009 and thereafter without the approval of additional legislation.

In the 2009-11 State budget bill currently under consideration by the legislature, the Governor proposed and the Joint Finance Committee approved extending the levy limits for levies imposed in 2009 and 2010 (the "Proposal"). The Proposal increases the minimum valuation factor from two percent to three percent. The Proposal also provides that the base amount of a municipality's levy in any year, to which the levy limit applies, is the maximum allowable levy for the immediately preceding year. To become law, the Proposal must be passed by both houses of the legislature and signed by the Governor.

### **Approval of Legal Proceedings**

Certain legal matters incident to the authorization and issuance of the NANs and Notes are subject to the approval of Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, whose approving legal opinions will be available at the time of the delivery of the NANs and Notes. The proposed forms of such opinions are attached hereto as Appendix B and Appendix C, respectively.

## **Statement Regarding Bond Counsel Participation**

Bond Counsel has not assumed responsibility for this Official Statement or participated in its preparation, except with respect to the section entitled "LEGAL MATTERS - Tax Exemption – The NANs", "LEGAL MATTERS - Tax Status – The Notes", and "LEGAL MATTERS – Designation of Notes as Build America Bonds-Direct Payment" and the information in Appendix B and Appendix C, and has not performed any investigation as to its accuracy, completeness or sufficiency.

### **Tax Exemption – The NANs**

Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, will deliver a legal opinion with respect to the federal income tax exemption applicable to the interest on the NANs under existing law substantially in the following form:

"The interest on the NANs is excludable for federal income tax purposes from the gross income of the owners of the NANs. The interest on the NANs is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals and is not included in adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. The Code contains requirements that must be satisfied subsequent to the issuance of the NANs in order for interest on the NANs to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the NANs to be included in gross income retroactively to the date of issuance of the NANs. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the NANs."

The interest on the NANs is not exempt from present Wisconsin income or franchise taxes.

Prospective purchasers of the NANs should be aware that ownership of the NANs may result in collateral federal income tax consequences to certain taxpayers. Bond Counsel will not express any opinion as to such collateral tax consequences. Prospective purchasers of the NANs should consult their tax advisors as to collateral federal income tax consequences.

From time to time, legislation is proposed which, if enacted, could alter one or more of the federal tax matters referred to above or would adversely affect the market value of the NANs. It cannot be predicted whether or in what form any of such proposals may be enacted and whether, if enacted, such proposals will apply to obligations (such as the NANs) issued prior to enactment.

See Appendix B "Proposed Form of Legal Opinion for the NANs".

### **Tax Status – The Notes**

Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, will deliver a legal opinion stating that under existing law, interest on the Notes is included in gross income for present Federal income tax purposes.

The interest on the Notes is not exempt from present Wisconsin income or franchise taxes.

In order to comply with Treasury Circular 230, the opinion of Quarles & Brady LLP, Bond Counsel, will state that unless they have specifically stated to the contrary in writing, any advice contained in their opinion concerning tax issues or submissions is not intended to be used, and cannot be used, by the taxpayer for the purpose of avoiding any tax penalties that may be imposed upon the taxpayer by any governmental taxing authority or agency.

See Appendix C "Proposed Form of Legal Opinion for the Notes".

### **Designated As Qualified Tax-Exempt Obligations – The NANs**

The City will designate the NANs as "qualified tax-exempt obligations" for purposes of Section 265 of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

## **Designation of the Notes as "Build America Bonds-Direct Payment"**

The City currently intends to designate the Notes as "Build America Bonds-Direct Payment" under the Internal Revenue Code of 1986, as amended (the "Code") Section 54AA, and the City has elected under Code Section 54AA(g) to receive a credit from the United States Treasury equal to 35% of the stated interest paid on the Notes as provided in Code Section 6431. In the Note Resolution, the City has (i) covenanted to comply with the requirements of Code Section 54AA(g) to assure eligibility of the City for receipt of the direct pay interest credit and (ii) has covenanted to deposit all such credits into the Debt Service Fund Account for the Notes and used to offset the tax levy required on the Notes. In order for the City to receive the credit, it must continue to comply with its covenants and to file the IRS Form 8038-CP within the time periods and otherwise in accordance with IRS Notice 2009-26 and any applicable successor guidance.

Receipt of the credits described above is expected by the City, but cannot be assured. The failure to properly and timely file any IRS Form 8038-CP could reduce or eliminate the amount of credit paid to the City. In addition, the credits described above are payable under current law. There can be no assurance that future changes in the law would not reduce or eliminate such credits with respect to the Notes. However, the full faith, credit and resources of the City which the City has pledged to repay the Notes and the direct annual irrevocable tax the City has levied to repay the Notes continue to secure the Notes whether the anticipated credits are received or not.

## **Exemption From Securities Registration**

Wisconsin Statutes, Section 551.201, provides that securities issued by a political subdivision of a state, including the NANs and Notes, are exempt from registration with the Wisconsin Department of Financial Institutions Division of Securities.

## **Other Covenants of the City – The Notes**

*No Arbitrage.* The City covenants that no investment will be made which would cause the Notes to be "arbitrage bonds" within the meaning of Section 148 of the Internal Revenue Code of 1986, as amended.

*Compliance With Federal Tax Laws.* The City represents and covenants that the projects financed by the Notes will not cause the Notes to be "private activity bonds" and that it will comply with the provisions of the Internal Revenue Code of 1986, as amended, including the arbitrage rebate requirements of the Code, to the extent necessary to maintain the tax-exempt status of the Notes.

## **MISCELLANEOUS**

### **Ratings**

The NANs have been rated "MIG 1" by Moody's Investors Service, Inc., New York, New York ("Moody's")

The Notes have been rated "Aaa" by Moody's.

Concurrently, Moody's has affirmed its "Aaa" rating on the City's outstanding general obligation debt.

The ratings when issued, reflect only the view of the rating agency, and an explanation of the significance of such ratings may be obtained therefrom. There is no assurance that the ratings will remain in effect for any given period of time or that they will not be revised, either upward or downward, or withdrawn entirely, by Moody's Investors Services, Inc., if, in their judgment, circumstances so warrant.

### **Continuing Disclosure**

*Undertaking to Provide Continuing Disclosure.* In order to assist the Underwriter in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the City shall covenant pursuant to the NAN Resolution and the Note Resolution adopted by the Common Council to enter into an undertaking (the "Undertaking") for the benefit of holders of the NANs and Notes to provide certain financial information and operating data relating to the City annually and to provide notices of the occurrence of certain events enumerated in the Rule to the Municipal Securities Rulemaking Board (the "MSRB"), electronically or in the manner otherwise prescribed by the MSRB, and to any state information depository. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificates to be executed and delivered by the City at the time the NANs and Notes are delivered in substantially the forms attached hereto as Appendix D and Appendix E, re-

spectively. The City has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. A failure by the City to comply with the Undertaking will not constitute an event of default on the NANs and Notes (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker dealer or municipal securities dealer before recommending the purchase or sale of the NANs and Notes in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the NANs and Notes and their market price.

On December 8, 2008, the Securities and Exchange Commission (the "Commission") approved an amendment to Rule 15c2-12 designating the MSRB as the central repository for continuing disclosure by state and local government debt issuers, including the City. Under a separate MSRB rule change, the MSRB designated its Electronic Municipal Market Access ("EMMA") system as the system to be used for continuing disclosures to investors. The Commission and MSRB rule changes take effect on July 1, 2009, after which date, assuming no changes to the proposed amendment to the Rule, the City will be required to file its continuing disclosure information using the EMMA system. Investors will be able to access continuing disclosure information filed with the MSRB at [www.emma.msrb.org](http://www.emma.msrb.org).

## **Underwriting**

Pursuant to a NAN Purchase Agreement with the City, Hutchinson, Shockey, Erley & Co. (the "Underwriter") has agreed to purchase all of the NANs, if any of the NANs are purchased, upon the satisfaction of certain conditions set forth in the NAN Purchase Agreement. The Underwriter has agreed to purchase the NANs from the City at a price of 100.036 percent of par. The Underwriter intends to reoffer the NANs to the public at an average purchase price of 100.791 percent of par. The Underwriter's compensation in connection with the NANs is the difference between the purchase price of the NANs and the reoffering price mentioned above. The NANs may be offered to certain dealers at prices lower than such public offering price or yield and such public offering price or yield may be changed from time to time by the Underwriter. The Underwriter reserves the right to join with dealers and other underwriters in offering the NANs to the public.

Pursuant to a Note Purchase Agreement with the City, the Underwriter has agreed to purchase all of the Notes, if any of the Notes are purchased, upon the satisfaction of certain conditions set forth in the Note Purchase Agreement. The Underwriter has agreed to purchase the Notes from the City at a price of 100.026 percent of par. The Underwriter intends to reoffer the Notes to the public at an average purchase price of 101.026 percent of par. The Underwriter's compensation in connection with the Notes is the difference between the purchase price of the Notes and the reoffering price mentioned above. The Notes may be offered to certain dealers at prices lower than such public offering price or yield and such public offering price or yield may be changed from time to time by the Underwriter. The Underwriter reserves the right to join with dealers and other underwriters in offering the Notes to the public.

## **CERTIFICATES CONCERNING OFFICIAL STATEMENT**

Concurrently with the delivery of the NANs and Notes, the Mayor and the Clerk of the City will deliver to the purchaser of the NANs and Notes a certificate stating that, to the best of their knowledge, this Official Statement did not as of its date and as of the sale date and does not, as of the date of delivery of the NANs and Notes, contain an untrue statement of a material fact or omit to state a material fact required to be included therein for the purpose for which this Official Statement is to be used or necessary to make the statements therein, in the light of the circumstances under which they were made not misleading.

By /s/ \_\_\_\_\_  
Jill Didier, Mayor  
City of Wauwatosa, Wisconsin

By /s/ \_\_\_\_\_  
Carla A. Ledesma, City Clerk  
City of Wauwatosa, Wisconsin

July 1, 2009

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**APPENDIX A**

**Audited Financial Statements  
of the  
City of Wauwatosa  
For the Year Ended December 31, 2008**

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**CITY OF WAUWATOSA, WISCONSIN**  
**Milwaukee County, Wisconsin**

**FINANCIAL STATEMENTS**  
**December 31, 2008**

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**INDEPENDENT AUDITOR'S REPORT**

## Independent Auditor's Report

Common Council  
City of Wauwatosa, Wisconsin  
Milwaukee County, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Wauwatosa, Wisconsin as of and for the year ended December 31, 2008 and the respective budgetary comparison for the General Fund and Tax Increment District Fund for the year then ended, which collectively comprise City of Wauwatosa, Wisconsin's basic financial statements as listed in the table of contents. These financial statements are the responsibility of City of Wauwatosa, Wisconsin's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of City of Wauwatosa, Wisconsin 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 and Tax Increment District Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated April 28, 2009 on our consideration of City of Wauwatosa, Wisconsin's internal control over financial reporting and on 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.

The management's discussion and analysis on pages 3 through 9 and the Schedule of Funding Progress on page 69 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Wauwatosa, Wisconsin's basic financial statements. The combining and individual fund financial statements and schedules listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements.

*Clifton Gunderson LLP*

Milwaukee, Wisconsin  
April 28, 2009

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

## Management's Discussion and Analysis

As management of the City of Wauwatosa, we offer readers of the City of Wauwatosa's financial statements this narrative overview and analysis of the financial activities of the City of Wauwatosa for the fiscal year ended December 31, 2008.

### Financial Highlights

- ◆ The assets of the City of Wauwatosa exceeded its liabilities as of December 31, 2008 by \$129,381,487.
- ◆ As of the close of the current fiscal year, the City of Wauwatosa's governmental funds reported a combined ending fund balance of \$41,186,686.
- ◆ At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$16,390,848 or approximately 37% of the total General Fund expenditures.
- ◆ The City's total net assets for 2008 increased by \$7,204,383 or 5.9%.
- ◆ The City of Wauwatosa's total general obligation debt increased by \$4,519,913 which included a new general obligation promissory note issue of \$6,200,000, a \$400,000 State Trust fund loan and a \$2,000,000 note anticipation note which financed land purchases for a new fire station. The total outstanding general obligation debt of \$35,926,463 is less than one percent of the City's equalized value. All general obligation bonds and notes will be retired within ten years.

### Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Wauwatosa's basic financial statements. The City of Wauwatosa's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 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 government-wide financial statements are designed to provide readers with a broad overview of the City of Wauwatosa's finances, in a manner similar to a private sector business.

The *statement of net assets* presents information on all of the City of Wauwatosa'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 of Wauwatosa 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 related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation leave.)

Both of the government-wide financial statements distinguish functions of the City of Wauwatosa that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Wauwatosa include general government, public safety, public works, health and sanitation, and culture and recreation. The business-type activities of the City of Wauwatosa include the Water Utility, Redevelopment Authority, Sanitary and Storm Water Management Funds.

The government-wide financial statements include the activities of the City of Wauwatosa itself (known as the *primary government*). The Water Utility, although legally separate, functions for all practical purposes as a department of the City of Wauwatosa, and therefore has been included as an integral part of the primary government.

The Government-wide financial statements can be found on pages 10-11.

**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 Wauwatosa, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Wauwatosa can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

Because the focus of governmental funds is narrower than that of government-wide financial statements, it is useful to compare information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near-term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Wauwatosa maintains nine individual 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 and the Tax Incremental Fund, which are considered to be major funds. Data from the other seven funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City has also presented budgetary comparison information for the General Fund and major Special Revenue Funds in the basic financial statements.

The basic governmental fund financial statements can be found on pages 12-17.

**Proprietary funds.** The City of Wauwatosa maintains eleven proprietary funds. *Enterprise funds* are used to report the same function presented as *business-type activities* in the government-wide financial statements. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Wauwatosa's various functions. The City of Wauwatosa uses enterprise funds to account for its Water Utility, Storm Water Management and Sanitary Sewer Funds, and the Redevelopment Authority. The City of Wauwatosa uses internal service funds to account for its fleet of vehicles and gasoline sales, rental of space in the municipal complex, information systems, rental of occupied space in the public works garage, and four self insured insurance programs (health, dental, general liability, workers compensation). The City of Wauwatosa reports the health, dental and workers compensation as one fund for financial statement purposes. Because these services predominantly benefit governmental rather than business-type functions, they have been included within the *governmental activities* in the government-wide financial statements.

The basic proprietary fund financial statements can be found on pages 18-20.

**Fiduciary funds.** Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Wauwatosa's programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

The basic fiduciary fund financial statements can be found on pages 21-22.

**Notes to the financial statements.** The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 24-68.

**Other information.** In addition to the basic financial statements and accompanying notes, this report also presents certain additional supplementary information. The combining statements referred to earlier in connection with nonmajor governmental funds and internal service funds are presented immediately following the notes to the financial statements. A detailed budgetary comparison schedule for the General Fund is presented to demonstrate compliance with the budget. The City has also presented cumulative information related to its Tax Increment Districts.

The supplementary information can be found on pages 69-85.

## **Government-wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Wauwatosa assets exceeded liabilities by \$129,381,487 at the close of 2008.

The largest portion of the City of Wauwatosa's net assets reflects its investment in capital assets (e.g., land, buildings, machinery, and equipment, less any related debt used to acquire those assets that is still outstanding). Although the City of Wauwatosa's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since most of the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the City of Wauwatosa's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets may be used to meet the city's ongoing obligations to citizens and creditors.

**Governmental Activities.** Governmental activities increased the City of Wauwatosa net assets by \$2,736,192 and the business-type added \$4,468,191 in net asset growth and produced a total increase of \$7,204,383 for 2008. Key elements of the increase are as follows.

- ◆ Property taxes for general purposes and debt service increased by \$439,586 during the year. Property tax is the largest revenue source for the governmental activities accounting for approximately 67 percent of total revenues. Property taxes for general purposes increased by \$789,586, while taxes for debt service dropped \$350,000.
- ◆ Hotel/motel room tax increased \$213,881 to \$933,931.
- ◆ Community Development Block Grant contributions increased by \$642,614 to \$1,720,200. These funds offset capital expenditure costs as well as operating expenses.
- ◆ Total health and life insurance costs declined by \$1,705,850 to a five year low of \$6,979,242.

**Business-type activities.** Business-type activities increased the City of Wauwatosa's net assets by \$4,468,191. Key elements of this increase are as follows.

- ◆ Charges for service increased by \$682,182. A rate change in the Sanitary Sewer contributed to the increased revenue. A rate increase of 23% was approved in January.
- ◆ Residential and commercial water sales were down \$193,143 or 3.9% resulting from a wet summer, while industrial sales increased by \$73,356 or 28%. The customer base saw no significant change. Total operating expenses of the Water Utility decreased by \$27,933.

## Financial Analysis of the Governmental Funds

As noted earlier, the City of Wauwatosa uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

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

As of December 31, 2008, the City of Wauwatosa's governmental funds reported combined ending balances of \$41,186,686 an increase of \$2,512,775 in comparison with the prior year. Approximately 94 percent constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of the fund balance is reserved to indicate that it is not available for new spending because it has already been committed to 1) to pay debt service (\$975,000), 2) for non-current receivables (\$1,391,960), and 3) for prepayments (\$189,124).

Of the unreserved fund balance, the use of \$22,034,174 was designated for specific types of activities, i.e. \$6,622,218 for capital projects and \$15,411,956 for special revenue fund activities.

The General Fund is the chief operating fund of the City of Wauwatosa. As of December 31, 2008 the unreserved fund balance of the General Fund was \$16,390,848 while total fund balance reached \$17,971,932. Unreserved fund balance represents 94 percent of total General Fund balance, however \$7,759,111 or 47 percent has been designated for debt service and capital improvements, \$1,814,082 or 21 percent of this amount was appropriated to meet the 2009 General Fund expenditures and \$506,749 is designated for non-lapsing activities. The total General Fund balance represents 44 percent of total governmental fund balance.

The fund balance of the City of Wauwatosa's General Fund increased by \$649,743 during fiscal year 2008. Key activity in the General Fund included:

- ◆ Matured recycling program reduced landfill costs for solid waste management.
- ◆ Ambulance transport fee collections exceeded expectations
- ◆ Roadway maintenance costs for snow removal surpassed projections.
- ◆ Police Department payroll and fringe benefit costs were below budget do to position vacancies and other departments wage savings.
- ◆ Several budgeted projects and purchases were held over to the following fiscal year due to delays in specification development and time restrictions.

The Capital Projects Fund has a total fund balance of \$6,622,218 all of which is reserved for capital projects identified in the City of Wauwatosa Five Year Capital Improvement Program. The majority of the balance is funds reserved for improvements to Hart Park.

**Proprietary funds.** The City of Wauwatosa's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail.

The City transferred into the Employee Insurance Internal Service Fund approximately \$7.8 million for health insurance during fiscal year 2008. The fund also collected other revenue of \$826,186 from employee and retiree contributions and interest. The City incurred total health claims and administration expense of approximately \$7.0 million in the Employee Insurance Internal Service Fund. The City's intent is to hold as a reserve for future health insurance claims the excess of the amounts paid in to the Employee Insurance Internal Service Fund over the amounts paid out for claims and administration. The City has accumulated funds in the internal service fund prior to 2008 in the amount of \$3.9 million resulting in a total reserve of \$5.6 million as of the end of the year.

Unrestricted net assets of the Water Utility at the end of the year amounted to \$2,442,990 and those for the other enterprise funds amounted to \$5,773,107. The City of Wauwatosa's Internal Service funds had unrestricted net assets of \$4,147,612 at the year end. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Wauwatosa's business-type activities.

### **General Fund Budgetary Highlights**

Differences between the original budget and the final amended budget totaled an increase of \$617,205 in expenses or approximately 1.4 percent of the original budget. The majority of this difference resulted from the fuel surcharge, road salt, Federal revenue and grants, litigation expenses and various carryover projects from previous years. There were no significant changes or events during the fiscal year that would have caused a material adjustment to the original budget.

Surplus of \$294,369 was applied to balance the budget versus \$2,030,050 that was budgeted. \$2,320,831 of this balance is designated for expenditures during fiscal year 2009 either for continuing operations or equipment not purchased but funded during the prior fiscal year.

### **Capital Assets and Debt Administration**

**Capital assets.** The City of Wauwatosa investments in capital assets for its governmental and business-type activities as of December 31, 2008, amounts to \$144,544,644 (net of accumulated depreciation.) This investment in capital assets includes land, buildings, and system improvements, machinery and equipment, parks facilities, roads and bridges. The increase in the City of Wauwatosa's investment in capital assets for the current fiscal year was 5.4 percent for both governmental activities and business-type activities.

Major capital asset events during the current fiscal year included the following.

- ◆ A variety of street reconstruction projects were completed this fiscal year that covered 2.975 street and alley miles. Total cost for the projects was \$1,605,323.
- ◆ Storm and Sanitary Sewers were improved at various locations throughout the city. 12,946 ft of sanitary sewer pipe and 11,455.2 ft of storm sewer pipe were replaced or installed.
- ◆ 606 feet of new main was relayed for the utility with a value of \$113,347.
- ◆ The City purchased three parcels of land next to the existing Fire Station #1 for the site of the new fire station.

Additional information on the City of Wauwatosa's capital assets can be found on pages 44-45.

**Long-term debt.** At the end of the current fiscal year, the City of Wauwatosa had total bonded debt outstanding of \$69,406,463. Of this amount \$35,926,463 is backed by the full faith and credit of the City. The City of Wauwatosa issued \$6,200,000 in promissory notes dated May 1, 2008. The debt was issued for various infrastructure improvement projects. The City also executed a state trust fund loan in the amount of \$400,000 to partially fund recycling carts for all city residents. The City also issued a note anticipation note for \$2,000,000 for land purchases for a new fire station. The City maintains an "Aaa" rating from Moody's for its general obligation debt.

State Statutes limit the amount of general obligation debt a government entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the City of Wauwatosa is \$282,260,960 which significantly exceeds the City's current outstanding general obligation debt.

The remainder of the City of Wauwatosa's debt represents bonds secured solely by specific revenue sources. The Wauwatosa Water Utility has outstanding debt of \$4,955,000 and maintains a Aa3 rating from Moody's. The balance of \$28,525,000 are bonds issued by the Wauwatosa Redevelopment Authority that are payable only out of revenues derived from a lease agreement between the City and the Authority. Debt service expenditures of \$3,228,973 were \$86,600 lower than the prior year.

Additional information on the City of Wauwatosa's long-term debt can be found in note G on pages 48-54 of this report.

### **Economic Factors and Next Year's Budgets and Rates**

- ◆ The unemployment rate for the City of Wauwatosa is currently 5.8 percent. This compares favorable to the state's average unemployment rate of 8.8 percent and Milwaukee County's average rate of 8.7 percent.
- ◆ The rate of inflation as measured by the CPI-W for the Milwaukee, Wisconsin metro area was 4.7 percent for the fiscal year 2008.
- ◆ \$1,814,082 of the unreserved fund balance in the General Fund was appropriated for spending in 2009. It is intended that the use of available fund balance will lessen the required tax levy and still meet the City of Wauwatosa's guidelines to maintain a minimum unreserved fund balance of 5-15 percent of General Fund expenditures.
- ◆ The Storm Sewer rates will be increased 32% to fund the rising cost of debt service and operational activities. The ERU base used to calculate rates will not materially change in 2009.
- ◆ The City of Wauwatosa's 2009 budget has qualified the City to receive the Expenditure Restraint Shared Revenue payment; as it did in 2008.

### **Requests for Information**

This financial report is designed to provide a general overview of the City of Wauwatosa's finances for all those with an interest in the city's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, City of Wauwatosa, 7725 W North Avenue, Wauwatosa, WI 53213 or email [rbraier@wauwatosa.net](mailto:rbraier@wauwatosa.net).

## **BASIC FINANCIAL STATEMENTS**

**CITY OF WAUWATOSA, WISCONSIN**  
**STATEMENT OF NET ASSETS**  
**DECEMBER 31, 2008**

	Governmental Activities	Business- type Activities	Total
<b>ASSETS</b>			
Cash and investments	\$ 49,085,107	\$ 7,340,146	\$ 56,425,253
Receivables (net of allowance for uncollectible accounts)	45,315,593	3,400,112	48,715,705
Note receivable	148,000	-	148,000
Internal balances	22,630	(22,630)	-
Inventories	108,338	149,522	257,860
Prepaid items	189,124	6,254	195,378
Deferred charges	401,978	-	401,978
Investment in Cities and Villages Mutual Insurance Company	1,184,453	-	1,184,453
Restricted assets:			
Cash and investments	975,000	1,970,468	2,945,468
Non-utility property	-	2,684	2,684
Capital assets not being depreciated	23,862,786	81,405	23,944,191
Capital assets being depreciated	42,786,213	77,814,240	120,600,453
	<u>164,079,222</u>	<u>90,742,201</u>	<u>254,821,423</u>
Total assets			
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	5,716,393	2,066,802	7,783,195
Accrued interest payable	546,904	65,480	612,384
Deposits	-	4,200	4,200
Unearned revenue	41,704,237	-	41,704,237
Liabilities payable from restricted assets	-	951,114	951,114
Accrued net other postemployment benefits obligation	3,647,453	-	3,647,453
Noncurrent liabilities:			
Due within one year	5,832,730	1,695,306	7,528,036
Due in more than one year	46,301,719	16,907,598	63,209,317
	<u>103,749,436</u>	<u>21,690,500</u>	<u>125,439,936</u>
Total liabilities			
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	52,707,214	59,015,709	113,779,416
Restricted	150,000	1,849,354	1,999,354
Unrestricted	7,472,572	8,186,638	13,602,717
	<u>60,329,786</u>	<u>69,051,701</u>	<u>129,381,487</u>
<b>TOTAL NET ASSETS</b>	<b>\$ 60,329,786</b>	<b>\$ 69,051,701</b>	<b>\$ 129,381,487</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF WAUWATOSA, WISCONSIN**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended December 31, 2008**

FUNCTIONS/PROGRAMS	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business Type Activities	Totals
<b>Governmental activities:</b>							
General government	\$ 4,820,311	\$ 1,052,309	\$ 518,879	\$ -	\$ (3,249,123)	\$ -	\$ (3,249,123)
Protection of persons and property	30,340,469	3,497,907	1,931,955	96,636	(24,813,971)	-	(24,813,971)
Health and sanitation	4,708,113	185,781	395,392	602,569	(3,524,371)	-	(3,524,371)
Highway and transportation	7,602,439	180,722	27,850	2,657,670	(4,736,197)	-	(4,736,197)
Education and recreation	3,831,659	405,655	336,856	-	(3,089,148)	-	(3,089,148)
Conservation and development	1,913,106	14,382	717,267	1,002,933	(178,524)	-	(178,524)
Unclassified	435,769	-	-	-	(435,769)	-	(435,769)
Interest and fiscal charges	2,455,668	-	-	-	(2,455,668)	-	(2,455,668)
<b>Total governmental activities</b>	<b>56,107,534</b>	<b>5,336,756</b>	<b>3,928,199</b>	<b>4,359,808</b>	<b>(42,482,771)</b>	<b>-</b>	<b>(42,482,771)</b>
<b>Business-type activities:</b>							
Water Utility	5,546,938	6,387,918	-	9,258	-	850,238	850,238
Redevelopment Authority	12,344	-	-	-	-	(12,344)	(12,344)
Sanitary Sewer	5,021,754	5,653,414	-	1,970,318	-	2,601,978	2,601,978
Storm Water Management	1,727,242	1,810,003	-	43,402	-	126,163	126,163
<b>Total business-type activities</b>	<b>12,308,278</b>	<b>13,851,335</b>	<b>-</b>	<b>2,022,978</b>	<b>-</b>	<b>3,566,035</b>	<b>3,566,035</b>
<b>Total</b>	<b>\$ 68,415,812</b>	<b>\$ 19,188,091</b>	<b>\$ 3,928,199</b>	<b>\$ 6,382,786</b>	<b>(42,482,771)</b>	<b>3,566,035</b>	<b>(38,916,736)</b>
<b>General revenues:</b>							
<b>Taxes:</b>							
Property taxes, levied for general purposes					\$ 32,731,385	\$ -	\$ 32,731,385
Property taxes, levied for debt service					1,775,000	-	1,775,000
Property taxes, levied for TIF					4,510,048	-	4,510,048
Other taxes					1,399,482	-	1,399,482
Intergovernmental revenues not restricted to specific programs					2,620,623	-	2,620,623
Investment income					2,829,099	170,548	2,999,647
Gain on sale of capital assets					84,934	-	84,934
Transfers					(731,608)	731,608	-
<b>Total general revenues</b>					<b>45,218,963</b>	<b>902,156</b>	<b>46,121,119</b>
Change in net assets					2,736,192	4,468,191	7,204,383
<b>NET ASSETS - BEGINNING OF YEAR (RESTATED)</b>					<b>57,593,594</b>	<b>64,583,510</b>	<b>122,177,104</b>
<b>NET ASSETS - END OF YEAR</b>					<b>\$ 60,329,786</b>	<b>\$ 69,051,701</b>	<b>\$ 129,381,487</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF WAUWATOSA, WISCONSIN  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
DECEMBER 31, 2008**

	General Fund	Special Revenue Fund Tax Incremental District Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and investments	\$ 18,474,479	\$ 14,656,948	\$ 9,417,592	\$ 42,549,019
Taxes receivable	32,340,836	5,766,889	4,341,723	42,449,448
Delinquent personal property taxes	53,119	-	-	53,119
Special assessments receivable:				
Due in installments	-	-	507,240	507,240
Deferred	-	-	18,930	18,930
Accounts receivable	977,290	-	-	977,290
Accrued investment income receivable	245,901	433,775	-	679,676
Note receivable	148,000	-	-	148,000
Other accrued receivables	241,876	-	377,334	619,210
Due from other funds	1,031,339	-	-	1,031,339
Prepayments	189,124	-	-	189,124
Inventories	1,208	-	-	1,208
Advance to Special Revenue Fund	450,000	-	-	450,000
<b>TOTAL ASSETS</b>	<b>\$ 54,153,172</b>	<b>\$ 20,857,612</b>	<b>\$ 14,662,819</b>	<b>\$ 89,673,603</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>LIABILITIES</b>				
Accounts payable	\$ 2,736,812	\$ -	\$ 981,365	\$ 3,718,177
Accrued payroll	1,034,324	-	-	1,034,324
Due to other funds	616,515	-	437,494	1,054,009
Advance from General Fund	-	450,000	-	450,000
Deferred revenue	31,793,589	5,766,889	4,669,929	42,230,407
Total liabilities	<u>36,181,240</u>	<u>6,216,889</u>	<u>6,088,788</u>	<u>48,486,917</u>
<b>FUND BALANCES</b>				
Reserved for:				
Noncurrent receivables	1,391,960	-	-	1,391,960
Prepayments	189,124	-	-	189,124
Debt service	-	-	975,000	975,000
Unreserved, reported in:				
General Fund	16,390,848	-	-	16,390,848
Special Revenue Funds	-	14,640,723	771,233	15,411,956
Debt Service Fund	-	-	205,580	205,580
Capital Projects Fund	-	-	6,622,218	6,622,218
Total fund balances	<u>17,971,932</u>	<u>14,640,723</u>	<u>8,574,031</u>	<u>41,186,686</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<b>\$ 54,153,172</b>	<b>\$ 20,857,612</b>	<b>\$ 14,662,819</b>	

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

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	62,978,688
Internal service funds balance.	7,847,382
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Special assessments	526,170
Certain governmental fund expenditures are capitalized and amortized to expense on the full accrual basis.	401,978
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds.	<u>(52,611,118)</u>
	<b>\$ 60,329,786</b>

The accompanying notes are an integral part of the financial statements.

**CITY OF WAUWATOSA, WISCONSIN**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES**  
**GOVERNMENTAL FUNDS**  
**For the Year Ended December 31, 2008**

	General Fund	Special Revenue Fund Tax Incremental District Fund	Nonmajor Governmental Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes	\$ 32,153,917	\$ 4,510,048	\$ 3,860,718	\$ 40,524,683
Intergovernmental revenues	5,397,546	215,775	2,954,021	8,567,342
Licenses and permits	1,140,206	-	-	1,140,206
Penalties and forfeitures	977,022	-	-	977,022
Public improvement revenues	50,978	-	718,387	769,365
Public charges for services	2,588,821	-	373,478	2,962,299
Intergovernmental charges for services	1,562,790	-	-	1,562,790
Commercial revenues	2,186,992	647,622	357,032	3,191,646
Total revenues	<u>46,058,272</u>	<u>5,373,445</u>	<u>8,263,636</u>	<u>59,695,353</u>
<b>EXPENDITURES</b>				
Current				
General government	4,555,979	-	-	4,555,979
Protection of persons and property	28,419,544	-	-	28,419,544
Health and sanitation	3,991,273	-	607,089	4,598,362
Highway and transportation	5,219,087	-	-	5,219,087
Education and recreation	1,058,876	-	2,496,759	3,555,635
Conservation and development	1,163,454	52,981	1,720,200	2,936,635
Unclassified	435,769	-	-	435,769
Debt service				
Principal	-	-	3,476,076	3,476,076
Interest	-	-	2,445,805	2,445,805
Capital outlay	-	-	6,437,889	6,437,889
Total expenditures	<u>44,843,982</u>	<u>52,981</u>	<u>17,183,818</u>	<u>62,080,781</u>
Excess of revenues over (under) expenditures	1,214,290	5,320,464	(8,920,182)	(2,385,428)
<b>OTHER FINANCING SOURCES (USES)</b>				
Long-term debt issued	400,000	-	3,906,000	4,306,000
Proceeds from sale of capital assets	-	-	79,787	79,787
Transfers in	558,383	25,813	7,243,692	7,827,888
Transfers out	(1,522,930)	(4,243,070)	(1,549,472)	(7,315,472)
Net change in fund balances	649,743	1,103,207	759,825	2,512,775
<b>FUND BALANCES - BEGINNING OF YEAR (RESTATED)</b>	<u>17,322,189</u>	<u>13,537,516</u>	<u>7,814,206</u>	<u>38,673,911</u>
<b>FUND BALANCES - END OF YEAR</b>	<u>\$ 17,971,932</u>	<u>\$ 14,640,723</u>	<u>\$ 8,574,031</u>	<u>\$ 41,186,686</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF WAUWATOSA, WISCONSIN  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES  
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF ACTIVITIES  
For the Year Ended December 31, 2008**

Net change in fund balances - total governmental funds	\$ 2,512,775
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$6,073,284) was greater than depreciation (\$2,796,025) in the current period.	3,277,259
Proceeds from the sale of capital assets are recorded as revenues in the governmental funds but are removed from revenues in the statement of activities (\$79,787). The gain on the sale of capital assets is recognized in the statement of activities (\$84,934).	5,147
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. This is the amount by which proceeds (\$4,306,000) were greater than the repayments (\$3,490,307).	(815,693)
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.	(204,953)
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. This amount represents the decrease in accrued interest payable (12,407), and the increase in accrued vacation payable (\$168,993).	(156,586)
Some expenses in the governmental funds are recorded as a reduction in long-term liabilities in the statement of net assets. This amount represents payments on landfill closure obligation.	7,647
The net revenue (expense) of internal service funds is reported with governmental activities.	(1,867,134)
Governmental funds report issuance costs as expenditures. However, in the statement of net assets, these are reported as deferred charges. These are allocated over the period the debt is outstanding in the statement of activities and are reported as amortization expense. This is the amount by which debt issuance costs of the current year (\$24,499) was less than amortization expense (\$46,769).	<u>(22,270)</u>
Change in net assets of governmental activities	<u>\$ 2,736,192</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF WAUWATOSA, WISCONSIN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**GENERAL FUND**  
**For the Year Ended December 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 33,449,812	\$ 33,783,531	\$ 33,928,917	\$ 145,386
Intergovernmental revenues	5,184,723	5,490,858	5,397,546	(93,312)
Licenses and permits	1,095,655	1,148,682	1,140,206	(8,476)
Fines, penalties and forfeitures	876,250	889,250	977,022	87,772
Public improvement revenues	20,825	45,864	50,978	5,114
Public charges for services	2,498,770	2,309,073	2,588,821	279,748
Intergovernmental charges for services	1,509,963	1,541,481	1,562,790	21,309
Commercial revenues	1,986,300	2,013,007	2,186,992	173,985
<b>Total revenues</b>	<u>46,622,298</u>	<u>47,221,746</u>	<u>47,833,272</u>	<u>611,526</u>
<b>EXPENDITURES</b>				
General government	4,610,684	4,726,739	4,555,979	170,760
Protection of persons and property	28,575,291	29,117,829	28,419,544	698,285
Health and sanitation	4,646,863	4,350,974	3,991,273	359,701
Highway and transportation	4,935,455	5,123,229	5,219,087	(95,858)
Education and recreation	1,038,527	1,073,927	1,058,876	15,051
Conservation and development	1,280,456	1,216,335	1,163,454	52,881
Unclassified	367,896	463,344	435,769	27,575
<b>Total expenditures</b>	<u>45,455,172</u>	<u>46,072,377</u>	<u>44,843,982</u>	<u>1,228,395</u>
 Excess of revenues over expenditures	 1,167,126	 1,149,369	 2,989,290	 1,839,921
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	517,976	532,640	558,383	25,743
Transfers out	(1,888,000)	(2,172,930)	(2,172,930)	-
Intra-fund transfers, net	202,898	490,921	(1,374,743)	(1,865,664)
 Net change in fund balances- budgetary basis	 <u>-</u>	 <u>-</u>	 <u>-</u>	 <u>-</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF WAUWATOSA, WISCONSIN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL (NON-GAAP)**  
**GENERAL FUND**  
**(Concluded)**  
**For the Year Ended December 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
Net change in fund balances- budgetary basis	<u>\$ -</u>	<u>\$ -</u>	\$ -	<u>\$ -</u>
<b>ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BASIS</b>				
Debt service tax levy reported as revenue			(1,775,000)	
Transfers (to) from other funds from fund equity			(1,125,000)	
Transfers to other funds related to debt service tax levy			1,775,000	
Intra-fund transfer to reserved and designated funds			1,374,743	
Current year debt proceeds accrued in prior year			<u>400,000</u>	
Net change in fund balances - generally accepted accounting principles basis			649,743	
<b>FUND BALANCE - BEGINNING OF YEAR (RESTATED)</b>			<u>17,322,189</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 17,971,932</u>	

The accompanying notes are an integral part of the financial statements.

**CITY OF WAUWATOSA, WISCONSIN**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -**  
**BUDGET AND ACTUAL**  
**SPECIAL REVENUE FUND TAX INCREMENT DISTRICT FUND**  
**For the Year Ended December 31, 2008**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
<b>REVENUES</b>				
Taxes	\$ 4,168,000	\$ 4,510,048	\$ 4,510,048	\$ -
Intergovernmental revenues	60,000	215,775	215,775	-
Commercial revenues	<u>387,000</u>	<u>422,704</u>	<u>647,622</u>	<u>224,918</u>
Total revenues	<u>4,615,000</u>	<u>5,148,527</u>	<u>5,373,445</u>	<u>224,918</u>
<b>EXPENDITURES</b>				
Conservation and development	<u>69,860</u>	<u>90,618</u>	<u>52,981</u>	<u>37,637</u>
Excess of revenues over expenditures	<u>4,545,140</u>	<u>5,057,909</u>	<u>5,320,464</u>	<u>262,555</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	53,300	53,300	25,813	(27,487)
Transfers out	<u>(3,663,219)</u>	<u>(4,794,808)</u>	<u>(4,243,070)</u>	<u>551,738</u>
Net change in fund balance	<u>\$ 935,221</u>	<u>\$ 316,401</u>	1,103,207	<u>\$ 786,806</u>
<b>FUND BALANCE - BEGINNING OF YEAR</b>			<u>13,537,516</u>	
<b>FUND BALANCE - END OF YEAR</b>			<u>\$ 14,640,723</u>	

The accompanying notes are an integral part of the financial statements.

**CITY OF WAUWATOSA, WISCONSIN**  
**STATEMENT OF NET ASSETS**  
**PROPRIETARY FUNDS**  
**DECEMBER 31, 2008**

	Business-type Activities Enterprise Funds				Governmental Activities	
	Water Utility	Sanitary Sewer	Storm Water Management	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
<b>ASSETS</b>						
<b>CURRENT ASSETS</b>						
Cash, cash equivalents and temporary investments	\$ 2,129,762	\$ 1,409,127	\$ 2,907,743	\$ 922,973	\$ 7,369,605	\$ 7,481,629
Receivables, net	1,625,841	1,496,157	278,114	-	3,400,112	10,680
Due from other funds	331,810	241,638	68,025	-	641,473	45,300
Inventories	149,522	-	-	-	149,522	107,130
Restricted assets - special redemption fund - bond principal and interest fund	951,114	-	-	-	951,114	-
Prepayments	6,254	-	-	-	6,254	-
<b>Total current assets</b>	<b>5,194,303</b>	<b>3,146,922</b>	<b>3,253,882</b>	<b>922,973</b>	<b>12,518,080</b>	<b>7,644,739</b>
<b>NONCURRENT ASSETS</b>						
Restricted assets:						
Special redemption fund - reserve fund	596,247	-	-	-	596,247	-
Water system improvement funds	423,107	-	-	-	423,107	-
Non-Utility property	2,684	-	-	-	2,684	-
Investment in Cities and Villages Mutual Insurance Company	-	-	-	-	-	1,184,453
Capital assets						
Land	81,405	-	-	-	81,405	22,617
Buildings	736,838	-	-	-	736,838	1,252,654
Improvements other than buildings	33,908,016	48,619,358	30,449,075	-	112,976,449	-
Machinery and equipment	1,428,351	1,144,930	-	-	2,573,281	9,726,735
Less: Accumulated depreciation	(11,125,886)	(18,418,318)	(8,928,124)	-	(38,472,328)	(7,331,695)
<b>Total capital assets, net</b>	<b>25,028,724</b>	<b>31,345,970</b>	<b>21,520,951</b>	<b>-</b>	<b>77,895,645</b>	<b>3,670,311</b>
<b>Total noncurrent assets</b>	<b>26,050,762</b>	<b>31,345,970</b>	<b>21,520,951</b>	<b>-</b>	<b>78,917,683</b>	<b>4,854,764</b>
<b>Total assets</b>	<b>31,245,065</b>	<b>34,492,892</b>	<b>24,774,833</b>	<b>922,973</b>	<b>91,435,763</b>	<b>12,499,503</b>
<b>LIABILITIES</b>						
<b>CURRENT LIABILITIES</b>						
Accounts payable	586,629	1,083,857	230,053	3,985	1,904,524	963,892
Accrued payroll	62,717	-	-	-	62,717	-
Due to other funds	648,158	15,945	-	-	664,103	-
Customer deposits	4,200	-	-	-	4,200	-
Current portion of long-term debt	-	883,589	788,803	-	1,672,392	-
Current portion of state trust fund loan	15,978	2,637	4,299	-	22,914	-
Accrued interest payable	16,027	21,689	27,764	-	65,480	-
Other accrued liabilities	99,561	-	-	-	99,561	3,717,688
Liabilities payable from restricted assets						
Current portion of long-term debt	830,000	-	-	-	830,000	-
Accrued interest payable	121,114	-	-	-	121,114	-
<b>Total current liabilities</b>	<b>2,384,384</b>	<b>2,007,717</b>	<b>1,050,919</b>	<b>3,985</b>	<b>5,447,005</b>	<b>4,681,580</b>
<b>NONCURRENT LIABILITIES</b>						
Bonds payable	4,125,000	5,200,897	7,051,647	-	16,377,544	-
State trust fund loan	369,613	61,001	99,440	-	530,054	-
<b>Total non-current liabilities</b>	<b>4,494,613</b>	<b>5,261,898</b>	<b>7,151,087</b>	<b>-</b>	<b>16,907,598</b>	<b>-</b>
<b>Total liabilities</b>	<b>6,878,997</b>	<b>7,269,615</b>	<b>8,202,006</b>	<b>3,985</b>	<b>22,354,603</b>	<b>4,681,580</b>
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	20,073,724	25,261,484	13,680,501	-	59,015,709	3,670,311
Restricted	1,849,354	-	-	-	1,849,354	-
Unrestricted	2,442,990	1,961,793	2,892,326	918,988	8,216,097	4,147,612
<b>Total net assets</b>	<b>\$ 24,366,068</b>	<b>\$ 27,223,277</b>	<b>\$ 16,572,827</b>	<b>\$ 918,988</b>	<b>\$ 69,081,160</b>	<b>\$ 7,817,923</b>

Some amounts reported for business-type activities in the statement of net assets are different because certain internal service fund assets and liabilities are included with business-type activities.

Net assets of business-type activities

(29,459)  
**\$ 69,051,701**

The accompanying notes are an integral part of the financial statements.

**CITY OF WAUWATOSA, WISCONSIN**  
**STATEMENT OF REVENUES, EXPENSES**  
**AND CHANGES IN FUND NET ASSETS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2008**

	Business-type Activities Enterprise Funds				Governmental Activities	
	Water Utility	Sanitary Sewer	Storm Water Management	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
<b>OPERATING REVENUES</b>						
Charges for services and sales	\$ 6,166,019	\$ 5,653,414	\$ 1,810,003	\$ -	\$ 13,629,436	\$ 14,554,331
Other operating revenues	221,899	-	-	-	221,899	1,066,712
Total operating revenues	<u>6,387,918</u>	<u>5,653,414</u>	<u>1,810,003</u>	<u>-</u>	<u>13,851,335</u>	<u>15,621,043</u>
<b>OPERATING EXPENSES</b>						
Operation and maintenance	4,539,321	4,060,408	1,024,242	12,344	9,636,315	17,108,234
Depreciation	602,654	682,429	395,838	-	1,680,921	816,208
Taxes	91,774	-	-	-	91,774	-
Total operating expenses	<u>5,233,749</u>	<u>4,742,837</u>	<u>1,420,080</u>	<u>12,344</u>	<u>11,409,010</u>	<u>17,924,442</u>
Operating income (loss)	<u>1,154,169</u>	<u>910,577</u>	<u>389,923</u>	<u>(12,344)</u>	<u>2,442,325</u>	<u>(2,303,399)</u>
<b>NON-OPERATING REVENUES (EXPENSES)</b>						
Dividend income	-	-	-	-	-	3,338
Investment income	102,746	24,675	21,470	21,657	170,548	156,195
Grants	-	-	43,402	-	43,402	-
Gain (loss) on sale or trade of assets	-	-	-	-	-	22,667
Interest on long-term debt	(262,649)	(257,571)	(278,589)	-	(798,809)	-
Amortization of bond discount and expenses	(971)	-	-	-	(971)	-
Total non-operating revenues (expenses)	<u>(160,874)</u>	<u>(232,896)</u>	<u>(213,717)</u>	<u>21,657</u>	<u>(585,830)</u>	<u>182,200</u>
Income (loss) before capital contributions and transfers	993,295	677,681	176,206	9,313	1,856,495	(2,121,199)
<b>CAPITAL CONTRIBUTIONS</b>	307,731	2,312,037	623,459	-	3,243,227	134,950
<b>TRANSFERS IN</b>	-	-	-	-	-	933,272
<b>TRANSFERS OUT</b>	<u>(521,533)</u>	<u>(10,510)</u>	<u>-</u>	<u>-</u>	<u>(532,043)</u>	<u>(913,645)</u>
Change in net assets	779,493	2,979,208	799,665	9,313	4,567,679	(1,966,622)
<b>NET ASSETS - BEGINNING OF YEAR (RESTATED)</b>	<u>23,586,575</u>	<u>24,244,069</u>	<u>15,773,162</u>	<u>909,675</u>		<u>9,784,545</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 24,366,068</u>	<u>\$ 27,223,277</u>	<u>\$ 16,572,827</u>	<u>\$ 918,988</u>		<u>\$ 7,817,923</u>

Some amounts reported for business-type activities in the statement of activities are different because the net revenue (expense) of certain internal service funds is reported with business-type activities.

Change in net assets of business-type activities

(99,488)  
\$ 4,468,191

**CITY OF WAUWATOSA, WISCONSIN**  
**STATEMENT OF CASH FLOWS**  
**PROPRIETARY FUNDS**  
**For the Year Ended December 31, 2008**

	Business-type Activities Enterprise Funds				Total Enterprise Funds	Governmental Activities  Internal Service Funds
	Water Utility	Sanitary Sewer	Storm Water Management	Nonmajor Enterprise Fund		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>						
Receipts from customers and users	\$6,450,817	\$5,482,655	\$1,877,869	\$ -	\$13,811,341	\$ 1,103,515
Receipts from other funds	-	-	-	-	-	14,470,067
Payments to suppliers	(3,375,532)	(3,520,280)	(758,401)	(8,359)	(7,662,572)	(12,371,647)
Payments to employees	(1,242,194)	(229,387)	(259,495)	-	(1,731,076)	(1,093,739)
Net cash provided by (used in) operating activities	<u>1,833,091</u>	<u>1,732,988</u>	<u>859,973</u>	<u>(8,359)</u>	<u>4,417,693</u>	<u>2,108,196</u>
<b>CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES</b>						
Principal paid on noncapital debt	(15,128)	(2,496)	(4,070)	-	(21,694)	-
Interest paid on noncapital debt	(21,094)	(3,485)	(5,675)	-	(30,254)	-
Transfers from (to) other funds	(532,042)	-	-	-	(532,042)	19,627
Net cash provided by (used in) noncapital financing activities	<u>(568,264)</u>	<u>(5,981)</u>	<u>(9,745)</u>	<u>-</u>	<u>(583,990)</u>	<u>19,627</u>
<b>CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES</b>						
Proceeds from long-term debt	-	1,141,000	3,153,000	-	4,294,000	-
Acquisition and construction of capital assets	(215,532)	(896,979)	(1,445,173)	-	(2,557,684)	(885,060)
Proceeds from the sale of property, plant and equipment	61,273	-	-	-	61,273	81,287
Grant funds received	-	-	43,402	-	43,402	-
Principal paid on capital debt	(780,000)	(1,017,301)	(740,015)	-	(2,537,316)	-
Interest paid on capital debt	(258,227)	(254,527)	(266,800)	-	(779,554)	-
Net cash provided by (used in) capital and related financing activities	<u>(1,192,486)</u>	<u>(1,027,807)</u>	<u>744,414</u>	<u>-</u>	<u>(1,475,879)</u>	<u>(803,773)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>						
Proceeds from sales and maturities of investments	500,000	-	-	-	500,000	-
Interest and dividends received	108,442	24,675	21,471	21,657	176,245	159,533
Net cash provided by investing activities	<u>608,442</u>	<u>24,675</u>	<u>21,471</u>	<u>21,657</u>	<u>676,245</u>	<u>159,533</u>
Net increase in cash and cash equivalents	680,783	723,875	1,616,113	13,298	3,034,069	1,483,583
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	<u>3,419,447</u>	<u>685,252</u>	<u>1,291,630</u>	<u>909,675</u>	<u>6,306,004</u>	<u>5,998,046</u>
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	<u>\$ 4,100,230</u>	<u>\$ 1,409,127</u>	<u>\$ 2,907,743</u>	<u>\$ 922,973</u>	<u>\$ 9,340,073</u>	<u>\$ 7,481,629</u>
<b>Reconciliation of operating income (loss) to net cash provided by operating activities:</b>						
Operating income (loss)	<u>\$ 1,154,169</u>	<u>\$ 910,577</u>	<u>\$ 389,923</u>	<u>\$ (12,344)</u>	<u>\$ 2,442,325</u>	<u>\$ (2,303,399)</u>
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	602,654	682,429	395,838	-	1,680,921	816,208
Depreciation charged to other accounts	30,618	-	-	-	30,618	-
Tax equivalent charged to sewer utility	10,509	(10,509)	-	-	-	-
(Increase) Decrease:						
Accounts receivable	52,390	(170,759)	67,866	-	(50,503)	(2,161)
Due from other funds	(51,705)	(58,392)	(12,637)	-	(122,734)	(45,300)
Inventories	(32,456)	-	-	-	(32,456)	57,444
Prepaid items	57	-	-	-	57	-
Increase (Decrease):						
Accounts payable	(27,558)	368,348	18,983	3,985	363,758	(54,415)
Accrued payroll	(8,657)	-	-	-	(8,657)	-
Other accrued liabilities	10,578	-	-	-	10,578	3,639,819
Due to other funds	92,492	11,294	-	-	103,786	-
Total adjustments	<u>678,922</u>	<u>822,411</u>	<u>470,050</u>	<u>3,985</u>	<u>1,975,368</u>	<u>4,411,595</u>
Net cash provided by (used in) operating activities	<u>\$ 1,833,091</u>	<u>\$ 1,732,988</u>	<u>\$ 859,973</u>	<u>\$ (8,359)</u>	<u>\$ 4,417,693</u>	<u>\$ 2,108,196</u>
<b>Noncash investing, capital and financing activities</b>						
Capital additions contributed						
City of Wauwatosa	\$ 298,473	\$ 341,719	\$ 623,459	\$ -	\$ 1,263,651	\$ 134,950
Developers	9,258	1,970,318	-	-	1,979,576	-
	<u>\$ 307,731</u>	<u>\$ 2,312,037</u>	<u>\$ 623,459</u>	<u>\$ -</u>	<u>\$ 3,243,227</u>	<u>\$ 134,950</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF WAUWATOSA, WISCONSIN  
STATEMENT OF FIDUCIARY NET ASSETS  
FIDUCIARY FUNDS  
DECEMBER 31, 2008**

	Private Purpose Trust Funds				Agency Funds		
	Firemen's Special Endowment Fund	Flag Maintenance Account	Land Conservation Account	Total	Special Deposits	Subsequent Year's Tax Roll Collections	Total
<b>ASSETS</b>							
Cash and investments	\$ 11,938	\$ 9,636	\$ 40,134	\$ 61,708	\$ 216,670	\$ 53,268,021	\$ 53,484,691
Interest receivable	3	-	-	3	-	-	-
Taxes receivable	-	-	-	-	-	25,863,297	25,863,297
<b>Total assets</b>	<b>11,941</b>	<b>9,636</b>	<b>40,134</b>	<b>61,711</b>	<b>\$ 216,670</b>	<b>\$ 79,131,318</b>	<b>\$ 79,347,988</b>
<b>LIABILITIES</b>							
Special deposits	-	-	-	-	\$ 216,670	\$ -	\$ 216,670
Due to other taxing units	-	-	-	-	-	79,131,318	79,131,318
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>\$ 216,670</b>	<b>\$ 79,131,318</b>	<b>\$ 79,347,988</b>
<b>NET ASSETS - RESTRICTED</b>	<b>\$ 11,941</b>	<b>\$ 9,636</b>	<b>\$ 40,134</b>	<b>\$ 61,711</b>			

The accompanying notes are an integral part of the financial statements.

**CITY OF WAUWATOSA**  
**STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS**  
**FIDUCIARY FUNDS**  
**For the Year Ended December 31, 2008**

	<u>Private Purpose Trust Funds</u>			
	<u>Firemen's Special Endowment Fund</u>	<u>Flag Maintenance Account</u>	<u>Land Conservation Account</u>	<u>Total</u>
<b>ADDITIONS</b>				
Contributions	\$ -	\$ 3,632	\$ 6,139	\$ 9,771
Investment income	490	-	-	490
Total additions	<u>490</u>	<u>3,632</u>	<u>6,139</u>	<u>10,261</u>
<b>DEDUCTIONS</b>				
Changes in net assets	<u>-</u>	<u>1,449</u>	<u>-</u>	<u>1,449</u>
<b>NET ASSETS - BEGINNING OF YEAR</b>	<u>11,451</u>	<u>7,453</u>	<u>33,995</u>	<u>52,899</u>
<b>NET ASSETS - END OF YEAR</b>	<u>\$ 11,941</u>	<u>\$ 9,636</u>	<u>\$ 40,134</u>	<u>\$ 61,711</u>

The accompanying notes are an integral part of the financial statements.

**CITY OF WAUWATOSA, WISCONSIN  
INDEX TO NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

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**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The accounting policies of the City of Wauwatosa, Wisconsin (the City) conform to generally accepted accounting principles as applicable to governmental units.

**A. Reporting Entity**

This report includes all of the funds of the City of Wauwatosa, Wisconsin. The reporting entity for the City consists of a) the primary government, b) organizations for which the primary government is financially, accountable and c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable to the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and 1) it is able to impose its will on that organization or 2) 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. A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: 1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; 2) the primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; 3) the economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. The Wauwatosa Redevelopment Authority is reported as a blended component unit. The Authority serves all citizens of the City and is governed by a seven member board appointed by the Mayor and approved by the Common Council. The Authority does not issue separate financial statements.

**B. Government-wide and Fund Financial Statements**

***Government-wide Financial Statements***

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Government-wide and Fund Financial Statements (continued)**

***Government-wide Financial Statements***

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

***Fund Financial Statements***

Financial statements of the reporting entity are organized into funds, each of which are considered to be a separate accounting entity. Each fund is accounted for by providing a separate set of self-balancing accounts, which constitute its assets, liabilities, net assets/fund equity, revenues, and expenditure/expenses.

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

A fund is considered major if it is the primary operating fund of the City or meets the following criteria:

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

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Government-wide and Fund Financial Statements (continued)**

The City reports the following major governmental funds:

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

*Special Revenue Fund Tax Incremental District Fund* - accounts for the City's four Tax Incremental Districts.

The City reports the following major enterprise funds:

*Water Utility* - accounts for operations of the water system.

*Sanitary Sewer* - accounts for operations of the sewer system.

*Storm Water Management* - accounts for operations of the storm water management system.

The City reports the following non-major governmental and enterprise funds:

*Non-Major Governmental Funds*

*Special Revenue Funds* - used to account for the proceeds of specific revenue sources (other than major capital projects) that are legally restricted to expenditures for specified purposes.

*Special Assessments*

*Community Development Block Grant*

*Bioterrorism Consortium Grant*

*Public Library*

*Debt Service Fund* - used to account for the accumulation of resources for, and the payment of, general long-term debt principal, interest, and related costs.

*Capital Projects Funds*

*General Obligation Debt Issue Fund* - accounts for proceeds from long-term borrowing and other resources to be used for capital improvement projects.

*Redevelopment Authority Lease Revenue Bond Fund* - accounts for proceeds from long-term borrowing and other resources to be used for capital improvement projects or debt service.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**B. Government-wide and Fund Financial Statements (continued)**

*Non-Major Enterprise Funds*

*Redevelopment Authority Reserve Fund* - used to account for funds set aside for the construction of a parking lot and other redevelopment activities in a specific area of the City.

In addition, the City reports the following fund types:

Internal service funds are used to account for the financing of goods or services provided by one department or agency to other departments or agencies of the City, or to other governmental units, on a cost-reimbursement basis. Funds included are *Stores, Fleet Maintenance, Public Works Building, Risk Management, Information Systems* and *Municipal Building Complex*.

Private-purpose trust funds are used to report any trust arrangement not properly reported in a pension trust fund under which principal and income benefit individuals, private organizations, or other governments. Funds included are the *Firemen's Special Endowment, Flag Maintenance Account* and *Land Conservation Account*.

Agency funds are used to account for assets held by the City in a trustee capacity or as an agent for individuals, private organizations, and/or other governmental units. Funds included are *Special Deposits* and the *Subsequent Year's Tax Roll Collections*.

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

***Government-wide Financial Statements***

The government-wide statement of net assets and statement of activities are reported using the economic resources measurement focus and the accrual basis of accounting. Under the accrual basis of accounting, revenues are recognized when earned and expenses are recorded when the liability is incurred or economic asset used. Revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Property taxes are recognized as revenues in the year for which they are levied. Taxes receivable for the following year are recorded as receivables and deferred revenue. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider are met. Special assessments are recorded as revenue when earned. Unbilled receivables are recorded as revenues when services are provided.

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
(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 charges between the City's water, sewer, and storm water utilities and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions.

***Fund Financial Statements***

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recorded when they are both measurable and available. Available means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when the related fund liability is incurred, except for unmatured interest on long-term debt, claims, judgments, compensated absences, and pension expenditures, which are recorded as a fund liability when expected to be paid with expendable available financial resources.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are being provided.

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

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

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

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation**  
(continued)

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

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

The proprietary funds follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements issued after November 30, 1989. The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

***All Financial Statements***

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenditures/expenses during the reporting period. Actual results could differ from those estimates.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Liabilities, and Net Assets or Equity**

***1. Deposits and Investments***

For purposes of the statement of cash flows, the City considers all highly liquid investments with an initial maturity of three months or less when acquired to be cash equivalents.

Investment of City funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association authorized to transact business in the state, which mature in three years or less.
2. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, or by the University of Wisconsin Hospitals and Clinics Authority.
3. Bonds or securities issued or guaranteed by the federal government.
4. The local government investment pool.
5. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
6. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
7. Repurchase agreements with public depositories, with certain conditions.

Investment of library trust funds is regulated by Chapter 112 of the Wisconsin Statutes, which gives broad authority to use such funds to acquire various kinds of investments including stocks, bonds and debentures.

Investments are stated at fair value, which is the amount at which an investment could be exchanged in a current transaction between willing parties. Fair values are based on quoted market prices. No investments are reported at amortized cost. Adjustments necessary to record investments at fair value are recorded in the operating statement as increases or decreases in investment income. Investment income on commingled investments of municipal accounting funds is allocated to the General Fund. The difference between the bank balance and carrying value is due to outstanding checks and/or deposits in transit.

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 amount as reported in these statements.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Liabilities, and Net Assets or Equity (continued)**

**2. Receivables**

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

Property tax calendar - 2008 tax roll:

Lien date and levy date	December 2008
Tax bills mailed	December 2008
Payment in full, or	January 31, 2009
First installment due	January 31, 2009
Second installment due	March 31, 2009
Third installment due	May 31, 2009
Personal property taxes in full	January 31, 2009
Tax sale - 2008 delinquent real estate taxes	October 2011

Accounts receivable have been shown net of an allowance for doubtful accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made in the accompanying enterprise fund financial statements because the utilities have the right by law to place delinquent bills on the tax roll.

During the course of operations, transactions occur between individual funds that may result in amounts owed between funds. Short-term interfund loans are reported as "due to and from other funds." Long-term interfund loans (noncurrent portion) are reported as "advances from and to other funds." Interfund receivables and payables between funds within governmental activities are eliminated in the statement of net assets. Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances".

In the governmental fund financial statements, advances to other funds are offset equally by a fund balance reserve to demonstrate that a portion of fund equity is not available for appropriation.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Liabilities, and Net Assets or Equity (continued)**

***3. Inventories and Prepaid Items***

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant. Proprietary fund inventories are generally used for construction and for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction or operation and maintenance expense when used.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

***4. Restricted Assets***

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. Restricted net assets represents cash and investments restricted for debt service or capital improvement purposes.

***5. Capital Assets***

***Government-wide Statements***

In the government-wide financial statements, capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$10,000 for infrastructure assets, and an estimated useful life in excess of two years. All capital assets are valued at historical cost or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Additions to and replacements of capital assets of business-type activities are recorded at original cost, which includes material, labor, overhead, and an allowance for the cost of funds used during construction when significant. For tax-exempt debt, the amount of interest capitalized equals the interest expense incurred during construction netted against any interest revenue from temporary investment of borrowed funds. No net interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to capital assets. The cost of property replaced, retired or otherwise disposed of, is deducted from capital assets and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Liabilities, and Net Assets or Equity (continued)**

**5. Capital Assets (continued)**

***Government-wide Statements* (continued)**

Depreciation of all exhaustible capital assets is recorded as an allocated expense in the statement of activities, with accumulated depreciation reflected in the statement of net assets. Depreciation is provided over the assets' estimated useful lives using the straight-line method of depreciation. The range of estimated useful lives by type of asset is as follows:

Buildings	20-40 Years
Land improvements other than building	20-30 Years
Machinery and equipment	2-23 Years
Utility system	18-77 Years
Infrastructure	15-40 Years

***Fund Financial Statements***

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

**6. Other Assets**

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

**7. Compensated Absences**

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only vacation benefits considered to be vested are disclosed in these statements. All vested vacation pay is accrued when incurred in the government-wide and proprietary financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, or are payable with expendable available resources. Payments for vacation will be made at rates in effect when the benefits are used.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Liabilities, and Net Assets or Equity (continued)**

**7. *Compensated Absences* (continued)**

Accumulated vacation liabilities at December 31, 2008 are determined on the basis of current salary rates and include salary related payments. Employees hired after January 1, 2008 that meet certain length of service or age requirements upon retirement, will receive their accumulated sick days paid into a retiree health savings plan at the rate of pay in effect upon retirement. The liability for the accrued sick leave is recorded in the government-wide and proprietary financial statements to the extent that it is probable that the City will compensate the employees for the benefits through cash payments condition on the employees' retirement rather than be taken as absences. The City has not estimated the probability of cash payments on accumulated sick leave, as the total accumulated sick leave earned by employees hired after January 1, 2008 is immaterial to the financial statements.

**8. *Long-Term Obligations/Conduit Debt***

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

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face-value of debts are reported as other financing sources and payments of principal and interest are reported as expenditures. The accounting in proprietary funds is the same as it is in the government-wide statements.

The City has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$35.2 million, made up of two issues.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**D. Assets, Liabilities, and Net Assets or Equity (continued)**

***9. Claims and Judgments***

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

***10. Equity Classifications***

***Government-wide Statements***

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

- a. *Invested in capital assets, net of related debt* - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. *Restricted net assets* - Consists of net assets with constraints placed on the use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.
- c. *Unrestricted net assets* - All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

***Fund Statements***

Governmental fund equity is classified as fund balance. Fund balance is further classified as reserved and unreserved. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled "designated". The balance of unreserved fund balance is labeled "undesignated", which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

**E. Other Policies - Tax Incremental Districts**

1. In 1994, the City adopted Resolution #94-319 creating "City of Wauwatosa Tax Incremental District No. 2" to encourage development of the city tax base, efficient use of land, buildings and public improvements and private investment. The Tax Incremental District has been created in compliance with Wisconsin Statutes. Project costs are estimated at \$10 million and have been financed from 1995 and 1997 debt issues. Property taxes to be generated in future years, measured by the increment in value of the property in the District over the base year, are to be used to retire the interest and principal of the debt issue.

In 2004, the City adopted Resolution #04-182 which amended the project plan for the City of Wauwatosa Tax Incremental District No. 2. The additional project costs are estimated at \$27.6 million and include the purchase and leasing of approximately 23.5 acres of land, construction of a four story parking structure, site preparation, and a second mortgage loan to the developer. The project costs have been financed by a \$24.5 million 2004 debt issue and other available funds.

2. In 2000, the City adopted Resolution #00-160 creating "City of Wauwatosa Tax Incremental District No. 3" to encourage development of the city tax base, efficient use of land, buildings and public improvements and private investment. The Tax Incremental District has been created in compliance with the Wisconsin Statutes. Project costs are estimated at \$2.6 million and will be financed with future debt issues. Property taxes to be generated in future years, measured by the increment in value of the property in the District over the base year, are to be used to retire the interest and principal of the debt issue.
3. In 2002, the City adopted Resolution #02-111 creating "City of Wauwatosa Tax Incremental District No. 4" to encourage development of the city tax base, efficient use of land, buildings and public improvements and private investment. The Tax Incremental District has been created in compliance with the Wisconsin Statutes. Project costs are estimated at \$500,000 and have been financed with an advance from the City's General Fund. Property taxes to be generated in future years, measured by the increment in value of the property in the District over the base year, are to be used to repay the General Fund.
4. In 2007, the City adopted the Resolution #07-79 creating "City of Wauwatosa Tax Incremental District No. 5" to encourage development of the city tax base, efficient use of land, buildings and public improvements and private investment. The Tax Incremental District has been created in compliance with the Wisconsin Statutes. Project costs are estimated at \$1,950,000. The costs are to be paid by the developer. Property taxes to be generated in future years, measured by the increment in value of the property in the District over the base year, are to reimburse the developer for the costs incurred in accordance with the project plan.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 2 - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL  
STATEMENTS**

**Explanation of Certain Differences Between the Governmental  
Fund Balance Sheet and the Statement of Net Assets**

Long-term liabilities applicable to the City's governmental activities are not due and payable in the current period, and accordingly, are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities, both current and long-term, are reported in the statement of net assets.

Bonds and notes payable	\$ 49,973,559
Compensated absences	1,818,064
Accrued interest payable	546,904
Landfill postclosure liability	184,739
MADACC obligation	<u>87,852</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 52,611,118</u>

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

**Budgetary Information**

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in NOTE 1 except for the General Fund where actual (non-GAAP) revenues reflect actual (GAAP) revenues plus tax equivalent from the Enterprise Funds, Debt Service Fund levies and less proceeds from long term debt budgeted in prior years, and actual (non-GAAP) expenditures reflect actual (GAAP) expenditures adjusted for encumbrances, transfers to Debt Service Funds and intra-fund transfers to reserved and designated funds.

A budget has been adopted for all funds in accordance with Wisconsin Statute Section 65.90.

The budgeted amounts presented include any amendments made. Management may authorize transfers of budgeted amounts within departments. Certain transfers between departments and changes to the overall budget must be approved by a two-thirds council action. Supplemental appropriations during the year were approximately \$617,000. Appropriations lapse at year end unless specifically carried over. Carryovers to the following year were \$506,749. Expenditure control is at the total fund level for all funds.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS**

**A. Deposits and Investments**

The City's cash and investments at year end were comprised of the following:

	<u>Carrying Value</u>	<u>Bank Balance</u>
Petty cash	\$ 14,950	\$ -
Deposits		
Demand deposits	6,358,673	6,122,190
Demand deposits, interest bearing	1,384,162	1,384,162
Certificates of deposit	<u>26,536,339</u>	<u>26,536,338</u>
Total deposits	<u>34,279,174</u>	<u>34,042,690</u>
Investments		
U.S. agency securities	17,778,182	17,778,182
Investment pools:		
Commercial Paper	13,019,792	13,019,792
MBIA Municipal Investors Fund	6,724,279	6,724,279
Local Government Investment Pool	<u>41,100,743</u>	<u>41,100,743</u>
Total investments	<u>78,622,996</u>	<u>78,622,996</u>
<b>Total cash and investments</b>	<b><u>\$ 112,917,120</u></b>	<b><u>\$ 112,665,686</u></b>
Reconciliation to the Statement of Net Assets:		
Unrestricted cash and investments	\$ 56,425,253	
Restricted cash and investments	2,945,468	
Fiduciary Funds:		
Private purpose trust funds	61,708	
Agency funds	<u>53,484,691</u>	
<b>Total cash and investments</b>	<b><u>\$ 112,917,120</u></b>	

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for interest bearing accounts and unlimited coverage for noninterest bearing accounts.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**A. Deposits and Investments (continued)**

Any losses caused by failure of public depositories are also covered by the State Deposit Guarantee Fund. The fund provides coverage of \$400,000 in each financial institution above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at December 31, 2008, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund is abolished. This coverage has not been considered in computing custodial credit risk.

Certificates of deposit held in the Pool are covered by FDIC insurance, which applies to the proportionate public unit share of accounts. Commercial paper and negotiable certificates of deposit are also covered by a surety bond with Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults, reduced by any FDIC and State Guarantee Fund insurance. As of February 15, 2009 the Pool no longer has this bond.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government). Wells Fargo and M & I Bank's SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$100,000 may be in cash. Additionally, Wells Fargo, through HSBC Gibbs, has additional securities coverage of \$149.5 million per customer, subject to a \$600 million aggregate limit. SIPC coverage applies to \$23,501,242 of the City's investments.

The City does not maintain collateral agreements or insurance with its depository banks to cover uninsured balances.

***Custodial Credit Risk***

*Deposits* - Custodial risk is the risk that in the event of a financial institution failure, the City's deposits may not be returned to the City. The City's investment policy does not address custodial credit risk for deposits.

As of December 31, 2008, \$30,902,666 of the City's bank balance of \$34,042,690 was exposed to custodial credit risk as uninsured and uncollateralized.

*Investments* - For an investment, custodial credit risk is the risk that, in the event of the failure of the counter party, the City will not be able to recover the value of its investment or collateral securities that are in the possession of an outside party. The City investment policy does not address custodial credit risk for investments.

As of December 31, 2008, \$220,577 of the City's investment balance of \$78,622,996 was exposed to custodial credit risk as uninsured and uncollateralized.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**A. Deposits and Investments (continued)**

***Credit Risk***

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The City's investment policy does not address credit risk for investments.

Wisconsin Statutes limit investments in commercial paper and corporate bonds to securities which bear a rating in the top two rating categories issued by recognized statistical rating organizations. As of December 31, 2008 the City is exposed to credit risk with investments in the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
Local Government Investment Pool	41,100,743	Unrated
MBIA Municipal Investors Fund	6,724,279	AAA
Commercial Paper	<u>13,019,792</u>	A2P2
Total fair value of investments subject to credit risk	<u>\$ 60,844,814</u>	

***Interest Rate Risk***

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy does not address interest rate risk. As of December 31, 2008 the City's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Months)</u>
U.S. agency securities	\$ 17,778,182	26.6
Local Government Investment Pool	41,100,743	2.6
MBIA Municipal Investors Fund	6,724,279	Not Available
Commercial Paper	13,019,792	0.5

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**A. Deposits and Investments (continued)**

***Concentration of Credit Risk***

As of December 31, 2008, the City's investments had the following significant concentrations:

Investment Type	Concentration Percentage
Local Governmental Investment Pool	52%
MBIA Municipal Investors Fund	9%
Commercial Paper	17%

**B. Receivables**

Receivables as of year end for the government's individual major funds and nonmajor and fiduciary funds detailed according to source are displayed on the face of the fund financial statements. As of December 31, 2008, an allowance for uncollectible accounts has been established for ambulance billings of \$164,521.

**C. 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. Property taxes receivable for the subsequent year are not earned and cannot be used to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received, but not yet earned. At the end of the current fiscal year, the various components of deferred revenue and unearned revenue reported in the governmental funds were as follows:

	Unavailable	Unearned	Total
Property taxes receivable	\$ -	\$ 41,336,315	\$ 41,336,315
Retiree health insurance billings	-	135,156	135,156
Unspent grant proceeds	-	87,382	87,382
Water utility pension loan payment	-	28,676	28,676
Flood acquisition contributions/rents	-	116,708	116,708
Special assessments	526,170	-	526,170
	\$ 526,170	\$ 41,704,237	\$ 42,230,407

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**D. Restricted Assets**

Following is a list of restricted assets at December 31, 2008:

<b>Governmental activities</b>	
Cash and investments - lease revenue bond reserve	<u>\$ 975,000</u>
<b>Business-type activities</b>	
Cash and investments	
Special Redemption Funds	
Bond Reserve Fund	\$ 596,247
Bond Principal and Interest Fund	<u>951,114</u>
Total Special Redemption Funds	1,547,361
Waterworks System Improvement Fund	<u>423,107</u>
 Total business-type activities	 <u>\$ 1,970,468</u>

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**E. Capital Assets**

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

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Governmental activities</b>				
Capital assets not being depreciated				
Land	\$ 21,563,503	\$ 1,038,220	\$ -	\$ 22,601,723
Construction in progress	-	1,261,063	-	1,261,063
Total capital assets not being depreciated	<u>21,563,503</u>	<u>2,299,283</u>	<u>-</u>	<u>23,862,786</u>
Capital assets being depreciated				
Buildings	13,804,210	457,788	-	14,261,998
Improvements	335,121	98,538	-	433,659
Machinery and equipment	14,523,010	1,273,829	822,180	14,974,659
Infrastructure	59,084,737	2,963,856	93,107	61,955,486
Total capital assets being depreciated	<u>87,747,078</u>	<u>4,794,011</u>	<u>915,287</u>	<u>91,625,802</u>
Less: accumulated depreciation for				
Buildings	8,449,185	305,035	-	8,754,220
Improvements	310,706	6,283	-	316,989
Machinery and Equipment	8,599,470	1,182,800	768,707	9,013,563
Infrastructure	28,729,809	2,118,115	93,107	30,754,817
Total accumulated depreciation	<u>46,089,170</u>	<u>3,612,233</u>	<u>861,814</u>	<u>48,839,589</u>
Capital assets being depreciated, net of depreciation	<u>41,657,908</u>	<u>1,181,778</u>	<u>53,473</u>	<u>42,786,213</u>
Total capital assets, net of depreciation	<u>\$ 63,221,411</u>	<u>\$ 3,481,061</u>	<u>\$ 53,473</u>	<u>\$ 66,648,999</u>

Depreciation expense was charged to functions as follows:

<b>Governmental activities</b>	
General government	\$ 83,806
Protection of persons and property	419,075
Health and sanitation	3,966
Highway and transportation, which includes the depreciation of infrastructure	2,131,635
Education and recreation	157,543
Depreciation expense-allocated with Internal Service Fund	<u>816,208</u>
Total governmental activities depreciation expense	<u>\$ 3,612,233</u>

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**E. Capital Assets (continued)**

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<b>Business-type activities</b>				
Capital assets not being depreciated				
Land	\$ 80,062	\$ 1,343	\$ -	\$ 81,405
Capital assets being depreciated				
Buildings	765,796	23,945	52,903	736,838
Utility Systems	33,458,233	495,677	45,894	33,908,016
Machinery and equipment	1,439,002	2,299	12,950	1,428,351
Sanitary sewer	46,729,551	3,209,016	174,279	49,764,288
Storm sewer	28,465,802	2,068,632	85,359	30,449,075
Total capital assets being depreciated	<u>110,858,384</u>	<u>5,799,569</u>	<u>371,385</u>	<u>116,286,568</u>
Less: accumulated depreciation for				
Buildings	383,498	24,428	1,166	406,760
Utility Systems	9,093,916	560,602	36,356	9,618,162
Machinery and equipment	1,065,672	48,242	12,950	1,100,964
Sanitary sewer	17,910,167	682,429	174,278	18,418,318
Storm sewer	8,617,644	395,838	85,358	8,928,124
Total accumulated depreciation	<u>37,070,897</u>	<u>1,711,539</u>	<u>310,108</u>	<u>38,472,328</u>
Capital assets being depreciated, net of depreciation	<u>73,787,487</u>	<u>4,088,030</u>	<u>61,277</u>	<u>77,814,240</u>
Total capital assets, net of depreciation	<u>\$ 73,867,549</u>	<u>\$ 4,089,373</u>	<u>\$ 61,277</u>	<u>\$ 77,895,645</u>

Depreciation expense was charged to functions as follows:

<b>Business-type activities</b>	
Water Utility	
Depreciation	\$ 602,654
Depreciation charged to Water Utility operation and maintenance expenses	12,165
Depreciation charged to Sanitary Sewer expenses	<u>18,453</u>
	633,272
Sanitary Sewer	682,429
Storm Water Management	<u>395,838</u>
Total business-type activities depreciation expense	<u>\$ 1,711,539</u>

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**F. Interfund Receivables/Payables and Transfers**

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
<b>Governmental Funds</b>		
General Fund	Water Utility	\$ 593,845
General Fund	Non-major Governmental funds	<u>437,494</u>
		<u>1,031,339</u>
<b>Proprietary Funds</b>		
General Liability	Water Utility	45,300
Sanitary Sewer	Water Utility	9,013
Sanitary Sewer	General Fund	232,625
Storm Water Management	General Fund	68,025
Water Utility	General Fund	315,865
Water Utility	Sanitary Sewer	<u>15,945</u>
		<u>686,773</u>
Total interfund receivables		<u>\$ 1,718,112</u>

The General Fund advanced \$575,000 to the Special Revenue Fund - Tax Increment District in 2002. This advance earns interest at rates ranging from 4.3% to 6.45% and is due in annual installments from 2008 through 2016. The outstanding balance as of December 31, 2008 was \$450,000.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**F. Interfund Receivables/Payables and Transfers (continued)**

The following is a schedule of interfund transfers:

<u>Transferred To</u>	<u>Transferred From</u>	<u>Amount</u>
General Fund	Internal Service Funds	\$ 26,340
	Water Utility	<u>532,043</u>
		<u>558,383</u>
Special Revenue Fund - Tax Incremental District	Capital Projects -	
	Redevelopment Authority Lease	<u>25,813</u>
	Revenue Bond	
Debt Service Fund	General Fund	1,125,000
	Internal Service Funds	<u>75,490</u>
		<u>1,200,490</u>
Capital Projects Fund - General Obligation Debt Issue Fund	General Fund	284,930
	Special Revenue Funds	
	Tax Incremental District	1,550,162
	Special Assessments	718,387
	Internal Service Funds	<u>796,815</u>
	<u>3,350,294</u>	
Capital Projects Fund - Redevelopment Authority Lease Revenue Bond	Special Revenue Fund - Tax Incremental District	<u>2,692,908</u>
Internal Service Funds	General Fund	113,000
	Internal Service Fund	15,000
	Capital Projects Fund -	
	General Obligation Debt Issue Fund	<u>805,272</u>
	<u>933,272</u>	
	<u>\$ 8,761,160</u>	

During the year, existing capital assets related to governmental funds, with a book value of \$1,263,651 were transferred to the Enterprise funds. This amount has been reported as a capital contribution in the enterprise funds rather than a transfer of financial resources. However, in the government-wide statements a transfer of capital resources was reported.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**G. Long-Term Obligations**

Long-term obligations activity for the year ended December 31, 2008 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Due Within One Year</u>
<b>Governmental activities</b>					
Bonds and notes payable					
General obligation debt					
Promissory notes and bonds	\$ 10,611,749	\$ 3,906,000	\$ 1,967,691	\$ 12,550,058	\$ 2,102,610
State Trust Fund loans	8,831,889	400,000	333,388	8,898,501	442,798
Total general obligation debt	<u>19,443,638</u>	<u>4,306,000</u>	<u>2,301,079</u>	<u>21,448,559</u>	<u>2,545,408</u>
Redevelopment lease revenue bond	<u>29,700,000</u>	<u>-</u>	<u>1,175,000</u>	<u>28,525,000</u>	<u>1,375,000</u>
Total bonds and notes payable	<u>49,143,638</u>	<u>4,306,000</u>	<u>3,476,079</u>	<u>49,973,559</u>	<u>3,920,408</u>
Other Liabilities					
Accrued unused vacation	1,726,937	161,362	-	1,888,299	1,888,299
Landfill postclosure liability	192,386	-	7,647	184,739	9,792
MADACC obligation	<u>102,083</u>	<u>-</u>	<u>14,231</u>	<u>87,852</u>	<u>14,231</u>
Total other liabilities	<u>2,021,406</u>	<u>161,362</u>	<u>21,878</u>	<u>2,160,890</u>	<u>1,912,322</u>
Total governmental activities long-term liabilities	<u>\$ 51,165,044</u>	<u>\$ 4,467,362</u>	<u>\$ 3,497,957</u>	<u>\$ 52,134,449</u>	<u>\$ 5,832,730</u>
<b>Business-type activities</b>					
Bonds and notes payable					
General obligation debt	\$ 11,962,912	\$ 4,294,000	\$ 1,779,008	\$ 14,477,904	\$ 1,695,306
Revenue bonds	<u>5,735,000</u>	<u>-</u>	<u>780,000</u>	<u>4,955,000</u>	<u>830,000</u>
Total business-type activities long-term liabilities	<u>\$ 17,697,912</u>	<u>\$ 4,294,000</u>	<u>\$ 2,559,008</u>	<u>\$ 19,432,904</u>	<u>\$ 2,525,306</u>

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**G. Long-Term Obligations (continued)**

***Governmental Activities Debt***

***General Obligation Debt***

General obligation debt of the governmental activities is shown below.

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Balance 12/31/08</u>
Corporate purpose bond	03/15/96	12/01/11	4.1 - 6.1%	\$3,785,650	<u>\$ 538,160</u>
Refunding bond	10/15/04	10/01/09	2.5 - 3.0	1,908,760	<u>325,000</u>
State Trust Fund loans	01/25/05	03/15/24	5.25	9,815,080	8,498,501
	01/09/08	03/15/12	4.75	400,000	<u>400,000</u>
					<u>8,898,501</u>
Promissory notes	04/01/99	12/01/08	4.0 - 4.7	857,446	-
	04/01/00	12/01/09	5.1 - 5.4	1,677,048	292,215
	05/15/01	12/01/10	4.3 - 4.5	1,790,617	665,080
	03/15/02	12/01/11	2.8 - 4.1	1,988,000	1,022,400
	04/01/03	12/01/12	2.0 - 3.15	2,709,700	1,703,240
	03/15/04	12/01/13	2.0 - 3.13	902,980	584,675
	03/15/05	12/01/14	3.375 - 4.0	1,003,200	836,000
	04/01/06	12/01/15	3.625 - 4.0	1,803,000	1,600,186
	04/15/07	12/01/16	4.0	1,142,382	1,077,102
	05/01/08	12/01/17	3.0 - 3.5	1,906,000	<u>1,906,000</u>
					<u>9,686,898</u>
Bond anticipation note	11/1/2008	11/01/10	4.0	2,000,000	<u>2,000,000</u>
<b>Total general obligation debt</b>					<u><b>\$21,448,559</b></u>

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**G. Long-Term Obligations (continued)**

***Governmental Activities Debt* (continued)**

*Redevelopment Lease Revenue Bond*

The Wauwatosa Redevelopment Authority has the following debt outstanding:

<u>Type</u>	<u>Date of Loan</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance 12/31/08</u>
Redevelopment Lease Revenue Bond	08/15/04	12/01/17	5.40%	24,500,000	22,325,000
Redevelopment Lease Revenue Bond	10/15/07	12/01/12	4.00%	<u>6,200,000</u>	<u>6,200,000</u>
<b>Totals</b>				<b><u>\$ 30,700,000</u></b>	<b><u>\$28,525,000</u></b>

The bonds are not a general obligation of the Authority or the City and do not constitute indebtedness of the City or the Authority within any constitutional or statutory limitation or provision. The bonds are limited obligations of the Authority payable solely from the revenues and income derived by the Authority pursuant to the terms of the respective lease agreements dated in 1997 and 2004 between the Authority and the City. The 2007 bonds are payable from the revenues and income derived from the Authority on a parity with the 2004 bonds and from the amounts available in the reserve account for the 2007 bonds. The 2004 bonds are payable from the revenues and income derived from the Authority on a parity basis with the 1997 bonds and from the amounts available in the reserve account for the 1997 bonds.

The lease agreements generally provide for payments by the City to the Authority in amounts sufficient to pay the principal and interest on the bonds as they come due. It is the City's intent to annually budget the rental payments under the Lease Agreements, and finance such payments with tax increments generated by Tax Incremental District No. 2, subject to annual appropriation by the Common Council. In addition, Milwaukee County has agreed to guarantee payment if tax increments generated by Tax Incremental District No. 2 are insufficient to pay principal and interest due on the 2004 and 2007 bonds.

The Wauwatosa Redevelopment Authority is part of the primary government for financial reporting purposes. Consequently, the Authority's debt and assets are reported as part of the City's debt and assets. Accordingly, the City has reported the debt issue in its Long-Term Obligations. Debt service activity is reported in the City's Debt Service Fund. Lease arrangements between the City and Authority have been eliminated for reporting purposes.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**G. Long-Term Obligations (continued)**

***Business-type Activities Debt***

Debt of the business-type activities is shown below.

Type	Date of Loan	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance 12/31/08
<b>WATER</b>						
Waterworks System						
Revenue Bonds						
Series 1995	11/01/95	4.2 - 5.3%	1/1/98-09	1/1&7/1	\$ 1,300,000	\$ 155,000
Series 1998	06/01/98	4.85 - 5.6	1/1/99-18	1/1&7/1	2,000,000	1,250,000
Series 1999	01/01/99	3.95 - 6.0	1/1/00-09	1/1&7/1	1,840,000	225,000
Series 2002	07/15/02	2.5 - 5.75	1/1/03-22	1/1&7/1	4,000,000	3,125,000
Series 2003	12/02/03	2.75 - 3.125	1/1/05-09	1/1&7/1	900,000	200,000
						4,955,000
State Trust Fund Loan	01/25/05	5.25	3/15/06-24	3/15	426,460	385,591
Total Water Utility						5,340,591
<b>SANITARY SEWER</b>						
Promissory Notes						
Series 2000	04/01/00	5.1 - 5.4	12/1/01-09	6/1&12/1	1,048,092	182,620
Series 2001	05/15/01	4.375 - 4.5	12/1/02-10	6/1&12/1	1,006,933	374,011
Series 2002	03/15/02	2.875 - 4.15	12/1/03-11	6/1&12/1	991,900	357,300
Series 2003	04/01/03	2.0 - 3.15	12/1/04-12	6/1&12/1	318,500	200,200
Series 2004	03/15/04	2.0 - 3.125	12/1/05-13	6/1&12/1	610,190	464,275
Series 2005	05/01/05	3.375 - 4.10	12/1/06-14	6/1&12/1	1,303,500	1,055,450
Series 2006	04/01/06	3.625 - 4.0	12/1/07-15	6/1&12/1	1,382,000	1,226,525
Series 2007	04/15/07	4.0	12/1/08-16	6/1&12/1	1,043,018	983,418
Series 2008	05/01/08	3.0 - 3.5	12/1/09-17	6/1&12/1	1,141,000	1,141,000
						5,984,799
General Obligation Corporate Purpose Bonds						
Series 1996	03/15/96	4.1 - 6.1	12/1/97-11	6/1&12/1	701,330	99,687
State Trust Fund Loan	01/25/05	5.25	3/15/06-24	3/15	70,311	63,638
Total Sanitary Sewer						6,148,124

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**G. Long-Term Obligations (continued)**

***Business-type Activities Debt* (continued)**

Type	Date of Loan	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance 12/31/08
<b>STORM WATER MAINTENANCE</b>						
Promissory Notes						
Series 2000	04/01/00	5.1 - 5.4%	12/1/01-09	6/1&12/1	\$ 574,860	\$ 100,165
Series 2001	05/15/01	4.375 - 4.5	12/1/02-10	6/1&12/1	702,450	260,910
Series 2002	03/15/02	2.875 - 4.15	12/1/03-11	6/1&12/1	817,250	420,300
Series 2003	04/01/03	2.0 - 3.15	12/1/04-12	6/1&12/1	471,800	296,560
Series 2004	03/15/04	2.0 - 3.125	12/1/05-13	6/1&12/1	921,380	701,050
Series 2005	05/01/05	3.375 - 4.0	12/1/06-14	6/1&12/1	1,030,260	858,550
Series 2006	04/01/06	3.625 - 4.0	12/1/07-15	6/1&12/1	815,000	723,290
Series 2007	04/15/07	4.0	12/1/08-16	6/1&12/1	1,314,600	1,239,480
Series 2008	05/01/08	3.0 - 3.5	12/1/09-17	6/1&12/1	3,153,000	<u>3,153,000</u>
						7,753,305
General Obligation Corporate Purpose Bonds						
Series 1996	03/15/96	4.1 - 6.1	12/1/97-11	6/1&12/1	613,020	87,145
State Trust Fund Loan						
	01/25/05	5.25	3/15/06-24	3/15	114,609	<u>103,739</u>
Total Storm Water Maintenance						<u>7,944,189</u>
Total business-type activities debt						<u>\$ 19,432,904</u>

The Water Utility has \$4,955,000 in Waterworks System Revenue Bonds outstanding at December 31, 2008. The bonds are not general obligations of the City of Wauwatosa and are payable from income and revenues derived from the operations of the system in accordance with the resolution adopted in conjunction with the issuance of the debt. The resolution creates a statutory mortgage lien upon the system and its revenues in accordance with Section 66 of Wisconsin Statutes. The Utility has established certain funds, as described in the resolution, to account for the allocation of the Utility's gross revenue and has deposited funds in compliance with the bond covenants. The Water system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

There are a number of limitations and restrictions contained in the bond indentures. The City believes it is in compliance with all significant limitations and restrictions.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**G. Long-Term Obligations (continued)**

***Annual Maturities of General Obligation Debt, Redevelopment Lease Revenue Bonds,  
and Water System Revenue Bonds***

Debt service requirements to maturity are as follows:

	<u>Governmental Long-Term Debt</u>		<u>Business-type Long-Term Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2009	3,920,408	2,371,069	2,525,306	763,927
2010	6,363,609	2,201,452	2,104,536	672,580
2011	4,422,381	1,932,598	2,146,162	592,034
2012	10,347,573	1,738,456	2,071,532	512,883
2013	3,782,129	1,298,462	2,203,075	436,468
2014 - 2018	17,118,095	3,483,133	7,020,773	1,025,395
2019 - 2023	3,260,958	730,702	1,312,180	161,294
2024 - 2028	<u>758,406</u>	<u>39,926</u>	<u>49,340</u>	<u>2,597</u>
Totals	<u>\$ 49,973,559</u>	<u>\$ 13,795,798</u>	<u>\$ 19,432,904</u>	<u>\$ 4,167,178</u>

All general obligation notes and bonds payable are backed by the full faith and credit of the City. Notes and bonds in the governmental funds will be retired by future property tax levies or tax increments accumulated by the debt service fund. Business-type activities debt is payable by revenues from user fees of those funds or, if the revenues are not sufficient, by future tax levies.

***Margin of Indebtedness***

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2008, was \$282,260,960. Total general obligation debt outstanding at year end was \$35,926,463.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**G. Long-Term Obligations (continued)**

***Landfill Postclosure Liability***

State and federal laws and regulations require the City to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site after closure. Future landfill maintenance and monitoring costs are estimated to be a total of \$184,739 over the next 21 years.

***MADACC Obligation - Intermunicipal Agreement***

The City is a member of the Milwaukee Area Domestic Animal Control Commission along with eighteen other communities within Milwaukee County. The commission was created by an agreement signed in 1997 pursuant to the provisions of Section 66.30 of the Wisconsin Statutes. The commission was established to provide a jointly operated animal control services facility. The commission is governed by a nineteen member Board consisting of one representative from each municipality, each having one vote. Formulas for the sharing of operating and debt costs, and for the distribution of assets upon termination of participation, are provided within the agreement. In 1997, the commission borrowed \$2.5 million at 5.75%, due annually from 1998 through 2013, for the purchase of land and the construction of a facility. The City's share of that borrowing is included in the Long-Term Obligations.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**H. Net Assets / Fund Balances**

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

***Governmental Activities***

Invested in capital assets, net of related debt	
Nondepreciated	23,862,786
Depreciated	42,786,213
Less: related debt excluding unspent bond proceeds	<u>(13,941,785)</u>
Total invested in capital assets, net of related debt	52,707,214
Restricted for debt service	150,000
Unrestricted	<u>7,472,572</u>
Total governmental activities net assets	<u>\$ 60,329,786</u>

***Business-type Activities***

Invested in capital assets, net of related debt	
Land	\$ 81,405
Other capital assets, net of accumulated depreciation	77,814,240
Less: related long-term debt outstanding (net of unspent proceeds of debt)	<u>(18,879,936)</u>
Total Invested in Capital Assets	<u>59,015,709</u>
Restricted net assets	
Restricted for debt service reserve	596,247
Restricted for debt service principal and interest	830,000
Restricted for water system improvement	<u>423,107</u>
Total Restricted Net Assets	<u>1,849,354</u>
Unrestricted	<u>8,186,638</u>
Total Business Type-Activities Net Assets	<u>\$ 69,051,701</u>

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**H. Net Assets / Fund Balances (continued)**

***Governmental Fund Balances***

Governmental fund balances reported on the fund financial statements at December 31, 2008 include the following:

<b>Reserved</b>	
Major Funds	
General Fund -	
Prepayments	189,124
Non-current receivables	<u>1,391,960</u>
	<u>1,581,084</u>
Non-Major Funds - Redevelopment Authority Lease Revenue Bond	<u>975,000</u>
Total reserved fund balance	<u>2,556,084</u>
<b>Unreserved</b>	
Major Funds	
General Fund -	
Designated for general contingencies	133,241
Designated for subsequent years expenditures	506,749
Designated for subsequent years budget appropriations	1,814,082
Designated for debt service and capital improvements	7,759,111
Undesignated	<u>6,177,665</u>
Total general fund	<u>16,390,848</u>
Special Revenue Fund - Tax Increment District	
Designated for eligible program costs	<u>14,640,723</u>
Nonmajor Funds	
Special Revenue Fund - Library Fund	
Designated for library activities	<u>771,233</u>
Capital Projects Fund - General Obligation Debt Issue Fund	
Designated for park improvements	3,780,972
Designated for subsequent years expenditures	<u>2,841,246</u>
	<u>6,622,218</u>
Debt Service Fund - Undesignated	<u>205,580</u>
Total unreserved fund balance	<u>38,630,602</u>
Total governmental fund balance	<u>\$ 41,186,686</u>

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)**

**H. Net Assets / Fund Balances (continued)**

The reserve for debt amortization is governed by Section 3.04 of the Wauwatosa Municipal Code, which provides that the reserve may be used to pay principal and interest on the outstanding debt upon the direction of the City's Common Council. The ordinance further provides that the Board of Public Debt Commissioners may, with the approval of the Common Council, apply all or any part of the fund for any purpose for which municipal bonds may be legally issued.

**NOTE 5 - OTHER INFORMATION**

**A. Employees' Retirement System**

All eligible City of Wauwatosa employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year are eligible to participate in the System. 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 generally 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 employees covered by the system for the year ended December 31, 2008 was \$28,114,092; the employer's total payroll was \$27,957,371. The total required contribution for the year ended December 31, 2008 was \$4,220,964 or 15.01% of covered payroll. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ending December 31, 2007 and 2006 were \$3,963,993 and \$3,782,474, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) 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 years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 5 - OTHER INFORMATION** (continued)

**A. Employees' Retirement System** (continued)

The System also provides death and disability benefits for employees. Eligibility for and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. The System 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.

The City has no pension related debt as of December 31, 2008.

The City currently provides contributions to the Wisconsin Retirement System for employees formerly covered under the City-sponsored and administered Police-Fire pension fund. This fund was terminated by State Statute in a prior year. In accordance with the statute terminating the pension funds, the City chose a "pay-as-you-go" basis for pension contributions in which payments are made to the Wisconsin Retirement System as the benefits become due and payable to the participants of the old plan. The total expenditures for 2008 were \$36,249.

**B. Risk Management**

The City is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; natural disasters and worker's compensation. The City is self-insured for medical coverage for certain employees at December 31, 2008. The City purchases general and automobile liability insurance from the Cities and Villages Mutual Insurance Company. The City purchases commercial insurance for all other risks. There have been no significant reductions in insurance coverage for any risk of loss in the past year and settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

***Self-Insured General and Auto Liability***

In 1987, the City issued \$1,990,827 taxable General Obligation Refunding Bonds to provide financing of the City's participation in the Wisconsin Municipal Insurance Commission (WMIC). The WMIC is an intergovernmental cooperative commission formed to facilitate the formation of the Cities and Villages Mutual Insurance Company (CVMIC). In 1987, the WMIC issued \$28.645 million of revenue bonds to provide for the capitalization of the CVMIC. The CVMIC is a separate and distinct entity independent of the WMIC and is owned by the participating cities and villages of the WMIC. The CVMIC was formed to provide liability insurance to Wisconsin municipalities as of January 1, 1988. The CVMIC has an A.M. Best rating of A-.

Management of each organization consists of a board of directors or officers comprised of representatives elected by each of three classes of participants based on population. The City does not exercise any control over the activities of the agencies beyond the election of the officers and board.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 5 - OTHER INFORMATION** (continued)

**B. Risk Management** (continued)

***Self-Insured General and Auto Liability*** (continued)

In prior years, the CVMIC paid dividends to the City based on a schedule designed to enable the City to partially or totally finance the City's debt service requirements on its related general obligation issue. As of December 31, 2007, the City's debt and the WMIC's debt were paid in full. The WMIC has no assets, liabilities or financial activity for the year ended December 31, 2008.

Complete financial statements for the year ended December 31, 2008 for the CVMIC can be obtained from the CVMIC administrative office at 1250 S. Sunnyslope Road, Brookfield, WI 53005.

Member equity in the CVMIC includes the following components:

- Member equity ownership attributable to the WMIC bonds (\$25 million) is based on the amount of the bond the member delivered in proportion to the bonds delivered by all members. The City's percentage participation in WMIC and CVMIC at December 31, 2008 was 4.74% or \$1,184,453.
- Member equity ownership attributable to earnings on premiums and other non-borrowed assets is based on the aggregate premiums paid by the member in proportion to the premiums paid by all members, weighted to reflect length of membership. The CVMIC has not calculated this component of ownership as of December 31, 2008.

Upon withdrawal, expulsion or dissolution, a member is entitled to the following:

- A lump sum payment of its ownership percentage of unencumbered reserves attributable to earnings on premiums and other assets.
- A lump sum payment of its bond amount percentage of unencumbered reserves attributable to the WMIC bond proceeds.
- Annual installment payments of its bond amount percentage of the minimum permanent surplus in effect at the time of departure determined by dividing the amount of its ownership by the number of years the WMIC bonds will be outstanding, plus reasonable interest.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 5 - OTHER INFORMATION (continued)**

**B. Risk Management (continued)**

***Self-Insured General and Auto Liability* (continued)**

The CVMIC provides the City with \$10,000,000 of liability coverage for losses over its self-insured retention level of \$100,000 per occurrence with a \$400,000 aggregate stop loss. The City's annual cost is the sum of its annual premium, claims incurred and applicable to the self-insured retention and other operating expenses. An annual premium is charged to cover expected claims and administrative costs. The claims component of the premium is determined by independent actuaries and allocated among participating municipalities based on payroll and loss history. The City and other participating cities and villages are subject to cover loss experiences, which exceed predictions through retrospective assessments.

At December 31, 2008, the Risk Management General Liability Fund had net assets of \$1,392,927, which includes the City's Investment in CVMIC of \$1,184,453.

Changes in the claim liability amounts for the years ended December 31, 2008 and 2007 were as follows:

	<u>2008</u>	<u>2007</u>
Unpaid claims - Beginning of Year	\$ 51,152	\$ 126,539
Current year claims and changes in estimates	122,200	118,932
Claim payments	<u>108,673</u>	<u>194,319</u>
Unpaid claims - End of Year	<u>\$ 64,679</u>	<u>\$ 51,152</u>

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 5 - OTHER INFORMATION (continued)**

**B. Risk Management (continued)**

***Self-Insured Medical Care Coverage Plan***

The City maintains a self-insured medical care coverage plan for its employees which is accounted for in an Internal Service Fund. The plan provides coverage up to a maximum of \$75,000 per contract and approximately \$7,900,000 for the aggregate of contracts. The City purchases commercial insurance for claims in excess of coverage provided by the fund.

All funds of the City participate in the plan. The City does not maintain a reserve for the coverage of catastrophe losses. The claims liability of \$437,909 reported in the Internal Service Fund at December 31, 2008, is based on the requirements of the Governmental Accounting Standards Board 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 loss can be reasonably estimated. Changes in the claims liability amount for the years ended December 31, 2008 and 2007 were as follows:

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2007	1,034,129	6,504,428	6,630,783	907,774
2008	907,774	5,564,939	6,034,804	437,909

The City has approximately \$2 million of Internal Service Fund net assets available for future health insurance claims.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 5 - OTHER INFORMATION** (continued)

**C. Other Postemployment Benefits**

The City provides other postemployment benefits (OPEB) to its retirees for health insurance.

Plan Description

The City provides a single-employer defined benefit healthcare plan administered by United Health Care. The City provides medical and life insurance benefits for substantially all retirees in accordance with terms set forth in labor contracts.

The plan provides full health insurance coverage until age 65 to City employees hired prior to January 1, 2008 who reach normal retirement age as specified by the labor contracts. The plan provides up to 50% health coverage until age 65 to City employees hired after January 1, 2008 who reach normal retirement age and reach a specified number of years of service. Police and fire retirees hired after January 1, 2008 receive 50% of health coverage upon reaching age 50, and having five years of service. General and Department of Public Works employees receive health coverage based on their years of service such that retirees with 15, 20, 25, and 30 years of service receive annual health coverage premium contributions of 15, 30, 40, and 50 percent respectively.

The plan does not issue stand-alone financial statements.

Funding Policy

The contribution of plan members and the employer are established and may be amended by the City Common Council. The required contribution is based on pay-as-you-go financing. For 2008, City and plan members receiving benefits paid approximately \$1,605,135 toward medical insurance for retirees. This represents 5.7% of total payroll for the year.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 5 - OTHER INFORMATION (continued)**

**C. Other Postemployment Benefits (continued)**

Annual OPEB Costs and Net OPEB Obligation

The City's annual OPEB cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal costs each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years.

The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan (pay-as-you-go basis), and the changes in the District's net OPEB obligation

Annual Required Contribution (ARC)	\$ 5,252,588
Interest on Net OPEB Obligation	-
Adjustment to ARC	-
Annual OPEB Cost	5,252,588
Contribution made	(1,605,135)
Increase in net OPEB Obligation	3,647,453
Net OPEB obligation- beginning of year	-
Net OPEB obligation - end of year	\$ 3,647,453

The City's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2008 were as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2008	\$ 5,252,588	30.56%	\$ 3,647,453

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 5 - OTHER INFORMATION (continued)**

**C. Other Postemployment Benefits (continued)**

Funded Status and Funding Progress

The most recent actuarial valuation conducted by the City of Wauwatosa was as of October 1, 2008.

The actuarial accrued liability for benefits was \$52,485,692 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$52,485,692. The covered payroll (annual payroll of active employees covered by the plan) was \$27,128,508 and the ratio of the UAAL to the covered payroll was 193.47 percent.

Actuarial Methods and Assumptions

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. Examples include assumptions about future employment, mortality, and the healthcare cost trend amounts determined regarding the funded status of the plan and the annual required contributions of the Employer, and are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

The retiree healthcare valuation was based on the unit credit actuarial cost method. Calculations are based on the types of benefits provided under the terms of the substantive plan at the time of each valuation and on the pattern of sharing of costs between the employer and plan members to that point. In addition, the projection of benefits for financial reporting purposes does not explicitly incorporate the potential effects of legal or contractual funding limitations on the pattern of cost sharing between the employer and plan members in the future. Actuarial calculations reflect a long-term perspective. Consistent with that perspective, actuarial methods and assumptions used include techniques that are designed to reduce short-term volatility in actuarial accrued liabilities and the actuarial value of assets.

The OPEB valuation uses a discount rate assumption of 4 percent based on the City's projected short-term investment rate of return. The healthcare cost trends rate is 10 percent initially, and reduced by decrements to the ultimate rate of 4.5 percent after 70 years.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 5 - OTHER INFORMATION (continued)**

**D. Antenna Lease Agreements**

The City has lease agreements with cellular phone companies to lease water towers as sites for cellular antennas. The initial term of the leases was five years with the right to extend the leases for four additional five-year terms. All agreements have been extended for five additional years.

Rental income from rental of the water towers reported in other water revenues amounted to \$138,936.

Future minimum rentals related to these leases and expected future extensions are as follows:

2009	\$ 140,049
2010	158,014
2011	169,581
2012	170,851
2013	172,179
2014-2018	1,004,698
2019	<u>215,158</u>
	<u>\$ 2,030,530</u>

All leases have an automatic extension until at least the year 2019.

**E. Commitments and Contingencies**

Certain claims and judgments existed at December 31, 2008 that are not reflected in the accompanying financial statements. Also, the City self-insures its general liability, medical, dental and worker's compensation insurance up to specified limits. City's management and legal counsel do not anticipate any material losses from known occurrences.

The City participates in a number of State and Federally assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives. The audits of these programs for or including the year ended December 31, 2008 have not been conducted. 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.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 6 - TAX INCREMENTAL DISTRICTS 2, 3, 4 AND 5**

**A. Plan Summaries**

The City has created four Tax Incremental District funds. Tax Incremental District No. 2 was created on January 1, 1995, and its dissolution date is January 1, 2022. There have been three amendments to Tax Incremental District No. 2, occurring on April 15, 1997, April 20, 2004, and in April, 2007. These amendments did not affect the dissolution date of January 1, 2022. Tax Incremental District No. 3 was created on January 1, 2001, and its dissolution date is January 1, 2028. The Tax Incremental District No. 3 plan was amended on August 1, 2006. The amendment did not affect the dissolution date. Tax Incremental District No. 4 was created on January 1, 2002 and its dissolution date is January 1, 2029. Tax Incremental District No. 5 was created on April 3, 2007 and has a dissolution date of January 1, 2034.

**B. Cash and Investments**

The Tax Incremental Districts invest funds in accordance with the provisions of the Wisconsin Statutes Section 66.0603 and 67.11(2). The Tax Incremental Districts maintain common cash and investment accounts with the City of Wauwatosa. Disclosures related to cash and investments can be found in Note 4 of the financial statements.

**C. Interfund Advances**

The City of Wauwatosa General Fund advanced \$575,000 to the City of Wauwatosa Tax Increment District No. 4 in 2002. This advance incurs interest at rates ranging from 4.3 to 6.45% and is due in annual installments from 2008 to 2016. The outstanding balance as of December 31, 2008 was \$450,000.

A repayment schedule of the interfund advance is as follows:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2009	40,000	27,935	64,860
2010	45,000	25,635	67,935
2011	50,000	22,958	70,635
2012	55,000	19,933	72,958
2013	60,000	16,550	76,550
2014-2016	<u>200,000</u>	<u>26,665</u>	<u>226,665</u>
	<u>\$ 450,000</u>	<u>\$ 139,676</u>	<u>\$ 579,603</u>

As of December 31, 2008, \$135,625 is available in the Special Revenue Fund for debt payments.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 6 - TAX INCREMENTAL DISTRICTS 2, 3, 4 AND 5 (continued)**

**D. Long-term Debt**

Aggregate maturities of all long-term debt relating to Tax Incremental District No. 2 are shown below. As of December 31, 2008, \$16,295,077 is available in the Special Revenue TIF and Redevelopment Authority Lease Revenue Bond Funds for debt payments.

Aggregate maturities of all long-term debt relating to Tax Incremental District No. 2 are as follows:

Calendar Year	Principal	Interest	Total
2009	1,375,000	1,433,344	2,808,344
2010	2,075,000	1,371,469	3,446,469
2011	2,175,000	1,275,500	3,450,500
2012	8,475,000	1,168,925	9,643,925
2013	2,375,000	802,626	3,177,626
2014-2017	12,050,000	1,820,504	13,870,504
	<u>\$ 28,525,000</u>	<u>\$ 7,872,368</u>	<u>\$ 36,397,368</u>

**E. Supplemental Information**

The Historical Summary of Project Costs, Project Revenues and Net Cost to be Recovered Through Tax Increments, and the Historical Summary of Sources, Uses, and Status of Funds are provided as supplemental schedules to these financial statements. Those schedules are prepared in accordance with generally accepted accounting principles as applicable to governmental units and as defined by Wisconsin Statutes Sections 66.1105. The summary statements were prepared from data recorded in the following funds of the City of Wauwatosa.

Tax Incremental Financing Special Revenue Fund  
Redevelopment Authority Lease Revenue Bond Capital Projects Fund  
Debt Service Fund  
Capital Projects Fund

Detailed descriptions of the purpose of these funds can be found in Note 1 of the financial statements.

The data was consolidated for the purpose of these schedules. Therefore, the amounts shown in the schedules will not directly correlate with amounts shown in the basic financial statements of the City of Wauwatosa.

**CITY OF WAUWATOSA, WISCONSIN  
NOTES TO FINANCIAL STATEMENTS  
DECEMBER 31, 2008**

**NOTE 7 - RESTATEMENT**

The City has restated the General Fund balance and Governmental Activities net assets for the purpose of recording the payment in lieu of tax due from the water utility in the year levied.

As of January 1, 2008, the City has implemented two additional internal service funds, the Information Systems Fund, and the Municipal Building Complex Fund. Prior to January 1, 2008, the employees for these activities were accounted for in the General Fund, and accounted for the accrued vacation on these employees on the modified accrual basis. The City has recorded the beginning balance of the net book value of related capital assets and accrued vacation of related employees as a reduction to beginning net assets.

The City has restated the Internal Service Fund and Governmental Activities net assets to account for the investment in CVMIC at its percentage of ownership of the WMIC bonds.

The effect of these restatements are as follows:

	<u>General Fund</u>	<u>Internal Service Fund</u>	<u>Governmental Activities</u>
Fund balance / net assets, as reported, December 31, 2007	\$ 16,830,398	\$ 10,467,798	\$ 57,764,312
Payment in lieu of taxes recognized as of the beginning of the year	491,791	-	491,791
Adjustment of the reported investment in CVMIC		(662,509)	(662,509)
Accrued vacation for Information Systems employees, beginning of the year	-	(25,904)	-
Accrued vacation for Municipal Building Complex employees, beginning of the year	-	(6,944)	-
Capital assets for Information Systems book value, beginning of year	-	12,104	-
Fund balance / net assets, as restated, December 31, 2007	<u>\$ 17,322,189</u>	<u>\$ 9,784,545</u>	<u>\$ 57,593,594</u>

This information is an integral part of the accompanying financial statements.

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**APPENDIX B**

**PROPOSED FORM OF LEGAL OPINION  
FOR THE NANS**

Quarles & Brady LLP  
411 East Wisconsin Avenue  
Milwaukee, WI 53202

July 1, 2009

Re: City of Wauwatosa, Wisconsin ("Issuer")  
\$9,400,000 Note Anticipation Notes, Series 2009,  
dated July 1, 2009 ("Notes")

We have acted as bond counsel to the Issuer in connection with the issuance of the Notes. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

Pursuant to resolutions adopted by the Issuer on May 19, 2009 and June 16, 2009, the Issuer authorized the issuance and covenanted to issue general obligation promissory notes (the "Securities") and authorized the issuance of the Notes. The Notes are issued in anticipation of the sale of the Securities.

The Notes are numbered from R-1 and upward; bear interest at the rate of 1.75% per annum; and mature on November 1, 2010. Interest is payable semi-annually on May 1 and November 1 of each year commencing on May 1, 2010.

The Notes are not subject to optional redemption.

We further certify that we have examined a sample of the Notes and find the same to be in proper form.

Based upon our examination, it is our opinion under existing law that:

1. The Notes have been lawfully authorized and issued pursuant to the laws of the State of Wisconsin now in force and are valid and binding special obligations of the Issuer in accordance with their terms.

2. The Notes are payable only from any proceeds derived from the issuance and sale of the Notes set aside for payment of interest on the Notes and the proceeds to be derived from the issuance and sale of the Securities which have been declared by the Issuer to constitute a special trust fund to be expended solely for the payment of principal of and interest on the Notes until paid.

3. The Notes do not constitute a general obligation of the Issuer, and no lien is created upon any property of the Issuer as a result of the issuance of the Notes.

4. The interest on the Notes is excludable for federal income tax purposes from the gross income of the owners of the Notes. The interest on the Notes is not an item of tax preference for purposes of the federal alternative minimum tax imposed by Section 55 of the Internal Revenue Code of 1986, as amended (the "Code") on corporations (as that term is defined for federal income tax purposes) and individuals and is not included in adjusted current earnings for purposes of computing the alternative minimum tax imposed on corporations. The Code contains requirements that must be satisfied subsequent to the issuance of the Notes in order for interest on the Notes to be or continue to be excludable from gross income for federal income tax purposes. Failure to comply with certain of those requirements could cause the interest on the Notes to be included in gross income retroactively to the date of issuance of the Notes. The Issuer has agreed to comply with all of those requirements. The opinion set forth in the first sentence of this paragraph is subject to the condition that the Issuer comply with those requirements. We express no opinion regarding other federal tax consequences arising with respect to the Notes.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Notes. Further, we express no opinion regarding tax consequences arising with respect to the Notes other than as expressly set forth herein.

The rights of the owners of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and may be subject to the exercise of judicial discretion in accordance with general principles of equity, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

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**APPENDIX C**

**PROPOSED FORM OF LEGAL OPINION  
FOR THE NOTES**

Quarles & Brady LLP  
411 East Wisconsin Avenue  
Milwaukee, WI 53202

July 1, 2009

Re: City of Wauwatosa, Wisconsin ("Issuer")  
\$5,300,000 Taxable General Obligation Promissory Notes, Series 2009  
(Build America Bonds - Direct Payment), dated July 1, 2009 ("Notes")

We have acted as bond counsel to the Issuer in connection with the issuance of the Notes. In such capacity, we have examined such law and such certified proceedings, certifications, and other documents as we have deemed necessary to render this opinion.

Regarding questions of fact material to our opinion, we have relied on the certified proceedings and other certifications of public officials and others furnished to us without undertaking to verify the same by independent investigation.

The Notes are numbered from R-1 and upward; bear interest at the rates set forth below; and mature on December 1 of each year, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2010	\$300,000	2.125%
2011	400,000	2.375
2012	500,000	2.875
2013	600,000	3.375
2014	700,000	4.10
2015	700,000	4.375
2016	700,000	4.875
2017	700,000	5.00
2018	700,000	5.25

Interest is payable semi-annually on June 1 and December 1 of each year commencing on December 1, 2009.

The Notes are not subject to optional redemption.

The Notes shall be subject to redemption prior to maturity, in whole or in part, at the option of the Issuer, on any day, at a redemption price equal to 100% of the principal amount redeemed plus accrued interest to the date of redemption, in the event that an Extraordinary Event (as defined in the resolution awarding the Notes) occurs.

We further certify that we have examined a sample of the Notes and find the same to be in proper form.

Based upon our examination, it is our opinion under existing law that:

1. The Notes have been duly authorized and executed by the Issuer and are valid and binding general obligations of the Issuer.

2. All the taxable property in the territory of the Issuer is subject to the levy of ad valorem taxes to pay principal of, and interest on, the Notes, without limitation as to rate or amount. The Issuer is required by law to include in its annual tax levy the principal and interest coming due on the Notes except to the extent that necessary funds have been irrevocably deposited into the debt service fund account established for the payment of the principal of and interest on the Notes.

3. The interest on the Notes is included for federal income tax purposes in the gross income of the owners of the Notes.

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Notes. Further, we express no opinion regarding tax consequences arising with respect to the Notes other than as expressly set forth herein.

In order to comply with Treasury Circular 230, we are required to inform you that unless we have specifically stated to the contrary in writing, any advice contained in this opinion concerning tax issues or submissions is not intended to be used, and cannot be used, by the taxpayer for the purpose of avoiding any tax penalties that may be imposed upon the taxpayer by any governmental taxing authority or agency.

The rights of the owners of the Notes and the enforceability thereof may be subject to bankruptcy, insolvency, reorganization, moratorium and similar laws affecting creditors' rights and may be subject to the exercise of judicial discretion in accordance with general principles of equity, whether considered at law or in equity.

This opinion is given as of the date hereof, and we assume no obligation to revise or supplement this opinion to reflect any facts or circumstances that may hereafter come to our attention, or any changes in law that may hereafter occur.

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**APPENDIX D**

**CONTINUING DISCLOSURE CERTIFICATE  
FOR THE NANS**

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Wauwatosa, Milwaukee County, Wisconsin (the "Issuer") in connection with the issuance of \$9,400,000 Note Anticipation Notes, Series 2009, dated July 1, 2009 (the "Securities"). The Securities are being issued pursuant to an Authorizing Resolution adopted by the Governing Body of the Issuer on May 19, 2009 and an Award Resolution adopted by the Governing Body of the Issuer on June 16, 2009 (collectively, the "Resolution") and delivered to Hutchinson, Shockey, Erley & Co. (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

Section 1(a). Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Securities in order to assist the Participating Underwriters within the meaning of the Rule (defined herein) in complying with SEC Rule 15c2-12(b)(5). References in this Disclosure Certificate to holders of the Securities shall include the beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule.

Section 1(b). Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at [www.emma.msrb.org](http://www.emma.msrb.org) in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information as prescribed by the MSRB.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Final Official Statement" means the Final Official Statement dated June 16, 2009 delivered in connection with the Securities, which is available from the MSRB.

"Fiscal Year" means the fiscal year of the Issuer.

"Governing Body" means the Common Council of the Issuer or such other body as may hereafter be the chief legislative body of the Issuer.

"Issuer" means the City of Wauwatosa, Wisconsin which is the obligated person with respect to the Securities.

"Issuer Contact" means the Finance Director of the Issuer who can be contacted at 7725 West North Avenue, Wauwatosa, WI 53213, phone (414) 479-8962, fax (414) 479-8989.

"Material Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

"MSRB" means the Municipal Securities Rulemaking Board located at 1900 Duke Street, Suite 600, Alexandria, Virginia 22314.

"Participating Underwriter" means any of the original underwriter(s) of the Securities (including the Purchaser) required to comply with the Rule in connection with the offering of the Securities.

"Rule" means SEC Rule 15c2-12(b)(5) promulgated by the SEC under the Securities Exchange Act of 1934, as the same may be amended from time to time, and official interpretations thereof.

"SEC" means the Securities and Exchange Commission.

### Section 3. Provision of Annual Report and Audited Financial Statements.

(a) The Issuer shall, not later than 270 days after the end of the Fiscal Year, commencing with the year that ends December 31, 2009, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 270 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

(b) If the Issuer is unable or fails to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of that fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Report. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Final Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

1. Total Outstanding General Obligation Debt Summary
2. Total Outstanding Revenue Debt Summary, if any
3. Debt Ratios (including Equalized Value)

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities,

which are available to the public on the MSRB's Internet Website or filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference.

Section 5. Reporting of Material Events.

(a) This Section 5 shall govern the giving of notices of the occurrence of any of the following events if material with respect to the Securities:

1. Principal and interest payment delinquencies;
2. Non-payment related defaults;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Securities;
7. Modification to rights of holders of the Securities;
8. Securities calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities; and
11. Rating changes.

(b) Whenever a Material Event occurs, the Issuer shall as soon as possible determine under applicable legal standards if such event would constitute material information for holders of Securities, provided, that any event under subsection (a) (8), (9) or (11) will always be deemed to be material.

(c) If the Issuer determines that knowledge of the occurrence of a Material Event would be material, the Issuer shall promptly file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Material Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(d) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolution and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Securities.

Section 7. Issuer Contact; Agent. Information may be obtained from the Issuer Contact. Additionally, the Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertakings to violate the Rule. The provisions of this Disclosure Certificate constituting the Undertaking or any provision hereof, shall be null and void in the event that the Issuer delivers to the MSRB an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Securities. The provisions of this Disclosure Certificate constituting the Undertaking may be amended without the consent of the holders of the Securities, but only upon the delivery by the Issuer to the MSRB of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this Disclosure Certificate and by the Issuer with the Rule.

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 10. Default. (a) The Issuer has never failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events.

(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Securities may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Securities and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and holders from time to time of the Securities, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 1st day of July, 2009.

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Jill Didier  
Mayor

(SEAL)

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Carla A. Ledesma  
City Clerk

**APPENDIX E**

**CONTINUING DISCLOSURE CERTIFICATE  
FOR THE NOTES**

## CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Wauwatosa, Milwaukee County, Wisconsin (the "Issuer") in connection with the issuance of \$5,300,000 Taxable General Obligation Promissory Notes, Series 2009 (Build America Bonds - Direct Payment), dated July 1, 2009 (the "Securities"). The Securities are being issued pursuant to an Authorizing Resolution adopted by the Governing Body of the Issuer on May 19, 2009 and an Award Resolution adopted by the Governing Body of the Issuer on June 16, 2009 (collectively, the "Resolution") and delivered to Hutchinson, Shockey, Erley & Co. (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

Section 1(a). Purpose of the Disclosure Certificate. This Disclosure Certificate is being executed and delivered by the Issuer for the benefit of the holders of the Securities in order to assist the Participating Underwriters within the meaning of the Rule (defined herein) in complying with SEC Rule 15c2-12(b)(5). References in this Disclosure Certificate to holders of the Securities shall include the beneficial owners of the Securities. This Disclosure Certificate constitutes the written Undertaking required by the Rule.

Section 1(b). Filing Requirements. Any filing under this Disclosure Certificate must be made solely by transmitting such filing to the MSRB (defined herein) through the Electronic Municipal Market Access ("EMMA") System at [www.emma.msrb.org](http://www.emma.msrb.org) in the format prescribed by the MSRB. All documents provided to the MSRB shall be accompanied by the identifying information prescribed by the MSRB.

Section 2. Definitions. In addition to the defined terms set forth in the Resolution, which apply to any capitalized term used in this Disclosure Certificate unless otherwise defined in this Section, the following capitalized terms shall have the following meanings:

"Annual Report" means any annual report provided by the Issuer pursuant to, and as described in, Sections 3 and 4 of this Disclosure Certificate.

"Audited Financial Statements" means the Issuer's annual financial statements, which are currently prepared in accordance with generally accepted accounting principles (GAAP) for governmental units as prescribed by the Governmental Accounting Standards Board (GASB) and which the Issuer intends to continue to prepare in substantially the same form.

"Final Official Statement" means the Final Official Statement dated June 16, 2009 delivered in connection with the Securities, which is available from the MSRB.

"Fiscal Year" means the fiscal year of the Issuer.

"Governing Body" means the Common Council of the Issuer or such other body as may hereafter be the chief legislative body of the Issuer.

"Issuer" means the City of Wauwatosa, Wisconsin which is the obligated person with respect to the Securities.

"Issuer Contact" means the Finance Director of the Issuer who can be contacted at 7725 West North Avenue, Wauwatosa, WI 53213, phone (414) 479-8962, fax (414) 479-8989.

"Material Event" means any of the events listed in Section 5(a) of this Disclosure Certificate.

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### Section 3. Provision of Annual Report and Audited Financial Statements.

(a) The Issuer shall, not later than 270 days after the end of the Fiscal Year, commencing with the year that ends December 31, 2009, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 270 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

(b) If the Issuer is unable or fails to provide to the MSRB an Annual Report by the date required in subsection (a), the Issuer shall send in a timely manner a notice of that fact to the MSRB in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 4. Content of Annual Report. The Issuer's Annual Report shall contain or incorporate by reference the Audited Financial Statements and updates of the following sections of the Final Official Statement to the extent such financial information and operating data are not included in the Audited Financial Statements:

1. Total Outstanding General Obligation Debt Summary
2. Total Outstanding Revenue Debt Summary, if any
3. Debt Ratios (including Equalized Value)

Any or all of the items listed above may be incorporated by reference from other documents, including official statements of debt issues of the Issuer or related public entities, which are available to the public on the MSRB's Internet Website or filed with the SEC. The Issuer shall clearly identify each such other document so incorporated by reference.

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3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions or events affecting the tax-exempt status of the Securities;
7. Modification to rights of holders of the Securities;
8. Securities calls;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities; and
11. Rating changes.

(b) Whenever a Material Event occurs, the Issuer shall as soon as possible determine under applicable legal standards if such event would constitute material information for holders of Securities, provided, that any event under subsection (a) (8), (9) or (11) will always be deemed to be material.

(c) If the Issuer determines that knowledge of the occurrence of a Material Event would be material, the Issuer shall promptly file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Material Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

(d) Unless otherwise required by law, the Issuer shall submit the information in the format prescribed by the MSRB, as described in Section 1(b) of this Disclosure Certificate.

Section 6. Termination of Reporting Obligation. The Issuer's obligations under the Resolution and this Disclosure Certificate shall terminate upon the legal defeasance, prior redemption or payment in full of all the Securities.

Section 7. Issuer Contact; Agent. Information may be obtained from the Issuer Contact. Additionally, the Issuer may, from time to time, appoint or engage a dissemination agent to assist it in carrying out its obligations under the Resolution and this Disclosure Certificate, and may discharge any such agent, with or without appointing a successor dissemination agent.

Section 8. Amendment; Waiver. Notwithstanding any other provision of the Resolution or this Disclosure Certificate, the Issuer may amend this Disclosure Certificate, and any provision of this Disclosure Certificate may be waived, if such amendment or waiver is supported by an opinion of nationally recognized bond counsel to the effect that such amendment or waiver would not, in and of itself, cause the undertakings to violate the Rule. The provisions of this Disclosure Certificate constituting the Undertaking or any provision hereof, shall be null and void in the event that the Issuer delivers to the MSRB an opinion of nationally recognized bond counsel to the effect that those portions of the Rule which require this Disclosure Certificate are invalid, have been repealed retroactively or otherwise do not apply to the Securities. The provisions of this Disclosure Certificate constituting the Undertaking may be amended without the consent of the holders of the Securities, but only upon the delivery by the Issuer to the MSRB of the proposed amendment and an opinion of nationally recognized bond counsel to the effect that such amendment, and giving effect thereto, will not adversely affect the compliance of this Disclosure Certificate and by the Issuer with the Rule.

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(b) In the event of a failure of the Issuer to comply with any provision of this Disclosure Certificate any holder of the Securities may take such actions as may be necessary and appropriate, including seeking mandate or specific performance by court order, to cause the Issuer to comply with its obligations under the Resolution and this Disclosure Certificate. A default under this Disclosure Certificate shall not be deemed an event of default with respect to the Securities and the sole remedy under this Disclosure Certificate in the event of any failure of the Issuer to comply with this Disclosure Certificate shall be an action to compel performance.

Section 11. Beneficiaries. This Disclosure Certificate shall inure solely to the benefit of the Issuer, the Participating Underwriters and holders from time to time of the Securities, and shall create no rights in any other person or entity.

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 1st day of July, 2009.

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Jill Didier  
Mayor

(SEAL)

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Carla A. Ledesma  
City Clerk