

OFFICIAL STATEMENT

NEW ISSUE (BOOK ENTRY ONLY)

INVESTMENT RATING: "Aaa"
MOODY'S INVESTORS SERVICE INC.

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

**CITY OF WAUWATOSA
MILWAUKEE COUNTY, WISCONSIN
\$8,450,000 Taxable General Obligation Refunding Bonds, Series 2010A**

Dated: August 3, 2010

Due: March 1, As Shown Below

The Taxable General Obligation Refunding Bonds, Series 2010A (the "Bonds") are being issued pursuant to Chapter 67 of the Wisconsin Statutes. The Bonds will be general obligations of the City of Wauwatosa, Wisconsin (the "City") for which its full faith, credit and resources are pledged. The Bonds are being issued for the public purpose of paying the cost of refunding the City's State Trust Fund Loan dated January 25, 2005 on the early redemption date of August 3, 2010. (See "THE BONDS – Obligations to be Refunded" herein.)

The Bonds will mature March 1, as follows:

<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP No.¹</u>	<u>Year</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>CUSIP No.¹</u>
2011	\$ 450,000	2.125%	0.90%	943504N71	2016	\$ 550,000	3.25%	2.90%	943504P46
2012	495,000	2.25	1.25	943504N89	2017	575,000	3.75	3.40	943504P53
2013	505,000	1.75	1.70	943504N97	2018	600,000	4.00	3.75	943504P61
2014	515,000	2.30	2.00	943504P20	2019	625,000	4.25	4.00	943504P79
2015	530,000	3.25	2.65	943504P38	2020	650,000	4.50	4.25	943504P87

\$1,405,000 4.70% Term Bonds due March 1, 2022. Yield: 4.55%. CUSIP No. 943504Q29

\$1,550,000 5.00% Term Bonds due March 1, 2024. Yield: 4.85%. CUSIP No. 943504Q45

The Bonds 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 Bonds. 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 Bonds purchased.

Principal of the Bonds, payable each March 1, 2011 through 2020, and as a term bond maturing on March 1, 2022 (the "2022 Term Bonds") and as a term bond maturing on March 1, 2024 (the "2024 Term Bonds") and interest, payable each March 1 and September 1, commencing March 1, 2011, 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 Bonds as described herein. Associated Trust Company, National Association, Green Bay, Wisconsin will act as registrar and fiscal agent for the Bonds.

At the option of the City, the Bonds maturing on March 1, 2022 and thereafter are subject to redemption prior to maturity in whole or in part on March 1, 2020 or on any date thereafter at par plus accrued interest to the date of redemption.

The 2022 Term Bonds and the 2024 Term Bonds shall be subject to mandatory redemption prior to maturity by lot at par plus accrued interest to the date of redemption as set forth in the "THE BONDS – Redemption Provisions" herein.

The Bonds are offered when, as and if issued, subject to the receipt of the approving opinion of Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel. The Bonds will be available for delivery on or about August 3, 2010, through the facilities of DTC in New York, New York.

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

July 20, 2010

HutchinsonShockeyErley&Co

¹ See "CUSIP INFORMATION" 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 Bonds 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 Bonds 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 Bonds 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, 2014
Linda Janis-Nikceovich	1	April, 2012
Kathleen Causier	2	April, 2014
Eric B. Meaux (President)	2	April, 2012
Tim J. Hanson	3	April, 2014
Jacqueline S. Jay	3	April, 2012
Jill M. Organ	4	April, 2014
Dennis R. McBride	4	April, 2012
Bobby Pantuso	5	April, 2014
Michael G. Walsh	5	April, 2012
Brian M. Ewerdt	6	April, 2014
Thomas P. Herzog	6	April, 2012
Donald Birschel	7	April, 2014
Cheryl Berdan	7	April, 2012
Craig Wilson	8	April, 2014
Jason G. Wilke	8	April, 2012

ADMINISTRATIVE STAFF

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

BOND COUNSEL

Quarles & Brady LLP
Milwaukee, Wisconsin

UNDERWRITER

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

REGISTRAR AND FISCAL AGENT

Associated Trust Company, National Association
Green Bay, Wisconsin

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OFFICIAL STATEMENT

CITY OF WAUWATOSA MILWAUKEE COUNTY, WISCONSIN \$8,450,000 Taxable General Obligation Refunding Bonds, Series 2010A

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 \$8,450,000 Taxable General Obligation Refunding Bonds, Series 2010A dated August 3, 2010 of the City of Wauwatosa, Wisconsin.

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 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 BONDS

Purpose

The Bonds are being issued for the public purpose of paying the cost of refunding the City's State Trust Fund Loan dated January 25, 2005 (the "2005 STFL") on the early redemption date of August 3, 2010. (See "THE BONDS – Obligations to be Refunded" herein.)

The 2005 STFL was issued to pay the cost of financing the City's unfunded prior service liability contributions under the Wisconsin Retirement System.

Authority for Issuance

The Bonds are being issued pursuant to Chapter 67, Wisconsin Statutes, a Resolution Authorizing the Borrowing of \$8,410,000; and Providing for the Issuance and Sale of Taxable General Obligation Refunding Bonds Therefor (the "Initial Resolution") adopted by the Common Council on June 1, 2010, and a Resolution Awarding the Sale of \$8,450,000 Taxable General Obligation Refunding Bonds, Series 2010A (the "Resolution") adopted by the Common Council on July 20, 2010.

Description

The Bonds will be dated August 3, 2010 and will bear interest from their dated date to their respective maturities. Principal of the Bonds will be payable annually on each March 1, commencing March 1, 2011 through March 1, 2020, and as the 2022 Term Bonds and the 2024 Term Bonds. Interest will be payable each March 1 and September 1, commencing March 1, 2011.

Sources and Applications of Funds

Sources of Funds

Par Amount of Bonds	<u>\$ 8,450,000</u>
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Applications of Funds

Cost of Refunding the 2005 STFL	\$ 8,449,586
Contingency	414
Total	<u>\$ 8,450,000</u>

Obligations to be Refunded

The outstanding obligation to be refunded with Bond proceeds to the early redemption date of August 3, 2010 is as follows:

<u>Obligation</u>	<u>Original Amount Issued</u>	<u>Amount Outstanding</u>	<u>Maturity Dates to be Refunded</u>	<u>Amount to be Refunded</u>
2005 STFL	\$10,000,000	\$ 8,281,628	2011-2024	<u>\$ 8,281,628</u>

Sources of Payment for the Bonds

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 Bonds and the interest thereon.

Security for the Bonds

As security for the Bonds, 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 Bonds. The tax will be levied under the Resolution for collection in each of the years 2011 through 2024.

The 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 Bonds.

Redemption Provisions

Optional Redemption

At the option of the City, the Bonds maturing on March 1, 2022 and thereafter shall be subject to redemption prior to maturity on March 1, 2020 or on any date thereafter. Said Bonds shall be redeemable as a whole or in part, and if in part, from maturities selected by the City and within each maturity, by lot, at the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the Bonds of a maturity are to be redeemed, selection of the Bonds to be so redeemed shall be by lot conducted by DTC in accordance with its rules and practices (see "BOOK-ENTRY-ONLY SYSTEM" herein).

Mandatory Redemption

The 2022 Term Bonds and the 2024 Term Bonds (collectively, the "Term Bonds") shall be subject to mandatory redemption prior to maturity by lot on March 1 of each of the years and in the amounts set forth below at the price of par plus accrued interest to the date of redemption.

<u>\$1,405,000 Term Bonds due March 1, 2022</u>	
<u>Redemption Date</u>	<u>Amount</u>
March 1, 2021	\$ 685,000
March 1, 2022 (Maturity)	\$ 720,000

<u>\$1,550,000 Term Bonds due March 1, 2024</u>	
<u>Redemption Date</u>	<u>Amount</u>
March 1, 2023	\$ 755,000
March 1, 2024 (Maturity)	\$ 795,000

The Term Notes to be so redeemed in each such year shall be selected by lot from among the Term Bonds of that maturity then outstanding.

Notice of Redemption

Notice of redemption shall be given by facsimile transmission, certified or registered mail, overnight express delivery or electronic transmission to DTC or its nominee as the registered owner of the Bonds. Such notice shall be sent 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 RESOLUTIONS

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

The Initial Resolution authorizes the issuance and sale of the Bonds. The Resolution awards the Bonds to the Underwriter and establishes the form and terms of the Bonds, 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 Bonds. Pursuant to the 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 Bonds. The 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 Bonds.

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 the Securities, in the aggregate principal amount of such issue, 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 3.5 million issues of U.S. and non-U.S. equity issues, 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 is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. 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 and 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 issue 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 MMI 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, 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. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such securities by causing the Direct Participants to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender of a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

10. 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.

11. 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.

12. 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

Associated Trust Company, National Association, Green Bay, Wisconsin will act as the registrar and fiscal agent for the Bonds.

CUSIP INFORMATION

CUSIP is a registered trademark of the American Bankers Association. CUSIP data is provided by Standard & Poor's, CUSIP Service Bureau, a division of The McGraw-Hill Companies, Inc. CUSIP data herein is provided for convenience of reference only. The City and Underwriter take no responsibility for the accuracy of such data.

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 2009 population estimate of 45,800.

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
Derik Summerfield, Business Supervisor
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>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
City of Wauwatosa	45,800	45,880	45,930	46,120	46,312
Milwaukee County	931,830	938,490	937,324	936,892	938,995
State of Wisconsin	5,688,040	5,675,156	5,648,124	5,617,744	5,580,757

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>
2008	\$63,718	\$43,557	\$47,046
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

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>
2009	\$ 52,308,950
2008	29,933,434
2007	176,503,421
2006	106,047,776
2005	95,363,412

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:

	April <u>2010</u>	2009 <u>Average</u>	2008 <u>Average</u>	2007 <u>Average</u>	2006 <u>Average</u>	2005 <u>Average</u>
City of Wauwatosa	6.3%	6.5%	3.7%	3.7%	3.7%	3.7%
Milwaukee County	9.3	9.3	5.6	5.6	5.6	5.8
State of Wisconsin	8.2	8.5	4.8	4.8	4.7	4.8

Average Annual Employment

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
ALL INDUSTRIES	471,426	496,056	496,522	492,848	490,157
Construction	12,330	14,012	13,921	13,122	12,363
Education & Health Services	128,317	128,076	124,111	123,279	121,429
Financial Activities	36,117	37,219	37,323	37,220	37,824
Information	*	11,751	12,176	12,112	12,170
Leisure & Hospitality	43,760	44,506	45,098	43,734	42,715
Manufacturing	53,387	59,846	60,501	61,464	62,851
Natural resources & Mining	87	102	100	109	115
Other Services	15,975	15,996	15,682	15,283	15,640
Professional & Business Services	69,036	77,152	77,074	74,943	72,853
Public Administration	22,037	22,210	22,073	22,318	22,378
Trade, Transportation, Utilities	79,690	85,179	88,448	89,216	89,807
Not assigned	*	7	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 Employment</u>
Milwaukee Regional Medical Center	Medical facilities	13,500
Harley Davidson Inc.	Motorcycle manufacturer	1,384 ¹
Wauwatosa Unified School District	Education	1,152
Briggs & Stratton Corp.	Small engine manufacturer	1,100
GE Medical Systems, Inc.	IT, ultrasound & e-commerce functions	1,100 ¹
J.C. Penney Company	Warehouse, catalog sales, store	504
Lutheran Home of the Aging, Inc.	Nursing home; assisted living	502
UnitedHealth Care	Insurance	498
City of Wauwatosa	Municipal government	461
Grede Foundries Liberty Div.	Foundry iron castings; corporate offices	175
Penzeys Spices	Corporate headquarters; store	160
Bostik Findley	Adhesives	158

¹ As of May 2009.

Source: Employer survey, May 2010.

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 15th 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>
2010	\$35,827,935	\$ 6.79
2009	35,527,935	6.69
2008	34,506,385	6.52
2007	34,066,800	6.43
2006	33,076,013	8.49

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>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>
State	\$.17	\$.17	\$.18	\$.18	\$.24
Sewer District	1.33	1.31	1.34	1.30	1.83
County	5.17	5.00	5.10	4.96	6.95
City	6.79	6.69	6.52	6.43	8.49
School District	7.99	7.54	7.20	6.70	8.75
Technical College District	1.93	1.86	1.86	1.77	2.42
School and County Tax Credits	<u>(2.24)</u>	<u>(2.25)</u>	<u>(2.17)</u>	<u>(2.06)</u>	<u>(2.60)</u>
Net Tax Rate	\$ 21.14	\$ 20.32	\$ 20.03	\$ 19.28	\$ 26.08
Ratio of Assessed to Equalized	99.02%	97.91%	96.42%	99.82%	78.53%

Equalized Valuations

The City has experienced 9.17% 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>
2009	\$5,610,122,800	(0.62) %	\$5,324,737,600	(0.89) %
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

The equalized value by class of property for 2009 is as follows:

Real Estate	
Residential	\$ 3,541,250,800
Commercial	1,767,984,500
Manufacturing	<u>86,623,900</u>
Total Real Estate	5,395,859,200
Total Personal Property	<u>214,263,600</u>
 Total	 <u>\$ 5,610,122,800</u>

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>	<u>2006</u>	<u>2005</u>
Real Estate					
Residential	63.12%	64.09%	62.89%	65.05%	63.85%
Commercial	31.51	29.69	31.95	29.60	30.26
Manufacturing	1.54	1.68	1.61	1.82	1.77
Personal Property	<u>3.82</u>	<u>4.54</u>	<u>3.55</u>	<u>3.53</u>	<u>4.12</u>
	100.00%	100.00%	100.00%	100.00%	100.00%
 Total Equalized Value (billions)	 \$5.610	 \$5.645	 \$5.773	 \$5.505	 \$5.139

Largest Taxpayers for 2009

The table below shows the City's larger taxpayers for 2009.

<u>Name</u>	<u>Type of Business</u>	<u>2009 Assessed Valuation</u>	<u>Net Taxes Due</u>
Mayfair Property Inc. (Mayfair Mall)	Shopping center & office tower	\$ 287,447,670	\$ 6,078,644
Covenant Healthcare System Inc.	Health care provider	89,374,370	1,889,996
GE Medical Systems Inc.	IT, ultrasound & e-commerce functions	77,992,450	1,649,303
H-D Capital Drive LLC	Harley Davidson motorcycles	65,382,300	1,382,637
Bonstores Realty One LLC	Boston Store	27,424,250	579,940
Innovation Partners LLC	Office building	25,482,400	538,875
Briggs & Stratton Corp.	Small engine manufacturer	25,452,600	538,245
KL Hotel LLC	Crowne Plaza hotel	25,221,370	533,355
North Mayfair 8	Office buildings	22,740,000	480,882
J.C. Penney Properties Inc.	Warehouse; catalog sales; store	21,359,630	451,691
Chestnut Street Properties I LLC	Apartments	<u>20,483,100</u>	<u>433,155</u>
		<u>\$ 688,360,140</u>	<u>\$ 14,556,723</u>

DEBT STRUCTURE

Total Outstanding General Obligation Debt Summary

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	\$ 500,000
G.O. Prom. Notes, Series 2001	05/15/01	3,500,000	12/01/10	675,000
G.O. Prom. Notes, Series 2002	03/15/02	3,500,000	12/01/11	1,300,000
G.O. Prom. Notes, Series 2003	04/01/03	3,500,000	12/01/12	1,800,000
G.O. Prom. Notes, Series 2004	03/15/04	2,300,000	12/01/13	1,525,000
State Trust Fund Loan	01/25/05	10,000,000	03/15/24	8,281,628 ¹
G.O. Prom. Notes, Series 2005	05/01/05	3,300,000	12/01/14	2,500,000
G.O. Prom. Notes, Series 2006	04/01/06	4,000,000	12/01/15	3,200,000
G.O. Prom. Notes, Series 2007	04/15/07	3,500,000	12/01/16	3,100,000
State Trust Fund Loan	01/09/08	400,000	03/15/12	210,983
G.O. Prom. Notes, Series 2008	05/01/08	6,200,000	12/01/17	6,100,000
Taxable G.O. Prom. Notes, Series 2009 (Build America Bonds – Direct Payment)	07/01/09	5,300,000	12/01/18	5,300,000
Taxable G. O. Refunding Bonds, Series 2010A	08/03/10	8,450,000	03/01/24	<u>8,450,000</u> ²
Total General Obligation Debt				42,942,611
Less Refunding of 2005 STFL				(8,281,628)
Less Remaining 2010 Principal Payments				(3,925,000)
Net General Obligation Debt				<u>\$ 30,735,983</u>

¹ To be refunded with Bond proceeds.

² New issue.

Note Anticipation Note Debt by Issue ¹

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>
Total Note Anticipation Note Debt Outstanding				<u>\$ 11,400,000</u>

¹ 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.

General Obligation Debt Service Schedules

	\$5,100,000 G O Bonds Series 1996 - 03/15/96		\$3,500,000 G O Notes Series 2001 - 05/15/01		\$3,500,000 G O Notes Series 2002 - 03/15/02		\$3,500,000 G O Notes Series 2003 - 04/01/03	
	Principal		Principal		Principal		Principal	
	12/01	Interest	12/01	Interest	12/01	Interest	12/01	Interest
2010	\$ 250,000	\$ 23,000	\$ 675,000	\$ 30,375	\$ 625,000	\$ 53,325	\$ 500,000	\$ 55,012
2011	250,000	11,500			675,000	28,012	625,000	40,013
2012							675,000	21,262
	<u>500,000</u>	<u>34,500</u>	<u>675,000</u>	<u>30,375</u>	<u>1,300,000</u>	<u>81,337</u>	<u>1,800,000</u>	<u>116,287</u>
Less 2010 Payments	<u>250,000</u>	<u>23,000</u>	<u>675,000</u>	<u>30,375</u>	<u>625,000</u>	<u>53,325</u>	<u>500,000</u>	<u>55,012</u>
	\$ 250,000	\$ 11,500	\$ -	\$ -	\$ 675,000	\$ 28,012	\$ 1,300,000	\$ 61,275

General Obligation Debt Service Schedules continued

	<u>\$2,300,000 G O Notes Series 2004 - 3/15/04</u>		<u>\$10,000,000 State Trust Fund Loan - 01/25/05 ¹</u>		<u>\$3,300,000 G O Notes Series 2005 - 05/01/05</u>		<u>\$4,000,000 G O Notes Series 2006 - 04/01/06</u>	
	Principal		Principal		Principal		Principal	
	<u>12/01</u>	<u>Interest</u>	<u>03/15</u>	<u>Interest</u>	<u>12/01</u>	<u>Interest</u>	<u>12/01</u>	<u>Interest</u>
2010	\$ 325,000	\$ 46,843	\$ 394,766	\$ 455,511	\$ 350,000	\$ 91,731	\$ 350,000	\$ 123,969
2011	375,000	37,500			400,000	79,831	450,000	110,844
2012	400,000	25,781			575,000	65,831	500,000	93,969
2013	425,000	13,281			575,000	44,988	625,000	75,219
2014					600,000	24,000	625,000	51,000
2015							650,000	26,000
	<u>1,525,000</u>	<u>123,405</u>	<u>394,766</u>	<u>455,511</u>	<u>2,500,000</u>	<u>306,381</u>	<u>3,200,000</u>	<u>481,001</u>
Less 2010								
Payments	<u>325,000</u>	<u>46,843</u>	<u>394,766</u>	<u>455,511</u>	<u>350,000</u>	<u>91,731</u>	<u>350,000</u>	<u>123,969</u>
	\$ 1,200,000	\$ 76,562	\$ -	\$ -	\$ 2,150,000	\$ 214,650	\$ 2,850,000	\$ 357,032

¹ Paid prior to refunding with Bond proceeds.

	<u>\$3,500,000 G O Notes Series 2007 - 4/15/07</u>		<u>\$6,200,000 G O Notes Series 2008 - 05/01/08</u>		<u>\$400,000 State Trust Fund Loan - 01/09/08</u>		<u>\$5,300,000 Taxable G O Notes, Ser 2009 - 07/01/09</u>	
	Principal		Principal		Principal		Principal	
	<u>12/01</u>	<u>Interest</u>	<u>12/01</u>	<u>Interest</u>	<u>03/15</u>	<u>Interest</u>	<u>12/01</u>	<u>Interest ¹</u>
2010	\$ 250,000	\$ 124,000	\$ 300,000	\$ 202,375	\$ 98,379	\$ 14,695	\$ 300,000	\$ 215,700
2011	300,000	114,000	500,000	193,375	103,051	10,022	400,000	209,325
2012	350,000	102,000	600,000	178,375	107,932	5,141	500,000	199,825
2013	400,000	88,000	800,000	158,875			600,000	185,450
2014	500,000	72,000	900,000	132,875			700,000	165,200
2015	625,000	52,000	1,000,000	102,500			700,000	136,500
2016	675,000	27,000	1,000,000	68,750			700,000	105,875
2017			1,000,000	35,000			700,000	71,750
2018							700,000	36,750
	<u>3,100,000</u>	<u>579,000</u>	<u>6,100,000</u>	<u>1,072,125</u>	<u>309,362</u>	<u>29,858</u>	<u>5,300,000</u>	<u>1,326,375</u>
Less 2010								
Payments	<u>250,000</u>	<u>124,000</u>	<u>300,000</u>	<u>202,375</u>	<u>98,379</u>	<u>14,695</u>	<u>300,000</u>	<u>215,700</u>
	\$ 2,850,000	\$ 455,000	\$ 5,800,000	\$ 869,750	\$ 210,983	\$ 15,163	\$ 5,000,000	\$ 1,110,675

¹ The Notes were issued as Build America Bonds-Direct Payment. The City expects to receive a 35% interest subsidy from the United States Treasury.

	<u>\$8,450,000 Taxable G O Ref Bonds, Ser 2010A - 08/03/10 ¹</u>	
	Principal	
	<u>03/01</u>	<u>Interest</u>
2010		
2011	\$ 450,000	\$ 341,608
2012	495,000	306,261
2013	505,000	296,274
2014	515,000	285,932
2015	530,000	271,398
2016	550,000	253,847
2017	575,000	234,129
2018	600,000	211,348
2019	625,000	186,066
2020	650,000	158,160
2021	685,000	127,438
2022	720,000	94,420
2023	755,000	58,625
2024	<u>795,000</u>	<u>19,875</u>
	8,450,000	2,845,381
Less 2010		
Payments	-	-
	\$ 8,450,000	\$ 2,845,381

¹ New Issue.

Total General Obligation Debt

	<u>Total</u> <u>Principal</u>	<u>Total</u> <u>Interest</u>	<u>Total</u> <u>Debt Service</u>
2010	\$ 4,418,145	\$ 1,436,536	\$ 5,854,681
2011	4,528,051	1,176,030	5,704,081
2012	4,202,932	998,445	5,201,377
2013	3,930,000	862,087	4,792,087
2014	3,840,000	731,007	4,571,007
2015	3,505,000	588,398	4,093,398
2016	2,925,000	455,472	3,380,472
2017	2,275,000	340,879	2,615,879
2018	1,300,000	248,098	1,548,098
2019	625,000	186,066	811,066
2020	650,000	158,160	808,160
2021	685,000	127,438	812,438
2022	720,000	94,420	814,420
2023	755,000	58,625	813,625
2024	<u>795,000</u>	<u>19,875</u>	<u>814,875</u>
	35,154,128	7,481,536	42,635,664
Less 2010 Payments	<u>4,418,145</u>	<u>1,436,536</u>	<u>5,854,681</u>
	\$ 30,735,983	\$ 6,045,000	\$ 36,780,983

¹ Debt Service Totals for 2010 do not include \$8,449,586, the principal and interest due on the 2005 STFL on the redemption date of August 3, 2010.

Note Anticipation Note Debt Service Schedule

	\$2,000,000 Note Anticipation Notes 11/01/08		\$9,400,000 Note Anticipation Notes 07/01/09				
	<u>Principal</u> <u>11/01</u>	<u>Interest</u>	<u>Principal</u> <u>11/01</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>	<u>Debt Service</u>
2010	\$ 2,000,000	\$ 80,000	\$ 9,400,000	\$ 82,250	\$ 11,400,000	\$ 162,250	\$ 11,562,250
	\$ 2,000,000	\$ 80,000	\$ 9,400,000	\$ 82,250	\$ 11,400,000	\$ 162,250	\$ 11,562,250

Total Outstanding Revenue Debt Summary (as of July 1, 2010)

Waterworks System

<u>Type of</u> <u>Obligation</u>	<u>Date</u> <u>of Issue</u>	<u>Original</u> <u>Amount</u>	<u>Maturity</u> <u>Dates</u>	<u>Current</u> <u>Amount Outstanding</u>
Revenue Bonds, Series 1998	06/01/98	\$ 2,000,000	01/01/18	\$ 1,050,000
Revenue Bonds, Series 2002	07/15/02	4,000,000	01/01/22	<u>2,800,000</u>
		Total Waterworks System Revenue Debt		3,850,000
		Less Remaining 2010 Principal Payments		<u>- 0 -</u>
		Net Waterworks System Revenue Debt		<u>\$ 3,850,000</u>

Revenue Debt Service Schedules

	<u>\$2,000,000 Waterworks System Rev Bonds Series 1998 - 06/01/98</u>		<u>\$4,000,000 Waterworks System Rev Bonds Series 2002 - 7/15/02</u>	
	<u>Principal</u>		<u>Principal</u>	
	<u>01/01</u>	<u>Interest</u>	<u>01/01</u>	<u>Interest</u>
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>1,150,000</u>	<u>308,225</u>	<u>2,975,000</u>	<u>1,172,525</u>
Less 2010 Payments	<u>100,000</u>	<u>57,175</u>	<u>175,000</u>	<u>150,475</u>
	\$ 1,050,000	\$ 251,050	\$ 2,800,000	\$ 1,022,050

Total Revenue Debt and Coverage Ratio

	<u>Total Principal</u>	<u>Total Interest</u>	<u>Total Debt Service</u>	<u>Coverage Ratio ¹</u>
2010	\$ 275,000	\$ 207,650	\$ 482,650	3.35
2011	300,000	195,800	495,800	3.26
2012	300,000	182,700	482,700	3.35
2013	325,000	169,200	494,200	3.27
2014	325,000	154,537	479,537	3.37
2015	350,000	137,226	487,226	3.32
2016	375,000	117,975	492,975	3.28
2017	375,000	97,462	472,462	3.42
2018	400,000	76,950	476,950	3.39
2019	250,000	55,000	305,000	5.30
2020	275,000	42,500	317,500	5.10
2021	275,000	28,750	303,750	5.33
2022	<u>300,000</u>	<u>15,000</u>	<u>315,000</u>	5.14
	4,125,000	1,480,750	5,605,750	
Less 2010 Payments	<u>275,000</u>	<u>207,650</u>	<u>482,650</u>	
	\$ 3,850,000	\$ 1,273,100	\$ 5,123,100	

¹ Coverage based on audited 2009 net revenues of \$1,617,830.

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

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>	<u>Interest</u>	<u>Debt Service</u>
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>
	20,950,000	5,695,019	26,645,019
Less 2010			
Payments	<u>2,075,000</u>	<u>1,123,469</u>	<u>3,198,469</u>
	\$ 18,875,000	\$ 4,571,550	\$ 23,446,550

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>	<u>Interest</u>	<u>Debt Service</u>
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	744,000	6,944,000
Less 2010			
Payments	<u>-</u>	<u>248,000</u>	<u>248,000</u>
	\$ 6,200,000	\$ 496,000	\$ 6,696,000

Debt Ratios

Outstanding general obligation direct debt as a percentage of equalized value and on a per capita basis estimated for December 31, 2010, and actual for the past five years ended December 31 follows:

Ratios of General Obligation Debt to Equalized Valuation and Population

<u>Year</u>	<u>Outstanding General Obligation Debt</u>	<u>Equalized Valuation</u>	<u>Percent of Equalized Value</u>	<u>Population</u> ¹	<u>Per Capita</u>
2010	\$ 30,735,983 ²	\$ 5,610,122,800	.55%	45,800	\$ 671.09
2009	34,985,756	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

¹ Estimated by the Wisconsin Department of Administration.

² After refunding. Unaudited.

Indirect Debt

The indirect general obligation debt of the City as of May 15, 2010 is listed below.

<u>Governmental Unit</u>	<u>Outstanding Debt as of May 15, 2010 (Less: 2010 Sinking Funds)</u>	<u>Percent of Debt Within City</u>	<u>Amount of Debt Within City</u>
Wauwatosa School District	\$ 2,565,000	100.00%	\$ 2,565,000
Milwaukee County ¹	765,871,770	8.36	64,026,880
Milwaukee Metro Sewerage District ²	861,167,023	8.55	73,629,780
Milwaukee Area Technical College District ³	76,275,000	6.85	5,224,838
			<u>\$ 145,446,498</u>

¹ The County anticipates issuing approximately \$30 - 40 million in fall 2010.

² The Sewerage District expects to issue approximately an additional \$95,000,000 in Clean Water Fund Loans ("CWF Loans") in 2010. The CWF Loans are supported by the full faith and credit of the Sewerage District.

³ The District expects to issue \$3,000,000 through June 2010.

Total Indirect Debt	\$ 145,446,498
Indirect Debt Per Capita	\$ 3,175.69
Indirect Debt as a % of Equalized Value	2.59%

Total Direct Debt	\$ 30,735,983
Direct Debt Per Capita	\$ 671.09
Direct Debt as a % of Equalized Value	.55%

Total Direct and Indirect Debt	\$ 176,182,481
Total Direct and Indirect Debt Per Capita	\$ 3,846.78
Total Direct and Indirect Debt as a % of Equalized Value	3.14%

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 2009		\$ 5,610,122,800
Total General Obligation Debt Outstanding	\$ 42,942,611	
Less: Refunding of 2005 STFL	(8,281,628)	
Less: Remaining 2010 Payments	(<u>3,925,000</u>)	
Net General Obligation Debt Outstanding		\$ 30,735,983
Legal Debt Capacity (5% of Equalized Value)		\$ 280,506,140
Unused Margin of Indebtedness		\$ 249,770,157
Unused Legal Debt Capacity		89.04%

The City has issued \$2,000,000 Note Anticipation Notes dated November 1, 2008 (the "2008 NANS") and \$9,400,000 Note Anticipation Notes, Series 2009 dated July 1, 2009 (the "2009 NANS"). The City has covenanted that it will maintain a debt limit capacity, such that the combined outstanding principal balance of the 2008 NANS, the 2009 NANS and all City general obligation debt shall at no time exceed the constitutional debt limit of the City. The combined total of the 2008 NANS, the 2009 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	\$ 30,735,983
2008 NANS	2,000,000
2009 NANS	<u>9,400,000</u>
Total Indebtedness	\$ 42,135,983
Unused Margin of Indebtedness	\$ 238,410,157
Unused Legal Debt Capacity	84.98%

No Default on City Indebtedness

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

Future Financings

The City anticipates refunding the 2008 NANS and 2009 NANS in 2010.

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 2009 and 2010 Adopted Budgets follow. A more detailed budget can be found on the City's web site at www.wauwatosa.net.

City of Wauwatosa General Fund Budget
2009 and 2010

	2009 Adopted <u>Budget</u>	2010 Adopted <u>Budget</u>	Percent of Total
REVENUES			
General Property Tax Levy	\$ 33,345,829	\$ 33,652,292	67.42%
Other Taxes	1,179,800	1,171,340	2.35
Special Charges	23,725	34,839	0.07
State Shared Revenues	2,409,751	2,421,605	4.85
State Grants and Aids	2,304,867	2,220,527	4.45
Federal Shared Revenues/Grants	83,243	207,342	0.42
Licenses & Permits	1,180,590	1,068,335	2.14
Fines, Forfeits & Penalties	997,000	1,083,000	2.17
Public Charges for Services	2,225,705	2,519,237	5.05
Intergovernmental Charges	1,519,563	1,582,156	3.17
Miscellaneous Revenue	2,033,425	1,575,800	3.16
Transfers from Other Funds & Use of Equity			
Revolving Funds - Net	26,340	26,340	0.05
Transfer from Water Utility	515,500	545,000	1.09
Appropriated Surplus Applied	<u>1,814,082</u>	<u>1,805,641</u>	<u>3.62</u>
TOTAL	<u>\$ 49,659,420</u>	<u>\$ 49,913,454</u>	<u>100.00%</u>
 EXPENDITURES			
General Government	\$ 4,993,585	\$ 5,092,058	10.20%
Public Safety	28,957,685	29,557,569	59.22
Transportation – General	5,152,026	5,119,914	10.26
Sanitation	2,559,419	2,749,914	5.51
Health	1,451,721	1,604,664	3.21
Leisure Activities	2,640,900	1,687,113	3.38
Non-Departmental & General	70,584	(825,277)	(1.65)
Capital Outlay – Internal Service Funds	35,000	25,000	0.05
Transfers to Other Funds & Equity Use:			
Amortization Fund	1,888,500	1,649,000	3.30
Debt Service Fund	1,800,000	2,250,000	4.51
Parks Reserve	-	893,499	1.79
Insurance Reserve Funds	<u>110,000</u>	<u>110,000</u>	<u>0.22</u>
TOTAL	<u>\$ 49,659,420</u>	<u>\$ 49,913,454</u>	<u>100.00%</u>

Summary of Operations

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
REVENUES:			
Taxes	\$ 32,826,274	\$ 32,153,917	\$ 31,734,854
Intergovernmental revenues	5,086,416	5,397,546	5,215,297
Licenses and permits	1,104,681	1,140,206	1,351,915
Penalties and forfeitures	1,093,594	977,022	925,052
Public improvement revenues	43,842	50,978	49,385
Public charges for services	2,685,501	2,588,821	2,548,081
Intergovernmental charges for services	1,763,668	1,562,790	1,699,302
Commercial revenues	<u>1,880,404</u>	<u>2,186,992</u>	<u>3,500,070</u>
 Total Revenues	 46,484,380	 46,058,272	 47,023,956
EXPENDITURES:			
General government	4,542,169	4,555,979	5,590,029
Protection of persons and property	28,876,223	28,419,544	27,297,865
Health and sanitation	3,989,204	3,991,273	4,728,731
Highway and transportation	5,167,097	5,219,087	4,770,220
Education and recreation	1,005,453	1,058,876	908,481
Conservation and development	1,194,235	1,163,454	1,083,593
Unclassified	<u>648,106</u>	<u>435,769</u>	<u>427,633</u>
 Total Expenditures	 45,422,487	 44,843,982	 44,806,552
 Excess of Revenues Over (Under) Expenditures	 1,061,893	 1,214,290	 2,217,404
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	-	400,000	-
Operating transfers in	593,333	558,383	518,131
Operating transfers out	<u>(1,491,000)</u>	<u>(1,522,930)</u>	<u>(2,779,750)</u>
 Net change in fund balances	 164,226	 649,743	 (44,215)
 FUND BALANCES – BEGINNING OF YEAR	 <u>17,971,932</u>	 <u>17,322,189</u> ¹	 <u>16,874,613</u>
 FUND BALANCES - END OF YEAR	 <u>\$ 18,136,158</u>	 <u>\$ 17,971,932</u>	 <u>\$ 16,830,398</u>
 Reserved	 \$ 1,546,856	 \$ 1,581,084	 \$ 8,679,723
Unreserved			
Designated	\$ 10,552,082	\$ 10,213,183	\$ 2,449,614
Undesignated	\$ 6,037,220	\$ 6,177,665	\$ 5,701,061

¹ Restated.

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

	<u>2009</u>	<u>2008</u>	<u>2007</u>
REVENUES:			
Taxes	\$ 42,656,274	\$ 40,524,683	\$ 39,377,016
Intergovernmental revenues	8,346,790	8,567,342	7,160,003
Licenses and permits	1,104,681	1,140,206	1,351,915
Penalties and forfeitures	1,093,594	977,022	925,052
Public improvement revenues	1,088,206	769,365	724,677
Public charges for services	3,055,245	2,962,299	2,888,172
Intergovernmental charges for services	1,763,668	1,562,790	1,699,302
Commercial revenues	<u>2,132,804</u>	<u>3,191,646</u>	<u>4,711,875</u>
 Total Revenues	 61,241,262	 59,695,353	 58,838,012
EXPENDITURES:			
General government	4,542,169	4,555,979	5,590,029
Protection of persons and property	28,876,223	28,419,544	27,297,865
Health and sanitation	3,989,204	4,598,362	5,398,979
Highway and transportation	5,167,097	5,219,087	4,770,220
Education and recreation	3,591,437	3,555,635	3,143,836
Conservation and development	3,981,671	2,936,635	2,272,273
Unclassified	648,106	435,769	427,633
Debt service			
Principal	3,939,768	3,476,076	10,861,201
Interest	2,452,794	2,445,805	2,643,916
Capital outlay	<u>11,281,959</u>	<u>6,437,889</u>	<u>3,146,717</u>
 Total Expenditures	 68,470,428	 62,080,781	 65,552,669
 Excess of Revenues Over (Under) Expenditures	 (7,229,166)	 (2,385,428)	 (6,714,657)
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	14,700,000	4,306,000	7,342,382
Proceeds from sale of capital assets	42,771	79,787	2,637,347
Operating transfers in	7,912,142	7,827,888	15,401,771
Operating transfers out	<u>(7,525,079)</u>	<u>(7,315,472)</u>	<u>(14,729,238)</u>
 Net change in fund balances	 7,900,668	 2,512,775	 3,937,605
 FUND BALANCES - BEGINNING OF YEAR	 <u>41,186,686</u>	 <u>38,673,911</u> ¹	 <u>34,244,515</u>
 FUND BALANCES - END OF YEAR	 <u>\$ 49,087,354</u>	 <u>\$ 41,186,686</u>	 <u>\$ 38,182,120</u>
 Reserved	 \$ 2,521,856	 \$ 2,556,084	 \$ 9,654,723
Unreserved			
Designated	\$ 40,527,689	\$ 32,247,357	\$ 22,533,735
Undesignated	\$ 6,037,809	\$ 6,383,245	\$ 5,993,662

¹ Restated.

Pension Plan

All eligible City 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 5.0% of their salary (3.0% for Executives and Elected Officials, 5.0% for Protective Occupations with Social Security, and 3.2% for Protective Occupations without Social Security) to the plan. Employers generally make these contribu-

tions 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, 2009 was \$28,147,144; the employer's total payroll was \$28,061,035. The total required contribution for the year ended December 31, 2009 was \$4,177,401, or 14.84% of covered payroll. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ended December 31, 2008 and 2007 were \$4,220,964 and \$3,963,993, 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 provides Other Post-Employment Benefits ("OPEB") to its retirees for health insurance.

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

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 Bonds or in any way contest or affect the validity of the Bonds or of any proceedings of the City taken with respect to the issuance and sale of the Bonds.

Levy Limits

Section 66.0602 of the Wisconsin Statutes, as recently amended by 2009 Wisconsin Act 28, imposes a limit on property tax levies by cities, villages, towns and counties. For levy year 2010, no city, village, town or county is 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 three percent or the percentage change in the municipality's January 1 equalized value due to new construction less improvements removed). The base amount in any year, to which the levy limit applies, is the maximum allowable levy for the immediately preceding year. This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

Special provisions are made with respect to property taxes levied to pay general obligation debt service. Those are described below. In addition, the statute provides for certain other exclusions from and adjustments to the tax levy limit. Among the items excluded from the limit are amounts levied for any revenue shortfall for debt service on a revenue bond issued under Section 66.0621. Among the adjustments permitted is an adjustment applicable when a tax increment district terminates, which allows an amount equal to the prior year's allowable levy multiplied by 50% of the municipality's percentage growth due to the district's termination.

With respect to general obligation debt service, the following provisions are made: For obligations authorized before July 1, 2005, if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, the levy limit is increased by the difference between the two amounts. This adjustment is based on scheduled debt service rather than the amount actually levied for debt service (after taking into account offsetting revenues such as sales tax revenues, special assessments, utility revenues, tax increment revenues or surplus funds). Therefore, the levy limit could negatively impact municipalities that experience a reduction in offsetting revenues. The levy limits do not apply to property taxes levied to pay debt service on general obligation debt authorized on or after July 1, 2005.

The Bonds were authorized after July 1, 2005.

Approval of Legal Proceedings

Certain legal matters incident to the authorization and issuance of the Bonds are subject to the approval of Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel, whose approving legal opinion will be available at the time of the delivery of the Bonds. The proposed form of such opinion is attached hereto as Appendix B.

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 Status" and "Appendix B – Proposed Form of Legal Opinion for the Bonds", and has not performed any investigation as to its accuracy, completeness or sufficiency.

Tax Status

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

The interest on the Bonds 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 specifically stated to the contrary in writing, any advice contained in the opinion of Bond Counsel 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 B "Proposed Form of Legal Opinion for the Bonds".

Original Issue Discount

To the extent the initial public offering price of the Bonds is less than the stated principal amount payable at maturity, such Bonds will be considered to be issued with original issue discount unless the amount of original issue discount is "de minimis." The amount of original issue discount with respect to a Bond will be "de minimis" if the amount of discount is less than one-fourth of 1% of the principal amount payable at maturity multiplied by the number of complete years from the issue date until the maturity date.

If the amount of discount with respect to the Bonds is considered "de minimis," then the amount of original issue discount with respect to the Bonds will be zero. In that case, owners of those Bonds will not be required to include any amount of original issue discount in income until the principal amount is repaid, at which time the owner will recognize capital gain (assuming the Bonds is held as a capital asset) equal to the excess of the amount received at maturity over the issue price.

If the amount of discount with respect to the Bonds is more than "de minimis," then such Bonds ("Discounted Bonds") will contain original issue discount and owners of the Discounted Bonds will be required to include original issue discount in income. The Internal Revenue Code of 1986, as amended (the "Code") contains a number of very complex provisions requiring owners of debt instruments with original issue discount to include such original issue discount in income as it accrues economically over the life of the debt instrument. In the case of a Discounted Bond, the owner may be required to include the original issue discount in income before the owner receives the associated cash payment, regardless of the owner's regular method of accounting for tax purposes. Any such original issue discount that is included in income is treated in the same manner as interest. Any original issue discount that is included in income by an owner with respect to a Discounted Bond will increase the owner's tax basis in the Discounted Bond.

The Code contains certain provisions relating to the accrual of original issue discount (including de minimis original issue discount) in the case of subsequent purchasers of obligations such as the Bonds. Owners who do not purchase the Bonds in the initial public offering should consult their own tax advisors with respect to the tax consequences of the acquisition and ownership of the Bonds.

Owners who purchase the Bonds in the initial public offering but at a price different than the initial offering price at which a substantial amount of that maturity of the Bonds were sold to the public should consult their own tax advisors with respect to the tax consequences of the acquisition and ownership of the Bonds.

Owners of the Discounted Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discounted Bonds.

Premium

To the extent the initial offering price of certain of the Bonds ("Premium Bonds") is more than the principal amount payable at maturity, the Premium Bonds will be considered to have "bond premium" equal to the difference between the issue price and the stated redemption price at maturity.

Any Premium Bond purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. Owners of Premium Bonds, the interest on which is subject to tax, may make an election to amortize the bond premium and to offset the taxable interest income with the amortizable bond premium for the year. Any amortizable bond premium that reduces the amount of interest income also reduces the owner's adjusted tax basis in the Premium Bond by a corresponding amount. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (for example, upon a sale, exchange, redemption, or payment at maturity) of such Premium Bond. If the election is made, it is effective for all bonds acquired during that year and all future years unless the taxpayer receives permission from the IRS to revoke the election. Owners of Premium Bonds should consult with their tax advisors regarding the calculation and treatment of bond premium for federal income tax purposes, as well as the manner of making the election.

Owners of the Premium Bonds who do not purchase such Premium Bonds in the initial offering at the issue price should consult with their tax advisors regarding the tax consequences of owning the Premium Bonds.

Owners of Premium Bonds should consult with their tax advisors regarding the state and local tax consequences of owning such Premium Bonds.

Exemption From Securities Registration

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

MISCELLANEOUS

Ratings

The Bonds have been rated "Aaa" by Moody's Investors Service, Inc. ("Moody's"), New York, New York.

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

The rating when issued, reflects only the view of the rating agency, and an explanation of the significance of such rating may be obtained therefrom. There is no assurance that the rating will remain in effect for any given period of time or that it will not be revised, either upward or downward, or withdrawn entirely, by the rating agency, 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 Resolution adopted by the Common Council to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the Bonds to provide certain financial information and operating data relating to the City annually to the Municipal Securities Rulemaking Board (the "MSRB"), and to provide notices of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to the MSRB. 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 Certificate to be executed and delivered by the City at the time the Bonds are delivered. Such Certificate will be in substantially the form attached hereto as Appendix C. A failure by the City to comply with the Undertaking will not constitute an event of default on the Bonds (although holders will have the right to obtain specific performance of the obligations under the Undertaking). 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. 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 Bonds in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Bonds and their market price.

In December 2008, the Securities and Exchange Commission (the "Commission") approved an amendment to the Rule 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 took effect on July 1, 2009. As a result, 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.

Underwriting

Pursuant to a Bond Purchase Agreement with the City, Hutchinson, Shockey, Erley & Co. (the "Underwriter") has agreed to purchase all of the Bonds, if any of the Bonds are purchased, upon the satisfaction of certain conditions set forth in the Bond Purchase Agreement. The Underwriter has agreed to purchase the Bonds from the City at a price of par, which includes issuance expenses. The Underwriter intends to reoffer the Bonds to the public at an average purchase price of 101.4135 percent of the principal amount of the Bonds. The Bonds 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 Bonds to the public.

CERTIFICATES CONCERNING OFFICIAL STATEMENT

Concurrently with the delivery of the Bonds, the Mayor and the Clerk of the City will deliver to the purchaser of the Bonds 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 Bonds, 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.

APPENDIX A

**Audited Financial Statements
of the
City of Wauwatosa
For the Year Ended December 31, 2009**

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CITY OF WAUWATOSA, WISCONSIN
Milwaukee County, Wisconsin

FINANCIAL STATEMENTS
December 31, 2009

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INDEPENDENT AUDITOR'S REPORT

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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, 2009 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, 2009, 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 May 3, 2010 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 10 and the Schedule of Funding Progress on page 70 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 Henderson LLP

Milwaukee, Wisconsin
May 3, 2010

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, 2009.

Financial Highlights

- ◆ The assets of the City of Wauwatosa exceeded its liabilities as of December 31, 2009 by \$134,171,093.
- ◆ As of the close of the current fiscal year, the City of Wauwatosa's governmental funds reported a combined ending fund balance of \$49,087,354.
- ◆ At the end of the current fiscal year, the unreserved fund balance for the General Fund was \$16,589,302 or approximately 36% of the total General Fund expenditures.
- ◆ The City's total net assets for 2009 increased by \$4,789,606 or 3.7%.
- ◆ The City of Wauwatosa's total general obligation debt increased by \$10,459,283 which included a new general obligation promissory note issue of \$5,300,000, and a \$9,400,000 note anticipation note to finance construction of a new fire station. The total outstanding general obligation debt of \$46,385,746 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 11-12.

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, Capital Projects General Obligation Debt Issue Fund, and the Tax Incremental Fund, which are considered to be major funds. Data from the other six 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 13-18.

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, 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). During 2009, the City elected to close one internal service fund, Stores, all assets were transferred to the fleet maintenance internal service fund. 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 19-21.

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 22-23.

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 24-69.

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 70-86.

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 \$134,171,093 at the close of 2009.

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 \$2,596,271 and the business-type added \$2,193,335 in net asset growth and produced a total increase of \$4,789,606 for 2009. Key elements of the increase are as follows.

- ◆ Property taxes for general purposes and debt service increased by \$1,021,549 during the year. Property tax is the largest revenue source for the governmental activities accounting for approximately 69 percent of total revenues. Property taxes for general purposes increased by \$876,549, while taxes for debt service increased by \$145,000.
- ◆ The Tax Incremental Districts received state aids for computer exemption of \$2,573,620, an increase of \$2,357,845 over the prior year.
- ◆ Approximately \$6.5 million of bond proceeds for a new fire station were unspent in 2009.
- ◆ \$3.6 million of Capital Projects fund balance designated for park improvements was used in 2009 for athletic field improvements at Hart Park.
- ◆ Health insurance claims were under the final budget by \$631,121, or 9.4%.

Business-type activities. Business-type activities increased the City of Wauwatosa's net assets by \$2,193,335. Key elements of this increase are as follows.

- ◆ Charges for service increased by \$560,174. A rate change in the Sanitary Sewer contributed to the increased revenue. A rate increase of 7% was approved in January. Also approved in January was a rate increase of 32% in the stormwater management fee.
- ◆ Residential water sales increased \$53,497 or 1.6%. Commercial and industrial water sales decreased \$150,681 or 8.5%. The customer base saw no significant change. Total operating expenses of the Water Utility increased \$94,864 or 1.8%. The most recent water rate increase was effective September 1, 2009 when the Utility was granted authority from the Public Service Commission of Wisconsin to increase water rates as a result of the pass thru of the increase from Milwaukee Water Works resulting from their simplified rate increase. The effect of this rate increase raised average water bills by 1.3% or \$0.99 per quarter and provided additional revenues of approximately \$81,000.

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, 2009, the City of Wauwatosa's governmental funds reported combined ending balances of \$49,087,354 an increase of \$7,900,668 in comparison with the prior year. Approximately 95 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 (\$1,540,405), 3) for prepayments (\$5,405) and 4) for inventories (\$1,046).

Of the unreserved fund balance, the use of \$38,119,843 was related to specific types of activities, i.e. \$10,595,000 for capital projects, \$8,144,236 for debt service and capital improvements and \$18,646,636 for special revenue fund activities.

The General Fund is the chief operating fund of the City of Wauwatosa. As of December 31, 2009 the unreserved fund balance of the General Fund was \$16,589,302 while total fund balance reached \$18,136,158. Unreserved fund balance represents 91 percent of total General Fund balance, however \$1,805,641 or 11 percent of this amount was appropriated to meet the 2010 General Fund expenditures and \$536,231 is designated for non-lapsing activities. The total General Fund balance represents 37 percent of total governmental fund balance.

The fund balance of the City of Wauwatosa's General Fund increased by \$164,226 during fiscal year 2009. Key activity in the General Fund included:

- ◆ Engineering and overhead reimbursement decreased over the prior year.
- ◆ Solid waste management net costs increased due to lack of market for recyclables.
- ◆ Equipment rent costs were lower due to a decrease in fuel prices.
- ◆ The portion of taxes for debt service increased.
- ◆ Police Department payroll and fringe benefit costs were below budget due 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 \$10,576,358 all of which is reserved for capital projects identified in the City of Wauwatosa Five Year Capital Improvement Program. \$6.5 million of the balance is unspent bond proceeds for the construction of a new fire station.

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 \$7.9 million for health insurance during fiscal year 2009. The fund also collected other revenue of \$885,150 from employee and retiree contributions and interest. The City incurred total health claims and administration expense of approximately \$7.5 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 2009 in the amount of \$5.6 million resulting in a total reserve of \$6.8 million as of the end of the year.

Unrestricted net assets of the Water Utility at the end of the year amounted to \$2,886,662 and those for the other enterprise funds amounted to \$6,336,786. The City of Wauwatosa's Internal Service funds had unrestricted net assets of \$1,654,181 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 \$821,594 in expenses or approximately 1.8 percent of the original budget. The majority of this difference resulted from road salt, Federal revenue and grants, decreased recycling market 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 \$221,973 was applied to balance the budget versus \$1,814,082 that was budgeted. \$2,341,872 of this balance is designated for expenditures during fiscal year 2010 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, 2009, amounts to \$153,170,455 (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 6.0 percent for governmental activities and business-type activities combined.

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 1,078 street and alley miles. Total cost for the projects was \$438,642.
- ◆ Storm and Sanitary Sewers were improved at various locations throughout the city. 4,705.1 ft of sanitary sewer pipe and 2,421.90 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.
- ◆ Athletic field and park improvements at Hart Park totaled \$4,611,369.
- ◆ Construction costs on the new Fire Station #1 totaled \$3,580,386.
- ◆ A stage at Hart Park was donated to the City by the Rotary Club with a value of \$497,572.

Additional information on the City of Wauwatosa's capital assets can be found on pages 45-46.

Long-term debt. At the end of the current fiscal year, the City of Wauwatosa had total bonded debt outstanding of \$79,441,388. Of this amount \$46,385,746 is backed by the full faith and credit of the City. The City of Wauwatosa issued \$5,300,000 in promissory notes dated July 1, 2009. The debt was issued for various infrastructure improvement projects. The City also issued a note anticipation note for \$9,400,000 for construction of 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 \$280,506,140 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 \$4,125,000 and maintains a Aa3 rating from Moody's. The balance of \$27,150,000 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 \$3,564,860 were \$335,900 higher than the prior year.

Additional information on the City of Wauwatosa's long-term debt can be found in note G on pages 49-55 of this report.

Economic Factors and Next Year's Budgets and Rates

- ◆ The unemployment rate for the City of Wauwatosa is currently 7.2 percent. This compares favorable to the state's average unemployment rate of 9.6 percent and Milwaukee County's average rate of 10.2 percent.
- ◆ The rate of inflation as measured by the CPI-W for the Milwaukee, Wisconsin metro area was -.2 percent for the fiscal year 2009.
- ◆ \$1,805,641 of the unreserved fund balance in the General Fund was appropriated for spending in 2010. 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 equal to two months of General Fund operating expenditures.
- ◆ The City of Wauwatosa's 2010 budget has qualified the City to receive the Expenditure Restraint Shared Revenue payment; as it did in 2009.

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.

BASIC FINANCIAL STATEMENTS

CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF NET ASSETS
DECEMBER 31, 2009

	Governmental Activities	Business- type Activities	Total
ASSETS			
Cash and investments	\$ 58,492,783	\$ 8,166,659	\$ 66,659,442
Receivables (net of allowance for uncollectible accounts)	47,193,637	3,525,612	50,719,249
Note receivable	111,000	-	111,000
Internal balances	(82,634)	82,634	-
Inventories	110,044	175,889	285,933
Prepaid items	5,405	6,126	11,531
Deferred charges	375,487	-	375,487
Investment in Cities and Villages Mutual Insurance Company	1,184,453	-	1,184,453
Restricted assets:			
Cash and investments	975,000	1,165,766	2,140,766
Non-utility property	-	2,684	2,684
Capital assets not being depreciated	31,266,991	128,037	31,395,028
Capital assets being depreciated	43,164,537	78,610,890	121,775,427
	<u>182,796,703</u>	<u>91,864,297</u>	<u>274,661,000</u>
LIABILITIES			
Accounts payable and other current liabilities	6,344,380	1,738,782	8,083,162
Accrued interest payable	604,698	65,057	669,755
Deposits	-	4,000	4,000
Unearned revenue	42,644,283	-	42,644,283
Liabilities payable from restricted assets	-	378,825	378,825
Accrued net other postemployment benefits obligation	7,319,274	-	7,319,274
Noncurrent liabilities:			
Due within one year	17,957,078	1,931,416	19,888,494
Due in more than one year	45,000,933	16,501,181	61,502,114
	<u>119,870,646</u>	<u>20,619,261</u>	<u>140,489,907</u>
NET ASSETS			
Invested in capital assets, net of related debt	54,994,906	61,123,517	118,174,916
Restricted	150,000	1,061,941	1,211,941
Unrestricted	7,781,151	9,059,578	14,784,236
	<u>\$ 62,926,057</u>	<u>\$ 71,245,036</u>	<u>\$ 134,171,093</u>

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

CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2009

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
Governmental activities:							
General government	\$ 4,786,054	\$ 914,713	\$ 68,131	\$ -	\$ (3,803,210)	\$ -	\$ (3,803,210)
Protection of persons and property	31,173,278	3,837,375	1,846,865	71,822	(25,417,216)	-	(25,417,216)
Health and sanitation	4,104,118	201,988	338,044	-	(3,564,086)	-	(3,564,086)
Highway and transportation	7,700,286	118,582	30,636	3,257,741	(4,293,327)	-	(4,293,327)
Education and recreation	3,898,894	417,328	313,195	497,572	(2,670,799)	-	(2,670,799)
Conservation and development	3,857,241	33,605	687,862	-	(3,135,774)	-	(3,135,774)
Unclassified	648,106	-	-	-	(648,106)	-	(648,106)
Interest and fiscal charges	2,537,079	-	-	-	(2,537,079)	-	(2,537,079)
Total governmental activities	58,705,056	5,523,591	3,284,733	3,827,135	(46,069,597)	-	(46,069,597)
Business-type activities:							
Water Utility	5,625,115	6,334,242	-	342,784	-	1,051,911	1,051,911
Redevelopment Authority	-	3,328	-	-	-	3,328	3,328
Sanitary Sewer	5,934,834	5,663,700	-	-	-	(271,134)	(271,134)
Storm Water Management	1,728,061	2,410,239	-	35,284	-	717,462	717,462
Total business-type activities	13,288,010	14,411,509	-	378,068	-	1,501,567	1,501,567
Total	\$ 71,993,066	\$ 19,935,100	\$ 3,284,733	\$ 4,205,203	(46,069,597)	1,501,567	(44,568,030)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					33,607,934	-	33,607,934
Property taxes, levied for debt service					1,920,000	-	1,920,000
Property taxes, levied for TIF					5,766,889	-	5,766,889
Other taxes					1,254,858	-	1,254,858
Intergovernmental revenues not restricted to specific programs					4,831,001	-	4,831,001
Investment income					1,887,512	46,671	1,934,183
Gain on sale of capital assets					42,771	-	42,771
Total general revenues					49,310,965	46,671	49,357,636
Transfers					(645,097)	645,097	-
Change in net assets					2,596,271	2,193,335	4,789,606
NET ASSETS - BEGINNING OF YEAR					60,329,786	69,051,701	129,381,487
NET ASSETS - END OF YEAR					\$ 62,926,057	\$ 71,245,036	\$ 134,171,093

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

**CITY OF WAUWATOSA, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2009**

			<u>Capital Projects</u>	
	General	Special Revenue Fund Tax Incremental District Fund	General Obligation Debt Issue Fund	Nonmajor Governmental Funds
ASSETS	<u>Fund</u>	<u>District Fund</u>	<u>Fund</u>	<u>Total Governmental Funds</u>
Cash and investments	\$ 18,397,905	\$ 18,621,699	\$ 12,022,141	\$ 49,948,853
Taxes receivable	32,283,259	6,287,763	-	43,349,021
Delinquent personal property taxes	50,889	-	-	50,889
Special assessments receivable:				
Due in installments	-	-	-	672,059
Deferred	-	-	-	18,930
Accounts receivable	1,271,171	-	-	1,271,171
Accrued investment income receivable	798,299	434,937	-	1,233,236
Note receivable	111,000	-	-	111,000
Other accrued receivables	330,137	-	26,619	390,001
Due from other funds	1,063,424	-	-	1,063,424
Prepayments	5,405	-	-	5,405
Inventories	1,046	-	-	1,046
Advance to Special Revenue Fund	410,000	-	-	410,000
Restricted cash and investments	-	-	-	975,000
	<u>54,722,535</u>	<u>25,344,399</u>	<u>12,048,760</u>	<u>99,500,035</u>
TOTAL ASSETS				
LIABILITIES AND FUND BALANCES				
LIABILITIES				
Accounts payable	\$ 3,243,285	\$ -	\$ 1,355,694	\$ 6,936
Accrued payroll	940,736	-	-	940,736
Due to other funds	679,631	-	-	441,127
Advance from General Fund	-	410,000	-	410,000
Deferred revenue	31,722,725	6,287,763	116,708	5,208,076
Total liabilities	<u>36,586,377</u>	<u>6,697,763</u>	<u>1,472,402</u>	<u>5,656,139</u>
FUND BALANCES				
Reserved for:				
Noncurrent receivables	1,540,405	-	-	1,540,405
Inventories	1,046	-	-	1,046
Prepayments	5,405	-	-	5,405
Debt service	-	-	-	975,000
Unreserved, reported in:				
General Fund	16,589,302	-	-	16,589,302
Special Revenue Funds	-	18,646,636	-	733,971
Debt Service Funds	-	-	-	589
Capital Projects Fund	-	-	10,576,358	18,642
Total fund balances	<u>18,136,158</u>	<u>18,646,636</u>	<u>10,576,358</u>	<u>1,728,202</u>
	<u>54,722,535</u>	<u>25,344,399</u>	<u>12,048,760</u>	<u>7,384,341</u>
TOTAL LIABILITIES AND FUND BALANCES				

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.	70,731,146
Internal service funds balance.	5,518,433
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Special assessments	690,989
Certain governmental fund expenditures are capitalized and amortized to expense on the full accrual basis.	375,487
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds.	<u>(63,477,352)</u>
	<u>\$ 62,926,057</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
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2009

	General Fund	Special Revenue Fund Tax Incremental District Fund	Capital Projects		Total Governmental Funds
			General Obligation Debt Issue Fund	Nonmajor Governmental Funds	
REVENUES					
Taxes	\$ 32,826,274	\$ 5,766,889	\$ -	\$ 4,063,111	\$ 42,656,274
Intergovernmental revenues	5,086,416	2,573,620	(1,108)	687,862	8,346,790
Licenses and permits	1,104,681	-	-	-	1,104,681
Penalties and forfeitures	1,093,594	-	-	-	1,093,594
Public improvement revenues	43,842	-	-	1,044,364	1,088,206
Public charges for services	2,685,501	-	-	369,744	3,055,245
Intergovernmental charges for services	1,763,668	-	-	-	1,763,668
Commercial revenues	1,880,404	105,021	39,000	108,379	2,132,804
Total revenues	<u>46,484,380</u>	<u>8,445,530</u>	<u>37,892</u>	<u>6,273,460</u>	<u>61,241,262</u>
EXPENDITURES					
Current					
General government	4,542,169	-	-	-	4,542,169
Protection of persons and property	28,876,223	-	-	-	28,876,223
Health and sanitation	3,989,204	-	-	-	3,989,204
Highway and transportation	5,167,097	-	-	-	5,167,097
Education and recreation	1,005,453	-	-	2,585,984	3,591,437
Conservation and development	1,194,235	2,099,574	-	687,862	3,981,671
Unclassified	648,106	-	-	-	648,106
Debt service					
Principal	-	19,358	-	3,920,410	3,939,768
Interest	-	-	-	2,452,794	2,452,794
Capital outlay	-	-	11,281,959	-	11,281,959
Total expenditures	<u>45,422,487</u>	<u>2,118,932</u>	<u>11,281,959</u>	<u>9,647,050</u>	<u>68,470,428</u>
Excess of revenues over (under) expenditures	1,061,893	6,326,598	(11,244,067)	(3,373,590)	(7,229,166)
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	-	1,800,000	12,900,000	-	14,700,000
Proceeds from sale of capital assets	-	-	42,771	-	42,771
Transfers in	593,333	5,133	3,114,200	4,199,476	7,912,142
Transfers out	(1,491,000)	(4,125,818)	(858,764)	(1,049,497)	(7,525,079)
Net change in fund balances	164,226	4,005,913	3,954,140	(223,611)	7,900,668
FUND BALANCES - BEGINNING OF YEAR	<u>17,971,932</u>	<u>14,640,723</u>	<u>6,622,218</u>	<u>1,951,813</u>	<u>41,186,686</u>
FUND BALANCES - END OF YEAR	<u>\$ 18,136,158</u>	<u>\$ 18,646,636</u>	<u>\$ 10,576,358</u>	<u>\$ 1,728,202</u>	<u>\$ 49,087,354</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, 2009**

Net change in fund balances - total governmental funds \$ 7,900,668

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 (\$10,976,034) was greater than depreciation (\$2,906,630) in the current period. 8,069,404

Governmental funds do not recognize revenue for donated assets. 497,572

Prior year construction in progress transferred to proprietary funds. (814,518)

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 (\$42,771). The gain on the sale of capital assets is recognized in the statement of activities (\$42,771). -

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 (\$14,700,000) were greater than the repayments (\$3,954,086). (10,745,914)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 164,819

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 increase in accrued interest payable (57,796), and the increase in accrued vacation payable (\$67,818). (125,612)

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. 5,292

The net revenue (expense) of internal service funds is reported with governmental activities. (2,328,949)

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 (\$22,373) was less than amortization expense (\$48,864). (26,491)

Change in net assets of governmental activities \$ 2,596,271

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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 34,525,629	\$ 34,696,435	\$ 34,746,274	\$ 49,839
Intergovernmental revenues	4,797,861	5,293,463	5,086,416	(207,047)
Licenses and permits	1,180,590	1,043,316	1,104,681	61,365
Fines, penalties and forfeitures	997,000	1,023,000	1,093,594	70,594
Public improvement revenues	23,725	34,029	43,842	9,813
Public charges for services	2,225,705	2,437,857	2,685,501	247,644
Intergovernmental charges for services	1,519,563	1,507,158	1,763,668	256,510
Commercial revenues	<u>2,033,425</u>	<u>1,670,408</u>	<u>1,880,404</u>	<u>209,996</u>
Total revenues	<u>47,303,498</u>	<u>47,705,666</u>	<u>48,404,380</u>	<u>698,714</u>
EXPENDITURES				
General government	4,759,831	4,725,570	4,542,169	183,401
Protection of persons and property	29,191,439	29,753,497	28,876,223	877,274
Health and sanitation	4,011,140	4,167,277	3,989,204	178,073
Highway and transportation	5,152,026	5,019,533	5,167,097	(147,564)
Education and recreation	1,065,577	1,049,381	1,005,453	43,928
Conservation and development	1,308,427	1,253,544	1,194,235	59,309
Unclassified	<u>372,480</u>	<u>713,712</u>	<u>648,106</u>	<u>65,606</u>
Total expenditures	<u>45,860,920</u>	<u>46,682,514</u>	<u>45,422,487</u>	<u>1,260,027</u>
Excess of revenues over expenditures	1,442,578	1,023,152	2,981,893	1,958,741
OTHER FINANCING SOURCES (USES)				
Transfers in	541,840	564,940	593,333	28,393
Transfers out	(1,910,000)	(2,114,000)	(2,114,000)	-
Intra-fund transfers, net	<u>(74,418)</u>	<u>525,908</u>	<u>(1,461,226)</u>	<u>(1,987,134)</u>
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, 2009

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
Net change in fund balances- budgetary basis	\$ -	\$ -	\$ -	\$ -
ADJUSTMENTS TO GENERALLY ACCEPTED ACCOUNTING PRINCIPLES BASIS				
Debt service tax levy reported as revenue			(1,920,000)	
Transfers (to) from other funds from fund equity			(1,297,000)	
Transfers to other funds related to debt service tax levy			1,920,000	
Intra-fund transfer to reserved and designated funds			1,461,226	
Net change in fund balances - generally accepted accounting principles basis			164,226	
FUND BALANCE - BEGINNING OF YEAR			17,971,932	
FUND BALANCE - END OF YEAR			\$ 18,136,158	

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, 2009

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 5,337,050	\$ 5,766,889	\$ 5,766,889	\$ -
Intergovernmental revenues	205,500	2,573,620	2,573,620	-
Commercial revenues	<u>470,700</u>	<u>379,228</u>	<u>105,021</u>	<u>(274,207)</u>
Total revenues	<u>6,013,250</u>	<u>8,719,737</u>	<u>8,445,530</u>	<u>(274,207)</u>
EXPENDITURES				
Conservation and development	486,585	311,526	2,099,574	(1,788,048)
Debt service principal	-	-	19,358	(19,358)
Total expenditures	<u>486,585</u>	<u>311,526</u>	<u>2,118,932</u>	<u>(1,807,406)</u>
Excess of revenues over expenditures	<u>5,526,665</u>	<u>8,408,211</u>	<u>6,326,598</u>	<u>(2,081,613)</u>
OTHER FINANCING SOURCES (USES)				
Proceeds from long term debt	-	-	1,800,000	1,800,000
Transfers in	55,000	4,400	5,133	733
Transfers out	<u>(3,833,344)</u>	<u>(2,928,480)</u>	<u>(4,125,818)</u>	<u>(1,197,338)</u>
Net change in fund balance	<u>\$ 1,748,321</u>	<u>\$ 5,484,131</u>	4,005,913	<u>\$ (1,478,218)</u>
FUND BALANCE - BEGINNING OF YEAR			<u>14,640,723</u>	
FUND BALANCE - END OF YEAR			<u>\$ 18,646,636</u>	

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

CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2009

	Business-type Activities Enterprise Funds				Governmental Activities	
	Water Utility	Sanitary Sewer	Storm Water Management	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
ASSETS						
CURRENT ASSETS						
Cash, cash equivalents and temporary investments	\$ 2,153,390	\$ 1,595,656	\$ 3,654,436	\$ 927,047	\$ 8,330,529	\$ 8,380,060
Receivables, net	1,646,089	1,578,980	300,383	160	3,525,612	208,330
Due from other funds	342,348	276,752	90,614	-	709,714	-
Inventories	175,889	-	-	-	175,889	108,998
Restricted assets - special redemption fund - bond principal and interest fund	378,825	-	-	-	378,825	-
Prepayments	6,126	-	-	-	6,126	-
Total current assets	<u>4,702,667</u>	<u>3,451,388</u>	<u>4,045,433</u>	<u>927,207</u>	<u>13,126,695</u>	<u>8,697,388</u>
NONCURRENT ASSETS						
Restricted assets:						
Special redemption fund - reserve fund	539,015	-	-	-	539,015	-
Water system improvement funds	247,926	-	-	-	247,926	-
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	758,392	-	-	-	758,392	1,252,654
Improvements other than buildings	34,698,603	49,135,960	31,488,062	-	115,322,625	-
Machinery and equipment	1,458,439	1,144,930	-	-	2,603,369	10,035,469
Construction in progress	35,947	-	10,685	-	46,632	-
Less: Accumulated depreciation	<u>(11,704,942)</u>	<u>(19,093,052)</u>	<u>(9,275,502)</u>	<u>-</u>	<u>(40,073,496)</u>	<u>(7,610,358)</u>
Total capital assets, net	<u>25,327,844</u>	<u>31,187,838</u>	<u>22,223,245</u>	<u>-</u>	<u>78,738,927</u>	<u>3,700,382</u>
Total noncurrent assets	<u>26,117,469</u>	<u>31,187,838</u>	<u>22,223,245</u>	<u>-</u>	<u>79,528,552</u>	<u>4,884,835</u>
Total assets	<u>30,820,136</u>	<u>34,639,226</u>	<u>26,268,678</u>	<u>927,207</u>	<u>92,655,247</u>	<u>13,582,223</u>
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	278,539	1,130,349	164,806	622	1,574,316	797,729
Accrued payroll	62,486	-	-	-	62,486	-
Due to other funds	607,890	19,200	-	-	627,090	25,300
Customer deposits	4,000	-	-	-	4,000	-
Current portion of long-term debt	-	925,924	981,376	-	1,907,300	-
Current portion of state trust fund loan	16,817	2,775	4,524	-	24,116	-
Accrued interest payable	15,366	21,939	27,752	-	65,057	-
Other accrued liabilities	101,980	-	-	-	101,980	7,404,631
Liabilities payable from restricted assets:						
Current portion of long-term debt	275,000	-	-	-	275,000	-
Accrued interest payable	103,825	-	-	-	103,825	-
Total current liabilities	<u>1,465,893</u>	<u>2,100,187</u>	<u>1,178,458</u>	<u>622</u>	<u>4,745,160</u>	<u>8,227,660</u>
NONCURRENT LIABILITIES						
Bonds payable	3,850,000	5,274,973	6,870,271	-	15,995,244	-
State trust fund loan	352,796	58,226	94,915	-	505,937	-
Total non-current liabilities	<u>4,202,796</u>	<u>5,333,199</u>	<u>6,965,186</u>	<u>-</u>	<u>16,501,181</u>	<u>-</u>
Total liabilities	<u>5,668,689</u>	<u>7,433,386</u>	<u>8,143,644</u>	<u>622</u>	<u>21,246,341</u>	<u>8,227,660</u>
NET ASSETS						
Invested in capital assets, net of related debt	21,202,844	25,216,686	14,703,987	-	61,123,517	3,700,382
Restricted	1,061,941	-	-	-	1,061,941	-
Unrestricted	2,886,662	1,989,154	3,421,047	926,585	9,223,448	1,654,181
Total net assets	<u>\$ 25,151,447</u>	<u>\$ 27,205,840</u>	<u>\$ 18,125,034</u>	<u>\$ 926,585</u>	<u>71,408,906</u>	<u>\$ 5,354,563</u>

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.

(163,870)

Net assets of business-type activities \$ 71,245,036

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, 2009

	Business-type Activities Enterprise Funds				Governmental Activities	
	Water Utility	Sanitary Sewer	Storm Water Management	Nonmajor Enterprise Funds	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES						
Charges for services and sales	\$ 6,105,039	\$ 5,663,700	\$ 2,397,839	\$ -	\$ 14,166,578	\$ 14,071,804
Other operating revenues	229,203	-	12,400	3,328	244,931	1,604,809
Total operating revenues	<u>6,334,242</u>	<u>5,663,700</u>	<u>2,410,239</u>	<u>3,328</u>	<u>14,411,509</u>	<u>15,676,613</u>
OPERATING EXPENSES						
Operation and maintenance	4,640,604	4,967,993	981,768	-	10,590,365	17,568,735
Depreciation	589,792	689,144	409,345	-	1,688,281	864,022
Taxes	98,217	-	-	-	98,217	-
Total operating expenses	<u>5,328,613</u>	<u>5,657,137</u>	<u>1,391,113</u>	<u>-</u>	<u>12,376,863</u>	<u>18,432,757</u>
Operating income (loss)	<u>1,005,629</u>	<u>6,563</u>	<u>1,019,126</u>	<u>3,328</u>	<u>2,034,646</u>	<u>(2,756,144)</u>
NON-OPERATING REVENUES (EXPENSES)						
Dividend income	-	-	-	-	-	42,888
Investment income	22,409	11,060	8,933	4,269	46,671	34,671
Grants	-	-	35,284	-	35,284	-
Gain on sale or trade of assets	-	-	-	-	-	9,472
Interest on long-term debt	(227,230)	(249,078)	(300,428)	-	(776,736)	-
Total non-operating revenues (expenses)	<u>(204,821)</u>	<u>(238,018)</u>	<u>(256,211)</u>	<u>4,269</u>	<u>(694,781)</u>	<u>87,031</u>
Income (loss) before capital contributions and transfers	800,808	(231,455)	762,915	7,597	1,339,865	(2,669,113)
CAPITAL CONTRIBUTIONS	540,392	225,190	789,292	-	1,554,874	25,823
TRANSFERS IN	-	-	-	-	-	1,217,114
TRANSFERS OUT	<u>(555,821)</u>	<u>(11,172)</u>	<u>-</u>	<u>-</u>	<u>(566,993)</u>	<u>(1,037,184)</u>
Change in net assets	785,379	(17,437)	1,552,207	7,597	2,327,746	(2,463,360)
NET ASSETS - BEGINNING OF YEAR	<u>24,366,068</u>	<u>27,223,277</u>	<u>16,572,827</u>	<u>918,988</u>		<u>7,817,923</u>
NET ASSETS - END OF YEAR	<u>\$ 25,151,447</u>	<u>\$ 27,205,840</u>	<u>\$ 18,125,034</u>	<u>\$ 926,585</u>		<u>\$ 5,354,563</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

(134,411)
\$ 2,193,335

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

CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2009

	Business-type Activities Enterprise Funds				Governmental Activities	
	Water Utility	Sanitary Sewer	Storm Water Management	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 6,325,166	\$ 5,580,877	\$ 2,387,970	\$ 3,328	\$ 14,297,341	\$ 1,447,788
Receipts from other funds	-	-	-	-	-	14,076,475
Payments to suppliers	(3,785,131)	(4,567,343)	(820,138)	(3,363)	(9,175,975)	(12,263,917)
Payments to employees	(1,338,349)	(397,189)	(249,465)	-	(1,985,003)	(1,785,906)
Payments to other funds	-	-	-	-	-	25,300
Net cash provided by (used in) operating activities	<u>1,201,686</u>	<u>616,345</u>	<u>1,318,367</u>	<u>(35)</u>	<u>3,136,363</u>	<u>1,499,740</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Principal paid on noncapital debt	(15,978)	(2,637)	(4,299)	-	(22,914)	-
Interest paid on noncapital debt	(20,241)	(3,341)	(5,446)	-	(29,028)	-
Transfers from (to) other funds	(532,042)	-	-	-	(532,042)	179,930
Net cash provided by (used in) noncapital financing activities	<u>(568,261)</u>	<u>(5,978)</u>	<u>(9,745)</u>	<u>-</u>	<u>(583,984)</u>	<u>179,930</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from long-term debt	-	1,000,000	800,000	-	1,800,000	-
Acquisition and construction of capital assets	(381,969)	(305,822)	(322,348)	-	(1,010,139)	(901,468)
Proceeds from the sale of property, plant and equipment	-	-	-	-	-	42,670
Grant funds received	-	-	35,284	-	35,284	-
Principal paid on capital debt	(830,000)	(883,589)	(788,804)	-	(2,502,393)	-
Interest paid on capital debt	(224,939)	(245,487)	(294,994)	-	(765,420)	-
Net cash provided by (used in) capital and related financing activities	<u>(1,436,908)</u>	<u>(434,898)</u>	<u>(570,862)</u>	<u>-</u>	<u>(2,442,668)</u>	<u>(858,798)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends received	22,409	11,060	8,933	4,109	46,511	77,559
Net cash provided by investing activities	<u>22,409</u>	<u>11,060</u>	<u>8,933</u>	<u>4,109</u>	<u>46,511</u>	<u>77,559</u>
Net increase (decrease) in cash and cash equivalents	(781,074)	186,529	746,693	4,074	156,222	898,431
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<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>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 3,319,156</u>	<u>\$ 1,595,656</u>	<u>\$ 3,654,436</u>	<u>\$ 927,047</u>	<u>\$ 9,496,295</u>	<u>\$ 8,380,060</u>
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 1,005,629	\$ 6,563	\$ 1,019,126	\$ 3,328	\$ 2,034,646	\$ (2,756,144)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	589,792	689,144	409,345	-	1,688,281	864,022
Depreciation charged to other accounts	31,941	-	-	-	31,941	-
Tax equivalent charged to sewer utility	11,172	(11,172)	-	-	-	-
Loss on disposal of capital assets	1,508	-	-	-	-	-
(Increase) Decrease:						
Accounts receivable	(20,248)	(82,823)	(22,269)	-	(125,340)	(197,650)
Due from other funds	(10,538)	(35,114)	(22,589)	-	(68,241)	45,300
Inventories	(26,367)	-	-	-	(26,367)	(1,868)
Prepaid items	128	-	-	-	128	-
Due to other funds	-	-	-	-	-	25,300
Increase (Decrease):						
Accounts payable	(308,090)	46,492	(65,246)	(3,363)	(330,207)	(166,163)
Accrued payroll	(231)	-	-	-	(231)	-
Other accrued liabilities	2,219	-	-	-	2,219	3,686,943
Due to other funds	(75,229)	3,255	-	-	(71,974)	-
Total adjustments	<u>196,057</u>	<u>609,782</u>	<u>299,241</u>	<u>(3,363)</u>	<u>1,101,717</u>	<u>4,255,884</u>
Net cash provided by (used in) operating activities	<u>\$ 1,201,686</u>	<u>\$ 616,345</u>	<u>\$ 1,318,367</u>	<u>\$ (35)</u>	<u>\$ 3,136,363</u>	<u>\$ 1,499,740</u>
Noncash investing, capital and financing activities						
Capital additions contributed						
City of Wauwatosa	\$ 197,608	\$ 225,190	\$ 789,292	\$ -	\$ 1,212,090	\$ 25,823
Developers	342,784	-	-	-	342,784	-
	<u>\$ 540,392</u>	<u>\$ 225,190</u>	<u>\$ 789,292</u>	<u>\$ -</u>	<u>\$ 1,554,874</u>	<u>\$ 25,823</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, 2009**

	Private Purpose Trust Funds				Agency Funds		
	Firemen's Special Endowment Fund	Bachman Flag Account	Land Conservation Account	Total	Special Deposits	Subsequent Year's Tax Roll Collections	Total
ASSETS							
Cash and investments	\$ 10,684	\$ 11,184	\$ 80,864	\$ 102,732	\$ 73,840	\$ 59,201,016	\$ 59,274,856
Interest receivable	51	-	-	51	-	-	-
Taxes receivable	-	-	-	-	-	23,335,592	23,335,592
Total assets	10,735	11,184	80,864	102,783	73,840	82,536,608	82,610,448
LIABILITIES							
Special deposits	-	-	-	-	\$ 73,840	\$ -	\$ 73,840
Due to other taxing units	-	-	-	-	-	82,536,608	82,536,608
Total liabilities	-	-	-	-	73,840	82,536,608	82,610,448
NET ASSETS - RESTRICTED	\$ 10,735	\$ 11,184	\$ 80,864	\$ 102,783			

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, 2009

	Private Purpose Trust Funds			
	Firemen's Special Endowment Fund	Bachman Flag Account	Land Conservation Account	Total
ADDITIONS				
Contributions	\$ -	7,554	\$ 40,730	\$ 48,284
Investment income	294	9	-	303
Total additions	294	7,563	40,730	48,587
DEDUCTIONS	1,500	6,015	-	7,515
Changes in net assets	(1,206)	1,548	40,730	41,072
NET ASSETS - BEGINNING OF YEAR	11,941	9,636	40,134	61,711
NET ASSETS - END OF YEAR	\$ 10,735	\$ 11,184	\$ 80,864	\$ 102,783

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

**CITY OF WAUWATOSA, WISCONSIN
INDEX TO NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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, 2009**

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, 2009**

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.

Capital Projects Fund

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

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

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

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.

Information Systems Equipment - accounts for resources to be used for capital improvements projects.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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, Bachman Flag 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, 2009**

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, 2009**

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, 2009**

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 and the TIF Fund based on average fund balance. 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, 2009, 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, 2009**

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 - 2009 tax roll:

Lien date and levy date	December 2009
Tax bills mailed	December 2009
Payment in full, or	January 31, 2010
First installment due	January 31, 2010
Second installment due	March 31, 2010
Third installment due	May 31, 2010
Personal property taxes in full	January 31, 2010
Tax sale - 2009 delinquent real estate taxes	October 2012

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, 2009**

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, 2009**

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, 2009**

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, 2009 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 at the time of 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 \$34.8 million, made up of two issues.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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, 2009**

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.

In 2007, the City adopted Resolution #07-96 which amended the project plan for the City of Wauwatosa Tax Incremental District No. 2. The additional project costs are estimated at \$3.5 million to be financed by the developer. The resolution included the issuance of a municipal revenue obligation to repay the developer from TIF proceeds, through the dissolution date. Should the TIF close before the project costs are repaid, the City is not liable for any additional payments.

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.

In 2006, the City adopted Resolution #06-179 which amended the project plan for the City of Wauwatosa Tax Incremental District No. 3. The additional project costs are estimated at \$6 million for the purpose of additional public infrastructure improvements and payments to a developer for environmental remediation.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Other Policies - Tax Incremental Districts (continued)

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.

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	\$ 60,733,791
Compensated absences	1,885,882
Accrued interest payable	604,698
Landfill postclosure liability	179,447
MADACC obligation	<u>73,534</u>
 Combined Adjustment for Long-Term Liabilities	 <u>\$ 63,477,352</u>

CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009

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 \$821,600. Appropriations lapse at year end unless specifically carried over. Carryovers to the following year were \$536,231. Expenditure control is at the total fund level for all funds.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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	\$ 13,100	\$ -
Deposits		
Demand deposits	6,697,861	6,711,890
Demand deposits, interest bearing	1,674,303	1,674,303
Certificates of deposit	<u>25,580,000</u>	<u>25,580,000</u>
Total deposits	<u>33,952,164</u>	<u>33,966,193</u>
Investments		
U.S. Agency Securities	12,186,484	12,186,484
Municipal Securities	10,366,669	10,366,669
Corporate Securities	1,851,430	1,851,430
Investment pools:		
MBIA Municipal Investors Fund	3,143,206	3,143,206
Local Government Investment Pool (LGIP)	<u>66,664,743</u>	<u>66,664,743</u>
Total investments	<u>94,212,532</u>	<u>94,212,532</u>
Total cash and investments	<u>\$ 128,177,796</u>	<u>\$ 128,178,725</u>
Reconciliation to the Statement of Net Assets:		
Unrestricted cash and investments	\$ 66,659,442	
Restricted cash and investments	2,140,766	
Fiduciary Funds:		
Private purpose trust funds	102,732	
Agency funds	<u>59,274,856</u>	
Total cash and investments	<u>\$ 128,177,796</u>	

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, 2009**

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, 2009, 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 LGIP 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 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 \$11,209,252 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, 2009, \$24,504,303 of the City's bank balance of \$33,966,193 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, 2009, \$13,195,331 of the City's investment balance of \$94,212,532 was exposed to custodial credit risk as uninsured and uncollateralized.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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, 2009 the City is exposed to credit risk with investments in the following:

Investment Type	Fair Value	Moody's Rating
Local Government Investment Pool	66,664,743	Unrated
MBIA Municipal Investors Fund	3,143,206	AAA
Municipal Securities	1,888,533	Unrated
Municipal Securities	855,684	A1
Municipal Securities	2,002,060	A2
Municipal Securities	1,231,728	A3
Municipal Securities	254,270	AA
Municipal Securities	223,771	AA-
Municipal Securities	1,004,300	Aa1
Municipal Securities	783,683	Aa2
Municipal Securities	2,122,640	Aa3
Corporate securities	<u>1,851,430</u>	Aa2
Total fair value of investments subject to credit risk	<u>\$ 82,026,048</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, 2009 the City's investments were as follows:

Investment Type	Fair Value	Maturity (Months)
U.S. Agency Securities	\$ 12,186,484	52.7
Municipal Securities	10,366,669	26.0
Local Government Investment Pool	66,664,743	2.9
MBIA Municipal Investors Fund	3,143,206	Not Available
Corporate Securities	1,851,430	37.1

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

Concentration of Credit Risk

As of December 31, 2009, the City's investment portfolio did not hold investments from individual issuers which comprised over 5% of their investment balances.

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, 2009, an allowance for uncollectible accounts has been established for ambulance billings of \$8,421.

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:

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable	\$ -	\$ 42,159,546	\$ 42,159,546
Retiree health insurance billings	-	125,563	125,563
Unspent grant proceeds	-	213,790	213,790
Water utility pension loan payment	-	28,676	28,676
Flood acquisition contributions/rents	-	116,708	116,708
Special assessments	690,989	-	690,989
	<u>\$ 690,989</u>	<u>\$ 42,644,283</u>	<u>\$ 43,335,272</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

D. Restricted Assets

Following is a list of restricted assets at December 31, 2009:

Governmental activities	
Cash and investments - lease revenue bond reserve	<u>\$ 975,000</u>
 Business-type activities	
Cash and investments	
Special Redemption Funds	
Bond Reserve Fund	\$ 539,015
Bond Principal and Interest Fund	<u>378,825</u>
Total Special Redemption Funds	917,840
Waterworks System Improvement Fund	<u>247,926</u>
 Total business-type activities	 <u>\$ 1,165,766</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

E. Capital Assets

Capital asset activity for the year ended December 31, 2009 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 22,601,723	\$ 461,495	\$ -	\$ 23,063,218
Construction in progress	<u>1,261,063</u>	<u>8,203,773</u>	<u>1,261,063</u>	<u>8,203,773</u>
Total capital assets not being depreciated	<u>23,862,786</u>	<u>8,665,268</u>	<u>1,261,063</u>	<u>31,266,991</u>
Capital assets being depreciated				
Buildings	14,261,998	497,572	41,660	14,717,910
Improvements	433,659	-	-	433,659
Machinery and equipment	14,974,659	1,095,048	657,237	15,412,470
Infrastructure	<u>61,955,486</u>	<u>2,589,554</u>	<u>248,473</u>	<u>64,296,567</u>
Total capital assets being depreciated	<u>91,625,802</u>	<u>4,182,174</u>	<u>947,370</u>	<u>94,860,606</u>
Less: accumulated depreciation for				
Buildings	8,754,220	310,689	41,660	9,023,249
Improvements	316,989	8,746	-	325,735
Machinery and Equipment	9,013,563	1,246,683	624,039	9,636,207
Infrastructure	<u>30,754,817</u>	<u>2,204,534</u>	<u>248,473</u>	<u>32,710,878</u>
Total accumulated depreciation	<u>48,839,589</u>	<u>3,770,652</u>	<u>914,172</u>	<u>51,696,069</u>
Capital assets being depreciated, net of depreciation	<u>42,786,213</u>	<u>411,522</u>	<u>33,198</u>	<u>43,164,537</u>
Total capital assets, net of depreciation	<u>\$ 66,648,999</u>	<u>\$ 9,076,790</u>	<u>\$ 1,294,261</u>	<u>\$ 74,431,528</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
General government	\$ 78,058
Protection of persons and property	439,291
Health and sanitation	3,965
Highway and transportation, which includes the depreciation of infrastructure	2,218,052
Education and recreation	167,264
Depreciation expense-allocated with Internal Service Fund	<u>864,022</u>
Total governmental activities depreciation expense	<u>\$ 3,770,652</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

E. Capital Assets (continued)

	Beginning Balance	Additions	Deletions	Ending Balance
Business-type activities				
Capital assets not being depreciated				
Land	\$ 81,405	\$ -	\$ -	\$ 81,405
Construction in progress	-	46,632	-	46,632
Total capital assets not being depreciated	81,405	46,632	-	128,037
Capital assets being depreciated				
Buildings	736,838	22,629	1,075	758,392
Utility Systems	33,908,016	833,697	43,110	34,698,603
Machinery and equipment	1,428,351	30,088	-	1,458,439
Sanitary sewer	49,764,288	531,012	14,410	50,280,890
Storm sewer	30,449,075	1,100,954	61,967	31,488,062
Total capital assets being depreciated	116,286,568	2,518,380	120,562	118,684,386
Less: accumulated depreciation for				
Buildings	406,760	23,686	1,075	429,371
Utility Systems	9,618,162	556,628	41,602	10,133,188
Machinery and equipment	1,100,964	41,419	-	1,142,383
Sanitary sewer	18,418,318	689,144	14,410	19,093,052
Storm sewer	8,928,124	409,345	61,967	9,275,502
Total accumulated depreciation	38,472,328	1,720,222	119,054	40,073,496
Capital assets being depreciated, net of depreciation	77,814,240	798,158	1,508	78,610,890
Total capital assets, net of depreciation	\$ 77,895,645	\$ 844,790	\$ 1,508	\$ 78,738,927

Depreciation expense was charged to functions as follows:

Business-type activities	
Water Utility	
Depreciation	\$ 589,792
Depreciation charged to Water Utility operation and maintenance expenses	13,183
Depreciation charged to Sanitary Sewer expenses	18,758
	621,733
Sanitary Sewer	689,144
Storm Water Management	409,345
	1,118,222
Total business-type activities depreciation expense	\$ 1,720,222

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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:

Receivable Fund	Payable Fund	Amount
Governmental Funds		
General Fund	Water Utility	\$ 596,997
General Fund	Non-major Governmental funds	466,427
		<u>1,063,424</u>
Proprietary Funds		
Sanitary Sewer	Water Utility	10,883
Sanitary Sewer	General Fund	265,869
Storm Water Management	General Fund	90,614
Water Utility	General Fund	323,148
Water Utility	Sanitary Sewer	<u>19,200</u>
		<u>709,714</u>
Total interfund receivables		<u>\$ 1,773,138</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 2009 through 2016. The outstanding balance as of December 31, 2009 was \$410,000.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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	566,993
		<u>593,333</u>
Special Revenue Fund - Tax Incremental District	Capital Projects - Redevelopment Authority Lease Revenue Bond	<u>5,133</u>
Debt Service Fund	General Fund	1,297,000
	Internal Service Funds	75,490
		<u>1,372,490</u>
Capital Projects Fund - General Obligation Debt Issue Fund	Special Revenue Funds Tax Incremental District Special Assessments Internal Service Funds	1,317,474 1,044,364 752,362
		<u>3,114,200</u>
Capital Projects Fund - Redevelopment Authority Lease Revenue Bond	Special Revenue Fund - Tax Incremental District	<u>2,808,344</u>
Capital Projects Fund - Information Systems Equipment	Internal Service Fund	<u>18,642</u>
Internal Service Funds	General Fund	194,000
	Internal Service Funds	164,350
	Capital Projects Fund - General Obligation Debt Issue Fund	858,764
		<u>1,217,114</u>
		<u>\$ 9,129,256</u>

During the year, existing capital assets related to governmental funds, with a book value of \$1,212,090 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, 2009**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2009 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds and notes payable					
General obligation debt					
Promissory notes and bonds	\$ 12,550,058	\$ 12,900,000	\$ 2,102,611	\$ 23,347,447	\$ 13,417,700
State Trust Fund loans	<u>8,898,501</u>	<u>-</u>	<u>442,799</u>	<u>8,455,702</u>	<u>469,029</u>
Total general obligation debt	21,448,559	12,900,000	2,545,410	31,803,149	13,886,729
Redevelopment lease revenue bond	28,525,000	-	1,375,000	27,150,000	2,075,000
Municipal revenue obligation	<u>-</u>	<u>1,800,000</u>	<u>19,358</u>	<u>1,780,642</u>	<u>-</u>
Total bonds and notes payable	<u>49,973,559</u>	<u>14,700,000</u>	<u>3,939,768</u>	<u>60,733,791</u>	<u>15,961,729</u>
Other Liabilities					
Accrued unused vacation	1,888,299	2,081,297	1,998,357	1,971,239	1,971,239
Landfill postclosure liability	184,739	-	5,292	179,447	9,792
MADACC obligation	<u>87,852</u>	<u>-</u>	<u>14,318</u>	<u>73,534</u>	<u>14,318</u>
Total other liabilities	<u>2,160,890</u>	<u>2,081,297</u>	<u>2,017,967</u>	<u>2,224,220</u>	<u>1,995,349</u>
Total governmental activities long-term liabilities	<u>\$ 52,134,449</u>	<u>\$ 16,781,297</u>	<u>\$ 5,957,735</u>	<u>\$ 62,958,011</u>	<u>\$ 17,957,078</u>
Business-type activities					
Bonds and notes payable					
General obligation debt	\$ 14,477,904	\$ 1,800,000	\$ 1,695,307	\$ 14,582,597	\$ 1,931,416
Revenue bonds	<u>4,955,000</u>	<u>-</u>	<u>830,000</u>	<u>4,125,000</u>	<u>275,000</u>
Total business-type activities long-term liabilities	<u>\$ 19,432,904</u>	<u>\$ 1,800,000</u>	<u>\$ 2,525,307</u>	<u>\$ 18,707,597</u>	<u>\$ 2,206,416</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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.

	Date of Issue	Final Maturity	Interest Rates	Original Amount	Balance 12/31/09
Corporate purpose bond	03/15/96	12/01/11	4.1 - 6.1%	\$3,785,650	\$ 371,142
State Trust Fund loans	01/25/05	03/15/24	5.25	9,815,080	8,146,339
	01/09/08	03/15/12	4.75	400,000	309,363
					<u>8,455,702</u>
Promissory notes	05/15/01	12/01/10	4.3 - 4.5	1,790,617	345,331
	03/15/02	12/01/11	2.8 - 4.1	1,988,000	738,400
	04/01/03	12/01/12	2.0 - 3.15	2,709,700	1,393,560
	03/15/04	12/01/13	2.0 - 3.13	902,980	509,501
	03/15/05	12/01/14	3.375 - 4.0	1,003,200	760,000
	04/01/06	12/01/15	3.625 - 4.0	1,803,000	1,442,441
	04/15/07	12/01/16	4.0	1,142,382	1,011,822
	05/01/08	12/01/17	3.0 - 3.5	1,906,000	1,875,250
	07/01/09	12/01/18	2.125-5.250	3,500,000	3,500,000
					<u>11,576,305</u>
Bond anticipation notes	11/1/2008	11/01/10	4.0	2,000,000	2,000,000
	7/1/2009	11/01/10	1.75	9,400,000	9,400,000
					<u>11,400,000</u>
Total general obligation debt					<u>\$31,803,149</u>

Redevelopment Lease Revenue Bond

The Wauwatosa Redevelopment Authority has the following debt outstanding:

Type	Date of Loan	Due Date	Interest Rate	Original Amount	Balance 12/31/09
Redevelopment Lease Revenue Bond	08/15/04	12/01/17	5.40%	\$ 24,500,000	20,950,000
Redevelopment Lease Revenue Bond	10/15/07	12/01/12	4.00%	<u>6,200,000</u>	<u>6,200,000</u>
Totals				<u>\$ 30,700,000</u>	<u>\$27,150,000</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Obligations (continued)

Governmental Activities Debt (continued)

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.

Municipal Revenue Obligation

On August 15, 2007 the City entered into a developer agreement including a municipal revenue obligation payable to the Developer to reimburse actual costs expended by the Developer relating to approved TIF No. 5 project costs as described in the project plan. The Developer completed eligible costs of \$1,800,000 and became eligible for repayment in 2009. The municipal revenue obligation is not a general obligation of the City, and is payable solely from the revenues and income derived by the tax increment of TIF No. 5.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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 12/31/09
WATER						
Waterworks System						
Revenue Bonds						
Series 1998	06/01/98	4.85 - 5.6	1/1/99-18	1/1&7/1	\$ 2,000,000	\$ 1,150,000
Series 2002	07/15/02	2.5 - 5.75	1/1/03-22	1/1&7/1	4,000,000	<u>2,975,000</u>
						4,125,000
State Trust Fund Loan	01/25/05	5.25	3/15/06-24	3/15	426,460	<u>369,613</u>
Total Water Utility						<u>4,494,613</u>
SANITARY SEWER						
Promissory Notes						
Series 2001	05/15/01	4.375 - 4.5	12/1/02-10	6/1&12/1	1,006,933	194,198
Series 2002	03/15/02	2.875 - 4.15	12/1/03-11	6/1&12/1	991,900	258,050
Series 2003	04/01/03	2.0 - 3.15	12/1/04-12	6/1&12/1	318,500	163,800
Series 2004	03/15/04	2.0 - 3.125	12/1/05-13	6/1&12/1	610,190	404,582
Series 2005	05/01/05	3.375 - 4.0	12/1/06-14	6/1&12/1	1,303,500	959,500
Series 2006	04/01/06	3.625 - 4.0	12/1/07-15	6/1&12/1	1,382,000	1,105,600
Series 2007	04/15/07	4.0	12/1/08-16	6/1&12/1	1,043,018	923,818
Series 2008	05/01/08	3.0 - 3.5	12/1/09-17	6/1&12/1	1,141,000	1,122,600
Series 2009	07/01/09	2.125-5.25	12/1/10-18	6/1&12/1	1,000,000	<u>1,000,000</u>
						6,132,148
General Obligation Corporate						
Purpose Bonds						
Series 1996	03/15/96	4.1 - 6.1	12/1/97-11	6/1&12/1	701,330	68,749
State Trust Fund Loan	01/25/05	5.25	3/15/06-24	3/15	70,311	<u>61,001</u>
Total Sanitary Sewer						<u>6,261,898</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Obligations (continued)

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

STORM WATER MAINTENANCE

Promissory Notes							
Series 2001	05/15/01	4.375 - 4.5	12/1/02-10	6/1&12/1	\$ 702,450	\$	135,472
Series 2002	03/15/02	2.875 - 4.15	12/1/03-11	6/1&12/1	817,250		303,550
Series 2003	04/01/03	2.0 - 3.15	12/1/04-12	6/1&12/1	471,800		242,640
Series 2004	03/15/04	2.0 - 3.125	12/1/05-13	6/1&12/1	921,380		610,915
Series 2005	05/01/05	3.375 - 4.0	12/1/06-14	6/1&12/1	1,030,260		780,500
Series 2006	04/01/06	3.625 - 4.0	12/1/07-15	6/1&12/1	815,000		651,960
Series 2007	04/15/07	4.0	12/1/08-16	6/1&12/1	1,314,600		1,164,360
Series 2008	05/01/08	3.0 - 3.5	12/1/09-17	6/1&12/1	3,153,000		3,102,150
Series 2009	07/01/09	2.125-5.25	12/1/10-18	6/1&12/1	800,000		<u>800,000</u>
							7,791,547
General Obligation Corporate Purpose Bonds							
Series 1996	03/15/96	4.1 - 6.1	12/1/97-11	6/1&12/1	613,020		60,100
State Trust Fund Loan	01/25/05	5.25	3/15/06-24	3/15	114,609		<u>99,439</u>
Total Storm Water Maintenance							<u>7,951,086</u>
Total business-type activities debt							<u>\$ 18,707,597</u>

The Water Utility has \$4,125,000 in Waterworks System Revenue Bonds outstanding at December 31, 2009. 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, 2009**

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:

	Governmental Long-Term Debt		Business-type Long-Term Debt	
	Principal	Interest	Principal	Interest
2010	15,961,729	2,563,233	2,206,416	745,831
2011	4,686,541	2,070,836	2,282,002	663,121
2012	10,677,773	1,870,421	2,241,332	580,744
2013	4,178,369	1,420,933	2,406,835	499,447
2014	4,321,093	1,226,423	2,313,273	409,571
2015-19	15,695,597	2,808,544	6,184,435	853,562
2020-24	3,432,047	559,611	1,073,304	101,411
Totals	<u>\$ 58,953,149</u>	<u>\$ 12,520,001</u>	<u>\$ 18,707,597</u>	<u>\$ 3,853,687</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, 2009, was \$280,506,140. Total general obligation debt outstanding at year end was \$46,385,746.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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 \$179,447 over the next 20 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, 2009**

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, 2009 includes the following:

Governmental Activities

Invested in capital assets, net of related debt	
Nondepreciated	\$ 31,266,991
Depreciated	43,164,537
Less: related debt excluding unspent bond proceeds	<u>(19,436,622)</u>
Total invested in capital assets, net of related debt	54,994,906
Restricted for debt service	150,000
Unrestricted	<u>7,781,151</u>
 Total governmental activities net assets	 <u>\$ 62,926,057</u>

Business-type Activities

Invested in capital assets, net of related debt	
Land	\$ 81,405
Construction in progress	46,632
Other capital assets, net of accumulated depreciation	78,610,890
Less: related long-term debt outstanding (net of unspent proceeds of debt)	<u>(17,615,410)</u>
Total Invested in Capital Assets	<u>61,123,517</u>
Restricted net assets	
Restricted for debt service reserve	539,015
Restricted for debt service principal and interest	275,000
Restricted for water system improvement	<u>247,926</u>
Total Restricted Net Assets	<u>1,061,941</u>
 Unrestricted	 <u>9,059,578</u>
 Total Business Type-Activities Net Assets	 <u>\$ 71,245,036</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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, 2009 include the following:

Reserved	
Major Funds	
General Fund -	
Prepayments	\$ 5,405
Inventories	1,046
Non-current receivables	<u>1,540,405</u>
	<u>1,546,856</u>
Non-Major Funds - Redevelopment Authority Lease Revenue Bond	<u>975,000</u>
Total reserved fund balance	<u>2,521,856</u>
 Unreserved	
Major Funds	
General Fund -	
Designated for general contingencies	65,974
Designated for subsequent years expenditures	536,231
Designated for subsequent year's budget appropriations	1,805,641
Designated for debt service and capital improvements	8,144,236
Undesignated	<u>6,037,220</u>
Total general fund	<u>16,589,302</u>
Special Revenue Fund - Tax Increment District	
Designated for eligible program costs	<u>18,646,636</u>
Capital Projects Fund - General Obligation Debt Issue Fund	
Designated for park improvements	412,162
Designated for subsequent year's expenditures	<u>10,164,196</u>
	<u>10,576,358</u>
Nonmajor Funds	
Special Revenue Fund - Library Fund	
Designated for library activities	<u>733,971</u>
Capital Projects Fund - Information Systems Equipment	
Designated for subsequent year's expenditures	<u>18,642</u>
Debt Service Fund - Undesignated	<u>589</u>
Total unreserved fund balance	<u>46,565,498</u>
Total governmental fund balance	<u>\$ 49,087,354</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

H. Net Assets / Fund Balances (continued)

The designation for debt service 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 5.0% of their salary (3.0% for Executives and Elected Officials, 5.0% for Protective Occupations with Social Security, and 3.2% for Protective Occupations without Social Security) to the plan. Employers generally make these contributions to the plan on behalf of employees. Employees on military leave qualify to receive contributions. 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, 2009 was \$28,147,144; the employer's total payroll was \$28,061,035. The total required contribution for the year ended December 31, 2009 was \$4,177,401 or 14.84% of covered payroll. Of this amount, 100% was contributed by the employer for the current year. Total contributions for the years ending December 31, 2008 and 2007 were \$4,220,964 and \$3,963,993, 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, 2009**

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, 2009.

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 2009 were \$18,464.

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, 2009. 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, 2009**

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, 2009. CVMIC continues to pay dividends that are used to pay the City's insurance premiums.

Complete financial statements for the year ended December 31, 2009 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, 2009 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, 2009.

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, 2009**

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, 2009, the Risk Management General Liability Fund had net assets of \$1,124,512, which includes the City's Investment in CVMIC of \$1,184,453.

Changes in the claim liability amounts for the years ended December 31, 2009 and 2008 were as follows:

	<u>2009</u>	<u>2008</u>
Unpaid claims - Beginning of Year	\$ 64,679	\$ 51,152
Current year claims and changes in estimates	441,827	122,200
Claim payments	<u>434,753</u>	<u>108,673</u>
Unpaid claims - End of Year	<u>\$ 71,753</u>	<u>\$ 64,679</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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. This fund also accounts for the City's other post employment benefits

All funds of the City participate in the plan. The City does not maintain a reserve for the coverage of catastrophic losses. The claims liability of \$455,424 reported in the Internal Service Fund at December 31, 2009, 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, 2009 and 2008 were as follows:

	Beginning Balance	Current Year Claims and Changes in Estimates	Claim Payments	Ending Balance
2008	907,774	5,564,939	6,034,804	437,909
2009	437,909	6,102,507	6,554,857	455,424

The net assets of the fund are reported as unrestricted and are comprised of the following components:

Employee insurance	\$ 6,943,207
Other post employment obligation	<u>(7,319,274)</u>
Total	<u>\$ (376,067)</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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 2009, City and plan members receiving benefits paid approximately \$1,765,648 toward medical insurance for retirees. This represents 6.62% of total payroll for the year.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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)	\$ 5,494,391
Interest on Net OPEB Obligation	145,898
Adjustment to ARC	<u>(202,820)</u>
Annual OPEB Cost	5,437,469
Contribution made	<u>(1,765,648)</u>
Increase in net OPEB Obligation	3,671,821
Net OPEB obligation- beginning of year	<u>3,647,453</u>
Net OPEB obligation - end of year	<u>\$ 7,319,274</u>

The City's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2009 and 2008 are 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
12/31/2009	\$ 5,437,469	32.47%	\$ 7,319,274

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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 \$26,655,772 and the ratio of the UAAL to the covered payroll was 196.90 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, 2009**

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 \$140,049.

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

2010	\$	158,014
2011		169,581
2012		170,851
2013		172,179
2014		173,567
2015-2019		<u>1,046,290</u>
	\$	<u>1,890,482</u>

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

E. Commitments and Contingencies

Certain claims existed at December 31, 2009 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, 2009 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.

On April 24, 2007 the City entered into a Developer agreement which included a Municipal Revenue Obligation to reimburse eligible project costs incurred by the developer. This obligation is payable solely from a portion of the increment as defined by the developer agreement. Should the TIF close before the project costs are repaid, the City is not liable for any additional payments. Costs are reported as project costs in the year paid. Total costs that could be reimbursed amount to \$6,447,658. 2009 was the first year in which the City made a payment under this agreement. The amount the City paid in 2009 was \$259,705.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

NOTE 5 - OTHER INFORMATION (continued)

F. Subsequent Events

Management evaluated subsequent events through May 3, 2010, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2009, but prior to May 3, 2010 that provide additional evidence about conditions that existed at December 31, 2009, have been recognized in the financial statements for the year ended December 31, 2009. Events or transactions that provided evidence about conditions that did not exist at December 31, 2009 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2009.

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.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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

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 2009 to 2016. The outstanding balance as of December 31, 2009 was \$410,000.

A repayment schedule of the interfund advance is as follows:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	65,000	12,800	77,800
2015-2016	135,000	13,865	148,865
	<u>\$ 410,000</u>	<u>\$ 111,741</u>	<u>\$ 514,743</u>

As of December 31, 2009, \$232,776 is available in the Special Revenue Fund for debt payments.

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, 2009, \$20,670,880 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:

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	2,500,000	679,126	3,179,126
2014-2017	9,550,000	1,141,378	10,691,378
	<u>\$ 27,150,000</u>	<u>\$ 6,439,024</u>	<u>\$ 33,589,024</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2009**

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

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.

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

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APPENDIX B

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

August 3, 2010

Re: City of Wauwatosa, Wisconsin ("Issuer")
\$8,450,000 Taxable General Obligation Refunding Bonds, Series 2010A,
dated August 3, 2010 ("Bonds")

We have acted as bond counsel to the Issuer in connection with the issuance of the Bonds. 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 Bonds are numbered from R-1 and upward; bear interest at the rates set forth below; and mature on March 1 of each year, in the years and principal amounts as follows:

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2011	\$ 450,000	2.125%
2012	495,000	2.25
2013	505,000	1.75
2014	515,000	2.30
2015	530,000	3.25
2016	550,000	3.25
2017	575,000	3.75
2018	600,000	4.00
2019	625,000	4.25
2020	650,000	4.50
2022	1,405,000	4.70
2024	1,550,000	5.00

Interest is payable semi-annually on March 1 and September 1 of each year commencing on March 1, 2011.

The Bonds maturing on March 1, 2022 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on March 1, 2020 or on any date thereafter. Said Bonds are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer and within each maturity, by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

The Bonds maturing in the years 2022 and 2024 are also subject to mandatory redemption by lot as provided in the resolution authorizing the sale of the Bonds at the redemption price of par plus accrued interest to the date of redemption and without premium.

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

Based upon and subject to the foregoing, it is our opinion under existing law that:

1. The Bonds 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 Bonds, 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 Bonds 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 Bonds.

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

We express no opinion regarding the accuracy, adequacy, or completeness of the Official Statement or any other offering material relating to the Bonds. Further, we express no opinion regarding tax consequences arising with respect to the Bonds 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 Bonds 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

CONTINUING DISCLOSURE CERTIFICATE

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 \$8,450,000 Taxable General Obligation Refunding Bonds, Series 2010A, dated August 3, 2010 (the "Securities"). The Securities are being issued pursuant to an Initial Resolution adopted by the Governing Body of the Issuer on June 1, 2010 and an Authorizing Resolution adopted by the Governing Body of the Issuer on July 20, 2010 (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 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 July 20, 2010 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, 2010, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and which 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 3rd day of August, 2010.

Jill Didier
Mayor

(SEAL)

Carla A. Ledesma
City Clerk