VILLAGE OF PEWAUKEE

Pewaukee, Wisconsin

FINANCIAL STATEMENTS

Including Independent Auditors' Report

As of and for the Year Ended December 31, 2013

VILLAGE OF PEWAUKEE

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INDEPENDENT AUDITORS' REPORT

To the Village Board
Village of Pewaukee
Pewaukee, Wisconsin

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pewaukee, Wisconsin, as of and for the year ended December 31, 2013, and the related notes to the financial statements, which collectively comprise the Village of Pewaukee's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

To the Village Board
Village of Pewaukee

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Village of Pewaukee, Wisconsin, as of December 31, 2013 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America;.

Emphasis of Matter

As discussed in Note I, the Village of Pewaukee adopted the provisions of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities,* effective January 1, 2013. Our opinions are not modified with respect to this matter.

Other Matters

Required Supplementary Information

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

Supplementary Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Pewaukee's basic financial statements. The combining financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining financial statements are fairly stated in all material respects, in relation to the basic financial statements as a whole.

Baker Tilly Virchow Krause, LLP

Madison, Wisconsin
May 14, 2014

MANAGEMENT'S DISCUSSION

AND ANALYSIS

VILLAGE OF PEWAUKEE

MANAGEMENT'S DISCUSSION AND ANALYSIS
UNAUDITED
As of and for the Year Ended December 31, 2013

The management of the Village of Pewaukee offers all persons interested in the financial position of the village this narrative overview and analysis of the village's financial performance during the fiscal year ended December 31, 2013. You are invited to read this narrative in conjunction with the village's financial statements.

FINANCIAL HIGHLIGHTS

> The assets of the Village of Pewaukee exceeded its liabilities by $46,915,988 (net position). Of this amount, $12,027,891 is considered unrestricted, $3,310,068 is restricted for specific purposes (restricted net position), and $31,578,029 is the net investment in capital assets.

> The village's total net position increased by $87,496. Governmental activities net position increased by $144,523, while business-type net position decreased by $57,027.

> On December 31, 2013, the village's governmental funds reported combined fund balances of $5,667,316, an increase of $678,898 from 2012. Unassigned fund balance was $2,529,577.

OVERVIEW OF THE FINANCIAL STATEMENTS

This discussion and analysis is intended to serve as an introduction to the village's basic financial statements. These financial statements consist of two parts: Management's Discussion and Analysis (this section) and the basic financial statements. The basic financial statements include two kinds of statements that present different views of the village:

> The first two statements are government-wide financial statements that provide both long-term and short-term information about the village's overall financial status.

> The remaining statements are fund financial statements that focus on individual parts of village government, reporting the village's operations in more detail than the government-wide statements.

These financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements. The remainder of this overview section of management's discussion and analysis explains the structure and contents of each of the statements.

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

GOVERNMENT-WIDE STATEMENTS

The government-wide statements report information about the village as a whole using accounting methods similar to those used by private-sector companies. The statement of net position includes all of the government's assets, deferred outflows of resources, liabilities, and deferred inflows of resources. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two government-wide statements report the village's net position and how they have changed. Net Position – the difference between the village's assets, deferred outflows of resources, and its liabilities and deferred inflows of resources – is one way to measure the village's financial health, or position. Over time, increases or decreases in the village's net position are an indicator of whether its financial health is improving or deteriorating. To assess the overall health of the village you need to consider additional non-financial factors such as changes in the village's property tax base and the condition of the village's roads.

The statement of activities presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the cash flows. Thus, revenue and expenses reported in this statement for some items will only result in cash flows in future fiscal periods.

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 village, 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 village 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 a government's near-term financing requirements.

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

OVERVIEW OF THE FINANCIAL STATEMENTS (cont.)

FUND FINANCIAL STATEMENTS (cont.)

The village maintains five (5) 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, debt service fund, and the capital projects fund, all of which are considered to be major funds. Data from the other governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of combining statements elsewhere in this report.

The village adopts an annual appropriated budget for its general fund. A budgetary comparison statement has been provided for the general fund to demonstrate compliance with this budget.

Proprietary Funds – The village maintains three different types of proprietary funds, all of which are enterprise funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. Proprietary fund financial statements present the same type of information as the government-wide financial statements, only in more detail.

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

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.

Other Information – In addition to the basic financial statements and accompanying notes, *required supplementary information* presents a detailed budgetary comparison schedule for the general fund to demonstrate compliance with the budget. The combining statements referred to earlier in connection with nonmajor governmental funds are presented immediately following the required supplementary information.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE

An analysis of the village's financial position begins with a review of the Statement of Net Position and the Statement of Activities. These two statements report the village's net position and changes therein. It should be noted that the financial position can also be affected by non-financial factors, including economic conditions, population growth and new regulations.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

A summary of the village's Statement of Net Position is presented below in Table 1.

Table 1
Condensed Statements of Net Position

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013*	2012*
Current and Other Assets	$ 11,439,671	$ 10,734,833	$ 12,788,476	$ 11,054,171	$ 24,228,147	$ 21,789,004
Capital Assets	18,414,773	18,206,047	26,393,716	26,755,052	44,808,489	44,961,099
Total Assets	29,854,444	28,940,880	39,182,192	37,809,223	69,036,636	66,750,103
Deferred Outflows of Resources	340,270	-	35,389	32,548	375,659	32,548
Long-term Liabilities	10,950,748	9,872,485	4,868,524	4,399,134	15,819,272	14,271,619
Other Liabilities	639,377	618,586	1,257,619	247,566	1,896,996	866,152
Total Liabilities	11,590,125	10,491,071	6,126,143	4,646,700	17,716,268	15,137,771
Deferred Inflows of Resources	4,780,039	4,689,485	-	-	4,780,039	4,689,485
Net Investment in Capital Assets	10,801,598	11,357,301	20,868,535	22,594,072	31,578,029	33,857,534
Restricted	346,845	218,337	2,963,223	3,145,717	3,310,068	3,364,054
Unrestricted	2,676,107	2,184,686	9,259,680	7,455,282	12,027,891	9,733,807
Total Net Position	$ 13,824,550	$ 13,760,324	$ 33,091,438	$ 33,195,071	$ 46,915,988	$ 46,955,395

* The total column reflects a capital debt adjustment; see Note 1.D.11 for further information.

It should be noted that certain amounts in the above Table 1, and beginning net position in the following Table 2, reflect changes due to the implementation of GASB Statement No. 65 – *Items Previously Reported as Assets and Liabilities.*

The largest portion of the village's net position (67%) reflects its investment in capital assets (e.g., land, buildings and improvements, machinery and equipment, and infrastructure), less any debt used to acquire those assets that is still outstanding. The village uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the village's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

An additional portion of the village's net position (7%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position (26%) may be used to meet the government's ongoing obligation to citizens and creditors.

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

Table 2
Condensed Statement of Activities

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Revenues						
Program Revenues						
Charges for services	$ 1,495,181	$ 1,513,588	$ 3,203,670	$ 3,359,442	$ 4,698,851	$ 4,873,030
Operating grants and contributions	460,485	402,085	-	-	460,485	402,085
Capital grants and contributions	4,857	28,433	99,211	107,559	104,068	135,992
General Revenues						
Property taxes	4,649,376	4,504,569	-	-	4,649,376	4,504,569
Other taxes	82,784	81,728	-	-	82,784	81,728
Intergovernmental	212,612	292,564	3,026	-	215,638	292,564
Investment income	7,776	7,748	6,585	11,124	14,361	18,872
Gain on sale of assets	13,246	57,141	-	-	13,246	57,141
Miscellaneous	26,811	18,078	11,809	10,091	38,620	28,169
Total Revenues	6,953,128	6,905,934	3,324,301	3,488,216	10,277,429	10,394,150
Expenses						
General government	870,390	829,213	-	-	870,390	829,213
Public safety	3,731,054	3,737,381	-	-	3,731,054	3,737,381
Health and human services	21,144	18,763	-	-	21,144	18,763
Public works	1,426,480	1,445,402	-	-	1,426,480	1,445,402
Culture, recreation and education	667,937	624,565	-	-	667,937	624,565
Conservation and development	15,131	11,489	-	-	15,131	11,489
Water		-	1,043,109	967,680	1,043,109	967,680
Sewer		-	1,750,616	1,598,447	1,750,616	1,598,447
Stormwater		-	166,113	120,132	166,113	120,132
Interest and fiscal charges	497,959	438,294	-	-	497,959	438,294
Total Expenses	7,230,095	7,105,107	2,959,838	2,686,259	10,189,933	9,791,366
Income (Loss) Before Transfers	(276,967)	(199,173)	364,463	801,957	87,496	602,784
Transfers	421,490	413,583	(421,490)	(413,583)	-	-
Changes in Net Position	144,523	214,410	(57,027)	388,374	87,496	602,784
Beginning Net Position (as restated)	13,680,027	13,545,914	33,148,465	32,806,697	46,828,492	46,352,611
Ending Net Position	$ 13,824,550	$ 13,760,324	$ 33,091,438	$ 33,195,071	$ 46,915,988	$ 46,955,395

FINANCIAL ANALYSIS OF THE VILLAGE AS A WHOLE (cont.)

As previously noted, the Statement of Net Position shows the financial position as of year-end. The specific nature or source of these changes then becomes more evident in the Statement of Activities as shown above in Table 2.

GOVERNMENTAL ACTIVITIES

Governmental activities increased the village's net position by $144,523. This is the result of the net change in fund balances of the governmental funds, an increase of $678,898, less the reconciling items as detailed on page 9 of the financial statements.

BUSINESS-TYPE ACTIVITIES

Net position of the business-type activities decreased $57,027, primarily due to somewhat less revenues from user charges in addition to an increase in operating expenses during the year.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS

GOVERNMENTAL FUNDS

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

At December 31, 2013, the village's governmental funds reported combined fund balances of $5,667,316. Approximately 45% of this amount, $2,529,577 constitutes unassigned fund balance, which is available to meet the village's current and future needs. An additional $1,533,671 is assigned for specific projects or expenditures. Restricted and committed fund balance makes up another $1,492,960 of fund balance and the remaining $111,108 of fund balance is attributed to non-spendable amounts for prepaid expenditures and long-term receivables.

General Fund

The village's general fund is the chief operating fund of the village. Total fund balance in the general fund increased by $59,345 during 2013. Unassigned fund balance decreased by $235,319. See the following General Fund Budgetary Highlights section for further details.

The village evaluates general fund balance by measuring the unassigned general fund balance as a percentage of the subsequent year's general fund budget. For 2013, unassigned fund balance is $2,529,577, and the 2014 general fund expenditure budget is $6,361,332, resulting in an unassigned fund balance ratio of 40%. The prior year was 45%. The reduction in general fund balance was due to planned use of unassigned general fund balance to reduce borrowing costs for planned capital projects. The use of unassigned general fund balance in this manner is consistent with the Village's Fund Balance Policy.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS (cont.)

GOVERNMENTAL FUNDS (cont.)

General Debt Service Fund

The village's debt service fund accounts for the accumulation of resources for, and payment of, long-term debt principal, interest, and related costs. The majority of the fund balance, $553,628 is restricted for future debt service. The remaining $40,394 is considered nonspendable for prepaid expenditures. Included in this restricted fund balance is $90,000 received from the Pewaukee Public Library Foundation and $156,711 from unspent debt proceeds, for a total of $246,711 to be used for debt service on obligations previously issued to construct the Pewaukee Public Library.

General Capital Projects

The village's general capital projects fund is used to account for the purchase or construction of major capital items, other than those reported in the other capital project funds. The fund balance is $1,433,989, an increase of $730,143 from the prior year due to the issuance of debt resulting in $1,020,000 of debt proceeds to be used in subsequent years on various capital projects.

NONMAJOR GOVERNMENTAL FUNDS

Fund balance of all other governmental funds is $106,322, of which $102,876 is restricted for future projects and expenditures. The remaining $3,446 is committed for use by the Downtown Loan Fund.

PROPRIETARY FUNDS

The Village of Pewaukee's proprietary fund financial statements provide the same type of information found in the government-wide financial statements, but in more detail. At December 31, 2013, the village's proprietary funds reported combined net position of $33,091,438.

Water Utility

The water utility net position increased $32,638 or less than 1% from prior year. Operating revenues decreased $34,714 or 2%. Operating expenses increased $36,886 or 4%. The decrease in operating revenues was in large part due to a decrease in anticipated water sales.

The increase in operating expenses is primarily due to increased energy costs and unanticipated maintenance of wells and equipment.

FINANCIAL ANALYSIS OF THE VILLAGE'S FUNDS (cont.)

GOVERNMENTAL FUNDS (cont.)

Sewer Utility

The sewer utility net position decreased $128,450 or .6%. Operating revenues decreased $121,252 or 7%. Operating expenses increased $156,011 or 10%. The decrease in operating revenue was due to decreased water sales which directly impact the sanitary sewer charges. Operating expenses increased due to increased treatment costs associated with the Brookfield Treatment Plant.

Stormwater Utility

The stormwater utility net position increased $38,785 or 10%. Operating revenues increased $194 or less than 1% from prior year. Operating expenses increased $47,199 or 41%.

GENERAL FUND BUDGETARY HIGHLIGHTS

Overall fund balance remained steady for 2013, increasing $59,345, or just 1.7%. There were no budget amendments made during the year.

Total revenues were $6,048,274, $214,660 more than budget. There were several contributing factors to the additional revenues. The first was greater than anticipated receipts for the Water Utility payment in lieu of taxes of $29,070. The second factor was greater than anticipated activity related to the ambulance charges in the amount of $30,361. In addition, law enforcement fees were over budget by $35,135. Overall charges for services were $110,064 greater than budget.

Total expenses were $6,273,850, $73,588 more than budgeted. Significant variances with expectations include a personnel matter resulting in increased payroll expenses as well as off-duty injuries resulting in unanticipated overtime expenses for the Police Department; fire and EMS expenses greater than anticipated; Plan Commission expenses greater than anticipated; and contracted Building Inspection expenses greater than anticipated due to higher than anticipated permit activity and associated permit revenue.

CAPITAL ASSETS

At the end of 2013, the village had invested a total of $44,808,489 in capital assets. This investment in capital assets includes land, land improvements, buildings, machinery and equipment, utility plant, and infrastructure.

Table 3
Capital Assets

	Governmental Activities		Business-type Activities		Totals	
	2013	2012	2013	2012	2013	2012
Land	$ 6,529,438	$ 6,529,438	$ 10,992	$ 10,992	$ 6,540,430	$ 6,540,430
Buildings	10,076,094	9,535,509		-	10,076,094	9,535,509
Machinery and equipment	2,279,729	2,234,674		-	2,279,729	2,234,674
Water plant	-	-	17,360,500	17,189,237	17,360,500	17,189,237
Sewer plant	-	-	21,538,416	21,464,373	21,538,416	21,464,373
Storm water	-	-	493,926	451,260	493,926	451,260
Construction in progress	-	-	-	143,902	-	143,902
Infrastructure	1,872,803	1,872,803	-	-	1,872,803	1,872,803
Dams	582,973	582,973	-	-	582,973	582,973
Total Capital Assets	21,341,037	20,755,397	39,403,834	39,259,764	60,744,871	60,015,161
Less: Accumulated Depreciation	(2,926,264)	(2,549,350)	(13,010,118)	(12,504,712)	(15,936,382)	(15,054,062)
Net Capital Assets	$ 18,414,773	$ 18,206,047	$ 26,393,716	$ 26,755,052	$ 44,808,489	$ 44,961,099

Significant projects for 2013 include:

> Parking lot improvements on Oakton Avenue
> Street lighting system on Willow Grove Drive
> Two new Ford Explorers
> A snow plow, mower, and a utility truck and trailer
> Well No. 2 pump replacement
> A pump replacement at a lift station
> Other utility valves

See Note IV.D. for additional information.

LONG-TERM DEBT

At December 31, 2013, the village and utilities had $16,575,424 of long-term bonds. Of this amount, $5,705,424 represents water, sewer, and stormwater revenue debt. $10,870,000 are general obligation issues to be repaid by future levies.

Total long-term bonds and loans outstanding at December 31, 2013 increased by a net amount of $2,355,128.

At the end of the year, the village was at 31% of its general obligation debt capacity. The prior year was 23%. Excluding general obligation debt to be financed by user charges of the village's utilities, the debt capacity was 24%.

See Note IV.F. for additional information.

CURRENTLY KNOWN FACTS/ECONOMIC CONDITIONS

All currently known facts and economic conditions were considered in preparing the 2013 village budget. None of these conditions are anticipated to change the overall financial position of the village.

The Village of Pewaukee is located approximately 25 miles west of Milwaukee. The village has successful business and commercial areas, which continue to see activity and interest.

REQUESTS FOR INFORMATION

The financial report is designed to provide our citizens, customers, investors and creditors with a general overview of the village's finances. If you have questions about this report or need any additional information, contact Scott A. Gosse, Village Administrator at 262-691-5660 or sgosse@villageofpewaukee.com.

General information relating to the Village of Pewaukee, Wisconsin, can be found at the village's website, www.villageofpewaukeewi.us.

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VILLAGE OF PEWAUKEE

STATEMENT OF NET POSITION
As of December 31, 2013

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	$ 5,553,967	$ 3,841,672	$ 9,395,639
Receivables			
Taxes	4,943,864	-	4,943,864
Accounts	212,865	701,134	913,999
Loans	9,547	-	9,547
Special assessments	1,245	-	1,245
Internal balances	188,070	(188,070)	-
Inventories and prepaid items	88,403	35,017	123,420
Investment in Brookfield Plant	-	3,428,282	3,428,282
Investment in Pewaukee Public Library	441,710	-	441,710
Restricted assets			
Cash and investments	-	4,970,441	4,970,441
Capital Assets			
Land	6,529,438	10,992	6,540,430
Other capital assets, net of accumulated depreciation	11,885,335	26,382,724	38,268,059
Total Assets	29,854,444	39,182,192	69,036,636
DEFERRED OUTFLOWS OF RESOURCES			
Deferred charge on refunding	340,270	35,389	375,659
LIABILITIES			
Accounts payable	506,995	337,470	844,465
Accrued liabilities and deposits	132,382	15,885	148,267
Liabilities Payable from Restricted Assets			
Current portion of revenue bonds	-	851,320	851,320
Accrued interest	-	52,944	52,944
Noncurrent Liabilities			
Due within one year	630,500	145,000	775,500
Due in more than one year	10,320,248	4,723,524	15,043,772
Total Liabilities	11,590,125	6,126,143	17,716,268
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	4,780,039	-	4,780,039
NET POSITION			
Net investment in capital assets	10,801,598	20,868,535	31,578,029
Restricted for			
Debt service	243,969	982,778	1,226,747
Replacement of equipment or capital assets	-	1,980,445	1,980,445
Cemetery	102,876	-	102,876
Unrestricted	2,676,107	9,259,680	12,027,891
TOTAL NET POSITION	$ 13,824,550	$ 33,091,438	$ 46,915,988

See accompanying notes to financial statements.

VILLAGE OF PEWAUKEE

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2013

Functions/Programs	Expenses	Program Revenues: Charges for Services	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions
Governmental Activities				
General government	$ 870,390	$ 160,451	$ 5,200	$ -
Public safety	3,731,054	892,106	44,686	-
Public works	1,426,480	333,908	381,496	4,857
Health and human services	21,144	14,969	-	-
Culture, recreation and education	667,937	93,747	-	-
Conservation and development	15,131	-	-	-
Interest and fiscal charges	497,959	-	29,103	-
Total Governmental Activities	7,230,095	1,495,181	460,485	4,857
Business-type Activities				
Water	1,043,109	1,472,335	-	9,760
Sewer	1,750,616	1,527,446	-	89,451
Stormwater	166,113	203,889	-	-
Total Business-type Activities	2,959,838	3,203,670	-	99,211
Totals	$ 10,189,933	$ 4,698,851	$ 460,485	$ 104,068

General Revenues
- Taxes
  - Property taxes, levied for general purposes
  - Property taxes, levied for debt service
  - Other taxes
- Intergovernmental revenues not restricted to specific programs
- Investment income
- Gain on sale of assets
- Miscellaneous

Total General Revenues

Transfers

Total General Revenues and Transfers

Change in net position

NET POSITION - Beginning of Year (as restated)

NET POSITION - END OF YEAR

See accompanying notes to financial statements.

Net (Expenses) Revenues and Changes in Net Position		
Governmental Activities	Business-type Activities	Totals
$ (704,739)	$ -	$ (704,739)
(2,794,262)	-	(2,794,262)
(706,219)	-	(706,219)
(6,175)	-	(6,175)
(574,190)	-	(574,190)
(15,131)	-	(15,131)
(468,856)	-	(468,856)
(5,269,572)	-	(5,269,572)
-	438,986	438,986
-	(133,719)	(133,719)
-	37,776	37,776
-	343,043	343,043
(5,269,572)	343,043	(4,926,529)
3,798,658	-	3,798,658
850,718	-	850,718
82,784	-	82,784
212,612	3,026	215,638
7,776	6,585	14,361
13,246	-	13,246
26,811	11,809	38,620
4,992,605	21,420	5,014,025
421,490	(421,490)	-
5,414,095	(400,070)	5,014,025
144,523	(57,027)	87,496
13,680,027	33,148,465	46,828,492
$ 13,824,550	$ 33,091,438	$ 46,915,988

See accompanying notes to financial statements.

VILLAGE OF PEWAUKEE

BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2013

	General Fund	Capital Projects Fund	General Debt Service	Nonmajor Governmental Funds
ASSETS				
Cash and investments	$ 3,435,796	$ 1,457,736	$ 553,628	$ 106,807
Receivables				
Taxes	4,022,165	1,086	897,908	-
Delinquent personal property tax	22,705	-	-	-
Accounts	212,865	-	-	-
Special assessments	-	1,245	-	-
Loans	-	-	-	9,547
Due from other funds	188,070	-	-	-
Prepaid items	48,009	-	40,394	-
TOTAL ASSETS	$ 7,929,610	$ 1,460,067	$ 1,491,930	$ 116,354
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	$ 447,247	$ 23,747	$ -	$ 485
Accrued liabilities	50,239	-	-	-
Deposits	14,317	-	-	-
Total Liabilities	511,803	23,747	-	485
Deferred Inflows of Resources				
Unearned revenues	3,884,824	1,086	897,908	-
Unavailable revenues	-	1,245	-	9,547
Total Deferred Inflows of Resources	3,884,824	2,331	897,908	9,547
Fund Balances				
Nonspendable	70,714	-	40,394	-
Restricted	-	833,010	553,628	102,876
Committed	-	-	-	3,446
Assigned	932,692	600,979	-	-
Unassigned	2,529,577	-	-	-
Total Fund Balances	3,532,983	1,433,989	594,022	106,322
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 7,929,610	$ 1,460,067	$ 1,491,930	$ 116,354

See accompanying notes to financial statements.

Totals
$ 5,553,967
4,921,159
22,705
212,865
1,245
9,547
188,070
88,403
$ 10,997,961
$ 471,479
50,239
14,317
536,035
4,783,818
10,792
4,794,610
111,108
1,489,514
3,446
1,533,671
2,529,577
5,667,316
$ 10,997,961

See accompanying notes to financial statements.

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VILLAGE OF PEWAUKEE

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
As of December 31, 2013

Total Fund Balances - Governmental Funds	$ 5,667,316
Amounts reported for governmental activities in the statement of net position are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds.	18,414,773
Some receivables that are not currently available are reported as unavailable revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	14,571
The village's investment in the library joint venture is not a financial resource and, therefore, is not reported in the fund statements	441,710
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note II. A.	(10,713,820)
NET POSITION OF GOVERNMENTAL ACTIVITIES	$ 13,824,550

See accompanying notes to financial statements.

VILLAGE OF PEWAUKEE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

	General Fund	Capital Projects Fund	General Debt Service	Nonmajor Governmental Funds
REVENUES				
Taxes	$ 3,881,442	$ -	$ 850,718	$ -
Intergovernmental	620,860	21,953	29,103	-
Licenses and permits	253,081	-	-	-
Fines, forfeitures and penalties	183,996	-	-	-
Public charges for services	1,057,534	-	-	15,969
Special assessments	-	1,174	-	-
Investment income	5,829	591	509	2,027
Miscellaneous	45,532	-	-	-
Total Revenues	6,048,274	23,718	880,330	17,996
EXPENDITURES				
Current				
General government	850,115	-	-	-
Public safety	3,596,886	-	-	-
Public works	1,189,207	-	-	-
Health and human services	4,043	-	-	17,101
Culture, recreation and education	512,711	-	-	-
Conservation and development	15,886	-	-	-
Capital Outlay	105,002	628,707	-	-
Debt Service				
Principal	-	-	450,000	-
Interest and fiscal charges	-	21,178	517,052	-
Total Expenditures	6,273,850	649,885	967,052	17,101
Excess (deficiency) of revenues over expenditures	(225,576)	(626,167)	(86,722)	895
OTHER FINANCING SOURCES (USES)				
Debt issued	-	1,020,000	-	-
Proceeds of refunding debt	-	-	4,570,000	-
Premium on debt issued	-	-	60,248	-
Payments to refunding bond escrow agent	-	-	(4,455,270)	-
Transfers in	421,490	336,310	259	-
Transfers out	(136,569)	-	-	(200,000)
Total Other Financing Sources (Uses)	284,921	1,356,310	175,237	(200,000)
Net Change in Fund Balances	59,345	730,143	88,515	(199,105)
FUND BALANCES - Beginning of Year	3,473,638	703,846	505,507	305,427
FUND BALANCES - END OF YEAR	$ 3,532,983	$ 1,433,989	$ 594,022	$ 106,322

See accompanying notes to financial statements.

Totals
$ 4,732,160
671,916
253,081
183,996
1,073,503
1,174
8,956
45,532
6,970,318
850,115
3,596,886
1,189,207
21,144
512,711
15,886
733,709
450,000
538,230
7,907,888
(937,570)
1,020,000
4,570,000
60,248
(4,455,270)
758,059
(336,569)
1,616,468
678,898
4,988,418
$ 5,667,316

See accompanying notes to financial statements.

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VILLAGE OF PEWAUKEE

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, 2013

Net change in fund balances - total governmental funds	$	678,898
Amounts reported for governmental activities in the statement of net position are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of net position the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.		
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements		733,709
Some items reported as capital outlay were not capitalized		(103,377)
Depreciation is reported in the government-wide financial statements		(401,095)
Net book value of assets retired		(20,511)
Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.		(17,190)
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.		
Debt issued		(5,590,000)
Principal repaid		4,565,000
Advance refunding of bond issuances are reported as an other financing use in the governmental funds. However, advance refunding are considered a change in deferred outflows in the Statement of Net Position.		340,270
Governmental funds report debt premiums and discounts as other financing sources (uses) or expenditures. However, in the statement of net position, these are reported as other assets or deductions from long-term debt. These are allocated over the period the debt is outstanding in the statement of activities and are reported as interest expense.		
Debt premium		(60,248)
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences		6,985
Accrued interest on debt		40,271
The proportionate share of the change in net position related to joint ventures reported in the statement of activities neither provides nor uses current financial resources and is not reported in the fund financial statements.		(28,189)
CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	$	144,523

See accompanying notes to financial statements.

VILLAGE OF PEWAUKEE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
As of December 31, 2013

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Nonmajor Enterprise Fund - Stormwater Utility	Totals
ASSETS				
Current Assets				
Cash and investments	$ 897,906	$ 2,789,521	$ 154,245	$ 3,841,672
Accounts receivable	228,342	420,520	52,272	701,134
Materials and supplies	20,824	-	-	20,824
Prepayments	6,554	5,809	1,830	14,193
Restricted Assets				
Redemption account	56,028	347,225	-	403,253
Capitalized interest	131,092	-	-	131,092
Total Current Assets	1,340,746	3,563,075	208,347	5,112,168
Noncurrent Assets				
Restricted Assets				
Equipment replacement	-	1,980,445	-	1,980,445
Reserve account	159,274	-	-	159,274
Depreciation account	100,000	532,469	-	632,469
Construction	1,663,908	-	-	1,663,908
Capital Assets				
Land	10,742	250	-	10,992
Plant in service	17,360,500	21,538,416	493,926	39,392,842
Less: Accumulated depreciation	(4,985,938)	(7,911,639)	(112,541)	(13,010,118)
Other Assets				
Investment in Brookfield plant	-	6,192,698	-	6,192,698
Accumulated amortization	-	(2,764,416)	-	(2,764,416)
Total Noncurrent Assets	14,308,486	19,568,223	381,385	34,258,094
Total Assets	15,649,232	23,131,298	589,732	39,370,262
DEFERRED OUTFLOWS OF RESOURCES				
Unamortized loss on advanced refunding	35,389	-	-	35,389
Total Deferred Outflows of Resources	35,389	-	-	35,389

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Nonmajor Enterprise Funds	Totals
LIABILITIES				
Current Liabilities				
Accounts payable	$ 48,299	$ 288,157	$ 1,014	$ 337,470
Due to municipality	188,070	-	-	188,070
Accrued wages	7,240	5,381	1,645	14,266
Accrued interest	-	-	1,619	1,619
Current portion of general obligation debt	115,000	10,000	20,000	145,000
Current liabilities payable from restricted assets				
Current portion of revenue bonds	320,000	531,320	-	851,320
Accrued interest	40,183	12,761	-	52,944
Total Current Liabilities	718,792	847,619	24,278	1,590,689
Noncurrent Liabilities				
Long-Term Debt				
General obligation debt	2,510,000	300,000	125,000	2,935,000
Revenue bonds	660,000	1,114,104	-	1,774,104
Unamortized premium	14,420	-	-	14,420
Total Noncurrent Liabilities	3,184,420	1,414,104	125,000	4,723,524
Total Liabilities	3,903,212	2,261,723	149,278	6,314,213
NET POSITION				
Net investment in capital assets	8,960,547	11,671,603	236,385	20,868,535
Restricted for				
Debt service	115,845	866,933	-	982,778
Replacement of equipment and capital assets	-	1,980,445	-	1,980,445
Unrestricted net position	2,705,017	6,350,594	204,069	9,259,680
TOTAL NET POSITION	$ 11,781,409	$ 20,869,575	$ 440,454	$ 33,091,438

See accompanying notes to financial statements.

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VILLAGE OF PEWAUKEE

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Nonmajor Enterprise Fund - Stormwater Utility	Totals
OPERATING REVENUES				
Charges for services	$ 1,226,730	$ 1,515,704	$ 203,889	$ 2,946,323
Other operating revenue	245,605	11,742	-	257,347
Total Operating Revenues	1,472,335	1,527,446	203,889	3,203,670
OPERATING EXPENSES				
Operation and maintenance	586,279	1,118,689	127,146	1,832,114
Depreciation	326,190	340,814	34,177	701,181
Amortization	-	230,368	-	230,368
Total Operating Expenses	912,469	1,689,871	161,323	2,763,663
Operating Income (Loss)	559,866	(162,425)	42,566	440,007
NONOPERATING REVENUES (EXPENSES)				
Investment income	1,316	5,269	-	6,585
Rebate from Build America Bonds	2,017	-	1,009	3,026
Interest expense	(117,780)	(60,745)	(4,790)	(183,315)
Amortization of premium	9,418	-	-	9,418
Amortization of loss on advance refunding	(12,860)	-	-	(12,860)
Miscellaneous revenues	2,391	-	-	2,391
Total Nonoperating Revenues (Expenses)	(115,498)	(55,476)	(3,781)	(174,755)
Income (Loss) Before Contributions and Transfers	444,368	(217,901)	38,785	265,252
CONTRIBUTIONS AND TRANSFERS				
Capital contributions	9,760	89,451	-	99,211
Transfers out	(130,420)	-	-	(130,420)
Transfers-tax equivalent	(291,070)	-	-	(291,070)
Total Contributions and Transfers	(411,730)	89,451	-	(322,279)
Change in Net Position	32,638	(128,450)	38,785	(57,027)
NET POSITION - Beginning of Year (as restated)	11,748,771	20,998,025	401,669	33,148,465
NET POSITION - END OF YEAR	$ 11,781,409	$ 20,869,575	$ 440,454	$ 33,091,438

See accompanying notes to financial statements.

VILLAGE OF PEWAUKEE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Nonmajor Enterprise Fund - Stormwater Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES				
Received from customers	$ 1,483,605	$ 1,524,832	$ 204,472	$ 3,212,909
Paid to suppliers for goods and services	(397,168)	(868,357)	(71,898)	(1,337,423)
Paid to employees for services	(160,024)	(149,870)	(55,252)	(365,146)
Net Cash Flows From Operating Activities	926,413	506,605	77,322	1,510,340
CASH FLOWS FROM INVESTING ACTIVITIES				
Investment income	1,316	5,269	-	6,585
Net Cash Flows From Investing Activities	1,316	5,269	-	6,585
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Paid to municipality for tax equivalent	(270,656)	-	-	(270,656)
Transfers to other funds	(130,420)	-	-	(130,420)
Net Cash Flows From Noncapital Financing Activities	(401,076)	-	-	(401,076)
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Debt issued	1,975,000	310,000	-	2,285,000
Debt retired	(420,000)	(514,872)	(20,000)	(954,872)
Interest paid	(58,843)	(53,100)	(4,895)	(116,838)
Debt issuance costs	(40,963)	(6,386)	-	(47,349)
Build America Bonds interest rate subsidy	2,017	-	1,009	3,026
Acquisition and construction of capital assets	(152,041)	(159,666)	(42,666)	(354,373)
Capital contributions received	9,760	89,451	-	99,211
Net Cash Flows From Capital and Related Financing Activities	1,314,930	(334,573)	(66,552)	913,805
Net Change in Cash and Cash Equivalents	1,841,583	177,301	10,770	2,029,654
CASH AND CASH EQUIVALENTS - Beginning of Year	1,166,625	5,472,359	143,475	6,782,459
CASH AND CASH EQUIVALENTS - END OF YEAR	$ 3,008,208	$ 5,649,660	$ 154,245	$ 8,812,113

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds			
	Water Utility	Sewer Utility	Nonmajor Enterprise Fund - Stormwater Utility	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES				
Operating income (loss)	$ 559,866	$ (162,425)	$ 42,566	$ 440,007
Nonoperating revenue	2,391	-	-	2,391
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities				
Depreciation	326,190	340,814	34,177	701,181
Depreciation charged to other funds	13,467	-	-	13,467
Other operating amortization expenses	-	230,368	-	230,368
Changes in assets and liabilities				
Customer accounts receivable	6,061	(2,614)	583	4,030
Materials and supplies	(809)	-	-	(809)
Prepayments	(1,217)	(2,543)	(1,500)	(5,260)
Accounts payable	29,395	100,982	1,000	131,377
Other current liabilities	487	2,023	496	3,006
Unamortized premium	(9,418)	-	-	(9,418)
NET CASH FLOWS FROM OPERATING ACTIVITIES	$ 926,413	$ 506,605	$ 77,322	$ 1,510,340
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS				
Cash and investments - statement of net position	$ 897,906	$ 2,789,521	$ 154,245	$ 3,841,672
Redemption account	56,028	347,225	-	403,253
Reserve account	159,274	-	-	159,274
Depreciation account	100,000	532,469	-	632,469
Equipment replacement	-	1,980,445	-	1,980,445
Construction Account	1,663,908	-	-	1,663,908
Capitalized Interest	131,092	-	-	131,092
CASH AND CASH EQUIVALENTS	$ 3,008,208	$ 5,649,660	$ 154,245	$ 8,812,113
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES				
None				

See accompanying notes to financial statements.

VILLAGE OF PEWAUKEE

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
As of December 31, 2013

	Agency Funds
ASSETS	
Cash and investments	$ 8,471,399
Taxes receivable	5,701,221
Prepaid items	7,687
Due from other governments	12,267
TOTAL ASSETS	$ 14,192,574
LIABILITIES	
Accounts payable	$ 22,319
Accrued liabilities	13,088
Due to other governments	14,157,167
TOTAL LIABILITIES	$ 14,192,574

See accompanying notes to financial statements.

VILLAGE OF PEWAUKEE

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As of and for the Year Ended December 31, 2013

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NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Pewaukee, Wisconsin conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The accepted standard-setting body for establishing governmental accounting and financial reporting principles is the Governmental Accounting Standards Board (GASB).

A. Reporting Entity

This report includes all of the funds of the village. The reporting entity for the village consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or 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. The village has not identified any organizations that meet this criteria.

B. Government-Wide and Fund Financial Statements

In March 2012, the GASB issued statement No. 65 - *Items Previously Reported as Assets and Liabilities.* This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented effective January 1, 2013.

Government-Wide Financial Statements

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The village 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.

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. Government-Wide and Fund Financial Statements (cont.)

Fund Financial Statements

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

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

a. Total assets/deferred outflows of resources, liabilities/deferred inflows of resources, 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, and

b. The same element of the individual governmental 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 village believes is particularly important to financial statement users may be reported as a major fund.

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

The village reports the following major governmental funds:

General Fund - accounts for the village's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.
General Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than TID or enterprise debt.
Capital Projects Fund - accounts for financial resources to be used for the acquisition or construction of major capital facilities.

The village reports the following major enterprise funds:

Water Utility - accounts for operations of the water system
Sewer Utility - accounts for operations of the sewer system

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

B. *Government-Wide and Fund Financial Statements* (cont.)

Fund Financial Statements (cont.)

The village reports the following nonmajor governmental and enterprise funds:

Special Revenue Funds - used to account for and report the proceeds of specific revenue sources that are restricted or committed to expenditures for specified purposes (other than debt service or capital projects).

Cemetery Fund
Downtown Loan Fund

Enterprise Fund - used to account for and report any activity for which a fee is charged to external uses for goods or services, and must be used for activities which meet certain debt or cost recovery criteria.

Stormwater Utility

In addition, the village reports the following fund types:

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

Pewaukee Public Library
Tax Collection
Lake Patrol

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

Government-Wide Financial Statements

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

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

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

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 village 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 unearned 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 village is entitled the resources and the amounts are available. Amounts owed to the village which are not available are recorded as receivables and unavailable revenues. Amounts received before eligibility requirements (excluding time) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

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 unavailable revenues. At December 31, 2013, there were $20,585 of unrecorded anticipated future assessments which are not recorded as receivables because collection is subject to certain events occurring in the future. No formal repayment schedule has been established.

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.

Proprietary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as described previously in this note. Agency funds follow the accrual basis of accounting, and do not have a measurement focus.

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water, sewer, and stormwater funds are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. 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.

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

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

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.

D. *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity*

1. Deposits and Investments

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

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

a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.

b. 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, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.

c. Bonds or securities issued or guaranteed by the federal government.

d. The local government investment pool.

e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.

f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.

g. Repurchase agreements with public depositories, with certain conditions.

Additional restrictions may arise from local charters, ordinances, resolutions and grant resolutions.

The village has adopted an investment policy. That policy follows the state statute for allowable investments.

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity* (cont.)

1. *Deposits and Investments* (cont.)

The village is exposed to custodial credit risk for its deposits as well as credit risk for its investments (see Note IV.A.). The village's investment policy addresses both of these types of risks. For depository custodial credit risk, the investment policy requires all financial institutions acting as depository for the village to enter into a depository agreement pledging collateral to secure amounts over and above the guaranteed amounts. All collateral is required to be held by a third party.

Investment credit risk is the risk that the market value of the securities will fall due to changes in market interest rates. The village's policy states that the portfolio is to be structured to meet cash requirements for ongoing operations, thereby avoiding the need to sell securities on the open market prior to maturity. In addition, funds are to be invested in shorter-term securities, money market mutual funds, or similar investment pools that limit the average maturity of the portfolio.

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 based on average balances. The difference between the bank statement 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, 2013, the fair value of the village 's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

See Note IV. A. for further information.

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 village, 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 on the accompanying statement of assets and liabilities - agency funds.

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity* (cont.)

2. *Receivables* (cont.)

Property tax calendar - 2013 tax roll:

Lien date and levy date	December 2013
Tax bills mailed	December 2013
Payment in full, or	January 31, 2014
First installment due	January 31, 2014
Second installment due	July 31, 2014
Personal property taxes in full	January 31, 2014
Tax sale - 2013 delinquent real estate taxes	October 2016

Accounts receivable have been shown net of an allowance for uncollectible 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 for the water and sewer utilities because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

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 position. Any residual balances outstanding between the governmental activities and business-type activities are reported in the governmental-wide financial statements as internal balances.

It is the village's policy to record unavailable revenue for the net amount of the receivable balance. As loans are repaid, revenue is recognized. When new loans are made from the repayments, expenditures are recorded. Interest received from loan repayments is recognized as revenue when received in cash. Any unspent loan repayments at year end are presented as restricted fund balance in the fund financial statements.

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/or for operation and maintenance work. They are not for resale. They are valued at cost based on weighted average, and charged to construction and/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.

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity* (cont.)

4. *Restricted Assets*

Mandatory segregations of assets are presented as restricted assets. Such segregations are required by bond agreements and other external parties. Current liabilities payable from these restricted assets are so classified. The excess of restricted assets over current liabilities payable from restricted assets will be used first for retirement of related long-term debt. The remainder, if generated from earnings, is shown as restricted net position.

5. *Capital Assets*

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported 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 $15,000 for infrastructure assets, and an estimated useful life in excess of one year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated 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 fund proceeds. No interest was capitalized during the current year. The cost of renewals and betterments relating to retirement units is added to plant accounts. The cost of property replaced, retired or otherwise disposed of, is deducted from plant accounts and, generally, together with removal costs less salvage, is charged to accumulated depreciation.

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

Buildings	20-75 Years
Land Improvements	20-75 Years
Machinery and Equipment	5-30 Years
Utility System	7-108 Years
Infrastructure	30-75 Years

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity* (cont.)

5. *Capital Assets* (cont.)

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*

Other assets in the utility funds represents the investment in the Brookfield Wastewater Treatment Plant (see Note V.F.)

7. *Deferred Outflows of Resources*

A deferred outflow of resources represents a consumption of net position that applies to a future period and will not be recognized as an outflow of resources (expense/expenditure) until that future time.

A deferred charge on refunding arise from advance refunding of debt. The difference between the cost of the securities placed in trust for future payment of refunded debt and the net carrying value of that debt is deferred and amortized as a component of interest expense over the shorter of the term of the refunding issue or the original term of the refunded debt. The unamortized amount is reported as a deferred outflow of resources in the government-wide and proprietary fund statements.

8. *Compensated Absences*

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. Sick leave does not vest to employees. Compensatory time earned is also accrued within this liability.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2013, are determined on the basis of current salary rates and include salary related payments.

9. *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.

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (cont.)

9. Long-Term Obligations/Conduit Debt (cont.)

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

For the government-wide statements and proprietary fund statements, bond premiums and discounts are amortized over the life of the issue using the effective interest method. Gains or losses on prior refundings are amortized over the remaining life of the old debt, or the life of the new debt, whichever is shorter. The balance at year end for premiums/discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for gains/losses is shown as a deferred outflow/inflow in the statement of net position.

The village 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 village. 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 $1,250,000, made up of one issue.

10. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

11. Equity Classifications

Government-Wide Statements

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

a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity* (cont.)

11. *Equity Classifications* (cont.)

Government-Wide Statements (cont.)

Government-Wide Statements (cont.)

b. Restricted net position - Consists of net position with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or, 2) law through constitutional provisions or enabling legislation.

c. Unrestricted net position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

The net position section includes an adjustment for capital assets owned by the business-type activities column, but financed by the debt of the governmental activities column. The amount is a reduction of "net investment in capital assets", and an increase in "unrestricted" net position, shown only in the total column. A reconciliation of this adjustment is as follows:

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	$ 10,801,598	$ 20,868,535	$ (92,104)	$ 31,578,029
Unrestricted	2,676,107	9,259,680	92,104	12,027,891

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

Fund Statements

Governmental fund equity is classified as fund balance and displayed as follows:

a. Nonspendable - Includes fund balance amounts that cannot be spent either because they are not in spendable form or because legal or contractual requirements require them to be maintained intact.

b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity* (cont.)

11. *Equity Classifications* (cont.)

Fund Statements (cont.)

c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (resolution) of the Village Board. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the Village Board that originally created the commitment.

d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The village has adopted a financial policy authorizing the Village Clerk/Treasurer and/or Administrator to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.

e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

Proprietary fund equity is classified the same as in the government-wide statements.

The village considers restricted amounts to be spent first when both restricted and unrestricted fund balance is available unless there are legal documents / contracts that prohibit doing this, such as in grant agreements requiring dollar for dollar spending. Additionally, the village would first use committed, then assigned and lastly unassigned amounts of unrestricted fund balance when expenditures are made.

The village has a working capital policy to meet cash flow needs during the year and to preserve credit worthiness. The working capital amount is to equal 10% of the ensuing year's budgeted expenditures. This amount is $636,133 and is included within the unassigned fund balance of the general fund at year-end.

The village has a fund balance policy that includes a requirement to maintain a minimum of 35% of the ensuing year's budgeted general fund expenditures, with a targeted 40%. Any amount over the 40% targeted maximum may be assigned by management for future capital projects and/or infrastructure needs. As of December 31, 2013, the village reported 45% of the ensuing year's budgeted general fund expenditures in its unassigned fund balance.

See Note IV. H. for further information.

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont.)

D. *Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity* (cont.)

12. Basis for Existing Rates

Water Utility

Current water rates were approved by the Public Service Commission of Wisconsin on April 2, 1996.

Sewer Utility

Current sewer rates were approved by the village board on December 2, 2008.

Stormwater Utility

Current stormwater rates were approved by the village board on November 17, 2009.

NOTE II - RECONCILIATION OF GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

A. *Explanation of Certain Differences Between the Governmental Fund Balance Sheet and the Statement of Net Position*

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

Long-term liabilities applicable to the village'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 position.

Bonds and notes payable	$ 10,870,000
Compensated absences	20,500
Accrued interest	103,342
Unamortized debt premium	60,248
Deferred charge on refunding	(340,270)
Combined Adjustment for Long-Term Liabilities	$ 10,713,820

NOTE III - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. Budgetary Information

A budget has been adopted for the general fund, capital projects fund, debt service fund, and the cemetery special revenue fund. A budget has not been formally adopted for the downtown loan special revenue fund. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

B. Excess Expenditures and Other Financing Uses Over Appropriations

Funds	Budgeted Expenditures and Other Financing Uses	Actual Expenditures and Other Financing Uses	Excess Expenditures and Other Financing Uses Over Budget
General fund	$ 6,200,262	$ 6,410,419	$ 210,157
Debt Service Fund	878,669	5,422,322	4,543,653
Capital Projects Fund	481,316	649,885	168,569
Cemetery Fund	17,000	17,101	101

The village controls expenditures at the department level. Some individual departments experienced expenditures which exceeded appropriations. The detail of those items can be found in the village's year-end budget to actual report.

C. Limitations On The Village's Tax Levy

Wisconsin law limits the village's future tax levies. Generally the village is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the village's equalized value due to new construction or zero percent. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The village is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

NOTE IV - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

The village maintains a cash and investment pool that is available for use by all funds. Each fund type's portion of this pool is displayed on the statement of net position and balance sheet as cash and investments. In addition, investments are separately held by several of the village's funds.

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

A. Deposits and Investments (cont.)

The village's deposits and investments at year end were comprised of the following:

	Carrying Value	Bank and Investment Balances	Associated Risks
Deposits	$ 8,979,150	$ 9,055,737	Custodial credit
LGIP	13,857,954	13,857,954	Credit
Petty cash	375	-	N/A
Total Deposits and Investments	$ 22,837,479	$ 22,913,691	

Reconciliation to financial statements	
Per statement of net position	
Unrestricted cash and investments	$ 9,395,639
Restricted cash and investments	4,970,441
Per statement of assets and liabilities - agency funds	
Agency Funds	8,471,399
Total Deposits and Investments	$ 22,837,479

Deposits in each local and area bank are insured by the FDIC in the amount of $250,000 for time and savings accounts (including NOW accounts) and $250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of $250,000 for the combined amount of all deposit accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of $400,000. However, due to the nature of this fund, recovery of material principal losses may not be significant to individual municipalities. This coverage has been considered in computing custodial credit risk.

The village maintains collateral agreements with its banks. At December 31, 2013, the banks had pledged various government securities in the amount of $10,992,033 to secure the village's deposits.

Custodial Credit Risk

Deposits

Custodial credit risk is the risk that in the event of a financial institution failure, the village's deposits may not be returned to the village.

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

A. Deposits and Investments (cont.)

Custodial Credit Risk (cont.)

Deposits (cont.)

The village does not have any deposits exposed to custodial credit risk.

Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations.

The village had investments in the external Wisconsin Local Government Investment Pool which is not rated.

See Note I.D.1. for further information on deposit and investment policies.

B. Receivables

All of the receivables on the balance sheet are expected to be collected within one year except for loans and delinquent personal property taxes receivable.

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

	Unearned	Unavailable
Property taxes receivable for subsequent year	$ 4,779,434	$ -
Licenses for the subsequent year	605	-
Deferred loan receivable	-	9,547
Special assessments	-	5,024
Total Unearned/Unavailable Revenue for Governmental Funds	$ 4,780,039	$ 14,571

C. Restricted Assets

The following represent the balances of the restricted assets:

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

C. *Restricted Assets* (cont.)

Long-Term Debt Accounts

Redemption	-	Used to segregate resources accumulated for debt service payments over the next twelve months.
Reserve	-	Used to report resources set aside to make up potential future deficiencies in the redemption account.
Depreciation	-	Used to report resources set aside to fund plant renewals and replacement or make up potential future deficiencies in the redemption account.
Construction	-	Used to report proceeds of revenue bond issuances that are restricted for use in construction.
Capitalized Interest	-	Used to segregate resources from debt issuances for interest payments on debt.

Equipment Replacement Account

The sewer utility established an equipment replacement account to be used for significant mechanical equipment replacement as required by the Wisconsin Department of Natural Resources.

Following is a list of restricted assets at December 31, 2013:

Restricted Assets	
Redemption account	$ 403,253
Capitalized interest	131,092
Equipment replacement	1,980,445
Reserve account	159,274
Depreciation	632,469
Construction	1,663,908
Total Restricted Assets	4,970,441
Less: Restricted assets not funded by revenues	
Reserve from borrowing	(159,274)
Construction	(1,663,908)
Capitalized interest	(131,092)
Total Restricted Assets Not Funded by Revenues	(1,954,274)
Current Liabilities Payable From Restricted Assets	(52,944)
Total Restricted Net Position	$ 2,963,223

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

D. Capital Assets

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land and right of way	$ 6,529,438	$ -	$ -	$ 6,529,438
Total Capital Assets Not Being Depreciated	6,529,438	-	-	6,529,438
Capital assets being depreciated				
Buildings	9,535,509	540,585	-	10,076,094
Machinery and equipment	2,234,674	89,747	44,692	2,279,729
Infrastructure	1,872,803	-	-	1,872,803
Dams	582,973	-	-	582,973
Total Capital Assets Being Depreciated	14,225,959	630,332	44,692	14,811,599
Total Capital Assets	20,755,397	630,332	44,692	21,341,037
Less: Accumulated depreciation for				
Buildings	$ (1,450,485)	$ (195,242)	$ -	$ (1,645,727)
Machinery and equipment	(1,011,062)	(148,539)	24,181	(1,135,420)
Infrastructure	(77,309)	(46,820)	-	(124,129)
Dams	(10,494)	(10,494)	-	(20,988)
Total Accumulated Depreciation	(2,549,350)	(401,095)	24,181	(2,926,264)
Net Capital Assets Being Depreciated	11,676,609	229,237	20,511	11,885,335
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	$ 18,206,047	$ 229,237	$ 20,511	$ 18,414,773

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	$ 20,595
Public safety	89,686
Public works	171,214
Culture, recreation, and education	119,600
Total Governmental Activities Depreciation Expense	$ 401,095

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

D. Capital Assets (cont.)

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
Water				
Capital assets not being depreciated				
Land and land rights	$ 10,742	$ -	$ -	$ 10,742
Construction work in progress	143,902	-	143,902	-
Total Capital Assets Not Being Depreciated	154,644	-	143,902	10,742
Capital assets being depreciated				
Source of supply	1,035,333	12,689	-	1,048,022
Pumping	2,518,268	214,067	106,690	2,625,645
Water treatment	195,668	-	-	195,668
Transmission and distribution	13,115,473	68,126	16,929	13,166,670
General	324,495	-	-	324,495
Total Capital Assets Being Depreciated	17,189,237	294,882	123,619	17,360,500
Total Capital Assets	17,343,881	294,882	267,521	17,371,242
Less: Accumulated depreciation for Water	(4,769,900)	(339,657)	123,619	(4,985,938)
Total Accumulated Depreciation	(4,769,900)	(339,657)	123,619	(4,985,938)
Net Capital Assets Being Depreciated	12,419,337	(44,775)	-	12,374,562
Net Water Capital Assets	$ 12,573,981	$ (44,775)	$ 143,902	$ 12,385,304

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

D. Capital Assets (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Sewer				
Capital assets not being depreciated				
Land and land rights	$ 250	$ -	$ -	$ 250
Total Capital Assets Not Being Depreciated	250	-	-	250
Capital assets being depreciated				
Collection system	18,516,662	68,218	22,789	18,562,091
Pumping	2,511,493	91,448	62,834	2,540,107
Treatment and disposal	214,034	-	-	214,034
General	222,184	-	-	222,184
Total Capital Assets Being Depreciated	21,464,373	159,666	85,623	21,538,416
Total Capital Assets	21,464,623	159,666	85,623	21,538,666
Less: Accumulated depreciation for Sewer	(7,656,448)	(340,814)	85,623	(7,911,639)
Total Accumulated Depreciation	(7,656,448)	(340,814)	85,623	(7,911,639)
Net Capital Assets Being Depreciated	13,807,925	(181,148)	-	13,626,777
Net Sewer Capital Assets	$ 13,808,175	$ (181,148)	$ -	$ 13,627,027

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

D. Capital Assets (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Stormwater				
Capital assets being depreciated				
Mains	$ 227,503	$ 19,234	$ -	$ 246,737
Equipment	223,757	23,432	-	247,189
Total Capital Assets Being Depreciated	451,260	42,666	-	493,926
Less: Accumulated depreciation for Stormwater	(78,364)	(34,177)	-	(112,541)
Total Accumulated Depreciation	(78,364)	(34,177)	-	(112,541)
Net Capital Assets Being Depreciated	372,896	8,489	-	381,385
Net Stormwater Capital Assets	$ 372,896	$ 8,489	$ -	$ 381,385
Business-type Capital Assets, Net of Accumulated Depreciation	$ 26,755,052	$ (217,434)	$ 143,902	$ 26,393,716

Depreciation expense was charged to functions as follows:

Business-type Activities	
Water	$ 326,190
Sewer	340,814
Storm	34,177
Total Business-type Activities Depreciation Expense	$ 701,181

The difference in depreciation expense and additions to accumulated depreciation is due to salvage and cost of removal.

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

E. Interfund Receivables/Payables and Transfers

Interfund Receivables/Payables

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

Receivable Fund	Payable Fund	Amount
General	Water utility	$ 188,070

All amounts are due within one year.

The purpose of the water utility interfund is for the tax equivalent.

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

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
General	Water utility	$ 291,070	Payment in lieu of taxes
General	Water utility	130,420	Tower rental allocation
Debt Service	General	259	LGIP interest for debt proceeds
Capital Projects	General	136,310	Oakton Avenue muni parking lot
Capital Projects	Downtown Loan	200,000	Oakton Avenue muni parking lot
Total - Fund Financial Statements		758,059	
Less: Fund eliminations		(336,569)	
Total Transfers - Government-Wide Statement of Activities		$ 421,490	

Generally, transfers are used to (1) move revenues from the fund that collects them to the fund that the budget requires to expend them, (2) move receipts restricted to debt service from the funds collecting the receipts to the debt service fund, and (3) use unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

For the statement of activities, interfund transfers within the governmental activities or business-type activities are netted and eliminated.

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	$ 9,845,000	$ 5,590,000	$ 4,565,000	$ 10,870,000	$ 610,000
Premiums	-	60,248	-	60,248	-
Sub-totals	9,845,000	5,650,248	4,565,000	10,930,248	610,000
Other Liabilities					
Vested compensated absences	27,485	20,500	27,485	20,500	20,500
Total Governmental Activities Long-Term Liabilities	$ 9,872,485	$ 5,670,748	$ 4,592,485	$ 10,950,748	$ 630,500
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	$ 925,000	$ 2,510,000	$ 355,000	$ 3,080,000	$ 145,000
Revenue bonds	3,450,296	-	824,872	2,625,424	851,320
Add Deffered Amounts For Premiums	23,838	-	9,418	14,420	-
Total Business-type Activities Long-Term Liabilities	$ 4,399,134	$ 2,510,000	$ 1,189,290	$ 5,719,844	$ 996,320

In accordance with Wisconsin Statutes, total general obligation indebtedness of the village may not exceed 5% of the equalized value of taxable property within the village's jurisdiction. The debt limit as of December 31, 2013, was $45,057,035. Total general obligation debt outstanding at year end was $13,950,000.

General Obligation Debt

All general obligation notes and bonds payable are backed by the full faith and credit of the village. 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.

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. Long-Term Obligations (cont.)

General Obligation Debt (cont.)

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2013
G.O. Refunding Bonds	8/15/2005	3/1/2016	2.90 - 4.35%	$ 3,755,000	$ 605,000
G.O. Taxable Refunding Bonds	12/15/2005	3/1/2015	5.06 - 5.50%	2,440,000	315,000
G.O. Refunding Bonds	5/1/2008	9/1/2028	320 - 4.00%	2,765,000	2,655,000
G.O. Corporate Purpose Bonds (Build America)	7/27/2010	3/1/2030	4.80 - 5.75%	1,115,000	1,115,000
G.O. Promissory Notes (Build America)	7/27/2010	3/1/2020	1.00 - 4.25%	815,000	590,000
G.O. Refunding Bonds	6/11/2013	3/1/2025	.50 - 2.0	2,610,000	2,610,000
G.O. Corporate Purpose Bonds	6/11/2013	3/1/2033	2.25 - 3.0	545,000	545,000
Taxable G.O. Refunding Bonds	6/11/2013	3/1/2023	.70 - 2.50	1,960,000	1,960,000
G.O. Promissory Notes	6/11/2013	3/1/2023	.75 - 2.25	475,000	475,000
Total Governmental Activities - General Obligation Debt					$ 10,870,000

Business-type Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2013
G.O. bonds	8/15/2007	3/01/2015	4.35%	$ 960,000	$ 205,000
G.O. Corporate Purpose Bonds (Build America)	7/27/2010	3/1/2030	4.80 - 5.75%	150,000	150,000
G.O. Promissory Notes (Build America)	7/27/2010	3/1/2020	1.00 - 4.25%	305,000	215,000
G.O. Refunding Bonds	6/11/2013	3/1/2017	.50 - 2.0	240,000	240,000
G.O. Corporate Purpose Bonds	6/11/2013	3/1/2033	2.25 - 3.0	1,425,000	1,425,000
G.O. Promissory Notes	6/11/2013	3/1/2023	.75 - 2.25	845,000	845,000
Total Business-type Activities - General Obligation Debt					$ 3,080,000

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Debt service requirements to maturity are as follows:

	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
Years	Principal	Interest	Principal	Interest
2014	$ 610,000	$ 307,284	$ 145,000	$ 91,139
2015	665,000	281,519	150,000	73,592
2016	705,000	262,368	155,000	70,085
2017	740,000	247,582	250,000	67,032
2018	770,000	233,191	145,000	63,048
2019-2023	4,245,000	882,072	705,000	263,461
2024-2028	2,590,000	344,665	735,000	174,067
2029-2033	545,000	36,936	795,000	59,969
Totals	$ 10,870,000	$ 2,595,617	$ 3,080,000	$ 862,393

Revenue Debt

Business-type activities revenue bonds are payable only from revenues derived from the operation of the water and sewer utilities.

The water and sewer utilities has pledged future revenues, net of specified operating expenses, to repay revenue bonds issued in prior years. Proceeds from the bonds provided financing for the construction of the capital assets in the water and sewer utility funds. The bonds are payable solely from water and sewer revenues and are payable through 2016. Annual principal and interest payments on the bonds are expected to require 66% of net revenues. The total principal and interest remaining to be paid on the bonds is $2,744,872. Principal and interest paid for the current year and total customer net revenues were $993,798 and $1,377,063, respectively.

Revenue debt payable at December 31, 2013, consists of the following:

Business-type Activities Revenue Debt

Water Utility	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2013
Revenue refunding bonds	8/09/2011	11/1/2016	2.00%	$ 1,590,000	$ 980,000

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. LONG-TERM OBLIGATIONS (cont.)

Business-type Activities Revenue Debt (cont.)

Sewer Utility	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2013
Revenue bonds	5/8/1996	5/1/2016	3.156%	$ 1,879,610	$ 376,468
Revenue refunding bonds	10/9/1996	5/1/2016	3.26%	5,815,672	1,268,956
				Total Sewer Utility	1,645,424
Total Business-type Activities - Revenue Debt					$ 2,625,424

Debt service requirements to maturity are as follows:

Years	Business-type Activities Revenue Debt	
	Principal	Interest
2014	$ 851,320	$ 63,677
2015	873,294	40,033
2016	900,810	15,738
Totals	$ 2,625,424	$ 119,448

Other Debt Information

A statutory mortgage lien upon the village's system and any additions, improvements and extensions thereto is created by Section 66.0621 of the Wisconsin Statutes as provided for in the ordinances creating the revenue bond issue. The village's system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

Advance Refunding

On June 11, 2013, the village issued $2,850,000 in general obligation bonds with an average coupon rate of 1.64% to advance refund $2,570,000 of outstanding bonds and notes with an average coupon rate of 3.63%. The net proceeds along with existing funds of the village were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for a portion of the future debt service payments on the refunded bonds and notes. As a result, the refunded bonds and notes are considered defeased and the liability for those bonds and notes has been removed from the statement of net position.

The cash flow requirements on the refunded debt prior to the advance refunding was $2,767,330 from 2013 through 2023. The cash flow requirements on the 2013 C refunding bonds are $2,515,561 from 2013 through 2023. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $186,525.

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

F. Long-Term Obligations (cont.)

Advance Refunding (cont.)

On June 11, 2013, the village issued $1,960,000 in general obligation bonds with an average coupon rate of 2.0% to advance refund $1,770,000 of outstanding bonds with an average coupon rate of 5.25%. The net proceeds along with existing funds of the village were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for a portion of the future debt service payments on the refunded bonds. As a result, the refunded bonds are considered defeased and the liability for those bonds has been removed from the statement of net position.

The cash flow requirements on the refunded debt prior to the advance refunding was $4,286,513 from 2013 through 2025. The cash flow requirements on the 2013 A refunding bonds are $4,053,758 from 2013 through 2025. The advance refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of $171,493.

G. Lease Disclosures

Lessor - Operating Leases

A lease agreement exists between the Village of Pewaukee, the City of Pewaukee and the Joint Library Board dealing with the relative rights and the responsibilities of the parties relative to the land and building of the Pewaukee Public Library. This agreement also states that the cost of maintenance of the grounds, parking, pavement, landscaping, and maintenance of the library facility are considered expenses of the Joint Library Board - not of the village or the city. The lease agreement also states that the Joint Library Board provide insurance coverage naming the city and village as additional insured's with limits acceptable to both municipalities and further indemnifying and holding harmless the village and city against any liability which may arise as a result of the operation and maintenance of the joint library and the duties of the village as fiscal agent and as employer of joint library for payroll and benefit purposes. The land lease has a cost of $230,000 and the building lease has a cost of $4,097,875 and accumulated depreciation of $623,381 at December 31, 2013. Both lease agreements expire on August 31, 2024. The library does not pay rent on either lease.

H. Net Position/Fund Balances

Net position reported on the government wide statement of net position at December 31, 2013, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	$ 6,529,438
Other capital assets, net of accumulated depreciation	11,885,335
Less: Long-term debt outstanding	(10,870,000)
Plus: Unspent capital related debt proceeds	1,079,721
Plus: Noncapital debt proceeds	2,177,104
Total Net Investment in Capital Assets	10,801,598

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

H. Net Position/Fund Balances (cont.)

Governmental Activities (cont.)

Restricted	
Debt service	$ 243,969
Cemetery	102,876
Total Restricted	346,845
Unrestricted	2,676,107
Total Governmental Activities Net Position	$ 13,824,550

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2013, include the following:

	General Fund	Capital Projects Fund	General Debt Service	Nonmajor Funds	Totals
Fund Balances					
Nonspendable:					
Prepaid items	$ 48,009	$ -	$ 40,394	$ -	$ 88,403
Long-term receivables	22,705	-	-	-	22,705
Restricted for:					
Capital projects	-	833,010	-	-	833,010
Debt service	-	-	553,628	-	553,628
Cemetery purposes	-	-	-	102,876	102,876
Committed to:					
Loans	-	-	-	3,446	3,446
Assigned to:					
DARE	3,571	-	-	-	3,571
Motorcycle donations	236	-	-	-	236
Joint pistol range	5,664	-	-	-	5,664
Police forfeitures	5,914	-	-	-	5,914
Parks and open spaces	331,591	-	-	-	331,591
Tax equivalent	188,070	-	-	-	188,070
Fund balance applied to 2014	50,000	-	-	-	50,000
Infrastructure	347,646	-	-	-	347,646
Capital projects	-	600,979	-	-	600,979
Unassigned:	2,529,577	-	-	-	2,529,577
Total Fund Balances	$ 3,532,983	$ 1,433,989	$ 594,022	$ 106,322	$ 5,667,316

NOTE IV - DETAILED NOTES ON ALL FUNDS (cont.)

H. Net Position/Fund Balances (cont.)

Business-type Activities

Net Investment in Capital Assets	
Land	$ 10,992
Other capital assets, net of accumulated depreciation	26,382,724
Less: Long-term debt outstanding	(5,705,424)
Plus: Unspent capital related debt proceeds	159,274
Plus: Unamortized loss on advance refunding	35,389
Less: Unamortized premium on debt	(14,420)
Total Net Investment in Capital Assets	$ 20,868,535
Restricted	
Debt Service	982,778
Replacement	1,980,445
Total Restricted	2,963,223
Unrestricted	9,259,680
Total Business-type Activities Net Position	$ 33,091,438

I. Restatement of Net Position

Net position has been restated as a result of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which requires debt issuance costs to be expensed in the period incurred. These costs were previously required to be capitalized. The details of this restatement are as follows:

	Governmental Activities	Water Utility	Stormwater Utility	Business-type Activities
Net Position - December 31, 2012 (as reported)	$ 13,760,324	$ 11,791,608	$ 405,438	$ 33,195,071
Less: Unamortized debt issuance costs	(80,297)	(42,837)	(3,769)	(46,606)
Net Position - December 31, 2012 (as restated)	$ 13,680,027	$ 11,748,771	$ 401,669	$ 33,148,465

NOTE V - OTHER INFORMATION

A. Employees' Retirement System

All eligible village employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was change to one-half of the actuarially determined contribution rate for General category employees, and Executives and Elected Officials. Required contributions for protective employees are the same as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for December 31, 2013 are:

	Employee	Employer
General	6.65%	6.65%
Executives and Elected Officials	7.00%	7.00%
Protective with Social Security	6.65%	9.75%
Protective without Social Security	6.65%	12.35%

The payroll for village employees covered by the WRS for the year ended December 31, 2013 was $2,868,003; the employer's total payroll was $2,986,457. The total required contribution for the year ended December 31, 2013 was $448,013 or 15.6% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending 2012 and 2011 were $396,400 and $391,182, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. A final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990, and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

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

NOTE V - OTHER INFORMATION (cont.)

A. Employees' Retirement System (cont.)

The WRS issues an annual financial report which may be obtained by writing to the Department of Employee Trust Funds, P.O. Box 7931, Madison, WI 53707-7931.

As of December 31, 2013 there was no pension related debt for the village.

B. Risk Management

The village is exposed to various risks of loss related to torts; theft of, damage to, or destruction of assets; errors and omissions; workers compensation; and health care of its employees. All of these risks are covered through the purchase of commercial insurance, with minimal deductibles. Settled claims have not exceeded the commercial coverage in any of the past three years. There were no significant reductions in coverage compared to the prior year.

C. Commitments and Contingencies

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred.

From time to time, the village is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the village attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the village's financial position or results of operations.

The village has received federal and state grants for specific purposes that are subject to review and audit by the grantor agencies. Such audits could lead to requests for reimbursements to the grantor agency for expenditures disallowed under terms of the grants. Management believes such disallowances, if any, would be immaterial.

D. Joint Ventures

Pewaukee Public Library

The Village of Pewaukee and the City of Pewaukee jointly operate the library, which is called the Pewaukee Public Library and provides library services to both communities.

The Village of Pewaukee transferred assets in the amount of $525,000 to the Joint Library Board in 2005. These assets include books, shelving, furniture, and all items owned by the Village of Pewaukee in its former library.

The City of Pewaukee provided $500,000 as part of the city's 2005 budget to purchase books and materials. These assets are under the control of the Joint Library Board.

NOTE V - OTHER INFORMATION (cont.)

D. *JOINT VENTURES* (cont.)

Pewaukee Public Library (cont.)

The village of Pewaukee retains 100 percent ownership of the land upon which the joint library is located. The village and city jointly own the building. The percentage of ownership interest is determined by the respective contributions toward the initial construction of the building.

The governing body is made up of citizens from each community. Local representatives are appointed by the mayor. The governing body has authority to adopt its own budget and control the financial affairs of the district. The village made a payment totaling $232,533 to the district for 2013. The village believes that the district will continue to provide services in the future at similar rates.

Financial information of the library as of December 31, 2013 is available directly from the library's office.

The equity interest is reported in the governmental activities column of the government-wide statement of net position. Changes in the equity interest are reported on the statement of activities.

Park and Recreation Service

The Village of Pewaukee and the City of Pewaukee jointly operate the local park and recreation service. The communities share in the operation of the district based 50% on their percentage of total equalized value and 50% on their percentage of total population.

The advisory board consists of three city citizens and one common council alderman as well as two village citizens and one village board trustee. The advisory board controls the financial affairs of the district. The board prepares budgets which are then approved by the village and city governing bodies. The village believes the joint venture will continue to provide services in the future at similar rates. The village share for 2013 was $280,178.

Financial information of the district as of December 31, 2013 is available directly from the park and recreation service office.

The village does not have an equity interest in the joint venture.

Lake Patrol Service

The Village of Pewaukee, the City of Pewaukee, and the Town of Delafield jointly provide winter and summer lake patrol services on Pewaukee Lake. This agreement began December 20, 2010.

The village, through its police department water safety patrol unit, provides the patrol services and enforces the terms of the Pewaukee Lake summer and winter lake rules as well as other applicable statutes and ordinances. All offenses cited by the water safety patrol will be prosecuted in the Village of Pewaukee Municipal Court.

NOTE V - OTHER INFORMATION (cont.)

D. Joint Ventures (cont.)

Lake Patrol Service (cont.)

Expenses associated with the administration and implementation of the services are allocated on the following basis: 43% to the City of Pewaukee, 43% to the Town of Delafield and 14% to the Village of Pewaukee. The village's share for 2013 was $7,987.

Financial information for the lake patrol as of December 31, 2013 is available directly from the village's office.

The village does not have an equity interest in the joint venture.

E. Effect of New Accounting Standards on Current-Period Financial Statements

The Governmental Accounting Standards Board (GASB) has approved the following:

> Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*

> Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*

> Statement No. 69, *Government Combinations and Disposals of Government Operations*

> Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

When they become effective, application of these standards may restate portions of these financial statements.

NOTE V - OTHER INFORMATION (cont.)

F. Investment in Brookfield Wastewater Treatment Facility

The Village of Pewaukee sewer utility and the City of Brookfield, Town of Brookfield, City of Pewaukee, and the Village of Menomonee Falls are all contributing parties for a construction upgrade at the City of Brookfield Wastewater Treatment Facility. The communities share in the upgrade costs as follows:

Municipality	% Exp Paid
City of Brookfield	53.66 %
Town of Brookfield Sanitary District #4	12.17
City of Pewaukee Sanitary District #3	13.94
Village of Pewaukee	18.14
Village of Menomonee Falls	2.09
Total	100.00 %

The costs reflected in the Village of Pewaukee's sewer utility financial statements reflect the pro-rata share of costs for treatment plant capacity and do not constitute an ownership right in the facility. These costs will be amortized over the life of the facility.

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REQUIRED SUPPLEMENTARY INFORMATION

VILLAGE OF PEWAUKEE

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2013

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
TAXES			
General property taxes	$ 3,798,657	$ 3,798,658	$ 1
Payments in lieu of taxes	82,000	82,784	784
Total Taxes	3,880,657	3,881,442	785
INTERGOVERNMENTAL REVENUES			
State shared revenues	196,662	197,199	537
State aid - general transportation aids	325,392	325,202	(190)
State aid - fire insurance tax	31,600	31,990	390
State aid - DARE	4,000	4,019	19
Other state and county grants	48,770	62,450	13,680
Total Intergovernmental Revenues	606,424	620,860	14,436
LICENSES AND PERMITS			
Liquor and malt beverage licenses	15,000	25,352	10,352
Operators' license	5,100	5,535	435
Cigarette and soda licenses	1,100	1,100	-
Bicycle licenses	5,000	6,808	1,808
Dog licenses	4,000	2,738	(1,262)
Cable television franchise fees	78,000	89,895	11,895
Building permits	35,000	50,948	15,948
HVAC permits	7,500	19,305	11,805
Electrical permits	12,000	21,174	9,174
Plumbing permits	10,000	18,115	8,115
Occupancy permits	500	550	50
Mobile home parking licenses	3,263	3,648	385
Zoning permits	1,000	2,500	1,500
Other permits	4,000	5,413	1,413
Total Licenses And Permits	181,463	253,081	71,618
FINES, FORFEITURES AND PENALTIES			
Court penalties and costs	165,000	155,444	(9,556)
Parking tickets	29,000	24,279	(4,721)
Miscellaneous asset forfeitures	500	-	(500)
Other law and ordinance violations	-	4,273	4,273
Total Fines, Forfeitures And Penalties	194,500	183,996	(10,504)

See independent auditors' report and accompanying notes to required supplementary information.

VILLAGE OF PEWAUKEE

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2013

	Original and Final Budget	Actual	Variance with Final Budget
PUBLIC CHARGES FOR SERVICES			
Ambulance	$ 206,000	$ 236,361	$ 30,361
Garbage and refuse collection	343,800	337,565	(6,235)
Special assessment letters	1,000	1,746	746
Weed control	200	405	205
Fire and rescue calls	20,000	31,690	11,690
Fire department tank inspections	74,990	76,245	1,255
Law enforcement fees	209,000	244,135	35,135
Fiscal agent fees	20,100	25,100	5,000
Recreation fees	61,380	76,719	15,339
Park users fees	4,000	17,028	13,028
Miscellaneous	6,000	9,540	3,540
Joint pistol range	1,000	1,000	-
Total Public Charges For Services	947,470	1,057,534	110,064
INVESTMENT INCOME			
Interest on temporary investments	6,000	5,829	(171)
MISCELLANEOUS REVENUES			
Miscellaneous	2,000	26,449	24,449
Rent	6,100	5,200	(900)
Insurance recoveries	-	500	500
Sale of police equipment	9,000	13,246	4,246
Sale of materials and supplies	-	137	137
Total Miscellaneous Revenues	17,100	45,532	28,432
Total Revenues	5,833,614	6,048,274	214,660
EXPENDITURES			
GENERAL GOVERNMENT			
Village board	23,718	22,738	980
Municipal court	52,634	54,320	(1,686)
Legal	82,750	75,669	7,081
General administration	133,176	132,800	376
Clerk's office	210,854	208,633	2,221
Elections	16,088	10,067	6,021
Data processing	13,000	13,464	(464)
Assessment of property	42,500	40,591	1,909
Special accounting and auditing	35,200	37,293	(2,093)
Village hall	46,000	49,462	(3,462)
Property and liability insurance	195,000	186,651	8,349
Miscellaneous general government	22,900	18,427	4,473
Total General Government	873,820	850,115	23,705

See independent auditors' report and accompanying notes to required supplementary information.

VILLAGE OF PEWAUKEE

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2013

	Original and Final Budget	Actual	Variance with Final Budget
PUBLIC SAFETY			
Police	$ 2,240,244	$ 2,271,425	$ (31,181)
Water patrol	2,500	7,987	(5,487)
Fire service	1,044,530	1,095,548	(51,018)
Public fire protection	60,115	54,777	5,338
Fire inspection	70,300	79,994	(9,694)
Building inspection	56,650	87,155	(30,505)
Total Public Safety	3,474,339	3,596,886	(122,547)
HEALTH AND SOCIAL SERVICES			
Animal control	4,300	4,043	257
PUBLIC WORKS			
Public works administration	78,579	44,097	34,482
Public works wages and benefits	520,891	537,210	(16,319)
General engineering	7,600	5,830	1,770
Machinery and equipment	63,500	63,475	25
Garage and shed	38,060	39,067	(1,007)
Street maintenance	26,185	20,791	5,394
Snow and ice control	45,452	39,184	6,268
Street lighting	87,000	100,482	(13,482)
Sidewalk	4,750	5,883	(1,133)
Curb and gutter	2,850	2,285	565
Other sanitation	500	-	500
Tree and brush removal	1,000	-	1,000
Garbage and refuse collection	220,000	217,792	2,208
Recycling	117,750	113,111	4,639
Total Public Works	1,214,117	1,189,207	24,910
LEISURE ACTIVITIES			
Library	232,533	232,533	-
Parks and recreation	280,178	280,178	-
Total Leisure Activities	512,711	512,711	-
CONSERVATION AND DEVELOPMENT			
Weed control	-	755	(755)
Planning commission	7,700	13,581	(5,881)
Planning/engineering consulting	-	1,550	(1,550)
Total Conservation And Development	7,700	15,886	(8,186)
CAPITAL OUTLAY			
Police	64,600	69,023	(4,423)
Parks	48,675	35,979	12,696
Total Capital Outlay	113,275	105,002	8,273
Total Expenditures	6,200,262	6,273,850	(73,588)

See independent auditors' report and accompanying notes to required supplementary information.

VILLAGE OF PEWAUKEE

DETAILED SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND
For the Year Ended December 31, 2013

	Original and Final Budget	Actual	Variance with Final Budget
Excess (deficiency) of revenues over (under) expenditures	$ (366,648)	(225,576)	$ 141,072
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(136,569)	(136,569)
Transfers in	392,420	421,490	29,070
Total Other Financing Sources (Uses)	392,420	284,921	(107,499)
Net Change in Fund Balance	25,772	59,345	33,573
FUND BALANCE - Beginning of Year	3,473,638	3,473,638	-
FUND BALANCE - END OF YEAR	$ 3,499,410	$ 3,532,983	$ 33,573

See independent auditors' report and accompanying notes to required supplementary information.

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 I. C.

The budgeted amounts presented include any amendments made. The village may authorize transfers of budgeted amounts within departments. Transfers between departments and changes to the overall budget must be approved by a two-thirds council action.

Appropriations lapse at year end unless specifically carried over. There were no carryovers to the following year. Budgets are adopted at the department level of expenditure.

SUPPLEMENTARY INFORMATION

VILLAGE OF PEWAUKEE

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2013

	Special Revenue Funds		
	Cemetery Fund	Downtown Loan Fund	Total Nonmajor Governmental Funds
ASSETS			
Cash and investments	$ 103,361	$ 3,446	$ 106,807
Receivables			
Loans	-	9,547	9,547
TOTAL ASSETS	$ 103,361	$ 12,993	$ 116,354
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	$ 485	$ -	$ 485
Deferred Inflows of Resources			
Unavailable revenues	-	9,547	9,547
Fund Balances			
Restricted	102,876	-	102,876
Committed	-	3,446	3,446
Total Fund Balances	102,876	3,446	106,322
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	$ 103,361	$ 12,993	$ 116,354

VILLAGE OF PEWAUKEE

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2013

	Special Revenue Funds		
	Cemetery Fund	Downtown Loan Fund	Total Nonmajor Governmental Funds
REVENUES			
Charges for services	$ 14,969	$ 1,000	$ 15,969
Investment income	1,854	173	2,027
Total Revenues	16,823	1,173	17,996
EXPENDITURES			
Current			
Health and human services	17,101	-	17,101
Excess (deficiency) of revenues over expenditures	(278)	1,173	895
OTHER FINANCING SOURCES (USES)			
Transfers out	-	(200,000)	(200,000)
Net Change in Fund Balances	(278)	(198,827)	(199,105)
FUND BALANCES - Beginning of Year	103,154	202,273	305,427
FUND BALANCES - END OF YEAR	$ 102,876	$ 3,446	$ 106,322

VILLAGE OF PEWAUKEE

COMBINING STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
As of December 31, 2013

	Pewaukee Public Library	Tax Collection	Lake Patrol	Totals
ASSETS				
Cash and investments	$ 223,965	$ 8,239,807	$ 7,627	$ 8,471,399
Taxes receivable	-	5,701,221	-	5,701,221
Prepaid items	7,137	-	550	7,687
Due from other governments	-	-	12,267	12,267
Total Assets	$ 231,102	$ 13,941,028	$ 20,444	$ 14,192,574
LIABILITIES				
Accounts payable	$ 20,474	$ -	$ 1,845	$ 22,319
Accrued liabilities	13,088	-	-	13,088
Due to other governments	197,540	13,941,028	18,599	14,157,167
Total Liabilities	$ 231,102	$ 13,941,028	$ 20,444	$ 14,192,574