

FINAL OFFICIAL STATEMENT DATED AUGUST 7, 2012

NEW ISSUE (BOOK ENTRY ONLY)
NOT BANK QUALIFIED

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

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

**CITY OF WAUWATOSA
MILWAUKEE COUNTY, WISCONSIN
\$12,400,000 General Obligation Promissory Notes, Series 2012**

Dated: August 21, 2012

Due: June 1, As Shown Below

The General Obligation Promissory Notes, Series 2012 (the "Notes") are being issued pursuant to Section 67.12(12) of the Wisconsin Statutes. The Notes will be general obligations of the City of Wauwatosa, Wisconsin (the "City") for which its full faith, credit and resources are pledged. The Notes are being issued for public purposes, including paying the cost of street improvement projects, bridge repairs, park projects, storm and sanitary sewer improvements, police and fire equipment, automated refuse vehicles, projects in the North Avenue Strategic Plan and the Village Strategic Plan and other public improvements included in the City's Capital Improvement Plan (the "Projects").

The Notes will mature June 1, as follows:

Year	Amount	Rate	Price/ Yield	CUSIP No. ¹	Year	Amount	Rate	Price/ Yield	CUSIP No. ¹
2013	\$ 875,000	0.35%	100	943504U40	2018	\$ 1,550,000	2.00%	1.10%	943504U99
2014	775,000	2.00	0.45%	943504U57	2019	1,500,000	2.00	1.40	943504V23
2015	800,000	2.00	0.55	943504U65	2020	1,575,000	2.00	1.65	943504V31
2016	900,000	2.00	0.65	943504U73	2021	1,675,000	2.00	1.85	943504V49
2017	1,275,000	2.00	0.85	943504U81	2022	1,475,000	2.25	2.00	943504V56

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

Principal of the Notes, payable annually each June 1, commencing June 1, 2013 and interest, payable each June 1 and December 1, commencing June 1, 2013, will be paid to DTC, which will in turn remit such principal and interest payments to its participants for subsequent disbursement to the beneficial owners of the Notes as described herein.

At the option of the City, the Notes maturing on June 1, 2021 and thereafter are subject to redemption prior to maturity in whole or in part on June 1, 2020 or on any date thereafter at par plus accrued interest to the date of redemption.

The rates shown herein are the interest rates payable by the City resulting from the bids for the Notes on August 7, 2012, by the successful bidder(s). All information concerning the terms of the reoffering of the Notes, including yields or prices, should be obtained from the successful bidder(s) and not from the City. See "MISCELLANEOUS - Underwriting" herein.

The Notes are offered when, as and if issued, subject to the receipt of the approving opinion of Quarles & Brady LLP, Milwaukee, Wisconsin, Bond Counsel. The Notes will be available for delivery on or about August 21, 2012, through the facilities of DTC in New York, New York.

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

Baird

Underwriter for the Notes

HutchinsonShockeyErley&Co

Financial Advisor to the Issuer

¹ See "CUSIP INFORMATION" herein.

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

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

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

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

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**CITY OF WAUWATOSA
MILWAUKEE COUNTY, WISCONSIN**

Kathleen Ehley
Mayor
(Term Expires April 2016)

COMMON COUNCIL

<u>Name</u>	<u>Aldermanic District</u>	<u>Term Expiration</u>
Peter Donegan	1	April, 2014
James Moldenhauer	1	April, 2016
John J. Dubinski	2	April, 2016
Kathleen Causier	2	April, 2014
Tim J. Hanson	3	April, 2014
Gregory Walz-Chojnacki	3	April, 2016
Dennis R. McBride (President)	4	April, 2016
Jill M. Organ	4	April, 2014
Bobby Pantuso	5	April, 2014
Joel Tilleson	5	April, 2016
Brian M. Ewerdt	6	April, 2014
Jeffrey J. Roznowski	6	April, 2016
Donald Birschel	7	April, 2014
Cheryl Berdan	7	April, 2016
Jason G. Wilke	8	April, 2016
Craig Wilson	8	April, 2014

ADMINISTRATIVE STAFF

James Archambo..... City Administrator
John Ruggini..... Finance Director
Carla A. Ledesma..... City Clerk
Alan R. Kesner..... City Attorney

BOND COUNSEL

Quarles & Brady LLP
Milwaukee, Wisconsin

UNDERWRITER

Baird
Milwaukee, Wisconsin

FINANCIAL ADVISOR

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

REGISTRAR AND FISCAL AGENT

Officers of the City
City of Wauwatosa, Wisconsin *

* The contact person for fiscal agent matters is John Ruggini, Finance Director.

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SUMMARY

This is not a summary of the entire Official Statement. It is only a brief description of and guide to, and is qualified by, more complete and detailed information contained in the entire Official Statement, including the cover page and appendices hereto, and the documents summarized or described herein. A full review should be made of the entire Official Statement. The offering of Notes to potential investors is made only by means of the entire Official Statement and all such documents.

Issuer	City of Wauwatosa, Milwaukee County, Wisconsin
Issue	\$12,400,000 General Obligation Promissory Notes, Series 2012
Dated Date	August 21, 2012
Principal Due	June 1, 2013 through 2022
Interest Payment Date	Commencing June 1, 2013 and on each June 1 and December 1 thereafter. Interest shall be computed on the basis of a 360-day year of twelve 30-day months.
Redemption Provision	At the option of the City, the Notes maturing on June 1, 2021 and thereafter shall be subject to redemption prior to maturity in whole or in part on June 1, 2020 or on any date thereafter at par plus accrued interest to the date of redemption. (See "THE NOTES – Redemption Provisions" therein.)
Purpose	The Notes will be issued for public purposes, including paying the cost of the Projects.
Security	The City pledges its full faith, credit and resources and there will be levied on all the taxable property in the City a direct, annual, irrevocable tax in an amount and at times sufficient to pay the principal of and interest on the Notes.
Authority	The Notes are being issued pursuant to Section 67.12(12) of the Wisconsin Statutes, an initial resolution adopted by the Common Council on July 17, 2012, and an award resolution adopted by the Common Council on August 7, 2012.
Tax Exemption	Interest on the Notes is excludable from gross income for federal income tax purposes. (See "LEGAL MATTERS - Tax Exemption" herein.)
Bank Qualification	The Notes have <u>not</u> been designated as "qualified tax-exempt obligations".
Credit Rating	The Notes have been rated "Aaa" by Moody's Investors Service, Inc.
Underwriter	Robert W. Baird & Co., Inc., Milwaukee, Wisconsin
Registrar and Fiscal Agent	Officers of the City of Wauwatosa, Wisconsin
Record Date	The 15 th day of the month preceding an interest payment date.
Delivery Date and Place	On or about August 21, 2012 through the facilities of DTC in New York, New York.
Denominations	The Notes will be issued in denominations of \$5,000 each and integral multiples thereof.
Bond Years	74,269.44 Average Life 5.989 years
Continuing Disclosure	The City will covenant to provide annual reports, as required, and timely notice of certain events as set forth in the Continuing Disclosure Certificate. (See Appendix C herein.)

OFFICIAL STATEMENT
CITY OF WAUWATOSA
MILWAUKEE COUNTY, WISCONSIN
\$12,400,000 Obligation Promissory Notes, Series 2012

INTRODUCTION

The purpose of this Official Statement, which includes the cover page and appendices hereto, is to provide certain information in connection with the issuance of \$12,400,000 General Obligation Promissory Notes, Series 2012 dated August 21, 2012 of the City of Wauwatosa, Wisconsin.

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

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

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

Information, including the City's prior years' financial statements, is available on the City's website at www.wauwatosa.net or upon request and upon payment to the City of a charge for any copying, mailing and handling if required, from Ms. Jean Plass, Office of the Finance Director, City of Wauwatosa, 7725 W. North Avenue, Wauwatosa, Wisconsin 53213-0068, telephone (414) 479-8922; jplass@wauwatosa.net, or from Hutchinson, Shockey, Erley & Co. at (414) 298-9898.

THE NOTES

Purpose

The Notes are being issued for public purposes, including paying the cost of the Projects.

Authority for Issuance

The Notes are being issued pursuant to Section 67.12(12), Wisconsin Statutes, an Initial Resolution Providing for the Sale of \$12,400,000 General Obligation Promissory Notes, Series 2012 (the "Initial Resolution") adopted by the Common Council on July 17, 2012, and a Resolution Authorizing the Issuance and Sale of \$12,400,000 General Obligation Promissory Notes, Series 2012 (the "Resolution") adopted by the Common Council on August 7, 2012.

Description

The Notes will be dated August 21, 2012 and will bear interest from their dated date to their respective maturities. Principal of the Notes will be payable annually on each June 1, commencing June 1, 2013. Interest will be payable each June 1 and December 1, commencing June 1, 2013.

Sources and Applications of Funds

Sources of Funds

Par Amount of Notes	\$ 12,400,000
Bond Premium	248,000
Interest Earnings	<u>25,000</u>
Total	<u>\$ 12,673,000</u>

Applications of Funds

Cost of Projects	\$ 12,400,000
Deposit to Debt Service	248,000
Issuance Costs	<u>25,000</u>
Total	<u>\$ 12,673,000</u>

Sources of Payment for the Notes

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

Security for the Notes

As security for the Notes, the City pledges its full faith, credit and resources and there will be levied on all of the taxable property in the City a direct, annual irrevocable tax in an amount and at times sufficient to pay the principal of and interest on the Notes. The tax will be levied under the Resolution for collection in each of the years 2013 through 2022.

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

Redemption Provisions

At the option of the City, the Notes maturing on June 1, 2021 and thereafter shall be subject to redemption prior to maturity on June 1, 2020 or on any date thereafter. Said Notes shall be redeemable as a whole or in part, and if in part, from maturities selected by the City and within each maturity, by lot, at the principal amount thereof, plus accrued interest to the date of redemption. If less than all of the Notes of a maturity are to be redeemed, selection of the Notes to be so redeemed shall be by lot conducted by DTC in accordance with its rules and practices (see "BOOK-ENTRY-ONLY SYSTEM" herein).

Notice of Redemption

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

THE RESOLUTIONS

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

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

BOOK-ENTRY-ONLY SYSTEM

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

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

2. DTC, the world's largest depository, is a limited-purpose trust company organized under the New York Banking Law, a "banking organization" within the meaning of the New York Banking Law, a member of the Federal Reserve System, a "clearing corporation" within the meaning of the New York Uniform Commercial Code, and a "clearing agency" registered pursuant to the provisions of Section 17A of the Securities Exchange Act of 1934. DTC holds and provides asset servicing for over 3.5 million issues of U.S. and non-U.S. equity issues, corporate and municipal debt issues, and money market instrument from over 100 countries that DTC's participants ("Direct Participants") deposit with DTC. DTC also facilitates the post-trade settlement among Direct Participants of sales and other securities transactions in deposited securities

through electronic computerized book-entry transfers and pledges between Direct Participants' accounts. This eliminates the need for physical movement of securities certificates. Direct Participants include both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, clearing corporations, and certain other organizations. DTC is a wholly-owned subsidiary of The Depository Trust & Clearing Corporation ("DTCC"). DTCC is the holding company for DTC, National Securities Clearing Corporation and Fixed Income Clearing Corporation, all of which are registered clearing agencies. DTCC is owned by the users of its regulated subsidiaries. Access to the DTC system is also available to others such as both U.S. and non-U.S. securities brokers and dealers, banks, trust companies, and clearing corporations that clear through or maintain a custodial relationship with a Direct Participant, either directly or indirectly ("Indirect Participants"). DTC has a Standard & Poor's rating of AA+. The DTC Rules applicable to its Participants are on file with the Securities and Exchange Commission. More information about DTC can be found at www.dtcc.com and www.dtc.org.

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

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

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

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

7. Neither DTC nor Cede & Co. (nor any other DTC nominee) will consent or vote with respect to the Securities unless authorized by a Direct Participant in accordance with DTC's MMI Procedures. Under its usual procedures, DTC mails an Omnibus Proxy to Issuer as soon as possible after the record date. The Omnibus Proxy assigns Cede & Co.'s consenting or voting rights to those Direct Participants to whose accounts the Securities are credited on the record date (identified in a listing attached to the Omnibus Proxy).

8. Redemption proceeds, distributions, and dividend payments on the Securities will be made to Cede & Co., or such other nominee as may be requested by an authorized representative of DTC. DTC's practice is to credit Direct Participants' accounts, upon DTC's receipt of funds and corresponding detail information from Issuer or Agent on payable date in accordance with their respective holdings shown on DTC's records. Payments by Participants to Beneficial Owners will be governed by standing instructions and customary practices, as is the case with securities held for the accounts of customers in bearer form or registered in "street name," and will be the responsibility of such Participant and not of DTC, Agent, or Issuer, subject to any statutory or regulatory requirements as may be in effect from time to time. Payment of redemption proceeds, distributions, and dividend payments to Cede & Co. (or such other nominee as may be requested by an authorized representative of DTC) is the responsibility of Issuer or Agent, disbursement of such payments to Direct Participants will be the responsibility of DTC, and disbursement of such payments to the Beneficial Owners will be the responsibility of Direct and Indirect Participants.

9. A Beneficial Owner shall give notice to elect to have its Securities purchased or tendered, through its Participant, to [Tender/Remarketing] Agent, and shall effect delivery of such securities by causing the Direct Participants to transfer the Participant's interest in the Securities, on DTC's records, to [Tender/Remarketing] Agent. The requirement for physical delivery of Securities in connection with an optional tender of a mandatory purchase will be deemed satisfied when the ownership rights in the Securities are transferred by Direct Participants on DTC's records and followed by a book-entry credit of tendered Securities to [Tender/Remarketing] Agent's DTC account.

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

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

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

Registrar and Fiscal Agent

Officers of the City will act as the registrar and fiscal agent for the Notes.

CUSIP INFORMATION

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

THE CITY

Introduction

The City is adjacent to the City of Milwaukee in Milwaukee County. The City has been a municipal corporation since 1897. It encompasses 13.07 square miles and has a 2011 population estimate of 46,380.

The City has 452.1 full-time equivalent ("FTE") employees.

Transportation

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

Common Council

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

Board of Public Debt Commissioners

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

The current Board members are:

John Ruggini, Finance Director
Derik Summerfield, Business Supervisor
Joel E. Simpson
Marlyn Spear
James P. Maloney

Administrative Organization

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

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

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

Services

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

Public Safety

The City has a police force of 121.5 FTE positions providing public safety and protection for the City's residents and a fire department of 106 FTEs providing fire protection and ambulance service.

Employee Relations and Collective Bargaining

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

<u>Union/Association</u>	<u>Contract Term</u>	<u>Number of Members</u>
Wauwatosa Professional Firefighter's Association	1/1/11 – 12/31/13	102
Wauwatosa Peace Officers Association	1/1/11 – 12/31/13 ¹	83

¹ A fully ratified contract has not been signed but a summary of changes for the 2011 - 2013 contract period has been signed by both parties and the changes have been implemented.

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

All eligible City personnel are covered by the Municipal Employment Relations Act (MERA) of the Wisconsin Statutes. Pursuant to that law, employees have limited rights to organize and collectively bargain with the municipal employers. MERA was amended by 2011 Wisconsin Act 10 (the "Act") and by 2011 Wisconsin Act 32, which altered the collective bargaining rights of public employees in Wisconsin.

Certain legal challenges have been brought with respect to the Act. On May 26, 2011, the Dane County Circuit Court (the "Circuit Court") issued a decision which voided the legislative action taken with respect to the Act due to violations of the State's Open Meetings Law. However, on June 14, 2011, the Supreme Court of Wisconsin overturned the Circuit Court's decision by vacating and declaring all orders and judgments of the Circuit Court with respect to the Act to be void. As a result, the Act took effect on June 29, 2011, the day after it was published in accordance with State statutes.

As a result of the amendments to MERA, the City is prohibited from bargaining collectively with municipal employees, other than public safety employees and transit employees, with respect to any factor or condition of employment except total base wages. The City or employee union has the option to pursue mediation and grievance arbitration. Voluntary impasse resolution procedures are prohibited for municipal employees, other than public safety employees and transit employees, including binding interest arbitration. Strikes by any municipal employee or labor organization are expressly prohibited. As a practical matter, it is anticipated that strikes will be rare. Furthermore, if strikes do occur, they may be enjoined by the courts. Impasse resolution for public safety employees and transit employees is subject to final and binding arbitration procedures, which do not include a right to strike. Interest arbitration is available for transit employees if certain conditions are met. (The City has no transit employees.)

Demographic Information

Population

The Wisconsin Department of Administration, Demographics Services Center has estimated the population trends to be as shown in the table below.

	Estimated <u>2011</u>	Census <u>2010</u>	Estimated <u>2009</u>	Estimated <u>2008</u>	Estimated <u>2007</u>
City of Wauwatosa	46,380	46,396	45,800	45,880	45,930
Milwaukee County	948,369	947,735	931,830	938,490	937,324
State of Wisconsin	5,694,350	5,686,986	5,688,040	5,675,156	5,648,124

Median Age

The median ages for the City, County and State as of the 2010 U.S. Census are as follows:

	<u>Years</u>
City of Wauwatosa	39.8
Milwaukee County	33.6
State of Wisconsin	38.5

Source: U.S. Census Bureau

Income

Adjusted Gross Income per tax return for the City, County and State are presented in the following table:

<u>Year</u>	<u>City of Wauwatosa</u>	<u>Milwaukee County</u>	<u>State of Wisconsin</u>
2010	\$64,160	\$41,932	\$46,958
2009	61,619	41,704	45,372
2008	63,718	43,557	47,046
2007	63,414	43,390	48,985
2006	61,544	42,296	48,107

Source: Wisconsin Department of Revenue, Division of Research & Policy

Economic Information

Construction

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

<u>Year</u>	<u>Construction Value of Building Permits</u>
2011	\$ 56,801,548
2010	28,066,090
2009	52,308,950
2008	29,933,434
2007	176,503,421

Source: City of Wauwatosa

Employment

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

	May <u>2012</u>	2011 <u>Average</u>	2010 <u>Average</u>	2009 <u>Average</u>	2008 <u>Average</u>	2007 <u>Average</u>
City of Wauwatosa	5.6%	5.9%	6.7%	6.7%	3.8%	3.7%
Milwaukee County	8.5	9.0	9.9	9.6	5.6	5.7
State of Wisconsin	6.8	7.5	8.5	8.7	4.8	4.8

Average Annual Employment

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
ALL INDUSTRIES	468,725	465,103	471,426	496,056	496,522
Construction	9,546	10,594	12,330	14,012	13,921
Education & Health Services	126,238	127,239	128,317	128,076	124,111
Financial Activities	33,812	34,686	36,117	37,219	37,323
Information	*	*	*	11,751	12,176
Leisure & Hospitality	44,420	43,556	43,760	44,506	45,098
Manufacturing	53,202	52,141	53,387	59,846	60,501
Natural Resources & Mining	90	85	87	102	100
Other Services	18,468	16,719	15,975	15,996	15,682
Professional & Business Services	73,065	69,880	69,036	77,152	77,074
Public Administration	21,457	21,965	22,037	22,210	22,073
Trade, Transportation, Utilities	78,597	78,609	79,690	85,179	88,448
Unclassified	*	*	*	7	16

* Data suppressed.

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

Major Employers

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

<u>Employer</u>	<u>Product/Business</u>	<u>Approximate Employment</u>
Milwaukee Regional Medical Center	Medical facilities	15,000
GE Medical Systems, Inc.	IT, ultrasound & e-commerce functions	1,400
Briggs & Stratton Corp.	Small engine manufacturer	1,100
Wauwatosa Unified School District	Education	828 FTE
J.C. Penney Company	Warehouse, catalog sales, store	530
UnitedHealth Care	Insurance	498
Lutheran Home of the Aging, Inc.	Nursing home; assisted living	485
City of Wauwatosa	Municipal government	462 FTE
Harley Davidson Inc.	Motorcycle manufacturer	250-499 ¹
Grede Foundries Liberty Div.	Foundry iron castings; corporate offices	250
Penzeys Spices	Corporate headquarters; store	200
		+ 75 temporary employees
Bostik Findley	Adhesives	156

¹ Per the State of Wisconsin Worknet website.

Source: Employer survey, October 2011.

Tax Levies and Collections

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

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

Year of Collection	City Tax Levies	Levy Rate Per \$1000 of Assessed Valuation
2012	\$36,555,123	\$ 7.00
2011	36,555,123	6.92
2010	35,827,935	6.79
2009	35,527,935	6.69
2008	34,506,385	6.52

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

Mill Rates

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

	2012	2011	2010	2009	2008
State	\$ 0.16	\$ 0.17	\$ 0.17	\$ 0.17	\$ 0.18
Sewer District	1.45	1.42	1.33	1.31	1.34
County	5.52	5.39	5.17	5.00	5.10
City	7.00	6.92	6.79	6.69	6.52
School District	8.18	8.31	7.99	7.54	7.20
Technical College District	1.87	1.89	1.93	1.86	1.86
School and County Tax Credits	<u>(2.27)</u>	<u>(2.26)</u>	<u>(2.23)</u>	<u>(2.25)</u>	<u>(2.17)</u>
Net Tax Rate	\$ 21.91	\$ 21.84	\$ 21.15	\$ 20.32	\$ 20.03
Ratio of Assessed to Equalized	104.23%	101.57%	99.02%	97.91%	96.42%

Equalized Valuations

The City has experienced (9.17) % decline in equalized value (Tax Increment Value included) over the past five years. This trend is outlined in the table below.

	Including Tax Increment Value	% Change	Excluding Tax Increment Value	% Change
2011	\$5,243,279,500	(4.01) %	\$5,004,833,100	(3.87) %
2010	5,462,436,300 ^{1,2}	(2.63)	5,206,269,800	(2.22)
2009	5,610,122,800	(0.62)	5,324,737,600	(0.89)
2008	5,645,219,200	(2.21)	5,372,543,900	(3.16)
2007	5,772,851,800	4.87	5,547,750,200	4.54

¹ Assessed Valuation of GE Medical Systems Inc.

The GE Medical Systems building was reassessed as a manufacturing facility and the State of Wisconsin (which is responsible for assessing manufacturing facilities) lowered the assessment for 2010 to \$58.4 million from the 2009 assessment of \$78.0 million.

² Assessed Valuation of Covenant Healthcare

On July 19, 2011, the Wisconsin Supreme Court decided against the City of Wauwatosa in the matter of *Covenant Healthcare v. City of Wauwatosa*, 2011 WI 80.

The equalized value by class of property for 2011 is as follows:

Real Estate	
Residential	\$ 3,354,899,400
Commercial	1,533,051,800
Manufacturing	<u>137,451,400</u>
Total Real Estate	5,025,402,600
Total Personal Property	<u>217,876,900</u>
Total	<u>\$ 5,243,279,500</u>

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>	<u>2008</u>	<u>2007</u>
Real Estate					
Residential	63.98%	62.93%	63.12%	64.09%	62.89%
Commercial	29.24	30.13	31.51	29.69	31.95
Manufacturing	2.62	2.66	1.54	1.68	1.61
Personal Property	<u>4.16</u>	<u>4.28</u>	<u>3.82</u>	<u>4.54</u>	<u>3.55</u>
	100.00%	100.00%	100.00%	100.00%	100.00%
Total Equalized Value (billions)	\$5.243	\$5.462	\$5.610	\$5.645	\$5.773

Largest Taxpayers for 2011

The table below shows the City's larger taxpayers for 2011.

<u>Name</u>	<u>Type of Business</u>	<u>2011 Assessed Valuation</u>	<u>Net Taxes Due</u>
Mayfair Property Inc. (Mayfair Mall)	Shopping center and office tower	\$ 282,889,160	\$ 6,198,156
H-D Capital Drive LLC	Harley Davidson motorcycles	63,067,300	1,381,762
GE Medical Systems Inc.	IT, ultrasound & e-commerce functions	60,365,100	1,322,556
Covenant Healthcare System Inc	Healthcare provider	40,633,360	968,891
Bonstores Realty One LLC	Boston Store	27,438,240	601,120
J.C. Penney Properties Inc.	Warehouse; catalog sales; store	26,499,410	576,953
Briggs & Stratton Corp.	Small engine manufacturer	25,649,100	561,862
Innovation Partners LLC	Office building	25,482,400	558,267
North Mayfair 8	Office buildings	24,219,370	530,704
Mayfair Woods LLC	Office building	<u>23,923,000</u>	<u>524,101</u>
		<u>\$ 600,166,440</u>	<u>\$ 13,224,372</u>

DEBT STRUCTURE

Total Outstanding General Obligation Debt Summary

General Obligation Debt by Issue

<u>Type of Obligation</u>	<u>Date of Issue</u>	<u>Original Amount Issued</u>	<u>Maturity Date</u>	<u>Current Amount Outstanding</u>
G.O. Prom. Notes, Series 2004	03/15/04	\$ 2,300,000	12/01/13	\$ 825,000
G.O. Prom. Notes, Series 2005	05/01/05	3,300,000	12/01/14	1,750,000
G.O. Prom. Notes, Series 2006	04/01/06	4,000,000	12/01/15	2,400,000
G.O. Prom. Notes, Series 2007	04/15/07	3,500,000	12/01/16	2,550,000
State Trust Fund Loan	01/09/08	400,000	03/15/12	-
G.O. Prom. Notes, Series 2008	05/01/08	6,200,000	12/01/17	5,300,000
Taxable G.O. Prom. Notes, Series 2009 (Build America Bonds – Direct Payment)	07/01/09	5,300,000	12/01/18	4,600,000
Taxable G.O. Refunding Bonds, Series 2010A	08/03/10	8,450,000	03/01/24	7,505,000
Taxable G.O. Ref & Street Imp. Bonds, Series 2010B (Build America Bonds – Direct Payment)	10/25/10	10,200,000	10/01/30	9,650,000
G.O. Prom. Notes, Series 2011	11/29/11	12,500,000	11/01/21	12,500,000
Taxable G.O. Prom. Notes, Series 2011	12/20/11	4,600,000	06/01/16	4,600,000
G.O. Prom. Notes, Series 2012	08/21/12	12,400,000	06/01/22	<u>12,400,000</u> ¹
Total General Obligation Debt				64,080,000
Less Remaining 2012 Principal Payments				(3,875,000)
Net General Obligation Debt				<u>\$ 60,205,000</u>

¹ New issue.

General Obligation Debt Service Schedules

	<u>\$2,300,000 G O Notes Series 2004 – 3/15/04</u>		<u>\$3,300,000 G O Notes Series 2005 – 5/01/05</u>		<u>\$4,000,000 G O Notes Series 2006 - 4/01/06</u>		<u>\$3,500,000 G O Notes Series 2007 - 4/15/07</u>	
	Principal	Interest	Principal	Interest	Principal	Interest	Principal	Interest
2012	\$ 400,000	\$ 25,781	\$ 575,000	\$ 65,831	\$ 500,000	\$ 93,969	\$ 350,000	\$ 102,000
2013	425,000	13,281	575,000	44,988	625,000	75,219	400,000	88,000
2014			600,000	24,000	625,000	51,000	500,000	72,000
2015					650,000	26,000	625,000	52,000
2016							675,000	27,000
	<u>825,000</u>	<u>39,062</u>	<u>1,750,000</u>	<u>134,819</u>	<u>2,400,000</u>	<u>246,188</u>	<u>2,550,000</u>	<u>341,000</u>
Less 2012 Payments	<u>400,000</u>	<u>25,781</u>	<u>575,000</u>	<u>65,831</u>	<u>500,000</u>	<u>93,969</u>	<u>350,000</u>	<u>102,000</u>
	<u>\$ 425,000</u>	<u>\$ 13,281</u>	<u>\$ 1,175,000</u>	<u>\$ 68,988</u>	<u>\$ 1,900,000</u>	<u>\$ 152,219</u>	<u>\$ 2,200,000</u>	<u>\$ 239,000</u>

General Obligation Debt Service Schedules continued

	\$6,200,000 G O Notes Series 2008 - 5/01/08		\$5,300,000 Taxable G O Notes, Ser 2009 (BABs) - 7/01/09 ¹		\$8,450,000 Taxable G O Ref Bonds, Series 2010A - 08/03/10		\$10,200,000 Taxable G O Ref & St. Imp. Bonds, Ser 2010B (BABs) - 10/25/10 ²	
	Principal		Principal		Principal		Principal	
	12/01	Interest	12/01	Interest	03/01	Interest	10/01	Interest
2012	\$ 600,000	\$ 178,375	\$ 500,000	\$ 199,825	\$ 495,000	\$ 306,261	\$ 550,000	\$ 325,050
2013	800,000	158,875	600,000	185,450	505,000	296,274	425,000	320,100
2014	900,000	132,875	700,000	165,200	515,000	285,932	425,000	315,638
2015	1,000,000	102,500	700,000	136,500	530,000	271,398	425,000	310,112
2016	1,000,000	68,750	700,000	105,875	550,000	253,847	425,000	303,313
2017	1,000,000	35,000	700,000	71,750	575,000	234,129	450,000	295,237
2018			700,000	36,750	600,000	211,348	450,000	284,663
2019					625,000	186,066	450,000	272,737
2020					650,000	158,160	475,000	259,013
2021					685,000	127,438	475,000	243,575
2022					720,000	94,420	500,000	226,950
2023					755,000	58,625	525,000	208,450
2024					795,000	19,875	525,000	187,975
2025							550,000	166,450
2026							550,000	142,800
2027							575,000	118,050
2028							600,000	91,312
2029							625,000	62,813
2030							650,000	32,500
	<u>5,300,000</u>	<u>676,375</u>	<u>4,600,000</u>	<u>901,350</u>	<u>8,000,000</u>	<u>2,503,773</u>	<u>9,650,000</u>	<u>4,166,738</u>
Less 2012 Payments	<u>600,000</u>	<u>178,375</u>	<u>500,000</u>	<u>199,825</u>	<u>495,000</u>	<u>306,261</u>	<u>550,000</u>	<u>325,050</u>
	\$ 4,700,000	\$ 498,000	\$ 4,100,000	\$ 701,525	\$ 7,505,000	\$ 2,197,512	\$ 9,100,000	\$ 3,841,688

¹ The Taxable G.O. Notes, Series 2009 were issued as Build America Bonds-Direct Payment. The City expects to receive a 35% interest subsidy from the United States Treasury.

² The Taxable G.O. Bonds, Series 2010B were issued as Build America Bonds-Direct Payment. The City expects to receive a 35% interest subsidy from the United States Treasury.

	\$12,500,000 G O Notes Series 2011 – 11/29/11		\$4,600,000 Taxable G O Notes, Ser 2011 – 12/20/11		\$12,400,000 G O Notes, Series 2012 – 8/21/12 ¹	
	Principal		Principal		Principal	
	11/01	Interest	06/01	Interest	06/01	Interest
2012	\$ 400,000	\$ 258,683		\$ 87,144		
2013	800,000	272,500		92,000	\$ 875,000	\$ 301,622
2014	500,000	256,500		92,000	775,000	226,437
2015	900,000	246,500		92,000	800,000	210,688
2016	1,100,000	228,500	\$ 4,600,000	46,000	900,000	193,687
2017	1,200,000	206,500			1,275,000	171,938
2018	1,500,000	182,500			1,550,000	143,687
2019	2,000,000	152,500			1,500,000	113,188
2020	2,000,000	102,500			1,575,000	82,437
2021	2,100,000	52,500			1,675,000	49,937
2022					1,475,000	16,594
	<u>12,500,000</u>	<u>1,959,183</u>	<u>4,600,000</u>	<u>409,144</u>	<u>12,400,000</u>	<u>1,510,215</u>
Less 2012 Payments	<u>400,000</u>	<u>258,683</u>	<u>-</u>	<u>87,144</u>	<u>-</u>	<u>-</u>
	\$12,100,000	\$1,700,500	\$ 4,600,000	\$ 322,000	\$12,400,000	\$ 1,510,215

¹ New Issue.

Total General Obligation Debt

	Total <u>Principal</u>	Total <u>Interest</u>	Total <u>Debt Service</u>	Less <u>Offsetting</u> <u>Revenues</u>	Net <u>Total</u> <u>Debt Service</u>
2012 ¹	\$ 4,477,932	\$ 1,648,060	\$ 6,125,992	\$ 2,751,259	\$ 3,374,733
2013	6,030,000	1,848,309	7,878,309	3,457,962	4,420,347
2014	5,540,000	1,621,582	7,161,582	3,431,256	3,730,326
2015	5,630,000	1,447,698	7,077,698	3,358,137	3,719,561
2016	9,950,000	1,226,972	11,176,972	3,119,256	8,057,716
2017	5,200,000	1,014,554	6,214,554	2,943,939	3,270,615
2018	4,800,000	858,948	5,658,948	2,613,018	3,045,930
2019	4,575,000	724,491	5,299,491	2,601,635	2,697,856
2020	4,700,000	602,110	5,302,110	2,595,046	2,707,064
2021	4,935,000	473,450	5,408,450	2,624,219	2,784,231
2022	2,695,000	337,964	3,032,964	959,887	2,073,077
2023	1,280,000	267,075	1,547,075	49,712	1,497,363
2024	1,320,000	207,850	1,527,850	49,789	1,478,061
2025	550,000	166,450	716,450	-	716,450
2026	550,000	142,800	692,800	-	692,800
2027	575,000	118,050	693,050	-	693,050
2028	600,000	91,312	691,312	-	691,312
2029	625,000	62,813	687,813	-	687,813
2030	<u>650,000</u>	<u>32,500</u>	<u>682,500</u>	<u>-</u>	<u>682,500</u>
	64,682,932	12,892,988	77,575,920	30,555,113	47,020,807
Less 2012 Payments	<u>4,477,932</u>	<u>1,648,060</u>	<u>6,125,992</u>	<u>2,751,259</u>	<u>3,374,733</u>
	\$ 60,205,000	\$ 11,244,928	\$ 71,449,928	\$ 27,803,854	\$ 43,646,074

¹ Debt Service Totals for 2012 include the final payment of \$107,932 of principal and \$5,141 of interest paid on March 15, 2012 on the State Trust Fund Loan dated January 19, 2008.

Total Outstanding Revenue Debt Summary

Waterworks System

<u>Type of Obligation</u>	<u>Date of Issue</u>	<u>Original Amount</u>	<u>Maturity Dates</u>	<u>Current Amount Outstanding</u>
Revenue Bonds, Series 2010	10/25/10	\$ 7,750,000	01/01/29	\$ 7,325,000
Revenue Bonds, Series 2011	11/29/11	2,400,000	01/01/22	<u>2,400,000</u>
Total Waterworks System Revenue Debt				9,725,000
Less Remaining 2012 Principal Payments				(-)
Net Waterworks System Revenue Debt				<u>\$ 9,725,000</u>

Revenue Debt Service Schedules (For Fiscal Year Ending January 1)

	<u>\$7,750,000 Waterworks System Rev Bonds, Series 2010 - 10/25/10</u>		<u>\$2,400,000 Waterworks System Rev Ref Bonds, Series 2011 - 11/29/11</u>	
	Principal		Principal	
	<u>01/01</u>	<u>Interest</u>	<u>01/01</u>	<u>Interest</u>
2012	\$ 225,000	\$ 269,187		
2013	225,000	262,438	\$ 200,000	\$ 61,931 ¹
2014	225,000	255,687	200,000	52,875
2015	225,000	248,938	225,000	48,875
2016	225,000	242,187	225,000	44,375
2017	250,000	235,438	225,000	39,875
2018	250,000	227,937	250,000	35,375
2019	275,000	217,938	250,000	29,750
2020	275,000	206,937	250,000	23,500
2021	275,000	195,938	275,000	17,250
2022	275,000	187,687	300,000	9,000
2023	600,000	176,688		
2024	625,000	157,188		
2025	650,000	136,875		
2026	700,000	110,875		
2027	725,000	86,375		
2028	750,000	61,000		
2029	775,000	31,000		
	<u>7,550,000</u>	<u>3,310,313</u>	<u>2,400,000</u>	<u>362,806</u>
Less 2012 Payments	<u>225,000</u>	<u>269,187</u>	<u>-</u>	<u>-</u>
	\$ 7,325,000	\$ 3,041,126	\$ 2,400,000	\$ 362,806

¹ Interest amount includes \$33,493 due on July 1, 2012.

Total Waterworks System Revenue Debt and Coverage Ratio

	Total Principal	Total Interest	Total Debt Service	Coverage Ratio ¹
2012 ²	\$ 400,000	\$ 404,412	\$ 804,412	2.36
2013	425,000	324,369	749,369	2.53
2014	425,000	308,562	733,562	2.59
2015	450,000	297,813	747,813	2.54
2016	450,000	286,562	736,562	2.58
2017	475,000	275,313	750,313	2.53
2018	500,000	263,312	763,312	2.49
2019	525,000	247,688	772,688	2.46
2020	525,000	230,437	755,437	2.51
2021	550,000	213,188	763,188	2.49
2022	575,000	196,687	771,687	2.46
2023	600,000	176,688	776,688	2.44
2024	625,000	157,188	782,188	2.43
2025	650,000	136,875	786,875	2.41
2026	700,000	110,875	810,875	2.34
2027	725,000	86,375	811,375	2.34
2028	750,000	61,000	811,000	2.34
2029	775,000	31,000	806,000	2.35
	<u>10,125,000</u>	<u>3,808,344</u>	<u>13,933,344</u>	
Less 2012 Payments	<u>400,000</u>	<u>404,412</u>	<u>804,412</u>	
	\$ 9,725,000	\$ 3,403,932	\$ 13,128,932	

¹ Coverage based on audited 2011 net revenues of \$1,897,922.

² Debt Service Totals for 2012 include the final payment of \$175,000 of principal and \$135,225 of interest paid on January 1, 2012 on the Waterworks System Revenue Bonds dated July 15, 2002.

Lease Revenue Debt

The Wauwatosa Redevelopment Authority (the "Authority") has Taxable Redevelopment Lease Revenue Bonds, Series 2004 dated August 15, 2004 (the "Lease Revenue Bonds") outstanding. The Lease Revenue Bonds are not general obligations of the Authority or the City and do not constitute indebtedness of the City within any constitutional or statutory limitation or provision. The Lease Revenue Bonds are limited obligations of the Authority payable solely from the revenues and income derived by the Authority pursuant to the terms of the lease agreement of the Lease Revenue Bonds between the Authority and the City (the "Lease Agreement").

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

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

Lease Revenue Bonds Debt Service Schedules

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

\$24,500,000 Redevelopment Authority Taxable Lease Revenue Bonds – 08/15/04			
	Principal 12/01	Interest	Total Debt Service
2012	\$ 2,275,000	\$ 920,925	\$ 3,195,925
2013	2,375,000	802,625	3,177,625
2014	2,500,000	679,125	3,179,125
2015	2,600,000	549,125	3,149,125
2016	3,600,000	399,625	3,999,625
2017	<u>3,350,000</u>	<u>192,625</u>	<u>3,542,625</u>
	16,700,000	3,544,050	20,244,050
Less 2012 Payments	<u>2,275,000</u>	<u>920,925</u>	<u>3,195,925</u>
	\$ 14,425,000	\$ 2,623,125	\$ 17,048,125

Debt Ratios

Outstanding general obligation direct debt as a percentage of equalized value and on a per capita basis for the current year as of August 21, 2012 and for the past five years ended December 31 follows:

Ratios of General Obligation Debt to Equalized Valuation and Population

Year	Outstanding General Obligation Debt	Equalized Valuation	Percent of Equalized Value	Population ¹	Per Capita
2012	\$ 64,080,000 ²	\$ 5,243,279,500	1.22%	46,380	\$ 1,381.63
2011	52,957,932	5,243,279,500	1.01	46,380	1,141.83
2010	40,935,983	5,462,436,300	0.75	46,396	882.32
2009	34,985,756	5,610,122,800	0.62	45,800	763.88
2008	33,926,469	5,645,219,200	0.60	45,880	739.46
2007	31,406,550	5,772,851,800	0.54	45,930	683.79

¹ Estimated by the Wisconsin Department of Administration. 2010 is per the 2010 U.S. Census.

² Unaudited.

Indirect Debt

The indirect general obligation debt of the City as of August 1, 2012 is listed below.

<u>Governmental Unit</u>	Outstanding Debt as of August 1, 2012 (Less: 2012 Sinking Funds)	Percent of Debt Within City	Amount of Debt Within City
Wauwatosa School District	\$ - 0 -	100.00%	\$ - 0 -
Milwaukee County	750,121,695	8.55	64,135,405
Milwaukee Metro Sewerage District ¹	949,467,969	8.77	83,268,341
Milwaukee Area Technical College District ²	96,060,000	6.50	<u>6,243,900</u>
			\$ 153,647,646

¹ The District expects to issue approximately an additional \$55,333,000 in monthly draws of Clean Water Fund Loans ("CWF Loans") in 2012. The CWF Loans are supported by the full faith and credit of the Sewerage District.

² Proposed financings for the 2012-2013 fiscal year total \$8,500,000.

Total Indirect Debt	\$ 153,647,646
Indirect Debt Per Capita	\$ 3,312.80
Indirect Debt as a % of Equalized Value	2.93%
Total Direct Debt	\$ 60,205,000
Direct Debt Per Capita	\$ 1,298.08
Direct Debt as a % of Equalized Value	1.15%
Total Direct and Indirect Debt	\$ 213,852,646
Total Direct and Indirect Debt Per Capita	\$ 4,610.88
Total Direct and Indirect Debt as a % of Equalized Value	4.08%

Short Term Debt

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

Legal Debt Limit

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

The City's unused borrowing capacity is as follows:

Equalized Value of Taxable Property in the City for 2011	\$ 5,243,279,500
Total General Obligation Debt Outstanding as of August 21, 2012, Including New Issue	\$ 64,080,000
Less: Remaining 2012 Payments	<u>(3,875,000)</u>
Net General Obligation Debt Outstanding	\$ 60,205,000
Legal Debt Capacity (5% of Equalized Value)	\$ 262,163,975
Unused Margin of Indebtedness	\$ 201,958,975
Unused Legal Debt Capacity	77.04%

No Default on City Indebtedness

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

Future Financings

The City does not anticipate issuing additional general obligation debt in 2012.

FINANCIAL INFORMATION

Annual Financial Statements

The City is audited annually by an independent public accounting firm. Copies of the City's audited Comprehensive Annual Financial Report (CAFR) for the Year Ended December 31, 2011 are available from the Office of the Finance Director or on the City's website at www.wauwatosa.net.

Annual Budgets

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

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

Summaries of the 2011 and 2012 Adopted Budgets follow. A more detailed budget can be found on the City's website at www.wauwatosa.net.

City of Wauwatosa General Fund Budgets

	2011 Adopted <u>Budget</u>	2012 Adopted <u>Budget</u>	<u>Percent of Total</u>
REVENUES			
General Property Tax Levy	\$ 34,328,698	\$ 34,350,083	67.66%
Other Taxes	1,172,000	1,461,500	2.88
Special Charges	35,888	26,165	0.05
State Shared Revenues	2,387,300	2,262,584	4.46
State Grants and Aids	2,178,177	1,965,368	3.87
Federal Shared Revenues/Grants	268,596	78,510	0.15
Licenses & Permits	1,119,605	1,209,475	2.38
Fines, Forfeits & Penalties	1,146,000	1,259,000	2.48
Public Charges for Services	2,657,652	2,996,550	5.90
Intergovernmental Charges	1,584,896	1,603,642	3.16
Miscellaneous Revenue	1,249,500	1,052,000	2.07
Transfers from Other Funds & Use of Equity			
Revolving Funds - Net	29,787	29,791	0.06
Transfer from Amortization Fund	-	800,000	1.58
Transfer from Water Utility	596,870	690,000	1.36
Appropriated Surplus Applied	1,552,673	982,506	1.94
TOTAL	<u>\$ 50,307,642</u>	<u>\$ 50,767,174</u>	<u>100.00%</u>
EXPENDITURES			
General Government	\$ 5,071,265	\$ 4,796,327	9.45%
Public Safety	29,080,700	29,006,507	57.14
Transportation – General	5,368,603	5,254,877	10.35
Sanitation	2,750,294	2,643,926	5.21
Health	1,420,703	1,325,468	2.61
Leisure Activities	1,669,638	1,570,861	3.09
Non-Departmental & General	159,876	1,053,070	2.07
Transfers to Other Funds & Equity Use:			
Amortization Fund	1,338,000	1,135,000	2.24
Debt Service Fund	2,400,000	2,160,000	4.25
Parks Reserve	845,563	871,138	1.72
Other Funds	-	800,000	1.58
Insurance Reserve Funds	203,000	150,000	0.30
TOTAL	<u>\$ 50,307,642</u>	<u>\$ 50,767,174</u>	<u>100.00%</u>

Summary of Operations

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
REVENUES:			
Taxes	\$ 37,707,053	\$ 32,984,129	\$ 32,826,274
Intergovernmental revenues	5,752,331	5,313,350	5,086,416
Licenses and permits	1,482,632	1,135,721	1,104,681
Penalties and forfeitures	1,015,512	1,120,205	1,093,594
Public improvement revenues	35,184	41,318	43,842
Public charges for services	2,908,432	2,731,191	2,685,501
Intergovernmental charges for services	1,610,098	1,595,644	1,763,668
Commercial revenues	<u>1,425,318</u>	<u>1,741,681</u>	<u>1,880,404</u>
 Total Revenues	 51,936,560	 46,663,239	 46,484,380
 EXPENDITURES:			
Current			
General government	13,103,386	4,401,405	4,542,169
Protection of persons and property	30,104,871	28,766,507	28,876,223
Health and sanitation	4,103,163	4,058,902	3,989,204
Highway and transportation	5,449,165	5,402,913	5,167,097
Education and recreation	51,955	51,086	1,005,453
Conservation and development	1,330,195	1,309,826	1,194,235
Unclassified	360,293	420,455	648,106
Debt service			
Interest and other fiscal charges	<u>32,685</u>	<u>-</u>	<u>-</u>
 Total Expenditures	 54,535,713	 44,411,094	 45,422,487
 Excess of Revenues Over (Under) Expenditures	 (2,599,153)	 2,252,145	 1,061,893
 OTHER FINANCING SOURCES (USES)			
Long-term debt issued	4,339,758	-	-
Proceeds from sale of capital assets	-	425,482	-
Operating transfers in	1,716,426	641,607	593,333
Operating transfers out	<u>(2,235,436)</u>	<u>(3,016,556)</u>	<u>(1,491,000)</u>
 Net change in fund balances	 1,221,595	 302,678	 164,226
 FUND BALANCES – BEGINNING OF YEAR	 <u>18,438,836</u>	 <u>18,136,158</u>	 <u>17,971,932</u>
 FUND BALANCES - END OF YEAR	 <u>\$ 19,660,431</u>	 <u>\$ 18,438,836</u>	 <u>\$ 18,136,158</u>
 Nonspendable	 \$ 348,886	 \$ -	 \$ -
Committed	\$ 982,506	\$ -	\$ -
Assigned	\$ 1,400,393	\$ -	\$ -
Unassigned	\$ 16,928,646	\$ -	\$ -
Reserved	\$ -	\$ 1,814,809	\$ 1,546,856
Unreserved			
Designated	\$ -	\$ 10,792,321	\$ 10,552,082
Undesignated	\$ -	\$ 5,831,706	\$ 6,037,220

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

	<u>2011</u>	<u>2010</u>	<u>2009</u>
REVENUES:			
Taxes	\$ 48,207,730	\$ 43,675,616	\$ 42,656,274
Intergovernmental revenues	8,382,093	8,593,458	8,346,790
Licenses and permits	1,482,632	1,135,721	1,104,681
Penalties and forfeitures	1,015,512	1,120,205	1,093,594
Public improvement revenues	526,828	684,410	1,088,206
Public charges for services	3,688,378	3,473,280	3,055,245
Intergovernmental charges for services	1,610,098	1,595,644	1,763,668
Commercial revenues	<u>1,680,596</u>	<u>1,914,743</u>	<u>2,132,804</u>
Total Revenues	66,593,867	62,193,077	61,241,262
EXPENDITURES:			
General government	13,103,386	4,401,405	4,542,169
Protection of persons and property	30,104,871	28,766,507	28,876,223
Health and sanitation	4,103,163	4,058,902	3,989,204
Highway and transportation	5,449,165	5,402,913	5,167,097
Education and recreation	3,629,583	3,584,513	3,591,437
Conservation and development	3,389,417	2,980,363	3,981,671
Unclassified	360,293	420,455	648,106
Debt service			
Principal	5,359,445	4,634,380	3,939,768
Interest	2,379,499	2,870,692	2,452,794
Capital outlay	<u>4,089,973</u>	<u>9,472,649</u>	<u>11,281,959</u>
Total Expenditures	71,968,795	66,592,779	68,470,428
Excess of Revenues Over (Under) Expenditures	(5,374,928)	(4,399,702)	(7,229,166)
OTHER FINANCING SOURCES (USES)			
Long-term debt issued	6,372,190	18,133,387	14,700,000
Premium on long term debt	234,038	-	-
Current refunding of long term debt	-	(19,175,689)	-
Proceeds from sale of capital assets	-	425,482	42,771
Operating transfers in	12,483,444	11,890,805	7,912,142
Operating transfers out	<u>(7,887,807)</u>	<u>(10,457,941)</u>	<u>(7,525,079)</u>
Net change in fund balances	5,826,937	(3,583,658)	7,900,668
FUIND BALANCES - BEGINNING OF YEAR	<u>45,503,696</u>	<u>49,087,354</u>	<u>41,186,686</u>
FUND BALANCES - END OF YEAR	<u>\$ 51,330,633</u>	<u>\$ 45,503,696</u>	<u>\$ 49,087,354</u>
Nonspendable	\$ 362,025	\$ -	\$ -
Restricted	\$ 30,401,900	\$ -	\$ -
Committed	\$ 982,506	\$ -	\$ -
Assigned	\$ 2,655,556	\$ -	\$ -
Unassigned	\$ 16,928,646	\$ -	\$ -
Reserved	\$ -	\$ 2,789,809	\$ 2,521,856
Unreserved			
Designated	\$ -	\$ 36,170,223	\$ 40,527,689
Undesignated	\$ -	\$ 6,543,664	\$ 6,037,809

Pension Plan

All eligible City employees participate in the Wisconsin Retirement System ("System"), a cost-sharing multiple-employer public employee retirement system (PERS). All employees expected to work over 1,200 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 5.8% of their salary (6.65% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 5.8% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of the public safety employees. Employees on military leave qualify to receive contributions. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for employees covered by the System for the year ended December 31, 2011 was \$27,709,495; the employer's total payroll was \$27,682,768. The total required contribution for the year ended December 31, 2011 was \$4,639,555, or 16.74% of covered payroll. Of this amount, 93.8% was contributed by the employer for the current year. Total contributions for the years ended December 31, 2010 and 2009 were \$4,462,780 and \$4,177,401, respectively, equal to the required contributions for each year.

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

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

Other Post-Employment Benefits

The City provides Other Post-Employment Benefits ("OPEB") to its retirees for health insurance.

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

LEGAL MATTERS

Pending Litigation

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

Levy Limits

Section 66.0602 of the Wisconsin Statutes imposes a limit on property tax levies by cities, villages, towns and counties. No city, village, town or county is permitted to increase its tax levy by a percentage that exceeds its valuation factor (which is defined as a percentage equal to the greater of the percentage change in the political subdivision's January 1 equalized value due to new construction less improvements removed or zero percent). The base amount in any year to which the levy limit applies is the actual levy for the immediately preceding year. This levy limitation is an overall limit, applying to levies for operations as well as for other purposes.

A political subdivision that did not levy its full allowable levy in the prior year can carry forward the difference between the allowable levy and the actual levy, up to a maximum of 0.5% of the prior year's actual levy. In addition, for property tax levies imposed in 2011 and 2012, the use of the carry forward levy adjustment needs to be approved by a super majority vote of the political subdivision's governing body (three-quarters vote if the governing body is comprised of five or more members, two-thirds vote if the governing body is comprised of fewer than five members, and for towns, a majority vote of the annual town meeting or special town meeting after the town board has adopted a resolution in favor of the adjustment by two-thirds vote or more).

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

With respect to general obligation debt service, the following provisions are made:

(a) If a political subdivision's levy for the payment of general obligation debt service, including debt service on debt issued or reissued to fund or refund outstanding obligations of the political subdivision and interest on outstanding obligations of the political subdivision, on debt originally issued before July 1, 2005, is less in the current year than in the previous year, the political subdivision is required to reduce its levy

limit in the current year by the amount of the difference between the previous year's levy and the current year's levy. This required adjustment is suspended for property tax levies that will be imposed in 2011 for political subdivisions that did not claim the carry forward adjustment described above.

(b) For obligations authorized before July 1, 2005, if the amount of debt service in the preceding year is less than the amount of debt service needed in the current year, the levy limit is increased by the difference between the two amounts. This adjustment is based on scheduled debt service rather than the amount actually levied for debt service (after taking into account offsetting revenues such as sales tax revenues, special assessments, utility revenues, tax increment revenues or surplus funds). Therefore, the levy limit could negatively impact political subdivisions that experience a reduction in offsetting revenues.

(c) The levy limits do not apply to property taxes levied to pay debt service on general obligation debt authorized on or after July 1, 2005.

The Notes were authorized after July 1, 2005.

Approval of Legal Proceedings

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

Statement Regarding Bond Counsel Participation

Bond Counsel has not assumed responsibility for this Official Statement or participated in its preparation, except with respect to the sections entitled "LEGAL MATTERS - Tax Exemption", and "APPENDIX B - Proposed Form of Legal Opinion for the Notes" and has not performed any investigation as to its accuracy, completeness or sufficiency.

Tax Exemption

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

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

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

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

From time to time legislation is proposed, and there are or may be legislative proposals pending in the Congress of the United States that, if enacted, could alter or amend the federal tax matters referred to above or adversely affect the market value of the Notes. It cannot be predicted whether, or in what form, any proposal that could alter one or more of the federal tax matters referred to above or adversely affect the market value of the Notes may be enacted. Prospective purchasers of the Notes should consult their own tax advisors regarding any pending or proposed federal tax legislation. Bond Counsel expresses no opinion regarding any pending or proposed federal tax legislation.

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

Not Designated As Qualified Tax-Exempt Obligations

The City will not designate the Notes as "qualified tax-exempt obligations" for purposes of Section 265 of the Internal Revenue Code of 1986 relating to the ability of financial institutions to deduct from income for federal income tax purposes, interest expense that is allocable to carrying and acquiring tax-exempt obligations.

Original Issue Discount

To the extent that the initial public offering price of certain of the Notes is less than the principal amount payable at maturity, such Notes ("Discounted Bonds") will be considered to be issued with original issue discount. The original issue discount is the excess of the stated redemption price at maturity of a Discounted Bond over the initial offering price to the public, excluding underwriters or other intermediaries, at which price a substantial amount of such Discounted Bonds were sold (issue price). With respect to a taxpayer who purchases a Discounted Bond in the initial public offering at the issue price and who holds such Discounted Bond to maturity, the full amount of original issue discount will constitute interest that is not includible in the gross income of the owner of such Discounted Bond for federal income tax purposes and such owner will not, subject to the caveats and provisions herein described, realize taxable capital gain upon payment of such Discounted Bond upon maturity.

Original issue discount is treated as compounding semiannually, at a rate determined by reference to the yield to maturity of each individual Discounted Bond, on days that are determined by reference to the maturity date of such Discounted Bond. The amount treated as original issue discount on a Discounted Bond for a particular semiannual accrual period is generally equal to (a) the product of (i) the yield to maturity for such Discounted Bond (determined by compounding at the close of each accrual period) and (ii) the amount that would have been the tax basis of such Discounted Bond at the beginning of the particular accrual period if held by the original purchaser; and less (b) the amount of any interest payable for such Discounted Bond during the accrual period. The tax basis is determined by adding to the initial public offering price on such Discounted Bond the sum of the amounts that have been treated as original issue discount for such purposes during all prior periods. If a Discounted Bond is sold or exchanged between semiannual compounding dates, original issue discount that would have been accrued for that semiannual compounding period for federal income tax purposes is to be apportioned in equal amounts among the days in such compounding period.

For federal income tax purposes, the amount of original issue discount that is treated as having accrued with respect to such Discounted Bond is added to the cost basis of the owner in determining gain or loss upon disposition of a Discounted Bond (including its sale, exchange, redemption, or payment at maturity). Amounts received upon disposition of a Discounted Bond that are attributable to accrued original issue discount will be treated as tax-exempt interest, rather than as taxable gain.

The accrual or receipt of original issue discount on the Discounted Bonds may result in certain collateral federal income tax consequences for the owners of such Discounted Bonds. The extent of these collateral tax consequences will depend upon the owner's particular tax status and other items of income or deduction. In the case of corporate owners of Discounted Bonds, a portion of the original issue discount that is accrued in each year will be included in the calculation of the corporation's alternative minimum tax liability. Corporate owners of any Discounted Bonds should be aware that such accrual of original issue discount may result in an alternative minimum tax liability although the owners of such Discounted Bonds will not receive a corresponding cash payment until a later year.

The Code contains additional provisions relating to the accrual of original issue discount. Owners who purchase Discounted Bonds at a price other than the issue price or who purchase such Discounted Bonds in the secondary market should consult their own tax advisors with respect to the tax consequences of owning the Discounted Bonds. Under the applicable provisions governing the determination of state and local taxes, accrued interest on the Discounted Bonds may be deemed to be received in the year of accrual even though there will not be a corresponding cash payment until a later year. Owners of Discounted Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Discounted Bonds.

Bond Premium

To the extent that the initial offering price of certain of the Notes is more than the principal amount payable at maturity, such Notes ("Premium Bonds") will be considered to have bond premium.

Any Premium Bond purchased in the initial offering at the issue price will have "amortizable bond premium" within the meaning of Section 171 of the Code. The amortizable bond premium of each Premium Bond is calculated on a daily basis from the issue date of such Premium Bond until its stated maturity date (or call date, if any) on the basis of a constant instant rate compounded at each accrual period (with straight line interpolation between the compounding dates). An owner of a Premium Bond that has amortizable bond premium is not allowed any deduction for the amortizable bond premium; rather the amortizable bond premium attributable to a taxable year is applied against (and operates to reduce) the amount of tax-exempt interest payments on the Premium Bonds. During each taxable year, such an owner must reduce his or her tax basis in such Premium Bond by the amount of the amortizable bond premium that is allocable to the portion of such taxable year dur-

ing which the holder held such Premium Bond. The adjusted tax basis in a Premium Bond will be used to determine taxable gain or loss upon a disposition (including the sale, exchange, redemption, or payment at maturity) of such Premium Bond.

Owners of Premium Bonds who did not purchase such Premium Bonds in the initial offering at the issue price should consult their own tax advisors with respect to the tax consequences of owning such Premium Bonds. Owners of Premium Bonds should consult their own tax advisors with respect to the state and local tax consequences of owning the Premium Bonds.

Exemption From Securities Registration

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

Other Covenants of the City

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

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

MISCELLANEOUS

Rating

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

Concurrently, Moody's has maintained the "Aaa" rating on the City's outstanding general obligation unlimited tax debt.

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

Continuing Disclosure

Undertaking to Provide Continuing Disclosure. In order to assist an Underwriter which will reoffer the Notes in complying with SEC Rule 15c2-12 promulgated by the Securities and Exchange Commission, pursuant to the Securities Exchange Act of 1934 (the "Rule"), the City shall covenant pursuant to the Resolution adopted by the Common Council to enter into an undertaking (the "Undertaking") for the benefit of holders including beneficial holders of the Notes to provide certain financial information and operating data relating to the City annually to the Municipal Securities Rulemaking Board (the "MSRB"), and to provide notices of the occurrence of certain events enumerated in the Rule electronically or in the manner otherwise prescribed by the MSRB to the MSRB. The details and terms of the Undertaking, as well as the information to be contained in the annual report or the notices of material events, are set forth in the Continuing Disclosure Certificate to be executed and delivered by the City at the time the Notes are delivered. Such Certificate will be in substantially the form attached hereto as Appendix C. Except as noted in the following sentence, in the previous five years, the City has not failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events. In 2010, the City was required to file its annual report by Monday, September 27, but did not make the filing until Friday, October 1. A failure by the City to comply with the Undertaking will not constitute an event of default on the Notes (although holders will have the right to obtain specific performance of the obligations under the Undertaking). Nevertheless, such a failure must be reported in accordance with the Rule and must be considered by any broker, dealer or municipal securities dealer before recommending the purchase or sale of the Notes in the secondary market. Consequently, such a failure may adversely affect the transferability and liquidity of the Notes and their market price.

The City will file its continuing disclosure information using the Electronic Municipal Market Access ("EMMA") system. Investors will be able to access continuing disclosure information filed with the MSRB at www.emma.msrb.org.

Underwriting

The Notes were purchased at competitive bidding conducted on August 7, 2012.

The award of the Notes was made to a syndicate managed by Robert W. Baird & Co., Inc., Milwaukee, Wisconsin (the "Underwriter"). The public reoffering price or yield of the Notes may be obtained from the successful Underwriter.

Financial Advisor

Hutchinson, Shockey, Erley & Co., Milwaukee, Wisconsin, is under contract with the City to provide financial advisory services to the City, as well as assistance with the competitive sale of the City's Notes on August 7, 2012.

CERTIFICATES CONCERNING OFFICIAL STATEMENT

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

APPENDIX A

**Audited Financial Statements
of the
City of Wauwatosa
For the Year Ended December 31, 2011**

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FINANCIAL SECTION

Management's Discussion and Analysis

As management of the City of Wauwatosa, we offer readers of the City of Wauwatosa's financial statements this narrative overview and analysis of the financial activities of the City of Wauwatosa for the fiscal year ended December 31, 2011.

Financial Highlights

- ◆ The assets of the City of Wauwatosa exceeded its liabilities as of December 31, 2011 by \$140,494,455 which represents 47% of total assets.
- ◆ As of the close of the current fiscal year, the City of Wauwatosa's governmental funds reported a combined ending fund balance of \$51,330,633, an increase of \$5,826,937 over 2010.
- ◆ At the end of the current fiscal year, the fund balance for the General Fund was \$19,660,431 or approximately 36% of the total General Fund expenditures. This included:
 - \$348,886 is considered non-spendable
 - \$982,506 is committed as a General Fund budget appropriation
 - \$1,400,393 is assigned for carryover's, capital improvements and for the parks.
 - \$16,928,646 is unassigned of which \$7,904,679 remains in the Amortization Fund and \$134,134 is for contingencies leaving \$8,889,833¹
- ◆ The City's total net assets for 2011 increased by \$1,059,496 or 0.8%.
- ◆ The City of Wauwatosa's total general obligation debt increased by \$12,254,496, (29%) including general obligation debt issued for sewer construction. The City issued \$17.1 million in General Obligations bonds during 2011. The total outstanding general obligation debt of \$53.0 million is 1.01% percent of the City's equalized value leaving \$209,206,051 in excess general obligation debt capacity. All general obligation bonds and notes will be retired within twenty years.

Overview of the Financial Statements

This discussion and analysis is intended to serve as an introduction to the City of Wauwatosa's basic financial statements. The City of Wauwatosa's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements, 3) notes to the financial statements. This report also contains an introductory section, required supplementary information, other supplementary information and statistical information in addition to the basic financial statements themselves.

¹ As of Dec. 31, 2010, the undesignated fund balance (excluding the Amortization Fund Balance) had been reported as \$5,831,706. Due to recent accounting standard changes, \$1,645,690 in non-current receivables (made up mostly of ambulance revenue) previously considered reserved, was reclassified as unassigned. In addition, \$1,025,000 was transferred in 2011 from the Health/Life Fund to the General Fund in order to rebalance the funds. The amortization fund balance is governed by Section 3.04 of the Wauwatosa Municipal Code, which provides that the reserve may be used to pay principal and interest on the outstanding debt upon the direction of the City's Common Council. The ordinance further provides that the Board of Public Debt Commissioners may, with the approval of the Common Council, apply all or any part of the fund for any purpose for which municipal bonds may be legally issued

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

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

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

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

The government-wide financial statements include the activities of the City of Wauwatosa itself (known as the *primary government*). The Government-wide financial statements can be found on pages 18-19.

Fund financial statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Wauwatosa, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Wauwatosa can be divided into three categories: governmental funds, proprietary funds and fiduciary funds.

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

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

changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City of Wauwatosa maintains ten individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances for the General Fund, Capital Projects General Obligation Debt Issue Fund, and the Tax Incremental Fund, which are considered to be major funds. Data from the other seven funds are combined into a single, aggregated presentation. Individual fund data for each of these nonmajor governmental funds is provided in the form of *combining statements* elsewhere in this report.

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

The basic governmental fund financial statements can be found on pages 20-24.

Proprietary funds. The City of Wauwatosa maintains ten proprietary funds. *Enterprise funds* are used to report the same function presented as *business-type activities* in the government-wide financial statements. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City of Wauwatosa's various functions. The City of Wauwatosa uses enterprise funds to account for its Water Utility, Storm Water Management and Sanitary Sewer Funds, and the Redevelopment Authority. The City of Wauwatosa uses internal service funds to account for its fleet of vehicles, rental of space in the Municipal Complex, information systems, rental of occupied space in the public works garage, and four self-insured insurance programs (health, dental, general liability, workers compensation). The City of Wauwatosa reports the health, dental and workers compensation as one fund for financial statement purposes. In the government-wide financial statements, these services have been allocated between the *governmental activities* and *business-type activities* based on cost drivers associated with the services provided.

The basic proprietary fund financial statements can be found on pages 25-28.

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

The basic fiduciary fund financial statements can be found on pages 29-30.

Notes to the financial statements. The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages 31-75.

Required supplementary information. The required supplementary information related to the funding progress of the City's OPEB obligation is presented on page 76.

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

The supplementary information can be found on pages 77-98

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Wauwatosa assets exceeded liabilities by \$140,494,455 at the close of 2011.

**CITY OF WAUWATOSA, WISCONSIN
CONDENSED STATEMENT OF NET ASSETS
DECEMBER 31, 2011 AND 2010**

	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Current and other assets	\$ 106,761,681	103,541,525	25,919,181	19,451,117	132,680,862	122,992,642
Capital assests	77,461,147	78,672,025	87,360,029	80,258,558	164,821,176	158,930,583
Total assets	184,222,828	182,213,550	113,279,210	99,709,675	297,502,038	281,923,225
Current liabilities	48,158,455	48,202,203	5,498,861	3,755,413	53,657,316	51,957,616
Noncurrent liabilities	72,106,049	67,640,167	31,244,218	22,890,483	103,350,267	90,530,650
Total liabilities	120,264,504	115,842,370	36,743,079	26,645,896	157,007,583	142,488,266
Net assets						
Invested in capital assets, net of related debt	56,698,267	55,833,774	68,606,064	67,042,774	123,247,838	120,820,055
Restricted	27,398,789	22,180,773	415,318	499,147	27,814,107	22,679,920
Unrestricted	(20,138,732)	(11,643,367)	7,514,749	5,521,858	(10,567,490)	(4,065,016)
Total net assets	\$ 63,958,324	\$ 66,371,180	\$ 76,536,131	\$ 73,063,779	\$ 140,494,455	\$ 139,434,959

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

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

The details of changes in net assets follow:

CITY OF WAUWATOSA, WISCONSIN						
CONDENSED STATEMENT OF ACTIVITIES						
DECEMBER 31, 2011 AND 2010						
	Governmental Activities		Business-type Activities		Total	
	2011	2010	2011	2010	2011	2010
Revenue						
Program revenue						
Charges for services	\$ 6,019,524	\$ 5,567,219	\$ 15,419,445	\$ 15,027,004	\$ 21,438,969	\$ 20,594,223
Operating grants and contributions	5,564,088	4,338,426	-	-	5,564,088	4,338,426
Capital grants and contributions	2,669,078	2,687,568	511,431	49,669	3,180,509	2,737,237
General revenue						
Property taxes	42,513,888	42,115,702	-	-	42,513,888	42,115,702
Other taxes	5,693,842	1,457,467	-	-	5,693,842	1,457,467
Intergovernmental	3,049,643	4,314,271	-	-	3,049,643	4,314,271
Investment income	1,266,017	1,786,277	44,314	46,290	1,310,331	1,832,567
Gain on sale of capital assets	-	410,965	-	-	-	410,965
Expenses						
General government	13,209,633	4,683,203	-	-	13,209,633	4,683,203
Protection of persons and property	32,870,560	32,247,555	-	-	32,870,560	32,247,555
Health and sanitation	4,223,730	4,237,761	-	-	4,223,730	4,237,761
Highway and transportation	7,977,042	8,468,588	-	-	7,977,042	8,468,588
Education and recreation	4,145,124	4,012,813	-	-	4,145,124	4,012,813
Conservation and development	3,179,740	2,285,173	-	-	3,179,740	2,285,173
Unclassified	360,293	420,455	-	-	360,293	420,455
Interest and fiscal charges	2,312,246	2,509,908	-	-	2,312,246	2,509,908
Water Utility	-	-	5,887,434	5,828,672	5,887,434	5,828,672
Redevelopment Authority	-	-	-	3,317	-	3,317
Sanitary Sewer	-	-	5,870,586	6,029,407	5,870,586	6,029,407
Storm Water Management	-	-	1,655,386	1,810,140	1,655,386	1,810,140
Increase in net assets before transfers						
	(1,502,288)	3,812,439	2,561,784	1,451,427	1,059,496	5,263,866
Transfers						
	(910,568)	(367,316)	910,568	367,316	-	-
Change in net assets						
	(2,412,856)	3,445,123	3,472,352	1,818,743	1,059,496	5,263,866
Net assets - beginning	66,371,180	62,926,057	73,063,779	71,245,036	139,434,959	134,171,093
Net assets - ending	<u>\$ 63,958,324</u>	<u>\$ 66,371,180</u>	<u>\$ 76,536,131</u>	<u>\$ 73,063,779</u>	<u>\$ 140,494,455</u>	<u>\$ 139,434,959</u>

Governmental Activities.

While total net assets grew \$1,059,496 in 2011, governmental net assets decreased by \$2,412,856. This decrease is largely the result of the phased in recognition of the City's other (non-pension) retiree benefit liability. This is known as the net OPEB obligation which increased \$3.3 million and offset salary and fringe benefit savings. This expense is not recognized on the Statement of Revenues, Expenditures and Changes in Fund Balance which is one of the main factors in the difference in the net change in fund balances as opposed to the change in net assets.

Business-type activities. Business-type activities increased the City of Wauwatosa's net assets by \$3,472,352. Key elements of this increase are as follows.

- ◆ Water revenues exceeded expenses due to a relatively warm, dry summer which increased water consumption. In addition, the water utility received a large payment from a commercial customer due to a faulty meter that was discovered and had been under-reporting water consumption. Lastly, the utility received a \$437,822 one-time contribution related to a new residential development.
- ◆ While sewer revenues also exceeded expenses, it must be taken into account that principal payments are not considered an expense but exceed depreciation due to the quicker pace at which debt is retired as compared to the useful life of sewer pipes. The City intends to use a portion of the net assets for debt service.

Financial Analysis of the Governmental Funds

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

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

As of December 31, 2011, the City of Wauwatosa's governmental funds reported combined ending balances of \$51,330,633, an increase of \$5,826,937 in comparison with the prior year. The increase is due to several factors:

- \$1,025,000 in fund balance was transferred from the Health/Life Fund to the General Fund in order to be consistent with the goal of maintaining an unassigned general fund balance (net of the amortization fund) of at least 16.7% of expenditures.
- The General Fund itself experienced a \$424,723 surplus, before taking into account changes in the Amortization fund balance and other uses of internally designated fund balances, as well as the 1,025,000 transfer from the internal service fund, which collectively brought the surplus to \$1,221,595. This surplus was largely the result of salary savings due to vacancies caused by retirements and held vacant in anticipation of 2012 budget reductions. In addition, several local revenues performed better than expected including hotel/motel taxes, building permit fees and ambulance fees.
- TIF increment exceeded TIF expenditures by \$1,397,967. These funds will eventually expended in accordance with the TIF project plans and for debt service.
- Nonmajor governmental funds revenues exceeded expenditures by \$2,589,214 of which the majority was related to a transfer to the debt service fund from the internal service funds for future debt payments.

The breakdown of the \$51.3 million in fund balance between the required GASB 54 categories is shown below.

	General Fund	Special Revenue						Capital Projects Funds		
		TIF (total)	Debt Service	CDBG	Special Assessment	Library	Parks	Redevelopment Authority	Information Systems Equipments	Capital Projects and Fleet
Beginning year balance	18,438,836	22,030,773	1,250	-	-	730,562	245,583	975,000	65,630	3,016,062
Current Year Activity	1,221,595	1,397,967	2,375,826	-	-	(10,410)	162,122	-	61,676	618,161
End of year balance	<u>19,660,431</u>	<u>23,428,740</u>	<u>2,377,076</u>	-	-	<u>720,152</u>	<u>407,705</u>	<u>975,000</u>	<u>127,306</u>	<u>3,634,223</u>
Non-spendable	348,886	13,138.00								
Restricted	-	23,415,602	2,377,076					975,000		3,634,223
Committed	982,506									
Assigned	1,400,392					720,152	407,705		127,306	
Unassigned	16,928,647									

The General Fund is the chief operating fund of the City of Wauwatosa. As of December 31, 2011 the unassigned fund balance of the General Fund was \$16,928,646, of which \$7,904,679 remains in the Amortization Fund and \$134,134 is for contingencies leaving \$8,889,833. This represents 16.0% of 2012 budgeted expenditures; slightly below the City's policy of maintaining an unassigned fund balance of at least 16.7%. The total General Fund balance is \$19,660,431 and represents 38% of total governmental fund balances.

The TIF fund balance of \$23,428,740 is largely made up of a TIF 2 (Research Park) balance. This balance is intended for remaining debt service payments and planned capital improvements.

The Capital Projects Fund has a total fund balance of \$3,634,223 all of which is restricted for capital projects identified in the City of Wauwatosa Five Year Capital Improvement Program and for fleet equipment.

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

The City transferred into the Employee Insurance Internal Service Fund approximately \$7.2 million for health insurance during fiscal year 2011. The fund also collected other revenue of \$790,131 from employee and retiree contributions and interest. The City incurred total health claims and administration expense of approximately \$8.7 million in the Employee Insurance Internal Service Fund. The City's intent is to hold as a reserve for future health insurance claims the excess of the amounts paid in to the Employee Insurance Internal Service Fund over the amounts paid out for claims and administration.

The City has accumulated funds in the internal service fund prior to 2011 in the amount of \$6.1 million (excluding the OPEB accrued liability of 10.4 million). However, \$2.0 million was used to resolve a large multi-year property tax refund settlement and \$1.0 million was transferred to the General Fund to increase the unassigned fund balance. In addition, the fund was budgeted to incur a small deficit. As a result, \$2.8 million remains in net assets (excluding the OPEB accrued liability of 13.7 million) as of the end of the year. This is equal to 36% of health care claims which still exceeds the City's benchmark of 30% of claims to be held in net assets.

However, the City's Other Post-Employment Benefit (OPEB) accrued liability is accounted for in this fund and is \$13,666,025. As a result, the total net assets are negative \$10.9 million. The City's annual OPEB Cost was \$5.0 million in 2011, a decrease of 7.6%. The total actuarial accrued liability is \$52.3 million.

Unrestricted net assets of the Water Utility at the end of the year amounted to \$4,476,850 and those for the other enterprise funds amounted to \$3,649,289. The City of Wauwatosa's Internal Service funds had unrestricted net assets of (\$7,975,649) at the year end. This negative total net assets is entirely due to the City's OPEB liability. Other factors concerning the finances of these funds have already been addressed in the discussion of the City of Wauwatosa's business-type activities.

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget totaled an increase of \$1,451,185 in expenses or approximately 3.2 percent of the original budget. The majority of this difference resulted from Federal revenue and grants, and various carryover projects from previous years. There were no significant changes or events during the fiscal year that would have caused a material adjustment to the original budget.

The net change in fund balance is \$1,221,595 versus \$266,097 budgeted. \$1,472,417 of this balance is designated for expenditures during fiscal year 2012. \$982,506 is appropriated as a revenue in the budget and \$489,911 is for continuing operations or equipment not purchased but funded during the prior fiscal year.

Capital Assets and Debt Administration

Capital assets. The City of Wauwatosa investments in capital assets for its governmental and business-type activities as of December 31, 2011, amounts to \$164,821,176 (net of accumulated depreciation.) This investment in capital assets includes land, buildings, and system improvements, machinery and equipment, parks facilities, roads and bridges. The increase in the City of Wauwatosa's investment in capital assets for the current fiscal year was 3.7 percent for governmental activities and business-type activities combined.

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

- ◆ A variety of street reconstruction projects were completed this fiscal year that covered 1.66 street and alley miles. Total cost for the projects was \$506,906.
- ◆ Storm and Sanitary Sewers were improved at various locations throughout the city. 9,218.1 feet of sanitary sewer pipe and 17,337.6 feet of storm sewer pipe were replaced or installed.
- ◆ 16,490 feet of new water main was relayed for the utility with a value of \$3,285,613

Additional information on the City of Wauwatosa's capital assets can be found on pages 51-52.

Long-term debt. At the end of the current fiscal year, the City of Wauwatosa had total debt outstanding of \$88,407,924. Of this amount \$52,957,924 is backed by the full faith and credit of the City. During the year, the City of Wauwatosa issued \$12,500,000 for street and sewer improvements and \$4,600,000 for settlement to a property tax refund. The City maintains an “Aaa” rating from Moody’s for its general obligation debt.

State Statutes limit the amount of general obligation debt a government entity may issue to 5 percent of its total equalized valuation. The current debt limitation for the City of Wauwatosa is \$262,163,975 which significantly exceeds the City’s current outstanding general obligation debt.

The remainder of the City of Wauwatosa’s debt represents bonds secured solely by specific revenue sources. The Wauwatosa Water Utility has outstanding debt of \$12,550,000 and maintains a Aa2 rating from Moody’s. The Water Utility issued \$2,400,000 in refunding bonds. The balance of \$22,900,000 are bonds issued by the Wauwatosa Redevelopment Authority that are payable only out of revenues derived from a lease agreement between the City and the Authority. Debt service fund expenditures of \$4,165,237 were \$179,282 higher than the prior year.

Additional information on the City of Wauwatosa’s long-term debt can be found in note G on pages 55-61 of this report.

Economic Factors and Next Year’s Budgets and Rates

- ◆ The unemployment rate for the City of Wauwatosa is currently 5.0 percent as of December 2011. This compares favorable to the state’s average unemployment rate of 7.1 percent and Milwaukee County’s average rate of 7.8 percent.
- ◆ The rate of inflation as measured by the CPI-W for the Milwaukee, Wisconsin metro area was 3.9 percent for the fiscal year 2011.
- ◆ \$982,506 of the committed fund balance in the General Fund was appropriated for spending in 2012. It is intended; however, that these funds not be used through careful management of the budget and natural attrition.
- ◆ The City of Wauwatosa’s 2012 budget has qualified the City to receive the Expenditure Restraint Shared Revenue payment; as it did in 2011.

Requests for Information

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

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BASIC FINANCIAL STATEMENTS

CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF NET ASSETS
DECEMBER 31, 2011

	<u>Governmental Activities</u>	<u>Business- type Activities</u>	<u>Total</u>
ASSETS			
Cash and investments	\$ 51,208,175	\$ 15,048,398	\$ 66,256,573
Receivables (net of allowance for uncollectible accounts)	51,949,529	3,806,285	55,755,814
Note and loan receivable	237,000	-	237,000
Internal balances	577,439	(577,439)	-
Inventories	116,155	160,097	276,252
Prepaid items	14,521	6,879	21,400
Deferred charges	499,409	267,132	766,541
Investment in Cities and Villages Mutual Insurance Company	1,184,453	-	1,184,453
Restricted assets - cash and investments	975,000	7,205,145	8,180,145
Non-utility property	-	2,684	2,684
Capital assets, not being depreciated	24,013,866	93,000	24,106,866
Capital assets, being depreciated, net of accumulated depreciation	<u>53,447,281</u>	<u>87,267,029</u>	<u>140,714,310</u>
Total assets	<u>184,222,828</u>	<u>113,279,210</u>	<u>297,502,038</u>
LIABILITIES			
Accounts payable and other current liabilities	5,154,095	2,061,968	7,216,063
Accrued interest payable	302,072	58,226	360,298
Deposits	-	5,894	5,894
Unearned revenue	42,702,288	-	42,702,288
Liabilities payable from restricted assets	-	3,372,773	3,372,773
Noncurrent liabilities:			
Due within one year	13,470,509	2,288,238	15,758,747
Due in more than one year	44,969,515	28,955,980	73,925,495
Accrued net other postemployment benefits obligation	<u>13,666,025</u>	<u>-</u>	<u>13,666,025</u>
Total liabilities	<u>120,264,504</u>	<u>36,743,079</u>	<u>157,007,583</u>
NET ASSETS			
Invested in capital assets, net of related debt	56,698,267	68,606,064	123,247,838
Restricted	27,398,789	415,318	27,814,107
Unrestricted (deficit)	<u>(20,138,732)</u>	<u>7,514,749</u>	<u>(10,567,490)</u>
TOTAL NET ASSETS	<u>\$ 63,958,324</u>	<u>\$ 76,536,131</u>	<u>\$ 140,494,455</u>

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

CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011

FUNCTIONS/PROGRAMS	Program Revenues				Net (Expenses) Revenues and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
Governmental activities:							
General government	\$ 13,209,633	\$ 1,010,335	\$ 123,997	\$ -	\$ (12,075,301)	\$ -	\$ (12,075,301)
Protection of persons and property	32,870,560	4,105,038	2,837,056	39,062	(25,889,404)	-	(25,889,404)
Health and sanitation	4,223,730	198,065	609,002	-	(3,416,663)	-	(3,416,663)
Highway and transportation	7,977,042	169,087	(14,437)	2,369,016	(5,453,376)	-	(5,453,376)
Education and recreation	4,145,124	512,083	377,116	261,000	(2,994,925)	-	(2,994,925)
Conservation and development	3,179,740	24,916	1,631,354	-	(1,523,470)	-	(1,523,470)
Unclassified	360,293	-	-	-	(360,293)	-	(360,293)
Interest and fiscal charges	2,312,246	-	-	-	(2,312,246)	-	(2,312,246)
Total governmental activities	68,278,368	6,019,524	5,564,088	2,669,078	(54,025,678)	-	(54,025,678)
Business-type activities:							
Water Utility	5,887,434	6,646,997	-	437,822	-	1,197,385	1,197,385
Sanitary Sewer	5,870,586	6,407,642	-	-	-	537,056	537,056
Storm Water Management	1,655,386	2,364,806	-	73,609	-	783,029	783,029
Total business-type activities	13,413,406	15,419,445	-	511,431	-	2,517,470	2,517,470
Total	\$ 81,691,774	\$ 21,438,969	\$ 5,564,088	\$ 3,180,509	(54,025,678)	2,517,470	(51,508,208)
General revenues:							
Taxes:							
Property taxes, levied for general purposes					34,155,124	-	34,155,124
Property taxes, levied for debt service					2,400,000	-	2,400,000
Property taxes, levied for TIF					5,958,764	-	5,958,764
Other taxes					5,693,842	-	5,693,842
Intergovernmental revenues not restricted to specific programs					3,049,643	-	3,049,643
Investment income					1,266,017	44,314	1,310,331
Total general revenues					52,523,390	44,314	52,567,704
Transfers					(910,568)	910,568	-
Change in net assets					(2,412,856)	3,472,352	1,059,496
NET ASSETS - BEGINNING OF YEAR					66,371,180	73,063,779	139,434,959
NET ASSETS - END OF YEAR					\$ 63,958,324	\$ 76,536,131	\$ 140,494,455

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

**CITY OF WAUWATOSA, WISCONSIN
BALANCE SHEET
GOVERNMENTAL FUNDS
DECEMBER 31, 2011**

			<u>Capital Projects</u>		
	General Fund	Special Revenue Fund Tax Incremental District Fund	General Obligation Debt Issue Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS					
Cash and investments	\$ 14,357,213	\$ 23,300,664	\$ 4,506,670	\$ 3,653,325	\$ 45,817,872
Taxes receivable	33,175,281	5,725,282	-	4,593,602	43,494,165
Delinquent personal property taxes	31,325	-	-	-	31,325
Special assessments receivable:					
Due in installments	-	-	-	467,503	467,503
Deferred	-	-	-	18,552	18,552
Accounts receivable, net	1,206,513	-	-	-	1,206,513
Accrued investment income receivable	1,339,985	434,937	-	-	1,774,922
Note receivable	237,000	-	-	-	237,000
Other accrued receivables	4,606,084	-	188,216	69,728	4,864,028
Due from other funds	997,898	-	-	-	997,898
Prepayments	1,382	13,139	-	-	14,521
Inventories	1,179	-	-	-	1,179
Advance to Special Revenue Fund	315,000	-	-	-	315,000
Restricted cash and investments	-	-	-	975,000	975,000
	<u>\$ 56,268,860</u>	<u>\$ 29,474,022</u>	<u>\$ 4,694,886</u>	<u>\$ 9,777,710</u>	<u>\$ 100,215,478</u>
TOTAL ASSETS					
LIABILITIES AND FUND BALANCES					
LIABILITIES					
Accounts payable	\$ 2,502,031	\$ -	\$ 943,955	\$ 32,781	\$ 3,478,767
Accrued payroll	670,886	-	-	-	670,886
Due to other funds	790,195	-	-	241,654	1,031,849
Advance from General Fund	-	315,000	-	-	315,000
Deferred revenue	32,645,317	5,730,282	116,708	4,896,036	43,388,343
Total liabilities	<u>36,608,429</u>	<u>6,045,282</u>	<u>1,060,663</u>	<u>5,170,471</u>	<u>48,884,845</u>
FUND BALANCES					
Nonspendable	348,886	13,139	-	-	362,025
Restricted	-	23,415,601	3,634,223	3,352,076	30,401,900
Committed	982,506	-	-	-	982,506
Assigned	1,400,393	-	-	1,255,163	2,655,556
Unassigned	16,928,646	-	-	-	16,928,646
	<u>19,660,431</u>	<u>23,428,740</u>	<u>3,634,223</u>	<u>4,607,239</u>	<u>51,330,633</u>
	<u>19,660,431</u>	<u>23,428,740</u>	<u>3,634,223</u>	<u>4,607,239</u>	<u>51,330,633</u>
	<u>\$ 56,268,860</u>	<u>\$ 29,474,022</u>	<u>\$ 4,694,886</u>	<u>\$ 9,777,710</u>	<u>\$ 100,215,478</u>
	<u>\$ 56,268,860</u>	<u>\$ 29,474,022</u>	<u>\$ 4,694,886</u>	<u>\$ 9,777,710</u>	<u>\$ 100,215,478</u>

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

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.	74,078,295
Internal service funds balance.	(3,981,407)
Other long-term assets that are not available to pay for current-period expenditures and therefore are deferred in the funds.	
Special assessments	486,055
Loan receivable	200,000
Certain governmental fund expenditures are capitalized and amortized to expense on the full accrual basis.	499,409
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds.	(58,654,661)
	<u>\$ 63,958,324</u>

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

CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	General Fund	Special Revenue Fund Tax Incremental District Fund	Capital Projects		Total Governmental Funds
			General Obligation Debt Issue Fund	Nonmajor Governmental Funds	
REVENUES					
Taxes	\$ 37,707,053	\$ 5,958,764	\$ -	\$ 4,541,913	\$ 48,207,730
Intergovernmental revenues	5,752,331	832,792	169,411	1,627,559	8,382,093
Licenses and permits	1,482,632	-	-	-	1,482,632
Penalties and forfeitures	1,015,512	-	-	-	1,015,512
Public improvement revenues	35,184	-	-	491,644	526,828
Public charges for services	2,908,432	-	-	779,946	3,688,378
Intergovernmental charges for services	1,610,098	-	-	-	1,610,098
Commercial revenues	1,425,318	31,658	3,994	219,626	1,680,596
Total revenues	51,936,560	6,823,214	173,405	7,660,688	66,593,867
EXPENDITURES					
Current					
General government	13,103,386	-	-	-	13,103,386
Protection of persons and property	30,104,871	-	-	-	30,104,871
Health and sanitation	4,103,163	-	-	-	4,103,163
Highway and transportation	5,449,165	-	-	-	5,449,165
Education and recreation	51,955	-	-	3,577,628	3,629,583
Conservation and development	1,330,195	431,663	-	1,627,559	3,389,417
Unclassified	360,293	-	-	-	360,293
Debt service					
Principal	-	90,522	-	5,268,923	5,359,445
Interest and other fiscal charges	32,685	-	-	2,346,814	2,379,499
Capital outlay	-	-	4,089,973	-	4,089,973
Total expenditures	54,535,713	522,185	4,089,973	12,820,924	71,968,795
Excess of revenues over (under) expenditures	(2,599,153)	6,301,029	(3,916,568)	(5,160,236)	(5,374,928)
OTHER FINANCING SOURCES (USES)					
Long-term debt issued	4,339,758	153,815	1,590,310	288,307	6,372,190
Premium on long term debt	-	-	-	234,038	234,038
Transfers in	1,716,426	1,353	2,944,419	7,821,246	12,483,444
Transfers out	(2,235,436)	(5,058,230)	-	(594,141)	(7,887,807)
Net change in fund balances	1,221,595	1,397,967	618,161	2,589,214	5,826,937
FUND BALANCES - BEGINNING OF YEAR	18,438,836	22,030,773	3,016,062	2,018,025	45,503,696
FUND BALANCES - END OF YEAR	\$ 19,660,431	\$ 23,428,740	\$ 3,634,223	\$ 4,607,239	\$ 51,330,633

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

**CITY OF WAUWATOSA, WISCONSIN
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2011**

Net change in fund balances - total governmental funds \$ 5,826,937

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

Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of these assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays (\$2,339,212) were less than depreciation (\$3,301,109) in the current period. (961,897)

Capital contributions. 261,000

Losses from the disposal of capital assets are not recorded in the fund statements however are recognized in the statement of activities. (43,240)

Debt proceeds provide current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets. This is the amount by which proceeds (\$6,372,190) were greater than the repayments (\$5,376,067). (996,123)

Governmental funds report debt premiums, discounts, and issuance costs as other financing sources (uses) or expenditures. However, in the statement of net assets, these are deferred and reported as other assets or adjustments to long-term debt. They are amortized over the period the debt is outstanding in the statement of activities and are reported as interest expense.

Premium on debt issued	(234,038)
Debt issuance costs	81,770
Amortization of debt premium	1,489
Amortization of debt issuance costs	(57,346)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. (78,787)

Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds. This amount represents the decrease in accrued interest payable (41,340), and the decrease in accrued vacation payable (\$4,706). 46,046

Some expenses in the governmental funds are recorded as a reduction in long-term liabilities in the statement of net assets. This amount represents payments on landfill closure obligation. 5,659

The net revenue (expense) of internal service funds is reported with governmental activities. (6,264,326)

Change in net assets of governmental activities \$ (2,412,856)

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

CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
GENERAL FUND

For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 33,100,698	\$ 33,490,393	\$ 37,707,053	\$ 4,216,660
Intergovernmental revenues	4,834,073	5,785,488	5,752,331	(33,157)
Licenses and permits	1,119,605	1,193,360	1,482,632	289,272
Fines, penalties and forfeitures	1,146,000	1,200,000	1,015,512	(184,488)
Public improvement revenues	35,888	25,304	35,184	9,880
Public charges for services	2,577,652	2,842,986	2,908,432	65,446
Intergovernmental charges for services	1,584,896	1,610,097	1,610,098	1
Commercial revenues	1,329,500	1,462,378	1,425,318	(37,060)
Total revenues	<u>45,728,312</u>	<u>47,610,006</u>	<u>51,936,560</u>	<u>4,326,554</u>
EXPENDITURES				
General government	4,681,424	4,996,523	13,103,386	(8,106,863)
Protection of persons and property	29,309,507	30,223,513	30,104,871	118,642
Health and sanitation	4,170,997	4,187,706	4,103,163	84,543
Highway and transportation	5,368,603	5,739,583	5,449,165	290,418
Education and recreation	42,089	53,710	51,955	1,755
Conservation and development	1,584,388	1,410,784	1,330,195	80,589
Unclassified	364,071	360,445	360,293	152
Debt service				
Interest	-	-	32,685	(32,685)
Total expenditures	<u>45,521,079</u>	<u>46,972,264</u>	<u>54,535,713</u>	<u>(7,530,764)</u>
Excess of revenues over (under) expenditures	207,233	637,742	(2,599,153)	(3,204,210)
OTHER FINANCING SOURCES (USES)				
Proceeds from debt	-	-	4,339,758	4,339,758
Transfers in	626,657	677,791	1,716,426	1,038,635
Transfers out	<u>(1,048,563)</u>	<u>(1,049,436)</u>	<u>(2,235,436)</u>	<u>(1,186,000)</u>
Net change in fund balances	<u>\$ (214,673)</u>	<u>\$ 266,097</u>	1,221,595	<u>\$ 988,183</u>
FUND BALANCES - BEGINNING OF YEAR			<u>18,438,836</u>	
FUND BALANCES - END OF YEAR			<u>\$ 19,660,431</u>	

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

CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES -
BUDGET AND ACTUAL
SPECIAL REVENUE FUND TAX INCREMENTAL DISTRICT FUND
For the Year Ended December 31, 2011

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget</u>
	<u>Original</u>	<u>Final</u>		
REVENUES				
Taxes	\$ 5,635,660	\$ 5,958,764	\$ 5,958,764	\$ -
Intergovernmental revenues	1,685,100	832,792	832,792	-
Commercial revenues	<u>74,100</u>	<u>74,100</u>	<u>31,658</u>	<u>(42,442)</u>
Total revenues	<u>7,394,860</u>	<u>6,865,656</u>	<u>6,823,214</u>	<u>(42,442)</u>
EXPENDITURES				
Conservation and development	469,158	429,515	431,663	(2,148)
Debt service principal	<u>85,798</u>	<u>90,522</u>	<u>90,522</u>	<u>-</u>
Total expenditures	<u>554,956</u>	<u>520,037</u>	<u>522,185</u>	<u>(2,148)</u>
Excess of revenues over expenditures	6,839,904	6,345,619	6,301,029	(44,590)
OTHER FINANCING SOURCES (USES)				
Long-term debt issued	-	-	153,815	153,815
Transfers in	3,800	1,500	1,353	(147)
Transfers out	<u>(6,450,500)</u>	<u>(14,328,269)</u>	<u>(5,058,230)</u>	<u>9,270,039</u>
Net change in fund balance	<u>\$ 393,204</u>	<u>\$ (7,981,150)</u>	1,397,967	<u>\$ 9,379,117</u>
FUND BALANCE - BEGINNING OF YEAR			<u>22,030,773</u>	
FUND BALANCE - END OF YEAR			<u>\$ 23,428,740</u>	

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

CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
DECEMBER 31, 2011

ASSETS	Business-type Activities					Governmental
	Enterprise Funds				Total	Internal
	Water	Sanitary Sewer	Storm Water Management	Nonmajor Enterprise Fund	Enterprise Funds	Service Funds
CURRENT ASSETS						
Cash, cash equivalents and temporary investments	\$ 2,556,529	\$ 3,238,321	\$ 8,502,142	\$ 751,406	\$ 15,048,398	\$ 5,390,303
Receivables, net	1,768,470	1,681,487	356,328	-	3,806,285	92,521
Due from other funds	355,384	350,630	106,314	-	812,328	-
Inventories	160,097	-	-	-	160,097	114,976
Restricted assets - special redemption fund - bond principal and interest fund	3,022,580	-	-	-	3,022,580	-
Prepayments	6,879	-	-	-	6,879	-
Total current assets	7,869,939	5,270,438	8,964,784	751,406	22,856,567	5,597,800
NONCURRENT ASSETS						
Restricted assets:						
Special redemption fund - reserve fund	807,549	-	-	-	807,549	-
Water system improvement funds	3,375,016	-	-	-	3,375,016	-
Non-Utility property	2,684	-	-	-	2,684	-
Investment in Cities and Villages Mutual Insurance Company	-	-	-	-	-	1,184,453
Other assets						
Unamortized debt discount & expense	59,663	-	-	-	59,663	-
Unamortized maintenance costs	207,469	-	-	-	207,469	-
Capital assets:						
Land	81,405	-	-	-	81,405	22,617
Buildings	789,794	-	-	-	789,794	1,252,654
Improvements other than buildings	40,214,832	51,990,920	34,715,949	-	126,921,701	-
Machinery and equipment	1,475,724	1,144,930	-	-	2,620,654	10,828,470
Construction in progress	11,595	-	-	-	11,595	-
Less: Accumulated depreciation	(12,857,399)	(20,336,275)	(9,871,446)	-	(43,065,120)	(8,720,889)
Total capital assets, net	29,715,951	32,799,575	24,844,503	-	87,360,029	3,382,852
Total noncurrent assets	34,168,332	32,799,575	24,844,503	-	91,812,410	4,567,305
Total assets	42,038,271	38,070,013	33,809,287	751,406	114,668,977	10,165,105
LIABILITIES						
CURRENT LIABILITIES						
Accounts payable	196,274	1,271,276	463,771	-	1,931,321	1,004,442
Accrued payroll	46,266	-	-	-	46,266	-
Due to other funds	771,425	6,952	-	-	778,377	-
Customer deposits	5,894	-	-	-	5,894	-
Current portion of long-term debt	-	983,966	1,274,009	-	2,257,975	-
Current portion of refunding bond	21,110	3,480	5,673	-	30,263	-
Accrued interest payable	4,496	21,382	32,348	-	58,226	-
Other accrued liabilities	84,381	-	-	-	84,381	87,435
Liabilities payable from restricted assets:						
Accounts payable - construction account	340,511	-	-	-	340,511	-
Current portion of long-term debt	2,825,000	-	-	-	2,825,000	-
Accrued interest payable	207,262	-	-	-	207,262	-
Total current liabilities	4,502,619	2,287,056	1,775,801	-	8,565,476	1,091,877
NONCURRENT LIABILITIES						
Bonds payable	9,838,676	6,960,897	11,697,569	-	28,497,142	-
Refunding bond	320,058	52,765	86,015	-	458,838	-
Accrued net other postemployment benefits obligation	-	-	-	-	-	13,666,025
Total non-current liabilities	10,158,734	7,013,662	11,783,584	-	28,955,980	13,666,025
Total liabilities	14,661,353	9,300,718	13,559,385	-	37,521,456	14,757,902
NET ASSETS						
Invested in capital assets, net of related debt	22,484,750	27,233,729	18,887,585	-	68,606,064	3,382,852
Restricted	415,318	-	-	-	415,318	-
Unrestricted	4,476,850	1,535,566	1,362,317	751,406	8,126,139	(7,975,649)
Total net assets	\$ 27,376,918	\$ 28,769,295	\$ 20,249,902	\$ 751,406	77,147,521	\$ (4,592,797)

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

Net assets of business-type activities

(611,390)
\$ 76,536,131

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

CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011

	Business-type Activities Enterprise Funds				Governmental Activities	
	Water	Sanitary Sewer	Storm Water Management	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
OPERATING REVENUES						
Charges for services and sales	\$ 6,391,066	\$ 6,407,642	\$ 2,364,806	\$ -	\$ 15,163,514	\$ 13,983,105
Other operating revenues	255,931	-	-	-	255,931	1,192,208
Total operating revenues	<u>6,646,997</u>	<u>6,407,642</u>	<u>2,364,806</u>	<u>-</u>	<u>15,419,445</u>	<u>15,175,313</u>
OPERATING EXPENSES						
Operation and maintenance	4,675,421	4,908,619	851,977	-	10,436,017	17,565,504
Depreciation	642,565	726,259	451,307	-	1,820,131	917,379
Taxes	88,268	-	-	-	88,268	-
Total operating expenses	<u>5,406,254</u>	<u>5,634,878</u>	<u>1,303,284</u>	<u>-</u>	<u>12,344,416</u>	<u>18,482,883</u>
Operating income (loss)	<u>1,240,743</u>	<u>772,764</u>	<u>1,061,522</u>	<u>-</u>	<u>3,075,029</u>	<u>(3,307,570)</u>
NON-OPERATING REVENUES (EXPENSES)						
Dividend income	-	-	-	-	-	54,403
Investment income	14,614	15,431	13,273	996	44,314	9,926
Grants	-	-	73,609	-	73,609	290,460
Gain on sale or trade of assets	-	-	-	-	-	37,240
Interest on long-term debt	(418,497)	(204,865)	(262,377)	-	(885,739)	-
Total non-operating revenues (expenses)	<u>(403,883)</u>	<u>(189,434)</u>	<u>(175,495)</u>	<u>996</u>	<u>(767,816)</u>	<u>392,029</u>
Income (loss) before capital contributions and transfers	836,860	583,330	886,027	996	2,307,213	(2,915,541)
CAPITAL CONTRIBUTIONS	1,729,745	200,610	72,170	-	2,002,525	409,466
TRANSFERS IN	-	-	-	-	-	103,000
TRANSFERS OUT	<u>(641,826)</u>	<u>(12,309)</u>	<u>-</u>	<u>-</u>	<u>(654,135)</u>	<u>(4,044,502)</u>
Change in net assets	1,924,779	771,631	958,197	996	3,655,603	(6,447,577)
NET ASSETS - BEGINNING OF YEAR	<u>25,452,139</u>	<u>27,997,664</u>	<u>19,291,705</u>	<u>750,410</u>		<u>1,854,780</u>
NET ASSETS - END OF YEAR	<u>\$ 27,376,918</u>	<u>\$ 28,769,295</u>	<u>\$ 20,249,902</u>	<u>\$ 751,406</u>		<u>\$ (4,592,797)</u>

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

Change in net assets of business-type activities

(183,251)
\$ 3,472,352

CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011

	Business-type Activities Enterprise Funds				Governmental Activities	
	Water	Sanitary Sewer	Storm Water Management	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES						
Receipts from customers and users	\$ 6,520,901	\$ 6,409,651	\$ 2,322,067	\$ -	\$ 15,252,619	\$ 1,334,686
Receipts from other funds	-	-	-	-	-	13,940,965
Payments to suppliers	(3,602,746)	(4,350,445)	(289,344)	-	(8,242,535)	(12,281,611)
Payments to employees	(1,194,881)	(355,323)	(200,902)	-	(1,751,106)	(1,787,110)
Net cash provided by operating activities	<u>1,723,274</u>	<u>1,703,883</u>	<u>1,831,821</u>	<u>-</u>	<u>5,258,978</u>	<u>1,206,930</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES						
Proceeds from long-term debt	2,400,000	-	-	-	2,400,000	-
Premium on long-term debt	42,035	-	-	-	42,035	-
Principal paid on noncapital debt	(19,191)	(3,164)	(5,157)	-	(27,512)	-
Interest paid on noncapital debt	(13,651)	(2,402)	(3,915)	-	(19,968)	-
Issuance costs paid on capital debt	(23,662)	-	-	-	(23,662)	-
Grant funds received	-	-	-	-	-	290,460
Transfers to other funds	(611,820)	-	-	-	(611,820)	(3,941,502)
Net cash provided by (used in) noncapital financing activities	<u>1,773,711</u>	<u>(5,566)</u>	<u>(9,072)</u>	<u>-</u>	<u>1,759,073</u>	<u>(3,651,042)</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES						
Proceeds from long-term debt	-	3,560,487	7,167,323	-	10,727,810	-
Acquisition and construction of capital assets	(2,320,438)	(2,128,113)	(2,657,539)	-	(7,106,090)	(59,286)
Proceeds from the sale of property, plant and equipment	-	-	-	-	-	55,352
Grant funds received	-	-	73,609	-	73,609	-
Principal paid on capital debt	(1,450,000)	(890,600)	(1,066,018)	-	(3,406,618)	-
Interest paid on capital debt	(351,412)	(198,719)	(248,588)	-	(798,719)	-
Net cash provided by (used in) capital and related financing activities	<u>(4,121,850)</u>	<u>343,055</u>	<u>3,268,787</u>	<u>-</u>	<u>(510,008)</u>	<u>(3,934)</u>
CASH FLOWS FROM INVESTING ACTIVITIES						
Interest and dividends received	<u>14,614</u>	<u>15,431</u>	<u>13,273</u>	<u>996</u>	<u>44,314</u>	<u>64,329</u>
Net cash provided by investing activities	<u>14,614</u>	<u>15,431</u>	<u>13,273</u>	<u>996</u>	<u>44,314</u>	<u>64,329</u>
Net increase (decrease) in cash and cash equivalents	(610,251)	2,056,803	5,104,809	996	6,552,357	(2,383,717)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	<u>10,371,925</u>	<u>1,181,518</u>	<u>3,397,333</u>	<u>750,410</u>	<u>15,701,186</u>	<u>7,774,020</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 9,761,674</u>	<u>\$ 3,238,321</u>	<u>\$ 8,502,142</u>	<u>\$ 751,406</u>	<u>\$ 22,253,543</u>	<u>\$ 5,390,303</u>

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

CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
(Concluded)
For the Year Ended December 31, 2011

	Business-type Activities Enterprise Funds				Governmental Activities	
	Water	Sanitary Sewer	Storm Water Management	Nonmajor Enterprise Fund	Total Enterprise Funds	Internal Service Funds
Reconciliation of operating income (loss) to net cash provided by operating activities:						
Operating income (loss)	\$ 1,240,743	\$ 772,764	\$ 1,061,522	\$ -	\$ 3,075,029	\$ (3,307,570)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:						
Depreciation expense	642,565	726,259	451,307	-	1,820,131	917,379
Depreciation charged to other accounts	34,343	-	-	-	34,343	-
Tax equivalent charged to sewer utility	12,308	(12,308)	-	-	-	-
Payment of capitalized maintenance costs	(15,583)	-	-	-	(15,583)	-
Amortization of maintenance costs	69,070	-	-	-	69,070	-
Loss on disposal of capital assets	6,705	-	-	-	6,705	-
(Increase) Decrease:						
Accounts receivable	(138,404)	2,009	(42,739)	-	(179,134)	137,096
Due from other funds	(10,285)	(44,042)	(3,678)	-	(58,005)	-
Inventories	13,203	-	-	-	13,203	715
Prepaid items	(1,718)	-	-	-	(1,718)	-
Increase (Decrease):						
Accounts payable	(136,535)	264,360	365,409	-	493,234	248,493
Accrued payroll	(32,744)	-	-	-	(32,744)	-
Deferred revenue	-	-	-	-	-	(36,758)
Customer deposits	(3)	-	-	-	(3)	-
Other accrued liabilities	(16,558)	-	-	-	(16,558)	3,247,575
Due to other funds	56,167	(5,159)	-	-	51,008	-
Total adjustments	482,531	931,119	770,299	-	2,183,949	4,514,500
Net cash provided by operating activities	<u>\$ 1,723,274</u>	<u>\$ 1,703,883</u>	<u>\$ 1,831,821</u>	<u>\$ -</u>	<u>\$ 5,258,978</u>	<u>\$ 1,206,930</u>
Noncash investing, capital and financing activities						
Capital additions contributed						
City of Wauwatosa	\$ 1,291,923	\$ 200,610	\$ 72,170	\$ -	\$ 1,564,703	\$ 409,466
Developers	437,822	-	-	-	437,822	-
	<u>\$ 1,729,745</u>	<u>\$ 200,610</u>	<u>\$ 72,170</u>	<u>\$ -</u>	<u>\$ 2,002,525</u>	<u>\$ 409,466</u>
Reconciliation of cash and cash equivalents to the statement of net assets - proprietary funds						
Unrestricted cash and cash equivalents	\$ 2,556,529	\$ 3,238,321	\$ 8,502,142	\$ 751,406	\$ 15,048,398	\$ 5,390,303
Restricted cash and cash equivalents						
Special redemption funds						
Bond reserve fund	807,549	-	-	-	807,549	-
Bond principal and interest fund	3,022,580	-	-	-	3,022,580	-
Waterworks system improvement fund	3,375,016	-	-	-	3,375,016	-
Cash and cash equivalents end of year	<u>\$ 9,761,674</u>	<u>\$ 3,238,321</u>	<u>\$ 8,502,142</u>	<u>\$ 751,406</u>	<u>\$ 22,253,543</u>	<u>\$ 5,390,303</u>

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

**CITY OF WAUWATOSA, WISCONSIN
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
DECEMBER 31, 2011**

	Private Purpose Trust Funds				Agency Funds		
	Firemen's Special Endowment Fund	Bachman Flag Account	Land Conservation Account	Total	Special Deposits	Subsequent Year's Tax Roll Collections	Total
ASSETS							
Cash and investments	\$ 11,124	\$ 8,381	\$ 80,864	\$ 100,369	\$ 81,550	\$ 59,735,457	\$ 59,817,007
Interest receivable	2	-	-	2	-	-	-
Taxes receivable	-	-	-	-	-	24,849,387	24,849,387
Total assets	<u>11,126</u>	<u>8,381</u>	<u>80,864</u>	<u>100,371</u>	<u>\$ 81,550</u>	<u>\$ 84,584,844</u>	<u>\$ 84,666,394</u>
LIABILITIES							
Special deposits	-	-	-	-	\$ 81,550	\$ -	\$ 81,550
Due to other taxing units	-	-	-	-	-	84,584,844	84,584,844
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ 81,550</u>	<u>\$ 84,584,844</u>	<u>\$ 84,666,394</u>
NET ASSETS - RESTRICTED	<u>\$ 11,126</u>	<u>\$ 8,381</u>	<u>\$ 80,864</u>	<u>\$ 100,371</u>			

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

**CITY OF WAUWATOSA
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS**

For the Year Ended December 31, 2011

	Private Purpose Trust Funds			Total
	Firemen's Special Endowment Fund	Bachman Flag Account	Land Conservation Account	
ADDITIONS				
Contributions	\$ -	1,652	\$ -	\$ 1,652
Investment income	78	12	-	90
Total additions	<u>78</u>	<u>1,664</u>	<u>-</u>	<u>1,742</u>
DEDUCTIONS				
Changes in net assets	<u>-</u>	<u>2,389</u>	<u>-</u>	<u>2,389</u>
	78	(725)	-	(647)
NET ASSETS - BEGINNING OF YEAR	<u>11,048</u>	<u>9,106</u>	<u>80,864</u>	<u>101,018</u>
NET ASSETS - END OF YEAR	<u>\$ 11,126</u>	<u>\$ 8,381</u>	<u>\$ 80,864</u>	<u>\$ 100,371</u>

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Government-wide Financial Statements

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

Fund Financial Statements

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

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

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

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The City reports the following major governmental funds:

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

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

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

The City reports the following major enterprise funds:

Water Utility - accounts for operations of the water system.

Sanitary Sewer - accounts for operations of the sewer system.

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

The City reports the following nonmajor governmental and enterprise funds:

Nonmajor Governmental Funds

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

Special Assessments

Community Development Block Grant

Public Library

Parks

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

Capital Projects Funds

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

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Nonmajor Enterprise Funds

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

In addition, the City reports the following fund types:

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

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

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

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

Government-wide Financial Statements

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Fund Financial Statements

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

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

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

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

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

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

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the proprietary funds are charges to customers for sales and services. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

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

Accounting Changes

The City adopted the provisions of Governmental Accounting Standards Board Statement No. 54 as of January 1, 2011. This statement changed the categories and classifications of fund balance in the governmental funds.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Assets, Liabilities, and Net Assets or Equity

1. Deposits and Investments

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

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

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

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

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2011, the fair value of the City's share of the LGIP's assets was substantially equal to the amount as reported in these statements.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

2. Receivables

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

Property tax calendar - 2011 tax roll:

Lien date and levy date	December 2011
Tax bills mailed	December 2011
Payment in full, or	January 31, 2012
First installment due	January 31, 2012
Second installment due	March 31, 2012
Third installment due	May 31, 2012
Personal property taxes in full	January 31, 2012
Tax deed - 2011 delinquent real estate taxes	October 2014

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

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

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

3. Inventories and Prepaid Items

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

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

4. Restricted Assets

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

5. Capital Assets

Government-wide Statements

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

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

5. Capital Assets (continued)

Government-wide Statements (continued)

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

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

Fund Financial Statements

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

6. Other Assets

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

7. Compensated Absences

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. *Compensated Absences* (continued)

Accumulated vacation liabilities at December 31, 2011 are determined on the basis of current salary rates and include salary related payments. Employees hired after January 1, 2008 that meet certain length of service or age requirements upon retirement, will receive their accumulated sick days paid into a retiree health savings plan at the rate of pay in effect upon retirement. The liability for the accrued sick leave is recorded in the government-wide and proprietary financial statements to the extent that it is probable that the City will compensate the employees for the benefits through cash payments at the time of the employees' retirement rather than be taken as absences. The City has not estimated the probability of cash payments on accumulated sick leave, as the total accumulated sick leave earned by employees hired after January 1, 2008 is immaterial to the financial statements.

8. *Long-Term Obligations/Conduit Debt*

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

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

The City has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The total amount of IRB's outstanding at the end of the year is approximately \$17.95 million, made up of one issue.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

9. Claims and Judgments

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

10. Equity Classifications

Government-wide Statements

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

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

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

Fund Statements

In the governmental fund financial statements, governmental funds report nonspendable fund balance for amounts that cannot be spent because they are either:

- a. not in spendable form; or
- b. legally or contractually required to be maintained intact.

Restricted fund balance is reported when constraints placed on the use of resources are either:

- a. externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. imposed by law through constitutional provisions or enabling legislation.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Equity Classifications (continued)

Fund Statements (continued)

Committed fund balance is reported for amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Common Council.

Assigned fund balance is reported for amounts that are constrained by the City management's intent to be used for specific purposes, but is neither restricted nor committed.

Unassigned fund balance is the residual classification for the General Fund.

When committed, assigned, and unassigned amounts are available for use, it is the City's policy to use committed resources first, then assigned resources, then unassigned resources as they are needed.

E. Other Policies - Tax Incremental Districts

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

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

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Other Policies - Tax Incremental Districts (continued)

2. In 2000, the City adopted Resolution #00-160 creating "City of Wauwatosa Tax Incremental District No. 3" to encourage development of the city tax base, efficient use of land, buildings and public improvements and private investment. The Tax Incremental District has been created in compliance with the Wisconsin Statutes. Project costs are estimated at \$2.6 million and will be financed with future debt issues. Property taxes to be generated in future years, measured by the increment in value of the property in the District over the base year, are to be used to retire the interest and principal of the debt issue.

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

3. In 2002, the City adopted Resolution #02-111 creating "City of Wauwatosa Tax Incremental District No. 4" to encourage development of the city tax base, efficient use of land, buildings and public improvements and private investment. The Tax Incremental District has been created in compliance with the Wisconsin Statutes. Project costs are estimated at \$500,000 and have been financed with an advance from the City's General Fund. Property taxes to be generated in future years, measured by the increment in value of the property in the District over the base year, are to be used to repay the General Fund.
4. In 2007, the City adopted the Resolution #07-79 creating "City of Wauwatosa Tax Incremental District No. 5" to encourage development of the city tax base, efficient use of land, buildings and public improvements and private investment. The Tax Incremental District has been created in compliance with the Wisconsin Statutes. Project costs are estimated at \$1,950,000. The costs are to be paid by the developer. Property taxes to be generated in future years, measured by the increment in value of the property in the District over the base year, are to reimburse the developer for the costs incurred in accordance with the project plan.
5. In 2010, the City adopted the Resolution #10-73 creating "City of Wauwatosa Tax Incremental District No. 6" to encourage development of the city tax base, efficient use of land, buildings and public improvements and private investment. The Tax Incremental District has been created in compliance with the Wisconsin Statutes. Project costs are estimated at \$12,000,000. The costs are to be paid by future debt issues and other available funds. Property taxes to be generated in future years, measured by the increment in value of the property in the District over the base year, are to be used to retire the interest and principal of the debt issue.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

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

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

Bonds and notes payable	\$ 56,069,854
Bond Premium	232,549
Compensated absences	1,841,653
Accrued interest payable	302,072
Landfill postclosure liability	168,496
MADACC obligation	<u>40,037</u>
Combined Adjustment for Long-Term Liabilities	<u>\$ 58,654,661</u>

NOTE 3 - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Information

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note 1. A budget has been adopted for all funds in accordance with Wisconsin Statute Section 65.90.

The budgeted amounts presented include any amendments made. Management may authorize transfers of budgeted amounts within departments. Certain transfers between departments and changes to the overall budget must be approved by a two-thirds council action. Supplemental appropriations during the year were approximately \$1,451,185. Appropriations lapse at year end unless specifically carried over. Carryovers to the following year were \$489,911. Expenditure control is at the total fund level for all funds.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS

A. Deposits and Investments

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

	Carrying Value	Bank Balance
Petty cash	\$ 26,400	\$ -
Deposits		
Demand deposits	15,834,043	14,367,203
Demand deposits, interest bearing	31,917,218	31,918,461
Certificates of deposit	13,980,000	13,980,000
Total deposits	61,731,261	60,265,664
Investments		
U.S. Agency Securities	6,010,239	6,010,239
Municipal Securities	15,482,757	15,482,757
Corporate Securities	2,865,761	2,865,761
Investment pools:		
MBIA Municipal Investors Fund	503,246	503,246
Local Government Investment Pool (LGIP)	47,734,430	47,734,430
Total investments	72,596,433	72,596,433
 Total cash and investments	 \$ 134,354,094	 \$ 132,862,097
 Reconciliation to the Statement of Net Assets:		
Unrestricted cash and investments	\$ 66,256,573	
Restricted cash and investments	8,180,145	
Fiduciary Funds:		
Private purpose trust funds	100,369	
Agency funds	59,817,007	
 Total cash and investments	 \$ 134,354,094	

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

Any losses caused by failure of public depositories are also covered by the State Deposit Guarantee Fund. The fund provides coverage of \$400,000 in each financial institution above the applicable insurance coverage provided by the FDIC. However, although the fund had reserves available at December 31, 2011, the future availability of resources to cover the losses cannot be projected because provisions of the 1985 Wisconsin Act 25 provided that the amount in the fund will be used to repay public depositors for losses until the appropriation is exhausted, at which time the fund is abolished. This coverage has not been considered in computing custodial credit risk.

Certificates of deposit held in the LGIP are covered by FDIC insurance, which applies to the proportionate public unit share of accounts.

The Securities Investor Protection Corporation (SIPC), created by the Securities Investor Protection Act of 1970, is an independent government-sponsored corporation (not an agency of the U.S. government). Wells Fargo and M & I Bank's SIPC membership provides account protection up to a maximum of \$500,000 per customer, of which \$250,000 may be in cash. Additionally, Wells Fargo, through HSBC Gibbs, has additional securities coverage of \$149.5 million per customer, subject to a \$600 million aggregate limit.

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

Custodial Credit Risk

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

As of December 31, 2011, \$44,146,130 of the City's bank balance of \$60,265,664 was exposed to custodial credit risk as uninsured and uncollateralized.

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

As of December 31, 2011, \$14,482,844 of the City's investment balance of \$72,596,433 was exposed to custodial credit risk as uninsured and uncollateralized.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

Credit Risk

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

Wisconsin Statutes limit investments in commercial paper and corporate bonds to securities which bear a rating in the top two rating categories issued by recognized statistical rating organizations. As of December 31, 2011 the City is exposed to credit risk with investments in the following:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Moody's Rating</u>
Local Government Investment Pool	47,734,430	Unrated
MBIA Municipal Investors Fund	503,246	AAA
U.S. Agency Securities	6,010,239	AAA
Municipal Securities	1,245,797	AAA
Municipal Securities	965,534	AA
Municipal Securities	681,883	AA-
Municipal Securities	1,828,695	A+
Municipal Securities	595,000	A1
Municipal Securities	1,289,007	Aa1
Municipal Securities	5,369,429	Aa2
Municipal Securities	524,136	Aa3
Municipal Securities	2,983,276	Unrated
Corporate Securities	2,865,761	AA
Total fair value of investments subject to credit risk	<u>\$ 72,596,433</u>	

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The City's investment policy does not address interest rate risk. As of December 31, 2011 the City's investments were as follows:

<u>Investment Type</u>	<u>Fair Value</u>	<u>Maturity (Months)</u>
U.S. Agency Securities	\$ 6,010,239	60.7
Municipal Securities	15,482,757	22.1
Local Government Investment Pool	47,734,430	3.2
MBIA Municipal Investors Fund	503,246	Not Available
Corporate Securities	2,865,761	13.2

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

A. Deposits and Investments (continued)

Concentration of Credit Risk

As of December 31, 2011, the City's investment portfolio did not hold investments from individual issuers which comprised over 5% of their investment balances.

B. Receivables

Receivables as of year end for the government's individual major funds and nonmajor and fiduciary funds detailed according to source are displayed on the face of the fund financial statements. As of December 31, 2011, an allowance for uncollectible accounts has been established for ambulance billings of \$189,540.

C. Deferred Revenue

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

	<u>Unavailable</u>	<u>Unearned</u>	<u>Total</u>
Property taxes receivable	\$ -	\$ 42,312,255	\$ 42,312,255
Retiree health insurance billings	-	117,295	117,295
Unspent grant proceeds	-	122,357	122,357
Water utility pension loan payment	-	28,673	28,673
Flood acquisition contributions/rents	-	116,708	116,708
Other	-	5,000	5,000
Loan receivable	200,000		200,000
Special assessments	486,055	-	486,055
	<u>\$ 686,055</u>	<u>\$ 42,702,288</u>	<u>\$ 43,388,343</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

D. Restricted Assets

Following is a list of restricted assets at December 31, 2011:

Governmental activities	
Cash and investments - lease revenue bond reserve	<u>\$ 975,000</u>
Business-type activities	
Cash and investments	
Special Redemption Funds	
Bond Reserve Fund	\$ 807,549
Bond Principal and Interest Fund	<u>3,022,580</u>
Total Special Redemption Funds	3,830,129
Waterworks System Improvement Fund	<u>3,375,016</u>
Total business-type activities	<u>\$ 7,205,145</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

E. Capital Assets

Capital asset activity for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 23,063,218	\$ 261,000	\$ 43,240	\$ 23,280,978
Construction in progress	-	732,888	-	732,888
Total capital assets not being depreciated	<u>23,063,218</u>	<u>993,888</u>	<u>43,240</u>	<u>24,013,866</u>
Capital assets being depreciated				
Buildings	22,768,283	161,399	-	22,929,682
Improvements	5,082,097	8,098	-	5,090,195
Machinery and equipment	16,648,907	531,323	337,184	16,843,046
Infrastructure	<u>63,567,287</u>	<u>1,374,256</u>	<u>1,890,832</u>	<u>63,050,711</u>
Total capital assets being depreciated	<u>108,066,574</u>	<u>2,075,076</u>	<u>2,228,016</u>	<u>107,913,634</u>
Less: accumulated depreciation for				
Buildings	9,256,964	488,994	-	9,745,958
Improvements	470,090	280,178	-	750,268
Machinery and Equipment	10,360,015	1,278,523	319,070	11,319,468
Infrastructure	<u>32,370,698</u>	<u>2,170,793</u>	<u>1,890,832</u>	<u>32,650,659</u>
Total accumulated depreciation	<u>52,457,767</u>	<u>4,218,488</u>	<u>2,209,902</u>	<u>54,466,353</u>
Capital assets being depreciated, net of depreciation	<u>55,608,807</u>	<u>(2,143,412)</u>	<u>18,114</u>	<u>53,447,281</u>
Total capital assets, net of depreciation	<u>\$ 78,672,025</u>	<u>\$ (1,149,524)</u>	<u>\$ 61,354</u>	<u>\$ 77,461,147</u>

Depreciation expense was charged to functions as follows:

Governmental activities	
General government	\$ 63,641
Protection of persons and property	615,518
Health and sanitation	3,965
Highway and transportation, which includes the depreciation of infrastructure	2,187,183
Education and recreation	430,802
Depreciation expense-allocated with Internal Service Fund	<u>917,379</u>
Total governmental activities depreciation expense	<u>\$ 4,218,488</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

E. Capital Assets (continued)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type activities				
Capital assets not being depreciated				
Land	\$ 81,405	\$ -	\$ -	\$ 81,405
Construction in progress	28,531	11,595	28,531	11,595
Total capital assets not being depreciated	<u>109,936</u>	<u>11,595</u>	<u>28,531</u>	<u>93,000</u>
Capital assets being depreciated				
Buildings	789,794	-	-	789,794
Machinery & equipment	2,620,654	-	-	2,620,654
Improvements other than buildings	<u>118,377,579</u>	<u>8,979,586</u>	<u>435,464</u>	<u>126,921,701</u>
Total capital assets being depreciated	<u>121,788,027</u>	<u>8,979,586</u>	<u>435,464</u>	<u>130,332,149</u>
Less: accumulated depreciation for				
Buildings	453,822	25,273	-	479,095
Machinery & equipment	1,817,200	93,526	-	1,910,726
Improvements other than buildings	<u>39,368,383</u>	<u>1,735,675</u>	<u>428,759</u>	<u>40,675,299</u>
Total accumulated depreciation	<u>41,639,405</u>	<u>1,854,474</u>	<u>428,759</u>	<u>43,065,120</u>
Capital assets being depreciated, net of depreciation	<u>80,148,622</u>	<u>7,125,112</u>	<u>6,705</u>	<u>87,267,029</u>
Total capital assets, net of depreciation	<u>\$ 80,258,558</u>	<u>\$ 7,136,707</u>	<u>\$ 35,236</u>	<u>\$ 87,360,029</u>

Depreciation expense was charged to functions as follows:

Business-type activities	
Water Utility	
Depreciation	\$ 642,565
Depreciation charged to Water Utility operation and maintenance expenses	14,913
Depreciation charged to Sanitary Sewer expenses	<u>19,430</u>
	676,908
Sanitary Sewer	726,259
Storm Water Management	<u>451,307</u>
Total business-type activities depreciation expense	<u>\$ 1,854,474</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. Interfund Receivables/Payables and Transfers

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

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Governmental Funds		
General Fund	Water Utility	\$ 756,244
General Fund	Nonmajor governmental funds	<u>241,654</u>
		<u>997,898</u>
Proprietary Funds		
Sanitary Sewer	Water Utility	15,181
Sanitary Sewer	General Fund	335,449
Storm Water Management	General Fund	106,314
Water Utility	General Fund	348,432
Water Utility	Sanitary Sewer	<u>6,952</u>
		<u>812,328</u>
Total interfund receivables		<u>\$ 1,810,226</u>

The principal purpose of these interfund balances result from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system and (3) payments between funds are made.

The General Fund advanced \$575,000 to the Special Revenue Fund - Tax Incremental District in 2002. This advance earns interest at rates ranging from 4.3% to 6.45% and is due in annual installments from 2011 through 2016. The outstanding balance as of December 31, 2011 was \$315,000.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

F. Interfund Receivables/Payables and Transfers (continued)

The following is a schedule of interfund transfers:

<u>Transferred To</u>	<u>Transferred From</u>	<u>Amount</u>
General Fund	Internal Service Funds Water Utility Sewer Utility	\$ 1,062,291 641,826 12,309 <u>1,716,426</u>
Special Revenue Fund - Tax Incremental District	Capital Projects - Redevelopment Authority Lease Revenue Bond	 <u>1,353</u>
Debt Service Fund	General Fund Special Revenue Funds - Parks Internal Service Funds	1,286,000 101,144 2,075,490 <u>3,462,634</u>
Capital Projects Fund - General Obligation Debt Issue Fund	Special Revenue Funds Tax Incremental District Special Assessments Internal Service Funds	1,607,730 491,644 845,045 <u>2,944,419</u>
Capital Projects Fund - Redevelopment Authority Lease Revenue Bond	Special Revenue Fund - Tax Incremental District	 <u>3,450,500</u>
Capital Projects Fund - Information Systems Equipment	Internal Service Fund	 <u>61,676</u>
Special Revenue Fund - Parks	General Fund	 <u>846,436</u>
Internal Service Funds	General Fund	 <u>103,000</u>
		 <u>\$ 12,586,444</u>

Generally, transfers are used to (1) move revenue from the funds that collect 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 revenue collected in the General Fund to finance various program accounted for in other funds in accordance with budgetary authorizations.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Obligations

Long-term obligations activity for the year ended December 31, 2011 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Due Within One Year
Governmental activities					
Bonds and notes payable					
General obligation debt					
Promissory notes and bonds	\$ 28,063,131	\$ 6,372,190	\$ 2,990,871	\$ 31,444,450	\$ 2,756,762
State Trust Fund loans	210,984	-	103,052	107,932	107,932
Bond Premium	-	234,038	1,489	232,549	-
Total general obligation debt	<u>28,274,115</u>	<u>6,606,228</u>	<u>3,095,412</u>	<u>31,784,931</u>	<u>2,864,694</u>
Redevelopment lease revenue bond	25,075,000	-	2,175,000	22,900,000	8,475,000
Municipal revenue obligation	<u>1,707,994</u>	<u>-</u>	<u>90,522</u>	<u>1,617,472</u>	<u>179,560</u>
Total bonds and notes payable	<u>55,057,109</u>	<u>6,606,228</u>	<u>5,360,934</u>	<u>56,302,403</u>	<u>11,519,254</u>
Other Liabilities					
Accrued unused vacation	1,936,478	2,093,775	2,101,165	1,929,088	1,929,088
Landfill postclosure liability	174,155	-	5,659	168,496	5,292
MADACC obligation	<u>56,659</u>	<u>-</u>	<u>16,622</u>	<u>40,037</u>	<u>16,875</u>
Total other liabilities	<u>2,167,292</u>	<u>2,093,775</u>	<u>2,123,446</u>	<u>2,137,621</u>	<u>1,951,255</u>
Total governmental activities long-term liabilities	<u>\$ 57,224,401</u>	<u>\$ 8,700,003</u>	<u>\$ 7,484,380</u>	<u>\$ 58,440,024</u>	<u>\$ 13,470,509</u>
Business-type activities					
Bonds and notes payable					
General obligation debt	\$ 12,661,862	\$ 10,727,810	\$ 1,984,130	\$ 21,405,542	\$ 2,288,238
Revenue bonds	11,600,000	2,400,000	1,450,000	12,550,000	2,825,000
Unamortized bond premium	<u>78,621</u>	<u>42,035</u>	<u>6,980</u>	<u>113,676</u>	<u>-</u>
Total business-type activities long-term liabilities	<u>\$ 24,340,483</u>	<u>\$ 13,169,845</u>	<u>\$ 3,441,110</u>	<u>\$ 34,069,218</u>	<u>\$ 5,113,238</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Obligations (continued)

Governmental Activities Debt

General Obligation Debt

General obligation debt of the governmental activities is shown below.

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Amount</u>	<u>Balance 12/31/11</u>
State Trust Fund loans	01/09/08	03/15/12	4.75	400,000	<u>107,932</u>
Promissory notes	04/01/03	12/01/12	2.0 - 3.15	2,709,700	522,576
	03/15/04	12/01/13	2.0 - 3.13	902,980	275,633
	03/15/05	12/01/14	3.375 - 4.0	1,003,200	532,000
	04/01/06	12/01/15	3.625 - 4.0	1,803,000	1,081,880
	04/15/07	12/01/16	4.0	1,142,382	832,302
	05/01/08	12/01/17	3.0 - 3.5	1,906,000	1,629,250
	07/01/09	12/01/18	2.125-5.250	3,500,000	3,037,720
	11/29/11	11/01/21	2.0-2.5	1,772,190	1,772,190
	12/20/11	06/01/16	2.0	4,600,000	4,600,000
					<u>14,283,551</u>
Refunding bonds	10/25/10	01/01/29	3.0 - 4.0	7,933,387	7,510,899
	10/25/10	10/01/30	.85 - 5.0	10,200,000	9,650,000
					<u>17,160,899</u>
Total general obligation debt					<u>\$ 31,552,382</u>

Redevelopment Lease Revenue Bond

The Wauwatosa Redevelopment Authority has the following debt outstanding:

<u>Type</u>	<u>Date of Loan</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Original Amount</u>	<u>Balance 12/31/11</u>
Redevelopment Lease Revenue Bond	08/15/04	12/01/17	5.40%	\$ 24,500,000	16,700,000
Redevelopment Lease Revenue Bond	10/15/07	12/01/12	4.00%	6,200,000	<u>6,200,000</u>
Totals					<u>\$ 22,900,000</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Obligations (continued)

Governmental Activities Debt (continued)

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

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

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

Municipal Revenue Obligation

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Obligations (continued)

Business-type Activities Debt

Debt of the business-type activities is shown below.

Type	Date of Loan	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance 12/31/11
WATER						
Waterworks System						
Revenue Bonds						
Series 2002	07/15/02	2.5 - 5.75	1/1/03-22	1/1&7/1	4,000,000	\$ 2,600,000
Series 2010	10/25/10	3.0 - 4.0	1/1/11-29	1/1&7/1	7,750,000	7,550,000
Series 2011	11/29/11	2.0 - 3.0	1/1/13-22	1/1&7/1	2,400,000	<u>2,400,000</u>
						12,550,000
General Obligation Refunding Bonds	08/03/10	1.75 - 5.0	3/1/11-24	3/1&9/1	360,359	<u>341,168</u>
Total Water Utility						<u>12,891,168</u>
SANITARY SEWER						
Promissory Notes						
Series 2003	04/01/03	2.0 - 3.15	12/1/04-12	6/1&12/1	318,500	61,425
Series 2004	03/15/04	2.0 - 3.125	12/1/05-13	6/1&12/1	610,190	218,873
Series 2005	05/01/05	3.375 - 4.0	12/1/06-14	6/1&12/1	1,303,500	671,650
Series 2006	04/01/06	3.625 - 4.0	12/1/07-15	6/1&12/1	1,382,000	829,200
Series 2007	04/15/07	4.0	12/1/08-16	6/1&12/1	1,043,018	759,918
Series 2008	05/01/08	3.0 - 3.5	12/1/09-17	6/1&12/1	1,141,000	975,400
Series 2009	07/01/09	2.125-5.25	12/1/10-18	6/1&12/1	1,000,000	867,910
Series 2011	11/29/11	2.0-2.5	11/1/12-21	5/1&11/1	3,560,487	<u>3,560,487</u>
						7,944,863
General Obligation Refunding Bonds	08/03/10	1.75 - 5.0	3/1/11-24	3/1&9/1	59,409	<u>56,245</u>
Total Sanitary Sewer						<u>8,001,108</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Obligations (continued)

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

Type	Date of Loan	Interest Rate	Principal Payable	Interest Payable	Original Amount	Balance 12/31/11
STORM WATER MAINTENANCE						
Promissory Notes						
Series 2003	04/01/03	2.0 - 3.15	12/1/04-12	6/1&12/1	471,800	\$ 90,990
Series 2004	03/15/04	2.0 - 3.125	12/1/05-13	6/1&12/1	921,380	330,495
Series 2005	05/01/05	3.375 - 4.0	12/1/06-14	6/1&12/1	1,030,260	546,350
Series 2006	04/01/06	3.625 - 4.0	12/1/07-15	6/1&12/1	815,000	488,920
Series 2007	04/15/07	4.0	12/1/08-16	6/1&12/1	1,314,600	957,780
Series 2008	05/01/08	3.0 - 3.5	12/1/09-17	6/1&12/1	3,153,000	2,695,350
Series 2009	07/01/09	2.125-5.25	12/1/10-18	6/1&12/1	800,000	694,370
Series 2011	11/29/11	2.0-2.5	11/1/12-21	5/1&11/1	7,167,323	<u>7,167,323</u>
						12,971,578
General Obligation Refunding Bonds	08/03/10	1.75 - 5.0	3/1/11-24	3/1&9/1	96,845	<u>91,688</u>
Total Storm Water Maintenance						<u>13,063,266</u>
Total business-type activities debt						<u>\$ 33,955,542</u>

The Water Utility has \$12,550,000 in Waterworks System Revenue Bonds outstanding at December 31, 2011. The bonds are not general obligations of the City of Wauwatosa and are payable from income and revenues derived from the operations of the system in accordance with the resolution adopted in conjunction with the issuance of the debt. The resolution creates a statutory mortgage lien upon the system and its revenues in accordance with Section 66 of Wisconsin Statutes. The Utility has established certain funds, as described in the resolution, to account for the allocation of the Utility's gross revenue and has deposited funds in compliance with the bond covenants. The Water system and the earnings of the system remain subject to the lien until payment in full of the principal and interest on the bonds.

Current Refunding

On November 29, 2011, the utility issued \$2,400,000 of Waterworks System Refunding Revenue Bonds. The proceeds of the bonds along with \$175,000 of available utility cash are to be used to retire the remaining \$2,600,000 balance of the 2002 Waterworks System Revenue Bonds on January 1, 2012. The debt service requirements on the old debt balance totaled \$3,168,350. The debt service requirements on the new debt balance totaled \$2,762,806. The economic gain on the refunding using a 2.59% effective interest rate was \$367,512.

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Obligations (continued)

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

Debt service requirements to maturity (exclusive of the municipal revenue obligation) are as follows:

	Governmental Long-Term Debt		Business-type Long-Term Debt	
	Principal	Interest	Principal	Interest
2012	\$ 11,339,694	\$ 2,218,022	\$ 5,113,238	\$ 987,145
2013	4,758,827	1,783,583	3,196,173	879,668
2014	4,845,721	1,595,321	2,844,280	782,138
2015	4,917,131	1,391,345	2,962,869	686,978
2016	10,287,410	1,119,534	2,812,590	594,314
2017-21	11,072,397	2,590,083	11,487,603	1,905,533
2022-26	4,781,202	1,094,974	3,288,789	733,728
2027-31	2,450,000	304,675	2,250,000	135,191
Totals	\$ 54,452,382	\$ 12,097,537	\$ 33,955,542	\$ 6,704,695

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

Margin of Indebtedness

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2011, was \$262,163,975. Total general obligation debt outstanding at year end was \$52,957,924.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

G. Long-Term Obligations (continued)

Landfill Postclosure Liability

State and federal laws and regulations require the City to place a final cover on its landfill site and to perform certain maintenance and monitoring functions at the site after closure. Future landfill maintenance and monitoring costs are estimated to be a total of \$168,496 over the next 20 years.

MADACC Obligation - Intermunicipal Agreement

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

H. Net Assets / Fund Balances

Net assets reported on the government wide statement of net assets at December 31, 2011 includes the following:

Governmental Activities

Invested in capital assets, net of related debt	
Nondepreciated	\$ 24,013,866
Depreciated	53,447,281
Less: related debt excluding unspent bond proceeds	<u>(20,762,880)</u>
Total invested in capital assets, net of related debt	56,698,267
Restricted for debt service	27,398,789
Unrestricted	<u>(20,138,732)</u>
Total governmental activities net assets	<u>\$ 63,958,324</u>

Business-type Activities

Invested in capital assets, net of related debt	
Land	\$ 81,405
Construction in progress	11,595
Other capital assets, net of accumulated depreciation	87,267,029
Less: related long-term debt outstanding (net of unspent proceeds of debt)	<u>(18,753,965)</u>
Total invested in capital assets, net of related debt	68,606,064
Restricted net assets	
Restricted for debt service principal and interest	415,318
Unrestricted	<u>7,514,749</u>
Total business-type activities net assets	<u>\$ 76,536,131</u>

The governmental activities net assets invested in capital assets, net of related debt noted above exclude \$2,056,493 of long-term debt that was used to purchase capital assets of the business-type activities. The total government-wide net assets invested in capital assets, net of related debt include this amount as capital related debt.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

H. Net Assets / Fund Balances (continued)

Governmental Fund Balances

Governmental fund balances reported on the fund financial statements at December 31, 2011 include the following:

Nonspendable

Major Funds

General Fund -

Prepayments and inventories	\$ 2,561
Non-current receivables	<u>346,325</u>

348,886

Special Revenue Fund - Tax Incremental District

Prepayments and inventories	<u>13,139</u>
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Total non-spendable fund balance	<u><u>362,025</u></u>
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Restricted

Major Funds

Special Revenue Fund - Tax Incremental District	23,415,601
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Capital Projects Fund - General Obligation Debt Issue Fund	3,634,223
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Non-Major Funds

Special Revenue Fund - Debt Service Fund	2,377,076
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Capital Projects Fund - Redevelopment Authority Lease Revenue Bond	<u>975,000</u>
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Total restricted fund balance	<u><u>30,401,900</u></u>
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Committed

Major Funds - General Fund - budget appropriations	<u>982,506</u>
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Assigned

Major Funds

General Fund

Subsequent year's expenditures	489,911
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Capital improvements	485,000
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Parks	<u>425,482</u>
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1,400,393

Non-Major Funds

Special Revenue Fund - Parks Fund	407,705
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Special Revenue Fund - Library Fund	720,152
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Capital Projects Fund - Informations Systems Equipment	<u>127,306</u>
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Total assigned fund balance	<u><u>2,655,556</u></u>
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Unassigned

Major Funds - General Fund	<u>16,928,646</u>
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Total governmental fund balance	<u><u>\$ 51,330,633</u></u>
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**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 4 - DETAILED NOTES ON ALL FUNDS (continued)

H. Net Assets / Fund Balances (continued)

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

NOTE 5 - OTHER INFORMATION

A. Employees' Retirement System

All eligible City of Wauwatosa employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 1,200 hours a year are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 5.8% of their salary (6.65% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 5.8% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of public safety employees. Employees on military leave qualify to receive contributions. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for employees covered by the system for the year ended December 31, 2011 was \$27,709,495; the employer's total payroll was \$27,682,768. The total required contribution for the year ended December 31, 2011 was \$4,639,555 or 16.74% of covered payroll. Of this amount, 93.8% was contributed by the employer for the current year. Total contributions for the years ending December 31, 2010 and 2009 were \$4,462,780 and \$4,177,401, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: 1) final average earnings, 2) years of creditable service, and 3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 through June 30, 2011 are immediately vested. For participants employed after July 1, 2011, 5 years of creditable service is required for eligibility.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 5 - OTHER INFORMATION (continued)

A. Employees' Retirement System (continued)

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

The City has no pension related debt as of December 31, 2011.

The City currently provides contributions to the Wisconsin Retirement System for employees formerly covered under the City-sponsored and administered Police-Fire pension fund. This fund was terminated by State Statute in a prior year. In accordance with the statute terminating the pension funds, the City chose a "pay-as-you-go" basis for pension contributions in which payments are made to the Wisconsin Retirement System as the benefits become due and payable to the participants of the old plan. The total expenditures for 2011 were \$5,000.

B. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to, or destruction of assets; errors and omissions; natural disasters and worker's compensation. The City is self-insured for medical coverage for certain employees at December 31, 2011. The City purchases general and automobile liability insurance from the Cities and Villages Mutual Insurance Company. The City purchases commercial insurance for all other risks. There have been no significant reductions in insurance coverage for any risk of loss in the past year and settled claims have not exceeded the commercial coverage in any of the past three fiscal years.

Self-Insured General and Auto Liability

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

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 5 - OTHER INFORMATION (continued)

B. Risk Management (continued)

Self-Insured General and Auto Liability (continued)

In prior years, the CVMIC paid dividends to the City based on a schedule designed to enable the City to partially or totally finance the City's debt service requirements on its related general obligation issue. As of December 31, 2007, the City's debt and the WMIC's debt were paid in full. The WMIC has no assets, liabilities or financial activity for the year ended December 31, 2010. CVMIC continues to pay dividends that are used to pay the City's insurance premiums.

Complete financial statements for the year ended December 31, 2010 for the CVMIC can be obtained from the CVMIC administrative office at 9898 W. Bluemound Road, Wauwatosa, WI 53226-4319.

Member equity in the CVMIC includes the following components:

- Member equity ownership attributable to the WMIC bonds (\$25 million) is based on the amount of the bond the member delivered in proportion to the bonds delivered by all members. The City's percentage participation in WMIC and CVMIC at December 31, 2011 was 4.74% or \$1,184,453.
- Member equity ownership attributable to earnings on premiums and other non-borrowed assets is based on the aggregate premiums paid by the member in proportion to the premiums paid by all members, weighted to reflect length of membership. The CVMIC component of ownership as of December 31, 2011 was not significant to these financial statements.

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

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 5 - OTHER INFORMATION (continued)

B. Risk Management (continued)

Self-Insured General and Auto Liability (continued)

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

At December 31, 2011, the Risk Management General Liability Fund had net assets of \$1,412,924, which includes the City's Investment in CVMIC of \$1,184,453.

Changes in the claim liability amounts for the years ended December 31, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Unpaid claims - Beginning of Year	\$ 156,850	\$ 71,753
Current year claims and changes in estimates	122,638	221,931
Claim payments	<u>83,186</u>	<u>136,834</u>
Unpaid claims - End of Year	<u>\$ 196,302</u>	<u>\$ 156,850</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 5 - OTHER INFORMATION (continued)

B. Risk Management (continued)

Self-Insured Medical Care Coverage Plan

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

All funds of the City participate in the plan. The City does not maintain a reserve for the coverage of catastrophic losses. The claims liability of \$620,648 reported in the Internal Service Fund at December 31, 2011, is based on the requirements of the Governmental Accounting Standards Board Statement No. 10, which requires that a liability for claims be reported if information prior to the issuance of the financial statements indicates that it is probable that a liability has been incurred at the date of the financial statements and the amount of loss can be reasonably estimated. Changes in the claims liability amount for the years ended December 31, 2011 and 2010 were as follows:

	<u>Beginning Balance</u>	<u>Claims and Changes in Estimates</u>	<u>Claim Payments</u>	<u>Ending Balance</u>
2010	\$ 455,424	6,699,016	\$ 6,707,150	\$ 447,290
2011	447,290	7,057,955	6,884,597	620,648

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

Employee insurance	\$ 2,793,878
Other post employment obligation	<u>(13,666,025)</u>
Total	<u>\$ (10,872,147)</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 5 - OTHER INFORMATION (continued)

C. Other Postemployment Benefits

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

Plan Description

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

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

The plan does not issue stand-alone financial statements.

Funding Policy

The contribution of plan members and the employer are established and may be amended by the City Common Council. The required contribution is based on pay-as-you-go financing. For 2011, City and plan members receiving benefits paid approximately \$1,776,218 toward medical insurance for retirees. This represents 6.97% of total covered payroll for the year.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 5 - OTHER INFORMATION (continued)

C. Other Postemployment Benefits (continued)

Annual OPEB Costs and Net OPEB Obligation

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

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

Annual Required Contribution (ARC)	\$ 5,185,487
Interest on Net OPEB Obligation	407,561
Adjustment to ARC	<u>(566,571)</u>
Annual OPEB Cost	5,026,477
Contribution made	<u>(1,776,218)</u>
Increase in net OPEB Obligation	3,250,259
Net OPEB obligation- beginning of year	<u>10,415,766</u>
 Net OPEB obligation - end of year	 <u>\$ 13,666,025</u>

The City's annual OPEB costs, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for 2011, 2010 and 2009 are as follows:

<u>Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
12/31/2009	\$ 5,437,469	32.47%	\$ 7,319,274
12/31/2010	4,869,774	36.41%	10,415,766
12/31/2011	5,026,477	35.34%	13,666,025

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 5 - OTHER INFORMATION (continued)

C. Other Postemployment Benefits (continued)

Funded Status and Funding Progress

The most recent actuarial valuation conducted by the City of Wauwatosa was as of October 1, 2010.

The actuarial accrued liability for benefits was \$52,326,127 and the actuarial value of assets was zero, resulting in an unfunded actuarial accrued liability (UAAL) of \$52,326,127. The covered payroll (annual payroll of active employees covered by the plan) was \$25,443,611 and the ratio of the UAAL to the covered payroll was 205.66 percent.

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend amounts determined regarding the funded status of the plan and the annual required contributions of the Employer, and are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

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

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

The actuarial accrued liability for the benefits is amortized over an open period of 30 years.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 5 - OTHER INFORMATION (continued)

D. Antenna Lease Agreements

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

Rental income from rental of the water towers reported in other water revenues amounted to \$169,731.

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

2012	\$	173,249
2013		173,979
2014		175,366
2015		197,536
2016		211,991
2017-2019		<u>645,762</u>
		<u>\$ 1,577,883</u>

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

E. Commitments and Contingencies

Also, the City self-insures its general liability, medical, dental and worker's compensation insurance up to specified limits. City's management and legal counsel do not anticipate any material losses from known occurrences.

The City participates in a number of State and Federally assisted grant programs. These programs are subject to program compliance audits by grantors or their representatives. The audits of these programs for or including the year ended December 31, 2011 have not been conducted. Accordingly, the City's compliance with applicable grant requirements will be established at some future date. The amount, if any, of expenditures which may be disallowed by the granting agencies cannot be determined at this time, although the City expects such amounts, if any, to be immaterial.

On April 24, 2007 the City entered into a Developer agreement which included a Municipal Revenue Obligation to reimburse eligible project costs incurred by the developer. This obligation is payable solely from a portion of the Tax Incremental District No. 2 increment as defined by the developer agreement. Should the TIF close before the project costs are repaid, the City is not liable for any additional payments. Costs are reported as project costs in the year paid. Total costs that could be reimbursed amount to \$6,447,658. 2009 was the first year in which the City made a payment under this agreement. The amount the City paid in 2011 was \$393,367. Cumulative payments made through 2011 are \$1,034,985.

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

NOTE 5 - OTHER INFORMATION (continued)

F. Subsequent Events

Management evaluated subsequent events through June 20, 2012, the date the financial statements were available to be issued. Events or transactions occurring after December 31, 2011, but prior to June 20, 2012 that provide additional evidence about conditions that existed at December 31, 2011, have been recognized in the financial statements for the year ended December 31, 2011. Events or transactions that provided evidence about conditions that did not exist at December 31, 2011 but arose before the financial statements were available to be issued have not been recognized in the financial statements for the year ended December 31, 2011.

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

A. Plan Summaries

The City has created four Tax Incremental District funds. Tax Incremental District No. 2 was created on January 1, 1995, and its dissolution date is January 1, 2022. There have been three amendments to Tax Incremental District No. 2, occurring on April 15, 1997, April 20, 2004, and in April, 2007. These amendments did not affect the dissolution date of January 1, 2022. Tax Incremental District No. 3 was created on January 1, 2001, and its dissolution date is January 1, 2028. The Tax Incremental District No. 3 plan was amended on August 1, 2006. The amendment did not affect the dissolution date. Tax Incremental District No. 4 was created on January 1, 2002 and its dissolution date is January 1, 2029. Tax Incremental District No. 5 was created on April 3, 2007 and has a dissolution date of January 1, 2034. Tax Incremental District No. 6 was created on October 4, 2010 and has a dissolution date of October 4, 2037.

B. Cash and Investments

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

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

C. Interfund Advances

The City of Wauwatosa General Fund advanced \$575,000 to the City of Wauwatosa Tax Incremental District No. 4 in 2002. This advance incurs interest at rates ranging from 4.3 to 6.45% and is due in annual installments from 2011 to 2016. The outstanding balance as of December 31, 2011 was \$315,000.

A repayment schedule of the interfund advance is as follows:

Calendar			
Year	Principal	Interest	Total
2012	55,000	19,933	74,933
2013	60,000	16,550	76,550
2014	65,000	12,800	77,800
2015	70,000	8,673	78,673
2016	65,000	4,193	69,193
	<u>\$ 315,000</u>	<u>\$ 62,149</u>	<u>\$ 377,149</u>

As of December 31, 2011, \$427,659 is available in the Special Revenue Fund for debt payments.

D. Long-term Debt

Aggregate maturities of all long-term debt relating to Tax Incremental District No. 2 are shown below. As of December 31, 2011, \$24,131,229 is available in the Special Revenue TIF and Redevelopment Authority Lease Revenue Bond Funds for debt payments.

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

<u>Calendar Year</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 8,475,000	\$ 1,168,925	\$ 9,643,925
2013	2,375,000	802,626	3,177,626
2014	2,500,000	679,126	3,179,126
2015	2,600,000	549,126	3,149,126
2016	3,600,000	399,626	3,999,626
2017	3,350,000	192,626	3,542,626
	<u>\$ 22,900,000</u>	<u>\$ 3,792,055</u>	<u>\$ 26,692,055</u>

**CITY OF WAUWATOSA, WISCONSIN
NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2011**

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

E. Supplemental Information

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

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

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

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

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

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF WAUWATOSA, WISCONSIN
SCHEDULE OF FUNDING PROGRESS
OTHER POSTEMPLOYMENT BENEFITS
RETIREE HEALTH AND LIFE INSURANCE
For the Year Ended December 31, 2011

Year Ending	Actuarial Valuation Date	Actuarial Value of Assets	Actuarial Liability (AAL) Unit Credit Actuary Method	Unfunded AAL (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
12/31/2009	10/1/2008	\$ -	\$ 52,485,692	\$ 52,485,692	0.00%	\$ 26,655,772	196.90%
12/31/2010	10/1/2010	-	52,326,127	52,326,127	0.00%	25,443,611	205.66%

APPENDIX B

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

August 21, 2012

Re: City of Wauwatosa, Wisconsin ("Issuer")
\$12,400,000 General Obligation Promissory Notes, Series 2012,
dated August 21, 2012 ("Notes")

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

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

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

<u>Year</u>	<u>Principal Amount</u>	<u>Interest Rate</u>
2013	\$ 875,000	0.35%
2014	775,000	2.00
2015	800,000	2.00
2016	900,000	2.00
2017	1,275,000	2.00
2018	1,550,000	2.00
2019	1,500,000	2.00
2020	1,575,000	2.00
2021	1,675,000	2.00
2022	1,475,000	2.25

Interest is payable semi-annually on June 1 and December 1 of each year commencing on June 1, 2013.

The Notes maturing on June 1, 2021 and thereafter are subject to redemption prior to maturity, at the option of the Issuer, on June 1, 2020 or on any date thereafter. Said Notes are redeemable as a whole or in part, and if in part, from maturities selected by the Issuer and within each maturity, by lot, at the principal amount thereof, plus accrued interest to the date of redemption.

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

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

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

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

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

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

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

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

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APPENDIX C

CONTINUING DISCLOSURE CERTIFICATE

CONTINUING DISCLOSURE CERTIFICATE

This Continuing Disclosure Certificate (the "Disclosure Certificate") is executed and delivered by the City of Wauwatosa, Milwaukee County, Wisconsin (the "Issuer") in connection with the issuance of \$12,400,000 General Obligation Promissory Notes, Series 2012, dated August 21, 2012 (the "Securities"). The Securities are being issued pursuant to Resolutions adopted by the Governing Body of the Issuer on July 17, 2012 and August 7, 2012 (collectively, the "Resolution") and delivered to Robert W. Baird & Co. Incorporated (the "Purchaser") on the date hereof. Pursuant to the Resolution, the Issuer has covenanted and agreed to provide continuing disclosure of certain financial information and operating data and timely notices of the occurrence of certain events. In addition, the Issuer hereby specifically covenants and agrees as follows:

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

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

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

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

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

"Final Official Statement" means the Final Official Statement dated August 7, 2012 delivered in connection with the Securities, which is available from the MSRB.

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

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

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

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

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

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

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

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

"SEC" means the Securities and Exchange Commission.

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

(a) The Issuer shall, not later than 270 days after the end of the Fiscal Year, commencing with the year that ends December 31, 2012, provide the MSRB with an Annual Report filed in accordance with Section 1(b) of this Disclosure Certificate and which is consistent with the requirements of Section 4 of this Disclosure Certificate. The Annual Report may be submitted as a single document or as separate documents comprising a package, and may cross-reference other information as provided in Section 4 of this Disclosure Certificate; provided that the Audited Financial Statements of the Issuer may be submitted separately from the balance of the Annual Report and that, if Audited Financial Statements are not available within 270 days after the end of the Fiscal Year, unaudited financial information will be provided, and Audited Financial Statements will be submitted to the MSRB when and if available.

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

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

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

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

Section 5. Reporting of Material Events.

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

1. Principal and interest payment delinquencies;
2. Non-payment related defaults, if material;
3. Unscheduled draws on debt service reserves reflecting financial difficulties;
4. Unscheduled draws on credit enhancements reflecting financial difficulties;
5. Substitution of credit or liquidity providers, or their failure to perform;
6. Adverse tax opinions, the issuance by the Internal Revenue Service of proposed or final determinations of taxability, Notices of Proposed Issue (IRS Form 5701-TEB) or other material notices or determinations with respect to the tax status of the Securities, or other material events affecting the tax status of the Securities;
7. Modification to rights of holders of the Securities, if material;
8. Securities calls, if material, and tender offers;
9. Defeasances;
10. Release, substitution or sale of property securing repayment of the Securities, if material;
11. Rating changes;
12. Bankruptcy, insolvency, receivership or similar event of the Issuer;
13. The consummation of a merger, consolidation, or acquisition involving the Issuer or the sale of all or substantially all of the assets of the Issuer, other than in the ordinary course of business, the entry into a definitive agreement to undertake such an action or the termination of a definitive agreement relating to any such actions, other than pursuant to its terms, if material; and
14. Appointment of a successor or additional trustee or the change of name of a trustee, if material.

For the purposes of the event identified in subsection (a)12. above, the event is considered to occur when any of the following occur: the appointment of a receiver, fiscal agent

or similar officer for the Issuer in a proceeding under the U.S. Bankruptcy Code or in any other proceeding under state or federal law in which a court or governmental authority has assumed jurisdiction over substantially all of the assets or business of the Issuer, or if such jurisdiction has been assumed by leaving the existing governing body and officials or officers in possession but subject to the supervision and orders of a court or governmental authority, or the entry of an order confirming a plan of reorganization, arrangement or liquidation by a court or governmental authority having supervision or jurisdiction over substantially all of the assets or business of the Issuer.

(b) When a Material Event occurs, the Issuer shall, in a timely manner not in excess of ten business days after the occurrence of the Material Event, file a notice of such occurrence with the MSRB. Notwithstanding the foregoing, notice of Material Events described in subsections (a) (8) and (9) need not be given under this subsection any earlier than the notice (if any) of the underlying event is given to holders of affected Securities pursuant to the Resolution.

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

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

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

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

Section 9. Additional Information. Nothing in this Disclosure Certificate shall be deemed to prevent the Issuer from disseminating any other information, using the means of dissemination set forth in this Disclosure Certificate or any other means of communication, or including any other information in any Annual Report or notice of occurrence of a Material Event, in addition to that which is required by this Disclosure Certificate. If the Issuer chooses

to include any information in any Annual Report or notice of occurrence of a Material Event in addition to that which is specifically required by this Disclosure Certificate, the Issuer shall have no obligation under this Disclosure Certificate to update such information or include it in any future Annual Report or notice of occurrence of a Material Event.

Section 10. Default. (a) Except as described in the Final Official Statement, in the previous five years, the Issuer has not failed to comply in all material respects with any previous undertakings under the Rule to provide annual reports or notices of material events.

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

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

IN WITNESS WHEREOF, we have executed this Certificate in our official capacities effective the 21st day of August, 2012.

Kathleen Ehley
Mayor

(SEAL)

Carla A. Ledesma
City Clerk