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City of West Allis Matter Summary

7525 W. Greenfield Ave.
West Allis, WI 53214

File Number	Title	Status
2004-0602	Communication	In Committee
Comptroller/Manager of Finance submitting the City of West Allis Audited Financial Statement Package for the period ended December 31, 2003.		
Introduced: 10/5/2004		Controlling Body: Administration & Finance Committee

COMMITTEE RECOMMENDATION Recommended for Approval

ACTION DATE:	MOVER	SECONDER		AYE	NO	PRESENT	EXCUSED
<u>10/25/04</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Barczak	<input checked="" type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>	Czaplewski	<input checked="" type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>	Dobrowski				
	<input type="checkbox"/>	<input type="checkbox"/>	Kopplin				
	<input type="checkbox"/>	<input checked="" type="checkbox"/>	Lajsic	<input checked="" type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>	Narlock				
	<input type="checkbox"/>	<input type="checkbox"/>	Reinke	<input checked="" type="checkbox"/>			
	<input type="checkbox"/>	<input type="checkbox"/>	Sengstock				
	<input type="checkbox"/>	<input type="checkbox"/>	Vitale				
	<input type="checkbox"/>	<input type="checkbox"/>	Weigel				<input checked="" type="checkbox"/>
			TOTAL	<u>4</u>	<u>0</u>		<u>1</u>

SIGNATURE OF COMMITTEE MEMBER

[Signature] _____
 Chair Vice-Chair Member

COMMON COUNCIL ACTION approval

ACTION DATE:	MOVER	SECONDER		AYE	NO	PRESENT	EXCUSED
<u>11-3-04</u>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Barczak	<input checked="" type="checkbox"/>			
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Czaplewski	<input checked="" type="checkbox"/>			
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Dobrowski	<input checked="" type="checkbox"/>			
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Kopplin	<input checked="" type="checkbox"/>			
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Lajsic	<input checked="" type="checkbox"/>			
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Narlock	<input checked="" type="checkbox"/>			
	<input checked="" type="checkbox"/>	<input checked="" type="checkbox"/>	Reinke	<input checked="" type="checkbox"/>			
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sengstock	<input checked="" type="checkbox"/>			
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Vitale	<input checked="" type="checkbox"/>			
	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Weigel	<input checked="" type="checkbox"/>			
			TOTAL	<u>10</u>	<u>1</u>		

**STANDING COMMITTEES OF THE
CITY OF WEST ALLIS COMMON COUNCIL
2004**

ADMINISTRATION & FINANCE

Chair: Michael J. Czaplewski
Vice-Chair: Martin J. Weigel
Gary T. Barczak
Thomas G. Lajsic
Rosalie L. Reinke

PUBLIC WORKS

Chair: Richard F. Narlock
Vice-Chair: Linda A. Dobrowski
Kurt E. Kopplin
Vincent Vitale
James W. Sengstock

SAFETY & DEVELOPMENT

Chair: Thomas G. Lajsic
Vice-Chair: Vincent Vitale
Gary T. Barczak
Martin J. Weigel
Rosalie L. Reinke

LICENSE & HEALTH

Chair: Kurt E. Kopplin
Vice-Chair: James W. Sengstock
Linda A. Dobrowski
Richard F. Narlock
Michael J. Czaplewski

ADVISORY

Chair: Rosalie L. Reinke
Vice-Chair: Gary T. Barczak
Linda A. Dobrowski
Vincent Vitale
Martin J. Weigel

MANAGEMENT LETTER
CITY OF WEST ALLIS, WISCONSIN
DECEMBER 31, 2003



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MANAGEMENT LETTER

CITY OF WEST ALLIS, WISCONSIN

DECEMBER 31, 2003



Honorable Mayor and Common Council
City of West Allis
Milwaukee County, Wisconsin

We have completed our audit of the basic financial statements of the City of West Allis, Wisconsin for the year ended December 31, 2003. The City's basic financial statements, including our report thereon, are presented in a separate audit report document. Included in the City's audit report is the following additional auditor's report required by government auditing standards:

Report on Compliance and on Internal Control Over Financial Reporting Based on an Audit of
Basic Financial Statements Performed in Accordance with Government Auditing Standards

The above report states that our consideration of the internal control structure did not disclose any conditions that we believe to be material weaknesses and that nothing came to our attention to indicate that the City was not in compliance with laws, regulations, contracts and grants for which noncompliance with could have a material effect on the City's basic financial statements.

Our responsibility under auditing standards, as prescribed by auditing standards generally accepted in the United States of America promulgated by the American Institute of Certified Public Accountants (AICPA) and *Government Auditing Standards* issued by the Comptroller General of the United States, is to plan and perform our audit to obtain reasonable assurance about whether the basic financial statements are free of material misstatement. An audit in accordance with auditing standards generally accepted in the United States of America and *Government Auditing Standards* does not provide absolute assurance or guarantee the accuracy of the financial statements and is subject to the inherent risk that errors, irregularities (or illegal acts), or noncompliance with the provisions of laws, regulations, contracts and grants, if existing, have not been detected. Such standards require that we obtain a sufficient understanding of the City's internal control structure to plan the audit. However, such understanding and any tests performed with respect to such internal controls, or as to compliance with laws, regulations, contracts and grants, were for the purpose of expressing our opinion on the City's basic financial statements and not to form an opinion or provide any assurance concerning such internal control structure or compliance. We could, however, as a separate engagement, be engaged to perform agreed-upon procedures or examine and report on management's assertion about the internal control structure or that management complied with specified laws and regulations. Such engagements would be conducted in accordance with AICPA standards for attestation engagements.

Presented on the following page is a table of contents for enclosed information and comments about financial and administrative matters that came to our attention during our audit of the City's basic financial statements. The basic purpose of the enclosed is to provide recommendations for improving the internal control structure and to provide financial information to assist management in the decision making process.

Sincerely,

Certified Public Accountants
Green Bay, Wisconsin
May 28, 2004

CITY OF WEST ALLIS, WISCONSIN
December 31, 2003

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SUMMARY FINANCIAL INFORMATION

1. Governmental Fund Balances

Presented below is a summary of the various City governmental fund balances on December 31, 2003, including a comparison to the prior year. This information is presented for assisting management in assessing financial results for 2003 and for indicating financial resources available for the start of the 2004 budget year.

	12/31/03	12/31/02
General Fund		
Reserved		
Encumbrances	\$ 578,370	\$ 1,186,082
Inventories and prepaid items	513,138	613,710
Long-term receivables	698,728	684,335
Subsequent year's budget	519,407	864,327
Unreserved, Designated		
Subsequent years' expenditures	944,149	794,149
Contingency	2,501,480	2,500,000
Land/building acquisition	2,500,000	3,500,000
Capital accumulation	1,534,713	982,399
Insurance	1,200,000	1,200,000
Workers compensation	1,000,000	1,000,000
Dental insurance	50,000	50,000
Unfunded pension liability	3,000,000	2,000,000
Computer/technology improvements	-	1,000,000
Productivity/operation improvement	100,000	100,000
Tax refunds	100,000	100,000
Tax levy reduction	1,000,000	-
Unreserved, Undesignated	4,414,588	3,747,605
Total General Fund	20,654,573	20,322,607
Special Revenue Funds		
Rental rehabilitation loans	366,066	298,573
HOME Program	746,198	395,338
Rental energy program	25,917	22,681
Housing programs	237,841	403,277
Cable communications	747,259	749,889
Health grants	(619)	(619)
Police grants	(47,288)	(47,288)
Fire grant	38,296	53,296
Miscellaneous grants	(87)	(87)
Storm water fund	-	2,465,189
Total Special Revenue Funds	2,113,583	4,340,249
Debt Service Fund	57,218	88,084
Capital Projects Funds		
Public works improvements	5,270,793	7,828,818
Tax Increment District No. 1	(270,578)	(261,947)
Tax Increment District No. 2	(648,449)	(650,655)
Tax Increment District No. 3	1,270,161	1,255,586
Tax Increment District No. 4	(229,252)	1,195,906
Tax Increment District No. 5	(4,542,057)	(1,787,399)
Total Capital Projects Funds	850,618	7,580,309
Total Governmental Fund Balances	\$23,675,992	\$32,331,249

The unreserved, undesignated general fund balance of \$4,414,588 represents a balance of 8.8% of the annual general fund budget. As a general guideline, cities should maintain a minimum undesignated general fund balance of between 8% and 10% of the annual general fund budget.

2. Water Utility

Presented below is a comparative summary of revenues, expenses and changes in net assets for the water utility enterprise fund for the years ended December 31, 2003 and 2002:

	2003	2002
Operating Revenues		
Charges for services	\$6,071,366	\$5,687,199
Operating Expenses		
Operation and maintenance	4,658,705	4,335,312
Depreciation	418,849	376,858
Total Operating Expenses	5,077,554	4,712,170
Operating Income	993,812	975,029
Nonoperating Revenues (Expenses)		
Interest	(73,265)	(87,203)
Merchandising and jobbing	(18,049)	(7,925)
Total Nonoperating Revenues (Expenses)	(91,314)	(95,128)
Income Before Capital Contributions and Transfers	902,498	879,901
Capital contributions	45,455	42,698
Transfers	(592,398)	(613,556)
Change in Net Assets	355,555	309,043
Net Assets - January 1	15,758,239	15,449,196
Net Assets - December 31	\$16,113,794	\$15,758,239

The water utility had a change in net assets of \$355,555 for 2003 compared to a change in net assets of \$309,043 for 2002.

3. Sanitary Sewer Utility

Presented below is a comparative summary of revenues, expenses and changes in net assets for the sanitary sewer utility enterprise fund for the years ended December 31, 2003 and 2002:

	2003	2002
Operating Revenues		
Charges for services	\$4,368,971	\$3,977,126
Operating Expenses		
Operation and maintenance	3,061,588	3,153,138
Administration	391,812	492,092
Depreciation	169,167	166,401
Total Operating Expenses	3,622,567	3,811,631
Operating Income	746,404	165,495
Nonoperating Revenues (Expenses)		
Interest	(248,667)	(255,811)
Gain (loss) on sale of assets	74,208	(1,086)
Merchandising and jobbing	5,171	4,791
Total Nonoperating Revenues (Expenses)	(169,288)	(252,106)
Income (Loss) Before Capital Contributions and Transfers	577,116	(86,611)
Capital contributions	-	2,121
Transfers	(21,158)	-
Change in Net Assets	555,958	(84,490)
Net Assets - January 1	7,971,140	8,055,630
Net Assets - December 31	\$8,527,098	\$7,971,140

The sewer utility generated a change in net assets of \$555,958 for 2003 compared to a change in net assets of (\$84,490) for 2002.

4. Storm Water Utility

Presented below is a summary of revenues, expenses and changes in net assets for the storm water utility enterprise fund for the year ended December 31, 2003:

	<u>2003</u>
Operating Revenues	
Charges for services	<u>\$2,390,952</u>
Operating Expenses	
Operation and maintenance	1,089,035
Administration	44,938
Depreciation	336,760
Total Operating Expenses	<u>1,470,733</u>
Operating Income	<u>920,219</u>
Nonoperating Revenues (Expenses)	
Merchandising and jobbing	<u>4,084</u>
Income (Loss) Before Capital Contributions and Transfers	924,303
Capital contributions	2,122,525
Transfers	<u>(279,334)</u>
Change in Net Assets	2,767,494
Net Assets - January 1	<u>19,687,234</u>
Net Assets - December 31	<u><u>\$22,454,728</u></u>

The storm water utility generated operating income of \$920,219 for 2003.

COMMENTS AND OBSERVATIONS

1. Implementation of GASB Statements No. 34, 37 and 38

The City's 2003 financial statements are presented in accordance with the new financial reporting model for governmental entities as required by *Governmental Accounting Standards Board (GASB) Statements No. 34, 37 and 38*. Previously, the current financial resources measurement focus was used for governmental activities whereby only current assets and current liabilities were included on the fund balance sheet. Due to the significance of the restatement and changes to fund structure, it was not practical to present comparative data for the 2002 calendar year in the basic financial statements.

While fund financial statements are still included in the City's Annual Financial Report, the new reporting model offers many new features which we have summarized below:

- *Government-wide Financial Statements.* A "Statement of Net Assets" and a "Statement of Activities" have been added to the City's basic financial statements on pages 33 - 35. These statements consolidate financial reporting for governmental and business-type activities of the City. In addition, governmental activities in the government-wide financial statements are now accounted for in the same way as business-type activities (full accrual accounting) to provide financial statement users with a long-term financial perspective on these activities. Accordingly, capital assets including infrastructure (streets, bridges and storm sewers) and debt issued by the City are reported within the governmental activities. The new government-wide financial statements complement the City's fund financial statements which continue to be reported on the short-term focus traditionally associated with these activities.

The statement of activities classifies expenses, including depreciation on capital assets, to functional areas. Revenues have been further classified into program revenues (those derived directly from a specific function) and general revenues (includes taxes, grants not relating to a specific program and interest income).

- *Management Discussion and Analysis (MD&A).* A MD&A is included on pages 19 - 32 of the City's Annual Financial Report. The MD&A is designed to provide financial statement users with an overview and narrative analysis of the City's basic financial statements, including current economic factors and budgetary highlights. Because it was not practical, comparative information from 2002 was not provided. In future years, MD&A will include two years of financial information to provide comparative analysis.
- *Major Fund Disclosures.* In the past, the City's fund financial statements have aggregated all information for a fund type into one column. The new reporting model requires fund financial data to be included in the City's basic financial statements for all major funds of the City. For 2003, the City's major governmental funds are the general fund and debt service fund. All other funds are aggregated and reported as nonmajor funds in the fund financial statements. This additional reporting of major fund information should be more useful to the City's financial statement users.
- *Additional Budgetary Reporting.* In the past, comparisons of the City's actual results were based on the final amended budget of the City. Under the new reporting model, both the original and final amended budgets are presented for the general and any major special revenue fund.

2. Evaluating Organizations for Inclusion in the City's Financial Statements

The Governmental Accounting Standards Board (GASB) has issued GASB Statement No. 39, "Determining Whether Certain Organizations Are Component Units". The statement provides criteria to determine whether certain organizations, based on the nature and significance of their relationship with the primary government, should be reported as component units of the government.

The statement requires a legally separate, tax-exempt organization to be reported as a component unit of the government 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, or its component unit, 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.

Organizations that meet the above criteria would be reported in a separate column in the primary government's financial statement.

The provisions of this statement are effective for the City's financial statements ending December 31, 2004.

We recommend that the City review its relationship with various organizations to determine if they meet the above criteria. Common organizations that should be reviewed include library foundations, crime prevention foundations, fund-raising organizations, and sports organizations. We are available to assist you.

OTHER REQUIRED COMMUNICATION

In accordance with the requirements of government auditing standards generally accepted in the United States of America, the following disclosures are presented:

1. Significant Accounting Policies

The significant accounting policies used in the preparation of the financial statements are disclosed in Note A to the basic financial statements. There have been no material unusual transactions or controversial accounting issues.

2. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgements. We are not aware of any particularly sensitive accounting estimates used by management in the preparation of the financial statements.

3. Significant Audit Adjustments

The financial statements reflect all accounting adjustments proposed during our audit. None of the adjustments were considered significant to the financial condition or operating results of the City. Copies of the audit adjustments are available from management.

4. Other Information in Documents Containing Audited Financial Statements

All the information included in the basic financial statements has been audited. Our responsibilities are addressed in the Independent Auditor's Report.

5. Disagreements with Management

We have had no material disagreements with management. For the purposes of this disclosure, professional accounting standards define a disagreement with management as a matter concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report.

6. Consultations with Other Auditors

To the best of our knowledge, management has not consulted with or obtained opinions from other independent auditors on auditing and accounting matters during the past year.

7. Issues Discussed Prior to the Current Audit

We have discussed various accounting and financial issues, including the application of any new and changed accounting principles or auditing standards, with management prior to conducting the audit. These discussions occurred in the normal course of our professional relationship and our responses were not a condition to completing the services as your auditor.

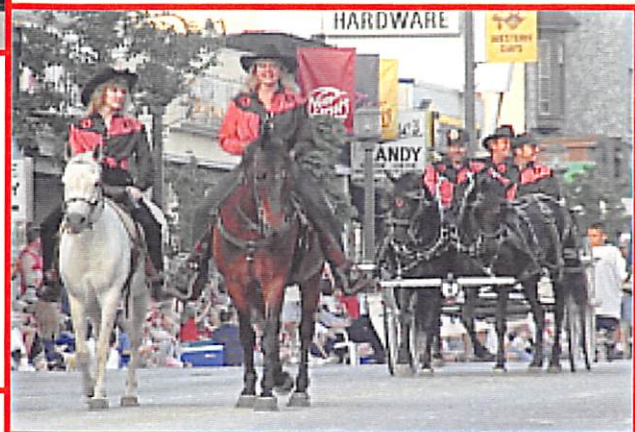
8. Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing the audit.

COMPREHENSIVE ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED
DECEMBER 31, 2003

WEST ALLIS WISCONSIN



COMPREHENSIVE ANNUAL FINANCIAL REPORT

CITY OF WEST ALLIS, WISCONSIN
for the year ended December 31, 2003



PREPARED BY THE FINANCE DIVISION

Gary Schmid, CPA, CGFM
Manager of Finance

Kris Moen, CPA
Finance Supervisor

Mary Storbeck
Senior Accountant

Larry Jansen, CPA
Senior Accountant

Nicholas Owen
Administrative Intern

Christine Phinney
Grants Accountant

On the Cover:

Summit Place - Constructed in 2003, Summit Place is the \$100 million redevelopment of the former Allis-Chalmers Manufacturing Complex into over 500,000 square feet of modern loft office space. The revitalization of this underutilized former industrial building has the potential to attract over 2,600 jobs to West Allis.

State Fair Park - While in August of 2003 the Wisconsin State Fair had its 153rd running, the current site in West Allis has been the home of the state fair since 1892. The State Fair got its start in Janesville in 1851 before it found a permanent home in West Allis at its current location.

Western Days - West Allis Western Days/Family Jamboree is sponsored by the West Allis Charities, Inc. The Charities was established in 1964. Western Days, held in June each year, is the Charities' major fundraiser. The four-day celebration, the second largest event held at the fairgrounds, attracts 150,000 people and starts with a parade of 500 horses plus antique carriages and marching bands.

Historic Building - Two of the West Allis Historical Society's main attractions are the former Garfield School, and the Sesquicentennial log cabin. The Garfield School is now home to the West Allis Historical Society, after being purchased by the City in 1923. The Sesquicentennial log cabin is a replica of a log schoolhouse built in 1843.

CITY OF WEST ALLIS, WISCONSIN
December 31, 2003

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December 31, 2003

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CITY OF WEST ALLIS, WISCONSIN
December 31, 2003

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INTRODUCTORY SECTION



CITY OF WEST ALLIS

WISCONSIN



Department of Administration & Finance
Finance Division

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Finance Supervisor

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Mary Storbeck

Senior Accountant

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Larry Jansen, CPA

Senior Accountant

ljansen@ci.west-allis.wi.us

August 20, 2004

Honorable Mayor Jeannette Bell
Members of the Common Council

We are pleased to submit the Comprehensive Annual Financial Report of the City of West Allis, Wisconsin, for the year ended December 31, 2003. This report has been prepared by the City's Finance Division. Although the Financial Statements were examined by independent auditors, as stated in their report on pages 17, the responsibility for both the accuracy of the presented data and the completeness and fairness of the presentation, including all disclosures, rests with the City. We believe the data, as presented, is accurate in all material respects, that it is presented in a manner designed to fairly set forth the financial position and results of operations of the City as measured by the financial activity of its various funds; and all necessary disclosures to enable the reader to gain maximum understanding of the City's financial affairs have been included. This letter of transmittal is designed to complement the Management's Discussion and Analysis (MD & A) and should be read in conjunction with it. The City of West Allis' MD & A can be found immediately following the report of the independent auditors.

This financial report is divided into four major sections. The Introductory Section begins with this transmittal letter, the Certificate of Achievement for Excellence in Financial Reporting for the year ended December 31, 2002, the City's organizational chart and a listing of the elected officials. This is followed by the financial section which includes the independent auditors' report on the basic financial statements and supplementary schedule of expenditures of federal awards and schedule of state financial assistance. Completing the financial section is the management's discussion and analysis and the basic financial statements, required supplemental information, other supplemental information.

The Statistical Section, which is unaudited, includes general information and major departments and related activities along with further information on selected financial and demographic information, generally presented on a multi-year basis. Due to changes required by implementing GASB 34 several of the charts will reflect 2003 information only.

The Supplemental Reports Section includes the auditors' report on internal control, report on federal and state financial assistance (Single Audit), and reports on compliance.

Profile of the Government

The City of West Allis is located in Milwaukee County immediately west of the City of Milwaukee. Incorporated in 1906, West Allis has grown from an initial population of 2,300 to become the tenth largest city in the State of Wisconsin, with a population of 61,254 according to the 2000 census. State estimated 2003 population 60,923.

Located near, and servicing West Allis, are two airports, one for commercial aviation and one for general aviation, both owned and operated by Milwaukee County. Milwaukee County also runs the Countywide Transit System, which services West Allis. The County also owns and operates an excellent Public

Museum, Humphrey IMAX Theater, a well-known zoo, and Miller Park, home of the Milwaukee Brewers. West Allis is the home of the Wisconsin State Fair Grounds, which is the location of several important national, state, regional and local activities. The State Fair Grounds are also the home of The Pettit Olympic Ice Arena, which is the only operating Olympic sized ice rink in North America and the site of Olympic speed skating training. Also on the State Fair Grounds is a one-mile racetrack, which is the host of several auto races annually, including the Miller 250.

Companies such as Quad Graphics, Aurora Home Medical Services, Briggs & Stratton, Chris Hansen Laboratory Inc, C & H Distributors and many other large, medium and small businesses of a diversified nature are located in West Allis, as well as many financial institutions and places of worship.

The City of West Allis sponsors several parades and celebrations annually, including National Night Out and the Western Days festivities, the latter of which includes the largest non-motorized parade in the world, which is held during the month of June.

West Allis is served by two railways, the Union Pacific Railroad and the Milwaukee Road. Also serving the Metropolitan area, including West Allis, is The Midwest Express Center, the Bradley Center, home of the Milwaukee Bucks, Milwaukee Admirals, and the Marquette Golden Eagles, and the Summerfest Grounds, home of the largest annual outdoor music festival in the Midwest, as well as several ethnic festivals held throughout the summer.

The City of West Allis operates and maintains ten parks of varying size throughout the City. In addition, the City also has several large and small county owned and operated parks and golf courses within its boundaries.

The City operates under the Council-Mayor form of government. The Common Council is composed of ten alderpersons elected from five geographic districts, who are elected to four year terms. The Chief Executive Officer of the City is the Mayor, who monitors and supervises departmental operations for the Common Council. The City Administrative Officer assists the Council and Mayor in their overall and day-to-day role of direction and operation of the City.

West Allis is a full service community, providing for: public safety, housing assistance, water distribution and disposal, public works, recreation and general government. The City of West Allis employs on a permanent, full-time basis a total of 536 people. At different times during the year West Allis also employs temporary and part-time help to do seasonal and other work. The City requires that all employees reside within a thirty-minute drive radius of the West Allis city limits within eighteen months of employment. The City operates daily through thirteen departments, headed by ten appointed officials and two elected officials (Attorney & Municipal Judge). Additional information about each of the major departments maybe found in the statistical section.

This report includes all of the funds and account groups of the City. In addition, the financial report includes the Downtown West Allis Business Improvement District (DWABID) which is accounted for as a component unit. Additional information about component units and related organization of the City maybe found in Note A – Sections 1-3 (Page 50).

The City of West Allis maintains budgetary controls; the objective being to ensure compliance with legal provisions embodied in the annual budget adopted by the Common Council in November for the following calendar year. Generally, the majority of all-governmental funds and enterprise funds are included in the annual budget. The statutory level of budgetary control for operating budgets, that is, the level at which expenditures cannot exceed the appropriated amount, is established by activity within each fund.

Each department is required to submit their request to the Mayor prior to the first week in August. After the Mayor has completed their review it is forwarded to Common Council for their evaluation. In November of each year, the Common Council adopts the City budget for the ensuing year. Taxes are mailed in the first week of December to all property taxpayers.

Management of the City is responsible for establishing and maintaining an internal control structure to provide reasonable, but not absolute, assurance regarding (1) the safeguarding of assets against loss from unauthorized use or disposition, and (2) the reliability of financial records for preparing financial statements and maintaining accountability of assets. The concept of reasonable assurances recognizes that: (1) the cost of control should not exceed the benefits likely to be derived, and (2) the valuation of costs and benefits requires estimates and judgments by management.

As a recipient of Federal and State financial assistance, the government is also responsible for ensuring that an adequate internal control structure is in place to ensure compliance with applicable laws and regulations related to those programs. This internal control structure is subject to periodic evaluation by management.

FACTORS AFFECTING FINANCIAL CONDITIONS

Instead of waiting for development to just occur on its own, the City of West Allis aggressively, in cooperation with local business, Milwaukee County and the State of Wisconsin, reaches out to make it happen. The City's steady growth in value and employment combined with current and proposed undertakings, make West Allis' prospects for the future very favorable.

(1) Downtown West Allis

Downtown West Allis, recognized by Milwaukee Magazine as one of the most underrated shopping areas of the Metro-Milwaukee area, has been in the midst of revitalization. In 2000, the Governor recognized the Downtown area as a Wisconsin Main Street community. The City continues to work with downtown property owners offering commercial façade improvement grants and economic development loans to assist startup businesses. In 2003, a new streetscape was installed with decorative lighting and new pedestrian amenities. In the late 1980's, the downtown had a vacancy rate over 25%. Today, with vacancy at 9%, the downtown is aggressively recruiting new businesses and assisting businesses with new signage. Since 1997, the downtown's total assessed value of the district has increased by over \$3.7 million.

(2) TIF 1 (S. 70th & W. Walker)

Base value:	\$5,781,900
Current value:	\$35,272,900
Original property taxes:	\$161,200
Current property taxes:	\$983,700
Tax Increment:	\$872,065
Debt/Payable Outstanding:	\$2,367,309
Date TIF is to expire:	14 years (2007)

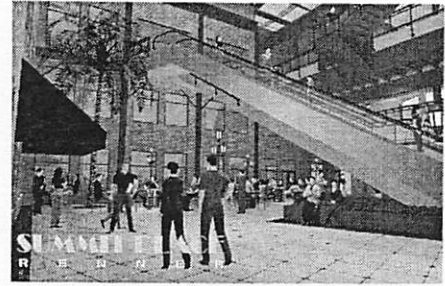


Tax Incremental District No. One was established on October 6, 1992; effective date was January 1, 1993. The District is comprised of two areas – the West Area and the East Area. Within these areas various conditions are exhibited prompting the establishment of the District. These include declining property values at a time when properties throughout the rest of the community are remaining stable or increasing in value. Furthermore, there were a great number of vacant and/or underutilized buildings and properties. Over fifty percent of the coverage area was blighted per section 66.46(2)(a) of the Wisconsin Statutes.

The West Area is generally bounded on the east by S. 70th St., on the south by W. Walker St. from S. 70th St. to S. 72nd St., on the west S. 72 St., and on the north by the City limits. The East Area is generally bounded on the south by W. Mineral St. extended from S. 63rd St. to S. 70th St., on the west by S. 70th St., on the north by the City limits and on the east by S. 63rd St., extended north from W. Mineral St. to the City limits.

(3) TIF 7 (Summit Place)

Base value:	\$14,355,161
Future value:	\$45,255,161
Property taxes now:	\$381,800
Projected property taxes:	\$1,203,700
Tax Increment:	\$0 (new)
Debt/Payable Outstanding:	\$0 (new)
Date TIF is to expire:	13 years (2017)



Tax Incremental District No. Seven is designed to encourage the revitalization of the last two undeveloped vacant and dilapidated former Allis-Chalmers Mfg. Co. properties; (1) the deteriorating Shop Buildings (about 7.8 acres of vacant warehouses) south of W. Washington St. and, (2) an obsolete Utility Corridor (10.7 acres) on the north side of the street. These two underutilized resources, in their current state, continue to foster blighting influence on the area, provide little if any property tax relief and produce virtually no employment. For the City of West Allis and Milwaukee County, the legacy of Allis-Chalmers could be a one-of-a kind office facility that would be the second largest office complex in the Metro Milwaukee area. This campus of one new building and three renovated buildings can accommodate near-term office requirements and future growth totaling over 650,000 sq. ft. and allow for the creation of over 2,600 jobs. The project is being financed primarily through the sale of bonds, land sale proceeds, and federal and state grants such as Wisconsin Department of Commerce Brownfield Grants, and Wisconsin Department of Natural Resources Site Assessment Grants.

(4) TIF 2 (Veterans' Park)

Base value:	\$1,681,600
Current value:	\$8,319,200
Original property taxes:	\$46,900
Current property taxes:	\$232,000
Tax Increment:	\$176,230
Debt/Payable Outstanding:	\$2,098,449
Date TIF is to expire:	23 years (2017)



Tax Incremental District No. Two saw a decline in both appearance and values of properties within the District. This led to declining tax base and falling revenues for the City prompting the establishment of TID #2. In addition, a number of properties within the District were blighted or in need of dire redevelopment. Over seventy four percent of the real property in the District was considered blighted. Many of the structures were non-conforming uses and not consistent with the City's Master Plan. The mixture of land use and property types hindered the City's ability to deliver basic services and provide public safety.

(5) TIF 5 (Six Points/Farmer's Market)

Base value:	\$18,524,000
Future value:	\$63,524,000
Property taxes now:	\$516,600
Projected property taxes:	\$1,771,500
Tax Increment:	\$8,000 (new)
Debt/Payable Outstanding:	\$6,492,057
Date TIF is to expire:	18 years (2019)



Tax Incremental District No. Five consists of approximately 44 acres of land located in a four block long by two block wide corridor in the northeastern portion of West Allis commonly referred to as the "Six Point/Farmer's Market" Neighborhood. The creation of the District was necessary to eliminate and prevent the spread of blight experienced in the years following the closing of the Allis-

Chalmers Mfg. Plant. Currently, there are three submitted development proposals putting forth opportunities to redevelop the area as mixed use residential and commercial.

(6) TIF 8 (Wehr Steel)

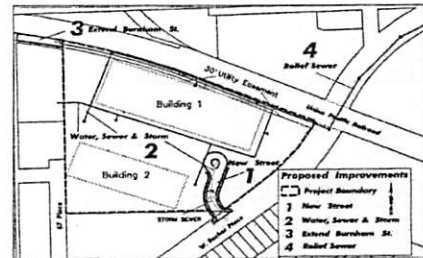
Base value:	\$930,000
Future value:	\$10,645,000
Property taxes now:	\$24,800
Projected property taxes:	\$283,200
Tax Increment:	\$0 (new)
Debt/Payable Outstanding	\$0 (new)
Date TIF is to expire:	7 years (2011)



Tax Incremental District No. Eight consists of 13.25 acres of land formerly occupied by a steel foundry located at 2154 S. 54 Street. A substantial threat of environmental contamination on the property has determined the property to be blighted. Also, footings and foundations not removed from the property when the buildings were demolished in 1991-92 create economic obsolescence and are a substantial impediment to redevelopment of the site for productive use. Proposed project improvement will consist of property acquisition, demolition of buildings remaining footings and foundation, geotechnical improvements (potential soil compaction), environmental remediation, utility and access improvements, financing and administrative costs. The most significant proposed improvements will probably be demolition of the building's remaining footings and foundation, environmental remedial measures, and storm sewer reconstruction. A 36" storm sewer dating back to the 1900's will either need to be reconstructed or relocated to allow for suitable development. The project will be financed through the sale of bonds, land sale proceeds, and federal and state grants such as Community Development Block Grant (CDBG) funds, Wisconsin Department of Commerce Brownfield Grants, and/or Wisconsin Department of Natural Resources Site Assessment Grants.

(7) TIF 6 (Lime Pit)

Base value:	\$386,700
Future value:	\$9,212,700
Property taxes now:	\$10,300
Projected property taxes:	\$245,100
Property Tax Increment:	\$0 (new)
Debt/Payable Outstanding:	\$0 (new)
Date TIF is to expire:	17 years (2021)



Tax Incremental District No. Six consists of 11.61 acres of land located at 1960 S. 67 Place. The site has been used as carbide gas manufacturing plant, a waste storage and transfer facility, an oil/hazardous waste trucking terminal, a salvage/junkyard, and a lime pit, used to store lime slurry. It is important to pursue redevelopment in a proactive approach to prevent the site from accumulating additional fill materials that cannot be developed upon, as well as discarded vehicles. In recognition of all the above, the area is therefore a blighted area and in need of blight elimination and an urban redevelopment project.

To prepare the District for development, the land will need to be cleared and environmental testing and clean-up will be conducted. Project costs will also include relocation of the existing businesses, and site grading and geotechnical work to fill the former lime pits. The project will be financed primarily through the sale of bonds, land sale proceeds, and federal and state grants such as Wisconsin Department of Commerce Brownfield Grants, Wisconsin Department of Natural Resources Site Assessment Grants.

(8) West Allis Memorial Hospital

The hospital is the largest employer in West Allis with over 1,500 employees. Among its specialty services are cardiology, digestive diseases, cancer, orthopedics, women's health, and obstetrics. The hospital underwent a major remodeling project in 1997 and 1998 that allowed the hospital to offer private rooms to all of its patients.

In 2001 completed construction of a 5-story Aurora Women's Health Pavilion. This beautiful facility has specialized programs and services for every stage of a woman's life. It is designed to provide the ultimate in confidence, convenience, and comfort.

More than a decade in the planning, this unique concept in health care delivery was developed through feedback from women throughout southeastern Wisconsin. Women asked for a healing environment that is transformative, restorative, and uplifting. They asked for services that are integrated and can be accessed at a single location.

(9) Chris Hansen Labs

Each day nearly 800 million people consume food products influenced by Chris Hansen. Chris Hansen is among the world's Top 15 suppliers of food ingredients and a global market leader within enzymes for cheese production, bacterial cultures for cheese, yogurt, wine, and meat products, natural colors for the food and beverage industries and special products for the health food, pharmaceutical and agricultural industries.

In January of 2004 production at the West Allis plant switched from 5-days to 7-days a week. Since increased production entails higher storage requirements, Hansen has recently completed building a new 23,000 sq. ft. -55°C freezer last August, the largest of its kind in North America. This project has doubled the US freezer capacity.

Two hundred (200) employees currently are employed with Chris Hansen, West Allis. The company is in the process of reorganization that will consolidate some of its national research and development and corporate functions from New Jersey and Florida to West Allis. Approximately 100 new and relocated employees are expected. Average annual salary at the West Allis facility is \$75,000. Construction of a new three story 60,000 sq. ft. lab and development center is expected in 2005 and construction of a 40,000 sq. ft. corporate center planned as a future phase.

(10) TIF 4 S. 113th and W. Greenfield Ave.

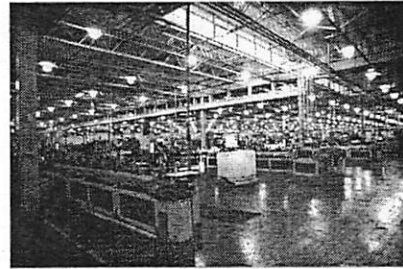
Base value:	\$0
Current value:	\$7,857,300
Original property taxes:	\$0
Current property taxes:	\$219,100
Tax Increment:	\$221,118
Debt/Payable Outstanding:	\$229,252
Date TIF is to expire:	10 years (2005)



Tax Incremental District No. Four consists of approximately 9.9 acres of land that was purchased by the Common Council of the City of West Allis in 1954. Previous to the purchase the property had been a gravel quarry. The City then used the site as a stormwater retention pond. More recently it had been used as a landfill for non-organic demolition material. While development proposals were being solicited, the City undertook a Phase II environmental investigation. The preliminary results revealed substantial amounts of polynuclear aromatic hydrocarbon (PAH) and diesel range organic contamination (DRO) throughout the property. The investigation also revealed a 5,000 sq. ft. area contaminated with iron cyanide. Due to the extensive amount of soil contamination, the property is considered blighted within the definitions of Section 66.46(2)(a) of Wisconsin Statutes.

(12) TIF 3 (Quad Graphics)

Base value:	\$4,307,500
Current value:	\$20,198,600
Original property taxes:	\$120,100
Current property taxes:	\$563,300
Tax Increment:	\$498,157
Debt/Payable Outstanding	\$1,899,839
Date TIF is to expire:	17 years (2011)



Tax Incremental District No. Three consists of a single tax parcel, which is a portion of the former Kearney & Trecker Corporation manufacturing property located in the northwestern part of the City that consists of approximately 40 acres of land approximately 589,000 square feet of building area. The property was abandoned for manufacturing purposes in 1992. It was purchased by the City and subsequently sold to a manufacturing company for printing operations.

(13) Wisconsin State Fair Grounds

West Allis is home of the Wisconsin State Fair Grounds, which is the location of several important national, state, regional and local activities. The State Fair Grounds are also home of the Pettit Olympic Ice Arena, which is the only operating ice rink in North America and the site of Olympic Speed Skating training. Also on the State Fair Grounds is the Milwaukee Mile, a one-mile oval racetrack that hosts several auto races including the Miller 250.

As part of an effort to more effectively utilize the Wisconsin Fair Grounds year round, a new 300,000 sq. ft. exposition center was constructed in 2001. Other recent improvements include new grandstands and upgrades to the track, concession areas and new gateway grand entrances to the Fair Park. The new construction and upgrades represent the use of \$34 million in Industrial Revenue Bonds. Given the State Fair Grounds central location and access to Interstate 94, plans for a future hotel are being discussed.

Cash Management and Investment Portfolio

Cash temporarily idle during the year was invested in repurchase agreements, Wisconsin Local Government Investment Pool, and demand deposits. All cash transactions for City operations are run through two accounts. The main account is to accommodate all vendor checks while the second account is used exclusively for payroll checks. Interest is accumulated on a daily basis and posted to the general account at the end of the month.

The investment of City funds is done in accordance with Secs. 34.01(5) and 66.04 (2), of the Wisconsin State Statutes. The Statutes permit investments in Certificates of Deposit, Government Bonds and Securities, Government Pool and Repurchase Agreements. In 2003 as in the previous few years, the highest concentration of the City's portfolio was maintained in the MBIA Municipal Investors Fund and the Wisconsin Local Government Investment Pool. These investment vehicles continued to provide one of the highest rates of return available with low risk. The ranges of return for the investments were 1.38% to 1.86%.

In 2003, investment interest revenue of \$841,976 and special assessment interest revenue of \$67,186 were credited to the General Fund for a total of \$909,162.

Please see footnote C -1 (Pages 57-58) in the financial statements for additional information.

Risk Management

The City is exposed to a variety of accidental losses and has established a risk management strategy that attempts to minimize losses and the carrying cost of insurance. Various risk control techniques, including employee accident prevention training, have been established to reduce possible losses to persons and property.

The Safety Department offered the following training courses during 2003:

Bloodborne Pathogens	CDL
Chain Saw Operation	CPR
Defibrillator	Diggers Hotline
Ergonomic	Fit Testing Respirator
Front End Loader & Backhoe	Hazard Communication
Hearing Conservation	Lead Awareness
Pre-trip Inspection	Pump Training
Respirator	Spreader Operation
Vehicle Backing	Worker's Compensation Claim Admin.
Web Slings & Inspection	Workzone Traffic Safety

In addition to the above, the Fire Department conducted over 39,000 hours of in-service training. This was approximately 340 hours of training for each member in 2003.

The City participates in a state wide municipal insurance purchasing program (the League of Wisconsin Municipalities Insurance Trust) which provides (a) advisory services of an outside consultant, (b) pool stabilization reserves, and (c) aggregate rates, net of dividends. This program is used for all property, casualty, and liability insurance coverage, including worker's compensation.

Please see Note D – 3 (Page70) in the financial statements for additional information.

Pension and Other Post-employment Benefits

Substantially all employees in the City are covered under the Wisconsin Retirement System (WRS) established under Chapter 41 of Wisconsin Statutes. In addition, approximately 30 individuals remain under the Municipal Police and Fighter's Pension Funds (MPFP). As a matter of policy the City of West Allis fully funds each year's annual required contribution to the WRS and MPFP as determined by the State of Wisconsin.

The unfunded pension liability continues to increase for the City over all because the interest rate of 8% charged on the outstanding balance has been increasing at a faster rate than the required repayment schedule. Please see footnote C (Page 65 – Unfunded Pension) and footnote D – 1 (Pages 68-69) in the financial statements for additional information.

The City provides post-retirement health insurance benefits to those employees who retire from the City at the appropriate retirement age and had been with the City for at least ten years prior to their retirement. At the end of 2003 there were approximately 575 eligible retired employees receiving these benefits, which are financed on a pay-as-you-go basis. Please see footnote C-8 (Pages66) in the financial statements for additional information.

AWARDS

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a **Certificate of Achievement for Excellence in Financial Reporting** to the City of West Allis, Wisconsin, for its Comprehensive Annual Financial Report (CAFR) for the fiscal year ended December 31, 2002. This was the tenth consecutive year that the government has achieved this prestigious award. In order to be awarded a Certificate of Achievement, a government must publish an easily readable and efficiently organized CAFR. This report must satisfy both generally accepted accounting principles and applicable legal requirements

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

ACKNOWLEDGMENT

The preparation of this report was made possible by the dedicated services of the entire staff of the Finance Division, and the advice and services provided by the independent auditors, Schenck and Associates, SC. We would also like to thank the City Council for their interest and support in planning and conducting the financial operations of the City of West Allis in a responsible and progressive manner.

Respectfully submitted,



Gary A. Schmid CPA, CGFM
Manager of Finance/Comptroller

Certificate of Achievement for Excellence in Financial Reporting

Presented to

City of West Allis,
Wisconsin

For its Comprehensive Annual
Financial Report
for the Fiscal Year Ended
December 31, 2002

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



President

Executive Director

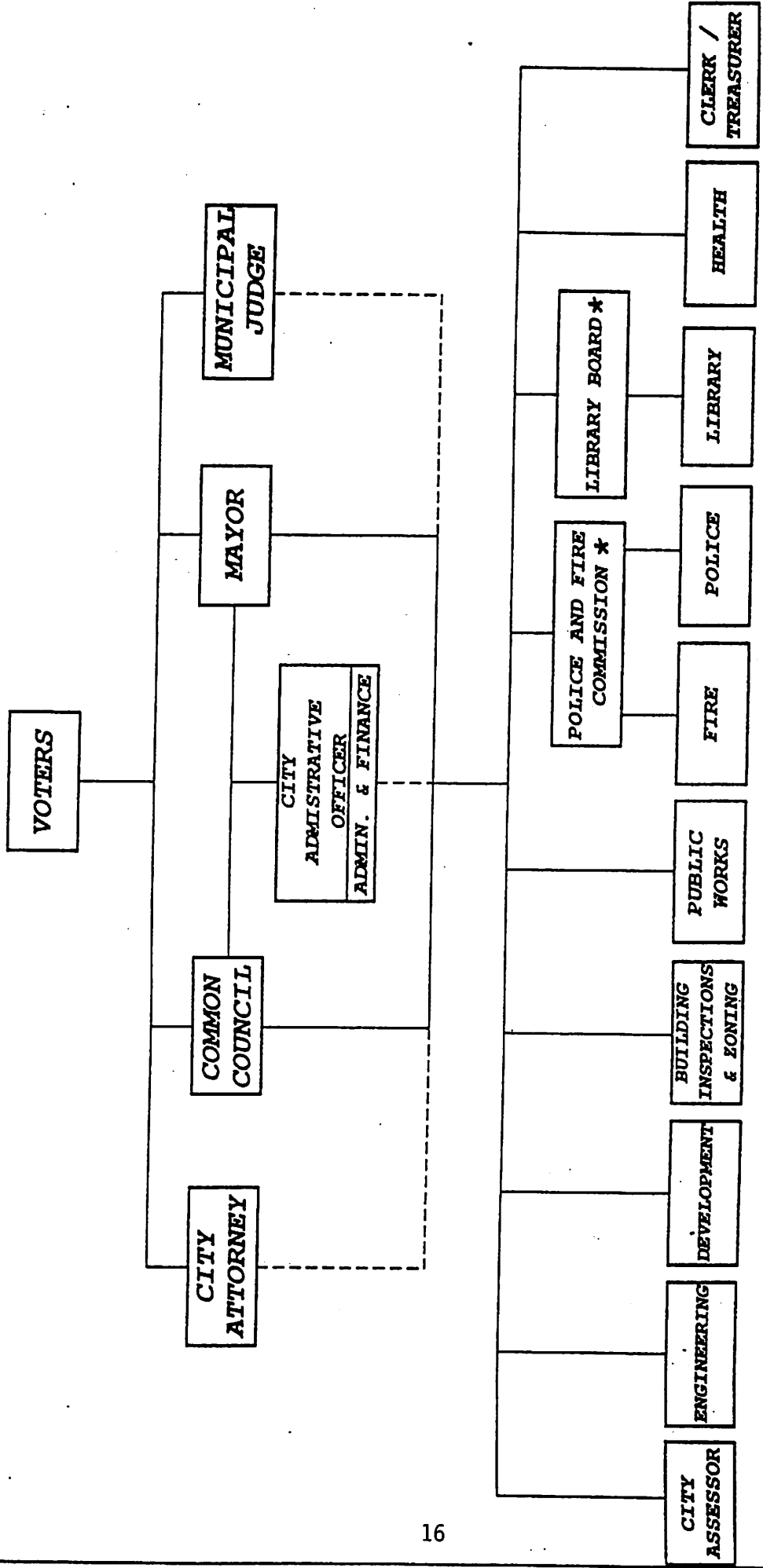
CITY OF WEST ALLIS, WISCONSIN
General Information

ELECTED CITY OFFICIALS

Mayor and Council

	<u>Initial Term</u> <u>Commenced</u>	<u>Current Term</u> <u>Expires</u>
Jeannette Bell, Mayor	4/1996	4/2004
Gary T. Barczak, Alderperson	4/1988	4/2004
Thomas G. Lajsic, Alderperson	4/1996	4/2004
Marty Wiegel, Alderperson	5/2003	4/2004
Richard F. Narlock, Alderperson	4/1988	4/2004
Michael Czaplewski, Alderperson	4/1995	4/2004
Rosalie Reinke, Alderperson	4/1992	4/2004
James W. Sengstock, Alderperson & Council President	4/1972	4/2004
Kurt E. Kopplin, Alderperson	4/1997	4/2004
Lester Trudell, Alderperson	4/1992	4/2004
Vincent Vitale, Alderperson	4/1988	4/2004
<u>Elected Official</u>		
Scot Post, City Attorney	3/2002	4/2004
Paul Murphy, Judge	5/2003	4/2007

ORGANIZATIONAL CHART CITY OF WEST ALLIS



NOTE: Solid lines indicate direct lines of authority.
 Dashed lines indicate indirect lines of administration.
 * APPOINTED BY THE MAYOR AND CONFIRMED BY THE COMMON COUNCIL;
 POLICY RESPONSIBILITY

FINANCIAL SECTION



**INDEPENDENT AUDITORS' REPORT ON BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY SCHEDULE OF EXPENDITURES OF FEDERAL
AWARDS AND SCHEDULE OF STATE FINANCIAL ASSISTANCE**

To the Honorable Mayor and Common Council
City of West Allis
Milwaukee County, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City of West Allis, Wisconsin ("the City") as of and for the year ended December 31, 2003, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of West Allis, Wisconsin's management. Our responsibility is to express opinions on these basic financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of December 31, 2003, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A to the basic financial statements, the City has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, GASB Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus*, and GASB Statement No. 38, *Certain Financial Statement Note Disclosures* January 1, 2003.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 28, 2004 on our consideration of the City's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grants. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be read in conjunction with this report in considering the results of our audit.

The management's discussion and analysis is not a required part the basic financial statements but is supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The financial information listed in the table of contents as other supplemental information, and the accompanying schedule of expenditures of federal awards and schedule of state financial assistance, as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the *State Single Audit Guidelines* issued by the Wisconsin Department of Administration, are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The information identified in the table of contents as the Introductory and Statistical Sections is presented for purposes of additional analysis and is not a required part of the basic financial statements of City of West Allis, Wisconsin. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Schenck SC

Certified Public Accountants
Green Bay, Wisconsin
May 28, 2004

MANAGEMENT'S DISCUSSION AND ANALYSIS

CITY OF WEST ALLIS, WISCONSIN

Management's Discussion and Analysis

December 31, 2003

As management of the City of West Allis, Wisconsin, we offer readers of the City's financial statements this narrative overview and analysis of the financial statements of the City for the fiscal year ended December 31, 2003. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in our letter of transmittal, which can be found on pages 5-13 of this report.

Financial Highlights

- The assets of the City exceeded its liabilities at the close of the most recent year by \$223,392,000 (*net assets*). Of this amount, (\$32,645,921) is unrestricted net assets and because of the negative position fund would not be available be used to meet the City's ongoing obligations to citizens and creditors.
- The City's total net assets decreased by \$8,990,000. A large percent of this net decrease was due to the depreciation expense. Depreciation expense for governmental activities reflected in the statement of activities is \$20,385,935. This expense does not have a cash outflow so there is no offsetting revenue reflected in the statement of activities. This would have the effect of reducing net assets in the statement of activities. The net adjustment between the depreciation expense and the capital outlay was just over \$9,000,000.
- As of the close of the current year, the City's governmental funds reported combined ending fund balances of \$23,676,000. Approximately 79% of this total amount, \$18,685,000, is available for spending at the City's discretion (*unreserved fund balance*).
- At the end of the current year, unreserved fund balance for the general fund was \$18,345,000 or approximately 39% of total general fund expenditures.

This discussion and analysis is designed to be an introduction to the basic financial statements of the City. These statements are comprised of three components: 1) the government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-wide financial statements. The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The government-wide statements are made up of the statement of net assets and the statement of activities.

CITY OF WEST ALLIS, WISCONSIN

Management's Discussion and Analysis

December 31, 2003

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

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. This means, some 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 that are principally supported by taxes and intergovernmental revenues from those functions that are intended to recover all or a significant portion of their costs through user fees and charges. The governmental activities (those supported by taxes and intergovernmental revenues) of the City include general government; public safety; public works; health and human services; culture and recreation, and development. The business-type activities (those supported by user fees) are the Water Utility, Sanitary Sewer Utility, Storm Water Utility, Parking Utility and the Senior Citizen's Housing.

The government-wide financial statements include not only the City itself (known as the primary government), but also a legally separate component unit known as the Downtown West Allis Business Improvement District (BID). Financial information for this component unit is reported separately from the financial information presented for the primary government itself.

The government-wide financial statements can be found on pages 33-35 of this report.

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

Governmental funds. Governmental funds are used to account for essentially the same functions as governmental activities in the government-wide financial statements; however, the governmental fund financial statements focus on near-term inflows and outflows of spendable resources, as well as on balances of spendable

CITY OF WEST ALLIS, WISCONSIN

Management's Discussion and Analysis

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resources available at the end of the fiscal year. Such information may be useful in evaluating a government's near-term financing requirements.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for governmental funds with similar information presented for governmental activities in the government-wide financial statements. This comparison may help readers better understand the long-term impact of a 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 maintained 18 individual governmental funds during 2003. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balance for the general fund and the debt service fund, each of which are considered major funds. Data from the other 16 funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major funds is provided in the combining statements found elsewhere in this report.

The City adopts annual appropriation budgets for the general, special revenue, debt service, and public works improvements capital projects funds. Budgetary comparison statements have been provided for these funds to demonstrate compliance with these budgets.

The basic governmental fund financial statements can be found starting on page 33 of this report.

Proprietary funds. The City maintains two different types of proprietary funds. Enterprise funds are used to report the functions of the Water Utility, Sanitary Sewer Utility, Storm Water Utility, Parking Utility, and the Senior Citizen's Housing and are presented as business-type activities in the government-wide financial statements. Internal service funds are used to accumulate and allocate costs internally among various functions. The City uses internal service funds to account for its self-funded programs for health insurance and general liability insurance. Because these services predominantly benefit governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements. All internal service funds are combined into a single, aggregated presentation in the proprietary fund financial statements. Individual fund data for the internal service funds are provided in the form of combining statements elsewhere in this report.

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The basic proprietary fund financial statements can be found starting on page 44 of this report.

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 50-73 of this report.

Other information. The combining statements referred to in connection with non-major governmental funds and internal service funds are presented immediately following the required supplementary information. Combining and individual fund statements and schedules can be found starting on page 74 of this report.

Government-wide Financial Analysis As discussed earlier, net assets may serve as a useful indicator of a government's financial position over time. The assets of the City exceeded liabilities by \$ 223,392,308 at the close of 2003.

The City's net assets is only positive due to the investment in capital assets (e.g., land, buildings, improvements, equipment, and infrastructure), less any related outstanding indebtedness used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the 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 the capital assets themselves cannot be used to liquidate these liabilities.

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City of West Allis Net Assets (amount expressed in \$1,000's)			
	Governmental Activities	Business-Type Activities	Total
	2003	2003	2003
Current and other assets	\$134,563	\$7,127	\$141,690
Capital assets	241,242	50,575	291,817
Total assets	375,805	57,702	433,507
Long-term liabilities			
Outstanding	99,844	6,860	106,704
Other Liabilities	101,808	1,603	103,411
Total liabilities	201,652	8,463	210,115
Net assets:			
Invested in capital assets, Net of related debt	206,742	43,715	250,457
Restricted	57	0	57
Unrestricted	-32,646	5,524	-27,122
Total net assets	\$174,153	\$49,239	\$223,392

An additional portion of the City's net assets (.02%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets a negative (\$27,122,000) is not available to meet the government's ongoing obligations to citizens and creditors. Although a large deficit position – the majority of the deficit is due to the post-retirement benefit charges and the depreciation relating to the West Allis Memorial Hospital. Even with these deductions the City still does have a over-all net asset position in excess of \$223,392,000.

At the end of the current fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

CITY OF WEST ALLIS, WISCONSIN

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City of West Allis Changes in Net Assets

	Governmental Activities	Business-type Activities	Total Activities
	2003	2003	2003
Revenues:			
Program Revenues:			
Charges for services	\$8,627,654	\$13,347,564	\$21,975,218
Operating grants and contributions	10,935,684	12,000	10,947,684
Capital grants and contributions	8,533,191	2,167,980	10,701,171
General Revenues:			
Property taxes	30,094,484	0	30,094,484
Other taxes	3,528,232	0	3,528,232
Grants and contributions not restricted to specific programs	11,985,990	0	11,985,990
Unrestricted interest earnings	1,300,744	74,208	1,374,952
Transfers	1,010,527	-1,010,527	0
Total Revenues	\$76,016,506	\$14,591,225	\$90,607,731
Expenses			
General Government	8,474,859	0	8,474,859
Public Safety	29,623,206	0	29,623,206
Public Works	19,165,148	0	19,165,148
Health and Human Services	18,218,324	0	18,218,324
Culture & Recreation	2,943,649	0	2,943,649
Development	7,947,593	0	7,947,593
Interest on long-term debt	2,476,752	0	2,476,752
Water Utility	0	5,168,868	5,168,868
Sanitary Sewer Utility	0	3,871,234	3,871,234
Storm Sewer Utility	0	1,470,733	1,470,733
Parking Utility	0	25,778	25,778
Senior Citizen's Housing	0	211,847	211,847
Total Expenses	\$88,849,531	\$10,748,460	\$99,597,991
Change in net assets	-12,833,025	3,842,765	-8,990,260
Net assets – January 1	186,986,391	45,396,177	232,382,568
Net assets - December 31	\$174,153,366	\$49,238,942	\$223,392,308

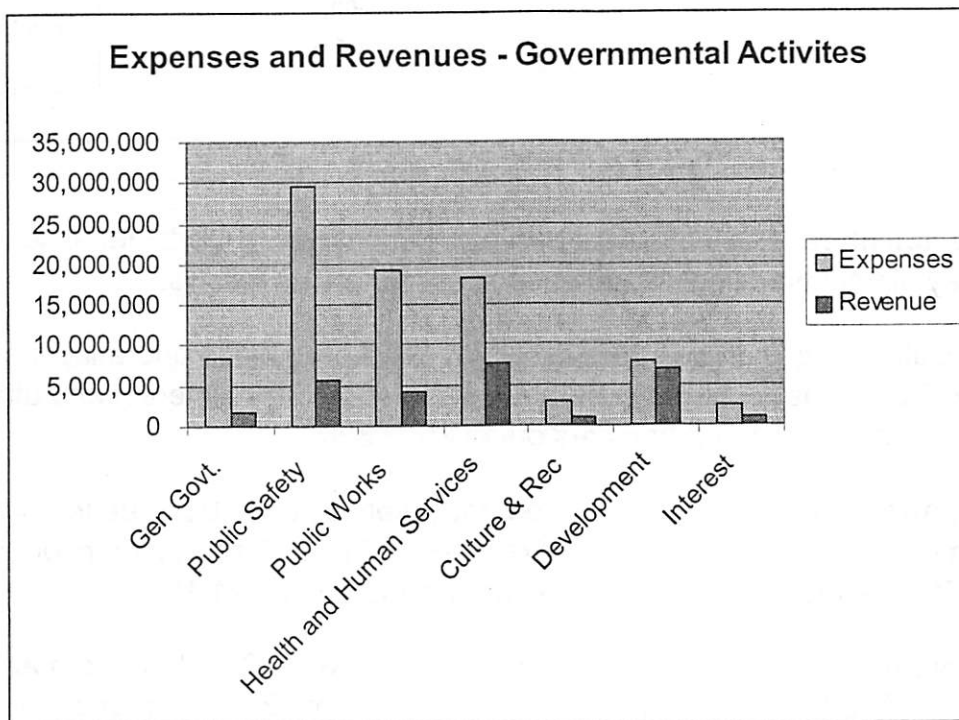
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Governmental activities. Governmental activities decreased the City's net assets by \$12,833,025. Key elements of this decrease are as follows:

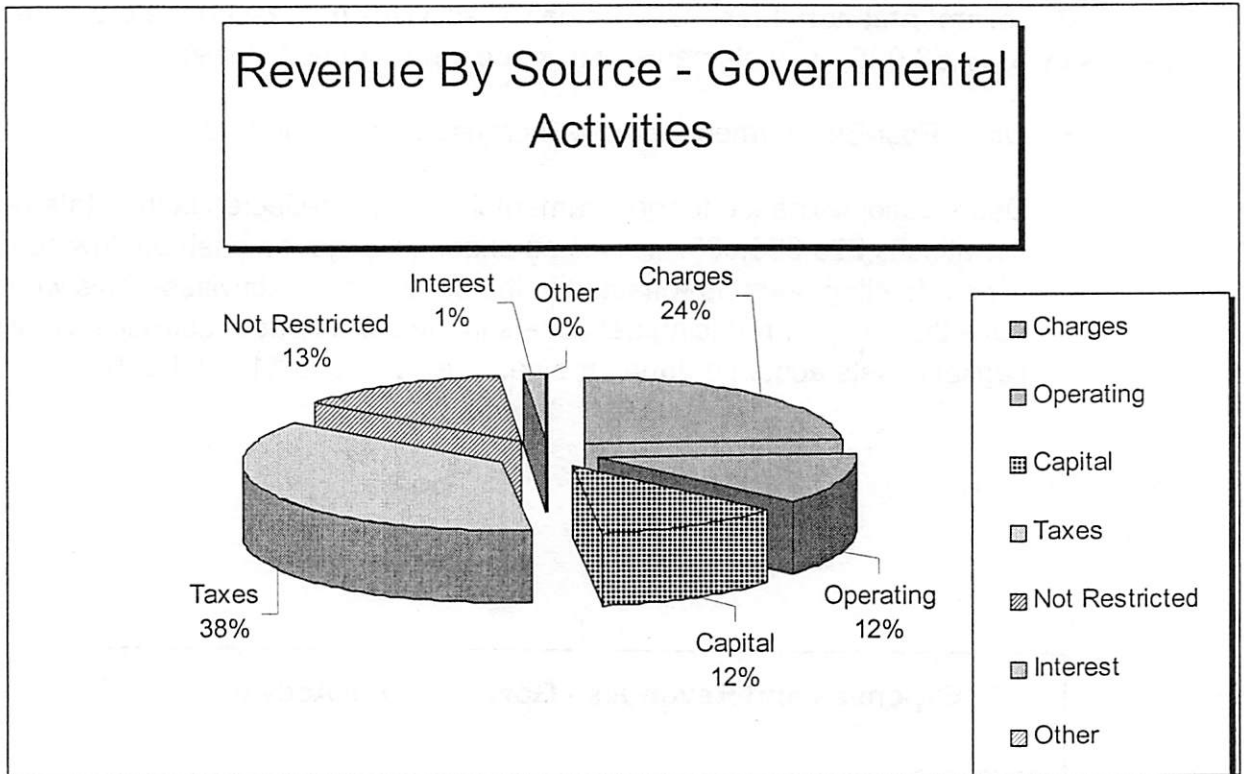
- Other Post-Employment Benefits increased by \$2,700,000.
- Depreciation expense for governmental activities reflected in the statement of activities is \$20,385,935. This is an expense without a cash outflow so there is no offsetting revenue reflected in the statement of activities. This would have the effect of reducing net assets in the statement of activities. Additional capital assets acquired during the year amounted to \$11,291,000.



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Business-type activities. Business-type activities increased the City's net assets by \$3,842,765. Key elements of this net increase in assets are as follows:

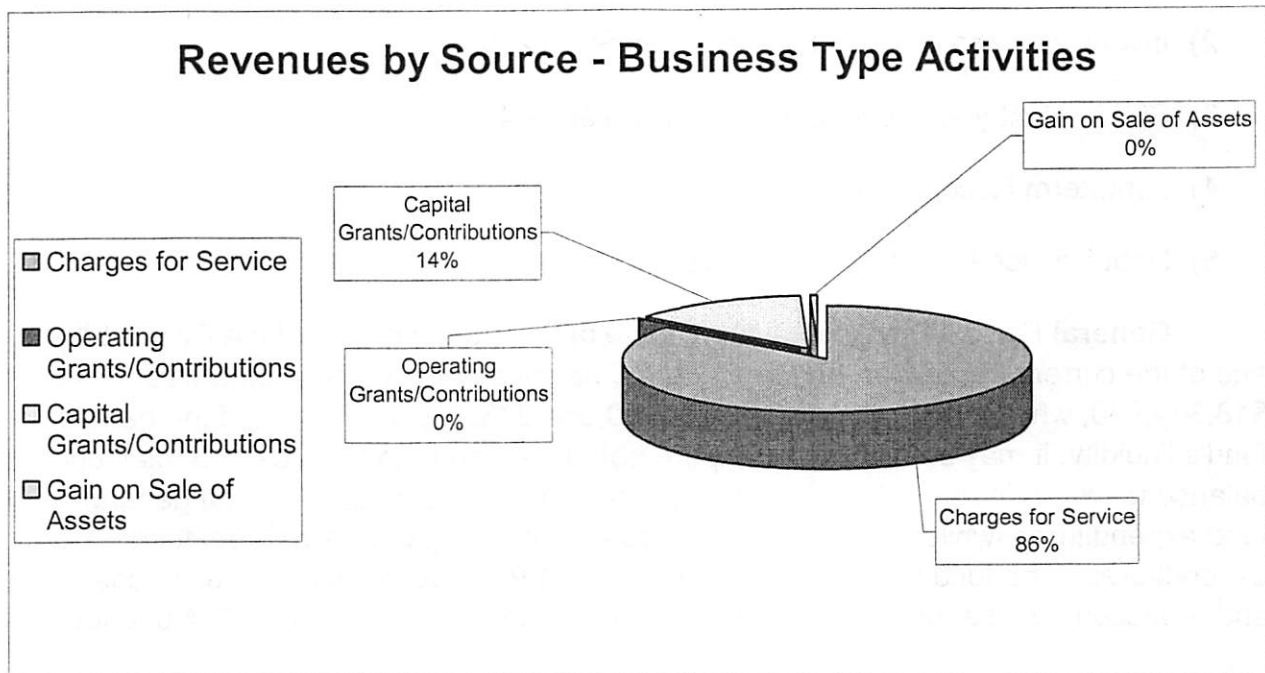
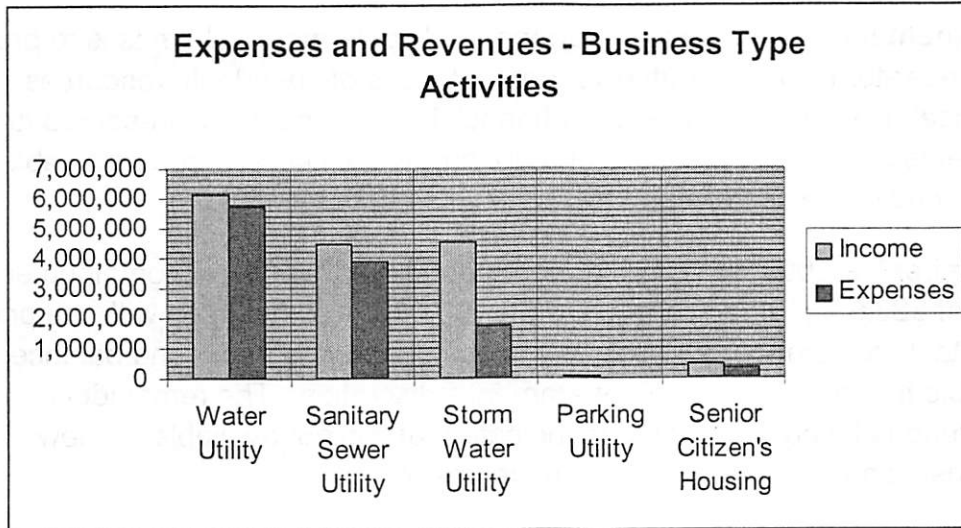
- The Water Utility increased net assets by \$355,555 due to operating income of \$993,812 plus customer contributions of \$45,455 less interest and other charges of \$91,314 and transfers out of \$592,398.
- The Sanitary Sewer Utility increased net assets by \$555,958 due to operating income of \$746,404 plus gain on fixed assets \$72,208 and other income of \$5,171 less interest of \$248,667, and transfers out of \$21,158.
- The Storm Water Utility increased net assets by \$2,767,494 due to operating income of \$920,219 plus customer contributions of \$2,122,525 and other income of \$4,084 and transfers out of \$279,334.
- The Parking Utility increased net assets by \$13,661 due to operating income of \$1,661 plus property taxes of \$12,000.

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- The Senior Citizen's Housing increased net assets by \$150,097 due to operating income of \$269,313 less interest of \$1,579 and transfers to the general fund for \$117,637.



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Management's Discussion and Analysis

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Financial Analysis of the Government's Funds

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

Governmental funds. The focus on the City'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's financial requirements. Unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of December 31, 2003, the City's governmental funds reported combined ending fund balances of \$23,675,992 a decrease of \$6,190,068 in comparison with the prior year. Of the total fund balance, \$18,685,344 constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder \$4,909,064 of fund balance is reserved to indicate that it is not available for new spending because it has already been committed as follows:

- 1) End of the year encumbrances equaled \$2,979,129.
- 2) Inventories and prepaid items equaled \$685,250.
- 3) Subsequent year's budget (carry-overs) \$519,407.
- 4) Long-term Receivables \$749,644.
- 5) Debt Service Reservation \$57,218.

General Fund: The general fund is the main operating fund of the City. At the end of the current fiscal year, unreserved fund balance of the general fund was \$18,344,930, while total fund balance was \$20,654,573. As a measure of the general fund's liquidity, it may be useful to compare both reserved fund balance and total fund balance to expenditures. Unreserved fund balance represents 39% of total general fund expenditures, while total fund balance represents 44% of total general fund expenditures. The fund balance increased by \$331,966 due to reduced health costs and reductions of staff prior to year-end in anticipation of the upcoming 2004 budget.

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

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Unrestricted net assets for these funds can be seen in the following table.

Unrestricted Net Assets:	2003
Water Utility	\$1,072,125.00
Sanitary Sewer Utility	\$2,769,644.00
Storm Water Utility	\$1,072,728.00
Parking Utility	\$266,408.00
Senior Citizen's Housing	\$343,566.00
	<u>\$5,524,471.00</u>

General Fund Budgetary Highlights

Differences between the original budget and the final amended budget amounted to an increase in appropriations of \$2,973,000 and can be briefly summarized as follows:

- Carry-over requests from 2002 for projects that were unfinished at the end of the year or for expenditures that were budgeted but never requisitioned were \$589,000.
- Purchase orders that were carried over from 2002 totaled \$1,186,000.
- Salary and benefit carry-over of approximately \$1,200,000.

Revenues were less than budgetary estimates – explanation:

During this year, revenues were higher than budget by \$125,674 even though interest revenues were short by \$570,000. The primary reasons for this are:

- PECFA funds came back to the city - \$379,000.
- Equipment sales \$54,000 higher than anticipated.
- Milwaukee Paramedic Fee increased \$62,000 and various fees including false alarm and building permits made up the balance of the increase.

CITY OF WEST ALLIS, WISCONSIN

Management's Discussion and Analysis

December 31, 2003

Expenditures were less than budgetary estimates – explanation:

Actual operating expenditures were less than budget by \$2,946,000. The City realized savings of \$510,000 in projects and equipment purchases that were delayed into 2004 and open purchase orders accounted for \$578,000 of unexpended appropriations. Favorable weather conditions reduced expenses in Public works and unfilled vacancies in Police, Fire, and DPW accounted for large savings in 2003.

Capital Assets and Debt Administration

Capital assets. The City's investment in capital assets for its governmental and business type activities as of December 31, 2003, rounded and net of accumulated depreciation amounts to \$291,817,000. Total investment in capital assets prior to accumulated depreciation was \$396,940,564. This investment in capital assets includes land, buildings, machinery and equipment, vehicles, and infrastructure including roads, sewers, bridges, parking lot improvements, and lighting. The total net increase in the government activities investment in capital assets for the current fiscal year was \$17,096,646 or 6.2% (a 4.4% decrease for governmental activities and a 126% increase for business-type activities).

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

Governmental Activities:

- Numerous contracts for the maintenance of infrastructure.
- The purchase of various parcels within Tax Increment Financing District #5 for future resale. The acquisition costs were approximately \$1,900,000.
- The work on the new fire station added \$2,500,000 to the Building account.
- The net decrease is due in a large part to the depreciation of Hospital related assets.

Business Type Activities:

- The Water Utility increased assets by \$500,000 for water distribution mains, services, hydrants, and meters.
- The Storm Water Utility was converted to a Business-Type activity this past year, which resulted in approximately \$26,000,000 being added into Machinery and Equipment area.

CITY OF WEST ALLIS, WISCONSIN

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- The Sanitary Sewer Utility increased assets by approximately \$25,000 for mains.

City of West Allis Capital Assets

	Governmental	Governmental	Business-Type	Business-Type	Total 2003	Total 2002
	Activities	Activities	Activities	Activities		
	2003	2002	2003	2002		
Land	\$15,986,959	\$15,250,400	\$1,098,902	\$1,098,902	\$17,085,861	\$16,349,302
Construction in Progress	\$4,651,670	\$3,525,860	\$1,593,529	\$65,548	\$6,245,199	\$3,591,408
Buildings	\$134,504,304	\$131,938,298	\$1,735,964	\$1,735,964	\$136,240,268	\$133,674,262
Improvements other than Buildings	\$1,624,580	\$1,561,022	\$0	\$0	\$1,624,580	\$1,561,022
Machinery and Equipment	\$108,572,572	\$105,857,708	\$67,112,134	\$39,522,776	\$175,684,706	\$145,380,484
Infrastructure	\$131,600,479	\$131,378,538	\$0	\$0	\$131,600,479	\$131,378,538
Total Assets	\$396,940,564	\$389,511,826	\$71,540,529	\$42,423,190	\$468,481,093	\$431,935,016
Less Accumulated Depreciation	-\$155,698,876	-\$137,165,894	-\$20,965,563	-\$20,048,114	-\$176,664,439	-\$157,214,008
Net Fixed Assets	\$241,241,688	\$252,345,932	\$50,574,966	\$22,375,076	\$291,816,654	\$274,721,008
Percentage Change	-4.40%		126.03%		6.22%	

Additional information on the City's capital assets can be found in the footnote A-f (page 54) and footnote C-3 (pages 59-60).

Long-term debt. At the end of the current fiscal year, the City had total bonded debt outstanding of \$51,275,560 backed by the full faith and credit of the City. Moody's rating on the general obligation debt is Aa3 and Standard & Poor's is AA.

City of West Allis Outstanding Debt General Obligation Notes and Bonds

	Governmental Activities		Business-Type Activities		Total	
	2003	2002	2003	2002	2003	2002
General Obligation Notes	\$18,594,504	\$21,104,947	6,325,000	6,640,000	\$24,919,504	\$27,744,947
General Obligation Bonds	\$25,820,560	\$28,722,131	535,496	780,053	\$26,356,056	\$29,502,184
	\$44,415,064	\$49,827,078	\$6,860,496	\$7,420,053	\$51,275,560	\$57,247,131

The City's total general-obligation debt decreased by \$5,971,571 (10.4%) during the current year. A large percentage of the decrease is due to the pay down of the Hospital debt (\$2,350,000) without the issuance of new debt. In addition, the water utility and the General Fund issued less debt than what came due and TIF #4 paid off \$873,000, which represented all of its outstanding debt.

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In 2003, the City again took advantage of favorable interest rates by refinancing \$3,560,000 of its existing debt for gross savings of \$144,653.

State Statutes limit the amount of general obligation debt a City may issue to 5% of its total equalized value. The City's current debt level is 31% of its limitation of \$163,948,120. The City's outstanding general obligation debt is \$51,218,342, net of the debt service reserve fund of \$57,218. The City's total indebtedness for Business type activities decreased by \$559,557.

Additional information on the City's long-term debt can be found in the footnotes on pages 62-65 of this report.

Economic Factors and Next Year's Budgets and Rates

- The unemployment rate as of December 31, 2003, for the Milwaukee County metropolitan area, which includes the City of West Allis was 6.2%. This compares with an unemployment rate of 5.4% for the State of Wisconsin and a national rate unemployment rate of 5.7%.
- Inflationary trends in the region compare favorable to national indices.
- The City continues to experience economic recovery as evidenced by the continual growth within its TIF districts and the revitalizing of its downtown area.
- The general fund finished the year with an undesignated fund balance of \$18,344,930, a increase of \$331,966 from the previous year. Fund balance is available to meet unforeseen events and needs.

All of these factors were considered in preparing the City's budget for the 2004 fiscal year.

Requests for Information

This financial report is designed to provide a general overview of the finances of the City of West Allis for interested parties. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of West Allis - Finance Office, 7525 West Greenfield Ave, West Allis, WI 53214.

BASIC FINANCIAL STATEMENTS

CITY OF WEST ALLIS, WISCONSIN
Statement of Net Assets
December 31, 2003

	Governmental Activities	Business-type Activities	Total	Component Unit Downtown West Allis BID
ASSETS				
Cash and investments	\$ 81,956,332	\$ -	\$ 81,956,332	\$ 31,603
Receivables				
Taxes	44,312,592	10,000	44,322,592	-
Accounts	407,392	3,668,973	4,076,365	208
Special assessments	887,439	-	887,439	55,836
Interest	192,951	-	192,951	-
Loans	3,729,890	-	3,729,890	-
Miscellaneous	440,348	-	440,348	-
Internal balances	(3,240,488)	3,240,488	-	-
Due from other governments	1,945,213	-	1,945,213	-
Inventories and prepaid items	687,656	143,454	831,110	-
Deferred charges	-	63,727	63,727	-
Deposit with CVMIC	3,244,299	-	3,244,299	-
Capital assets				
Land	15,986,959	1,098,902	17,085,861	-
Construction in progress	4,651,670	1,593,529	6,245,199	-
Buildings	134,504,304	1,735,964	136,240,268	-
Improvements other than buildings	1,624,580	-	1,624,580	-
Machinery and equipment	108,572,572	67,112,134	175,684,706	-
Infrastructure	131,600,479	-	131,600,479	-
Less: Accumulated depreciation	(155,698,876)	(20,965,563)	(176,664,439)	-
TOTAL ASSETS	375,805,312	57,701,608	433,506,920	87,647
LIABILITIES				
Accounts payable	2,472,856	857,962	3,330,818	2,796
Accrued expenses	4,106,988	105,808	4,212,796	-
Due to other governments	58,778,032	570,031	59,348,063	-
Accrued interest payable	548,101	-	548,101	-
Deposits	2,053,097	-	2,053,097	-
Unearned revenues	33,848,601	68,370	33,916,971	55,836
Noncurrent Liabilities				
Due within one year	25,835,780	503,166	26,338,946	-
Due in more than one year	74,008,491	6,357,329	80,365,820	-
TOTAL LIABILITIES	201,651,946	8,462,666	210,114,612	58,632
NET ASSETS				
Invested in capital assets, net of related debt	206,742,069	43,714,471	250,456,540	-
Restricted for debt service	57,218	-	57,218	-
Unrestricted (deficit)	(32,645,921)	5,524,471	(27,121,450)	29,015
TOTAL NET ASSETS	\$ 174,153,366	\$ 49,238,942	\$ 223,392,308	\$ 29,015

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

CITY OF WEST ALLIS, WISCONSIN

Statement of Activities

Year Ended December 31, 2003

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 8,474,859	\$ 1,301,553	\$ 379,826	\$ -
Public safety	29,623,206	3,807,899	1,928,090	-
Public works	19,165,148	379,653	2,499,895	1,397,165
Health and human services	18,218,324	206,797	334,678	7,136,026
Culture and recreation	2,943,649	593,763	379,762	-
Development	7,947,593	1,439,000	5,413,433	-
Interest on debt	2,476,752	898,989	-	-
Total Governmental Activities	88,849,531	8,627,654	10,935,684	8,533,191
Business-type Activities				
Water Utility	5,168,868	6,071,366	-	45,455
Sanitary Sewer Utility	3,871,234	4,374,142	-	-
Storm Water Utility	1,470,733	2,395,036	-	2,122,525
Parking Utility	25,778	27,439	12,000	-
Senior Citizen's Housing	211,847	479,581	-	-
Total Business-type Activities	10,748,460	13,347,564	12,000	2,167,980
Total Primary Government	\$ 99,597,991	\$ 21,975,218	\$ 10,947,684	\$ 10,701,171
Component Unit				
Downtown West Allis BID	\$ 76,902	\$ 42,379	\$ 57,359	\$ -

General revenues and transfers

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Other taxes
- State and federal aids not restricted to specific functions
- Interest and investment earnings
- Gain on sale of assets
- Transfers
- Total general revenues and transfers

Change in net assets

- Net assets - beginning of year
- Net assets - end of year

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

Net (Expense) Revenue and Changes in Net Assets			Component Unit Downtown West Allis BID
Governmental Activities	Business-type Activities	Total	

\$ (6,793,480)	\$ -	\$ (6,793,480)	\$ -
(23,887,217)	-	(23,887,217)	-
(14,888,435)	-	(14,888,435)	-
(10,540,823)	-	(10,540,823)	-
(1,970,124)	-	(1,970,124)	-
(1,095,160)	-	(1,095,160)	-
(1,577,763)	-	(1,577,763)	-
<u>(60,753,002)</u>	<u>-</u>	<u>(60,753,002)</u>	<u>-</u>

-	947,953	947,953	-
-	502,908	502,908	-
-	3,046,828	3,046,828	-
-	13,661	13,661	-
-	267,734	267,734	-
<u>-</u>	<u>4,779,084</u>	<u>4,779,084</u>	<u>-</u>

<u>(60,753,002)</u>	<u>4,779,084</u>	<u>(55,973,918)</u>	<u>-</u>
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-	-	-	22,836
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25,284,813	-	25,284,813	-
4,809,671	-	4,809,671	-
3,528,232	-	3,528,232	-
11,985,990	-	11,985,990	-
1,300,744	-	1,300,744	-
-	74,208	74,208	-
1,010,527	(1,010,527)	-	-
<u>47,919,977</u>	<u>(936,319)</u>	<u>46,983,658</u>	<u>-</u>
(12,833,025)	3,842,765	(8,990,260)	22,836
186,986,391	45,396,177	232,382,568	6,179
<u>\$ 174,153,366</u>	<u>\$ 49,238,942</u>	<u>\$ 223,392,308</u>	<u>\$ 29,015</u>

CITY OF WEST ALLIS, WISCONSIN

Balance Sheet
Governmental Funds
December 31, 2003

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and investments	\$ 81,128,902	\$ -	\$ 827,430	\$ 81,956,332
Receivables				
Taxes	35,906,282	4,978,333	236,962	41,121,577
Delinquent personal property taxes	391,015	-	-	391,015
Accounts	326,870	-	6,369	333,239
Notes and loans	190,000	-	3,539,890	3,729,890
Special assessments	-	-	887,439	887,439
Accrued interest	165,425	-	-	165,425
Miscellaneous	-	-	440,348	440,348
Due from				
Other funds	7,438,062	194,786	8,536,030	16,168,878
Other governmental units	142,893	-	1,802,320	1,945,213
Inventories	512,922	-	-	512,922
Prepaid items	-	-	174,734	174,734
TOTAL ASSETS	\$ 126,202,371	\$ 5,173,119	\$ 16,451,522	\$ 147,827,012
LIABILITIES AND FUND BALANCE				
Liabilities				
Vouchers payable	\$ 1,202,786	\$ 137,568	\$ 1,132,502	\$ 2,472,856
Special deposits	2,038,097	-	15,000	2,053,097
Accrued liabilities	2,320,984	-	-	2,320,984
Due to				
Other funds	14,956,290	-	7,263,662	22,219,952
Other governmental units	58,766,969	-	11,063	58,778,032
Deferred revenue	26,262,672	4,978,333	5,065,094	36,306,099
Total Liabilities	105,547,798	5,115,901	13,487,321	124,151,020
Fund Balance				
Reserved	2,309,643	57,218	2,623,787	4,990,648
Unreserved, reported in				
General fund	18,344,930	-	-	18,344,930
Special revenue funds	-	-	1,904,375	1,904,375
Capital projects funds	-	-	(1,563,961)	(1,563,961)
Total Fund Balance	20,654,573	57,218	2,964,201	23,675,992
TOTAL LIABILITIES AND FUND BALANCE	\$ 126,202,371	\$ 5,173,119	\$ 16,451,522	\$ 147,827,012
Reconciliation to the net assets reported for governmental activities in the statement of net assets				
Total fund balance of governmental funds				\$ 23,675,992
Capital assets used in governmental activities are not financial resources and, therefore are not reported in the funds.				241,241,688
Other long-term assets are not available to pay for current period expenditures and, therefore, are deferred in the funds. The details of this difference are as follows:				
Special assessments			\$ 836,564	
Delinquent taxes			391,044	
Loans receivable			4,029,890	
Net adjustment				5,257,498
Internal service funds are used by management to charge the cost of insurance programs to individual funds. The assets and liabilities of internal service funds are included in governmental activities in the statement of net assets.				3,105,000
Long-term liabilities, including bonds and notes payable, are not due and payable in the current period and, therefore, are not reported in the funds. The details of this difference are as follows:				
Bonds and notes payable			(43,149,504)	
Compensated absences				
Unfunded pension liability			(14,263,635)	
Employee benefits			(41,165,572)	
Accrued interest on long-term obligations			(548,101)	
Net adjustment				(99,126,812)
Net Assets of Governmental Activities				\$ 174,153,366

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

CITY OF WEST ALLIS, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
Year Ended December 31, 2003

	General	Debt Service	Other Governmental Funds	Total Governmental Funds
Revenues				
Taxes	\$ 25,969,057	\$ 4,809,671	\$ -	\$ 30,778,728
Special assessments	-	-	886,211	886,211
Intergovernmental	15,255,591	134,735	7,531,348	22,921,674
Licenses and permits	1,260,379	-	-	1,260,379
Public charges for services	2,454,002	-	578,454	3,032,456
Fines, forfeitures and penalties	1,562,255	-	-	1,562,255
Loan repayments	-	-	959,360	959,360
Interest	909,162	-	22,506	931,668
Received from hospital	-	3,278,989	-	3,278,989
Miscellaneous	519,731	-	823,272	1,343,003
Total Revenues	47,930,177	8,223,395	10,801,151	66,954,723
Expenditures				
Current				
General government	3,664,436	-	-	3,664,436
Public safety	18,305,895	-	1,868,833	20,174,728
Health	1,277,259	-	338,081	1,615,340
Engineering and public works	8,919,652	-	-	8,919,652
Culture and recreation	1,808,507	-	495,928	2,304,435
Conservation and development	-	-	6,231,145	6,231,145
Fringe benefits	13,191,555	-	-	13,191,555
Miscellaneous	88,101	-	-	88,101
Capital outlay	-	-	10,661,448	10,661,448
Debt service				
Principal retirement	-	7,337,682	-	7,337,682
Interest and fiscal charges	-	2,145,924	-	2,145,924
Total Expenditures	47,255,405	9,483,606	19,595,435	76,334,446
Excess of Revenues Over (Under) Expenditures	674,772	(1,260,211)	(8,794,284)	(9,379,723)
Other Financing Sources (Uses)				
General obligation debt issued	-	-	2,100,000	2,100,000
General obligation refunding debt issued	-	3,337,128	-	3,337,128
Payment to refunding debt escrow agent	-	(3,258,000)	-	(3,258,000)
Transfers in	1,010,527	1,150,217	1,117,608	3,278,352
Transfers out	(1,353,333)	-	(914,492)	(2,267,825)
Total Other Financing Sources (Uses)	(342,806)	1,229,345	2,303,116	3,189,655
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	331,966	(30,866)	(6,491,168)	(6,190,068)
Fund Balance - January 1	20,322,607	88,084	9,455,369	29,866,060
Fund Balance - December 31	\$ 20,654,573	\$ 57,218	\$ 2,964,201	\$ 23,675,992

(Continued)

CITY OF WEST ALLIS, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances (Continued)
Governmental Funds
Year Ended December 31, 2003

Reconciliation to the Statement of Activities

Net change in fund balances - total governmental funds \$ (6,190,068)

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 depreciation exceeded capital outlays in the current period, detailed as follows:

Capital outlay	\$ 11,291,357	
Depreciation expense	<u>(20,385,935)</u>	
Net adjustment		(9,094,578)

The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to decrease net assets (2,009,666)

Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds. 126,154

The issuance of long-term debt (e.g., bonds, leases) provides current financial resources to the governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net assets. Also, governmental funds report the effect of issuance costs, premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items, detailed as follows:

Issuance of general obligation debt	(5,437,128)	
Principal paid on long-term debt	10,595,682	
Unfunded pension liability payment	648,572	
Workers compensation payment	25,860	
Health insurance benefit	<u>(2,229,138)</u>	
Net adjustment		3,603,848

Accrued interest expense reported in the statement of activities does not require the use of current financial resources and, therefore, is not reported as an expenditure in governmental funds. (194,664)

Internal service funds are used by management to charge the costs of insurance programs and data processing services to individual funds. The net revenue of certain activities of internal service funds is reported with governmental activities. 925,949

Change in Net Assets of Governmental Activities \$ (12,833,025)

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

CITY OF WEST ALLIS, WISCONSIN
Statement of Revenues, Expenditures and Changes in Fund Balances - Budget and Actual
General Fund
Year Ended December 31, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Revenues				
Taxes	\$ 25,989,079	\$ 25,989,079	\$ 25,969,057	\$ (20,022)
Intergovernmental	14,906,825	14,906,825	15,255,591	348,766
Licenses and permits	1,146,154	1,146,154	1,260,379	114,225
Public charges for services	2,206,505	2,206,505	2,454,002	247,497
Fines, forfeits and penalties	1,650,000	1,650,000	1,562,255	(87,745)
Interest	1,479,000	1,479,000	909,162	(569,838)
Miscellaneous	426,940	426,940	519,731	92,791
Total Revenues	47,804,503	47,804,503	47,930,177	125,674
Expenditures				
Current				
General government	4,019,417	4,475,747	3,664,436	811,311
Public safety	17,497,566	19,171,723	18,305,895	865,828
Health	1,269,608	1,312,438	1,277,259	35,179
Engineering and public works	9,385,631	9,928,911	8,919,652	1,009,259
Culture and recreation	1,829,009	2,038,186	1,808,507	229,679
Fringe benefits	13,011,628	13,033,809	13,191,555	(157,746)
Miscellaneous	215,200	240,700	88,101	152,599
Total Expenditures	47,228,059	50,201,514	47,255,405	2,946,109
Excess of Revenues Over (Under) Expenditures	576,444	(2,397,011)	674,772	3,071,783
Other Financing Sources (Uses)				
Transfers in	723,556	723,556	1,010,527	286,971
Transfers out	-	-	(1,353,333)	(1,353,333)
Total Other Financing Sources (Uses)	723,556	723,556	(342,806)	(1,066,362)
Excess of Revenues and Other Financing Sources Over (Under) Expenditures and Other Uses	1,300,000	(1,673,455)	331,966	2,005,421
Fund Balance - January 1	20,322,607	20,322,607	20,322,607	-
Fund Balance - December 31	\$ 21,622,607	\$ 18,649,152	\$ 20,654,573	\$ 2,005,421

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

CITY OF WEST ALLIS, WISCONSIN
General Fund
Detailed Comparison of Budgeted and Actual Revenues
Year Ended December 31, 2003

	Original and Final Budget	Actual	Variance Positive (Negative)
Taxes			
General City property taxes	\$ 25,312,079	\$ 25,176,996	\$ (135,083)
Delinquent personal property taxes	-	63,333	63,333
Omitted personal property taxes	-	496	496
Mobile home and trailer taxes	140,000	124,043	(15,957)
Hotel and motel taxes	40,000	33,344	(6,656)
State sales taxes	-	186	186
Tax equivalents			
Medical office	320,000	341,227	21,227
Holie	27,000	36,140	9,140
Tax delinquencies and penalties	150,000	193,292	43,292
Total Taxes	25,989,079	25,969,057	(20,022)
Intergovernmental			
State shared revenues	9,528,390	9,518,429	(9,961)
Expenditure restraint program	1,751,835	1,751,835	-
Transportation aid	2,300,000	2,191,504	(108,496)
Exempt computer aid	250,000	213,623	(36,377)
Fire insurance	90,000	115,153	25,153
Municipal services payment	260,000	337,368	77,368
Other federal and state aid	321,600	717,917	396,317
Milwaukee County Library	375,000	379,762	4,762
State fair service contract	30,000	30,000	-
Total Intergovernmental	14,906,825	15,255,591	348,766
Licenses and Permits			
Malt beverages and liquors	96,000	94,248	(1,752)
Licenses	133,060	149,149	16,089
Permits			
Building	185,000	231,885	46,885
Mobile home	1,300	850	(450)
Electrical	134,400	135,825	1,425
Plumbing	75,000	72,534	(2,466)
Overnight parking	330,450	355,168	24,718
Other licenses and permits	190,944	220,720	29,776
Total Licenses and Permits	1,146,154	1,260,379	114,225

(Continued)

CITY OF WEST ALLIS, WISCONSIN
General Fund
Detailed Comparison of Budgeted and Actual Revenues (Continued)
Year Ended December 31, 2003

	Original and Final Budget	Actual	Variance Positive (Negative)
Public Charges for Services			
General government	\$ 28,500	\$ 50,265	\$ 21,765
Police	77,600	109,402	31,802
Planning/zoning	-	11,713	11,713
Ambulance	770,000	644,029	(125,971)
Fire	11,650	21,992	10,342
Milwaukee County paramedic aid	600,000	662,246	62,246
Health	152,900	198,786	45,886
Senior center	7,000	8,011	1,011
Public works	267,500	379,841	112,341
City engineer	6,000	(188)	(6,188)
Finance	3,500	3,759	259
Information services	30,000	58,822	28,822
Print shop	89,000	81,024	(7,976)
City attorney	10,000	50,240	40,240
Administration	83,350	73,595	(9,755)
Library	69,505	100,465	30,960
Total Public Charges for Services	2,206,505	2,454,002	247,497
Fines, Forfeitures and Penalties			
Court fines and costs	925,000	684,141	(240,859)
Parking violations	725,000	878,114	153,114
Total Fines, Forfeitures and Penalties	1,650,000	1,562,255	(87,745)
Interest			
Interest on investments	1,400,000	841,976	(558,024)
Interest on special assessments	79,000	67,186	(11,814)
Total Interest	1,479,000	909,162	(569,838)
Miscellaneous			
Rental of City buildings	133,100	159,028	25,928
Sale of material and equipment	67,300	126,180	58,880
Miscellaneous	226,540	234,523	7,983
Total Miscellaneous	426,940	519,731	92,791
TOTAL GENERAL FUND REVENUES	\$ 47,804,503	\$ 47,930,177	\$ 125,674

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

CITY OF WEST ALLIS, WISCONSIN
General Fund
Detailed Comparison of Budgeted and Actual Expenditures
Year Ended December 31, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
General Government				
Common council	\$ 103,740	\$ 103,740	\$ 101,359	\$ 2,381
Mayor	72,736	73,607	71,901	1,706
City attorney	404,500	453,377	403,302	50,075
Litigation	-	-	15,472	(15,472)
Municipal court	200,974	205,174	227,344	(22,170)
City assessor	307,351	318,242	296,212	22,030
City clerk/treasurer	444,501	481,045	354,106	126,939
Administration and finance	133,234	140,459	138,832	1,627
Information services	639,563	821,595	554,280	267,315
Purchasing/central services	597,192	668,214	449,965	218,249
Personnel	269,647	298,391	256,858	41,533
Finance	285,924	288,938	282,251	6,687
Taxes, refunds and adjustments	49,730	49,730	32,273	17,457
Promotions, celebrations and awards	122,825	185,735	134,936	50,799
Insurance and expense	341,000	341,000	309,069	31,931
Auditing, studies and reports	46,500	46,500	36,276	10,224
Total General Government	4,019,417	4,475,747	3,664,436	811,311
Public Safety				
Police department	9,248,228	9,999,017	9,467,529	531,488
Fire department	7,433,764	8,301,180	8,026,534	274,646
Police and fire commission	17,350	17,350	9,804	7,546
Building inspections and zoning	670,379	721,266	692,045	29,221
Planning	127,845	132,910	109,983	22,927
Total Public Safety	17,497,566	19,171,723	18,305,895	865,828
Health	1,269,608	1,312,438	1,277,259	35,179
Engineering and Public Works				
Engineering	1,012,826	1,123,677	801,328	322,349
Yard office division	253,287	273,266	257,419	15,847
Building and electrical division	2,337,401	2,118,348	1,924,891	193,457
Sanitation and street division	3,276,362	3,656,527	3,398,535	257,992
Recycling	598,888	598,888	466,995	131,893
Forestry and grounds division	1,072,825	1,274,981	1,198,247	76,734
Equipment repair division	622,195	659,365	719,014	(59,649)
Inventory services	211,847	223,859	153,223	70,636
Total Engineering and Public Works	9,385,631	9,928,911	8,919,652	1,009,259

(Continued)

CITY OF WEST ALLIS, WISCONSIN
General Fund
Detailed Comparison of Budgeted and Actual Expenditures (Continued)
Year Ended December 31, 2003

	Original Budget	Final Budget	Actual	Variance with Final Budget Positive (Negative)
Culture and Recreation				
Senior center	\$ 151,442	\$ 157,767	\$ 150,661	\$ 7,106
Public library	1,677,567	1,880,419	1,657,846	222,573
Total Culture and Recreation	1,829,009	2,038,186	1,808,507	229,679
Fringe Benefits				
Employee social security	1,643,990	1,651,105	1,652,810	(1,705)
Employee retirement	4,068,980	4,084,046	4,100,640	(16,594)
Health insurance	6,917,458	6,917,458	6,909,458	8,000
Group life insurance	60,000	60,000	56,574	3,426
Tuition reimbursement	24,000	24,000	19,233	4,767
Dental insurance	433,800	433,800	399,988	33,812
Workers' compensation	178,000	178,000	311,580	(133,580)
Accrued vacation and overtime	60,000	60,000	156,382	(96,382)
Unemployment compensation	10,000	10,000	10,438	(438)
Less: Amounts charged to enterprise funds	(384,600)	(384,600)	(425,548)	40,948
Total Fringe Benefits	13,011,628	13,033,809	13,191,555	(157,746)
Miscellaneous				
Debt service	27,400	27,400	20,548	6,852
Miscellaneous	187,800	213,300	67,553	145,747
Total Miscellaneous	215,200	240,700	88,101	152,599
TOTAL GENERAL FUND EXPENDITURES	\$ 47,228,059	\$ 50,201,514	\$ 47,255,405	\$ 2,946,109

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

CITY OF WEST ALLIS, WISCONSIN
Statement of Net Assets
Proprietary Funds
December 31, 2003

	Business-type Activities - Enterprise Funds		
	Water Utility	Sanitary Sewer Utility	Storm Water Utility
ASSETS			
Current Assets			
Receivables			
Taxes	\$ -	\$ -	\$ -
Accounts	3,668,492	224	257
Accrued interest	-	-	-
Due from other funds	-	3,746,896	1,254,356
Inventories	143,454	-	-
Deferred charges	14,848	48,585	-
Capital Assets			
Land and land improvements	57,990	-	-
Construction in progress	51,403	526,724	1,015,402
Buildings	-	-	-
Utility plant and equipment	25,587,822	14,695,014	26,829,298
Accumulated depreciation	(9,064,382)	(4,246,332)	(6,462,700)
Deposit with CVMIC	-	-	-
TOTAL ASSETS	20,459,627	14,771,111	22,636,613
LIABILITIES			
Current Liabilities			
Vouchers payable	277,576	395,990	181,885
Accrued liabilities	45,441	60,040	-
Due to other funds	2,373,282	-	-
Due to other governmental units	-	570,031	-
Deferred revenue	58,370	-	-
Noncurrent Liabilities			
Due within one year	177,887	299,072	-
Due in more than one year	1,413,277	4,918,880	-
Total Liabilities	4,345,833	6,244,013	181,885
NET ASSETS			
Invested in capital assets, net of related debt	15,041,669	5,757,454	21,382,000
Unrestricted	1,072,125	2,769,644	1,072,728
TOTAL NET ASSETS	\$ 16,113,794	\$ 8,527,098	\$ 22,454,728

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

Parking Utility	Senior Citizen's Housing	Total	Governmental Activities - Internal Service Funds
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\$ 10,000	\$ -	\$ 10,000	\$ 2,800,000
-	-	3,668,973	74,153
-	-	-	27,526
267,590	344,928	5,613,770	2,810,586
-	-	143,454	-
-	294	63,727	-
935,926	104,986	1,098,902	-
-	-	1,593,529	-
109,060	1,626,904	1,735,964	-
-	-	67,112,134	-
(109,060)	(1,083,089)	(20,965,563)	-
-	-	-	3,244,299

<u>1,213,516</u>	<u>994,023</u>	<u>60,074,890</u>	<u>8,956,564</u>
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1,182	1,329	857,962	-
-	327	105,808	1,786,004
-	-	2,373,282	-
-	-	570,031	-
10,000	-	68,370	2,800,000

-	26,207	503,166	276,080
-	25,172	6,357,329	989,480
<u>11,182</u>	<u>53,035</u>	<u>10,835,948</u>	<u>5,851,564</u>

935,926	597,422	43,714,471	-
<u>266,408</u>	<u>343,566</u>	<u>5,524,471</u>	<u>3,105,000</u>

<u>\$ 1,202,334</u>	<u>\$ 940,988</u>	<u>\$ 49,238,942</u>	<u>\$ 3,105,000</u>
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CITY OF WEST ALLIS, WISCONSIN
Statement of Revenues, Expenses and Changes in Net Assets
Proprietary Funds
Year Ended December 31, 2003

	Business-type Activities - Enterprise Funds		
	Water Utility	Sanitary Sewer Utility	Storm Water Utility
Operating Revenues			
Charges for services	\$ 5,994,839	\$ 4,368,971	\$ 2,390,952
Rents	76,527	-	-
Parking fees and permits	-	-	-
Total Operating Revenues	6,071,366	4,368,971	2,390,952
Operating Expenses			
Personal services	-	-	-
Purchased water	2,318,983	-	-
Sewerage treatment maintenance	-	3,061,588	-
Stormwater system maintenance	-	-	1,089,035
Materials and supplies	-	-	-
Meters, billings and collections	106,224	-	-
Transmission and distribution	1,126,749	-	-
Pumping and treatment	197,261	-	-
General and administrative	909,488	391,812	44,938
Insurance claims and estimate changes	-	-	-
Depreciation	418,849	169,167	336,760
Total Operating Expenses	5,077,554	3,622,567	1,470,733
Operating Income (Loss)	993,812	746,404	920,219
Nonoperating Revenues (Expenses)			
Interest income	-	-	-
Interest and amortization expense	(73,265)	(248,667)	-
Property taxes	-	-	-
Gain (loss) on sale of fixed assets	-	74,208	-
Income (expense) from merchandising and jobbing	(18,049)	5,171	4,084
Total Nonoperating Revenues (Expenses)	(91,314)	(169,288)	4,084
Income Before Contributions and Transfers	902,498	577,116	924,303
Customer contributions	45,455	-	2,122,525
Transfers out	(592,398)	(21,158)	(279,334)
Change in Net Assets	355,555	555,958	2,767,494
Net Assets - January 1	15,758,239	7,971,140	19,687,234
Net Assets - December 31	\$ 16,113,794	\$ 8,527,098	\$ 22,454,728

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

			Governmental Activities - Internal Service Funds
Parking Utility	Senior Citizen's Housing	Total	
\$ -	\$ -	\$ 12,754,762	\$ 10,173,626
-	479,581	556,108	-
27,439	-	27,439	-
<u>27,439</u>	<u>479,581</u>	<u>13,338,309</u>	<u>10,173,626</u>
13,790	116,990	130,780	-
-	-	2,318,983	-
-	-	3,061,588	-
-	-	1,089,035	-
4,029	12,722	16,751	-
-	-	106,224	-
-	-	1,126,749	-
-	-	197,261	-
7,959	48,250	1,402,447	-
-	-	-	12,301,137
-	32,306	957,082	-
<u>25,778</u>	<u>210,268</u>	<u>10,406,900</u>	<u>12,301,137</u>
<u>1,661</u>	<u>269,313</u>	<u>2,931,409</u>	<u>(2,127,511)</u>
-	-	-	369,076
-	(1,579)	(323,511)	(115,616)
12,000	-	12,000	2,800,000
-	-	74,208	-
-	-	(8,794)	-
<u>12,000</u>	<u>(1,579)</u>	<u>(246,097)</u>	<u>3,053,460</u>
13,661	267,734	2,685,312	925,949
-	-	2,167,980	-
-	(117,637)	(1,010,527)	-
13,661	150,097	3,842,765	925,949
<u>1,188,673</u>	<u>790,891</u>	<u>45,396,177</u>	<u>2,179,051</u>
<u>\$ 1,202,334</u>	<u>\$ 940,988</u>	<u>\$ 49,238,942</u>	<u>\$ 3,105,000</u>

CITY OF WEST ALLIS, WISCONSIN
Proprietary Funds
Statement of Cash Flows
Year Ended December 31, 2003

	Business-type Activities - Enterprise Funds		
	Water Utility	Sanitary Sewer Utility	Storm Water Utility
Cash Flows from Operating Activities			
Cash received from customers	\$ 5,379,514	\$ 4,368,971	\$ 2,391,032
Cash from interfund services provided	-	-	-
Cash paid to suppliers	(2,558,284)	(2,806,383)	(644,319)
Cash paid to employees	(1,279,537)	(328,652)	(507,807)
Net Cash Provided (Used) by Operating Activities	1,541,693	1,233,936	1,238,906
Cash Flows from Noncapital Financing Activities			
Transfers to other funds	(592,398)	(21,158)	(279,334)
Property taxes	-	-	-
Principal paid on long-term debt	-	-	-
Interest paid on long-term debt	-	-	-
Net Cash Provided by Noncapital Financing Activities	(592,398)	(21,158)	(279,334)
Cash Flows from Capital and Related Financing Activities			
Acquisition and construction of fixed assets	(665,818)	(702,203)	(959,572)
Proceeds from sale of fixed assets	854	-	-
Proceeds of refunding bonds	74,290	148,581	-
Principal paid on long-term debt	(330,099)	(425,433)	-
Interest paid on long-term debt	(73,977)	(233,723)	-
Customer contributions	45,455	-	-
Net Cash Provided (Used) for Capital and Related Financing Activities	(949,295)	(1,212,778)	(959,572)
Cash Flows from Investing Activities			
Interest received	-	-	-
Increase in Cash and Cash Equivalents	-	-	-
Cash and Cash Equivalents - January 1	-	-	-
Cash and Cash Equivalents - December 31	\$ -	\$ -	\$ -
Cash Flows from Operating Activities			
Operating income (loss)	\$ 993,812	\$ 746,404	\$ 920,219
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities			
Depreciation	533,209	169,167	336,760
Merchandising and jobbing non-operating expense	(18,049)	5,171	4,084
Cash provided (used) by changes in assets and liabilities			
Accounts receivable	(615,325)	(224)	80
Inventories	30,478	-	-
Due from other funds	-	213,569	(3,552)
Other assets	(1,360)	(2,886)	-
Vouchers payable	27,675	(51,547)	(18,685)
Accrued liabilities	(48,948)	(4,144)	-
Due to other governmental units	-	158,426	-
Due to other funds	637,810	-	-
Deferred revenue	2,391	-	-
Net Cash Provided (Used) by Operating Activities	\$ 1,541,693	\$ 1,233,936	\$ 1,238,906

Parking Utility	Senior Citizen's Housing	Total	Governmental Activities - Internal Service Funds
\$ 27,691	\$ 479,581	\$ 12,646,789	\$ -
-	-	-	10,156,696
(25,901)	(216,478)	(6,251,365)	(12,956,696)
(13,790)	(116,990)	(2,246,776)	-
(12,000)	146,113	4,148,648	(2,800,000)
-	(117,637)	(1,010,527)	-
12,000	-	12,000	2,800,000
-	-	-	(253,460)
-	-	-	(121,130)
12,000	(117,637)	(998,527)	2,425,410
-	-	(2,327,593)	-
-	-	854	-
-	-	222,871	-
-	(26,897)	(782,429)	-
-	(1,579)	(309,279)	-
-	-	45,455	-
-	(28,476)	(3,150,121)	-
-	-	-	374,590
-	-	-	-
-	-	-	-
\$ -	\$ -	\$ -	\$ -
\$ 1,661	\$ 269,313	\$ 2,931,409	\$ (2,127,511)
-	32,306	1,071,442	-
-	-	(8,794)	-
252	-	(615,217)	(16,930)
-	-	30,478	-
(14,487)	(155,494)	40,036	(312,781)
-	147	(4,099)	-
574	(35)	(42,018)	-
-	(124)	(53,216)	(342,778)
-	-	158,426	-
-	-	637,810	-
-	-	2,391	-
\$ (12,000)	\$ 146,113	\$ 4,148,648	\$ (2,800,000)

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

1. Reporting Entity

The City of West Allis is a municipal corporation governed by an elected Mayor and ten-member council. In accordance with GAAP, the basic financial statements are required to include the City (the primary government) and any separate component units that have a significant operational or financial relationship with the City. The City has identified the following component unit that is required to be included in the basic financial statements in accordance with standards established by GASB Statement No. 14.

2. Individual Component Unit Disclosures

Component units are legally separate organizations for which the elected officials of the primary government are financially accountable. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (a) it is able to impose its will on that organization, or (b) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

Included within the reporting entity:

Downtown West Allis Business Improvement District (DWABID)

The DWABID, created in August 1989, is a discretely presented component unit with a separate nine member board appointed by the mayor, designed to provide for and promote the continued vitality of the City's business district through an aggressive marketing plan to promote existing businesses and attract new business. The DWABID has its own independent budgetary authority and assessment capabilities. However, the City can impose its will on the DWABID as the City must approve the DWABID operating budget and annual assessment. The City has no responsibility for fund deficits of the DWABID. The DWABID information for the fiscal year ended December 31, 2003 is included in the basic financial statements as a discretely presented component unit (See Note D.7.) Separately issued financial statements of the DWABID may be obtained at DWABID's administrative office:

Downtown West Allis Business
Improvement District
7231 West Greenfield Avenue
West Allis, WI 53214

3. Related Organization

West Allis Memorial Hospital is a not-for-profit entity and its financial statements are not a part of this report. Because the City has title to the Hospital's assets, the Hospital uses the City's bonding authority as a convenience in obtaining financing, therefore, certain debt of West Allis Memorial Hospital issued and secured by the City and the related institutional structures for which the City retains title (See Note D.6.) has been included in the basic financial statements of the City. The City has no appointee authority on the Hospital's board nor is the Hospital fiscally dependent on the City.

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. Government-Wide and Fund Financial Statements

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

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

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

The City reports the following major governmental funds:

GENERAL FUND

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

DEBT SERVICE FUND

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

The City reports the following major enterprise funds:

WATER UTILITY

This fund accounts for all activities necessary to provide water service to residents and businesses of the City.

SANITARY SEWER UTILITY

This fund accounts for all activities necessary to provide sewer service to residents and businesses of the City.

STORM WATER UTILITY

This fund accounts for all activities necessary to provide storm water service to residents and businesses of the City.

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

PARKING UTILITY

This fund accounts for the construction, maintenance and operation of street and off-street parking areas.

SENIOR CITIZEN'S HOUSING

This fund accounts for all activities related to the operation and maintenance of the City-owned housing project.

Additionally, the government reports the following funds:

Internal service funds account for insurance services provided to other departments or agencies of the City on a cost reimbursement basis.

5. Measurement Focus and Basis of Accounting

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

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

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

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

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

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

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

6. Assets, Liabilities and Net Assets or Equity

a. Cash and Investments

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

b. Accounts Receivable

Accounts receivable are recorded at gross amount with uncollectible amounts recognized under the direct write-off method. No allowance for uncollectible accounts has been provided since it is believed that the amount of such allowance would not be material to the basic financial statements.

c. Interfund Receivables and Payables

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

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

d. Inventories

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

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

e. Prepaid Items

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

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

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

f. Capital Assets

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

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

Property, plant, and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	Governmental Activities	Business-Type Activities
	Years	
Buildings	50	25 - 50
Improvements other than buildings	10	15 - 100
Machinery and equipment	5 - 20	3 - 10
Infrastructure	30 - 50	-

Annual depreciation expense for the enterprise fund reported on the statement of cash flows may exceed depreciation expense reported on the statement of revenues, expenses and changes in retained earnings. The difference results from depreciation expense applicable to transportation and certain other operating equipment of the water utility enterprise fund being charged to operating expense accounts other than the depreciation expense account. This accounting procedure is required by the Public Service Commission of the State of Wisconsin.

g. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements. Sick leave does not vest to the employee. All vacation is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds in the fund financial statements only if they have matured, for example, as a result of employee resignations and retirements.

h. Deferred Revenue

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

i. Long-term Obligations

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

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

j. Fund Equity

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

k. Use of Estimates

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

l. Change in Accounting Principles

The City adopted GASB Statements No. 34, 37 and 38 effective January 1, 2003. These Statements require the City to include government-wide financial statements using the economic resources measurement focus. With this measurement focus, all assets and liabilities (including general capital assets, infrastructure and related debt) are included on the statement of net assets. Previously, the current financial resources measurement focus was used whereby only current assets and current liabilities were included on the financial statements.

The previous requirement for fund financial statements is further modified to present information for individual major funds rather than by fund type. Nonmajor funds are presented as a total in a single column.

Due to the significance of the above changes and changes to fund structure, it was not practical to present comparative data for the 2002 fiscal year in the basic financial statements.

NOTE B - STEWARDSHIP AND COMPLIANCE

1. Budgets and Budgetary Accounting

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

- a. Prior to November the Mayor submits to the City Council a proposed operating budget for the calendar year commencing the following January 1. The operating budget includes proposed expenditures and the means of financing them. After submission to the governing body, public hearings are held to obtain taxpayer comments. Following the public hearings, the proposed budget, including authorized additions and deletions, is legally enacted at the function level by City Council action. This action is completed prior to December each year.

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE B - STEWARDSHIP AND COMPLIANCE (Continued)

- b. Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America for the general, special revenue, debt service and public works improvements capital projects funds. Budget is defined as the originally approved budget plus or minus approved amendments. Budget appropriations not expended during the year are closed to fund balance unless authorized by the governing body to be forwarded into the succeeding year's budget.
- c. During the year, formal budgetary integration is employed as a management control device for the general fund, special revenue funds, debt service and public works improvements capital projects funds. Amendments to the budget during the year are initially reviewed by the Administration and Finance Committee and are subsequently authorized by the City Council. Management does not have authority to amend the legally adopted budget. Supplemental amendments were necessary during the year but were not material in relation to the original appropriation. Over-expenditure of budget accounts at year-end were approved by the City Council.
- d. The budget as enacted includes total expenditures at the activity level. An activity can be a department, division or fund. Expenditures cannot legally exceed appropriations at this level. The general fund, special revenue funds, debt service and capital projects fund have legally adopted budgets.
- e. Encumbrance accounting, under which purchase orders, contracts, and other commitments for the expenditure of resources are recorded in order to reserve that portion of the applicable appropriation, is utilized in the general and special revenue funds. Encumbrances outstanding at year-end are reported as reservations of fund balance and do not constitute expenditures or liabilities because the commitments will be honored during the subsequent year.

The City did not have any violation of legal or contractual provisions for the fiscal year ended December 31, 2003.

2. Deficit Fund Equity

The following funds had deficit fund equity as of December 31, 2003:

Fund	Deficit Fund Equity
Special Revenue Funds	
Health Grants	\$ 619
Police Grants	47,288
Miscellaneous Grants	87
Capital Projects Funds	
Tax Increment District No. 1	270,578
Tax Increment District No. 2	648,449
Tax Increment District No. 4	229,252
Tax Increment District No. 5	4,542,057

The deficits in the special revenue funds are anticipated to be financed by future grant receipts. The deficits in the capital projects funds are anticipated to be financed through future tax increment revenues and proceeds from long-term debt. The deficits in the enterprise funds are anticipated to be financed from future operations of the funds.

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE C - DETAILED NOTES ON ALL FUNDS

1. Cash and Investments

The City maintains various cash and investment accounts, including pooled funds that are available for use by all funds. Each fund's portion of these accounts is displayed on the financial statements as "Cash and investments."

Invested cash consists of deposits and investments that are restricted by Wisconsin Statutes to the following:

Time deposits; repurchase agreements; securities issued by federal, state and local governmental entities; statutorily authorized commercial paper and corporate securities; and the Wisconsin local government investment pool.

The carrying amount of the City's cash and investments totaled \$81,987,935 on December 31, 2003 as summarized below:

Petty cash funds	\$ 8,950
Deposits with financial institutions	26,303,266
Investments	55,675,719
	<u>\$81,987,935</u>

Reconciliation to the basic financial statements:

Basic financial statements	
Primary government	\$81,956,332
Component unit	31,603
	<u>\$81,987,935</u>

Additional information on the above deposits and investments follows:

Deposits - At year end, the carrying amount of the City's deposits was \$26,303,266 and the bank balance was \$26,083,021. Deposits with financial institutions are insured by the Federal Deposit Insurance Corporation (FDIC) in the amount of \$100,000 for interest bearing accounts and \$100,000 for non-interest bearing accounts. In addition, the State of Wisconsin has a State Guarantee Fund which provides a maximum of \$400,000 per public depository above the amount provided by an agency of the U.S. Government. However, due to the relatively small size of the State Guarantee Fund in relation to the Fund's total coverage, total recovery of insured losses may not be available.

The City's bank balance is categorized below in accordance with GASB Statement No. 3 as either (1) insured or collateralized with securities held by the City's or by its agent in the City's name or (2) collateralized with securities held by the pledging financial institution's trust department or agent in the City's name or (3) uncollateralized or collateralized with securities held by the pledging financial institution, or by its trust department or agent, but not in the City's name.

	Category			Bank Balance
	1	2	3	
Deposits with financial institutions	\$11,679,722	\$ -	\$14,403,299	<u>\$26,083,021</u>

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Investments - The City's investments are categorized below in accordance with GASB Statement No. 3 in order to provide an indication of the level of risk assumed by the entity at year-end. Category 1 includes investments that are insured or registered or for which the securities are held by the City's or its agent in the City's name. Category 2 includes uninsured and unregistered investments for which the securities are held by the counterparty's trust department or agent in the City's name. Category 3 includes uninsured and unregistered investments for which the securities are held by the counterparty.

	Category			Carrying Amount
	1	2	3	
U.S. Government securities	\$ -	\$ -	\$9,670,331	\$ 9,670,331
Investments not subject to categorization				
Wisconsin local government investment pool				42,148,780
MBIA class pool				3,856,608
Total Investments				<u>\$55,675,719</u>

The City has investments in the Wisconsin local government investment pool at year-end. The Wisconsin local government investment pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2003, the fair value of the City's share of the LGIP's assets was substantially equal to the carrying value.

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

2. Property Taxes

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

The City bills and collects its own property taxes and also levies and collects taxes for the West Allis Area Public School District, Milwaukee County, Milwaukee Area Technical College and the State of Wisconsin. Collections and remittances of taxes for other entities are accounted for in the general fund.

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

3. Capital Assets

Capital asset activity for the year ended December 31, 2003 was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance
Governmental activities:				
Capital assets, not being depreciated:				
Land	\$ 15,250,400	\$ 1,911,889	\$1,175,330	\$ 15,986,959
Construction in progress	3,525,860	1,960,146	834,336	4,651,670
Total capital assets, not being depreciated	18,776,260	3,872,035	2,009,666	20,638,629
Capital assets, being depreciated:				
Land improvements	1,561,022	63,558	-	1,624,580
Buildings	131,938,298	2,566,006	-	134,504,304
Machinery and equipment	105,857,708	4,513,924	1,799,060	108,572,572
Infrastructure	131,378,538	275,834	53,893	131,600,479
Subtotals	370,735,566	7,419,322	1,852,953	376,301,935
Less accumulated depreciation for:				
Land improvements	1,080,696	163,405	-	1,244,101
Buildings	25,961,993	7,395,254	-	33,357,247
Machinery and equipment	63,386,772	9,815,619	1,799,060	71,403,331
Infrastructure	46,736,433	3,011,657	53,893	46,694,197
Subtotals	137,165,894	20,385,935	1,852,953	155,698,876
Total capital assets, being depreciated, net	233,569,672	(12,966,613)	-	220,603,059
Governmental activities capital assets, net	\$252,345,932	\$ (9,094,578)	\$2,009,666	\$241,241,688
Business-type activities:				
Capital assets, not being depreciated:				
Land	\$ 1,098,902	\$ -	\$ -	\$ 1,098,902
Construction in progress	65,548	1,593,529	65,548	1,593,529
Total capital assets, not being depreciated	1,164,450	1,593,529	65,548	2,692,431
Capital assets, being depreciated:				
Buildings	1,735,964	-	-	1,735,964
Machinery and equipment	39,522,776	27,748,763	159,405	67,112,134
Subtotals	41,258,740	27,748,763	159,405	68,848,098
Less accumulated depreciation for:				
Buildings	1,377,901	41,813	-	1,419,714
Machinery and equipment	18,670,725	1,034,529	159,405	19,545,849
Subtotals	20,048,626	1,076,342	159,405	20,965,563
Total capital assets, being depreciated, net	21,210,114	26,672,421	-	47,882,535
Business-type activities capital assets, net	\$22,374,564	\$28,265,950	\$ 65,548	\$50,574,966

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Depreciation expense was charged to functions of the City as follows:

Governmental activities	
General government	\$ 84,757
Public safety	674,432
Public works	3,666,751
Health and human services	15,863,262
Culture and recreation	92,313
Conservation and development	4,420
Total depreciation expense - governmental activities	\$20,385,935
Business-type activities	
Water utility	\$418,849
Sanitary sewer utility	169,167
Storm water utility	336,760
Senior citizen's housing	32,306
Total depreciation expense - business-type activities	\$957,082

4. Interfund Receivable, Payables, and Transfers

Interfund receivables and payables between individual funds of the City, as reported in the fund financial statements, as of December 31, 2003 are detailed below:

	Interfund Receivables	Interfund Payables
Operating Accounts Between Funds		
General Fund	\$7,438,062	\$14,956,290
Special Revenue Funds		
Block Grant	-	196,742
Rental Rehabilitation Loans	366,066	-
HOME Program	-	36,228
Rental Energy Loans	25,917	-
Housing Programs	-	34,791
Cable Communications	626,669	-
Health Grants	98,352	-
Police Grants	-	960,651
Fire Grants	29,642	-
Miscellaneous Grants	-	384,632
Storm Water Fund		
Debt Service Fund	194,786	-
Capital Project Fund		
Public Works Improvements	6,119,223	-
Tax Increment Districts		
No. 1	-	270,578
No. 2	-	648,449
No. 3	1,270,161	-
No. 4	-	229,252
No. 5	-	4,502,339

(Continued)

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

	Interfund Receivables	Interfund Payables
Enterprise Funds		
Water Utility	\$ -	\$2,373,282
Sanitary Sewer Utility	3,746,896	-
Storm Water Utility	1,254,356	-
Parking Utility	267,590	-
Senior Citizen's Housing	344,928	-
Internal Service Fund		
Health Insurance	2,810,586	-
Totals	\$24,593,234	\$24,593,234

Interfund transfers for the year ended December 31, 2003 were as follows:

	Transfers In			
	General Fund	Debt Service	Nonmajor Governmental	Total
Transfers Out				
General Fund	\$ -	\$235,725	\$1,117,608	\$1,353,333
Nonmajor Governmental Funds				
Special revenue funds	-	-	-	-
Capital projects funds	-	914,492	-	914,492
Proprietary Funds				
Water utility	592,398	-	-	592,398
Sanitary sewer utility	21,158	-	-	21,158
Stormwater utility	279,334	-	-	279,334
Senior citizen's housing	117,637	-	-	117,637
	\$1,010,527	\$1,150,217	\$1,117,608	\$3,278,352

5. Deferred Revenues

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

	Unavailable	Unearned
Subsequent year tax levy receivable		
General fund	\$ -	\$25,671,628
Debt service fund	-	4,978,333
Capital projects fund		
Public work improvements	-	236,962
Internal service fund		
Health insurance fund	-	2,800,000
Delinquent personal property taxes		
General fund	391,044	-
Special assessments		
Capital projects fund		
Public works improvements	836,564	-

(Continued)

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

	Unavailable	Unearned
Revenues received for subsequent year		
General fund	\$ -	\$ 10,000
Special revenue fund		
H.O.M.E. program	-	2,389
Housing programs	-	19,018
Health grants	-	67,805
Police grants	-	25,077
Miscellaneous grants	-	37,389
Notes and loan receivable		
General fund	190,000	-
Special revenue fund		
Block grant	1,498,487	-
Rental rehabilitation loans	32,790	-
H.O.M.E. program	1,132,886	-
Housing programs	297,418	-
Miscellaneous grants	323,309	-
Capital projects fund		
Tax Increment District No. 5	555,000	-
Totals	\$5,257,498	\$33,848,601

6. Long-term Debt

The following is a summary of changes in long-term obligations of the City for the year ended December 31, 2003:

	Outstanding 1/1/03	Issued	Retired	Outstanding 12/31/03	Due Within One Year
Governmental activities:					
General Obligation Debt					
General City					
Bonds	\$ 1,519,020	\$ -	\$ 253,460	\$ 1,265,560	\$ 276,080
Notes	14,999,947	2,612,897	3,678,225	13,934,619	3,051,975
Tax Increment districts					
Bonds	7,283,111	-	963,111	6,320,000	375,000
Notes	3,110,000	494,231	1,274,346	2,329,885	734,859
West Allis Hospital					
Bonds	19,920,000	-	1,685,000	18,235,000	1,795,000
Notes	2,995,000	2,330,000	2,995,000	2,330,000	760,000
Total General Obligation Debt	49,827,078	5,437,128	10,849,142	44,415,064	6,992,914
Prior service pension liability					
Wisconsin Retirement System	13,353,107	-	490,785	12,862,322	12,862,322
Municipal police and firefighters	1,559,100	6,945	164,732	1,401,313	164,732
Post-retirement benefits payable	38,962,294	5,421,601	3,218,323	41,165,572	5,539,732
Governmental activities					
Long-term liabilities	\$103,701,579	\$10,865,674	\$14,722,982	\$99,844,271	\$25,559,700
Business-type activities:					
General Obligation Debt					
Bonds	\$6,640,000	\$ -	\$315,000	\$6,325,000	\$325,000
Notes	780,053	222,872	467,429	535,496	178,166
Total General Obligation Debt	\$7,420,053	\$222,872	\$782,429	\$6,860,496	\$503,166

Total interest paid during the year on long-term debt totaled \$2,393,904.

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

General Obligation Debt

General obligation debt currently outstanding is detailed as follows:

	Outstanding 12/31/03
Bonds	
\$3,322,820 issued 11/18/87; \$276,080 to \$359,020 due annually through 2007; interest 8.7%	\$ 1,265,560
\$1,425,000 issued 1/15/98; \$75,000 due annually through 2017; interest 4.2% to 4.9%	1,050,000
\$24,165,000 issued 3/1/98; \$555,000 to \$1,985,000 due annually through 2012; interest 4.25% to 4.5%	14,170,000
\$1,110,000 issued 2/15/99; \$55,000 to \$60,000 due annually through 2018; interest 4.125% to 4.65%	870,000
\$1,000,000 issued 3/15/00; \$50,000 to \$100,000 due annually through 2014; interest 4.95% to 5.5%	850,000
\$2,200,000 issued 4/1/01; \$75,000 to \$170,000 due annually through 2020; interest 4.5% to 4.875%	2,065,000
\$1,750,000 issued 3/1/02; \$65,000 to \$135,000 due annually through 2021; interest 4.1% to 5.0%	1,690,000
\$1,500,000 issued 3/1/02; \$40,000 to \$160,000 due annually through 2021; interest 5.40% to 6.75%	1,500,000
\$1,470,000 issued 8/1/02; \$110,000 to \$160,000 due annually through 2014; interest 4.0% to 5.0%	1,450,000
\$3,240,000 issued 8/1/02; \$265,000 to \$445,000 due annually through 2012; interest 4.0% to 5.0%	3,170,000
\$4,380,000 issued 8/1/02; \$345,000 to \$490,000 due annually through 2013; interest 2.75% to 3.875%	4,065,000
Total Bonds	32,145,560

(Continued)

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

<u>General Obligation Debt (Continued)</u>	Outstanding 12/31/03
Notes	
\$400,000 issued 1/1/95; \$3,482 to \$39,302 due 2013 to 2025; interest 1.7756%	\$ 400,000
\$995,000 issued 2/1/96; \$20,000 to \$160,000 due annually through 2006; interest 6.0% to 6.4%	205,000
\$2,845,000 issued 5/1/97; \$355,000 due in through 2004; interest 5.0%	355,000
\$1,205,000 issued 5/1/97; \$225,000 due in 2004 and \$245,000 due in 2005; interest 7.30% to 7.35%	470,000
\$1,950,000 issued 1/15/98; \$215,000 due annually through 2007; interest 4.15% to 4.25%	860,000
\$2,000,000 issued 2/15/99; \$220,000 due annually through 2008; interest 3.7% to 4.0%	1,100,000
\$3,080,000 issued 3/15/00; \$300,000 to \$325,000 due annually through 2010; interest 5.0%	2,175,000
\$2,140,000 issued 3/1/01; \$230,000 to \$240,000 due annually through 2010; interest 4.0% to 4.1%	1,660,000
\$3,250,000 issued 3/1/02; \$360,000 to \$365,000 due annually through 2011; interest 2.35% to 4.10%	2,885,000
\$4,860,000 issued 3/1/02; \$660,000 to \$1,675,000 due annually through 2006; interest 2.35% to 3.10%	3,360,000
\$5,660,000 issued 4/1/03; \$195,000 to \$1,380,000 due annually through 2013; interest 1.1% to 3.4%	5,660,000
Total Notes	19,130,000
Total General Obligation Debt	\$51,275,560

Annual principal and interest maturities of the outstanding general obligation debt of \$51,275,560 on December 31, 2003 are detailed below:

Year Ended December 31	Governmental Activities		Business-type Activities		Total	
	Principal	Interest	Principal	Interest	Principal	Interest
2004	\$ 6,992,914	\$1,668,761	\$ 503,166	\$ 300,341	\$ 7,496,080	\$ 1,969,102
2005	6,412,269	1,424,669	484,331	281,610	6,896,600	1,706,279
2006	6,045,152	1,191,841	483,708	263,203	6,528,860	1,455,044
2007	4,799,729	978,498	444,291	244,613	5,244,020	1,223,111
2008	3,995,000	798,332	375,000	227,141	4,370,000	1,025,473
2009-2013	14,540,000	1,857,529	2,025,000	866,921	16,565,000	2,724,450
2014-2018	903,873	317,000	1,855,000	384,415	2,758,873	701,415
2019-2023	648,209	63,647	690,000	44,707	1,338,209	108,354
2024-2025	77,918	2,081	-	-	77,918	2,081
	\$44,415,064	\$8,302,358	\$6,860,496	\$2,612,951	\$51,275,560	\$10,915,309

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

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Legal Margin for New Debt

The City's legal margin for creation of additional general obligation debt on December 31, 2003 was \$112,729,778 as follows:

Equalized valuation of the City		\$3,278,962,400
Statutory limitation percentage		(x) 5%
General obligation debt limitation, per Section 67.03 of the Wisconsin Statutes		163,948,120
Total outstanding general obligation debt applicable to debt limitation	\$51,275,560	
Less: Amounts available for financing general obligation debt Debt service fund	57,218	
Net outstanding general obligation debt applicable to debt limitation		51,218,342
Legal Margin for New Debt		\$112,729,778

Unfunded Pension Liability

The City's unfunded pension liability on December 31, 2003 consists of an unfunded liability of \$12,862,322 to the Wisconsin Retirement System (System) and an unfunded liability of \$1,401,313 for former employees covered under the Municipal Police and Firefighter's Pension Funds (MPFP). The System liability is an actuarially computed liability by the System resulting from increases in employee pension benefits that exceed actual and anticipated future contributions by the City to the System. The liability was originally calculated by the System as of January 1, 1990. Since that time, the City has been making additional monthly payments to the System in order to amortize the liability over a 40-year period. In addition, the City is charged 8% interest per year on the unpaid balance. As a result, the outstanding balance of the liability may increase annually if payments made by the City to the System are less than the interest charged. The System's 40-year amortization schedule from 1990 anticipates that the unfunded pension liability will not be reduced annually for approximately the first 20 years of the schedule.

The MPFP liability is the City's best estimate of the unfunded liability. Monthly payments are made to employees covered under the plan until they are deceased.

Additional information on the System and MPFP is provided in Note D.1.

Advance Refunding

On April 1, 2003, the City issued \$3,560,000 general obligation refunding notes with an average interest rate of 2.52% to advance refund \$2,300,000 of outstanding 1996 general obligation notes and \$1,170,000 of outstanding 1997 general obligation notes. As a result, the liability for the refunded notes has been removed from the statement of net assets. The refunding decreased the City's future total debt service payments by \$144,375 and resulted in an economic gain (difference between present value of the old and new debt service payments) of \$144,653.

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

7. Conduit Debt Obligations

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

As of December 31, 2003, there were eight series of Industrial Revenue Bonds outstanding, with an aggregate principal amount payable of \$70,465,000.

8. Other Post-Employment Benefits

The City provides postretirement health insurance benefits based on contractual agreements with employee groups, local ordinances, or employee benefit policies. The benefit is offered to all employees who retire from the City on or after attaining age 55 (age 50 under limited situations) with at least ten years of service. The cost is paid approximately 63% by the City and 37% by the employee. Funding for those costs is provided out of the current operating budget of the City. Total net expenditures for such premiums during the year were approximately \$3,192,463. The approximate number of participants currently eligible to receive benefits is 575. The estimated total amount outstanding at year end to be paid in the future is \$41,165,572 and is included in the Statement of Net Assets.

9. Fund Equity

Government-wide Statements

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

- a. Invested in capital assets, net of related debt - Amount of capital assets, net of accumulated depreciation, less outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets - Amount of net assets that are subject to restrictions that are imposed by 1) external groups, such as creditors, grantors, contributors or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets - Net assets that are neither classified as restricted nor as invested in capital assets, net of related debt.

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Net assets of the governmental activities reported on the government-wide statement of net assets at December 31, 2003 include the following:

Invested in capital assets, net of related debt	
Land	\$ 15,986,959
Construction in progress	4,651,670
Improvements other than buildings	1,624,580
Buildings	134,504,304
Machinery and equipment	108,572,572
Infrastructure	131,600,479
Less: accumulated depreciation	(155,698,876)
Less: related long-term debt outstanding	(34,499,619)
Total Invested in Capital Assets, Net of Related Debt	206,742,069
Restricted	
Debt service	57,218
Unrestricted (deficit)	(32,645,921)
Total Governmental Activities Net Assets	\$174,153,366

Fund Statements

In the fund financial statements, portions of governmental fund balances are reserved and not available for appropriation or are legally restricted for use for a specific purpose. At December 31, 2003, fund balance was reserved as follows:

General Fund	
Reserved for encumbrances	\$ 578,370
Reserved for inventories and prepaid items	513,138
Reserved for subsequent year's budget	519,407
Reserved for long-term receivables	698,728
	\$2,309,643
Special Revenue Funds	
Reserved for encumbrances	\$ 37,096
Reserved for inventories and prepaid items	172,112
	\$209,208
Debt Service Fund	
Reserved for debt service	\$ 57,218
Capital Projects Funds	
Reserved for encumbrances	\$2,363,663
Reserved for long-term receivables	50,916
	\$2,414,579

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE C - DETAILED NOTES ON ALL FUNDS (Continued)

Also in the fund financial statements, portions of governmental fund balances have been designated to represent tentative management plans that are subject to change. At December 31, 2003, fund balance was designated as follows:

General Fund

Designated for subsequent years expenditures	\$ 944,149
Designated for contingency	2,501,480
Designated for land/building acquisition	2,500,000
Designated for capital accumulation	1,534,713
Designated for insurance	1,200,000
Designated for workers compensation	1,000,000
Designated for dental insurance	50,000
Designated for unfunded pension liability	3,000,000
Designated for productivity/operation improvement	100,000
Designated for tax levy reduction	1,000,000
Designated for tax refunds	100,000
	\$13,930,342

Special Revenue Funds

Designated for subsequent year's expenditures	\$1,952,369
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Capital Projects Funds

Designated for subsequent year's expenditures	\$4,126,375
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NOTE D - OTHER INFORMATION

1. Retirement Commitments

a. Wisconsin Retirement System

All eligible City employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer public employee retirement system. All permanent employees expected to work over 600 hours a year (440 hours for teachers) are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 5.4% of their salary (2.6% for Executives and Elected Officials, 4.0% for Protective Occupations with Social Security, and 2.4% for Protective Occupations without Social Security) to the plan. Employers may make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for City employees covered by the System for the year ended December 31, 2003 was \$30,205,578; the employer's total payroll was \$31,123,724. The total required contribution for the year ended December 31, 2003 was \$3,666,444, which consisted of \$2,368,982, or 7.8% of covered payroll from the employer and \$1,297,462, or 4.3% of covered payroll from employees. The required contribution for employees for the year ended December 31, 2003 was financed by the City. Total contributions for the years ending December 31, 2002 and 2001 were \$3,599,699 and \$3,575,219 respectively, equal to the required contributions for each year.

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE D - OTHER INFORMATION (Continued)

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 year's 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 or after April 24, 1998 are immediately vested.

The System also provides death and disability benefits for employees. Eligibility 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.

b. **Police-Fire Pension Fund**

Protective employees of the City hired prior to 1948 are covered under the Municipal Police and Firefighter's Pension Funds, a multiple employer defined benefit plan, established under Chapter 62 of the Wisconsin Statutes. These funds were closed to new members effective January 1, 1948. The plan is administered by the Wisconsin Department of Employee Trust Funds, and is funded on a "pay-as-you-go" basis until the covered employees are deceased. The City's best estimate of the unfunded liability for this pension plan is \$1,401,313 and is included in the Statement of Net Assets. The total City contribution to the Fund during 2003 was \$163,732.

2. **Mutual Insurance Company**

During 1987, the City, together with certain other units of government within the State of Wisconsin, created the Cities and Villages Mutual Insurance Company (CVMIC) to provide liability insurance services to its members. At that time, the City issued \$3,322,820 in general obligation bonds for its share of the initial capitalization of CVMIC. The City is partially self-insured for liability insurance and pays premiums to CVMIC for its excess liability insurance coverage. The actuary for CVMIC determines premium charges to its members required to pay the expected claims and loss adjustment expenses. CVMIC's ongoing operational expenses, other than loss adjustment expenses, are apportioned pro rata to each member. CVMIC provides general liability, police and nurses professional liability, public official's liability and vehicle liability coverage for the City. The City's self-insured retention limit is \$250,000 for each occurrence with a maximum limit of \$1,000,000 annually. A separate financial report is issued annually by CVMIC. Since the City considers it probable that its initial capitalization contribution in CVMIC will be returned upon either dissolution of CVMIC or the approved withdrawal from CVMIC, the initial capitalization has been recorded as a deposit in the liability self-insurance internal service fund.

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE D - OTHER INFORMATION (Continued)

3. Risk Management

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets, errors and omissions, natural disasters and workers' compensation. The City is self-insured for health and dental coverage and for workers' compensation. The City purchases general and automobile liability insurance from the Cities and Villages Mutual Insurance Company (See Note D.2). 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.

The City has a self-funded health and dental insurance program with claims processed by Humana on behalf of the City. The dental claims are being paid out of the General Fund, and the health claims are being paid out of the Health Insurance Internal Service Fund.

The City has a self-funded workers' compensation program with claims processed by Martin Boyer Company on behalf of the City. The claims are being paid out of the General Fund. As part of the plan, the City has reinsurance coverage for claims over their self-insured retention level of \$250,000 per occurrence with a \$1 million aggregate stop loss.

All Funds of the City participate in the plans. At December 31, 2003 the City maintains reserves of \$50,000 and \$1,000,000 for the coverage of catastrophe losses related to the dental and the workers' compensation plan, respectively. The claims liabilities of \$10,000 and \$193,855 for the dental and the workers' compensation plan, respectively are reported as accrued liabilities in the General Fund, and the health claims liability of \$1,239,000 is reported as accrued liabilities in the Health Insurance Internal Service Fund at December 31, 2003. These liabilities are 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 1, 2003 and 2002 are as follows:

	Beginning of Fiscal Year Liability	Current Year Claims and Changes in Estimates	Claim Payments	End of Fiscal Year Liability
2003	\$1,717,554	\$11,485,171	\$11,963,725	\$1,239,000
2002	1,587,808	10,598,575	10,468,829	1,717,554

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE D - OTHER INFORMATION (Continued)

4. Tax Incremental Districts

The City has established separate capital projects funds for five Tax Incremental Districts (TID) created by the City in accordance with Section 66.1105 of the Wisconsin Statutes. At the time the Districts were created, the property tax base within each District was "frozen" and increment taxes resulting from increases to the property tax base are used to finance District improvements, including principal and interest on long-term debt issued by the City to finance such improvements. Except for certain exceptions under Section 66.1105(6)(am)1, the Statutes allow seven years after its creation date for a tax incremental district to incur project costs eligible for financing from tax increments. Pertinent information for each of the City's TIDs follows:

	TID No. 1	TID No. 2	TID No. 3	TID No. 4	TID No. 5
Creation date	10/06/92	11/15/93	08/17/94	02/09/95	01/01/01
Date construction period ends	10/05/02	11/14/03	08/16/04	02/08/05	01/01/08
Date district terminates	12/31/19	12/31/20	12/31/20	12/31/21	12/31/23
Unreimbursed project costs	\$2,367,309	\$2,098,459	\$1,747,121	\$229,252	\$6,475,211
Outstanding debt	\$2,096,731	\$1,450,000	\$3,170,000	\$ -	\$1,933,154

It is the intention of the City to recover all project costs and debt service payments due prior to termination of the respective districts.

5. Intermunicipal Agreement

The City is a member of the Milwaukee Area Domestic Animal Control Commission (MADACC) 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 for dogs and cats. 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 4.789% due annually through 2013, for the purchase of land and the construction of a facility. The City's share of that borrowing as of December 31, 2003 is approximately \$115,755.

6. Lease Disclosures

In 1963, West Allis Memorial Hospital entered into a fifty-year lease agreement with the City of West Allis for the right to operate the Hospital. In 1997, the lease was amended to extend the life an additional 25 years. Under the terms of this lease, the City has title to all assets and any subsequent additions, and the Hospital has exclusive right to the use of the assets and the obligation to maintain and replace them. The agreement does not provide for lease payments; however, a determination is made annually as to the amount of Hospital funds which can, consistent with sound financial management, be turned over to the City. The City recognized miscellaneous general fund revenue of \$200,000 for the Hospital in 2003. The Hospital also reimbursed the City \$3,278,989 for its share of the City's 2003 debt service payments related to construction of Hospital fixed assets.

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE D - OTHER INFORMATION (Continued)

7. Component Unit

This report contains the Downtown West Allis Business Improvement District ("DWABID"), which is included as a component unit. Financial information for the DWABID is presented as a discrete column in the Statement of Net Assets and, as a separate line in the Statement of Activities.

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

a. Cash and Investments

At year end, the carrying amount and bank balance of the DWABID's deposits was \$31,603 and was covered by Federal Depository Insurance.

b. Condensed Financial Information

Assets	
Cash and investments	\$31,603
Accounts receivable	208
Due from primary government	55,836
Total Assets	<u><u>\$87,647</u></u>
 Liabilities	
Vouchers payable	\$ 2,796
Deferred revenue	55,836
Total Liabilities	<u><u>58,632</u></u>
Net Assets	<u><u>29,015</u></u>
Total Liabilities and Net Assets	<u><u>\$87,647</u></u>
 Revenues	
	\$99,738
 Expenses	
Current	<u><u>76,902</u></u>
Change in Net Assets	<u><u>\$22,836</u></u>

CITY OF WEST ALLIS, WISCONSIN
Notes to Basic Financial Statements
December 31, 2003

NOTE D - OTHER INFORMATION (Continued)

8. Contingencies

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

9. Subsequent Events

During 2004, the City issued the following debt:

- \$7,193,000 general obligation bonds due in annual installments through 2024 at an interest rate of 5.25%
- \$3,695,000 note anticipation notes due in annual installments through 2009 at an interest rate of 3.50%
- \$4,425,000 taxable general obligation bonds due in annual installments through 2016 at an interest rate of 4.16%
- \$3,780,000 general obligation bonds due in annual installments through 2020 at an interest rate of 3.04%
- \$2,275,000 general obligation bonds due in annual installments through 2014 at an interest rate of 2.51%
- \$5,505,000 general obligation bonds due in 2009 at an interest rate of 3.50%

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