



11333 N. Cedarburg Road, 60W
Mequon, Wisconsin 53092
(262) 242-3100

As of and for the Year Ended December 31, 2011

Comprehensive Annual Financial Report



**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2011**



**CITY OF MEQUON
WISCONSIN**

Prepared by:

Lee Szymborski
City Administrator

Thomas Watson
Finance Director

Published July 31, 2012

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As of and for the Year Ended December 31, 2011

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INTRODUCTORY SECTION

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FINANCE DEPARTMENT

Thomas W. Watson, CMA, CFM, Finance Director/Treasurer
Mark D. Emanuelson, Assistant Finance Director

July 31, 2012

To the Citizens, Honorable Mayor and Common Council of the City of Mequon, Wisconsin:

The Comprehensive Annual Financial Report for the City of Mequon, Wisconsin, for the fiscal year ended December 31, 2011, is hereby submitted. This report consists of management's representations concerning the finances of the City of Mequon. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Mequon has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Mequon's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Mequon's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Baker Tilly Virchow Krause, LLP, a firm of certified public accountants and consultants has audited the City of Mequon's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Mequon for the fiscal year ended December 31, 2011, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that there was a reasonable basis for rendering a qualified opinion on the City of Mequon's financial statements for the fiscal year ended December 31, 2011, as there was an omission of the discretely presented component unit. The independent auditor's report is presented as the first component of the financial section of this report.

Generally accepted accounting principles require that management provide a narrative introduction, overview, and analysis to accompany the basic financial statements in the form of Management's Discussion and Analysis (MD&A). This letter of transmittal is designed to complement the MD&A and should be read in conjunction with it. The City of Mequon's MD&A can be found immediately following the report of the independent auditors.

This report includes all funds of the City. It includes all governmental organizations and activities for which the City Common Council is financially accountable. The City provides the full range of municipal services normally associated with a municipality including general administration, police and fire protection, sanitation services, the construction and maintenance of highways, streets, and related infrastructure, recreational activities, cultural events, and economic development. In addition to general activities, the City Common Council exercises authority over the Mequon Sewer Utility and Mequon Water Utility; therefore these activities are included in the financial statements. However, the Mequon-Thiensville and Cedarburg School Districts and the Milwaukee Area Technical College are autonomous entities and have not met the established criteria for inclusion in the reporting entity, and accordingly, are excluded from this report.

COMMUNITY PROFILE

The City is located in Ozaukee County, bordering Milwaukee County to its south and Lake Michigan to its east, and covers 47 square miles. The City was incorporated in 1957 and has a 2010 population of 23,132 (per state Department of Administration).

The eight-member Council is elected by ward for overlapping three-year terms. The mayor is elected at large for a three-year term. The Council is responsible for enacting ordinances, resolutions, and regulations governing the City as well as the appointment of members of various statutory and advisory boards and the City Administrator. As Chief Administrative Officer, the City Administrator has the responsibility of administering programs in accordance with policies established by the City Council and within the guidelines of the annual budget adopted by the City Council.

All departments of the City of Mequon are required to submit requests for appropriation for all governmental activities to the City Administrator on or before the last Monday in July of each year. The City Administrator uses these requests as the starting point for developing a proposed budget for governmental activities. The City Administrator presents the proposed budget for all governmental activities to the Common Council, meeting as the Appropriations Committee, approximately in early November for review. The Appropriations Committee meets with the City Administrator and all department heads over a series of meetings shortly after receiving the proposed budget. The City is required to hold a public hearing on the proposed budget, which is generally held the last Tuesday in November. The governmental activities budget is generally adopted at the first Common Council meeting in November at which time the required property tax levy is established.

ECONOMIC CONDITION AND OUTLOOK

Unemployment has historically been very low in the Milwaukee metropolitan area. In Ozaukee County the unemployment rates were 6.9 percent in 2010 and 6.0 percent in 2011. This still compares favorably with the Wisconsin unemployment rates of 8.5 and 7.5 percent respectively.

Mequon's 2011 equalized property value remains over \$4 billion. However, housing values on a full market basis have decreased in recent years. The City's tax base fell, with a decrease in equalized valuation from 2010 to 2011 being approximately \$174 million, or an overall decrease of 4.1 percent. In 2011, the City had over \$40 million valuation in construction permits, which is \$12M (24%) less than the building permit valuation in 2010. The City maintains an Aa1 bond rating from Moody's Investors Service, based in part on the relatively strong economic climate of the City.

MAJOR INITIATIVES FOR THE YEAR (2011):

Economic Development

The City enhanced the economic development toolbox by focusing on six goals:

- Incentive redevelopment in Town Center, a traditional neighborhood development district
- Incentive redevelopment on Port Washington Road, a community commercial corridor
- Land use analysis of Port Washington Road from Highland Road to Pioneer Road
- Evaluation of housing policies
- Streamline development process
- Outreach and marketing of the city as a whole

The City approved two loans from the Revolving Loan Fund program which resulted in 17 new full-time jobs. These loans allowed for new development to occur in both the Town Center and the Port Washington commercial districts. Through the efforts of the City's Economic Development Board, the City created two new TIF districts (effective January 2012) for Port Washington Road with a direct financial incentive available through a Pay-As-You-Go TIF. A pre-approved incentive formula allows for an equitable approach and streamlined approval process. Modifications to the 2008-approved Town Center TIF were authorized in 2011 to also allow for a direct financial incentive. Previously, this district didn't authorize any developer incentives.

The City evaluated housing policies after a 10 year hiatus. An all-inclusive review of the city's neighborhoods was considered for housing expansion sites. The established goal is to consider expanding opportunities for homebuyers with choice. In 2011, the City took action to begin the analysis of expanding the sewer service areas for three housing "growth areas" as opportunity sites. These sites would be slated for smaller lot (3/4 acre) single-family housing development with some sites slated for new, higher density multiple-family housing development.

Development Approvals

Major commercial development initiatives for 2011 included development in both of the city's commercial areas (Port Washington Road and Town Center). The estimated new tax base value based on the major projects below total \$18,000,000. These projects are evidence that appropriately planned commercial development is assisting in our Administration's goal of rebalancing the commercial tax base. These private investments in our community include the following:

- Redevelopment commercial project of a new multi-tenant office building containing PNC Bank.
- Redevelopment commercial project of a new multi-tenant retail building containing Taco Bell, Jimmy John's and TCBY.
- Redevelopment commercial project of a multi-tenant, mixed-use development containing Spectrum Investment Advisors and the Mequon-Thiensville Chamber of Commerce.
- Redevelopment commercial building for Les Moise sporting goods store.
- Redevelopment residential project containing 96 units of senior housing.
- New ownership and reinvestment of the former Mequon Country Club, now named River Club of Mequon.
- New development phase associated with Winding Hollow, by Town Realty, of 40 market rate, multi-family residential units.

FOR THE FUTURE (2012)

Town Center

The Common Council continues their implementation efforts for the Town Center. As a result of a DNR grant, the City, in partnership with the Mequon-Thiensville Rotary Club is implementing phase one plans for a riverfront park along the Milwaukee River. The plans include paths, boardwalks, landscaping and signage. The goal is to provide enhanced awareness and access to the river, passive recreational opportunities and special events held along the river's edge. In addition, the City utilized Town Center TIF dollars to make further streetscape improvements along Mequon Road for the block of Buntrock Avenue and Industrial Drive by installing landscaping, a parking lane and burial of utilities.

Economic Development:

Land Use and Housing

The City will continue its efforts to solidify locations for new housing development. The City has established a Land Use Committee to explore the land use, zoning, densities, infrastructure to determine the highest and best use, most of which is focused on small scale single family and multiple family residential development.

Branding and Outreach

The Economic Development Board (Board) will continue its outreach initiatives to meet with local stakeholders to better understand business in Mequon. The Board has started to develop a Business Retention and Outreach plan to prioritize partnerships and action steps. In addition, the City has created a Community Wide Branding Committee where representatives from the M-T School District, Village of Thiensville, City of Mequon and M-T Chamber of Commerce will come together to develop branding action plan that includes the following:

- The identity of a distinguishing brand that includes an accurate reflection of the community's values, strengths and priorities, advances the economic, educational and social goals of the community and represents the community in a way that is relevant and competitive.
- The branding package includes a logo or family of logo(s), theme(s) and color palettes, and a program to implement branding elements.

FINANCIAL MANAGEMENT

Budgetary controls. The objective of budgetary controls is to ensure compliance with legal provisions embodied in the annual budget approved by the City Council. Activities of the general fund, special revenue funds, debt service fund, capital improvement funds, and sewer utility fund are included in the annual appropriated budget. The budget is adopted at the functional level of expenditure; however, it is monitored by department heads at the departmental level within an individual fund.

As demonstrated by the statements and schedules included in the financial section of this report, the City continues to meet its responsibility for sound financial management.

RISK MANAGEMENT

Third-party insurance coverage is currently maintained for health, dental and life insurance, worker's compensation, property, liability and other potential losses.

CASH MANAGEMENT

Cash temporarily idle during the year was invested in demand deposits, an investment pool and a privately managed trust. The investment pool utilized by the City was the State of Wisconsin Local Government Investment Pool, a part of the State Investment Fund, which invests primarily in U.S. Treasury securities, repurchase agreements, and agency securities backed by the full faith and credit of the U.S. Government. In addition, the City utilized the services of Ziegler Investment Services. The City's portfolio at Ziegler consists primarily of U.S. Treasury securities, repurchase agreements, and agency securities backed by the full faith and credit of the U. S. Government. The City had investment income of approximately \$220,000 on all investments for the year ended December 31, 2011. The average return on investment was approximately one half of one percent.

The City's investment policy directs staff to maximize security, liquidity, and return, in that order, when considering investment alternatives.

ACKNOWLEDGEMENTS

We wish to thank the Mayor and the City Common Council. Without their leadership and continued support, preparation of this report would not have been possible. Preparation of this report was made possible with the assistance of Baker Tilly Virchow Krause, LLP.

Respectfully submitted,


Lee Szymborski
City Administrator


Thomas Watson
Director of Finance

CITY OF MEQUON, WISCONSIN

DIRECTORY OF OFFICIALS

ELECTED OFFICIALS:

Mayor Curtis Gielow

Common Council

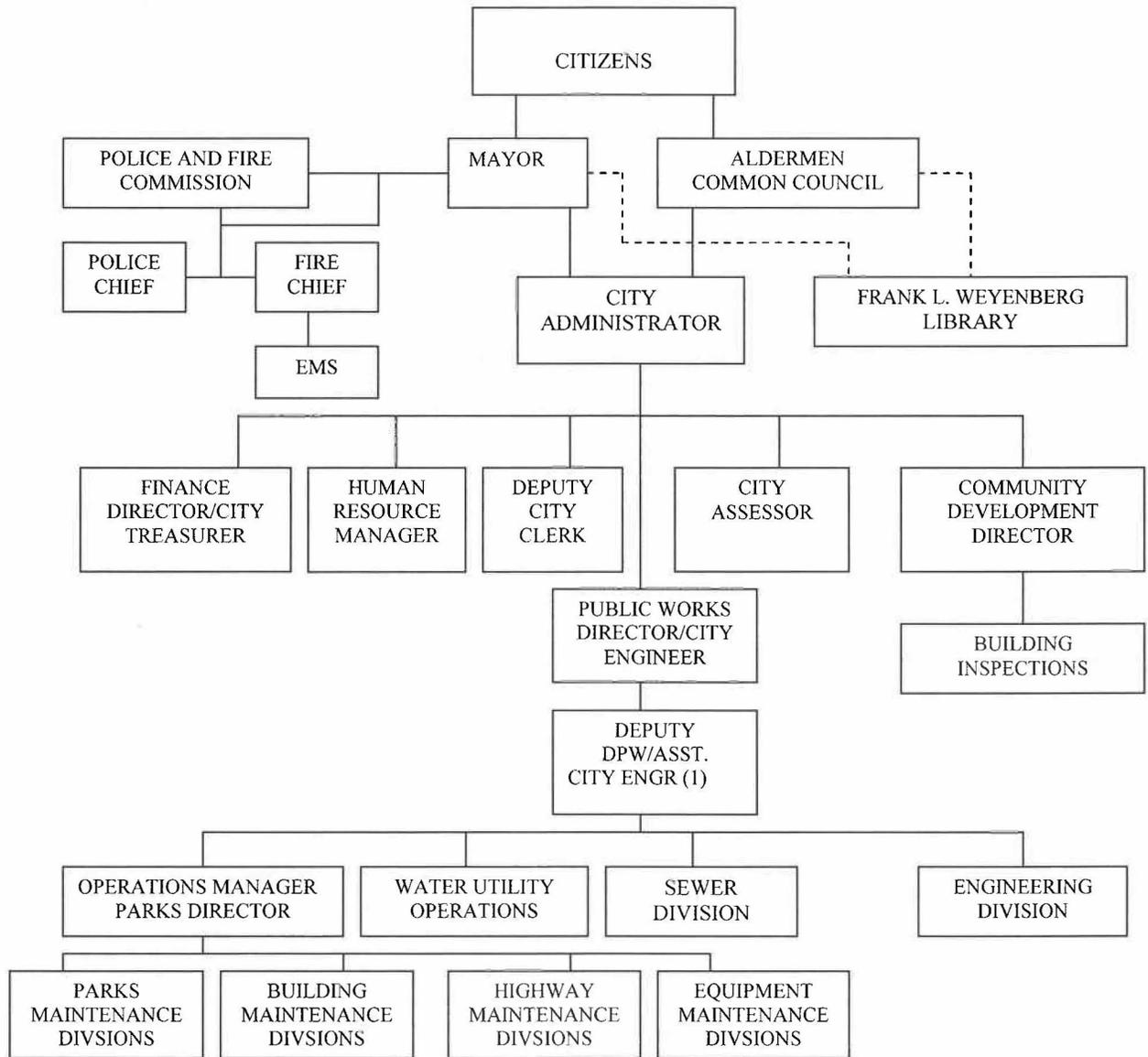
District 1	Alderman Dan Abendroth	District 2	Alderman Ken Zganjar
District 3	Alderman Dale Mayr	District 4	Alderman John Wirth
District 5	Alderman Mark Seider	District 6	Alderman John Hawkins
District 7	Alderman Daniel Gannon	District 8	Alderman Pamela Adams

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APPOINTED OFFICIALS:

Lee Szymborski, City Administrator/City Clerk
Diane Kowalchuk, Deputy City Clerk
Steve Graff, Police Chief
Thomas Watson, Finance Director
Don Curran, Director of Parks and Operations
Nathan Check, Public Works Director/City Engineer
Michael Grota, City Assessor
Kim Tollefson, Planning and Community Development Director
David Bialk, Fire Chief
Melissa Bohse, Human Resources Manager

City of Mequon Organizational Chart





FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Mequon
Mequon, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mequon, Wisconsin, as of and for the year ended December 31, 2011, which collectively comprise the basic financial statements of the City's primary government as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

The financial statements do not include financial data for the City's legally separate component unit. Accounting principles generally accepted in the United States of America require the financial data for the component unit to be reported with the financial data of the City's primary government unless the City also issues financial statements for the financial reporting entity that include the financial data for its component unit. The City has not issued such reporting entity financial statements. The amount by which this departure from accounting principles generally accepted in the United States of America would affect the assets, liabilities, net assets, revenues, and expenses of the aggregate discretely presented component unit is not reasonably determinable.

In our opinion, because of the omission of the discretely presented component unit, as discussed above, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the discretely presented component unit of the City of Mequon, Wisconsin, as of December 31, 2011, or the changes in financial position thereof for the year then ended.

To the City Council
City of Mequon

Further, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mequon, Wisconsin, as of December 31, 2011, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note I, the City adopted the provisions of Governmental Accounting Standard Board Statement No. 54, *Fund Balance Reporting and Governmental Fund Type Definitions*, effective January 1, 2011.

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

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Mequon's basic financial statements. The "Letter of Transmittal" and "Statistical Section" listed in the accompanying table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
July 31, 2012

MANAGEMENT'S DISCUSSION AND ANALYSIS

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**CITY OF MEQUON, WISCONSIN
MANAGEMENT'S DISCUSSION AND ANALYSIS**

(Unaudited)

This discussion and analysis of the City of Mequon's financial performance is intended to provide an overview of the City's financial activities for the fiscal year ended December 31, 2011. Please consider it in conjunction with the City's financial statements, which begin on page 23, following this narrative.

FINANCIAL HIGHLIGHTS

- ✓ With total assets of \$121.9 million and total liabilities of \$74.2 million, the total net assets of the City of Mequon stood at approximately \$47.7 million at the close of the 2011 fiscal year, an increase of 3.8% over the previous year.
- ✓ As of December 31, 2011, the City of Mequon's governmental funds reported combined ending fund balances of \$12.2 million, an increase of 23.8% compared to the prior year. This increase was related to the issuance of debt late in the year to fund retirement of the City's unfunded pension liability in 2012. The City also increased its capital reserves for local road construction and other capital acquisitions. \$2.2 million or 18.3% percent of the total fund balances are available for spending at the government's discretion (unassigned fund balance).
- ✓ At the close of the fiscal year the City of Mequon's unassigned general fund balance totaled approximately \$2.2 million, an increase of 32% from the previous fiscal year. This represents 14.0% of the \$16.0 million adopted 2012 General fund and Debt service fund budgets.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City of Mequon's basic financial statements are comprised of three components: 1) government-wide 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 private-sector business entities.

The *Statement of Net Assets* presents information on all of the City of Mequon's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City 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 the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation).

The government-wide financial statements distinguish those functions of the municipality that are principally supported by taxes and intergovernmental revenues, known as *governmental activities*, from other functions that are intended to recover all or a significant portion of their costs through user fees and service charges, called *business-type activities*.

The governmental activities of the City of Mequon include general government, public safety, public works, public health, community enrichment services, conservation and development, and interest and fiscal charges.

The business-type activities of the City consist of a Sewer utility and Water utility.

The government-wide financial statements can be found on pages 23 through 25 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 of Mequon, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with various finance related legal requirements. All of the funds of the City of Mequon can be divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

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

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

The City of Mequon maintains seven governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Debt Service Fund, and Capital Projects Fund, all of which are considered to be major governmental funds or funds for which separate reporting has been determined to be helpful in fulfilling other legal reporting requirements. Data from the other governmental funds are combined into a single, aggregated presentation. Disaggregated fund data for these other governmental funds is provided in the form of combining statements in the supplementary information section.

Compliance with the City's annual operating budget for the year ended December 31, 2011 is reported in the *Statement of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual - General Fund* which is found on page 74.

The governmental fund financial statements can be found beginning on page 26 of this report.

Proprietary Funds. Proprietary funds are used to report the same functions presented as *business-type activities* in the government-wide financial statements. Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The City's proprietary fund financial statements present information for the Sewer Utility and Water Utility. The Sewer and Water Utilities are considered to be major proprietary funds of the City of Mequon.

The proprietary fund financial statements can be found beginning on page 32 of this report.

Fiduciary funds. *Fiduciary funds* are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Mequon's own programs. The accounting for fiduciary funds is similar to that used for governmental funds. The City of Mequon uses fiduciary funds to account for taxes collected for the benefit of overlapping tax jurisdictions.

The fiduciary fund financial statements can be found beginning on page 37 of this report.

Notes to the Financial Statements. The notes to the financial statements provide additional detail 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 beginning on page 39 of this report.

Supplementary Information. Following the basic government-wide and fund financial statements and accompanying notes additional supplementary information has been provided as part of this report. The supplementary information includes combining statements for the non-major governmental funds.

The supplementary information section of the report begins on page 76.

Government-wide Financial Analysis

The City of Mequon's statement of net assets is summarized in the table on the following page. The City's assets exceeded liabilities by approximately \$47.7 million at the close of 2011. The majority of total assets (66%) reflect the City's investment in capital assets including land, land improvements, buildings, machinery and equipment, infrastructure, and construction in progress. These capital assets are used to provide services to citizens and are not available for future spending. Although the City's investment in capital assets is reported net of related debt, it should be noted that the resources needed to repay debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Mequon, Wisconsin
 Summary Statement of Net Assets
 As of December 31, 2011 and 2010**

	Governmental		Business-type		Totals	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Current & Other Assets	\$ 26,990,528	\$ 24,896,282	\$ 13,793,638	\$ 13,915,086	\$ 40,784,166	\$ 38,811,368
Capital Assets (net)	40,422,521	39,022,327	40,725,816	41,122,724	81,148,337	80,145,051
Total Assets	\$ 67,413,049	\$ 63,918,609	\$ 54,519,454	\$ 55,037,810	\$ 121,932,503	\$ 118,956,419
Current Liabilities	\$ 14,626,146	\$ 15,074,192	\$ 12,095,643	\$ 7,740,580	\$ 26,721,789	\$ 22,814,772
Non-Current Liabilities	25,684,211	21,628,429	21,874,516	28,596,642	47,558,727	50,225,071
Total Liabilities	\$ 40,310,357	\$ 36,702,621	\$ 33,970,159	\$ 36,337,222	\$ 74,280,516	\$ 73,039,843
Net Assets						
Invested in Capital Assets, net of related debt	\$ 25,157,617	\$ 24,847,985	\$ 26,242,471	\$ 26,156,658	\$ 50,361,592	\$ 50,034,967
Restricted	6,674,351	1,169,828	246,988	232,166	6,921,339	1,401,994
Unrestricted (deficit)	(4,729,276)	1,198,175	(5,940,164)	(7,688,236)	(9,630,944)	(5,520,385)
Total Net Assets	\$ 27,102,692	\$ 27,215,988	\$ 20,549,295	\$ 18,700,588	\$ 47,651,987	\$ 45,916,576
Total Net Assets as a % of Total Liabilities	67.2%	74.2%	60.5%	51.5%	64.2%	62.9%
Unrestricted Net Assets as a % of Total Liabilities	-11.7%	3.3%	-17.5%	-21.2%	-13.0%	-7.6%

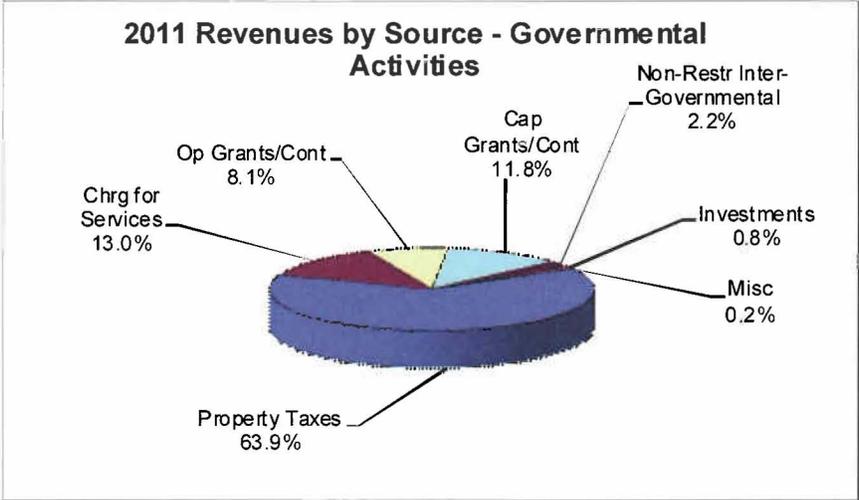
A portion of the City's net assets (14.5%) represents resources that are subject to other restrictions as to how they may be used. The remainder of total net assets may be used to meet the City's on-going obligations to its citizens and creditors.

At the end of 2011, the City is able to report positive balances in two of the three categories of net assets for the governmental activities and the business-type activities.

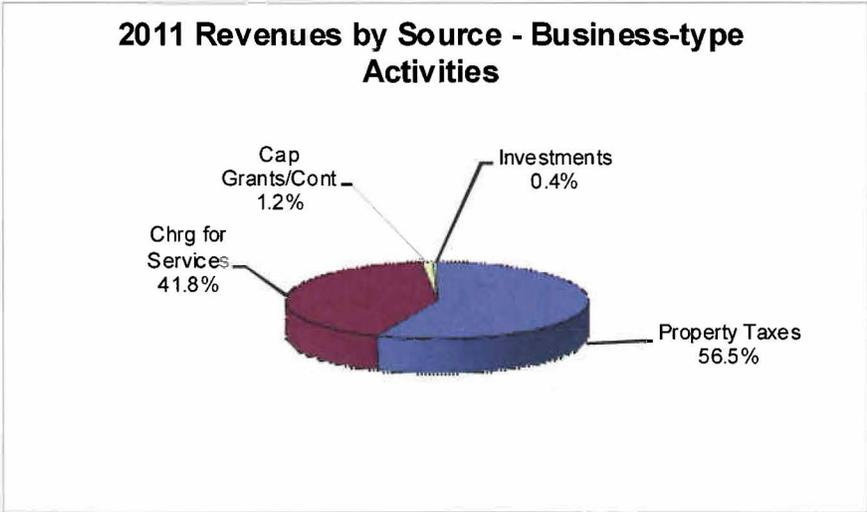
The deficit in the Business-Type Activities group is related to a settlement with the Metropolitan Milwaukee Sewerage District (MMSD) made in 1997. There had been a long-running dispute with MMSD and suburban users of the treatment system. MMSD wanted suburban users to pay sewerage capital charges based upon valuation, while the communities continued to make capital payments based on usage. It was determined via the courts that valuation was the proper method of contribution, which resulted in Mequon having an additional balance due to MMSD in excess of \$20 million. Since there is no related asset associated with the debt the City incurred to cover the additional amount owed to MMSD, the result is a deficit. It is anticipated this debt will be retired by 2017.

As comparable data is accumulated and reported by governmental units over time, a sense of what level of net assets is typical or appropriate will begin to develop. Total net assets at the end of 2011 were \$27.1 million, or approximately 67% of the total liabilities for governmental activities.

An examination of the statement of activities can provide a concise picture of how the various activities of the City are funded. The following pie charts draw data from the statement of activities. For governmental services, the City is highly dependent upon the property tax for funding, deriving 63.9% of its revenue from this single source. State aids not restricted to specific programs comprise only 2.2% of the City's revenues while other grants comprise 8.1%. Charges for services continue to be of significant importance, accounting for 13.0% of revenues.



In the case of business-type activities, the property tax is still the largest component of revenue, making up 56.5% of all revenues received. However, over 97% of these tax revenues relate directly to the MMSD annual capital charge, and repayment of the debt associated with the 1997 MMSD settlement. Funding of the utility's annual operation and maintenance costs is covered primarily by user fees, accounting for 41.8% of total revenues. The balance of revenue is made up of capital grants and contributions, and investment earnings.

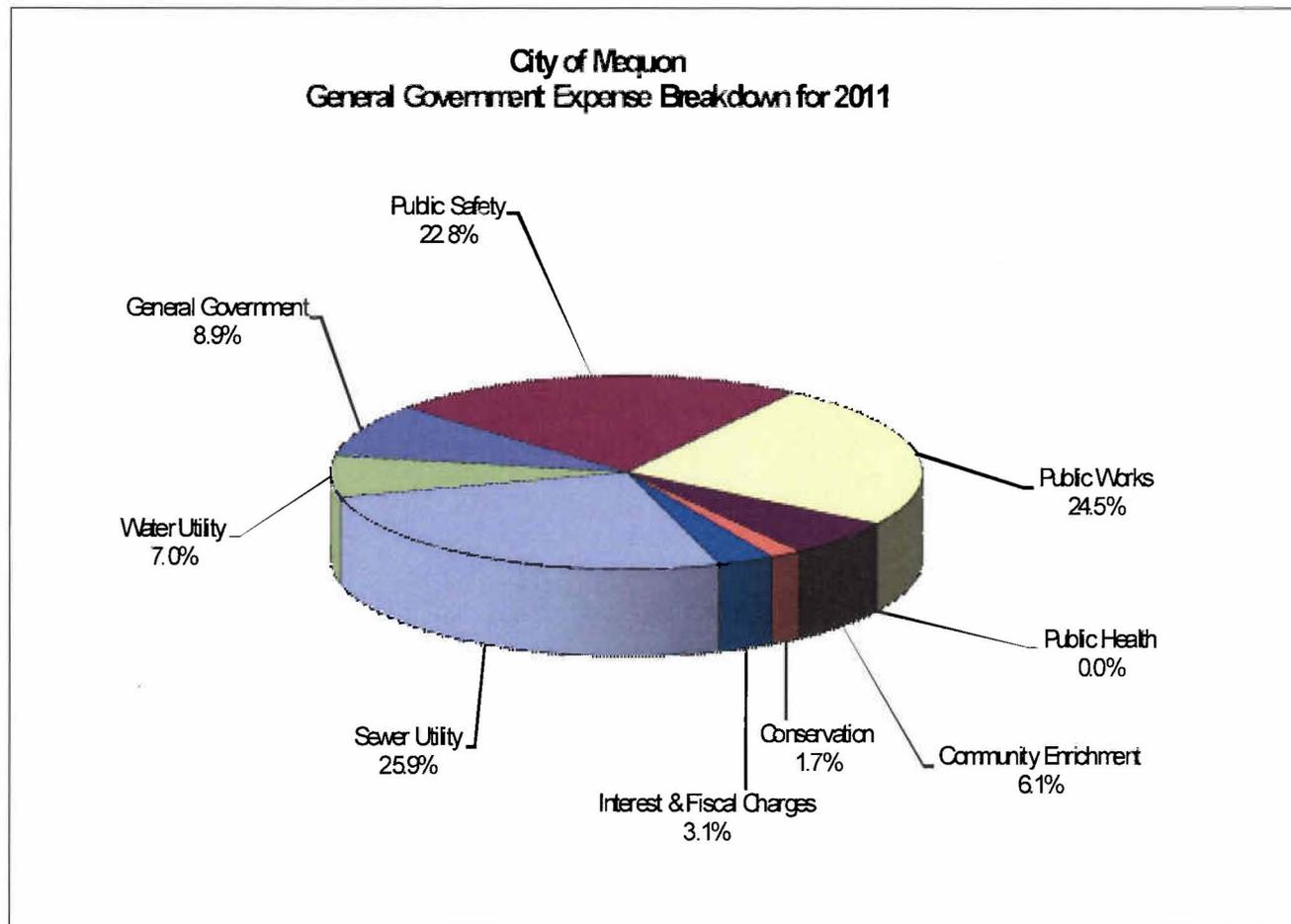


Governmental activities. Total Governmental activity expenses increased \$566,096 from a year ago. Increases were incurred in Public Safety, \$62,187, Public Works \$580,533, Community Enrichment, \$106,883, and Interest and Fiscal Charges, \$58,296. Savings were realized in General Government, \$188,483 Public Health, \$1,529, and Conservation and Development, \$51,791.

The table below illustrates the change in net assets for the City of Mequon for fiscal years ended December 31, 2011 and 2010:

	Governmental		Business-type		Totals	
	Activities		Activities			
	2011	2010	2011	2010	2011	2010
Revenues						
Program Revenues						
Charges for services	\$ 2,750,636	\$ 2,525,797	\$ 5,139,176	\$ 5,005,461	\$ 7,889,812	\$ 7,531,258
Operating grants and contributions	1,709,970	2,102,773	-	-	1,709,970	2,102,773
Capital grants and contributions	2,508,141	181,607	150,897	151,213	2,659,038	332,820
General Revenues						
Property Taxes	13,568,659	13,607,270	6,936,508	6,934,932	20,505,167	20,542,202
Intergovernmental revenues not restricted to specific programs	463,388	530,106	-	-	463,388	530,106
Investment Income	170,010	175,951	51,642	67,852	221,652	243,803
Other	50,382	98,208	2,371	3,354	52,753	101,562
Total Revenues	\$ 21,221,186	\$ 19,221,712	\$ 12,280,594	\$ 12,162,812	\$ 33,501,780	\$ 31,384,524
Expenses						
General government	2,826,782	3,015,265	-	-	\$ 2,826,782	\$ 3,015,265
Public Safety	7,243,829	7,181,642	-	-	7,243,829	7,181,642
Public Works	7,779,419	7,198,886	-	-	7,779,419	7,198,886
Public Health	846	2,375	-	-	846	2,375
Community enrichment services	1,944,084	1,837,201	-	-	1,944,084	1,837,201
Conservation and development	555,349	607,140	-	-	555,349	607,140
Interest and fiscal charges	984,173	925,877	-	-	984,173	925,877
Sewer utility	-	-	8,216,356	7,881,371	8,216,356	7,881,371
Water utility	-	-	2,215,531	2,083,807	2,215,531	2,083,807
Total expenses	\$ 21,334,482	\$ 20,768,386	\$ 10,431,887	\$ 9,965,178	\$ 31,766,369	\$ 30,733,564
Change in net assets before transfers	(113,296)	(1,546,674)	1,848,707	2,197,634	1,735,411	650,960
Transfers	-	(68,620)	-	68,620	-	-
Change in net assets	\$ (113,296)	\$ (1,615,294)	\$ 1,848,707	\$ 2,266,254	\$ 1,735,411	\$ 650,960
Net Assets - beginning of year	27,215,988	28,831,282	18,700,588	16,434,334	45,916,576	45,265,616
Net Assets - end of year	\$ 27,102,692	\$ 27,215,988	\$ 20,549,295	\$ 18,700,588	\$ 47,651,987	\$ 45,916,576

Presented below is a chart depicting the relative percentage of expenses for the City's major functions for 2011.



FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

Governmental Funds

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

As of December 31, 2011, the City of Mequon's governmental funds reported combined ending fund balances of approximately \$12.2 million, an increase of \$2.3 million from the previous year. Of this total, \$8 million is restricted for specific legal requirements and other commitments, leaving total committed, assigned and unassigned governmental fund balances of \$4 million available for use at the discretion of the City's elected officials. As the result of past actions and policy decisions, \$1.8 million (45%) of this balance have been assigned for specific uses (primarily capital projects), leaving an unassigned fund balance of \$2.2 million in the general fund.

The *General fund* is the primary operating fund used to account for the governmental operations of the City, with the \$13.7 million of direct expenditures of this fund accounting for nearly 64% of the City's \$21.5 million total governmental fund expenditures as reported on the *Statement of revenues expenditures and changes in fund balances*. The total year-end 2011 unassigned General fund balance of \$2.2 million represents 16.1% of the \$13.7 million 2011 General Fund expenditures reported on the *Statement of Revenues Expenditures and Changes in fund balances*.

Traditionally in Mequon, this year-end unassigned balance has been considered in proportion to the subsequent year's budgeted general fund expenditures, including debt service. This is used to measure the adequacy of the City's operating reserve, with a stated target ratio of 10%. The adopted 2012 General fund budget authorizes expenditures of \$13.7 million. Therefore, the 2011 year-end unassigned General fund balance of \$2.2 million represents 16.1% of the 2012 operating budget and therefore meets the target ratio.

The *Debt Service* fund has a total fund balance of \$1,722,757, all of which is restricted for the payment of debt service. This balance has accumulated over time either through tax levies, issuance of debt or transfers from other funds for the payment of future, or scheduled long-term indebtedness.

The *Capital Projects* fund is a governmental fund used to account for long-term capital acquisitions, such as squad cars and contractor equipment, acquisition of land, and large-scale infrastructure projects, such as roadways. The fund balance in this fund is primarily derived from funds set aside for projects to be completed in a subsequent period. The \$6.9 million fund balance is restricted or assigned entirely for such projects.

The aggregated *Nonmajor Governmental Funds* column includes various park, revolving loan, endowment and library special revenue funds used to account for the proceeds of specific revenue sources or that are legally restricted or committed to expenditures for specific purposes. The accumulated fund balances decreased from \$1.4 million to \$1.3 million during 2011.

Proprietary Funds

The City's *proprietary funds* provide the same type of information found in the government-wide financial statements. The net assets of the *enterprise-type* proprietary funds at the end of 2011 totaled \$20.5 million, an increase of \$1.8 million from the previous year. Net income before contributions of \$1.7 million accounted for most of this increase.

GENERAL FUND BUDGETARY HIGHLIGHTS

As shown in the Required Supplemental Information section, *Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual* for the General Fund, the original 2011 general fund budget authorized expenditures of approximately \$14 million and anticipated revenues of \$14 million. During the year, no changes were made to the total original revenue budget by the Common Council.

The City ended the year with a favorable general fund budget revenue variance of \$267,808 and a favorable expenditure variance of \$272,002. The total favorable variance of \$539,810 represents 3.9% of the original general fund expenditure budget. This 2011 budgetary result occurred due to a variety of factors during the course of the year.

While overall revenues were higher than expected in 2011, there were several notable offsetting favorable and unfavorable outcomes that are included in that variance. The most significant favorable outcome was \$313,000 higher than anticipated revenues in license and permit fees. The most significant unfavorable outcomes were a \$24,000 shortfall in investment income due to continuing lower than expected market interest rates, and a net \$56,000 shortfall in public charges for services from a variety of sources.

CAPITAL ASSETS AND LONG TERM DEBT

Capital Assets

In accordance with the implementation requirements of GASB #34, the City has recorded historical costs and depreciation expense associated with all of its capital assets, including infrastructure. As summarized in the table below, the City's reported investment in capital assets for governmental and business type activities as of December 31, 2011 totaled over \$145 million. Of this total cost, (36%), was related to governmental infrastructure, with the City's street network comprising the most significant component.

Total accumulated depreciation was calculated to be just over \$64.6 million, or approximately 44% of the historical cost of depreciable capital assets. Net of accumulated depreciation, the City's investment in capital assets exceeded \$81 million.

City of Mequon, Wisconsin
Capital Assets, Net of Accumulated Depreciation
As of December 31, 2011 and 2010

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land	\$ 8,452,067	\$ 6,599,946	\$ 350	\$ 350	\$ 8,452,417	\$ 6,600,296
Construction in progress	-	105,011	172,126	-	172,126	105,011
Buildings	15,325,245	14,679,281	-	-	15,325,245	14,679,281
Library Collection	587,544	3,431,400	-	-	587,544	3,431,400
Machinery and Equipment	8,075,591	7,512,059	5,046,007	5,005,574	13,121,598	12,517,633
Infrastructure	52,901,084	51,304,733	51,176,711	51,020,464	104,077,795	102,325,197
Structure and Improvements	-	-	4,041,419	3,822,624	4,041,419	3,822,624
Subtotal	\$ 85,341,531	\$ 83,632,430	\$ 60,436,613	\$ 59,849,012	\$ 145,778,144	\$ 143,481,442
Less:						
Accumulated Depreciation	(44,919,010)	(44,610,103)	(19,710,797)	(18,726,288)	(64,629,807)	(63,336,391)
	\$ 40,422,521	\$ 39,022,327	\$ 40,725,816	\$ 41,122,724	\$ 81,148,337	\$ 80,145,051

Some of the more significant additions to the City's capital assets during 2011 included:

Mequon nature preserve	\$1,852,120
Street network additions	1,596,351
Equipment & Vehicles	\$772,074
Sewer Utility additions	\$431,365
Water Utility additions	\$156,246

Additional information related to the City of Mequon's capital assets is reported in Note III-D following the financial statements.

Long-Term Debt

On December 31, 2011, the City of Mequon had \$51,988,727 of long-term notes, bonds and other long-term obligations outstanding, as summarized in the following table:

**City of Mequon, Wisconsin
Long-Term Obligations Outstanding
As of December 31, 2011 and 2010**

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
General Obligation Bonds & Notes	\$22,935,000	\$18,985,000	\$9,830,000	\$11,565,000	\$32,765,000	\$ 30,550,000
Revenue Bonds	-	-	16,150,000	16,650,000	16,150,000	16,650,000
Bond Premiums	-	-	324,516	381,642	324,516	381,642
Unfunded retirement liability	1,355,819	1,439,292	-	-	1,355,819	1,439,292
Capital Leases	215,250	69,175	-	-	215,250	69,175
Compensated absences	1,178,142	1,134,962	-	-	1,178,142	1,134,962
	<u>\$25,684,211</u>	<u>\$21,628,429</u>	<u>\$26,304,516</u>	<u>\$28,596,642</u>	<u>\$51,988,727</u>	<u>\$ 50,225,071</u>

Under Wisconsin State Statutes, the outstanding long-term debt of a municipality may not exceed 5% of the equalized property value of all taxable property within the jurisdiction. Outstanding general obligation debt, less amounts to be paid from funds restricted for debt retirement, totaled \$32,765,000, 16% of the maximum legal limit of \$204,791,535.

CURRENTLY KNOWN FACTS

The 2012 general government budget adopted by the Mequon Common Council in November, 2011 decreased total General, Capital, Library, and Debt Service Fund expenditures by \$93,000 or 0.51%. The net result is that the 2012 tax levy decreases by 2.0% in these areas. This decrease is however offset by a projected \$164,000 increase in other revenue sources, it is anticipated the City will continue to work to maintain the general fund balance to a level of at least 10% of next year's general fund and debt service budgets.

Five Year Expenditure History

Fiscal Year	Amount	Percent Increase/ (Decrease)
2012	\$18,056,239	(0.51)
2011	\$18,149,021	(1.20)
2010	\$18,365,917	3.60
2009	\$17,722,829	0.87
2008	\$17,570,714	3.87
2007	\$16,915,324	3.28

As presented in the table below, Salaries and benefits decreased 3.76%. Savings in personnel costs were realized from staff vacancies and increases in employee contributions towards fringe benefits. Materials and supplies increased 18.23% and purchased services decreased by 1.81%. Debt service costs decreased 3.36%, and capital costs will increase by 26.58% primarily to address replenishing vehicle and equipment sinking fund accounts, and fund significant building improvement projects.

Change in Expenditure Budget by Function

Expenditures	2012 Adopted	2011 Adopted	Net Increase (Decrease)	Percent Change
Salaries/Fringes	\$10,617,844	\$11,033,074	(\$415,230)	(3.76)%
Materials/Supplies	1,248,267	1,055,755	192,512	18.23%
Purchased Services/ other	1,866,615	1,901,186	(34,571)	(1.81)%
Debt Service	2,266,830	2,345,575	(78,745)	(3.36)%
Capital *	1,154,750	912,275	242,475	26.58%
Library *	901,933	901,156	777	0.09%
Total	\$18,056,239	\$18,149,021	(\$92,782)	(0.51)%

* Capital projects and Library expenditures are shown only to the extent of the offsetting amounts of the current year City of Mequon tax levy.

In the 2012 budget, several guiding principles applied:

- The State of Wisconsin’s 2011 Act 32, imposes a property tax limit on all city levies. Act 32 allows municipal levies to increase by either zero percent, or the percentage change in the city’s equalized value due to net new construction, whichever is greater. The City’s increase in net new construction was less than one quarter of one percent.
- The City is also allowed to increase the levy by the lesser of either last year’s unused tax levy which was \$2,543,263 or .5 percent of last year’s actual levy, which equates to \$99,533.

The FY2012 Budget continues to focus on meeting the organizational goals such as maintaining the city’s infrastructure and facilities, preserving open space, progressing on a town center plan and addressing storm water needs.

REQUESTS FOR INFORMATION

This report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the City’s finances and to provide accountability for the financial resources it receives. If you have questions about the information contained in this report or need additional financial information concerning the City of Mequon, please contact the Finance Department, 11333 N Cedarburg Road, Mequon, Wisconsin, 53092. Our staff can be reached by telephone at 262-242-3100. You are also invited to visit the City’s web site at <http://www.ci.mequon.wi.us>.

BASIC FINANCIAL STATEMENTS

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CITY OF MEQUON

STATEMENT OF NET ASSETS As of December 31, 2011

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 12,908,538	\$ 3,349,487	\$ 16,258,025
Receivables			
Taxes	13,248,930	7,001,661	20,250,591
Delinquent personal property tax	31,097	-	31,097
Accounts	-	1,212,580	1,212,580
Special assessments	26,737	4,850	31,587
Accrued interest	28,771	220	28,991
Other	445,317	177,473	622,790
Loans	300,000	-	300,000
Inventories and prepaid items	1,138	46,380	47,518
Unamortized debt issuance expense	-	268,988	268,988
Restricted assets			
Cash and investments	-	1,731,999	1,731,999
Capital assets			
Land	8,452,067	350	8,452,417
Construction in progress	-	172,126	172,126
Other capital assets, net of accumulated depreciation	<u>31,970,454</u>	<u>40,553,340</u>	<u>72,523,794</u>
Total Assets	<u>67,413,049</u>	<u>54,519,454</u>	<u>121,932,503</u>
LIABILITIES			
Accounts payable and accrued expenses	669,782	416,233	1,086,015
Accrued interest payable	256,064	277,803	533,867
Deposits	268,297	-	268,297
Unearned revenue	13,432,003	6,971,607	20,403,610
Noncurrent liabilities			
Due within one year	3,545,233	2,215,000	5,760,233
Due in more than one year	<u>22,138,978</u>	<u>24,089,516</u>	<u>46,228,494</u>
Total Liabilities	<u>40,310,357</u>	<u>33,970,159</u>	<u>74,280,516</u>
NET ASSETS			
Invested in capital assets, net of related debt	25,157,617	26,242,471	50,361,592
Restricted for			
Debt service	111,693	144,645	256,338
Economic development	675,597	-	675,597
Cemetery	16,551	-	16,551
Equipment replacement	-	102,343	102,343
Parks	646,279	-	646,279
Library operations	147,463	-	147,463
Capital Projects	2,151,120	-	2,151,120
TID development purposes	2,925,648	-	2,925,648
Unrestricted (deficit)	<u>(4,729,276)</u>	<u>(5,940,164)</u>	<u>(9,630,944)</u>
TOTAL NET ASSETS	<u>\$ 27,102,692</u>	<u>\$ 20,549,295</u>	<u>\$ 47,651,987</u>

See accompanying notes to financial statements.

CITY OF MEQUON

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2011

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,826,782	\$ 781,194	\$ 47,260	\$ -
Public safety	7,243,829	792,953	134,591	56,945
Public works	7,779,419	753,299	1,262,389	1,675
Public health	846	-	-	-
Community enrichment services	1,944,084	223,959	121,533	-
Conservation and development	555,349	199,231	12,291	2,449,521
Interest and fiscal charges	984,173	-	131,906	-
Total Governmental Activities	<u>21,334,482</u>	<u>2,750,636</u>	<u>1,709,970</u>	<u>2,508,141</u>
Business-type Activities				
Sewer Utility	8,216,356	2,672,583	-	-
Water Utility	2,215,531	2,466,593	-	150,897
Total Business-type Activities	<u>10,431,887</u>	<u>5,139,176</u>	<u>-</u>	<u>150,897</u>
Total	<u>\$ 31,766,369</u>	<u>\$ 7,889,812</u>	<u>\$ 1,709,970</u>	<u>\$ 2,659,038</u>

General Revenues

Taxes

- Property taxes, levied for general purposes
- Property taxes, levied for debt service
- Property taxes, levied for other purposes
- Property taxes, levied for capital projects
- Intergovernmental revenues not restricted to specific programs
- Investment income
- Gain on disposal of assets
- Miscellaneous

Total General Revenues

Change in net assets

NET ASSETS - Beginning of Year

NET ASSETS - END OF YEAR

Net (Expenses) Revenues and Changes in Net Assets
Primary Government

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
\$ (1,998,328)	\$ -	\$ (1,998,328)
(6,259,340)	-	(6,259,340)
(5,762,056)	-	(5,762,056)
(846)	-	(846)
(1,598,592)	-	(1,598,592)
2,105,694	-	2,105,694
<u>(852,267)</u>	<u>-</u>	<u>(852,267)</u>
<u>(14,365,735)</u>	<u>-</u>	<u>(14,365,735)</u>
-	(5,543,773)	(5,543,773)
-	401,959	401,959
-	<u>(5,141,814)</u>	<u>(5,141,814)</u>
<u>(14,365,735)</u>	<u>(5,141,814)</u>	<u>(19,507,549)</u>
9,770,258	6,936,508	16,706,766
1,801,188	-	1,801,188
213,782	-	213,782
1,783,431	-	1,783,431
463,388	-	463,388
170,010	51,642	221,652
2,601	-	2,601
<u>47,781</u>	<u>2,371</u>	<u>50,152</u>
<u>14,252,439</u>	<u>6,990,521</u>	<u>21,242,960</u>
(113,296)	1,848,707	1,735,411
<u>27,215,988</u>	<u>18,700,588</u>	<u>45,916,576</u>
<u>\$ 27,102,692</u>	<u>\$ 20,549,295</u>	<u>\$ 47,651,987</u>

See accompanying notes to financial statements.

CITY OF MEQUON

**BALANCE SHEET
GOVERNMENTAL FUNDS
As of December 31, 2011**

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
ASSETS			
Cash and investments	\$ 2,873,947	\$ 1,718,366	\$ 6,944,984
Receivables			
Taxes	9,478,454	1,514,570	1,154,750
Delinquent personal property tax	31,097	-	-
Special assessments	26,737	-	-
Accrued interest	1,055	4,391	20,005
Other	377,116	65,953	2,248
Loans	-	-	-
Prepayments	<u>1,138</u>	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>\$ 12,789,544</u>	<u>\$ 3,303,280</u>	<u>\$ 8,121,987</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 207,226	\$ -	\$ 95,418
Accrued liabilities	324,654	-	86
Deposits	263,947	-	-
Deferred revenues	<u>9,700,673</u>	<u>1,580,523</u>	<u>1,154,750</u>
Total Liabilities	<u>10,496,500</u>	<u>1,580,523</u>	<u>1,250,254</u>
Fund Balances			
Nonspendable	32,235	-	-
Restricted	16,551	1,722,757	5,076,768
Committed	-	-	-
Assigned	11,578	-	1,794,965
Unassigned	<u>2,232,680</u>	<u>-</u>	<u>-</u>
Total Fund Balances	<u>2,293,044</u>	<u>1,722,757</u>	<u>6,871,733</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 12,789,544</u>	<u>\$ 3,303,280</u>	<u>\$ 8,121,987</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 1,371,241	\$ 12,908,538
1,101,156	13,248,930
-	31,097
-	26,737
3,320	28,771
-	445,317
300,000	300,000
-	1,138
<u>\$ 2,775,717</u>	<u>\$ 26,990,528</u>

\$ 21,804	\$ 324,448
20,594	345,334
4,350	268,297
<u>1,401,156</u>	<u>13,837,102</u>
<u>1,447,904</u>	<u>14,775,181</u>

-	32,235
1,169,339	7,985,415
158,474	158,474
-	1,806,543
-	2,232,680
<u>1,327,813</u>	<u>12,215,347</u>

<u>\$ 2,775,717</u>	<u>\$ 26,990,528</u>
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See accompanying notes to financial statements.

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CITY OF MEQUON

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET ASSETS As of December 31, 2011

Total Fund Balances - Governmental Funds	\$ 12,215,347
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental funds are not financial resources and, therefore, are not reported in the funds. See Note III.D.	40,422,521
Some receivables that are not currently available are reported as deferred revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	405,099
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds	(256,064)
Some liabilities, including long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds. See Note III.F.	<u>(25,684,211)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 27,102,692</u>

CITY OF MEQUON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS

For the Year Ended December 31, 2011

	General Fund	Debt Service Fund	Capital Projects Fund
REVENUES			
Taxes	\$ 9,984,040	\$ 1,801,188	\$ 882,275
Intergovernmental	1,850,322	65,953	81,640
Licenses and permits	1,170,613	-	-
Fines, forfeitures and penalties	159,798	-	-
Public charges for services	976,065	-	205,243
Intergovernmental charges for services	-	-	-
Investment income	20,515	13,234	115,980
Miscellaneous	96,470	-	4,358
Total Revenues	14,257,823	1,880,375	1,289,496
EXPENDITURES			
Current			
General government	2,526,126	-	9,954
Public safety	6,586,480	-	-
Public works	3,487,367	-	-
Public health	846	-	-
Community enrichment services	670,143	-	-
Conservation and development	399,711	-	-
Capital Outlay	-	-	4,515,628
Debt Service			
Principal	45,101	1,135,000	44,017
Interest and fiscal charges	2,239	787,658	7,808
Total Expenditures	13,718,013	1,922,658	4,577,407
Excess (deficiency) of revenues over expenditures	539,810	(42,283)	(3,287,911)
OTHER FINANCING SOURCES (USES)			
Proceeds of general obligation debt	-	4,577,040	4,167,960
Payments to refunding escrow agent	-	(3,956,423)	-
Discount on debt issued	-	(11,060)	(62,496)
Premium on debt issued	-	-	192,393
Proceeds of capital leases	-	-	235,193
Proceeds from the sale of capital assets	-	-	72,902
Transfers in	-	667,449	-
Transfers out	-	-	(667,449)
Total Other Financing Sources (Uses)	-	1,277,006	3,938,503
Net Change in Fund Balances	539,810	1,234,723	650,592
FUND BALANCES - Beginning of Year (as restated)	1,753,234	488,034	6,221,141
FUND BALANCES - END OF YEAR	\$ 2,293,044	\$ 1,722,757	\$ 6,871,733

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 901,156	\$ 13,568,659
-	1,997,915
-	1,170,613
-	159,798
107,293	1,288,601
106,774	106,774
25,268	174,997
<u>22,927</u>	<u>123,755</u>
<u>1,163,418</u>	<u>18,591,112</u>
-	2,536,080
-	6,586,480
-	3,487,367
-	846
1,011,770	1,681,913
155,638	555,349
72,187	4,587,815
-	1,224,118
-	<u>797,705</u>
<u>1,239,595</u>	<u>21,457,673</u>
<u>(76,177)</u>	<u>(2,866,561)</u>
-	8,745,000
-	(3,956,423)
-	(73,556)
-	192,393
-	235,193
-	72,902
-	667,449
-	<u>(667,449)</u>
-	<u>5,215,509</u>
(76,177)	2,348,948
<u>1,403,990</u>	<u>9,866,399</u>
<u>\$ 1,327,813</u>	<u>\$ 12,215,347</u>

See accompanying notes to financial statements.

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CITY OF MEQUON

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

Net change in fund balances - total governmental funds	\$	2,348,948
Amounts reported for governmental activities in the statement of net assets are different because:		
Governmental funds report capital outlays as expenditures. However, in the statement of net assets the cost of these assets is capitalized and they are depreciated over their estimated useful lives and reported as depreciation expense in the statement of activities.		
Capital outlay is reported as an expenditure in the fund financial statements but is capitalized in the government-wide financial statements		4,587,815
Some items reported as capital outlay were not capitalized		(2,203,650)
Depreciation is reported in the government-wide financial statements		(3,363,191)
Net book value of assets retired		(70,301)
Contributed capital assets are reported as revenues in the government-wide financial statements.		
		2,449,521
Receivables not currently available are reported as revenue when collected or currently available in the fund financial statements but are recognized as revenue when earned in the government-wide financial statements.		
Special assessments		(10,733)
Interest on special assessments		(644)
Loan receivable		150,000
Interest rebate on Build America Bonds		65,953
Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net assets. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net assets.		
Debt issued and capital leases		(8,980,193)
Principal repaid		4,884,118
Some expenses in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds.		
Compensated absences		(43,180)
Unfunded prior service cost		83,473
Accrued interest on debt		(11,232)
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	\$	<u>(113,296)</u>

See accompanying notes to financial statements.

CITY OF MEQUON

STATEMENT OF NET ASSETS PROPRIETARY FUNDS As of December 31, 2011

ASSETS	Business-type Activities - Enterprise Funds		
	Sewer Utility	Water Utility	Totals
Current Assets			
Cash and investments	\$ 2,742,504	\$ 606,983	\$ 3,349,487
Receivables			
Taxes	6,992,139	9,522	7,001,661
Accounts	618,341	594,239	1,212,580
Accrued interest	220	-	220
Other	175,104	2,369	177,473
Inventories	-	46,380	46,380
Restricted Assets			
Cash and investments	-	262,500	262,500
Total Current Assets	10,528,308	1,521,993	12,050,301
Noncurrent Assets			
Restricted Assets			
Cash and investments	102,343	1,367,156	1,469,499
Capital Assets			
Construction in progress	172,126	-	172,126
Land	-	350	350
Property and equipment	41,904,128	18,360,009	60,264,137
Less: Accumulated depreciation	(16,737,166)	(2,973,631)	(19,710,797)
Other Assets			
Special assessments receivable	4,850	-	4,850
Unamortized debt issuance expenses	-	268,988	268,988
Total Noncurrent Assets	25,446,281	17,022,872	42,469,153
Total Assets	35,974,589	18,544,865	54,519,454

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds		
	Sewer Utility	Water Utility	Totals
LIABILITIES			
Current Liabilities			
Current portion of general obligation debt	\$ 1,690,000	\$ -	\$ 1,690,000
Accounts payable	290,912	109,280	400,192
Accrued wages	16,041	-	16,041
Accrued interest	159,948	-	159,948
Unearned revenue	6,971,607	-	6,971,607
Liabilities Payable from Restricted Assets			
Current portion of revenue bonds payable	-	525,000	525,000
Accrued interest payable	-	117,855	117,855
Total Current Liabilities	<u>9,128,508</u>	<u>752,135</u>	<u>9,880,643</u>
Noncurrent Liabilities			
Long-Term Debt			
General obligation debt payable	8,495,027	-	8,495,027
Revenue bonds payable	-	15,594,489	15,594,489
Total Noncurrent Liabilities	<u>8,495,027</u>	<u>15,594,489</u>	<u>24,089,516</u>
Total Liabilities	<u>17,623,535</u>	<u>16,346,624</u>	<u>33,970,159</u>
NET ASSETS			
Invested in capital assets net of related debt	25,339,088	903,383	26,242,471
Restricted for			
Equipment replacement	102,343	-	102,343
Debt service	-	144,645	144,645
Unrestricted (deficit)	<u>(7,090,377)</u>	<u>1,150,213</u>	<u>(5,940,164)</u>
TOTAL NET ASSETS	<u>\$ 18,351,054</u>	<u>\$ 2,198,241</u>	<u>\$ 20,549,295</u>

See accompanying notes to financial statements.

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CITY OF MEQUON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUNDS

For the Year Ended December 31, 2011

	Business-type Activities - Enterprise Funds		
	Sewer Utility	Water Utility	Totals
OPERATING REVENUES	<u>\$ 2,672,583</u>	<u>\$ 2,467,311</u>	<u>\$ 5,139,894</u>
OPERATING EXPENSES			
Operation and maintenance	7,142,823	1,119,423	8,262,246
Depreciation	<u>611,808</u>	<u>372,701</u>	<u>984,509</u>
Total Operating Expenses	<u>7,754,631</u>	<u>1,492,124</u>	<u>9,246,755</u>
Operating Income (Loss)	<u>(5,082,048)</u>	<u>975,187</u>	<u>(4,106,861)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	43,105	8,537	51,642
Taxes	6,936,508	-	6,936,508
Miscellaneous	382	1,271	1,653
Interest expense	<u>(461,725)</u>	<u>(723,407)</u>	<u>(1,185,132)</u>
Total Nonoperating Revenues (Expenses)	<u>6,518,270</u>	<u>(713,599)</u>	<u>5,804,671</u>
Income Before Contributions	<u>1,436,222</u>	<u>261,588</u>	<u>1,697,810</u>
CONTRIBUTIONS			
Capital contributions, net of refunds	<u>-</u>	<u>150,897</u>	<u>150,897</u>
Change in Net Assets	1,436,222	412,485	1,848,707
NET ASSETS - Beginning of Year	<u>16,914,832</u>	<u>1,785,756</u>	<u>18,700,588</u>
NET ASSETS - END OF YEAR	<u>\$ 18,351,054</u>	<u>\$ 2,198,241</u>	<u>\$ 20,549,295</u>

See accompanying notes to financial statements.

CITY OF MEQUON

**STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended December 31, 2011**

	Business-type Activities - Enterprise Funds		
	Sewer Utility	Water Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 2,616,944	\$ 2,500,191	\$ 5,117,135
Paid to suppliers for goods and services	(6,662,356)	(752,704)	(7,415,060)
Paid to employees for services	(663,037)	(324,656)	(987,693)
Net Cash Flows From Operating Activities	<u>(4,708,449)</u>	<u>1,422,831</u>	<u>(3,285,618)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>50,879</u>	<u>8,537</u>	<u>59,416</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Taxes received	<u>6,936,508</u>	<u>-</u>	<u>6,936,508</u>
Net Cash Flows From Noncapital Financing Activities	<u>6,936,508</u>	<u>-</u>	<u>6,936,508</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retired	(1,735,000)	(500,000)	(2,235,000)
Interest paid	(544,000)	(708,380)	(1,252,380)
Special assessments received	4,862	-	4,862
Acquisition and construction of capital assets	(359,889)	(19,370)	(379,259)
Connection fees received	<u>-</u>	<u>14,031</u>	<u>14,031</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(2,634,027)</u>	<u>(1,213,719)</u>	<u>(3,847,746)</u>
Net Change in Cash and Cash Equivalents	(355,089)	217,649	(137,440)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>3,199,936</u>	<u>2,018,990</u>	<u>5,218,926</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,844,847</u>	<u>\$ 2,236,639</u>	<u>\$ 5,081,486</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds		
	Sewer Utility	Water Utility	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (5,254,174)	\$ 975,187	\$ (4,278,987)
Nonoperating revenue	382	1,271	1,653
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities			
Depreciation	611,808	372,701	984,509
Changes in assets and liabilities			
Customer receivables	(35,879)	-	(35,879)
Other receivables	(44,800)	31,609	(13,191)
Accounts payable and other current liabilities	(10,444)	37,140	26,696
Unearned revenue	24,658	-	24,658
Inventories	-	4,923	4,923
	<u>-</u>	<u>4,923</u>	<u>4,923</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (4,708,449)</u>	<u>\$ 1,422,831</u>	<u>\$ (3,285,618)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS			
Cash and investments - statement of net assets	\$ 2,742,504	\$ 606,983	\$ 3,349,487
Restricted cash and investments - current - statement of net assets	-	262,500	262,500
Restricted cash and investments - noncurrent - statement of net assets	<u>102,343</u>	<u>1,367,156</u>	<u>1,469,499</u>
CASH AND CASH EQUIVALENTS	<u>\$ 2,844,847</u>	<u>\$ 2,236,639</u>	<u>\$ 5,081,486</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Cost of utility plant additions financed by others	<u>\$ -</u>	<u>\$ 136,866</u>	

See accompanying notes to financial statements.

CITY OF MEQUON

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
As of December 31, 2011**

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 36,433,012
Receivables - (net)	
Tax roll receivable	<u>14,917,610</u>
TOTAL ASSETS	<u>\$ 51,350,622</u>
LIABILITIES	
Due to other taxing units	<u>\$ 51,350,622</u>
TOTAL LIABILITIES	<u>\$ 51,350,622</u>

See accompanying notes to financial statements.

CITY OF MEQUON

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CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE I - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. REPORTING ENTITY

This report includes all of the funds of the City of Mequon. The reporting entity for the City consists of (a) the primary government, (b) organizations for which the primary government is financially accountable, and (c) other organizations for which the nature and significance of their relationship with the primary government are such that their exclusion would cause the reporting entity's financial statements to be misleading or incomplete. A legally separate organization should be reported as a component unit if the elected officials of the primary government are financially accountable for the organization. The primary government is financially accountable if it appoints a voting majority of the organization's governing body and (1) it is able to impose its will on that organization or (2) there is a potential for the organization to provide specific financial benefits to or burdens on the primary government. The primary government may be financially accountable if an organization is fiscally dependent on the primary government.

A legally separate, tax exempt organization should be reported as a component unit of a reporting entity if all of the following criteria are met: (1) The economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents; (2) The primary government is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization; (3) The economic resources received or held by an individual organization that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. Blended component units, although legally separate entities, are, in substance, part of the government's operations and are reported with similar funds of the primary government. The discretely presented component unit is reported in a separate column in the government-wide financial statements (see note below for description) to emphasize that it is legally separate from the primary government.

Discretely Presented Component Unit

Component Unit Not Presented

Weyenberg Public Library Foundation Inc.

The government-wide financial statements do not include the Weyenberg Public Library Foundation Inc. ("Foundation") as a component unit. The Foundation is a legally separate, tax exempt organization which should be reported as a component unit based on criteria noted in previous paragraphs. The Foundation is not audited and financial information for the year ended December 31, 2011 is not available.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

Government-Wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. The statements distinguish between governmental and business-type activities. Governmental activities generally are financed through taxes, intergovernmental revenues, and other nonexchange revenues. Business-type activities are financed in whole or in part by fees charged to external parties for goods or services. 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 or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. The City does not allocate indirect expenses to functions in the statement of activities. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given function or segment, and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not included among program revenues are reported as general revenues. Internally dedicated resources are reported as general revenues rather than as program revenues.

Fund Financial Statements

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

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

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

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

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS (cont.)

Fund Financial Statements (cont.)

The City reports the following nonmajor governmental funds:

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

Park
Revolving Loan

Police Reserve
Library

In addition, the City reports the following fund types:

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

Tax Collection

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION

Government-Wide Financial Statements

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

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

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements

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

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

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

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

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

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

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

C. MEASUREMENT FOCUS, BASIS OF ACCOUNTING, AND FINANCIAL STATEMENT PRESENTATION (cont.)

Fund Financial Statements (cont.)

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

All Financial Statements

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY

1. Deposits and Investments

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

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

- a. Time deposits in any credit union, bank, savings bank or trust company maturing in three years or less.
- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

1. Deposits and Investments (cont.)

- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

The City has adopted an investment policy. That policy contains the following guidelines for allowable investments.

- a. Investments in all funds shall be made in maturities of twelve months or less.
- b. Investments for any reserve funds may be made for up to five years.
- c. Investment securities shall be held in third-party safekeeping by an institution designated as primary agent.
- d. Deposit type securities (i.e., certificates of deposit, etc.) shall be collateralized at 110% of the face value.
- e. Other investments shall be collateralized by the actual security held in safekeeping by the primary agent.

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

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

See Note III. A. for further information.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

2. Receivables

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

Property tax calendar - 2011 tax roll:

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

Accounts receivable have been shown net of an allowance for uncollectible accounts. Delinquent real estate taxes as of July 31 are paid in full by the county, which assumes the collection thereof. No provision for uncollectible accounts receivable has been made for the sewer or water utilities because they have the right by law to place substantially all delinquent bills on the tax roll, and other delinquent bills are generally not significant.

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

The City has received state grant funds for economic development loan programs to various businesses and individuals. The City records a loan receivable when the loan has been made and funds have been disbursed. The amount recorded as economic development loans receivable has not been reduced by an allowance for uncollectible accounts.

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

3. Inventories and Prepaid Items

Governmental fund inventories, if material, are recorded at cost based on the FIFO method using the purchases method of accounting. Proprietary fund inventories are generally used for construction and/or for operation and maintenance work. They are not for resale. They are valued at cost based on average cost, and charged to construction and/or operation and maintenance expense when used.

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

4. Restricted Assets

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

5. Capital Assets

Government-Wide Statements

Capital assets, which include property, plant and equipment, are reported in the government-wide financial statements. Capital assets are defined by the government as assets with an initial cost of more than \$5,000 for general capital assets and \$5,000 for infrastructure assets, and an estimated useful life in excess of 1 year. All capital assets are valued at historical cost, or estimated historical cost if actual amounts are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

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

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

Buildings	50 Years
Machinery and Equipment	7 Years
Utility System	7-80 Years
Infrastructure	20-50 Years

Fund Financial Statements

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

6. Other Assets

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

7. Compensated Absences

Under terms of employment, employees are granted sick leave and vacations in varying amounts. Only benefits considered to be vested are disclosed in these statements.

All vested vacation and sick leave pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in governmental funds only if they have matured, for example, as a result of employee resignations and retirements, and are payable with expendable resources.

The City provides postemployment health insurance benefits for all eligible employees. Eligibility is based on full-time employment with the city. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies. Employees may convert various amounts of accumulated sick leave to pay for health care premiums. The cost of those premiums is recognized as an expenditure as the premiums are paid. The entire cost is paid by the City. Funding for those costs is provided out of the current operating budget of the City. The contributions are financed on a pay as you go basis. Total expenditures for such premiums during the year were \$47,085. The number of participants currently eligible to receive benefits is 26. The total amount outstanding at year end to be paid in the future is \$523,282 and is included in the government-wide statement of net assets.

Payments for vacation and sick leave will be made at rates in effect when the benefits are used. Accumulated vacation and sick leave liabilities at December 31, 2011, are determined on the basis of current salary rates and include salary related payments.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

8. Long-Term Obligations/Conduit Debt

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

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

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

The City has approved the issuance of industrial revenue bonds (IRB) for the benefit of private business enterprises. IRB's are secured by mortgages or revenue agreements on the associated projects, and do not constitute indebtedness of the City. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. At year end, the aggregate principal amount for the 1999, 2003 and 2010 series outstanding could not be determined; however, their original issue amounts totaled \$24,200,000.

9. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. There were no significant claims or judgments at year end.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

10. Equity Classifications

Government-Wide Statements

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

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

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

	Governmental Activities	Business-type Activities	Adjustment	Total
Invested in capital assets, net of related debt	\$ 25,157,617	\$ 26,242,471	\$ (1,038,496)	\$ 50,361,592
Unrestricted	(4,729,276)	(5,940,164)	1,038,496	(9,630,944)

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

Fund Statements

Governmental fund equity is classified as fund balance. In accordance with Governmental Accounting Standards Board Statement No. 54 - *Fund Balance Reporting and Governmental Fund Type Definitions*, the City classifies governmental fund balance as follows:

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

D. ASSETS, LIABILITIES, AND NET ASSETS OR EQUITY (cont.)

10. Equity Classifications (cont.)

Fund Statements (cont.)

- b. Restricted - Consists of fund balances with constraints placed on their use either by 1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments or 2) law through constitutional provisions or enabling legislation.
- c. Committed - Includes fund balance amounts that are constrained for specific purposes that are internally imposed by the government through formal action of the highest level of decision making authority. Fund balance amounts are committed through a formal action (ordinance, resolution, motion) of the City. This formal action must occur prior to the end of the reporting period, but the amount of the commitment, which will be subject to the constraints, may be determined in the subsequent period. Any changes to the constraints imposed require the same formal action of the City that originally created the commitment.
- d. Assigned - Includes spendable fund balance amounts that are intended to be used for specific purposes that are not considered restricted or committed. Fund balance may be assigned through the following; 1) The City has adopted a financial policy authorizing the Council to assign amounts for a specific purpose. 2) All remaining positive spendable amounts in governmental funds, other than the general fund, that are neither restricted nor committed. Assignments may take place after the end of the reporting period.
- e. Unassigned - Includes residual positive fund balance within the general fund which has not been classified within the other above mentioned categories. Unassigned fund balance may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those purposes.

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

See Note III. H. for further information.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using the same basis of accounting for each fund as described in Note I. C.

A budget has been adopted for the general fund, Frank L. Weyenberg Library special revenue fund and the debt service fund. Budgets have not been formally adopted for the park, revolving loan program and non lapsing appropriations special revenue funds. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

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

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

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Budgeted expenditures in the debt service fund fund (including amendments) were \$2,345,575. Total expenditures were \$5,890,141. This results in excess expenditures of \$3,544,566. The excess was the result of the City issuing a refunding debt issue.

C. LIMITATIONS ON THE CITY'S TAX LEVY

As part of Wisconsin's Act 32 (2011), legislation was passed that limits the City's future tax levies. Generally the City is limited to its prior tax levy dollar amount (excluding TIF Districts), increased by the greater of the percentage change in the City's equalized value due to new construction or zero percent for the 2011 levy collected in 2012 and thereafter. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions.

D. VIOLATION OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS

The city was not in compliance with Section 9(d) of Resolution No. 2876 which provided for the issuance and sale of water system revenue bonds and other details and covenants. Section 9(d) requires a good faith effort so that the net revenues from the system for each year any bonds are outstanding will be 1.25 times the amount required for payment of principal and interest on the bonds. For 2011 the net revenues from the system were 1.12 times the amount of principal and interest paid on the bonds.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 45,130,909	\$ 44,652,890	Custodial credit risk
US agencies	5,490,526	5,490,526	Credit, custodial credit, concentration of credit and interest rate risk
US treasuries	2,586,501	2,586,501	Custodial credit and interest rate risk
LGIP	19,677	19,677	Credit and interest rate risk
Asset backed securities	1,193,073	1,193,073	Custodial credit risk
Petty cash	2,350	-	N/A
 Total Deposits and Investments	 \$ 54,423,036	 \$ 53,942,667	
 Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 16,258,025		
Restricted cash and investments	1,731,999		
Per statement of net assets- fiduciary funds			
Agency Fund	36,433,012		
 Total Deposits and Investments	 \$ 54,423,036		

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), \$250,000 for interest-bearing demand deposit accounts, and unlimited amounts for noninterest bearing transaction accounts.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total deposits covered and other legal implications, recovery of material principal losses may not be significant to individual municipalities. This coverage has not been considered in computing custodial credit risk.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk

Deposits

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

As of December 31, 2011, \$6,022,327 of the City's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>6,022,327</u>
Total	\$ <u><u>6,022,327</u></u>

Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party.

As of December 31, 2011, the City's investments were exposed to custodial credit risk as follows:

<u>US agencies</u>	
Neither insured nor registered and held by counterparty	\$ <u>5,490,526</u>
<u>US treasuries</u>	
Neither insured nor registered and held by counterparty	\$ <u>2,586,501</u>
<u>Asset backed securities</u>	
Neither insured nor registered and held by counterparty	\$ <u>1,193,073</u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

A. DEPOSITS AND INVESTMENTS (cont.)

Credit Risk

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

As of December 31, 2011, the City's investments were rated as follows:

Investment Type	Standard & Poors	Fitch Ratings	Moody's Investors Services
US agencies	AA+	AAA	Aaa

The City also held investments in the following external pool which is not rated:

LGIP

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer.

At December 31, 2011, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
FHLMC	US Government Agency	21.50%
FNMA	US Government Agency	36.80%

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

A. DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the value of an investment.

As of December 31, 2011, the City's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)		
		Less than 1 year	1 - 3 years	3 - 9 years
US agencies	\$ 5,490,526	\$ -	\$ 5,490,526	\$ -
US treasuries	2,586,501	-	2,586,501	-
LGIP	19,677	19,677	-	-
Totals	\$ 8,096,704	\$ 19,677	\$ 8,077,027	\$ -

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

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year except for \$31,097 of delinquent personal property taxes and \$26,737 of special assessments reported in the general fund, and \$300,000 loan in the revolving loan program fund.

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

	Unavailable	Unearned	Totals
Property taxes receivable for subsequent year	\$ 12,409	\$ 13,432,003	\$ 13,444,412
Special assessments not yet due	26,737	-	26,737
Build America Bond Interest	65,953	-	65,953
Loan receivable	300,000	-	300,000
Total Deferred/Unearned Revenue for Governmental Funds	\$ 405,099	\$ 13,432,003	\$ 13,837,102

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

B. RECEIVABLES (cont.)

At the end of the current fiscal year, the various components of unearned revenue in the proprietary funds were as follows:

	<u>Unearned</u>
Property taxes receivable for subsequent year	\$ 6,966,271
Special assessments	<u>5,336</u>
Total Unearned Revenue for Proprietary Funds	<u>\$ 6,971,607</u>

For economic development loans, the City is limited by the Wisconsin Department of Commerce to the amount of program income from economic development loans that it may retain and loan to other businesses. Program income includes the principal and interest received from economic development loans repayments. Based upon its current population, the City may generally retain \$750,000.

At December 31, 2011, the City has not exceeded its maximum retention cap. When it does, a liability to the state will be recorded.

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

- Redemption - Used to segregate resources accumulated for debt service payments over the next twelve months.
- Reserve - Used to report resources set aside to make up potential future deficiencies in the redemption account.

Equipment Replacement Account

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

C. RESTRICTED ASSETS (cont.)

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

	Restricted Assets
Bond redemption account	\$ 262,500
Bond reserve account	1,367,156
Equipment replacement account	102,343
Total Restricted Assets	\$ 1,731,999

D. CAPITAL ASSETS

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

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 6,599,946	\$ 1,852,121	\$ -	\$ 8,452,067
Construction in progress	105,011	-	105,011	-
Total Capital Assets Not Being Depreciated	6,704,957	1,852,121	105,011	8,452,067
Capital assets being depreciated				
Buildings	14,679,281	645,964	-	15,325,245
Roads	48,295,440	1,135,476	-	49,430,916
Bridges	3,009,293	460,875	-	3,470,168
Library collection	3,431,400	72,187	2,916,043	587,544
Equipment, vehicles, and miscellaneous	7,512,059	772,074	208,542	8,075,591
Total Capital Assets Being Depreciated	76,927,473	3,086,576	3,124,585	76,889,464
Total Capital Assets	83,632,430	4,938,697	3,229,596	85,341,531

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

D. CAPITAL ASSETS (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities (cont.)				
Less: Accumulated depreciation for				
Buildings	\$ (7,857,719)	\$ (264,142)	\$ -	\$ (8,121,861)
Roads	(27,300,105)	(2,315,429)	-	(29,615,534)
Bridges	(732,462)	(147,790)	-	(880,252)
Library collection	(3,167,878)	(58,755)	2,916,043	(310,590)
Equipment, vehicles, and miscellaneous	(5,551,939)	(577,075)	138,241	(5,990,773)
Total Accumulated Depreciation	(44,610,103)	(3,363,191)	3,054,284	(44,919,010)
Net Capital Assets Being Depreciated	32,317,370	(276,615)	70,301	31,970,454
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 39,022,327	\$ 1,575,506	\$ 175,312	\$ 40,422,521

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 100,293
Public safety	414,933
Public works	2,705,742
Community enrichment services	142,223
Total Governmental Activities Depreciation Expense	\$ 3,363,191

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

D. CAPITAL ASSETS (cont.)

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Sewer</u>				
Capital assets not being depreciated				
Construction in progress	\$ -	\$ 172,126	\$ -	\$ 172,126
Total Capital Assets Not Being Depreciated	-	172,126	-	172,126
Capital assets being depreciated				
Structure improvements	\$ 3,822,624	\$ 218,795	\$ -	\$ 4,041,419
Sewer collection system	34,218,108	1	-	34,218,109
Machinery and equipment	3,604,157	40,443	-	3,644,600
Total Capital Assets Being Depreciated	41,644,889	259,239	-	41,904,128
Total Capital Assets	41,644,889	431,365	-	42,076,254
Less: Accumulated depreciation for				
Structure improvements	(698,084)	(69,719)	-	(767,803)
Sewer collection system	(12,681,952)	(464,305)	-	(13,146,257)
Machinery and equipment	(2,745,322)	(77,784)	-	(2,823,106)
Total Accumulated Depreciation	(16,125,358)	(611,808)	-	(16,737,166)
Net Capital Assets Being Depreciated	25,519,531	(352,569)	-	25,166,962
Net Sewer Plant	\$ 25,519,531	\$ (180,443)	\$ -	\$ 25,339,088

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water</u>				
Capital assets not being depreciated				
Land	\$ 350	\$ -	\$ -	\$ 350
Total Capital Assets Not Being Depreciated	350	-	-	350
Capital assets being depreciated				
Intangible plant	796	-	10	786
Source of supply	215,707	-	-	215,707
Pumping	814,480	-	-	814,480
Transmission and distribution	16,802,356	156,246	-	16,958,602
Administrative and general	370,434	-	-	370,434
Total Capital Assets Being Depreciated	18,203,773	156,246	10	18,360,009
Total Capital Assets	18,204,123	156,246	10	18,360,359
Less: Accumulated depreciation for				
Intangible plant	(785)	(1)	-	(786)
Source of supply	(10,368)	(6,902)	-	(17,270)
Pumping	(259,051)	(31,522)	-	(290,573)
Transmission and distribution	(2,090,678)	(294,465)	-	(2,385,143)
Administrative and general	(240,048)	(39,811)	-	(279,859)
Total Accumulated Depreciation	(2,600,930)	(372,701)	-	(2,973,631)
Net Capital Assets Being Depreciated	15,602,843	(216,455)	10	15,386,378
Net Water Plant	\$ 15,603,193	\$ (216,455)	\$ 10	\$ 15,386,728
Business-type Capital Assets, Net of Accumulated Depreciation	\$ 41,122,724	\$ (396,898)	\$ 10	\$ 40,725,816

Depreciation expense was charged to functions as follows:

Business-type Activities	
Sewer	\$ 611,808
Water	372,701
Total Business-type Activities Depreciation Expense	\$ 984,509

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

E. INTERFUND TRANSFERS

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
Debt Service Fund	Capital Projects Fund	\$ 667,449	Transferring unspent TIF proceeds
Total - Fund Financial Statements		667,449	
Less: Government-wide eliminations		<u>(667,449)</u>	
Total Transfers - Government-Wide Statement of Activities		<u><u>\$ -</u></u>	

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

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

F. LONG-TERM OBLIGATIONS

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

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 18,985,000	\$ 8,745,000	\$ 4,795,000	\$ 22,935,000	\$ 1,465,000
Other Liabilities					
Unfunded retirement liability	1,439,292	-	83,473	1,355,819	1,355,819
Capital leases	69,175	235,193	89,118	215,250	69,554
Compensated absences	1,134,962	822,530	779,350	1,178,142	654,860
Total Other Liabilities	<u>2,643,429</u>	<u>1,057,723</u>	<u>951,941</u>	<u>2,749,211</u>	<u>2,080,233</u>
Total Governmental Activities Long-Term Liabilities	<u><u>\$ 21,628,429</u></u>	<u><u>\$ 9,802,723</u></u>	<u><u>\$ 5,746,941</u></u>	<u><u>\$ 25,684,211</u></u>	<u><u>\$ 3,545,233</u></u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

F. LONG-TERM OBLIGATIONS (cont.)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 11,565,000	\$ -	\$ 1,735,000	\$ 9,830,000	\$ 1,690,000
Revenue bonds	16,650,000	-	500,000	16,150,000	525,000
Add/(Subtract) Deferred Amounts For					
(Discouts)/Premiums	381,642	-	57,126	324,516	-
Sub-totals	28,596,642	-	2,292,126	26,304,516	2,215,000
Total Business-type Activities Long-Term Liabilities	\$ 28,596,642	\$ -	\$ 2,292,126	\$ 26,304,516	\$ 2,215,000

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2011, was \$204,791,535. Total general obligation debt outstanding at year end was \$32,765,000.

General Obligation Debt

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

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2011
G.O. Promissory Notes 2005	6/18/05	10/1/14	3.25-3.875%	\$ 1,645,000	\$ 600,000
G.O. Promissory Notes 2008	12/9/08	12/1/18	3.0-4.1	2,400,000	2,025,000
Tax Incremental Build America Bonds	8/5/09	8/1/28	4.0-6.0	6,950,000	6,950,000
G.O. Promissory Notes 2009	4/30/09	4/1/19	2.0-3.5	5,105,000	4,615,000
G.O. Refunding Bonds 2011A	2/3/11	4/1/23	.8-3.25	3,160,000	3,160,000
G.O. Promissory Notes 2011B	4/5/11	4/1/21	3	4,230,000	4,230,000
State Trust Fund Loan	12/15/11	3/15/21	4.25	1,355,000	1,355,000
Total Governmental Activities - General Obligation Debt					\$ 22,935,000

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Business-type Activities

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2011</u>
2005 General Obligation Refunding Bonds	6/1/05	9/1/17	3.5-5.0%	\$ 16,965,000	<u>\$ 9,830,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 9,830,000</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>		<u>Business-type Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2012	\$ 1,465,000	\$ 800,555	\$ 1,690,000	\$ 474,600
2013	1,854,266	826,212	1,630,000	407,000
2014	1,768,479	761,234	1,610,000	325,500
2015	1,829,152	704,721	1,640,000	245,000
2016	1,934,953	647,695	1,635,000	163,000
2017-2021	8,683,150	2,267,016	1,625,000	81,250
2022-2026	3,800,000	1,063,888	-	-
2027-2028	1,600,000	145,500	-	-
Totals	<u>\$ 22,935,000</u>	<u>\$ 7,216,821</u>	<u>\$ 9,830,000</u>	<u>\$ 1,696,350</u>

Revenue Debt

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

The City has pledged future water revenues, net of specified operating expenses, to repay \$16,150,000 in water revenue bonds issued in 2009. Proceeds from the bonds provided financing for the purchase of the water utility from WE Energies. The bonds are payable solely from water revenues and are payable through 2029. Annual principal and interest payments on the bonds are expected to require 97% of net revenues. The total principal and interest remaining to be paid on the bonds is \$23,997,615. Principal and interest paid for the current year and total customer net revenues were \$1,208,019 and \$1,356,425, respectively.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2011

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Revenue debt payable at December 31, 2011, consists of the following:

Business-type Activities Revenue Debt

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2011</u>
<u>Water Utility</u>					
2009 Revenue Bonds	4/29/09	5/1/29	1.4-5.0%	\$ 17,125,000	<u>\$ 16,150,000</u>
Total Business-type Activities Revenue Debt					<u>\$ 16,150,000</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-type Activities Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2012	\$ 525,000	\$ 697,625
2013	575,000	685,225
2014	625,000	669,875
2015	675,000	649,469
2016	700,000	625,406
2017-2021	4,125,000	2,658,656
2022-2026	5,200,000	1,575,734
2027-2029	<u>3,725,000</u>	<u>285,625</u>
Totals	<u>\$ 16,150,000</u>	<u>\$ 7,847,615</u>

Capital Leases

Refer to Note III. G.

Other Debt Information

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability attributable to governmental activities will be liquidated primarily by the general fund.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information (cont.)

There are a number of limitations and restrictions contained in the various bond indentures and loan agreements. The City believes it is in compliance with all significant limitations and restrictions, including federal arbitrage regulations.

Advance Refunding

On February 3, 2011, the City issued \$3,160,000 in general obligation refunding bonds with an average interest rate of 2.2% to advance refund \$3,160,000 of outstanding tax incremental improvement bonds, and \$500,000 of general obligation promissory notes, with an average interest rate of 3.5%. The net proceeds of \$3,148,940 plus an additional payment of \$845,000 of City funds, (after payment of \$37,468 in underwriting fees, insurance and other issuance costs) were used to purchase U.S. government securities. Those securities were deposited in an irrevocable trust with an escrow agent to provide for all future debt service payments on the outstanding tax incremental improvement bonds and the general obligation promissory notes. As a result, the tax incremental improvement bonds and the general obligation promissory notes, are considered to be defeased and the liability for those bonds has been removed from these financial statements.

The cash flow requirements on the refunded bonds and notes prior to the advance refunding was \$4,322,774 from 2011 through 2018. The cash flow requirements on the general obligation refunding bonds are \$4,570,757 from 2011 through 2023. The advance refunding resulted in an economic loss (difference between the present values of the debt service payments on the old and new debt) of \$133,658. The refunding resulted in a loss as a result of spreading out the payments over an additional 5 years.

Prior-Year Defeasance of Debt

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2011, \$3,660,000 of bonds outstanding are considered defeased. The bonds are callable as follows:

<u>Call Date</u>	<u>Amount</u>
2012	\$ 820,000
2013	2,840,000

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

F. LONG-TERM OBLIGATIONS (cont.)

Bond Covenant Disclosures

Insurance

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

The water utility is covered under the following insurance policies at December 31, 2011:

Type	Coverage	Expiration
Bodily Injury and Property Damage	\$ 3,000,000 Wausau Insurance	12/31/11
Personal and Advertising Injury	3,000,000 Wausau Insurance	12/31/11
Premises Medical Payments	10,000 Wausau Insurance	12/31/11
Errors and Omissions	3,000,000 Wausau Insurance	12/31/11
Employee Benefits Liability	3,000,000 Wausau Insurance	12/31/11
Auto Coverage	3,000,000 Wausau Insurance	12/31/11
Automobile Medical Payments Coverage	10,000 Wausau Insurance	12/31/11
Public Employee Dishonesty	250,000 Wausau Insurance	12/31/11
Damage to Premises Rented to You	250,000 Wausau Insurance	12/31/11
Workers Compensation	500,000 Wausau Insurance	12/31/11
Umbrella Liability Coverage	8,000,000 Wausau Insurance	12/31/11

Number of Customers and Billed Volumes - Water

The utility has the following number of customers and billed volumes for 2011 and 2010:

	Customers		Sales (000 gals)	
	2011	2010	2011	2010
Residential	3,035	2,959	209,789	205,602
Commercial	309	189	119,610	106,230
Totals	<u>3,344</u>	<u>3,148</u>	<u>329,399</u>	<u>311,832</u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

G. LEASE DISCLOSURES

Lessee - Capital Leases

In 2009 and 2011, the City acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$368,257, which are included in capital assets in the governmental activities. The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2011, are as follows:

<u>Years</u>	Governmental Activities		
	Principal	Interest	Totals
2012	\$ 69,554	\$ 6,678	\$ 76,232
2013	46,988	4,837	51,825
2014	48,548	3,277	51,825
2015	50,160	1,665	51,825
Totals	\$ 215,250	\$ 16,457	\$ 231,707

H. NET ASSETS/FUND BALANCES

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

Governmental Activities

Invested in Capital Assets, Net of Related Debt	
Land	\$ 8,452,067
Other capital assets, net of accumulated depreciation	31,970,454
Less: Long-term debt outstanding	(23,150,250)
Plus: Unspent capital related debt proceeds	4,759,666
Plus: Non-capital debt proceeds	3,125,680
Total Invested in Capital Assets, Net of Related Debt	25,157,617
Restricted	
Debt service	111,693
Economic development	675,597
Cemetery	16,551
Parks	646,279
Library operations	147,463
Capital projects	2,151,120
TID development purposes	2,925,648
Total Restricted	6,674,351
Unrestricted (deficit)	(4,729,276)
Total Governmental Activities Net Assets	\$ 27,102,692

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

H. NET ASSETS/FUND BALANCES (cont.)

Governmental Funds

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

Nonspendable

Major Funds

General Fund

Delinquent personal property taxes	\$ 31,097
Prepaid items	<u>1,138</u>

Total	<u><u>\$ 32,235</u></u>
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Restricted

Major Funds

General Fund

Cemetery	\$ <u>16,551</u>
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Capital Projects Fund

TID development purposes	2,925,648
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Capital projects	<u>2,151,120</u>
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Sub-Total	<u><u>5,076,768</u></u>
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Debt Service Fund

Debt service	1,434,717
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TIF debt service	<u>288,040</u>
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Sub-Total	<u><u>1,722,757</u></u>
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Total	<u><u>\$ 6,816,076</u></u>
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Nonmajor Funds

Special Revenue Funds

Park Fund - parks	\$ 646,279
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Library Fund - library operations	147,463
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Revolving Loan Fund - economic development loan programs	<u>375,597</u>
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Total	<u><u>\$ 1,169,339</u></u>
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Committed

Nonmajor Funds

Special Revenue Fund

Police Reserve Fund	<u><u>\$ 158,474</u></u>
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CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

H. NET ASSETS/FUND BALANCES (cont.)

Governmental Funds (cont.)

Assigned

Major Funds

General Fund

Fund Balance applied to subsequent year's budget \$ 11,578

Capital Projects Fund

Capital projects 1,794,965

Total \$ 1,806,543

Unassigned

Major Fund

General Fund

\$ 2,232,680

Business-type Activities

Invested in capital assets, net of related debt

Land \$ 350

Construction in progress 172,126

Other capital assets, net of accumulated depreciation 40,553,340

Less: Long-term debt outstanding (26,335,027)

Plus: Non-capital debt proceeds 11,851,682

Total Invested in Capital Assets, Net of Related Debt 26,242,471

Restricted

Debt service 144,645

Equipment replacement 102,343

Total Restricted 246,988

Unrestricted (deficit)

(5,940,164)

Total Business-type Activities Net Assets \$ 20,549,295

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

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

I. RESTATEMENT OF FUND BALANCES/NET ASSETS

Fund balance has been restated for a change in the City's fund classification policy. This is due to the implementation of GASB No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which was effective January 1, 2011. There is part of a fund previously reported as a nonmajor special revenue fund which no longer meets the definition of a special revenue fund under GASB 54 and has been reclassified and reported as part of the General Fund, Capital Projects Fund and the Nonmajor Parks Fund. This non major fund also changed its name from the Non Lapsing Appropriations Fund to the Police Reserve Fund.

General Fund

General Fund balance - December 31, 2010 (as reported)	\$ 1,729,000
Add: Non Lapsing Appropriations Fund	<u>24,234</u>
Fund Balance - December 31, 2010 (as restated)	<u>\$ 1,753,234</u>

Capital Projects Fund

Capital Projects Fund balance - December 31, 2010 (as reported)	\$ 6,187,099
Add: Non Lapsing Appropriations Fund	<u>34,042</u>
Fund Balance - December 31, 2010 (as restated)	<u>\$ 6,221,141</u>

Nonmajor Funds

Nonmajor Fund balance - December 31, 2010 (as reported)	\$ 1,462,266
Add: Parks Fund	247,369
Less: Non Lapsing Appropriations Fund	<u>(305,645)</u>
Fund Balance - December 31, 2010 (as restated)	<u>\$ 1,403,990</u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible City employees participate in the Wisconsin Retirement System (System), a cost-sharing multiple-employer defined benefit public employee retirement system (PERS). All permanent employees expected to work over 600 hours a year (1,200 hours for employees hired on or after July 1, 2011) are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan through June 28, 2011. Beginning June 29, 2011 and thereafter covered employees in the General category are required by statute to contribute 5.8% of their salary (6.65% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 5.8% for Protective Occupations without Social Security). Employers generally make these contributions to the plan on behalf of employees through June 28, 2011. Thereafter, employees are required to fund their contribution subject to terms of employment contracts and which employee group they are a member of. 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, 2011 was \$7,580,219; the employer's total payroll was \$8,010,974. The total required contribution for the year ended December 31, 2011 was \$1,195,801 or 15.8% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending December 31, 2010 and 2009 were \$1,169,578 and \$1,087,234, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998 or beginning participation on or after July 1, 2011, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and between April 24, 1998 and June 30, 2011 are immediately vested.

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

The pension-related debt for the City as of December 31, 2011, was \$1,355,819. This liability was determined in accordance with provisions of GASB Statement No. 27 regarding pension-related debt. Depending on actuarial assumptions, this estimate can vary significantly.

On December 15, 2011, the City obtained a State Trust Fund Loan to pay off their unfunded pension liability. The System requested the City wait until 2012 to make this payment. In January 2012, the liability was paid in full.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2011

NOTE IV - OTHER INFORMATION (cont.)

B. RISK MANAGEMENT

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

C. COMMITMENTS AND CONTINGENCIES

From time to time, the City is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the 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.

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

D. EFFECT OF NEW ACCOUNTING STANDARDS ON CURRENT-PERIOD FINANCIAL STATEMENTS

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; Statement No. 62, *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*; Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*; and Statement No. 64, *Derivative Instruments: Application of Hedge Accounting Termination Provisions - an amendment of GASB Statement No. 53*. Application of these standards may restate portions of these financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MEQUON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2011

	Budgeted Amounts		Actual	Variance with Final Budget
	Original	Final		
REVENUES				
Taxes	\$ 9,964,908	\$ 9,964,908	\$ 9,984,040	\$ 19,132
Intergovernmental	1,863,959	1,863,959	1,850,322	(13,637)
Licenses and permits	857,639	857,639	1,170,613	312,974
Fines, forfeitures and penalties	151,500	151,500	159,798	8,298
Public charges for services	1,032,338	1,032,338	976,065	(56,273)
Investment income	44,671	44,671	20,515	(24,156)
Miscellaneous	75,000	75,000	96,470	21,470
Total Revenues	<u>13,990,015</u>	<u>13,990,015</u>	<u>14,257,823</u>	<u>267,808</u>
EXPENDITURES				
Current:				
General government	2,568,371	2,568,371	2,526,126	42,245
Public safety	6,626,132	6,626,132	6,586,480	39,652
Public works	3,639,619	3,639,619	3,487,367	152,252
Public health	-	-	846	(846)
Community enrichment services	728,451	728,451	670,143	58,308
Conservation and development	427,442	427,442	399,711	27,731
Debt Service				
Principal	-	-	45,101	(45,101)
Interest and fiscal charges	-	-	2,239	(2,239)
Total Expenditures	<u>13,990,015</u>	<u>13,990,015</u>	<u>13,718,013</u>	<u>272,002</u>
Net Change in Fund Balance	-	-	539,810	539,810
FUND BALANCE - Beginning of Year (as restated)				
	<u>1,753,234</u>	<u>1,753,234</u>	<u>1,753,234</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 1,753,234</u>	<u>\$ 1,753,234</u>	<u>\$ 2,293,044</u>	<u>\$ 539,810</u>

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

CITY OF MEQUON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2011

BUDGETARY INFORMATION

Budgetary information is derived from the annual operating budget and is presented using generally accepted accounting principles and the modified accrual basis of accounting.

Excess expenditures over appropriations are as follows:

	<u>Amended Budget</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
Public health	\$ -	\$ 846	\$ 846
Principal	-	45,101	45,101
Interest	-	2,239	2,239

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SUPPLEMENTARY INFORMATION

CITY OF MEQUON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2011

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Park Fund	Revolving Loan Fund	Police Reserve Fund	Library Fund	
ASSETS					
Cash and investments	\$ 648,801	\$ 374,443	\$ 158,136	\$ 189,861	\$ 1,371,241
Receivables					
Taxes	-	-	-	1,101,156	1,101,156
Accrued interest	1,828	1,154	338	-	3,320
Loans	-	300,000	-	-	300,000
TOTAL ASSETS	<u>\$ 650,629</u>	<u>\$ 675,597</u>	<u>\$ 158,474</u>	<u>\$ 1,291,017</u>	<u>\$ 2,775,717</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ 21,804	\$ 21,804
Accrued liabilities	-	-	-	20,594	20,594
Deposits	4,350	-	-	-	4,350
Deferred revenues	-	300,000	-	1,101,156	1,401,156
Total Liabilities	<u>4,350</u>	<u>300,000</u>	<u>-</u>	<u>1,143,554</u>	<u>1,447,904</u>
Fund Balances					
Restricted	646,279	375,597	-	147,463	1,169,339
Committed	-	-	158,474	-	158,474
Total Fund Balances	<u>646,279</u>	<u>375,597</u>	<u>158,474</u>	<u>147,463</u>	<u>1,327,813</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 650,629</u>	<u>\$ 675,597</u>	<u>\$ 158,474</u>	<u>\$ 1,291,017</u>	<u>\$ 2,775,717</u>

CITY OF MEQUON

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2011

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Park Fund	Revolving Loan Fund	Police Reserve Fund	Library Fund	
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 901,156	\$ 901,156
Public charges for services	50,418	-	-	56,875	107,293
Intergovernmental charges for services	-	-	-	106,774	106,774
Investment income	12,348	11,775	-	1,145	25,268
Miscellaneous	-	552	18,021	4,354	22,927
Total Revenues	<u>62,766</u>	<u>12,327</u>	<u>18,021</u>	<u>1,070,304</u>	<u>1,163,418</u>
EXPENDITURES					
Current					
Community enrichment services	14,404	-	13,736	983,630	1,011,770
Conservation and development	-	155,638	-	-	155,638
Capital Outlay	-	-	-	72,187	72,187
Total Expenditures	<u>14,404</u>	<u>155,638</u>	<u>13,736</u>	<u>1,055,817</u>	<u>1,239,595</u>
Net Change in Fund Balances	48,362	(143,311)	4,285	14,487	(76,177)
FUND BALANCES - Beginning of Year (as restated)	<u>597,917</u>	<u>518,908</u>	<u>154,189</u>	<u>132,976</u>	<u>1,403,990</u>
FUND BALANCES - END OF YEAR	<u>\$646,279</u>	<u>\$ 375,597</u>	<u>\$ 158,474</u>	<u>\$ 147,463</u>	<u>\$ 1,327,813</u>

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STATISTICAL SECTION

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CITY OF MEQUON

Statistical Section

This part of the City of Mequon's Comprehensive Annual Financial Report (CAFR) presents additional information intended to provide a better understanding of what the information in the financial statements note disclosures, and the required supplementary information, indicates about the overall financial well being of the City.

Contents

Financial Trends

These schedules contain trend information to help the reader understand how the City's financial performance and well-being have changed over time.

Revenue Capacity

These schedules contain information to help the reader assess the City's most significant local revenue source, the property tax.

Debt Capacity

These schedules present information to help the reader assess the affordability of the City's current levels of outstanding debt and the City's ability to issue new debt in the future.

Demographic and Economic Information

These schedules offer demographic and economic indicators to help the reader understand the environment within which the City's financial activities take place.

Operating Information

These schedules contain service and infrastructure data to help the reader understand how the information in the City's financial report relates to the services the City provides and the activities it performs.

Sources: Unless otherwise noted, the information in these schedules is obtained from the annual financial reports for the given year. The City implemented GASB 34 in 2003; schedules presenting government-wide information include information beginning in that year.

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**CITY OF MEQUON
NET ASSETS BY COMPONENT
LAST NINE FISCAL YEARS**

Table 1

	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities									
Invested in capital assets, net of related debt	\$ 22,725,214	\$ 23,880,322	\$ 23,336,951	\$ 25,692,983	\$ 25,489,910	\$ 27,262,961	\$ 24,486,433	\$ 24,847,985	\$ 25,157,617
Restricted	902,038	790,646	783,620	939,229	1,044,875	1,136,688	1,354,442	1,169,828	6,674,351
Unrestricted	<u>3,401,739</u>	<u>3,127,464</u>	<u>5,477,565</u>	<u>5,384,516</u>	<u>4,979,600</u>	<u>2,463,821</u>	<u>2,990,407</u>	<u>1,198,175</u>	<u>(4,729,276)</u>
Total governmental activities net assets	<u>\$ 27,028,991</u>	<u>\$ 27,798,432</u>	<u>\$ 29,598,136</u>	<u>\$ 32,016,728</u>	<u>\$ 31,514,385</u>	<u>\$ 30,863,470</u>	<u>\$ 28,831,282</u>	<u>\$ 27,215,988</u>	<u>\$ 27,102,692</u>
Business-type Activities									
Invested in capital assets, net of related debt	\$ 25,499,171	\$ 25,548,786	\$ 26,680,572	\$ 26,417,775	\$ 26,419,092	\$ 26,429,765	\$ 26,275,107	\$ 26,156,658	\$ 26,242,471
Restricted	188,589	176,672	300,294	199,449	119,214	115,255	205,353	232,166	246,988
Unrestricted (deficit)	<u>(17,911,016)</u>	<u>(17,958,902)</u>	<u>(18,304,072)</u>	<u>(16,082,981)</u>	<u>(14,886,924)</u>	<u>(12,986,854)</u>	<u>(10,046,126)</u>	<u>(7,688,236)</u>	<u>(5,940,164)</u>
Total business-type activities net assets	<u>\$ 7,776,744</u>	<u>\$ 7,766,556</u>	<u>\$ 8,676,794</u>	<u>\$ 10,534,243</u>	<u>\$ 11,651,382</u>	<u>\$ 13,558,166</u>	<u>\$ 16,434,334</u>	<u>\$ 18,700,588</u>	<u>\$ 20,549,295</u>
Primary Government									
Invested in capital assets, net of related debt	\$ 48,224,385	\$ 49,429,108	\$ 50,017,523	\$ 52,110,758	\$ 51,909,002	\$ 53,692,726	\$ 49,791,864	\$ 49,966,147	\$ 50,361,592
Restricted	1,090,627	967,318	1,083,914	1,138,678	1,164,089	1,251,943	1,559,795	1,401,994	6,921,339
Unrestricted (deficit)	<u>(14,509,277)</u>	<u>(14,831,438)</u>	<u>(12,826,507)</u>	<u>(10,698,465)</u>	<u>(9,907,324)</u>	<u>(10,523,033)</u>	<u>(6,086,043)</u>	<u>(5,451,565)</u>	<u>(9,630,944)</u>
Total primary government net assets	<u>\$ 34,805,735</u>	<u>\$ 35,564,988</u>	<u>\$ 38,274,930</u>	<u>\$ 42,550,971</u>	<u>\$ 43,165,767</u>	<u>\$ 44,421,636</u>	<u>\$ 45,265,616</u>	<u>\$ 45,916,576</u>	<u>\$ 47,651,987</u>

(1) According to GASB 34, a ten year trend should be shown. We implemented GASB 34 in the 2003 fiscal year. Until a 10 year trend is compiled, we will show the trend of the most current years reflecting GASB 34 standards.

**CITY OF MEQUON
CHANGES IN NET ASSETS
LAST NINE FISCAL YEARS**

Table 2

Expenses	2003	2004	2005	2006	2007	2008	2009	2010	2011
Governmental Activities:									
General Government	\$ 2,647,853	\$ 2,961,674	\$ 2,531,578	\$ 2,371,545	\$ 2,935,063	\$ 2,800,453	\$ 2,901,113	\$ 3,015,265	\$ 2,826,782
Public Safety	5,328,554	5,495,463	5,706,356	6,344,911	6,712,991	6,906,734	7,106,793	7,181,642	7,243,829
Public Works	7,304,719	5,491,973	5,581,372	5,934,382	5,841,355	6,990,267	6,324,874	7,198,886	7,779,419
Public Health	-	-	24,924	27,040	69,080	70,859	29,726	2,375	846
Community Enrichment	1,780,985	1,268,776	1,103,123	1,715,473	1,729,884	1,846,261	2,101,069	1,837,201	1,944,084
Conservation & Development	882,130	1,324,091	1,074,075	578,174	782,014	451,213	885,745	607,140	555,349
Interest & Fiscal Charges	382,908	364,608	393,407	467,978	420,005	413,812	802,613	925,877	984,173
Total government activities expense	18,327,149	16,906,585	16,414,835	17,439,503	18,490,392	19,479,599	20,151,933	20,768,386	21,334,482
Business-type Activities:									
Water Utility	3,763	-	-	-	-	-	1,394,217	2,083,807	2,215,531
Sewer Utility	5,757,945	6,335,818	8,745,619	9,131,324	8,267,629	8,310,045	8,175,180	7,881,371	8,216,356
Total business-type activities expense	5,761,708	6,335,818	8,745,619	9,131,324	8,267,629	8,310,045	9,569,397	9,965,178	10,431,887
Total Primary Government Expense	\$ 24,088,857	\$ 23,242,403	\$ 25,160,454	\$ 26,570,827	\$ 26,758,021	\$ 27,789,644	\$ 29,721,330	\$ 30,733,564	\$ 31,766,369
Program Revenues									
Governmental Activities:									
Charges for Services	1,716,144	2,009,907	2,098,629	2,150,602	2,054,591	2,807,641	2,494,153	2,525,797	2,750,636
Operating Grants and Contributions	2,037,135	1,298,634	1,264,517	1,475,873	1,322,915	1,390,950	1,560,663	2,102,773	1,709,970
Capital Grants and Contributions	1,123,047	1,848,972	1,779,050	2,437,878	391,706	201,967	1,265,378	181,607	2,508,141
Total governmental activities program revenues	4,876,326	5,157,513	5,142,196	6,064,353	3,769,212	4,400,558	5,320,194	4,810,177	6,968,747
Business-type activities:									
Charges for Services	1,933,145	1,936,823	2,162,963	2,167,798	2,306,485	2,537,641	4,111,511	5,005,461	5,139,176
Capital Grants and Contributions	549,966	38,841	712,291	253,060	224,846	342,099	137,058	151,213	150,897
Total business-type activities program revenues	2,483,111	1,975,664	2,875,254	2,420,858	2,531,331	2,879,740	4,248,569	5,156,674	5,290,073
Total Primary Government Program Revenues	\$ 7,359,437	\$ 7,133,177	\$ 8,017,450	\$ 8,485,211	\$ 6,300,543	\$ 7,280,298	\$ 9,568,763	\$ 9,966,851	\$ 12,258,820
Net (Expense)/Revenue									
Governmental Activities	(13,450,823)	(11,749,072)	(11,272,639)	(11,375,150)	(14,721,180)	(15,079,041)	(14,831,739)	(15,958,209)	(14,365,735)
Business-type Activities	(3,278,597)	(4,360,154)	(5,870,365)	(6,710,466)	(5,736,298)	(5,430,305)	(5,320,828)	(4,808,504)	(5,141,814)
Total Primary Government Net Expense	\$ (16,729,420)	\$ (16,109,226)	\$ (17,143,004)	\$ (18,085,616)	\$ (20,457,478)	\$ (20,509,346)	\$ (20,152,567)	\$ (20,766,713)	\$ (19,507,549)

General Revenues and Other changes in Net Assets

Governmental Activities:									
Property Taxes	11,051,027	11,491,198	11,970,360	12,275,733	12,475,502	12,781,935	13,012,008	13,607,270	13,568,659
Intergov't'l revenues not restr to spec programs	694,101	491,975	499,970	498,368	491,521	564,524	516,656	530,106	463,388
Investment Income	169,825	89,782	322,162	734,174	951,509	672,135	193,804	175,951	170,010
Miscellaneous	617,796	182,154	240,426	263,644	249,947	394,909	46,759	98,208	47,781
Gain on sale/disposal of capital assets	-	-	39,425	21,823	50,357	14,623	-	-	2,601
Transfers	-	(4,551)	-	-	-	-	(969,676)	(68,620)	-
Total Governmental Activities	12,532,749	12,250,558	13,072,343	13,793,742	14,218,836	14,428,126	12,799,551	14,342,915	14,252,439
Business-type Activities:									
Property Taxes	3,669,133	4,285,524	6,325,088	7,720,789	6,197,955	7,097,470	7,170,029	6,934,932	6,936,508
Investment Income	86,919	52,000	442,473	842,084	652,407	211,832	57,291	67,852	51,642
Miscellaneous	15,239	7,891	13,042	5,042	3,075	27,787	-	3,354	2,371
Transfers	-	4,551	-	-	-	-	969,676	68,620	-
Total Business-type Activities	3,771,291	4,349,966	6,780,603	8,567,915	6,853,437	7,337,089	8,196,996	7,074,758	6,990,521
Total Primary Government	\$ 16,304,040	\$ 16,600,524	\$ 19,852,946	\$ 22,361,657	\$ 21,072,273	\$ 21,765,215	\$ 20,996,547	\$ 21,417,673	\$ 21,242,960
Change in Net Assets									
Governmental Activities	(918,074)	501,486	1,799,704	2,418,592	(502,344)	(650,915)	(2,032,188)	(1,615,294)	(113,296)
Business-type Activities	492,694	(10,188)	910,238	1,857,449	1,117,139	1,906,784	2,876,168	2,266,254	1,848,707
Total Primary Government	\$ (425,380)	\$ 491,298	\$ 2,709,942	\$ 4,276,041	\$ 614,795	\$ 1,255,869	\$ 843,980	\$ 650,960	\$ 1,735,411

(1) According to GASB 34, a ten year trend should be shown. We implemented GASB 34 in the 2003 fiscal year. Until a 10 year trend is compiled, we will show the trend of the most current years reflecting GASB 34 standards.

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**CITY OF MEQUON
FUND BALANCES, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

Table 3

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Fund										
Reserved	\$ 54,913	\$ 62,805	\$ 50,217	\$ 49,048	\$ 112,036	\$ 47,464	\$ 40,304	\$ 40,054	\$ 41,978	\$ -
Unreserved	1,636,979	1,513,374	1,536,585	1,689,413	2,059,663	1,348,673	676,941	1,295,092	1,687,022	-
Nonspendable	-	-	-	-	-	-	-	-	-	32,235
Restricted	-	-	-	-	-	-	-	-	-	16,551
Assigned	-	-	-	-	-	-	-	-	-	11,578
Unassigned	-	-	-	-	-	-	-	-	-	2,232,680
Total General Fund	<u>1,691,892</u>	<u>1,576,179</u>	<u>1,586,802</u>	<u>1,738,461</u>	<u>2,171,699</u>	<u>1,396,137</u>	<u>717,245</u>	<u>1,335,146</u>	<u>1,729,000</u>	<u>2,293,044</u>
All Other Governmental Funds										
Reserved	1,468,897	1,662,112	1,568,086	1,146,685	1,370,268	1,603,822	1,683,640	2,382,338	1,490,466	-
Unreserved, reported in:										
Special Revenue Funds	61,862	(390)	(3,519)	1,059,482	1,123,316	1,105,618	1,017,682	515,594	459,834	-
Capital Projects Funds	2,365,508	2,743,418	2,422,942	4,230,240	3,536,770	3,862,819	3,637,816	10,058,625	6,187,099	-
Restricted	-	-	-	-	-	-	-	-	-	7,968,864
Committed	-	-	-	-	-	-	-	-	-	158,474
Assigned	-	-	-	-	-	-	-	-	-	1,794,965
Total All Other Governmental Funds	<u>3,896,267</u>	<u>4,405,140</u>	<u>3,987,509</u>	<u>6,436,407</u>	<u>6,030,354</u>	<u>6,572,259</u>	<u>6,339,138</u>	<u>12,956,557</u>	<u>8,137,399</u>	<u>9,922,303</u>
Total Fund Balances	<u>\$ 5,588,159</u>	<u>\$ 5,981,319</u>	<u>\$ 5,574,311</u>	<u>\$ 8,174,868</u>	<u>\$ 8,202,053</u>	<u>\$ 7,968,396</u>	<u>\$ 7,056,383</u>	<u>\$ 14,291,703</u>	<u>\$ 9,866,399</u>	<u>\$ 12,215,347</u>

The City implemented GASB Statement No. 54 - Fund Balance Reporting and Governmental Fund Type Definitions in 2011. This statement establishes new fund balance classifications, which are based primarily on the extent to which the City is bound to observe constraints on the use of the resources reported in governmental funds. As a result of implementing this standard, the fund balance categories used beginning in 2011 are not directly comparable to the fund balance categories used prior to 2011.

**CITY OF MEQUON
CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

Table 4

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Revenues										
Taxes	\$ 10,378,009	\$ 11,051,026	\$ 11,491,198	\$ 11,970,360	\$ 12,275,733	\$ 12,475,502	\$ 12,781,935	\$ 13,012,008	\$ 13,607,270	\$ 13,568,659
Intergovernmental Revenues	3,488,835	2,731,237	1,975,663	1,971,573	2,336,159	1,710,032	1,778,612	2,888,511	2,545,498	1,997,915
Licenses & Permits	939,880	1,155,894	1,244,284	1,188,351	1,203,755	1,113,504	1,177,444	1,101,106	1,165,138	1,170,613
Fines, forfeitures and penalties	-	-	-	-	-	-	-	-	-	159,798
Public Charges for Services	592,185	694,775	875,964	926,186	978,734	1,025,262	1,863,998	1,518,183	1,240,937	1,288,601
Intergovernmental Charges for services	-	-	-	-	101,017	104,404	106,928	109,067	182,286	106,774
Investment Income	517,163	169,825	89,782	322,162	735,420	950,518	741,986	194,187	176,734	174,997
Other Revenues	330,164	617,796	476,669	955,777	449,649	380,545	209,300	166,023	111,137	123,755
Total Revenues	16,246,236	16,420,553	16,153,560	17,334,409	18,080,467	17,759,767	18,660,203	18,989,085	19,029,000	18,591,112
Expenditures										
Current										
General Government	2,473,709	2,579,842	2,562,126	2,492,204	2,367,786	2,877,301	2,728,441	2,796,046	2,716,066	2,536,080
Public Safety	4,734,563	4,831,245	5,156,645	5,350,414	5,997,403	6,350,569	6,521,197	6,588,793	6,520,263	6,586,480
Public Works	4,248,399	4,080,782	3,886,527	4,492,379	4,600,183	4,598,917	5,329,775	3,470,061	3,586,628	3,487,367
Public Health	-	-	-	24,924	27,040	69,080	70,859	29,726	2,375	846
Liesure Activities	852,355	144,298	90,395	98,164	-	-	-	-	-	-
Community Enrichment	-	-	-	-	1,603,463	1,661,876	1,776,535	1,981,720	1,700,327	1,681,913
Conservation & Development	3,447,285	1,265,883	964,906	1,013,414	453,315	423,079	419,263	817,181	567,802	555,349
Library	913,169	993,513	1,001,444	905,273	-	-	-	-	-	-
Capital Outlay	2,461,839	4,972,238	1,570,367	880,763	1,886,940	923,356	3,981,521	6,861,097	5,784,174	4,587,815
Debt Service										
Principal	540,000	855,000	1,059,245	795,663	835,850	811,808	851,964	1,120,219	1,743,077	1,224,118
Interest and fiscal charges	192,860	326,555	374,084	365,079	401,859	327,795	315,929	550,271	890,011	797,705
Total Expenditures	19,864,179	20,049,356	16,665,739	16,418,277	18,173,839	18,043,781	21,995,484	24,215,114	23,510,723	21,457,673

**CHANGES IN FUND BALANCE, GOVERNMENTAL FUNDS
LAST TEN FISCAL YEARS**

Table 4

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Excess of Revenues Over/(Under) Expenditures	(3,617,943)	(3,628,803)	(512,179)	916,132	(93,372)	(284,014)	(3,335,281)	(5,226,029)	(4,481,723)	(2,866,561)
Other Financing Sources/(Uses)										
Transfers In	1,596,968	1,871,952	1,514,436	1,599,980	1,931,994	1,907,915	1,978,335	1,676,627	136,063	667,449
Transfers Out	(1,596,968)	(1,871,952)	(1,518,987)	(1,599,980)	(1,931,994)	(1,907,915)	(1,978,335)	(1,676,627)	(136,063)	(667,449)
Debt										
General obligation debt issued	4,070,000	4,099,759	109,722	1,645,000	-	-	2,400,000	12,055,000	-	4,167,960
Refunding Debt issued	-	-	-	-	1,477,942	-	-	-	-	4,577,040
Refunded general Obligation Debt	(567,609)	(80,796)	-	-	(1,370,000)	-	-	-	-	(3,956,423)
Discount on Debt issued	-	-	-	-	-	-	-	-	-	(73,556)
Premium on Debt issued	-	-	-	-	-	-	-	91,542	-	192,393
Proceeds of capital leases	-	-	-	-	-	-	-	-	-	235,193
Sale of Capital Assets	-	-	-	39,425	12,615	50,357	23,268	48,690	56,419	72,902
Total Other Financing Sources/(Uses)	3,502,391	4,018,963	105,171	1,684,425	120,557	50,357	2,423,268	12,195,232	56,419	5,215,509
Net Change in Fund Balances	\$ (115,552)	\$ 390,160	\$ (407,008)	\$ 2,600,557	\$ 27,185	\$ (233,657)	\$ (912,013)	\$ 6,969,203	\$ (4,425,304)	\$ 2,348,948
Debt Service as a % of noncapital expenditures	4.21%	7.84%	9.50%	7.47%	7.60%	6.66%	6.48%	9.63%	14.85%	11.98%

Notes: In 2006 the functional areas were realigned to separate Parks from the Conservation and development area and then creating the Community Enrichment functional area by combining the Parks, Library, and Liesure Activities (swimming pool) components.

**CITY OF MEQUON, WISCONSIN
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

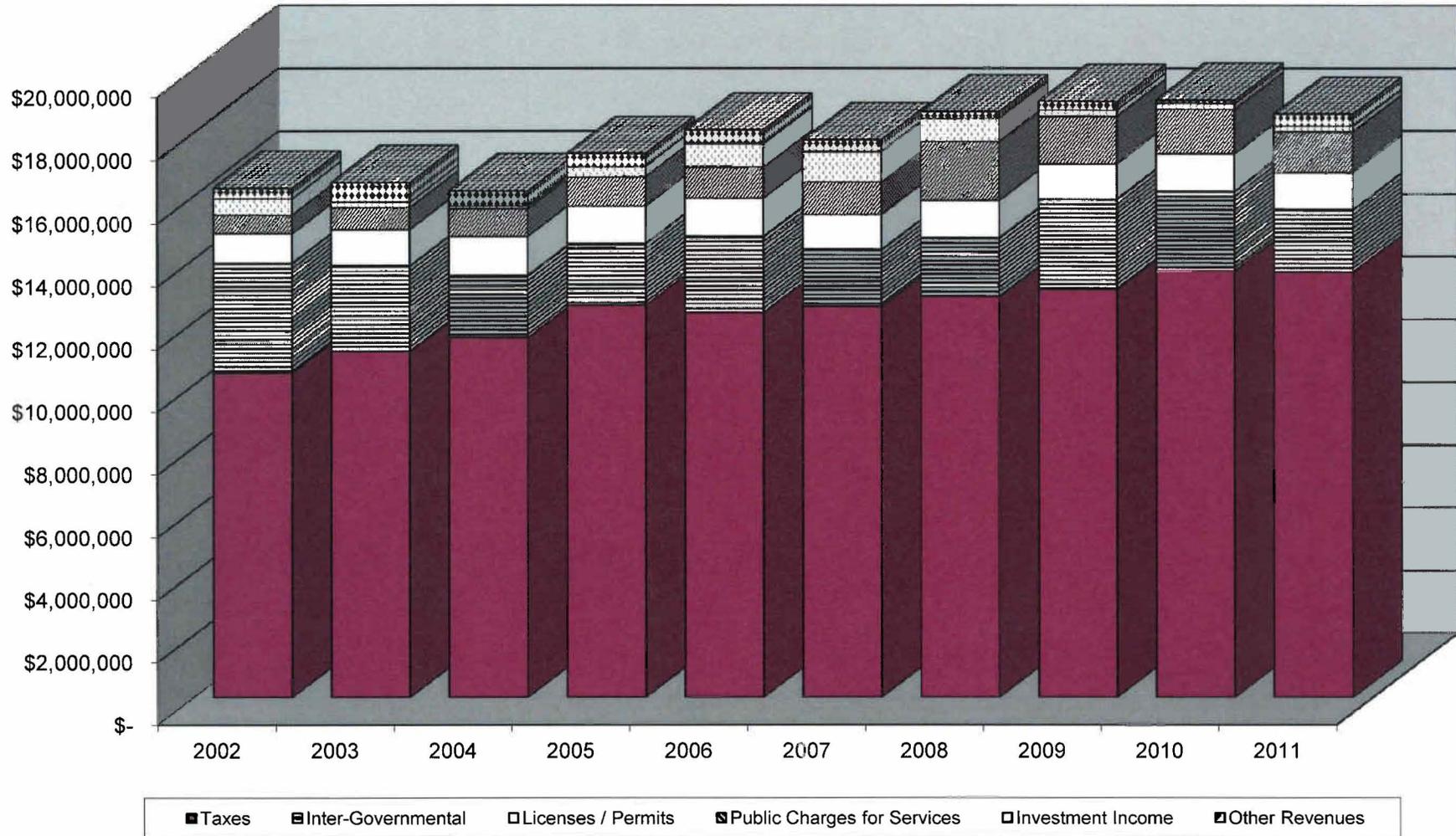
Table 5

Fiscal Year	Taxes		Inter-Governmental		Licenses and Permits		Public Charges for Services		Investment Income	Other Revenues		Total Revenues	
2002	\$ 10,378,009	63.9%	\$ 3,488,835	21.5%	\$ 939,880	5.8%	\$ 592,185	3.6%	\$ 517,163	3.2%	\$ 330,164	2.0%	\$ 16,246,236
2003	11,051,026	67.3%	2,731,237	16.6%	1,155,894	7.0%	694,775	4.2%	169,825	1.0%	617,796	3.8%	16,420,553
2004	11,491,198	71.1%	1,975,663	12.2%	1,244,284	7.7%	875,964	5.4%	89,782	0.6%	476,669	3.0%	16,153,560
2005	12,510,360	72.2%	1,971,573	11.4%	1,188,351	6.9%	926,186	5.3%	322,162	1.9%	415,777	2.4%	17,334,409
2006	12,275,733	67.9%	2,437,176	13.5%	1,203,755	6.7%	978,734	5.4%	735,420	4.1%	449,649	2.5%	18,080,467
2007	12,475,502	70.2%	1,814,436	10.2%	1,113,504	6.3%	1,025,262	5.8%	950,518	5.4%	380,545	2.1%	17,759,767
2008	12,781,935	68.5%	1,885,540	10.1%	1,177,444	6.3%	1,863,998	10.0%	741,986	4.0%	209,300	1.1%	18,660,203
2009	13,012,008	68.5%	2,888,511	15.2%	1,101,106	5.8%	1,518,183	8.0%	194,187	1.0%	275,090	1.4%	18,989,085
2010	13,607,270	71.5%	2,545,498	13.4%	1,165,138	6.1%	1,423,223	7.5%	176,734	0.9%	111,137	0.6%	19,029,000
2011	13,568,659	73.0%	1,997,915	10.7%	1,170,613	6.3%	1,288,601	6.9%	174,997	0.9%	390,327	2.1%	18,591,112

Includes General, Special Revenue, Debt Service, and Capital Project Funds. GASB No. 34 was implemented in 2003. Therefore, general government revenues for the year 2003 and later include funds presented as trust funds in previous years. In 2010, certain revenues have been reclassified.

Source: City of Mequon Annual Financial Reports

**City of Mequon
General Governmental Revenues By Source**



**CITY OF MEQUON, WISCONSIN
GENERAL GOVERNMENTAL EXPENDITURES BY FUNCTION
LAST TEN FISCAL YEARS**

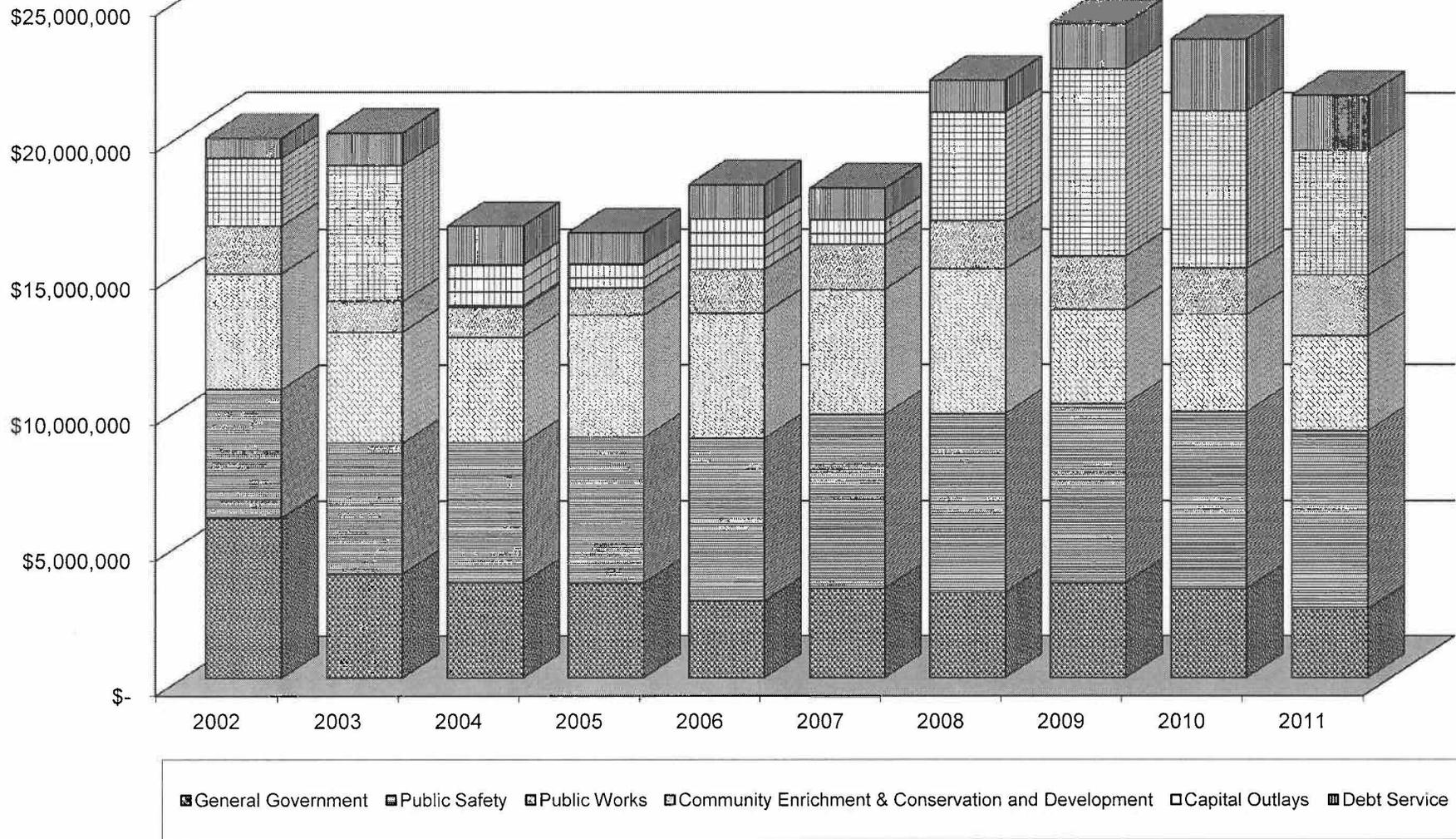
Table 6

Fiscal Year	General Government		Public Safety		Public Works		Community Enrichment & Conservation and Development		Capital Outlays		Debt Service		Total Expenditures
2002	\$ 5,920,994	29.8%	\$ 4,734,563	23.8%	\$ 4,248,399	21.4%	\$ 1,765,524	8.9%	\$ 2,461,839	12.4%	\$ 732,860	3.7%	\$ 19,864,179
2003	3,845,725	19.2%	4,831,245	24.1%	4,080,782	20.4%	1,137,811	5.7%	4,972,238	24.8%	1,181,555	5.9%	20,049,356
2004	3,527,032	21.2%	5,156,645	30.9%	3,886,527	23.3%	1,091,839	6.6%	1,570,367	9.4%	1,433,329	8.6%	16,665,739
2005	3,505,618	21.4%	5,375,338	32.7%	4,492,379	27.4%	1,003,437	6.1%	880,763	5.4%	1,160,742	7.1%	16,418,277
2006	2,821,101	15.5%	6,024,443	33.1%	4,600,183	25.3%	1,603,463	8.8%	1,886,940	10.4%	1,237,709	6.8%	18,173,839
2007	3,300,380	18.3%	6,419,649	35.6%	4,598,917	25.5%	1,661,876	9.2%	923,356	5.1%	1,139,603	6.3%	18,043,781
2008	3,147,704	14.3%	6,592,056	30.0%	5,329,775	24.2%	1,776,535	8.1%	3,981,521	18.1%	1,167,893	5.3%	21,995,484
2009	3,509,897	14.6%	6,588,793	27.4%	3,470,061	14.4%	1,981,720	8.2%	6,861,097	28.5%	1,670,490	6.9%	24,082,058
2010	3,286,243	14.0%	6,520,263	27.7%	3,586,628	15.3%	1,700,327	7.2%	5,784,174	24.6%	2,633,088	11.2%	23,510,723
2011	2,536,926	11.8%	6,586,480	30.7%	3,487,367	16.3%	2,237,262	10.4%	4,587,815	21.4%	2,021,823	9.4%	21,457,673

Includes General, Special Revenue, Debt Service, and Capital Project Funds. GASB No. 34 was implemented in 2003. Therefore, general government expenditures for later include funds presented as trust funds in previous years. Public Health and Conservation and Development expenditures are reported under General government in

Source: City of Mequon Annual Financial Reports

**City of Mequon
General Governmental Expenditures By Function**



CITY OF MEQUON
ASSESSED AND EQUALIZED VALUE OF TAXABLE PROPERTY
LAST TEN FISCAL YEARS

Table 7

Levy Year	Fiscal Year	Real Property		Personal Property		Total		Ratio of Assessed to Equalized Value
		Assessed Value	Equalized Value	Assessed Value	Equalized Value	Assessed Value	Equalized Value	
2001	2002	\$ 2,511,627,870	\$ 2,925,505,000	\$ 55,749,640	\$ 65,545,200	\$ 2,567,377,510	\$ 2,991,050,200	85.84%
	2002	3,248,643,705	3,140,019,800	65,559,660	68,484,300	3,314,203,365	3,208,504,100	103.29%
	2003	3,312,672,300	3,383,595,000	61,012,490	61,299,300	3,373,684,790	3,444,894,300	97.93%
	2004	3,386,172,144	3,696,625,500	56,158,740	62,305,700	3,442,330,884	3,758,931,200	91.58%
	2005	3,442,763,100	3,933,107,700	56,028,120	64,279,800	3,498,791,220	3,997,387,500	87.53%
	2006	3,527,171,900	4,151,967,000	52,989,510	62,946,800	3,580,161,410	4,214,913,800	84.94%
	2007	3,587,551,600	4,508,754,200	49,002,630	60,456,500	3,636,554,230	4,569,210,700	79.59%
	2008	3,632,572,010	4,431,816,900	68,585,800	83,774,032	3,701,157,810	4,515,590,932	81.87%
	2009	4,257,032,100	4,307,263,694	59,588,580	60,291,706	4,316,620,680	4,367,555,400	98.83%
	2010	4,238,554,800	4,236,509,637	59,695,260	59,666,456	4,298,250,060	4,296,176,093	100.05%

Source: "Statistical Report of Property Valuations" Published by Bureau of Property Tax, Wisconsin Department of Revenue

CITY OF MEQUON, WISCONSIN
COMPARATIVE TAX RATES FOR ALL DIRECT AND OVERLAPPING GOVERNMENTS
PROPERTIES WITHIN THE MEQUON-THIENSVILLE SCHOOL DISTRICT
LAST TEN FISCAL YEARS

PER \$1,000 OF ASSESSED VALUE

Levy Year	Collection Year	State of Wisconsin	Ozaukee County	City of Mequon	Sewer Utility	M-T Schools	MATC	Total	State School Credit	Net Tax Rate	Assessed Valuation
2001	2002	0.2330	2.4311	4.0457	1.9648	11.9047	2.3608	22.9400	1.8260	21.1140	2,559,654,710
2002	2003	0.1936	1.8680	3.3026	1.2725	9.5728	1.9431	18.1526	1.4187	16.7340	3,303,333,765
2003	2004	0.2042	1.9797	3.3838	1.4513	9.7903	2.0163	18.8256	1.3809	17.4447	3,361,418,690
2004	2005	0.2184	2.0000	3.3943	2.0955	9.9193	2.1173	19.7449	1.3449	18.4000	3,428,838,984
2005	2006	0.2143	2.0307	3.4077	2.5077	10.0809	2.1505	20.3918	1.2989	19.0928	3,484,259,320
2006	2007	0.2068	1.9898	3.3994	1.9865	10.0674	2.0842	19.7341	1.5972	18.1369	3,564,890,610
2007	2008	0.2132	2.0258	3.4058	2.2441	10.1886	2.2266	20.3041	1.7641	18.5400	3,636,554,230
2008	2009	0.2064	1.9829	3.4139	2.2344	10.3060	2.2317	20.3752	1.9008	18.4744	3,701,157,810
2009	2010	0.1717	1.6995	3.0569	1.8618	8.8362	1.9332	17.5593	1.5787	15.9806	4,298,292,080
2010	2011	0.1617	1.6864	3.0360	1.8769	8.2742	1.8543	16.8895	1.4630	15.4265	4,279,672,560

PER \$1,000 OF EQUALIZED VALUE

Assess. Ratio	Levy Year	Collection Year	State of Wisconsin	Ozaukee County	City of Mequon	Sewer Utility	M-T Schools	MATC	Total	State School Credit	Net Tax Rate	Equalized Valuation
0.8580	2001	2002	0.1999	2.0858	3.4712	1.6858	10.2142	2.0256	19.6825	1.5667	18.1158	2,980,381,190
1.0341	2002	2003	0.2002	1.9317	3.4153	1.3159	9.8992	2.0093	18.7716	1.4671	17.3046	3,198,869,298
0.9810	2003	2004	0.2003	1.9421	3.3195	1.4237	9.6042	1.9780	18.4679	1.3547	17.1132	3,433,535,652
0.9178	2004	2005	0.2004	1.8356	3.1153	1.9233	9.1039	1.9433	18.1218	1.2343	16.8875	3,744,197,440
0.8753	2005	2006	0.1876	1.7774	2.9827	2.1950	8.8238	1.8824	17.8489	1.1369	16.7120	3,980,784,727
0.8494	2006	2007	0.1757	1.6901	2.8875	1.6873	8.5512	1.7703	16.7621	1.3567	15.4055	4,196,936,406
0.7964	2007	2008	0.1698	1.6133	2.7123	1.7871	8.1139	1.7732	16.1696	1.4049	14.7647	4,549,677,732
0.8187	2008	2009	0.1689	1.6235	2.7951	1.8294	8.4380	1.8272	16.6822	1.5563	15.1259	4,549,677,732
0.9883	2009	2010	0.1697	1.6796	3.0211	1.8400	8.7328	1.9106	17.3539	1.5602	15.7936	4,349,010,508
1.0005	2010	2011	0.1618	1.6872	3.0375	1.8778	8.2782	1.8552	16.8976	1.4637	15.4339	4,277,607,557

**CITY OF MEQUON, WISCONSIN
COMPARATIVE TAX RATES FOR ALL DIRECT AND OVERLAPPING GOVERNMENTS
PROPERTIES WITHIN THE CEDARBURG SCHOOL DISTRICT
LAST TEN FISCAL YEARS**

PER \$1,000 OF ASSESSED VALUE

<u>Levy Year</u>	<u>Collection Year</u>	<u>State of Wisconsin</u>	<u>Ozaukee County</u>	<u>City of Mequon</u>	<u>Cedarburg Schools</u>	<u>MATC</u>	<u>Total</u>	<u>State School Credit</u>	<u>Net Tax Rate</u>	<u>Assessed Valuation</u>
2001	2002	0.2330	2.4311	4.0457	15.7087	2.3608	24.7792	1.8260	22.9532	7,722,800
2002	2003	0.1936	1.8680	3.3026	9.7132	1.9431	17.0205	1.4187	15.6018	10,869,600
2003	2004	0.2042	1.9797	3.3838	10.4198	2.0163	18.0038	1.3809	16.6230	12,266,100
2004	2005	0.2184	2.0000	3.3943	10.8943	2.1173	18.6244	1.3449	17.2795	13,491,900
2005	2006	0.2143	2.0307	3.4077	10.7007	2.1505	18.5039	1.2989	17.2050	14,531,900
2006	2007	0.2068	1.9898	3.3994	10.3527	2.0842	18.0329	1.5972	16.4357	15,270,800
2007	2008	0.2130	2.0258	3.4058	10.1886	2.2266	18.0598	1.7641	16.2957	15,199,500
2008	2009	0.2064	1.9829	3.4139	11.2476	2.2317	19.0825	1.9008	17.1817	15,749,050
2009	2010	0.1717	1.6995	3.0569	10.0098	1.9332	16.8711	1.5787	15.2924	18,328,600
2010	2011	0.1617	1.6864	3.0360	9.0496	1.8543	15.7880	1.4630	14.3250	18,577,500

PER \$1,000 OF EQUALIZED VALUE

<u>Assess. Ratio</u>	<u>Levy Year</u>	<u>Collection Year</u>	<u>State of Wisconsin</u>	<u>Ozaukee County</u>	<u>City of Mequon</u>	<u>Cedarburg Schools</u>	<u>MATC</u>	<u>Total</u>	<u>State School Credit</u>	<u>Net Tax Rate</u>	<u>Equalized Valuation</u>
0.8580	2001	2002	0.1999	2.0858	3.4712	13.4780	2.0256	21.2605	1.5667	19.6939	10,669,010
1.0341	2002	2003	0.2002	1.9317	3.4153	10.0444	2.0093	17.6009	1.4671	16.1339	9,634,802
0.9810	2003	2004	0.2003	1.9421	3.3195	10.2218	1.9780	17.6618	1.3547	16.3071	11,358,648
0.9178	2004	2005	0.2004	1.8356	3.1153	9.9988	1.9433	17.0935	1.2343	15.8591	14,733,760
0.8753	2005	2006	0.1876	1.7774	2.9827	9.3663	1.8824	16.1965	1.1369	15.0595	16,602,773
0.8495	2006	2007	0.1757	1.6903	2.8878	8.7946	1.7705	15.3189	1.3568	13.9621	17,977,394
0.7964	2007	2008	0.1696	1.6133	2.7123	8.1139	1.7732	14.3823	1.4049	12.9774	19,532,968
0.8187	2008	2009	0.1689	1.6235	2.7951	9.2089	1.8272	15.6237	1.5563	14.0674	19,145,684
0.9883	2009	2010	0.1697	1.6796	3.0211	9.8927	1.9106	16.6737	1.5602	15.1135	18,544,871
1.0005	2010	2011	0.1618	1.6872	3.0375	9.0540	1.8552	15.7956	1.4637	14.3319	18,586,468

**CITY OF MEQUON, WISCONSIN
TEN LARGEST TAXPAYERS - 2011**

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Net Taxes Paid</u>	<u>Percent of Total Taxes Levied</u>
Centro Bradley SPE 1LP	Shopping Center	\$30,633,000	\$ 472,503	0.73%
HTA Wisconsin	Office Building	18,257,100	281,585	0.43%
St. Mary's Hospital	Medical Clinic	12,982,300	200,213	0.31%
Centerpoint Property Trust	Manufacturing	11,774,700	181,584	0.28%
SNH FM Financing	Hotel	8,684,300	133,910	0.21%
Newcastle Place	Apartments	8,672,300	133,725	0.21%
B & G Realty	Commercial	8,307,200	128,092	0.20%
Mequon Joint Venture	Commercial	8,188,900	126,267	0.19%
Glen Oaks Office Park, LLC	Office Building	7,818,800	120,558	0.19%
Stern Real Estate, LLC	Commercial	7,576,800	116,825	0.18%
Total for Largest Taxpayers		<u>\$122,895,400</u>	<u>\$1,895,262</u>	<u>2.91%</u>

Source: City of Mequon Assessment and Tax Rolls

TEN LARGEST EMPLOYERS - 2011

<u>Name of Employer</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
Mequon-Thiensville School District	Public education	439
HB Performance Systems	Industrial brakes and cylinders	320
City of Mequon	Municipal government and services	230
Milwaukee Area Technical College	Higher education	185
North Shore Country Club	Private country club	180
Highland at Newcastle Place	Elderly healthcare	171
SPI Lighting	Commercial lighting equipment	140
Piggly Wiggly	Grocery store	128
Johnson Level & Tool	Manufacturer of measuring tools	100
Granit Microsystems	Computer design and integration	92

Source: 2008 Wisconsin State Business Directory, and the 2008 Wisconsin Manufacturers Register

**CITY OF MEQUON
PROPERTY TAX LEVIES & COLLECTIONS
LAST TEN FISCAL YEARS**

Levy Year	Collection Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2001	2002	\$ 10,386,758	\$ 10,277,525	98.95%	\$ 60,605	\$ 10,338,130	99.53%
2002	2003	10,945,618	10,895,240	99.54%	14,331	10,909,571	99.67%
2003	2004	11,415,897	11,243,734	98.49%	62,941	11,306,675	99.04%
2004	2005	11,663,419	11,470,430	98.35%	70,511	11,540,941	98.95%
2005	2006	11,892,706	11,732,325	98.65%	46,612	11,778,937	99.04%
2006	2007	12,139,552	11,957,195	98.50%	38,954	11,996,149	98.82%
2007	2008	12,385,261	12,246,123	98.88%	32,555	12,278,678	99.14%
2008	2009	12,595,701	12,395,036	98.41%	135,917	12,530,953	99.49%
2009	2010	13,151,622	13,025,731	99.04%	37,106	13,062,837	99.32%
2010	2011	12,843,995	12,818,848	99.80%	-	12,818,848	99.80%

Table 12

**CITY OF MEQUON
HISTORY OF ASSESSED VALUES
LAST TEN FISCAL YEARS**

REAL ESTATE	2002 R.E. ASSESSED VALUE	2003 R.E. ASSESSED VALUE	2004 R.E. ASSESSED VALUE	2005 R.E. ASSESSED VALUE	2006 R.E. ASSESSED VALUE	2007 R.E. ASSESSED VALUE	2008 R.E. ASSESSED VALUE	2009 R.E. ASSESSED VALUE	2010 R.E. ASSESSED VALUE	2011 R.E. ASSESSED VALUE
RESIDENTIAL										
LAND	\$ 982,182,300	\$ 998,800,800	\$ 1,004,146,500	\$ 1,012,033,000	\$ 1,039,998,400	\$ 1,035,685,500	\$ 1,042,087,200	\$ 1,301,196,900	\$ 1,278,046,500	\$ 1,271,080,100
IMP	1,771,160,105	1,823,864,900	1,878,559,444	1,933,457,600	1,985,967,000	2,040,248,100	2,079,365,800	2,305,497,300	2,318,384,600	2,331,235,100
TOTAL	2,753,342,405	2,822,665,700	2,882,705,944	2,945,490,600	3,025,965,400	3,075,933,600	3,121,453,000	3,606,694,200	3,596,431,100	3,602,315,200
COMMERCIAL										
LAND	100,240,300	104,162,400	108,695,200	108,083,800	107,943,400	111,959,900	114,323,700	166,065,700	165,722,700	160,267,600
IMP	272,086,200	275,430,300	290,386,600	292,741,600	300,162,000	311,522,700	319,911,000	373,292,400	378,365,500	361,506,800
TOTAL	372,326,500	379,592,700	399,081,800	400,825,400	408,105,400	423,482,600	434,234,700	539,358,100	544,088,200	521,774,400
MANUFACTURING										
LAND	14,881,400	14,050,900	14,172,300	14,847,200	15,484,100	13,775,600	13,816,400	16,832,100	17,505,700	18,024,600
IMP	80,757,200	70,543,600	64,969,800	57,849,100	54,946,200	51,482,700	52,654,800	59,424,100	60,658,100	62,066,200
TOTAL	95,638,600	84,594,500	79,142,100	72,696,300	70,430,300	65,258,300	66,471,200	76,256,200	78,163,800	80,090,800
AGRICULTURAL										
LAND/TOTAL	2,039,500	1,382,500	1,235,500	1,153,500	1,059,000	1,107,300	1,089,400	1,405,900	1,386,600	1,398,100
UNDEVELOPED										
LAND/TOTAL	2,794,900	2,823,400	2,141,800	2,103,200	2,037,000	1,970,400	1,961,000	11,608,300	11,554,200	11,214,600
AG FOREST										
LAND/TOTAL FOREST	-	-	-	929,100	884,100	1,010,100	1,005,900	1,711,600	1,789,700	1,789,700
LAND/TOTAL OTHER	1,400,800	1,324,800	1,377,200	20,000	20,000	244,400	244,400	444,300	424,300	424,300
LAND	8,167,800	7,678,000	7,755,600	7,174,900	6,894,000	6,696,400	6,617,400	7,943,400	7,943,400	7,866,200
IMP	12,933,200	12,610,700	12,732,200	12,370,100	11,776,700	11,848,500	11,568,900	11,610,100	11,703,500	11,681,500
TOTAL	21,101,000	20,288,700	20,487,800	19,545,000	18,670,700	18,544,900	18,186,300	19,553,500	19,646,900	19,547,700
TOTAL REAL ESTATE										
LAND	1,111,707,000	1,130,222,800	1,139,524,100	1,146,344,700	1,174,320,000	1,172,449,600	1,181,145,400	1,507,208,200	1,484,373,100	1,472,065,200
IMP	2,136,936,705	2,182,449,500	2,246,648,044	2,296,418,400	2,352,851,900	2,415,102,000	2,463,500,500	2,749,823,900	2,769,111,700	2,766,489,600
TOTAL	3,248,643,705	3,312,672,300	3,386,172,144	3,442,763,100	3,527,171,900	3,587,551,600	3,644,645,900	4,257,032,100	4,253,484,800	4,238,554,800
TOTAL PERSONALTY										
	65,559,660	61,012,490	56,158,740	56,028,120	52,989,510	49,002,630	68,573,110	59,588,580	57,834,840	59,695,260
TOTAL ASSESSED										
	3,314,203,365	3,373,684,790	3,442,330,884	3,498,791,220	3,580,161,410	3,636,554,230	3,713,219,010	4,316,620,680	4,311,319,640	4,298,250,060
ASSESSMENT RATIO										
	103.41%	98.10%	91.78%	87.53%	84.95%	79.64%	81.87%	98.83%	102.09%	100.05%

Source: "Statistical Report of Property Valuations" Published by Bureau of Property Tax, Wisconsin Department of Revenue

**CITY OF MEQUON
HISTORY OF EQUALIZED VALUES
LAST TEN FISCAL YEARS**

REAL ESTATE	2002 R.E. EQUALIZED VALUE	2003 R.E. EQUALIZED VALUE	2004 R.E. EQUALIZED VALUE	2005 R.E. EQUALIZED VALUE	2006 R.E. EQUALIZED VALUE	2007 R.E. EQUALIZED VALUE	2008 R.E. EQUALIZED VALUE	2009 R.E. EQUALIZED VALUE	2010 R.E. EQUALIZED VALUE	2011 R.E. EQUALIZED VALUE
RESIDENTIAL										
LAND	\$ 876,896,700	\$ 1,010,222,200	\$ 1,105,446,300	\$ 1,167,557,400	\$ 1,240,727,700	\$ 1,340,202,700	\$ 1,251,357,800	\$ 1,217,495,600	\$ 1,139,954,800	\$ 1,270,466,786
IMP	1,777,067,100	1,874,956,400	2,049,235,300	2,213,296,300	2,350,089,800	2,554,164,200	2,530,569,300	2,427,509,100	2,359,106,500	2,330,110,246
TOTAL	2,653,963,800	2,885,178,600	3,154,681,600	3,380,853,700	3,590,817,500	3,894,366,900	3,781,927,100	3,645,004,700	3,499,061,300	3,600,577,032
COMMERCIAL										
LAND	88,366,300	92,890,000	117,175,800	120,347,500	124,238,600	127,866,200	147,769,200	150,340,300	146,252,000	160,190,269
IMP	277,240,100	288,063,100	311,116,400	319,530,600	324,966,600	370,447,700	382,630,100	408,365,500	403,141,500	361,332,368
TOTAL	365,606,400	380,953,100	428,292,200	439,878,100	449,205,200	498,313,900	530,399,300	558,705,800	549,393,500	521,522,636
MANUFACTURING										
LAND	14,390,700	14,323,100	15,441,000	16,963,000	18,266,800	17,297,800	16,875,400	17,030,500	17,149,900	18,015,903
IMP	78,094,200	71,911,500	70,785,300	66,093,100	64,820,300	64,646,500	64,311,400	60,125,400	59,426,300	62,036,252
TOTAL	92,484,900	86,234,600	86,226,300	83,056,100	83,087,100	81,944,300	81,186,800	77,155,900	76,576,200	80,052,155
AGRICULTURAL										
LAND/TOTAL	1,963,800	1,392,000	1,353,200	1,337,300	1,299,800	1,385,700	1,306,800	1,373,500	1,360,700	1,397,425
UNDEVELOPED										
LAND/TOTAL	4,901,600	7,333,600	4,575,300	5,553,600	5,152,100	5,431,300	4,625,100	8,048,000	6,314,300	11,209,189
AG FOREST										
LAND/TOTAL FOREST	-	-	-	2,478,000	2,567,500	2,962,500	5,245,000	4,459,000	3,939,500	1,788,836
OTHER										
LAND/TOTAL	2,876,100	3,242,400	3,157,500	60,000	65,000	75,000	2,129,000	1,560,000	1,366,400	424,095
LAND	8,341,000	6,748,700	7,103,000	7,832,300	7,005,600	10,803,000	12,246,000	8,495,900	7,416,100	7,862,404
IMP	9,882,200	12,512,000	11,236,400	12,058,600	12,767,200	13,471,600	12,751,800	11,750,400	11,298,000	11,675,864
TOTAL	18,223,200	19,260,700	18,339,400	19,890,900	19,772,800	24,274,600	24,997,800	20,246,300	18,714,100	19,538,268
TOTAL REAL ESTATE										
LAND	997,736,200	1,136,152,000	1,254,252,100	1,322,129,100	1,399,323,100	1,506,024,200	1,441,554,300	1,408,802,800	1,323,753,700	1,471,354,908
IMP	2,142,283,600	2,247,443,000	2,442,373,400	2,610,978,600	2,752,643,900	3,002,730,000	2,990,262,600	2,907,750,400	2,832,972,300	2,765,154,729
TOTAL	3,140,019,800	3,383,595,000	3,696,625,500	3,933,107,700	4,151,967,000	4,508,754,200	4,431,816,900	4,316,553,200	4,156,726,000	4,236,509,637
TOTAL PERSONALTY										
	68,484,300	61,299,300	62,305,700	64,279,800	62,946,800	60,456,500	68,585,800	51,002,200	66,441,500	59,666,456
TOTAL EQUALIZED										
	3,208,504,100	3,444,894,300	3,758,931,200	3,997,387,500	4,214,913,800	4,569,210,700	4,500,402,700	4,367,555,400	4,223,167,500	4,296,176,093

Source: "Statistical Report of Property Valuations" Published by Bureau of Property Tax, Wisconsin Department of Revenue

CITY OF MEQUON
EQUALIZED VALUE OF TAXABLE PROPERTY REDUCED BY TID
LAST TEN FISCAL YEARS

Table 14

Levy Year	Fiscal Year	Real Property	Personal Property	Total	Ratio of Assessed to Equalized Value	TID Value Increments	Equalized Value Reduced by TID
		Equalized Value	Equalized Value	Equalized Value			
2001	2002	\$ 2,925,505,000	\$ 65,545,200	\$ 2,991,050,200	85.80%	\$ -	\$ 2,991,050,200
	2002	3,140,019,800	68,484,300	3,208,504,100	103.41%	-	3,208,504,100
	2003	3,383,595,000	61,299,300	3,444,894,300	98.10%	-	3,444,894,300
	2004	3,696,625,500	62,305,700	3,758,931,200	91.78%	6,737,700	3,752,193,500
	2005	3,933,107,700	64,279,800	3,997,387,500	87.53%	10,058,400	3,987,329,100
	2006	4,151,967,000	62,946,800	4,214,913,800	84.94%	10,728,600	4,204,185,200
	2007	4,508,754,200	60,456,500	4,569,210,700	79.64%	13,473,600	4,555,737,100
	2008	4,432,109,100	68,293,600	4,500,402,700	81.87%	14,171,900	4,486,230,800
	2009	4,307,263,694	60,291,706	4,367,555,400	98.83%	14,478,000	4,353,077,400
	2010	4,236,509,637	59,666,456	4,296,176,093	100.05%	17,713,200	4,278,462,893

Source: "Statistical Report of Property Valuations" Published by Bureau of Property Tax, Wisconsin Department of Revenue

CITY OF MEQUON, WISCONSIN
ASSESSED AND EQUALIZED VALUATIONS FOR SCHOOL DISTRICTS WITHIN THE CITY
LAST TEN FISCAL YEARS

Mequon-Thiensville School District					Cedarburg School District			Totals	
As of January 1	Assessed Valuation	Equalized Valuation Without TID	TID Value Increments	Total Equalized Value	Assessed Valuation	Equalized Valuation	Assessed Valuation	Equalized Valuation Without TID	Total Equalized Value
2001	\$ 2,559,654,710	\$ 2,980,381,190	\$ -	\$ 2,980,381,190	\$ 7,722,800	\$ 10,669,010	\$ 2,567,377,510	\$ 2,991,050,200	\$ 2,991,050,200
2002	3,303,333,765	3,198,869,298	-	3,198,869,298	10,869,600	9,634,802	3,314,203,365	3,208,504,100	3,208,504,100
2003	3,361,418,690	3,433,535,652	-	3,433,535,652	12,266,100	11,358,648	3,373,684,790	3,444,894,300	3,444,894,300
2004	3,428,838,984	3,737,459,740	6,737,700	3,744,197,440	13,491,900	14,733,760	3,442,330,884	3,752,193,500	3,758,931,200
2005	3,484,259,320	3,970,726,327	10,058,400	3,980,784,727	14,531,900	16,602,773	3,498,791,220	3,987,329,100	3,997,387,500
2006	3,564,890,610	4,186,207,806	10,728,600	4,196,936,406	15,270,800	17,977,394	3,580,161,410	4,204,185,200	4,214,913,800
2007	3,636,554,230	4,536,204,132	13,473,600	4,549,677,732	15,199,500	19,532,968	3,651,753,730	4,555,737,100	4,569,210,700
2008	3,701,157,810	4,467,085,116	14,171,900	4,481,257,016	15,749,050	19,145,684	3,716,906,860	4,486,230,800	4,500,402,700
2009	4,298,292,080	4,334,553,432	14,478,000	4,349,031,432	18,328,600	18,523,968	4,316,620,680	4,353,077,400	4,367,555,400
2010	4,292,782,940	4,190,581,597	14,428,500	4,205,010,097	18,536,700	18,160,232	4,311,319,640	4,208,741,829	4,223,170,329

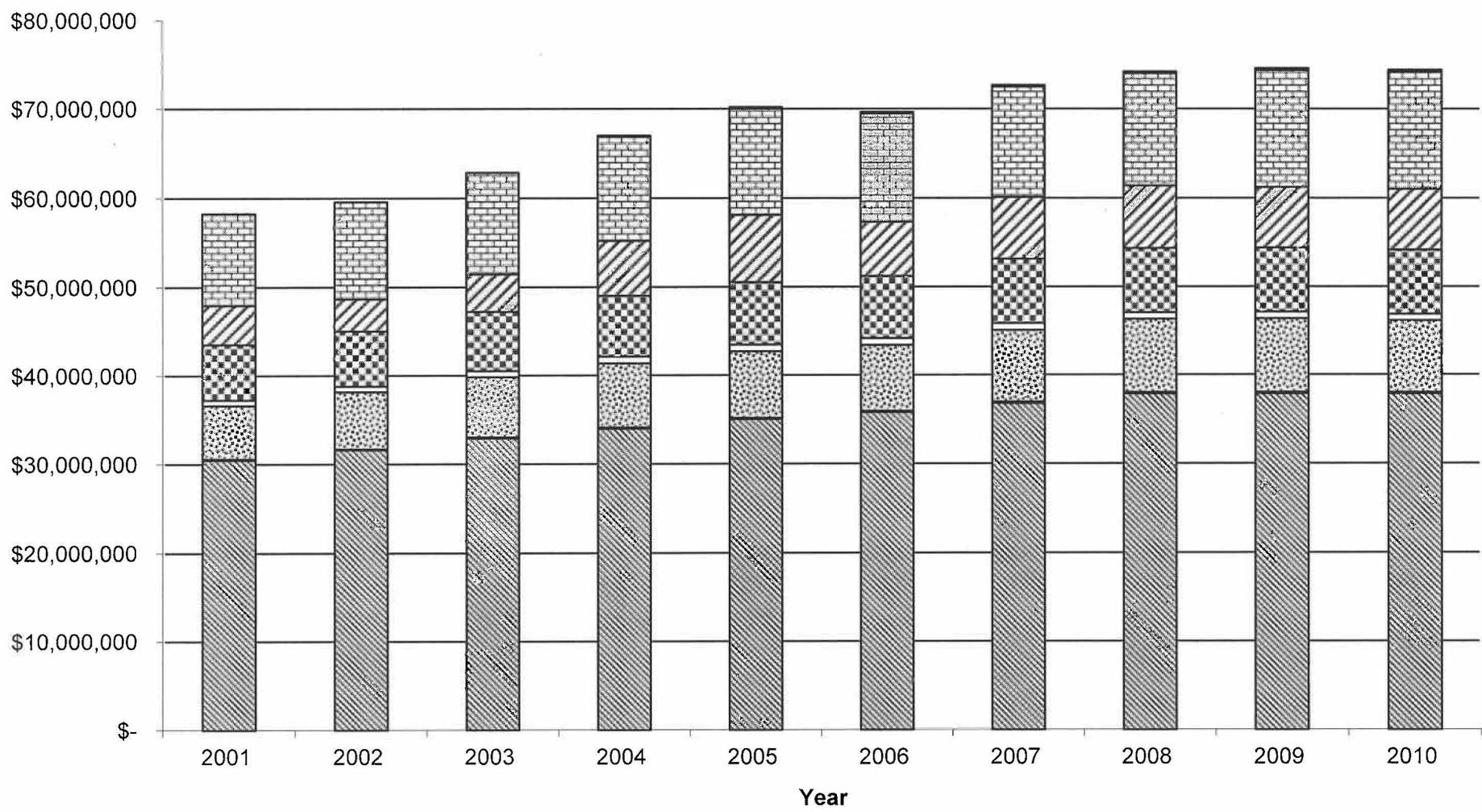
Source: " Statement of Assessments and Tax Levy Certifications from the
Mequon-Thiensville School District and School District of Cedarburg

CITY OF MEQUON, WISCONSIN
COMPARATIVE TAX LEVIES FOR ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

<u>Collection Year</u>	<u>Levy Year</u>	<u>State of Wisconsin</u>	<u>Ozaukee County</u>	<u>City of Mequon</u>	<u>MATC</u>	<u>Mequon-Thien. Schools</u>	<u>Cedarburg Schools</u>	<u>Sewer Utility</u>	<u>Tax Incremental Revenue</u>	<u>Gross Tax Levy</u>
2002	2001	\$ 598,210	\$ 6,241,430	\$ 10,386,758	\$ 6,061,061	\$ 30,471,961	\$ 121,315	\$ 4,433,458	\$ -	\$ 58,314,194
2003	2002	641,701	6,190,950	10,945,618	6,439,790	31,622,141	105,578	3,662,652	-	59,608,430
2004	2003	688,979	6,678,829	11,415,897	6,802,419	32,909,140	127,810	4,250,300	-	62,873,374
2005	2004	751,786	6,872,392	11,663,419	7,275,495	33,950,486	146,985	6,249,013	120,512	67,030,088
2006	2005	749,830	7,087,007	11,892,706	7,505,333	35,035,576	155,502	7,594,021	177,641	70,197,616
2007	2006	740,185	7,105,496	12,139,552	7,442,929	35,797,542	158,094	6,099,913	177,914	69,661,625
2008	2007	775,423	7,345,515	12,348,739	8,073,075	36,787,236	173,880	6,981,068	221,639	72,706,575
2009	2008	763,746	7,316,059	12,595,713	8,233,771	37,861,589	177,139	7,054,699	240,841	74,243,557
2010	2009	741,200	7,311,380	13,151,619	8,317,409	37,854,117	183,466	6,805,924	249,548	74,614,663
2011	2010	716,696	7,357,720	13,145,491	8,104,005	37,823,292	189,173	6,833,351	254,948	74,424,676

Source: " Statement of Taxes and Tax District Treasurer's Settlements"

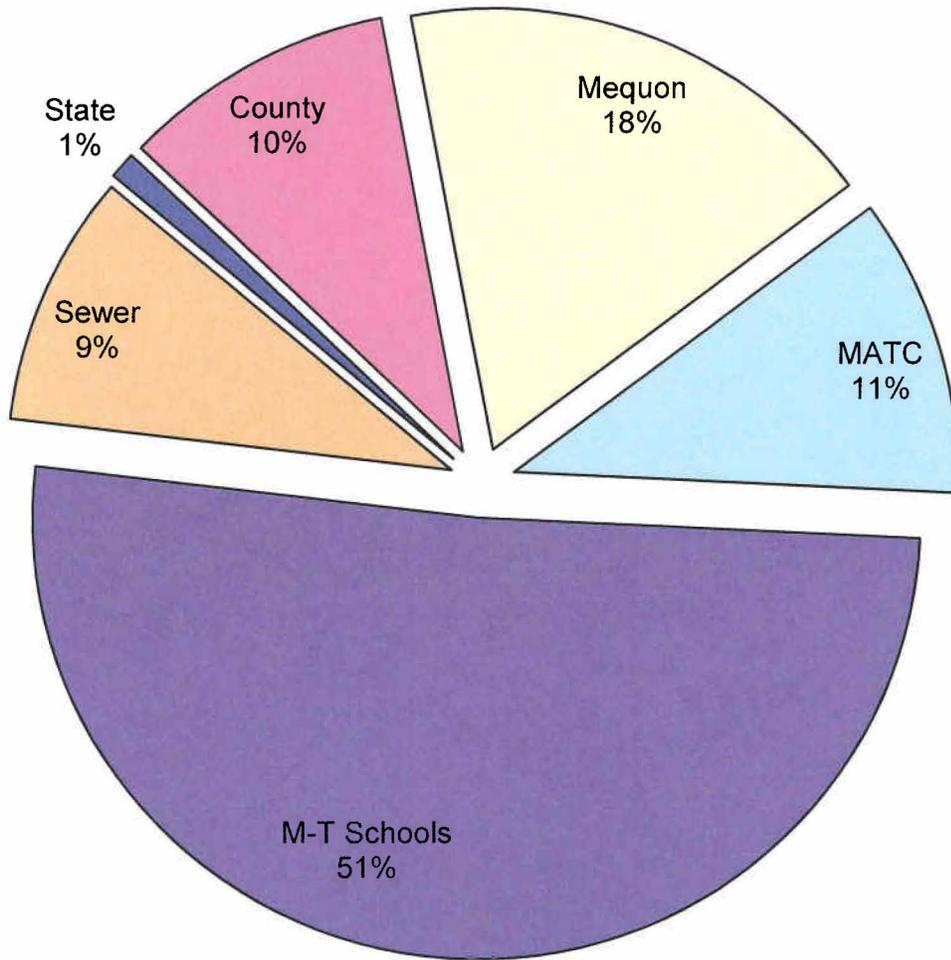
Comparative Tax Levies Last Ten Fiscal Years



- | | | | |
|-------------------------|---------------------|------------------|---------------------------|
| ■ Mequon-Thien. Schools | ■ Cedarburg Schools | ■ MATC | ■ State of Wisconsin |
| ■ Ozaukee County | ■ Sewer Utility | ■ City of Mequon | ■ Tax Incremental Revenue |

City of Mequon 2011 Tax Levy Distribution

Mequon-Thiensville School District with sewer



2011 Tax Levy information

<u>State</u>	<u>County</u>	<u>MATC</u>	<u>Mequon</u>	<u>Sewer</u>	<u>M-T School</u>	<u>Total</u>
\$716,696	\$7,331,838	\$8,076,318	\$13,100,579	\$6,805,924	\$37,693,510	\$73,724,865

CITY OF MEQUON, WISCONSIN
RATIO OF NET GENERAL OBLIGATION DEBT TO EQUALIZED VALUE
LAST TEN FISCAL YEARS

As of 12/31/11	Total G.O. Debt Outstanding	Less: Funds Available for Debt Service	Net Debt Outstanding	Equalized Value	Statutory Debt Capacity (5% of Equalized Value)	Ratio of Net Debt to Debt Capacity	Population	Net Debt Per Capita	Net Debt Per \$1,000 of Equalized Vaue
2002	\$ 29,010,796	\$ -	\$ 29,010,796	\$ 3,208,504,100	\$ 160,425,205	18.08%	23,121	1,255	9.04
2003	31,737,289	408,521	31,328,768	3,444,894,300	172,244,715	18.19%	23,222	1,349	9.09
2004	30,214,419	279,505	29,934,914	3,758,931,200	187,946,560	15.93%	23,416	1,278	7.96
2005	47,370,000	286,840	47,083,160	3,997,387,500	199,869,375	23.56%	23,468	2,006	11.78
2006	44,485,000	388,331	44,096,669	4,214,913,800	210,745,690	20.92%	23,485	1,878	10.46
2007	25,146,374	490,020	24,656,354	4,569,210,700	228,460,535	10.79%	23,565	1,046	5.40
2008	24,874,411	541,533	24,332,878	4,500,402,700	225,020,135	10.81%	23,670	1,028	5.41
2009	34,030,000	1,266,906	32,763,094	4,367,555,400	218,377,770	15.00%	23,660	1,385	7.50
2010	30,550,000	488,034	30,061,966	4,223,167,500	211,158,375	14.24%	23,810	1,263	7.12
2011	32,765,000	1,722,757	31,042,243	4,296,176,093	214,808,805	14.45%	23,191	1,339	7.23

Source: City of Mequon Annual Financial Reports; State of Wisconsin Department of Administration, Demographic Services Center; and State of Wisconsin Department of Revenue, Bureau of Property Tax.

Note: Equalized value is used in lieu of assessed value as the statutory debt capacity in Wisconsin is based on equalized value.

**CITY OF MEQUON
RATIOS OF OUTSTANDING DEBT BY TYPE
LAST TEN FISCAL YEARS**

Fiscal Year	Governmental Activities		Business Activities		Total Primary Government	Total Property Equalized Value	Debt per \$1,000 of Equalized Value
	General Obligation Bonds/Notes	Tax Increment Project Bonds Payable	General Obligation Bonds/Notes				
2002	\$ 6,630,000	\$ -	\$ 22,300,000	\$	\$ 28,930,000	\$ 2,991,050,200	\$9.67
2003	9,872,289	-	21,865,000		31,737,289	3,208,504,100	9.89
2004	8,839,419	-	21,375,000		30,214,419	3,444,894,300	8.77
2005	9,565,000	-	37,805,000		47,370,000	3,758,931,200	12.60
2006	8,845,000	-	35,640,000		44,485,000	3,997,387,500	11.13
2007	8,181,374	-	16,965,000		25,146,374	4,214,913,800	5.97
2008	9,729,111	-	15,145,000		24,874,111	4,584,669,290	5.43
2009	13,735,000	6,950,000	13,345,000		34,030,000	4,367,555,400	7.79
2010	12,035,000	6,950,000	11,565,000		30,550,000	4,223,167,500	7.23
2011	15,985,000	6,950,000	9,830,000		32,765,000	4,095,830,700	8.00

**CITY OF MEQUON
LEGAL DEBT MARGIN INFORMATION
LAST TEN FISCAL YEARS**

Table 19

	Values in thousands of dollars									
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Equalized Value of Real and Personal Property	\$ 3,208,504	\$ 3,444,894	\$ 3,758,931	\$ 3,997,388	\$ 4,214,914	\$ 4,569,211	\$ 4,500,403	\$ 4,367,555	\$ 4,223,167	\$ 4,241,473
General Obligation Debt Limit	160,425	172,245	187,947	199,869	210,746	228,461	225,020	218,378	211,158	212,074
Five (5) Percent of Equalized Valuation per Section 67.03 of the Wisconsin Statutes										
Amount of Debt Applicable to Debt Limitation:										
General Obligation Bonds/Notes	<u>29,011</u>	<u>31,737</u>	<u>30,214</u>	<u>47,370</u>	<u>44,485</u>	<u>25,146</u>	<u>24,874</u>	<u>34,030</u>	<u>30,550</u>	<u>32,765</u>
Net O/S GO Debt Applicable to Debt Limitation	<u>29,011</u>	<u>31,737</u>	<u>30,214</u>	<u>47,370</u>	<u>44,485</u>	<u>25,146</u>	<u>24,874</u>	<u>34,030</u>	<u>30,550</u>	<u>32,765</u>
Legal margin for New Debt	<u>\$ 131,414</u>	<u>\$ 140,507</u>	<u>\$ 157,732</u>	<u>\$ 152,499</u>	<u>\$ 166,261</u>	<u>\$ 203,314</u>	<u>\$ 200,146</u>	<u>\$ 184,348</u>	<u>\$ 180,608</u>	<u>\$ 179,309</u>
Total net debt applicable to the limit as a percentage of debt limit.	18.08%	18.43%	16.08%	23.70%	21.11%	11.01%	11.05%	15.58%	14.47%	15.45%

**CITY OF MEQUON
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF DECEMBER 31, 2011**

Taxing Authority	Debt as of 12/31/11	Percent Applicable to City	Direct and Overlapping Debt	Total Debt per Capita
City of Mequon	\$ 32,765,000	100.00%	\$ 32,765,000	\$ 1,413
MATC	99,775,000	5.46%	5,450,808	235
Ozaukee County	16,621,492	39.10%	6,498,588	280
Mequon-Thiensville School	20,720,000	0.93%	192,057	8
Cedarburg School District	19,755,000	8.63%	1,705,054	74
Totals	<u>\$ 189,636,492</u>		<u>\$ 46,611,507</u>	<u>\$ 1,958</u>

Source: City of Mequon Annual Financial Reports and Ehlers Incorporated Final Official Statements

**CITY OF MEQUON
DEBT SERVICE FOR GENERAL OBLIGATION DEBT
VS.
GENERAL GOVERNMENTAL EXPENDITURES
LAST TEN FISCAL YEARS**

Fiscal Year	Debt Service (A)			Total General Governmental Expenditures (B)	Debt Service % of Total General Expenditures
	Principal	Interest and Fiscal Charges	Total		
2002	\$ 540,000	\$ 192,860	\$ 732,860	\$ 13,853,291	5.29%
2003	855,000	326,555	1,181,555	13,741,816	8.60%
2004	1,025,000	365,002	1,390,002	14,021,684	9.91%
2005	755,000	327,966	1,082,966	14,534,216	7.45%
2006	2,115,000	393,446	2,508,446	16,138,155	15.54%
2007	805,000	316,587	1,121,587	15,886,472	7.06%
2008	845,000	288,725	1,133,725	16,715,258	6.78%
2009	965,000	340,286	1,305,286	15,265,795	8.55%
2010	1,700,000	885,748	2,585,748	16,487,073	15.68%
2011	1,135,000	787,658	1,922,658	15,640,671	12.29%

(A) Includes only City portion of debt service.

(B) Includes General Fund and Debt Service Fund.

CITY OF MEQUON

**COMPUTATION OF LEGAL DEBT MARGIN
AS OF DECEMBER 31, 2011**

Equalized Value of Real and Personal Property	<u>\$4,095,830,700</u>
Real Property	\$4,043,965,700
Personal Property	\$51,865,000
Legal Debt Limit, 5% of Equalized Valuation (Wisconsin Statutory Limitation)	\$204,791,535
<u>Amount of Debt Applicable to Debt Limitation:</u>	
Total General Obligation Bonds, Notes, Purchase Contracts Outstanding December 31, 2011	<u>\$32,765,000</u>
Remaining Legal Debt Margin	<u>\$172,026,535</u>
Percent of Debt Outstanding to Equalized Value	0.80%
Percent of Legal Debt Limit Used	16.00%
Percent of Legal Debt Limit Available	84.00%

ADDITIONAL DIRECT AND OVERLAPPING DEBT INFORMATION

<u>Taxing Authority</u>	<u>Debt as of 12/31/11</u>	<u>% Applicable to City</u>	<u>Direct and Overlapping Debt</u>	<u>Total Debt per Capita</u>
City of Mequon	\$ 32,765,000	100.00%	\$ 32,765,000	\$ 1,413
MATC	99,775,000	5.463%	5,450,808	235
Ozaukee County	16,621,492	39.098%	6,498,588	280
Mequon-Thiensville School	20,720,000	0.927%	192,057	8
Cedarburg School District	19,755,000	8.631%	1,705,054	74
Totals:	<u>\$ 189,636,492</u>		<u>\$ 46,611,507</u>	<u>\$ 1,958</u>

**CITY OF MEQUON
SCHEDULE OF GENERAL OBLIGATION DEBT**

**10 YEAR PRINCIPAL PAYMENTS SCHEDULE
AS OF DECEMBER 31, 2011**

Year	2005A G.O. Notes	2005B Refunding Bonds	2008A G.O. Notes	2009A G.O. Notes	2009C G.O. Bonds	2011A G.O. Bonds	2011B G.O. Bonds	2011C G.O. Bonds	Totals
2012	\$ 120,000	\$ 1,690,000	\$ 735,000	\$ 510,000	\$ -	\$ 100,000	\$ -	\$ -	\$ 3,155,000
2013	280,000	1,630,000	215,000	520,000	-	625,000	100,000	114,266	3,484,266
2014	200,000	1,610,000	215,000	585,000	-	135,000	500,000	133,479	3,378,479
2015	-	1,640,000	215,000	600,000	150,000	225,000	500,000	139,152	3,469,152
2016	-	1,635,000	215,000	600,000	250,000	225,000	500,000	144,953	3,569,953
2017	-	1,625,000	215,000	600,000	250,000	225,000	500,000	151,226	3,566,226
2018	-	-	215,000	600,000	300,000	225,000	500,000	157,653	1,997,653
2019	-	-	-	600,000	350,000	250,000	530,000	164,354	1,894,354
2020	-	-	-	-	400,000	250,000	550,000	171,298	1,371,298
2021	-	-	-	-	450,000	300,000	550,000	178,619	1,478,619
Totals	<u>\$600,000</u>	<u>\$9,830,000</u>	<u>\$2,025,000</u>	<u>\$4,615,000</u>	<u>\$2,150,000</u>	<u>\$2,560,000</u>	<u>\$4,230,000</u>	<u>\$1,355,000</u>	<u>\$27,365,000</u>

CITY OF MEQUON
SCHEDULE OF GENERAL OBLIGATION DEBT

10 YEAR INTEREST PAYMENTS SCHEDULE
AS OF DECEMBER 31, 2011

Year	2005A G.O. Notes	2005B Refunding Bonds	2008A G.O. Notes	2009A G.O. Notes	2009C G.O. Bonds	2011A G.O. Bonds	2011B G.O. Bonds	2011C G.O. Bonds	Totals
2012	\$22,750	\$474,600	\$71,725	\$132,925	\$376,875	\$69,380	\$126,900	\$ -	\$1,275,155
2013	18,250	407,000	47,838	120,050	376,875	65,855	125,400	71,945	1,233,213
2014	7,750	325,500	40,850	104,775	376,875	61,853	116,400	52,731	1,086,734
2015	-	245,000	33,325	87,000	376,875	59,063	101,400	47,058	949,721
2016	-	163,000	25,263	69,000	370,875	54,900	86,400	41,257	810,695
2017	-	81,250	17,200	50,250	359,625	50,175	71,400	34,984	664,884
2018	-	-	8,815	30,750	347,750	44,887	56,400	28,557	517,159
2019	-	-	-	10,500	332,750	38,700	40,950	21,857	444,757
2020	-	-	-	-	315,250	31,763	24,750	14,912	386,675
2021	-	-	-	-	295,250	23,700	8,250	7,591	334,791
Totals	\$48,750	\$1,696,350	\$245,015	\$605,250	\$3,529,000	\$500,276	\$758,250	\$320,892	\$7,703,783

CITY OF MEQUON
Current Schedule of Debt Service 2011-2020

UNPAID PRINCIPAL BAL

<u>YEAR</u>	<u>G.O.</u>	<u>SEWER</u>	<u>WATER</u>	<u>TIF #2</u>	<u>TIF #3</u>	<u>TOTAL 12/31 PRINCIPAL BAL</u>
2011	\$12,825,000	\$9,830,000	\$16,150,000	\$3,160,000	\$6,950,000	\$48,915,000
2012	11,460,000	8,140,000	15,625,000	3,060,000	6,950,000	45,235,000
2013	10,230,735	6,510,000	15,050,000	2,435,000	6,950,000	41,175,735
2014	8,597,256	4,900,000	14,425,000	2,300,000	6,950,000	37,172,256
2015	7,143,104	3,260,000	13,750,000	2,075,000	6,800,000	33,028,104
2016	5,683,151	1,625,000	13,050,000	1,850,000	6,550,000	28,758,151
2017	4,216,924	0	12,300,000	1,625,000	6,300,000	24,441,924
2018	2,744,271	0	11,500,000	1,400,000	6,000,000	21,644,271
2019	1,100,000	0	10,675,000	1,150,000	5,650,000	18,575,000
2020	728,619	0	9,825,000	900,000	5,250,000	16,703,619

UNPAID INTEREST DUE

<u>YEAR</u>	<u>G.O.</u>	<u>SEWER</u>	<u>WATER</u>	<u>TIF #2</u>	<u>TIF #3</u>	<u>TOTAL 12/31 INT PAYABLE</u>
2011	\$317,730	\$544,000	\$708,019	\$55,122	\$376,875	\$18,761,032
2012	353,900	474,600	697,625	69,780	376,875	16,759,286
2013	381,982	407,000	685,225	65,855	376,875	14,786,506
2014	322,506	325,500	669,875	61,853	376,875	12,869,568
2015	268,783	245,000	649,469	59,063	376,875	11,112,959
2016	221,920	163,000	625,406	54,900	370,875	9,513,770
2017	177,434	81,250	598,156	46,575	359,625	8,077,669
2018	124,522	0	567,156	44,888	347,750	6,814,629
2019	73,307	0	534,656	38,700	332,750	5,730,313
2020	39,662	0	499,031	31,763	315,250	4,750,900

UNPAID PRINCIPAL BAL & INTEREST DUE

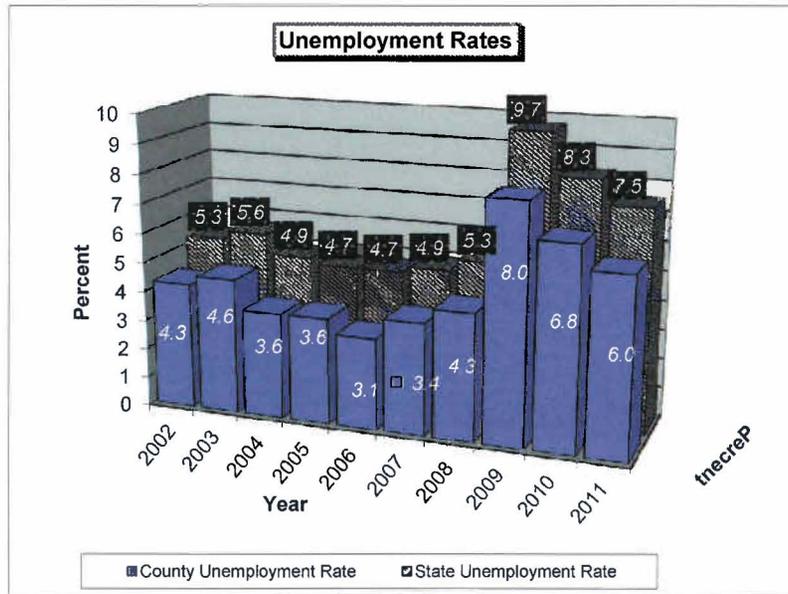
<u>YEAR</u>	<u>G.O.</u>	<u>SEWER</u>	<u>WATER</u>	<u>TIF #2</u>	<u>TIF #3</u>	<u>TOTAL 12/31 PRIN & INTEREST</u>
2011	\$13,142,730	\$10,374,000	\$16,858,019	\$3,215,122	\$7,326,875	\$67,676,032
2012	11,813,900	8,614,600	16,322,625	3,129,780	7,326,875	\$61,994,286
2013	10,612,717	6,917,000	15,735,225	2,500,855	7,326,875	\$55,962,240
2014	8,919,762	5,225,500	15,094,875	2,361,853	7,326,875	\$50,041,824
2015	7,411,887	3,505,000	14,399,469	2,134,063	7,176,875	\$44,141,063
2016	5,905,070	1,788,000	13,675,406	1,904,900	6,920,875	\$38,271,920
2017	4,394,358	81,250	12,898,156	1,671,575	6,659,625	\$32,519,593
2018	2,868,793	0	12,067,156	1,444,888	6,347,750	\$28,458,900
2019	1,173,307	0	11,209,656	1,188,700	5,982,750	\$24,305,313
2020	768,281	0	10,324,031	931,763	5,565,250	\$21,454,519

**CITY OF MEQUON, WISCONSIN
DEMOGRAPHIC PROFILE
LAST TEN FISCAL YEARS**

Employment Information (Ozaukee County)

<u>Year</u>	<u>Labor Force</u>	<u>Average Employed</u>	<u>Average Unemployed</u>
2002	47,661	45,598	2,063
2003	48,006	45,780	2,226
2004	47,815	46,087	1,728
2005	47,761	46,019	1,742
2006	48,467	46,975	1,492
2007	48,874	47,026	1,848
2008	48,407	46,117	2,290
2009	46,327	42,642	3,685
2010	46,751	43,552	3,199
2011	47,022	44,203	2,819

Source: Wisconsin Department of Workforce Development



Source: Wisconsin Department of Workforce Development

CITY OF MEQUON
ADDITIONAL DEMOGRAPHIC INFORMATION

Breakdown of Housing Units	2010	2011	(%)	Housing Valuations	2010	2011
Total Dwelling Units	9,283	9,304		\$0 - \$99,000	0.62%	0.48%
Single Family	7,041	7,062	76%	\$100,000 - \$199,000	8.23%	8.90%
Plex (2-4 units/bldg.)	1,551	1,553	17%	\$200,000 - \$299,000	30.60%	30.99%
Multi-Family (5+ units/bldg.)	689	689	7%	\$300,000 - \$399,000	19.76%	19.95%
				\$400,000 - \$499,000	13.29%	13.10%
				\$500,000 - \$799,000	18.79%	18.63%
				\$800,000 - \$1,000,000	3.83%	3.82%
				\$1,000,000 and up	4.21%	4.06%
Gender Composition	1990	2000		Average Assessed Value	\$424,854	\$422,730
Female	50.0%	50.7%		Median Assessed Value	\$342,800	\$338,400
Male	50.0%	49.3%				
Race Comparison	1990	2000		Average Persons Per Household		2.49
White	96.2%	94.2%				
Black or African American	2.3%	2.3%		Educational Attainment - 2000*		
American Indian, Eskimo	0.1%	0.1%		Ninth Grade Education or lower		1.6%
Asian or Pacific Islander	1.3%	2.4%		High School Diploma or higher		96.1%
Other	0.1%	1.0%		Bachelors degree or higher		59.6%
Age Composition	1990	2000		* Population 25 years and older		
Under 5 years	8.8%	5.5%		Occupational Composition - 2000		
5 - 14 years	13.5%	17.2%		Managerial & Professional		59.3%
15 - 19 years	7.6%	7.3%		Service Occupations		6.7%
20 - 24 years	5.3%	2.3%		Sales and office occupations		24.3%
25 - 34 years	10.9%	6.0%		Farming, fishing and forestry		0.2%
35 - 44 years	19.0%	16.9%		Construction and maintenance		3.4%
45 - 54 years	13.6%	19.3%		Production and transportation		6.1%
55 - 64 years	10.4%	11.9%				
Over 64 years	10.9%	13.6%		Population:	1960	8,543
					1970	12,150
					1980	16,193
					1990	18,885
					2000	21,823
					2005	23,468
					2006	23,485
					2007	23,565
					2008	23,670
					2009	23,660
					2010	23,810
					2011	23,191
Household Income	1990	2000				
Less than \$15,000	5.9%	3.3%				
\$15,000 - \$24,999	7.1%	4.0%				
\$25,000 - \$34,999	10.2%	6.3%				
\$35,000 - \$49,999	15.0%	9.1%				
\$50,000 - \$74,999	23.3%	16.8%				
\$75,000 - \$99,999	14.5%	16.0%				
\$100,000 - 149,999	10.7%	19.7%				
\$150,000 +	13.3%	24.8%				
Median Household Income	\$60,900	\$90,733				

Source: U.S. Census Bureau, Wisconsin Department of Revenue, Wisconsin Department of Administration, City of Mequon Financial Reports, and City of Mequon Comprehensive (Master) Plan
Note: Housing counts are based on 2000 U.S. Census + building permits between Jan. 1, 2000 and Dec. 31, 2010.
Population numbers from 2005 - 2010 are based on State of Wisconsin estimates.
Housing valuations are per City Assessor records.

**CITY OF MEQUON
OTHER COMMUNITY INFORMATION**

Table 28

GENERAL:	2007	2008	2009	2010	2011
Area in Square Miles	46.88	46.88	46.88	46.88	46.88
Households	9,200	9,229	9,258	9,283	9,304
Population	23,565	23,670	23,660	23,810	23,191
Number of Permanent Positions	115	115	113	109	109
Equalized Valuations (\$000)	4,569,211	4,500,403	4,367,555	4,223,167	4,095,830

PUBLIC SAFETY	2007	2008	2009	2010	2011
Number of Police Stations	1	1	1	1	1
Number of Sworn Police Officers	38	38	38	38	38
Number of Fire Stations	2	2	2	2	2

PARKS	2007	2008	2009	2010	2011
Acres of Parkland	1080.9	1177.8	1177.8	1177.8	1177.8
Number of Parks	22	25	25	25	25

LIBRARY:	2007	2008	2009	2010	2011
Circulation	323,299	327,760	335,654	332,219	323,005
Total Items Owned	124,159	115,521	128,515	123,723	154,322

INFRASTRUCTURE	2007	2008	2009	2010	2011
Miles of State Highway System	17.2	17.2	15.45	15.45	15.45
Miles of County Highway System	6.08	6.08	7.7	7.7	7.7
Miles of Local Roads and Streets	212.4	212.4	211.4	211.4	211.4
Miles of Sanitary Sewer Main	152.17	152.82	152.87	152.87	152.87
Miles of Water Main	N/A	75.03	76.92	77.13	77.13
Number of Bridges	23	23	23	23	23
Miles of Bike Trails	48.7	49.43	49.43	49.43	49.43

CITY OF MEQUON
Operating Indicators by Program/Function
LAST NINE FISCAL YEARS

	2003	2004	2005	2006	2007	2008	2009	2010	2011
General Government									
Building Permits Issued	689	729	697	715	638	601	579	583	590
Valuation (Thousands)	94,623	80,111	94,420	69,570	76,820	42,970	42,411	52,219	40,128
Police									
Calls for service	n/a	17,773	16,388	17,194	17,548	17,321	16,352	17,597	20,665
Physical Arrests	n/a	851	1,063	963	970	1,076	968	842	781
Reportable Traffic crashes	n/a	298	343	275	290	267	259	276	260
Fire									
Calls for service	348	362	334	348	345	324	318	341	312
Ambulance									
Calls for service	945	999	1,036	1,114	1,163	1,165	1,003	992	1,020
Parks									
Acres of Parkland maintained	948	948	1,080	1,080	1,080	1,177	1,177	1,177	1,177
Pavillion Rentals	63	84	81	76	77	81	58	65	65
Pool Attendance	25,336	19,076	28,228	24,201	20,101	21,509	19,184	22,068	19,188
Library									
Library Visits	179,758	190,008	160,290	162,045	154,869	155,418	150,481	130,948	130,005
Circulation	348,775	340,943	325,097	331,816	322,300	326,586	335,654	332,219	323,005
Summer Programs Attendance	3,862	4,129	3,714	4,352	4,445	5,712	5,793	5,607	5,217

(1) According to GASB 34, a ten year trend should be shown. We implemented GASB 34 in the 2003 fiscal year. Until a 10 year trend is compiled, we will show the the trend of the most current years reflecting GASB 34 standards.

(2) Various City departments provided the information shown above.

**CITY OF MEQUON
BUILDING PERMITS AND VALUATION
LAST TEN FISCAL YEARS**

	Valuation (\$mil)	# Permits
2002	\$ 55.33	606
2003	94.62	689
2004	80.11	729
2005	94.42	697
2006	69.57	715
2007	76.82	638
2008	42.97	601
2009	42.41	579
2010	52.22	583
2011	40.13	590

