



PRESERVING  
QUALITY OF LIFE

2016

POPULAR ANNUAL  
FINANCIAL REPORT



ANNUAL REPORT TO THE CITIZENS OF  
MEQUON FOR THE FISCAL YEAR  
ENDED DECEMBER 31, 2016

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# Introduction

The City of Mequon strives to provide useful financial information to its residents. As part of this goal, the City has begun publishing the Popular Annual Financial Report (PAFR). The PAFR places beneficial information in a clear, concise and more simplified format for the general public. The PAFR contains fiscal data from the City's Governmental funds, including the General Fund, Debt Service Fund, Capital Projects Fund, and other Non-Major Funds. Major definitions can be found to the right. Enterprise funds are not represented in the PAFR.

The financial information found in this report is extracted directly from the City's Comprehensive Annual Financial Report (CAFR). The CAFR contains performance metrics, as well as discussion and analysis by management regarding the City's financial performance across all funds, including enterprise funds. Financial statements presented in the CAFR are prepared by Generally Accepted Accounting Principles (GAAP) and audited by the public accounting firm Baker Tilly Virchow Krause, LLP.

In 2013, the City of Mequon was awarded its first Certificate of Achievement for Excellence in Financial Reporting by the Government Finance Officers Association of the United States and Canada (GFOA). This certificate is the highest form of recognition for excellence in state and local government financial reporting.

The City of Mequon believes that its current 2016 CAFR continues to meet the programs requirements, and has submitted it to the GFOA to determine eligibility for another certificate of achievement.

## DEFINITIONS

**General Fund:** This is the General Accounting fund of the City. This fund is used to account for all financial resources except those required to be accounted for in another fund.

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

**Capital Project Fund:** Used to account for acquisitions of equipment, vehicles, land and infrastructure greater than \$1,000.

**Non-Major Funds:** Used to account for the Park and Open Space, Revolving Loan and Policy Reserve special revenue funds.

**Enterprise Funds:** Primarily based on user fees, these funds are operated much like a private business, and include sewer and water utilities.

\* A copy of the 2016 CAFR can be obtained by visiting the City's website at [www.ci.mequon.wi.us](http://www.ci.mequon.wi.us) or by contacting the City's Finance Department @ 262-236-2947.

# About Mequon

**Located on the western shores of Lake Michigan**, just north of Milwaukee, the City of Mequon boasts majestic lakeshore bluffs, stately homes, lush farmland, and expansive open space. The community enjoys many parks, five golf courses, the winding Milwaukee River, and easy access to the interstate system for a convenient commute to Milwaukee. Mequon’s rural heritage is preserved by high development standards and low-density zoning requirements. Fifty percent of the land within the City is undeveloped and still mostly farmed.



Mequon has one of the lowest crime rates and one of the lowest tax rates in the Metropolitan Milwaukee area. Property values have increased by an average of five percent each year for the last ten years. The K-12 school system is ranked one of the best in Wisconsin. Concordia University and the North Campus of the Milwaukee Area Technical College are located in Mequon and offer a broad range of programs. Prime healthcare facilities and services are readily available throughout the City and include Columbia St. Mary’s Hospital. Mequon is also a business-friendly community with over 300 businesses and two industrial parks with small and mid-sized firms as well as large firms like Rockwell Automation.

## CITY OF MEQUON AT A GLANCE

	FY 2015	FY2016
City Property Tax Rate	\$3.07	\$3.15
Total Property Tax Rate (M-T Schools)	\$14.84	\$14.98
Equalized Values	\$4,361,728,700	\$4,478,909,700
Assessed Value	\$4,434,357,420	\$4,496,425,740
Bond Rating	Aa1	Aa3



Dear Citizens,

On behalf of the Mequon Common Council, I am pleased to present the City's Annual Citizens Report to the Mequon community. This report provides you with an overview of the current financial condition of the City; and a report of significant ongoing and future activities affecting our City. This administration and staff consider it an honor to serve our citizens and we believe that this report enhances the level of our accountability to you our taxpayers.

Unemployment has historically been very low in the Milwaukee metropolitan area. In Ozaukee County, the unemployment rates were 3.7 percent in 2015 and 3.5 percent in 2016. This still compares favorably with the Wisconsin unemployment rates of 4.6 and 4.1 percent respectively.

Mequon's 2016 equalized property value stands at over \$4.4 billion. Housing values on a full market basis continue a recent upward trend, increasing 2.7% over the previous year. In 2016, the City realized over \$80 million in new construction, this represents a 22% increase from 2015.

### Major Initiatives For the Year 2016

The Common Council has continued its implementation efforts for the Town Center and expanded appropriate areas for additional single-family residential development served by public water and sewer. As a result of rezoning efforts for conservation subdivisions at one acre densities, the City has approved approximately 250 new lots through platting efforts by residential developers. Market studies suggest there is still a greater demand in the City's competitive market for additional market rate and senior housing apartments. The Spur 16 development, located within the Town Center tax increment district, is expected to secure an additional \$26 million dollars in new development value for Town Center. As projects are constructed, the City continues to invest further in streetscape improvements by establishing a public/private partnership with the developers of these Town Center sites.

### For the Future (2017)

Major commercial initiatives for 2017 include development in both of the City's commercial areas (Port Washington Road & Town Center). The estimated new tax base value based solely on the major projects listed below total approximately \$13,000,000.

- Establishment of several new senior housing developments.
- Reinvestment by the local school district for maintenance and upgrades.
- A four story, 85,000 square foot academic building at Concordia University.
- Construction of a number of new commercial development projects, including renovation of new office complexes, daycare facilities, fitness studios, and convenience gas stations.
- Adaptive reuse of an underutilized industrial structure as an indoor sport shooting range.
- Expansion of a long standing Mequon manufacturing business, Charter Manufacturing.

Thank you for taking the time to read this report as I hope you find it informative and useful. For more information, I invite you to join myself, your elected officials, and city staff at one of our monthly meetings, where we work to ensure the City of Mequon remains one of the best places to live, work and play.

Respectfully,

A handwritten signature in black ink, appearing to read 'DA' followed by a flourish.

Dan Abendroth  
Mayor



Alderman  
**Robert Strzelczyk**  
District 1



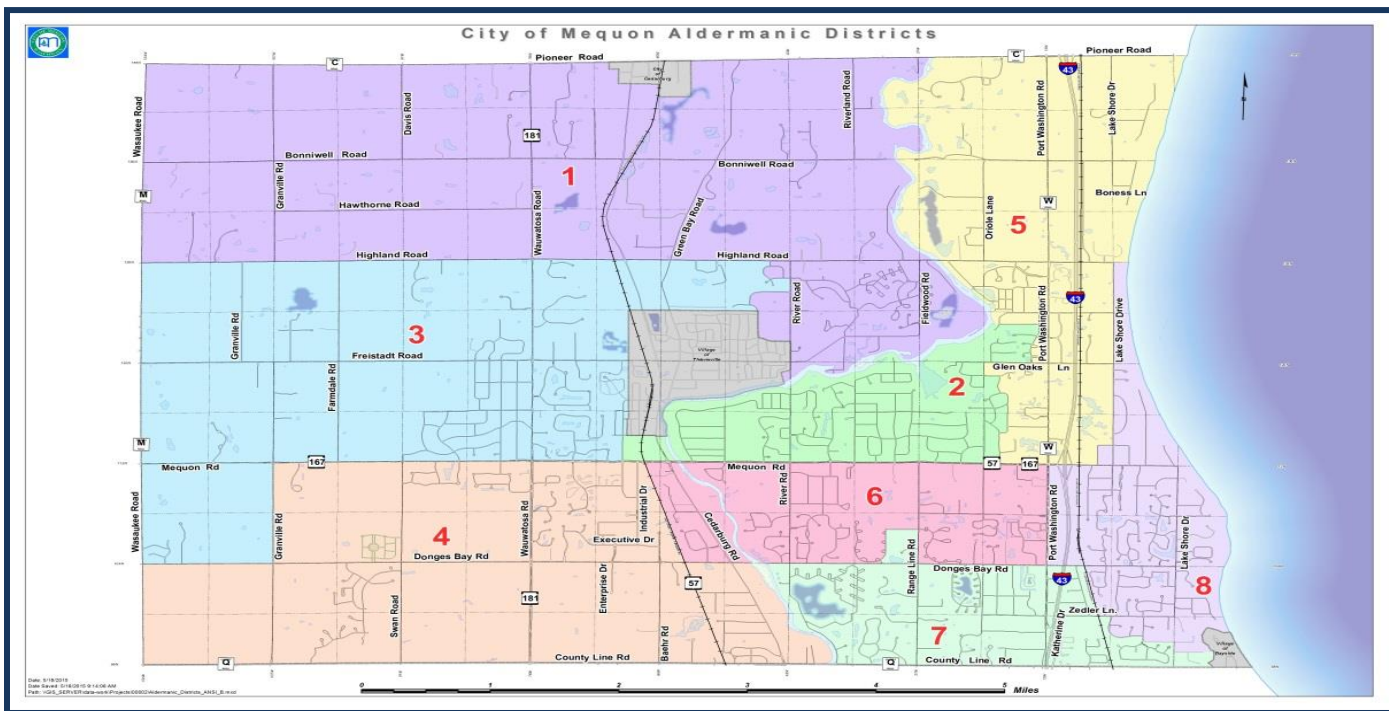
Alderman  
**Glenn Bushee**  
District 2



Alderman  
**Dale Mayr**  
District 3



Alderman  
**John Wirth**  
District 4



Alderman  
**Mark Gierl**  
District 5



Alderman  
**John Hawkins**  
District 6



Alderwoman  
**Kathleen Schneider**  
District 7



Alderman  
**Andrew Nerbun**  
District 8

# Message from the City Administrator



Dear Residents,

This Popular Annual Financial Report (PAFR), prepared by the City of Mequon's Finance Department, provides an overview of the City's Comprehensive Annual Financial Report (CAFR) for the year ending December 31, 2016. The CAFR details the City's financial statements, notes, schedules and reports, has been audited by an outside independent public accounting firm, and has received an unmodified opinion. An unmodified opinion means that the general purpose financial statements of the City are fairly presented in accordance with Generally Accepted

Accounting Principles (GAAP). The City's PAFR is designed as a concise and easy-to-read version of the City's 133-page CAFR that is published by the City on an annual basis. While the City recognizes that analyzing financial statements can be challenging, especially for those who do not do so on a regular basis, it is the City's hope that you will find the information included here to be digestible and informative.

On an annual basis, it is the City of Mequon's goal to attain all three of the Government Finance Officer Association's (GFOA) awards that are presented to local governments, which include the Distinguished Budget Presentation Award, a Certificate of Achievement for Excellence in Financial Reporting and the Award for Outstanding Achievement in Popular Annual Financial Reporting. It is the organization's view that participation in GFOA's awards program enhances the transparency and accountability of the City's financial information. Most recently, the City has received the Distinguished Budget Presentation Award during the last nine years, garnered the Excellence in Financial Reporting Award four straight times and earned the PAFR Award in each of the last three years. The awards mentioned here have only been attained by a very small number of Wisconsin cities, towns, and villages. In fact during 2016, Mequon was one of only three municipalities in the state to earn all three accolades; the City is honored to be among a select few communities that have been recognized for such excellence in both financial management and reporting.

Both the PAFR and CAFR are available online at [www.ci.mequon.wi.us](http://www.ci.mequon.wi.us), or by contacting the Finance Department at City Hall. The City invites you to share your comments and suggestions about this document, as well as how the City can continue to improve its financial reporting. Thank you for your interest in the City of Mequon, and your consideration of the information presented herein.

Sincerely

A handwritten signature in black ink, appearing to read 'William H. Jones, Jr.'.

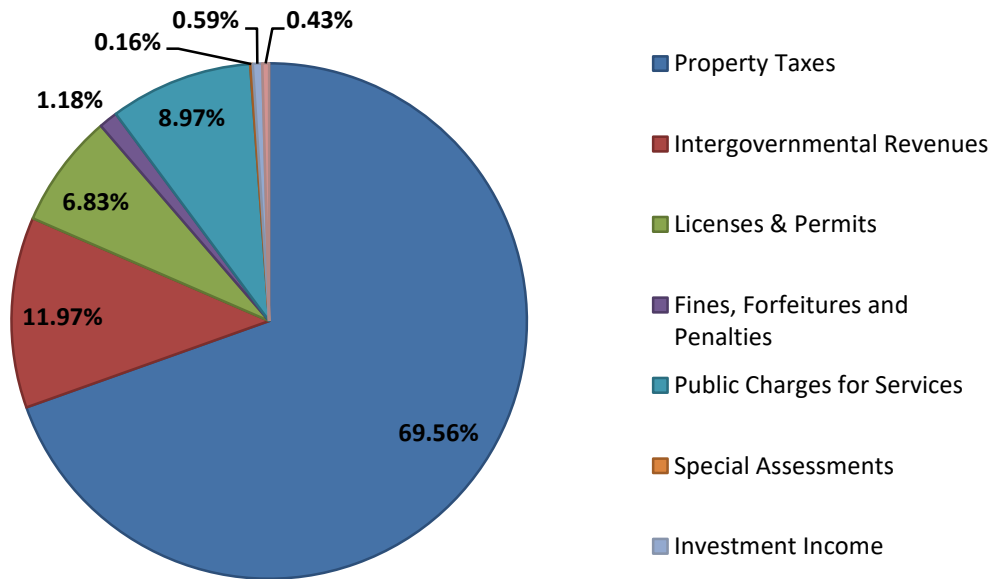
William H. Jones, Jr.  
City Administrator

# FY016 Revenues

This section is designed to provide information on the financial health and stability of the City of Mequon. Information should provide the reader with an increased level of understanding of how available resources are utilized to provide services. The following two pages summarize the City’s largest sources of revenues (“Where the Money Came From”) and expenses (“Where the Money Went”) for the general fund, debt service fund, capital projects fund, and non-major governmental funds.

## WHERE THE MONEY CAME FROM

	<b>FY2014</b>	<b>FY2015</b>	<b>FY2016</b>
Property Taxes	\$13,599,333	\$13,712,286	\$14,160,513
Intergovernmental Revenues	\$2,118,275	\$2,174,623	\$2,436,368
Licenses & Permits	\$1,378,270	\$1,322,093	\$1,455,967
Fines, Forfeitures & Penalties	\$190,347	\$167,015	\$240,345
Public Charges for Services	\$1,602,653	\$1,682,838	\$1,825,212
Special Assessments	\$1,895	\$66,674	\$33,156
Investment Income	\$119,292	\$102,244	\$119,876
Other Revenues	\$69,804	\$69,804	\$87,132
<b>TOTAL REVENUES</b>	<b><u>\$19,079,869</u></b>	<b><u>\$19,354,974</u></b>	<b><u>\$20,358,569</u></b>

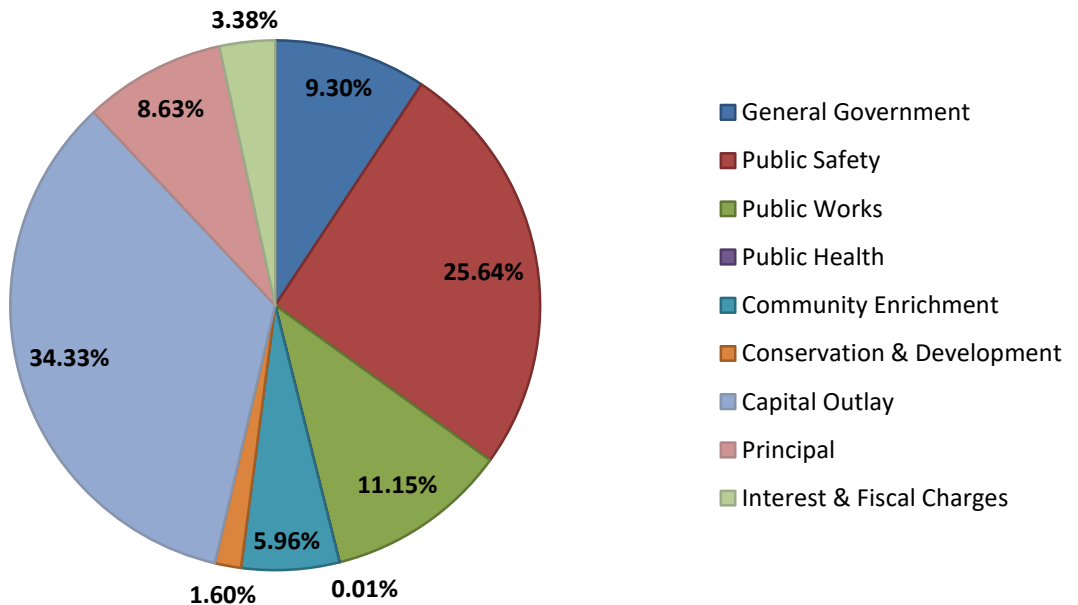




# FY2016 Expenditures

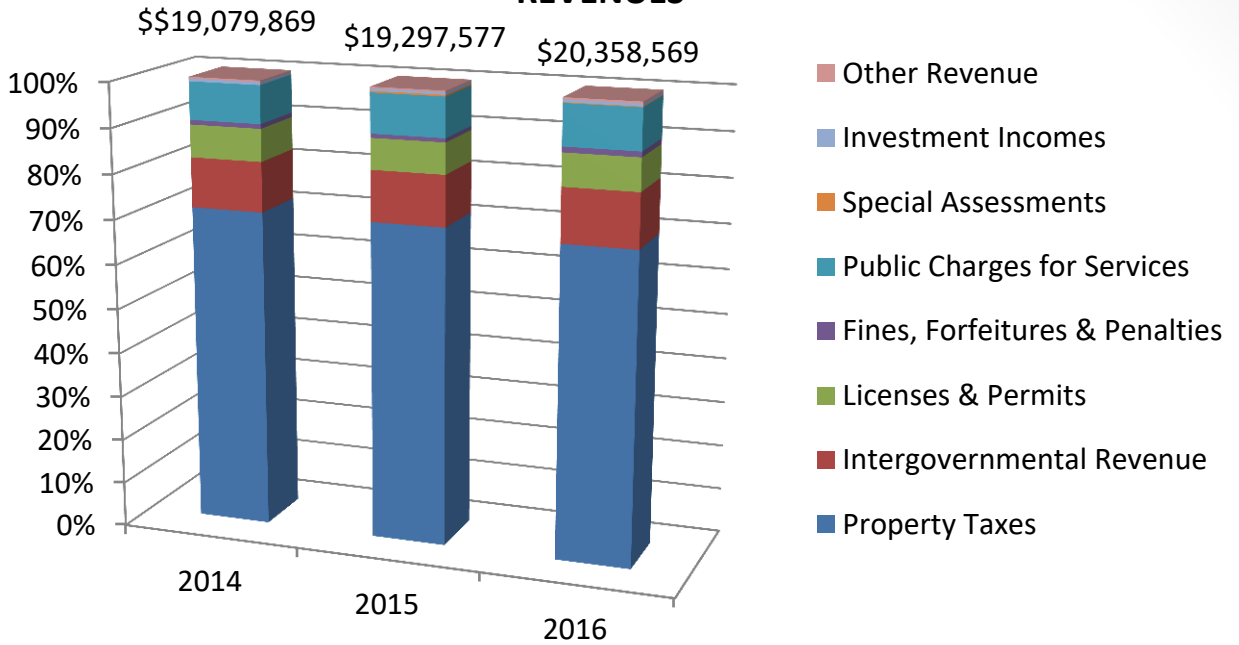
## WHERE THE MONEY WENT

	FY 2014	FY 2015	FY 2016
General Government	\$2,679,908	\$2,636,148	\$2,740,072
Public Safety	\$6,767,586	\$7,108,172	\$7,550,543
Public Works	\$3,290,198	\$3,261,237	\$3,282,736
Public Health	\$3,606	\$2,692	\$1,667
Community Enrichment	\$1,846,667	\$1,778,292	\$1,755,805
Conservation & Development	\$411,582	\$412,059	\$471,934
Capital Outlay	\$6,427,077	\$6,879,764	\$10,109,039
Debt Service: Principal, Interest & Fiscal Charges	\$2,013,548 \$830,192	\$2,220,000 \$835,175	\$2,540,000 \$996,576
<b>TOTAL EXPENDITURES</b>	<u><u>\$24,270,364</u></u>	<u><u>\$25,133,539</u></u>	<u><u>\$29,448,372</u></u>

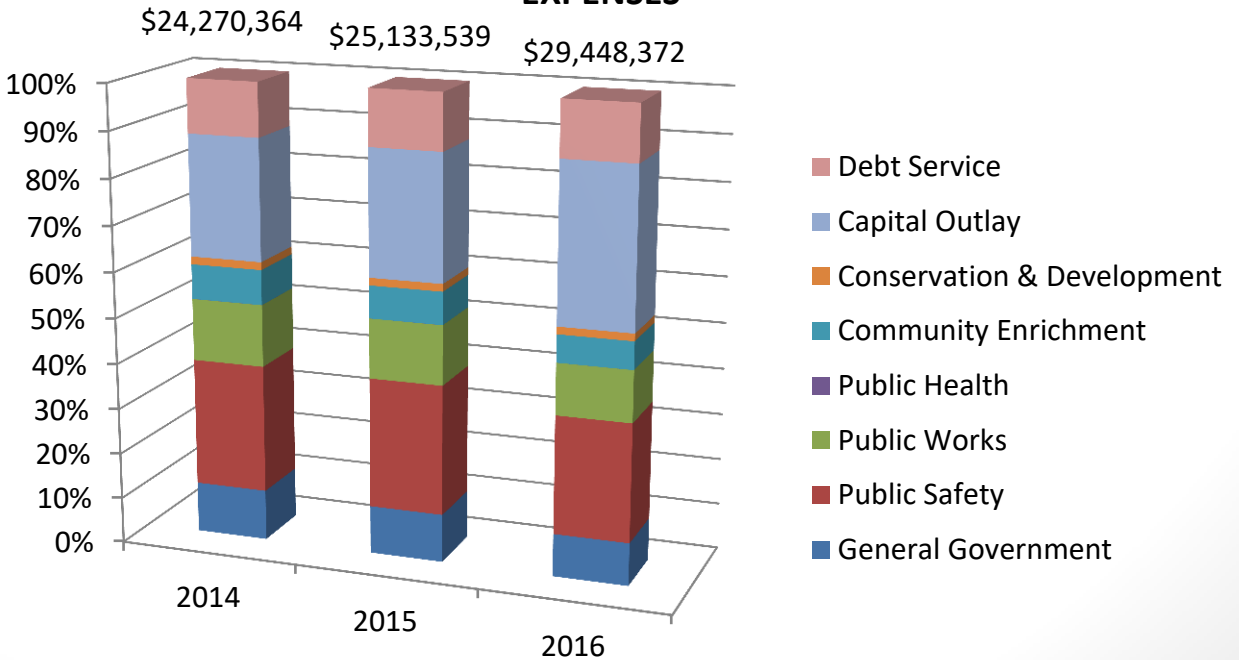


# 3-Year Comparison

## REVENUES



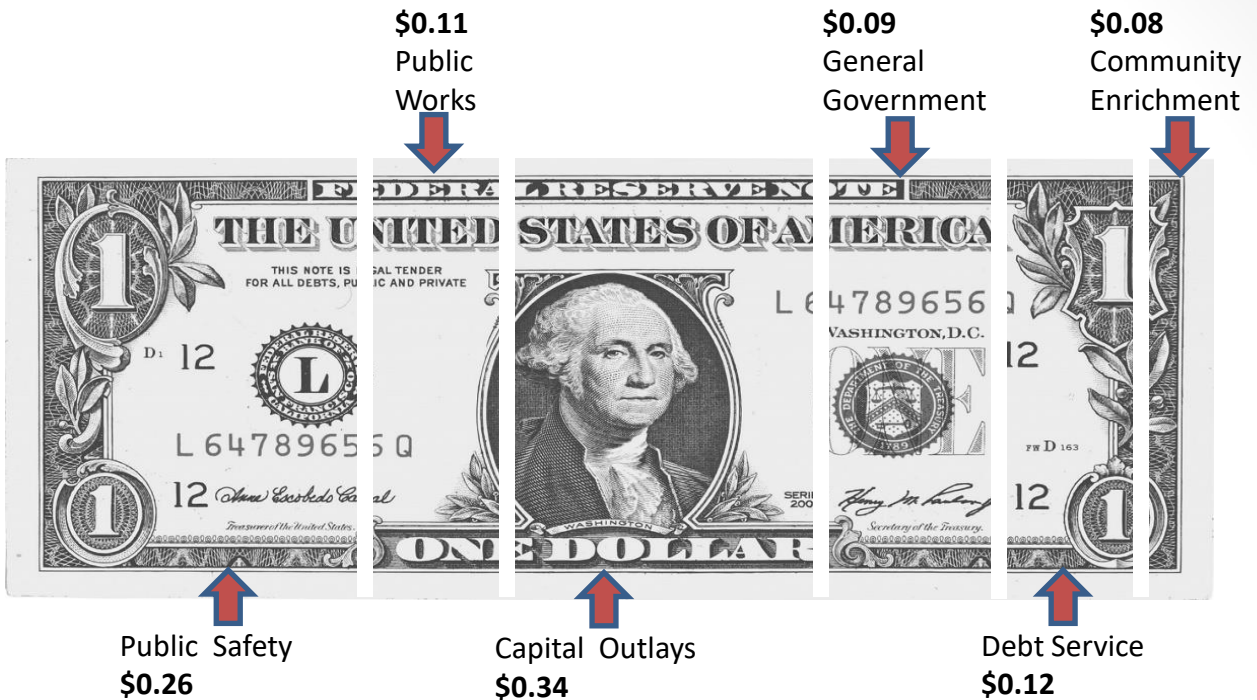
## EXPENSES



# Where Do Your Tax Dollars Go?

## Each Dollar

of property tax collected in the City is allocated between the various governmental activities in the City as shown below



A Home valued at \$350,000 in the City of Mequon generates \$1,102.50 in annual property taxes for the City. That equates to **\$91.88** per month in property taxes

### What Could You Buy With \$91.88 Per Month

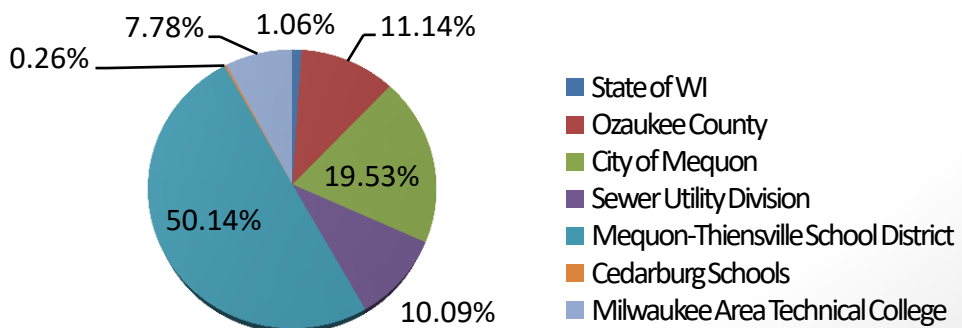
#### ONE OF THESE

- 1 month of internet
- A golf lesson
- A month gym membership

#### OR ALL OF THESE

- 24/7/365 Police and Fire Protection
- Snow and Ice Removal
- Paved and Maintained City Streets

## Who Receives your Tax Dollars



The General Fund is the primary operating fund used to account for the governmental operations of the City, with approximately \$15.7 million of direct expenditures from this fund accounting for approximately 53.3% of the City's approximately \$29.4 million total governmental fund expenditures. The total year end 2016 unassigned General fund balance of approximately \$2.2 million is \$250,000 less than the previous year and represents 14.3% of the \$15.7 million General Fund expenditures.

The original 2016 General Fund budget adopted by the Common Council on November 10, 2015 authorized approximately \$15.8 million in expenses. During the year, relatively small changes totaling a net of \$5,867 were made to the original expenses authorized by the Common Council.

The City ended the year \$6,760 below what was budgeted for revenues, and \$86,001 below what was budgeted for expenses. However, a budgeted transfer from fund balance of \$300,000 was not made, leaving the general fund with a total net deficit for the year at (\$222,259). The total unfavorable variance of (\$222,259) represents 1.4% of the original general fund expenditure budget.

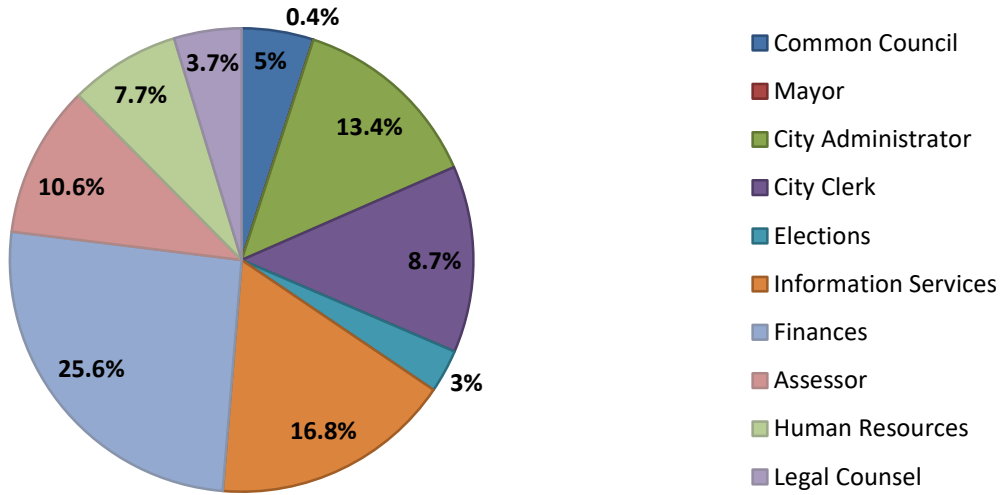
The 2016 budgetary result occurred due to a variety of factors during the course of the year. While overall revenues were lower than expected in 2016, there were several notable offsetting favorable and unfavorable outcomes that are included in that variance. The most significant favorable outcomes were approximately \$127,000 higher than anticipated revenues in public safety fees. Other revenues such as cell tower leases, Workers Compensation insurance dividends and cable TV franchise revenues combined for a favorable variance of \$76,000. The most significant unfavorable outcomes were a \$173,000 shortfall in building permit fees and \$42,000 shortfall in development fees due to lower than expected zoning fee revenues.

The Debt Service fund has a total deficit balance of (\$483,521) which is all for debt related to the City's Tax Incremental District #3. 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 \$34,220,000 or 15.3% of the maximum. legal limit of \$223,945,485

The Capital Projects Fund is a governmental fund used to account for long-term capital acquisitions, such as squad cars, contractor equipment, land acquisition, 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 \$6.26 million fund balance is restricted or assigned entirely for such projects or non-spendable for non-current receivables. The reason for the approximately \$424,000 increase in fund balance is due to a favorable adjustment in project funds for infrastructure improvements financed from debt proceeds.

# General Government

## 2016 Actual General Government Expenditures



Actual	2014	2015	2016
Mayor/Common Council	\$108,398	\$99,491	\$99,338
City Administrator	\$288,347	\$263,664	\$267,928
City Clerk	\$237,787	\$230,824	\$259,561
Elections	\$39,878	\$25,536	\$66,116
Information Services	\$285,234	\$317,191	\$335,122
Finance	\$483,308	\$419,238	\$511,045
Assessor	\$108,540	\$216,260	\$212,187
Human Resources	\$199,248	\$197,353	\$153,948
Legal Counsel	<u>\$171,525</u>	<u>\$97,583</u>	<u>\$94,651</u>
<b>Totals</b>	<b><u>\$1,922,265</u></b>	<b><u>\$1,867,140</u></b>	<b><u>\$1,539,956</u></b>

# Public Safety



## FUNCTIONS

Public Safety functions within the City of Mequon are Comprised of:

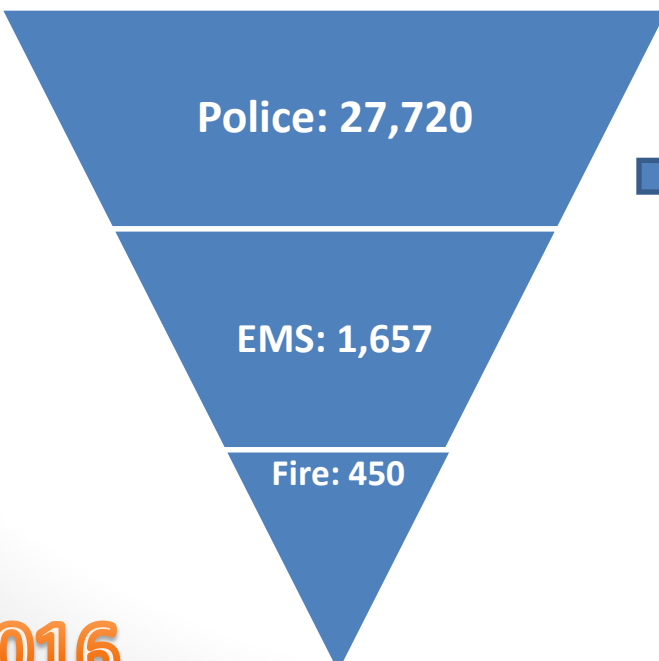


## EXPENDITURES

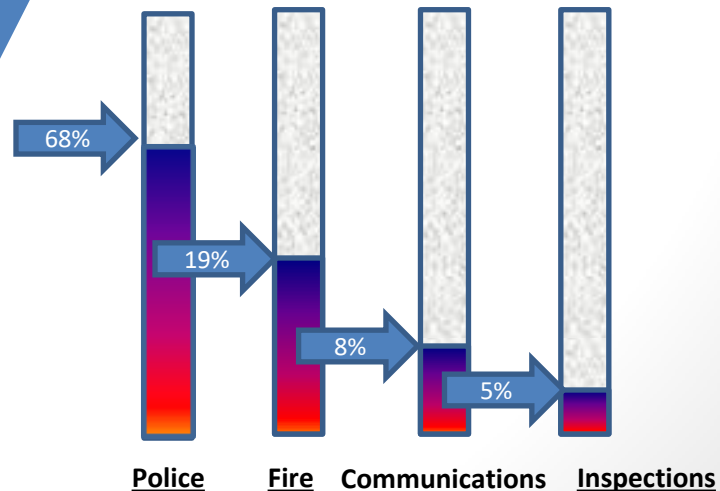
- ☐ Total Expenditures for Public Safety during 2016 were **\$7,550,543**
- ☐ The largest expenditures in this area continue to be salaries and benefits, although staffing levels have remained level



## CALLS FOR SERVICE



## PUBLIC SAFETY EXPENDITURES



# Public Works

Public Works is responsible for snow removal, fleet repairs, road maintenance, storm water management, Facilities maintenance, and much more.

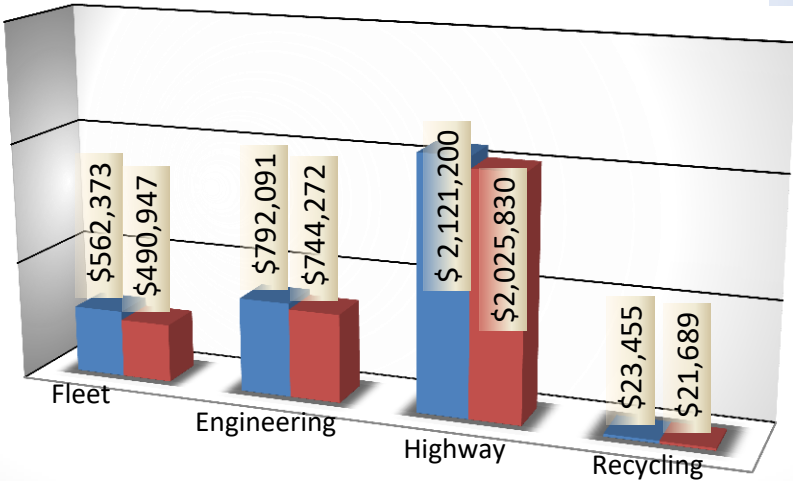
## Divisions

Public Works is comprised of:

- Fleet
- Engineering
- Highway
- Recycling
- Facilities



Total Expenditures for Public Works during 2016 were **\$3,282,738**



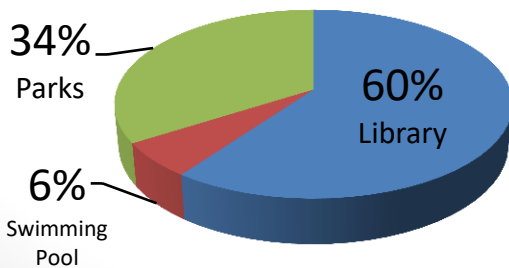
■ Budget  
■ Actual

# Community Enrichment

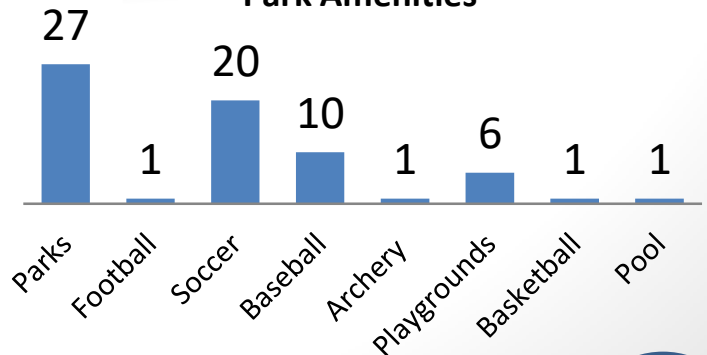
Community Enrichment includes Parks, the Mequon Community Pool, and the Weyenberg Library. The City of Mequon shares the fiscal responsibility for the community library with the Village of Thiensville. These services are provided to the community as a means to improve the overall quality of life in the City of Mequon.



## 2016 Expenditures



## Park Amenities

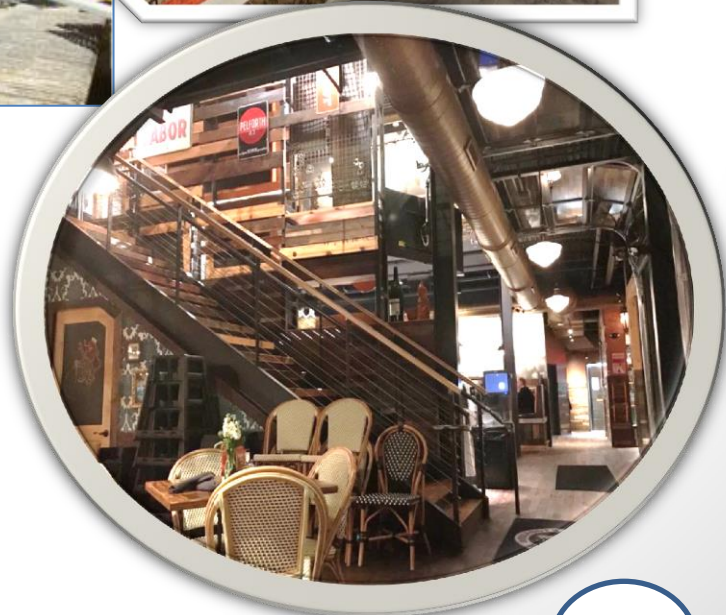




The City's conservation and development efforts are coordinated by the Department of Community Development, which is responsible for policy analysis, long-range planning, site plan review, zoning code administration, economic development, landmark administration, zoning code enforcement, geographic information systems (GIS), and census/demographic updates. This department is also responsible for management of the City's Tax Increment Financing Districts and for attracting new business to the community. The total expenditures for this Department in 2016 were \$419,328. The majority of these funds were spent on salaries and benefits for 3.5 full-time equivalent employees that staff the Department.



The City's Public Health Inspector is responsible for providing inspections to all eating and drinking establishments (i.e. restaurants and bars in Mequon).



# Capital Projects & Debt Service

## 2016 Revenues

	Debt Service	Capital Projects
Taxes	\$2,903,771	\$920,739
Intergovernmental	\$120,979	\$431,723
Public Charges for Service	\$0	\$119,593
Special Assessments	\$0	\$31,715
Investment Income	\$5,484	\$36,452
Miscellaneous	\$0	\$2,500
<b>TOTAL</b>	<b><u>\$3,030,234</u></b>	<b><u>\$1,542,722</u></b>

## 2016 Expenditures

	Debt Service	Capital Projects
Capital Outlay	\$0	\$10,090,319
<b>Debt Service</b>		
Principal	\$2,540,000	\$0
Interest & Fiscal Charges	<u>\$876,060</u>	<u>\$120,516</u>
<b>TOTAL</b>	<b><u>\$3,416,060</u></b>	<b><u>\$10,210,835</u></b>

## Overlapping Debt Per Capita

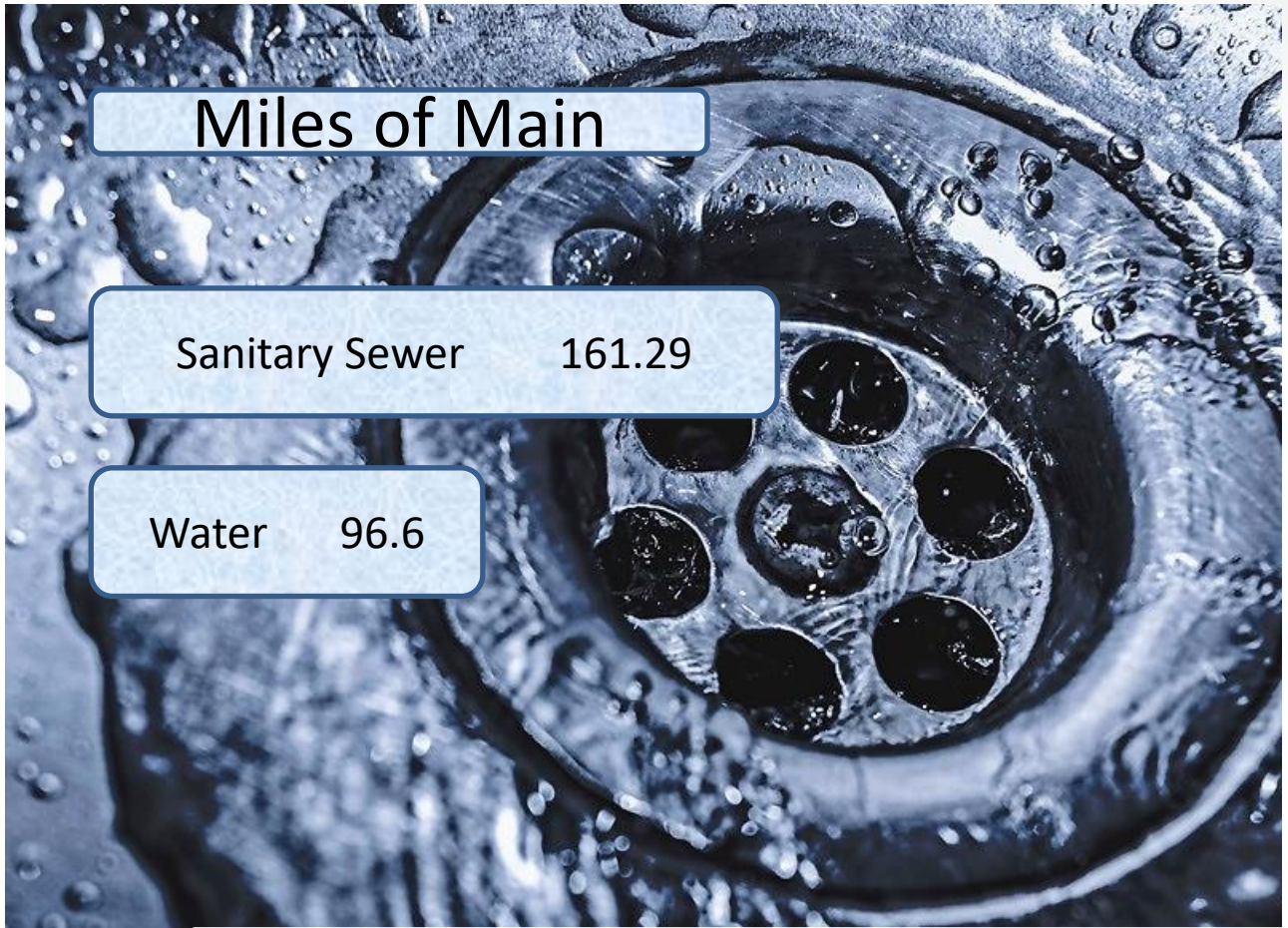
City of Mequon  
\$1,463

Milwaukee Area  
Technical College  
\$272

Ozaukee County  
\$927

Mequon Thiensville  
School District  
\$971

Overlapping debt per capita is calculated by taking the total outstanding debt for the entity as of year-end, multiplying that amount by the percent of equalized property in the City of Mequon, and then dividing it by the City's total population. This metric is used to depict the relative amount of debt the City, and other taxing jurisdictions have incurred, on a per resident basis



The Sewer Utility Fund is an enterprise fund established for the operations of the Mequon's sewer utility. Enterprise funds are used for major governmental activities which function as separate business type units. The operations budget of the sewer utility is funded entirely by user fees.

The Water Utility Fund is also an enterprise fund established for operations of the City's water utility. Like the sewer utility, the water utility is funded entirely by user fees. The water utility also maintains the City's 1079 fire hydrants on a year-round basis. Additionally, the City's water utility also provides water to the Villages of Bayside and Thiensville, which are located adjacent to Mequon.

# Getting More Information

The City's website ([www.ci.mequon.wi.us](http://www.ci.mequon.wi.us)) provides information about City services, community events, construction alerts, new businesses, weather, public safety tips, and much much more. Residents may also take advantage of many online services on the website including:

- Utility Bill Payments
- Meeting Agendas and Minutes
- Election Information
- City Forms and Documents
- City Budgets and Annual Finance Reports
- And Much More

☐ If you have any questions, comments, or suggestions regarding the 2016 Popular Annual Financial Report, please contact Shawn Hart, Assistant to the Finance Director, at (262) 236-2947 or [shart@ci.mequon.wi.us](mailto:shart@ci.mequon.wi.us)

## Administrative Staff

**William Jones**

City Administrator

**Justin Schoenemann**

Assistant City Administrator/HR Director

**Steve Graff**

Police Chief

**David Bialk**

Fire Chief

**Kristen Lundeen**

Public Works Director/City Engineer

**Don Curran**

Operations Manager/Parks Director

**Caroline Fochs**

City Clerk

**Kim Tollefson**

Planning & Community Development

**Thomas Watson**

Finance Director