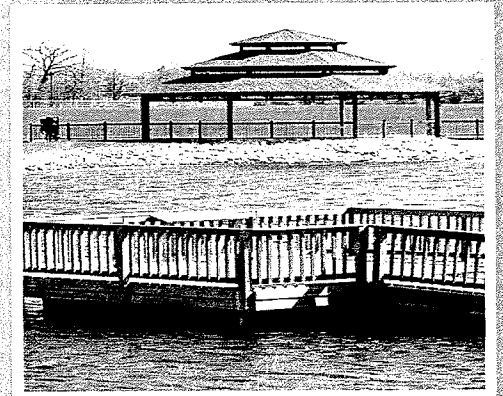




11333 N. Cedarburg Road, 60W
Mequon, Wisconsin 53092
(262) 242-3100

For The Year Ended December 31, 2008

Comprehensive Annual Financial Report



**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED
DECEMBER 31, 2008**



**CITY OF MEQUON
WISCONSIN**

Prepared by:

Lee Szymborski
City Administrator

Thomas Watson
Finance Director

Published July 8, 2009

City of Mequon
Comprehensive Annual Financial Report
For the Fiscal Year Ended December 31, 2008

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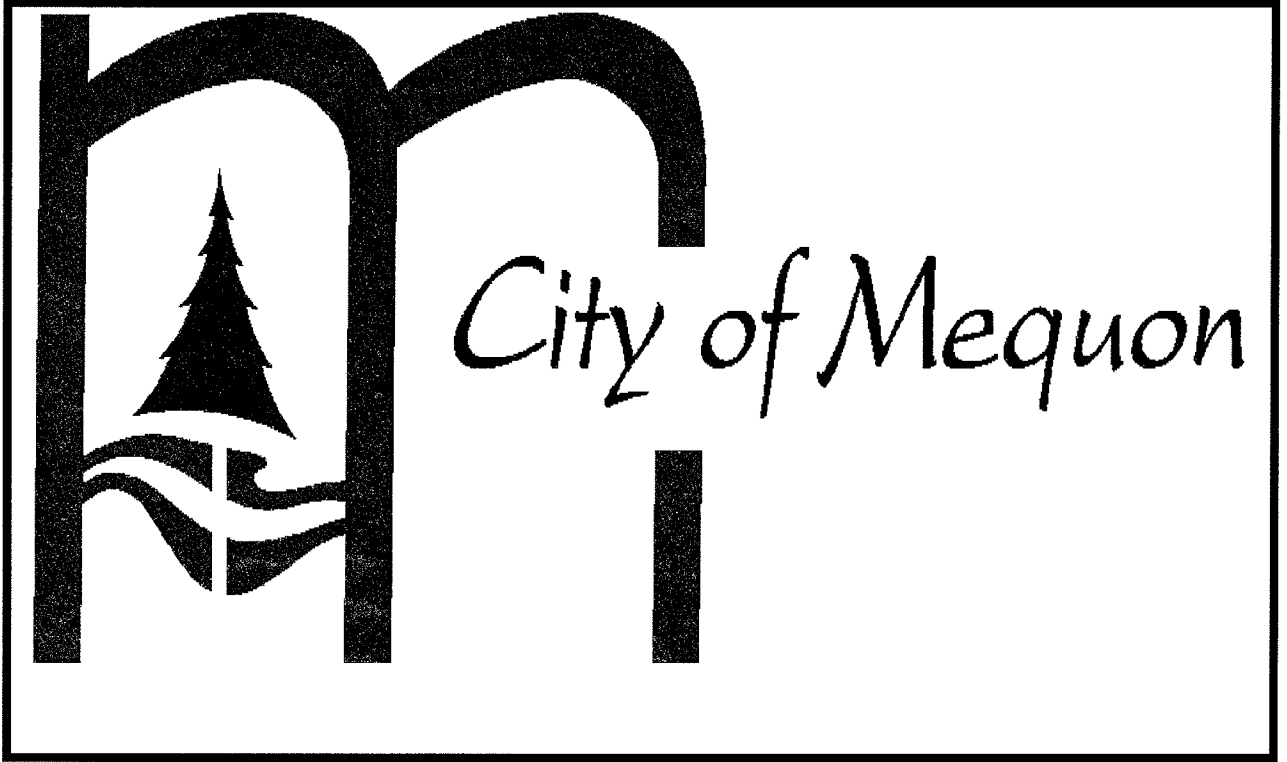
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INTRODUCTORY SECTION

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July 8, 2009

To the Citizens of the City of Mequon, Wisconsin:

The Comprehensive Annual Financial Report for the City of Mequon, Wisconsin, for the fiscal year ended December 31, 2008, 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.

In 1999, the Governmental Accounting Standards Board (GASB) adopted Statement No. 34, *Basic Financial Statements – Management's Discussion and Analysis – for State and Local Governments*. The City of Mequon opted to implement GASB No. 34 as of January 1, 2003.

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, 2008, 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, 2008, 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 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; 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 population of 23,485.

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 December 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. After a brief increase earlier in the decade, followed by a string of very low unemployment rates, recent rates have increased somewhat to 4.3 percent compared to 3.8 percent the previous year. This still compares favorably with the Wisconsin unemployment rates of 4.9 and 5.3 percent respectively.

The City's tax base fell, with a decrease in equalized valuation from 2007 to 2008 being approximately \$69 million, or an overall decrease of 1.5 percent. In 2008, the City had almost \$43 million valuation in construction permits, \$34 million less than building permit valuation in 2007.

MAJOR INITIATIVES FOR THE YEAR (2008):

Town Center

The Common Council authorized the approval of three contracts to further implement the Town Center planning efforts. One of three contracts includes the hiring of JJR, LLC to develop concept, design plans for a riverfront park, located in the heart of Mequon, across from the City Hall civic campus and along the Milwaukee River. The designs include features such as a gateway, walkways to and along the river, looped trails, a formal, small venue amphitheatre, a pavilion, plazas, veteran's memorial walk, gathering and seating spaces and sculptures. In October of 2008, the City was awarded a \$15,000 Wisconsin Waterfront Revitalization matching grant by the Wisconsin Department of Commerce because of the City's commitment to reinvesting in its waterfront and the impact this reinvestment will have on economic development and the quality of life of Mequon area residents, businesses and visitors.

The second contract includes two economic development specialists to target the Town Center area in an effort to seek appropriate mixed-use development opportunities. These specialists develop relationships with property owners that may help them maximize development and redevelopment opportunities and identify businesses, developers and builders who can bring a desirable mix of development products to the town center.

The third contract includes the hiring of Bonestroo, a local Mequon firm, to work with city staff in developing the finalized construction documents that will address branding, streetscaping, landscaping, traffic movement and calming, improved pedestrian access, utility relocation and installation, regulatory coordination and permitting and public involvement, and various presentations. Given the complex nature and sensitive timeline of the project, the consultant's effort / design will be approached in two phases. Phase 1 will entail the required surveying and base mapping, the design effort to extend the water service along Mequon Road, and the general conceptual planning and development / finalization of overall area appearance as well as the necessary initial coordination with all regulatory agencies and is estimated to be completed by May 30, 2009. Once phase 1

is completed, a more accurate level of scope and therefore fee estimate can be developed for phase 2. Phase 2 will entail the development of specific and detailed construction documents to build the improvements as decided upon in phase 1, as well as continue with the coordination and communication with the regulatory agencies, public, city staff, and city common council and is estimated to be completed by September 30, 2009; and

Development Approvals

Following national trends, residential development in Mequon in 2008 was slower than in previous years. Housing starts in 2008 dropped by 50 percent from 2007 with 25 new construction permits being issued. The impact of the economic slowdown has less of an effect in Mequon since the pace of growth has historically been conservative when compared to other municipalities in the region. Two new subdivisions were platted in 2008, Hawks Glen and Wildwood Preserve. Hawks Glen, a 17 lot conservation subdivision located outside the sewer service area, is expected to add \$10,000,000 to the City of Mequon tax base. Wildwood Preserve, a 19 lot subdivision located along the shores of Lake Michigan, is expected to add \$27,000,000 to the City of Mequon tax base.

Commercial development in 2008 included expansions to a number of existing developments in the City of Mequon. Carlson Tool and Manufacturing added 10,000 square feet to their existing facility. Marcus Theaters gained approval to add an Ultrascreen Theater to the North Shore Complex. New developments approved in 2008 include a 60,000 square foot Metro Market (a Roundy's grocery store intended to replace the existing Pick-n-Save), a mixed use retail building at 10800 N Port Washington Road (next to Stein's Garden and Gifts) and a 11,000 square foot manufacturing facility in the Mequon Business Park.

FOR THE FUTURE (2009):

Smart Growth Initiative

In April of 2009, the Common Council approved the comprehensive plan, A 2035 Comprehensive Plan for the City of Mequon, in compliance with the Wisconsin State Smart Growth Initiatives. The plan includes several components including an introduction, inventories and chapters related to the following elements; Issues and Opportunities, Economic Development, Agricultural, Natural and Cultural Resources Element, Land Use Element, Housing Element, Transportation Element, Utilities and Community Facilities Element and Intergovernmental Cooperation. The plan also includes a chapter related to Implementation and a summary.

Zoning and Planning Policy Issues

The City is considering revisions to current regulatory standards for signage, landscaping and lighting. There is also consideration of regulating the amount of land disturbance that is permitted along the Lake Michigan bluff line and associated ravines or gorges.

Town Center

The Common Council continues their implementation efforts for the Town Center. As a result of the contracts in 2008 with JJR and Bonestroo, the City intends to clear two city-owned sites fronting the Milwaukee River to allow greater access and visibility of one of the community's greatest natural resources. The clearing of these sites will allow the Council to determine which JJR concept park design features should be implemented. These decisions will also be based on consistency with the Bonestroo streetscaping plan, among others. The Council also anticipates constructing the public improvements listed in the Town Center TIF Project Plan (approved April 2008) including the burial of overhead electric lines, extension of the public water main on Mequon Road and Cedarburg Road and altering the design of Cedarburg Road in 2009. The design features for Cedarburg Road include a convertible street, which allows for the road to be closed for community events and festivals. The space creates a coordinated open space feature and connectivity for pedestrians between the Interurban Trail, Mequon's City Hall civic campus and the anticipated riverfront park.

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 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 \$1,576,000 on all investments for the year ended December 31, 2008. The average return on investment was approximately four 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 Christine Nuernberg

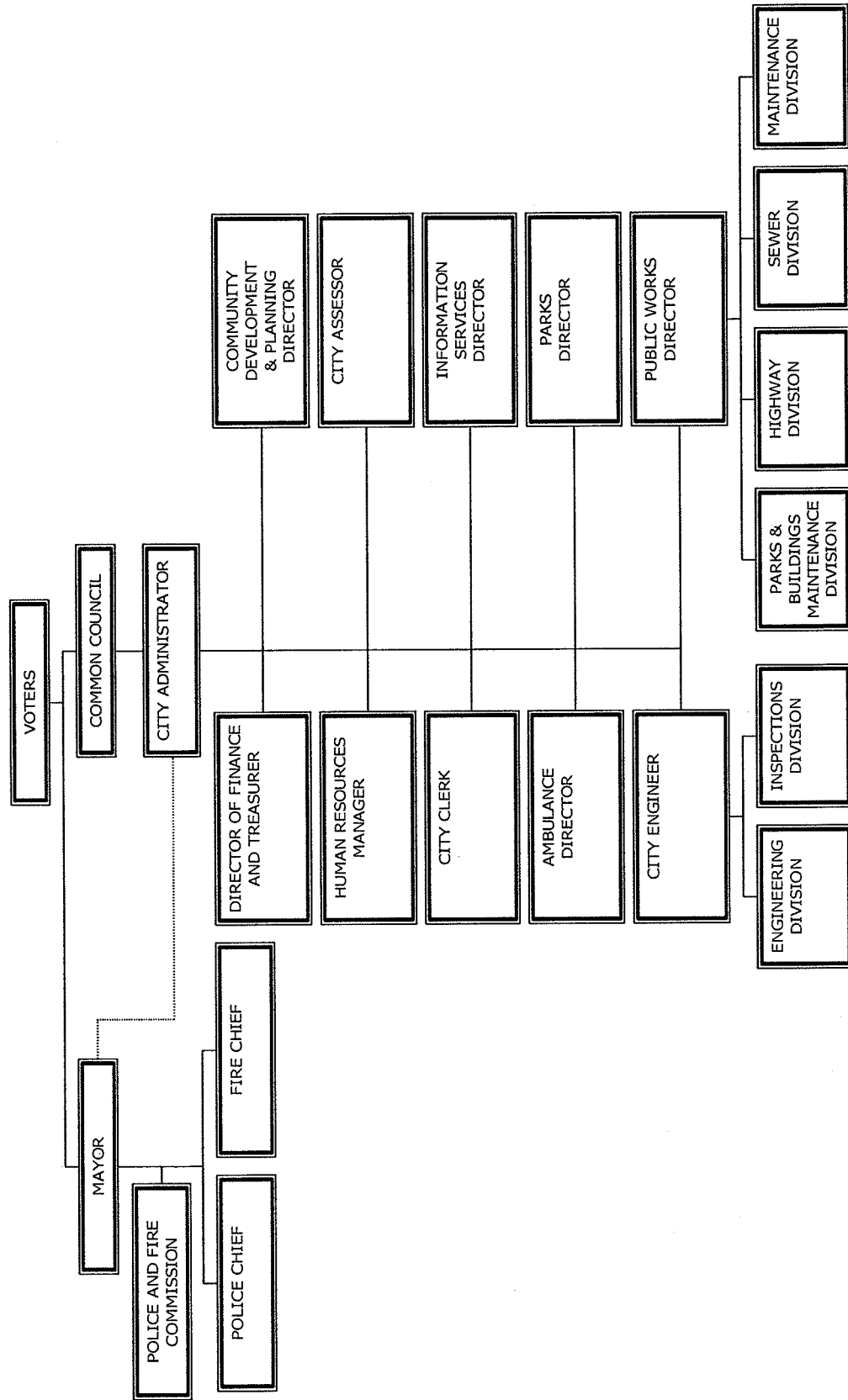
Common Council

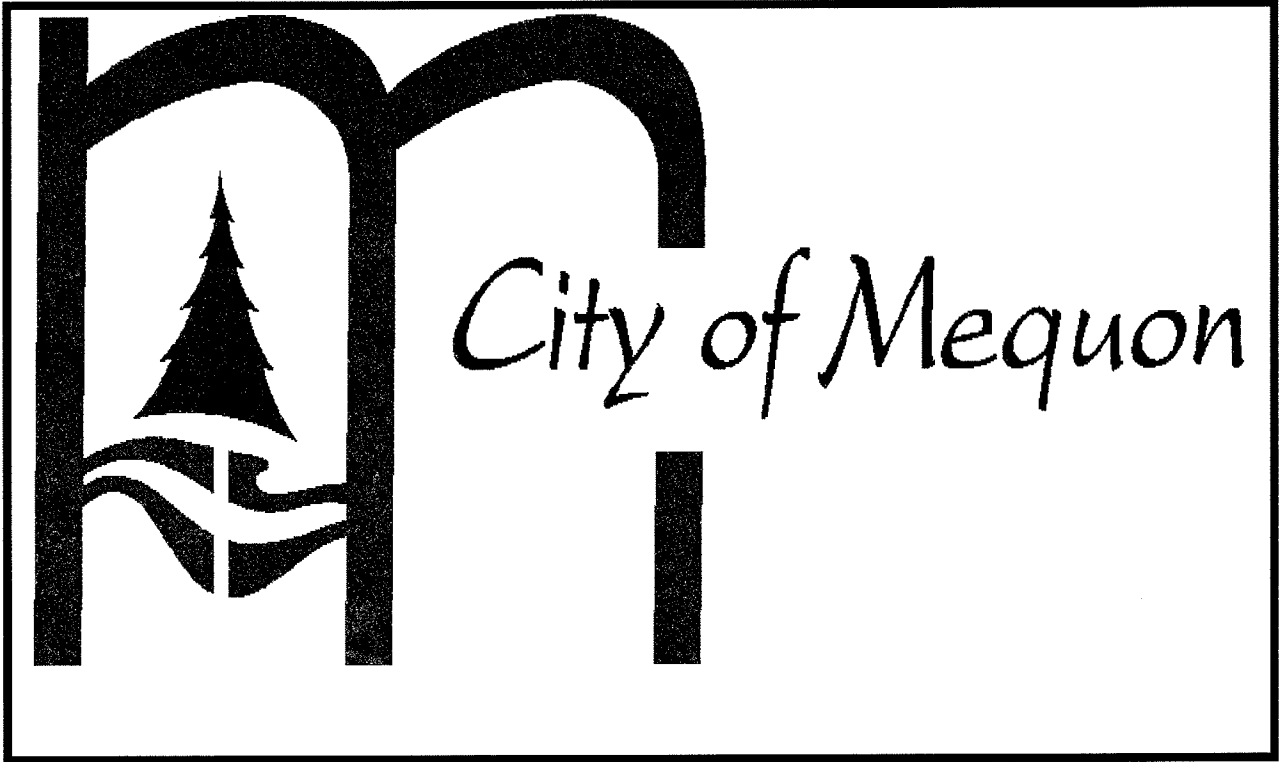
District 1	Alderman Dan Abendroth	District 2	Alderman Ken Zganjar
District 3	Alderman Dale Mayr	District 4	Alderman John Wirth
District 5	Alderman Mark Seider	District 6	Alderman John Hawkins
District 7	Alderman Daniel Gannon	District 8	Alderman Pamela Adams

APPOINTED OFFICIALS:

Lee Szymborski, City Administrator/City Clerk
Diane Kowalchuk/Deputy City Clerk
Steve Graff, Police Chief
Thomas Watson, Finance Director
Don Curran, Parks Director
Jon Garms, Public Works Director
William Hoppe, City Engineer
Michael Grota, City Assessor
Kim Tollefson, Planning and Community Development Director
David Bialk, Fire Chief
Lisa Koeper, Human Resources Manager

CITY OF MEQUON





FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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Baker Tilly Virchow Krause, LLP
115 S 84th St, Ste 400
Milwaukee, WI 53214-1475
tel 414 777 5500
fax 414 777 5555
bakertilly.com

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, 2008, 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 units. Accounting principles generally accepted in the United States of America require the financial data for those component units to be reported with the financial data of the City's primary government unless the City also issues financial statement for the financial reporting entity that include the financial data for its component units. 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 aggregate discretely presented component unit of the City of Mequon, Wisconsin, as of December 31, 2008, 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, 2008, 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.

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

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City 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. The combining statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The "Introductory Section" 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 of the City of Mequon. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on such information.

Baker Tilly Vinchow Krause, LLP

Milwaukee, Wisconsin
July 8, 2009

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, 2008. Please consider it in conjunction with the City's financial statements, which begin on page 15, following this narrative.

FINANCIAL HIGHLIGHTS

- ✓ With total assets of \$93.3 million and total liabilities of \$48.9 million, the total net assets of the City of Mequon stood at approximately \$44.4 million at the close of the 2008 fiscal year, an increase of 2.9% over the previous year.
- ✓ The City of Mequon's total net assets increased by a net amount of \$1,255,869 with a \$1,783,724 increase in the investment in capital assets, net of related debt.
- ✓ As of December 31, 2008, the City of Mequon's governmental funds reported combined ending fund balances of \$7,056,383, a decrease of \$912,013 compared to the prior year. \$5,332,439 or 75.6 percent of this total is available for spending at the government's discretion (unreserved fund balance).
- ✓ At the close of the fiscal year the City of Mequon's unreserved, undesignated general fund balance totaled approximately \$675,500; a decrease of \$514,086 from the previous fiscal year.
- ✓ The City of Mequon's total general obligation debt decreased \$271,964 (1.1%) during 2008.

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, health and human services, community enrichment services, conservation and development, capital outlay, and principal and interest and fiscal charges.

The business-type activities of the City consist of a Sewer 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 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, 2008 is reported in the *Statement of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual - General Fund* which is found on page 65.

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. The Sewer Utility is considered to be a major fund 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 38 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 67.

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 over \$44.4 million at the close of 2008. 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
December 31, 2008 and 2007

	Governmental		Business-type		Totals	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Current & Other Assets	\$ 20,776,960	\$ 21,771,017	\$ 10,487,554	\$ 10,223,131	\$ 31,264,514	\$ 31,994,148
Capital Assets (net)	35,603,496	33,671,284	26,429,765	26,419,092	62,033,261	60,090,376
Total Assets	\$ 56,380,456	\$ 55,442,301	\$ 36,917,319	\$ 36,642,223	\$ 93,297,775	\$ 92,084,524
Current Liabilities	\$ 14,767,114	\$ 15,018,384	\$ 9,482,467	\$ 9,259,134	\$ 24,249,581	\$ 24,277,518
Non-Current Liabilities	10,749,872	8,909,532	13,876,686	15,731,707	24,626,558	24,641,239
Total Liabilities	\$ 25,516,986	\$ 23,927,916	\$ 23,359,153	\$ 24,990,841	\$ 48,876,139	\$ 48,918,757
Net Assets						
Invested in Capital Assets, net of related debt	\$ 27,262,961	\$ 25,489,910	\$ 26,429,765	\$ 26,419,092	\$ 53,692,726	\$ 51,909,002
Restricted	1,136,688	1,044,875	115,255	119,214	1,251,943	1,164,089
Unrestricted (deficit)	2,463,821	4,979,600	(12,986,854)	(14,886,924)	(10,523,033)	(9,907,324)
Total Net Assets	\$ 30,863,470	\$ 31,514,385	\$ 13,558,166	\$ 11,651,382	\$ 44,421,636	\$ 43,165,767
Total Net Assets as a % of Total Liabilities	121.0%	131.7%	58.0%	46.6%	90.9%	88.2%
Unrestricted Net Assets as a % of Total Liabilities	9.7%	20.8%	-55.6%	-59.6%	-21.5%	-20.3%

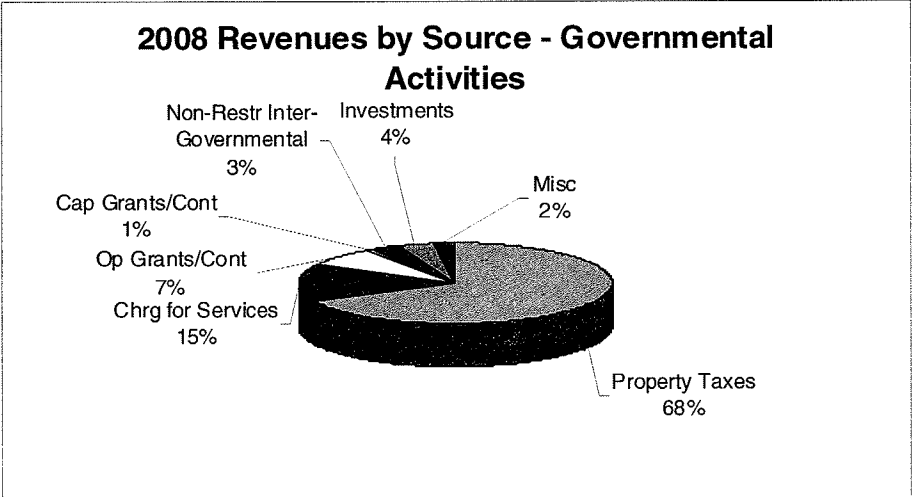
A relatively small portion of the City's net assets (2.8%) represents resources that are subject to other restrictions as to how they may be used. The remainder of total net assets may be used to meet the City's on-going obligations to its citizens and creditors.

At the end of 2008, the City is able to report positive balances in all of the three categories of net assets for the governmental activities and for two of three categories for the government as a whole and the business-type activities.

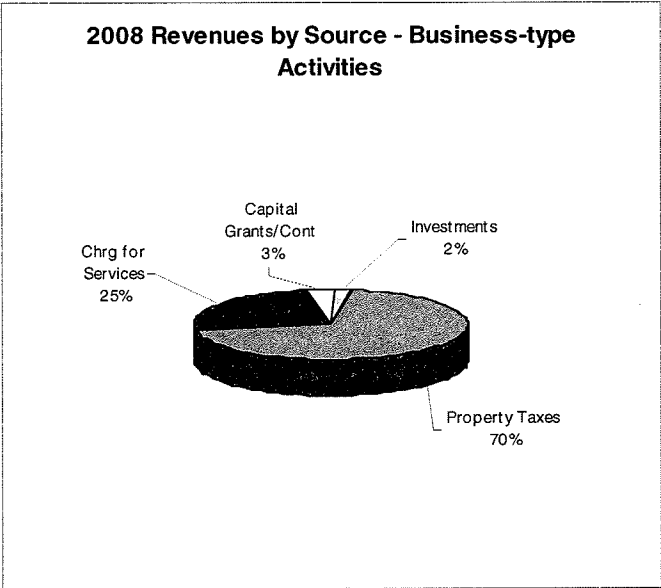
The deficit in the Business-Type Activities group is related to a settlement with the Metropolitan Milwaukee Sewerage District (MMSD) made in 1997. There had been a long-running dispute with MMSD and suburban users of the treatment system. MMSD wanted suburban users to pay sewerage capital charges based 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 exceeded total liabilities at the end of 2008 for the governmental activities. Unrestricted net assets stood at 9.7% of 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 68% of its revenue from this single source. State aids not restricted to specific programs comprise only 3% of the City's revenues while other grants comprise 8%. Charges for services continue to grow in relative importance, accounting for 15% of governmental revenues.



In the case of business-type activities, the property tax is still the largest component of revenue, making up 70% of all revenues received. However, 100% 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 25% of total revenues. The balance of revenue is made up of capital grants and contributions, and investment earnings.

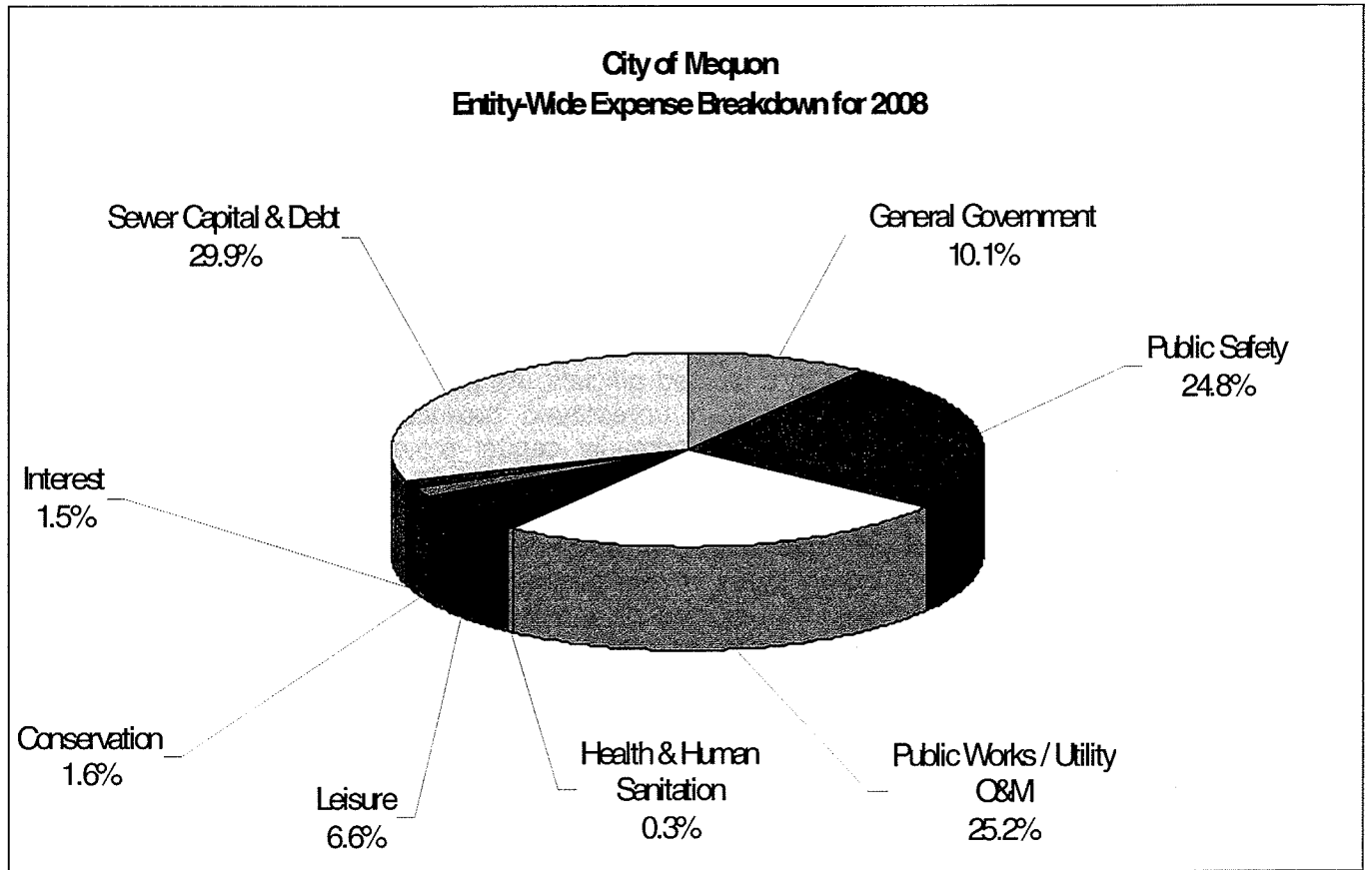


Governmental activities. Total Governmental activity expenses increased \$989,207 from a year ago. Increases were incurred in Public Safety, \$193,743, Public Works, \$1,148,912, Health and Sanitation, \$1,779, and Community Enrichment, \$116,377. Savings were realized in the following programs: General Government, \$134,610, Conservation and Development, \$330,801, and Interest Charges, \$6,193.

The table below illustrates the change in net assets for the City of Mequon for fiscal years ended December 31, 2008 and 2007:

	Governmental		Business-type		Totals	
	Activities		Activities			
	2008	2007	2008	2007	2008	2007
Revenues						
Program Revenues						
Charges for services	\$ 2,807,641	\$ 2,054,591	\$ 2,537,641	\$ 2,306,485	\$ 5,345,282	\$ 4,361,076
Operating grants and contributions	1,390,950	1,322,915	-	-	1,390,950	1,322,915
Capital grants and contributions	201,967	391,706	342,099	224,846	544,066	616,552
General Revenues						
Property Taxes	12,594,499	12,286,412	7,097,470	6,197,955	19,691,969	18,484,367
Other Taxes	187,436	189,090	-	-	187,436	189,090
Intergovernmental revenues not restricted to specific programs	564,524	491,521	-	-	564,524	491,521
Investment Income	672,135	951,509	211,832	652,407	883,967	1,603,916
Other	409,532	300,304	27,787	3,075	437,319	303,379
Total Revenues	\$ 18,828,684	\$ 17,988,048	\$ 10,216,829	\$ 9,384,768	\$ 29,045,513	\$ 27,372,816
Expenses						
General government	2,800,453	2,935,063	-	-	\$ 2,800,453	\$ 2,935,063
Public Safety	6,906,734	6,712,991	-	-	6,906,734	6,712,991
Public Works	6,990,267	5,841,355	-	-	6,990,267	5,841,355
Health and human services	70,859	69,080	-	-	70,859	69,080
Community enrichment services	1,846,261	1,729,884	-	-	1,846,261	1,729,884
Conservation and development	451,213	782,014	-	-	451,213	782,014
Interest and fiscal charges	413,812	420,005	-	-	413,812	420,005
Sewer utility	-	-	8,310,045	8,267,629	8,310,045	8,267,629
Total expenses	\$ 19,479,599	\$ 18,490,392	\$ 8,310,045	\$ 8,267,629	\$ 27,789,644	\$ 26,758,021
Change in net assets	\$ (650,915)	\$ (502,344)	\$ 1,906,784	\$ 1,117,139	\$ 1,255,869	\$ 614,795
Net Assets - beginning of year	31,514,385	32,016,729	11,651,382	10,534,243	43,165,767	42,550,972
Net Assets - end of year	\$ 30,863,470	\$ 31,514,385	\$ 13,558,166	\$ 11,651,382	\$ 44,421,636	\$ 43,165,767

Presented below is a chart depicting the relative percentage of expenses for the City's major functions for 2008.



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, 2008, the City of Mequon's governmental funds reported combined ending fund balances of approximately \$7.06 million, a decrease of \$912 thousand from the previous year. Of this total, \$1.72 million is reserved for specific legal requirements and other commitments, leaving total unreserved governmental fund balances of \$5.33 million available for use at the discretion of the City's elected officials. As the result of past actions and policy decisions, \$4.66 million (87%) of these unreserved balances have been segregated or otherwise designated for specific uses (primarily capital projects), leaving an unreserved, undesignated fund balance of \$676 thousand in the general fund.

The *General fund* is the primary operating fund used to account for the governmental operations of the City, with the direct expenditures of this fund accounting for nearly 71% of the City's governmental fund expenditures as reported on the *Statement of revenues expenditures and changes in fund balances*. The total year-end 2008 unreserved General fund balance of \$676 thousand represented 4.3% of the \$15.6 million 2008 General Fund expenditures reported on the *Statement of Revenues Expenditures and Changes in fund balances*.

Traditionally in Mequon, this year-end unreserved 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 2009 General fund budget authorizes expenditures of \$14.8 million. Therefore, the 2008 year-end unreserved, undesignated General fund balance of \$676 thousand represents only 4.6% of the 2009 operating budget and fails to meet the target ratio.

The *Debt Service* fund had a total fund balance of \$546 thousand, all of which is reserved for the payment of debt service. This balance has accumulated over time through the transfers from other funds for the payment of future, 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 \$3.6 million fund balance is designated 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 to expenditures for specific purposes. The accumulated fund balances totaling \$2.2 million decreased by \$65 thousand during 2008.

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 2008 totaled \$13.6 million, an increase of \$1.9 million from the previous year. Net operating income before contributions of \$1.56 million along with developer capital contributions of \$342 thousand accounted for the 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 2008 general fund budget authorized expenditures of approximately \$15.55 million, along with transfers of \$880,650 to the project balances in the Capital Projects and Special Revenue funds. The general fund anticipated revenues of \$16.1 million, and a transfer from other governmental funds of \$157,646 of prior year surplus funds. During the year, no changes were made to the total original revenue budget by the Common Council. However, an additional \$926,153 of the current expenditure budget was transferred to various Capital Projects funds in order to support project expenditures that will be made in future periods.

The City ended the year with a favorable general fund budget variance in revenues offset by an unfavorable expenditure variance. Revenues were up more than \$406 thousand, or 2.5% above the final amended budget, However expenditures also up by over \$952 thousand or 5.8% of their budgeted amounts. The net unfavorable variance of \$546 thousand represents 3.5% of the original general fund expenditure budget. This 2008 budgetary result occurred due to a variety of factors during the course of the year.

While revenues were higher than expected in 2008, \$265 thousand of those revenues were engineering fees and \$168 thousand were in water utility start up fees, both of which were offset by an equal amount, \$433 thousand, of increased expenditures in consulting fees. While there were also a variety of other positive revenue outcomes in 2008, those were also completely offset by an unfavorable shortfall in investment income of \$150 thousand dollars due to declining market rates.

After adjusting for the above mentioned transfers from the current expenditures budget to the capital project funds, the remaining unfavorable expenditure outcomes can be characterized largely by an unexpected increase of \$88 thousand due to rising fuel costs throughout 2008, and an \$385 thousand over budget amount in Public Works, of which the majority can be traced to the increased labor and snow removal costs due to unusually active weather conditions in both the beginning and at the end of the year.

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, 2008 totaled over \$115 million. Of this total cost, (37%), 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 \$53 million, or approximately 46% of the historical cost of depreciable capital assets. Net of accumulated depreciation, the City's investment in capital assets exceeded \$62 million.

City of Mequon, Wisconsin
Capital Assets, Net of Accumulated Depreciation
December 31, 2008 and 2007

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
Land	\$ 6,459,680	\$ 6,459,680	\$ -	\$ -	\$ 6,459,680	\$ 6,459,680
Construction in progress	1,136,445	-	-	-	1,136,445	-
Buildings	14,601,653	14,482,909	-	-	14,601,653	14,482,909
Library Collection	3,494,889	3,520,265	-	-	3,494,889	3,520,265
Machinery and Equipment	6,331,700	6,119,047	3,572,007	3,497,290	9,903,707	9,616,337
Infrastructure	42,050,918	39,129,854	33,808,681	33,396,841	75,859,599	72,526,695
Structure and Improvements	-	-	3,786,844	3,550,731	3,786,844	3,550,731
Subtotal	\$ 74,075,285	\$ 69,711,755	\$ 41,167,532	\$ 40,444,862	\$ 115,242,817	\$ 110,156,617
Less:						
Accumulated Depreciation	(38,471,789)	(36,040,471)	(14,737,767)	(14,025,770)	(53,209,556)	\$ (50,066,241)
	<u>\$ 35,603,496</u>	<u>\$ 33,671,284</u>	<u>\$ 26,429,765</u>	<u>\$ 26,419,092</u>	<u>\$ 62,033,261</u>	<u>\$ 60,090,376</u>

Some of the more significant additions to the City's capital assets during 2008 included:

Street network additions	\$3,115,521
Equipment & Vehicles	424,828
Sewer collection system additions	928,162
Sewer structure improvements	236,113

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, 2008, the City of Mequon had \$26,946,270 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
December 31, 2008 and 2007**

	Governmental Activities		Business-Type Activities		Total	
	2008	2007	2008	2007	2008	2007
General Obligation Bonds & Notes	\$9,729,410	\$8,181,374	\$15,145,000	\$16,965,000	\$24,874,410	\$ 25,146,374
Unfunded retirement liability	1,386,346	1,364,066	-	-	1,386,346	1,364,066
Compensated absences	685,514	602,798	-	-	685,514	602,798
	<u>\$11,801,270</u>	<u>\$10,148,238</u>	<u>\$15,145,000</u>	<u>\$16,965,000</u>	<u>\$26,946,270</u>	<u>\$ 27,113,238</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 \$24,874,410, 11% of the maximum legal limit of \$225,020,135. The City of Mequon issued \$2.4 million of new General Obligation debt for city road projects during 2008.

CURRENTLY KNOWN FACTS

The 2009 budget adopted by the Mequon Common Council in November, 2008 increased total General, Capital and Debt Service Fund expenditures by 0.87%. Due to the desire to keep taxes low, the tax levy increase was held to 2.0% in these areas. It is anticipated the City will work to rebuild fund balance to a level of at least ten percent of next year’s general fund budget.

Five Year Expenditure History

Fiscal Year	Amount	Percent Increase
2009	\$ 17,722,829	0.87%
2008	\$ 17,570,714	3.87%
2007	\$ 16,915,324	3.28%
2006	\$ 16,378,106	2.54%
2005	\$ 15,972,789	4.97%

As presented in the table on the following page, Salaries and benefits increased 2.60% primarily as a result of labor contract increases. Materials and supplies increased 8.7% and purchased services increased by 9.4% with a portion both of those increases due to an expected 22% increase in energy costs over the 2008 budget. Debt service costs increased 19.3% due to the issuance of \$2.4 million of General Obligation bonds in 2008 for road projects, and Capital costs will decrease by 29.1 percent at the expense of the annual road projects budget, which heretofore had been funded through annual tax levies. However, the City is working towards borrowing \$5.2 million in 2009 to use for local road improvement projects in the 2009 and 2010 construction seasons.

Change in Expenditure Budget by Function

Expenditures	2009 Adopted	2008 Adopted	Net Increase (Decrease)	Percent Change
Salaries/Fringes	\$10,740,019	\$10,466,269	\$273,750	2.6%
Materials/Supplies	1,979,829	1,821,816	158,013	8.7%
Purchased Services	2,844,223	1,844,223	173,067	9.4%
Debt Service	1,353,601	1,135,025	218,576	19.3%
Capital & Equipment	1,632,090	2,303,3814	(671,291)	(29.1)%
Total	\$17,722,829	\$17,570,714	\$152,115	0.87%

In the 2009 budget, several guiding principles applied:

- The State of Wisconsin's biennial budget, known as Act 25, imposes a two-year property tax limit on all city levies in 2007 and 2008, i.e., FY 2008 and FY 2009. Act 25 allows municipal levies to increase by either two percent or the percentage change in the city's equalized value due to net new construction, whichever is greater.
- City of Mequon Resolution 2748 passed by the Common Council in August 2007 set forth a property tax levy cap for three years in which the levy is not allowed to increase except for growth due to new development and additional debt service.
- The property tax levy cap permitted an increase in FY2008 of 2.0 percent or \$386,596. The actual increase adopted was \$320,605 or a 1.66 percent increase of the total tax levy.

The FY2009 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 December 31, 2008

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 7,224,337	\$ 2,369,992	\$ 9,594,329
Receivables			
Taxes receivable	12,852,943	7,176,694	20,029,637
Delinquent personal property taxes	21,888	-	21,888
Accounts	-	638,059	638,059
Special assessments	60,810	23,347	84,157
Other	549,574	140,317	689,891
Accrued interest	67,408	23,890	91,298
Restricted assets			
Cash and investments	-	115,255	115,255
Capital assets			
Land	6,459,680	-	6,459,680
Construction in progress	1,136,445	-	1,136,445
Other capital assets, net of accumulated depreciation	<u>28,007,371</u>	<u>26,429,765</u>	<u>54,437,136</u>
Total Assets	<u>56,380,456</u>	<u>36,917,319</u>	<u>93,297,775</u>
LIABILITIES			
Accounts payable and accrued expenses	807,878	256,229	1,064,107
Accrued interest payable	71,296	230,081	301,377
Unearned revenue	12,836,542	7,196,157	20,032,699
Noncurrent liabilities			
Due within one year	1,051,398	1,800,000	2,851,398
Due in more than one year	<u>10,749,872</u>	<u>13,876,686</u>	<u>24,626,558</u>
Total Liabilities	<u>25,516,986</u>	<u>23,359,153</u>	<u>48,876,139</u>
NET ASSETS			
Invested in capital assets, net of related debt	27,262,961	26,429,765	53,692,726
Restricted for			
Debt service	475,338	-	475,338
Loan programs	661,350	-	661,350
Equipment replacement	-	115,255	115,255
Unrestricted (deficit)	<u>2,463,821</u>	<u>(12,986,854)</u>	<u>(10,523,033)</u>
TOTAL NET ASSETS	<u>\$ 30,863,470</u>	<u>\$ 13,558,166</u>	<u>\$ 44,421,636</u>

See accompanying notes to financial statements.

CITY OF MEQUON

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2008

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities				
General government	\$ 2,800,453	\$ 566,242	\$ -	\$ -
Public safety	6,906,734	1,089,945	129,707	-
Public works	6,990,267	977,875	1,117,063	193,991
Health and human services	70,859	-	-	-
Community enrichment services	1,846,261	173,579	144,180	7,976
Conservation and development	451,213	-	-	-
Interest and fiscal charges	413,812	-	-	-
Total Governmental Activities	<u>19,479,599</u>	<u>2,807,641</u>	<u>1,390,950</u>	<u>201,967</u>
Business-type Activities				
Sewer Utility	8,310,045	2,537,641	-	342,099
Total Business-type Activities	<u>8,310,045</u>	<u>2,537,641</u>	<u>-</u>	<u>342,099</u>
Total	<u>\$ 27,789,644</u>	<u>\$ 5,345,282</u>	<u>\$ 1,390,950</u>	<u>\$ 544,066</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for other purposes

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

Governmental Activities	Business-type Activities	Totals
\$ (2,234,211)	\$ -	\$ (2,234,211)
(5,687,082)	-	(5,687,082)
(4,701,338)	-	(4,701,338)
(70,859)	-	(70,859)
(1,520,526)	-	(1,520,526)
(451,213)	-	(451,213)
(413,812)	-	(413,812)
(15,079,041)	-	(15,079,041)
-	(5,430,305)	(5,430,305)
-	(5,430,305)	(5,430,305)
(15,079,041)	(5,430,305)	(20,509,346)
11,446,888	7,097,470	18,544,358
1,147,611	-	1,147,611
187,436	-	187,436
564,524	-	564,524
672,135	211,832	883,967
14,623	-	14,623
394,909	27,787	422,696
14,428,126	7,337,089	21,765,215
(650,915)	1,906,784	1,255,869
31,514,385	11,651,382	43,165,767
\$ 30,863,470	\$ 13,558,166	\$ 44,421,636

See accompanying notes to financial statements.

CITY OF MEQUON

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2008

	General Fund	Debt Service Fund	Capital Projects Fund
ASSETS			
Cash and investments	\$ 1,006,612	\$ 541,533	\$ 3,645,383
Receivables			
Taxes	10,082,326	1,274,312	1,496,305
Delinquent personal property tax	21,888	-	-
Special assessments	60,810	-	-
Accrued interest	15,848	5,101	29,799
Other	276,982	-	122,171
Due from other governments	-	-	-
TOTAL ASSETS	<u>\$ 11,464,466</u>	<u>\$ 1,820,946</u>	<u>\$ 5,293,658</u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 382,448	\$ -	\$ 159,537
Accrued liabilities	222,691	-	-
Deferred revenues	10,142,082	1,274,312	1,496,305
Total Liabilities	<u>10,747,221</u>	<u>1,274,312</u>	<u>1,655,842</u>
Fund Balances			
Reserved			
Delinquent personal property taxes	21,888	-	-
Cemetery	18,416	-	-
Debt service	-	546,634	-
Park	-	-	-
Revolving loan program	-	-	-
Library	-	-	-
Unreserved, reported in:			
General fund designated	1,409	-	-
General fund undesignated	675,532	-	-
Special revenue funds designated	-	-	-
Capital projects funds undesignated	-	-	3,637,816
Total Fund Balances	<u>717,245</u>	<u>546,634</u>	<u>3,637,816</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,464,466</u>	<u>\$ 1,820,946</u>	<u>\$ 5,293,658</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 2,030,809	\$ 7,224,337
-	12,852,943
-	21,888
-	60,810
16,660	67,408
-	399,153
<u>150,421</u>	<u>150,421</u>
<u>\$ 2,197,890</u>	<u>\$ 20,776,960</u>

\$ 16,429	\$ 558,414
26,773	249,464
-	<u>12,912,699</u>
<u>43,202</u>	<u>13,720,577</u>

-	21,888
-	18,416
-	546,634
320,301	320,301
661,350	661,350
155,355	155,355
-	1,409
-	675,532
1,017,682	1,017,682
-	<u>3,637,816</u>
<u>2,154,688</u>	<u>7,056,383</u>
<u>\$ 2,197,890</u>	<u>\$ 20,776,960</u>

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 December 31, 2008

Total Fund Balances - Governmental Funds	\$ 7,056,383
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.	35,603,496
Special assessments are reported as deferred revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	76,157
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds	(71,296)
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>(11,801,270)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 30,863,470</u>

CITY OF MEQUON

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS For the Year Ended December 31, 2008

	General Fund	Debt Service Fund	Capital Projects Fund
REVENUES			
Taxes	\$ 11,634,324	\$ 1,147,611	\$ -
Intergovernmental	1,730,268	-	23,150
Licenses and permits	1,177,444	-	-
Public charges for services	1,539,650	-	224,199
Intergovernmental charges for services	-	-	-
Investment income	423,235	29,337	180,166
Miscellaneous	46,813	-	49,403
Total Revenues	<u>16,551,734</u>	<u>1,176,948</u>	<u>476,918</u>
EXPENDITURES			
Current			
General government	2,728,441	-	-
Public safety	6,459,641	-	-
Public works	5,273,238	-	-
Health and human services	32,859	-	-
Community enrichment services	671,043	-	-
Conservation and development	416,311	-	-
Capital Outlay	-	-	3,942,281
Debt Service			
Principal	-	845,000	-
Interest and fiscal charges	-	288,725	16,459
Total Expenditures	<u>15,581,533</u>	<u>1,133,725</u>	<u>3,958,740</u>
Excess (deficiency) of revenues over expenditures	<u>970,201</u>	<u>43,223</u>	<u>(3,481,822)</u>
OTHER FINANCING SOURCES (USES)			
Debt issued	-	-	2,400,000
Transfers in	157,710	13,822	926,153
Transfers out	(1,806,803)	-	(92,602)
Sale of general capital assets	-	-	23,268
Total Other Financing Sources (Uses)	<u>(1,649,093)</u>	<u>13,822</u>	<u>3,256,819</u>
Net Change in Fund Balances	(678,892)	57,045	(225,003)
FUND BALANCES - Beginning of Year	<u>1,396,137</u>	<u>489,589</u>	<u>3,862,819</u>
FUND BALANCES - END OF YEAR	<u>\$ 717,245</u>	<u>\$ 546,634</u>	<u>\$ 3,637,816</u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ -	\$ 12,781,935
25,194	1,778,612
-	1,177,444
100,149	1,863,998
106,928	106,928
109,248	741,986
113,084	209,300
<u>454,603</u>	<u>18,660,203</u>
-	2,728,441
61,556	6,521,197
56,537	5,329,775
38,000	70,859
1,105,492	1,776,535
2,952	419,263
39,240	3,981,521
6,964	851,964
10,745	315,929
<u>1,321,486</u>	<u>21,995,484</u>
<u>(866,883)</u>	<u>(3,335,281)</u>
-	2,400,000
880,650	1,978,335
(78,930)	(1,978,335)
-	23,268
<u>801,720</u>	<u>2,423,268</u>
(65,163)	(912,013)
<u>2,219,851</u>	<u>7,968,396</u>
<u>\$ 2,154,688</u>	<u>\$ 7,056,383</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, 2008

Net change in fund balances - total governmental funds \$ (912,013)

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	3,981,521
Some items reported as capital outlay were not capitalized	(673,236)
Some items reported as operating expenditures in the fund financial statements but are capitalized in the government-wide statements	1,372,444
Depreciation is reported in the government-wide financial statements	(2,914,239)
Net book value of assets retired	(9,720)

Contributed capital assets are reported as revenues in the government-wide financial statements.	175,442
--	---------

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	(18,549)
Interest on special assessments	(1,960)

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	(2,400,000)
Principal repaid	851,964

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	(82,716)
Unfunded prior service cost	(22,280)
Accrued interest on debt	2,427

CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (650,915)</u>
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CITY OF MEQUON

STATEMENT OF NET ASSETS PROPRIETARY FUND December 31, 2008

	Business-type Activities - Enterprise Fund
	<u>Sewer Utility</u>
ASSETS	
Current Assets	
Cash and investments	\$ 2,369,992
Receivables	
Taxes	7,176,694
Accounts	638,059
Accrued interest	23,890
Other	<u>140,317</u>
Total Current Assets	<u>10,348,952</u>
Noncurrent Assets	
Restricted Assets	
Equipment replacement	115,255
Capital Assets	
Property and equipment	41,167,532
Less: Accumulated depreciation	(14,737,767)
Other Assets	
Special assessments receivable	<u>23,347</u>
Total Noncurrent Assets	<u>26,568,367</u>
Total Assets	<u>36,917,319</u>

See accompanying notes to financial statements.

Business-type
Activities -
Enterprise
Fund
Sewer Utility

LIABILITIES

Current Liabilities

Current portion of general obligation debt	\$ 1,800,000
Accounts payable	244,094
Accrued wages	12,135
Accrued interest	230,081
Unearned revenue	<u>7,196,157</u>
Total Current Liabilities	<u>9,482,467</u>

Noncurrent Liabilities

Long-Term Debt	
General obligation debt payable	<u>13,876,686</u>
Total Noncurrent Liabilities	<u>13,876,686</u>

Total Liabilities 23,359,153

NET ASSETS

Invested in capital assets net of related debt	26,429,765
Restricted for	
Equipment replacement	115,255
Unrestricted (deficit)	<u>(12,986,854)</u>

TOTAL NET ASSETS \$ 13,558,166

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CITY OF MEQUON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET ASSETS PROPRIETARY FUND For the Year Ended December 31, 2008

	Business-type Activities - Enterprise Fund <u>Sewer Utility</u>
OPERATING REVENUES	<u>\$ 2,537,641</u>
OPERATING EXPENSES	
MMSD charges for treatment	5,846,463
Operation and maintenance	1,081,674
Depreciation expense	<u>711,997</u>
Total Operating Expenses	<u>7,640,134</u>
Operating Loss	<u>(5,102,493)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	211,832
Taxes	7,097,470
Miscellaneous	27,787
Interest and fiscal charges	<u>(669,911)</u>
Total Nonoperating Revenues (Expenses)	<u>6,667,178</u>
Income Before Contributions	<u>1,564,685</u>
CONTRIBUTIONS	
Capital contributions	<u>342,099</u>
Change in Net Assets	1,906,784
NET ASSETS - Beginning of Year	<u>11,651,382</u>
NET ASSETS - END OF YEAR	<u>\$ 13,558,166</u>

See accompanying notes to financial statements.

CITY OF MEQUON

STATEMENT OF CASH FLOWS
 PROPRIETARY FUND
 For the Year Ended December 31, 2008

	Business-type Activities - Enterprise Fund <u>Sewer Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers	\$ 2,469,265
Paid to suppliers for goods and services	(6,056,343)
Paid to employees for services	<u>(655,987)</u>
Net Cash Flows From Operating Activities	<u>(4,243,065)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investment income	<u>229,910</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Taxes received	<u>7,097,470</u>
Net Cash Flows From Noncapital Financing Activities	<u>7,097,470</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Debt retired	(1,820,000)
Interest paid	(746,400)
Special assessments received	13,755
Acquisition and construction of capital assets	<u>(380,569)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(2,933,214)</u>
Net Change in Cash and Cash Equivalents	151,101
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,334,146</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,485,247</u>

See accompanying notes to financial statements.

Business-type
Activities -
Enterprise
Fund
Sewer Utility

**RECONCILIATION OF OPERATING LOSS
TO NET CASH FLOWS FROM OPERATING
ACTIVITIES**

Operating loss	\$ (5,102,493)
Nonoperating revenue	27,787
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation	711,997
Changes in assets and liabilities	
Taxes receivable	(69,497)
Customer receivables	(75,658)
Accounts payable and other current liabilities	215,807
Unearned revenue	<u>48,992</u>

**NET CASH FLOWS FROM
OPERATING ACTIVITIES**

\$ (4,243,065)

**RECONCILIATION OF CASH AND CASH
EQUIVALENTS TO THE STATEMENT OF
NET ASSETS - PROPRIETARY FUNDS**

Cash and investments - statement of net assets	\$ 2,369,992
Restricted cash and investments - statement of net assets	<u>115,255</u>

CASH AND CASH EQUIVALENTS

\$ 2,485,247

**NONCASH CAPITAL AND RELATED
FINANCING ACTIVITIES**

Cost of utility plant additions financed by others	<u>\$ 342,099</u>
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CITY OF MEQUON

**STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUND
December 31, 2008**

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 38,066,293
Receivables - (net)	
Taxes	16,368,441
Other	<u>215,200</u>
TOTAL ASSETS	<u>\$ 54,649,934</u>
LIABILITIES	
Due to other taxing units	<u>\$ 54,649,934</u>
TOTAL LIABILITIES	<u>\$ 54,649,934</u>

CITY OF MEQUON

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CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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, 2008 is not available.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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.

Funds are organized as major funds or non-major 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 percent 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 percent test is at least 5 percent of the corresponding total for all governmental and enterprise funds combined.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

Fund Financial Statements (cont.)

- 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 all financial resources except those required to be accounted for in another fund.
- Debt Service Fund - accounts for resources accumulated and payments made for principal and interest on long-term debt other than enterprise fund debt.
- Capital Projects Fund - accounts for resources legally restricted to supporting expenditures for the acquisition of equipment or construction of major capital facilities.

The city reports the following major enterprise fund:

- Sewer Utility - accounts for operations of the sanitary sewer system

The city reports the following non-major governmental funds:

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

- Park
- Revolving Loan Program
- Non Lapsing Appropriations
- Frank L. Weyenberg Library

In addition, the city reports the following fund types:

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

- Tax Collection

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

Government-Wide Financial Statements

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

The business-type activities follow all pronouncements of the Governmental Accounting Standards Board, and have elected not to follow Financial Accounting Standards Board pronouncements 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 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.

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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

Fund Financial Statements (cont.)

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

The enterprise fund follows all pronouncements of the Governmental Accounting Standards Board, and has elected not to follow Financial Accounting Standards Board pronouncements 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 sewer utility 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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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, or by the University of Wisconsin Hospitals and Clinics Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

1. Deposits and Investments (cont.)

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, 2008, 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.

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 - 2008 tax roll:

Lien date and levy date	December 2008
Tax bills mailed	December 2008
Payment in full, or	January 31, 2009
First installment due	January 31, 2009
Second installment due	July 31, 2009
Personal property taxes in full	January 31, 2009
Tax sale - 2008 delinquent real estate taxes	October 2011

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 utility 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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

2. Receivables (cont.)

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 city does not have any outstanding economic development loans at year end.

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 designated fund balance in the fund financial statements.

3. Prepaid Items

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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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.)

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 of depreciation. The range of estimated useful lives by type of asset is as follows:

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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

7. Compensated Absences (cont.)

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 \$13,898. The number of participants currently eligible to receive benefits is 23. The total amount outstanding at year end to be paid in the future is \$302,469 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, 2008, are determined on the basis of current salary rates and include salary related payments.

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 and 2003 series outstanding could not be determined; however, their original issue amounts totaled \$17,200,000.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

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

9. Claims and Judgments

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

10. Equity Classifications

Government-Wide Statements

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

- a. Invested in capital assets, net of related debt - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (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."

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. Fund balance is further classified as reserved and unreserved. Reserved fund balance is that portion of fund balance that is not available for the subsequent year's budget due to legal restrictions or resources which are not available for current spending. Unreserved fund balance includes funds set aside by management for specific uses, which are labeled "designated". The balance of unreserved fund balance is labeled "undesignated", which indicates it is available for appropriation. Proprietary fund equity is classified the same as in the government-wide statements.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

<u>Fund</u>	<u>Budgeted Expenditures</u>	<u>Actual Expenditures</u>	<u>Excess Expenditures Over Budget</u>
General fund	\$ 15,555,039	\$ 15,581,533	\$ 26,494
Frank L. Weyenberg Library Fund	1,058,474	1,090,084	31,610

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

C. LIMITATIONS ON THE CITY'S TAX LEVY

As part of Wisconsin's Act 20 (2007), 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 3.86% for the 2007 levy collected in 2008 and 2% for the 2008 levy collected in 2009. Changes in debt service from one year to the next are generally exempt from this limit. The levy limit is set to expire after the 2008 levy.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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	\$ 38,456,016	\$ 38,418,998	Custodial credit risk
US agencies	6,237,289	6,237,289	Custodial credit, credit and interest rate risk
US treasuries	2,852,189	2,852,189	Custodial credit and interest rate risk
LGIP	228,983	228,983	Credit and interest rate risk
Petty cash	1,400	-	
Total Deposits and Investments	\$ 47,775,877	\$ 47,737,459	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$ 9,594,329		
Restricted cash and investments	115,255		
Per statement of net assets- fiduciary funds			
Agency	38,066,293		
Total Deposits and Investments	\$ 47,775,877		

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

Investments in the LGIP are covered under a surety bond issued by Financial Security Assurance, Inc. The bond insures against losses arising from principal defaults on substantially all types of securities acquired by the pool except U.S. Government and agency securities. The bond provides unlimited coverage on principal losses, reduced by any FDIC and State of Wisconsin Guarantee Fund insurance. This coverage expired on February 15, 2009.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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, 2008, \$37,918,998 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	326,785
Uninsured and collateral held by the pledging financial institution		<u>37,592,213</u>
 Total	 \$	 <u><u>37,918,998</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, 2008, 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>6,237,289</u>
<u>US treasuries</u>		
Neither insured nor registered and held by counterparty	\$	<u>2,852,189</u>

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, 2008, the city's investments were rated as follows:

Investment Type	Standard & Poors	Moody's Investors Services
US agencies	AAA	AAA, Aaa

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

A. DEPOSITS AND INVESTMENTS (cont.)

Credit Risk (cont.)

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

LGIP

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, 2008, the city's investments were as follows:

Investment Type	Fair Value	Maturity (In Years)			
		Less than 1 year	1 year - 3 years	3 years - 9 years	9+ years
US agencies	\$ 6,237,289	\$ 1,928,967	\$ 3,328,180	\$ 895,204	\$ 84,938
US treasuries	2,852,189	274,699	2,106,968	470,522	-
Commercial paper	228,983	228,983	-	-	-
Totals	\$ 9,318,461	\$ 2,432,649	\$ 5,435,148	\$ 1,365,726	\$ 84,938

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 \$21,888 of delinquent personal property taxes and \$60,810 of special assessments reported in the general fund and \$23,347 of special assessments reported in the sewer utility.

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	\$ 15,347	\$ 12,836,542	\$ 12,851,889
Special assessments not yet due	60,810	-	60,810
Total Deferred/Unearned Revenue for Governmental Funds	\$ 76,157	\$ 12,836,542	\$ 12,912,699

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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	\$ 7,171,321
Special assessments	<u>24,836</u>
Total Unearned Revenue for Proprietary Funds	<u>\$ 7,196,157</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, 2008, the city has not exceeded the maximum amount that it may retain. However, it has recognized a liability for the estimated amount that will exceed the maximum amount it may retain.

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Equipment Replacement Account

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

Following is a list of restricted assets at December 31, 2008:

	<u>Restricted Assets</u>
Equipment replacement account	\$ <u>115,255</u>
Total Restricted Assets	<u>\$ 115,255</u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 6,459,680	\$ -	\$ -	\$ 6,459,680
Construction in progress	-	1,136,445	-	1,136,445
Total Capital Assets Not Being Depreciated	6,459,680	1,136,445	-	7,596,125
Capital assets being depreciated				
Buildings	14,482,909	118,744	-	14,601,653
Roads	36,551,823	3,115,521	194,457	39,472,887
Bridges	2,578,031	-	-	2,578,031
Library Collection	3,520,265	60,633	86,009	3,494,889
Equipment, Vehicles, and Miscellaneous	6,119,047	424,828	212,175	6,331,700
Total Capital Assets Being Depreciated	63,252,075	3,719,726	492,641	66,479,160
Total Capital Assets	69,711,755	4,856,171	492,641	74,075,285
Less: Accumulated depreciation for				
Buildings	(7,108,371)	(253,796)	-	(7,362,167)
Roads	(20,877,916)	(1,975,772)	184,734	(22,668,954)
Bridges	(565,320)	(52,839)	-	(618,159)
Library Collection	(3,253,104)	(67,620)	86,009	(3,234,715)
Equipment, Vehicles, and Miscellaneous	(4,235,760)	(564,212)	212,178	(4,587,794)
Total Accumulated Depreciation	(36,040,471)	(2,914,239)	482,921	(38,471,789)
Net Capital Assets Being Depreciated	27,211,604	805,487	9,720	28,007,371
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 33,671,284	\$ 1,941,932	\$ 9,720	\$ 35,603,496

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 70,707
Public safety	423,868
Public works	2,277,120
Community enrichment services	<u>142,544</u>
Total Governmental Activities Depreciation Expense	<u>\$ 2,914,239</u>

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
Business-type Activities				
Capital assets not being depreciated				
Construction in progress	\$ 516,322	\$ -	\$ 516,322	\$ -
Total Capital Assets Not Being Depreciated	<u>516,322</u>	<u>-</u>	<u>516,322</u>	<u>-</u>
Capital assets being depreciated				
Structure improvements	3,550,731	236,113	-	3,786,844
Sewer collection system	32,880,519	928,162	-	33,808,681
Machinery and equipment	<u>3,497,290</u>	<u>74,717</u>	<u>-</u>	<u>3,572,007</u>
Total Capital Assets Being Depreciated	<u>39,928,540</u>	<u>1,238,992</u>	<u>-</u>	<u>41,167,532</u>
Total Capital Assets	<u>40,444,862</u>	<u>1,238,992</u>	<u>516,322</u>	<u>41,167,532</u>
Less: Accumulated depreciation for				
Structure improvements	(469,781)	(75,757)	-	(545,538)
Sewer collection system	(11,239,372)	(489,130)	-	(11,728,502)
Machinery and equipment	<u>(2,316,617)</u>	<u>(147,110)</u>	<u>-</u>	<u>(2,463,727)</u>
Total Accumulated Depreciation	<u>(14,025,770)</u>	<u>(711,997)</u>	<u>-</u>	<u>(14,737,767)</u>
Net Capital Assets Being Depreciated	<u>25,902,770</u>	<u>526,995</u>	<u>-</u>	<u>26,429,765</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 26,419,092</u>	<u>\$ 526,995</u>	<u>\$ 516,322</u>	<u>\$ 26,429,765</u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

D. CAPITAL ASSETS (cont.)

Business-type Activities

Depreciation expense was charged to functions as follows:

Business-type Activities

Sewer	\$ 711,997
 Total Business-type Activities Depreciation Expense	 <u>\$ 711,997</u>

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General fund	Capital projects fund	\$ 92,602	Budget appropriation for specific projects
General fund	Non lapsing appropriations special revenue	65,108	Budget appropriation for specific projects
Frank L. Weyenberg Library special revenue fund	General fund	880,650	Budget appropriation for specific projects
Capital projects fund	General fund	926,153	Designation of funds for capital projects
Debt service fund	Non lapsing appropriations special revenue	<u>13,822</u>	Library impact fees for debt service
 Total - Fund Financial Statements		 <u>1,978,335</u>	
 Less: Fund eliminations		 <u>(1,978,335)</u>	
 Total Transfers - Government-Wide Statement of Activities		 <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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2008, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 8,181,374	\$ 2,400,000	\$ 851,964	\$ 9,729,410	\$ 973,398
Other Liabilities					
Unfunded retirement liability	1,364,066	100,311	78,031	1,386,346	78,000
Compensated absences	602,798	82,716	-	685,514	-
Total Other Liabilities	1,966,864	183,027	78,031	2,071,860	78,000
Total Governmental Activities Long-Term Liabilities	\$ 10,148,238	\$ 2,583,027	\$ 929,995	\$ 11,801,270	\$ 1,051,398
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 16,965,000	\$ -	\$ 1,820,000	\$ 15,145,000	\$ 1,800,000
Add/(Subtract) Deferred Amounts For (Discounts)/Premiums	586,707	-	55,021	531,686	-
Sub-totals	17,551,707	-	1,875,021	15,676,686	1,800,000
Total Business-type Activities Long-Term Liabilities	\$ 17,551,707	\$ -	\$ 1,875,021	\$ 15,676,686	\$ 1,800,000

In accordance with Wisconsin Statutes, total general obligation indebtedness of the city may not exceed five percent of the equalized value of taxable property within the city's jurisdiction. The debt limit as of December 31, 2008, was \$225,020,135. Total general obligation debt outstanding at year end was \$24,874,410.

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 12/31/08
Open Space Preservation 2002	3/12/02	10/1/11	3.0-4.3%	\$ 2,040,000	\$ 755,000
Refunding & New Projects 2002	7/9/02	10/1/11	2.0-4.0	2,030,000	520,000
Tax incremental Improvements Bonds 2003	3/11/03	10/1/18	2.3-3.75	3,925,000	3,855,000
Ozaukee Bank - Mulaney	7/5/03	7/5/18	5.35	78,759	58,633

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/08</u>
Governmental Activities					
General Obligation Debt					
(cont.)					
G.O. Promissory Notes 2005	6/18/05	10/1/14	3.25-3.875	1,645,000	1,295,000
Library Refunding Issue 2006	1/15/06	10/1/11	3.3-3.7	1,395,000	770,000
Ozaukee Bank - Stelter	11/12/06	6/12/21	7.50	82,942	75,777
G.O. Permissory Notes 2008	12/9/08	12/1/18	3.0-4.1	2,400,000	<u>2,400,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 9,729,410</u>
Business-type Activities General					
Obligation Debt					
2005 General Obligation					
Refunding Bonds	6/1/05	9/1/17	3.5-5.0	\$ 16,965,000	<u>\$ 15,145,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 15,145,000</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>
2009	\$ 973,398	\$ 348,821	\$ 1,800,000	\$ 682,700
2010	1,103,947	316,419	1,780,000	615,200
2011	1,259,532	276,696	1,735,000	544,000
2012	1,685,150	230,978	1,690,000	474,600
2013	855,823	172,928	1,630,000	407,000
2014-2018	3,828,777	445,707	6,510,000	814,750
2019-2021	<u>22,783</u>	<u>2,446</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 9,729,410</u>	<u>\$ 1,793,995</u>	<u>\$ 15,145,000</u>	<u>\$ 3,538,250</u>

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
December 31, 2008

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.

G. NET ASSETS/FUND BALANCES

Net assets reported on the government wide statement of net assets at December 31, 2008, includes the following:

Governmental Activities

Invested in Capital Assets, Net of Related Debt	
Land	\$ 6,459,680
Construction in progress	1,136,445
Other capital assets, net of accumulated depreciation	28,007,371
Less: Long-term debt outstanding	(9,729,410)
Plus: Unspent capital related debt proceeds	<u>1,388,875</u>
Total Invested in Capital Assets, Net of Related Debt	<u><u>27,262,961</u></u>

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2008, include the following:

Reserved	
Major Funds	
General Fund	
Delinquent personal property taxes	\$ 21,888
Cemetery Reserve	<u>18,416</u>
Total	<u><u>\$ 40,304</u></u>
Debt Service Funds	
Reserved for debt service	<u><u>\$ 546,634</u></u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
December 31, 2008

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

G. NET ASSETS/FUND BALANCES (cont.)

Governmental Funds (cont.)

Reserved (cont.)

Non-Major Funds

Special Revenue Funds

Park fund	\$ 320,301
Library fund	155,355
Revolving loan program fund	<u>661,350</u>
Sub-Total	<u>1,137,006</u>

Total Non-Major Funds \$ 1,137,006

Unreserved (designated)

Major Funds

General Fund

Designated for cemetery	<u>\$ 1,409</u>
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Non-Major Funds

Special Revenue Fund

Non-lapsing appropriations special revenue fund	<u>\$ 1,017,682</u>
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Total \$ 1,017,682

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS

December 31, 2008

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

G. NET ASSETS/FUND BALANCES (cont.)

Governmental Funds (cont.)

Unreserved (undesignated)

Major Funds	
General fund	\$ 675,552
Capital projects fund	<u>3,637,816</u>
Total	<u>\$ 4,313,368</u>

Business-type Activities

Invested in capital assets, net of related debt	
Other capital assets, net of accumulated depreciation	\$ <u>26,429,765</u>
Restricted	
Equipment replacement	<u>115,255</u>
Unrestricted (deficit)	<u>(12,986,854)</u>
Total Business-type Activities Net Assets	<u>\$ 13,558,166</u>

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 are eligible to participate in the System. Covered employees in the General category are required by statute to contribute 6.0% of their salary (3.0% for Executives and Elected Officials, 5.1% for Protective Occupations with Social Security, and 3.4% for Protective Occupations without Social Security) to the plan. Employers generally make these contributions to the plan on behalf of employees. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for city employees covered by the system for the year ended December 31, 2008, was \$7,869,029; the employer's total payroll was \$8,293,363. The total required contribution for the year ended December 31, 2008, was \$1,154,941 or 14.7 percent of covered payroll. Of this amount, 100 percent was contributed by the employer for the current year. Total contributions for the years ending December 31, 2007, and 2006 were \$1,147,067 and \$1,078,232, respectively, equal to the required contributions for each year.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

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, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 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, 2008, was \$1,386,346. 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.

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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2008

NOTE IV - OTHER INFORMATION (cont.)

D. SUBSEQUENT EVENTS

The City is in the process of acquiring the assets of a water utility operated by WE Energies located within the city. The purchase is estimated to cost \$14.8 million. The City plans to issue approximately \$17 million of general obligation debt to finance the purchase of these assets and various start up costs.

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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 51, *Accounting and Financial Reporting for Intangible Assets* and Statement No. 53, *Accounting and Financial Reporting for Derivative Instruments*. Application of these standards may restate portions of these financial statements.

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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, 2008

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes	\$ 11,629,876	\$ 11,629,876	\$ 11,634,324	\$ 4,448
Intergovernmental	1,717,997	1,717,997	1,730,268	12,271
Licenses and permits	1,195,625	1,195,625	1,177,444	(18,181)
Public charges for services	1,004,310	1,004,310	1,539,650	535,340
Investment income	574,300	574,300	423,235	(151,065)
Miscellaneous	23,000	23,000	46,813	23,813
Total Revenues	<u>16,145,108</u>	<u>16,145,108</u>	<u>16,551,734</u>	<u>406,626</u>
EXPENDITURES				
Current:				
General government	2,779,304	2,745,264	2,728,441	16,823
Public safety	6,741,991	6,757,087	6,459,641	297,446
Public works	4,878,534	4,887,908	5,273,238	(385,330)
Health and human services	29,622	29,622	32,859	(3,237)
Community enrichment services	709,724	712,386	671,043	41,343
Conservation and development	415,864	422,772	416,311	6,461
Total Expenditures	<u>15,555,039</u>	<u>15,555,039</u>	<u>15,581,533</u>	<u>(26,494)</u>
Excess of revenues over expenditures	<u>590,069</u>	<u>590,069</u>	<u>970,201</u>	<u>380,132</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	157,646	157,646	157,710	64
Transfers out	(880,650)	(880,650)	(1,806,803)	(926,153)
Total Other Financing Sources (Uses)	<u>(723,004)</u>	<u>(723,004)</u>	<u>(1,649,093)</u>	<u>(926,089)</u>
Net Change in Fund Balance	(132,935)	(132,935)	(678,892)	(545,957)
FUND BALANCE - Beginning of Year	<u>1,396,137</u>	<u>1,396,137</u>	<u>1,396,137</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 1,263,202</u>	<u>\$ 1,263,202</u>	<u>\$ 717,245</u>	<u>\$ (545,957)</u>

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

CITY OF MEQUON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION December 31, 2008

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.

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SUPPLEMENTARY INFORMATION

CITY OF MEQUON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
December 31, 2008

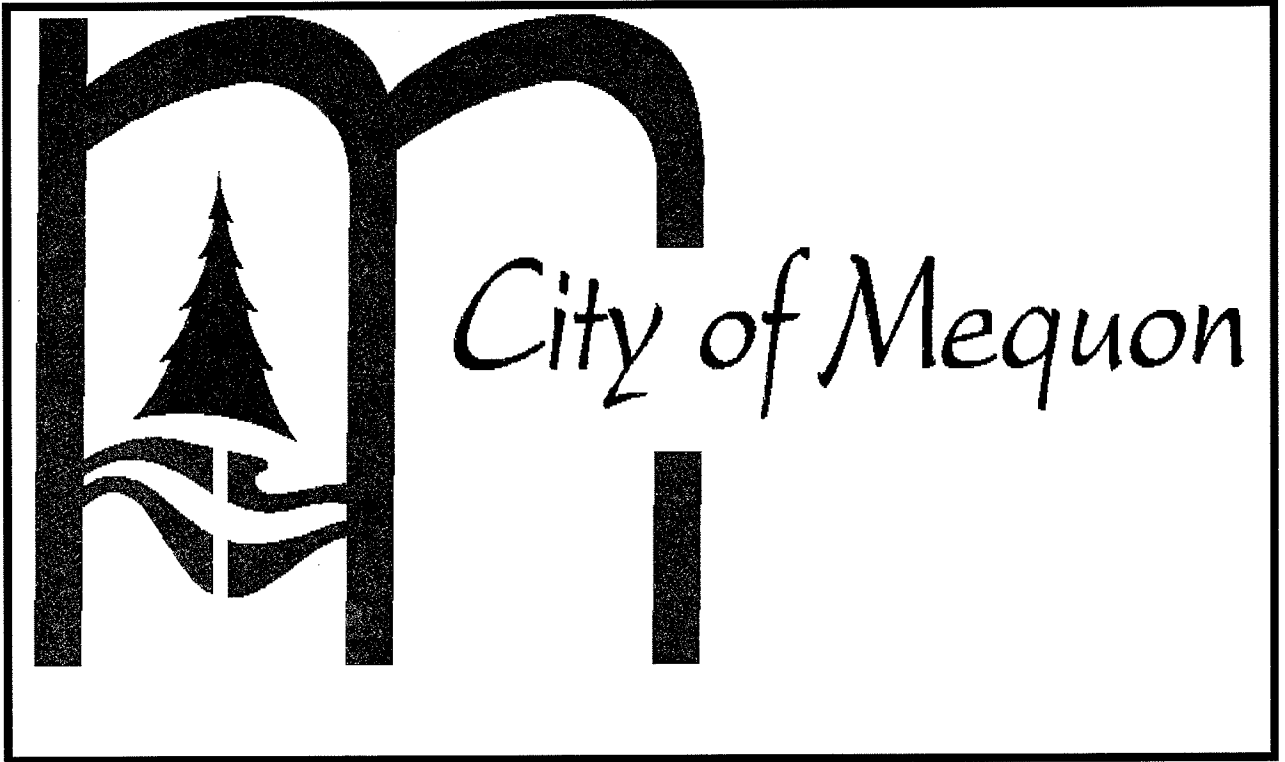
	Special Revenue Funds				Total Nonmajor Governmental Funds
	Park Fund	Revolving Loan Program Fund	Non Lapsing Appropriations Fund	Frank L. Weyenberg Library Fund	
ASSETS					
Cash and investments	\$ 320,300	\$ 661,350	\$ 867,564	\$ 181,595	\$ 2,030,809
Receivables					
Accrued interest	-	-	16,215	445	16,660
Due from other governments	-	-	150,421	-	150,421
TOTAL ASSETS	<u>\$ 320,300</u>	<u>\$ 661,350</u>	<u>\$ 1,034,200</u>	<u>\$ 182,040</u>	<u>\$ 2,197,890</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 3,737	\$ 12,692	\$ 16,429
Accrued liabilities	-	-	12,780	13,993	26,773
Total Liabilities	-	-	16,517	26,685	43,202
Fund Balances					
Reserved for					
Park	320,301	-	-	-	320,301
Revolving loan program	-	661,350	-	-	661,350
Library	-	-	-	155,355	155,355
Unreserved, designated for					
Special revenue funds non-lapsing appropriations	-	-	1,017,682	-	1,017,682
Total Fund Balances	<u>320,301</u>	<u>661,350</u>	<u>1,017,682</u>	<u>155,355</u>	<u>2,154,688</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 320,301</u>	<u>\$ 661,350</u>	<u>\$ 1,034,199</u>	<u>\$ 182,040</u>	<u>\$ 2,197,890</u>

CITY OF MEQUON

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2008

	Special Revenue Funds			Frank L. Weyenberg Library Fund	Total Nonmajor Governmental Funds
	Park Fund	Revolving Loan Program Fund	Non Lapsing Appropriations Fund		
REVENUES					
Intergovernmental	\$ -	\$ -	\$ 25,194	\$ -	\$ 25,194
Public charges for services	-	-	38,286	61,863	100,149
Intergovernmental charges for services	-	-	-	106,928	106,928
Investment income	7,686	15,868	79,023	6,671	109,248
Miscellaneous	<u>27,000</u>	<u>-</u>	<u>76,941</u>	<u>9,143</u>	<u>113,084</u>
Total Revenues	<u>34,686</u>	<u>15,868</u>	<u>219,444</u>	<u>184,605</u>	<u>454,603</u>
EXPENDITURES					
Current					
Public safety	-	-	61,556	-	61,556
Public works	-	-	56,537	-	56,537
Health and human services	-	-	38,000	-	38,000
Community enrichment services	-	-	15,408	1,090,084	1,105,492
Conservation and development	2,952	-	-	-	2,952
Capital Outlay	-	-	39,240	-	39,240
Debt Service					
Principal	-	-	6,964	-	6,964
Interest and fiscal charges	-	-	10,745	-	10,745
Total Expenditures	<u>2,952</u>	<u>-</u>	<u>228,450</u>	<u>1,090,084</u>	<u>1,321,486</u>
Excess (deficiency) of revenues over expenditures	<u>31,734</u>	<u>15,868</u>	<u>(9,006)</u>	<u>(905,479)</u>	<u>(866,883)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	-	880,650	880,650
Transfers out	-	-	(78,930)	-	(78,930)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>(78,930)</u>	<u>880,650</u>	<u>801,720</u>
Net Change in Fund Balances	31,734	15,868	(87,936)	(24,829)	(65,163)
FUND BALANCES - Beginning of Year	<u>288,567</u>	<u>645,482</u>	<u>1,105,618</u>	<u>180,184</u>	<u>2,219,851</u>
FUND BALANCES - END OF YEAR	<u>\$320,301</u>	<u>\$661,350</u>	<u>\$ 1,017,682</u>	<u>\$ 155,355</u>	<u>\$ 2,154,688</u>

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STATISTICAL SECTION

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.

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

	2003	2004	2005	2006	2007	2008
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
Restricted	902,038	790,646	783,620	939,229	1,044,875	1,136,688
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>
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>
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
Restricted	188,589	176,672	300,294	199,449	119,214	115,255
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>
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>
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
Restricted	1,090,627	967,318	1,083,914	1,138,678	1,164,089	1,251,943
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>
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>

(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.

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

Expenses	2003	2004	2005	2006	2007	2008
Governmental Activities:						
General Government	\$ 2,647,853	\$ 2,961,674	\$ 2,531,578	\$ 2,371,545	\$ 2,935,063	\$ 2,800,453
Public Safety	5,328,554	5,495,463	5,706,356	6,344,911	6,712,991	6,906,734
Public Works	7,304,719	5,491,973	5,581,372	5,934,382	5,841,355	6,990,267
Health & Human Services	-	-	24,924	27,040	69,080	70,859
Community Enrichment	1,780,985	1,268,776	1,103,123	1,715,473	1,729,884	1,846,261
Conservation & development	882,130	1,324,091	1,074,075	578,174	782,014	451,213
Interest & Fiscal Charges	382,908	364,608	393,407	467,978	420,005	413,812
Total government activities expense	<u>18,327,149</u>	<u>16,906,585</u>	<u>16,414,835</u>	<u>17,439,503</u>	<u>18,490,392</u>	<u>19,479,599</u>
Business-type Activities:						
Water Utility	3,763	-	-	-	-	-
Sewer Utility	<u>5,757,945</u>	<u>6,335,818</u>	<u>8,745,619</u>	<u>9,131,324</u>	<u>8,267,629</u>	<u>8,310,045</u>
Total business-type activities expense	<u>5,761,708</u>	<u>6,335,818</u>	<u>8,745,619</u>	<u>9,131,324</u>	<u>8,267,629</u>	<u>8,310,045</u>
Total Primary Government Expense	<u>\$ 24,088,857</u>	<u>\$ 23,242,403</u>	<u>\$ 25,160,454</u>	<u>\$ 26,570,827</u>	<u>\$ 26,758,021</u>	<u>\$ 27,789,644</u>
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
Operating Grants and Contributions	2,037,135	1,298,634	1,264,517	1,475,873	1,322,915	1,390,950
Capital Grants and Contributions	<u>1,123,047</u>	<u>1,848,972</u>	<u>1,779,050</u>	<u>2,437,878</u>	<u>391,706</u>	<u>201,967</u>
Total governmental activities program revenues	<u>4,876,326</u>	<u>5,157,513</u>	<u>5,142,196</u>	<u>6,064,353</u>	<u>3,769,212</u>	<u>4,400,558</u>
Business-type activities:						
Charges for Services	1,933,145	1,936,823	2,162,963	2,167,798	2,306,485	2,537,641
Capital Grants and Contributions	<u>549,966</u>	<u>38,841</u>	<u>712,291</u>	<u>253,060</u>	<u>224,846</u>	<u>342,099</u>
Total business-type activities program revenues	<u>2,483,111</u>	<u>1,975,664</u>	<u>2,875,254</u>	<u>2,420,858</u>	<u>2,531,331</u>	<u>2,879,740</u>
Total Primary Government Program Revenues	<u>\$ 7,359,437</u>	<u>\$ 7,133,177</u>	<u>\$ 8,017,450</u>	<u>\$ 8,485,211</u>	<u>\$ 6,300,543</u>	<u>\$ 7,280,298</u>
Net (Expense)/Revenue						
Governmental Activities	(13,450,823)	(11,749,072)	(11,272,639)	(11,375,150)	(14,721,180)	(15,079,041)
Business-type Activities	<u>(3,278,597)</u>	<u>(4,360,154)</u>	<u>(5,870,365)</u>	<u>(6,710,466)</u>	<u>(5,736,298)</u>	<u>(5,430,305)</u>
Total Primary Government Net Expense	<u>\$ (16,729,420)</u>	<u>\$ (16,109,226)</u>	<u>\$ (17,143,004)</u>	<u>\$ (18,085,616)</u>	<u>\$ (20,457,478)</u>	<u>\$ (20,509,346)</u>

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
Intergov't'l revenues not restr to spec programs	694,101	491,975	499,970	498,368	491,521	564,524
Investment Income	169,825	89,782	322,162	734,174	951,509	672,135
Miscellaneous	617,796	182,154	240,426	263,644	249,947	394,909
Gain on sale/disposal of capital assets	-	-	39,425	21,823	50,357	14,623
Transfers	-	(4,551)	-	-	-	-
Total Governmental Activities	12,532,749	12,250,558	13,072,343	13,793,742	14,218,836	14,428,126
Business-type Activities:						
Property Taxes	3,669,133	4,285,524	6,325,088	7,720,789	6,197,955	7,097,470
Investment Income	86,919	52,000	442,473	842,084	652,407	211,832
Miscellaneous	15,239	7,891	13,042	5,042	3,075	27,787
Transfers	-	4,551	-	-	-	-
Total Business-type Activities	3,771,291	4,349,966	6,780,603	8,567,915	6,853,437	7,337,089
Total Primary Government	\$ 16,304,040	\$ 16,600,524	\$ 19,852,946	\$ 22,361,657	\$ 21,072,273	\$ 21,765,215
Change in Net Assets						
Governmental Activities	(918,074)	501,486	1,799,704	2,418,592	(502,344)	(650,915)
Business-type Activities	492,694	(10,188)	910,238	1,857,449	1,117,139	1,906,784
Total Primary Government	\$ (425,380)	\$ 491,298	\$ 2,709,942	\$ 4,276,041	\$ 614,795	\$ 1,255,869

(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.

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
General Fund										
Reserved	\$ 605,339	\$ 399,584	\$ 45,734	\$ 54,913	\$ 62,805	\$ 50,217	\$ 49,048	\$ 112,036	\$ 47,464	\$ 40,304
Unreserved	<u>1,846,711</u>	<u>2,259,736</u>	<u>2,052,526</u>	<u>1,636,979</u>	<u>1,513,374</u>	<u>1,536,585</u>	<u>1,689,413</u>	<u>2,059,663</u>	<u>1,348,673</u>	<u>676,941</u>
Total General Fund	<u>2,452,050</u>	<u>2,659,320</u>	<u>2,098,260</u>	<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>
All Other Governmental Funds										
Reserved	1,016,110	1,037,429	1,307,412	1,468,897	1,662,112	1,568,086	1,146,685	1,370,268	1,603,822	1,683,640
Unreserved, reported in:										
Special Revenue Funds	-	-	71,863	61,862	(390)	(3,519)	1,059,482	1,123,316	1,105,618	1,017,682
Capital Projects Funds	<u>4,525,173</u>	<u>1,974,370</u>	<u>2,266,332</u>	<u>2,365,508</u>	<u>2,743,418</u>	<u>2,422,942</u>	<u>4,230,240</u>	<u>3,536,770</u>	<u>3,862,819</u>	<u>3,637,816</u>
Total All Other Governmental Funds	<u>5,541,283</u>	<u>3,011,799</u>	<u>3,645,607</u>	<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>
Total Fund Balances	<u>\$ 7,993,333</u>	<u>\$ 5,671,119</u>	<u>\$ 5,743,867</u>	<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>

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Revenues										
Taxes	\$ 10,679,242	\$ 11,194,446	\$ 10,320,370	\$ 10,378,009	\$ 11,051,026	\$ 11,491,198	\$ 11,970,360	\$ 12,275,733	\$ 12,475,502	\$ 12,781,935
Intergovernmental Revenues	1,729,031	1,956,748	2,713,954	3,488,835	2,731,237	1,975,663	1,971,573	2,336,159	1,710,032	1,778,612
Licenses & Permits	857,582	842,387	1,057,465	939,880	1,155,894	1,244,284	1,188,351	1,203,755	1,113,504	1,177,444
Public Charges for Services	530,677	688,094	568,443	592,185	694,775	875,964	926,186	978,734	1,025,262	1,863,998
Intergovernmental Charges for services	-	-	-	-	-	-	-	101,017	104,404	106,928
Investment Income	679,085	907,774	852,450	517,163	169,825	89,782	322,162	735,420	950,518	741,986
Other Revenues	136,503	372,702	430,230	330,164	617,796	476,669	955,777	449,649	380,545	209,300
Total Revenues	14,612,120	15,962,151	15,942,912	16,246,236	16,420,553	16,153,560	17,334,409	18,080,467	17,759,767	18,660,203
Expenditures										
Current										
General Government	1,487,720	2,287,801	2,365,605	2,473,709	2,579,842	2,562,126	2,492,204	2,367,786	2,877,301	2,728,441
Public Safety	3,756,042	3,502,445	3,679,440	4,734,563	4,831,245	5,156,645	5,350,414	5,997,403	6,350,569	6,521,197
Public Works	4,256,703	3,171,827	3,522,679	4,248,399	4,080,782	3,886,527	4,492,379	4,600,183	4,598,917	5,329,775
Health and Human sanitation	-	-	-	-	-	-	24,924	27,040	69,080	70,859
Liesure Activities	840,259	1,244,810	809,478	852,355	144,298	90,395	98,164	-	-	-
Community Enrichment	-	-	-	-	-	-	-	1,603,463	1,661,876	1,776,535
Conservation and development	460,264	505,240	1,213,069	3,447,285	1,265,883	964,906	1,013,414	453,315	423,079	419,263
Fringe Benefits	-	1,453,794	1,697,141	-	-	-	-	-	-	-
Library	-	747,886	995,188	913,169	993,513	1,001,444	905,273	-	-	-
Capital Outlay	1,778,207	1,767,417	1,129,456	2,461,839	4,972,238	1,570,367	880,763	1,886,940	923,356	3,981,521
Debt Service										
Principal	1,140,000	1,185,000	450,000	540,000	855,000	1,059,245	795,663	835,850	811,808	851,964
Interest and fiscal charges	451,507	397,993	200,898	192,860	326,555	374,084	365,079	401,859	327,795	315,929
Total Expenditures	14,170,702	16,264,213	16,062,954	19,864,179	20,049,356	16,665,739	16,418,277	18,173,839	18,043,781	21,995,484

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

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Excess of Revenues Over/(Under) Expenditures	<u>441,418</u>	<u>(302,062)</u>	<u>(120,042)</u>	<u>(3,617,943)</u>	<u>(3,628,803)</u>	<u>(512,179)</u>	<u>916,132</u>	<u>(93,372)</u>	<u>(284,014)</u>	<u>(3,335,281)</u>
Other Financing Sources/(Uses)										
Transfers In	935,163	2,740,930	1,429,480	1,596,968	1,871,952	1,514,436	1,599,980	1,931,994	1,907,915	1,978,335
Transfers Out	(935,163)	(2,848,172)	(1,429,480)	(1,596,968)	(1,871,952)	(1,518,987)	(1,599,980)	(1,931,994)	(1,907,915)	(1,978,335)
Debt										
General obligation debt issued	2,043,923	88,000	-	4,070,000	4,099,759	109,722	1,645,000	-	-	2,400,000
Refunding Debt issued	-	-	-	-	-	-	-	1,477,942	-	-
Refunded general Obligation Debt	(2,041,341)	(2,700,493)	-	(567,609)	(80,796)	-	-	(1,370,000)	-	-
Sale of Capital Assets	-	-	-	-	-	-	39,425	12,615	50,357	23,268
Total Other Financing Sources/(Uses)	<u>2,582</u>	<u>(2,719,735)</u>	<u>-</u>	<u>3,502,391</u>	<u>4,018,963</u>	<u>105,171</u>	<u>1,684,425</u>	<u>120,557</u>	<u>50,357</u>	<u>2,423,268</u>
Net Change in Fund Balances	<u>\$ 444,000</u>	<u>\$ (3,021,797)</u>	<u>\$ (120,042)</u>	<u>\$ (115,552)</u>	<u>\$ 390,160</u>	<u>\$ (407,008)</u>	<u>\$ 2,600,557</u>	<u>\$ 27,185</u>	<u>\$ (233,657)</u>	<u>\$ (912,013)</u>
Debt Service as a % of noncapital expenditures	12.84%	10.92%	4.36%	4.21%	7.84%	9.50%	7.47%	7.60%	6.66%	6.48%

Notes: In 2000 and 2001 fringe benefits were reported separately and are now included in the functional area totals. 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.

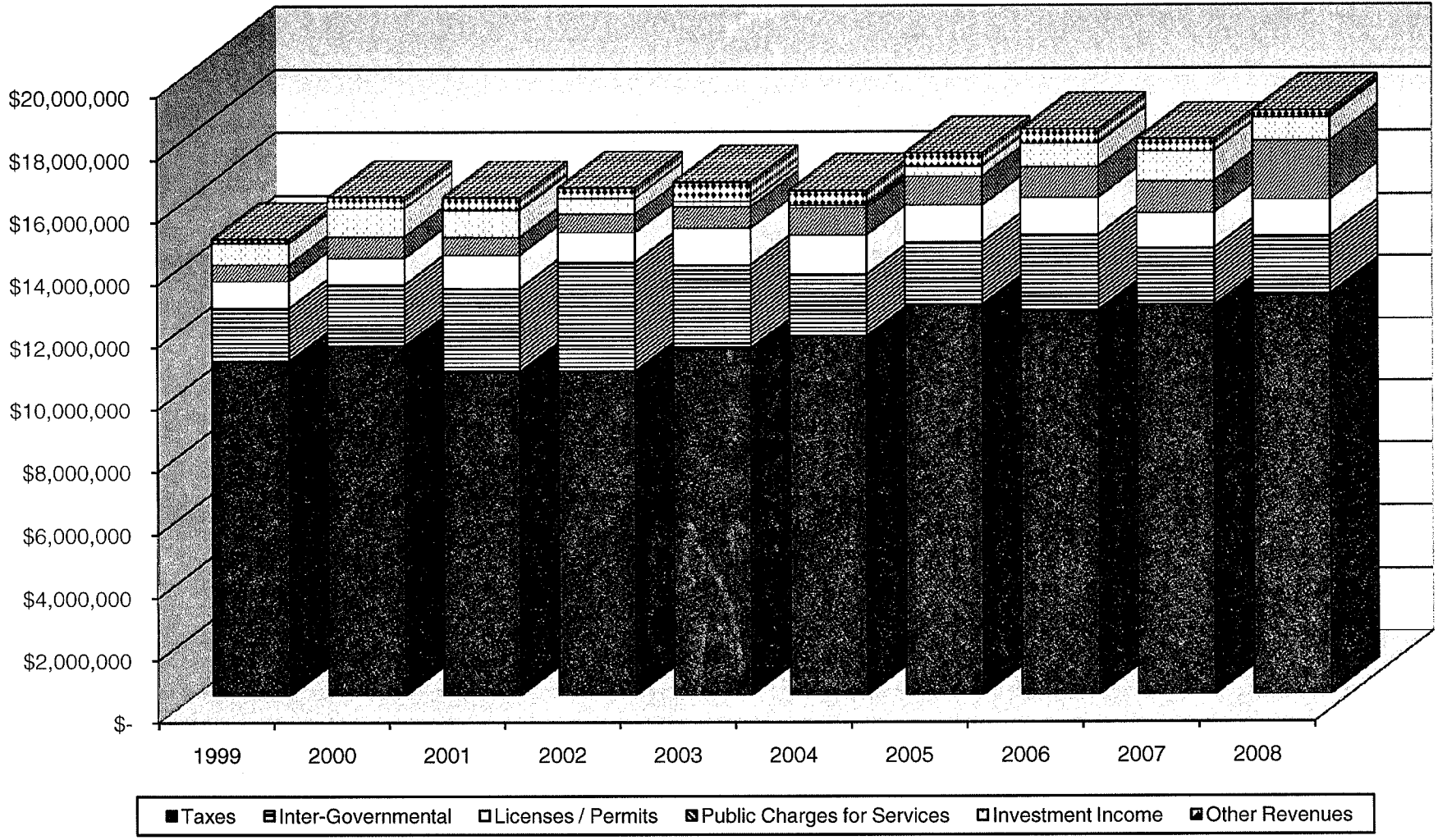
**CITY OF MEQUON, WISCONSIN
GENERAL GOVERNMENTAL REVENUES BY SOURCE
LAST TEN FISCAL YEARS**

Fiscal Year	Taxes		Inter-Governmental		Licenses and Permits		Public Charges for Services		Investment Income	Other Revenues	Total Revenues		
1999	\$ 10,679,242	73.1%	\$ 1,729,031	11.8%	\$ 857,582	5.9%	\$ 530,677	3.6%	\$ 679,085	4.6%	\$ 136,503	0.9%	\$ 14,612,120
2000	11,194,446	70.1%	1,956,748	12.3%	842,387	5.3%	688,094	4.3%	907,774	5.7%	372,702	2.3%	15,962,151
2001	10,320,370	64.7%	2,713,954	17.0%	1,057,465	6.6%	568,443	3.6%	852,450	5.3%	430,230	2.7%	15,942,912
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

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.

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

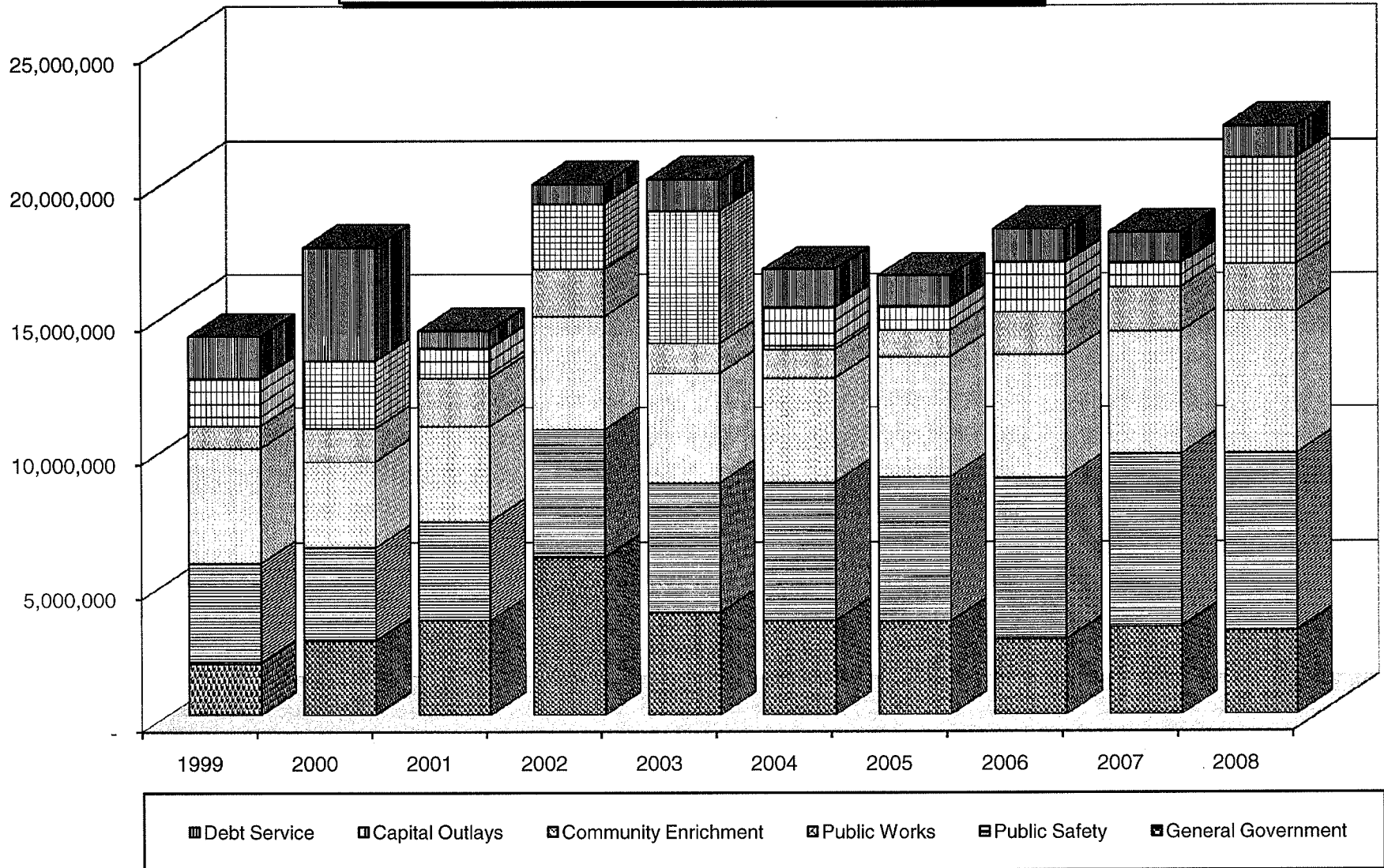
Fiscal Year	General Government		Public Safety		Public Works		Community Enrichment		Fringe Benefits		Capital Outlays		Debt Service		Total Expenditures
1999	\$ 1,947,984	13.7%	\$ 3,756,042	26.5%	\$ 4,256,703	30.0%	\$ 840,259	5.9%		0.0%	\$ 1,778,207	12.5%	\$ 1,591,507	11.2%	\$ 14,170,702
2000	2,793,041	14.7%	3,502,445	18.5%	3,171,827	16.7%	1,244,810	6.6%	1,453,794	7.7%	2,515,303	13.3%	4,283,486	22.6%	18,964,706
2001	3,578,674	22.3%	3,679,440	22.9%	3,522,679	21.9%	1,804,666	11.2%	1,697,141	10.6%	1,129,456	7.0%	650,898	4.1%	16,062,954
2002	5,920,994	29.8%	4,734,563	23.8%	4,248,399	21.4%	1,765,524	8.9%		0.0%	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%		0.0%	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%		0.0%	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%		0.0%	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%		0.0%	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%		0.0%	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%		0.0%	3,981,521	18.1%	1,167,893	5.3%	21,995,484

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

In 2000 and 2001 fringe benefits were reported separately and are now included in the functional area totals. 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.

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	
1998	1999	\$ 2,323,602,800	\$ 2,297,655,400	\$ 65,640,215	\$ 66,390,700	\$ 2,389,243,015	\$ 2,364,046,100	101.07%
1999	2000	2,375,435,460	2,465,785,200	59,492,430	61,227,300	2,434,927,890	2,527,012,500	96.36%
2000	2001	2,433,225,430	2,738,553,900	64,040,800	71,029,300	2,497,266,230	2,809,583,200	88.88%
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	2003	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	2004	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	2005	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	2006	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	2007	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	2008	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	2009	3,632,572,010	4,431,816,900	68,585,800	83,769,223	3,701,157,810	4,515,586,123	81.87%

Effective January 1, 1996, the equalized to assessed ratio developed by the Wisconsin Department of Revenue does not include agricultural land values.

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
1999	2000	\$ 0.2076	\$ 1.5505	\$ 3.9603	\$ 2.2677	\$ 12.1462	\$ 2.1180	\$ 22.2502	\$ 1.8628	\$ 20.3874	\$ 2,428,063,080
2000	2001	0.2250	2.1039	4.1282	1.6666	11.7102	2.2820	22.1159	1.8605	20.2555	2,490,013,630
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

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
0.968	1999	2000	\$ 0.2009	\$ 1.5008	\$ 3.8336	\$ 2.1952	\$ 11.7575	\$ 2.0502	\$ 21.5382	\$ 1.8032	\$ 19.7350	\$ 2,519,547,369
0.8888	2000	2001	0.2000	1.8700	3.6692	1.4812	10.4080	2.0283	19.6566	1.6536	18.0031	2,801,423,621
0.858	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
0.981	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
0.79637	2007	2008	0.1698	1.6133	2.7123	1.7871	8.1139	1.7732	16.1696	1.4049	14.7647	4,549,677,732
0.81875	2008	2009	0.1689	1.6235	2.7951	1.8294	8.4380	1.8272	16.6822	1.5563	15.1259	4,481,257,016

**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>Sewer Utility</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>
1999	2000	0.2076	1.5505	3.9603		13.1367	2.1180	20.9730	1.8628	19.1102	6,864,800
2000	2001	0.2250	2.1039	4.1282		11.9825	2.2820	20.7217	1.8605	18.8612	7,252,600
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

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>Sewer Utility</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>
0.968	1999	2000	0.2009	1.5008	3.8336		12.7163	2.0502	20.3019	1.8032	18.4987	7,465,131
0.8888	2000	2001	0.2000	1.8700	3.6692		10.6500	2.0283	18.4174	1.6536	16.7638	8,159,579
0.858	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
0.981	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
0.79637	2007	2008	0.1696	1.6133	2.7123		8.1139	1.7732	14.3823	1.4049	12.9774	19,532,968
0.81875	2008	2009	0.1689	1.6235	2.7951		9.2089	1.8272	15.6237	1.5563	14.0674	19,145,684

**CITY OF MEQUON, WISCONSIN
TEN LARGEST TAXPAYERS - 2008**

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Equalized Value</u>	<u>Net Taxes Paid</u>	<u>Percent of Total Taxes Levied</u>
Centro Bradley SPE 1LP	Shopping Center	\$43,048,830	\$ 590,800	0.90%
Mequon Trail Townhomes	Apartments	23,938,180	361,000	0.55%
CJF4 LLC	Manufacturing	20,094,957	304,000	0.46%
Mequon Joint Venture	Office Building	18,584,248	298,000	0.45%
Glen Oaks Office Park	Office Building	14,580,890	206,000	0.31%
Advanced Healthcare	Medical Clinic	12,975,963	193,500	0.29%
Centerpoint Property Trust	Manufacturing	12,953,612	193,500	0.29%
PJL Group	Retail Complex	9,862,098	146,000	0.22%
Lichter Marital Trust	Retail Grocer	9,304,307	121,000	0.18%
Schmidt Mequon LLC	Retail Complex	9,285,510	117,300	0.18%
	Total for Largest Taxpayers	<u>\$174,628,595</u>	<u>\$2,531,100</u>	<u>3.86%</u>

Source: City of Mequon Assessment and Tax Rolls

TEN LARGEST EMPLOYERS - 2008

<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
1999	2000	\$ 9,316,858	\$ 9,329,849	100.14%	\$ 43,741	\$ 9,373,590	100.61%
2000	2001	10,309,323	10,217,225	99.11%	76,044	10,293,269	99.84%
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	*	*	*	*	*

* Note : Data for the 2009 Collection Year is not yet available.

Table 12

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

REAL ESTATE	1999 R.E. ASSESSED VALUE	2000 R.E. ASSESSED VALUE	2001 R.E. ASSESSED VALUE	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
RESIDENTIAL										
LAND	\$ 687,923,500	\$ 697,254,100	\$ 713,002,700	\$ 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
IMP	1,335,820,500	1,382,074,800	1,432,787,000	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
TOTAL	2,023,744,000	2,079,328,900	2,145,789,700	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
COMMERCIAL										
LAND	81,818,200	81,620,800	80,893,400	100,240,300	104,162,400	108,695,200	108,083,800	107,943,400	111,959,900	114,323,700
IMP	176,231,300	185,256,200	193,061,400	272,086,200	275,430,300	290,386,600	292,741,600	300,162,000	311,522,700	319,911,000
TOTAL	258,049,500	266,877,000	273,954,800	372,326,500	379,592,700	399,081,800	400,825,400	408,105,400	423,482,600	434,234,700
MANUFACTURING										
LAND	9,393,300	9,947,100	11,255,000	14,881,400	14,050,900	14,172,300	14,847,200	15,484,100	13,775,600	13,816,400
IMP	55,726,800	57,824,900	61,545,000	80,757,200	70,543,600	64,969,800	57,849,100	54,946,200	51,482,700	52,654,800
TOTAL	65,120,100	67,772,000	72,800,000	95,638,600	84,594,500	79,142,100	72,696,300	70,430,300	65,258,300	66,471,200
AGRICULTURAL										
LAND/TOTAL	14,091,260	3,988,930	3,773,070	2,039,500	1,382,500	1,235,500	1,153,500	1,059,000	1,107,300	1,089,400
UNDEVELOPED										
LAND/TOTAL	1,093,900	979,500	920,100	2,794,900	2,823,400	2,141,800	2,103,200	2,037,000	1,970,400	1,961,000
AG FOREST										
LAND/TOTAL FOREST	0	0	0	0	0	0	929,100	884,100	1,010,100	1,005,900
OTHER										
LAND/TOTAL	575,600	539,800	498,200	1,400,800	1,324,800	1,377,200	20,000	20,000	244,400	244,400
LAND	3,624,200	3,648,000	3,696,800	8,167,800	7,678,000	7,755,600	7,174,900	6,894,000	6,696,400	6,617,400
IMP	9,136,900	10,091,300	10,195,200	12,933,200	12,610,700	12,732,200	12,370,100	11,776,700	11,848,500	11,568,900
TOTAL	12,761,100	13,739,300	13,892,000	21,101,000	20,288,700	20,487,800	19,545,000	18,670,700	18,544,900	18,186,300
TOTAL REAL ESTATE										
LAND	798,519,960	797,978,230	814,039,270	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
IMP	1,576,915,500	1,635,247,200	1,697,588,600	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
TOTAL	2,375,435,460	2,433,225,430	2,511,627,870	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
TOTAL PERSONALTY	59,492,420	64,040,800	55,749,640	65,559,660	61,012,490	56,158,740	56,028,120	52,989,510	49,002,630	68,573,110
TOTAL ASSESSED	2,434,927,880	2,497,266,230	2,567,377,510	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
ASSESSMENT RATIO	96.80%	88.88%	85.80%	103.41%	98.10%	91.78%	87.53%	84.95%	79.64%	81.87%

Effective January 1, 1996, the equalized to assessed ratio developed by the Wisconsin Department of Revenue does not include agricultural land values.

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	1999 R.E. EQUALIZED VALUE	2000 R.E. EQUALIZED VALUE	2001 R.E. EQUALIZED VALUE	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
RESIDENTIAL										
LAND	\$ 692,706,600	\$ 758,648,600	\$ 818,545,600	\$ 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
IMP	1,386,286,300	1,568,135,800	1,653,753,100	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
TOTAL	2,078,992,900	2,326,784,400	2,472,298,700	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
COMMERCIAL										
LAND	78,711,200	84,774,800	89,469,800	88,366,300	92,890,000	117,175,800	120,347,500	124,238,600	127,866,200	147,769,200
IMP	208,894,500	229,563,100	254,640,200	277,240,100	288,063,100	311,116,400	319,530,600	324,966,600	370,447,700	382,630,100
TOTAL	287,605,700	314,337,900	344,110,000	365,606,400	380,953,100	428,292,200	439,878,100	449,205,200	498,313,900	530,399,300
MANUFACTURING										
LAND	9,694,000	11,191,300	13,117,800	14,390,700	14,323,100	15,441,000	16,963,000	18,266,800	17,297,800	16,875,400
IMP	57,511,000	65,056,300	71,730,600	78,094,200	71,911,500	70,785,300	66,093,100	64,820,300	64,646,500	64,311,400
TOTAL	67,205,000	76,247,600	84,848,400	92,484,900	86,234,600	86,226,300	83,056,100	83,087,100	81,944,300	81,186,800
AGRICULTURAL										
LAND/TOTAL	16,522,100	3,437,300	3,891,100	1,963,800	1,392,000	1,353,200	1,337,300	1,299,800	1,385,700	1,306,800
UNDEVELOPED										
LAND/TOTAL	5,761,800	4,195,800	4,201,600	4,901,600	7,333,600	4,575,300	5,553,600	5,152,100	5,431,300	4,625,100
AG FOREST										
LAND/TOTAL FOREST	0	0	0	0	0	0	2,478,000	2,567,500	2,962,500	5,245,000
LAND/TOTAL OTHER	118,400	2,151,300	2,304,300	2,876,100	3,242,400	3,157,500	60,000	65,000	75,000	2,129,000
LAND	1,747,600	2,527,000	2,739,200	8,341,000	6,748,700	7,103,000	7,832,300	7,005,600	10,803,000	12,246,000
IMP	7,831,700	8,872,600	11,111,700	9,882,200	12,512,000	11,236,400	12,058,600	12,767,200	13,471,600	12,751,800
TOTAL	9,579,300	11,399,600	13,850,900	18,223,200	19,260,700	18,339,400	19,890,900	19,772,800	24,274,600	24,997,800
TOTAL REAL ESTATE										
LAND	805,261,700	866,926,100	934,269,400	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
IMP	1,660,523,500	1,871,627,800	1,991,235,600	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
TOTAL	2,465,785,200	2,738,553,900	2,925,505,000	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
TOTAL PERSONALTY										
	61,227,300	71,029,300	65,545,200	68,484,300	61,299,300	62,305,700	64,279,800	62,946,800	60,456,500	68,585,800
TOTAL EQUALIZED										
	2,527,012,500	2,809,583,200	2,991,050,200	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

Effective January 1, 1999, business computers are exempt from property taxes.

Effective January 1, 1996, the equalized to assessed ratio developed by the Wisconsin Department of Revenue does not include agricultural land values.

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**

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			
1999	2000	2,465,785,200	61,227,300	2,527,012,500	96.80%	85,463,800	2,441,548,700
2000	2001	2,738,553,900	71,029,300	2,809,583,200	88.88%	0	2,809,583,200
2001	2002	2,925,505,000	65,545,200	2,991,050,200	85.80%	0	2,991,050,200
2002	2003	3,140,019,800	68,484,300	3,208,504,100	103.41%	0	3,208,504,100
2003	2004	3,383,595,000	61,299,300	3,444,894,300	98.10%	0	3,444,894,300
2004	2005	3,696,625,500	62,305,700	3,758,931,200	91.78%	6,737,700	3,752,193,500
2005	2006	3,933,107,700	64,279,800	3,997,387,500	87.53%	10,058,400	3,987,329,100
2006	2007	4,151,967,000	62,946,800	4,214,913,800	84.94%	10,728,600	4,204,185,200
2007	2008	4,508,754,200	60,456,500	4,569,210,700	79.64%	13,473,600	4,555,737,100
2008	2009	4,431,816,900	83,769,223	4,515,586,123	81.87%	10,386,400	3,701,157,811

Effective January 1, 1996, the equalized to assessed ratio developed by the Wisconsin Department of Revenue does not include agricultural land values.

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

Table 15

YEAR	Mequon-Thiensville School District			Cedarburg School District			Totals		
	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
1999	\$ 2,428,063,080	\$ 2,434,083,569	\$ 85,463,800	\$ 2,519,547,369	\$ 6,864,800	\$ 7,465,131	\$ 2,434,927,880	\$ 2,441,548,700	\$ 2,527,012,500
2000	2,490,013,630	2,801,423,621	0	2,801,423,621	7,252,600	8,159,579	2,497,266,230	2,809,583,200	2,809,583,200
2001	2,559,654,710	2,980,381,190	0	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	0	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	0	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

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

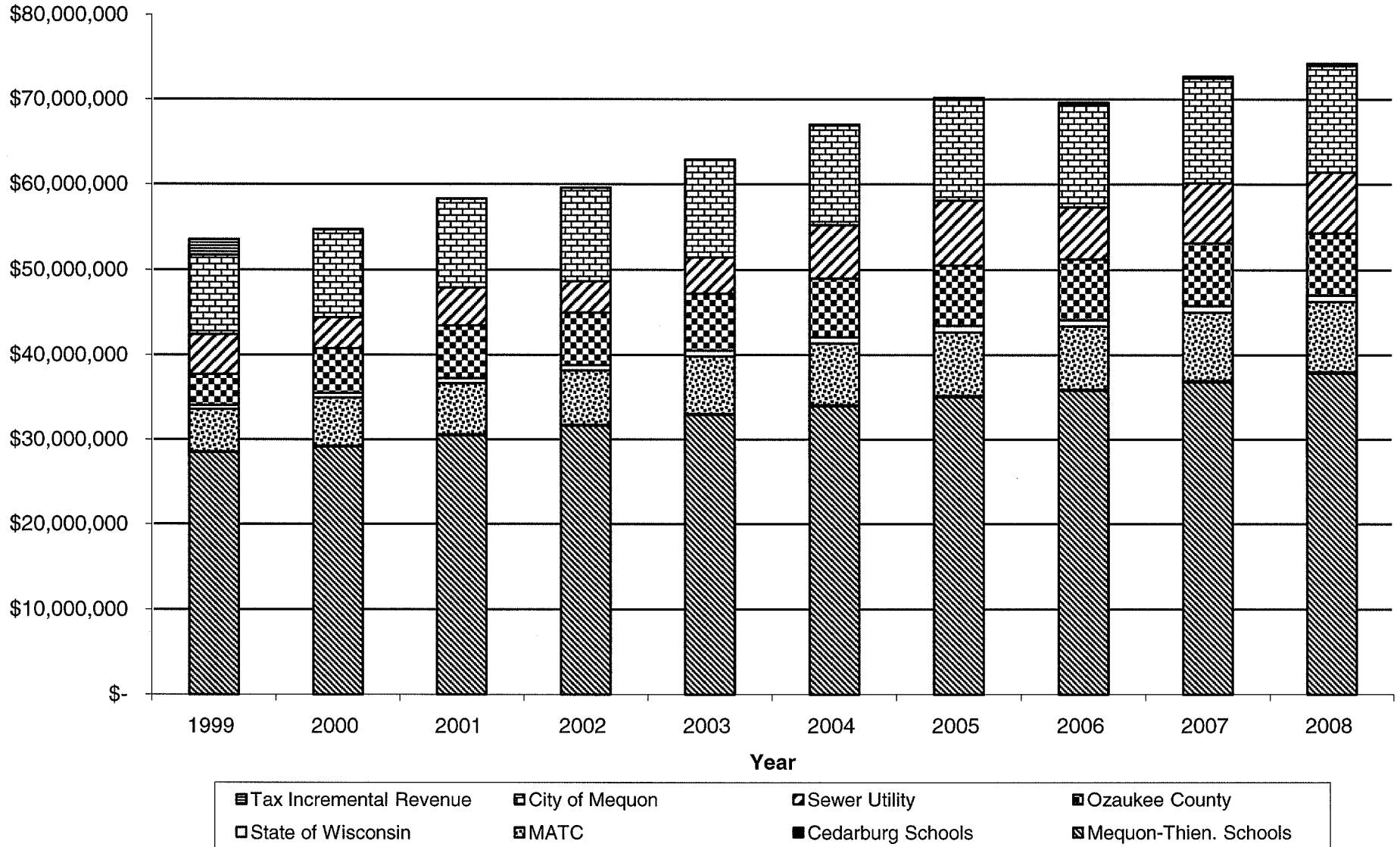
CITY OF MEQUON, WISCONSIN
COMPARATIVE TAX LEVIES FOR ALL DIRECT AND OVERLAPPING GOVERNMENTS
LAST TEN FISCAL YEARS

Table 16

Collection Year	Levy Year	State of Wisconsin	Ozaukee County	City of Mequon	Mequon-Thien. Schools	Cedarburg Schools	MATC	Sewer Utility	Tax Incremental Revenue	Gross Tax Levy
2000	1999	\$ 505,403	\$ 3,647,574	\$ 9,316,858	\$ 28,491,303	\$ 90,181	\$ 4,982,806	\$ 4,721,755	\$ 1,821,569	\$ 53,577,449
2001	2000	561,917	5,254,074	10,309,323	29,158,495	86,904	5,698,818	3,666,332	-	54,735,863
2002	2001	598,210	6,241,430	10,386,758	30,471,961	121,315	6,061,061	4,433,458	-	58,314,194
2003	2002	641,701	6,190,950	10,945,618	31,622,141	105,578	6,439,790	3,662,652	-	59,608,430
2004	2003	688,979	6,678,829	11,415,897	32,909,140	127,810	6,802,419	4,250,300	-	62,873,374
2005	2004	751,786	6,872,392	11,663,419	33,950,486	146,985	7,275,495	6,249,013	120,512	67,030,088
2006	2005	749,830	7,087,007	11,892,706	35,035,576	155,502	7,505,333	7,594,021	177,641	70,197,616
2007	2006	740,185	7,105,496	12,139,552	35,797,542	158,094	7,442,929	6,099,913	177,914	69,661,625
2008	2007	775,423	7,345,515	12,348,739	36,787,236	173,880	8,073,075	6,981,068	221,639	72,706,575
2009	2008	763,746	7,316,059	12,595,713	37,861,589	177,139	8,233,771	7,054,699	240,841	74,243,557

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

Comparative Tax Levies Last Ten Fiscal Years



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

As of 31-Dec	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
1999	\$ 33,365,000	\$ -	\$ 33,365,000	\$ 2,527,012,500	\$ 126,350,625	26.41%	21,446	1,556	13.20
2000	27,351,882	-	27,351,882	2,809,583,200	140,479,160	19.47%	21,823	1,253	9.74
2001	26,423,967	-	26,423,967	2,991,050,200	149,552,510	17.67%	22,631	1,168	8.83
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

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 Revenue Bonds Payable	General Obligation Bonds/Notes				
1999	\$ 9,000,000	\$ -	\$ 25,590,000	\$	\$ 34,590,000	\$ 2,364,046,100	\$ 15
2000	7,860,000	-	24,410,000		32,270,000	2,527,012,500	13
2001	6,675,000	-	22,775,000		29,450,000	2,809,583,200	10
2002	6,630,000	-	22,300,000		28,930,000	2,991,050,200	10
2003	9,872,289	-	21,865,000		31,737,289	3,208,504,100	10
2004	8,839,419	-	21,375,000		30,214,419	3,444,894,300	9
2005	9,565,000	-	37,805,000		47,370,000	3,758,931,200	13
2006	8,845,000	-	35,640,000		44,485,000	3,997,387,500	11
2007	8,181,374	-	16,965,000		25,146,374	4,214,913,800	6
2008	9,729,111	-	15,145,000		24,874,111	4,584,669,290	5

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

Table 19

	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Equalized Value of Real and Personal Property	\$ 2,527,012,500	\$ 2,809,583,200	\$ 2,991,050,200	\$ 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
General Obligation Debt Limit Five (5) Percent of Equalized Valuation per Section 67.03 of the Wisconsin Statutes	\$ 126,350,625	\$ 140,479,160	\$ 149,552,510	\$ 160,425,205	\$ 172,244,715	\$ 187,946,560	\$ 199,869,375	\$ 210,745,690	\$ 228,460,535	\$ 225,020,135
Amount of Debt Applicable to Debt Limitation:										
General Obligation Bonds/Notes	<u>33,365,000</u>	<u>27,351,882</u>	<u>26,423,967</u>	<u>29,010,796</u>	<u>31,737,289</u>	<u>30,214,419</u>	<u>47,370,000</u>	<u>44,485,000</u>	<u>25,146,374</u>	<u>24,874,411</u>
Net O/S GO Debt Applicable to Debt Limitation	<u>33,365,000</u>	<u>27,351,882</u>	<u>26,423,967</u>	<u>29,010,796</u>	<u>31,737,289</u>	<u>30,214,419</u>	<u>47,370,000</u>	<u>44,485,000</u>	<u>25,146,374</u>	<u>24,874,411</u>
Legal margin for New Debt	<u>\$ 92,985,625</u>	<u>\$ 113,127,278</u>	<u>\$ 123,128,543</u>	<u>\$ 131,414,409</u>	<u>\$ 140,507,426</u>	<u>\$ 157,732,141</u>	<u>\$ 152,499,375</u>	<u>\$ 166,260,690</u>	<u>\$ 203,314,161</u>	<u>\$ 200,145,724</u>
Total net debt applicable to the limit as a percentage of debt limit.	26.41%	19.47%	17.67%	18.08%	18.43%	16.08%	23.70%	21.11%	11.01%	11.05%

**CITY OF MEQUON
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF DECEMBER 31, 2008**

Taxing Authority	Debt as of 12/31/08	Percent Applicable to City	Direct and Overlapping Debt	Total Debt per Capita
City of Mequon	\$ 24,874,411	100.0%	\$ 24,874,411	\$ 1,051
MATC	64,475,000	5.4%	3,504,861	148
Ozaukee County	19,761,586	39.6%	7,817,486	330
Mequon-Thiensville School	23,070,305	94.3%	21,755,298	919
Cedarburg School District	25,580,000	0.9%	230,220	10
Totals	<u>\$ 157,761,302</u>		<u>\$ 58,182,275</u>	<u>\$ 2,458</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		
1999	\$ 1,140,000	\$ 451,507	\$ 1,591,507	\$ 12,346,958	12.89%
2000	1,185,000	397,993	1,582,993	13,585,468	11.65%
2001	450,000	200,898	650,898	13,448,454	4.84%
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%

(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, 2008**

Equalized Value of Real and Personal Property	<u>\$ 4,500,402,700</u>
Real Property	\$4,431,816,900
Personal Property	\$68,585,800
Legal Debt Limit, 5% of Equalized Valuation (Wisconsin Statutory Limitation)	\$ 225,020,135
<u>Amount of Debt Applicable to Debt Limitation:</u>	
Total General Obligation Bonds, Notes, Purchase Contracts Outstanding December 31, 2008	<u>\$ 24,740,000</u>
Remaining Legal Debt Margin	<u>\$ 200,280,135</u>
Percent of Debt Outstanding to Equalized Value	0.55%
Percent of Legal Debt Limit Used	10.99%
Percent of Legal Debt Limit Available	89.01%

**ADDITIONAL DIRECT AND OVERLAPPING DEBT INFORMATION
AS OF DECEMBER 31, 2008**

<u>Taxing Authority</u>	<u>Debt as of 12/31/08</u>	<u>% Applicable to City</u>	<u>Direct and Overlapping Debt</u>	<u>Total Debt per Capita</u>
City of Mequon	\$ 24,740,000	100.0%	\$ 24,740,000	\$ 1,045
MATC	64,475,000	5.4%	3,504,861	148
Ozaukee County	19,761,586	39.6%	7,817,486	330
Mequon-Thiensville School	23,070,305	94.3%	21,755,298	919
Cedarburg School District	25,580,000	0.9%	230,220	10
Totals	<u>\$ 157,626,891</u>		<u>\$ 58,047,864</u>	<u>\$ 2,452</u>

**CITY OF MEQUON
SCHEDULE OF GENERAL OBLIGATION DEBT
PRINCIPAL PAYMENTS
DECEMBER 31, 2008**

Year	Totals	2003 Ozaukee Bank Mullaney	2006 Ozaukee Bank Stelter	2006A Library Bonds	2002A G.O. Bonds	2002B G.O. Bonds	2003A G.O. Bonds	2005A G.O. Notes	2005B Refunding Bonds	2008 G.O. Notes
2009	\$ 2,773,398	\$ 4,699	\$ 3,699	\$ 250,000	\$ 240,000	\$ 175,000	\$ 170,000	\$ 80,000	\$ 1,800,000	\$ 50,000
2010	2,883,948	4,961	3,987	250,000	250,000	175,000	235,000	60,000	1,780,000	125,000
2011	2,994,532	5,236	4,296	270,000	265,000	170,000	290,000	55,000	1,735,000	200,000
2012	3,375,151	5,521	4,630	-	-	-	320,000	620,000	1,690,000	735,000
2013	2,485,823	5,834	4,989	-	-	-	350,000	280,000	1,630,000	215,000
2014	2,416,535	6,159	5,376	-	-	-	380,000	200,000	1,610,000	215,000
2015	2,282,295	6,501	5,794	-	-	-	415,000	-	1,640,000	215,000
2016	2,383,103	6,860	6,243	-	-	-	520,000	-	1,635,000	215,000
2017	2,418,972	7,244	6,728	-	-	-	565,000	-	1,625,000	215,000
2018	837,872	5,621	7,251	-	-	-	610,000	-	-	215,000
2019	7,813	-	7,813	-	-	-	-	-	-	-
2020	8,420	-	8,420	-	-	-	-	-	-	-
2021	6,549	-	6,549	-	-	-	-	-	-	-
Totals	\$ 24,874,411	\$ 58,636	\$ 75,775	\$ 770,000	\$ 755,000	\$ 520,000	\$ 3,855,000	\$ 1,295,000	\$ 15,145,000	\$ 2,400,000

CITY OF MEQUON
SCHEDULE OF GENERAL OBLIGATION DEBT
INTEREST PAYMENTS
DECEMBER 31, 2008

Year	Totals	2003 Ozaukee Bank Mullaney	2006 Ozaukee Bank Stelter	2006A Library Bonds	2002A G.O. Bonds	2002B G.O. Bonds	2003A G.O. Bonds	2005A G.O. Notes	2005B Refunding Bonds	2008 G.O. Notes
2009	\$ 1,031,521	\$ 2,993	\$ 5,542	\$ 27,740	\$ 31,735	\$ 19,925	\$ 131,430	\$ 48,325	\$ 682,700	\$ 81,131
2010	931,620	2,732	5,255	18,990	21,895	13,538	127,010	45,525	615,200	81,475
2011	820,696	2,456	4,945	9,990	11,395	6,800	119,960	43,425	544,000	77,725
2012	705,578	2,171	4,612	-	-	-	110,970	41,500	474,600	71,725
2013	579,928	1,858	4,252	-	-	-	100,730	18,250	407,000	47,838
2014	468,503	1,533	3,865	-	-	-	89,005	7,750	325,500	40,850
2015	359,239	1,191	3,448	-	-	-	76,275	-	245,000	33,325
2016	254,050	832	2,998	-	-	-	61,958	-	163,000	25,263
2017	144,909	448	2,513	-	-	-	43,498	-	81,250	17,200
2018	33,758	77	1,991	-	-	-	22,875	-	-	8,815
2019	1,428	-	1,428	-	-	-	-	-	-	-
2020	821	-	821	-	-	-	-	-	-	-
2021	197	-	197	-	-	-	-	-	-	-
Totals	\$ 5,332,247	\$ 16,291	\$ 41,867	\$ 56,720	\$ 65,025	\$ 40,263	\$ 883,710	\$ 204,775	\$ 3,538,250	\$ 485,346

CITY OF MEQUON
Current Schedule of Debt Service 2008 - 2021

<u>UNPAID PRINCIPAL BALANCES</u>			
<u>YEAR</u>	<u>G.O.</u>	<u>SEWER</u>	<u>TOTAL 12/31 PRINCIPAL BAL</u>
2008	\$ 9,729,410	\$ 15,145,000	\$ 24,874,410
2009	8,756,082	13,345,000	22,101,082
2010	7,652,135	11,565,000	19,217,135
2011	6,392,603	9,830,000	16,222,603
2012	4,707,453	8,140,000	12,847,453
2013	3,851,630	6,510,000	10,361,630
2014	3,045,095	4,900,000	7,945,095
2015	2,402,800	3,260,000	5,662,800
2016	1,654,697	1,625,000	3,279,697
2017	860,725	-	860,725
2018	22,854	-	22,854
2019	15,041	-	15,041
2020	6,621	-	6,621
2021	-	-	-

<u>UNPAID INTEREST BALANCES</u>			
<u>YEAR</u>	<u>G.O.</u>	<u>SEWER</u>	<u>TOTAL 12/31 INT PAYABLE</u>
2008	\$ 1,793,995	\$ 3,538,250	\$ 5,332,245
2009	1,445,174	2,855,550	4,300,724
2010	1,128,755	2,240,350	3,369,105
2011	852,059	1,696,350	2,548,409
2012	621,081	1,221,750	1,842,831
2013	448,153	814,750	1,262,903
2014	305,150	489,250	794,400
2015	190,911	244,250	435,161
2016	99,861	163,000	262,861
2017	36,203	81,250	117,453
2018	2,446	-	2,446
2019	1,018	-	1,018
2020	197	-	197
2021	-	-	-

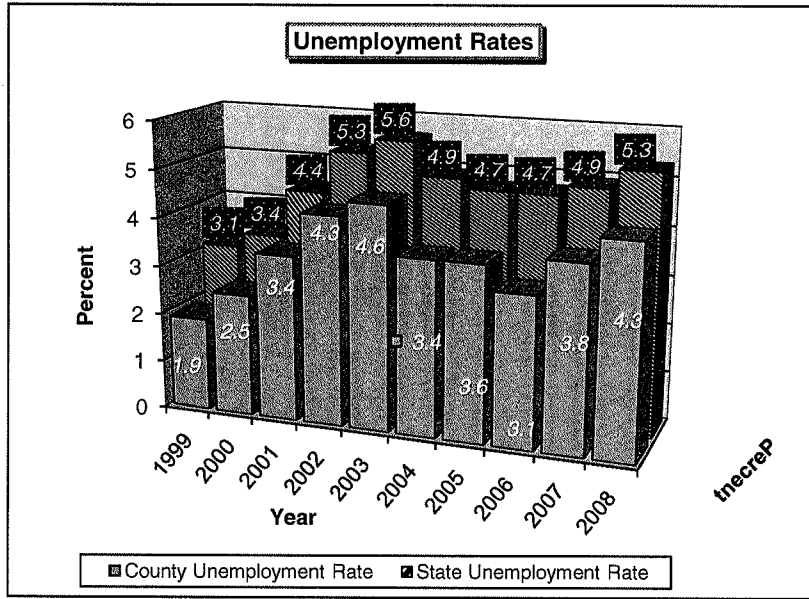
<u>UNPAID PRINCIPAL & INTEREST DUE</u>			
<u>YEAR</u>	<u>G.O.</u>	<u>SEWER</u>	<u>TOTAL 12/31 PRIN & INTEREST</u>
2008	\$ 11,523,405	\$ 18,683,250	\$ 30,206,655
2009	10,201,256	16,200,550	26,401,806
2010	8,780,890	13,805,350	22,586,240
2011	7,244,662	11,526,350	18,771,012
2012	5,328,534	9,361,750	14,690,284
2013	4,299,783	7,324,750	11,624,533
2014	3,350,245	5,389,250	8,739,495
2015	2,593,711	3,504,250	6,097,961
2016	1,754,558	1,788,000	3,542,558
2017	896,928	81,250	978,178
2018	25,300	-	25,300
2019	16,059	-	16,059
2020	6,818	-	6,818
2021	-	-	-

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

Employment Information (Ozaukee County)

Year	Labor Force	Average Employed	Average Unemployed
1999	49,350	48,415	935
2000	47,644	46,465	1,179
2001	47,928	46,315	1,613
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

Source: Wisconsin Department of Workforce Development



Source: Wisconsin Department of Workforce Development

CITY OF MEQUON
ADDITIONAL DEMOGRAPHIC INFORMATION

Breakdown of Housing Units	<u>2008</u>	(%)	Population:	1960	8,543
Total Dwelling Units	9,229			1970	12,150
Single Family	6,995	76%		1980	16,193
Plex (2-4 units/bldg.)	1,545	17%		1990	18,885
Multi-Family (5+ units/bldg.)	689	7%		2000	21,823
				2005	23,468
				2006	23,485
				2007	23,565
				2008	23,670
Gender Composition	<u>1990</u>	<u>2000</u>			
Female	50.0%	50.7%			
Male	50.0%	49.3%			
Race Comparison	<u>1990</u>	<u>2000</u>	Housing Value (2008)		
White	96.2%	94.2%	\$0 - \$99,000		0.60%
Black or African American	2.3%	2.3%	\$100,000 - \$199,000		6.50%
American Indian, Eskimo	0.1%	0.1%	\$200,000 - \$299,000		21.40%
Asian or Pacific Islander	1.3%	2.4%	\$300,000 - \$399,000		24.45%
Other	0.1%	1.0%	\$400,000 - \$499,000		11.80%
			\$500,000 - \$799,000		21.00%
			\$800,000 - \$1,000,000		7.30%
			\$1,000,000 and up		6.95%
Age Composition	<u>1990</u>	<u>2000</u>	Average Assessed Home Value (2008)		376,700
Under 5 years	8.8%	5.5%	Average Residential Sale (2008)		495,100
5 - 14 years	13.5%	17.2%	Average Household (persons)		2.56
15 - 19 years	7.6%	7.3%	Educational Attainment - 2000*		
20 - 24 years	5.3%	2.3%	Ninth Grade Education or lower		1.6%
25 - 34 years	10.9%	6.0%	High School Diploma or higher		96.1%
35 - 44 years	19.0%	16.9%	Bachelors degree or higher		59.6%
45 - 54 years	13.6%	19.3%	* Population 25 years and older		
55 - 64 years	10.4%	11.9%	Occupational Composition - 2000		
Over 64 years	10.9%	13.6%	Managerial & Professional		59.3%
Median Age (yrs)		42.5	Service Occupations		6.7%
			Sales and office occupations		24.3%
			Farming, fishing and forestry		0.2%
			Construction and maintenance		3.4%
			Production and transportation		6.1%
Household Income Information	<u>1990</u>	<u>2000</u>			
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 + annual building permits between Jan. 1, 2000 and Dec. 31, 2007.

Population numbers from 2001 - 2007 are based on State of Wisconsin estimates.

Housing values are per City Assessor records.

**CITY OF MEQUON
MISCELLANEOUS STATISTICS**

Table 28

GENERAL:	2004	2005	2006	2007	2008
Area in Square Miles	46.88	46.88	46.88	46.88	46.88
Population	23,416	23,468	23,485	23,565	23,670
Number of Permanent Positions	130	127	126	115	113
Equalized Valuations (\$000)	3,758,951	3,997,388	4,214,913	4,569,211	4,500,403

PUBLIC SAFETY	2004	2005	2006	2007	2008
Number of Police Stations	1	1	1	1	1
Number of Sworn Police Officers	36	34	34	38	38
Number of Fire Stations	2	2	2	2	2

PARKS	2004	2005	2006	2007	2008
Acres of Parkland	948.4	1,080.90	1080.9	1080.9	1177.8
Number of Parks	20	22	22	22	25

LIBRARY:	2004	2005	2006	2007	2008
Circulation	340,943	325,097	331,816	323,299	327,760
Total Items Owned	134,625	137,923	132,520	124,159	115,521

INFRASTRUCTURE	2004	2005	2006	2007	2008
Miles of State Highway System	17.2	17.2	17.2	17.2	17.2
Miles of County Highway System	6.08	6.08	6.08	6.08	6.08
Miles of Local Roads and Streets	204.87	209.06	210.67	212.4	212.4
Miles of Sanitary Sewer Main	150	151.5	152.17	152.17	152.82
Number of Bridges	23	23	23	23	23
Miles of Bike Trails	45.7	46.37	48.7	48.7	49.43

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

	2003	2004	2005	2006	2007	2008
General Government						
Building Permits Issued	689	729	697	715	638	601
Valuation (Thousands)	94,623	80,111	94,420	69,570	76,820	42,970
Police						
Calls for service	n/a	17,773	16,388	17,194	17,548	17,321
Physical Arrests	n/a	851	1,063	963	970	1,076
Reportable Traffic crashes	n/a	298	343	275	290	267
Fire						
Calls for service	348	362	334	348	345	324
Ambulance						
Calls for service	945	999	1,036	1,114	1,163	1,165
Parks						
Acres of Parkland maintained	948	948	1,080	1,080	1,080	1,177
Pavillion Rentals	63	84	81	76	77	81
Pool Attendance	25,336	19,076	28,228	24,201	20,101	21,509
Library						
Library Visits	179,758	190,008	160,290	162,045	154,869	155,418
Circulation	348,775	340,943	325,097	331,816	322,300	326,586
Summer Programs Attendance	3,862	4,129	3,714	4,352	4,445	5,712

(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
1999	\$ 103.20	693
2000	\$ 67.56	641
2001	\$ 87.02	576
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

