

CITY OF MEQUON

Mequon, Wisconsin

FINANCIAL STATEMENTS

December 31, 2007

CITY OF MEQUON

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Mequon
Mequon, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mequon, Wisconsin, as of and for the year ended December 31, 2007, 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 referred to above include only the primary government of the City of Mequon, Wisconsin, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component unit, the Weyenberg Public Library Foundation, Inc., which accounting principles generally accepted in the United States of America require to be reported as a discretely presented component unit with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Mequon, Wisconsin, as of December 31, 2007, and the changes in its financial position and its cash flows, where applicable, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

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, 2007, 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 above 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 for the primary government of the City of Mequon, Wisconsin, as of December 31, 2007, 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 budgetary comparison information on pages 3 through 14 and 57 and 58 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.

Vicktor, Kraus + Company, LLP

Milwaukee, Wisconsin
May 13, 2008

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

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, 2007. 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 \$92.1 million and total liabilities of \$48.9 million, the total net assets of the City of Mequon stood at approximately \$43.2 million at the close of the 2007 fiscal year, an increase of 1.4% over the previous year.
- ✓ The City of Mequon's total net assets increased by a net amount of \$614,796 with a \$201,756 decrease in the investment in capital assets, net of related debt.
- ✓ As of December 31, 2007, the City of Mequon's governmental funds reported combined ending fund balances of \$7,968,396, a decrease of \$233,657 compared to the prior year. \$6,317,110 or 79.3 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 \$1.2 million; a decrease of \$867,267 from the previous fiscal year.
- ✓ The City of Mequon's total general obligation debt decreased \$19,486,808 (43.7%) during 2007.

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 and 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, administration, public safety, public works and transportation, public facilities, planning and development, and parks and recreation.

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

The government-wide financial statements can be found on pages 15 through 17 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, 2007 is reported in the *Statement of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual (Non-GAAP) - General Fund* which is found on page 56.

The governmental fund financial statements can be found beginning on page 18 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 24 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 29 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 30 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. This supplementary information section of the report begins on page 59.

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 nearly \$43.2 million at the close of 2007. The majority of total assets (65%) 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, 2007 and 2006

	Governmental		Business-type		Totals	
	Activities		Activities		2007	2006
	2007	2006	2007	2006		
Current & Other Assets	\$ 21,771,017	\$ 21,713,310	\$ 10,223,131	\$ 27,287,451	\$ 31,994,148	\$ 49,000,761
Capital Assets (net)	33,671,284	34,702,057	26,419,092	26,567,775	60,090,376	61,269,832
Total Assets	\$ 55,442,301	\$ 56,415,367	\$ 36,642,223	\$ 53,855,226	\$ 92,084,524	\$ 110,270,593
Current Liabilities	\$ 15,018,384	\$ 14,779,537	\$ 9,259,134	\$ 8,139,557	\$ 24,277,518	\$ 22,919,094
Non-Current Liabilities	8,909,532	9,619,102	15,731,707	35,181,426	24,641,239	44,800,528
Total Liabilities	\$ 23,927,916	\$ 24,398,639	\$ 24,990,841	\$ 43,320,983	\$ 48,918,757	\$ 67,719,622
Net Assets						
Invested in Capital Assets, net of related debt	\$ 25,489,910	\$ 25,692,983	\$ 26,419,092	\$ 26,417,775	\$ 51,909,002	\$ 52,110,758
Restricted	1,044,875	939,229	119,214	199,449	1,164,089	1,138,678
Unrestricted (deficit)	4,979,600	5,384,516	(14,886,924)	(16,082,981)	(9,907,324)	(10,698,465)
Total Net Assets	\$ 31,514,385	\$ 32,016,728	\$ 11,651,382	\$ 10,534,243	\$ 43,165,767	\$ 42,550,971
Total Net Assets as a % of Total Liabilities	131.7%	131.2%	46.6%	24.3%	88.2%	62.8%
Unrestricted Net Assets as a % of Total Liabilities	20.8%	22.1%	-59.6%	-37.1%	-20.3%	-15.8%

A relatively small portion of the City's net assets (3%) 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.

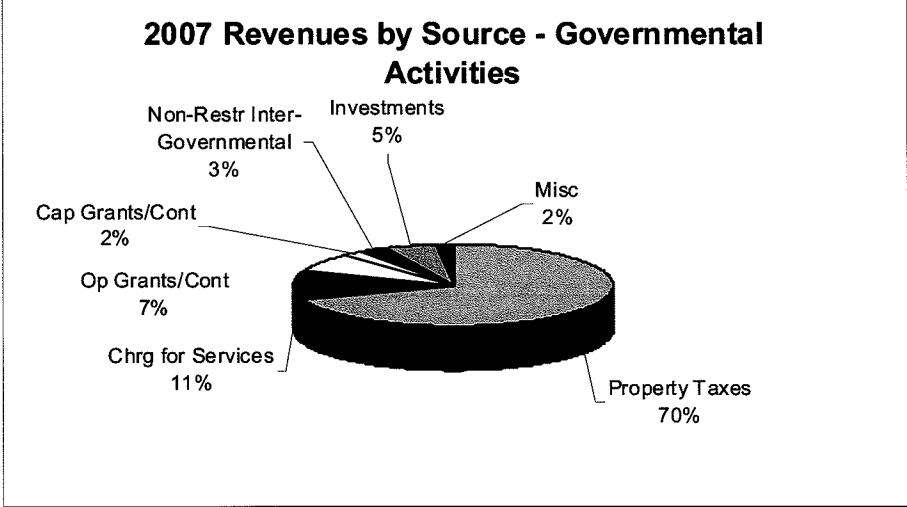
At the end of 2007, the City is able to report positive balances in all of the three categories of net assets for the governmental activities and for two of three categories for the government as a whole, and business-type activities.

The deficit in the Business-Type Activities 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.

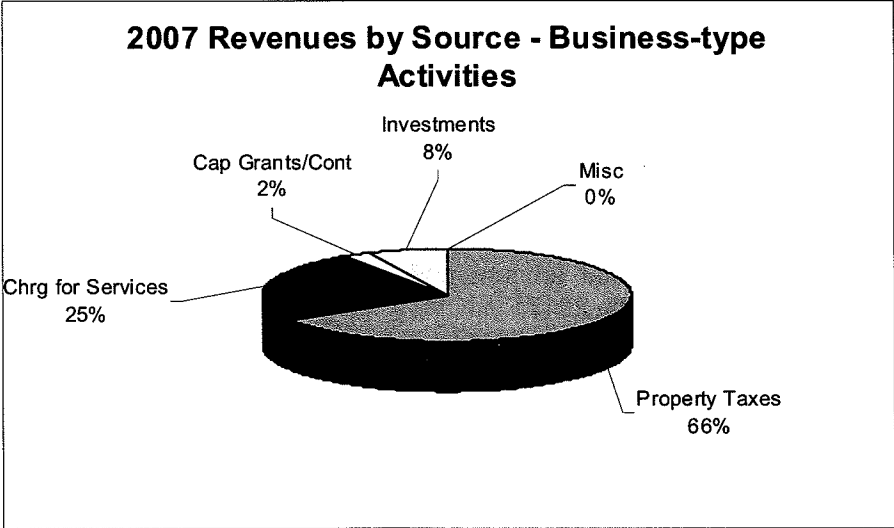
As comparable data is accumulated and reported by governmental units over time, a sense of what level of net assets is typical or appropriate will begin to develop. Total net assets exceeded total liabilities at the end of 2007 for the governmental activities. Unrestricted net assets stood at 20.8% of 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 70% 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 9%. Charges for services continue to grow in relative importance, accounting for 11% of governmental revenues.



In the case of business-type activities, the property tax is still the largest component of revenue, making up 66% 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.

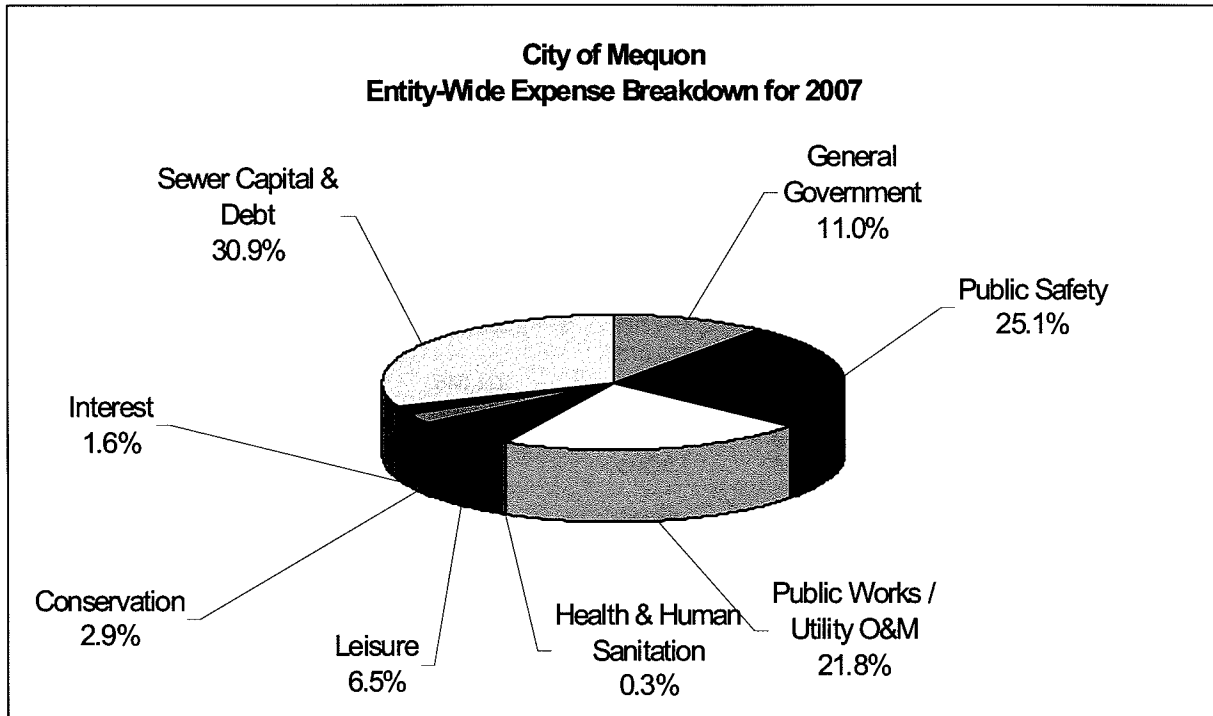


Governmental activities. Governmental activity expenses increased \$1,050,889 from a year ago. Increases were realized in General Government, \$563,518, Public Safety, \$368,080, Health and Sanitation, \$42,040, Community Enrichment, \$14,411, and Conservation and Development, \$203,840. Savings were realized in the following programs: Public Works, \$93,027, and Interest charges, \$47,973.

The table below illustrates the change in net assets for the City of Mequon for fiscal years ended December 31, 2007 and 2006:

	Governmental		Business-type		Totals	
	Activities		Activities			
	2007	2006	2007	2006	2007	2006
Revenues						
Program Revenues						
Charges for services	\$ 2,054,591	\$ 2,150,602	\$ 2,306,485	\$ 2,167,798	\$ 4,361,076	\$ 4,318,400
Operating grants and contributions	1,322,915	1,475,873	-	-	1,322,915	1,475,873
Capital grants and contributions	391,706	2,437,878	224,846	253,060	616,552	2,690,938
General Revenues						
Property Taxes	12,286,412	12,100,990	6,197,955	7,720,789	18,484,367	19,821,779
Other Taxes	189,090	174,743	-	-	189,090	174,743
Intergovernmental revenues not restricted to specific programs	491,521	498,368	-	-	491,521	498,368
Investment Income	951,509	734,174	652,407	842,084	1,603,916	1,576,258
Other	300,304	285,467	3,075	5,042	303,379	290,509
Transfers	-	-	-	-	-	-
Total Revenues	\$ 17,988,048	\$ 19,858,095	\$ 9,384,768	\$ 10,988,773	\$ 27,372,816	\$ 30,846,868
Expenses						
General government	2,935,063	2,371,545	-	-	\$ 2,935,063	\$ 2,371,545
Public Safety	6,712,991	6,344,911	-	-	6,712,991	6,344,911
Public Works	5,841,355	5,934,382	-	-	5,841,355	5,934,382
Health and Human Sanitation	69,080	27,040	-	-	69,080	27,040
Community enrichment services	1,729,884	1,715,473	-	-	1,729,884	1,715,473
Conservation and development	782,014	578,174	-	-	782,014	578,174
Interest and fiscal charges	420,005	467,978	-	-	420,005	467,978
Sewer	-	-	8,267,629	9,131,324	8,267,629	9,131,324
Total expenses	\$ 18,490,392	\$ 17,439,503	\$ 8,267,629	\$ 9,131,324	\$ 26,758,021	\$ 26,570,827
Increase in net assets	\$ (502,344)	\$ 2,418,592	\$ 1,117,139	\$ 1,857,449	\$ 614,795	\$ 4,276,041
Net Assets - beginning of year	32,016,728	29,598,136	10,534,243	8,676,794	42,550,971	38,274,930
Net Assets - end of year	\$ 31,514,384	\$ 32,016,728	\$ 11,651,382	\$ 10,534,243	\$ 43,165,766	\$ 42,550,971

Presented below is a chart depicting the relative percentage of expenses for the City's major functions for 2007.



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, 2007, the City of Mequon's governmental funds reported combined ending fund balances of approximately \$7.97 million, a decrease of \$234 thousand from the previous year. Of this total, \$1.65 million is reserved for specific legal requirements and other commitments, leaving total unreserved governmental fund balances of \$6.32 million available for use at the discretion of the City's elected officials. As the result of past actions and policy decisions, \$5.13 million (81%) of these unreserved balances have been segregated or otherwise designated for specific uses (primarily capital projects), leaving an unreserved, undesignated fund balance of \$1.19 million in the general fund.

The *General fund* is the primary operating fund used to account for the governmental operations of the City, with the direct expenditures of this fund accounting for nearly 82% of the City's governmental fund expenditures as reported on the *Statement of revenues expenditures and changes in fund balances*. The total year-end 2007 unreserved General fund balance of \$1.35 million represented 9.1% of the \$14.8 million 2007 General Fund expenditures reported on the *Statement of Revenues Expenditures and Changes in fund balances* and 7.5% of total governmental fund expenditures for 2007.

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 2008 General fund budget authorizes expenditures of \$16,435,689. Therefore, the 2007 year-end unreserved, undesignated General fund balance of \$1.35 million fails to meet the target ratio.

The *Debt Service* fund had a total fund balance of \$490 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 \$3.9 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 increased by \$117 thousand during 2007.

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 2007 totaled \$11.7 million, an increase of \$1.11 million from the previous year. Net operating income before contributions of \$892 thousand along with developer capital contributions of \$225 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 2007 general fund budget authorized expenditures of approximately \$14.9 million, along with a transfer to a Special Revenue fund of \$.855 million. The general fund anticipated revenues of \$15.6 million, and a transfer from other governmental funds of \$20,000 of prior year surplus funds. During the year, no changes were made to the total original revenue budget by the Common Council. However, \$615,500 of the expenditure budget was transferred to the Capital Projects and Special Revenue Funds in order to fund project expenses.

The City ended the year with a favorable general fund budget variance in revenues coupled with an unfavorable expenditure variance. Revenues were more than \$10 thousand, or .07% above the final amended budget, while expenditures came in almost \$443 thousand or .3.1% over the amended budget. The net unfavorable variance of \$432 thousand represents 3% of the original general fund expenditure budget. This 2007 budgetary result reflects a series of negative outcomes during the year.

Unfavorable outcomes were realized in 2007 in most expenditure categories. General Government expenditures had an unfavorable variance of \$301 thousand primarily due to an out of court settlement and accruing charges for two years of unsettled labor contracts for two bargaining units. Public Safety finished the year approximately \$9 thousand (.15%) over budget. Public Works finished 2007 \$184 thousand over budget, of which the majority can be traced to labor and snow removal costs. A hiring freeze remained in place for 2007. Cost-saving measures continue to be a focus of the City, while preserving the high quality services that residents have come to expect.

On the revenue side, the local residential construction market fell below expectations. Consequently, regulation and compliance revenue ended the year \$108,000 below budget. Public charges for services also surpassed the amount budgeted by \$54 thousand. A rebound in interest rates helped improve interest income. For 2007, investment income was \$130 thousand over budget. An unexpected surge in agricultural use value penalties lifted miscellaneous income \$21 thousand above budget.

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, 2007 totaled over \$110 million. Of this total cost, (35%), 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 \$50 million, or approximately 45% of the historical cost of depreciable capital assets. Net of accumulated depreciation, the City's investment in capital assets exceeded \$60 million.

City of Mequon, Wisconsin Capital Assets, Net of Accumulated Depreciation December 31, 2007 and 2006

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 6,459,680	\$ 6,459,680	\$ -	\$ -	\$ 6,459,680	\$ 6,459,680
Buildings	14,482,909	14,482,909	-	-	14,482,909	14,482,909
Library Collection	3,520,265	3,564,929			3,520,265	3,564,929
Machinery and Equipment	6,119,047	6,031,804	3,497,290	3,472,706	9,616,337	9,504,510
Infrastructure	39,129,854	37,755,700	33,396,841	32,859,864	72,526,695	70,615,564
Structure and Improvements			3,550,731	3,550,731	3,550,731	3,550,731
Subtotal	\$ 69,711,755	\$ 68,295,022	\$ 40,444,862	\$ 39,883,301	\$ 110,156,617	\$ 108,178,323
Less:						
Accumulated Depreciation	(36,040,471)	(33,564,693)	(14,025,770)	(13,315,526)	(50,066,241)	\$ (46,880,219)
	\$ 33,671,284	\$ 34,730,329	\$ 26,419,092	\$ 26,567,775	\$ 60,090,376	\$ 61,298,104

Some of the more significant additions to the City's capital assets during 2007 included:

Street network additions	\$1,374,154
Equipment & Vehicles	290,074
Sewer collection system additions	70,701

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, 2007, the City of Mequon had \$27,113,238 of long-term notes, bonds and other long-term obligations, as summarized in the following table:

**City of Mequon, Wisconsin
Long-Term Obligations Outstanding
December 31, 2007 and 2006**

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
General Obligation Bonds & Notes	\$8,181,374	\$8,993,182	\$16,965,000	\$35,640,000	\$25,146,374	\$ 44,633,182
Unfunded retirement liability	1,364,066	1,340,040	-	-	1,364,066	1,340,040
Capital leases	-	15,893	-	-	-	15,893
Compensated absences	602,798	544,046	-	-	602,798	544,046
	<u>\$10,148,238</u>	<u>\$10,893,161</u>	<u>\$16,965,000</u>	<u>\$35,640,000</u>	<u>\$27,113,238</u>	<u>\$ 46,533,161</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 \$25,146,374, 11% of the maximum legal limit of \$228,460,535. The City of Mequon had no material new debt issues during 2007.

CURRENTLY KNOWN FACTS

The 2008 budget adopted by the Mequon Common Council in November, 2007 increased total General and Debt Service Fund expenditures by 3.87%. Due to projected increases in other revenue, the tax levy increase was held to 1.72%. 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
2008	\$ 17,570,714	3.87%
2007	\$ 16,915,324	3.28%
2006	\$ 16,378,106	2.54%
2005	\$ 15,972,789	4.97%
2004	\$ 15,216,940	-1.23%

As presented in the table on the following page, Salaries and benefits decreased 1.70%. Health insurance costs were held to a 7.4% increase by switching to a higher deductible plan. The Wisconsin Retirement System maintained pension contribution rates for 2008 for general employees and decreased 1.2% for protective service employees. Land and building funding increased \$338,391 or 29.14% primarily as a result of increased funding towards the road program.

Change in Expenditure Budget by Function

Expenditures	2008 Adopted	2007 Adopted	Net Increase (Decrease)	Percent Change
Salaries/Fringes	\$10,466,269	\$10,647,810	\$(181,541)	(1.70)%
Materials/Supplies	1,821,816	1,758,405	63,411	3.61%
Purchased Services	1,844,223	1,592,950	251,273	15.77%
Debt Service	1,135,025	1,122,457	12,568	1.12%
Land & Building	1,499,655	1,161,264	338,391	29.14%
Equipment	803,726	632,438	171,288	27.08%
Total	\$17,570,714	\$16,915,324	\$655,390	3.87%

In the 2008 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 2005 and 2006, i.e., FY 2006 and FY 2007. 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 FY2007 of 2.82 percent or \$342,335. The actual increase adopted was an increase of \$209,187 or 1.72 percent.

The FY2008 Budget focuses on 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>.

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BASIC FINANCIAL STATEMENTS

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CITY OF MEQUON

STATEMENT OF NET ASSETS December 31, 2007

	Governmental Activities	Business- Type Activities	Totals
ASSETS			
Cash and investments	\$ 8,103,643	\$ 2,214,932	\$ 10,318,575
Receivables			
Taxes receivable	12,950,410	7,106,208	20,056,618
Delinquent personal property taxes	25,137	-	25,137
Accounts	-	562,401	562,401
Special assessments	76,999	37,102	114,101
Other	554,894	141,306	696,200
Accrued interest	59,934	41,968	101,902
Restricted assets			
Cash and investments	-	119,214	119,214
Capital assets			
Land	6,459,680	-	6,459,680
Construction in progress	-	516,322	516,322
Other capital assets, net of accumulated depreciation	<u>27,211,604</u>	<u>25,902,770</u>	<u>53,114,374</u>
Total Assets	<u>55,442,301</u>	<u>36,642,223</u>	<u>92,084,524</u>
LIABILITIES			
Accounts payable and accrued expenses	1,095,037	40,420	1,135,457
Accrued interest payable	73,723	251,549	325,272
Unearned revenue	12,610,918	7,147,165	19,758,083
Noncurrent liabilities			
Due within one year	1,238,706	1,820,000	3,058,706
Due in more than one year	<u>8,909,532</u>	<u>15,731,707</u>	<u>24,641,239</u>
Total Liabilities	<u>23,927,916</u>	<u>24,990,841</u>	<u>48,918,757</u>
NET ASSETS			
Invested in capital assets, net of related debt	25,489,910	26,419,092	51,909,002
Restricted for			
Debt service	415,866	-	415,866
Loan programs	606,682	-	606,682
Cemetery reserve	22,327	-	22,327
Equipment replacement	-	119,214	119,214
Unrestricted net assets (deficit)	<u>4,979,600</u>	<u>(14,886,924)</u>	<u>(9,907,324)</u>
TOTAL NET ASSETS	<u>\$ 31,514,385</u>	<u>\$ 11,651,382</u>	<u>\$ 43,165,767</u>

See accompanying notes to financial statements.

CITY OF MEQUON

STATEMENT OF ACTIVITIES
For the Year Ended December 31, 2007

Functions/Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 2,935,063	\$ 457,112	\$ -	\$ -
Public safety	6,712,991	1,113,314	132,317	-
Public works	5,841,355	322,342	1,053,704	261,108
Health and human services	69,080	-	-	-
Community enrichment services	1,729,884	161,823	136,894	130,598
Conservation and development	782,014	-	-	-
Interest and fiscal charges	420,005	-	-	-
Total Governmental Activities	<u>18,490,392</u>	<u>2,054,591</u>	<u>1,322,915</u>	<u>391,706</u>
Business-type Activities				
Sewer Utility	8,267,629	2,306,485	-	224,846
Total Business-type Activities	<u>8,267,629</u>	<u>2,306,485</u>	<u>-</u>	<u>224,846</u>
Total	<u>\$ 26,758,021</u>	<u>\$ 4,361,076</u>	<u>\$ 1,322,915</u>	<u>\$ 616,552</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

<u>Net (Expenses) Revenues and Changes in Net Assets</u>		
<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
\$ (2,477,951)	\$ -	\$ (2,477,951)
(5,467,360)	-	(5,467,360)
(4,204,201)	-	(4,204,201)
(69,080)	-	(69,080)
(1,300,569)	-	(1,300,569)
(782,014)	-	(782,014)
<u>(420,005)</u>	<u>-</u>	<u>(420,005)</u>
<u>(14,721,180)</u>	<u>-</u>	<u>(14,721,180)</u>
-	<u>(5,736,298)</u>	<u>(5,736,298)</u>
-	<u>(5,736,298)</u>	<u>(5,736,298)</u>
<u>(14,721,180)</u>	<u>(5,736,298)</u>	<u>(20,457,478)</u>
11,135,222	6,197,955	17,333,177
1,151,190	-	1,151,190
189,090	-	189,090
491,521	-	491,521
951,509	652,407	1,603,916
50,357	-	50,357
<u>249,947</u>	<u>3,075</u>	<u>253,022</u>
<u>14,218,836</u>	<u>6,853,437</u>	<u>21,072,273</u>
(502,344)	1,117,139	614,795
<u>32,016,729</u>	<u>10,534,243</u>	<u>42,550,972</u>
<u>\$ 31,514,385</u>	<u>\$ 11,651,382</u>	<u>\$ 43,165,767</u>

See accompanying notes to financial statements.

CITY OF MEQUON

BALANCE SHEET
GOVERNMENTAL FUNDS
December 31, 2007

	<u>General Fund</u>	<u>Debt Service Fund</u>	<u>Capital Projects Fund</u>
ASSETS			
Cash and investments	\$ 1,648,910	\$ 486,309	\$ 3,818,413
Receivables			
Taxes	11,802,799	1,147,611	-
Delinquent personal property tax	25,137	-	-
Special assessments	76,999	-	-
Accrued interest	33,448	3,711	15,503
Other	364,344	-	13,995
Due from other governments	-	-	25,000
	<u> </u>	<u> </u>	<u> </u>
TOTAL ASSETS	<u><u>\$ 13,951,637</u></u>	<u><u>\$ 1,637,631</u></u>	<u><u>\$ 3,872,911</u></u>
LIABILITIES AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 586,620	\$ 431	\$ 10,092
Accrued liabilities	408,907	-	-
Deferred revenues	11,559,973	1,147,611	-
Total Liabilities	<u>12,555,500</u>	<u>1,148,042</u>	<u>10,092</u>
Fund Balances			
Reserved			
Delinquent personal property taxes	25,137	-	-
Cemetery	22,327	-	-
Debt service	-	489,589	-
Park	-	-	-
Revolving loan program	-	-	-
Library	-	-	-
Unreserved, reported in:			
General fund designated	159,055	-	-
General fund undesignated	1,189,618	-	-
Special revenue funds designated	-	-	-
Capital projects funds undesignated	-	-	3,862,819
Total Fund Balances	<u>1,396,137</u>	<u>489,589</u>	<u>3,862,819</u>
	<u> </u>	<u> </u>	<u> </u>
TOTAL LIABILITIES AND FUND BALANCES	<u><u>\$ 13,951,637</u></u>	<u><u>\$ 1,637,631</u></u>	<u><u>\$ 3,872,911</u></u>

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 2,150,011	\$ 8,103,643
-	12,950,410
-	25,137
-	76,999
7,272	59,934
1,134	379,473
<u>150,421</u>	<u>175,421</u>
<u>\$ 2,308,838</u>	<u>\$ 21,771,017</u>

\$ 49,100	\$ 646,243
39,887	448,794
-	12,707,584
<u>88,987</u>	<u>13,802,621</u>

-	25,137
-	22,327
-	489,589
288,567	288,567
645,482	645,482
180,184	180,184
-	159,055
-	1,189,618
1,105,618	1,105,618
-	3,862,819
<u>2,219,851</u>	<u>7,968,396</u>
<u>\$ 2,308,838</u>	<u>\$ 21,771,017</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, 2007

Total Fund Balances - Governmental Funds	\$ 7,968,396
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.	33,671,284
Special assessments are reported as deferred revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.	96,666
Accrued interest payable is not due and payable in the current period and therefore is not reported in the funds	(73,723)
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>(10,148,238)</u>
NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ 31,514,385</u>

See accompanying notes to financial statements.

CITY OF MEQUON

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

For the Year Ended December 31, 2007

	General Fund	Debt Service Fund	Capital Projects Fund
REVENUES			
Taxes	\$ 11,324,312	\$ 1,151,190	\$ -
Intergovernmental	1,647,430	-	20,567
Licenses and permits	1,113,504	-	-
Public charges for services	964,281	-	-
Intergovernmental charges for services	-	-	-
Investment income	537,603	57,383	239,735
Miscellaneous	26,725	-	17,115
Total Revenues	15,613,855	1,208,573	277,417
EXPENDITURES			
Current			
General government	2,850,884	-	-
Public safety	6,251,139	-	-
Public works	4,586,551	-	-
Health and human services	30,580	-	-
Community enrichment services	634,254	-	-
Conservation and development	411,477	-	-
Capital Outlay	-	-	618,709
Debt Service			
Principal	-	805,000	-
Interest and fiscal charges	-	316,587	-
Total Expenditures	14,764,885	1,121,587	618,709
Excess (deficiency) of revenues over expenditures	848,970	86,986	(341,292)
OTHER FINANCING SOURCES (USES)			
Transfers in	135,439	12,171	638,219
Transfers out	(1,759,971)	-	(21,235)
Sales of general fixed assets	-	-	50,357
Total Other Financing Sources (Uses)	(1,624,532)	12,171	667,341
Net Change in Fund Balances	(775,562)	99,157	326,049
FUND BALANCES - Beginning of Year	2,171,699	390,432	3,536,770
FUND BALANCES - END OF YEAR	\$ 1,396,137	\$ 489,589	\$ 3,862,819

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ -	\$ 12,475,502
42,035	1,710,032
-	1,113,504
60,981	1,025,262
104,404	104,404
115,797	950,518
<u>336,705</u>	<u>380,545</u>
<u>659,922</u>	<u>17,759,767</u>
26,417	2,877,301
99,430	6,350,569
12,366	4,598,917
38,500	69,080
1,027,622	1,661,876
11,602	423,079
304,647	923,356
6,808	811,808
<u>11,208</u>	<u>327,795</u>
<u>1,538,600</u>	<u>18,043,781</u>
<u>(878,678)</u>	<u>(284,014)</u>
1,122,086	1,907,915
(126,709)	(1,907,915)
-	50,357
<u>995,377</u>	<u>50,357</u>
116,699	(233,657)
<u>2,103,152</u>	<u>8,202,053</u>
<u>\$ 2,219,851</u>	<u>\$ 7,968,396</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, 2007

Net change in fund balances - total governmental funds	\$ (233,657)
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	923,356
Some items reported as capital outlay were not capitalized	(360,579)
Some items reported as operating expenditures in the fund financial statements but are capitalized in the government-wide statements	993,111
Depreciation is reported in the government-wide financial statements	(2,753,911)
Contributed capital assets are reported as revenues in the government-wide financial statements.	167,250
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	9,683
Interest on special assessments	991
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.	
Principal repaid	827,701
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	(58,752)
Unfunded prior service cost	(24,026)
Accrued interest on debt	6,489
CHANGE IN NET ASSETS OF GOVERNMENTAL ACTIVITIES	<u>\$ (502,344)</u>

See accompanying notes to financial statements.

CITY OF MEQUON

STATEMENT OF NET ASSETS PROPRIETARY FUND December 31, 2007

	Business- Type Activities - Enterprise Fund
	<u>Sewer Utility</u>
ASSETS	
Current Assets	
Cash and investments	\$ 2,214,932
Receivables	
Taxes	7,106,208
Accounts	562,401
Accrued interest	41,968
Other	<u>141,306</u>
Total Current Assets	<u>10,066,815</u>
Noncurrent Assets	
Restricted Assets	
Equipment replacement	119,214
Capital Assets	
Construction in progress	516,322
Property and equipment	39,928,540
Less: Accumulated depreciation	(14,025,770)
Other Assets	
Special assessments receivable	<u>37,102</u>
Total Noncurrent Assets	<u>26,575,408</u>
Total Assets	<u>36,642,223</u>

See accompanying notes to financial statements.

	Business- Type Activities - Enterprise Fund <u>Sewer Utility</u>
LIABILITIES	
Current Liabilities	
Current portion of general obligation debt	\$ 1,820,000
Accounts payable	30,738
Accrued wages	8,272
Accrued interest	251,549
Unearned revenues	7,147,165
Other current liabilities	<u>1,410</u>
Total Current Liabilities	<u>9,259,134</u>
Noncurrent Liabilities	
Long-Term Debt	
General obligation debt payable	<u>15,731,707</u>
Total Noncurrent Liabilities	<u>15,731,707</u>
Total Liabilities	<u>24,990,841</u>
NET ASSETS	
Invested in capital assets net of related debt	26,419,092
Restricted for	
Equipment replacement	119,214
Unrestricted net assets (deficit)	<u>(14,886,924)</u>
TOTAL NET ASSETS	<u>\$ 11,651,382</u>

See accompanying notes to financial statements.

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CITY OF MEQUON

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

For the Year Ended December 31, 2007

	Business- Type Activities - Enterprise Fund <u>Sewer Utility</u>
OPERATING REVENUES	<u>\$ 2,306,485</u>
OPERATING EXPENSES	
MMSD charges for treatment	5,267,018
Operation and maintenance	957,841
Depreciation expense	<u>710,246</u>
Total Operating Expenses	<u>6,935,105</u>
Operating Loss	<u>(4,628,620)</u>
NONOPERATING REVENUES (EXPENSES)	
Investment income	652,407
Taxes	6,197,955
Miscellaneous	3,075
Interest and fiscal charges	<u>(1,332,524)</u>
Total Nonoperating Revenues (Expenses)	<u>5,520,913</u>
Income Before Contributions	<u>892,293</u>
CONTRIBUTIONS	
Capital contributions	<u>224,846</u>
Change in Net Assets	1,117,139
NET ASSETS - Beginning of Year	<u>10,534,243</u>
NET ASSETS - END OF YEAR	<u>\$ 11,651,382</u>

See accompanying notes to financial statements.

CITY OF MEQUON

STATEMENT OF CASH FLOWS PROPRIETARY FUND For the Year Ended December 31, 2007

	Business- Type Activities - Enterprise Fund <u>Sewer Utility</u>
CASH FLOWS FROM OPERATING ACTIVITIES	
Received from customers	\$ 2,246,541
Paid to suppliers for goods and services	(5,820,728)
Paid to employees for services	<u>(563,531)</u>
Net Cash Flows From Operating Activities	<u>(4,137,718)</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Investments sold and matured	17,669,032
Investment income	<u>853,314</u>
Net Cash Flows From Investing Activities	<u>18,522,346</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Taxes received	<u>6,197,955</u>
Net Cash Flows From Noncapital Financing Activities	<u>6,197,955</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES	
Debt retired	(18,675,000)
Interest paid	(1,708,263)
Special assessments received	14,145
Acquisition and construction of capital assets	<u>(336,718)</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(20,705,836)</u>
Net Change in Cash and Cash Equivalents	(123,253)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,457,399</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 2,334,146</u>

See accompanying notes to financial statements.

	Business- Type Activities - Enterprise Fund <u>Sewer Utility</u>
RECONCILIATION OF OPERATING LOSS TO NET CASH FLOWS FROM OPERATING ACTIVITIES	
Operating loss	\$ (4,628,620)
Nonoperating revenue	3,075
Adjustments to Reconcile Operating Loss to Net Cash Flows From Operating Activities	
Depreciation	710,246
Changes in assets and liabilities	
Customer receivables	(20,290)
Other receivables	(922,726)
Accounts payable and other current liabilities	(159,401)
Deferred revenue	<u>879,998</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (4,137,718)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET ASSETS - PROPRIETARY FUNDS	
Cash and investments - statement of net assets	\$ 2,214,932
Restricted cash and investments - statement of net assets	<u>119,214</u>
CASH AND CASH EQUIVALENTS	<u>\$ 2,334,146</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES	
Cost of utility plant additions financed by others	<u>\$ 224,846</u>

See accompanying notes to financial statements.

CITY OF MEQUON

STATEMENT OF FIDUCIARY NET ASSETS FIDUCIARY FUND December 31, 2007

	<u>Agency Fund</u>
ASSETS	
Cash and investments	\$ 35,706,542
Receivables - (net)	
Taxes	17,471,849
Other	<u>305,483</u>
TOTAL ASSETS	<u>\$ 53,483,874</u>
LIABILITIES	
Due to other taxing units	<u>\$ 53,483,874</u>
TOTAL LIABILITIES	<u>\$ 53,483,874</u>

See accompanying notes to financial statements.

CITY OF MEQUON

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CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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, 2007 is not available.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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, 2007

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, 2007

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, 2007

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, 2007

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 for 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, 2007

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, 2007, 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 - 2007 tax roll:

Lien date and levy date	December 2007
Tax bills mailed	December 2007
Payment in full, or	January 31, 2008
First installment due	January 31, 2008
Second installment due	July 31, 2008
Personal property taxes in full	January 31, 2008
Tax sale - 2007 delinquent real estate taxes	October 2010

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, 2007

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. Inventories and Prepaid Items

Governmental fund inventory items are charged to expenditure accounts when purchased. Year-end inventory was not significant.

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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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

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.

Prior to January 2004, infrastructure assets of governmental funds were not capitalized. Upon implementing GASB No. 34, governmental units are required to account for all capital assets, including infrastructure, in the government-wide statements prospectively from the date of implementation. Retroactive reporting of all major general infrastructure assets is encouraged but not required until, when GASB No. 34 requires the city to retroactively report all major general infrastructure assets acquired since January 1, 1980. As of December 31, 2007, the city has retroactively reported all infrastructure acquired by its governmental fund types.

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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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

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.

Sick leave is earned at the rate of one working day for each month of service. Employees are compensated for sick leave days accumulated over 180 days at a defined rate per day. Certain employees are eligible to have their accumulated sick leave converted to a termination benefit and payable to employees in accordance with the terms of the applicable contract upon an employee's retirement or death.

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, 2007, 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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS

December 31, 2007

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

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

8. Long-Term Obligations/Conduit Debt (cont.)

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.

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 bond 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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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

10. Equity Classifications (cont.)

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.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. BUDGETARY INFORMATION

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

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

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

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

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Budgeted expenditures in the general fund fund (including amendments) were \$14,322,367. Total expenditures were \$14,764,885. This results in excess expenditures of \$442,518.

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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2007

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY (cont.)

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.

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	\$36,866,841	\$37,056,222	Custodial credit risk
US agencies	6,281,049	6,281,049	Custodial credit, credit and interest rate risk
US treasuries	2,736,859	2,736,859	Custodial credit and interest rate risk
LGIP	258,182	258,182	Credit and interest rate risk
Petty cash	1,400	-	N/A
Total Deposits and Investments	<u>\$46,144,331</u>	<u>\$46,332,312</u>	
Reconciliation to financial statements			
Per statement of net assets			
Unrestricted cash and investments	\$10,318,575		
Restricted cash and investments	119,214		
Per statement of net assets- fiduciary funds			
Agency	35,706,542		
Total Deposits and Investments	<u>\$46,144,331</u>		

Deposits in each local and area bank are insured by the FDIC in the amount of \$100,000 for interest bearing accounts and \$100,000 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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

A. DEPOSITS AND INVESTMENTS (cont.)

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.

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, 2007, \$36,756,222 of the city's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$	1,039,377
Uninsured and collateral held by the pledging financial institution		<u>35,716,845</u>
Total	\$	<u><u>36,756,222</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, 2007, the city's investments were exposed to custodial credit risk as follows:

US agencies

Neither insured nor registered and held by counterparty's trust department or agent not in the city's name	\$	<u>6,281,049</u>
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US treasuries

Neither insured nor registered and held by counterparty's trust department or agent not in the city's name	\$	<u>2,736,859</u>
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Credit Risk

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

A. DEPOSITS AND INVESTMENTS (cont.)

Credit Risk (cont.)

As of December 31, 2007, the city's investments were rated as follows:

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

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, 2007, 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
US treasuries	\$ 2,736,859	\$ 151,688	\$ 1,724,092	\$ 861,079
US agencies	6,281,049	1,297,713	3,715,816	1,267,520
External investment pools	258,182	258,182	-	-
Totals	\$ 9,276,090	\$ 1,707,583	\$ 5,439,908	\$ 2,128,599

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 \$25,137 of delinquent personal property taxes reported in the general fund.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

B. RECEIVABLES (cont.)

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	\$ 19,667	\$ 12,610,918	\$ 12,630,585
Special assessments not yet due	76,999	-	76,999
Total Deferred/Unearned Revenue for Governmental Funds	\$ 96,666	\$ 12,610,918	\$ 12,707,584

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

	Unearned
Property taxes receivable for subsequent year	\$ 7,147,165

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, 2007, the city has not exceeded its maximum retention cap. When it does, a liability to the state will be recorded.

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Equipment Replacement Account

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

C. RESTRICTED ASSETS (cont.)

Following is a list of restricted assets at December 31, 2007:

	Restricted Assets
Equipment replacement account	<u>\$ 119,214</u>
Total Restricted Assets	<u><u>\$ 119,214</u></u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2007, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 6,459,680	\$ -	\$ -	\$ 6,459,680
Total Capital Assets Not Being Depreciated	6,459,680	-	-	6,459,680
Capital assets being depreciated				
Buildings	14,482,909	-	-	14,482,909
Roads	35,177,669	1,374,154	-	36,551,823
Bridges	2,578,031	-	-	2,578,031
Library Collection	3,537,313	58,910	75,958	3,520,265
Equipment, Vehicles, and Miscellaneous	6,031,804	290,074	202,831	6,119,047
Total Capital Assets Being Depreciated	61,807,726	1,723,138	278,789	63,252,075
Total Capital Assets	68,267,406	1,723,138	278,789	69,711,755
Less: Accumulated depreciation for				
Buildings	(6,858,208)	(250,163)	-	(7,108,371)
Roads	(19,050,328)	(1,827,588)	-	(20,877,916)
Bridges	(512,481)	(52,839)	-	(565,320)
Library Collection	(3,258,898)	(70,164)	75,958	(3,253,104)
Equipment, Vehicles, and Miscellaneous	(3,885,434)	(553,157)	202,831	(4,235,760)
Total Accumulated Depreciation	(33,565,349)	(2,753,911)	278,789	(36,040,471)
Net Capital Assets Being Depreciated	28,242,377	(1,030,773)	-	27,211,604
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 34,702,057	\$ (1,030,773)	\$ -	\$ 33,671,284

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
December 31, 2007

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

D. CAPITAL ASSETS (cont.)

Depreciation expense was charged to functions as follows:

Governmental Activities

General government	\$ 78,099
Public safety	387,010
Public works	2,135,749
Community enrichment services	<u>153,053</u>
Total Governmental Activities Depreciation Expense	<u>\$ 2,753,911</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	\$ 50,046	\$ 466,276	\$ -	\$ 516,322
Total Capital Assets Not Being Depreciated	<u>50,046</u>	<u>466,276</u>	<u>-</u>	<u>516,322</u>
Capital assets being depreciated				
Structure improvements	3,550,731	-	-	3,550,731
Sewer collection system	32,809,818	70,701	-	32,880,519
Machinery and equipment	3,472,706	24,584	-	3,497,290
Total Capital Assets Being Depreciated	<u>39,833,255</u>	<u>95,285</u>	<u>-</u>	<u>39,928,540</u>
Total Capital Assets	<u>39,883,301</u>	<u>561,561</u>	<u>-</u>	<u>40,444,862</u>
Less: Accumulated depreciation for				
Structure improvements	(398,745)	(71,036)	-	(469,781)
Sewer collection system	(10,762,357)	(477,015)	-	(11,239,372)
Machinery and equipment	(2,154,422)	(162,195)	-	(2,316,617)
Total Accumulated Depreciation	<u>(13,315,524)</u>	<u>(710,246)</u>	<u>-</u>	<u>(14,025,770)</u>
Net Capital Assets Being Depreciated	<u>26,517,731</u>	<u>805,531</u>	<u>-</u>	<u>25,902,770</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 26,567,777</u>	<u>\$ 1,271,807</u>	<u>\$ -</u>	<u>\$ 26,419,092</u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

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>
Non lapsing appropriations special revenue	General	\$ 267,086	Budget appropriations for specific projects
General fund	Capital projects fund	21,235	Budget appropriation for specific projects
General fund	Non lapsing appropriations special revenue	114,204	Budget appropriation for specific projects
Frank L. Weyenberg Library special revenue fund	General fund	855,000	Budget appropriation for specific projects
Capital projects fund	General fund	637,885	Budget appropriation for specific projects
Debt service fund	Non lapsing appropriations special revenue	12,171	Budget appropriation for specific projects
Capital projects fund	Non lapsing appropriations special revenue	<u>334</u>	Budget appropriation for specific projects
Total - Fund Financial Statements		<u>1,907,915</u>	
Less: Fund eliminations		<u>(1,907,915)</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, 2007

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

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2007, was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 8,993,182	\$ -	\$ 811,808	\$ 8,181,374	\$ 852,875
Sub-totals	<u>8,993,182</u>	<u>-</u>	<u>811,808</u>	<u>8,181,374</u>	<u>852,875</u>
Other Liabilities					
Unfunded retirement liability	1,340,040	98,699	74,673	1,364,066	74,700
Capital leases	15,893	-	15,893	-	-
Compensated absences	544,046	66,385	7,633	602,798	311,131
Total Other Liabilities	<u>1,899,979</u>	<u>165,084</u>	<u>98,199</u>	<u>1,966,864</u>	<u>385,831</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 10,893,161</u>	<u>\$ 165,084</u>	<u>\$ 910,007</u>	<u>\$ 10,148,238</u>	<u>\$ 1,238,706</u>
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 35,640,000	\$ -	\$ 18,675,000	\$ 16,965,000	\$ 1,820,000
Add/(Subtract) Deferred Amounts For					
(Discounts)/Premiums	641,426	-	54,719	586,707	-
Sub-totals	<u>36,281,426</u>	<u>-</u>	<u>18,729,719</u>	<u>17,551,707</u>	<u>1,820,000</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 36,281,426</u>	<u>\$ -</u>	<u>\$ 18,729,719</u>	<u>\$ 17,551,707</u>	<u>\$ 1,820,000</u>

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.

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, 2007, was \$228,460,535. Total general obligation debt outstanding at year end was \$25,146,374.

<u>Governmental Activities</u>	<u>Date of</u>	<u>Final</u>	<u>Interest</u>	<u>Original</u>	<u>Balance</u>
<u>General Obligation Debt</u>	<u>Issue</u>	<u>Maturity</u>	<u>Rates</u>	<u>Indebtedness</u>	<u>12/31/07</u>
Open Space Preservation 2002	3/12/02	10/1/11	3.0-4.3%	\$ 2,040,000	\$ 985,000
Refunding & New Projects 2002	7/9/02	10/1/11	2.0-4.0	2,030,000	680,000

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/07
Governmental Activities General Obligation Debt (cont.)					
Tax incremental					
Improvements Bonds 2003	3/11/03	10/1/18	2.3-3.75	3,925,000	3,925,000
Ozaukee Bank - Mulaney	7/5/03	7/5/18	5.35 3.25-	78,759	62,360
G.O. Promissory Notes 2005	6/18/05	10/1/14	3.875	1,645,000	1,445,000
Library Refunding Issue 2006	1/15/06	10/1/11	3.3-3.7	1,395,000	1,005,000
Ozaukee Bank - Stelter	11/12/06	6/12/10	7.50	82,942	79,014
					<u>8,181,374</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 8,181,374</u>

Business-type Activities General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance 12/31/07
2005 General Obligation Refunding Bonds	6/1/05	9/1/17	3.5-5.0	\$ 16,965,000	\$ 16,965,000
Total Business-type Activities General Obligation Debt					<u>\$ 16,965,000</u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2008	\$ 852,875	\$ 297,783	\$ 1,820,000	\$ 746,400
2009	923,398	267,690	1,800,000	682,700
2010	978,947	234,944	1,780,000	615,200
2011	1,059,532	198,971	1,735,000	544,000
2012	950,150	159,253	1,690,000	474,600
2013-2017	2,771,728	420,403	8,140,000	1,221,750
2018	644,744	27,388	-	-
Totals	<u>\$ 8,181,374</u>	<u>\$ 1,606,432</u>	<u>\$ 16,965,000</u>	<u>\$ 4,284,650</u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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

F. LONG-TERM OBLIGATIONS (cont.)

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.

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, 2007, includes the following:

Governmental Activities

Invested in Capital Assets, Net of Related Debt	
Land	\$ 6,459,680
Other capital assets, net of accumulated depreciation	27,211,604
Less: Long-term debt outstanding	<u>(8,181,374)</u>
Total Invested in Capital Assets, Net of Related Debt	<u>25,489,910</u>

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2007, include the following:

Reserved	
Major Funds	
General Fund	
Delinquent personal property taxes	\$ 25,137
Cemetery Reserve	<u>22,327</u>
Total	<u>\$ 47,464</u>
Debt Service Funds	
Reserved for debt service	<u>\$ 489,589</u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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	\$ 288,567
Library fund	180,154
Revolving loan program fund	<u>645,482</u>

Total Non-Major Funds	<u>\$ 1,114,203</u>
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Unreserved (designated)

Major Fund

General fund

Designated for cemetery	\$ 1,409
Designated for subsequent years budget	<u>157,646</u>

Total	<u>\$ 159,055</u>
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Non-Major Funds

Special Revenue Fund

Non-lapsing Appropriations special revenue fund	<u>\$ 1,105,618</u>
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Unreserved (undesignated)

Major Funds

General fund

Capital projects fund	\$ 1,189,618
	<u>3,862,819</u>

Total	<u>\$ 5,052,437</u>
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Business-type Activities

Invested in capital assets, net of related debt

Construction in progress	\$ 516,322
Other capital assets, net of accumulated depreciation	<u>25,902,770</u>

Total Invested in Capital Assets, Net of Related Debt	<u>26,419,092</u>
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Restricted

Equipment replacement	<u>119,214</u>
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Unrestricted (deficit)

<u>(14,886,924)</u>

Total Business-type Activities Net Assets	<u>\$ 11,651,382</u>
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CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2007

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, 2007, was \$7,535,619; the employer's total payroll was \$8,036,434. The total required contribution for the year ended December 31, 2007, was \$1,147,067 or 15.2 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, 2006, and 2005 were \$1,078,232 and \$1,054,680, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 55 for protective occupation employees) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 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, 2007, was \$1,364,066. 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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS December 31, 2007

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES

From time to time, the city is party to various pending claims and legal proceedings. Although the outcome of such matters cannot be forecasted with certainty, it is the opinion of management and the city attorney that the likelihood is remote that any such claims or proceedings will have a material adverse effect on the city's financial position or results of operations.

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

D. OTHER POSTEMPLOYMENT BENEFITS

The city provides postemployment health insurance benefits for all eligible employees. Eligibility is based on attaining retirement age. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies. 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 \$31,221. The number of participants currently eligible to receive benefits is 26.

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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, 2007

	Budgeted Amounts			Variance with Final Budget
	Original	Final	Actual	
REVENUES				
Taxes	\$ 11,375,712	\$ 11,375,712	\$ 11,324,312	\$ (51,400)
Intergovernmental	1,682,917	1,682,917	1,647,430	(35,487)
Licenses and permits	1,221,300	1,221,300	1,113,504	(107,796)
Public charges for services	910,273	910,273	964,281	54,008
Investment income	408,334	408,334	537,603	129,269
Miscellaneous	5,000	5,000	26,725	21,725
Total Revenues	<u>15,603,536</u>	<u>15,603,536</u>	<u>15,613,855</u>	<u>10,319</u>
EXPENDITURES				
Current:				
General government	2,941,330	2,508,088	2,850,884	(342,796)
Public safety	6,323,582	6,103,999	6,251,139	(147,140)
Public works	4,509,584	4,317,622	4,586,551	(268,929)
Health and human services	29,622	29,210	30,580	(1,370)
Community enrichment services	713,989	651,882	634,254	17,628
Conservation and development	419,760	422,094	411,477	10,617
Total Expenditures	<u>14,937,867</u>	<u>14,032,895</u>	<u>14,764,885</u>	<u>(731,990)</u>
Excess of revenues over expenditures	<u>665,669</u>	<u>1,570,641</u>	<u>848,970</u>	<u>(721,671)</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	20,331	20,331	135,439	115,108
Transfers out	(855,000)	(1,759,972)	(1,759,971)	1
Total Other Financing Sources (Uses)	<u>(834,669)</u>	<u>(1,739,641)</u>	<u>(1,624,532)</u>	<u>115,109</u>
Net Change in Fund Balance	(169,000)	(169,000)	(775,562)	(606,562)
FUND BALANCE - Beginning of Year	<u>2,171,699</u>	<u>2,171,699</u>	<u>2,171,699</u>	-
FUND BALANCE - END OF YEAR	<u>\$ 2,002,699</u>	<u>\$ 2,002,699</u>	<u>\$ 1,396,137</u>	<u>\$ (606,562)</u>

See accompanying notes to required supplementary information.

CITY OF MEQUON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION December 31, 2007

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, 2007

	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	\$ 288,567	\$ 645,482	\$ 981,370	\$ 234,592	\$ 2,150,011
Receivables					
Accrued interest	-	-	6,595	677	7,272
Other	-	-	1,134	-	1,134
Due from other governments	-	-	150,421	-	150,421
TOTAL ASSETS	<u>\$ 288,567</u>	<u>\$ 645,482</u>	<u>\$ 1,139,520</u>	<u>\$ 235,269</u>	<u>\$ 2,308,838</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ -	\$ 7,224	\$ 41,876	\$ 49,100
Accrued liabilities	-	-	26,678	13,209	39,887
Total Liabilities	-	-	33,902	55,085	88,987
Fund Balances					
Reserved for					
Park	288,567	-	-	-	288,567
Revolving loan program	-	645,482	-	-	645,482
Library	-	-	-	180,184	180,184
Unreserved, designated for					
Special revenue funds non-lapsing appropriations	-	-	1,105,618	-	1,105,618
Total Fund Balances	288,567	645,482	1,105,618	180,184	2,219,851
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 288,567</u>	<u>\$ 645,482</u>	<u>\$ 1,139,520</u>	<u>\$ 235,269</u>	<u>\$ 2,308,838</u>

CITY OF MEQUON

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2007

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Park Fund	Revolving Loan Program Fund	Non Lapsing Appropriations Fund	Frank L. Weyenberg Library Fund	
REVENUES					
Intergovernmental	\$ -	\$ -	\$ 42,035	\$ -	\$ 42,035
Public charges for services	-	-	-	60,981	60,981
Intergovernmental charges for services	-	-	-	104,404	104,404
Investment income	17,346	38,800	49,177	10,474	115,797
Miscellaneous	53,100	-	279,083	4,522	336,705
Total Revenues	<u>70,446</u>	<u>38,800</u>	<u>370,295</u>	<u>180,381</u>	<u>659,922</u>
EXPENDITURES					
Current					
General government	-	-	26,417	-	26,417
Public safety	-	-	99,430	-	99,430
Public works	-	-	12,366	-	12,366
Community enrichment services	-	-	28,994	998,628	1,027,622
Conservation and development	11,602	-	-	-	11,602
Health and human services	-	-	38,500	-	38,500
Capital Outlay	-	-	304,647	-	304,647
Debt Service					
Principal	-	-	6,808	-	6,808
Interest and fiscal charges	-	-	11,208	-	11,208
Total Expenditures	<u>11,602</u>	<u>-</u>	<u>528,370</u>	<u>998,628</u>	<u>1,538,600</u>
Excess (deficiency) of revenues over expenditures	<u>58,844</u>	<u>38,800</u>	<u>(158,075)</u>	<u>(818,247)</u>	<u>(878,678)</u>
OTHER FINANCING SOURCES (USES)					
Transfers in	-	-	267,086	855,000	1,122,086
Transfers out	-	-	(126,709)	-	(126,709)
Total Other Financing Sources (Uses)	<u>-</u>	<u>-</u>	<u>140,377</u>	<u>855,000</u>	<u>995,377</u>
Net Change in Fund Balances	58,844	38,800	(17,698)	36,753	116,699
FUND BALANCES - Beginning of Year	<u>229,723</u>	<u>606,682</u>	<u>1,123,316</u>	<u>143,431</u>	<u>2,103,152</u>
FUND BALANCES - END OF YEAR	<u>\$288,567</u>	<u>\$645,482</u>	<u>\$ 1,105,618</u>	<u>\$ 180,184</u>	<u>\$ 2,219,851</u>

