



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

For The Year Ended December 31, 2012

Comprehensive Annual Financial Report



**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2012**



**CITY OF MEQUON
WISCONSIN**

Prepared by:

Lee Szymborski
City Administrator

Thomas Watson
Finance Director

Published June 7, 2013

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As of and for the Year Ended December 31, 2012

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INTRODUCTORY SECTION

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FINANCE DEPARTMENT

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

June 7, 2013

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

The Comprehensive Annual Financial Report for the City of Mequon, Wisconsin, for the fiscal year ended December 31, 2012, is hereby submitted. This report consists of management's representations concerning the finances of the City of Mequon. Consequently, management assumes full responsibility for the completeness and reliability of all of the information presented in this report. To provide a reasonable basis for making these representations, management of the City of Mequon has established a comprehensive internal control framework that is designed both to protect the government's assets from loss, theft, or misuse and to compile sufficient reliable information for the preparation of the City of Mequon's financial statements in conformity with generally accepted accounting principles (GAAP). Because the cost of internal controls should not outweigh their benefits, the City of Mequon's comprehensive framework of internal controls has been designed to provide reasonable rather than absolute assurance that the financial statements will be free from material misstatement. As management, we assert that, to the best of our knowledge and belief, this financial report is complete and reliable in all material respects.

Baker Tilly Virchow Krause, LLP, a firm of certified public accountants and consultants has audited the City of Mequon's financial statements. The goal of the independent audit was to provide reasonable assurance that the financial statements of the City of Mequon for the fiscal year ended December 31, 2012, are free from material misstatement. The independent audit involved examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; assessing the accounting principles used and significant estimates made by management; and evaluating the overall financial statement presentation. The independent auditor concluded, based upon the audit, that the City's financial statements for the year ended December 31, 2012 are fairly presented in accordance with GAAP. The independent auditor's report is presented as the first component of the financial section of this report.

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

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

COMMUNITY PROFILE

The City is located in Ozaukee County, bordering Milwaukee County to its south and Lake Michigan to its east, and covers 47 square miles. The City was incorporated in 1957 and has a 2012 population of 23,226 (per state Department of Administration).

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

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

ECONOMIC CONDITION AND OUTLOOK

Unemployment has historically been very low in the Milwaukee metropolitan area. In Ozaukee County the unemployment rates were 6.0 percent in 2011 and 5.7 percent in 2012. This still compares favorably with the Wisconsin unemployment rates of 7.5 and 6.9 percent respectively.

Mequon's 2012 equalized property value remains over \$3.9 billion. However, housing values on a full market basis have decreased in recent years. The City's tax base fell, with a decrease in equalized valuation from 2011 to 2012 being approximately \$122 million, or an overall decrease of approximately 3 percent. In 2012, the City had over \$54 million valuation in construction permits, which is \$14 million (36%) more than the building permit valuation in 2011. The City maintains an Aa1 bond rating from Moody's Investors Service, based in part on the relatively strong economic climate of the City.

MAJOR INITIATIVES FOR THE YEAR (2012):

Economic Development

Town Center

The Common Council continues their implementation efforts for the Town Center. As a result the City, in partnership with the Mequon-Thiensville Rotary Club has completed construction of phase one for a riverfront park along the Milwaukee River. The improvements include paths, boardwalks, landscaping and signage. The goal is to provide enhanced awareness and access to the river, passive recreational opportunities and special events held along the river's edge. In addition, the City approved a new, mixed-use commercial development within the Town Center that will provide more than 40 new dwelling units, additional retail space including an Alterra Coffee Roasters, a new restaurant by the Lowlands Group (Milwaukee based owners and operators of Café Hollander, Café Beneloux, Tracadero Café) and revitalized space for the local American Legion. At another gateway location in Town Center, the City supported the development of Outpost Natural Foods. Mequon is the fourth location in the metropolitan area for Outpost and home to a significant number of Outpost Food members. With these developments, in addition to a few other projects, the City secured over \$20 -million dollars in new development value for Town Center alone. The City will invest further in streetscape improvements by establishing a public/private partnership with the developers of these Town Center sites. These improvements will include street trees, gateway features and signage, consistent lighting treatments and new and extended sidewalks.

Economic Development:

Land Use and Housing

The City completed the land use analysis for Port Washington Road, north of Highland Road. A committee of citizens served, with planning staff, the Council with land use recommendations for the corridor. Land use concepts include single-family residential, multiple-family residential, research and development industries and small-scale retail and

service nodes. The Committee also recommended the City take additional action steps including a market analysis related to commercial development for the corridor, regional stormwater management planning, the preservation and enhancement of the Ulao Creek environmental area and appropriate walking and bicycle links. The City is working with an engineering consultant to evaluate the ability and cost for expanded public sewer to serve the corridor. The City is also focused on a new area for single-family residential development in an area just west of Town Center.

Development Approvals

Major commercial development initiatives for 2012 include development in both of the city's commercial areas (Port Washington Road and Town Center). The estimated new tax base value based on the major projects below total \$18,000,000. These projects are evidence that appropriately planned commercial development is assisting in our Administration's goal of rebalancing the commercial tax base. These private invests in our community include the following:

- The establishment of several new restaurants including First Watch, Noodles & Co., Cherry Berry and TCBY.
- Major investments by Concordia University of Wisconsin including a new dormitory, parking structure and the KAPCO baseball stadium.
- Both the Pavilion Shopping Center and River Club of Mequon made substantial and visual improvements to their existing Mequon sites.
- Two major industrial companies, Telesmith and National Building Supply- both located in the Mequon Business Park, expanded their operations and facilities.
- Port Washington Road experienced redevelopment projects through a new office development by Concord Development Company, Lakeshore Eye Clinic and Kohler Credit Union. Further north, the City authorized the repurposing of a single-family home for a commercial winery with a tasting room.
- New residential development is occurring along Mequon Road, in the immediate area of the Town Center. This includes new two-family home construction near the intersection at Wauwatosa and Mequon Road and new single-family home construction along the front portion of Concord Creek and at the former Russ Darrow site.

FOR THE FUTURE (2013)

Branding and Outreach

The Economic Development Board has set a work program for 2013 which includes implementation of the Business Retention and Outreach plan. In addition, work will begin by the Community Wide Branding Committee where representatives from the M-T School District, Village of Thiensville, City of Mequon and M-T Chamber of Commerce will come together to develop branding action plan. The work is expected to be completed by year's end.

Community Wide Survey

The City will evaluate the results of the community wide survey that focuses on development issues and take action to discuss and implement new policy objectives. These results will also assist staff in the reevaluation of the City's Zoning Code, Architectural Design Standards for commercial development and the Sign Code.

Tax Increment Finance Districts

The City has four TIFs to manage and promote redevelopment opportunities. These efforts include long-term financial strategies, data monitoring, private/public partnerships to accomplish infrastructure and streetscape enhancements, coordination with consultants and the Wisconsin Department of Transportation and pursuing and evaluating the type of redevelopment desired for these neighborhoods.

FINANCIAL MANAGEMENT

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

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

RISK MANAGEMENT

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

CASH MANAGEMENT

Cash temporarily idle during the year was invested in demand deposits, an investment pool and a privately managed trust. The investment pool utilized by the City was the State of Wisconsin Local Government Investment Pool, a part of the State Investment Fund, which invests primarily in U.S. Treasury securities, repurchase agreements, and agency securities backed by the full faith and credit of the U.S. Government. In addition, the City utilized the services of Ziegler Investment Services. The City's portfolio at Ziegler consists primarily of U.S. Treasury securities, repurchase agreements, and agency securities backed by the full faith and credit of the U. S. Government. The City had investment income of approximately \$130,000 on all investments for the year ended December 31, 2012. The average return on investment was approximately one quarter of one percent.

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

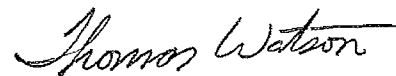
ACKNOWLEDGEMENTS

We wish to thank the Mayor and the City Common Council. Their leadership and continued support is invaluable toward advancing the goals of the City. Preparation of this report was made possible with the assistance of Baker Tilly Virchow Krause, LLP.

Respectfully submitted,



Lee Szymborski
City Administrator



Thomas Watson
Director of Finance

CITY OF MEQUON, WISCONSIN

DIRECTORY OF OFFICIALS

As of December 31, 2012

ELECTED OFFICIALS:

Mayor Curtis Gielow

Common Council

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

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APPOINTED OFFICIALS:

Lee Szymborski, City Administrator/City Clerk

Diane Kowalchuk, Deputy City Clerk

Steve Graff, Police Chief

Thomas Watson, Finance Director

Don Curran, Director of Parks and Operations

Nathan Check, Public Works Director/City Engineer

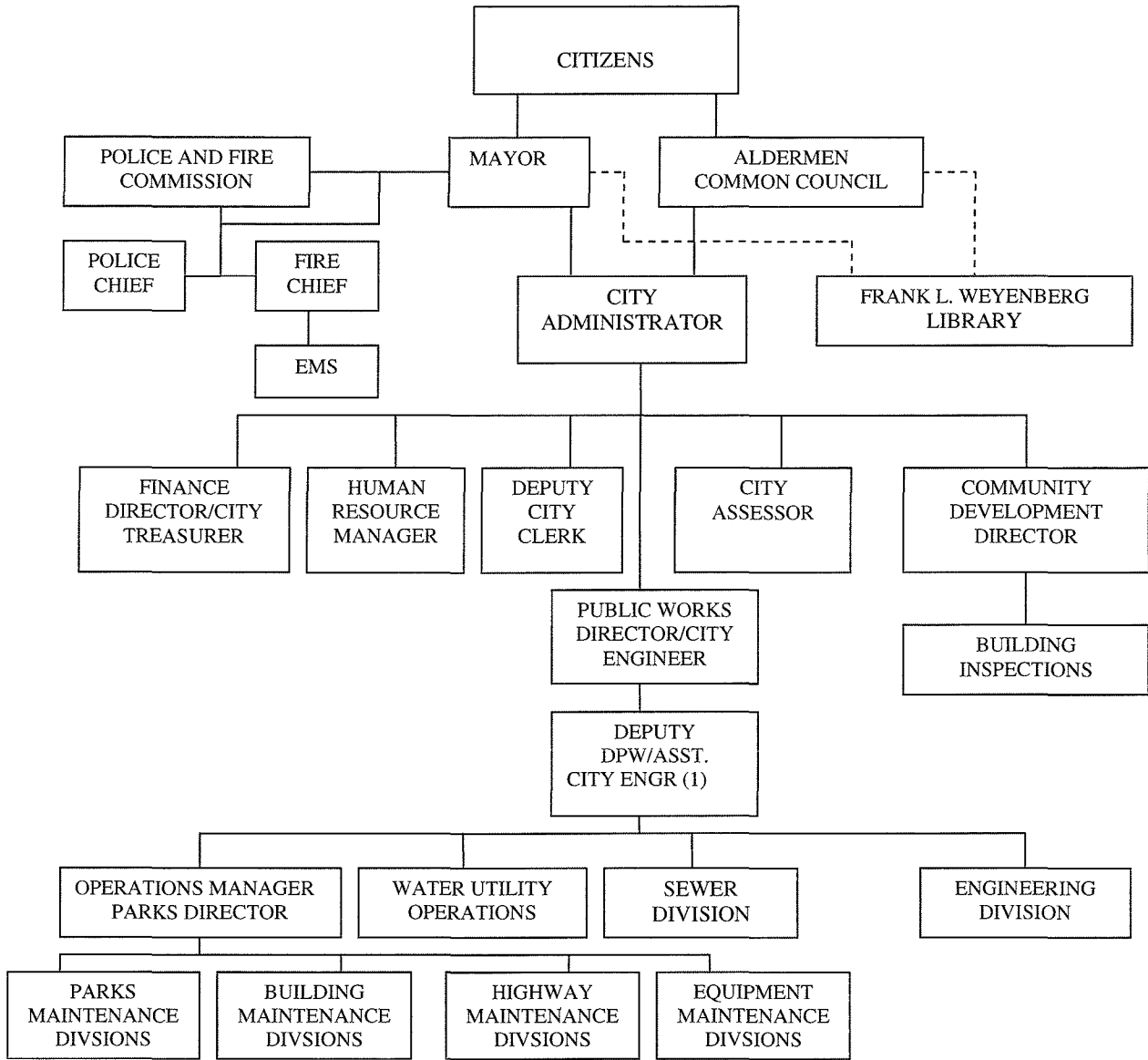
Mark Link, City Assessor

Kim Tollefson, Planning and Community Development Director

David Bialk, Fire Chief

Melissa Bohse, Assistant City Administrator

City of Mequon Organizational Chart





FINANCIAL SECTION

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INDEPENDENT AUDITORS' REPORT

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INDEPENDENT AUDITORS' REPORT

To the City Council
City of Mequon
Mequon, Wisconsin

Report on the Financial Statements

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, 2012, and the related notes to the financial statements, which collectively comprise the City of Mequon's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the City of Mequon's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances but not for the purpose of expressing an opinion on the effectiveness of the City of Mequon's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

To the City Council
City of Mequon

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Mequon, Wisconsin, as of December 31, 2012 and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note I, the City of Mequon adopted the provisions of GASB Statement No. 63, *Financial Reporting for Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, effective January 1, 2012. Our opinions are not modified with respect to this matter

Other Matters

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

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

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

Baker Tilly Virchow Krause, LLP

Milwaukee, Wisconsin
June 7, 2013

MANAGEMENT'S DISCUSSION AND ANALYSIS

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

(Unaudited)

This discussion and analysis of the City of Mequon's financial performance is intended to provide an overview of the City's financial activities for the fiscal year ended December 31, 2012. 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 \$118.9 million and total liabilities of \$69.1 million, the total net position of the City of Mequon stood at \$49.8 million at the close of the 2012 fiscal year, an increase of 4.4% over the previous year.
- ✓ As of December 31, 2012 the City of Mequon's governmental funds reported combined ending fund balances of \$10.7 million, a decrease of \$1.47 million (12%) compared to the prior year. This decrease was related to the use of debt proceeds from the previous year in order to retire the City's unfunded pension liability. \$2.7 million or 25% of the total fund balances are available for spending at the government's discretion (unassigned fund balance).
- ✓ At the close of the fiscal year the City of Mequon's unassigned general fund balance totaled \$3.1 million, an increase of 38% from the previous fiscal year. This represents 18% of the \$17.5 million adopted 2013 General Fund and Debt Service Fund budgets.

OVERVIEW OF THE FINANCIAL STATEMENTS

The City of Mequon's basic financial statements are comprised of three components: 1) government-wide statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

Government-Wide Financial Statements. The *government-wide financial statements* are designed to provide readers with a broad overview of the City's finances in a manner similar to private-sector business entities.

The *Statement of Net Position* presents information on all of the City of Mequon's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods (e.g., uncollected taxes, earned but unused vacation).

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

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

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

The government-wide financial statements can be found on pages 23 through 25 of this report.

Fund Financial Statements. A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Mequon, like other governmental entities, uses fund accounting to ensure and demonstrate compliance with various finance related legal requirements. All of the funds of the City of Mequon can be divided into three categories: *governmental funds*, *proprietary funds* and *fiduciary funds*.

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

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

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

Compliance with the City's annual operating budget for the year ended December 31, 2012 is reported in the *Schedule of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual - General Fund* which is found on page 65.

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

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

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

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

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

Notes to the Financial Statements. The notes to the financial statements provide additional detail that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

The notes to the financial statements can be found beginning on page 38 of this report.

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

The supplementary information section of the report begins on page 72 .

Government-wide Financial Analysis

The City of Mequon's statement of net position is summarized in the table on the following page. The City's assets exceeded liabilities by \$49.8 million at the close of 2012. 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 Position
December 31, 2012 and 2011

	Governmental		Business-type		Totals	
	Activities		Activities		2012	2011
	2012	2011	2011	2011		
Current & Other Assets	\$ 28,456,163	\$ 26,990,528	\$ 12,711,673	\$ 13,793,638	\$ 41,167,836	\$ 40,784,166
Capital Assets (net)	36,071,810	40,422,521	41,643,361	40,725,816	77,715,171	81,148,337
Total Assets	\$ 64,527,973	\$ 67,413,049	\$ 54,355,034	\$ 54,519,454	\$ 118,883,007	\$ 121,932,503
Current Liabilities	\$ 15,107,494	\$ 14,626,146	\$ 7,399,330	\$ 7,665,643	\$ 22,506,824	\$ 22,291,789
Non-Current Liabilities	22,583,258	25,684,211	24,032,390	26,304,516	46,615,648	51,988,727
Total Liabilities	\$ 37,690,752	\$ 40,310,357	\$ 31,431,720	\$ 33,970,159	\$ 69,122,472	\$ 74,280,516
Net Position						
Net Investment in Capital Assets	\$ 21,415,193	\$ 25,157,617	\$ 27,667,737	\$ 26,242,471	\$ 48,044,434 *	\$ 50,361,592
Restricted	5,516,016	6,674,351	273,879	246,988	5,789,895	6,921,339
Unrestricted (deficit)	(93,988)	(4,729,276)	(5,018,302)	(5,940,164)	(4,073,794) *	(9,630,944)
Total Net Position	\$ 26,837,221	\$ 27,102,692	\$ 22,923,314	\$ 20,549,295	\$ 49,760,535	\$ 47,651,987
Total Net Position as a % of Total Liabilities	71.2%	67.2%	72.9%	60.5%	72.0%	64.2%
Unrestricted Net Position as a % of Total Liabilities	-0.2%	-11.7%	-16.0%	-17.5%	-5.9%	-13.0%

* Includes an adjustment for utility assets financed with governmental activities debt. See Note I-D-10.

A portion of the City's net position (11.6%) represents resources that are subject to other restrictions as to how they may be used. The remainder of total net position may be used to meet the City's on-going obligations to its citizens and creditors.

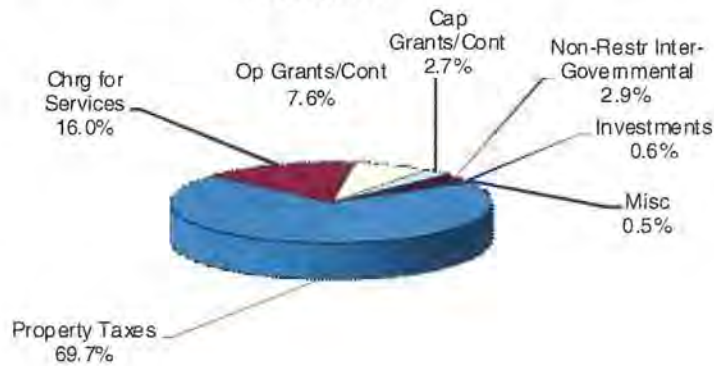
At the end of 2012, the City is able to report positive balances in two of the three categories of net position for the governmental activities as well as two of three categories for the government as a whole and the business-type activities.

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

As comparable data is accumulated and reported by governmental units over time, a sense of what level of net position is typical or appropriate will begin to develop. Total net position at the end of 2012 was \$26.8 million, or 71% of the total liabilities for governmental activities.

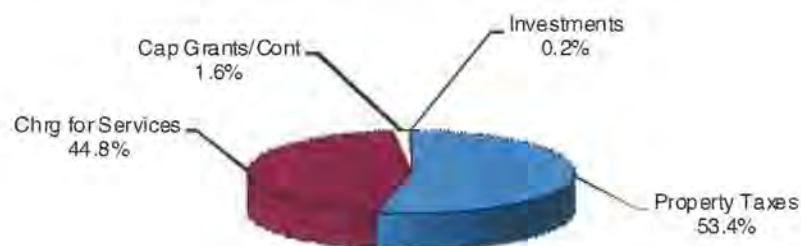
An examination of the statement of activities can provide a concise picture of how the various activities of the City are funded. The following pie charts draw data from the statement of activities. For governmental services, the City is highly dependent upon the property tax for funding, deriving 69.7% of its revenue from this single source. State aids not restricted to specific programs comprise only 2.9% of the City's revenues while other operating and capital grants and contributions comprise 10.3%. Charges for services continue to be of significant importance, accounting for 16.0% of revenues.

2012 Revenues by Source - Governmental Activities



In the case of business-type activities, the property tax is still the largest component of revenue, making up 53.4% of all revenues received. However, over 97% of these tax revenues relate directly to the MMSD annual capital charge, and repayment of the debt associated with the 1997 MMSD settlement. Funding of the utility's annual operation and maintenance costs is covered primarily by user fees, accounting for 44.8% of total revenues. The balance of revenue is made up of capital grants and contributions, and investment earnings.

2012 Revenues by Source - Business-type Activities

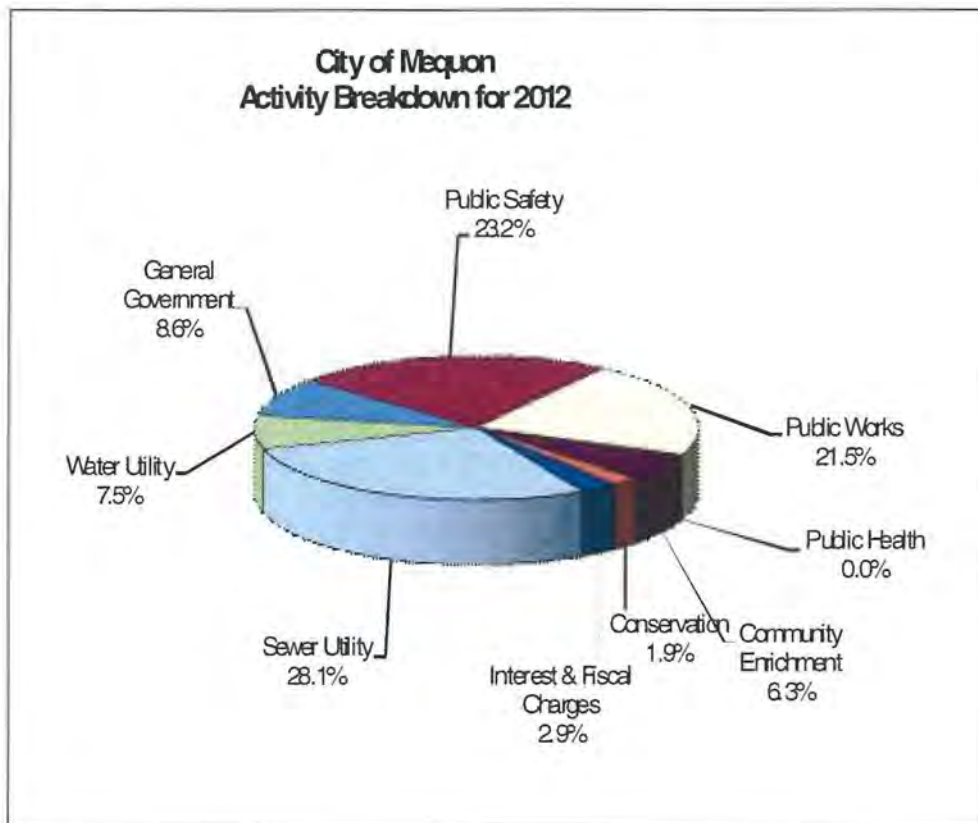


Governmental activities. Total Governmental activity expenses decreased \$2,055,256 from a year ago. Reductions were realized in General Government, \$248,330, Public Safety, \$292,187, Public Works \$1,334,315, Community Enrichment, \$57,562, and Interest and Fiscal Charges, \$125,166. Minimal Increases were incurred in Public Health \$1,084 and Conservation and Development, \$1,220.

The table below illustrates the change in net position for the City of Mequon for fiscal years ended December 31, 2012 and 2011:

	Governmental		Business-type		Totals	
	Activities		Activities		2012	2011
	2012	2011	2012	2011	2012	2011
Revenues						
Program Revenues						
Charges for services	\$ 3,035,119	\$ 2,750,636	\$ 5,836,210	\$ 5,139,176	\$ 8,871,329	\$ 7,889,812
Operating grants and contributions	1,446,983	1,709,970	-	-	1,446,983	1,709,970
Capital grants and contributions	511,194	2,508,141	208,726	150,897	719,920	2,659,038
General Revenues						
Property Taxes	13,260,969	13,568,659	6,960,399	6,936,508	20,221,368	20,505,167
Intergovernmental revenues not restricted to specific programs	551,045	463,388	-	-	551,045	463,388
Investment Income	109,478	170,010	20,214	51,642	129,692	221,652
Other	98,967	50,382	1,278	2,371	100,245	52,753
Total Revenues	\$ 19,013,755	\$ 21,221,186	\$ 13,026,827	\$ 12,280,594	\$ 32,040,582	\$ 33,501,780
Expenses						
General government	2,578,452	2,826,782	-	-	\$ 2,578,452	\$ 2,826,782
Public Safety	6,951,642	7,243,829	-	-	6,951,642	7,243,829
Public Works	6,445,104	7,779,419	-	-	6,445,104	7,779,419
Public Health	1,930	846	-	-	1,930	846
Community enrichment services	1,886,522	1,944,084	-	-	1,886,522	1,944,084
Conservation and development	556,569	555,349	-	-	556,569	555,349
Interest and fiscal charges	859,007	984,173	-	-	859,007	984,173
Sewer utility	-	-	8,394,444	8,216,356	8,394,444	8,216,356
Water utility	-	-	2,258,364	2,215,531	2,258,364	2,215,531
Total expenses	\$ 19,279,226	\$ 21,334,482	\$ 10,652,808	\$ 10,431,887	\$ 29,932,034	\$ 31,766,369
Change in net position	\$ (265,471)	\$ (113,296)	\$ 2,374,019	\$ 1,848,707	\$ 2,108,548	\$ 1,735,411
Net Position - beginning of year	27,102,692	27,215,988	20,549,295	18,700,588	47,651,987	45,916,576
Net Position - end of year	\$ 26,837,221	\$ 27,102,692	\$ 22,923,314	\$ 20,549,295	\$ 49,760,535	\$ 47,651,987

Presented below is a chart depicting the relative percentage of expenses for the City's major functions for 2012.



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 unrestricted 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, 2012, the City of Mequon's governmental funds reported combined ending fund balances of \$10.7 million, a decrease of \$1.5 million from the previous year. Of this total, \$5.3 million is restricted for specific legal requirements and other commitments, leaving total unrestricted governmental fund balances of \$5.4 million available for use at the discretion of the City's elected officials. As the result of past actions and policy decisions, \$2.6 million (24%) of this balance have been assigned for specific uses (primarily capital projects), leaving a combined unassigned fund balance of \$2.7 million in the general and debt service funds.

The *General fund* is the primary operating fund used to account for the governmental operations of the City, with the \$13.3 million of direct expenditures of this fund accounting for nearly 66% of the City's \$20.3 million total governmental fund expenditures as reported on the *Statement of Revenues Expenditures and Changes in Fund Balances*. The total year-end 2012 unassigned General fund balance of \$3.1 million represents 23.3% of the \$13.3 million 2012 General Fund expenditures reported on the *Statement of Revenues Expenditures and Changes in fund balances*.

Traditionally in Mequon, this year-end unassigned balance has been considered in proportion to the subsequent year's budgeted general fund expenditures, including debt service. This is used to measure the adequacy of the City's operating reserve, with a stated target ratio of 10%. The adopted 2013 General fund budget authorizes expenditures of \$14.8 million. Therefore, the 2012 year-end unassigned General fund balance of \$3.1 million represents 20.9% of the 2013 operating budget and therefore exceeds the target ratio.

The *Debt Service* fund has a total deficit fund balance of \$186,013 which is comprised of restricted fund balance of \$212,737 for debt related to the City's TID and an unassigned deficit balance of \$398,750 related to the City's general non-TID debt.

The *Capital Projects* fund is a governmental fund used to account for long-term capital acquisitions, such as squad cars and contractor equipment, acquisition of land, and large-scale infrastructure projects, such as roadways. The fund balance in this fund is primarily derived from funds set aside for projects to be completed in a subsequent period. The \$6.6 million fund balance is restricted or assigned entirely for such projects.

The aggregated *Nonmajor Governmental Funds* column includes various park, revolving loan, endowment and library special revenue funds used to account for the proceeds of specific revenue sources or that are legally restricted to expenditures for specific purposes. The accumulated fund balances decreased from \$1.3 million to \$1.1 million during 2012.

Proprietary Funds

The City's *proprietary funds* provide the same type of information found in the government-wide financial statements. The net position of the *enterprise-type* proprietary funds at the end of 2012 totaled \$22.9 million, an increase of \$2.4 million from the previous year. Net income before contributions of \$2.2 million accounted for most of this increase.

GENERAL FUND BUDGETARY HIGHLIGHTS

As shown in the Required Supplementary Information section, *Schedule of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual* for the General Fund, the original 2012 general fund budget authorized expenditures of \$13.7 million and anticipated revenues of \$13.7 million. During the year, no changes were made to the total original revenue budget by the Common Council.

The City ended the year with a favorable general fund budget revenue variance of \$448,505 and a favorable expenditure variance of \$420,093. The total favorable variance of \$868,598 represents 6.3% of the original general fund expenditure budget. This 2012 budgetary result occurred due to a variety of factors during the course of the year.

While overall revenues were higher than expected in 2012, there were several notable offsetting favorable and unfavorable outcomes that are included in that variance. The most significant favorable outcomes were a \$272,000 higher than anticipated revenues in license and permit fees. Public charges for services also had a favorable variance of \$131,000. The most significant unfavorable outcome was a \$14,000 shortfall in investment income due to continuing lower than expected market interest rates.

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, 2012 totaled over \$144 million. Of this total cost, \$53.8 million (37%), was related to governmental infrastructure, with the City's street network comprising the most significant component.

In 2012, capital assets attributed to the Frank L. Weyenberg Library are no longer presented as capital assets of the City of Mequon. The City's equity in the Library, including capital assets, is presented as an investment in joint venture in the governmental activities statement of net position.

Total accumulated depreciation was calculated to be just over \$66.7 million, or 46% of the historical cost of depreciable capital assets. Net of accumulated depreciation, the City's investment in capital assets exceeded \$77 million.

**Capital Assets, Net of Accumulated Depreciation
December 31, 2012 and 2011**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land	\$ 8,821,226	\$ 8,452,067	\$ 19,125	\$ 350	\$ 8,840,351	\$ 8,452,417
Construction in progress	-	-	-	172,126	-	172,126
Buildings	11,628,910	15,325,245	-	-	11,628,910	15,325,245
Library Collection	-	587,544	-	-	-	587,544
Machinery and Equipment	7,731,025	8,075,591	5,202,650	5,046,007	12,933,675	13,121,598
Infrastructure	53,837,175	52,901,084	51,639,791	51,176,711	105,476,966	104,077,795
Structure and Improvements	-	-	5,546,082	4,041,419	5,546,082	4,041,419
Subtotal	\$ 82,018,336	\$ 85,341,531	\$ 62,407,648	\$ 60,436,613	\$ 144,425,984	\$ 145,778,144
Less:						
Accumulated Depreciation	(45,946,526)	(44,919,010)	(20,764,287)	(19,710,797)	(66,710,813)	(64,629,807)
	<u>\$ 36,071,810</u>	<u>\$ 40,422,521</u>	<u>\$ 41,643,361</u>	<u>\$ 40,725,816</u>	<u>\$ 77,715,171</u>	<u>\$ 81,148,337</u>

Some of the more significant additions to the City's capital assets during 2012 included:

Infrastructure improvements	\$936,091
Equipment & Vehicles	588,409
Sewer Utility additions	1,799,125
Water Utility additions	329,601

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, 2012, the City of Mequon had \$46,615,648 of long-term notes, bonds and other long-term obligations outstanding, as summarized in the following table:

**City of Mequon, Wisconsin
Long-Term Obligations Outstanding
December 31, 2012 and 2011**

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
General Obligation Bonds & Notes	\$ 21,470,000	\$ 22,935,000	\$ 8,140,000	\$ 9,830,000	\$ 29,610,000	\$ 32,765,000
Revenue Bonds	-	-	15,625,000	16,150,000	15,625,000	16,150,000
Bond Premiums	-	-	267,390	324,516	267,390	324,516
Unfunded retirement liability	-	1,355,819	-	-	-	1,355,819
Capital Leases	145,696	215,250	-	-	145,696	215,250
Compensated absences	967,562	1,178,142	-	-	967,562	1,178,142
	<u>\$ 22,583,258</u>	<u>\$ 25,684,211</u>	<u>\$ 24,032,390</u>	<u>\$ 26,304,516</u>	<u>\$ 46,615,648</u>	<u>\$ 51,988,727</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 \$29,610,000 or 15% of the maximum legal limit of \$198,608,375.

CURRENTLY KNOWN FACTS

The 2013 general government budget adopted by the Mequon Common Council in November, 2012 increased total General, Capital, Library, and Debt Service Fund expenditures by \$153,000 or 0.84%. However, the net result is that the 2013 tax levy decreases by 1.3% in these areas. This decrease is offset by a projected \$349,000 increase in other revenue sources, including the use of \$186,000 of fund balance. It is anticipated the City will continue to work to maintain the general fund balance to a level of at least 10% of next year's general and debt service fund budgets.

Five Year Expenditure History

Fiscal Year	Amount	Percent Increase/ (Decrease)
2013	\$18,377,191	0.84
2012	\$18,224,239	0.41
2011	\$18,149,021	(1.20)
2010	\$18,365,917	3.60
2009	\$17,722,829	0.87
2008	\$17,570,714	3.87
2007	\$16,915,324	3.28

As presented in the table below, Salaries and benefits increased a modest .10%. Personnel cost increases were kept to a minimum as savings were realized from staff vacancies and increases in employee contributions towards fringe benefits. Materials and supplies decreased 3.89% and purchased services increased by 7.70%. Debt service costs increased 18.24%, and Capital costs decreased by 24.90% as some projects were completed in a prior year, reducing overall funding requirements. The City continues to explore alternative financing methods for its capital program.

Change in Expenditure Budget by Function

Expenditures	2013 Adopted	2012 Adopted	Net Increase (Decrease)	Percent Change
Salaries/Fringes	\$10,626,025	\$10,617,844	8,181	0.10
Materials/Supplies	1,199,685	1,248,267	(48,582)	(3.89)
Purchased Services/ other	2,010,338	1,866,615	143,723	7.70
Debt Service	2,680,253	2,266,830	413,423	18.24
Capital *	867,250	1,154,750	(287,500)	(24.90)
Library *	993,640	1,069,933	(76,293)	(7.13)
Total	\$18,377,191	\$18,224,239	152,952	0.84%

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

In the 2013 budget, several guiding principles applied:

- The State of Wisconsin's 2011 Act 32, imposes a property tax limit on all city levies. Act 32 allows municipal levies to increase by either zero percent, or the percentage change in the city's equalized value due to net new construction, whichever is greater. The City's increase in net new construction was .80 percent.
- The following goals were emphasized while developing the FY2013 budget. They include:
 - Maintaining low property taxes
 - Maintaining city infrastructure, roads and public works
 - Maintaining high quality public safety services
 - Maintaining the city's fiscal vitality with a strong and diverse tax base by encouraging community-sensitive economic development

REQUESTS FOR INFORMATION

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

BASIC FINANCIAL STATEMENTS

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CITY OF MEQUON

STATEMENT OF NET POSITION As of December 31, 2012

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 18,437,426	\$ 5,934,810	\$ 24,372,236
Receivables			
Taxes	6,527,359	3,269,834	9,797,193
Delinquent personal property tax	4,014	-	4,014
Accounts	-	1,355,744	1,355,744
Special assessments	14,748	-	14,748
Accrued interest	29,749	2,778	32,527
Other	413,386	92,622	506,008
Loans	426,481	-	426,481
Inventories	-	45,417	45,417
Unamortized debt issuance expense	-	253,469	253,469
Restricted assets			
Cash and investments	-	1,756,999	1,756,999
Investment in joint venture	2,603,000	-	2,603,000
Capital assets			
Land	8,821,226	19,125	8,840,351
Other capital assets, net of accumulated depreciation	<u>27,250,584</u>	<u>41,624,236</u>	<u>68,874,820</u>
Total Assets	<u>64,527,973</u>	<u>54,355,034</u>	<u>118,883,007</u>
LIABILITIES			
Accounts payable and accrued expenses	911,680	499,480	1,411,160
Accrued interest payable	307,375	253,130	560,505
Deposits	399,044	-	399,044
Unearned revenue	13,489,395	6,646,720	20,136,115
Noncurrent liabilities			
Due within one year	2,444,930	2,205,000	4,649,930
Due in more than one year	<u>20,138,328</u>	<u>21,827,390</u>	<u>41,965,718</u>
Total Liabilities	<u>37,690,752</u>	<u>31,431,720</u>	<u>69,122,472</u>
NET POSITION			
Net investment in capital assets	21,415,193	27,667,737	48,044,434
Restricted for			
Debt service	-	171,536	171,536
Loan programs	678,485	-	678,485
Cemetery	14,621	-	14,621
Equipment replacement	-	102,343	102,343
Parks	668,177	-	668,177
Capital Projects	1,240,395	-	1,240,395
TID development purposes	2,914,338	-	2,914,338
Unrestricted (deficit)	<u>(93,988)</u>	<u>(5,018,302)</u>	<u>(4,073,794)</u>
TOTAL NET POSITION	<u>\$ 26,837,221</u>	<u>\$ 22,923,314</u>	<u>\$ 49,760,535</u>

See accompanying notes to financial statements.

CITY OF MEQUON

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2012

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 2,578,452	\$ 865,228	\$ 51,011	\$ -
Public safety	6,951,642	1,102,453	148,870	30,538
Public works	6,445,104	530,398	1,153,991	480,656
Public health	1,930	-	-	-
Community enrichment services	1,886,522	195,070	(38,795)	-
Conservation and development	556,569	341,970	-	-
Interest and fiscal charges	<u>859,007</u>	<u>-</u>	<u>131,906</u>	<u>-</u>
Total Governmental Activities	<u>19,279,226</u>	<u>3,035,119</u>	<u>1,446,983</u>	<u>511,194</u>
Business-type Activities				
Sewer Utility	8,394,444	3,033,961	-	133,556
Water Utility	<u>2,258,364</u>	<u>2,802,249</u>	<u>-</u>	<u>75,170</u>
Total Business-type Activities	<u>10,652,808</u>	<u>5,836,210</u>	<u>-</u>	<u>208,726</u>
Total	<u>\$ 29,932,034</u>	<u>\$ 8,871,329</u>	<u>\$ 1,446,983</u>	<u>\$ 719,920</u>

General Revenues

Taxes

Property taxes, levied for general purposes

Property taxes, levied for debt service

Property taxes, levied for other purposes

Property taxes, levied for capital projects

Intergovernmental revenues not restricted to specific programs

Investment income

Gain on disposal of assets

Miscellaneous

Total General Revenues

Change in net position

NET POSITION - Beginning of Year

NET POSITION - END OF YEAR

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Totals</u>
\$ (1,662,213)	\$ -	\$ (1,662,213)
(5,669,781)	-	(5,669,781)
(4,280,059)	-	(4,280,059)
(1,930)	-	(1,930)
(1,730,247)	-	(1,730,247)
(214,599)	-	(214,599)
<u>(727,101)</u>	<u>-</u>	<u>(727,101)</u>
<u>(14,285,930)</u>	<u>-</u>	<u>(14,285,930)</u>
-	(5,226,927)	(5,226,927)
-	<u>619,055</u>	<u>619,055</u>
-	<u>(4,607,872)</u>	<u>(4,607,872)</u>
<u>(14,285,930)</u>	<u>(4,607,872)</u>	<u>(18,893,802)</u>
9,476,827	6,960,399	16,437,226
1,514,570	-	1,514,570
1,114,822	-	1,114,822
1,154,750	-	1,154,750
551,045	-	551,045
109,478	20,214	129,692
45,479	-	45,479
<u>53,488</u>	<u>1,278</u>	<u>54,766</u>
<u>14,020,459</u>	<u>6,981,891</u>	<u>21,002,350</u>
(265,471)	2,374,019	2,108,548
<u>27,102,692</u>	<u>20,549,295</u>	<u>47,651,987</u>
<u>\$ 26,837,221</u>	<u>\$ 22,923,314</u>	<u>\$ 49,760,535</u>

See accompanying notes to financial statements.

CITY OF MEQUON

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2012

	General Fund	Debt Service Fund	Capital Projects Fund
ASSETS			
Cash and investments	\$ 9,350,442	\$ 930,369	\$ 7,072,442
Receivables			
Taxes	5,039,362	1,064,656	423,341
Delinquent personal property tax	4,014	-	-
Special assessments	14,748	-	-
Accrued interest	4,774	-	21,595
Other	413,386	-	-
Loans	-	-	-
Equity in joint venture	148,000	-	-
TOTAL ASSETS	\$ 14,974,726	\$ 1,995,025	\$ 7,517,378
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts payable	\$ 192,611	\$ -	\$ 96,438
Accrued liabilities	620,164	-	-
Deposits	395,694	-	-
Deferred revenues	10,468,910	2,181,038	867,250
Total Liabilities	11,677,379	2,181,038	963,688
Fund Balances (Deficit)			
Nonspendable	4,014	-	-
Restricted	14,621	212,737	4,154,733
Committed	-	-	-
Assigned	186,000	-	2,398,957
Unassigned	3,092,712	(398,750)	-
Total Fund Balances (deficit)	3,297,347	(186,013)	6,553,690
TOTAL LIABILITIES AND FUND BALANCES	\$ 14,974,726	\$ 1,995,025	\$ 7,517,378

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 1,084,173	\$ 18,437,426
-	6,527,359
-	4,014
-	14,748
3,380	29,749
-	413,386
426,481	426,481
-	148,000
<u>\$ 1,514,034</u>	<u>\$ 26,001,163</u>

\$ 2,467	\$ 291,516
-	620,164
3,350	399,044
426,481	13,943,679
<u>432,298</u>	<u>15,254,403</u>

-	4,014
920,181	5,302,272
161,555	161,555
-	2,584,957
-	2,693,962
<u>1,081,736</u>	<u>10,746,760</u>

<u>\$ 1,514,034</u>	<u>\$ 26,001,163</u>
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See accompanying notes to financial statements.

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CITY OF MEQUON

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION As of December 31, 2012

Total Fund Balances - Governmental Funds	\$ 10,746,760
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Amounts reported for governmental activities in the statement of net position are different because:

Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.

Land	8,821,226
Other capital assets	73,197,110
Less: Accumulated depreciation	(45,946,526)

Some receivables that are not currently available are reported as deferred revenues in the fund financial statements but are recognized as revenue when earned in the government-wide statements.

	454,284
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Joint ventures containing capital assets used in governmental funds are not financial resources and therefore are not reported in the funds.

	2,455,000
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Some liabilities, including long-term debt, are not due and payable in the current period and therefore, are not reported in the funds.

Bonds and notes payable	(21,470,000)
Compensated absences	(967,562)
Accrued interest	(307,375)
Capital leases	(145,696)

NET POSITION OF GOVERNMENTAL ACTIVITIES	<u>\$ 26,837,221</u>
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CITY OF MEQUON

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

For the Year Ended December 31, 2012

	General Fund	Debt Service Fund	Capital Projects Fund
REVENUES			
Taxes	\$ 9,689,726	\$ 1,514,570	\$ 1,154,750
Intergovernmental	1,697,659	197,859	637,876
Licenses and permits	1,257,439	-	-
Fines, forfeitures and penalties	183,561	-	-
Public charges for services	1,225,415	-	33,207
Investment income	26,232	638	45,311
Miscellaneous	101,199	-	11,609
Total Revenues	14,181,231	1,713,067	1,882,753
 EXPENDITURES			
Current			
General government	2,469,034	-	300
Public safety	6,550,281	-	-
Public works	3,162,346	-	-
Public health	1,930	-	-
Community enrichment services	718,055	-	-
Conservation and development	398,340	-	-
Capital Outlay	-	-	2,194,148
Debt Service			
Principal	24,074	1,465,000	45,480
Interest and fiscal charges	331	801,018	6,347
Payment to Wisconsin retirement system for unfunded liability	-	1,355,819	-
Total Expenditures	13,324,391	3,621,837	2,246,275
 Excess (deficiency) of revenues over expenditures	856,840	(1,908,770)	(363,522)
 OTHER FINANCING USES			
Transfers in	147,463	-	-
Transfers out	-	-	-
Proceeds from the sale of capital assets	-	-	45,479
Total Other Financing Uses	147,463	-	45,479
 Net Change in Fund Balances	1,004,303	(1,908,770)	(318,043)
 FUND BALANCES - Beginning of Year	2,293,044	1,722,757	6,871,733
 FUND BALANCES (DEFICIT) - END OF YEAR	\$ 3,297,347	\$ (186,013)	\$ 6,553,690

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 901,923	\$ 13,260,969
-	2,533,394
-	1,257,439
-	183,561
57,319	1,315,941
36,457	108,638
7,063	119,871
<u>1,002,762</u>	<u>18,779,813</u>
-	2,469,334
-	6,550,281
-	3,162,346
-	1,930
943,147	1,661,202
158,229	556,569
-	2,194,148
-	1,534,554
-	807,696
-	1,355,819
<u>1,101,376</u>	<u>20,293,879</u>
<u>(98,614)</u>	<u>(1,514,066)</u>
-	147,463
(147,463)	(147,463)
-	45,479
<u>(147,463)</u>	<u>45,479</u>
(246,077)	(1,468,587)
<u>1,327,813</u>	<u>12,215,347</u>
<u>\$ 1,081,736</u>	<u>\$ 10,746,760</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, 2012

Net change in fund balances - total governmental funds \$ (1,468,587)

Amounts reported for governmental activities in the statement of net position are different because:

Governmental funds report capital outlays as expenditures. However, in the statement of net position 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	2,194,148
Some items reported as capital outlay were not capitalized	(427,866)
Depreciation is reported in the government-wide financial statements	(3,575,951)
Net book value of assets retired	(2,719,115)

Contributed capital assets are reported as revenues in the government-wide financial statements.	178,073
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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	(12,183)
Interest on special assessments	840
Loan receivable	126,481
Interest rebate on Build America Bonds	(65,953)

Debt issued provides current financial resources to governmental funds, but issuing debt increases long-term liabilities in the statement of net position. Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the statement of net position.	
Principal repaid	1,534,554

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	210,580
Unfunded prior service cost	1,355,819
Accrued interest on debt	(51,311)

The proportionate share of the change in net position related to joint ventures reported in the statement of activities neither provides nor uses current financial resources and is not reported in the fund financial statements.	<u>2,455,000</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	<u><u>\$ (265,471)</u></u>
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CITY OF MEQUON

STATEMENT OF NET POSITION
 PROPRIETARY FUNDS
 As of December 31, 2012

	Business-type Activities - Enterprise Funds		
	Sewer Utility	Water Utility	Totals
ASSETS			
Current Assets			
Cash and investments	\$ 5,206,669	\$ 728,141	\$ 5,934,810
Receivables			
Taxes	3,262,998	6,836	3,269,834
Accounts	785,281	570,463	1,355,744
Accrued interest	2,778	-	2,778
Other	86,532	6,090	92,622
Inventories	-	45,417	45,417
Restricted Assets			
Cash and investments	-	287,500	287,500
Total Current Assets	<u>9,344,258</u>	<u>1,644,447</u>	<u>10,988,705</u>
Noncurrent Assets			
Restricted Assets			
Cash and investments	102,343	1,367,156	1,469,499
Capital Assets			
Land	18,775	350	19,125
Property and equipment	43,703,253	18,685,270	62,388,523
Less: Accumulated depreciation	(17,444,576)	(3,319,711)	(20,764,287)
Other Assets			
Unamortized debt issuance expenses	-	253,469	253,469
Total Noncurrent Assets	<u>26,379,795</u>	<u>16,986,534</u>	<u>43,366,329</u>
Total Assets	<u>35,724,053</u>	<u>18,630,981</u>	<u>54,355,034</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds		
	Sewer Utility	Water Utility	Totals
LIABILITIES			
Current Liabilities			
Current portion of general obligation debt	\$ 1,630,000	\$ -	\$ 1,630,000
Accounts payable	354,984	67,086	422,070
Accrued wages	48,188	29,222	77,410
Accrued interest payable	137,166	-	137,166
Unearned revenue	6,646,720	-	6,646,720
Liabilities Payable from Restricted Assets			
Current portion of revenue bonds payable	-	575,000	575,000
Accrued interest payable	-	115,964	115,964
Total Current Liabilities	<u>8,817,058</u>	<u>787,272</u>	<u>9,604,330</u>
Noncurrent Liabilities			
Long-Term Debt			
General obligation debt payable	6,806,141	-	6,806,141
Revenue bonds payable	-	15,021,249	15,021,249
Total Noncurrent Liabilities	<u>6,806,141</u>	<u>15,021,249</u>	<u>21,827,390</u>
Total Liabilities	<u>15,623,199</u>	<u>15,808,521</u>	<u>31,431,720</u>
NET POSITION			
Net investment in capital assets	26,277,452	1,390,285	27,667,737
Restricted for			
Debt service	-	171,536	171,536
Equipment replacement	102,343	-	102,343
Unrestricted (deficit)	<u>(6,278,941)</u>	<u>1,260,639</u>	<u>(5,018,302)</u>
TOTAL NET POSITION	<u>\$ 20,100,854</u>	<u>\$ 2,822,460</u>	<u>\$ 22,923,314</u>

See accompanying notes to financial statements.

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CITY OF MEQUON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION PROPRIETARY FUNDS For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds		
	Sewer Utility	Water Utility	Totals
OPERATING REVENUES	<u>\$ 3,033,961</u>	<u>\$ 2,802,259</u>	<u>\$ 5,836,220</u>
OPERATING EXPENSES			
Operation and maintenance	7,294,102	1,194,568	8,488,670
Depreciation	<u>707,410</u>	<u>350,420</u>	<u>1,057,830</u>
Total Operating Expenses	<u>8,001,512</u>	<u>1,544,988</u>	<u>9,546,500</u>
Operating Income (Loss)	<u>(4,967,551)</u>	<u>1,257,271</u>	<u>(3,710,280)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	16,004	4,210	20,214
Taxes	6,960,399	-	6,960,399
Miscellaneous	324	944	1,268
Interest expense	<u>(392,932)</u>	<u>(713,376)</u>	<u>(1,106,308)</u>
Total Nonoperating Revenues (Expenses)	<u>6,583,795</u>	<u>(708,222)</u>	<u>5,875,573</u>
Income Before Contributions	<u>1,616,244</u>	<u>549,049</u>	<u>2,165,293</u>
CONTRIBUTIONS			
Contributed capital	<u>133,556</u>	<u>75,170</u>	<u>208,726</u>
Total Contributions	<u>133,556</u>	<u>75,170</u>	<u>208,726</u>
Change in Net Position	1,749,800	624,219	2,374,019
NET POSITION - Beginning of Year	<u>18,351,054</u>	<u>2,198,241</u>	<u>20,549,295</u>
NET POSITION - END OF YEAR	<u><u>\$ 20,100,854</u></u>	<u><u>\$ 2,822,460</u></u>	<u><u>\$ 22,923,314</u></u>

See accompanying notes to financial statements.

CITY OF MEQUON

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2012

	Business-type Activities - Enterprise Funds		
	Sewer Utility	Water Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 2,631,898	\$ 2,825,944	\$ 5,457,842
Paid to suppliers for goods and services	(6,567,514)	(879,263)	(7,446,777)
Paid to employees for services	(630,369)	(327,314)	(957,683)
Net Cash Flows From Operating Activities	<u>(4,565,985)</u>	<u>1,619,367</u>	<u>(2,946,618)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>13,446</u>	<u>4,210</u>	<u>17,656</u>
Net Cash Flows From Investing Activities	<u>13,446</u>	<u>4,210</u>	<u>17,656</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Taxes received	<u>10,688,672</u>	<u>-</u>	<u>10,688,672</u>
Net Cash Flows From Noncapital Financing Activities	<u>10,688,672</u>	<u>-</u>	<u>10,688,672</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retired	(1,690,000)	(525,000)	(2,215,000)
Interest paid	(474,600)	(697,988)	(1,172,588)
Special assessments received	4,850	-	4,850
Acquisition and construction of capital assets	(1,512,218)	(329,601)	(1,841,819)
Connection fees received	<u>-</u>	<u>75,170</u>	<u>75,170</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(3,671,968)</u>	<u>(1,477,419)</u>	<u>(5,149,387)</u>
Net Change in Cash and Cash Equivalents	2,464,165	146,158	2,610,323
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>2,844,847</u>	<u>2,236,639</u>	<u>5,081,486</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,309,012</u>	<u>\$ 2,382,797</u>	<u>\$ 7,691,809</u>

See accompanying notes to financial statements.

	Business-type Activities - Enterprise Funds		
	Sewer Utility	Water Utility	Totals
RECONCILIATION OF OPERATING INCOME (LOSS) TO NET CASH FLOWS FROM OPERATING ACTIVITIES			
Operating income (loss)	\$ (4,967,551)	\$ 1,257,271	\$ (3,710,280)
Nonoperating revenue	324	944	1,268
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities			
Depreciation	707,410	350,420	1,057,830
Changes in assets and liabilities			
Customer receivables	(77,500)	-	(77,500)
Other receivables	-	22,741	22,741
Accounts payable and other current liabilities	96,219	(12,972)	83,247
Unearned revenue	(324,887)	-	(324,887)
Inventories	-	963	963
	<u>-</u>	<u>963</u>	<u>963</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (4,565,985)</u>	<u>\$ 1,619,367</u>	<u>\$ (2,946,618)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS			
Cash and investments - statement of net position	\$ 5,206,669	\$ 728,141	\$ 5,934,810
Restricted cash and investments - statement of net position	102,343	1,367,156	1,469,499
Restricted cash and investments - current - statement of net position	-	287,500	287,500
	<u>-</u>	<u>287,500</u>	<u>287,500</u>
CASH AND CASH EQUIVALENTS	<u>\$ 5,309,012</u>	<u>\$ 2,382,797</u>	<u>\$ 7,691,809</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Cost of utility plant additions financed by others	<u>\$ 133,556</u>	<u>\$ -</u>	

See accompanying notes to financial statements.

CITY OF MEQUON

STATEMENT OF FIDUCIARY NET POSITION
FIDUCIARY FUND
As of December 31, 2012

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 26,813,795
Receivables	
Taxes	<u>25,127,035</u>
TOTAL ASSETS	<u>\$ 51,940,830</u>
LIABILITIES	
Accounts payable	\$ 84,673
Due to other taxing units	<u>51,856,157</u>
TOTAL LIABILITIES	<u>\$ 51,940,830</u>

See accompanying notes to financial statements.

CITY OF MEQUON

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CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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. This report does not contain any component units.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In June 2011, the GASB issued statement No. 63 - *Financial Reporting of Deferred Outflows of Revenues, Deferred Inflows of Resources, and Net Position*. This statement provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Previous financial reporting standards did not include guidance for these elements, which are distinct from assets and liabilities.

The City made the decision to implement this standard effective January 1, 2012.

Government-Wide Financial Statements

The statement of net position 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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

Government-Wide Financial Statements (cont.)

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 position/fund equity, revenues, and expenditure/expenses.

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

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

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

The City reports the following major governmental funds:

- General Fund - accounts for the city's primary operating activities. It is used to account for and report all financial resources except those accounted for and reported in another fund.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

Fund Financial Statements (cont.)

The city reports the following major governmental funds: (cont.)

Debt Service Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditure for the payment of general long-term debt principal, interest, and related costs, other than enterprise debt.

Capital Projects Fund - used to account for and report financial resources that are restricted, committed, or assigned to expenditures for capital outlays, including the acquisition or construction of capital facilities and other capital assets.

The City reports the following major enterprise funds:

Water Utility - accounts for operations of the water system.

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

The City reports the following nonmajor governmental funds:

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

Park
Revolving Loan

Police Reserve
Library

In addition, the City reports the following fund types:

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

Tax Collection

Weyenberg Library Fund

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

Fund Financial Statements

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

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

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

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

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

Fund Financial Statements (cont.)

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

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

The proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the water and sewer utilities are charges to customers for sales and services. Special assessments are recorded as receivables and contribution revenue when levied. Operating expenses for proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

All Financial Statements

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

D. ASSETS, LIABILITIES, AND NET POSITION 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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

1. Deposits and Investments (cont.)

- b. Bonds or securities of any county, city, drainage district, technical college district, village, town, or school district of the state. Also, bonds issued by a local exposition district, a local professional baseball park district, a local professional football stadium district, a local cultural arts district, the University of Wisconsin Hospitals and Clinics Authority, or the Wisconsin Aerospace Authority.
- c. Bonds or securities issued or guaranteed by the federal government.
- d. The local government investment pool.
- e. Any security maturing in seven years or less and having the highest or second highest rating category of a nationally recognized rating agency.
- f. Securities of an open-end management investment company or investment trust, subject to various conditions and investment options.
- g. Repurchase agreements with public depositories, with certain conditions.

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

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

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

1. Deposits and Investments (cont.)

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, 2012, 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 position.

Property tax calendar - 2012 tax roll:

Lien date and levy date	December 2012
Tax bills mailed	December 2012
Payment in full, or	January 31, 2013
First installment due	January 31, 2013
Second installment due	July 31, 2013
Personal property taxes in full	January 31, 2013
Tax sale - 2012 delinquent real estate taxes	October 2015

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

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

2. Receivables (cont.)

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

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

3. Inventories

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

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 position.

5. Capital Assets

Government-Wide Statements

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

5. Capital Assets (cont.)

Government-Wide Statements (cont.)

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

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

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

Fund Financial Statements

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

6. Other Assets

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

7. Compensated Absences

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

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

7. Compensated Absences (cont.)

The City provides postemployment health insurance benefits for all eligible employees. Eligibility is based on full-time employment with the city. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies. Employees may convert various amounts of accumulated sick leave to pay for health care premiums. The cost of those premiums is recognized as an expenditure as the premiums are paid. The entire cost is paid by the City. Funding for those costs is provided out of the current operating budget of the City. The contributions are financed on a pay as you go basis. Total expenditures for such premiums during the year were not material. The number of participants currently eligible to receive benefits is 23. The total amount outstanding at year end to be paid in the future is \$423,886 and is included in the government-wide statement of net position.

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, 2012, 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 position.

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

9. Claims and Judgments

Claims and judgments are recorded as liabilities if all the conditions of Governmental Accounting Standards Board pronouncements are met. The liability and expenditure for claims and judgments are only reported in governmental funds if it has matured. Claims and judgments are recorded in the government-wide statements and proprietary funds as expenses when the related liabilities are incurred. Refer to Note IV. C. on commitments and contingencies.

10. Equity Classifications

Government-Wide Statements

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

- a. Net investment in capital assets - Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances (excluding unspent debt proceeds) of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position - Consists of net position 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 position - All other net positions that do not meet the definitions of "restricted" or "net investment in capital assets."

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

	Governmental Activities	Business-type Activities	Adjustment	Total
Net investment in capital assets	\$ 21,415,193	\$ 27,667,737	\$ (1,038,496)	\$ 48,044,434
Unrestricted	(93,988)	(5,018,302)	1,038,496	(4,073,794)

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 As of and for the Year Ended December 31, 2012

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

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

10. Equity Classifications (cont.)

Fund Statements

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

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

Propriety fund equity is classified the same as in the government-wide statements.

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

See Note III. H. for further information.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

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

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

B. EXCESS EXPENDITURES OVER APPROPRIATIONS

Budgeted expenditures in the debt service fund fund (including amendments) were \$2,266,830. Total expenditures were \$3,621,837. This results in excess expenditures of \$1,355,007. The excess was the result of the City paying off their unfunded retirement liability.

C. DEFICIT BALANCES

Generally accepted accounting principles require disclosure of individual funds that have deficit balances at year end.

As of December 31, 2012, the following individual funds held a deficit balance:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
Debt service	\$ 186,013	TIF debt service shortfall

TIF district deficits are anticipated to be funded with future incremental taxes levied over the life of the districts, which is 27 years for the districts created before October 1, 1995, and 23 years for districts created thereafter through September 30, 2004. Beginning October 1, 2004, the life of new districts varies by type of district (20-27 years) and may be extended in some cases. Debt service fund deficits are anticipated to be funded with future contributions, general tax revenues, or long-term borrowing.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

D. LIMITATIONS ON THE CITY'S TAX LEVY

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

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	\$ 43,484,988	\$ 43,622,934	Custodial credit risk
US agencies	5,605,828	5,605,828	Credit, custodial credit, concentration of credit and interest rate risk
US treasuries	2,678,385	2,678,385	Custodial credit and interest rate risk
LGIP	10,452	10,452	Credit risk
Asset backed securities	1,160,991	1,160,991	Custodial credit risk
Petty cash	2,386	-	N/A
 Total Deposits and Investments	 \$ 52,943,030	 \$ 53,078,590	
 Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 24,372,236		
Restricted cash and investments	1,756,999		
Per statement of net position- fiduciary funds			
Agency Funds	26,813,795		
 Total Deposits and Investments	 \$ 52,943,030		

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

A. DEPOSITS AND INVESTMENTS (cont.)

Deposits in each local and area bank are insured by the FDIC in the amount of \$250,000 for time and savings accounts (including NOW accounts), \$250,000 for interest-bearing demand deposit accounts, and unlimited amounts for noninterest-bearing transaction accounts through December 31, 2012. On January 1, 2013, the temporary unlimited coverage for noninterest bearing transaction accounts expired. Therefore, demand deposit accounts (interest-bearing and noninterest-bearing) are insured for a total of \$250,000 beginning January 1, 2013. In addition, if deposits are held in an institution outside of the state in which the government is located, insured amounts are further limited to a total of \$250,000 for the combined amount of all deposit 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.

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, 2012, \$3,935,702 of the City's total bank balances were exposed to custodial credit risk as follows:

Uninsured and uncollateralized	\$ <u>3,935,702</u>
Total	\$ <u>3,935,702</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, 2012, the City's investments were exposed to custodial credit risk as follows:

US agencies

Neither insured nor registered and held by counterparty	\$ <u>5,605,828</u>
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US treasuries

Neither insured nor registered and held by counterparty	\$ <u>2,678,385</u>
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CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Investments (cont.)

Asset backed securities

Neither insured nor registered and held by counterparty \$ 1,160,991

Credit Risk

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

As of December 31, 2012, the City's investments were rated as follows:

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

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

LGIP

Concentration of Credit Risk

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

At December 31, 2012, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
FHLMC	US Government Agency	21.25%
FNMA	US Government Agency	33.03%
Freddie Mac	US Government Agency	5.03%

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

A. DEPOSITS AND INVESTMENTS (cont.)

Interest Rate Risk

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

As of December 31, 2012, the City's investments were as follows:

Investment Type	Fair Value	Maturity (In Months)		
		Less than 1 year	1 - 3 years	3 - 9 years
US agencies	\$ 5,605,828	\$ -	\$ 3,713,217	\$ 1,812,611
US treasuries	2,678,385	-	2,678,385	-
Totals	\$ 8,284,213	\$ -	\$ 6,391,602	\$ 1,812,611

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 \$4,014 of delinquent personal property taxes and \$14,748 of special assessments reported in the general fund, and \$426,481 loan in the revolving loan program fund.

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

	Unavailable	Unearned	Totals
Property taxes receivable for subsequent year	\$ 11,575	\$ 13,489,395	\$ 13,500,970
Special assessments not yet due	16,228	-	16,228
Loan receivable	426,481	-	426,481
Total Deferred/Unearned Revenue for Governmental Funds	\$ 454,284	\$ 13,489,395	\$ 13,943,679

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

B. RECEIVABLES (cont.)

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

	<u>Unearned</u>
Property taxes receivable for subsequent year	\$ 6,646,302
Special assessments	<u>418</u>
Total Unearned Revenue for Proprietary Funds	<u>\$ 6,646,720</u>

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

At December 31, 2012, the City has not exceeded its maximum retention cap. When it does, a liability to the state will be recorded.

C. RESTRICTED ASSETS

The following represent the balances of the restricted assets:

Long-Term Debt Accounts

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

Equipment Replacement Account

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

C. RESTRICTED ASSETS (cont.)

Following is a list of restricted assets at December 31, 2012:

	<u>Restricted Assets</u>	<u>Liabilities Payable from Restricted Assets</u>	<u>Restricted Net Position</u>
Bond redemption account	\$ 287,500	\$ 115,964	\$ 171,536
Bond reserve account	1,367,156	1,367,156	-
Equipment replacement account	<u>102,343</u>	<u>-</u>	<u>102,343</u>
Total	<u>\$ 1,756,999</u>	<u>\$ 1,483,120</u>	<u>\$ 273,879</u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2012, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 8,452,067	\$ 369,159	\$ -	\$ 8,821,226
Total Capital Assets Not Being Depreciated	8,452,067	369,159	-	8,821,226
Capital assets being depreciated				
Buildings	15,325,245	50,696	3,747,031	11,628,910
Roads	49,430,916	761,047	-	50,191,963
Bridges	3,470,168	175,044	-	3,645,212
Library collection	587,544	-	587,544	-
Equipment, vehicles, and miscellaneous	8,075,591	588,409	932,975	7,731,025
Total Capital Assets Being Depreciated	76,889,464	1,575,196	5,267,550	73,197,110
Total Capital Assets	85,341,531	1,944,355	5,267,550	82,018,336
Less: Accumulated depreciation for				
Buildings	(8,121,861)	(222,147)	1,574,628	(6,769,380)
Roads	(29,615,534)	(2,639,166)	-	(32,254,700)
Bridges	(880,252)	(172,978)	-	(1,053,230)
Library collection	(310,590)	-	310,590	-
Equipment, vehicles, and miscellaneous	(5,990,773)	(541,660)	663,217	(5,869,216)
Total Accumulated Depreciation	(44,919,010)	(3,575,951)	2,548,435	(45,946,526)
Net Capital Assets Being Depreciated	31,970,454	(2,000,755)	2,719,115	27,250,584
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	\$ 40,422,521	\$ (1,631,596)	\$ 2,719,115	\$ 36,071,810

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 119,388
Public safety	367,152
Public works	3,089,411
Total Governmental Activities Depreciation Expense	\$ 3,575,951

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

D. CAPITAL ASSETS (cont.)

Business-type Activities

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Sewer</u>				
Capital assets not being depreciated				
Construction in progress	\$ 172,126	\$ -	\$ 172,126	\$ -
Land	-	18,775	-	18,775
Total Capital Assets Not Being Depreciated	172,126	18,775	172,126	18,775
Capital assets being depreciated				
Structure improvements	4,041,419	1,504,663	-	5,546,082
Sewer collection system	34,218,109	170,294	-	34,388,403
Machinery and equipment	3,644,600	124,168	-	3,768,768
Total Capital Assets Being Depreciated	41,904,128	1,799,125	-	43,703,253
Total Capital Assets	42,076,254	1,817,900	172,126	43,722,028
Less: Accumulated depreciation for				
Structure improvements	(767,803)	(110,942)	-	(878,745)
Sewer collection system	(13,146,257)	(463,705)	-	(13,609,962)
Machinery and equipment	(2,823,106)	(132,763)	-	(2,955,869)
Total Accumulated Depreciation	(16,737,166)	(707,410)	-	(17,444,576)
Net Capital Assets Being Depreciated	25,166,962	1,091,715	-	26,258,677
Net Sewer Capital Assets	\$ 25,339,088	\$ 1,110,490	\$ 172,126	\$ 26,277,452
	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water</u>				
Capital assets not being depreciated				
Land	\$ 350	\$ -	\$ -	\$ 350
Total Capital Assets Not Being Depreciated	350	-	-	350

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	Beginning Balance	Additions	Deletions	Ending Balance
<u>Water (cont.)</u>				
Capital assets being depreciated				
Intangible plant	\$ 786	\$ -	\$ -	\$ 786
Source of supply	215,707	-	-	215,707
Pumping	814,480	-	-	814,480
Transmission and distribution	16,958,602	297,126	4,340	17,251,388
Administrative and general	370,434	32,475	-	402,909
Total Capital Assets Being Depreciated	18,360,009	329,601	4,340	18,685,270
Total Capital Assets	18,360,359	329,601	4,340	18,685,620
Less: Accumulated depreciation for				
Intangible plant	(786)	-	-	(786)
Source of supply	(17,270)	(6,903)	-	(24,173)
Pumping	(290,573)	(30,859)	-	(321,432)
Transmission and distribution	(2,385,143)	(297,894)	4,340	(2,678,697)
Administrative and general	(279,859)	(14,764)	-	(294,623)
Total Accumulated Depreciation	(2,973,631)	(350,420)	4,340	(3,319,711)
Net Capital Assets Being Depreciated	15,386,378	(20,819)	-	15,365,559
Net Water Capital Assets	\$ 15,386,728	\$ (20,819)	\$ -	\$ 15,365,909
Business-type Capital Assets, Net of Accumulated Depreciation	\$ 40,725,816	\$ 1,089,671	\$ 172,126	\$ 41,643,361

Depreciation expense was charged to functions as follows:

Business-type Activities

Sewer	\$ 707,410
Water	350,420
Total Business-type Activities Depreciation Expense	\$ 1,057,830

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

E. INTERFUND TRANSFERS

The following is a schedule of interfund transfers:

<u>Fund Transferred To</u>	<u>Fund Transferred From</u>	<u>Amount</u>	<u>Principal Purpose</u>
General fund	Library special revenue	\$ 147,463	Reclassify library funds to report as joint venture
Total - Fund Financial Statements		147,463	
Less: Fund eliminations		<u>(147,463)</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.

F. LONG-TERM OBLIGATIONS

Long-term obligations activity for the year ended December 31, 2012, 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	\$ 22,935,000	\$ -	\$ 1,465,000	\$ 21,470,000	\$ 1,854,266
Other Liabilities					
Unfunded retirement liability	1,355,819	-	1,355,819	-	-
Capital leases	215,250	-	69,554	145,696	46,988
Compensated absences	<u>1,178,142</u>	<u>649,843</u>	<u>860,423</u>	<u>967,562</u>	<u>543,676</u>
Total Other Liabilities	<u>2,749,211</u>	<u>649,843</u>	<u>2,285,796</u>	<u>1,113,258</u>	<u>590,664</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 25,684,211</u>	<u>\$ 649,843</u>	<u>\$ 3,750,796</u>	<u>\$ 22,583,258</u>	<u>\$ 2,444,930</u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

F. LONG-TERM OBLIGATIONS (cont.)

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 9,830,000	\$ -	\$ 1,690,000	\$ 8,140,000	\$ 1,630,000
Revenue bonds	16,150,000	-	525,000	15,625,000	575,000
Add/(Subtract) Deferred Amounts For					
(Discouts)/Premiums	<u>324,516</u>	<u>-</u>	<u>57,126</u>	<u>267,390</u>	<u>-</u>
Sub-totals	<u>26,304,516</u>	<u>-</u>	<u>2,272,126</u>	<u>24,032,390</u>	<u>2,205,000</u>
 Total Business-type Activities Long-Term Liabilities	 <u>\$ 26,304,516</u>	 <u>\$ -</u>	 <u>\$ 2,272,126</u>	 <u>\$ 24,032,390</u>	 <u>\$ 2,205,000</u>

In accordance with Wisconsin Statutes, total general obligation indebtedness of the City may not exceed 5% of the equalized value of taxable property within the City's jurisdiction. The debt limit as of December 31, 2012, was \$198,608,375. Total general obligation debt outstanding at year end was \$29,610,000.

General Obligation Debt

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

Governmental Activities

General Obligation Debt	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2012
G.O. Promissory Notes 2005	6/18/05	10/1/14	3.25-3.875%	\$ 1,645,000	\$ 480,000
G.O. Promissory Notes 2008	12/9/08	12/1/18	3.0-4.1	2,400,000	1,290,000
Tax Incremental Build America Bonds	8/5/09	8/1/28	4.0-6.0	6,950,000	6,950,000
G.O. Promissory Notes 2009	4/30/09	4/1/19	2.0-3.5	5,105,000	4,105,000
G.O. Refunding Bonds 2011A	2/3/11	4/1/23	.8-3.25	3,160,000	3,060,000
G.O. Promissory Notes 2011B	4/5/11	4/1/21	3	4,230,000	4,230,000
State Trust Fund Loan	12/15/11	3/15/21	4.25	1,355,000	<u>1,355,000</u>
 Total Governmental Activities - General Obligation Debt					 <u>\$ 21,470,000</u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Business-type Activities

<u>General Obligation Debt</u>	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2012</u>
2005 General Obligation Refunding Bonds	6/1/05	9/1/17	3.5-5.0%	\$ 16,965,000	<u>\$ 8,140,000</u>
Total Business-type Activities - General Obligation Debt					<u>\$ 8,140,000</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Governmental Activities General Obligation Debt</u>		<u>Business-type Activities General Obligation Debt</u>	
	<u>Principal</u>	<u>Interest</u>	<u>Principal</u>	<u>Interest</u>
2013	\$ 1,854,266	\$ 826,212	\$ 1,630,000	\$ 407,000
2014	1,768,479	761,234	1,610,000	325,500
2015	1,829,152	704,721	1,640,000	245,000
2016	1,934,953	647,695	1,635,000	163,000
2017	1,941,226	583,634	1,625,000	81,250
2018-2022	7,591,924	1,970,607	-	-
2023-2027	3,725,000	872,663	-	-
2028	825,000	49,500	-	-
Totals	<u>\$ 21,470,000</u>	<u>\$ 6,416,266</u>	<u>\$ 8,140,000</u>	<u>\$ 1,221,750</u>

Revenue Debt

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

The City has pledged future water revenues, net of specified operating expenses, to repay \$17,125,000 million in water revenue bonds issued in 2009. Proceeds from the bonds provided financing for the purchase of the water utility from WE Energies. The bonds are payable solely from water revenues and are payable through 2029. Annual principal and interest payments on the bonds are expected to require 87% of net revenues. The total principal and interest remaining to be paid on the bonds is \$22,774,990. Principal and interest paid for the current year and total customer net revenues were \$1,222,625 and \$1,611,901, respectively.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Revenue debt payable at December 31, 2012, consists of the following:

Business-type Activities Revenue Debt

	<u>Date of Issue</u>	<u>Final Maturity</u>	<u>Interest Rates</u>	<u>Original Indebtedness</u>	<u>Balance December 31, 2012</u>
<u>Water Utility</u>					
2009 Revenue Bonds	4/29/09	5/1/29	1.4-5.0%	\$ 17,125,000	<u>\$ 15,625,000</u>
Total Business-type Activities Revenue Debt					<u>\$ 15,625,000</u>

Debt service requirements to maturity are as follows:

<u>Years</u>	<u>Business-type Activities Revenue Debt</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 575,000	\$ 685,225
2014	625,000	669,875
2015	675,000	649,469
2016	700,000	625,406
2017	750,000	598,156
2018-2022	4,325,000	2,476,156
2023-2027	5,425,000	1,316,953
2028-2029	<u>2,550,000</u>	<u>128,750</u>
Totals	<u>\$ 15,625,000</u>	<u>\$ 7,149,990</u>

Capital Leases

Refer to Note III. G.

Other Debt Information

Estimated payments of compensated absences are not included in the debt service requirement schedules. The compensated absences liability, other post employment benefits obligation, and net pension obligation attributable to governmental activities will be liquidated primarily by the general fund.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

F. LONG-TERM OBLIGATIONS (cont.)

Other Debt Information (cont.)

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

Prior-Year Defeasance of Debt

In prior years, the City defeased certain general obligation and other bonds by placing the proceeds of new bonds in an irrevocable trust to provide for all future debt service payments on the old bonds. Accordingly, the trust account assets and the liability for the defeased bonds are not included in the City's financial statements. At December 31, 2012, \$2,840,000 of bonds outstanding are considered defeased. The bonds are callable as follows:

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

Bond Covenant Disclosures

Insurance

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

F. LONG-TERM OBLIGATIONS (cont.)

The water utility is covered under the following insurance policies at December 31, 2012:

Type	Coverage	Expiration
Bodily Injury and Property Damage	\$ 3,000,000 Wausau Insurance	12/31/13
Personal and Advertising Injury	3,000,000 Wausau Insurance	12/31/13
Premises Medical Payments	10,000 Wausau Insurance	12/31/13
Errors and Omissions	3,000,000 Wausau Insurance	12/31/13
Employee Benefits Liability	3,000,000 Wausau Insurance	12/31/13
Auto Coverage	3,000,000 Wausau Insurance	12/31/13
Automobile Medical Payments Coverage	10,000 Wausau Insurance	12/31/13
Public Employee Dishonesty	250,000 Wausau Insurance	12/31/13
Damage to Premises Rented to You	\$ 250,000 Wausau Insurance	12/31/13
Workers Compensation	500,000 Wausau Insurance	12/31/13
Umbrella Liability Coverage	8,000,000 Wausau Insurance	12/31/13

Number of Customers and Billed Volumes - Water

The utility has the following number of customers and billed volumes for 2012 and 2011:

	Customers		Sales (000 gals)	
	2012	2011	2012	2011
Residential	3,038	3,035	248,081	209,789
Commercial	331	309	159,878	119,610
Totals	<u>3,369</u>	<u>3,344</u>	<u>407,959</u>	<u>329,399</u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

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

G. LEASE DISCLOSURES

Lessee - Capital Leases

In 2011 the City acquired a capital asset through a lease/purchase agreement. The gross amount of the asset under capital leases is \$235,192, which is included in capital assets in the governmental activities. The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2012, are as follows:

<u>Years</u>	<u>Governmental Activities</u>		
	<u>Principal</u>	<u>Interest</u>	<u>Totals</u>
2013	\$ 46,988	\$ 4,837	\$ 51,825
2014	48,548	3,277	51,825
2015	<u>50,160</u>	<u>1,665</u>	<u>51,825</u>
Totals	<u>\$ 145,696</u>	<u>\$ 9,779</u>	<u>\$ 155,475</u>

H. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2012, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 8,821,226
Other capital assets, net of accumulated depreciation	27,250,584
Less: Long-term debt outstanding	(21,615,696)
Plus: Unspent capital related debt proceeds	3,833,399
Plus: Noncapital debt proceeds	<u>3,125,680</u>
Total Net Investment in Capital Assets	<u>21,415,193</u>
Restricted	
Loan programs	678,485
Cemetery	14,621
Parks	668,177
Capital projects	1,240,395
TID development purposes	<u>2,914,338</u>
Total Restricted	<u>5,516,016</u>
Unrestricted (deficit)	<u>(93,988)</u>
Total Governmental Activities Net Position	<u>\$ 26,837,221</u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

H. NET POSITION/FUND BALANCES (cont.)

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2012, include the following:

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Totals
Fund Balances					
Nonspendable:					
Prepaid items	\$ 4,014	\$ -	\$ -	\$ -	\$ 4,014
Restricted for:					
Cemetery	14,621	-	-	-	14,621
Capital projects	-	-	1,240,395	-	1,240,395
TID development purposes	-	-	2,914,338	-	2,914,338
TID debt service	-	212,737	-	-	212,737
Revolving Loan Fund - economic development loan programs	-	-	-	252,004	252,004
Park Fund - parks	-	-	-	668,177	668,177
Committed to:					
Capital projects	-	-	2,398,957	-	2,398,957
Police reserve	-	-	-	161,555	161,555
Assigned to:					
Fund balance applied to subsequent year's budget	186,000	-	-	-	186,000
Unassigned:	<u>3,092,712</u>	<u>(398,750)</u>	<u>-</u>	<u>-</u>	<u>2,693,962</u>
Total Fund Balances	<u>\$ 3,297,347</u>	<u>\$ (186,013)</u>	<u>\$ 6,553,690</u>	<u>\$ 1,081,736</u>	<u>\$ 10,746,760</u>

Business-type Activities

Net Investment in Capital Assets

Land	\$ 19,125
Other capital assets, net of accumulated depreciation	41,624,236
Less: Long-term debt outstanding	(24,032,390)
Plus: Noncapital debt proceeds	<u>10,056,766</u>
Total Net Investment in Capital Assets	<u>27,667,737</u>

Restricted

Debt service	171,536
Equipment replacement	<u>102,343</u>
Total Restricted	<u>273,879</u>

Unrestricted (deficit)

(5,018,302)

Total Business-type Activities Net Position

\$ 22,923,314

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

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

I. SIGNIFICANT TRANSACTIONS OR EVENTS

In previous years, the City reported the operation of the Weyenberg Library (Library) as a special revenue fund. In 2012, the City determined that a more appropriate reporting of the Library was that of a joint venture since the Library is jointly owned and operated by the Village of Thiensville and the City. Since the City functions as the fiscal agent for the Library, the City reclassified the financial activity of the Library to an agency fund and began reporting its equity interest in the Library's financial net position in the general fund and non-financial net position (capital assets) in the governmental activities effective January 1, 2012. This change in reporting did not have any material affect on the City's net position or fund balances as previously reported. See Note IV.D. for additional information about the joint venture.

NOTE IV - OTHER INFORMATION

A. EMPLOYEES' RETIREMENT SYSTEM

All eligible City employees participate in the Wisconsin Retirement System (WRS), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work over 600 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a participating WRS employer on or after July 1, 2011, and expected to work at least 1,200 hours a year and expected to be employed for at least one year from employee's date of hire are eligible to participate in the WRS.

Prior to June 29, 2011, covered employees in the General category were required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan. Employers could make these contributions to the plan on behalf of employees. Employers were required to contribute an actuarially determined amount necessary to the fund the remaining projected cost of future benefits.

Effective the first day of the first pay period on or after June 29, 2011 the employee required contribution was change to one-half of the actuarially determined contribution rate for General category employees, and Executives and Elected Officials. Required contributions for protective contributions are the same as general employees. Employers are required to contribute the remainder of the actuarially determined contribution rate. The employer may not pay the employee required contribution unless provided for by an existing collective bargaining agreement. Contribution rates for December 31, 2012 are:

	<u>Employee</u>	<u>Employer</u>
General	5.9%	5.9%
Executives and Elected Officials	7.05%	7.05%
Protective with Social Security	5.9%	9.0%
Protective without Social Security	5.9%	11.3%

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

The payroll for City employees covered by the WRS for the year ended December 31, 2012 was \$6,869,321; the employer's total payroll was \$7,391,834. The total required contribution for the year ended December 31, 2012 was \$1,058,142 or 15.4% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending December 31, 2011 and 2010 were \$1,195,801 and \$1,169,578, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years earnings. Employees terminating covered employment and submitting application 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 and prior to July 1, 2011 are immediately vested. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be 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.

As of December 31, 2012 there was no pension related debt for the City. On December 15, 2011, the City obtained a State Trust Fund Loan to pay off their unfunded pension liability. The System requested the City wait until 2012 to make this payment. In January 2012, the liability was paid in full.

B. RISK MANAGEMENT

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

C. COMMITMENTS AND CONTINGENCIES

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2012

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES (cont.)

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. JOINT VENTURES

Mequon-Thiensville Joint Library

The City of Mequon and the Village of Thiensville jointly operate the Frank L. Weyenberg Library of Mequon- Thiensville, which is called the Weyenberg Library (Library) and provides library services.

The governing body is made up of citizens from each community. Local representatives are appointed by the mayor. The governing body has authority to adopt its own budget and control the financial affairs of the Library. The City made a payment totaling \$901,923 to the Library for 2012. The City believes that the Library will continue to provide services in the future at similar rates.

Financial information of the Library as of 12/31/2012 is available directly from the City's office.

The City accounts for its share of the operation in the general fund. The City has an equity interest in the organization equal to its percentage share of participation. The equity interest relative to financial assets is reported in the general fund.

The equity interest is also reported in the governmental activities column of the government-wide statement of net position. Changes in the equity interest are reported on the statement of activities.

E. SUBSEQUENT EVENTS

On May 02, 2013 the City issued general obligation promissory notes in the amount of \$3,710,000 with an interest rates of 1.50-2.00%. This amount will be used for future street projects.

On May 02, 2013 the City issued taxable general obligation refunding bonds in the amount of \$1,280,000 with an interest rates of 0.40-1.75%. This amount will be used to finance the current refunding of the 2011 State Trust Fund Loan.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2012

NOTE IV - OTHER INFORMATION (cont.)

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

The Governmental Accounting Standards Board (GASB) has approved GASB Statement No. 61, *The Financial Reporting Entity: Omnibus*; Statement No. 65, *Items Previously Reported as Assets and Liabilities*; Statement No. 66, *Technical Corrections - 2012 - an amendment of GASB Statements No. 10 and No. 62*; Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*; and Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*. Application of these standards may restate portions of these financial statements.

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REQUIRED SUPPLEMENTARY INFORMATION

CITY OF MEQUON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - GENERAL FUND For the Year Ended December 31, 2012

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 9,692,882	\$ 9,689,726	\$ (3,156)
Intergovernmental	1,681,948	1,697,659	15,711
Licenses and permits	985,922	1,257,439	271,517
Fines, forfeitures and penalties	156,500	183,561	27,061
Public charges for services	1,094,846	1,225,415	130,569
Investment income	40,128	26,232	(13,896)
Miscellaneous	80,500	101,199	20,699
Total Revenues	<u>13,732,726</u>	<u>14,181,231</u>	<u>448,505</u>
EXPENDITURES			
Current			
General government	2,564,628	2,469,034	95,594
Public safety	6,623,079	6,550,281	72,798
Public works	3,409,116	3,162,346	246,770
Public health	1,000	1,930	(930)
Community enrichment services	694,541	718,055	(23,514)
Conservation and development	404,780	398,340	6,440
Debt Service			
Principal	47,009	24,074	22,935
Interest and fiscal charges	331	331	-
Total Expenditures	<u>13,744,484</u>	<u>13,324,391</u>	<u>420,093</u>
Excess of revenues over expenditures	<u>(11,758)</u>	<u>856,840</u>	<u>868,598</u>
OTHER FINANCING SOURCES			
Transfers in	-	147,463	147,463
Total Other Financing Sources	<u>-</u>	<u>147,463</u>	<u>147,463</u>
Net Change in Fund Balance	(11,758)	1,004,303	1,016,061
FUND BALANCE - Beginning of Year	<u>2,293,044</u>	<u>2,293,044</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 2,281,286</u>	<u>\$ 3,297,347</u>	<u>\$ 1,016,061</u>

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

CITY OF MEQUON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION As of and for the Year Ended December 31, 2012

BUDGETARY INFORMATION

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

Excess expenditures over appropriations are as follows:

	<u>Amended Budget</u>	<u>Expenditures</u>	<u>Excess</u>
<u>General Fund</u>			
Health and human services	\$ 1,000	\$ 1,930	\$ 930
Community enrichment services	694,541	718,055	23,514

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SUPPLEMENTARY INFORMATION

CITY OF MEQUON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2012

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Park Fund	Revolving Loan Fund	Police Reserve Fund	Library Fund	
ASSETS					
Cash and investments	\$ 669,305	\$ 253,692	\$ 161,176	\$ -	\$ 1,084,173
Receivables					
Accrued interest	2,222	779	379	-	3,380
Loans	-	426,481	-	-	426,481
TOTAL ASSETS	<u>\$ 671,527</u>	<u>\$ 680,952</u>	<u>\$ 161,555</u>	<u>\$ -</u>	<u>\$ 1,514,034</u>
LIABILITIES AND FUND BALANCES					
Liabilities					
Accounts payable	\$ -	\$ 2,467	\$ -	\$ -	\$ 2,467
Deferred revenues	-	426,481	-	-	426,481
Deposits	3,350	-	-	-	3,350
Total Liabilities	<u>3,350</u>	<u>428,948</u>	<u>-</u>	<u>-</u>	<u>432,298</u>
Fund Balances					
Restricted	668,177	252,004	-	-	920,181
Committed	-	-	161,555	-	161,555
Total Fund Balances	<u>668,177</u>	<u>252,004</u>	<u>161,555</u>	<u>-</u>	<u>1,081,736</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 671,527</u>	<u>\$ 680,952</u>	<u>\$ 161,555</u>	<u>\$ -</u>	<u>\$ 1,514,034</u>

CITY OF MEQUON

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended December 31, 2012

	Special Revenue Funds				Total Nonmajor Governmental Funds
	Park Fund	Revolving Loan Fund	Police Reserve Fund	Library Fund	
REVENUES					
Taxes	\$ -	\$ -	\$ -	\$ 901,923	\$ 901,923
Public charges for services	57,319	-	-	-	57,319
Investment income	4,374	31,336	747	-	36,457
Miscellaneous	-	3,300	3,763	-	7,063
Total Revenues	<u>61,693</u>	<u>34,636</u>	<u>4,510</u>	<u>901,923</u>	<u>1,002,762</u>
EXPENDITURES					
Current					
Community enrichment services	39,795	-	1,429	901,923	943,147
Conservation and development	-	158,229	-	-	158,229
Total Expenditures	<u>39,795</u>	<u>158,229</u>	<u>1,429</u>	<u>901,923</u>	<u>1,101,376</u>
Excess (deficiency) of revenues over expenditures	<u>21,898</u>	<u>(123,593)</u>	<u>3,081</u>	<u>-</u>	<u>(98,614)</u>
OTHER FINANCING USES					
Transfers out	-	-	-	(147,463)	(147,463)
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>(147,463)</u>	<u>(147,463)</u>
Net Change in Fund Balances	21,898	(123,593)	3,081	(147,463)	(246,077)
FUND BALANCES - Beginning of Year	<u>646,279</u>	<u>375,597</u>	<u>158,474</u>	<u>147,463</u>	<u>1,327,813</u>
FUND BALANCES - END OF YEAR	<u>\$ 668,177</u>	<u>\$ 252,004</u>	<u>\$ 161,555</u>	<u>\$ -</u>	<u>\$ 1,081,736</u>

CITY OF MEQUON

COMBINING STATEMENT OF NET POSITION AGENCY FUNDS As of December 31, 2012

	Agency Funds		TOTAL
	Tax Collection Fund	Weyenberg Library Fund	
ASSETS			
Cash and investments	\$ 26,586,047	\$ 227,748	\$ 26,813,795
Taxes receivable	<u>25,127,035</u>	<u>-</u>	<u>25,127,035</u>
Total Assets	<u>\$ 51,713,082</u>	<u>\$ 227,748</u>	<u>\$ 51,940,830</u>
LIABILITIES			
Due to other governments	\$ 51,691,870	\$ 164,287	\$ 51,856,157
Accounts payable	<u>21,212</u>	<u>63,461</u>	<u>84,673</u>
Total Liabilities	<u>\$ 51,713,082</u>	<u>\$ 227,748</u>	<u>\$ 51,940,830</u>

CITY OF MEQUON

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
TAX COLLECTION AGENCY FUND
For the Year Ended December 31, 2012

	Balance 1/1/2012	Additions	Deductions	Balance 12/31/2012
ASSETS				
Cash and investments	\$ 36,433,012	\$ 26,586,047	\$ 36,433,012	\$ 26,586,047
Taxes receivable	14,917,610	25,182,675	14,917,610	25,182,675
TOTAL ASSETS	<u>\$ 51,350,622</u>	<u>\$ 51,768,722</u>	<u>\$ 51,350,622</u>	<u>\$ 51,768,722</u>
LIABILITIES				
Accounts payable	\$ -	\$ 76,852	\$ -	\$ 76,852
Due to other governments				
City of Mequon	3,855	-	3,855	-
State of Wisconsin	695,088	674,101	695,088	674,101
Ozaukee County	7,227,694	7,317,180	7,227,694	7,317,180
Mequon Thiensville School District	35,308,754	35,147,815	35,308,754	35,147,815
Cedarburg School District	168,119	163,893	168,119	163,893
Milwaukee Area Technical College District	7,947,112	8,388,881	7,947,112	8,388,881
TOTAL LIABILITIES	<u>\$ 51,350,622</u>	<u>\$ 51,768,722</u>	<u>\$ 51,350,622</u>	<u>\$ 51,768,722</u>

CITY OF MEQUON

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES WEYENBERG LIBRARY AGENCY FUND For the Year Ended December 31, 2012

	<u>Balance</u> <u>1/1/2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance</u> <u>12/31/2012</u>
ASSETS				
Cash and investments	\$ -	\$ 1,273,522	\$ 1,045,774	\$ 227,748
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 1,273,522</u>	<u>\$ 1,045,774</u>	<u>\$ 227,748</u>
LIABILITIES				
Accounts payable	\$ -	\$ 63,461	\$ -	\$ 63,461
Due to other Governments	-	1,210,061	1,045,774	164,287
TOTAL LIABILITIES	<u>\$ -</u>	<u>\$ 1,273,522</u>	<u>\$ 1,045,774</u>	<u>\$ 227,748</u>



STATISTICAL SECTION

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CITY OF MEQUON

Statistical Section

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

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

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**CITY OF MEQUON
NET POSITION BY COMPONENT
LAST TEN FISCAL YEARS**

Table 1

	<u>2003</u>	<u>2004</u>	<u>2005</u>	<u>2006</u>	<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>
Governmental Activities										
Net investment in capital assets	\$ 22,725,214	\$ 23,880,322	\$ 23,336,951	\$ 25,692,983	\$ 25,489,910	\$ 27,262,961	\$ 24,486,433	\$ 24,847,985	\$ 25,157,617	\$ 21,415,193
Restricted	902,038	790,646	783,620	939,229	1,044,875	1,136,688	1,354,442	1,019,828	6,674,351	5,516,016
Unrestricted (deficit)	<u>3,401,739</u>	<u>3,127,464</u>	<u>5,477,565</u>	<u>5,384,516</u>	<u>4,979,600</u>	<u>2,463,821</u>	<u>2,990,407</u>	<u>1,348,175</u>	<u>(4,729,276)</u>	<u>(93,988)</u>
Total governmental activities net position	<u>\$ 27,028,991</u>	<u>\$ 27,798,432</u>	<u>\$ 29,598,136</u>	<u>\$ 32,016,728</u>	<u>\$ 31,514,385</u>	<u>\$ 30,863,470</u>	<u>\$ 28,831,282</u>	<u>\$ 27,215,988</u>	<u>\$ 27,102,692</u>	<u>\$ 26,837,221</u>
Business-type Activities										
Net investment in capital assets	\$ 25,499,171	\$ 25,548,786	\$ 26,680,572	\$ 26,417,775	\$ 26,419,092	\$ 26,429,765	\$ 26,275,107	\$ 26,156,658	\$ 26,242,471	\$ 27,667,737
Restricted	188,589	176,672	300,294	199,449	119,214	115,255	205,353	232,166	246,988	273,879
Unrestricted (deficit)	<u>(17,911,016)</u>	<u>(17,958,902)</u>	<u>(18,304,072)</u>	<u>(16,082,981)</u>	<u>(14,886,924)</u>	<u>(12,986,854)</u>	<u>(10,046,126)</u>	<u>(7,689,539)</u>	<u>(5,940,164)</u>	<u>(5,018,302)</u>
Total business-type activities net position	<u>\$ 7,776,744</u>	<u>\$ 7,766,556</u>	<u>\$ 8,676,794</u>	<u>\$ 10,534,243</u>	<u>\$ 11,651,382</u>	<u>\$ 13,558,166</u>	<u>\$ 16,434,334</u>	<u>\$ 18,699,285</u>	<u>\$ 20,549,295</u>	<u>\$ 22,923,314</u>
Primary Government										
Net investment in capital assets	\$ 48,224,385	\$ 49,429,108	\$ 50,017,523	\$ 52,110,758	\$ 51,909,002	\$ 53,692,726	\$ 49,791,864	\$ 49,966,147	\$ 50,361,592	\$ 48,044,434 *
Restricted	1,090,627	967,318	1,083,914	1,138,678	1,164,089	1,251,943	1,559,795	1,251,994	6,921,339	5,789,895
Unrestricted (deficit)	<u>(14,509,277)</u>	<u>(14,831,438)</u>	<u>(12,826,507)</u>	<u>(10,698,465)</u>	<u>(9,907,324)</u>	<u>(10,523,033)</u>	<u>(6,086,043)</u>	<u>(5,302,868)</u>	<u>(9,630,944)</u>	<u>(4,073,794)</u> *
Total primary government net position	<u>\$ 34,805,735</u>	<u>\$ 35,564,988</u>	<u>\$ 38,274,930</u>	<u>\$ 42,550,971</u>	<u>\$ 43,165,767</u>	<u>\$ 44,421,636</u>	<u>\$ 45,265,616</u>	<u>\$ 45,915,273</u>	<u>\$ 47,651,987</u>	<u>\$ 49,760,535</u>

* Includes an adjustment for utility assets financed with governmental activities debt

**CITY OF MEQUON
CHANGES IN NET POSITION
LAST TEN FISCAL YEARS**

Expenses	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Governmental Activities:										
General Government	\$ 2,647,853	\$ 2,961,674	\$ 2,531,578	\$ 2,371,545	\$ 2,935,063	\$ 2,800,453	\$ 2,901,113	\$ 3,015,265	\$ 2,826,782	\$ 2,578,452
Public Safety	5,328,554	5,495,463	5,706,356	6,344,911	6,712,991	6,906,734	7,106,793	7,181,642	7,243,829	6,951,642
Public Works	7,304,719	5,491,973	5,581,372	5,934,382	5,841,355	6,990,267	6,324,874	7,198,886	7,779,419	6,445,104
Public Health	-	-	24,924	27,040	69,080	70,859	29,726	2,375	846	1,930
Community Enrichment	1,780,985	1,268,776	1,103,123	1,715,473	1,729,884	1,846,261	2,101,069	1,837,201	1,944,084	1,886,522
Conservation & development	882,130	1,324,091	1,074,075	578,174	782,014	451,213	885,745	607,140	555,349	556,569
Interest & Fiscal Charges	382,908	364,608	393,407	467,978	420,005	413,812	802,613	925,877	984,173	859,007
Total government activities expense	18,327,149	16,906,585	16,414,835	17,439,503	18,490,392	19,479,599	20,151,933	20,768,386	21,334,482	19,279,226
Business-type Activities:										
Water Utility	3,763	-	-	-	-	-	1,394,217	2,085,110	2,215,531	2,258,364
Sewer Utility	5,757,945	6,335,818	8,745,619	9,131,324	8,267,629	8,310,045	8,175,180	7,881,371	8,216,356	8,394,444
Total business-type activities expense	5,761,708	6,335,818	8,745,619	9,131,324	8,267,629	8,310,045	9,569,397	9,966,481	10,431,887	10,652,808
Total Primary Government Expense	\$ 24,088,857	\$ 23,242,403	\$ 25,160,454	\$ 26,570,827	\$ 26,758,021	\$ 27,789,644	\$ 29,721,330	\$ 30,734,867	\$ 31,766,369	\$ 29,932,034
Program Revenues										
Governmental Activities:										
Charges for Services	1,716,144	2,009,907	2,098,629	2,150,602	2,054,591	2,807,641	2,494,153	2,525,797	2,750,636	3,035,119
Operating Grants and Contributions	2,037,135	1,298,634	1,264,517	1,475,873	1,322,915	1,390,950	1,560,663	2,102,773	1,709,970	1,446,983
Capital Grants and Contributions	1,123,047	1,848,972	1,779,050	2,437,878	391,706	201,967	1,265,378	181,607	2,508,141	511,194
Total governmental activities program revenues	4,876,326	5,157,513	5,142,196	6,064,353	3,769,212	4,400,558	5,320,194	4,810,177	6,968,747	4,993,296
Business-type activities:										
Charges for Services	1,933,145	1,936,823	2,162,963	2,167,798	2,306,485	2,537,641	4,111,511	5,005,461	5,139,176	5,836,210
Capital Grants and Contributions	549,966	38,841	712,291	253,060	224,846	342,099	137,058	151,213	150,897	208,726
Total business-type activities program revenues	2,483,111	1,975,664	2,875,254	2,420,858	2,531,331	2,879,740	4,248,569	5,156,674	5,290,073	6,044,936
Total Primary Government Program Revenues	\$ 7,359,437	\$ 7,133,177	\$ 8,017,450	\$ 8,485,211	\$ 6,300,543	\$ 7,280,298	\$ 9,568,763	\$ 9,966,851	\$ 12,258,820	\$ 11,038,232
Net (Expense)/Revenue										
Governmental Activities	(13,450,823)	(11,749,072)	(11,272,639)	(11,375,150)	(14,721,180)	(15,079,041)	(14,831,739)	(15,958,209)	(14,365,735)	(14,285,930)
Business-type Activities	(3,278,597)	(4,360,154)	(5,870,365)	(6,710,466)	(5,736,298)	(5,430,305)	(5,320,828)	(4,809,807)	(5,141,814)	(4,607,872)
Total Primary Government Net Expense	\$ (16,729,420)	\$ (16,109,226)	\$ (17,143,004)	\$ (18,085,616)	\$ (20,457,478)	\$ (20,509,346)	\$ (20,152,567)	\$ (20,768,016)	\$ (19,507,549)	\$ (18,893,802)

Table 2

General Revenues and Other changes in Net Assets

Governmental Activities:										
Property Taxes	11,051,027	11,491,198	11,970,360	12,275,733	12,475,502	12,781,935	13,012,008	13,607,270	13,568,659	13,260,969
Intergov'tl revenues not restr to spec programs	694,101	491,975	499,970	498,368	491,521	564,524	516,656	530,106	463,388	551,045
Investment Income	169,825	89,782	322,162	734,174	951,509	672,135	193,804	175,951	170,010	109,478
Miscellaneous	617,796	182,154	240,426	263,644	249,947	394,909	46,759	98,208	47,781	53,488
Gain on sale/disposal of capital assets	-	-	39,425	21,823	50,357	14,623	-	-	2,601	45,479
Transfers	-	(4,551)	-	-	-	-	(969,676)	(68,620)	-	-
Total Governmental Activities	12,532,749	12,250,558	13,072,343	13,793,742	14,218,836	14,428,126	12,799,551	14,342,915	14,252,439	14,020,459
Business-type Activities:										
Property Taxes	3,669,133	4,285,524	6,325,088	7,720,789	6,197,955	7,097,470	7,170,029	6,934,932	6,936,508	6,960,399
Investment Income	86,919	52,000	442,473	842,084	652,407	211,832	57,291	67,852	51,642	20,214
Miscellaneous	15,239	7,891	13,042	5,042	3,075	27,787	-	3,354	2,371	1,278
Transfers	-	4,551	-	-	-	-	969,676	68,620	-	-
Total Business-type Activities	3,771,291	4,349,966	6,780,603	8,567,915	6,853,437	7,337,089	8,196,996	7,074,758	6,990,521	6,981,891
Total Primary Government	\$ 16,304,040	\$ 16,600,524	\$ 19,852,946	\$ 22,361,657	\$ 21,072,273	\$ 21,765,215	\$ 20,996,547	\$ 21,417,673	\$ 21,242,960	\$ 21,002,350
Change in Net Position										
Governmental Activities	(918,074)	501,486	1,799,704	2,418,592	(502,344)	(650,915)	(2,032,188)	(1,615,294)	(113,296)	(265,471)
Business-type Activities	492,694	(10,188)	910,238	1,857,449	1,117,139	1,906,784	2,876,168	2,264,951	1,848,707	2,374,019
Total Primary Government	\$ (425,380)	\$ 491,298	\$ 2,709,942	\$ 4,276,041	\$ 614,795	\$ 1,255,869	\$ 843,980	\$ 649,657	\$ 1,735,411	\$ 2,108,548

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

Table 3

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Fund										
Reserved	\$ 62,805	\$ 50,217	\$ 49,048	\$ 112,036	\$ 47,464	\$ 40,304	\$ 40,054	\$ 41,978	\$ -	\$ -
Unreserved	1,513,374	1,536,585	1,689,413	2,059,663	1,348,673	676,941	1,295,092	1,687,022	-	-
Nonspendable	-	-	-	-	-	-	-	-	-	4,014
Restricted	-	-	-	-	-	-	-	-	48,786	14,621
Assigned	-	-	-	-	-	-	-	-	-	186,000
Unassigned	-	-	-	-	-	-	-	-	2,244,258	3,092,712
Total General Fund	<u>1,576,179</u>	<u>1,586,802</u>	<u>1,738,461</u>	<u>2,171,699</u>	<u>1,396,137</u>	<u>717,245</u>	<u>1,335,146</u>	<u>1,729,000</u>	<u>2,293,044</u>	<u>3,297,347</u>
All Other Governmental Funds										
Reserved	1,662,112	1,568,086	1,146,685	1,370,268	1,603,822	1,683,640	2,382,338	1,490,466	-	-
Unreserved, reported in										
Special Revenue Funds	(390)	(3,519)	1,059,482	1,123,316	1,105,618	1,017,682	515,594	459,834	-	-
Capital Projects Funds	2,743,418	2,422,942	4,230,240	3,536,770	3,862,819	3,637,816	10,058,625	6,187,099	-	-
Restricted	-	-	-	-	-	-	-	-	7,968,864	5,287,651
Committed	-	-	-	-	-	-	-	-	158,474	161,555
Assigned	-	-	-	-	-	-	-	-	-	2,398,957
Unassigned	-	-	-	-	-	-	-	-	1,794,965	(398,750)
Total All Other Governmental Funds	<u>4,405,140</u>	<u>3,987,509</u>	<u>6,436,407</u>	<u>6,030,354</u>	<u>6,572,259</u>	<u>6,339,138</u>	<u>12,956,557</u>	<u>8,137,399</u>	<u>9,922,303</u>	<u>7,449,413</u>
Total Fund Balances	<u>5,981,319</u>	<u>5,574,311</u>	<u>8,174,868</u>	<u>8,202,053</u>	<u>7,968,396</u>	<u>7,056,383</u>	<u>14,291,703</u>	<u>9,866,399</u>	<u>12,215,347</u>	<u>10,746,760</u>

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

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Revenues										
Taxes	\$ 11,051,026	\$ 11,491,198	\$ 11,970,360	\$ 12,275,733	\$ 12,475,502	\$ 12,781,935	\$ 13,012,008	\$ 13,607,270	\$ 13,568,659	\$ 13,260,969
Intergovernmental Revenues	2,731,237	1,975,663	1,971,573	2,336,159	1,710,032	1,778,612	2,888,511	2,545,498	1,997,915	2,533,394
Licenses & Permits	1,155,894	1,244,284	1,188,351	1,203,755	1,113,504	1,177,444	1,101,106	1,165,138	1,170,613	1,257,439
Fines, Forfeitures and Penalties	-	-	-	-	-	-	-	-	159,798	183,561
Public Charges for Services	694,775	875,964	926,186	978,734	1,025,262	1,863,998	1,518,183	1,240,937	1,288,601	1,315,941
Intergovernmental Charges for services	-	-	-	101,017	104,404	106,928	109,067	182,286	106,774	-
Investment Income	169,825	89,782	322,162	735,420	950,518	741,986	194,187	176,734	174,997	108,638
Other Revenues	617,796	476,669	955,777	449,649	380,545	209,300	166,023	111,137	123,755	119,871
Total Revenues	16,420,553	16,153,560	17,334,409	18,080,467	17,759,767	18,660,203	18,989,085	19,029,000	18,591,112	18,779,813
Expenditures										
Current										
General Government	2,579,842	2,562,126	2,492,204	2,367,786	2,877,301	2,728,441	2,796,046	2,716,066	2,536,080	2,469,334
Public Safety	4,831,245	5,156,645	5,350,414	5,997,403	6,350,569	6,521,197	6,588,793	6,520,263	6,586,480	6,550,281
Public Works	4,080,782	3,886,527	4,492,379	4,600,183	4,598,917	5,329,775	3,470,061	3,586,628	3,487,367	3,162,346
Public Health	-	-	24,924	27,040	69,080	70,859	29,726	2,375	846	1,930
Liesure Activities	144,298	90,395	98,164	-	-	-	-	-	-	-
Community Enrichment	-	-	-	1,603,463	1,661,876	1,776,535	1,981,720	1,700,327	1,681,913	1,661,202
Conservation and development	1,265,883	964,906	1,013,414	453,315	423,079	419,263	817,181	567,802	555,349	556,569
Library	993,513	1,001,444	905,273	-	-	-	-	-	-	-
Capital Outlay	4,972,238	1,570,367	880,763	1,886,940	923,356	3,981,521	6,861,097	5,784,174	4,587,815	2,194,148
Debt Service										
Principal	855,000	1,059,245	795,663	835,850	811,808	851,964	1,120,219	1,743,077	1,224,118	1,534,554
Interest and fiscal charges	326,555	374,084	365,079	401,859	327,795	315,929	550,271	890,011	797,705	807,696
Payment to WRS for unfunded liability	-	-	-	-	-	-	-	-	-	1,355,819
Total Expenditures	20,049,356	16,665,739	16,418,277	18,173,839	18,043,781	21,995,484	24,215,114	23,510,723	21,457,673	20,293,879

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

Table 4

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Excess of Revenues										
Over/(Under) Expenditures	<u>(3,628,803)</u>	<u>(512,179)</u>	<u>916,132</u>	<u>(93,372)</u>	<u>(284,014)</u>	<u>(3,335,281)</u>	<u>(5,226,029)</u>	<u>(4,481,723)</u>	<u>(2,866,561)</u>	<u>(1,514,066)</u>
Other Financing Sources/(Uses)										
Transfers In	1,871,952	1,514,436	1,599,980	1,931,994	1,907,915	1,978,335	1,676,627	136,063	667,449	147,463
Transfers Out	(1,871,952)	(1,518,987)	(1,599,980)	(1,931,994)	(1,907,915)	(1,978,335)	(1,676,627)	(136,063)	(667,449)	(147,463)
Debt										
General obligation debt issued	4,099,759	109,722	1,645,000	-	-	2,400,000	12,055,000	-	8,745,000	-
Refunding Debt issued	-	-	-	1,477,942	-	-	-	-	-	-
Refunded general Obligation Debt	(80,796)	-	-	(1,370,000)	-	-	-	-	(3,956,423)	-
Discount on Debt issued	-	-	-	-	-	-	-	-	(73,556)	-
Premium on Debt issued	-	-	-	-	-	-	91,542	-	192,393	-
Proceeds of capital leases	-	-	-	-	-	-	-	-	235,193	-
Sale of Capital Assets	-	-	39,425	12,615	50,357	23,268	48,690	56,419	72,902	45,479
Total Other Financing Sources/(Uses)	<u>4,018,963</u>	<u>105,171</u>	<u>1,684,425</u>	<u>120,557</u>	<u>50,357</u>	<u>2,423,268</u>	<u>12,195,232</u>	<u>56,419</u>	<u>5,215,509</u>	<u>45,479</u>
Net Change in Fund Balances	<u>\$ 390,160</u>	<u>\$ (407,008)</u>	<u>\$ 2,600,557</u>	<u>\$ 27,185</u>	<u>\$ (233,657)</u>	<u>\$ (912,013)</u>	<u>\$ 6,969,203</u>	<u>\$ (4,425,304)</u>	<u>\$ 2,348,948</u>	<u>\$ (1,468,587)</u>
Debt Service as a % of noncapital expenditures	5.67%	7.02%	5.12%	5.13%	4.74%	4.73%	6.46%	9.83%	7.26%	15.97%

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

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

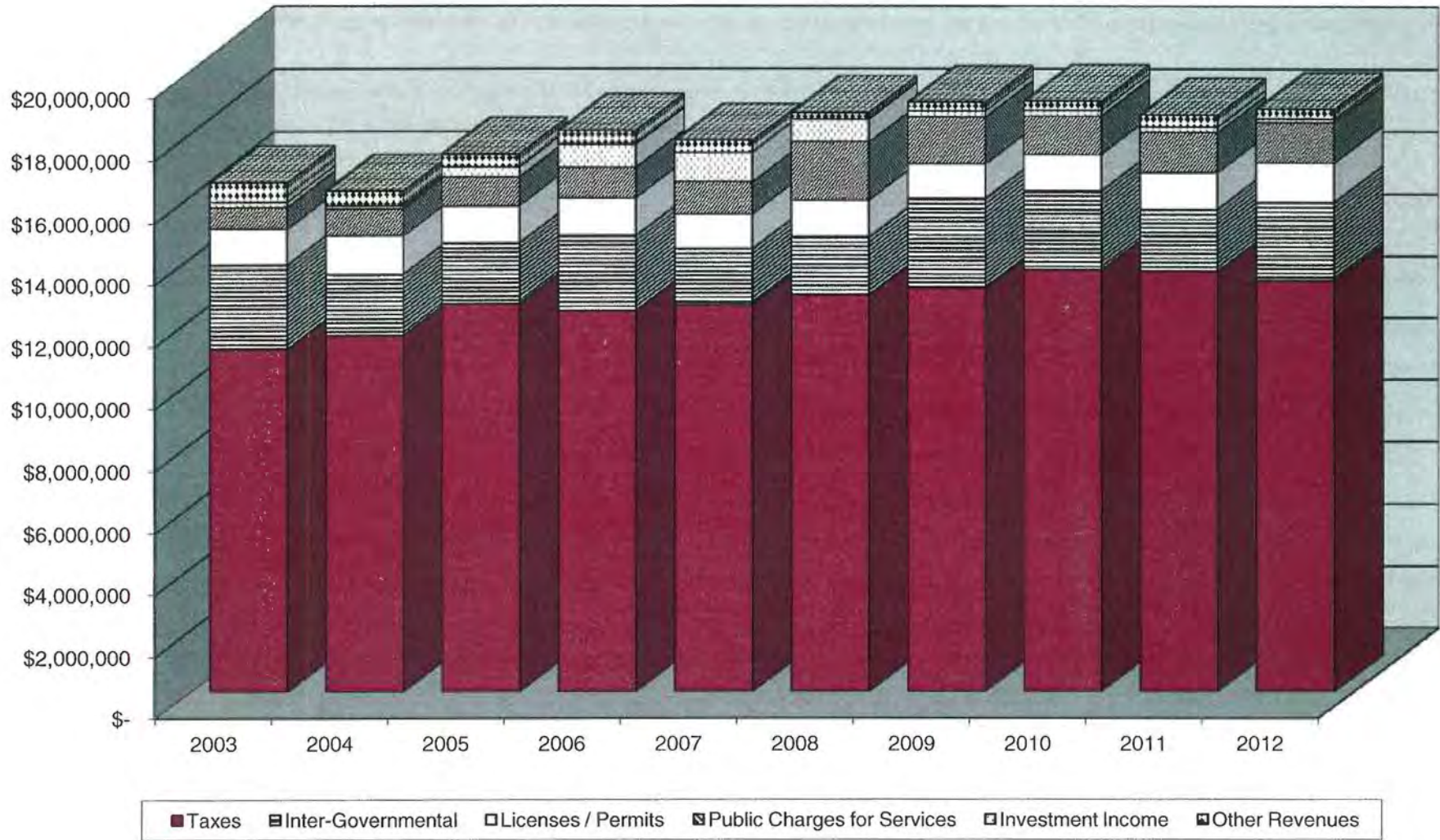
Table 5

Fiscal Year	Taxes		Inter-Governmental		Licenses and Permits		Public Charges for Services		Investment Income		Other Revenues		Total Revenues
2003	\$ 11,051,026	67.3%	\$ 2,731,237	16.6%	\$ 1,155,894	7.0%	\$ 694,775	4.2%	\$ 169,825	1.0%	\$ 617,796	3.8%	\$ 16,420,553
2004	11,491,198	71.1%	1,975,663	12.2%	1,244,284	7.7%	875,964	5.4%	89,782	0.6%	476,669	3.0%	16,153,560
2005	12,510,360	72.2%	1,971,573	11.4%	1,188,351	6.9%	926,186	5.3%	322,162	1.9%	415,777	2.4%	17,334,409
2006	12,275,733	67.9%	2,437,176	13.5%	1,203,755	6.7%	978,734	5.4%	735,420	4.1%	449,649	2.5%	18,080,467
2007	12,475,502	70.2%	1,814,436	10.2%	1,113,504	6.3%	1,025,262	5.8%	950,518	5.4%	380,545	2.1%	17,759,767
2008	12,781,935	68.5%	1,885,540	10.1%	1,177,444	6.3%	1,863,998	10.0%	741,986	4.0%	209,300	1.1%	18,660,203
2009	13,012,008	68.5%	2,888,511	15.2%	1,101,106	5.8%	1,518,183	8.0%	194,187	1.0%	275,090	1.4%	18,989,085
2010	13,607,270	71.5%	2,545,498	13.4%	1,165,138	6.1%	1,240,937	6.5%	176,734	0.9%	293,423	1.5%	19,029,000
2011	13,568,659	73.0%	1,997,915	10.7%	1,170,613	6.3%	1,288,601	6.9%	174,997	0.9%	390,327	2.1%	18,591,112
2012	13,260,969	70.6%	2,533,394	13.5%	1,257,439	6.7%	1,315,941	7.0%	108,638	0.6%	303,432	1.6%	18,779,813

Includes General, Special Revenue, Debt Service, and Capital Project Funds. In 2010, certain revenues have been reclassified.

Source: City of Mequon Annual Financial Reports

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



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

Table 6

Fiscal Year	General Government		Public Safety		Public Works		Community Enrichment		Capital Outlays		Debt Service		Total Expenditures
2003	3,845,725	19.2%	4,831,245	24.1%	4,080,782	20.4%	1,137,811	5.7%	4,972,238	24.8%	1,181,555	5.9%	20,049,356
2004	3,527,032	21.2%	5,156,645	30.9%	3,886,527	23.3%	1,091,839	6.6%	1,570,367	9.4%	1,433,329	8.6%	16,665,739
2005	3,505,618	21.4%	5,375,338	32.7%	4,492,379	27.4%	1,003,437	6.1%	880,763	5.4%	1,160,742	7.1%	16,418,277
2006	2,821,101	15.5%	6,024,443	33.1%	4,600,183	25.3%	1,603,463	8.8%	1,886,940	10.4%	1,237,709	6.8%	18,173,839
2007	3,300,380	18.3%	6,419,649	35.6%	4,598,917	25.5%	1,661,876	9.2%	923,356	5.1%	1,139,603	6.3%	18,043,781
2008	3,147,704	14.3%	6,592,056	30.0%	5,329,775	24.2%	1,776,535	8.1%	3,981,521	18.1%	1,167,893	5.3%	21,995,484
2009	2,692,711	11.2%	6,588,793	27.4%	3,470,061	14.4%	2,798,906	11.6%	6,861,097	28.5%	1,670,490	6.9%	24,082,058
2010	2,718,441	11.6%	6,520,263	27.7%	3,586,628	15.3%	2,268,129	9.6%	5,784,174	24.6%	2,633,088	11.2%	23,510,723
2011	2,536,926	11.8%	6,586,480	30.7%	3,487,367	16.3%	2,237,262	10.4%	4,587,815	21.4%	2,021,823	9.4%	21,457,673
2012	2,471,264	12.2%	6,550,281	32.3%	3,162,346	15.6%	2,217,771	10.9%	2,194,148	10.8%	3,698,069	18.2%	20,293,879

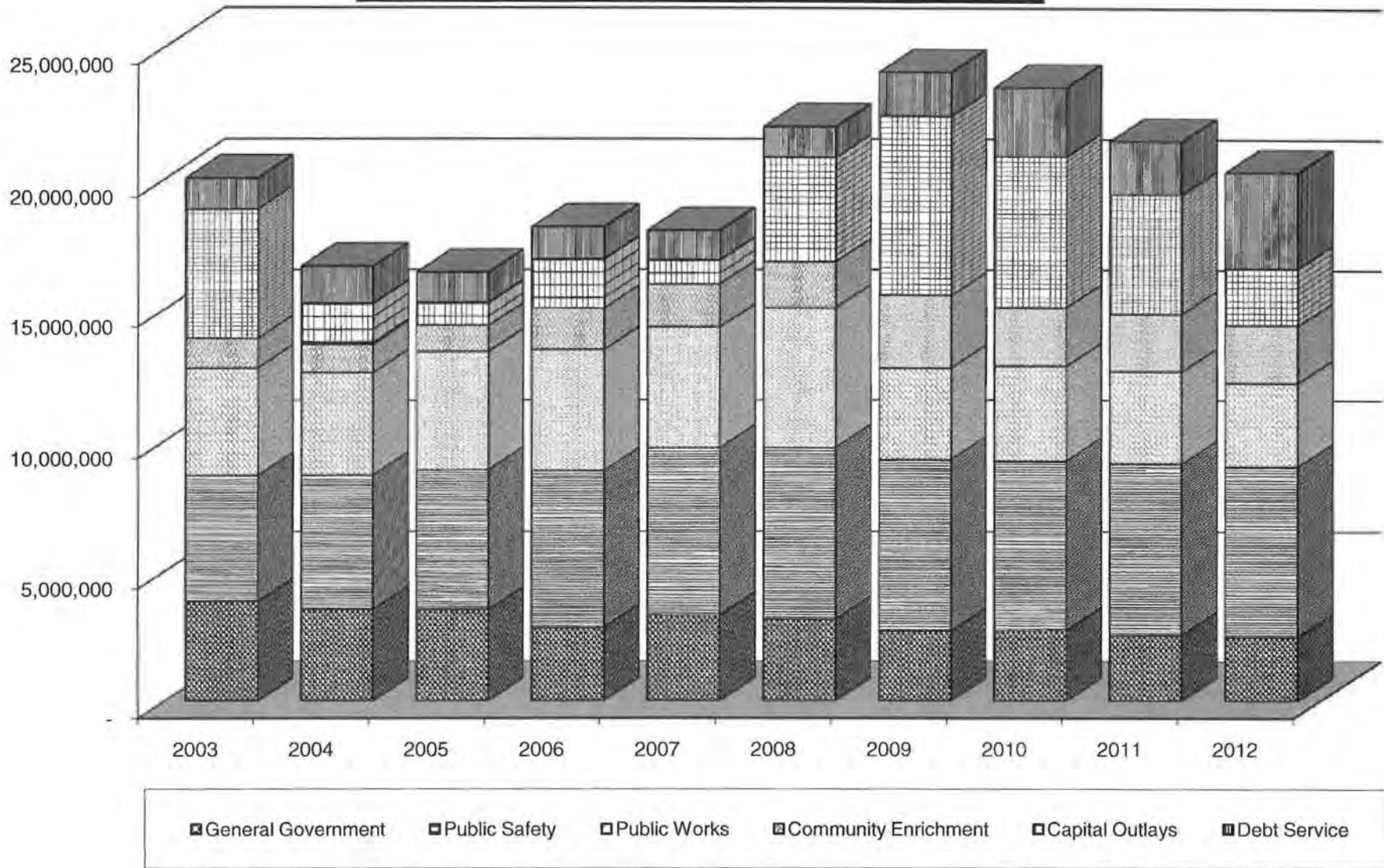
Includes General, Special Revenue, Debt Service, and Capital Project Funds.

Public Health and Conservation and Development expenditures are reported under General government in this schedule.

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

Source: City of Mequon Annual Financial Reports

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



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

Table 7

Levy Year	Fiscal Year	Real Property		Personal Property		Total		Ratio of Assessed to Equalized Value
		Assessed Value	Equalized Value	Assessed Value	Equalized Value	Assessed Value	Equalized Value	
2003	2004	\$ 3,312,672,300	\$ 3,383,595,000	\$ 61,012,490	\$ 61,299,300	\$ 3,373,684,790	\$ 3,444,894,300	98.10%
2004	2005	3,386,172,144	3,696,625,500	56,158,740	62,305,700	3,442,330,884	3,758,931,200	91.78%
2005	2006	3,442,763,100	3,933,107,700	56,028,120	64,279,800	3,498,791,220	3,997,387,500	87.53%
2006	2007	3,527,171,900	4,151,967,000	52,989,510	62,946,800	3,580,161,410	4,214,913,800	84.95%
2007	2008	3,587,551,600	4,508,754,200	49,002,630	60,456,500	3,636,554,230	4,569,210,700	79.64%
2008	2009	3,644,645,900	4,431,816,900	68,573,110	68,585,800	3,713,219,010	4,500,402,700	81.87%
2009	2010	4,257,032,100	4,316,553,200	59,588,580	51,002,200	4,316,620,680	4,367,555,400	98.83%
2010	2011	4,253,484,800	4,156,726,000	57,834,840	66,441,500	4,311,319,640	4,223,167,500	102.07%
2011	2012	4,238,554,800	4,043,965,700	59,695,260	51,865,000	4,298,250,060	4,095,830,700	104.83%
2012	2013	4,240,369,050	3,908,363,100	51,407,900	63,804,400	4,291,776,950	3,972,167,500	108.81%

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

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

PER \$1,000 OF ASSESSED VALUE

Levy Year	Collection Year	State of Wisconsin	Ozaukee County	City of Mequon	Sewer Utility	M-T Schools	MATC	Total	State School Credit	Net Tax Rate	Assessed Valuation
2003	2004	\$ 0.1936	\$ 1.8680	\$ 3.3026	\$ 1.2725	\$ 9.5728	\$ 1.9431	\$ 18.1526	\$ 1.4187	\$ 16.7340	\$ 3,303,333,765
2004	2005	0.2042	1.9797	3.3838	1.4513	9.7903	2.0163	18.8256	1.3809	17.4447	3,361,418,690
2005	2006	0.2184	2.0000	3.3943	2.0955	9.9193	2.1173	19.7449	1.3449	18.4000	3,428,838,984
2006	2007	0.2143	2.0307	3.4077	2.5077	10.0809	2.1505	20.3918	1.2989	19.0928	3,484,259,320
2007	2008	0.2068	1.9898	3.3994	1.9865	10.0674	2.0842	19.7341	1.5972	18.1369	3,564,890,610
2008	2009	0.2132	2.0258	3.4058	2.2441	10.1886	2.2266	20.3041	1.7641	18.5400	3,636,554,230
2009	2010	0.2064	1.9829	3.4139	2.2344	10.3060	2.2317	20.3752	1.9008	18.4744	3,701,157,810
2010	2011	0.1717	1.6995	3.0569	1.8618	8.8362	1.9332	17.5593	1.5787	15.9806	4,292,782,940
2011	2012	0.1617	1.6864	3.0360	1.8769	8.2742	1.8543	16.8895	1.4630	15.4265	4,279,672,560
2012	2013	0.1565	1.7036	3.0414	1.7854	8.2186	1.9532	16.8587	1.3893	15.4694	4,289,391,450

PER \$1,000 OF EQUALIZED VALUE

Assess. Ratio	Levy Year	Collection Year	State of Wisconsin	Ozaukee County	City of Mequon	Sewer Utility	M-T Schools	MATC	Total	State School Credit	Net Tax Rate	Equalized Valuation
0.9810	2003	2004	\$ 0.1899	\$ 1.8325	\$ 3.2399	\$ 1.2483	\$ 9.3909	\$ 1.9062	\$ 17.8077	\$ 1.3917	\$ 16.4160	\$ 3,367,312,706
0.9178	2004	2005	0.1874	1.8170	3.1057	1.3320	8.9855	1.8506	17.2781	1.2674	16.0107	3,662,474,058
0.8753	2005	2006	0.1912	1.7506	2.9710	1.8342	8.6824	1.8533	17.2827	1.1772	16.1055	3,917,330,040
0.8494	2006	2007	0.1820	1.7249	2.8945	2.1301	8.5627	1.8267	17.3208	1.1033	16.2175	4,102,024,158
0.7964	2007	2008	0.1647	1.5846	2.7072	1.5820	8.0174	1.6598	15.7156	1.2720	14.4437	4,476,425,041
0.8187	2008	2009	0.1746	1.6586	2.7885	1.8374	8.3419	1.8230	16.6239	1.4444	15.1796	4,441,609,227
0.9883	2009	2010	0.2039	1.9597	3.3740	2.2082	10.1854	2.2056	20.1368	1.8786	18.2583	3,744,974,006
1.0207	2010	2011	0.1753	1.7347	3.1202	1.9003	9.0191	1.9732	17.9228	1.6114	16.3114	4,205,724,444
1.0483	2011	2012	0.1695	1.7679	3.1826	1.9676	8.6738	1.9438	17.7052	1.5337	16.1716	4,082,488,372
1.0881	2012	2013	0.1703	1.8537	3.3093	1.9427	8.9427	2.1252	18.3440	1.5117	16.8323	3,942,093,052

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

PER \$1,000 OF ASSESSED VALUE

Levy Year	Collection Year	State of Wisconsin	Ozaukee County	City of Mequon	Cedarburg Schools	MATC	Total	State School Credit	Net Tax Rate	Assessed Valuation
2003	2004	\$ 0.1936	\$ 1.8680	\$ 3.3026	\$ 9.7132	\$ 1.9431	\$ 17.0205	\$ 1.4187	\$ 15.6018	\$ 10,869,600
2004	2005	0.2042	1.9797	3.3838	10.4198	2.0163	18.0038	1.3809	16.6230	12,266,100
2005	2006	0.2184	2.0000	3.3943	10.8943	2.1173	18.6244	1.3449	17.2795	13,491,900
2006	2007	0.2143	2.0307	3.4077	10.7007	2.1505	18.5039	1.2989	17.2050	14,531,900
2007	2008	0.2068	1.9898	3.3994	10.3527	2.0842	18.0329	1.5972	16.4357	15,270,800
2008	2009	0.2130	2.0258	3.4058	10.1886	2.2266	18.0598	1.7641	16.2957	15,199,500
2009	2010	0.2064	1.9829	3.4139	11.2476	2.2317	19.0825	1.9008	17.1817	15,749,050
2010	2011	0.1717	1.6995	3.0569	10.0098	1.9332	16.8711	1.5787	15.2924	18,328,600
2011	2012	0.1617	1.6864	3.0360	9.0496	1.8543	15.7880	1.4630	14.3250	18,577,500
2012	2013	0.1565	1.7036	3.0414	8.8914	1.9532	15.7461	1.3893	14.3568	18,432,700

PER \$1,000 OF EQUALIZED VALUE

Assess. Ratio	Levy Year	Collection Year	State of Wisconsin	Ozaukee County	City of Mequon	Cedarburg Schools	MATC	Total	State School Credit	Net Tax Rate	Equalized Valuation
0.9810	2003	2004	\$ 0.1899	\$ 1.8325	\$ 3.2399	\$ 9.5286	\$ 1.9062	\$ 16.6971	\$ 1.3917	\$ 15.3054	\$ 10,663,078
0.9178	2004	2005	0.1874	1.8170	3.1057	9.5633	1.8506	16.5239	1.2674	15.2565	11,257,827
0.8753	2005	2006	0.1912	1.7506	2.9710	9.5358	1.8533	16.3019	1.1772	15.1247	11,809,460
0.8494	2006	2007	0.1820	1.7249	2.8945	9.0892	1.8267	15.7172	1.1033	14.6139	12,343,396
0.79637	2007	2008	0.1647	1.5846	2.7072	8.2446	1.6598	14.3609	1.2720	13.0889	12,161,207
0.81875	2008	2009	0.1744	1.6586	2.7885	8.3419	1.8230	14.7864	1.4444	13.3421	12,444,545
0.9883	2009	2010	0.2039	1.9597	3.3740	11.1160	2.2056	18.8592	1.8786	16.9807	15,564,786
1.0207	2010	2011	0.1753	1.7347	3.1202	10.2170	1.9732	17.2203	1.6114	15.6090	18,708,002
1.0483	2011	2012	0.1695	1.7679	3.1826	9.4867	1.9438	16.5505	1.5337	15.0169	19,474,793
1.0881	2012	2013	0.1703	1.8537	3.3093	9.6748	2.1252	17.1333	1.5117	15.6216	20,056,621

**CITY OF MEQUON, WISCONSIN
TEN LARGEST TAXPAYERS - 2012**

Name of Taxpayer	Nature of Business	Assessed Value	Net Taxes Paid	Percent of Total Taxes Levied
Centro Bradley SPE 1LP	Shopping Center	\$30,633,000	\$ 473,815	0.72%
HTA Wisconsin	Office Building	18,257,100	282,367	0.43%
KTR WIS II, LLC	Manufacturing	18,503,700	278,702	0.43%
St. Mary's Hospital	Medical Clinic	14,649,200	200,769	0.31%
Centerpoint Property Trust	Manufacturing	11,774,700	182,088	0.28%
Vogel Real Estate, LLC	Commercial	8,754,400	135,344	0.21%
SNH FM Financing	Hotel	8,684,300	134,282	0.20%
Newcastle Place	Apartments	8,672,300	134,096	0.20%
B & G Realty	Commercial	8,307,200	128,448	0.20%
Mequon Joint Venture	Commercial	<u>8,188,900</u>	<u>126,618</u>	<u>0.19%</u>
Total for Largest Taxpayers		<u>\$136,424,800</u>	<u>\$2,076,529</u>	<u>3.17%</u>

Source: City of Mequon Assessment and Tax Rolls

TEN LARGEST EMPLOYERS - 2012

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

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

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

Levy Year	Collection Year	Total Tax Levy	Collected within the Fiscal Year of the Levy		Collections in Subsequent Years	Total Collections to Date	
			Amount	Percentage of Levy		Amount	Percentage of Levy
2002	2003	\$ 10,945,618	\$ 10,895,240	99.54%	\$ 14,331	\$ 10,909,571	99.67%
2003	2004	11,415,897	11,243,734	98.49%	62,941	11,306,675	99.04%
2004	2005	11,663,419	11,470,430	98.35%	70,511	11,540,941	98.95%
2005	2006	11,892,706	11,732,325	98.65%	46,612	11,778,937	99.04%
2006	2007	12,139,552	11,957,195	98.50%	38,954	11,996,149	98.82%
2007	2008	12,385,261	12,246,123	98.88%	32,555	12,278,678	99.14%
2008	2009	12,595,701	12,395,036	98.41%	135,917	12,530,953	99.49%
2009	2010	12,253,359	12,192,271	99.50%	37,106	12,229,377	99.80%
2010	2011	12,843,995	12,818,848	99.80%	12,704	12,831,552	99.90%
2011	2012	13,101,821	13,076,674	99.81%	-	13,076,674	99.81%

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

REAL ESTATE	2003 R.E. ASSESSED VALUE	2004 R.E. ASSESSED VALUE	2005 R.E. ASSESSED VALUE	2006 R.E. ASSESSED VALUE	2007 R.E. ASSESSED VALUE	2008 R.E. ASSESSED VALUE	2009 R.E. ASSESSED VALUE	2010 R.E. ASSESSED VALUE	2011 R.E. ASSESSED VALUE	2012 R.E. ASSESSED VALUE
RESIDENTIAL										
LAND	\$ 998,800,800	\$ 1,004,146,500	\$ 1,012,033,000	\$ 1,039,998,400	\$ 1,035,685,500	\$ 1,042,087,200	\$ 1,301,196,900	\$ 1,278,046,500	\$ 1,271,080,100	\$ 1,258,885,650
IMP	1,823,864,900	1,878,559,444	1,933,457,600	1,985,967,000	2,040,248,100	2,079,365,800	2,305,497,300	2,318,384,600	2,331,235,100	2,340,713,100
TOTAL	2,822,665,700	2,882,705,944	2,945,490,600	3,025,965,400	3,075,933,600	3,121,453,000	3,606,694,200	3,596,431,100	3,602,315,200	3,599,598,750
COMMERCIAL										
LAND	104,162,400	108,695,200	108,083,800	107,943,400	111,959,900	114,323,700	166,065,700	165,722,700	160,267,600	160,556,700
IMP	275,430,300	290,386,600	292,741,600	300,162,000	311,522,700	319,911,000	373,292,400	378,365,500	361,506,600	364,192,800
TOTAL	379,592,700	399,081,800	400,825,400	408,105,400	423,482,600	434,234,700	539,358,100	544,088,200	521,774,400	524,749,500
MANUFACTURING										
LAND	14,050,900	14,172,300	14,847,200	15,484,100	13,775,600	13,816,400	16,832,100	17,505,700	18,024,600	18,704,400
IMP	70,543,600	64,969,800	57,849,100	54,946,200	51,482,700	52,654,800	59,424,100	60,658,100	62,066,200	63,624,800
TOTAL	84,594,500	79,142,100	72,696,300	70,430,300	65,258,300	66,471,200	76,256,200	78,163,800	80,090,800	82,329,200
AGRICULTURAL										
LAND/TOTAL	1,382,500	1,235,500	1,153,500	1,059,000	1,107,300	1,089,400	1,405,900	1,386,600	1,398,100	2,196,100
UNDEVELOPED										
LAND/TOTAL	2,823,400	2,141,800	2,103,200	2,037,000	1,970,400	1,961,000	11,608,300	11,554,200	11,214,600	9,860,700
AG FOREST										
LAND/TOTAL FOREST	0	0	929,100	884,100	1,010,100	1,005,900	1,711,600	1,789,700	1,789,700	1,699,200
LAND/TOTAL OTHER	1,324,800	1,377,200	20,000	20,000	244,400	244,400	444,300	424,300	424,300	426,000
OTHER										
LAND	7,678,000	7,755,600	7,174,900	6,894,000	6,696,400	6,617,400	7,943,400	7,943,400	7,866,200	7,873,800
IMP	12,610,700	12,732,200	12,370,100	11,776,700	11,848,500	11,568,900	11,610,100	11,703,500	11,881,500	11,635,800
TOTAL	20,288,700	20,487,800	19,545,000	18,670,700	18,544,900	18,186,300	19,553,500	19,646,900	19,547,700	19,509,600
TOTAL REAL ESTATE										
LAND	1,130,222,800	1,139,524,100	1,146,344,700	1,174,320,000	1,172,449,600	1,181,145,400	1,507,208,200	1,484,373,100	1,472,065,200	1,460,202,550
IMP	2,182,449,500	2,246,648,044	2,296,418,400	2,352,851,900	2,415,102,000	2,463,500,500	2,749,823,900	2,769,111,700	2,766,489,600	2,780,166,500
TOTAL	3,312,672,300	3,386,172,144	3,442,763,100	3,527,171,900	3,587,551,600	3,644,645,900	4,257,032,100	4,253,484,800	4,238,554,800	4,240,369,050
TOTAL PERSONALTY										
	61,012,490	56,158,740	56,028,120	52,989,510	49,002,630	68,573,110	59,588,580	57,834,840	59,695,260	51,407,900
TOTAL ASSESSED										
	3,373,684,790	3,442,330,884	3,498,791,220	3,580,161,410	3,636,554,230	3,713,219,010	4,316,620,680	4,311,319,640	4,298,250,060	4,291,776,950

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

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

REAL ESTATE	2003 R.E. EQUALIZED VALUE	2004 R.E. EQUALIZED VALUE	2005 R.E. EQUALIZED VALUE	2006 R.E. EQUALIZED VALUE	2007 R.E. EQUALIZED VALUE	2008 R.E. EQUALIZED VALUE	2009 R.E. EQUALIZED VALUE	2010 R.E. EQUALIZED VALUE	2011 R.E. EQUALIZED VALUE	2012 R.E. EQUALIZED VALUE
RESIDENTIAL										
LAND	\$ 1,010,222,200	\$ 1,105,446,300	\$ 1,167,557,400	\$ 1,240,727,700	\$ 1,340,202,700	\$ 1,251,357,800	\$ 1,217,495,600	\$ 1,139,954,800	\$ 1,188,142,400	\$ 1,144,914,300
IMP	1,874,956,400	2,049,235,300	2,213,296,300	2,350,089,800	2,554,164,200	2,530,569,300	2,427,509,100	2,359,106,500	2,217,519,700	2,155,116,100
TOTAL	2,885,178,600	3,154,681,600	3,380,853,700	3,590,817,500	3,894,366,900	3,781,927,100	3,645,004,700	3,499,061,300	3,405,662,100	3,300,030,400
COMMERCIAL										
LAND	92,890,000	117,175,800	120,347,500	124,238,600	127,866,200	147,769,200	150,340,300	146,252,000	139,297,200	129,575,500
IMP	288,063,100	311,116,400	319,530,600	324,966,600	370,447,700	382,630,100	408,365,500	403,141,500	385,477,300	373,653,200
TOTAL	380,953,100	428,292,200	439,878,100	449,205,200	498,313,900	530,399,300	558,705,800	549,393,500	524,774,500	503,228,700
MANUFACTURING										
LAND	14,323,100	15,441,000	16,963,000	18,266,800	17,297,800	16,875,400	17,030,500	17,149,900	17,194,300	17,189,300
IMP	71,911,500	70,785,300	66,093,100	64,820,300	64,646,500	64,311,400	60,125,400	59,426,300	59,208,100	58,470,100
TOTAL	86,234,600	86,226,300	83,056,100	83,087,100	81,944,300	81,186,800	77,155,900	76,576,200	76,402,400	75,659,400
AGRICULTURAL										
LAND/TOTAL	1,392,000	1,353,200	1,337,300	1,299,800	1,385,700	1,306,800	1,373,500	1,360,700	1,333,300	1,297,800
UNDEVELOPED										
LAND/TOTAL	7,333,600	4,575,300	5,553,600	5,152,100	5,431,300	4,625,100	8,048,000	6,314,300	11,683,000	4,523,200
AG FOREST										
LAND/TOTAL	0	0	2,478,000	2,567,500	2,962,500	5,245,000	4,459,000	3,939,500	4,056,500	4,056,500
FOREST										
LAND/TOTAL	3,242,400	3,157,500	60,000	65,000	75,000	2,129,000	1,560,000	1,366,400	1,366,400	1,366,400
OTHER										
LAND	6,748,700	7,103,000	7,832,300	7,005,600	10,803,000	12,246,000	8,495,900	7,416,100	7,712,900	7,665,100
IMP	12,512,000	11,236,400	12,058,600	12,767,200	13,471,600	12,751,800	11,750,400	11,298,000	10,974,600	10,535,600
TOTAL	19,260,700	18,339,400	19,890,900	19,772,800	24,274,600	24,997,800	20,246,300	18,714,100	18,687,500	18,200,700
TOTAL REAL ESTATE										
LAND	1,136,152,000	1,254,252,100	1,322,129,100	1,399,323,100	1,506,024,200	1,441,554,300	1,408,802,800	1,323,753,700	1,370,786,000	1,310,588,100
IMP	2,247,443,000	2,442,373,400	2,610,978,600	2,752,643,900	3,002,730,000	2,990,262,600	2,907,750,400	2,832,972,300	2,673,179,700	2,597,775,000
TOTAL	3,383,595,000	3,696,625,500	3,933,107,700	4,151,967,000	4,508,754,200	4,431,816,900	4,316,553,200	4,156,726,000	4,043,965,700	3,908,363,100
TOTAL PERSONALTY										
	61,299,300	62,305,700	64,279,800	62,946,800	60,456,500	68,585,800	51,002,200	66,441,500	51,865,000	63,804,400
TOTAL EQUALIZED										
	3,444,894,300	3,758,931,200	3,997,387,500	4,214,913,800	4,569,210,700	4,500,402,700	4,367,555,400	4,223,167,500	4,095,830,700	3,972,167,500
ASSESSMENT RATIO	98.10%	91.78%	87.53%	84.95%	79.64%	81.87%	98.83%	102.07%	104.83%	108.81%

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

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

Levy Year	Fiscal Year	Real Property		Personal Property		Total		Ratio of Assessed to Equalized Value	TID Value Increments	Equalized Value Reduced by TID
		Equalized Value	Equalized Value	Equalized Value	Equalized Value	Equalized Value	Equalized Value			
2003	2004	\$ 3,383,595,000	\$ 61,299,300	\$ 3,444,894,300			98.10%	\$ -	\$ 3,444,894,300	
2004	2005	3,696,625,500	62,305,700	3,758,931,200			91.78%	6,737,700	3,752,193,500	
2005	2006	3,933,107,700	64,279,800	3,997,387,500			87.53%	10,058,400	3,987,329,100	
2006	2007	4,151,967,000	62,946,800	4,214,913,800			84.95%	10,728,600	4,204,185,200	
2007	2008	4,508,754,200	60,456,500	4,569,210,700			79.64%	13,473,600	4,555,737,100	
2008	2009	4,431,816,900	68,585,800	4,500,402,700			81.87%	14,171,900	4,486,230,800	
2009	2010	4,316,553,200	51,002,200	4,367,555,400			98.83%	14,478,000	4,316,620,681	
2010	2011	4,156,726,000	66,441,500	4,223,167,500			102.07%	14,428,500	4,208,739,000	
2011	2012	4,043,965,700	51,865,000	4,095,830,700			104.83%	11,801,600	4,084,029,100	
2012	2013	3,908,363,100	63,804,400	3,972,167,500			108.81%	11,785,700	3,960,381,800	

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

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

Mequon-Thiensville School District					Cedarburg School District		Totals		
As of January 1	Assessed Valuation	Equalized Valuation Without TID	TID Value Increments	Total Equalized Value	Assessed Valuation	Equalized Valuation	Assessed Valuation	Equalized Valuation Without TID	Total Equalized Value
2003	\$ 3,361,418,690	\$ 3,433,535,652	\$ -	\$ 3,433,535,652	\$ 12,266,100	\$ 11,358,648	\$ 3,373,684,790	\$ 3,444,894,300	\$ 3,444,894,300
2004	3,428,838,984	3,737,459,740	6,737,700	3,744,197,440	13,491,900	14,733,760	3,442,330,884	3,752,193,500	3,758,931,200
2005	3,484,259,320	3,970,726,327	10,058,400	3,980,784,727	14,531,900	16,602,773	3,498,791,220	3,987,329,100	3,997,387,500
2006	3,564,890,610	4,186,207,806	10,728,600	4,196,936,406	15,270,800	17,977,394	3,580,161,410	4,204,185,200	4,214,913,800
2007	3,636,554,230	4,536,204,132	13,473,600	4,549,677,732	15,199,500	19,532,968	3,651,753,730	4,555,737,100	4,569,210,700
2008	3,701,157,810	4,467,085,116	14,171,900	4,481,257,016	15,749,050	19,145,684	3,716,906,860	4,486,230,800	4,500,402,700
2009	4,298,292,080	4,334,553,432	14,478,000	4,349,031,432	18,328,600	18,523,968	4,316,620,680	4,353,077,400	4,367,555,400
2010	4,292,782,940	4,176,153,097	14,428,500	4,190,581,597	18,536,700	18,157,403	4,311,319,640	4,194,310,500	4,208,739,000
2011	4,279,672,500	4,054,629,155	11,801,600	4,066,430,755	18,577,500	17,598,345	4,298,250,000	4,072,227,500	4,084,029,100
2012	4,289,391,450	3,943,225,926	11,785,700	3,955,011,626	18,432,700	17,155,874	4,307,824,150	3,960,381,800	3,972,167,500

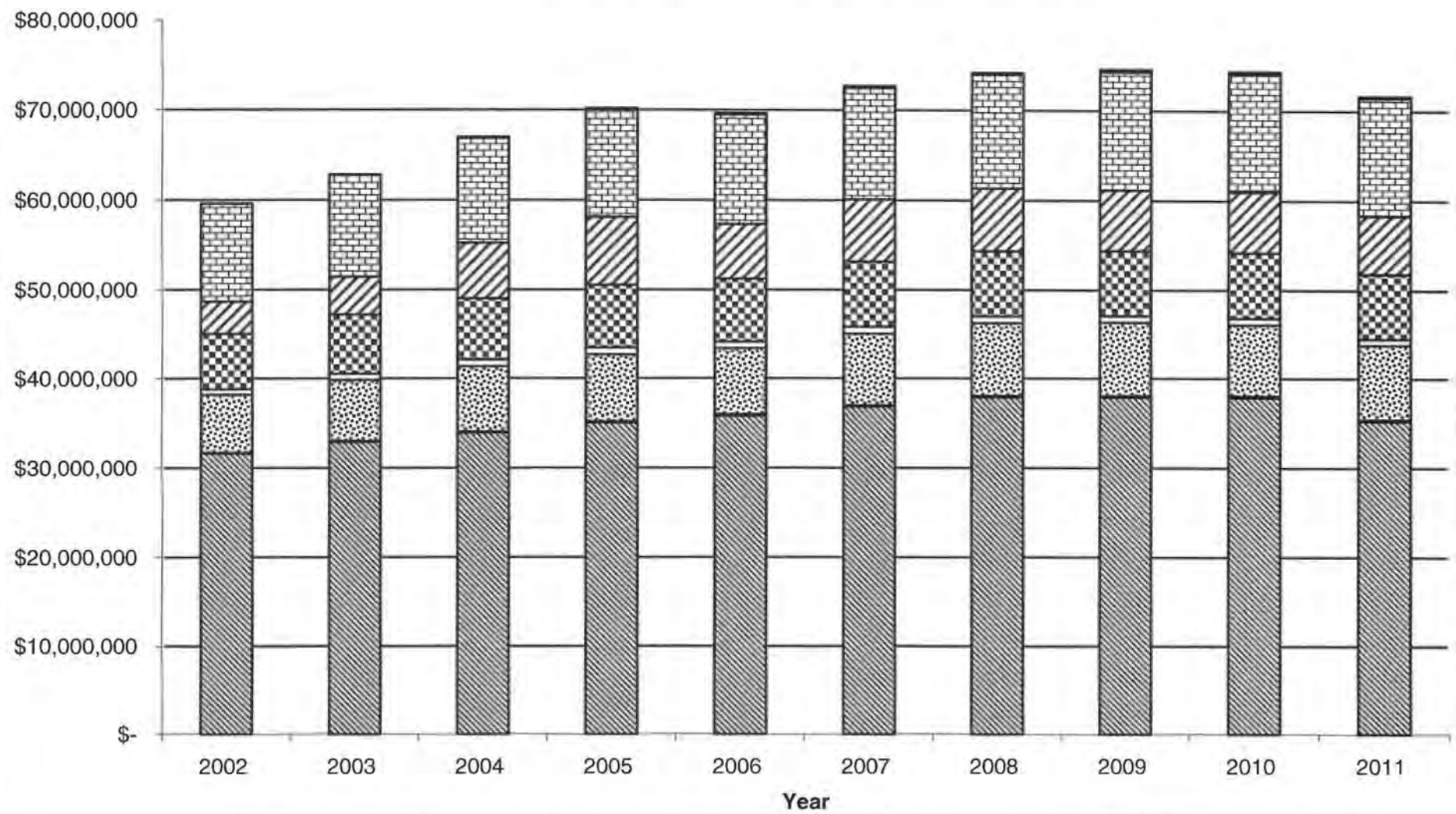
Source: " Statement of Assessments and Tax Levy Certifications from the Mequon-Thiensville School District and School District of Cedarburg

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

Levy Year	Collection Year	State of Wisconsin	Ozaukee County	City of Mequon	MATC	Mequon-Thien. Schools	Cedarburg Schools	Sewer Utility	Tax Incremental Revenue	Gross Tax Levy
2002	2003	\$ 641,701	\$ 6,190,950	\$ 10,945,618	\$ 6,439,790	\$ 31,622,141	\$ 105,578	\$ 3,662,652	\$ -	\$ 59,608,430
2003	2004	688,979	6,678,829	11,415,897	6,802,419	32,909,140	127,810	4,250,300	-	62,873,374
2004	2005	751,786	6,872,392	11,663,419	7,275,495	33,950,486	146,985	6,249,013	120,512	67,030,088
2005	2006	749,830	7,087,007	11,892,706	7,505,333	35,035,576	155,502	7,594,021	177,641	70,197,616
2006	2007	740,185	7,105,496	12,139,552	7,442,929	35,797,542	158,094	6,099,913	177,914	69,661,625
2007	2008	775,423	7,345,515	12,348,739	8,073,075	36,787,236	173,880	6,981,068	221,639	72,706,575
2008	2009	763,746	7,316,059	12,595,713	8,233,771	37,861,589	177,139	7,054,699	240,841	74,243,557
2009	2010	741,200	7,311,380	13,151,619	8,317,409	37,854,117	183,466	6,805,924	249,548	74,614,663
2010	2011	716,696	7,357,720	13,145,491	8,104,005	37,823,292	189,173	6,833,351	254,948	74,424,676
2011	2012	674,101	7,338,957	13,101,821	8,413,845	35,252,866	163,893	6,544,013	213,560	71,703,056

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

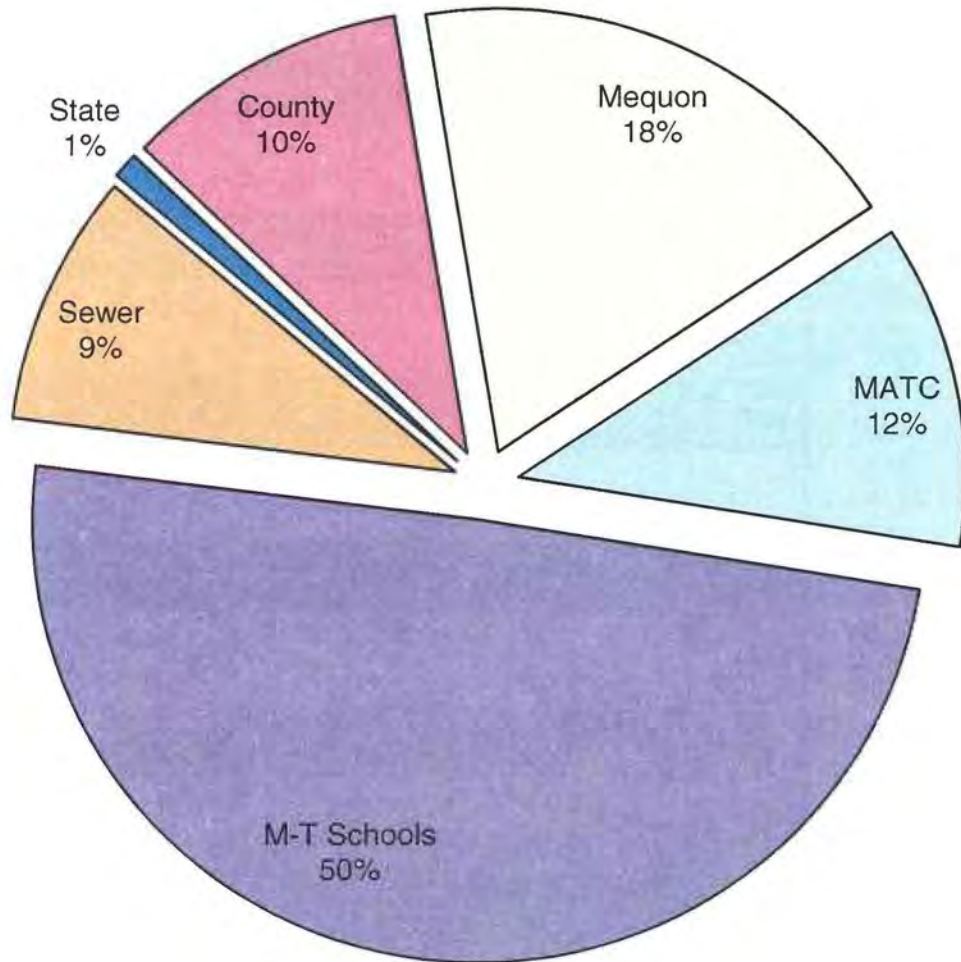
Comparative Tax Levies Last Ten Fiscal Years



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

City of Mequon
2011 Tax Levy Distribution
 (2012 Budget Year)

Mequon-Thiensville School District with sewer



2011 Tax Levy information

<u>State</u>	<u>County</u>	<u>MATC</u>	<u>Mequon</u>	<u>Sewer</u>	<u>M-T School</u>	<u>Total</u>
\$674,101	\$7,338,956	\$8,413,845	\$13,101,821	\$6,544,013	\$35,252,865	\$71,325,603

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

As of 12/31/12	Total G.O. Debt Outstanding	Less: Funds Available for Debt Service	Net Debt Outstanding	Equalized Value	Statutory Debt Capacity (5% of Equalized Value)	Ratio of Net Debt to Debt Capacity	Population	Net Debt Per Capita	Net Debt Per \$1,000 of Equalized Value
2003	\$ 31,737,289	\$ 408,521	\$ 31,328,768	\$ 3,208,504,100	\$ 160,425,205	19.53%	23,222	\$ 1,349	\$ 9.76
2004	30,214,419	279,505	29,934,914	3,444,894,300	172,244,715	17.38%	23,416	1,278	8.69
2005	47,370,000	286,840	47,083,160	3,758,931,200	187,946,560	25.05%	23,468	2,006	12.53
2006	44,485,000	388,331	44,096,669	3,997,387,500	199,869,375	22.06%	23,485	1,878	11.03
2007	25,146,374	490,020	24,656,354	4,214,913,800	210,745,690	11.70%	23,565	1,046	5.85
2008	24,874,411	541,533	24,332,878	4,569,210,700	228,460,535	10.65%	23,670	1,028	5.33
2009	34,030,000	1,266,906	32,763,094	4,515,586,123	225,779,306	14.51%	23,660	1,385	7.26
2010	30,550,000	921,502	29,628,498	4,310,296,791	215,514,840	13.75%	23,132	1,281	6.87
2011	32,765,000	1,799,769	30,965,231	4,296,176,093	214,808,805	14.42%	23,191	1,335	7.21
2012	29,610,000	-	29,610,000	3,972,167,500	198,608,375	14.91%	23,226	1,275	7.45

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

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

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

Fiscal Year	Governmental Activities		Business Activities		Total Primary Government	Total Property Equalized Value	Debt per \$1,000 of Equalized Value
	General Obligation Bonds/Notes	Tax Increment Project Revenue Bonds Payable	General Obligation Bonds/Notes				
2003	\$ 9,872,289	\$ -	\$ 21,865,000	\$ 31,737,289	\$ 3,208,504,100	\$ 9.89	
2004	8,839,419	-	21,375,000	30,214,419	3,444,894,300	8.77	
2005	9,565,000	-	37,805,000	47,370,000	3,758,931,200	12.60	
2006	8,845,000	-	35,640,000	44,485,000	3,997,387,500	11.13	
2007	8,181,374	-	16,965,000	25,146,374	4,214,913,800	5.97	
2008	9,729,111	-	15,145,000	24,874,111	4,569,210,700	5.44	
2009	13,735,000	6,950,000	13,345,000	34,030,000	4,515,586,123	7.54	
2010	12,035,000	6,950,000	11,565,000	30,550,000	4,310,296,791	7.09	
2011	15,985,000	6,950,000	9,830,000	32,765,000	4,296,176,093	7.63	
2012	14,520,000	6,950,000	8,140,000	29,610,000	3,972,167,500	7.45	

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

Values in thousands of dollars

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
Equalized Value of Real and Personal Property	\$ 3,208,504	\$ 3,444,894	\$ 3,758,931	\$ 3,997,388	\$ 4,214,914	\$ 4,569,211	\$ 4,500,403	\$ 4,367,555	\$ 4,241,473	\$ 3,972,167
General Obligation Debt Limit	\$ 160,425	\$ 172,245	\$ 187,947	\$ 199,869	\$ 210,746	\$ 228,461	\$ 225,020	\$ 218,378	\$ 212,074	\$ 198,608
Five (5) Percent of Equalized Valuation per Section 67.03 of the Wisconsin Statutes										
Amount of Debt Applicable to Debt Limitation:										
General Obligation Bonds/Notes	<u>\$ 31,737</u>	<u>\$ 30,214</u>	<u>\$ 47,370</u>	<u>\$ 44,485</u>	<u>\$ 25,146</u>	<u>\$ 24,874</u>	<u>\$ 34,030</u>	<u>\$ 30,550</u>	<u>\$ 32,765</u>	<u>\$ 29,610</u>
Net O/S GO Debt Applicable to Debt Limitation	<u>\$ 31,737</u>	<u>\$ 30,214</u>	<u>\$ 47,370</u>	<u>\$ 44,485</u>	<u>\$ 25,146</u>	<u>\$ 24,874</u>	<u>\$ 34,030</u>	<u>\$ 30,550</u>	<u>\$ 32,765</u>	<u>\$ 29,610</u>
Legal margin for New Debt	<u>\$ 128,688</u>	<u>\$ 142,030</u>	<u>\$ 140,577</u>	<u>\$ 155,384</u>	<u>\$ 185,599</u>	<u>\$ 203,586</u>	<u>\$ 190,990</u>	<u>\$ 187,828</u>	<u>\$ 179,309</u>	<u>\$ 168,998</u>
Total net debt applicable to the limit as a percentage of debt limit.	19.78%	17.54%	25.20%	22.26%	11.93%	10.89%	15.12%	13.99%	15.45%	14.91%

**CITY OF MEQUON
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF DECEMBER 31, 2012**

Taxing Authority	Debt as of 12/31/12	Percent Applicable to City	Direct and Overlapping Debt	Total Debt per Capita
City of Mequon	\$ 29,610,000	100.00%	\$ 29,610,000	\$ 1,244
MATC	118,560,000	5.59%	6,628,690	278
Ozaukee County	20,085,000	38.39%	7,711,616	324
Mequon-Thiensville School	14,230,000	92.86%	13,213,793	555
Cedarburg School District	15,210,000	0.82%	124,874	5
Totals	<u>\$ 197,695,000</u>		<u>\$ 57,288,972</u>	<u>\$ 2,406</u>

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

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

Fiscal Year	Debt Service (A)			Total General Governmental Expenditures (B)	Debt Service % of Total General Expenditures
	Principal	Interest and Fiscal Charges	Total		
2003	\$ 855,000	\$ 326,555	\$ 1,181,555	\$ 13,741,816	8.60%
2004	1,025,000	365,002	1,390,002	14,021,684	9.91%
2005	755,000	327,966	1,082,966	14,534,216	7.45%
2006	2,115,000	393,446	2,508,446	16,138,155	15.54%
2007	805,000	316,587	1,121,587	15,886,472	7.06%
2008	845,000	288,725	1,133,725	16,715,258	6.78%
2009	965,000	340,286	1,305,286	15,265,795	8.55%
2010	1,265,000	893,330	2,158,330	16,335,590	13.21%
2011	1,135,000	787,658	1,922,658	15,640,671	12.29%
2012	1,465,000	801,018	2,266,018	15,570,666	14.55%

(A) Includes only City portion of debt service.
 (B) Includes General Fund and Debt Service Fund.

CITY OF MEQUON

Table 22

COMPUTATION OF LEGAL DEBT MARGIN AS OF DECEMBER 31, 2012

Equalized Value of Real and Personal Property	<u>\$3,972,167,500</u>
Real Property	\$3,908,363,100
Personal Property	\$63,804,400
Legal Debt Limit, 5% of Equalized Valuation (Wisconsin Statutory Limitation)	\$198,608,375
<u>Amount of Debt Applicable to Debt Limitation:</u>	
Total General Obligation Bonds, Notes, Purchase Contracts Outstanding December 31, 2012	<u>\$29,610,000</u>
Remaining Legal Debt Margin	<u>\$168,998,375</u>
Percent of Debt Outstanding to Equalized Value	0.75%
Percent of Legal Debt Limit Used	14.91%
Percent of Legal Debt Limit Available	85.09%

ADDITIONAL DIRECT AND OVERLAPPING DEBT INFORMATION

Taxing Authority	Debt as of 12/31/12	% Applicable to City	Direct and Overlapping Debt	Total Debt per Capita
City of Mequon	\$ 29,610,000	100.00%	\$ 29,610,000	\$ 1,244
MATC	118,560,000	5.591%	6,628,690	278
Ozaukee County	20,085,000	38.395%	7,711,616	324

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

**10 YEAR PRINCIPAL PAYMENTS SCHEDULE
AS OF DECEMBER 31, 2012**

Year	2005A G.O. Notes	2005B Refunding Bonds	2008A G.O. Notes	2009A G.O. Notes	2009C G.O. Bonds	2011A G.O. Bonds	2011B G.O. Bonds	2011C G.O. Bonds	Totals
2013	\$ 280,000	\$ 1,630,000	\$ 215,000	\$ 520,000	\$ -	\$ 625,000	\$ 100,000	\$ 114,265	\$ 3,484,265
2014	200,000	1,610,000	215,000	585,000	-	135,000	500,000	133,479	3,378,479
2015		1,640,000	215,000	600,000	150,000	225,000	500,000	139,152	3,469,152
2016		1,635,000	215,000	600,000	250,000	225,000	500,000	144,953	3,569,953
2017		1,625,000	215,000	600,000	250,000	225,000	500,000	151,226	3,566,226
2018			215,000	600,000	300,000	225,000	500,000	157,653	1,997,653
2019				600,000	350,000	250,000	530,000	164,354	1,894,354
2020					400,000	250,000	550,000	171,298	1,371,298
2021					450,000	300,000	550,000	178,619	1,478,619
2022					550,000	300,000	-	-	850,000
Totals	<u>\$ 480,000</u>	<u>\$ 8,140,000</u>	<u>\$ 1,290,000</u>	<u>\$ 4,105,000</u>	<u>\$ 2,700,000</u>	<u>\$ 2,760,000</u>	<u>\$ 4,230,000</u>	<u>\$ 1,354,999</u>	<u>\$ 25,059,999</u>

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

**10 YEAR INTEREST PAYMENTS SCHEDULE
AS OF DECEMBER 31, 2012**

Year	2005A G.O. Notes	2005B Refunding Bonds	2008A G.O. Notes	2009A G.O. Notes	2009C G.O. Bonds	2011A G.O. Bonds	2011B G.O. Bonds	2011C G.O. Bonds	Totals
2013	\$ 18,250	\$ 407,000	\$ 47,838	\$ 120,050	\$ 376,875	\$ 65,855	\$ 125,400	\$ 71,945	\$ 1,233,213
2014	7,750	325,500	40,850	104,775	376,875	61,852	116,400	52,731	1,086,733
2015		245,000	33,325	87,000	376,875	59,063	101,400	47,058	949,721
2016		163,000	25,263	69,000	370,875	54,900	86,400	41,257	810,695
2017		81,250	17,200	50,250	359,625	50,175	71,400	34,983	664,883
2018			8,815	30,750	347,750	44,887	56,400	28,557	517,159
2019				10,500	332,750	38,700	40,950	21,856	444,756
2020					315,250	31,762	24,750	14,912	386,674
2021					295,250	23,700	8,250	7,591	334,791
2022					272,750	14,475	-	-	287,225
Totals	<u>\$ 26,000</u>	<u>\$ 1,221,750</u>	<u>\$ 173,290</u>	<u>\$ 472,325</u>	<u>\$ 3,424,875</u>	<u>\$ 445,369</u>	<u>\$ 631,350</u>	<u>\$ 320,890</u>	<u>\$ 6,715,849</u>

CITY OF MEQUON
Current Schedule of Debt Service 2012-2022

Table 25

UNPAID PRINCIPAL BAL

<u>YEAR</u>	<u>G.O.</u>	<u>SEWER</u>	<u>WATER</u>	<u>TIF #2</u>	<u>TIF #3</u>	<u>TOTAL 12/31 PRINCIPAL BAL</u>
2012	\$ 11,460,000	\$ 8,140,000	\$ 15,625,000	\$ 3,060,000	\$ 6,950,000	\$ 45,235,000
2013	13,455,000	6,510,000	15,050,000	2,960,000	6,950,000	44,925,000
2014	12,150,000	4,900,000	14,425,000	2,300,000	6,950,000	40,725,000
2015	10,305,000	3,260,000	13,750,000	2,075,000	6,800,000	36,190,000
2016	8,480,000	1,625,000	13,050,000	1,850,000	6,550,000	31,555,000
2017	6,605,000	-	12,300,000	1,625,000	6,300,000	26,830,000
2018	4,730,000	-	11,500,000	1,400,000	6,000,000	23,630,000
2019	3,035,000	-	10,675,000	1,150,000	5,650,000	20,510,000
2020	1,920,000	-	9,825,000	900,000	5,250,000	17,895,000
2021	800,000	-	8,925,000	600,000	4,800,000	15,125,000
2022	400,000	-	7,975,000	300,000	4,250,000	12,925,000

UNPAID INTEREST DUE

<u>YEAR</u>	<u>G.O.</u>	<u>SEWER</u>	<u>WATER</u>	<u>TIF #2</u>	<u>TIF #3</u>	<u>TOTAL 12/31 INT PAYABLE</u>
2012	\$ 359,550	\$ 474,600	\$ 697,625	\$ 69,780	\$ 376,875	\$ 14,788,006
2013	383,482	407,000	685,225	65,855	376,875	12,869,569
2014	322,506	325,500	669,875	61,853	376,875	11,112,960
2015	268,783	245,000	649,469	59,063	376,875	9,513,771
2016	221,920	163,000	625,406	54,900	370,875	8,077,670
2017	173,834	81,250	598,156	50,175	359,625	6,814,630
2018	124,522	-	567,156	44,888	347,750	5,730,314
2019	73,307	-	534,656	38,700	332,750	4,750,901
2020	39,662	-	499,031	31,763	315,250	3,865,195
2021	15,841	-	459,656	23,700	295,250	3,070,748
2022	-	-	415,656	14,475	272,750	2,367,867

UNPAID PRINCIPAL BAL & INTEREST DUE

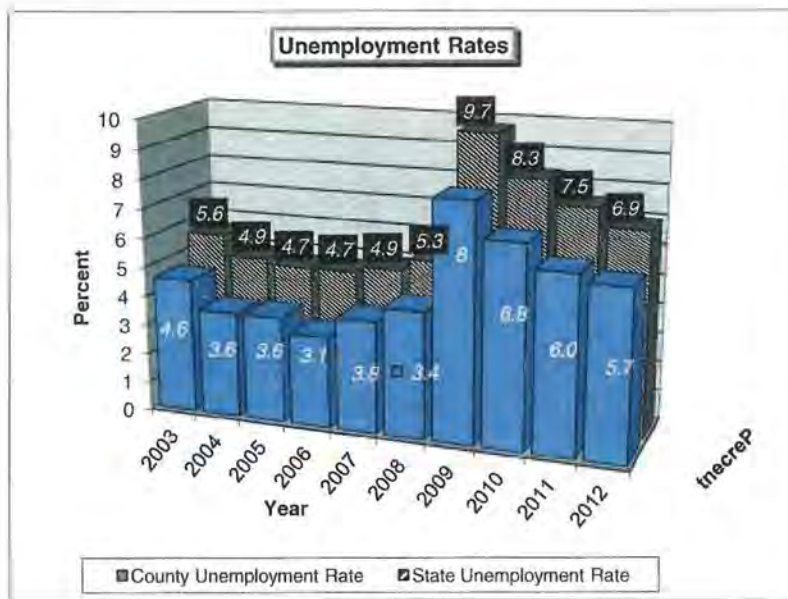
<u>YEAR</u>	<u>G.O.</u>	<u>SEWER</u>	<u>WATER</u>	<u>TIF #2</u>	<u>TIF #3</u>	<u>TOTAL 12/31 PRIN & INTEREST</u>
2012	\$ 11,819,550	\$ 8,614,600	\$ 16,322,625	\$ 3,129,780	\$ 7,326,875	\$ 60,023,006
2013	13,838,482	6,917,000	15,735,225	3,025,855	7,326,875	57,794,569
2014	12,472,506	5,225,500	15,094,875	2,361,853	7,326,875	51,837,960
2015	10,573,783	3,505,000	14,399,469	2,134,063	7,176,875	45,703,771
2016	8,701,920	1,788,000	13,675,406	1,904,900	6,920,875	39,632,670
2017	6,778,834	81,250	12,898,156	1,675,175	6,659,625	33,644,630
2018	4,854,522	-	12,067,156	1,444,888	6,347,750	29,360,314
2019	3,108,307	-	11,209,656	1,188,700	5,982,750	25,260,901
2020	1,959,662	-	10,324,031	931,763	5,565,250	21,760,195
2021	815,841	-	9,384,656	623,700	5,095,250	18,195,748
2022	400,000	-	8,390,656	314,475	4,522,750	15,292,867

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

Employment Information (Ozaukee County)

<u>Year</u>	<u>Labor Force</u>	<u>Average Employed</u>	<u>Average Unemployed</u>
2003	48,006	45,780	2,226
2004	47,815	46,087	1,728
2005	47,761	46,019	1,742
2006	48,467	46,975	1,492
2007	48,874	47,026	1,848
2008	48,407	46,117	2,290
2009	46,327	42,642	3,685
2010	46,751	43,552	3,199
2011	47,022	44,203	2,819
2012	46,917	44,249	2,668

Source: Wisconsin Department of Workforce Development



Source: Wisconsin Department of Workforce Development

CITY OF MEQUON
ADDITIONAL DEMOGRAPHIC INFORMATION

Breakdown of Housing Units	2011	2012	(%)	Housing Valuations	2011	2012
Total Dwelling Units	9,304	9,309		\$0 - \$99,000	0.5%	0.5%
Single Family	7,062	7,065	76%	\$100,000 - \$199,000	8.9%	9.0%
Plex (2-4 units/bldg.)	1,553	1,555	17%	\$200,000 - \$299,000	31.0%	30.9%
Multi-Family (5+ units/bldg.)	689	689	7%	\$300,000 - \$399,000	20.0%	20.0%
				\$400,000 - \$499,000	13.1%	13.3%
				\$500,000 - \$799,000	18.6%	18.5%
				\$800,000 - \$1,000,000	3.8%	3.8%
				\$1,000,000 and up	4.1%	4.1%
Gender Composition	2000	2010		Average Assessed Value	\$422,730	\$423,700
Female	50.7%	51.4%		Median Assessed Value	\$338,400	\$338,800
Male	49.3%	48.6%		Average Persons Per Household		2.50
Race Comparison	2000	2010		Educational Attainment - 2011		
White	94.2%	93.0%		Ninth Grade Education or lower		2.1%
Black or African American	2.3%	2.8%		High School Diploma or higher		98.0%
American Indian, Eskimo	0.1%	1.0%		Bachelors degree or higher		60.91%
Asian or Pacific Islander	2.4%	3.1%		* Population 25 years and older		
Other	1.0%	1.0%		Occupational Composition - 2011		
Age Composition	2000	2010		Managerial & Professional		54.9%
Under 5 years	5.5%	4.3%		Service Occupations		8.8%
5 - 14 years	17.2%	14.0%		Sales and office occupations		26.9%
15 - 19 years	7.3%	9.1%		Farming, fishing and forestry		0.0%
20 - 24 years	2.3%	5.2%		Construction and maintenance		3.8%
25 - 34 years	6.0%	5.0%		Production and transportation		5.6%
35 - 44 years	16.9%	11.0%				
45 - 54 years	19.3%	18.0%				
55 - 64 years	11.9%	16.0%				
Over 64 years	13.6%	17.0%				
Household Income	2000	2010		Population:	1960	8,543
Less than \$15,000	3.3%	3.6%			1970	12,150
\$15,000 - \$24,999	4.0%	4.6%			1980	16,193
\$25,000 - \$34,999	6.3%	5.9%			1990	18,885
\$35,000 - \$49,999	9.1%	11.7%			2000	21,823
\$50,000 - \$74,999	16.8%	12.5%			2010	23,132
\$75,000 - \$99,999	16.0%	13.4%			2011	23,191
\$100,000 - 149,999	19.7%	23.2%			2012	23,226
\$150,000 +	24.8%	25.1%				
Median Household Income	\$90,733	\$106,519				

Source: U.S. Census Bureau, Wisconsin Department of Revenue, Wisconsin Department of Administration, City of Mequon Financial Reports, and City of Mequon Comprehensive (Master) Plan

Note: Housing counts are based on 2000 U.S. Census + building permits between Jan. 1, 2000 and Dec. 31, 2010.

Population numbers are based on State of Wisconsin estimates.

Housing valuations are per City Assessor records.

**CITY OF MEQUON
OTHER COMMUNITY INFORMATION**

Table 28

GENERAL:	2008	2009	2010	2011	2012
Area in Square Miles	46.88	46.88	46.88	46.88	46.88
Households	9,229	9,258	9,283	9,304	9,336
Population	23,670	23,660	23,132	23,191	23,226
Equalized Valuations (\$000)	4,500,403	4,367,555	4,223,167	4,095,830	3,972,167

PUBLIC SAFETY	2008	2009	2010	2011	2012
Number of Police Stations	1	1	1	1	1
Number of Sworn Police Officers	38	38	38	38	38
Number of Fire Stations	2	2	2	2	2

PARKS	2008	2009	2010	2011	2012
Acres of Parkland	1177.8	1177.8	1177.8	1177.8	1177.8
Number of Parks	25	25	25	25	25

LIBRARY:	2008	2009	2010	2011	2012
Circulation	327,760	335,654	332,219	323,005	310,386
Total Items Owned	115,521	128,515	123,723	154,322	191,726

INFRASTRUCTURE	2008	2009	2010	2011	2012
Miles of State Highway System	17.2	15.45	15.45	15.45	15.45
Miles of County Highway System	6.08	7.7	7.7	7.7	7.73
Miles of Local Roads and Streets	212.4	211.4	211.4	211.4	211.77
Miles of Sanitary Sewer Main	152.82	152.87	152.87	152.87	153.21
Miles of Water Main	75.03	76.92	77.1250379	77.13	77.88
Number of Bridges	17	17	17	17	17
Miles of Bike Trails	12.29	12.29	12.29	12.29	12.29

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

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
General Government										
Building Permits Issued	689	729	697	715	638	601	579	583	590	606
Valuation (Thousands \$)	94,623	80,111	94,420	69,570	76,820	42,970	42,411	52,219	40,128	54,390
Police										
Calls for service	n/a	17,773	16,388	17,194	17,548	17,321	16,352	17,597	20,665	20,665
Physical Arrests	n/a	851	1,063	963	970	1,076	968	842	781	781
Reportable Traffic crashes	n/a	298	343	275	290	267	259	276	260	260
Fire / EMS										
Fire calls for service	348	362	334	348	345	324	318	341	312	392
EMS calls for service	945	999	1,036	1,114	1,163	1,165	1,003	992	1,020	1,112
Parks										
Acres of Parkland maintained	948	948	1,080	1,080	1,080	1,177	1,177	1,177	1,177	1,177
Pavillion Rentals	63	84	81	76	77	81	58	65	65	72
Pool Attendance	25,336	19,076	28,228	24,201	20,101	21,509	19,184	22,068	19,188	21,482
Library										
Library Visits	179,758	190,008	160,290	162,045	154,869	155,418	150,481	130,948	130,005	137,733
Circulation	348,775	340,943	325,097	331,816	322,300	326,586	335,654	332,219	323,005	310,386
Summer Programs Attendance	3,862	4,129	3,714	4,352	4,445	5,712	5,793	5,607	5,217	5,578

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

	Valuation (\$mil)	# Permits
2003	\$ 94.62	689
2004	\$ 80.11	729
2005	\$ 94.42	697
2006	\$ 69.57	715
2007	\$ 76.82	638
2008	\$ 42.97	601
2009	\$ 42.41	579
2010	\$ 52.22	583
2011	\$ 40.13	590
2012	\$ 54.39	606

