



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

As of and for the Year Ended December 31, 2013

Comprehensive Annual Financial Report



**COMPREHENSIVE
ANNUAL FINANCIAL REPORT
AS OF AND FOR THE YEAR ENDED
DECEMBER 31, 2013**



**CITY OF MEQUON
WISCONSIN**

Prepared by:

Lee Szyborski
City Administrator

Thomas Watson
Finance Director

Published June 16, 2014

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As of and for the Year Ended December 31, 2013

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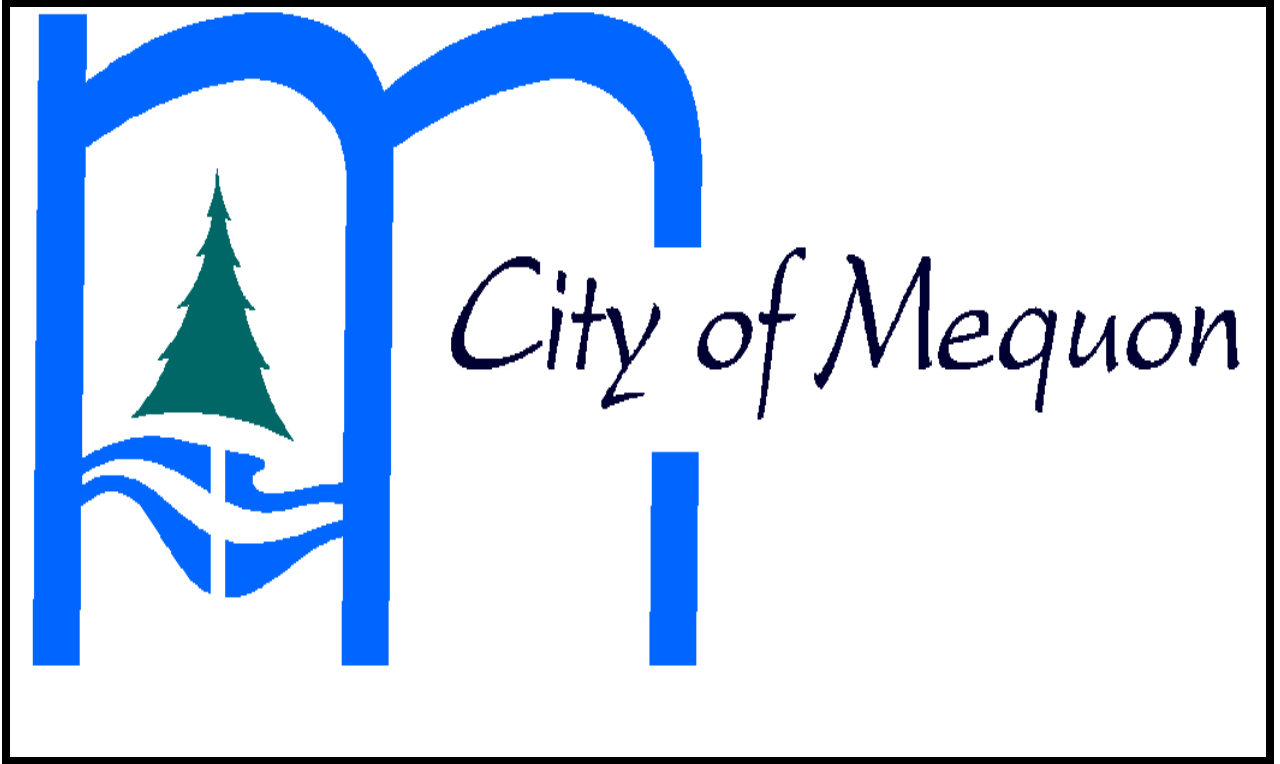
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INTRODUCTORY SECTION

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FINANCE DEPARTMENT

Thomas W. Watson, CMA, CFM, CPFO Finance Director/Treasurer
Veronica Rudychev, Assistant Finance Director

June 16, 2014

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, 2013, 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, 2013, 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, 2013 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 2013 population of 23,279 (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 5.7 percent in 2012 and 5.5 percent in 2013. This still compares favorably with the Wisconsin unemployment rates of 6.9 and 6.7 percent respectively.

Mequon's 2013 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 2012 to 2013 being approximately \$23 million, or an overall decrease of approximately .6 percent. In 2013, the City had over \$54 million valuation in construction permits, which is virtually unchanged from 2012. 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 (2013):

Economic Development

Town Center

The Common Council continues their implementation efforts for the Town Center. As a result of private / public partnerships between the City, two new and substantially valued projects are under construction. At one gateway location, Outpost Natural Foods Co-op opened in May at the corner of Mequon and Wauwatosa Roads. The project is valued at just over \$4M and creates a vibrant environment that has promoted pedestrian and bicycle traffic in the neighborhood. Outpost Natural Foods is already proving to have an impact on the market for residential development in the Town Center and in a nearby residential area the City expanded for single-family homes at 1 acre densities. At the other gateway to the Town Center, and bookend location, a new mixed-use project is under construction and will open early in 2015. The project includes more than 25 new dwelling units, additional retail space including a Collectivo 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. With these developments, in addition to a few other projects, the City secured approximately \$25 million dollars in new development value for the 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 and market analysis for Port Washington Road, north of Highland Road. The City is working with an engineering consultant to evaluate the ability and cost for expanded public sewer to serve the corridor. The market analysis suggests that the City's desired land uses are feasible with absorption expected over the course of the next 10-20 years. The market analysis suggests substantial value can be gained and that there is an opportunity for hospitality and entertainment venues, new single-family and multiple family residential development as well as research and development.

The City has focused efforts on a new area for single-family residential development in an area just west of the Town Center. This area is modified from 5-acre residential density to 1-acre density with a streamlined approval process for cluster development designs. The City has modified the Land Use Plan Map, created a new zoning overlay district for the 400 acre area, rezoned the area and secured approvals to expand public sewer and water facilities to the new neighborhood.

Development Approvals

Major commercial development initiatives for 2014 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 totaled \$18,000,000. These projects are evidence that appropriately planned commercial development is assisting in our Administration's goal of rebalancing the commercial tax base. These private investments in our community include the following:

- The establishment of several new restaurants including Zarletti's and an expansion to Café 1505,
- Major investments by Partnership Bank, Kohler Credit Union, Johnson Bank, Concord Development Company, a new childcare facility, several new fitness centers, and two residential memory care facilities.
- Both the Pavilion Shopping Center and River Club of Mequon made substantial and visual improvements to their existing Mequon sites including the addition of a 5-lot subdivision along the Milwaukee River and the introduction of Marshall's within the City major commercial corridor.
- Our community's institutional partners, MATC and CUW, both made minor expansions and improvements at their respective sites. North Shore Soccer Club also made substantial upgrades to their facilities. The Club serves all of the North Shore and traveling tournaments.

Additional commercial investments include Major Pharmaceuticals, The Secret Garden, a new Kwip Trip, expansion of Sommer's Auto Dealership, and a commercial horse stable and riding area.

FOR THE FUTURE (2014)

Branding and Outreach

The Economic Development Board has set a work program for 2014 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.

City Real Estate Needs

The Economic Development Board will serve the City Common Council by advises on several matters relating to real estate needs as well as the evaluation of any development proposal in which economic incentives are requested.

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 object 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 \$62,000 on all investments for the year ended December 31, 2013. 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, 2013

ELECTED OFFICIALS:

Mayor Dan Abendroth

Common Council

District 1	Alderman Robert Strzelczyk	District 2	Alderman Ken Zganjar
District 3	Alderman Dale Mayr	District 4	Alderman John Leszczynski
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

Kristen Lundeen, Acting Public Works Director/City Engineer

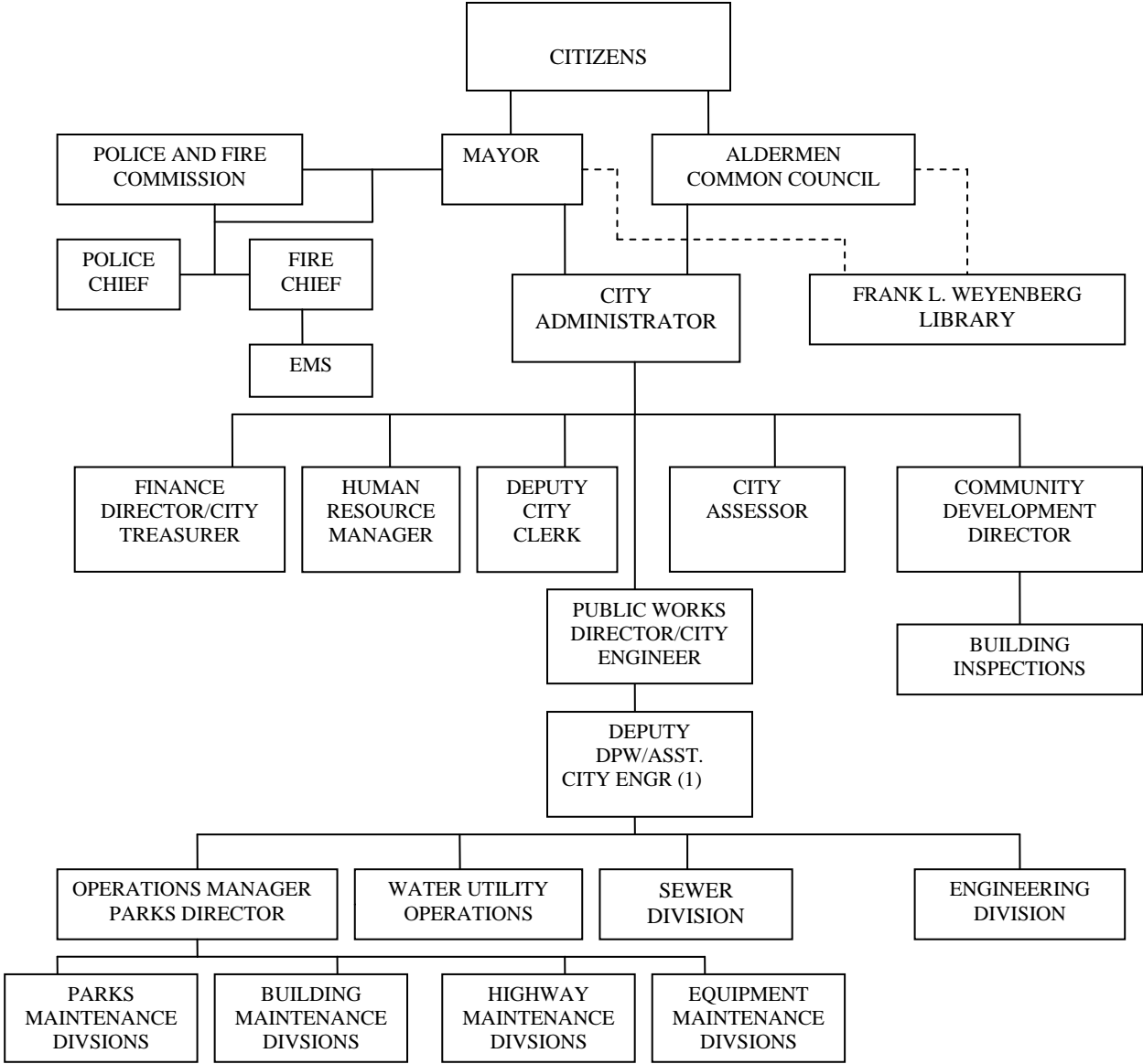
Mark Link, City Assessor

Kim Tollefson, Planning and Community Development Director

David Bialk, Fire Chief

Jesse Thyes, 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, 2013, 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, 2013 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. 65, *Items Previously Reported as Assets and Liabilities*, effective January 1, 2013. Our opinions are not modified with respect to this matter.

Other Matter

Required Supplementary Information

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.

Supplementary Information

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 as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the 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.

To the City Council
City of Mequon

Other Information

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 16, 2014

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MANAGEMENT'S DISCUSSION AND ANALYSIS

**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, 2013. Please consider it in conjunction with the City's financial statements, which begin on page 25, following this narrative.

FINANCIAL HIGHLIGHTS

- ✓ With total assets of approximately \$123.0 million and total liabilities and deferred inflows of approximately \$69.8 million, the total net position of the City of Mequon stood at approximately \$53.2 million at the close of the 2013 fiscal year, an increase of 6.9% over the previous year.
- ✓ As of December 31, 2013 the City of Mequon's governmental funds reported combined ending fund balances of approximately \$13.3 million, an increase of approximately \$2.57 million (24%) compared to the prior year. This increase was related to the issuance of debt for major capital projects. Approximately \$3.0 million or 22% of the total fund balances are available for spending at the government's discretion (unassigned fund balance).
- ✓ At the close of the fiscal year the City of Mequon's unassigned general fund balance totaled approximately \$3.6 million, an increase of 15% from the previous fiscal year. This represents approximately 20% of the \$17.7 million adopted 2014 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, liabilities, and deferred inflows with the difference 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 25 through 27 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 six 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, 2013 is reported in the *Schedule of Revenues and Expenditures and Changes in Fund Balance - Budget and Actual - General Fund* which is found on page 75.

The governmental fund financial statements can be found beginning on page 28 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 34 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 39 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 40 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 77 .

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 approximately \$53.2 million at the close of 2013. The majority of total assets (64%) 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, 2013 and 2012

	Governmental		Business-type		Totals	
	Activities		Activities		2013	2012
	2013	2012	2013	2012		
Current & Other Assets	\$ 32,078,224	\$ 28,456,163	\$ 12,239,025	\$ 12,711,673	\$ 44,317,249	\$ 41,167,836
Capital Assets (net)	34,782,301	36,071,810	43,872,429	41,643,361	78,654,730	77,715,171
Total Assets	\$ 66,860,525	\$ 64,527,973	\$ 56,111,454	\$ 54,355,034	\$ 122,971,979	\$ 118,883,007
Current Liabilities	\$ 2,358,930	\$ 1,618,099	\$ 787,097	\$ 593,189	\$ 3,146,027	\$ 2,211,288
Non-Current Liabilities	24,471,521	22,583,258	21,989,850	24,032,390	46,461,371	46,615,648
Total Liabilities	\$ 26,830,451	\$ 24,201,357	\$ 22,776,947	\$ 24,625,579	\$ 49,607,398	\$ 48,826,936
Deferred Inflows of Resources	\$ 13,600,374	\$ 13,489,395	\$ 6,573,910	\$ 6,806,141	\$ 20,174,284	\$ 20,295,536
Net Position						
Net investment in capital assets	\$ 20,244,055	\$ 21,415,193	\$ 30,059,026	\$ 27,667,737	\$ 49,264,585	\$ 48,044,434
Restricted	1,799,470	5,516,016	301,144	273,879	2,100,614	5,789,895
Unrestricted (deficit)	4,386,175	(93,988)	(3,599,573)	(5,018,302)	1,825,098	(4,073,794)
Total Net Position	\$ 26,429,700	\$ 26,837,221	\$ 26,760,597	\$ 22,923,314	\$ 53,190,297	\$ 49,760,535
Total Net Position as a % of Total Liabilities and Deferred Inflows	65.4%	71.2%	91.2%	72.9%	76.2%	72.0%
Unrestricted Net Position as a % of Total Liabilities and Deferred Inflows	10.8%	-0.2%	-12.3%	-16.0%	2.6%	-5.9%

A portion of the City's net position (3.9%) 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 2013, the City is able to report positive balances in all of the categories of net position for the governmental activities and the government as a whole as well as two of three categories for 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 2013 was \$26.4 million, or approximately 65% of the total liabilities and deferred inflows for governmental activities.

Statement of Activities

Total net position of the City of Mequon increased by \$3,929,029 (8%) in 2013, due in large part to increased capital contributions for business-type activities. Net position of the City's governmental activities totaled \$26,429,700 as of December 31, 2013. Governmental activities for the year decreased net position by \$407,521. The City's unrestricted net position for governmental activities, that part of net position that can be used to finance day-to-day activities, were \$4,386,175. Restricted net position for governmental activities included \$684,002 for Revolving Loan programs, \$771,690 for Park improvements, \$333,368 for Tax Increment District development purposes and \$10,410 for Cemetery maintenance.

Net position of the City's business-type activities totaled \$26,760,597, an increase of \$4,336,550, due primarily to increased contributed capital of \$2,228,424. A slight increase in revenues along with a decrease in expenses contributed to the balance of the increase in net position.

Following is a summary of the changes in net position for the City of Mequon:

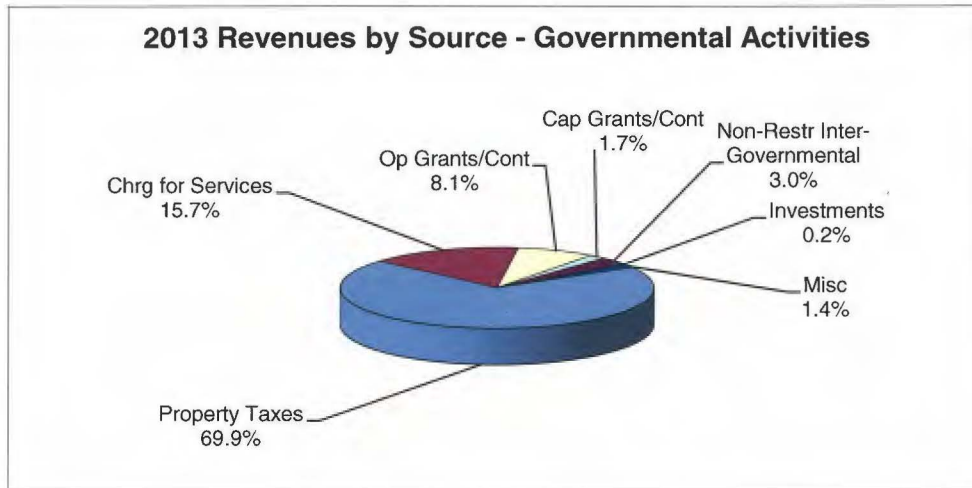
STATEMENT OF ACTIVITIES
For The Years Ended December 31, 2013 and 2012

	Governmental		Business-type		Totals	
	Activities		Activities		2013	2012**
	2013	2012	2013	2012**	2013	2012**
Revenues						
Program Revenues						
Charges for services	\$ 3,024,230	\$ 3,035,119	\$ 5,896,375	\$ 5,836,210	\$ 8,920,605	\$ 8,871,329
Operating grants and contributions	1,559,021	1,446,983	-	-	1,559,021	1,446,983
Capital grants and contributions	330,906	511,194	2,228,424	208,726	2,559,330	719,920
General Revenues						
Property Taxes	13,489,588	13,260,969	6,645,737	6,960,399	20,135,325	20,221,368
Intergovernmental revenues not restricted to specific programs	585,891	551,045	-	-	585,891	551,045
Investment Income	56,705	109,478	5,369	20,214	62,074	129,692
Other	265,486	98,967	27,118	1,278	292,604	100,245
Total Revenues	\$ 19,311,827	\$ 19,013,755	\$ 14,803,023	\$ 13,026,827	\$ 34,114,850	\$ 32,040,582
Expenses						
General government	2,561,910	2,578,452	-	-	\$ 2,561,910	\$ 2,578,452
Public Safety	7,155,872	6,951,642	-	-	7,155,872	6,951,642
Public Works	6,807,814	6,445,104	-	-	6,807,814	6,445,104
Public Health	4,211	1,930	-	-	4,211	1,930
Community enrichment services	1,991,055	1,886,522	-	-	1,991,055	1,886,522
Conservation and development	431,959	556,569	-	-	431,959	556,569
Interest and fiscal charges	766,527	859,007	-	-	766,527	859,007
Sewer utility	-	-	8,215,337	8,394,444	8,215,337	8,394,444
Water utility	-	-	2,251,136	2,258,364	2,251,136	2,258,364
Total expenses	\$ 19,719,348	\$ 19,279,226	\$ 10,466,473	\$ 10,652,808	\$ 30,185,821	\$ 29,932,034
Change in net position	\$ (407,521)	\$ (265,471)	\$ 4,336,550	\$ 2,374,019	\$ 3,929,029	\$ 2,108,548
Net Position - beginning of year	26,837,221	27,102,692	22,424,047	20,050,028	49,261,268	47,152,720
Net Position - end of year	\$ 26,429,700	\$ 26,837,221	\$ 26,760,597	\$ 22,424,047	\$ 53,190,297	\$ 49,261,268

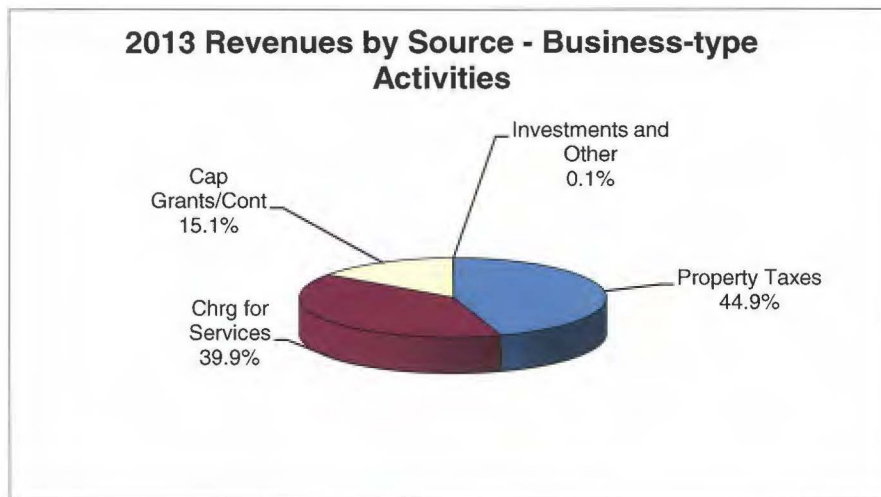
** 2012 amounts have been restated to reflect implementation of GASB #65.

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 69.9% of its revenue from this single source. State aids not restricted to specific programs comprise only 0% of the City's revenues while other operating and capital grants and contributions comprise 9.8%. Charges for services continue to be of significant importance, accounting for 15.7% of revenues.

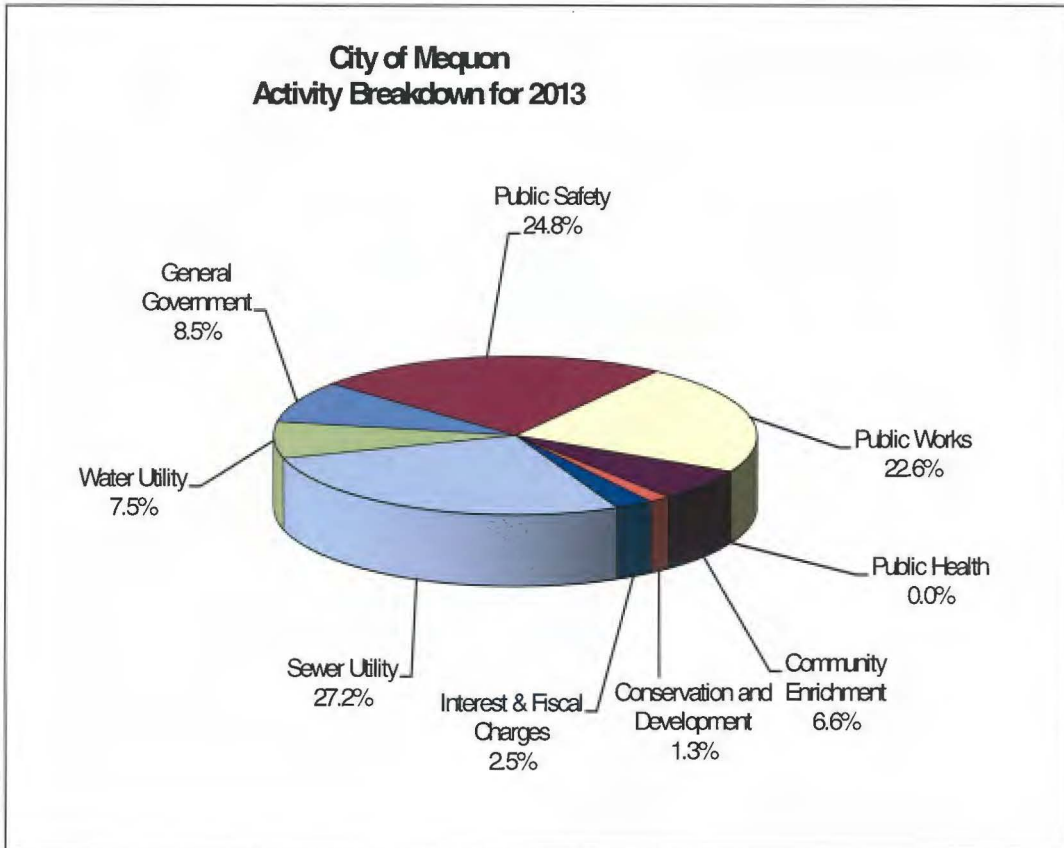


In the case of business-type activities, the property tax is still the largest component of revenue, making up 45% of all revenues received. However, 100% of these tax revenues relate directly to the MMSD annual capital charge, and repayment of the debt associated with the 1997 MMSD settlement. Funding of the utility's annual operation and maintenance costs is covered primarily by user fees, accounting for 39.9% of total revenues. The balance of revenue is made up of capital grants and contributions, and investment earnings.



Governmental activities. Total Governmental activity expenses increased \$440,122 from a year ago. Increases were realized in Public Safety, \$214,230, Public Works \$362,710, and Community Enrichment, \$104,533. Decreases were realized in General Government \$16,542, Conservation and Development \$126,410 and Interest and Fiscal Charges, \$92,480. Minimal increases were incurred in Public Health, \$2,281

Presented below is a chart depicting the relative percentage of expenses for the City's major functions for 2013.



FINANCIAL ANALYSIS OF THE CITY'S MAJOR FUNDS

Governmental Funds

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

As of December 31, 2013, the City of Mequon's governmental funds reported combined ending fund balances of approximately \$13.3 million, an increase of approximately \$2.6 million from the previous year. Of this total, approximately \$7.3 million is restricted for specific legal requirements and other commitments, leaving total unrestricted governmental fund balances of approximately \$6.0 million available for use at the discretion of the City's elected officials. As the result of past actions and policy decisions, approximately \$2.7 million (20%) of this balance have been assigned for specific uses (primarily capital projects), leaving a combined unassigned fund balance of approximately \$3.0 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 approximately \$14.3 million of direct expenditures of this fund accounting for nearly 66% of the City's \$21.7 million total governmental fund expenditures as reported on the *Statement of Revenues Expenditures and Changes in Fund Balances*. The total year-end 2013 unassigned General fund balance of approximately \$3.6 million represents approximately 25.2% of the \$14.3 million 2013 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 2014 General fund budget authorizes expenditures of approximately \$14.8 million. Therefore, the 2013 year-end unassigned General fund balance of approximately \$3.6 million represents approximately 24% of the 2014 operating budget and therefore exceeds the target ratio.

The *Debt Service* fund has a total deficit fund balance of \$558,959 which is comprised of restricted fund balance of \$8,360 for debt related to the City's TID and an unassigned deficit balance of \$567,319 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 \$8.6 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 increased from approximately \$1.1 million to approximately \$1.2 million during 2013.

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 2013 totaled \$26.8 million, an increase of \$4.3 million from the previous year. Net income before contributions of \$2.1 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 2013 general fund budget authorized expenditures of approximately \$14.8 million and anticipated revenues of \$14.6 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 \$411,927 and a favorable expenditure variance of \$523,862. The total favorable variance of \$935,789 represents 6.3% of the original general fund expenditure budget. This 2013 budgetary result occurred due to a variety of factors during the course of the year.

While overall revenues were higher than expected in 2013, there were several notable offsetting favorable and unfavorable outcomes that are included in that variance. The most significant favorable outcomes were a \$164,000 higher than anticipated revenues in permit fees. Public Safety fees also had a favorable variance of \$143,000. The most significant unfavorable outcomes were a \$11,000 shortfall in pool fees related to unfavorable weather conditions and \$7,000 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, 2013 totaled over \$149 million. Of this total cost, \$54.8 million (37%), was related to governmental infrastructure, with the City's street network comprising the most significant component.

Total accumulated depreciation was calculated to be just over \$70.8 million, or approximately 47% of the historical cost of depreciable capital assets. Net of accumulated depreciation, the City's investment in capital assets exceeded \$78 million.

December 31, 2013 and 2012

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land	\$ 8,821,226	\$ 8,821,226	\$ 19,125	\$ 19,125	\$ 8,840,351	\$ 8,840,351
Construction in progress	-	-	62,274	-	62,274	-
Buildings	11,706,469	11,628,910	-	-	11,706,469	11,628,910
Machinery and Equipment	8,383,258	7,731,025	5,350,494	5,202,650	13,733,752	12,933,675
Infrastructure	54,847,280	53,837,175	54,542,482	51,639,791	109,389,762	105,476,966
Structure and Improvements	-	-	5,734,379	5,546,082	5,734,379	5,546,082
Subtotal	\$ 83,758,233	\$ 82,018,336	\$ 65,708,754	\$ 62,407,648	\$ 149,466,987	\$ 144,425,984
Less:						
Accumulated Depreciation	(48,975,932)	(45,946,526)	(21,836,325)	(20,764,287)	(70,812,257)	(66,710,813)
	<u>\$ 34,782,301</u>	<u>\$ 36,071,810</u>	<u>\$ 43,872,429</u>	<u>\$ 41,643,361</u>	<u>\$ 78,654,730</u>	<u>\$ 77,715,171</u>

Some of the more significant additions to the City's capital assets during 2013 included:

Infrastructure improvements	\$1,010,105
Equipment & Vehicles	800,077
Sewer Utility additions	336,141
Water Utility additions	2,908,891

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, 2013, the City of Mequon had \$46,461,371 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, 2013 and 2012**

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
General Obligation Bonds & Notes	\$23,365,000	\$21,470,000	\$6,510,000	\$8,140,000	\$29,875,000	\$ 29,610,000
Revenue Bonds	-	-	15,050,000	15,625,000	15,050,000	15,625,000
Bond Premiums	-	-	429,850	267,390	429,850	267,390
Capital Leases	98,708	145,696	-	-	98,708	145,696
Compensated absences	1,007,813	967,562	-	-	1,007,813	967,562
	<u>\$24,471,521</u>	<u>\$22,583,258</u>	<u>\$21,989,850</u>	<u>\$24,032,390</u>	<u>\$46,461,371</u>	<u>\$ 46,615,648</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 \$29,875,000, 15% of the maximum legal limit of \$197,473,425.

CURRENTLY KNOWN FACTS

The 2014 general government budget adopted by the Mequon Common Council in November, 2013 increased total General, Capital, Library, and Debt Service Fund expenditures by \$217,000 or 1.2%. However, the net result is that the 2013 tax levy decreased by \$179,000 (1.8%) in these areas. This decrease is offset by a projected \$259,000 increase in all other revenue sources, including the use of \$285,000 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)
2014	\$18,594,199	1.20
2013	\$18,377,191	0.84
2012	\$18,224,239	0.41
2011	\$18,149,021	(1.20)
2010	\$18,365,917	3.60

As presented in the table below, Salaries and benefits increased a modest .01%. 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 .8% and purchased services increased by 1.4%. Debt service costs increased 4.1%, and Capital costs increased by 3.4% 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. Library contributions increased 5.7% in order to meet various state and local funding requirements.

Change in Expenditure Budget by Object

Expenditures	2014 Adopted	2013 Adopted	Net Increase (Decrease)	Percent Change
Salaries/Fringes	\$10,627,924	\$10,626,025	1,899	0.01
Materials/Supplies	1,189,538	1,199,685	(10,147))	(0.8))
Purchased Services/ other	2,039,270	2,010,338	28,932	1.4
Debt Service	2,790,312	2,680,253	110,059	4.1
Capital *	897,097	867,250	29,847	3.4
Library *	1,050,058	993,640	56,418)	5.7
Total	\$18,594,199	\$18,377,191	217,008	1.2%

* 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 2014 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 FY2014 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, 2013

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and investments	\$ 21,666,803	\$ 5,201,831	\$ 26,868,634
Receivables			
Taxes	6,623,283	3,236,893	9,860,176
Accounts	-	1,618,048	1,618,048
Special assessments	299,891	-	299,891
Other	475,220	433,020	908,240
Loans	389,398	-	389,398
Internal balances	76,629	(76,629)	-
Inventories	-	43,863	43,863
Restricted assets			
Cash and investments	-	1,781,999	1,781,999
Investment in joint venture	2,547,000	-	2,547,000
Capital Assets			
Land	8,821,226	19,125	8,840,351
Construction in progress	-	62,274	62,274
Other capital assets, net of accumulated depreciation	<u>25,961,075</u>	<u>43,791,030</u>	<u>69,752,105</u>
Total Assets	<u>66,860,525</u>	<u>56,111,454</u>	<u>122,971,979</u>
LIABILITIES			
Accounts payable and accrued liabilities	1,738,165	563,699	2,301,864
Accrued interest payable	293,881	223,398	517,279
Deposits	326,884	-	326,884
Noncurrent Liabilities			
Due within one year	2,587,655	2,235,000	4,822,655
Due in more than one year	<u>21,883,866</u>	<u>19,754,850</u>	<u>41,638,716</u>
Total Liabilities	<u>26,830,451</u>	<u>22,776,947</u>	<u>49,607,398</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned revenue	<u>13,600,374</u>	<u>6,573,910</u>	<u>20,174,284</u>
Total Deferred Inflows of Resources	<u>13,600,374</u>	<u>6,573,910</u>	<u>20,174,284</u>
NET POSITION			
Net investment in capital assets	20,244,055	30,059,026	49,264,585
Restricted for			
Debt service	-	198,801	198,801
Loan programs	684,002	-	684,002
Cemetery	10,410	-	10,410
Equipment replacement	-	102,343	102,343
Parks	771,690	-	771,690
TID development purposes	333,368	-	333,368
Unrestricted (deficit)	<u>4,386,175</u>	<u>(3,599,573)</u>	<u>1,825,098</u>
TOTAL NET POSITION	<u>\$ 26,429,700</u>	<u>\$ 26,760,597</u>	<u>\$ 53,190,297</u>

See accompanying notes to financial statements.

CITY OF MEQUON

STATEMENT OF ACTIVITIES For the Year Ended December 31, 2013

<u>Functions/Programs</u>	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities				
General government	\$ 2,561,910	\$ 851,268	\$ 25,365	\$ -
Public safety	7,155,872	1,217,696	137,546	43,139
Public works	6,807,814	587,540	1,396,110	287,767
Public health	4,211	-	-	-
Community enrichment services	1,991,055	303,028	-	-
Conservation and development	431,959	64,698	-	-
Interest and fiscal charges	<u>766,527</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Governmental Activities	<u>19,719,348</u>	<u>3,024,230</u>	<u>1,559,021</u>	<u>330,906</u>
Business-type Activities				
Sewer Utility	8,215,337	3,174,217	-	-
Water Utility	<u>2,251,136</u>	<u>2,721,869</u>	<u>-</u>	<u>2,228,424</u>
Total Business-type Activities	<u>10,466,473</u>	<u>5,896,086</u>	<u>-</u>	<u>2,228,424</u>
Total	<u>\$ 30,185,821</u>	<u>\$ 8,920,316</u>	<u>\$ 1,559,021</u>	<u>\$ 2,559,330</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 (as restated)

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>
\$ (1,685,277)	\$ -	\$ (1,685,277)
(5,757,491)	-	(5,757,491)
(4,536,397)	-	(4,536,397)
(4,211)	-	(4,211)
(1,688,027)	-	(1,688,027)
(367,261)	-	(367,261)
<u>(766,527)</u>	<u>-</u>	<u>(766,527)</u>
<u>(14,805,191)</u>	<u>-</u>	<u>(14,805,191)</u>
-	(5,041,120)	(5,041,120)
<u>-</u>	<u>2,699,157</u>	<u>2,699,157</u>
<u>-</u>	<u>(2,341,963)</u>	<u>(2,341,963)</u>
<u>(14,805,191)</u>	<u>(2,341,963)</u>	<u>(17,147,154)</u>
10,228,055	6,645,737	16,873,792
1,967,478	-	1,967,478
213,245	-	213,245
1,080,810	-	1,080,810
585,891	-	585,891
56,705	5,369	62,074
239,804	-	239,804
<u>25,682</u>	<u>27,407</u>	<u>53,089</u>
<u>14,397,670</u>	<u>6,678,513</u>	<u>21,076,183</u>
(407,521)	4,336,550	3,929,029
<u>26,837,221</u>	<u>22,424,047</u>	<u>49,261,268</u>
<u>\$ 26,429,700</u>	<u>\$ 26,760,597</u>	<u>\$ 53,190,297</u>

See accompanying notes to financial statements.

CITY OF MEQUON

BALANCE SHEET GOVERNMENTAL FUNDS As of December 31, 2013

	General Fund	Debt Service Fund	Capital Projects Fund
ASSETS			
Cash and investments	\$ 9,969,728	\$ 1,054,870	\$ 9,408,038
Receivables			
Taxes	4,981,980	1,196,558	444,745
Special assessments	6,712	-	293,179
Other	446,139	-	25,280
Loans	-	-	-
Due from other funds	76,629	-	-
Advances to other funds	-	-	376,875
Equity in joint venture	154,000	-	-
	<u>\$ 15,635,188</u>	<u>\$ 2,251,428</u>	<u>\$ 10,548,117</u>
TOTAL ASSETS			
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			
Liabilities			
Accounts payable	\$ 397,693	\$ -	\$ 745,262
Accrued liabilities	589,965	-	-
Deposits	322,534	-	-
Advances from other funds	-	376,875	-
Total Liabilities	<u>1,310,192</u>	<u>376,875</u>	<u>745,262</u>
Deferred Inflows of Resources			
Unearned revenue	10,262,356	2,433,512	904,506
Unavailable revenues	15,504	-	293,179
Total Deferred Inflows of Resources	<u>10,277,860</u>	<u>2,433,512</u>	<u>1,197,685</u>
Fund Balances (Deficit)			
Nonspendable	179,218	-	-
Restricted	10,410	8,360	6,208,150
Committed	-	-	-
Assigned	286,000	-	2,397,020
Unassigned	3,571,508	(567,319)	-
Total Fund Balances (deficit)	<u>4,047,136</u>	<u>(558,959)</u>	<u>8,605,170</u>
	<u>\$ 15,635,188</u>	<u>\$ 2,251,428</u>	<u>\$ 10,548,117</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES			

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ 1,234,167	\$ 21,666,803
-	6,623,283
-	299,891
3,801	475,220
389,398	389,398
-	76,629
-	376,875
-	154,000
<u>\$ 1,627,366</u>	<u>\$ 30,062,099</u>

\$ 5,245	\$ 1,148,200
-	589,965
4,350	326,884
-	376,875
<u>9,595</u>	<u>2,441,924</u>

-	13,600,374
<u>389,398</u>	<u>698,081</u>
<u>389,398</u>	<u>14,298,455</u>

-	179,218
1,066,294	7,293,214
162,079	162,079
-	2,683,020
-	3,004,189
<u>1,228,373</u>	<u>13,321,720</u>

<u>\$ 1,627,366</u>	<u>\$ 30,062,099</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, 2013

Total Fund Balances - Governmental Funds	\$ 13,321,720
--	---------------

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	74,937,007
Less: Accumulated depreciation	(48,975,932)

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

698,081

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

2,393,000

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	(23,365,000)
Compensated absences	(1,007,813)
Accrued interest	(293,881)
Capital leases	<u>(98,708)</u>

NET POSITION OF GOVERNMENTAL ACTIVITIES

\$ 26,429,700

CITY OF MEQUON

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

For the Year Ended December 31, 2013

	General Fund	Debt Service Fund	Capital Projects Fund
REVENUES			
Taxes	\$ 10,441,300	\$ 2,181,038	\$ 867,250
Intergovernmental	1,806,497	126,168	14,882
Licenses and permits	1,273,998	-	-
Fines, forfeitures and penalties	184,068	-	-
Public charges for services	1,284,187	-	130,001
Special assessments	-	-	31,821
Investment income	16,108	1,262	25
Miscellaneous	49,457	-	175,707
Total Revenues	15,055,615	2,308,468	1,219,686
EXPENDITURES			
Current			
General government	2,379,154	-	7,300
Public safety	6,651,414	-	-
Public works	3,142,843	-	-
Public health	4,211	-	-
Community enrichment services	1,735,815	-	-
Conservation and development	392,389	-	-
Capital Outlay	-	-	3,195,577
Debt Service			
Principal	-	3,095,000	46,988
Interest and fiscal charges	-	866,414	68,337
Total Expenditures	14,305,826	3,961,414	3,318,202
Excess (deficiency) of revenues over expenditures	749,789	(1,652,946)	(2,098,516)
OTHER FINANCING USES			
General obligation debt issued	-	-	3,710,000
General obligation refunding bonds issued	-	1,280,000	-
Premium on debt issued	-	-	151,717
Transfers in	-	-	29,497
Transfers out	-	-	-
Proceeds from the sale of capital assets	-	-	258,782
Total Other Financing Uses	-	1,280,000	4,149,996
Net Change in Fund Balances	749,789	(372,946)	2,051,480
FUND BALANCES (DEFICIT) - Beginning of Year	3,297,347	(186,013)	6,553,690
FUND BALANCES (DEFICIT) - END OF YEAR	\$ 4,047,136	\$ (558,959)	\$ 8,605,170

See accompanying notes to financial statements.

Nonmajor Governmental Funds	Totals
\$ -	\$ 13,489,588
-	1,947,547
-	1,273,998
-	184,068
75,543	1,489,731
-	31,821
43,320	60,715
<u>129,604</u>	<u>354,768</u>
<u>248,467</u>	<u>18,832,236</u>
-	2,386,454
-	6,651,414
-	3,142,843
-	4,211
71,613	1,807,428
720	393,109
-	3,195,577
-	3,141,988
-	<u>934,751</u>
<u>72,333</u>	<u>21,657,775</u>
<u>176,134</u>	<u>(2,825,539)</u>
-	3,710,000
-	1,280,000
-	151,717
-	29,497
(29,497)	(29,497)
-	<u>258,782</u>
<u>(29,497)</u>	<u>5,400,499</u>
146,637	2,574,960
<u>1,081,736</u>	<u>10,746,760</u>
<u>\$ 1,228,373</u>	<u>\$ 13,321,720</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, 2013

Net change in fund balances - total governmental funds	\$	2,574,960
--	----	-----------

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		3,195,577
Some items reported as capital outlay were not capitalized		(1,208,380)
Depreciation is reported in the government-wide financial statements		(3,257,728)
Net book value of assets retired		(18,978)

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		280,880
Loan receivable		(37,083)

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.

Debt issued		(4,990,000)
Principal repaid		3,141,988

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		(40,251)
Accrued interest on debt		13,494

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>(62,000)</u>
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CHANGE IN NET POSITION OF GOVERNMENTAL ACTIVITIES	\$	<u>(407,521)</u>
--	-----------	-------------------------

CITY OF MEQUON

STATEMENT OF NET POSITION PROPRIETARY FUNDS As of December 31, 2013

	Business-type Activities - Enterprise Funds		
	Sewer Utility	Water Utility	Totals
ASSETS			
Current Assets			
Cash and investments	\$ 5,201,831	\$ -	\$ 5,201,831
Receivables			
Taxes	3,229,951	6,942	3,236,893
Accounts	899,944	718,104	1,618,048
Other	169,518	263,502	433,020
Inventories	-	43,863	43,863
Restricted Assets			
Cash and investments	-	312,500	312,500
Total Current Assets	<u>9,501,244</u>	<u>1,344,911</u>	<u>10,846,155</u>
Noncurrent Assets			
Restricted Assets			
Cash and investments	102,343	1,367,156	1,469,499
Capital Assets			
Land	18,775	350	19,125
Construction in progress	62,274	-	62,274
Other capital assets	44,039,394	21,587,961	65,627,355
Less: Accumulated depreciation	<u>(18,143,049)</u>	<u>(3,693,276)</u>	<u>(21,836,325)</u>
Total Noncurrent Assets	<u>26,079,737</u>	<u>19,262,191</u>	<u>45,341,928</u>
Total Assets	<u>35,580,981</u>	<u>20,607,102</u>	<u>56,188,083</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	\$ 1,610,000	\$ -	\$ 1,610,000
Accounts payable	398,989	108,527	507,516
Accrued wages	56,183	-	56,183
Accrued interest payable	109,699	-	109,699
Due to other funds	-	76,629	76,629
Liabilities Payable from Restricted Assets			
Current portion of revenue bonds payable	-	625,000	625,000
Accrued interest payable	-	113,699	113,699
Total Current Liabilities	<u>2,174,871</u>	<u>923,855</u>	<u>3,098,726</u>
Noncurrent Liabilities			
Long-Term Debt			
General obligation debt payable	5,199,291	-	5,199,291
Revenue bonds payable	-	14,555,559	14,555,559
Total Noncurrent Liabilities	<u>5,199,291</u>	<u>14,555,559</u>	<u>19,754,850</u>
Total Liabilities	<u>7,374,162</u>	<u>15,479,414</u>	<u>22,853,576</u>
DEFERRED INFLOWS OF RESOURCES			
Unearned property taxes for subsequent year	<u>6,573,910</u>	-	<u>6,573,910</u>
Total Deferred Inflows of Resources	<u>6,573,910</u>	-	<u>6,573,910</u>
NET POSITION			
Net investment in capital assets	25,977,394	4,081,632	30,059,026
Restricted for			
Debt service	-	198,801	198,801
Equipment replacement	102,343	-	102,343
Unrestricted (deficit)	<u>(4,446,828)</u>	<u>847,255</u>	<u>(3,599,573)</u>
TOTAL NET POSITION	<u>\$ 21,632,909</u>	<u>\$ 5,127,688</u>	<u>\$ 26,760,597</u>

See accompanying notes to financial statements.

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CITY OF MEQUON

STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET POSITION PROPRIETARY FUNDS For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds		
	Sewer Utility	Water Utility	Totals
OPERATING REVENUES	<u>\$ 3,174,217</u>	<u>\$ 2,722,158</u>	<u>\$ 5,896,375</u>
OPERATING EXPENSES			
Operation and maintenance	7,212,154	1,196,563	8,408,717
Depreciation	<u>698,473</u>	<u>379,765</u>	<u>1,078,238</u>
Total Operating Expenses	<u>7,910,627</u>	<u>1,576,328</u>	<u>9,486,955</u>
Operating Income (Loss)	<u>(4,736,410)</u>	<u>1,145,830</u>	<u>(3,590,580)</u>
NONOPERATING REVENUES (EXPENSES)			
Investment income	2,355	3,014	5,369
Taxes	6,645,737	-	6,645,737
Miscellaneous	3,056	24,062	27,118
Interest expense	<u>(304,710)</u>	<u>(674,808)</u>	<u>(979,518)</u>
Total Nonoperating Revenues (Expenses)	<u>6,346,438</u>	<u>(647,732)</u>	<u>5,698,706</u>
Income Before Contributions	<u>1,610,028</u>	<u>498,098</u>	<u>2,108,126</u>
CONTRIBUTIONS			
Contributed capital	<u>-</u>	<u>2,228,424</u>	<u>2,228,424</u>
Total Contributions	<u>-</u>	<u>2,228,424</u>	<u>2,228,424</u>
Change in Net Position	1,610,028	2,726,522	4,336,550
NET POSITION - Beginning of Year (as restated)	<u>20,022,881</u>	<u>2,401,166</u>	<u>22,424,047</u>
NET POSITION - END OF YEAR	<u>\$ 21,632,909</u>	<u>\$ 5,127,688</u>	<u>\$ 26,760,597</u>

See accompanying notes to financial statements.

CITY OF MEQUON

STATEMENT OF CASH FLOWS PROPRIETARY FUNDS For the Year Ended December 31, 2013

	Business-type Activities - Enterprise Funds		
	Sewer Utility	Water Utility	Totals
CASH FLOWS FROM OPERATING ACTIVITIES			
Received from customers	\$ 2,981,624	\$ 2,341,061	\$ 5,322,685
Paid to suppliers for goods and services	(6,590,958)	(866,041)	(7,456,999)
Paid to employees for services	(569,196)	(340,769)	(909,965)
Net Cash Flows From Operating Activities	<u>(4,178,530)</u>	<u>1,134,251</u>	<u>(3,044,279)</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment income	<u>2,015</u>	<u>3,014</u>	<u>5,029</u>
Net Cash Flows From Investing Activities	<u>2,015</u>	<u>3,014</u>	<u>5,029</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Taxes received	<u>6,607,092</u>	<u>-</u>	<u>6,607,092</u>
Net Cash Flows From Noncapital Financing Activities	<u>6,607,092</u>	<u>-</u>	<u>6,607,092</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Debt retired	(1,630,000)	(575,000)	(2,205,000)
Interest paid	(407,000)	(685,588)	(1,092,588)
Acquisition and construction of capital assets	(398,415)	(622,897)	(1,021,312)
Connection fees received	<u>-</u>	<u>43,079</u>	<u>43,079</u>
Net Cash Flows From Capital and Related Financing Activities	<u>(2,435,415)</u>	<u>(1,840,406)</u>	<u>(4,275,821)</u>
Net Change in Cash and Cash Equivalents	(4,838)	(703,141)	(707,979)
CASH AND CASH EQUIVALENTS - Beginning of Year	<u>5,309,012</u>	<u>2,382,797</u>	<u>7,691,809</u>
CASH AND CASH EQUIVALENTS - END OF YEAR	<u>\$ 5,304,174</u>	<u>\$ 1,679,656</u>	<u>\$ 6,983,830</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)	\$ (4,736,410)	\$ 1,145,830	\$ (3,590,580)
Nonoperating revenue	3,056	24,062	27,118
Adjustments to Reconcile Operating Income (Loss) to Net Cash Flows From Operating Activities			
Depreciation	698,473	379,765	1,078,238
Changes in assets and liabilities			
Customer receivables	(195,649)	-	(195,649)
Other receivables	-	(405,159)	(405,159)
Accounts payable and other current liabilities	52,000	(11,801)	40,199
Inventories	-	1,554	1,554
	<u>-</u>	<u>1,554</u>	<u>1,554</u>
NET CASH FLOWS FROM OPERATING ACTIVITIES	<u>\$ (4,178,530)</u>	<u>\$ 1,134,251</u>	<u>\$ (3,044,279)</u>
RECONCILIATION OF CASH AND CASH EQUIVALENTS TO THE STATEMENT OF NET POSITION - PROPRIETARY FUNDS			
Cash and investments - statement of net position	\$ 5,201,831	\$ -	\$ 5,201,831
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	-	312,500	312,500
	<u>-</u>	<u>312,500</u>	<u>312,500</u>
CASH AND CASH EQUIVALENTS	<u>\$ 5,304,174</u>	<u>\$ 1,679,656</u>	<u>\$ 6,983,830</u>
NONCASH CAPITAL AND RELATED FINANCING ACTIVITIES			
Cost of utility plant additions financed by others	<u>\$ -</u>	<u>\$ 2,185,345</u>	

See accompanying notes to financial statements.

CITY OF MEQUON

STATEMENT OF ASSETS AND LIABILITIES
AGENCY FUNDS
As of December 31, 2013

	<u>Agency Funds</u>
ASSETS	
Cash and investments	\$ 26,653,510
Receivables	
Taxes	<u>25,507,785</u>
TOTAL ASSETS	<u>\$ 52,161,295</u>
LIABILITIES	
Accounts payable	\$ 98,551
Due to other governments	<u>52,062,744</u>
TOTAL LIABILITIES	<u>\$ 52,161,295</u>

CITY OF MEQUON

INDEX TO NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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. The reporting entity for the City consists of the primary government and its component units. Component units are legally separate organizations for which the primary government is financially accountable or 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. The City has not identified any organizations that meet this criteria.

B. GOVERNMENT-WIDE AND FUND FINANCIAL STATEMENTS

In March 2012, the GASB issued statement No. 65 - *Items Previously Reported as Assets and Liabilities*. This statement establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. This standard was implemented effective January 1, 2013.

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.

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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

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

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, deferred outflows of resources, liabilities, deferred inflows of resources, net position/fund equity, revenues, and expenditures/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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The City reports the following major governmental funds:

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

The City reports the following major enterprise funds:

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

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

Fund Financial Statements (cont.)

The City reports the following nonmajor governmental funds:

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

Park
Revolving Loan

Police Reserve

In addition, the City reports the following fund type:

Agency Funds - 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

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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

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

Fund Financial Statements

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

Property taxes are recorded in the year levied as receivables and unearned 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 unavailable revenues. Amounts received before eligibility requirements (excluding time) are met are recorded as liabilities. Amounts received in advance of meeting time requirements are recorded as deferred inflows.

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 unavailable 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.

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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

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

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, DEFERRED INFLOWS OF RESOURCES, 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.
- 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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

1. Deposits and Investments (cont.)

- c. Investment securities shall be held in third-party safekeeping by an institution designated as primary agent.
- d. Deposit type securities (i.e., certificates of deposit, etc.) shall be collateralized at 110% of the face value.
- e. Other investments shall be collateralized by the actual security held in safekeeping by the primary agent.

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

The Wisconsin Local Government Investment Pool (LGIP) is part of the State Investment Fund (SIF), and is managed by the State of Wisconsin Investment Board. The SIF is not registered with the Securities and Exchange Commission, but operates under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Participants in the LGIP have the right to withdraw their funds in total on one day's notice. At December 31, 2013, 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 statement of assets and liabilities - agency funds.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

2. Receivables (cont.)

Property tax calendar - 2013 tax roll:

Lien date and levy date	December 2013
Tax bills mailed	December 2013
Payment in full, or	January 31, 2014
First installment due	January 31, 2014
Second installment due	July 31, 2014
Personal property taxes in full	January 31, 2014
Tax sale - 2013 delinquent real estate taxes	October 2016

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.

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 unavailable 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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

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.

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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

6. Compensated Absences

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

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

The City provides postemployment health insurance benefits for all eligible employees. Eligibility is based on full-time employment with the city. The benefits are based on contractual agreements with employee groups, local ordinances, or employee benefit policies. Employees may convert various amounts of accumulated sick leave to pay for health care premiums. The cost of those premiums is recognized as an expenditure as the premiums are paid. The entire cost is paid by the City. Funding for those costs is provided out of the current operating budget of the City. The contributions are financed on a pay as you go basis. Total expenditures for such premiums during the year were not material. The number of participants currently eligible to receive benefits is 25. The total amount outstanding at year end to be paid in the future is \$433,706 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, 2013, are determined on the basis of current salary rates and include salary related payments.

7. 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 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 premiums/discounts is shown as an increase or decrease in the liability section of the statement of net position. The balance at year end for gains/losses on refundings is shown as a deferred outflow/inflow in the statement of net position.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

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

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

8. Deferred Inflows of Resources

A deferred inflow of resources represents an acquisition of net position that applies to a future period and therefore will not be recognized as an inflow of resources (revenue) until that future time.

9. 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	\$ 20,244,055	\$ 30,059,026	\$ (1,038,496)	\$ 49,264,585
Unrestricted	4,386,175	(3,599,573)	1,038,496	1,825,098

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Equity Classifications (cont.)

Government-Wide Statements (cont.)

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

Fund Statements

Governmental fund equity is classified as fund balance and displayed 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 Council. 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 Council 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 City 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.

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. ASSETS, LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND NET POSITION OR EQUITY (cont.)

9. Equity Classifications (cont.)

Fund Statements (cont.)

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.

NOTE II - STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

A. EXCESS EXPENDITURES OVER APPROPRIATIONS

Budgeted expenditures in the debt service fund fund (including amendments) were \$2,680,253. Total expenditures were \$3,961,414. This results in excess expenditures of \$1,281,161. The excess was the result of the City refunding a debt issue that was not budgeted

B. DEFICIT BALANCES

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

As of December 31, 2013, the following individual funds held a deficit balance:

<u>Fund</u>	<u>Amount</u>	<u>Reason</u>
Debt service	\$ 558,959	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, 2013

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

C. LIMITATIONS ON THE CITY'S TAX LEVY

Wisconsin law 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. Changes in debt service from one year to the next are generally exempt from this limit with certain exceptions. The City is required to reduce its allowable levy by the estimated amount of fee revenue it collects for certain services, if those services were funded in 2013 by the property tax levy. Levies can be increased above the allowable limits if the amount is approved by referendum.

D. VIOLATION OF FINANCE-RELATED LEGAL OR CONTRACTUAL PROVISIONS

The City was not in compliance with Section 9(d) of Resolution No. 2876 which provided for the issuance and sale of water system revenue bonds and other details and covenants. Section 9(d) requires a good faith effort so that the net revenues from the system for each year any bonds are outstanding will be 1.25 times the amount required for payment of principal and interest on the bonds. For 2013, the net revenues from the system were 1.21 times the amount of principal and interest paid on the bonds. The water utility raised their rates effective for the fourth quarter of 2013.

A budget has not been formally adopted for the park, revolving loan, and police reserve special revenue funds. Wisconsin Statute 65.90 requires that an annual budget be adopted for all funds.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE III - DETAILED NOTES ON ALL FUNDS

A. DEPOSITS AND INVESTMENTS

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

	Carrying Value	Statement Balances	Associated Risks
Deposits	\$ 45,704,607	\$ 45,781,169	Custodial credit risk
US agencies	5,866,737	5,866,737	Credit, custodial credit, concentration of credit and interest rate risk
US treasuries	2,646,687	2,646,687	Custodial credit and interest rate risk
LGIP	314,551	314,551	Credit risk
Asset backed securities	769,148	769,148	Custodial credit risk
Petty cash	2,413	-	N/A
Total Deposits and Investments	\$ 55,304,143	\$ 55,378,292	
Reconciliation to financial statements			
Per statement of net position			
Unrestricted cash and investments	\$ 26,868,634		
Restricted cash and investments	1,781,999		
Per statement of assets and liabilities - agency funds			
Agency Funds	26,653,510		
Total Deposits and Investments	\$ 55,304,143		

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) and \$250,000 for demand deposit accounts (interest-bearing and noninterest-bearing). 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 nature of this fund, 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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

A. DEPOSITS AND INVESTMENTS (cont.)

Custodial Credit Risk (cont.)

Deposits (cont.)

As of December 31, 2013, \$- of the City's total bank balances were exposed to custodial credit risk.

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, 2013, the City's investments were exposed to custodial credit risk as follows:

<u>US agencies</u>	
Neither insured nor registered and held by counterparty	<u>\$ 5,866,737</u>
<u>US treasuries</u>	
Neither insured nor registered and held by counterparty	<u>\$ 2,646,687</u>
<u>Asset backed securities</u>	
Neither insured nor registered and held by counterparty	<u>\$ 769,148</u>

Credit Risk

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

As of December 31, 2013, 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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

A. DEPOSITS AND INVESTMENTS (cont.)

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, 2013, the investment portfolio was concentrated as follows:

Issuer	Investment Type	Percentage of Portfolio
FHLB	US Government Agency	21.34%
FHLMC	US Government Agency	21.15%
FNMA	US Government Agency	14.73%

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, 2013, the City's investments were as follows:

Investment Type	Fair Value	Maturity (In Months)		
		Less than 1 year	1 - 3 years	3 - 5 years
US agencies	\$ 5,866,737	\$ 1,995,689	\$ 3,403,530	\$ 467,518
US treasuries	2,646,687	988,582	1,658,105	-
Totals	<u>\$ 8,513,424</u>	<u>\$ 2,984,271</u>	<u>\$ 5,061,635</u>	<u>\$ 467,518</u>

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

B. RECEIVABLES

All of the receivables on the balance sheet are expected to be collected within one year except for \$25,218 of delinquent personal property taxes, \$6,712 of special assessments reported in the general fund, \$293,179 of special assessments in the capital projects fund, and \$389,398 loan in the revolving loan program fund.

Governmental funds report *unavailable or unearned 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 *unavailable revenue* and *unearned revenue* reported in the governmental funds were as follows:

	<u>Unearned</u>	<u>Unavailable</u>
Property taxes receivable for subsequent year	\$ 13,600,374	\$ 8,036
Special assessments not yet due	-	300,647
Loan receivable	-	389,398
 Total Unearned/Unavailable Revenue for Governmental Funds	 \$ 13,600,374	 \$ 698,081

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	\$ 6,573,910
 Total Unearned Revenue for Proprietary Funds	 \$ 6,573,910

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, 2013, the City has not exceeded its maximum retention cap. When it does, a liability to the state will be recorded.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

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.

Following is a list of restricted assets at December 31, 2013:

	Restricted Assets	Liabilities Payable from Restricted Assets	Restricted Net Position
Bond redemption account	\$ 312,500	\$ 113,699	\$ 198,801
Bond reserve account	1,367,156	N/A	-
Equipment replacement account	102,343	-	102,343
Total	\$ 1,781,999	\$ 113,699	\$ 301,144

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

D. CAPITAL ASSETS

Capital asset activity for the year ended December 31, 2013, was as follows:

	Beginning Balance	Additions	Deletions	Ending Balance
Governmental Activities				
Capital assets not being depreciated				
Land	\$ 8,821,226	\$ -	\$ -	\$ 8,821,226
Total Capital Assets Not Being Depreciated	<u>8,821,226</u>	<u>-</u>	<u>-</u>	<u>8,821,226</u>
Capital assets being depreciated				
Buildings	11,628,910	77,559	-	11,706,469
Roads	50,191,963	953,560	-	51,145,523
Bridges	3,645,212	56,545	-	3,701,757
Equipment, vehicles, and miscellaneous	7,731,025	899,533	247,300	8,383,258
Total Capital Assets Being Depreciated	<u>73,197,110</u>	<u>1,987,197</u>	<u>247,300</u>	<u>74,937,007</u>
Total Capital Assets	<u>82,018,336</u>	<u>1,987,197</u>	<u>247,300</u>	<u>83,758,233</u>
Less: Accumulated depreciation for				
Buildings	(6,769,380)	(196,438)	-	(6,965,818)
Roads	(32,254,700)	(2,491,733)	-	(34,746,433)
Bridges	(1,053,230)	(88,168)	-	(1,141,398)
Equipment, vehicles, and miscellaneous	(5,869,216)	(481,389)	228,322	(6,122,283)
Total Accumulated Depreciation	<u>(45,946,526)</u>	<u>(3,257,728)</u>	<u>228,322</u>	<u>(48,975,932)</u>
Net Capital Assets Being Depreciated	<u>27,250,584</u>	<u>(1,270,531)</u>	<u>18,978</u>	<u>25,961,075</u>
Total Governmental Activities Capital Assets, Net of Accumulated Depreciation	<u>\$ 36,071,810</u>	<u>\$(1,270,531)</u>	<u>\$ 18,978</u>	<u>\$ 34,782,301</u>

Depreciation expense was charged to functions as follows:

Governmental Activities	
General government	\$ 117,174
Public safety	317,422
Public works	<u>2,823,132</u>
Total Governmental Activities Depreciation Expense	<u>\$ 3,257,728</u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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	\$ -	\$ 62,274	\$ -	\$ 62,274
Land	18,775	-	-	18,775
Total Capital Assets Not Being Depreciated	18,775	62,274	-	81,049
Capital assets being depreciated				
Structure improvements	5,546,082	188,297	-	5,734,379
Sewer collection system	34,388,403	-	-	34,388,403
Machinery and equipment	3,768,768	147,844	-	3,916,612
Total Capital Assets Being Depreciated	43,703,253	336,141	-	44,039,394
Total Capital Assets	43,722,028	398,415	-	44,120,443
Less: Accumulated depreciation for				
Structure improvements	(878,745)	(114,708)	-	(993,453)
Sewer collection system	(13,609,962)	(463,704)	-	(14,073,666)
Machinery and equipment	(2,955,869)	(120,061)	-	(3,075,930)
Total Accumulated Depreciation	(17,444,576)	(698,473)	-	(18,143,049)
Net Capital Assets Being Depreciated	26,258,677	(362,332)	-	25,896,345
Net Sewer Capital Assets	\$ 26,277,452	\$ (300,058)	\$ -	\$ 25,977,394

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

D. CAPITAL ASSETS (cont.)

Business-type Activities (cont.)

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Water</u>				
Capital assets not being depreciated				
Land	\$ 350	\$ -	\$ -	\$ 350
Total Capital Assets Not Being Depreciated	<u>350</u>	<u>-</u>	<u>-</u>	<u>350</u>
Capital assets being depreciated				
Intangible plant	786	-	-	786
Source of supply	215,707	-	-	215,707
Pumping	814,480	-	-	814,480
Transmission and distribution	17,251,388	2,908,891	6,200	20,154,079
Administrative and general	<u>402,909</u>	<u>-</u>	<u>-</u>	<u>402,909</u>
Total Capital Assets Being Depreciated	<u>18,685,270</u>	<u>2,908,891</u>	<u>6,200</u>	<u>21,587,961</u>
Total Capital Assets	<u>18,685,620</u>	<u>2,908,891</u>	<u>6,200</u>	<u>21,588,311</u>
Less: Accumulated depreciation for				
Intangible plant	(786)	-	-	(786)
Source of supply	(24,173)	(6,903)	-	(31,076)
Pumping	(321,432)	(30,859)	-	(352,291)
Transmission and distribution	(2,678,697)	(325,080)	6,200	(2,997,577)
Administrative and general	<u>(294,623)</u>	<u>(16,923)</u>	<u>-</u>	<u>(311,546)</u>
Total Accumulated Depreciation	<u>(3,319,711)</u>	<u>(379,765)</u>	<u>6,200</u>	<u>(3,693,276)</u>
Net Capital Assets Being Depreciated	<u>15,365,559</u>	<u>2,529,126</u>	<u>-</u>	<u>17,894,685</u>
Net Water Capital Assets	<u>\$ 15,365,909</u>	<u>\$ 2,529,126</u>	<u>\$ -</u>	<u>\$ 17,895,035</u>
Business-type Capital Assets, Net of Accumulated Depreciation	<u>\$ 41,643,361</u>	<u>\$ 2,229,068</u>	<u>\$ -</u>	<u>\$ 43,872,429</u>

Depreciation expense was charged to functions as follows:

Business-type Activities

Sewer	\$ 698,473
Water	<u>379,765</u>
 Total Business-type Activities Depreciation Expense	 <u>\$ 1,078,238</u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS

Interfund Receivables/Payables

The following is a schedule of interfund receivables and payables including any overdrafts on pooled cash and investment accounts:

Receivable Fund	Payable Fund	Amount
General fund	Water utility	\$ 76,629
Total Internal Balances - Government-Wide Statement of Net Position		<u>\$ 76,629</u>
Receivable Fund	Payable Fund	Amount
Governmental Activities	Business-type Activities	\$ 76,629
Business-type Activities	Governmental Activities	-
Total Government-Wide Financial Statements		<u>\$ 76,629</u>

All interfund balances resulted from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

Through the action of City Council, the payment in lieu of taxes from the water utility has been waived.

Advances

The capital projects fund is advancing funds to the debt service fund. The amount advanced is determined by the deficiency of revenues over expenditures and other financing sources needed to make debt payments. A repayment schedule has not been established.

The capital projects fund advanced \$376,875 to the debt service fund during 2013.

The principal purpose of this advance is to assist with debt repayments related to the city's tax increment district.

For the statement of net position, interfund advances which are owed within the governmental activities or business-type activities are netted and eliminated.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

E. INTERFUND RECEIVABLES/PAYABLES, ADVANCES AND TRANSFERS (cont.)

Transfers

The following is a schedule of interfund transfers:

Fund Transferred To	Fund Transferred From	Amount	Principal Purpose
Capital projects fund	Park special revenue fund	\$ 29,497	Budget appropriation for specific projects
Total - Fund Financial Statements		29,497	
Less: Fund eliminations		<u>(29,497)</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, 2013, was as follows:

	Beginning Balance	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Governmental Activities					
Bonds and Notes Payable					
General obligation debt	\$ 21,470,000	\$ 4,990,000	\$ 3,095,000	\$ 23,365,000	\$ 1,965,000
Other Liabilities					
Capital leases	145,696	-	46,988	98,708	48,548
Compensated absences	967,562	336,614	296,363	1,007,813	574,107
Total Other Liabilities	<u>1,113,258</u>	<u>336,614</u>	<u>343,351</u>	<u>1,106,521</u>	<u>622,655</u>
Total Governmental Activities Long-Term Liabilities	<u>\$ 22,583,258</u>	<u>\$ 5,326,614</u>	<u>\$ 3,438,351</u>	<u>\$ 24,471,521</u>	<u>\$ 2,587,655</u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

F. LONG-TERM OBLIGATIONS (cont.)

	Beginning Balance (as restated)	Increases	Decreases	Ending Balance	Amounts Due Within One Year
Business-type Activities					
Bonds and Notes Payable					
General obligation debt	\$ 8,140,000	\$ -	\$ 1,630,000	\$ 6,510,000	\$ 1,610,000
Revenue bonds	15,625,000	-	575,000	15,050,000	625,000
(Discounts)/Premiums	513,188	-	83,338	429,850	-
Sub-totals	<u>24,278,188</u>	<u>-</u>	<u>2,288,338</u>	<u>21,989,850</u>	<u>2,235,000</u>
Total Business-type Activities Long-Term Liabilities	<u>\$ 24,278,188</u>	<u>\$ -</u>	<u>\$ 2,288,338</u>	<u>\$ 21,989,850</u>	<u>\$ 2,235,000</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, 2013, was \$197,473,425. Total general obligation debt outstanding at year end was \$29,875,000.

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, 2013
G.O. Promissory Notes 2005	6/18/05	10/1/14	3.25-3.875%	\$ 1,645,000	\$ 200,000
G.O. Promissory Notes 2008	12/9/08	12/1/18	3.0-4.1	2,400,000	1,075,000
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	3,585,000
G.O. Refunding Bonds 2011A	2/3/11	4/1/23	0.8-3.25	3,160,000	2,435,000
G.O. Promissory Notes 2011B	4/5/11	4/1/21	3.0	4,230,000	4,130,000
G.O. Promissory Notes 2013A	5/2/13	4/1/23	1.5-2.0	3,710,000	3,710,000
G.O. Refunding Bonds	5/2/13	4/1/21	0.4-1.75	1,280,000	<u>1,280,000</u>
Total Governmental Activities - General Obligation Debt					<u>\$ 23,365,000</u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

F. LONG-TERM OBLIGATIONS (cont.)

General Obligation Debt (cont.)

Business-type Activities

	Date of Issue	Final Maturity	Interest Rates	Original Indebtedness	Balance December 31, 2013
General Obligation Debt					
2005 General Obligation Refunding Bonds	6/1/05	9/1/17	3.5-5.0%	\$ 16,965,000	<u>\$ 6,510,000</u>
Total Business-type Activities - General Obligation Debt					<u><u>\$ 6,510,000</u></u>

Debt service requirements to maturity are as follows:

Years	Governmental Activities General Obligation Debt		Business-type Activities General Obligation Debt	
	Principal	Interest	Principal	Interest
2014	\$ 1,965,000	\$ 824,037	\$ 1,610,000	\$ 325,500
2015	2,220,000	732,434	1,640,000	245,000
2016	2,300,000	673,013	1,635,000	163,000
2017	2,350,000	606,565	1,625,000	81,250
2018	2,400,000	537,038	-	-
2019-2023	8,480,000	1,754,885	-	-
2024-2028	<u>3,650,000</u>	<u>672,588</u>	<u>-</u>	<u>-</u>
Totals	<u><u>\$ 23,365,000</u></u>	<u><u>\$ 5,800,560</u></u>	<u><u>\$ 6,510,000</u></u>	<u><u>\$ 814,750</u></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 92% of net revenues. The total principal and interest remaining to be paid on the bonds is \$21,514,765. Principal and interest paid for the current year and total customer net revenues were \$1,260,225 and \$1,528,609, respectively.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

F. LONG-TERM OBLIGATIONS (cont.)

Revenue Debt (cont.)

Revenue debt payable at December 31, 2013, 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, 2013</u>
<u>Water Utility</u>					
2009 Revenue Bonds	4/29/09	5/1/29	1.4-5.0%	\$ 17,125,000	<u>\$ 15,050,000</u>
Total Business-type Activities - Revenue Debt					<u><u>\$ 15,050,000</u></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>
2014	\$ 625,000	\$ 669,875
2015	675,000	649,469
2016	700,000	625,406
2017	750,000	598,156
2018	800,000	567,156
2019-2023	4,525,000	2,275,906
2024-2028	5,675,000	1,046,297
2029	<u>1,300,000</u>	<u>32,500</u>
Totals	<u><u>\$ 15,050,000</u></u>	<u><u>\$ 6,464,765</u></u>

Capital Leases

Refer to Note III. G.

Other Debt Information

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

F. LONG-TERM OBLIGATIONS (cont.)

Current Refunding

On May 02, 2013, the City issued \$1,280,000 in general obligation refunding bonds with an average coupon rate of 1.21% to refund \$1,240,734 of outstanding State Trust Fund Loans with an average coupon rate of 4.25%. The net proceeds were used to prepay the outstanding debt.

The cash flow requirements on the refunded debt prior to the current refunding was \$1,489,682 from 2013 through 2021. The cash flow requirements on the general obligation refunding bonds are \$1,348,201 from 2013 through 2021. The current refunding resulted in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$133,352.

Bond Covenant Disclosures

Insurance

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

The Water utility is covered under the following insurance policies at December 31, 2013:

<u>Type</u>	<u>Coverage</u>		<u>Expiration</u>
Bodily Injury and Property Damage	\$ 3,000,000	Wausau Insurance	12/31/14
Personal and Advertising Injury	3,000,000	Wausau Insurance	12/31/14
Premises Medical Payments	10,000	Wausau Insurance	12/31/14
Errors and Omissions	3,000,000	Wausau Insurance	12/31/14
Employee Benefits Liability	3,000,000	Wausau Insurance	12/31/14
Auto Coverage	3,000,000	Wausau Insurance	12/31/14
Automobile Medical Payments Coverage	10,000	Wausau Insurance	12/31/14
Public Employee Dishonesty	250,000	Wausau Insurance	12/31/14
Damage to Premises Rented to You	250,000	Wausau Insurance	12/31/14
Workers Compensation	500,000	Wausau Insurance	12/31/14
Umbrella Liability Coverage	8,000,000	Wausau Insurance	12/31/14

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

F. LONG-TERM OBLIGATIONS (cont.)

Number of Customers and Billed Volumes - Water

The utility has the following number of customers and billed volumes for 2013 and 2012:

	Customers		Sales (000 gals)	
	2013	2012	2013	2012
Residential	3,231	3,038	222,264	248,081
Commercial	365	331	132,264	159,878
Public authority	10	-	1,334	-
Totals	<u>3,606</u>	<u>3,369</u>	<u>355,862</u>	<u>407,959</u>

G. LEASE DISCLOSURES

Lessee - Capital Leases

In 2011, the City acquired capital assets through a lease/purchase agreement. The gross amount of these assets under capital leases is \$235,912, which are included in capital assets in the governmental activities. The future minimum lease obligations and the net present value on these minimum lease payments as of December 31, 2013, are as follows:

Years	Governmental Activities		
	Principal	Interest	Totals
2014	\$ 48,548	\$ 3,277	\$ 51,825
2015	<u>50,160</u>	<u>1,665</u>	<u>51,825</u>
Totals	<u>\$ 98,708</u>	<u>\$ 4,942</u>	<u>\$ 103,650</u>

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

H. NET POSITION/FUND BALANCES

Net position reported on the government wide statement of net position at December 31, 2013, includes the following:

Governmental Activities

Net Investment in Capital Assets	
Land	\$ 8,821,226
Other capital assets, net of accumulated depreciation	25,961,075
Less: Long-term debt outstanding	(23,463,708)
Plus: Unspent capital related debt proceeds	5,874,782
Plus: Noncapital debt proceeds	<u>3,050,680</u>
Total Net Investment in Capital Assets	<u>20,244,055</u>
Restricted	
Loan programs	684,002
Cemetery	10,410
Parks	771,690
TID development purposes	<u>333,368</u>
Total Restricted	<u>1,799,470</u>
Unrestricted	<u>4,386,175</u>
Total Governmental Activities Net Position	<u>\$ 26,429,700</u>

Governmental Funds

Governmental fund balances reported on the fund financial statements at December 31, 2013, include the following:

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

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

H. NET POSITION/FUND BALANCES (cont.)

	General Fund	Debt Service Fund	Capital Projects Fund	Nonmajor Funds	Totals
Fund Balances (Deficit)					
Nonspendable:					
Delinquent personal property tax	\$ 25,218	\$ -	\$ -	\$ -	\$ 25,218
Equity in joint venture - library	154,000	-	-	-	154,000
Restricted for:					
Cemetery	10,410	-	-	-	10,410
TID Debt service	-	8,360	-	-	8,360
Capital projects	-	-	3,327,478	-	3,327,478
TID development purposes	-	-	2,880,672	-	2,880,672
Revolving Loan Fund - economic development loan programs	-	-	-	294,604	294,604
Park Fund - parks	-	-	-	771,690	771,690
Committed to:					
Police reserve	-	-	-	162,079	162,079
Assigned to:					
Fund balance applied to subsequent year's budget	286,000	-	-	-	286,000
Capital projects	-	-	2,397,020	-	2,397,020
Unassigned (deficit):	3,571,508	(567,319)	-	-	3,004,189
Total Fund Balances (Deficit)	\$ 4,047,136	\$ (558,959)	\$ 8,605,170	\$ 1,228,373	\$13,321,720

Business-type Activities

Net Investment in Capital Assets	
Land	\$ 19,125
Construction in progress	62,274
Other capital assets, net of accumulated depreciation	43,791,030
Less: Long-term debt outstanding	(21,989,850)
Plus: Noncapital debt proceeds	8,176,447
 Total Net Investment in Capital Assets	 30,059,026
 Restricted	
Debt service	198,801
Equipment replacement	102,343
Total Restricted	301,144

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

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

H. NET POSITION/FUND BALANCES (cont.)

Business-type Activities (cont.)

Unrestricted (deficit)	(3,599,573)
Total Business-type Activities Net Position	\$ 26,760,597

I. RESTATEMENT OF NET POSITION

Net position has been restated as a result of the implementation of GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities*, which requires debt issuance costs to be expensed in the period incurred. These costs were previously required to be capitalized. The details of this restatement are as follows:

	Water Utility	Sewer Utility	Business-type Activities
Net Position - December 31, 2012 (as reported)	\$ 2,822,460	\$ 20,100,854	\$ 22,923,314
Less: Unamortized debt issuance costs	(421,294)	(77,973)	(499,267)
Net Position - December 31, 2012 (as restated)	\$ 2,401,166	\$ 20,022,881	\$ 22,424,047

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.

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 employees 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, 2013 are:

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV - OTHER INFORMATION (cont.)

A. EMPLOYEES' RETIREMENT SYSTEM (cont.)

	<u>Employee</u>	<u>Employer</u>
General	6.65%	6.65%
Executives and Elected Officials	7.00%	7.00%
Protective with Social Security	6.65%	9.75%
Protective without Social Security	6.65%	12.35%

The payroll for City employees covered by the WRS for the year ended December 31, 2013 was \$6,845,238; the employer's total payroll was \$7,242,906. The total required contribution for the year ended December 31, 2013 was \$1,168,306 or 17.1% of covered payroll. Of this amount, 100% was contributed for the current year. Total contributions for the years ending 2012 and 2011 were \$1,058,142 and \$1,195,801, 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. A 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 WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits are determined under Chapter 40 of Wisconsin Statutes.

The WRS 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, 2013 there was no pension related debt for the City.

B. RISK MANAGEMENT

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

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS As of and for the Year Ended December 31, 2013

NOTE IV - OTHER INFORMATION (cont.)

C. COMMITMENTS AND CONTINGENCIES

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.

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

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

D. 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 district. The City made a payment totaling \$923,640 to the Library for 2013. The City believes that the district will continue to provide services in the future at similar rates.

Financial information of the Library as of December 31, 2013 is available directly from the Library'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.

CITY OF MEQUON

NOTES TO FINANCIAL STATEMENTS
As of and for the Year Ended December 31, 2013

NOTE IV - OTHER INFORMATION (cont.)

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

The Governmental Accounting Standards Board (GASB) has approved the following:

- Statement No. 67, *Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25*
- Statement No. 68, *Accounting and Financial Reporting for Pensions - an amendment of GASB Statement No. 27*
- Statement No. 69, *Government Combinations and Disposals of Government Operations*
- Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees*

When they become effective, 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, 2013

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 10,228,221	\$ 10,228,055	\$ (166)
State shared revenues	466,887	469,438	2,551
Intergovernmental	1,331,923	1,337,059	5,136
Licenses	43,461	49,028	5,567
Permits	553,300	717,274	163,974
General Government Fees	40,481	78,310	37,829
Public Safety Fees	585,415	728,305	142,890
Public Works Fees	80,900	91,878	10,978
Pool Fees	99,500	88,881	(10,619)
Development Fees	46,000	60,954	14,954
Special Assessments	13,100	9,681	(3,419)
Internal Service Fees	425,000	421,671	(3,329)
Other general revenues	709,500	755,767	46,267
Investment income	20,000	13,314	(6,686)
Miscellaneous	-	6,000	6,000
Total Revenues	<u>14,643,688</u>	<u>15,055,615</u>	<u>411,927</u>
EXPENDITURES			
Current:			
Salaries and fringe benefits	10,626,025	10,404,472	221,553
Materials and supplies	1,199,685	1,143,713	55,972
Purchased services	2,218,579	2,089,976	128,603
Plant and equipment	<u>785,399</u>	<u>667,665</u>	<u>117,734</u>
Total Expenditures	<u>14,829,688</u>	<u>14,305,826</u>	<u>523,862</u>
Net Change in Fund Balance	(186,000)	749,789	935,789
FUND BALANCE - Beginning of Year	<u>3,297,347</u>	<u>3,297,347</u>	<u>-</u>
FUND BALANCE - END OF YEAR	<u>\$ 3,111,347</u>	<u>\$ 4,047,136</u>	<u>\$ 935,789</u>

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

CITY OF MEQUON

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION December 31, 2013

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.

The budgeted amounts presented are as presented in the original budget and no amendments were adopted during the year. Management 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 object level of expenditure.

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SUPPLEMENTARY INFORMATION

CITY OF MEQUON

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
As of December 31, 2013

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Park Fund	Revolving Loan Fund	Police Reserve Fund	
ASSETS				
Cash and investments	\$ 778,786	\$ 293,728	\$ 161,653	\$ 1,234,167
Receivables				
Other	2,499	876	426	3,801
Loans	<u>-</u>	<u>389,398</u>	<u>-</u>	<u>389,398</u>
TOTAL ASSETS	<u><u>\$ 781,285</u></u>	<u><u>\$ 684,002</u></u>	<u><u>\$ 162,079</u></u>	<u><u>\$ 1,627,366</u></u>
LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES				
Liabilities				
Accounts payable	\$ 5,245	\$ -	\$ -	\$ 5,245
Deposits	<u>4,350</u>	<u>-</u>	<u>-</u>	<u>4,350</u>
Total Liabilities	<u>9,595</u>	<u>-</u>	<u>-</u>	<u>9,595</u>
Deferred Inflows of Resources				
Unavailable revenues	<u>-</u>	<u>389,398</u>	<u>-</u>	<u>389,398</u>
Total Deferred Inflows of Resources	<u>-</u>	<u>389,398</u>	<u>-</u>	<u>389,398</u>
Fund Balances				
Restricted	771,690	294,604	-	1,066,294
Committed	<u>-</u>	<u>-</u>	<u>162,079</u>	<u>162,079</u>
Total Fund Balances	<u>771,690</u>	<u>294,604</u>	<u>162,079</u>	<u>1,228,373</u>
TOTAL LIABILITIES, DEFERRED INFLOWS OF RESOURCES, AND FUND BALANCES	<u><u>\$ 781,285</u></u>	<u><u>\$ 684,002</u></u>	<u><u>\$ 162,079</u></u>	<u><u>\$ 1,627,366</u></u>

CITY OF MEQUON

COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES NONMAJOR GOVERNMENTAL FUNDS For the Year Ended December 31, 2013

	Special Revenue Funds			Total Nonmajor Governmental Funds
	Park Fund	Revolving Loan Fund	Police Reserve Fund	
REVENUES				
Public charges for services	\$ 75,543	\$ -	\$ -	\$ 75,543
Investment income	-	43,320	-	43,320
Miscellaneous	<u>127,604</u>	<u>-</u>	<u>2,000</u>	<u>129,604</u>
Total Revenues	<u>203,147</u>	<u>43,320</u>	<u>2,000</u>	<u>248,467</u>
EXPENDITURES				
Current				
Community enrichment services	70,137	-	1,476	71,613
Conservation and development	<u>-</u>	<u>720</u>	<u>-</u>	<u>720</u>
Total Expenditures	<u>70,137</u>	<u>720</u>	<u>1,476</u>	<u>72,333</u>
Excess of revenues over expenditures	<u>133,010</u>	<u>42,600</u>	<u>524</u>	<u>176,134</u>
OTHER FINANCING USES				
Transfers out	<u>(29,497)</u>	<u>-</u>	<u>-</u>	<u>(29,497)</u>
Total Other Financing Uses	<u>(29,497)</u>	<u>-</u>	<u>-</u>	<u>(29,497)</u>
Net Change in Fund Balances	103,513	42,600	524	146,637
FUND BALANCES - Beginning of Year	<u>668,177</u>	<u>252,004</u>	<u>161,555</u>	<u>1,081,736</u>
FUND BALANCES - END OF YEAR	<u>\$ 771,690</u>	<u>\$ 294,604</u>	<u>\$ 162,079</u>	<u>\$ 1,228,373</u>

CITY OF MEQUON

SCHEDULE OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE - BUDGET AND ACTUAL - DEBT SERVICE FUND For the Year Ended December 31, 2013

	Original and Final Budget	Actual	Variance with Final Budget
REVENUES			
Taxes	\$ 2,169,478	\$ 2,181,038	\$ 11,560
Intergovernmental	131,900	126,168	(5,732)
Investment income	2,000	1,262	(738)
Total Revenues	<u>2,303,378</u>	<u>2,308,468</u>	<u>5,090</u>
EXPENDITURES			
DEBT SERVICE			
Principal	1,854,265	3,095,000	(1,240,735)
Interest and fiscal charges	<u>825,988</u>	<u>866,414</u>	<u>(40,426)</u>
Total Expenditures	<u>2,680,253</u>	<u>3,961,414</u>	<u>(1,281,161)</u>
Excess (deficiency) of revenues over (under) expenditures	<u>(376,875)</u>	<u>(1,652,946)</u>	<u>(1,276,071)</u>
OTHER FINANCING SOURCES			
General obligation refunding bonds issued	-	1,280,000	1,280,000
Total Other Financing Sources	<u>-</u>	<u>1,280,000</u>	<u>1,280,000</u>
Net Change in Fund Balance	(376,875)	(372,946)	3,929
FUND BALANCE (DEFICIT) - Beginning of Year	<u>(186,013)</u>	<u>(186,013)</u>	<u>-</u>
FUND BALANCE (DEFICIT) - END OF YEAR	<u><u>\$ (562,888)</u></u>	<u><u>\$ (558,959)</u></u>	<u><u>\$ 3,929</u></u>

CITY OF MEQUON

COMBINING STATEMENT OF ASSETS AND LIABILITIES AGENCY FUNDS As of December 31, 2013

	Agency Funds		Totals
	Tax Collection Fund	Weyenberg Library Fund	
ASSETS			
Cash and investments	\$ 26,583,049	\$ 70,461	\$ 26,653,510
Taxes receivable	25,507,785	-	25,507,785
Total Assets	\$ 52,090,834	\$ 70,461	\$ 52,161,295
LIABILITIES			
Accounts payable	70,625	27,926	98,551
Due to other governments	52,020,209	42,535	52,062,744
Total Liabilities	\$ 52,090,834	\$ 70,461	\$ 52,161,295

CITY OF MEQUON

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
TAX COLLECTION AGENCY FUND
For the Year Ended December 31, 2013

	Balance 1/1/2013	Additions	Deductions	Balance 12/31/2013
ASSETS				
Cash and investments	\$ 26,586,047	\$ 26,441,879	\$ 26,515,422	\$ 26,512,504
Taxes receivable	<u>25,182,675</u>	<u>25,578,330</u>	<u>25,182,675</u>	<u>25,578,330</u>
TOTAL ASSETS	<u>\$ 51,768,722</u>	<u>\$ 52,020,209</u>	<u>\$ 51,698,097</u>	<u>\$ 52,090,834</u>
LIABILITIES				
Accounts payable	\$ 76,852	\$ -	\$ 6,227	\$ 70,625
Due to other governments				
City of Mequon	-	-	-	-
State of Wisconsin	674,101	670,249	674,101	670,249
Ozaukee County	7,317,180	7,636,596	7,317,180	7,636,596
Mequon Thiensville School District	35,147,815	35,166,603	35,147,815	35,166,603
Cedarburg School District	163,893	171,100	163,893	171,100
Milwaukee Area Technical College District	<u>8,388,881</u>	<u>8,375,661</u>	<u>8,388,881</u>	<u>8,375,661</u>
TOTAL LIABILITIES	<u>\$ 51,768,722</u>	<u>\$ 52,020,209</u>	<u>\$ 51,698,097</u>	<u>\$ 52,090,834</u>

CITY OF MEQUON

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES WEYENBERG LIBRARY AGENCY FUND For the Year Ended December 31, 2013

	<u>Balance 1/1/2012</u>	<u>Additions</u>	<u>Deductions</u>	<u>Balance 12/31/2013</u>
ASSETS				
Cash and investments	<u>\$ 227,748</u>	<u>\$ 1,032,457</u>	<u>\$ 1,189,744</u>	<u>\$ 70,461</u>
TOTAL ASSETS	<u>\$ 227,748</u>	<u>\$ 1,032,457</u>	<u>\$ 1,189,744</u>	<u>\$ 70,461</u>
LIABILITIES				
Accounts payable	<u>\$ 63,461</u>	<u>\$ -</u>	<u>\$ 35,535</u>	<u>\$ 27,926</u>
Due to other Governments	<u>164,287</u>	<u>1,032,457</u>	<u>1,154,209</u>	<u>42,535</u>
TOTAL LIABILITIES	<u>\$ 227,748</u>	<u>\$ 1,032,457</u>	<u>\$ 1,189,744</u>	<u>\$ 70,461</u>

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STATISTICAL SECTION

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CITY OF MEQUON

Statistical Section

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

Contents

Financial Trends

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

Revenue Capacity

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

Debt Capacity

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

Demographic and Economic Information

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

Operating Information

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

Sources: Unless otherwise noted, the information in these schedules is obtained from the annual financial reports for the given year.

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

Table 1

	<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>	<u>2013</u>
Governmental Activities										
Net investment in capital assets	\$ 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	\$ 20,244,055
Restricted	790,646	783,620	939,229	1,044,875	1,136,688	1,354,442	1,019,828	6,674,351	5,516,016	1,799,470
Unrestricted (deficit)	<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>	<u>4,386,175</u>
Total governmental activities net position	<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>	<u>\$ 26,429,700</u>
Business-type Activities										
Net investment in capital assets	\$ 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	\$ 30,059,026
Restricted	176,672	300,294	199,449	119,214	115,255	205,353	232,166	246,988	273,879	301,144
Unrestricted (deficit)	<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>	<u>(3,599,573)</u>
Total business-type activities net position	<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>	<u>\$ 26,760,597</u>
Primary Government										
Net investment in capital assets	\$ 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 *	\$ 49,264,585 *
Restricted	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	2,100,614
Unrestricted (deficit)	<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>	<u>1,825,098 *</u>
Total primary government net position	<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>	<u>\$ 53,190,297</u>

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

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

Expenses	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Governmental Activities:										
General Government	\$ 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	\$ 2,561,910
Public Safety	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	7,155,872
Public Works	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	6,807,814
Public Health	-	24,924	27,040	69,080	70,859	29,726	2,375	846	1,930	4,211
Community Enrichment	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	1,991,055
Conservation & development	1,324,091	1,074,075	578,174	782,014	451,213	885,745	607,140	555,349	556,569	431,959
Interest & Fiscal Charges	364,608	393,407	467,978	420,005	413,812	802,613	925,877	984,173	859,007	766,527
Total government activities expense	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	19,719,348
Business-type Activities:										
Water Utility	-	-	-	-	-	1,394,217	2,085,110	2,215,531	2,258,364	2,251,136
Sewer Utility	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	8,215,337
Total business-type activities expense	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	10,466,473
Total Primary Government Expense	\$ 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	\$ 30,185,821
Program Revenues										
Governmental Activities:										
Charges for Services	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	3,024,230
Operating Grants and Contributions	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	1,559,021
Capital Grants and Contributions	1,848,972	1,779,050	2,437,878	391,706	201,967	1,265,378	181,607	2,508,141	511,194	330,906
Total governmental activities program revenues	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	4,914,157
Business-type activities:										
Charges for Services	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	5,896,086
Capital Grants and Contributions	38,841	712,291	253,060	224,846	342,099	137,058	151,213	150,897	208,726	2,228,424
Total business-type activities program revenues	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	8,124,510
Total Primary Government Program Revenues	\$ 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	\$ 13,038,667
Net (Expense)/Revenue										
Governmental Activities	(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)	(14,805,191)
Business-type Activities	(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)	(2,341,963)
Total Primary Government Net Expense	\$ (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)	\$ (17,147,154)

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

Expenses	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Revenues and Other changes in Net Position										
Governmental Activities:										
Property Taxes	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	13,489,588
Intergov't revenues not restr to spec programs	491,975	499,970	498,368	491,521	564,524	516,656	530,106	463,388	551,045	585,891
Investment Income	89,782	322,162	734,174	951,509	672,135	193,804	175,951	170,010	109,478	56,705
Miscellaneous	182,154	240,426	263,644	249,947	394,909	46,759	98,208	47,781	53,488	25,682
Gain on sale/disposal of capital assets	-	39,425	21,823	50,357	14,623	-	-	2,601	45,479	239,804
Transfers	(4,551)	-	-	-	-	(969,676)	(68,620)	-	-	-
Total Governmental Activities	<u>12,250,558</u>	<u>13,072,343</u>	<u>13,793,742</u>	<u>14,218,836</u>	<u>14,428,126</u>	<u>12,799,551</u>	<u>14,342,915</u>	<u>14,252,439</u>	<u>14,020,459</u>	<u>14,397,670</u>
Business-type Activities:										
Property Taxes	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	6,645,737
Investment Income	52,000	442,473	842,084	652,407	211,832	57,291	67,852	51,642	20,214	5,369
Miscellaneous	7,891	13,042	5,042	3,075	27,787	-	3,354	2,371	1,278	27,407
Transfers	4,551	-	-	-	-	969,676	68,620	-	-	-
Total Business-type Activities	<u>4,349,966</u>	<u>6,780,603</u>	<u>8,567,915</u>	<u>6,853,437</u>	<u>7,337,089</u>	<u>8,196,996</u>	<u>7,074,758</u>	<u>6,990,521</u>	<u>6,981,891</u>	<u>6,678,513</u>
Total Primary Government	<u>\$ 16,600,524</u>	<u>\$ 19,852,946</u>	<u>\$ 22,361,657</u>	<u>\$ 21,072,273</u>	<u>\$ 21,765,215</u>	<u>\$ 20,996,547</u>	<u>\$ 21,417,673</u>	<u>\$ 21,242,960</u>	<u>\$ 21,002,350</u>	<u>\$ 21,076,183</u>
Change in Net Position										
Governmental Activities	501,486	1,799,704	2,418,592	(502,344)	(650,915)	(2,032,188)	(1,615,294)	(113,296)	(265,471)	(407,521)
Business-type Activities	(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	4,336,550
Total Primary Government	<u>\$ 491,298</u>	<u>\$ 2,709,942</u>	<u>\$ 4,276,041</u>	<u>\$ 614,795</u>	<u>\$ 1,255,869</u>	<u>\$ 843,980</u>	<u>\$ 649,657</u>	<u>\$ 1,735,411</u>	<u>\$ 2,108,548</u>	<u>\$ 3,929,029</u>

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

Table 3

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Fund										
Reserved	\$ 50,217	\$ 49,048	\$ 112,036	\$ 47,464	\$ 40,304	\$ 40,054	\$ 41,978	\$ -	\$ -	\$ -
Unreserved	1,536,585	1,689,413	2,059,663	1,348,673	676,941	1,295,092	1,687,022	-	-	-
Nonspendable	-	-	-	-	-	-	-	-	4,014	179,218
Restricted	-	-	-	-	-	-	-	48,786	14,621	10,410
Assigned	-	-	-	-	-	-	-	-	186,000	286,000
Unassigned	-	-	-	-	-	-	-	2,244,258	3,092,712	3,571,508
Total General Fund	<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>	<u>4,047,136</u>
All Other Governmental Funds										
Reserved	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	(3,519)	1,059,482	1,123,316	1,105,618	1,017,682	515,594	459,834	-	-	-
Capital Projects Funds	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	7,282,804
Committed	-	-	-	-	-	-	-	158,474	161,555	162,079
Assigned	-	-	-	-	-	-	-	-	2,398,957	2,397,020
Unassigned	-	-	-	-	-	-	-	1,794,965	(398,750)	(567,319)
Total All Other Governmental Funds	<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>	<u>9,274,584</u>
Total Fund Balances	<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>	<u>\$ 13,321,720</u>

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

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

Table 4

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Revenues										
Taxes	\$ 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	\$ 13,489,588
Intergovernmental Revenues	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	1,947,547
Licenses & Permits	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	1,273,998
Fines, Forfeitures and Penalties	-	-	-	-	-	-	-	159,798	183,561	184,068
Public Charges for Services	875,964	926,186	978,734	1,025,262	1,863,998	1,518,183	1,240,937	1,288,601	1,315,941	1,489,731
Intergovernmental Charges for services	-	-	101,017	104,404	106,928	109,067	182,286	106,774	-	-
Investment Income	89,782	322,162	735,420	950,518	741,986	194,187	176,734	174,997	108,638	60,715
Other Revenues	476,669	955,777	449,649	380,545	209,300	166,023	111,137	123,755	119,871	386,589
Total Revenues	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	18,832,236
Expenditures										
Current										
General Government	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	2,386,454
Public Safety	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	6,651,414
Public Works	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	3,142,843
Public Health	-	24,924	27,040	69,080	70,859	29,726	2,375	846	1,930	4,211
Liesure Activities	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	1,807,428
Conservation and development	964,906	1,013,414	453,315	423,079	419,263	817,181	567,802	555,349	556,569	393,109
Library	1,001,444	905,273	-	-	-	-	-	-	-	-
Capital Outlay	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	3,195,577
Debt Service										
Principal	1,059,245	795,663	835,850	811,808	851,964	1,120,219	1,743,077	1,224,118	1,534,554	3,141,988
Interest and fiscal charges	374,084	365,079	401,859	327,795	315,929	550,271	890,011	797,705	807,696	934,751
Payment to WRS for unfunded liability	-	-	-	-	-	-	-	-	1,355,819	-
Total Expenditures	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	21,657,775

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

Table 4

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Excess of Revenues										
Over/(Under) Expenditures	<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>	<u>(2,825,539)</u>
Other Financing Sources/(Uses)										
Transfers In	1,514,436	1,599,980	1,931,994	1,907,915	1,978,335	1,676,627	136,063	667,449	147,463	29,497
Transfers Out	(1,518,987)	(1,599,980)	(1,931,994)	(1,907,915)	(1,978,335)	(1,676,627)	(136,063)	(667,449)	(147,463)	(29,497)
Debt										
General obligation debt issued	109,722	1,645,000	-	-	2,400,000	12,055,000	-	8,745,000	-	3,710,000
Refunding Debt issued	-	-	1,477,942	-	-	-	-	-	-	1,280,000
Refunded general Obligation Debt	-	-	(1,370,000)	-	-	-	-	(3,956,423)	-	-
Discount on Debt issued	-	-	-	-	-	-	-	(73,556)	-	-
Premium on Debt issued	-	-	-	-	-	91,542	-	192,393	-	151,717
Proceeds of capital leases	-	-	-	-	-	-	-	235,193	-	-
Sale of Capital Assets	-	<u>39,425</u>	<u>12,615</u>	<u>50,357</u>	<u>23,268</u>	<u>48,690</u>	<u>56,419</u>	<u>72,902</u>	<u>45,479</u>	<u>258,782</u>
Total Other Financing Sources/(Uses)	<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>	<u>5,400,499</u>
Net Change in Fund Balances	<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>	<u>\$ 2,574,960</u>
Debt Service as a % of noncapital expenditures	7.02%	5.12%	5.13%	4.74%	4.73%	6.46%	9.83%	7.26%	15.97%	17.02%

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

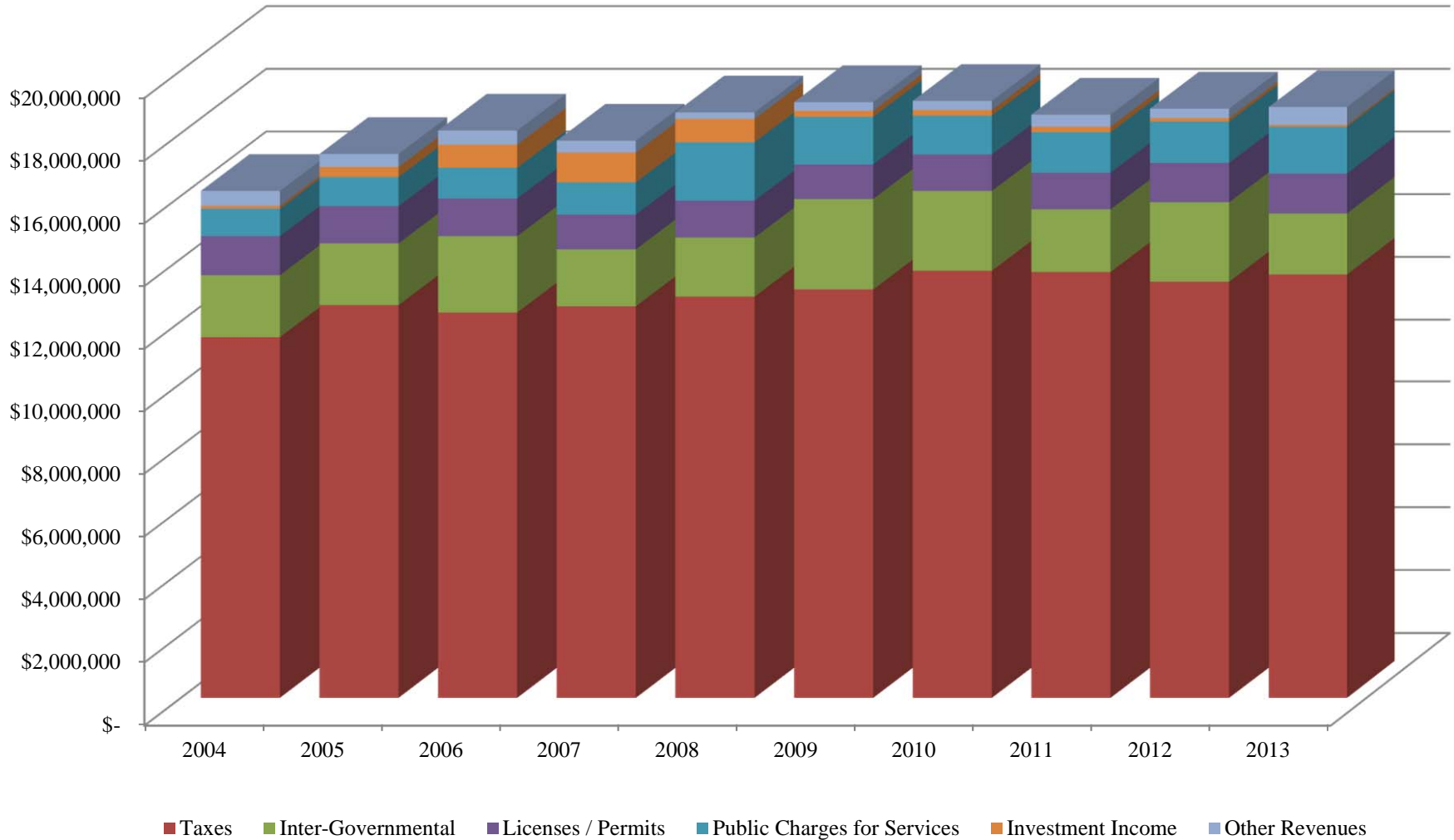
Table 5

Fiscal Year	Taxes		Inter-Governmental		Licenses and Permits		Public Charges for Services		Investment Income		Other Revenues		Total Revenues							
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
2013		13,489,588	71.6%		1,947,547	10.3%		1,273,998	6.8%		1,489,731	7.9%		60,715	0.3%		570,657	3.0%		18,832,236

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 and Conservation and Development		Capital Outlays		Debt Service		Total Expenditures
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
2013	2,386,454	11.0%	6,651,414	30.7%	3,142,843	14.5%	2,204,748	10.2%	3,195,577	14.8%	4,076,739	18.8%	21,657,775

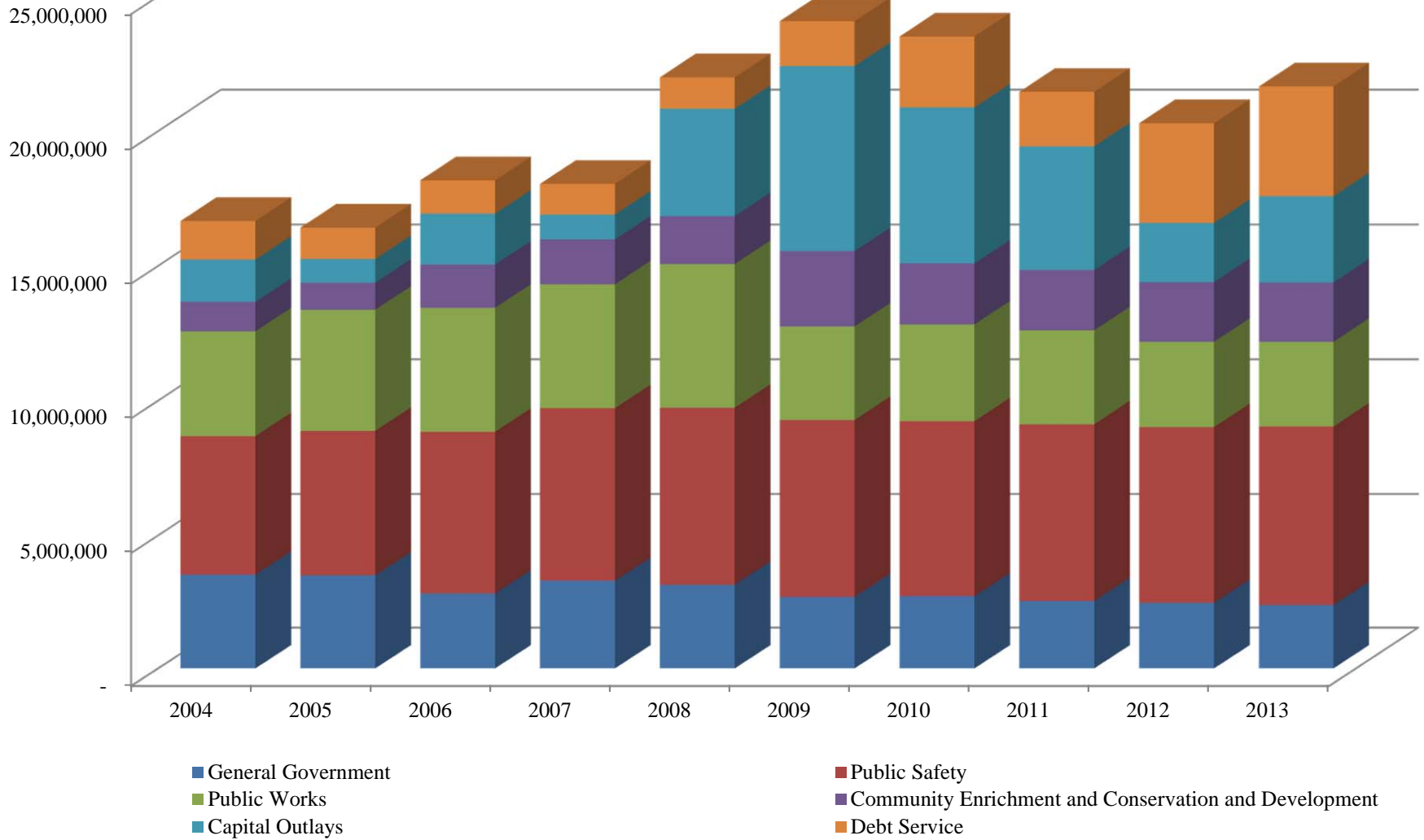
Includes General, Special Revenue, Debt Service, and Capital Project Funds.

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 Liesure Activities (swimming pool) components.

Source: City of Mequon Annual Financial Reports

City of Mequon General Governmental Expenditures By Function



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

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	
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	59,695,260	63,804,400	4,300,064,310	3,972,167,500	108.81%
2013	2014	4,262,904,650	3,887,126,100	70,198,200	62,342,400	4,333,102,850	3,949,468,500	109.83%

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
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
2013	2014	0.1553	1.7699	3.0863	1.4951	8.1902	1.9412	16.6381	1.3200	15.3180	4,314,641,750

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
0.9178	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	1.5847	2.7073	1.5820	8.0177	1.6599	15.7162	1.2720	14.4442	4,476,256,416
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
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
2013	2014	0.1553	1.7699	3.0863	9.2681	1.9412	16.2210	1.3200	14.9009	18,461,100

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
0.9178	2004	2005	\$ 0.1874	\$ 1.8170	\$ 3.1057	\$ 9.5633	\$ 1.8506	\$ 16.5239	\$ 1.2674	\$ 15.2565	\$ 13,364,676
0.8753	2005	2006	0.1912	1.7506	2.9710	9.5358	1.8533	16.3019	1.1772	15.1247	15,414,029
0.8494	2006	2007	0.1820	1.7249	2.8945	9.0892	1.8267	15.7172	1.1033	14.6139	17,108,429
0.79637	2007	2008	0.1647	1.5846	2.7072	8.2446	1.6598	14.3609	1.2720	13.0889	19,175,509
0.81875	2008	2009	0.1744	1.6586	2.7885	8.3419	1.8230	14.7864	1.4444	13.3421	18,564,343
0.9883	2009	2010	0.2039	1.9597	3.3740	11.1160	2.2056	18.8592	1.8786	16.9807	15,935,495
1.0207	2010	2011	0.1753	1.7347	3.1202	10.2170	1.9732	17.2203	1.6114	15.6090	17,956,892
1.0483	2011	2012	0.1695	1.7679	3.1826	9.4867	1.9438	16.5505	1.5337	15.0169	17,721,549
1.0881	2012	2013	0.1703	1.8537	3.3093	9.6748	2.1252	17.1333	1.5117	15.6216	16,940,263

**CITY OF MEQUON, WISCONSIN
TEN LARGEST TAXPAYERS - 2013**

<u>Name of Taxpayer</u>	<u>Nature of Business</u>	<u>Assessed Value</u>	<u>Net Taxes Paid</u>	<u>Percent of Total Taxes Levied</u>
Centro Bradley SPE 1LP	Shopping Center	\$30,633,000	\$ 475,065	0.73%
HTA Wisconsin	Medical Offices	18,494,300	283,016	0.44%
KTR WIS II, LLC	Manufacturing	18,677,700	289,538	0.45%
St. Mary's Hospital	Medical Clinic	14,690,500	201,231	0.31%
Centerpoint Property Trust	Manufacturing	11,774,700	182,508	0.28%
Vogel Real Estate, LLC	Commercial	8,834,600	136,933	0.21%
SNH FM Financing	Assisted Living Facility	8,684,300	134,591	0.21%
Newcastle Place	Apartments	8,672,300	134,405	0.21%
B & G Realty	Commercial	8,307,200	132,022	0.20%
Mequon Joint Venture	Commercial	<u>8,188,900</u>	<u>126,910</u>	<u>0.20%</u>
	Total for Largest Taxpayers	<u>\$136,957,500</u>	<u>\$ 2,096,219</u>	<u>3.23%</u>

Source: City of Mequon Assessment and Tax Rolls

TEN LARGEST EMPLOYERS - 2013

<u>Name of Employer</u>	<u>Product/Service</u>	<u>Approximate Number of Employees</u>
Concordia University Wisconsin	Post-secondary education	1,000
Columbia St. Mary's	Health care	750
Mequon-Thiensville School District	Elementary and secondary education	398
Kleen Test Products	Contract manufacturer and packager	300
HB Performance Systems	Manufacturer of braking systems	250
City of Mequon	Municipal government and services	227
TelSmith Inc.	Manufacturer of large rock crushing equipment	221
Aurora Advanced Health Care	Health care	161
Pick 'N Save	Grocery store	160
Strategem Inc.	Information technology and project consultants	160

Source: Infogroup, Wisconsin Manufacturers Register, and the Wisconsin Department of Workforce Development

**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%
2012	2013	13,062,949	13,048,291	99.89%	-	13,048,291	99.89%

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

REAL ESTATE	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	2013 R.E. ASSESSED VALUE
RESIDENTIAL										
LAND	\$ 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	\$ 1,260,254,050
IMP	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	2,362,968,200
TOTAL	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	3,623,222,250
COMMERCIAL										
LAND	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	159,697,800
IMP	290,386,600	292,741,600	300,162,000	311,522,700	319,911,000	373,292,400	378,365,500	361,506,800	364,192,800	363,306,600
TOTAL	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	523,004,400
MANUFACTURING										
LAND	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	18,901,800
IMP	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	64,278,400
TOTAL	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	83,180,200
AGRICULTURAL										
LAND/TOTAL	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	2,186,700
UNDEVELOPED										
LAND/TOTAL	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	9,793,800
AG FOREST										
LAND/TOTAL	-	929,100	884,100	1,010,100	1,005,900	1,711,600	1,789,700	1,789,700	1,699,200	1,698,100
FOREST										
LAND/TOTAL	1,377,200	20,000	20,000	244,400	244,400	444,300	424,300	424,300	426,000	426,000
OTHER										
LAND	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	7,873,800
IMP	12,732,200	12,370,100	11,776,700	11,848,500	11,568,900	11,610,100	11,703,500	11,681,500	11,635,800	11,519,400
TOTAL	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	19,393,200
TOTAL REAL ESTATE										
LAND	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	1,460,832,050
IMP	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	2,802,072,600
TOTAL	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	4,262,904,650
TOTAL PERSONALTY										
	56,158,740	56,028,120	52,989,510	49,002,630	68,573,110	59,588,580	57,834,840	59,695,260	67,455,100	70,198,200
TOTAL ASSESSED										
	\$ 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	\$ 4,307,824,150	\$ 4,333,102,850

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	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	2013 R.E. EQUALIZED VALUE
RESIDENTIAL										
LAND	\$ 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	\$ 1,145,606,200
IMP	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	2,142,209,900
TOTAL	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	3,287,816,100
COMMERCIAL										
LAND	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	130,072,100
IMP	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	363,525,500
TOTAL	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	493,597,600
MANUFACTURING										
LAND	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	17,208,600
IMP	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	58,520,700
TOTAL	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	75,729,300
AGRICULTURAL										
LAND/TOTAL	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	1,247,400
UNDEVELOPED										
LAND/TOTAL	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	5,216,000
AG FOREST										
LAND/TOTAL	-	2,478,000	2,567,500	2,962,500	5,245,000	4,459,000	3,939,500	4,056,500	4,056,500	4,068,700
FOREST										
LAND/TOTAL	3,157,500	60,000	65,000	75,000	2,129,000	1,560,000	1,366,400	1,366,400	1,366,400	1,390,800
OTHER										
LAND	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	7,630,000
IMP	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	10,430,200
TOTAL	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	18,060,200
TOTAL REAL ESTATE										
LAND	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	1,312,439,800
IMP	2,442,313,400	2,610,398,600	2,752,045,900	3,002,130,000	2,990,262,000	2,901,130,400	2,852,972,300	2,615,119,000	2,591,116,000	2,514,086,500
TOTAL	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	3,887,126,100
TOTAL PERSONALTY	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	62,342,400
TOTAL EQUALIZED	\$ 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	\$ 3,949,468,500
ASSESSMENT RATIO	91.78%	87.53%	84.95%	79.64%	81.87%	98.83%	102.07%	104.83%	108.81%	109.83%

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			
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	4,353,077,400
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
2013	2014	3,887,126,100	62,342,400	3,949,468,500	109.83%	12,334,700	3,937,133,800

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

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

Mequon-Thiensville School District					Cedarburg School District			Totals		
As of January 1	Assessed Valuation	Equalized Valuation Without TID	TID Value Increments	Total Equalized Value	Assessed Valuation	Equalized Valuation	Assessed Valuation	Equalized Valuation Without TID	Total Equalized Value	
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	
2013	4,314,641,750	3,920,245,581	12,334,700	3,932,580,281	18,461,100	16,888,219	4,333,102,850	3,937,133,800	3,949,468,500	

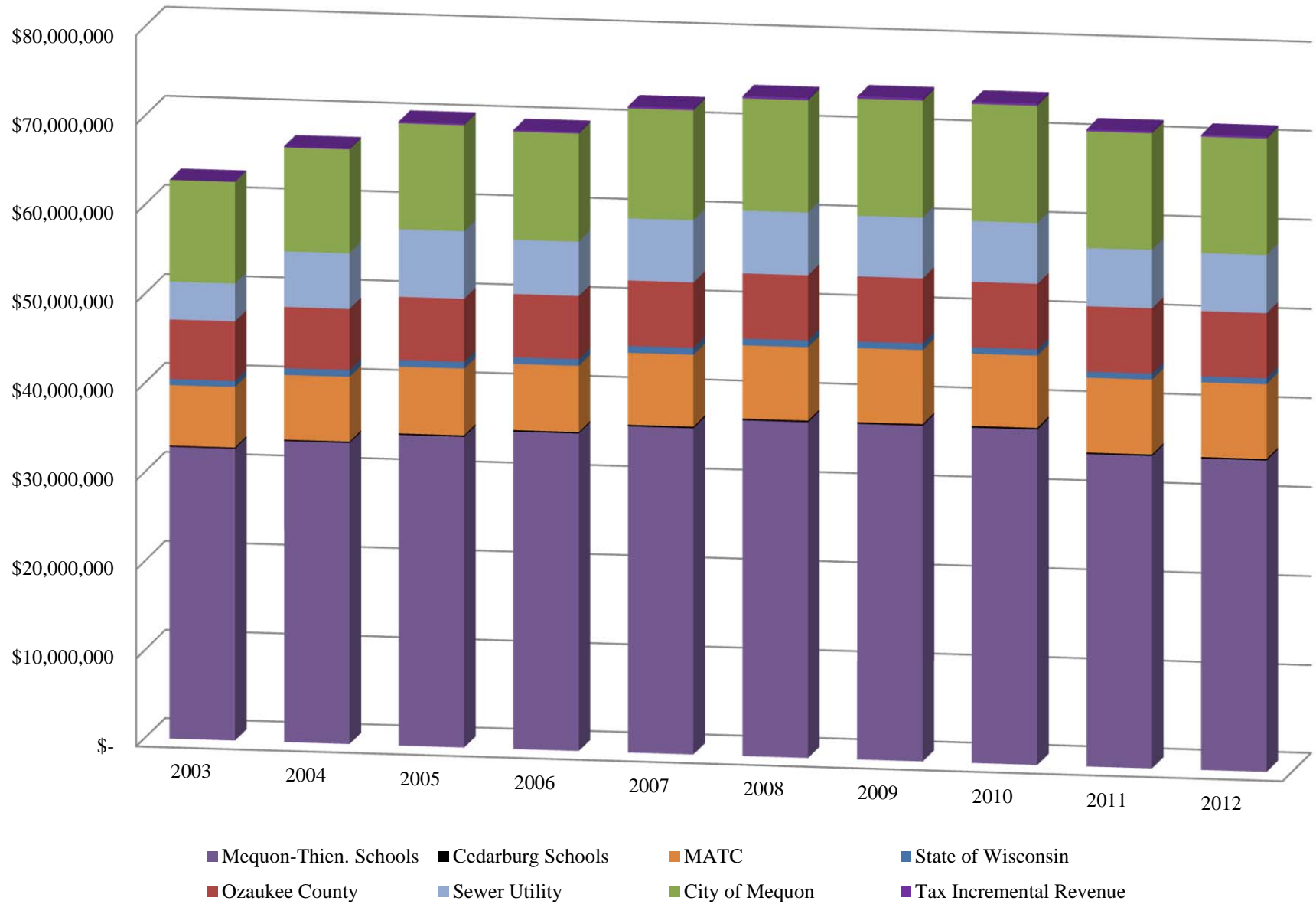
Source: " Statement of Assessments and Tax Levy Certifications from the Mequon-Thiensville School District and School District of Cedarburg

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
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
2012	2013	674,101	7,317,180	13,062,949	8,388,909	35,147,815	163,893	6,521,117	213,560	71,489,524

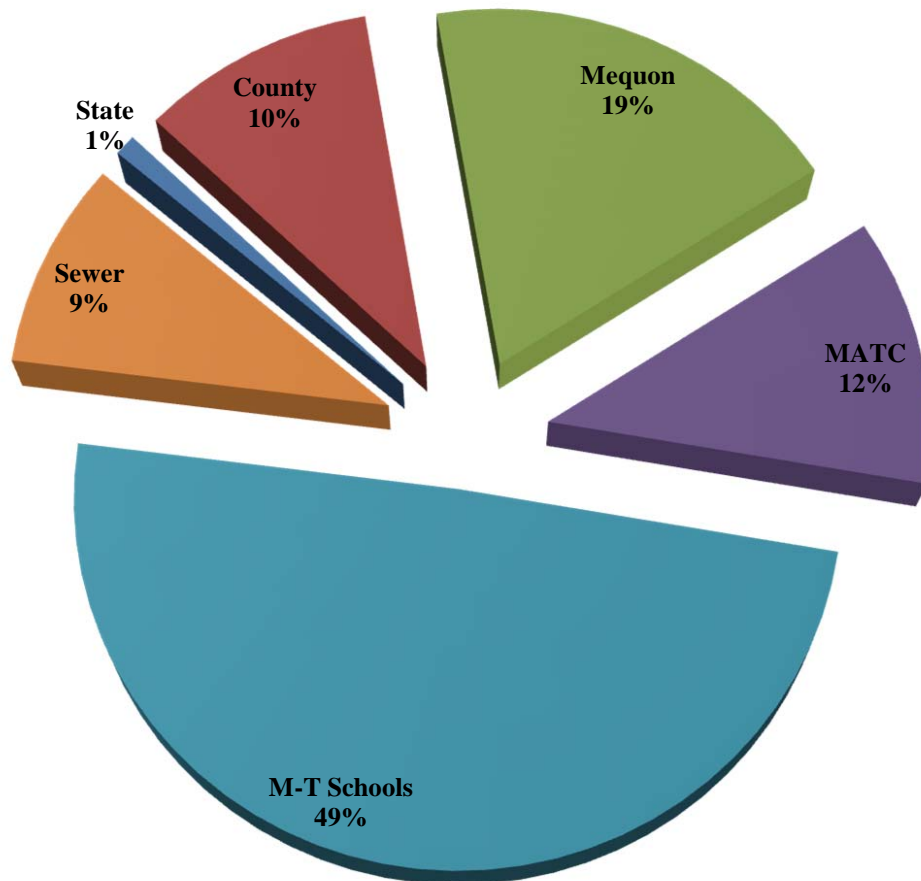
Source: " Statement of Taxes and Tax District Treasurer's Settlements"

Comparative Tax Levies Last Ten Fiscal Years



**City of Mequon
2012 Tax Levy Distribution
(2013 Budget Year)**

Mequon-Thiensville School District with Sewer



2012 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	\$7,317,180	\$8,388,909	\$13,276,509	\$6,521,117	\$35,147,815	\$71,489,524

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

As of 12/31/13	Total G.O. Debt Outstanding	Less: Funds Available for Debt Service	Net Debt Outstanding	Equalized Value	Statutory Debt Capacity (5% of Equalized Value)	Ratio of Net Debt to Debt Capacity	Population	Net Debt Per Capita	Net Debt Per \$1,000 of Equalized Vaue
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
2013	29,875,000	-	29,875,000	3,949,468,500	197,473,425	15.13%	23,279	1,283	7.56

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				
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
2013	16,415,000	6,950,000	6,510,000		29,875,000	3,949,468,500	7.56

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

Values in thousands of dollars

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
Equalized Value of Real and Personal Property	\$ 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	\$ 3,949,469
General Obligation Debt Limit	\$ 172,245	\$ 187,947	\$ 199,869	\$ 210,746	\$ 228,461	\$ 225,020	\$ 218,378	\$ 212,074	\$ 198,608	\$ 197,473
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	30,214	47,370	44,485	25,146	24,874	34,030	30,550	32,765	29,610	29,875
Net O/S GO Debt Applicable to Debt Limitation	\$ 30,214	\$ 47,370	\$ 44,485	\$ 25,146	\$ 24,874	\$ 34,030	\$ 30,550	\$ 32,765	\$ 29,610	\$ 29,875
Legal margin for New Debt	\$ 142,030	\$ 140,577	\$ 155,384	\$ 185,599	\$ 203,586	\$ 190,990	\$ 187,828	\$ 179,309	\$ 168,998	\$ 167,598
Total net debt applicable to the limit as a percentage of debt limit.	17.54%	25.20%	22.26%	11.93%	10.89%	15.12%	13.99%	15.45%	14.91%	15.13%

**CITY OF MEQUON
COMPUTATION OF DIRECT AND OVERLAPPING DEBT
AS OF DECEMBER 31, 2013**

Taxing Authority	Debt as of 12/31/13	Percent Applicable to City	Direct and Overlapping Debt	Total Debt per Capita
City of Mequon	\$ 29,875,000	100.00%	\$ 29,875,000	\$ 1,255
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>\$ 197,960,000</u>		<u>\$ 57,553,972</u>	<u>\$ 2,417</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 Total General Expenditures (B)	Debt Service % of Total General Expenditures
	Principal	Interest and Fiscal Charges	Total		
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	16,946,228	13.37%
2013	575,000	685,225	1,260,225	18,267,240	6.90%

(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, 2013

Equalized Value of Real and Personal Property		<u>\$3,949,468,500</u>
Real Property	3,887,126,100	
Personal Property	62,342,400	
Legal Debt Limit, 5% of Equalized Valuation (Wisconsin Statutory Limitation)		\$197,473,425
<u>Amount of Debt Applicable to Debt Limitation:</u>		
Total General Obligation Bonds, Notes, Purchase Contracts Outstanding December 31, 2013		<u>\$29,875,000</u>
Remaining Legal Debt Margin		<u>\$167,598,425</u>
Percent of Debt Outstanding to Equalized Value		0.76%
Percent of Legal Debt Limit Used		15.13%
Percent of Legal Debt Limit Available		84.87%

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	\$ 29,875,000	100.00%	\$ 29,875,000	\$ 1,255
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, 2013**

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	2013A G.O. Notes	2013 Refunding Bonds	Totals
2014	\$ 200,000	\$ 1,610,000	\$ 215,000	\$ 585,000	\$ -	\$ 135,000	\$ 500,000	\$ 185,000	\$ 145,000	\$ 3,575,000
2015	-	1,640,000	215,000	600,000	150,000	225,000	500,000	375,000	155,000	3,860,000
2016	-	1,635,000	215,000	600,000	250,000	225,000	500,000	350,000	160,000	3,935,000
2017	-	1,625,000	215,000	600,000	250,000	225,000	500,000	400,000	160,000	3,975,000
2018	-	-	215,000	600,000	300,000	225,000	500,000	400,000	160,000	2,400,000
2019	-	-	-	600,000	350,000	250,000	530,000	400,000	165,000	2,295,000
2020	-	-	-	-	400,000	250,000	550,000	400,000	165,000	1,765,000
2021	-	-	-	-	450,000	300,000	550,000	400,000	170,000	1,870,000
2022	-	-	-	-	550,000	300,000	-	400,000	-	1,250,000
2023	-	-	-	-	600,000	300,000	-	400,000	-	1,300,000
Totals	<u>\$ 200,000</u>	<u>\$ 6,510,000</u>	<u>\$ 1,075,000</u>	<u>\$ 3,585,000</u>	<u>\$ 3,300,000</u>	<u>\$ 2,435,000</u>	<u>\$ 4,130,000</u>	<u>\$ 3,710,000</u>	<u>\$ 1,280,000</u>	<u>\$ 26,225,000</u>

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

**10 YEAR INTEREST PAYMENTS SCHEDULE
AS OF DECEMBER 31, 2013**

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	2013A G.O. Notes	2013 Refunding Bonds	Totals
2014	\$ 7,750	\$ 325,500	\$ 40,850	\$ 104,775	\$ 376,875	\$ 61,852	\$ 116,400	\$ 97,405	\$ 18,129	\$ 1,149,536
2015	-	245,000	33,325	87,000	376,875	59,063	101,400	62,750	12,021	977,434
2016	-	163,000	25,263	69,000	370,875	54,900	86,400	55,500	11,075	836,013
2017	-	81,250	17,200	50,250	359,625	50,175	71,400	48,000	9,915	687,815
2018	-	-	8,815	30,750	347,750	44,887	56,400	40,000	8,435	537,037
2019	-	-	-	10,500	332,750	38,700	40,950	32,000	6,523	461,423
2020	-	-	-	-	315,250	31,762	24,750	24,000	4,213	399,975
2021	-	-	-	-	295,250	23,700	8,250	16,000	1,488	344,688
2022	-	-	-	-	272,750	14,475	-	9,000	-	296,225
2023	-	-	-	-	244,700	4,875	-	3,000	-	252,575
Totals	<u>\$ 7,750</u>	<u>\$ 814,750</u>	<u>\$ 125,453</u>	<u>\$ 352,275</u>	<u>\$ 3,292,700</u>	<u>\$ 384,389</u>	<u>\$ 505,950</u>	<u>\$ 387,655</u>	<u>\$ 71,799</u>	<u>\$ 5,942,721</u>

CITY OF MEQUON
Current Schedule of Debt Service 2013-2023

Table 25

<u>UNPAID PRINCIPAL BAL</u>						<u>TOTAL 12/31</u>
<u>YEAR</u>	<u>G.O.</u>	<u>SEWER</u>	<u>WATER</u>	<u>TIF #2</u>	<u>TIF #3</u>	<u>PRINCIPAL BAL</u>
2013	\$ 13,980,000	\$ 6,510,000	\$ 15,050,000	\$ 2,435,000	\$ 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
2023			6,975,000		3,650,000	10,625,000

<u>UNPAID INTEREST DUE</u>						<u>TOTAL 12/31</u>
<u>YEAR</u>	<u>G.O.</u>	<u>SEWER</u>	<u>WATER</u>	<u>TIF #2</u>	<u>TIF #3</u>	<u>INT PAYABLE</u>
2013	\$ 392,295	\$ 407,000	\$ 685,225	\$ 65,855	\$ 376,875	\$ 1,927,250
2014	385,309	325,500	669,875	61,853	376,875	1,819,412
2015	296,496	245,000	649,469	59,063	376,875	1,626,903
2016	247,238	163,000	625,406	54,900	370,875	1,461,419
2017	196,675	81,250	598,156	50,175	359,625	1,285,881
2018	144,400		567,156	44,888	347,750	1,104,194
2019	89,973		534,656	38,700	332,750	996,079
2020	52,963		499,031	31,763	315,250	899,006
2021	25,738		459,656	23,700	295,250	804,344
2022	9,000		415,656	14,475	272,750	711,881
2023	3,000		366,906	4,875	244,700	619,481

<u>UNPAID PRINCIPAL BAL & INTEREST DUE</u>						<u>TOTAL 12/31</u>
<u>YEAR</u>	<u>G.O.</u>	<u>SEWER</u>	<u>WATER</u>	<u>TIF #2</u>	<u>TIF #3</u>	<u>PRIN & INTEREST</u>
2013	\$ 14,372,295	\$ 6,917,000	\$ 15,735,225	\$ 2,500,855	\$ 7,326,875	\$ 46,852,250
2014	12,535,309	5,225,500	15,094,875	2,361,853	7,326,875	42,544,412
2015	10,601,496	3,505,000	14,399,469	2,134,063	7,176,875	37,816,903
2016	8,727,238	1,788,000	13,675,406	1,904,900	6,920,875	33,016,419
2017	6,801,675	81,250	12,898,156	1,675,175	6,659,625	28,115,881
2018	4,874,400	-	12,067,156	1,444,888	6,347,750	24,734,194
2019	3,124,973	-	11,209,656	1,188,700	5,982,750	21,506,079
2020	1,972,963	-	10,324,031	931,763	5,565,250	18,794,006
2021	825,738	-	9,384,656	623,700	5,095,250	15,929,344
2022	409,000	-	8,390,656	314,475	4,522,750	13,636,881
2023	3,000	-	7,341,906	4,875	3,894,700	11,244,481

**CITY OF MEQUON, WISCONSIN
PLEGDED REVENUE COVERAGE
LAST TEN FISCAL YEARS**

Fiscal Year	Gross Revenues	Operating Expenses	Net Revenue Available for Debt Service	Maximum Annual Debt Service Requirement		
				Principal	Interest	Coverage
2004	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2005	-	-	-	-	-	-
2006	-	-	-	-	-	-
2007	-	-	-	-	-	-
2008	-	-	-	-	-	-
2009	1,657,208	704,545	952,663	-	363,706	2.62
2010	2,365,112	970,731	1,394,381	475,000	716,094	1.17
2011	2,475,848	1,119,423	1,356,425	500,000	708,019	1.12
2012	2,806,469	1,194,568	1,611,901	525,000	697,625	1.32
2013	2,725,172	1,196,563	1,528,609	575,000	685,225	1.21

Source: City of Mequon Annual Financial Reports

Prior to 2009, the City did not have any outstanding revenue bond debt.

Gross revenues are operating revenues plus interest.

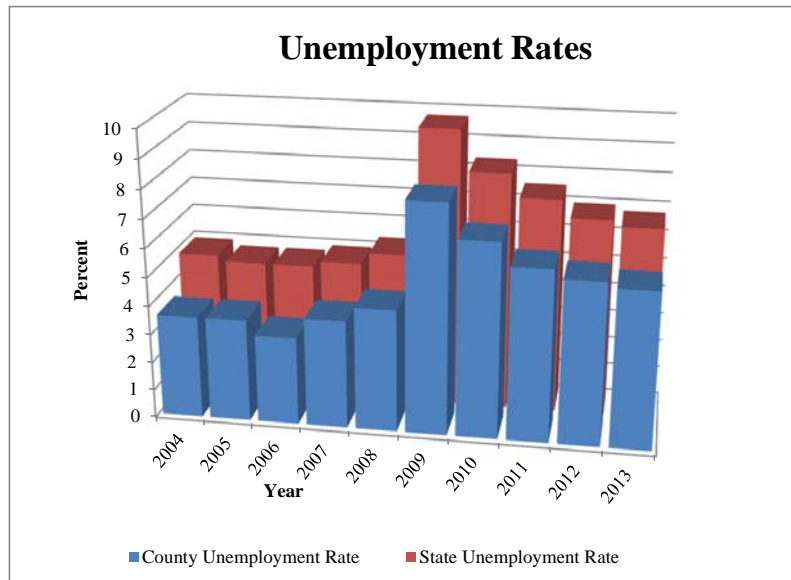
Operating expenses do not include interest or depreciation.

**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>
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
2013	47,006	44,432	2,574

Source: Wisconsin Department of Workforce Development



Source: Wisconsin Department of Workforce Development

CITY OF MEQUON ADDITIONAL DEMOGRAPHIC INFORMATION

Breakdown of Housing Units	<u>2011</u>	<u>2012</u>	(%)	Housing Valuations	<u>2011</u>	<u>2012</u>
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	<u>2000</u>	<u>2010</u>		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	<u>2000</u>	<u>2010</u>		Educational Attainment - 2012		
White	94.2%	93.0%		Ninth Grade Education or lower		0.5%
Black or African American	2.3%	2.8%		High School Diploma or higher		13.7%
American Indian, Eskimo	0.1%	1.0%		Bachelors degree or higher		60.16%
Asian or Pacific Islander	2.4%	3.1%		* Population 25 years and older		
Other	1.0%	1.0%		Occupational Composition - 2012		
Age Composition	<u>2000</u>	<u>2010</u>		Managerial & Professional		56.0%
Under 5 years	5.5%	4.3%		Service Occupations		9.5%
5 - 14 years	17.2%	14.0%		Sales and office occupations		25.8%
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		4.9%
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	<u>2000</u>	<u>2010</u>		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%			2013	23,279
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**

GENERAL:	2009	2010	2011	2012	2013
Area in Square Miles	46.88	46.88	46.88	46.88	46.88
Households	9,258	9,283	9,304	9,336	9,336
Population	23,660	23,132	23,191	23,226	23,279
Equalized Valuations (\$000)	4,367,555	4,223,167	4,095,830	3,972,167	3,949,469

PUBLIC SAFETY	2009	2010	2011	2012	2013
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	2009	2010	2011	2012	2013
Acres of Parkland	1177.8	1177.8	1177.8	1177.8	1177.8
Number of Parks	25	25	25	25	25

LIBRARY:	2009	2010	2011	2012	2013
Circulation	335,654	332,219	323,005	310,386	324,467
Total Items Owned	128,515	123,723	154,322	191,726	191,726

INFRASTRUCTURE	2009	2010	2011	2012	2013
Miles of State Highway System	15.45	15.45	15.45	15.45	15.45
Miles of County Highway System	7.7	7.7	7.7	7.73	7.73
Miles of Local Roads and Streets	211.4	211.4	211.4	211.77	211.77
Miles of Sanitary Sewer Main	152.87	152.87	152.87	153.21	153.21
Miles of Water Main	76.92	77.1250379	77.13	77.88	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

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
General Government										
Building Permits Issued	729	697	715	638	601	579	583	590	606	755
Valuation (Thousands \$)	80,111	94,420	69,570	76,820	42,970	42,411	52,219	40,128	54,390	54,365
Police										
Calls for service	17,773	16,388	17,194	17,548	17,321	16,352	17,597	20,665	20,665	22,488
Physical Arrests	851	1,063	963	970	1,076	968	842	781	781	662
Reportable Traffic crashes	298	343	275	290	267	259	276	260	260	370
Fire / EMS										
Fire calls for service	362	334	348	345	324	318	341	312	392	394
EMS calls for service	999	1,036	1,114	1,163	1,165	1,003	992	1,020	1,112	1214
Parks										
Acres of Parkland maintained	948	1,080	1,080	1,080	1,177	1,177	1,177	1,177	1,177	1,177
Pavillion Rentals	84	81	76	77	81	58	65	65	72	59
Pool Attendance	19,076	28,228	24,201	20,101	21,509	19,184	22,068	19,188	21,482	13,071
Library										
Library Visits	190,008	160,290	162,045	154,869	155,418	150,481	130,948	130,005	137,733	139,224
Circulation	340,943	325,097	331,816	322,300	326,586	335,654	332,219	323,005	310,386	324,467
Summer Programs Attendance	4,129	3,714	4,352	4,445	5,712	5,793	5,607	5,217	5,578	5,133

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

	Valuation (\$mil)	# Permits
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
2013	\$ 54.37	755

