

**VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin**

**AUDITED FINANCIAL STATEMENTS
Year Ended December 31, 2011**

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Audited Financial Statements
Year Ended December 31, 2011

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Independent Auditors' Report

To the Village Board
Village of Hales Corners
Milwaukee County, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Hales Corners, Wisconsin as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Hales Corners, Wisconsin's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Hales Corners, Wisconsin as of December 31, 2011, and the respective changes in financial position, where applicable, thereof and the respective budgetary comparison for the General Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated July 16, 2012 on our consideration of the Village of Hales Corners, Wisconsin's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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

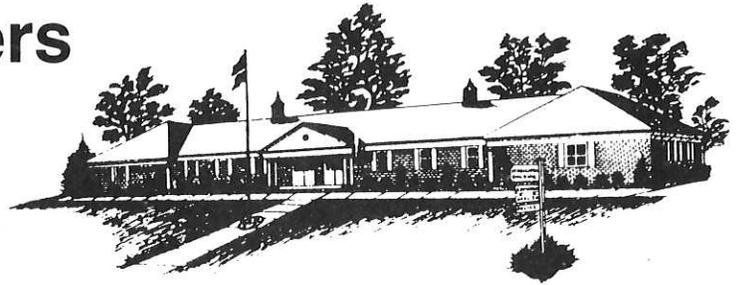
Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Village of Hales Corners, Wisconsin's, basic financial statements. The Schedule of State of Wisconsin Department of Health Services Assistance, the Summary Schedule of Prior Year Findings, and the Summary of Audit Results is presented for purposes of additional analysis as required by the Department of Health Services Audit Guide, 2011 Revision and is not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules are also not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements and schedules, the Schedule of State of Wisconsin Department of Health Services Assistance, the Summary Schedule of Prior Year Findings, and the Summary of Audit Results is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.

Reilly, Penner & Bantor LLP

July 16, 2012
Milwaukee, Wisconsin

Village of Hales Corners

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Management's Discussion and Analysis (Unaudited)

To help understand the attached financial statements, management has prepared this discussion and analysis of the Village of Hales Corners' financial activities and performance for the year ended December 31, 2011.

Overview of the Financial Statements

This report consists of a series of financial statements. The Village's basic financial statements are comprised of three components: 1) government-wide financial statements, 2) fund financial statements, and 3) notes to the financial statements. This report also contains required supplementary information and other supplementary information.

Government-wide Financial Statements

The government-wide financial statements are designed to provide readers with a broad overview of the Village's finances, similar to a private-sector business.

The *Statement of Net Assets* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in the net assets may serve as a useful indicator of whether the financial position of the Village is improving or deteriorating. Other non-financial factors play a significant role in determining the Village's overall position, such as changes in property tax base and the condition of the Village's capital assets (i.e. infra-structure and physical plant).

The *Statement of Activities* presents information showing how the Village's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows (full accrual method). Thus, revenues and expenses are reported in the statement for some items that will only result in cash flows in future fiscal periods.

Both of these government-wide financial statements provide information on the functions of the Village. These governmental activities of the Village include general government, public safety, public works, health and human services, culture and recreation, and conservation and development. These activities are principally financed by taxes, user fees, and state and federal grants and contributions.

The government-wide financial statements can be found on pages 9 and 10 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 Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Fund Financial Statements (continued)

The Village of Hales Corners uses only governmental funds, which are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial 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 (modified accrual method). Such information may be useful in evaluating the Village'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 the 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 Village's near-term financing decisions. Both the *Balance Sheet - Governmental Funds* and the *Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds* provide a reconciliation to facilitate this comparison between governmental funds and governmental activities.

The basic fund financial statements can be found on pages 11 through 16 of this report.

The Village of Hales Corners adopts an annual appropriated budget for all funds as required by state statute. The *Statement of Revenues, Expenditures and Changes in Fund Balance – Budget to Actual – General Fund*, found on page 15, has been provided as a basic financial statement to demonstrate compliance with the adopted budget.

Notes to Financial Statements

The notes provide additional information 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 on pages 17 through 38 of this report.

Government-wide Financial Analysis and Highlights

As of the year ended December 31, 2011, Village assets exceeded liabilities by \$13,224,413. Of this amount; \$1,222,100 was restricted; \$11,461,536 invested in capital assets, net of related debt; and \$540,777 was unrestricted. The change in liabilities primarily reflects the retirement of \$817,489 in long-term debt. Unrestricted net assets changed from \$(69,968) in 2010 to \$540,777 in 2011. The change is due to a temporary float of capital project spending in 2010, in anticipation of a major borrowing in 2011. While the major borrowing was not completed in 2011, the timing of other 2011 capital projects was deferred and a transfer of 2011 general fund surplus and other revenues combined for an increase in unrestricted assets. The following condensed financial information related to Village assets, liabilities, and net assets has been derived from the Village's government-wide financial statements:

Assets:	2011	2010
Capital assets	\$ 18,379,853	\$ 18,569,363
Other assets	10,308,530	10,300,036
Total assets	<u>\$ 28,688,383</u>	<u>\$ 28,869,399</u>
Liabilities and Net Assets:		
Liabilities:		
Long-term liabilities	\$ 8,195,395	\$ 8,625,151
Other liabilities	7,268,575	8,007,965
Total liabilities	<u>15,463,970</u>	<u>16,633,116</u>
Net Assets:		
Invested in capital assets, net of related debt	11,461,536	11,255,556
Restricted	1,222,100	1,050,695
Unrestricted	540,777	(69,968)
Total net assets	<u>13,224,413</u>	<u>12,236,283</u>
Total liabilities and net assets	<u>\$ 28,688,383</u>	<u>\$ 28,869,399</u>

Government-wide Financial Analysis and Highlights (continued)

Total net assets increased by \$988,130 in 2011. The increase is smaller than the 2010 increase of \$1,107,640. The following condensed financial information related to Village revenues, expenses, and changes in net assets has been derived from the Village's government-wide financial statements:

Revenues:	<u>2011</u>	<u>2010</u>
Program:		
Charges for services	\$ 1,886,057	\$ 1,793,487
Operating grants and contributions	737,501	680,348
Capital grants and contributions	360,000	1,136,790
General:		
Taxes	5,331,940	5,366,263
Other	449,248	451,534
Total revenues	<u>8,764,746</u>	<u>9,428,422</u>
Expenses:		
General government	885,578	862,725
Public safety	3,648,556	3,641,831
Public works	1,912,727	2,370,211
Health and human services	191,252	205,819
Culture and recreation	758,606	736,327
Conservation and development	13,912	12,048
Interest on long-term debt	365,985	491,821
Total expenses	<u>7,776,616</u>	<u>8,320,782</u>
Change in net assets	<u>988,130</u>	<u>1,107,640</u>
Net assets, beginning of year	<u>12,236,283</u>	<u>11,128,643</u>
Net assets, end of year	<u>\$ 13,224,413</u>	<u>\$ 12,236,283</u>

Financial Analysis of the Village's Funds

As noted earlier, the Village uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. The Village's governmental funds are categorized as major and non-major. The two major funds are 1) the General Fund, which accounts for the Village's primary operating activities, and 2) the Debt Service Fund, which accounts for the accumulation of resources for, and the payment of, general long-term obligation principal and interest. The non-major funds are segregated into two fund-types: 1) capital projects, and 2) special revenue funds.

The Village's combined ending fund balance was \$3,608,501. This amount represents the Village's major funds: General Fund - \$1,343,039, Debt Service Fund - \$534,976; and Other Governmental Funds - \$1,730,486.

The General Fund balance for 2011 is \$1,343,039. It includes \$72,042 that is non-spendable, \$54,237 that is committed for specific purposes, and \$1,216,760 that is unassigned. There were no restricted amounts. The General Fund balance increased during the year, with expenditures exceeding revenues and other financing uses by \$72,600.

The Debt Service Fund balance of \$534,976, a decrease from the prior year balance of \$641,571, provides a reserve to finance the existing long-term debt service requirements and anticipated future borrowings for Village physical plant. It allows for improved management of annual tax levy increases for debt service and reduces the need for capitalized interest. The Debt Service fund balance is projected to decrease again in 2012, as actual planned debt service payments exceed planned tax levy debt service contributions.

Financial Analysis of the Village's Funds (continued)

The Other Governmental Funds balance totals \$1,730,486, compared to a balance of \$1,013,331 in 2010. The General Capital Projects has a fund balance of \$439,830, compared to \$134,474 from the prior year. The increase of \$305,356 is due to the transfer of a portion of general fund surplus and the deferral of several planned capital projects. The TIF District #2 Fund balance of \$577,389 is an increase of \$345,460 from 2010. It reflects the positive cash flow of the District.

The aggregate of non-major special revenue fund balances totals \$136,441, an increase over the prior year balance of \$131,420. These funds account for relatively short-term projects funded primarily by state, federal and private grants and contributions. No significant transactions or changes in fund balances within these funds occurred during 2011.

General Fund Budgetary Highlights

The Village Board amended the 2011 originally adopted General Fund operating budget as follows:

	Increase (Decrease)
Current expenditures:	
General government	\$ (33,033)
Public Safety	(124,309)
Public works	(9,786)
Health and human services	(2,655)
Culture and recreation	(4,425)
Net expenditures	<u>(174,208)</u>
Other financing sources and uses:	
Transfers out	<u>174,208</u>
Net Change	<u>\$ ---</u>

The amendments were primarily related to reallocations of the general government contingency to departments for personnel related costs that were undeterminable at the time the original budget was approved due to ongoing employment negotiations.

Capital Asset and Debt Administration

Capital Assets

The Village's investment in capital assets as of December 31, 2011, amounts to \$18,379,853 (net of accumulated depreciation), and major categories comprising this balance are summarized as follows:

	<u>2011</u>	<u>2010</u>
Land	\$ 6,029,397	\$ 5,994,408
Land improvements	164,502	164,502
Buildings	6,645,826	6,559,371
Equipment and furnishings	2,849,399	2,865,656
Infrastructure	6,914,687	6,715,457
Total	<u>22,603,811</u>	<u>22,299,394</u>
Accumulated depreciation	<u>(4,223,958)</u>	<u>(3,730,031)</u>
Net capital assets	<u>\$ 18,379,853</u>	<u>\$ 18,569,363</u>

The additions to capital assets during the current year consisted primarily of completion of street projects.

Capital Asset and Debt Administration (continued)

Long-term Debt

As of December 31, 2011, the Village had total debt outstanding of \$7,459,259. A summary of outstanding long-term debt is as follows:

General Obligation Debt:	
Bonds and notes	\$ 2,735,000
State Trust Fund loans	<u>4,724,259</u>
Total long-term debt	\$ <u>7,459,259</u>

No new debt was issued in 2011. Additional long term debt of approximately \$1,200,000 is planned for 2012.

Economic Factors Affecting the Future

Significant changes in Wisconsin state law will restrict tax levies for operating purposes through 2013 and limit general state aids and transportation aids. While partly offset by new state mandated employee contributions to the WRS pension, staff and service reductions are anticipated. Debt service is exempt from the state levy limits, and will not affect the Village's borrowing capacity.

The Village's Tax Increment Finance District #2 is intended to be retired in 2012. The long planned use of the Village portion of the tax base increment upon retirement was the establishment of a reliable funding source of approximately \$200,000 per year for street resurfacing and reconstruction, which was implemented in the 2012 budget.

The Village as Fiduciary

The Village acts as fiduciary for property taxes collected on behalf of other taxing units, including the State of Wisconsin, Milwaukee County, Whitnall School District, MMSD, and Milwaukee County Technical College. Year end balances related to the Village's fiduciary activities are reported in the Statement of Net Assets – Fiduciary Fund on page 16. The Village excludes these assets from other financial statements because the Village cannot use these assets to finance its operations.

Requests for Information

This financial report is designed to provide our citizens, taxpayers, customers, investors, and creditors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If there are questions about this report or a need for further information, contact Michael F. Weber, Village of Hales Corners, 5635 S. New Berlin Road, Hales Corners, WI 53130.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Statement of Net Assets
December 31, 2011

		Governmental Activities
Assets:		
Cash and equivalents	\$	1,643,558
Investments		5,413,817
Taxes receivable		2,758,176
Accounts receivable		230,751
Build America Bond interest receivable		52,001
Prepaid items		66,235
Special assessments receivable		92,604
Unamortized debt issuance costs		51,388
Capital assets:		
Land and construction in progress		6,029,397
Other capital assets net of accumulated depreciation		12,350,456
Total assets	\$	<u>28,688,383</u>
 Liabilities and Net Assets:		
Liabilities:		
Accounts payable and accrued expenses	\$	311,277
Accrued wages and benefits		79,801
Accrued interest payable		226,462
Deposits		22,364
Deferred revenues		5,864,654
Accrued compensated absences - vacation		153,547
Accrued compensated absences - sick		216,608
OPEB obligation		1,129,998
Bonds and notes - due within one year		610,470
Bonds and notes - due in more than one year		6,848,789
Total liabilities		<u>15,463,970</u>
 Net Assets:		
Invested in capital assets, net of related debt		11,461,536
Restricted for:		
Capital projects		630,211
Debt service		534,976
Other		56,913
Unrestricted		540,777
Total net assets		<u>13,224,413</u>
Total liabilities and net assets	\$	<u>28,688,383</u>

The accompanying notes to financial statements are an integral part of these statements.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Statement of Activities
Year Ended December 31, 2011

	<u>Expenses</u>	<u>Program Revenues</u>			<u>Net Revenue (Expense) and Changes in Net Assets of Governmental Activities</u>
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
Governmental activities:					
General government	\$ 885,578	\$ 117,059	\$ 47,215	\$ 160,000	\$ (561,304)
Public safety	3,648,556	465,736	43,633	---	(3,139,187)
Public works	1,912,727	1,112,280	483,522	---	(316,925)
Health and human services	191,252	17,697	44,600	---	(128,955)
Culture and recreation	758,606	173,285	47,098	---	(538,223)
Conservation and development	13,912	---	5,826	200,000	191,914
Interest on long-term debt	365,985	---	65,607	---	(300,378)
Total governmental activities	\$ 7,776,616	\$ 1,886,057	\$ 737,501	\$ 360,000	(4,793,058)
General Revenues:					
Taxes:					
					3,956,580
Property taxes levied for general purposes					770,000
Property taxes levied for debt service					605,360
Property taxes levied for TID districts					265,202
Grants and contributions not restricted to specific programs					3,998
Gain on disposal of capital assets					30,495
Investment earnings					149,553
Other revenues					<u>5,781,188</u>
Total general revenues					988,130
Change in net assets					12,236,283
Net assets, beginning of year					<u>\$ 13,224,413</u>
Net assets, end of year					\$ 13,224,413

The accompanying notes to financial statements are an integral part of these statements.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Balance Sheet - Governmental Funds
December 31, 2011

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets:				
Cash and equivalents	\$ 1,640,065	\$ ---	\$ 3,493	\$ 1,643,558
Investments	3,293,250	534,976	1,585,591	5,413,817
Receivables:				
Taxes	1,927,670	795,000	35,506	2,758,176
Special assessments	---	---	92,604	92,604
Accounts	230,751	---	---	230,751
Prepaid expenses	66,235	---	---	66,235
Due from other funds	---	---	186,469	186,469
Total assets	<u>\$ 7,157,971</u>	<u>\$ 1,329,976</u>	<u>\$ 1,903,663</u>	<u>\$ 10,391,610</u>
 Liabilities and Fund Balances:				
Liabilities:				
Accounts payable	\$ 311,277	\$ ---	\$ ---	\$ 311,277
Accrued wages and benefits	79,801	---	---	79,801
Deposits	22,364	---	---	22,364
Deferred revenues	5,079,765	795,000	154,886	6,029,651
Accrued compensated absences	153,547	---	---	153,547
Due to other funds	168,178	---	18,291	186,469
Total liabilities	<u>5,814,932</u>	<u>795,000</u>	<u>173,177</u>	<u>6,783,109</u>
 Fund Balance:				
Nonspendable	72,042	---	---	72,042
Restricted	---	534,976	687,124	1,222,100
Committed	54,237	---	1,079,279	1,133,516
Unassigned	1,216,760	---	(35,917)	1,180,843
Total fund balance	<u>1,343,039</u>	<u>534,976</u>	<u>1,730,486</u>	<u>3,608,501</u>
 Total liabilities and fund balances	 <u>\$ 7,157,971</u>	 <u>\$ 1,329,976</u>	 <u>\$ 1,903,663</u>	 <u>\$ 10,391,610</u>

The accompanying notes to financial statements are an integral part of these statements.

**VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin**

**Reconciliation of the Balance Sheet - Governmental Funds to the Statement of Net Assets
December 31, 2011**

Total fund balance of governmental funds	\$ 3,608,501
 Amounts reported for governmental activities in the government-wide statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not recognized in the fund statements.	
Land and construction in progress	6,029,397
Other capital assets net of accumulated depreciation	12,350,456
 Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.	
MCFLS receivable	93,000
Special assessments receivable	71,997
Build America Bond interest receivable	52,001
 Governmental funds report premiums and discounts associated with the issuance of long-term debt as other financing sources and uses, but these items are amortized over the life of the debt issue on the statement of activities. Similarly, debt issuance costs and losses on refundings of debt are recorded as expenditures in the governmental funds, but amortized over the life of the debt issue on the statement of activities.	
Unamortized debt issuance costs	51,388
 The following long-term liabilities which are not due and payable in the current period are not recognized in the funds:	
Bonds and promissory notes payable	(7,459,259)
Compensated absences payable - sick pay	(216,608)
OPEB Obligation	(1,129,998)
Accrued interest payable on long-term bonds and notes	<u>(226,462)</u>
Net assets of governmental activities	\$ <u><u>13,224,413</u></u>

The accompanying notes to financial statements are an integral part of these statements.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

**Statement of Revenues, Expenditures and
Changes in Fund Balances - Governmental Funds
Year Ended December 31, 2011**

	<u>General</u>	<u>Debt Service</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 3,956,580	\$ 770,000	\$ 605,360	\$ 5,331,940
Public charges for services:				
Licenses	46,202	---	---	46,202
Permits	73,922	---	---	73,922
Fines and forfeitures	185,850	---	---	185,850
Other charges for services	1,463,455	---	141,189	1,604,644
Operating grants and contributions:				
Intergovernmental	761,496	100,322	119,572	981,390
Other	---	---	56,028	56,028
Capital grants and contributions:				
Other	---	---	360,000	360,000
Interest income	22,875	862	6,758	30,495
Miscellaneous revenues	138,662	---	10,891	149,553
Total revenues	<u>6,649,042</u>	<u>871,184</u>	<u>1,299,798</u>	<u>8,820,024</u>
Expenditures:				
Current:				
General government	790,274	---	32,403	822,677
Public safety	3,011,825	---	62,925	3,074,750
Public works	1,516,972	---	135,195	1,652,167
Health and human services	137,927	---	45,767	183,694
Culture, recreation and education	652,536	---	68,797	721,333
Conservation and development	---	---	13,912	13,912
Capital outlay	---	---	379,524	379,524
Debt Service:				
Principal payments	---	817,489	---	817,489
Interest payments	---	481,833	---	481,833
Total expenditures	<u>6,109,534</u>	<u>1,299,322</u>	<u>738,523</u>	<u>8,147,379</u>
Excess of revenues over expenditures	539,508	(428,138)	561,275	672,645
Other Financing Sources (Uses):				
Proceeds from sale of capital assets	---	---	10,515	10,515
Transfers from other funds	---	321,543	466,908	788,451
Transfers to other funds	(466,908)	---	(321,543)	(788,451)
Net change in fund balance	<u>72,600</u>	<u>(106,595)</u>	<u>717,155</u>	<u>683,160</u>
Fund Balance:				
Beginning of year	<u>1,270,439</u>	<u>641,571</u>	<u>1,013,331</u>	<u>2,925,341</u>
End of year	<u>\$ 1,343,039</u>	<u>\$ 534,976</u>	<u>\$ 1,730,486</u>	<u>\$ 3,608,501</u>

The accompanying notes to financial statements are an integral part of these statements.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

**Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
Year Ended December 31, 2011**

Net change in fund balances of governmental funds	\$	683,160
Amounts reported for governmental activities in the statement of activities are different because:		
<p>Governmental funds report capital outlays as expenditures. In the government-wide statement of activities the cost of those assets is allocated over their useful lives and reported as depreciation.</p>		
Governmental capital outlays in fund financial statements		379,524
Depreciation expense in government-wide financial statements		(562,517)
<p>In the statement of activities, the net gain or loss on the sale or retirement of capital assets is reported. However, in the governmental funds, only the proceeds from the sale of capital assets provides a current financial resource to be reported. Therefore, the change in fund balance differs from the change in net assets by the cost of the assets sold or retired net of the accumulated depreciation on those assets.</p>		
		(6,517)
<p>Governmental funds report proceeds from the issuance of long-term debt as other financing sources, but issuing debt increases long-term liabilities in the statement of net assets. Repayments of long-term debt are expenditures in the governmental funds but the repayments reduce long-term liabilities in the statement of net assets.</p>		
Principal payments on debt in governmental fund financial statements		817,489
<p>Governmental funds report premiums and discounts associated with the issuance of long-term debt as other financing sources and uses but these items are amortized over the life of the debt issue on the statement of activities. Similarly, debt issuance costs are reported as expenditures in the governmental funds but amortized over the life of the debt issue on the statement of activities.</p>		
Amortization of these amounts included in interest expense in the statement of activities		(3,797)
<p>Interest on long-term debt in the governmental funds is reported as an expenditure in the funds when it is due, and thus requires the use of current financial resources. In the statement of activities, however, interest costs are recognized as they accrue, regardless of when they are due. This is the amount by which the prior year accrual exceeds the current accrual.</p>		
		119,645
<p>Certain revenues which do not provide current financial resources are deferred in the governmental funds, but are recognized in the statement of activities.</p>		
Decrease in deferred MCFLS receivable		(7,000)
Decrease in deferred special assessments receivable		(17,561)
Decrease in Build America Bond interest receivable		(34,715)
<p>Certain expenses do not require the use of current financial resources, and therefore, are not reported as expenditures in the governmental funds. These expenses are accrued in the government-wide statement of net assets and reported as expenses in the statement of activities.</p>		
Increase in accrued compensated absences - sick pay		(384)
Increase in OPEB obligation		(379,197)
		<u>(379,197)</u>
Change in net assets of governmental activities	\$	<u>988,130</u>

The accompanying notes to financial statements are an integral part of these statements.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget to Actual - General Fund
Year Ended December 31, 2011

	<u>Originally Adopted Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 3,955,002	\$ 3,955,002	\$ 3,956,580	\$ 1,578
Public charges for services:				
Licenses	38,860	38,860	46,202	7,342
Permits	49,660	49,660	73,922	24,262
Fines and forfeitures	227,000	227,000	185,850	(41,150)
Other charges for services	1,546,088	1,546,088	1,463,455	(82,633)
Operating grants and contributions:				
Intergovernmental	772,445	772,445	761,496	(10,949)
Interest income	31,000	31,000	22,875	(8,125)
Miscellaneous revenues	112,600	112,600	138,662	26,062
Total revenues	<u>6,732,655</u>	<u>6,732,655</u>	<u>6,649,042</u>	<u>(83,613)</u>
Expenditures:				
Current:				
General government	958,842	925,809	790,274	(135,535)
Public safety	3,250,994	3,126,685	3,011,825	(114,860)
Public works	1,572,752	1,562,966	1,516,972	(45,994)
Health and human services	149,057	146,402	137,927	(8,475)
Culture and recreation	671,310	666,885	652,536	(14,349)
Total expenditures	<u>6,602,955</u>	<u>6,428,747</u>	<u>6,109,534</u>	<u>(319,213)</u>
Excess of revenues over expenditures	129,700	303,908	539,508	235,600
Other Financing Uses:				
Transfers to other funds	(289,700)	(463,908)	(466,908)	(3,000)
Net change in fund balance	<u>(160,000)</u>	<u>(160,000)</u>	<u>72,600</u>	<u>232,600</u>
Fund Balance:				
Beginning of year	<u>1,270,439</u>	<u>1,270,439</u>	<u>1,270,439</u>	<u>---</u>
End of year	<u>\$ 1,110,439</u>	<u>\$ 1,110,439</u>	<u>\$ 1,343,039</u>	<u>\$ 232,600</u>

The accompanying notes to financial statements are an integral part of these statements.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Statement of Net Assets - Fiduciary (Agency) Fund
December 31, 2011

	<u>Agency</u>
Assets:	
Investments	\$ 6,293,753
Taxes receivable	<u>5,475,616</u>
Total assets and other debits	<u><u>\$ 11,769,369</u></u>
Liabilities:	
Due to other taxing units	<u><u>\$ 11,769,369</u></u>

The accompanying notes to financial statements are an integral part of these statements.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies

The Village of Hales Corners ("Village") complies with generally accepted accounting principles ("GAAP"). GAAP includes all relevant Governmental Accounting Standards Board ("GASB") pronouncements. In the government-wide financial statements, Financial Accounting Standards Board ("FASB") pronouncements and Accounting Principles Board ("APB") opinions issued on or before November 30, 1989 have been applied unless those pronouncements conflict with or contradict GASB pronouncements, in which case, GASB prevails. The accounting and reporting framework and the more significant accounting policies are discussed in subsequent subsections of this Note.

A. Financial Reporting Entity

The Village is a municipal corporation governed by a Board of Trustees. All significant operations of the Village over which it has oversight responsibility have been included in the accompanying financial statements. The decision to include a potential component unit in the Village's reporting entity is based on the criteria set forth in GASB Statement No. 14, which includes the ability to appoint a voting majority of an organization's governing body and (1) the ability of the Village to impose its will on that organization or (2) the potential for the organization to provide specific financial benefits to, or impose specific financial burdens on the Village. The Village has no component units meeting these criteria.

B. Government-wide and Fund Financial Statements

Government-wide Financial Statements

The statement of net assets and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

The statement of net assets presents the governmental activities assets, liabilities and net assets on a full accrual basis, which recognizes all long-term assets and long-term liabilities. The Village's net assets are reported in three classifications: invested in capital assets net of related debt, which consists of the difference between capital assets net of accumulated depreciation less outstanding debt used to acquire those assets; restricted net assets, which represents assets required by outside parties or legislation to be spent in a specific manner; and unrestricted net assets, net assets not included in the other two classifications.

The statement of activities presents the activities of the governmental activities on a full accrual basis. These activities are presented in a manner which demonstrates the degree to which the direct expenses of a given function are offset by program revenues of that function. Program revenues are presented in three classifications: charges for services, which include direct charges to customers benefiting from the services, goods or privileges provided; operating grants and contributions, which were received in activities related to that function but not required to be used for capital asset acquisition; and capital grants and contributions which were received in activities related to that function and required to be used in the acquisition of capital assets. Other revenues not attributable to individual functions and taxes are reported as general revenues.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

Fund Financial Statements

Fund 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 that constitute its assets, liabilities, fund equity, revenues, and expenditures/expenses. Funds are organized into two major categories: governmental and fiduciary. An emphasis is placed on major funds. A fund is considered major if it is the primary operating fund of the Village or meets the following criteria:

- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 10 percent of the corresponding total for all funds of that category or type; and
- Total assets, liabilities, revenues, or expenditures/expenses of the individual governmental fund are at least 5 percent of the corresponding total for all governmental funds combined.

The Village reports the following funds:

Major Governmental Funds

- General Fund - the General Fund is the primary operating fund of the Village and is always classified as a major fund. It is used to account for all financial transactions except those legally or administratively required to be accounted for in another fund.
- Debt Service Fund - the Debt Service Fund accounts for the accumulation of resources for, and the payment of, general long-term obligations principal, interest and related costs.

Non-major Governmental Funds

- Special Revenue Funds - are used to account for revenues requiring separate accounting because of legal, regulatory or administrative provisions, and consist of the following individual funds:

General Government	Health
Fire	Library
Police	July 4 th Activities
Public Works	Senior Enrichment

- Capital Projects Funds - are used to account for financial resources to be used for the acquisition or construction of major capital facilities and equipment, and consist of the following individual funds:

General Capital Projects Fund	Tax Incremental Financing (TIF) District #2
Special Assessments	Tax Incremental Financing (TIF) District #3
Equipment Replacement Fund	

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

B. Government-wide and Fund Financial Statements (continued)

Fund Financial Statements (continued)

Fiduciary (Agency) Funds

- Agency funds - are used to account for assets held by the Village in a purely custodial capacity. The Village's agency fund is used for recording assets collected for other taxing jurisdictions. Since agency funds are custodial in nature (i.e. assets equal liabilities), they do not involve the measurement of results of operations. Since by definition these assets are held for the benefit of a third party and cannot be used to address activities or obligations of the government, these funds are not included in the preparation of the government-wide statements.

C. Measurement Focus and Basis of Accounting

Measurement Focus

In the government-wide statement of net assets and the statement of activities, governmental activities are presented using the "economic resources" measurement focus. The accounting objectives of this measurement focus are the determination of operating income, changes in net assets (or cost recovery), financial position, and cash flows. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Fund equity is classified as net assets.

In the fund financial statements, the "current financial resources" measurement focus is used. Only current financial assets and liabilities are generally included on their balance sheets. Their operating statements present sources and uses of available spendable financial resources during a given period. These funds use fund balance as their measure of available spendable financial resources at the end of the period.

Agency funds are not involved in the measurement of results of operations; therefore, measurement focus is not applicable to them.

Basis of Accounting

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

In the government-wide statement of net assets and statement of activities, governmental activities are presented using 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.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

C. Measurement Focus and Basis of Accounting (continued)

Basis of Accounting (continued)

In the fund financial statements, governmental funds and agency funds are presented on the modified accrual basis of accounting. Under this modified accrual basis of accounting, revenues are recognized when “measurable and available.” Measurable means knowing or being able to reasonably estimate the amount. Available means collectible within the current period or within sixty days after year end. Expenditures (including capital outlay) are recorded when the related fund liability is incurred, except for certain items related to long-term liabilities. Such items include: accumulated unpaid sick pay, and principal and interest on general long-term debt which are reported when due.

D. Assets, Liabilities, and Net Assets or Equity

Cash and Investments

For the purpose of the statement of net assets “cash and cash equivalents” include: all demand, savings and money market accounts. Investments include certificates of deposit and investments in the Local Government Investment Pool, and are carried at cost which approximates fair value.

Receivables

In the government-wide statements, receivables consist of all revenues earned or to which the Village is otherwise entitled and has not yet received. Allowances for uncollectible accounts receivable are based upon historical trends and the periodic aging of accounts receivable. Major receivable balances for the governmental activities include taxes, grants, and ambulance fees.

In the fund financial statements, material receivables in governmental funds include revenue accruals such as intergovernmental grants and aids and other similar revenues since they are usually both measurable and available. Receivables collectible but not available are deferred in the fund financial statements in accordance with the modified accrual basis of accounting, but not deferred in the government-wide financial statements in accordance with the accrual basis of accounting. Interest and investment earnings are recorded when earned only if paid within 60 days since they would be considered both measurable and available.

Property taxes are recorded in the year levied as receivables and deferred revenues. They are recognized as revenues in the succeeding year when services financed by the levy are provided. In addition to property taxes for the municipality, taxes are collected for and remitted to the state and county governments, the Milwaukee Metropolitan Sewerage District, and the local and vocational school districts. Taxes for all state and other local governmental units billed in the current year for the succeeding year are reflected as receivables and as due to other taxing units on the statement of net assets – fiduciary (agency) fund. Taxes are levied in December on the assessed value as of the prior January 1.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Receivables (continued)

Property Tax Calendar – 2011 Tax Roll:

Lien date and levy date	December 2011
Tax bills mailed	December 2011
Payment in full, or	January 31, 2012
First installment of 50% due	January 31, 2012
Second installment of 25% due	April 30, 2012
Third installment of 25% due	July 31, 2012
Special charges and personal property taxes in full	January 31, 2012
Tax sale of 2008 delinquent real estate taxes	October 2012

Interfund Receivables and Payables

During the course of operations, numerous transactions occur between individual funds that may result in amounts owed between funds. Those related to goods and services type transactions are classified as “due to and from other funds” on the fund financial statements and eliminated on the government-wide financial statements. Long-term interfund loans are reported as “advances from and to other funds” on the fund financial statements and eliminated on the government-wide financial statements.

Prepaid Items

Certain payments to vendors reflect costs applicable to future periods and are recorded as prepaid items.

Capital Assets

The accounting treatment related to capital assets depends on whether they are reported in the government-wide or fund financial statements.

Government-wide Statements

Capital assets are defined by the Village as assets with an original cost of more than \$5,000 for general capital assets and more than \$25,000 for infrastructure assets and having an estimated useful life of four or more years. All capital assets are valued at historical cost or estimated historical cost if actual costs are unavailable. Donated capital assets are recorded at their estimated fair value at the date of donation.

Prior to January 1, 2004, infrastructure assets of the Village’s governmental funds were not required to be capitalized. Upon the implementation of GASB 34, the Village is required to account for all capital assets, including infrastructure in the government-wide financial statements prospectively from the date of implementation. Retroactive reporting of all major infrastructure assets is encouraged but not required. All infrastructure assets acquired on or after January 1, 2004, meeting the Village’s definition, have been incorporated into the government-wide financial statements.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Capital Assets (continued)

Government-wide Statements (continued)

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

Buildings	50 years
Land Improvements	35 years
Equipment and furnishings	4-20 years
Infrastructure	30-65 years

Fund Financial Statements

In the fund financial statements, capital assets acquired in governmental fund operations are accounted for as capital outlay expenditures of the governmental fund.

Compensated Absences

The accounting treatment for compensated absences depends on whether they are reported in the government-wide or fund financial statements. The compensated absences consist of accumulated sick and vacation pay earned but unused by Village employees. Under terms of employment, municipal employees are granted vacations and sick leave in varying amounts.

Accumulated Vacation Pay

Accrued vacations are considered to be liquidated with expendable available financial resources and are reported as a liability in both the government-wide financial statements and the fund financial statements.

Accumulated Sick Pay

To the extent that sick leave vests, such amounts are considered to be a long-term liability, and are recorded as long-term debt in the government-wide financial statements up to the maximum amount to be paid out upon termination.

Due to the long-term nature of this liability, the governmental funds do not report this liability in the fund financial statements.

Should the employees use their entire accrued sick leave during the year, it could exceed the amount shown in the government-wide financial statements. Should these circumstances arise, the total amount to be paid for sick leave would be \$491,393.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Long-term Obligations

The reporting of long-term obligations depends on whether the assets are reported in the government-wide or fund financial statements. The long-term debt consists of general obligation notes and bonds.

All long-term obligations to be repaid from governmental resources are reported as liabilities in the government-wide statements. Premiums and discounts on issuance, as well as issuance costs are deferred and amortized over the life of the debt.

Long-term obligations for governmental funds are not reported as liabilities in the fund financial statements. The face value of the debt and premiums on issuance are reported as other financing sources. Premiums and discounts on issuance are reported as other financing sources and uses. Payments of principle and interest as well as costs of issuance are reported as expenditures.

Equity Classifications

Government-wide Statements

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

- a. Invested in capital assets, net of related debt – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net assets – Consists of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulations of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted net assets – All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt”.

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

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, and Net Assets or Equity (continued)

Equity Classifications (continued)

Fund Statements

Governmental fund equity is classified as fund balance. GASB establishes fund balance classifications that comprise a hierarchy based primarily on the extent to which a government is bound to observe constraints imposed upon the use of the resources reported in governmental funds. The initial distinction that is made is identifying amounts that are considered nonspendable. Fund balance is further classified as restricted, committed, assigned and unassigned. The Village's fund balance classification policies and procedures are as follows:

- a. Nonspendable – Amounts that cannot be spent because they are either not in spendable form (i.e. convertible into cash) or legally required to be maintained intact.
- b. Restricted – Either externally imposed or imposed by law through constitutional provisions or enabling legislation.
- c. Committed – Amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the Village's Board of Trustees.
- d. Assigned – Amounts that are constrained by the government's intent to be used for specific purposes, but are neither restricted nor committed.
- e. Unassigned – The residual classification for the General Fund (fund balance that has not been restricted, committed, or assigned to specific purposes within the General Fund), and deficit fund balances within other funds.

Currently, the Village does not have an official policy regarding the fund balance classifications. Amounts noted as committed relate to constraints approved by the Board of Trustees. Amounts noted as assigned relate to constraints approved by the Village Administrator.

2. Stewardship, Compliance, and Accountability

A. Budgetary Information

Prior to the end of August, the Village Administrator requests proposed details of expenditures from the various departments for the following fiscal year. Proposed department expenditures are submitted to the Village Administrator who determines the details of required revenues and in turn submits the proposed revenues and expenditures to the Village Board. The Village Administrator then drafts the proposed operating budget.

Upon receipt of the proposed budget, public notice is given that the proposed budget is open for inspection.

The budget for the next year is legally enacted by Village Board resolution near year end.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

2. Stewardship, Compliance, and Accountability (continued)

A. Budgetary Information (continued)

Budgetary control is exercised at the departmental level; however, any revisions that alter the total expenditures of a grouping of accounts must be approved by the Village Board. Undesignated appropriations lapse at year end.

The operating budgets for the General and the Debt Service Funds are adopted on a basis consistent with generally accepted accounting principles ("GAAP") in all material respects, and annual appropriations for these funds lapse at year end. Budgets for Capital Project Funds are adopted solely to provide the basis for capital borrowing. The Capital Project Funds budgets do not lapse at year end, and expenditures may extend over several years. The Village does not adopt budgets for special revenue funds.

Budgeted amounts included in the financial statements are presented both as originally adopted by the Village Board, and as amended by Village Board resolution.

B. Deposits and Investment Laws and Regulations

Investment of municipal funds is restricted by state statutes. Available investments are limited to:

1. Time deposits in any credit union, bank, savings bank, trust company or savings and loan association which is authorized to transact business in this state if the time deposits mature in not more than 3 years.
2. Bonds or securities of any county, city, drainage district, technical college districts, village, town, local exposition district or school district of the state.
3. Bonds or securities issued or guaranteed by the federal government.
4. The State of Wisconsin Local Government Investment Pool (LGIP).
5. Repurchase agreements collateralized securities referred to in 3 above.
6. Open-ended no load registered mutual funds that invest in securities referred to in 3 and 5 above.
7. Any security which matures or which may be tendered for purchase at the option of the holder within not more than seven years of the date on which it is acquired, if that security has a rating which is the highest or second highest rating category of a nationally recognized rating agency.
8. Bonds issued by a local exposition district.
9. Bonds issued by a local professional baseball park district.
10. Bonds issued by the University of Wisconsin Hospitals and Clinics Authority.

Additional restrictions may arise from local charters, ordinances, resolutions and grant regulations.

C. Debt Restrictions

In accordance with Wisconsin Statutes, total general obligation indebtedness of the Village may not exceed five percent of total equalized value of taxable property within the Village's jurisdiction. As of December 31, 2011, the Village was obligated for a total of \$7,459,259 in general obligation debt, or 23% of the total debt limit.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

3. Detail Notes on Transaction Classes and Accounts

A. Cash and Investments

As of December 31, 2011, the Village held the following cash and investments which have certain associated risks. The Village's investment policies do not address these risks.

	<u>Custodial Balance</u>	<u>Carrying Amount</u>
Cash and Equivalents:		
Demand deposits	\$ 1,748,944	\$ 1,642,858
Petty cash	---	700
Certificates of deposit	37,067	37,067
Investment – LGIP	11,670,503	11,670,503
Total cash and investments	\$ 13,456,514	\$ 13,351,128
 Reconciliation to Financial Statements:		
Per Statement of Net Assets:		
Cash and equivalents		\$ 1,643,558
Investments		5,413,817
Per Statement of Net Assets – Fiduciary (Agency) Fund		
Investments		6,293,753
Total cash and investments		\$ 13,351,128

The Village had no significant type of investment during the year not included in the above schedule. For all investments shown, the fair value at the balance sheet date is substantially the same as the carrying value.

Custodial Credit Risk - Cash and equivalents

Custodial credit risk is the risk that in the event of a bank failure, the Village's deposits may not be returned to it. As of December 31, 2011, the Village's cash and equivalents bank balances were exposed to custodial credit risk in that \$764,468 of those balances were uninsured and uncollateralized.

Deposits in local and area banks are insured by the FDIC in the amount of \$250,000 per financial institution. Due to a temporary federal program, all non-interest bearing deposits are fully insured. This program is in effect from December 31, 2010 through December 31, 2012.

Bank accounts are also insured by the State Deposit Guarantee Fund in the amount of \$400,000. However, due to the relatively small size of the Guarantee Fund in relationship to the total coverage and other legal implications, recovery of material principal losses may be significant to individual municipalities. Accordingly, this coverage has not been included when calculating the insured amount of such deposits.

Temporary balances during the year exceeded insured amounts due to fluctuating cash flows.

The LGIP does not have a credit quality rating. It is part of the State of Wisconsin Investment Fund (SIF) and is managed by the State of Wisconsin Investment Board. The LGIP is not registered with the Securities and Exchange Commission, but operated under the statutory authority of Wisconsin Chapter 25. The SIF reports the fair value of its underlying assets annually. Funds invested in the LGIP are due to the Village on demand. The Village has relied on data provided by the LGIP for the valuation of pooled investments.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

3. Detail Notes on Transaction Classes and Accounts (continued)

B. Receivables

The following schedules provide detail on allowances for doubtful accounts and receivables not expected to be collected within one year:

	<u>Gross Receivable</u>	<u>Allowance Doubtful Accounts</u>	<u>Net Receivable</u>	<u>Due After December 2012</u>
Governmental Activities:				
Taxes	\$ 2,760,176	\$ 2,000	\$ 2,758,176	\$ ---
Special assessments	92,604	---	92,604	71,997
Build America Bonds interest	52,001	---	52,001	---
Accounts	251,751	21,000	230,751	---
Total governmental activities	<u>\$ 3,156,532</u>	<u>\$ 23,000</u>	<u>\$ 3,133,532</u>	<u>\$ 71,997</u>
Fiduciary (Agency) Funds:				
Taxes	<u>\$ 5,475,616</u>	<u>\$ ---</u>	<u>\$ 5,475,616</u>	<u>\$ ---</u>

The allowance for taxes is for delinquent personal property taxes receivable. Allowances related to accounts receivable are for ambulance billings of \$16,000, and other Fire Department responses of \$5,000.

C. Interfund Balances and Transfers

Due to (from) other funds

Balances due to and from other funds include interfund accounts receivable or payable for goods or services received or provided. Interfund balances are the result of timing differences and are settled on a monthly basis.

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Other governmental funds	General Fund	\$ 168,178
Other governmental funds	Other governmental funds	<u>18,291</u>
		<u>\$ 186,469</u>

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

3. Detail Notes on Transaction Classes and Accounts (continued)

C. Interfund Balances and Transfers (continued)

Transfers

Transfers between governmental funds are summarized as follows:

<u>Transfers in</u>	<u>Transfers out</u>	<u>Amount</u>
Debt Service Fund	Other governmental funds	\$ 321,543
Other governmental funds	General Fund	<u>466,908</u>
		<u>\$ 788,451</u>

Transfers from the other governmental funds to the Debt Service Fund were made to provide funding for the debt service obligations of those funds.

Transfers from the General Fund to other governmental funds were made to provide funding for various capital projects and to subsidize special revenue funds for which planned expenditures exceed revenue sources.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

3. Detail Notes on Transaction Classes and Accounts (continued)

D. Capital Assets

Capital asset activity for the year ended December 31, 2011 is summarized as follows:

	<u>Balance January 1, 2011</u>	<u>Addition</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Balance December 31, 2011</u>
Nondepreciable capital assets:					
Land	\$ 5,994,408	\$ 34,989	\$ ---	\$ ---	\$ 6,029,397
Depreciable capital assets:					
Land improvements	164,502	---	---	---	164,502
Buildings	6,559,371	86,455	---	---	6,645,826
Equipment and furnishings	2,865,656	58,850	---	(75,107)	2,849,399
Infrastructure	6,715,457	199,230	---	---	6,914,687
Total depreciable capital assets	<u>16,304,986</u>	<u>344,535</u>	<u>---</u>	<u>(75,107)</u>	<u>16,574,414</u>
Less accumulated depreciation:					
Land improvements	57,819	4,271	---	---	62,090
Buildings	1,401,370	132,735	---	---	1,534,104
Equipment and furnishings	1,596,312	228,843	---	(68,590)	1,756,565
Infrastructure	674,530	196,668	---	---	871,199
Total accumulated depreciation	<u>3,730,031</u>	<u>562,517</u>	<u>---</u>	<u>(68,590)</u>	<u>4,223,958</u>
Net depreciable capital assets	<u>12,574,955</u>	<u>(217,982)</u>	<u>---</u>	<u>(6,517)</u>	<u>12,350,456</u>
Net total capital assets	<u>\$ 18,569,363</u>	<u>\$ (182,993)</u>	<u>\$ ---</u>	<u>\$ (6,517)</u>	<u>\$ 18,379,853</u>

Depreciation was charged to governmental functions as follows:

General government	\$ 37,606
Public safety	254,797
Public works	242,904
Health and human services	4,096
Culture, recreation and education	23,114
Total depreciation	<u>\$ 562,517</u>

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

3. Detail Notes on Transaction Classes and Accounts (continued)

E. Long-term Obligations

General Obligation Debt

All general obligation debt is backed by the full faith and credit of the Village, and will be retired through future property tax levies accumulated by the debt service fund and TIF District #3. General fund resources are used to liquidate the liability for accumulated sick pay.

Long-term obligations activity for the year ended December 31, 2011 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
General obligation debt	\$ 8,276,748	\$ ---	\$ (817,489)	\$ 7,459,259	\$ 610,470
Accumulated unpaid sick pay	216,224	56,941	(56,557)	216,608	---
Total long-term obligations	\$ 8,492,972	\$ 56,941	\$ (874,046)	\$ 7,675,867	\$ 610,470

Details of general obligation debt are presented below:

	<u>Date of Issue</u>	<u>Maturity Date</u>	<u>Average Rate</u>	<u>Original Indebtedness</u>	<u>Balance 12/31/11</u>
Bonds:	04/01/01	04/01/16	4.24%	3,200,000	\$ 1,545,000
Notes:	01/26/04	03/15/22	5.25%	343,117	296,617
	12/09/04	03/15/14	4.00%	310,674	117,126
	10/11/05	03/15/15	4.00%	67,153	33,320
	08/15/06	03/15/16	4.75%	323,813	177,178
	08/15/06	03/15/26	5.00%	501,819	409,626
	08/05/08	03/15/18	4.25%	662,000	287,502
	09/01/09	09/01/19	2.93%	1,265,000	1,190,000
	09/02/09	03/15/29	5.50%	3,402,890	3,402,890
Total general obligation debt					\$ 7,459,259

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

3. Detail Notes on Transaction Classes and Accounts (continued)

E. Long-term Obligations (continued)

General Obligation Debt (continued)

Debt service requirements to maturity for general obligation debt are as follows:

	<u>Principal</u>		<u>Interest</u>		<u>Total</u>
2012	\$ 610,470	\$	347,819	\$	958,289
2013	648,149		321,586		969,735
2014	687,385		293,782		981,167
2015	739,110		263,576		1,002,686
2016	750,031		231,267		981,298
2017 - 2021	1,841,034		837,718		2,678,752
2022 - 2026	1,343,769		453,022		1,796,791
2027 - 2031	<u>839,311</u>		<u>94,058</u>		<u>933,369</u>
Totals	\$ <u>7,459,259</u>	\$	<u>2,842,828</u>	\$	<u>10,302,087</u>

Unamortized Debt Issuance Costs

Unamortized debt issuance costs are recognized in the year in which they occur in the fund financial statements, but deferred and amortized using the straight-line method over the life of the debt issue in the government-wide statements.

Activity for the year ended December 31, 2011 is summarized as follows:

	<u>Balance January 1, 2011</u>		<u>Additions</u>		<u>Amortization Expense (Benefit)</u>		<u>Balance December 31, 2011</u>
Unamortized debt issuance costs	\$ 55,185	\$	-	\$	(3,797)	\$	<u>51,388</u>

Subsequent Debt Issuance

In May 2012, the Village Board approved the issuance and sale of \$5,780,000 general obligation. The Village issued the debt in June 2012. The proceeds from the issuance will be used to fund approximately \$1.2 million of the 2012 capital budget, while the remaining will be used to refinance the remaining debt service requirements on 2001 general obligation bonds, both of the 2006 state trust fund loans and the 2009 state trust fund loan. The loan has a maturity life of approximately 20 years, with an average interest rate of 2.16%.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

3. Detail Notes on Transaction Classes and Accounts (continued)

F. Net Assets and Fund Balances

Government-wide Financial Statement Net Assets

Governmental net assets consist of the following:

Invested in Capital Assets, Net of Related Debt:

Land and construction in progress	\$	6,029,397	
Other capital assets net of accumulated depreciation		12,350,456	
Less related long-term debt		<u>(6,918,317)</u>	
Total invested in capital assets net of related debt	\$		11,461,536

Restricted for:

Debt Service			534,976
Capital Projects			630,211

Other:

Fire programs		16,839	
Police programs		24,892	
Health programs		275	
Library programs		14,804	
Senior Enrichment program		<u>103</u>	
Total restricted for other			56,913

Unrestricted			<u>540,777</u>
Total governmental net assets	\$		<u>13,224,413</u>

Fund Financial Statements

Governmental fund balances consist of the following:

General Fund:

Nonspendable:

Prepaid items	\$	66,235	
Delinquent personal property taxes receivable		<u>5,807</u>	
Total nonspendable			\$ 72,042
Committed for employee health expenses			54,237
Unassigned			<u>1,216,760</u>
Total General Fund			\$ <u>1,343,039</u>

Debt Service Fund:

Restricted			<u>\$ 534,976</u>
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VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

3. Detail Notes on Transaction Classes and Accounts (continued)

F. Net Assets and Fund Balances (continued)

Fund Financial Statements (continued)

Non-major Funds:

Restricted:

TIF District #2	\$	577,389	
TIF District #3		52,822	
Fire programs		16,839	
Police programs		24,892	
Health programs		275	
Library programs		14,804	
Senior Enrichment program		103	
Total restricted		103	\$ 687,124

Committed:

Capital Projects		439,830	
Special Assessments		336,015	
Equipment replacement		219,098	
General programs		11,551	
Safety programs		2,619	
Storm water maintenance		34,663	
Library activities		13,771	
July 4 th activities		21,732	
Total committed		21,732	1,079,279

Unassigned		(35,917)	
Total non-major funds		(35,917)	\$ 1,730,486

At December 31, 2011, the following funds had deficit fund balances:

<u>Fund</u>	<u>Amount</u>	
Equipment Replacement Funds:		
Police	\$	31,109

The deficit in the Equipment Replacement Fund will be financed with transfers from other General Capital Projects, Equipment Replacement Funds and the General Fund, intergovernmental grants, or proceeds of future debt issuances.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

4. Other Notes

A. Employees' Retirement System

All eligible Village employees participate in the Wisconsin Retirement System ("WRS"), a cost-sharing, multiple-employer, defined benefit, public employee retirement system. All permanent employees expected to work at least 600 hours a year (1,200 hours for employees hired on or after July 1, 2011) are eligible to participate in the WRS. Covered employees in the General category are required by statute to contribute 6.5% of their salary (3.9% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 4.8% for Protective Occupations without Social Security) to the plan through June 28, 2011. Beginning June 29, 2011 and thereafter covered employees in the General category are required by statute to contribute 5.8% of their salary (6.65% for Executives and Elected Officials, 5.8% for Protective Occupations with Social Security, and 5.8% for Protective Occupations without Social Security) to the plan. Employers generally made these contributions to the plan on behalf of the employees through June 28, 2011. Thereafter, employees are required to fund their contribution subject to terms of employment contracts and which employee group they are a member of. Employers are required to contribute an actuarially determined amount necessary to fund the remaining projected cost of future benefits.

The payroll for the Village employees covered by the system for the year ended December 31, 2011 was \$2,638,812; the employer's total payroll was \$2,947,285. The total required contribution for the year ended December 31, 2011 was \$350,726, which consisted of \$316,500, or 12.0% of payroll from the employer and \$34,226, or 1.3% of payroll from employees. Total contributions for the years ending December 31, 2010 and 2009 were \$337,679 and \$333,958, respectively, equal to the required contributions for each year.

Employees who retire at or after age 65 (62 for elected officials and 54 for protective occupation employees with less than 25 years of service, 53 for protective occupation employees with more than 25 years of service) are entitled to receive a retirement benefit. Employees may retire at age 55 (50 for protective occupation employees) and receive actuarially reduced benefits. The factors influencing the benefit are: (1) final average earnings, (2) years of creditable service, and (3) a formula factor. Final average earnings is the average of the employee's three highest years' earnings. Employees terminating covered employment and submitting application before becoming eligible for a retirement benefit may withdraw their contributions and, by doing so, forfeit all rights to any subsequent benefit. For employees beginning participation on or after January 1, 1990 and no longer actively employed on or after April 24, 1998, creditable service in each of five years is required for eligibility for a retirement annuity. Participants employed prior to 1990 and on or after April 24, 1998 are immediately vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits is 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, Wisconsin 53707-7931.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

4. Other Notes (continued)

B. Other Postemployment Benefits (OPEB)

Plan Description

The Village allows eligible employees to remain on the Village's health insurance plan after retirement. Eligibility is determined based on the specified contract under which the employee is covered. The Village contributes the costs of premiums for single coverage for eligible retirees. For those retirees that select family coverage, the Village contributes up to 50% of the premium as of the retirement date and 75% of any annual increases in subsequent years. As a requirement of continued coverage, the retirees are required to contribute any remaining costs for family coverage. Under GASB 45, this circumstance is considered to be an other postemployment benefit ("OPEB") for the retirees.

The Village Board of Trustees authorizes the provisions of, and amendments to, this policy.

Funding Policy

The Village funds these costs on a pay-as-you-go basis. Currently, the only Village contribution toward the costs of this obligation is the current period's subsidy of the full amount for single coverage or the difference between the family coverage and the calculated retiree contribution.

Annual OPEB Cost and Recognized Obligation

The Village's annual other postemployment benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities over a period not to exceed thirty years. The following table shows the components of the Village's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the Village's net OPEB obligation:

Annual required contribution	\$	408,460
Interest on net OPEB obligation		15,016
Annual OPEB cost (expense)		423,476
Contributions made		(44,279)
Increase in net OPEB obligation		379,197
Net OPEB obligation – beginning of year		750,801
Net OPEB obligation – end of year	\$	1,129,998

The Village's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the years ended December 31, 2011, 2010 and 2009 were as follows:

<u>Fiscal Year Ended</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
December 31, 2009	\$ 408,460	12%	\$ 366,661
December 31, 2010	415,794	8%	750,801
December 31, 2011	423,476	10%	1,129,998

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

4. Other Notes (continued)

B. Other Postemployment Benefits (OPEB) (continued)

Funding Status and Funding Progress

As of December 31, 2008, the most recent actuarial valuation date, the Village's OPEB obligation was completely unfunded, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,749,856. The covered payroll was \$2,809,403 and the ratio of the UAAL to covered payroll was 133.5%

Actuarial Methods and Assumptions

Actuarial valuations of an ongoing plan involve estimates of the value of reported amounts and assumptions about the probability of occurrence of events far into the future. Examples include assumptions about future employment, mortality, and the healthcare cost trend. Amounts determined regarding the funded status of the plan and the annual required contributions of the employer are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future.

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and the plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effects of short-term volatility in actuarial accrued liabilities and the actuarial value of assets, consistent with the long-term perspective of the calculations.

In the December 31, 2008 actuarial valuation, the alternative measurement method was used. The actuarial assumptions include a 2% investment rate of return and an annual healthcare cost trend rate of 9% initially, reduced by decrements to an ultimate rate of 4.7% after ten years. The plan's unfunded actuarial accrued liability is being amortized as a level percentage over thirty years. The remaining amortization period at December 31, 2011 was twenty-seven years.

C. Commitments and Contingencies

The Village 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 disallowance, if any, would be immaterial to the financial statements.

D. Risk Management

The Village is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Village maintains commercial insurance coverage for each of those risks of loss. Management believes such coverage is sufficient to preclude any significant uninsured losses to the Village. Settled claims have not exceeded this commercial coverage in any of the past three fiscal years.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

4. Other Notes (continued)

E. Conduit Debt

Not included in the accompanying financial statements is a conduit debt obligation issued under the name of the Village and the Development Authority. The Bonds are not secured by or payable from revenues or assets of the Village or Development Authority. Neither the faith and credit nor the taxing power of the Village, the Village of Hales Corners Development Authority, the State of Wisconsin or any political subdivision thereof is pledged to the payment of the principal of and interest on the Bonds nor is the Village or the Authority in any manner obligated to make any appropriations for payments on these bonds. At December 31, 2011, the aggregate principal amount of the conduit debt obligation outstanding totaled \$4,400,000.

F. Leases as Lessor

The Village has entered into lease agreements with telecommunications companies, wherein the Village has agreed to allow the use of the specified property for the purpose of telecommunication relays. Revenue from this activity totaled \$84,540 for the year ended December 31, 2011.

G. Tax Incremental Districts

Tax Incremental Financing District #2

On September 11, 1995, the Village created Tax Incremental Financing District #2 ("TID #2"). TID #2 has a statutory life of 27 years which will expire September 11, 2022. On July 29, 2008 the original project plan was amended to account for transfers out to Tax Incremental Financing District #3. The last date to incur project costs is September 11, 2017. On May 9, 2011, the Board of Trustees of the Village passed a resolution to dissolve Tax Incremental District No. 2. As of December 31, 2011, the District has sufficient increment to cover expenses related to any current and future projects. Once all projects costs have been paid, any excess increment will be disbursed accordingly to the overlying taxing districts. The Village expects this to occur in 2012. The following is a summary of accumulated project activity, project plan estimates and outstanding debt as of December 31, 2011:

<u>Project Plan Estimated Revenues</u>	<u>Cumulative Revenues to 12/31/11</u>	<u>Project Plan Estimated Expenditures</u>	<u>Cumulative Expenditures to 12/31/11</u>	<u>Outstanding Debt as of 12/31/11</u>
\$ 11,603,365	\$ 8,179,420	\$ 11,407,894	\$ 7,427,031	---

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2011

4. Other Notes (continued)

G. Tax Incremental Districts (continued)

Tax Incremental Financing District #3

On January 1, 2008, the Village created Tax Incremental Financing District #3 ("TID #3"). TID #3 has a statutory life of 27 years which will expire December 31, 2034. On July 29, 2008 the original project plan was amended to account for transfers in from Tax Incremental Financing District #2. The last date to incur project costs is December 31, 2029. The following is a summary of accumulated project activity, project plan estimates and outstanding debt as of December 31, 2011:

<u>Project Plan Estimated Revenues</u>	<u>Cumulative Revenues to 12/31/11</u>	<u>Project Plan Estimated Expenditures</u>	<u>Cumulative Expenditures to 12/31/11</u>	<u>Outstanding Debt as of 12/31/11</u>
\$ 750,817	\$ 479,382	\$ 946,288	\$ 714,062	\$ 287,502

H. Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed (July 16, 2012). Except for the debt transaction already described in note 3.E., there were no subsequent events that required recognition or disclosure.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Required Supplementary Information

Schedule of Funding Progress of Net OPEB Obligation
December 31, 2011

Actuarial Valuation Date	Actuarial Valuation of Plan Assets	Actuarial Accrued Liability (AAL)	Unfunded Actuarial Accrued Liability (UAAL)	Funded Ratio	Covered Payroll	UAAL as a Percentage of Covered Payroll
December 31, 2008	\$ ---	\$ 3,749,856	\$ 3,749,856	---	\$ 2,809,403	133.5%

Notes:

1. The Village is required to present the above information for the three most recent actuarial studies. The above referenced study was performed as of December 31, 2008 and was the first and only study performed. Once there have been three actuarial studies completed, information pertaining to the three most recent actuarial studies will be presented.
2. The data presented in this schedule was taken from the report issued by the actuary, except the covered payroll data which was supplied by the Village.

See independent auditor's report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Detailed Statement of Revenues - General Fund - Budget and Actual
Year Ended December 31, 2011

	<u>Original Adopted Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
Taxes:			
General property taxes	\$ 3,955,002	\$ 3,955,002	\$ 3,956,580
Public Charges for Services:			
Licenses:			
Liquor and malt beverage	11,200	11,200	14,098
Operators'	2,000	2,000	870
Cigarette	1,500	1,500	1,420
Dog	4,000	4,000	3,763
Amusement device and peddler	3,000	3,000	4,246
Dance hall	60	60	123
Electrical contractor	1,500	1,500	5,260
Food establishment	14,500	14,500	15,112
Swimming pool	1,100	1,100	1,310
Total licenses	38,860	38,860	46,202
Permits:			
Building	23,000	23,000	43,020
Electric	10,000	10,000	13,472
Plumbing	6,500	6,500	7,025
Sign	1,500	1,500	1,390
Culvert	6,160	6,160	4,390
Street Opening	2,000	2,000	---
Erosion	500	500	---
Fire Department	---	---	4,625
Total permits	49,660	49,660	73,922
Fines and Forfeitures	227,000	227,000	185,850

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Detailed Statement of Revenues - General Fund - Budget and Actual
Year Ended December 31, 2011
(Continued)

	<u>Original Adopted Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
Public Charges for Services (Continued):			
Other Charges for Services:			
Property search requests	\$ 500	\$ 500	\$ 357
Village hall copy fees	2,400	2,400	3,025
Lease revenue	76,500	76,500	84,540
Board of Appeals	500	500	300
Planning Commission fees	3,000	3,000	4,125
License publication fees	200	200	192
DARE program	5,500	5,500	853
Fire department fees	18,000	18,000	16,912
Fire department highway response fees	28,000	28,000	14,700
Weights and measures	2,400	2,400	2,278
Ambulance fees	192,000	192,000	168,251
Refuse collection charges	387,856	387,856	387,196
Local sewer service charges	367,212	367,212	346,099
Metro sewer connection charge	270,645	270,645	257,209
Weed cutting	---	---	700
Health department fees	1,000	1,000	1,275
Library fines	20,075	20,075	17,370
Library copy fees	2,200	2,200	1,974
MCFLS reciprocal library	80,000	80,000	75,498
Recreation department fees	88,100	88,100	80,601
Total other charges for services	1,546,088	1,546,088	1,463,455
Operating Grants and Contributions:			
Intergovernmental:			
Shared taxes from state	272,768	272,768	265,202
State aid - Highways	448,107	448,107	448,065
State aid - Fire insurance	20,570	20,570	20,750
State aid - Police	---	---	3,060
State aid - Public safety	---	---	4,430
Recycling grant	31,000	31,000	19,989
Total intergovernmental	772,445	772,445	761,496

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Detailed Statement of Revenues - General Fund - Budget and Actual
Year Ended December 31, 2011
(Continued)

	<u>Original Adopted Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
Interest Income:			
Interest on general fund investments	\$ 14,000	\$ 14,000	\$ 7,679
Interest on tax account investments	6,000	6,000	1,882
Interest on delinquent taxes	10,000	10,000	11,378
Sewer charge penalties	1,000	1,000	1,936
Total interest income	31,000	31,000	22,875
Other Revenues:			
Miscellaneous general revenue	5,000	5,000	972
Cable television franchise fee	88,000	88,000	91,668
Telephone franchise fee	10,000	10,000	18,090
Street light insurance reimbursement	9,600	9,600	18,744
League insurance rebate	---	---	9,188
Total other revenues	112,600	112,600	138,662
 Total general fund revenues	 \$ 6,732,655	 \$ 6,732,655	 \$ 6,649,042

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Detailed Statement of Expenditures - General Fund - Budget and Actual
Year Ended December 31, 2011

	<u>Original Adopted Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
General Government:			
Legislative	\$ 81,441	\$ 81,441	\$ 60,104
Municipal court	113,335	112,141	104,748
Administration	500,006	458,406	381,527
Maintenance and sundry	273,821	273,821	243,895
Contingency	(9,761)	---	---
Total general government	<u>958,842</u>	<u>925,809</u>	<u>790,274</u>
Public Safety:			
Police department	2,093,345	1,944,031	1,855,261
Communications	337,259	341,109	332,214
Fire department	769,841	790,996	780,686
Inspection - General	50,549	50,549	43,664
Total public safety	<u>3,250,994</u>	<u>3,126,685</u>	<u>3,011,825</u>
Public Works:			
Engineering, sanitation, administration	988,408	986,152	964,999
Maintenance	584,344	576,814	551,973
Total public works	<u>1,572,752</u>	<u>1,562,966</u>	<u>1,516,972</u>
Health and Human Services			
Health	149,057	146,402	137,927
Total health and human services	<u>149,057</u>	<u>146,402</u>	<u>137,927</u>
Recreation and Education:			
Library	578,894	574,469	565,818
Recreation	92,416	92,416	86,718
Total recreation and education	<u>671,310</u>	<u>666,885</u>	<u>652,536</u>
Total general fund expenditures	<u>\$ 6,602,955</u>	<u>\$ 6,428,747</u>	<u>\$ 6,109,534</u>

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Combining Balance Sheet - Non-major Governmental Funds
December 31, 2011

	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Non-major</u>
Assets:			
Cash and equivalents	\$ ---	\$ 3,493	\$ 3,493
Investments	1,422,910	162,681	1,585,591
Receivables:			
Taxes	35,506	---	35,506
Special assessments	92,604	---	92,604
Due from other funds	168,819	17,650	186,469
Total assets	<u>\$ 1,719,839</u>	<u>\$ 183,824</u>	<u>\$ 1,903,663</u>
 Liabilities and Fund Balances:			
Liabilities:			
Deferred revenues	\$ 107,503	\$ 47,383	\$ 154,886
Due to other funds	18,291	---	18,291
Total liabilities	<u>125,794</u>	<u>47,383</u>	<u>173,177</u>
 Fund Balance:			
Restricted	630,211	56,913	687,124
Committed	994,943	84,336	1,079,279
Unassigned	(31,109)	(4,808)	(35,917)
Total fund balance	<u>1,594,045</u>	<u>136,441</u>	<u>1,730,486</u>
 Total liabilities and fund balances	 <u>\$ 1,719,839</u>	 <u>\$ 183,824</u>	 <u>\$ 1,903,663</u>

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

**Combining Statement of Revenues, Expenditures and
Changes in Fund Balances - Non-major Governmental Funds
Year Ended December 31, 2011**

	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Non-major</u>
Revenues:			
Taxes	\$ 605,360	\$ ---	\$ 605,360
Public charges for services:			
Other charges for services	34,485	106,704	141,189
Operating grants and contributions:			
Intergovernmental	7,929	111,643	119,572
Other	---	56,028	56,028
Capital grants and contributions:			
Other	360,000	---	360,000
Interest Income	6,166	592	6,758
Miscellaneous revenues	3,091	7,800	10,891
Total revenues	<u>1,017,031</u>	<u>282,767</u>	<u>1,299,798</u>
Expenditures:			
Current:			
General government	25,960	6,443	32,403
Public safety	32,969	29,956	62,925
Public works	86,118	49,077	135,195
Health and human services	---	45,767	45,767
Culture, recreation and education	1,354	67,443	68,797
Conservation and development	13,912	---	13,912
Capital outlay	328,810	50,714	379,524
Total expenditures	<u>489,123</u>	<u>249,400</u>	<u>738,523</u>
Excess of revenues over expenditures	527,908	33,367	561,275
Other Financing Sources (Uses):			
Proceeds from sale of capital assets	10,515	---	10,515
Transfers from other funds	455,508	11,400	466,908
Transfers to other funds	(281,797)	(39,746)	(321,543)
Net change in fund balance	<u>712,134</u>	<u>5,021</u>	<u>717,155</u>
Fund Balance:			
Beginning of year	<u>881,911</u>	<u>131,420</u>	<u>1,013,331</u>
End of year	<u>\$ 1,594,045</u>	<u>\$ 136,441</u>	<u>\$ 1,730,486</u>

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Combining Balance Sheet - Capital Projects Funds
December 31, 2011

	<u>General Capital Projects</u>	<u>Special Assessments</u>	<u>Equipment Replacement Fund</u>	<u>TIF District #2</u>	<u>TIF District #3</u>	<u>Total Capital Project Funds</u>
Assets:						
Investments	\$ 285,410	\$ 308,379	\$ 187,114	\$ 595,680	\$ 46,327	\$ 1,422,910
Taxes receivable	---	---	---	---	35,506	35,506
Special assessments receivable	---	92,604	---	---	---	92,604
Due from other funds	154,420	7,029	875	---	6,495	168,819
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 439,830</u>	<u>\$ 408,012</u>	<u>\$ 187,989</u>	<u>\$ 595,680</u>	<u>\$ 88,328</u>	<u>\$ 1,719,839</u>
Liabilities and Fund Balance:						
Liabilities:						
Deferred revenues	\$ ---	\$ 71,997	\$ ---	\$ ---	\$ 35,506	\$ 107,503
Due to other funds	---	---	---	18,291	---	18,291
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	---	71,997	---	18,291	35,506	125,794
Fund Balance:						
Restricted	---	---	---	577,389	52,822	630,211
Committed	439,830	336,015	219,098	---	---	994,943
Unassigned	---	---	(31,109)	---	---	(31,109)
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balance	<u>439,830</u>	<u>336,015</u>	<u>187,989</u>	<u>577,389</u>	<u>52,822</u>	<u>1,594,045</u>
Total liabilities and fund balance	<u>\$ 439,830</u>	<u>\$ 408,012</u>	<u>\$ 187,989</u>	<u>\$ 595,680</u>	<u>\$ 88,328</u>	<u>\$ 1,719,839</u>

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Capital Projects Funds
Year Ended December 31, 2011

	<u>General Capital Projects</u>	<u>Special Assessments</u>	<u>Equipment Replacement Fund</u>	<u>TIF District #2</u>	<u>TIF District #3</u>	<u>Total Non-major Funds</u>	<u>Total Capital Project Funds</u>
Revenues:							
Taxes	\$ ---	\$ ---	\$ ---	\$ 559,612	45,748	\$ 605,360	\$ 605,360
Public charges for services	---	30,485	4,000	---	---	34,485	34,485
Operating grants and contributions:							
Intergovernmental	---	---	2,103	5,826	---	7,929	7,929
Capital grants and contributions:							
Other	160,000	---	---	---	200,000	360,000	360,000
Interest income	227	4,813	220	767	139	6,166	6,166
Other revenues	3,091	---	---	---	---	3,091	3,091
Total revenues	<u>163,318</u>	<u>35,298</u>	<u>6,323</u>	<u>566,205</u>	<u>245,887</u>	<u>1,017,031</u>	<u>1,017,031</u>
Expenditures:							
Current:							
General government	12,838	---	13,122	---	---	25,960	25,960
Public safety	21,653	---	11,316	---	---	32,969	32,969
Public works	76,550	---	---	9,568	---	86,118	86,118
Culture, recreation and education	---	---	1,354	---	---	1,354	1,354
Conservation and development	---	---	---	11,947	1,965	13,912	13,912
Capital outlay	70,729	---	58,851	199,230	---	328,810	328,810
Total expenditures	<u>181,770</u>	<u>---</u>	<u>84,643</u>	<u>220,745</u>	<u>1,965</u>	<u>489,123</u>	<u>489,123</u>
Excess (deficit) of revenues over (under) expenditures	(18,452)	35,298	(78,320)	345,460	243,922	527,908	527,908
Other Financing Sources (Uses):							
Proceeds from sale of capital assets	---	---	10,515	---	---	10,515	10,515
Transfers from other funds	323,808	---	131,700	---	---	455,508	455,508
Transfers to other funds	---	---	---	---	(281,797)	(281,797)	(281,797)
Net change in fund balance	<u>305,356</u>	<u>35,298</u>	<u>63,895</u>	<u>345,460</u>	<u>(37,875)</u>	<u>712,134</u>	<u>712,134</u>
Fund Balance:							
Beginning of Year	<u>134,474</u>	<u>300,717</u>	<u>124,094</u>	<u>231,929</u>	<u>90,697</u>	<u>881,911</u>	<u>881,911</u>
End of Year	<u>\$ 439,830</u>	<u>\$ 336,015</u>	<u>\$ 187,989</u>	<u>\$ 577,389</u>	<u>\$ 52,822</u>	<u>\$ 1,594,045</u>	<u>\$ 1,594,045</u>

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
General Capital Projects Funds
Year Ended December 31, 2011

	<u>General Government</u>	<u>Fire</u>	<u>Public Works</u>	<u>Library</u>	<u>Conservation and Development</u>	<u>Total</u>
Revenues:						
Capital grants and contributions:						
Other	\$ 160,000	\$ ---	\$ ---	\$ ---	\$ ---	\$ 160,000
Interest income	227	---	---	---	---	227
Other revenues	<u>---</u>	<u>---</u>	<u>2,402</u>	<u>689</u>	<u>---</u>	<u>3,091</u>
Total revenues	<u>160,227</u>	<u>---</u>	<u>2,402</u>	<u>689</u>	<u>---</u>	<u>163,318</u>
Expenditures:						
Current:						
General government	12,838	---	---	---	---	12,838
Public safety	---	21,653	---	---	---	21,653
Public works	---	---	76,550	---	---	76,550
Capital outlay	<u>35,740</u>	<u>---</u>	<u>34,989</u>	<u>---</u>	<u>---</u>	<u>70,729</u>
Total expenditures	<u>48,578</u>	<u>21,653</u>	<u>111,539</u>	<u>---</u>	<u>---</u>	<u>181,770</u>
Excess (deficit) of revenues over (under) expenditures	111,649	(21,653)	(109,137)	689	---	(18,452)
Other Financing Sources (Uses):						
Transfers from other general capital projects funds	---	25,000	6,000	---	---	31,000
Transfers to other general capital projects funds	(29,929)	(1,071)	---	---	---	(31,000)
Transfers from other funds	<u>175,808</u>	<u>---</u>	<u>148,000</u>	<u>---</u>	<u>---</u>	<u>323,808</u>
Net change in fund balance	<u>257,528</u>	<u>2,276</u>	<u>44,863</u>	<u>689</u>	<u>---</u>	<u>305,356</u>
Fund Balance (Deficit):						
Beginning of year	<u>(152,842)</u>	<u>1,071</u>	<u>263,319</u>	<u>22,009</u>	<u>917</u>	<u>134,474</u>
End of year	<u>\$ 104,686</u>	<u>\$ 3,347</u>	<u>\$ 308,182</u>	<u>\$ 22,698</u>	<u>\$ 917</u>	<u>\$ 439,830</u>

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Equipment Replacement Funds
Year Ended December 31, 2011

	<u>General Government</u>	<u>Fire</u>	<u>Police</u>	<u>Inspection</u>	<u>Public Works</u>	<u>Library</u>	<u>Total</u>
Revenues:							
Public charges for services	\$ ---	\$ ---	\$ ---	\$ ---	\$ 4,000	\$ ---	\$ 4,000
Operating grants and contributions:							
Intergovernmental	---	---	2,103	---	---	---	2,103
Interest income	220	---	---	---	---	---	220
Total revenues	<u>220</u>	<u>---</u>	<u>2,103</u>	<u>---</u>	<u>4,000</u>	<u>---</u>	<u>6,323</u>
Expenditures:							
Current:							
General government	13,122	---	---	---	---	---	13,122
Public safety	---	1,838	9,478	---	---	---	11,316
Culture, recreation and education	---	---	---	---	---	1,354	1,354
Capital outlay	---	---	52,081	---	---	6,770	58,851
Total expenditures	<u>13,122</u>	<u>1,838</u>	<u>61,559</u>	<u>---</u>	<u>---</u>	<u>8,124</u>	<u>84,643</u>
Excess (deficit) of revenues over (under) expenditures	(12,902)	(1,838)	(59,456)	---	4,000	(8,124)	(78,320)
Other Financing Sources:							
Proceeds from sale of capital assets	---	---	10,315	---	---	200	10,515
Transfers from other funds	15,000	19,000	55,500	1,200	36,000	5,000	131,700
Net change in fund balance	<u>2,098</u>	<u>17,162</u>	<u>6,359</u>	<u>1,200</u>	<u>40,000</u>	<u>(2,924)</u>	<u>63,895</u>
Fund Balance (Deficit):							
Beginning of year	<u>103,413</u>	<u>66,112</u>	<u>(37,468)</u>	<u>10,270</u>	<u>(30,232)</u>	<u>11,999</u>	<u>124,094</u>
End of year	<u>\$ 105,511</u>	<u>\$ 83,274</u>	<u>\$ (31,109)</u>	<u>\$ 11,470</u>	<u>\$ 9,768</u>	<u>\$ 9,075</u>	<u>\$ 187,989</u>

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Combining Balance Sheet - Special Revenue Funds
Year Ended December 31, 2011

	<u>General Government</u>	<u>Fire</u>	<u>Police</u>	<u>Public Works</u>	<u>Health</u>	<u>Library</u>	<u>July 4th Activities</u>	<u>Senior Enrichment</u>	<u>Total</u>
Assets:									
Cash and equivalents	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 3,493	\$ ---	\$ ---	\$ 3,493
Investments	151,370	---	---	---	---	11,311	---	---	162,681
Due from other funds	17,650	---	---	---	---	---	---	---	17,650
Intrafund due (to) from	(107,467)	15,948	20,975	34,663	275	13,771	21,732	103	---
Total assets	<u>\$ 61,553</u>	<u>\$ 15,948</u>	<u>\$ 20,975</u>	<u>\$ 34,663</u>	<u>\$ 275</u>	<u>\$ 28,575</u>	<u>\$ 21,732</u>	<u>\$ 103</u>	<u>\$ 183,824</u>
Liabilities and Fund Balance:									
Liabilities:									
Deferred revenues	\$ 47,383	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 47,383
Fund Balance:									
Restricted	---	16,839	24,892	---	275	14,804	---	103	56,913
Committed	14,170	---	---	34,663	---	13,771	21,732	---	84,336
Unassigned	---	(891)	(3,917)	---	---	---	---	---	(4,808)
Fund Balance	<u>14,170</u>	<u>15,948</u>	<u>20,975</u>	<u>34,663</u>	<u>275</u>	<u>28,575</u>	<u>21,732</u>	<u>103</u>	<u>136,441</u>
Total Liabilities and Fund Balance	<u>\$ 61,553</u>	<u>\$ 15,948</u>	<u>\$ 20,975</u>	<u>\$ 34,663</u>	<u>\$ 275</u>	<u>\$ 28,575</u>	<u>\$ 21,732</u>	<u>\$ 103</u>	<u>\$ 183,824</u>

See independent auditors' report.

**VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin**

**Combining Statement of Revenues, Expenditures and Changes in Fund Balances -
Special Revenue Funds
Year Ended December 31, 2011**

	<u>General Government</u>	<u>Fire</u>	<u>Police</u>	<u>Public Works</u>	<u>Health</u>	<u>Library</u>	<u>July 4th Activities</u>	<u>Senior Enrichment</u>	<u>Total</u>
Revenues:									
Public charges for services	\$ ---	\$ ---	\$ 2,100	\$ 99,762	\$ ---	\$ 3,516	\$ ---	\$ 1,326	\$ 106,704
Operating grants and contributions:									
Intergovernmental	47,215	---	3,130	15,468	44,444	1,386	---	---	111,643
Other	---	2,343	7,817	---	156	22,190	23,522	---	56,028
Interest income	246	---	---	---	---	346	---	---	592
Other revenues	---	---	4,469	---	---	---	3,331	---	7,800
Total revenues	<u>47,461</u>	<u>2,343</u>	<u>17,516</u>	<u>115,230</u>	<u>44,600</u>	<u>27,438</u>	<u>26,853</u>	<u>1,326</u>	<u>282,767</u>
Expenditures:									
Current:									
General government	6,443	---	---	---	---	---	---	---	6,443
Public safety	---	8,412	21,544	---	---	---	---	---	29,956
Public works	---	---	---	49,077	---	---	---	---	49,077
Health and Human Services	---	---	---	---	45,767	---	---	---	45,767
Culture, recreation and education	1,387	---	---	---	---	39,110	24,235	2,711	67,443
Capital outlay	50,714	---	---	---	---	---	---	---	50,714
Total expenditures	<u>58,544</u>	<u>8,412</u>	<u>21,544</u>	<u>49,077</u>	<u>45,767</u>	<u>39,110</u>	<u>24,235</u>	<u>2,711</u>	<u>249,400</u>
Excess (deficit) of revenues over (under) expenditures	(11,083)	(6,069)	(4,028)	66,153	(1,167)	(11,672)	2,618	(1,385)	33,367
Other Financing Sources (Uses):									
Transfers from other funds	---	---	---	---	---	3,000	8,400	---	11,400
Transfers to other funds	---	---	---	(39,746)	---	---	---	---	(39,746)
Net change in fund balance	<u>(11,083)</u>	<u>(6,069)</u>	<u>(4,028)</u>	<u>26,407</u>	<u>(1,167)</u>	<u>(8,672)</u>	<u>11,018</u>	<u>(1,385)</u>	<u>5,021</u>
Fund Balance:									
Beginning of year	<u>25,253</u>	<u>22,017</u>	<u>25,003</u>	<u>8,256</u>	<u>1,442</u>	<u>37,247</u>	<u>10,714</u>	<u>1,488</u>	<u>131,420</u>
End of year	<u>\$ 14,170</u>	<u>\$ 15,948</u>	<u>\$ 20,975</u>	<u>\$ 34,663</u>	<u>\$ 275</u>	<u>\$ 28,575</u>	<u>\$ 21,732</u>	<u>\$ 103</u>	<u>\$ 136,441</u>

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**VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin**

**Schedule of General Obligation Long-Term Debt - Principal Payments
December 31, 2011**

<u>Year</u>	<u>2001 General Purpose Bonds</u>	<u>2004 Trust Fund Loan</u>	<u>2004 Trust Fund Loan</u>	<u>2005 Trust Fund Loan</u>	<u>2006 Trust Fund Loan</u>	<u>2006 Trust Fund Loan</u>	<u>2008 Trust Fund Loan</u>	<u>2009 General Purpose Notes</u>	<u>2009 Trust Fund Loan</u>	<u>Totals</u>
2012	\$ 300,000	\$ 14,000	\$ 37,513	\$ 7,844	\$ 32,208	\$ 18,938	\$ 36,661	\$ 75,000	\$ 88,306	\$ 610,470
2013	300,000	16,000	39,027	8,161	33,761	19,941	37,583	100,000	93,676	648,149
2014	300,000	19,000	40,586	8,488	35,365	20,938	39,180	125,000	98,828	687,385
2015	320,000	21,000	---	8,827	37,045	21,985	40,845	150,000	139,408	739,110
2016	325,000	24,000	---	---	38,799	23,040	42,566	150,000	146,626	750,031
Onward	---	202,617	---	---	---	304,784	90,667	590,000	2,836,046	4,024,114
Tota	\$ 1,545,000	\$ 296,617	\$ 117,126	\$ 33,320	\$ 177,178	\$ 409,626	\$ 287,502	\$ 1,190,000	\$ 3,402,890	\$ 7,459,259

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Schedule of General Obligation Long-Term Debt - Interest Payments
December 31, 2011

<u>Year</u>	<u>2001 General Purpose Bonds</u>	<u>2004 Trust Fund Loan</u>	<u>2004 Trust Fund Loan</u>	<u>2005 Trust Fund Loan</u>	<u>2006 Trust Fund Loan</u>	<u>2006 Trust Fund Loan</u>	<u>2008 Trust Fund Loan</u>	<u>2009 General Purpose Notes</u>	<u>2009 Trust Fund Loan</u>	<u>Totals</u>
2012	\$ 64,603	\$ 15,615	\$ 4,698	\$ 1,336	\$ 8,439	\$ 20,538	\$ 11,583	\$ 33,335	\$ 187,672	\$ 347,819
2013	51,102	14,837	3,185	1,019	6,886	19,534	10,661	32,060	182,302	321,586
2014	37,378	13,997	1,623	692	5,282	18,537	9,063	30,060	177,150	293,782
2015	22,957	13,000	---	353	3,603	17,491	7,398	27,060	171,714	263,576
2016	7,719	11,930	---	---	1,848	16,436	5,678	23,160	164,496	231,267
Onward	---	40,479	---	---	---	89,971	5,820	39,980	1,208,548	1,384,798
Tota	\$ 183,759	\$ 109,858	\$ 9,506	\$ 3,400	\$ 26,058	\$ 182,507	\$ 50,203	\$ 185,655	\$ 2,091,882	\$ 2,842,828

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VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

2010 Statement of Taxes
Year Ended December 31, 2011

State Taxes		\$	112,415
County Taxes			2,844,068
General Village Taxes			5,329,601
School District Taxes:			
School District of Whitnall	\$	6,576,039	
Milwaukee Area Vocational District		<u>1,225,590</u>	
Total school district taxes			7,801,629
Metropolitan Sewerage District Taxes			921,443
Special Assessments and Special Charges:			
Water mains		12,782	
Sewer mains		8,515	
Storm water utility		30,884	
Refuse collection		386,835	
Other sewer charges		384,154	
Weeds, tree planting, removal		700	
Fire inspection		196	
Delinquent utility charges		12,922	
Delinquent fee permit		<u>100</u>	
Total special assessments and special charges			<u>837,088</u>
Total tax roll		\$	<u><u>17,846,244</u></u>

2011 Treasurer's Settlement

Cash collections and credits applied	\$	17,645,949
Delinquent personal property		6,191
Delinquent real estate		185,851
Delinquent special charges		7,673
Delinquent utility charges		<u>580</u>
Total collections and credits	\$	<u><u>17,846,244</u></u>

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Schedule of Miscellaneous Statistics
December 31, 2011

Year of Incorporation	1952	Form of Government	
		Board of Trustees	7
Population	7,619	Permanent Village Employees	
		Full-time	34
Area		Part-time (FTE)	26
Square miles	3	Fire Protection	
Acres - Land	1,910	Number of stations	1
Acres - Water	10	Total staff	43
Altitude (feet above sea level)	792	Police Protection	
Miles of Streets		Number of stations	1
Local streets (paved)	34	Sworn staff	16
Number of Street Lights	555	Non-sworn staff	10
		Total staff	26
Water Service Provided by		Parks & Recreation	
City of Milwaukee		Acres of developed/undeveloped parks	300
Average number of customer accounts	1,132	Number of parks	4
Miles of water mains	22	Number of swimming pools	1
Miles of Sewers		Education - Whitnall School District	
Storm	5	Number of elementary schools	2
Sanitary	35	Number of middle schools	1
		Number of high schools	1
		Number of students registered	2,174
Building Permits		Public Library	
Permits issued	108	Circulation	151,879
Estimated cost of construction	\$ 3,906,805		

See independent auditors' report.

Steven C. Barney
Steven R. Volz
Daniel R. Brophy
Thomas G. Wieland
Michael W. Van Wagenen



David A. Grotkin
Joel A. Joyce
Brian J. Mechenich
Carrie A. Gindt
Patrick G. Hoffert

Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards* and the Department of Health Services Audit Guide

To the Village Board
Village of Hales Corners
Milwaukee County, Wisconsin

We have audited the accompanying financial statements of the governmental activities, each major fund and the aggregate remaining fund information of the Village of Hales Corners, Wisconsin as of and for the year ended December 31, 2011, which collectively comprise the Village's basic financial statements and have issued our report thereon dated July 16, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States and the *DHS Audit Guide, 2011 Revision*, issued by the Wisconsin Department of Health Family Services.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Village of Hales Corners, Wisconsin's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Village of Hales Corners, Wisconsin's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Village of Hales Corners, Wisconsin's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies, or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses (2011-01, 2011-02).

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany summary of audit results to be a significant deficiency (2011-03).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Village of Hales Corners, Wisconsin's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed an instance of noncompliance that is required to be reported under *Government Auditing Standards* or the *DHS Audit Guide* and which is described in the accompanying summary of audit findings as item 2011-04.

We noted certain other matters that were communicated to the management of the Village of Hales Corners in a separate letter dated July 16, 2012.

The Village of Hales Corners' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Village of Hales Corners' responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Village Board, management and state awarding agencies and is not intended to be and should not be used by anyone other than these specified parties.

Riilly, Penner & Benton LLP

July 16, 2012
Milwaukee, Wisconsin

**VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin**

**Schedule of State of Wisconsin Department of Health Services Assistance
Year Ended December 31, 2011**

<u>CARS#</u>	<u>Program</u>	<u>Grant Period</u>	<u>Expenditures</u>
155015	Bioterrorism/Public Health Preparedness	01/01/10 - 08/09/11 08/01/11 - 07/31/12	\$ 20,994 9,737
155020	Immunization Grants	01/01/11 - 12/31/11	1,196
155132	Public Health Emergency Response	08/01/10 - 12/31/10	6,312
155190	Public Health Preparedness - Cities Readiness Initiative	09/01/10 - 07/31/11	1,451
65554	Immunization and Vaccines for Children and Adults - ARRA	09/01/09 - 12/31/11	629
150327	State Indoor Radon Grants	01/01/11 - 12/31/11	1,065
159220	Preventative Health and Health Services Block Grant	01/01/11 - 12/31/11	2,909
	Ambulance Funding Assistance Grants	01/01/11 - 12/31/11	1,732
	Mosquito Control	01/01/08 - 12/31/08	<u>336</u>
Total State of Wisconsin Department of Health Services assistance expenditures			<u><u>\$ 46,361</u></u>

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Summary of Prior Year Audit Results
Year Ended December 31, 2010

Financial Statements:

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Significant deficiencies identified, not considered to be material weaknesses Yes
Material weaknesses identified Yes

Noncompliance material to grant programs noted None

Financial Statement Findings:

2010-01 Segregation of duties:

Criteria:

Proper internal controls dictate that one person should not have control of two or more of the following duties related to any one cycle (disbursements cycle, revenue cycle, payroll cycle, etc.):

- Authorization
- Custody
- Recordkeeping
- Reconciliation

Condition:

The Village's financial reporting function does not maintain appropriate duty segregation. This condition represents a material weakness in internal control.

Effect:

The possibility of accidental or intentional misstatements of the financial statements is increased due to the lack of duty segregation.

Cause:

The Village operates its financial reporting function with a limited number of staff, which precludes a proper segregation of duties.

Recommendation:

The Village should involve other employees and or Board members in the applicable functions to provide for appropriate segregation of duties to reduce the associated risks.

Current Year Status:

The finding is also a finding in the current year (See 2011-01).

2010-02 Preparation of Financial Statements:

Criteria:

In accordance with Statement on Auditing Standards Number 115, the Village should have the capability of preparing the financial statements and footnote disclosures in accordance with accounting principles generally accepted in the United States of America.

Condition:

The auditors were requested to prepare the financial statements and footnote disclosures for the Village. This condition represents a material weakness in internal control.

Effect:

The possibility of a material misstatement of the financial statements is increased due to the lack of the capability of Village personnel to prepare the financial statements and footnote disclosures in accordance with accounting principles generally accepted in the United States of America.

Cause:

Village personnel do not possess the very high level of technical expertise to prepare the financial statements and footnote disclosures in accordance with accounting principles generally accepted in the United States of America.

Recommendation:

Management should consider whether or not it is cost effective to hire staff which have the level of technical expertise necessary to prepare the financial statements and footnote disclosures in accordance with accounting principles generally accepted in the United States of America.

Current Year Status:

The finding is also a finding in the current year (See 2011-02).

See independent auditors' report.

**VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin**

**Summary of Audit Results
Year Ended December 31, 2010
(Continued)**

Financial Statement Findings (Continued):

2010-03 Significant Adjusting Journal Entries Required:

Criteria:

Internal controls over financial reporting should be adequate to ensure that all transactions are recorded in accordance with accounting principles generally accepted in the United States of America.

Condition:

Significant adjusting journal entries were required to prevent the Village's financial statements from being materially misstated. This condition represents a significant deficiency in internal control.

Effect:

The possibility of material misstatements of the financial statements is increased due to the lack of internal controls adequate to ensure the proper recording of all transactions in accordance with accounting principles generally accepted in the United States of America.

Cause:

Village personnel do not possess the high level of expertise to ensure that all transactions are recorded in accordance with accounting principles generally accepted in the United States of America.

Recommendation:

Management should consider whether or not it is cost effective to hire staff which have the level of technical expertise necessary to record all transactions in accordance with accounting principles generally accepted in the United States of America.

Current Year Status:

The finding is also a finding in the current year (See 2011-03).

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Summary of Audit Results
Year Ended December 31, 2011

Financial Statements:

Type of auditor's report issued Unqualified

Internal control over financial reporting:

Significant deficiencies identified, not considered to be material weaknesses Yes
Material weaknesses identified Yes

Noncompliance material to grant programs noted Yes

Financial Statement Findings:

2011-01 Segregation of duties:

Criteria:

Proper internal controls dictate that one person should not have control of two or more of the following duties related to any one cycle (disbursements cycle, revenue cycle, payroll cycle, etc.):

- Authorization
- Custody
- Recordkeeping
- Reconciliation

Condition:

The Village's financial reporting function does not maintain appropriate duty segregation.

Effect:

The possibility of accidental or intentional misstatements of the financial statements is increased due to the lack of duty segregation.

Cause:

The Village operates its financial reporting function with a limited number of staff, which precludes a proper segregation of duties.

Recommendation:

The Village should involve other employees and or Board members in the applicable functions to provide for appropriate segregation of duties to reduce the associated risks.

2011-02 Preparation of Financial Statements:

Criteria:

In accordance with Statement on Auditing Standards Number 115, the Village should have the capability of preparing the financial statements and footnote disclosures in accordance with accounting principles generally accepted in the United States of America.

Condition:

The auditors were requested to prepare the financial statements and footnote disclosures for the Village.

Effect:

The possibility of a material misstatement of the financial statements is increased due to the lack of the capability of Village personnel to prepare the financial statements and footnote disclosures in accordance with accounting principles generally accepted in the United States of America.

Cause:

Village personnel do not possess the very high level of technical expertise to prepare the financial statements and footnote disclosures in accordance with accounting principles generally accepted in the United States of America.

Recommendation:

Management should consider whether or not it is cost effective to hire staff which have the level of technical expertise necessary to prepare financial statements and footnote disclosures in accordance with accounting principles generally accepted in the United States of America.

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Summary of Audit Results
Year Ended December 31, 2011
(Continued)

Financial Statement Findings (Continued):

2011-03 Significant Adjusting Journal Entries Required:

Criteria:

Internal controls over financial reporting should be adequate to ensure that all transactions are recorded in accordance with accounting principles generally accepted in the United States of America.

Condition:

Significant adjusting journal entries were required to prevent the Village's financial statements from being materially misstated.

Effect:

The possibility of material misstatements of the financial statements is increased due to the lack of internal controls adequate to ensure the proper recording of all transactions in accordance with accounting principles generally accepted in the United States of America.

Cause:

Village personnel do not possess the high level of expertise to ensure that all transactions are recorded in accordance with accounting principles generally accepted in the United States of America.

Recommendation:

Management should consider whether or not it is cost effective to hire staff which have the level of technical expertise necessary to record all transactions in accordance with accounting principles generally accepted in the United States of America.

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Summary of Audit Results
Year Ended December 31, 2011
(Continued)

State Award Findings:

See Finding 2011-01 Segregation of Duties

2011-04 Unallowed Expenditures Charged to Grant

Criteria:

Eligible allocations of vacation and holiday pay expense should only be made for employees who perform work on a grant, and allocated on a reasonable basis based on other personnel costs charged to a grant.

Condition:

The Village allocated vacation and holiday expenses and claimed reimbursement on a grant for one individual who had not previously had payroll charged to the grant. Additionally, vacation and holiday allocations for another individual were not reasonably allocated.

Effect:

Questioned costs totaling \$2,125 were claimed for reimbursement. \$899 of these questioned costs were compensated absences allocated for an individual for whom no payroll expenses had been charged to the grant. Additionally, \$1,226 of these questioned costs relate to the Village allocating another individuals compensated absences of \$2,102 to one grant, when a reasonable allocation of these compensated absences would have resulted in a charge of \$876.

Cause:

Grant administrators and Village accounting staff are not fully cognizant of the requirement that expenses charged to a grant must be reasonable and consistent.

Recommendation:

Communicate to grant administrators and accounting staff that expenses charged to a grant must have been incurred in the performance of the grant and that allowed allocations of vacation and holiday pay expenditures may only be made for individuals who performed work related to the grant. Compare allocations of vacation and holiday expenditure to payroll records to ensure that only appropriate individual allocations are charged to grants.

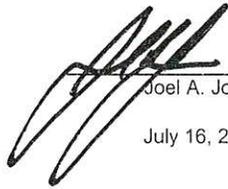
Other Issues:

Does the auditor have substantial doubt about the auditee's ability to continue as a going concern? No

Does the audit report show audit issues (i.e. material noncompliance, nonmaterial noncompliance, questioned costs, significant deficiencies, material weaknesses, management letter comments, excess revenues or excess reserves) related to grant contracts that require audits to be in accordance with the Department of Health Services Audit Guide? Yes

Was a management letter or other document conveying audit comments issued as a result of this audit? Yes

Name and signature of Partner:


Joel A. Joyce

Date of report:

July 16, 2012

See independent auditors' report