

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

**Audited Financial Statements
Year Ended December 31, 2012**

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

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America 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 from material misstatement.

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

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

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, 2012, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other-Matters

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 are presented for purposes of additional analysis as required by the Department of Health Services Audit Guide, 2012 Revision and are not required parts 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 Audit Results, and the Summary of Audit Results are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. The information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements as a whole.

The Schedule of Miscellaneous Statistics is presented for the purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated June 11, 2013 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* in considering the Village of Hales Corners' internal control over financial reporting and compliance.

Reilly, Penner & Benton LLP

June 11, 2013
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, 2012.

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 Position* presents information on all of the Village's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the 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 position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of 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. The 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 37 of this report.

Government-wide Financial Analysis and Highlights

As of the year ended December 31, 2012, Village assets exceeded liabilities by \$13,441,919. Of this amount; \$566,076 was restricted; \$12,233,677 invested in capital assets, net of related debt; and \$642,166 was unrestricted. Restricted net position changed from \$1,222,100 in 2011 as proceeds from a 2012 long-term debt obligation were used to finance capital projects. The following condensed financial information related to Village assets, liabilities, and net position has been derived from the Village's government-wide financial statements:

Assets:		<u>2012</u>		<u>2011</u>
Capital assets	\$	18,157,556	\$	18,379,853
Other assets		11,108,868		10,308,530
Total assets	\$	<u>29,266,424</u>	\$	<u>28,688,383</u>
Liabilities and Net Position:				
Liabilities:				
Long-term liabilities	\$	8,617,451	\$	8,195,395
Other liabilities		7,207,054		7,268,575
Total liabilities		<u>15,824,505</u>		<u>15,463,970</u>
Net Position:				
Net investment in capital assets		12,233,677		11,461,536
Restricted		566,076		1,222,100
Unrestricted		642,166		540,777
Total net assets		<u>13,441,919</u>		<u>13,224,413</u>
Total liabilities and net position	\$	<u>29,266,424</u>	\$	<u>28,688,383</u>

Total net position increased by \$217,506 in 2012. The increase is smaller than the 2011 increase of \$988,130. The following condensed financial information related to Village revenues, expenses, and changes in net position has been derived from the Village's government-wide financial statements:

Revenues:		<u>2012</u>		<u>2011</u>
Program:				
Charges for services	\$	1,947,745	\$	1,886,057
Operating grants and contributions		618,418		737,501
Capital grants and contributions		20,000		360,000
General:				
Taxes		4,987,709		5,331,940
Other		284,483		449,248
Total revenues		<u>7,858,355</u>		<u>8,764,746</u>
Expenses:				
General government		952,977		885,578
Public safety		3,495,021		3,648,556
Public works		1,982,613		1,912,727
Health and human services		178,322		191,252
Culture and recreation		773,355		758,606
Conservation and development		1,050		13,912
Interest on long-term debt		257,511		365,985
Total expenses		<u>7,640,849</u>		<u>7,776,616</u>
Change in net position		217,506		988,130
Net position, beginning of year		<u>13,224,413</u>		<u>12,236,283</u>
Net position, end of year	\$	<u>13,441,919</u>	\$	<u>13,224,413</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 three major funds are 1) the General Fund, which accounts for the Village's primary operating activities, 2) the Debt Service Fund, which accounts for the accumulation of resources for, and the payment of, general long-term obligation principal and interest, and 3) the General Capital Projects Fund for the acquisition or construction of major capital facilities and equipment. 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 \$4,282,202. This amount represents the Village's major funds: General Fund - \$1,380,433, Debt Service Fund - \$91,623, and General Capital Projects Fund - \$1,799,415; and Other Governmental Funds - \$1,010,731.

The General Fund balance of \$1,380,433 is comprised of \$77,588 reserved for specific purposes and \$1,302,845 unassigned. The General Fund balance increased during the year, with revenues exceeding expenditures and other financing uses by \$37,394.

The Debt Service Fund balance of \$91,623, a decrease from the prior year balance of \$534,976, 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 was projected to begin decreasing in 2012, as part of significant debt restructuring and refinancing that primarily enabled increased cash financing of street resurfacing.

The General Capital Projects Fund has a fund balance of \$1,799,415. The amount includes proceeds from a long-term borrowing of \$1,200,000 in 2012 to primarily finance the reconstruction of Kurtz Road, a major collector street.

The Other Governmental Funds balance totals \$1,010,731, compared to a balance of \$1,730,486 in 2011. The reduced fund balance is due primarily to the reclassification of the General Capital Projects Fund as a major fund in 2012.

The aggregate of non-major special revenue fund balances totals \$160,882, an increase over the prior year balance of \$136,213. 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 2012.

General Fund Budgetary Highlights

The Village Board amended the 2012 originally adopted General Fund operating budget as follows:

	Increase (Decrease)
Current expenditures:	
General government	\$ (252,380)
Public Safety	44,311
Public works	32,052
Health and human services	2,415
Culture and recreation	4,766
Net expenditures	<u>(168,836)</u>
Other financing sources and uses:	
Transfers out	<u>168,836</u>
Net Change	<u>\$ ---</u>

The amendments were primarily related to reallocations of the general government contingency to departments for unexpected operating costs during the year.

Capital Asset and Debt Administration

Capital Assets

The Village's investment in capital assets as of December 31, 2012, amounts to \$18,157,556 (net of accumulated depreciation), and major categories comprising this balance are summarized as follows:

	<u>2012</u>	<u>2011</u>
Land	\$ 6,029,397	\$ 6,029,397
Construction in progress	232,395	-
Land improvements	164,502	164,502
Buildings	6,645,826	6,645,826
Equipment and furnishings	2,828,408	2,849,399
Infrastructure	6,914,687	6,914,687
Total	<u>22,815,215</u>	<u>22,603,811</u>
Accumulated depreciation	<u>(4,657,659)</u>	<u>(4,223,958)</u>
Net capital assets	<u>\$ 18,157,556</u>	<u>\$ 18,379,853</u>

The additions to capital assets during the current year consisted primarily of the 124th Street reconstruction project.

Capital Asset and Debt Administration (continued)

Long-term Debt

As of December 31, 2012, the Village had total debt outstanding of \$7,533,547. A summary of outstanding long-term debt is as follows:

General Obligation Debt:		
Bonds and notes	\$	6,895,000
State Trust Fund loans		<u>638,547</u>
Total long-term debt	\$	<u>7,533,547</u>

Prior year debt was retired and refinanced in 2012 to take advantage of record low interest rates, and to shift more annual street resurfacing expense to the General Fund. New debt of \$1,200,000 was also issued in 2012 for a major street reconstruction project and drainage improvements.

Economic Factors Affecting the Future

Ongoing state restrictions on local tax levies for operating purposes will limit revenue capacity through 2015. Staff and service reductions are anticipated. Debt service is exempt from state levy limits, and will not affect the Village's borrowing capacity.

Tax increment revenue from Tax Increment Finance District #3 is less than originally projected as projected property value increases have not occurred in a weakened national economy. A refinancing of District debt will maintain positive cash flow through 2016. Developer guarantees will supplant any tax increment revenue through 2018, or might require the District to stay open an extra year than planned, from 2018 to 2019.

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 Position – 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 Position
December 31, 2012

		Governmental Activities
Assets:		
Cash and equivalents	\$	1,804,551
Investments		6,161,114
Taxes receivable		2,651,974
Accounts receivable		272,129
Prepaid items		22,414
Special assessments receivable		65,183
Unamortized debt issuance costs		131,503
Capital assets:		
Land and construction in progress		6,261,792
Other capital assets net of accumulated depreciation		11,895,764
Total assets	\$	<u>29,266,424</u>
Liabilities and Net Position:		
Liabilities:		
Accounts payable and accrued expenses	\$	370,355
Accrued wages and benefits		83,716
Accrued interest payable		89,459
Deposits		22,714
Deferred revenues		5,931,540
Accrued compensated absences - vacation		163,499
Accrued compensated absences - sick		207,587
OPEB obligation		1,422,088
Bonds and notes - due within one year		545,771
Bonds and notes - due in more than one year		6,987,776
Total liabilities		<u>15,824,505</u>
Net Position:		
Net investment in capital assets		12,233,677
Restricted for:		
Capital projects		425,226
Debt service		91,623
Other		49,227
Unrestricted		642,166
Total net position		<u>13,441,919</u>
Total liabilities and net position	\$	<u>29,266,424</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, 2012

	Program Revenues			Net Revenue (Expense) and Changes in Net Position of Governmental Activities
	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Governmental activities:				
General government	\$ 952,977	\$ 114,395	\$ ---	(838,582)
Public safety	3,495,021	492,557	20,000	(2,889,378)
Public works	1,982,613	1,154,219	---	(405,127)
Health and human services	178,322	18,436	---	(121,148)
Culture and recreation	773,355	168,138	---	(578,739)
Conservation and development	1,050	---	---	5,333
Interest on long-term debt	257,511	---	---	(227,045)
Total governmental activities	\$ 7,640,849	\$ 1,947,745	\$ 20,000	(5,054,686)
General Revenues:				
Taxes:				
Property taxes levied for general purposes				4,157,203
Property taxes levied for debt service				795,000
Property taxes levied for TID districts				35,506
Grants and contributions not restricted to specific programs				247,125
Gain on disposal of capital assets				12,000
Distribution of excess TID increment				(128,574)
Investment earnings				28,119
Other revenues				125,813
Total general revenues				<u>5,272,192</u>
Change in net position				<u>217,506</u>
Net position, beginning of year				13,224,413
Net position, end of year				<u>\$ 13,441,919</u>

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, 2012

	General	Debt Service	General Capital Projects	Other Governmental Funds	Total Governmental Funds
Assets:					
Cash and equivalents	\$ 1,799,700	\$ ---	\$ ---	\$ 4,851	\$ 1,804,551
Investments	3,380,695	74,841	1,658,328	1,047,250	6,161,114
Receivables:					
Taxes	1,961,521	655,000	---	35,453	2,651,974
Special assessments	---	---	---	65,183	65,183
Accounts	268,965	---	---	3,164	272,129
Prepaid expenses	22,414	---	---	---	22,414
Due from other funds	---	16,782	141,087	14,036	171,905
Total assets	\$ 7,433,295	\$ 746,623	\$ 1,799,415	\$ 1,169,937	\$ 11,149,270

Liabilities and Fund Balances:

Liabilities:					
Accounts payable	\$ 370,355	\$ ---	\$ ---	\$ ---	\$ 370,355
Accrued wages and benefits	83,716	---	---	---	83,716
Deposits	22,714	---	---	---	22,714
Deferred revenues	5,278,038	655,000	---	121,841	6,054,879
Accrued compensated absences	163,499	---	---	---	163,499
Due to other funds	134,540	---	---	37,365	171,905
Total liabilities	6,052,862	655,000	---	159,206	6,867,068
Fund Balance:					
Nonspendable	23,351	---	---	---	23,351
Restricted	---	91,623	---	474,453	566,076
Committed	54,237	---	1,799,415	540,817	2,394,469
Unassigned	1,302,845	---	---	(4,539)	1,298,306
Total fund balance	1,380,433	91,623	1,799,415	1,010,731	4,282,202
Total liabilities and fund balances	\$ 7,433,295	\$ 746,623	\$ 1,799,415	\$ 1,169,937	\$ 11,149,270

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 Position
December 31, 2012

Total fund balance of governmental funds \$ 4,282,202

Amounts reported for governmental activities in the government-wide statement of net position 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	6,261,792
Other capital assets net of accumulated depreciation	11,895,764

Other long-term assets are not available to pay for current period expenditures and therefore are deferred in the funds.

MCFLS receivable	75,806
Special assessments receivable	47,533

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	131,503
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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	(7,533,547)
Compensated absences payable - sick pay	(207,587)
OPEB Obligation	(1,422,088)
Accrued interest payable on long-term bonds and notes	<u>(89,459)</u>

Net position of governmental activities \$ 13,441,919

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, 2012

	<u>General</u>	<u>Debt Service</u>	<u>General Capital Projects</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:					
Taxes	\$ 4,157,203	\$ 795,000	\$ ---	35,506	\$ 4,987,709
Public charges for services:					
Licenses	47,122	---	---	---	47,122
Permits	64,354	---	---	---	64,354
Fines and forfeitures	199,645	---	---	---	199,645
Other charges for services	1,537,679	---	2,187	138,416	1,678,282
Operating grants and contributions:					
Intergovernmental	712,973	82,467	---	62,384	857,824
Other	---	---	---	59,720	59,720
Capital grants and contributions:					
Other	---	---	---	20,000	20,000
Interest income	20,526	678	1,878	5,037	28,119
Miscellaneous revenues	120,139	---	---	5,674	125,813
Total revenues	<u>6,859,641</u>	<u>878,145</u>	<u>4,065</u>	<u>326,737</u>	<u>8,068,588</u>
Expenditures:					
Current:					
General government	863,862	---	7,673	21,998	893,533
Public safety	2,961,779	---	7,480	50,430	3,019,689
Public works	1,553,406	---	112,273	51,378	1,717,057
Health and human services	132,653	---	---	38,638	171,291
Culture, recreation and education	656,611	---	22,529	58,569	737,709
Conservation and development	---	---	---	1,050	1,050
Debt issuance costs	---	88,328	---	---	88,328
Capital outlay	---	---	245,427	92,216	337,643
Debt Service:					
Principal payments	---	5,705,712	---	---	5,705,712
Interest payments	---	386,301	---	---	386,301
Total expenditures	<u>6,168,311</u>	<u>6,180,341</u>	<u>395,382</u>	<u>314,279</u>	<u>13,058,313</u>
Excess (deficit) of revenues over (under) expenditures	691,330	(5,302,196)	(391,317)	12,458	(4,989,725)
Other Financing Sources (Uses):					
Bonds and notes issued	---	---	1,204,146	---	1,204,146
Refunding bonds and notes issued	---	4,575,854	---	---	4,575,854
Proceeds from sale of capital assets	---	---	---	12,000	12,000
Distribution upon TID closure	---	---	52,520	(181,094)	(128,574)
Transfers from other funds	---	282,989	494,236	159,700	936,925
Transfers to other funds	(653,936)	---	---	(282,989)	(936,925)
Net change in fund balance	<u>37,394</u>	<u>(443,353)</u>	<u>1,359,585</u>	<u>(279,925)</u>	<u>673,701</u>
Fund Balance:					
Beginning of year	<u>1,343,039</u>	<u>534,976</u>	<u>439,830</u>	<u>1,290,656</u>	<u>3,608,501</u>
End of year	<u>\$ 1,380,433</u>	<u>\$ 91,623</u>	<u>\$ 1,799,415</u>	<u>\$ 1,010,731</u>	<u>\$ 4,282,202</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, 2012**

Net change in fund balances of governmental funds	\$ 673,701
 Amounts reported for governmental activities in the statement of activities are different because:	
 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.	
Governmental capital outlays in fund financial statements	337,643
Depreciation expense in government-wide financial statements	(559,940)
 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.	
Proceeds from the issuance of debt in governmental fund financial statements	(5,780,000)
Principal payments on debt in governmental fund financial statements	5,705,712
 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.	
Debt issuance costs in governmental fund financial statements	88,328
Amortization of these amounts included in interest expense in the statement of activities	(8,213)
 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.	
	137,003
 Certain revenues which do not provide current financial resources are deferred in the governmental funds, but are recognized in the statement of activities.	
Decrease in deferred MCFLS receivable	(17,194)
Decrease in deferred special assessments receivable	(24,464)
Decrease in Build America Bond interest receivable	(52,001)
 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.	
Decrease in accrued compensated absences - sick pay	9,021
Increase in OPEB obligation	(292,090)
	217,506
Change in net assets of governmental activities	\$ 217,506

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, 2012**

	Originally Adopted <u>Budget</u>	Final Amended <u>Budget</u>	<u>Actual</u>	<u>Variance</u>
Revenues:				
Taxes	\$ 4,158,944	\$ 4,158,944	\$ 4,157,203	\$ (1,741)
Public charges for services:				
Licenses	38,890	38,890	47,122	8,232
Permits	55,160	55,160	64,354	9,194
Fines and forfeitures	227,000	227,000	199,645	(27,355)
Other charges for services	1,556,414	1,556,414	1,537,679	(18,735)
Operating grants and contributions:				
Intergovernmental	694,750	694,750	712,973	18,223
Interest income	31,000	31,000	20,526	(10,474)
Miscellaneous revenues	120,600	120,600	120,139	(461)
Total revenues	<u>6,882,758</u>	<u>6,882,758</u>	<u>6,859,641</u>	<u>(23,117)</u>
Expenditures:				
Current:				
General government	1,209,834	957,454	863,862	(93,592)
Public safety	2,997,293	3,041,604	2,961,779	(79,825)
Public works	1,545,764	1,577,816	1,553,406	(24,410)
Health and human services	143,595	146,010	132,653	(13,357)
Culture and recreation	675,172	679,938	656,611	(23,327)
Total expenditures	<u>6,571,658</u>	<u>6,402,822</u>	<u>6,168,311</u>	<u>(234,511)</u>
Excess of revenues over expenditures	311,100	479,936	691,330	211,394
Other Financing Uses:				
Transfers to other funds	(485,100)	(653,936)	(653,936)	---
Net change in fund balance	<u>(174,000)</u>	<u>(174,000)</u>	<u>37,394</u>	<u>211,394</u>
Fund Balance:				
Beginning of year	<u>1,343,039</u>	<u>1,343,039</u>	<u>1,343,039</u>	<u>---</u>
End of year	<u>\$ 1,169,039</u>	<u>\$ 1,169,039</u>	<u>\$ 1,380,433</u>	<u>\$ 211,394</u>

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

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Statement of Net Position - Fiduciary (Agency) Fund
December 31, 2012

	<u>Agency</u>
Assets:	
Investments	\$ 6,560,979
Taxes receivable	5,290,642
Total assets and other debits	<u>\$ 11,851,621</u>
Liabilities:	
Due to other taxing units	<u>\$ 11,851,621</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, 2012

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") accounting standards codification pronouncements 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 position and statement of activities display information about the reporting government as a whole. They include all funds of the reporting entity except for fiduciary funds. Governmental activities generally are financed through taxes, intergovernmental revenues, and other non-exchange revenues.

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

The statement of activities presents the activities of the government 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, 2012

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.
- General Capital Projects Fund – the General Capital Projects Fund accounts for financial resources to be used for the acquisition or construction of major capital facilities and equipment.

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:

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

VILLAGE OF HALES CORNERS

Milwaukee County, Wisconsin

Notes to Financial Statements

December 31, 2012

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 Village, 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 position 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 position (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 position.

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 position 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, 2012

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 position "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, 2012

1. Summary of Significant Accounting Policies (continued)

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

Receivables (continued)

Property Tax Calendar – 2012 Tax Roll:

Lien date and levy date	December 2012
Tax bills mailed	December 2012
Payment in full, or	January 31, 2013
First installment of 50% due	January 31, 2013
Second installment of 25% due	April 30, 2013
Third installment of 25% due	July 31, 2013
Special charges and personal property taxes in full	January 31, 2013
Tax sale of 2009 delinquent real estate taxes	October 2013

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, 2012

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 \$479,200.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2012

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 position and displayed in three components:

- a. Net investment in capital assets – Consists of capital assets including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted – 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 – All other net assets that do not meet the definition of “restricted” or “net investment in capital assets”.

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, 2012

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 (ordinances and resolutions) 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, 2012

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, 2012, the Village was obligated for a total of \$7,533,547 in general obligation debt, or 24% of the total debt limit.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2012

3. Detail Notes on Transaction Classes and Accounts

A. Cash and Investments

As of December 31, 2012, 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	\$ 1,854,832	\$ 1,803,851
Petty cash	---	700
Certificates of deposit	37,449	37,449
Investment – State of Wisconsin		
Local Government Investment Pool	12,684,644	12,684,644
Total cash and investments	\$ 14,576,925	\$ 14,526,644

Reconciliation to Financial Statements:

Per Statement of Net Assets:

Cash and equivalents	\$ 1,804,551
Investments	6,161,114

Per Statement of Net Assets – Fiduciary (Agency) Fund

Investments	6,560,979
Total cash and investments	\$ 14,526,644

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, 2012, the Village's cash and equivalents bank balances were exposed to custodial credit risk in that \$1,354,832 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.

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 State of Wisconsin Local Government Investment Pool ("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. Copies of the SIF's audited financial statements can be obtained from the Wisconsin Department of Administration's website.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2012

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 2013</u>
Governmental Activities:				
Taxes	\$ 2,651,974	\$ ---	\$ 2,651,974	\$ ---
Special assessments	65,183	---	65,183	47,533
Accounts	297,129	25,000	272,129	---
Total governmental activities	<u>\$ 3,014,286</u>	<u>\$ 25,000</u>	<u>\$ 2,989,286</u>	<u>\$ 47,533</u>
 Fiduciary (Agency) Funds:				
Taxes	<u>\$ 5,290,642</u>	<u>\$ ---</u>	<u>\$ 5,290,642</u>	<u>\$ ---</u>

The allowance for taxes is for delinquent personal property taxes receivable. Allowances related to accounts receivable are for ambulance billings of \$20,000, 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>
Debt Service Fund	Other governmental funds	\$ 16,782
General Capital Projects Fund	Other governmental funds	6,547
General Capital Projects Fund	General Fund	134,540
Other governmental funds	Other governmental funds	14,036
		<u>\$ 171,905</u>

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	\$ 282,989
General Capital Projects Fund	General Fund	494,236
Other governmental funds	General Fund	159,700
		<u>\$ 936,925</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, 2012

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

D. Capital Assets

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

	<u>Balance January 1, 2012</u>	<u>Addition</u>	<u>Transfers</u>	<u>Disposals</u>	<u>Balance December 31, 2012</u>
Nondepreciable capital assets:					
Land	\$ 6,029,397	\$ ---	\$ ---	\$ ---	\$ 6,029,397
Construction-in-progress	---	232,395	---	---	232,395
Total nondepreciable capital assets	6,029,397	232,395	---	---	6,261,792
Depreciable capital assets:					
Land improvements	164,502	---	---	---	164,502
Buildings	6,645,826	---	---	---	6,645,826
Equipment and furnishings	2,849,399	105,248	---	(126,239)	2,828,408
Infrastructure	6,914,687	---	---	---	6,914,687
Total depreciable capital assets	16,574,414	105,248	---	(126,239)	16,553,423
Less accumulated depreciation:					
Land improvements	62,090	4,271	---	---	66,361
Buildings	1,534,104	132,735	---	---	1,666,839
Equipment and furnishings	1,756,565	226,265	---	(126,239)	1,856,591
Infrastructure	871,199	196,669	---	---	1,067,868
Total accumulated Depreciation	4,223,958	559,940	---	(126,239)	4,657,659
Net depreciable capital assets	12,350,456	(454,692)	---	---	11,895,764
Net total capital assets	\$ 18,379,853	\$ (222,297)	\$ ---	\$ ---	\$ 18,157,556
Depreciation was charged to governmental functions as follows:					
General government					\$ 40,149
Public safety					249,677
Public works					242,904
Health and human services					4,096
Culture, recreation and education					23,114
Total depreciation					\$ 559,940

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2012

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, 2012 was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>	<u>Amounts Due Within One Year</u>
General obligation debt	\$ 7,459,259	\$ 5,780,000	\$ (5,705,712)	\$ 7,533,547	\$ 545,771
Accumulated unpaid sick pay	216,608	64,187	(73,208)	207,587	---
Total long-term obligations	\$ 7,675,867	\$ 5,844,187	\$ (5,778,920)	\$ 7,741,134	\$ 545,771

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 12/31/12</u>
Bonds:	06/07/12	04/01/31	2.16%	5,780,000	5,780,000
Notes:	01/26/04	03/15/22	5.25%	\$ 343,117	\$ 282,617
	12/09/04	03/15/14	4.00%	310,674	79,613
	10/11/05	03/15/15	4.00%	67,153	25,476
	08/05/08	03/15/18	4.25%	662,000	250,841
	09/01/09	09/01/19	2.93%	1,265,000	<u>1,115,000</u>
Total general obligation debt					\$ <u>7,533,547</u>

During the year ended December 31, 2012, the Village retired \$5,095,242 in general obligation debt through the use of new general obligation debt and other available Village funds. The Village issued \$5,780,000 in new general obligation debt. Of this amount, \$4,575,854 was used to retire existing debt and to cover debt issuance costs, with the remaining \$1,204,146 to be used for construction projects in the General Capital Projects Fund.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2012

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>
2013	\$ 545,771	\$	190,134	\$	735,905
2014	602,254		150,752		753,006
2015	635,672		140,566		776,238
2016	631,566		130,410		761,976
2017	524,390		120,033		644,423
2018 - 2022	2,063,894		430,100		2,493,994
2023 - 2027	1,640,000		223,090		1,863,090
2028 - 2031	<u>890,000</u>		<u>37,205</u>		<u>927,205</u>
Totals	\$ <u>7,533,547</u>	\$	<u>1,422,290</u>	\$	<u>8,955,837</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, 2012 is summarized as follows:

	<u>Balance</u> <u>January</u> <u>1, 2012</u>		<u>Additions</u>		<u>Amortization</u> <u>Expense</u> <u>(Benefit)</u>		<u>Balance</u> <u>December</u> <u>31, 2012</u>
Unamortized debt issuance costs	\$ 51,388	\$	<u>88,328</u>	\$	<u>(8,213)</u>	\$	<u>131,503</u>

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2012

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:

Net Investment in Capital Assets:

Land and construction in progress	\$	6,261,792	
Other capital assets net of accumulated depreciation		11,895,764	
Less related long-term debt		<u>(5,923,879)</u>	
Total net investment in capital assets	\$		12,233,677

Restricted for:

Debt Service			91,623
Capital Projects			425,226

Other:

Fire programs		7,115	
Police programs		25,340	
Health programs		375	
Library programs		16,294	
Senior Enrichment program		<u>103</u>	
Total restricted for other			49,227

Unrestricted

			<u>642,166</u>
Total governmental net assets	\$		<u><u>13,441,919</u></u>

Fund Financial Statements

Governmental fund balances consist of the following:

General Fund:

Nonspendable:

Prepaid items	\$	22,414	
Delinquent personal property taxes receivable		<u>937</u>	
Total nonspendable			\$ 23,351
Committed for employee health expenses			54,237
Unassigned			<u>1,302,845</u>
Total General Fund			\$ <u><u>1,380,433</u></u>

Debt Service Fund:

Restricted			\$ <u>91,623</u>
------------	--	--	------------------

General Capital Projects Fund:

Committed			\$ <u><u>1,799,415</u></u>
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VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2012

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	\$	385,017	
TIF District #3		40,209	
Fire programs		7,115	
Police programs		25,340	
Health programs		375	
Library programs		16,294	
Senior Enrichment program		103	
Total restricted		474,453	\$ 474,453

Committed:

Special Assessments		169,000	
Equipment replacement		258,860	
General programs		14,499	
Storm water maintenance		64,505	
Library activities		6,286	
July 4 th activities		27,667	
Total committed		540,817	540,817

Unassigned		(4,539)	
Total non-major funds		1,010,731	\$ 1,010,731

At December 31, 2012, the following funds had deficit fund balances:

<u>Fund</u>		<u>Amount</u>	
Equipment Replacement Funds:			
Police	\$	3,237	

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, 2012

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 employees, initially employed by a participating WRS employer prior to July 1, 2011, expected to work at least 600 hours a year and expected to be employed for at least one year from the employee's date of hire are eligible to participate in the WRS. All employees, initially employed by a WRS employer on or after July 1, 2011 and expected to work at least 1,200 hours per year and expected to be employed for at least one year from the employee's date of hire are eligible to participate in the WRS. Employees hired to work nine or ten months a year, but expected to return year after year are considered to have met the one year requirement.

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

	<u>Employee</u>	<u>Employer</u>
General	5.90%	5.90%
Executives and Elected Officials	7.05%	7.05%
Protective with Social Security	5.90%	9.00%
Protective without Social Security	5.90%	11.30%

The payroll for the Village employees covered by the WRS for the year ended December 31, 2012 was \$2,570,488; the employer's total payroll was \$2,997,735. The total required contribution for the year ended December 31, 2012 was \$347,323, which consisted of \$195,664, or 7.6% of payroll from the employer and \$151,659, or 5.9% of payroll from employees. Total contributions for the years ending December 31, 2011 and 2010 were \$350,726 and \$337,679, 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. Participants who initially became WRS eligible on or after July 1, 2011 must have five years of creditable service to be vested.

The WRS also provides death and disability benefits for employees. Eligibility and the amount of all benefits is determined under Chapter 40 of Wisconsin Statutes. 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, 2012

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	\$	314,185	
Interest on net OPEB obligation		33,901	
Annual OPEB cost (expense)		348,086	
Contributions made		(55,996)	
Increase in net OPEB obligation		292,090	
Net OPEB obligation – beginning of year		1,129,998	
Net OPEB obligation – end of year	\$	1,422,088	

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, 2012, 2011 and 2010 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, 2010	\$ 415,794	8%	\$ 750,801
December 31, 2011	423,476	10%	1,129,998
December 31, 2012	348,086	16%	1,422,088

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2012

4. Other Notes (continued)

B. Other Postemployment Benefits (OPEB) (continued)

Funding Status and Funding Progress

As of December 31, 2012, the most recent actuarial valuation date, the Village's OPEB obligation was completely unfunded, resulting in an unfunded actuarial accrued liability (UAAL) of \$3,655,063. The covered payroll was \$2,570,488 and the ratio of the UAAL to covered payroll was 142.2%.

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, 2012 actuarial valuation, the alternative measurement method was used. The actuarial assumptions include a 3% 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, 2012 was thirty 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, 2012

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, 2012, 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 \$81,882 for the year ended December 31, 2012.

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 had sufficient increment to cover expenses related to any current and future projects. During the year ended December 31, 2012, the District refunded a portion of the excess increments totaling \$181,094, of which \$52,520 was retained by the Village and \$158,574 was returned to the overlying taxing districts. Once all projects costs have been paid, any remaining excess increment will be disbursed accordingly to the Village and the overlying taxing districts. The Village expects this to occur in 2013. The following is a summary of accumulated project activity, project plan estimates and outstanding debt as of December 31, 2012:

<u>Project Plan Estimated Revenues</u>	<u>Cumulative Revenues to 12/31/12</u>	<u>Project Plan Estimated Expenditures</u>	<u>Cumulative Expenditures to 12/31/12</u>	<u>Outstanding Debt as of 12/31/12</u>
\$ 11,407,894	\$ 7,805,252	\$ 11,407,894	\$ 7,445,235	---

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Notes to Financial Statements
December 31, 2012

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, 2012:

<u>Project Plan Estimated Revenues</u>	<u>Cumulative Revenues to 12/31/12</u>	<u>Project Plan Estimated Expenditures</u>	<u>Cumulative Expenditures to 12/31/12</u>	<u>Outstanding Debt as of 12/31/12</u>
\$ 750,817	\$ 515,165	\$ 946,288	\$ 725,794	\$ 250,841

H. Subsequent Events

Management has evaluated subsequent events for possible recognition or disclosure through the date the financial statements were available to be distributed June 11, 2013. 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, 2012

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, 2012	\$ ---	\$ 3,655,063	\$ 3,655,063	---	\$ 2,570,488	142.2%
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 studies were performed as of December 31, 2012 and 2008 and were the only studies 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, 2012

	Original Adopted <u>Budget</u>	Final Amended <u>Budget</u>	<u>Actual</u>
Taxes:			
General property taxes	\$ 4,158,944	\$ 4,158,944	\$ 4,157,203
 Public Charges for Services:			
Licenses:			
Liquor and malt beverage	11,200	11,200	11,480
Operators'	4,000	4,000	4,605
Cigarette	1,400	1,400	1,300
Dog	4,000	4,000	3,794
Amusement device and peddler	3,300	3,300	4,471
Dance hall	60	60	811
Electrical contractor	---	---	5,360
Food establishment	13,850	13,850	14,206
Swimming pool	1,080	1,080	1,095
Total licenses	38,890	38,890	47,122
 Permits:			
Building	26,000	26,000	36,539
Electric	11,000	11,000	11,965
Plumbing	6,500	6,500	8,161
Sign	1,500	1,500	2,109
Culvert	6,160	6,160	3,670
Street Opening	2,000	2,000	---
Erosion	500	500	---
Fire Department	1,500	1,500	1,910
Total permits	55,160	55,160	64,354
 Fines and Forfeitures	227,000	227,000	199,645

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Detailed Statement of Revenues - General Fund - Budget and Actual
Year Ended December 31, 2012
(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	\$ 741
Village hall copy fees	2,400	2,400	2,519
Lease revenue	78,000	78,000	81,882
Board of Appeals	500	500	150
Planning Commission fees	3,000	3,000	2,450
License publication fees	200	200	192
DARE program	5,000	5,000	3,026
Fire department fees	18,000	18,000	16,362
Fire department highway response fees	25,000	25,000	15,500
Weights and measures	2,400	2,400	2,858
Ambulance fees	192,000	192,000	187,522
Refuse collection charges	429,926	429,926	428,747
Local sewer service charges	350,717	350,717	344,223
Metro sewer connection charge	265,421	265,421	267,630
Weed cutting	---	---	100
Health department fees	1,000	1,000	3,135
Library fines	18,850	18,850	16,372
Library copy fees	2,200	2,200	1,773
MCFLS reciprocal library	75,000	75,000	69,412
Recreation department fees	86,300	86,300	93,085
Total other charges for services	1,556,414	1,556,414	1,537,679
Operating Grants and Contributions:			
Intergovernmental:			
Shared taxes from state	250,842	250,842	247,125
State aid - Highways	403,258	403,258	403,258
State aid - Fire insurance	20,750	20,750	23,252
State aid - Police	---	---	15,029
State aid - Public safety	---	---	4,300
Recycling grant	19,900	19,900	20,009
Total intergovernmental	694,750	694,750	712,973

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Detailed Statement of Revenues - General Fund - Budget and Actual
Year Ended December 31, 2012
(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	\$ 6,300
Interest on tax account investments	6,000	6,000	2,581
Interest on delinquent taxes	10,000	10,000	9,526
Sewer charge penalties	1,000	1,000	2,119
Total interest income	31,000	31,000	20,526
Other Revenues:			
Miscellaneous general revenue	5,000	5,000	456
Cable television franchise fee	90,000	90,000	92,028
Telephone franchise fee	16,000	16,000	21,830
Street light insurance reimbursement	9,600	9,600	5,825
Total other revenues	120,600	120,600	120,139
Total general fund revenues	\$ 6,882,758	\$ 6,882,758	\$ 6,859,641

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Detailed Statement of Expenditures - General Fund - Budget and Actual
Year Ended December 31, 2012

	<u>Original Adopted Budget</u>	<u>Final Amended Budget</u>	<u>Actual</u>
General Government:			
Legislative	\$ 109,441	\$ 109,441	\$ 74,572
Municipal court	98,971	100,152	88,443
Administration	465,488	471,952	442,981
Maintenance and sundry	272,471	272,471	257,866
Contingency	263,463	3,438	---
Total general government	<u>1,209,834</u>	<u>957,454</u>	<u>863,862</u>
Public Safety:			
Police department	1,878,425	1,908,154	1,850,763
Communications	324,914	323,408	317,503
Fire department	743,405	758,837	747,572
Inspection - General	50,549	51,205	45,941
Total public safety	<u>2,997,293</u>	<u>3,041,604</u>	<u>2,961,779</u>
Public Works:			
Engineering, sanitation, administration	991,317	993,071	978,479
Maintenance	554,447	584,745	574,927
Total public works	<u>1,545,764</u>	<u>1,577,816</u>	<u>1,553,406</u>
Health and Human Services			
Health	143,595	146,010	132,653
Total health and human services	<u>143,595</u>	<u>146,010</u>	<u>132,653</u>
Recreation and Education:			
Library	582,756	580,756	557,815
Recreation	92,416	99,182	98,796
Total recreation and education	<u>675,172</u>	<u>679,938</u>	<u>656,611</u>
Total general fund expenditures	<u>\$ 6,571,658</u>	<u>\$ 6,402,822</u>	<u>\$ 6,168,311</u>

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Combining Balance Sheet - Non-major Governmental Funds
December 31, 2012

	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Non-major</u>
Assets:			
Cash and equivalents	\$ ---	\$ 4,851	\$ 4,851
Investments	818,163	229,087	1,047,250
Receivables:			
Taxes	35,453	---	35,453
Special assessments	65,183	---	65,183
Accounts	---	3,164	3,164
Due from other funds	14,036	---	14,036
Total assets	<u>\$ 932,835</u>	<u>\$ 237,102</u>	<u>\$ 1,169,937</u>
 Liabilities and Fund Balances:			
Liabilities:			
Deferred revenues	\$ 82,986	\$ 38,855	\$ 121,841
Due to other funds	---	37,365	37,365
Total liabilities	<u>82,986</u>	<u>76,220</u>	<u>159,206</u>
 Fund Balance:			
Restricted	425,226	49,227	474,453
Committed	427,860	112,957	540,817
Unassigned	(3,237)	(1,302)	(4,539)
Total fund balance	<u>849,849</u>	<u>160,882</u>	<u>1,010,731</u>
 Total liabilities and fund balances	 <u>\$ 932,835</u>	 <u>\$ 237,102</u>	 <u>\$ 1,169,937</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, 2012

	<u>Capital Projects</u>	<u>Special Revenue</u>	<u>Total Non-major</u>
Revenues:			
Taxes	\$ 35,506	\$ ---	\$ 35,506
Public charges for services:			
Other charges for services	28,464	109,952	138,416
Operating grants and contributions:			
Intergovernmental	6,383	56,001	62,384
Other	---	59,720	59,720
Capital grants and contributions:			
Other	20,000	---	20,000
Interest Income	4,695	342	5,037
Miscellaneous revenues	---	5,674	5,674
Total revenues	<u>95,048</u>	<u>231,689</u>	<u>326,737</u>
Expenditures:			
Current:			
General government	21,587	411	21,998
Public safety	5,981	44,449	50,430
Public works	17,304	34,074	51,378
Health and human services	---	38,638	38,638
Culture, recreation and education	11,174	47,395	58,569
Conservation and development	1,050	---	1,050
Capital outlay	76,681	15,535	92,216
Total expenditures	<u>133,777</u>	<u>180,502</u>	<u>314,279</u>
Excess (deficit) of revenues over (under) expenditures	(38,729)	51,187	12,458
Other Financing Sources (Uses):			
Proceeds from sale of capital assets	12,000	---	12,000
Distribution of excess TID increment	(181,094)	---	(181,094)
Transfers from other funds	146,700	13,000	159,700
Transfers to other funds	(243,243)	(39,746)	(282,989)
Net change in fund balance	<u>(304,366)</u>	<u>24,441</u>	<u>(279,925)</u>
Fund Balance:			
Beginning of year	<u>1,154,215</u>	<u>136,441</u>	<u>1,290,656</u>
End of year	<u>\$ 849,849</u>	<u>\$ 160,882</u>	<u>\$ 1,010,731</u>

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Combining Balance Sheet - Capital Projects Funds
December 31, 2012

	Major Fund		Non-Major Funds				Total Capital Project Funds
	General Capital Projects	Equipment Replacement Fund	Special Assessments	TIF District #2	TIF District #3	Total Non-major Funds	
Assets:							
Investments	\$ 1,658,328	\$ 243,814	\$ 149,123	\$ 385,017	\$ 40,209	\$ 818,163	\$ 2,476,491
Taxes receivable	---	---	---	---	35,453	35,453	35,453
Special assessments receivable	---	---	65,183	---	---	65,183	65,183
Due from other funds	141,087	11,809	2,227	---	---	14,036	155,123
Total assets	\$ 1,799,415	\$ 255,623	\$ 216,533	\$ 385,017	\$ 75,662	\$ 932,835	\$ 2,732,250
Liabilities and Fund Balance:							
Liabilities:							
Deferred revenues	\$ ---	\$ ---	\$ 47,533	\$ ---	\$ 35,453	\$ 82,986	\$ 82,986
Due to other funds	---	---	---	---	---	---	---
Total liabilities	---	---	47,533	---	35,453	82,986	82,986
Fund Balance:							
Restricted	---	---	---	385,017	40,209	425,226	425,226
Committed	1,799,415	258,860	169,000	---	---	427,860	2,227,275
Unassigned	---	(3,237)	---	---	---	(3,237)	(3,237)
Total fund balance	1,799,415	255,623	169,000	385,017	40,209	849,849	2,649,264
Total liabilities and fund balance	\$ 1,799,415	\$ 255,623	\$ 216,533	\$ 385,017	\$ 75,662	\$ 932,835	\$ 2,732,250

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, 2012

	Major Fund				Non-Major Funds			Total Capital Project Funds
	General Capital Projects	Special Assessments	Equipment Replacement Fund	TIF District #2	TIF District #3	Total Non-major Funds		
Revenues:								
Taxes	\$ 2,187	\$ 24,464	\$ 4,000		\$ 35,506	\$ 28,464	\$ 35,506	\$ 30,651
Public charges for services								
Operating grants and contributions:								
Intergovernmental				6,177	206		6,383	6,383
Capital grants and contributions:								
Other			20,000				20,000	20,000
Interest income	1,878	3,521	357	749	68		4,695	6,573
Total revenues	<u>4,065</u>	<u>27,985</u>	<u>24,357</u>	<u>6,926</u>	<u>35,780</u>	<u>95,048</u>	<u>99,113</u>	<u>99,113</u>
Expenditures:								
Current:								
General government	7,673		21,587				21,587	29,260
Public safety	7,480		5,981				5,981	13,461
Public works	112,273			17,304			17,304	129,577
Culture, recreation and education	22,529		11,174				11,174	33,703
Conservation and development				900	150		1,050	1,050
Capital outlay	245,427		76,681				76,681	322,108
Total expenditures	<u>395,382</u>		<u>115,423</u>	<u>18,204</u>	<u>150</u>	<u>133,777</u>	<u>529,159</u>	<u>529,159</u>
Excess (deficit) of revenues over (under) expenditures	<u>(391,317)</u>	<u>27,985</u>	<u>(91,066)</u>	<u>(11,278)</u>	<u>35,630</u>	<u>(38,729)</u>	<u>(430,046)</u>	<u>(430,046)</u>
Other Financing Sources (Uses):								
Bonds and notes issued	1,204,146							1,204,146
Proceeds from sale of capital assets			12,000				12,000	12,000
Distribution of excess increment	52,520			(181,094)			(181,094)	(128,574)
Transfers from other funds	494,236		146,700				146,700	640,936
Transfers to other funds		(195,000)			(48,243)		(243,243)	(243,243)
Net change in fund balance	<u>1,359,585</u>	<u>(167,015)</u>	<u>67,634</u>	<u>(192,372)</u>	<u>(12,613)</u>	<u>(304,366)</u>	<u>1,055,219</u>	<u>1,055,219</u>
Fund Balance:								
Beginning of Year	439,830	336,015	187,989	577,389	52,822	1,154,215	1,594,045	1,594,045
End of Year	<u>\$ 1,799,415</u>	<u>\$ 169,000</u>	<u>\$ 255,623</u>	<u>\$ 385,017</u>	<u>\$ 40,209</u>	<u>\$ 849,849</u>	<u>\$ 2,649,264</u>	<u>\$ 2,649,264</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, 2012

	General Government	Fire	Police	Public Works	Library	Conservation and Development	Total
Revenues:							
Public charges for services	---	---	---	2,187	---	---	2,187
Interest income	1,878	---	---	---	---	---	1,878
Total revenues	<u>1,878</u>	<u>---</u>	<u>---</u>	<u>2,187</u>	<u>---</u>	<u>---</u>	<u>4,065</u>
Expenditures:							
Current:							
General government	7,673	---	---	---	---	---	7,673
Public safety	---	6,630	850	---	---	---	7,480
Public works	---	---	---	112,273	---	---	112,273
Culture, recreation and education	---	---	---	22,529	---	---	22,529
Capital outlay	---	---	13,033	232,394	---	---	245,427
Total expenditures	<u>7,673</u>	<u>6,630</u>	<u>13,883</u>	<u>344,667</u>	<u>---</u>	<u>---</u>	<u>395,382</u>
Excess (deficit) of revenues over (under) expenditures	<u>(5,795)</u>	<u>(6,630)</u>	<u>(13,883)</u>	<u>(342,480)</u>	<u>(22,529)</u>	<u>---</u>	<u>(391,317)</u>
Other Financing Sources (Uses):							
Bonds and notes issued	1,204,146	---	---	---	---	---	1,204,146
Distribution of excess TID #2 increment	52,520	---	---	---	---	---	52,520
Transfers from other general capital projects funds	78,588	3,400	25,000	1,201,500	32,500	---	1,340,988
Transfers to other general capital projects funds	(1,383,025)	---	(11,117)	70,625	(17,471)	---	(1,340,988)
Transfers from other funds	50,275	---	---	358,400	85,000	561	494,236
Net change in fund balance	<u>(3,291)</u>	<u>(3,230)</u>	<u>---</u>	<u>1,288,045</u>	<u>77,500</u>	<u>561</u>	<u>1,359,585</u>
Fund Balance:							
Beginning of year	104,686	3,347	---	308,182	22,698	917	439,830
End of year	<u>\$ 101,395</u>	<u>\$ 117</u>	<u>\$ ---</u>	<u>\$ 1,596,227</u>	<u>\$ 100,198</u>	<u>\$ 1,478</u>	<u>\$ 1,799,415</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, 2012

	<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
Capital grants and contributions:							
Other	---	20,000	---	---	---	---	20,000
Interest income	357	---	---	---	---	---	357
Total revenues	<u>357</u>	<u>20,000</u>	<u>---</u>	<u>---</u>	<u>4,000</u>	<u>---</u>	<u>24,357</u>
Expenditures:							
Current:							
General government	21,587	---	---	---	---	---	21,587
Public safety	---	940	5,041	---	---	---	5,981
Culture, recreation and education	---	---	---	---	---	11,174	11,174
Capital outlay	12,715	29,379	34,587	---	---	---	76,681
Total expenditures	<u>34,302</u>	<u>30,319</u>	<u>39,628</u>	<u>---</u>	<u>---</u>	<u>11,174</u>	<u>115,423</u>
Excess (deficit) of revenues over (under) expenditures	<u>(33,945)</u>	<u>(10,319)</u>	<u>(39,628)</u>	<u>---</u>	<u>4,000</u>	<u>(11,174)</u>	<u>(91,066)</u>
Other Financing Sources:							
Proceeds from sale of capital assets	---	---	12,000	---	---	---	12,000
Transfers from other funds	30,000	19,000	55,500	1,200	36,000	5,000	146,700
Net change in fund balance	<u>(3,945)</u>	<u>8,681</u>	<u>27,872</u>	<u>1,200</u>	<u>40,000</u>	<u>(6,174)</u>	<u>67,634</u>
Fund Balance (Deficit):							
Beginning of year	105,511	83,274	(31,109)	11,470	9,768	9,075	187,989
End of year	<u>\$ 101,566</u>	<u>\$ 91,955</u>	<u>\$ (3,237)</u>	<u>\$ 12,670</u>	<u>\$ 49,768</u>	<u>\$ 2,901</u>	<u>\$ 255,623</u>

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin
Combining Balance Sheet - Special Revenue Funds
Year Ended December 31, 2012

	General Government	Fire	Police	Public Works	Health	Library	July 4th Activities	Senior Enrichment	Total
Assets:									
Cash and equivalents	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 4,851	\$ ---	\$ ---	\$ 4,851
Investments	217,643	---	---	---	---	11,444	---	---	229,087
Accounts receivable	3,164	---	---	---	---	---	---	---	3,164
Intrafund due (to) from	(130,499)	6,224	25,340	64,505	375	6,285	27,667	103	---
Total assets	<u>\$ 90,308</u>	<u>\$ 6,224</u>	<u>\$ 25,340</u>	<u>\$ 64,505</u>	<u>\$ 375</u>	<u>\$ 22,580</u>	<u>\$ 27,667</u>	<u>\$ 103</u>	<u>\$ 237,102</u>
Liabilities and Fund Balance:									
Liabilities:									
Deferred revenues	\$ 38,855	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ ---	\$ 38,855
Due to other funds	37,365	---	---	---	---	---	---	---	37,365
Total liabilities	<u>76,220</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>---</u>	<u>76,220</u>
Fund Balance:									
Restricted	---	7,115	25,340	---	375	16,294	---	103	49,227
Committed	14,499	---	---	64,505	---	6,286	27,667	---	112,957
Unassigned	(411)	(891)	---	---	---	---	---	---	(1,302)
Fund Balance	<u>14,088</u>	<u>6,224</u>	<u>25,340</u>	<u>64,505</u>	<u>375</u>	<u>22,580</u>	<u>27,667</u>	<u>103</u>	<u>160,882</u>
Total Liabilities and Fund Balance	<u>\$ 90,308</u>	<u>\$ 6,224</u>	<u>\$ 25,340</u>	<u>\$ 64,505</u>	<u>\$ 375</u>	<u>\$ 22,580</u>	<u>\$ 27,667</u>	<u>\$ 103</u>	<u>\$ 237,102</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, 2012

	<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	\$ ---	\$ ---	\$ 1,600	\$ 103,662	\$ ---	\$ 4,690	\$ ---	\$ ---	\$ 109,952
Operating grants and contributions:									
Intergovernmental	---	10,758	6,605	---	38,638	---	---	---	56,001
Other	---	2,641	30,501	---	100	8,515	17,963	---	59,720
Interest income	329	---	---	---	---	13	---	---	342
Other revenues	---	---	2,520	---	---	---	3,154	---	5,674
Total revenues	<u>329</u>	<u>13,399</u>	<u>41,226</u>	<u>103,662</u>	<u>38,738</u>	<u>13,218</u>	<u>21,117</u>	<u>---</u>	<u>231,689</u>
Expenditures:									
Current:									
General government	411	---	---	---	---	---	---	---	411
Public safety	---	23,123	21,326	---	---	---	---	---	44,449
Public works	---	---	---	34,074	---	---	---	---	34,074
Health and Human Services	---	---	---	---	38,638	---	---	---	38,638
Culture, recreation and education	---	---	---	---	---	22,213	25,182	---	47,395
Capital outlay	---	---	15,535	---	---	---	---	---	15,535
Total expenditures	<u>411</u>	<u>23,123</u>	<u>36,861</u>	<u>34,074</u>	<u>38,638</u>	<u>22,213</u>	<u>25,182</u>	<u>---</u>	<u>180,502</u>
Excess (deficit) of revenues over (under) expenditures	<u>(82)</u>	<u>(9,724)</u>	<u>4,365</u>	<u>69,588</u>	<u>100</u>	<u>(8,995)</u>	<u>(4,065)</u>	<u>---</u>	<u>51,187</u>
Other Financing Sources (Uses):									
Transfers from other funds	---	---	---	---	---	3,000	10,000	---	13,000
Transfers to other funds	---	---	---	(39,746)	---	---	---	---	(39,746)
Net change in fund balance	<u>(82)</u>	<u>(9,724)</u>	<u>4,365</u>	<u>29,842</u>	<u>100</u>	<u>(5,995)</u>	<u>5,935</u>	<u>---</u>	<u>24,441</u>
Fund Balance:									
Beginning 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>
End of year	<u>\$ 14,088</u>	<u>\$ 6,224</u>	<u>\$ 25,340</u>	<u>\$ 64,505</u>	<u>\$ 375</u>	<u>\$ 22,580</u>	<u>\$ 27,667</u>	<u>\$ 103</u>	<u>\$ 160,882</u>

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Schedule of General Obligation Long-Term Debt - Principal Payments
December 31, 2012

<u>Year</u>	2004 Trust Fund <u>Loan</u>	2004 Trust Fund <u>Loan</u>	2005 Trust Fund <u>Loan</u>	2008 Trust Fund <u>Loan</u>	2009 General Obligation <u>Notes</u>	2012 General Obligation <u>Bonds</u>	<u>Totals</u>
2013	\$ 16,000	\$ 39,027	\$ 8,161	\$ 37,583	\$ 100,000	\$ 345,000	\$ 545,771
2014	19,000	40,586	8,488	39,180	125,000	370,000	602,254
2015	21,000	---	8,827	40,845	150,000	415,000	635,672
2016	24,000	---	---	42,566	150,000	415,000	631,566
2017	25,000	---	---	44,390	175,000	280,000	524,390
2018 - 2022	177,617	---	---	46,277	415,000	1,425,000	2,063,894
2023 - 2027	---	---	---	---	---	1,640,000	1,640,000
2028 - 2032	---	---	---	---	---	890,000	890,000
Total:	\$ 282,617	\$ 79,613	\$ 25,476	\$ 250,841	\$ 1,115,000	\$ 5,780,000	\$ 7,533,547

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VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Schedule of General Obligation Long-Term Debt - Interest Payments
December 31, 2012

<u>Year</u>	<u>2004</u> Trust Fund <u>Loan</u>	<u>2004</u> Trust Fund <u>Loan</u>	<u>2005</u> Trust Fund <u>Loan</u>	<u>2008</u> Trust Fund <u>Loan</u>	<u>2009</u> General Obligation <u>Notes</u>	<u>2012</u> General Obligation <u>Bonds</u>	<u>Totals</u>
2013	\$ 14,837	\$ 3,185	\$ 1,019	\$ 10,661	\$ 32,060	\$ 128,372	\$ 190,134
2014	13,997	1,623	692	9,063	30,060	95,317	150,752
2015	13,000	---	353	7,398	27,060	92,755	140,566
2016	11,930	---	---	5,678	23,160	89,642	130,410
2017	10,637	---	---	3,853	18,960	86,583	120,033
2018 - 2022	29,842	---	---	1,967	21,020	377,271	430,100
2023 - 2027	---	---	---	---	---	223,090	223,090
2028 - 2032	---	---	---	---	---	37,205	37,205
Total:	\$ 94,243	\$ 4,808	\$ 2,064	\$ 38,620	\$ 152,320	\$ 1,130,235	\$ 1,422,290

See independent auditor's report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

2011 Statement of Taxes
Year Ended December 31, 2012

State Taxes		\$ 112,399
County Taxes		3,117,967
General Village Taxes		4,988,249
School District Taxes:		
School District of Whitnall	\$ 6,254,064	
Milwaukee Area Vocational District	<u>1,286,051</u>	
Total school district taxes		7,540,115
Metropolitan Sewerage District Taxes		998,888
Special Assessments and Special Charges:		
Water mains	10,398	
Sewer mains	8,187	
Street improvements	2,022	
Storm water utility	30,912	
Refuse collection	428,747	
Other sewer charges	369,363	
Weeds, tree planting, removal	500	
Fire calls	309	
Delinquent utility charges	<u>24,679</u>	
Total special assessments and special charges		<u>875,117</u>
Total tax roll		<u><u>\$ 17,632,735</u></u>

2012 Treasurer's Settlement

Cash collections and credits applied		\$ 17,409,594
Delinquent real estate		212,515
Delinquent special assessments		506
Delinquent special charges		7,666
Delinquent utility charges		<u>2,454</u>
Total collections and credits		<u><u>\$ 17,632,735</u></u>

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Schedule of Miscellaneous Statistics
December 31, 2012

Year of Incorporation	1952	Form of Government	
		Board of Trustees	7
Population	7,619	Permanent Village Employees	
Area		Full-time	35
Square miles	3	Part-time (FTE)	25
Acres - Land	1,910	Fire Protection	
Acres - Water	10	Number of stations	1
Altitude (feet above sea level)	792	Total staff	36
Miles of Streets		Police Protection	
Local streets (paved)	34	Number of stations	1
Number of Street Lights	555	Sworn staff	16
		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	2,332
Building Permits		Public Library	
Permits issued	104	Circulation	150,919
Estimated cost of construction	\$ 4,879,653		

See independent auditors' report.

Steven R. Volz
Daniel R. Brophrey
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, in accordance with the 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, 2012 Revision* issued by the Wisconsin Department of Health Services, the 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, 2012, and the related notes to the financial statements, which collectively comprise the Village's basic financial statements, and have issued our report thereon dated June 11, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Village of Hales Corners, Wisconsin's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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's internal control. Accordingly, we do not express an opinion on the effectiveness of the Village's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying summary of audit results, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 summary of audit results to be material weaknesses (2012-01, 2012-02).

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 (2012-03).

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 no instances of noncompliance that are required to be reported under *Government Auditing Standards* or the *DHS Audit Guide*.

The Village of Hales Corners' Response to Findings

The Village of Hales Corners' responses to the findings identified in our audit are described in the accompanying summary of audit results. The Village of Hales Corners' responses were not subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

This report is intended solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Reilly, Penner & Bentor LLP

June 11, 2013
Milwaukee, Wisconsin

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Schedule of State of Wisconsin Department of Health Services Assistance
Year Ended December 31, 2012

<u>CARS#</u>	<u>Program</u>	<u>Grant Period</u>	<u>Expenditures</u>
155015	Bioterrorism - Focus	08/01/11 - 07/31/12	\$ 18,279
		08/01/12 - 06/30/13	10,803
155020	Immunization Grants	01/01/12 - 12/31/12	2,877
155190	Public Health Preparedness - Cities Readiness Initiative	08/01/11 - 07/31/12	1,350
150327	State Indoor Radon Grants	01/01/12 - 12/31/12	3,727
159220	Preventative Health and Health Services Block Grant	01/01/11 - 12/31/11	1,608
Total State of Wisconsin Department of Health Services assistance expenditures			\$ 38,644

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Summary of Prior Year 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.

Current Year Status:

The finding is also a finding in the current year (See 2012-01).

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 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 2012-02).

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Summary of Prior Year 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.

Current Year Status:

The finding is also a finding in the current year (See 2012-03).

State Award Findings:

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 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 individual's 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 expenditures to payroll records to ensure that only appropriate individual allocations are charged to grants.

Current Year Status:

The finding was not a finding in the current year.

See independent auditors' report.

VILLAGE OF HALES CORNERS
Milwaukee County, Wisconsin

Summary of Audit Results
Year Ended December 31, 2012

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 financial statements	No

Financial Statement Findings:

2012-01 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.

2012-02 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, 2012
(Continued)

Financial Statement Findings (Continued):

2012-03 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.

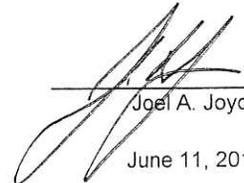
Other Issues:

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:

June 11, 2013

See independent auditors' report.