



**CITY OF MUSKEGO**

**FINANCIAL STATEMENTS**

Including Independent Auditors' Report

December 31, 2008

Prepared by

City of Muskego Finance Department

W182 S8200 Racine Avenue, Muskego, WI 53150-0749  
Waukesha County, Wisconsin

**CITY OF MUSKEGO**  
Muskego, Wisconsin

**FINANCIAL STATEMENTS**

December 31, 2008

# City of Muskego

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**City of Muskego**

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**INDEPENDENT AUDITORS' REPORT**

## INDEPENDENT AUDITORS' REPORT

Mayor and Common Council  
City of Muskego  
Muskego, Wisconsin

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Muskego, Wisconsin, as of and for the year ended December 31, 2008, which collectively comprise the city's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Muskego's management. Our responsibility is to express opinions on these financial statements based on our audit.

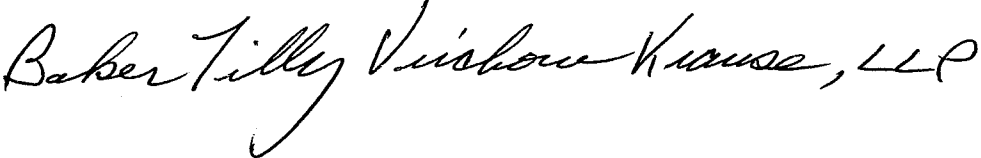
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining,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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Muskego, Wisconsin, as of December 31, 2008, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note 1B, the City adopted the provisions of *Governmental Accounting Standard Board Statement No. 45, Accounting and Financial Reporting for Postemployment Benefits Other Than Pension*, effective January 1, 2008.

The management's discussion and analysis and the schedule of funding progress of the net OPEB liability as listed in the table of contents are not a required part of the basic financial statements but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Muskego's basic financial statements. The combining fund financial statements as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.



Milwaukee, Wisconsin  
June 24, 2009

**MANAGEMENT'S DISCUSSION  
AND  
ANALYSIS**

**City of Muskego, Wisconsin  
Management Discussion and Analysis  
December 31, 2008**

As management of the City of Muskego, we offer readers of these financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended December 31, 2008. The discussion and analysis presents the highlights of financial activities and financial position for the City of Muskego (City). The analysis focuses on significant financial issues, major financial activities and resulting changes in financial position, budget changes and variances from the budget, and specific issues related to funds and the economic factors affecting the City.

**Financial Highlights**

- The net assets of the City exceeded its liability by \$122,120,960 as of December 31, 2008. Of this amount, \$19,695,437 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors. Compared to the prior year, the City's total net assets increased by \$2,896,438.
- At the close of the 2008 fiscal year, the City's governmental funds reported combined ending fund balances of \$20,499,895, which is an increase of \$2,465,496 in comparison with the prior year. Of this total amount, approximately 88% or \$17,870,698 is available for spending at the government's discretion (unreserved fund balance).
- The City's unreserved fund balance for the General Fund was \$4,409,156 or 33% of the total general fund expenditures (including transfers out) for fiscal year 2008. It should be noted \$3,531,704 of this total is designated to meet the requirements of the City's Designation of Unreserved General Fund Balance policy.
- The City of Muskego's total long-term debt, excluding compensated absences and other post-employment benefits, increased by \$6,244,975 (20.41%) during the 2008 fiscal year. The increase was due to the net of scheduled payments and \$8,840,000 in new debt, of which \$6,390,000 was for the issuance of anticipation notes for Tax Incremental District #10 and \$2,450,000 for Water Utility Revenue Bonds.
- On August 22, 2008, the City of Muskego Water Utility Enterprise received an upgrade to A2 from A3 for its underlying water revenue bond rating.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City of Muskego's basic financial statements. The City's basic financial statements comprise three components: 1) government-wide financial statements, 2) fund financial statements and 3) notes to the financial statements. This report also contains other supplementary information in addition to the basic financial statements themselves.

**Government-wide Financial Statements**

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

The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The statement of activities presents information showing how the City's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., uncollected taxes and earned but unused vacation and sick leave).



**City of Muskego  
Management Discussion and Analysis  
December 31, 2008**

**Government-wide Financial Statements (continued)**

Both the government-wide financial statements distinguish functions of the City of Muskego that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Muskego include general government, protection of persons and property, highways and transportation, health and sanitation, recreation and education and conservation and development. Business-type activities of the City include the Sewer Utility and the Water Utility.

The government-wide financial statements include the City of Muskego and the following component units: The Community Development Authority and the Big Muskego Lake Bass Bay Protection and Rehabilitation District. There are no other organizations or agencies whose financial statements should be combined and presented with the financial statements of the City.

The government-wide financial statements can be found on pages 12 through 13 of this report.

**Fund Financial Statements**

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

**Governmental Funds**

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

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

The City of Muskego maintains twenty-six individual governmental funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balances for the General Fund, Debt Service Fund and Tax Increment District Capital Project Funds, all of which are considered to be major funds. Individual fund data for each of the twenty-three non-major governmental funds is provided in the form of combining statements and can be found on pages 66 through 73 of this report.

The City of Muskego adopts an annual appropriated budget for its General Fund. A budgetary comparison statement has been provided for the General Fund to demonstrate compliance with its budget on page 17 this report. The basic governmental fund financial statements can be found on pages 14 through 17 of this report.

**City of Muskego  
Management Discussion and Analysis  
December 31, 2008**

**Proprietary Funds**

The City of Muskego maintains one type of proprietary fund: Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Muskego maintains two enterprise funds.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer operations, both of which are considered to be major funds of the City.

The basic proprietary fund financial statements can be found on pages 18 through 21 of this report.

**Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City of Muskego's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The fiduciary funds for the City are private purpose trust funds and agency funds. Total assets of the fiduciary funds were \$35,668,294.

The basic fiduciary funds financial statements can be found on pages 22 and 23 of this report.

**Notes to the 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 24 through 64 of this report.

**Other Information**

In accordance with GASB Statement No. 45, the required reporting of funding progress for the City's post employment health care plan is disclosed on page 65. The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the required supplementary information. Combining statements can be found on pages 66 through 73 of this report.

**Government-Wide Financial Analysis**

As financial information is accumulated from year-to-year, changes in net assets may serve as a useful indicator of a government's financial position. In the case of the City of Muskego, assets exceeded liabilities by \$122,120,960 as of December 31, 2008.

The largest portion of the City of Muskego's net assets (77.49%) reflects its investment in capital assets (e.g., land, buildings, improvements, and machinery and equipment), less any debt used to acquire those assets that is still outstanding. The City of Muskego uses these capital assets to provide services to citizens. Consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**City of Muskego  
Management Discussion and Analysis  
December 31, 2008**

The following provides a summary of the City's net assets:

	<b>City of Muskego - Net Assets</b>					
	<b>Governmental Activities</b>		<b>Business - type Activities</b>		<b>Total</b>	
	2008	2007	2008	2007	2008	2007
Current and other assets	\$34,569,580	\$ 32,089,926	\$ 21,177,985	\$ 17,240,014	\$ 55,747,565	\$ 49,329,940
Capital assets	48,423,958	47,134,257	73,288,491	70,599,022	121,712,449	117,733,279
<b>Total Assets</b>	<b>82,993,538</b>	<b>79,224,183</b>	<b>94,466,476</b>	<b>87,839,036</b>	<b>177,460,014</b>	<b>167,063,219</b>
Current Liabilities	13,384,505	13,199,998	2,306,961	1,568,547	15,691,466	14,768,545
Noncurrent outstanding	29,172,079	24,637,999	9,475,823	7,425,664	38,647,902	32,063,663
Other liabilities	-	-	999,686	1,006,489	999,686	1,006,489
<b>Total liabilities</b>	<b>42,556,584</b>	<b>37,837,997</b>	<b>12,782,470</b>	<b>10,000,700</b>	<b>55,339,054</b>	<b>47,838,697</b>
Invested in capital assets net of related debt	30,994,824	30,810,013	65,289,798	62,707,990	94,634,173	93,518,003
Restricted	2,077,081	1,853,645	5,714,269	5,273,996	7,791,350	7,127,641
Unrestricted	7,365,049	8,722,528	10,679,939	9,856,350	19,695,437	18,578,878
<b>Total net assets</b>	<b>40,436,954</b>	<b>41,386,186</b>	<b>81,684,006</b>	<b>77,838,336</b>	<b>122,120,960</b>	<b>119,224,522</b>
<b>Total liabilities and net assets</b>	<b>\$82,993,538</b>	<b>\$ 79,224,183</b>	<b>\$ 94,466,476</b>	<b>\$ 87,839,036</b>	<b>\$177,460,014</b>	<b>\$167,063,219</b>

At the end of the 2008 fiscal year, the City is able to report positive balances in all three categories of net assets, both for the government as a whole, as well as for its separate governmental and business-type activities.

**Changes in Net Assets**

As of December 31, 2008, total net assets of the City of Muskego amounted to \$122,120,960, which is an increase of \$2,896,438 as compared to the 2007 fiscal year end. The major items attributing to this increase are \$2.5 million in water, sewer and road capital contributions to the City.

Net assets of the City's governmental activities totaled \$40,436,954, which is a decrease of \$949,232 as compared to the prior year. Of this total, \$7,365,049 or 18.2% is classified as unrestricted assets and may be used to finance the City's ongoing obligations to citizens and creditors. The restricted net asset portion (5.1%) represents resources that are subject to external restrictions on how they may be used, which include financing for debt service.

The business-type activities net assets amounted to \$81,684,006, an increase of \$3,845,670. The unrestricted balance of \$10,679,939 is used to finance the continued operations of the water and sewer utilities.

**City of Muskego  
Management Discussion and Analysis  
December 31, 2008**

The following schedule highlights the key elements of the City's revenues and expenses for the 2008 and 2007 fiscal year ends. These two main components are subtracted to yield the change in net assets and are summarized as follows:

**City of Muskego's Change in Net Assets**

	<b>Governmental Activities</b>		<b>Business-type Activities</b>		<b>Total</b>	
	2008	2007	2008	2007	2008	2007
<b>Revenues:</b>						
<b>Program Revenues</b>						
Charges for services	\$ 4,674,592	\$ 4,679,404	\$ 7,468,681	\$ 7,351,501	\$ 12,143,273	\$ 12,030,905
Operating grants and contributions	1,311,062	1,218,362	-	-	1,311,062	1,218,362
Capital grants and contributions	741,940	363,948	1,756,945	3,649,064	2,498,885	4,013,012
<b>General Revenues</b>						
Property taxes	11,492,345	10,965,484	-	-	11,492,345	10,965,484
Other Taxes	113,632	111,929	-	-	113,632	111,929
Grants and contributions not restricted to specific programs	585,935	579,458	-	-	585,935	579,458
Unrestricted investment earnings	739,191	1,262,101	459,512	703,628	1,198,703	1,965,729
Miscellaneous	7,507	2,455	-	-	7,507	2,455
<b>Total Revenues</b>	<b>19,666,204</b>	<b>19,183,141</b>	<b>9,685,138</b>	<b>11,704,193</b>	<b>29,351,342</b>	<b>30,887,334</b>
<b>Expenses:</b>						
General government	3,267,957	2,958,461	-	-	3,267,957	2,958,461
Public safety	7,373,138	6,186,805	-	-	7,373,138	6,186,805
Highway and transportation	4,058,536	3,762,611	-	-	4,058,536	3,762,611
Health and sanitation	1,073,897	951,859	-	-	1,073,897	951,859
Economic development	188,395	169,471	-	-	188,395	169,471
Education and recreation	2,510,827	2,737,735	-	-	2,510,827	2,737,735
Interest on long-term debt	918,168	860,839	-	-	918,168	860,839
Sewer	-	-	5,540,870	5,476,632	5,540,870	5,476,632
Water	-	-	1,523,116	1,476,439	1,523,116	1,476,439
<b>Total Expenses</b>	<b>19,390,918</b>	<b>17,627,781</b>	<b>7,063,986</b>	<b>6,953,071</b>	<b>26,454,904</b>	<b>24,580,852</b>
<b>Increase in Net Assets before transfers</b>	<b>275,286</b>	<b>1,555,360</b>	<b>2,621,152</b>	<b>4,751,122</b>	<b>2,896,438</b>	<b>6,306,482</b>
<b>Transfers</b>	<b>(1,224,518)</b>	<b>404,478</b>	<b>1,224,518</b>	<b>(404,478)</b>	<b>-</b>	<b>-</b>
Change in Net Assets	(949,232)	1,959,838	3,845,670	4,346,644	2,896,438	6,306,482
Net Assets - beginning	41,386,186	39,426,348	77,838,336	73,491,692	119,224,522	112,918,040
<b>Net Assets - ending</b>	<b>\$ 40,436,954</b>	<b>\$ 41,386,186</b>	<b>\$ 81,684,006</b>	<b>\$ 77,838,336</b>	<b>\$ 122,120,960</b>	<b>\$ 119,224,522</b>

**City of Muskego  
Management Discussion and Analysis  
December 31, 2008**

**Governmental Activities**

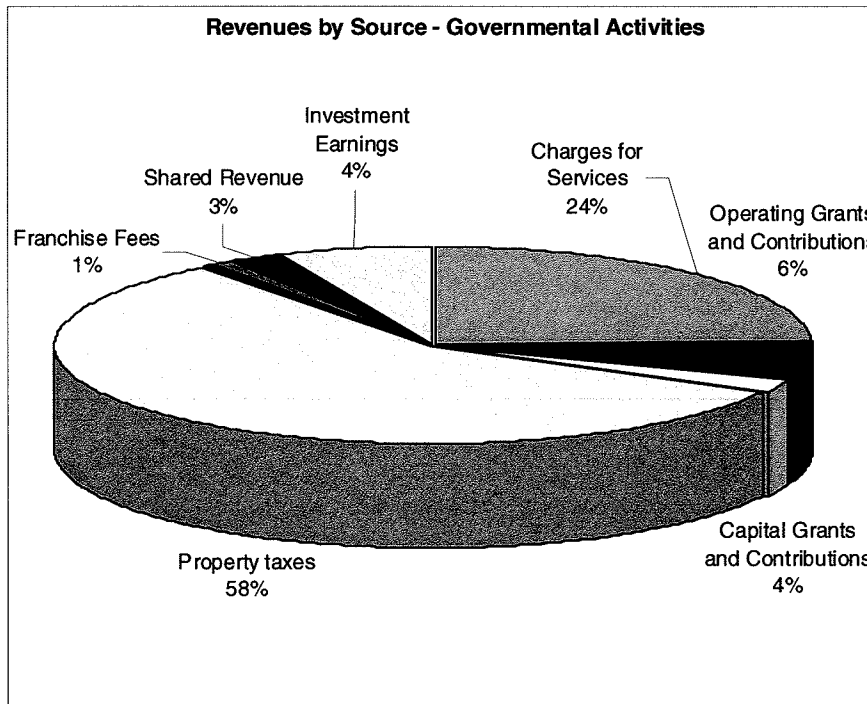
The table below discloses cost of services for Governmental Activities. The total cost of services column contains all costs related to the programs. The net of services column shows how much of the total amount is not covered by program revenues. Succinctly put, net costs that must be covered by local taxes or other general revenue or transfers.

Programs	Total Cost of Services		Net (Expenses) of Services	
	2008	2007	2008	2007
General government	\$ 3,267,957	\$ 2,958,461	\$ (2,837,057)	\$ (2,491,227)
Public safety	7,373,138	6,186,805	(6,093,549)	(5,016,473)
Public works	4,058,536	3,762,611	(2,207,289)	(2,448,177)
Health and sanitation	1,073,897	951,859	1,423,236	1,680,895
Economic development	188,395	169,471	(156,069)	(103,823)
Education and recreation	2,510,827	2,737,735	(1,874,428)	(2,126,423)
Interest and long-term debt	918,168	860,839	(918,168)	(860,839)
Total	<u>\$ 19,390,918</u>	<u>\$ 17,627,781</u>	<u>\$ (12,663,324)</u>	<u>\$ (11,366,067)</u>

As compared to the prior year, the major change in the total cost of services was reflected in the public safety function, which increased by approximately \$1.2 million. In 2008, this function included the purchase of a ladder truck and 911 Dispatch System Hardware contributed to the City's Volunteer Fire Departments. In addition, State pension contributions for the public safety unit increased considerably.

Net cost of services is 65% of total cost of services in 2008. This reflects a continued reliance on taxes and other general revenue sources to fund the cost of services.

The graph below shows the percentage of the total governmental activities revenues allocated by each revenue type.

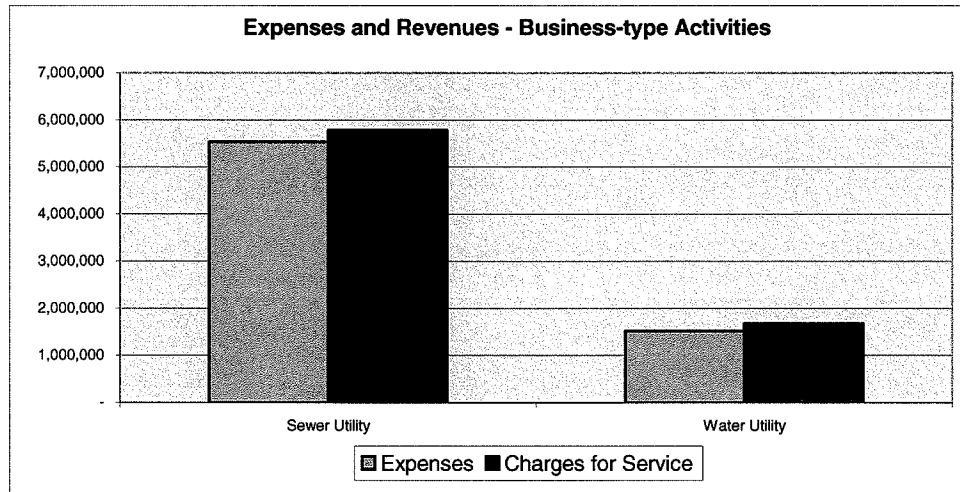


**City of Muskego  
Management Discussion and Analysis  
December 31, 2008**

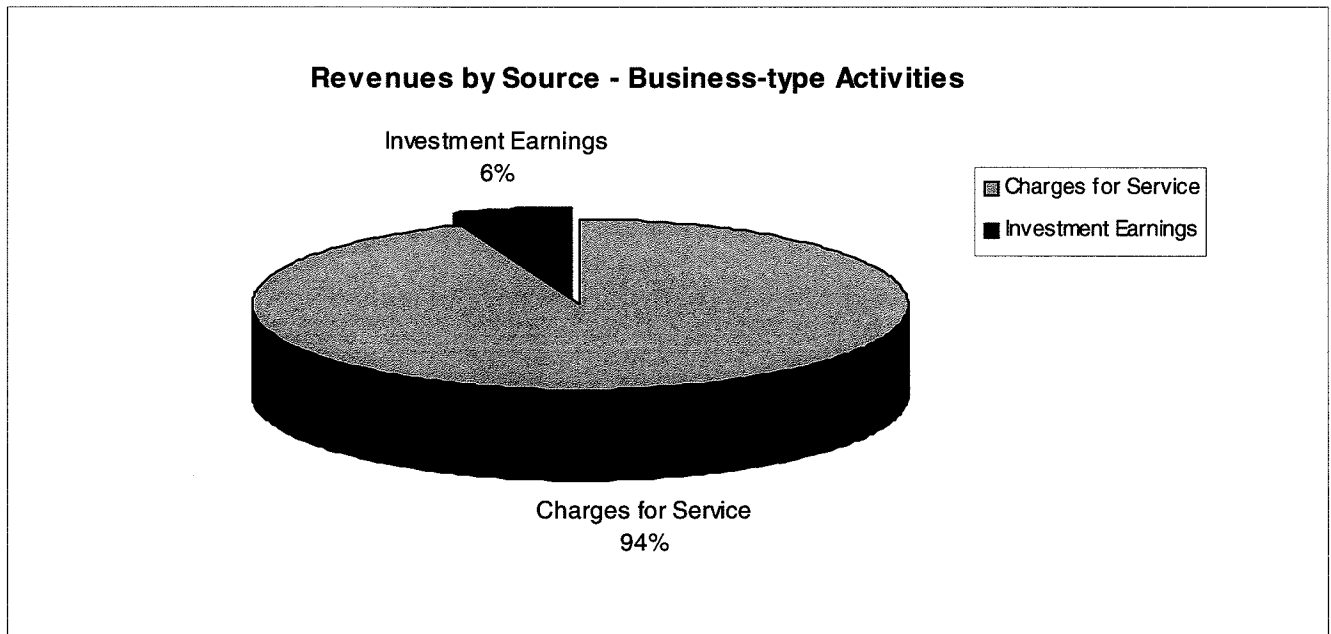
**Business-Type Activities**

Total Business-type activities' charges for service revenues for the year ending December 31, 2008 was \$7,468,681, which is an increase of \$117,180 over 2007. This was largely due to receiving emergency funding from FEMA for sewer related flood damage. The Business-type activities increased the City of Muskego's net assets by \$3,845,670 and were primarily due to capital contributions.

The following graph shows the relationship between revenues and expenses for the City of Muskego Sewer and Water Utilities.



The graph below displays the breakdown of revenues by source for the business-type activities.



**City of Muskego  
Management Discussion and Analysis  
December 31, 2008**

**Financial Analysis of the Government's Funds**

As noted earlier, the City of Muskego uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. This section will discuss major developments within the City's governmental funds and proprietary funds.

**Governmental Funds**

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

As of the end of the current fiscal year, the City's governmental funds – General Fund, Debt Service Fund, Tax Increment District Capital Project Funds, and all Other Non-major Governmental Funds – reported a combined ending fund balances of \$20,499,895, an increase of \$2,465,496 in comparison with the prior year. Approximately 88% of this total amount (\$17,870,698) constitutes unreserved fund balance, which is available for spending at the government's discretion. However, approximately 95% of this unreserved amount (\$16,993,246) is designated or reported in special revenue funds or capital projects funds. The remainder of the fund balance is reserved to indicate that it is not available for new spending, because it has already been committed.

**General Fund**

The General Fund is the chief operating fund of the City. During 2008, the General Fund balance increased by \$40,261. This is due to actual revenues being more than budgeted and actual expenses being less than budgeted. At the end of the year, the unreserved fund balance of the General Fund was \$4,409,156 while total fund balance reached \$4,532,634. As a measure of the general fund's liquidity, it is useful to compare both unreserved fund balance and total fund balance to total fund expenditures. Unreserved fund balance represents 33% of total general fund expenditures.

**Debt Service Fund**

Fund balance in the Debt Service Fund increased by \$143,171 during 2008. This increase is mostly the result of transfers in of \$350,000 from the Conservation and Storm Water Management Special Revenue Funds to reimburse the City for past borrowings.

**Capital Budget Fund**

Fund balance in the Capital Budget Fund increased by \$2,776,492 during 2008, reaching a total of \$3,139,188. This increase relates to the current year issuance of General Obligation Anticipation Notes for the newly created Tax Incremental District #10.

**Proprietary Funds**

The City's proprietary fund statements provide the same type of information found in the government-wide financial statements, but in more detail. At year-end, net assets of the Sewer Utility Fund amounted to \$56,799,570 with the Water Fund totaling \$24,884,436. Total growth in net assets for both funds was \$2,431,271 and \$1,414,399, respectively.

**City of Muskego  
Management Discussion and Analysis  
December 31, 2008**

**General Fund Budgetary Highlights**

The final amended budget of \$13,807,129 included amendments of \$226,484. Of this total, \$147,250 was funded out of contingency with the remaining amount funded by additional revenue recognized from the issuance of licenses and permits. The budget amendments included \$484 for additional bank service fees in General Government, \$175,000 for snow plowing related costs in the Public Works Department, \$1000 for a donation to the Animal Welfare Association within the Health and Sanitation Department and \$50,000 for the 2008 Road Program under Capital Outlay.

At year end, revenues were slightly less than budgetary revenues by \$30,294 and expenditures were less than budgetary expenditures by \$371,004.

**Capital Assets and Debt Administration**

**Capital Assets**

The City of Muskego's investment in capital assets for its governmental and business-type activities as of December 31, 2008, amounts to \$121,812,449 (net of accumulated depreciation). This investment in capital assets includes land, buildings and improvements, equipment, infrastructure and construction in progress.

Major capital events during the current year included road reconstruction and paving, groundwork costs for the Moorland Road Gateway Project and Storm Water related stabilization projects.

**City of Muskego's Capital Assets  
(net of depreciation)**

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	2008	2007	2008	2007	2008	2007
Land	\$ 3,982,304	\$ 3,982,304	\$ 160,066	\$ 160,066	\$ 4,142,370	\$ 4,142,370
Construction in progress	2,510,397	756,439	3,387,207	413,087	5,897,604	1,169,526
Land Improvements	2,768,779	2,768,779	-	-	2,768,779	2,768,779
Buildings	11,412,734	11,405,194	14,887,860	14,443,168	26,300,594	25,848,362
Equipment	6,878,371	6,516,874	3,452,193	3,352,748	10,330,564	9,869,622
Library Collection	2,056,988	1,919,296	-	-	2,056,988	1,919,296
Infrastructure	48,913,861	47,102,595	70,770,192	69,994,910	119,684,053	117,097,505
Acc. Depreciation	(29,999,476)	(27,317,224)	(19,369,027)	(17,764,957)	(49,368,503)	(45,082,181)
<b>Total</b>	<b>\$ 48,523,958</b>	<b>\$ 47,134,257</b>	<b>\$ 73,288,491</b>	<b>\$ 70,599,022</b>	<b>\$ 121,812,449</b>	<b>\$ 117,733,279</b>

Additional information on the City's capital assets can be found in Note IV on pages 45 through 47 of this report.

**Long-term Debt**

As of December 31, 2008, the City of Muskego had general obligation bonds and notes and Community Development Lease Revenue Bonds outstanding totaling \$26,147,248. The City's business-type activities include revenue bonds and notes payable, an advance from the Municipality and refunding losses, which total \$10,701,154.

In the current year, the City paid \$1,913,755 in principal and \$968,247 in interest on outstanding debt. Business-Type Activities paid \$681,270 in principal and \$391,843 in interest on its outstanding debt.



**City of Muskego  
Management Discussion and Analysis  
December 31, 2008**

**Long-term Debt** (continued)

Of the total City debt, \$2,805,474 will become due within one year. The City of Muskego has a Moody's "Aa3" rating on its General Obligation Debt, a Moody's "A1" rating on its Sewer Revenue Bonds and a Moody's "A2" on its Water Revenue Bonds.

**City of Muskego's Outstanding Debt  
General Obligation and Revenue Bonds**

	<u>Governmental Activities</u>		<u>Business-Type Activities</u>		<u>Total</u>	
	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>	<u>2008</u>	<u>2007</u>
G.O. Bonds and Notes	\$ 24,307,248	\$ 19,746,003	\$ 543,225	\$ 562,150	\$ 24,850,473	\$ 20,308,153
Community Development Lease Revenue Bonds	1,840,000	1,925,000	-	-	1,840,000	1,925,000
Revenue Bonds	-	-	9,835,000	7,915,000	9,835,000	7,915,000
Advances from Municipality	-	-	602,481	780,158	602,481	780,158
Refundings-Gains/(Losses)	-	-	(279,552)	(324,884)	(279,552)	(324,884)
Total	<u>\$ 26,147,248</u>	<u>\$ 21,671,003</u>	<u>\$ 10,701,154</u>	<u>\$ 8,932,424</u>	<u>\$ 36,848,402</u>	<u>\$ 30,603,427</u>

Additional information about the City's long-term debt can be found in Note IV on pages 50 through 56 of the financial statements.

**Economic Factors and Next Year's Budgets and Rates**

The following economic factors are noteworthy:

- The equalized value of the City of Muskego has increased from \$1.8 billion to approximately \$2.7 billion or a 46% rate of growth over the past five years. In 2008, the average equalized value of a single-family home in Muskego was \$290,300.
- It is expected the City's tax base will continue to experience growth and additional land development despite the nation-wide recent housing market slowdown. This is due to the City's beneficial location southwest of the City of Milwaukee. Other factors include the creation of Tax Incremental District No. 10, which is comprised of approximately 126 acres that will be developed with a combination of industrial and commercial uses consisting of warehouses, office buildings and commercial/retail buildings.
- The City of Muskego 2008 tax rate decreased slightly to \$4.34 per thousand as compared to the 2007 rate of \$4.69 per thousand.
- Resident income levels are above State and national averages, as are the City's median home value and full value per capita.

All these factors were considered in preparing the City of Muskego's budget for the year ending December 31, 2009.

**Requests for information**

This financial report is designed to provide a general overview of the City of Muskego's finances for all those with an interest in the government's finances. Readers having question about any of the information in this report or needing additional information should contact Finance Director, City of Muskego, W182 S8200 Racine Ave, Muskego, WI 53150, call 262-679-5622 or e-mail [smueller@ci.muskego.wi.us](mailto:smueller@ci.muskego.wi.us).

## **BASIC FINANCIAL STATEMENTS**

**City of Muskego**

Statement of Net Assets  
December 31, 2008

	Governmental Activities	Business-type Activities	Totals
<b>ASSETS</b>			
Cash and cash equivalents	\$ 20,646,026	\$ 9,142,433	\$ 29,788,459
Temporary investments	-	727,181	727,181
Receivables (net of allowance for uncollectibles)	12,910,644	2,468,100	15,378,744
Prepays	123,478	-	123,478
Internal balances	602,481	(602,481)	-
Deferred charge	-	158,776	158,776
Restricted Assets			
Cash and cash equivalents	-	7,925,478	7,925,478
RCA and WCA assessments receivable	-	540,789	540,789
Special assessments receivable	108,147	604,675	712,822
Deferred debits	78,804	213,034	291,838
Capital Assets			
Land	3,982,304	160,066	4,142,370
Construction in progress	2,510,397	3,387,207	5,897,604
Other capital assets, net of depreciation	42,031,257	69,741,218	111,772,475
Total Assets	<u>82,993,538</u>	<u>94,466,476</u>	<u>177,460,014</u>
<b>LIABILITIES</b>			
Accounts payable and other current liabilities	1,287,320	1,489,029	2,776,349
Accrued interest payable	139,485	-	139,485
Unearned revenue	11,957,700	118,627	12,076,327
Liabilities payable from restricted assets			
Accrued interest payable	-	76,454	76,454
Current portion of long-term debt	-	622,850	622,850
Noncurrent Liabilities:			
Due within one year	2,182,624	-	2,182,624
Net OPEB Liability	33,255	-	33,255
Due in more than one year	26,956,200	9,475,823	36,432,023
Other unearned revenue	-	999,687	999,687
Total Liabilities	<u>42,556,584</u>	<u>12,782,470</u>	<u>55,339,054</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	30,994,824	65,289,798	94,634,173
Restricted for:			
Depreciation and equipment and replacement funds	-	881,908	881,908
Water and sewer capacity assessment funds	-	4,440,973	4,440,973
Tax increment district purposes	467,887	-	467,887
Other debt service	1,609,194	391,388	2,000,582
Unrestricted	<u>7,365,049</u>	<u>10,679,939</u>	<u>19,695,437</u>
<b>TOTAL NET ASSETS</b>	<u>\$ 40,436,954</u>	<u>\$ 81,684,006</u>	<u>\$ 122,120,960</u>

See accompanying notes to financial statements.

City of Muskego

Statement of Activities  
For the Year Ended December 31, 2008

Functions/Programs	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Totals
<b>Governmental Activities</b>							
General government	\$ 3,267,957	\$ 430,900	\$ -	\$ -	(2,837,057)	\$ -	(2,837,057)
Public safety	7,373,138	1,201,103	78,486	-	(6,093,549)	-	(6,093,549)
Public works	4,058,536	104,355	1,004,952	741,940	(2,207,289)	-	(2,207,289)
Health and sanitation	1,073,897	2,377,819	119,314	-	1,423,236	-	1,423,236
Conservation and development	188,395	4,320	28,006	-	(156,069)	-	(156,069)
Education and recreation	2,510,827	556,095	80,304	-	(1,874,428)	-	(1,874,428)
Interest on long-term debt	918,168	-	-	-	(918,168)	-	(918,168)
<b>Total Governmental Activities</b>	<b>19,390,918</b>	<b>4,674,592</b>	<b>1,311,062</b>	<b>741,940</b>	<b>(12,663,324)</b>	<b>-</b>	<b>(12,663,324)</b>
<b>Business-type activities</b>							
Sewer Utility	5,540,870	5,789,714	-	1,334,006	-	1,582,850	1,582,850
Water Utility	1,523,116	1,678,967	-	422,939	-	578,790	578,790
<b>Total Business-type Activities</b>	<b>7,063,986</b>	<b>7,468,681</b>	<b>-</b>	<b>1,756,945</b>	<b>-</b>	<b>2,161,640</b>	<b>2,161,640</b>
<b>Total</b>	<b>\$ 26,454,904</b>	<b>\$ 12,143,273</b>	<b>\$ 1,311,062</b>	<b>\$ 2,498,885</b>	<b>(12,663,324)</b>	<b>2,161,640</b>	<b>(10,501,684)</b>
<b>General Revenues</b>							
Taxes							
Property taxes, levied for general purposes					9,279,901	-	9,279,901
Property taxes, levied for debt service					2,212,444	-	2,212,444
Other taxes					113,632	-	113,632
Intergovernmental revenues not restricted to specific programs					585,935	-	585,935
Investment Income					739,191	459,512	1,198,703
Miscellaneous					7,507	-	7,507
<b>Total General Revenues</b>					<b>12,938,610</b>	<b>459,512</b>	<b>13,398,122</b>
Transfers					(1,224,518)	1,224,518	-
<b>Change in Net Assets</b>					(949,232)	3,845,670	2,896,438
NET ASSETS - Beginning of Year					41,386,186	77,838,336	119,224,522
<b>NET ASSETS - END OF YEAR</b>					<b>\$ 40,436,954</b>	<b>\$ 81,684,006</b>	<b>\$ 122,120,960</b>

See accompanying notes to financial statements.

City of Muskego

Balance Sheet  
Governmental Funds  
December 31, 2008

	General Fund	Debt Service Fund	Tax Increment District Capital Project Funds	Nonmajor Governmental Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 4,964,772	\$ 1,748,679	\$ 3,235,397	\$ 10,697,178	\$ 20,646,026
Receivables - net					
Accounts	106,077	-	-	832,706	938,783
Due from other governments	135,068	-	-	12,893	147,961
Taxes	9,275,630	2,256,692	-	291,578	11,823,900
Special assessments					
Due in installments	-	-	-	17,715	17,715
Deferred	-	-	-	90,432	90,432
Prepaid items	123,478	-	-	-	123,478
Advance to Water Utility					
Current portion	-	188,783	-	-	188,783
Due after 2008	-	413,698	-	-	413,698
Total Assets	<u>\$ 14,605,025</u>	<u>\$ 4,607,852</u>	<u>\$ 3,235,397</u>	<u>\$ 11,942,502</u>	<u>\$ 34,390,776</u>
<b>LIABILITIES AND FUND BALANCES</b>					
<b>Liabilities</b>					
Accounts payable	\$ 499,555	\$ -	\$ 96,209	\$ 180,054	\$ 775,818
Accrued liabilities	191,502	-	-	-	191,502
Due to other governments	-	-	-	320,000	320,000
Deferred revenue	9,381,334	2,859,173	-	363,054	12,603,561
Total Liabilities	<u>10,072,391</u>	<u>2,859,173</u>	<u>96,209</u>	<u>863,108</u>	<u>13,890,881</u>
<b>Fund Balances</b>					
<b>Reserved for</b>					
Prepays	123,478	-	-	-	123,478
Non-current receivables	-	-	-	130,980	130,980
Revolving loan purposes	-	-	-	266,956	266,956
Encumbrances	-	-	330,277	-	330,277
Tax increment financing purposes	-	-	-	28,827	28,827
Debt service	-	1,748,679	-	-	1,748,679
<b>Unreserved, reported in</b>					
General fund, designated	3,531,704	-	-	-	3,531,704
General fund, undesignated	877,452	-	-	-	877,452
Capital projects, designated	-	-	2,808,911	-	2,808,911
Special revenue funds	-	-	-	9,806,800	9,806,800
Capital projects funds	-	-	-	845,831	845,831
Total Fund Balances	<u>4,532,634</u>	<u>1,748,679</u>	<u>3,139,188</u>	<u>11,079,394</u>	<u>20,499,895</u>
<b>TOTAL LIABILITIES AND FUND BALANCES</b>	<u>\$ 14,605,025</u>	<u>\$ 4,607,852</u>	<u>\$ 3,235,397</u>	<u>\$ 11,942,502</u>	

Amounts reported for governmental activities in the statement of net assets are different because:		
Capital assets used in governmental funds are not financial resources and therefore are not reported in the funds. See Note II.		48,523,958
Some receivables that are currently available are reported as deferred revenue in the fund financial statements but are recognized as revenue when earned in the government-wide statements.		43,380
Advance to Water Utility		602,481
Some liabilities, including long-term debt, are not due and payable in the current period and therefore are not reported in the funds. See Note II.		(29,232,760)
<b>NET ASSETS OF GOVERNMENTAL ACTIVITIES</b>		<u>\$ 40,436,954</u>