

CITY OF MUSKEGO
Muskego, Wisconsin

FINANCIAL STATEMENTS

December 31, 2007

City of Muskego

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December 31, 2007

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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, 2007, 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, 2007, and the respective changes in financial position and where applicable, cash flows, thereof and the respective budgetary comparison for the General Fund, Landfill Fund and Tax Incremental District Funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis on pages 2 through 11 is not a required part of the basic financial statements but is 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.

Virchow, Krause & Company, LLP

Milwaukee, Wisconsin
July 10, 2008



**MANAGEMENT'S DISCUSSION
AND
ANALYSIS**

City of Muskego, Wisconsin

Management Discussion and Analysis December 31, 2007

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, 2007. 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 assets of the City exceeded its liability at the close of the most recent fiscal year by \$119,224,522 (net assets). Of this amount, \$18,578,878 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$6,306,482.
- At the close of the 2007 fiscal year, the City's governmental funds reported combined ending fund balances of \$18,034,399, an increase of \$1,201,333 in comparison with the prior year. Approximately 89% of this total amount, \$16,015,646, is available for spending at the government's discretion (unreserved fund balance).
- At the end of the 2007 fiscal year, unreserved fund balance for the General Fund was \$4,477,592 or 35% of the total general fund expenditures (including transfers out). It should be noted \$3,610,484 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, decreased by \$2,423,201 (7.34%) during fiscal year ended December 31, 2007. The decrease was due to scheduled payments.

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, 2007

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 and recreation and education. 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-seven 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, the Landfill Fund, the Debt Service Fund, the Tax Incremental District Funds and the Capital Budget Fund, all of which are considered to be major funds. Individual fund data for each of the twenty-two non-major governmental funds is provided in the form of combining statements elsewhere in 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, Landfill Fund and Tax Incremental District Funds to demonstrate compliance with its budget on pages 17 through 19 of this report.

City of Muskego

Management Discussion and Analysis December 31, 2007

The basic governmental fund financial statements can be found on pages 14 through 19 of this report.

Proprietary funds – The City of Muskego maintains one type of proprietary funds: 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 20 through 23 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 \$34,684,850.

The basic fiduciary funds financial statements can be found on pages 24 and 25 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 26 through 64 of this report.

Other information –The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages 65 through 72 of this report.

Government-Wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Muskego, assets exceeded liabilities by \$119,224,522 as of December 31, 2007.

The largest portion of the City of Muskego's net assets (78.44%) 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, 2007**

City of Muskego - Net Assets

	Governmental Activities		Business - type Activities		Total	
	2007	2006	2007	2006	2007	2006
Current and other assets	\$32,089,926	\$ 32,456,382	\$ 17,240,014	\$ 15,667,655	\$ 49,329,940	\$ 48,124,037
Capital assets	47,134,257	47,748,022	70,599,022	68,729,036	117,733,279	116,477,058
Total Assets	79,224,183	80,204,404	87,839,036	84,396,691	167,063,219	164,601,095
Current Liabilities	13,199,998	14,606,227	1,568,547	2,025,088	14,768,545	16,631,315
Noncurrent outstanding	24,637,999	26,171,829	7,425,664	7,889,707	32,063,663	34,061,536
Other liabilities	-	-	1,006,489	990,204	1,006,489	990,204
Total liabilities	37,837,997	40,778,056	10,000,700	10,904,999	47,838,697	51,683,055
Invested in capital assets net of related debt	30,810,013	30,549,561	62,707,990	60,174,462	93,518,003	90,724,023
Restricted	1,853,645	1,518,839	5,273,996	4,620,618	7,127,641	6,139,457
Unrestricted	8,722,528	7,357,948	9,856,350	8,696,612	18,578,878	16,054,560
Total net assets	41,386,186	39,426,348	77,838,336	73,491,692	119,224,522	112,918,040
Total liabilities and net assets	\$79,224,183	\$ 80,204,404	\$ 87,839,036	\$ 84,396,691	\$167,063,219	\$164,601,095

A restricted portion of the City's net assets (6%) represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets, \$18,578,878, may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the 2007 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.

During the current fiscal year, the City's total net assets increased by \$6,306,482. The two major items attributing to this increase are \$4 million in water, sewer and road capital contributions to the City and a \$2.4 million decrease in the City's total long-term debt.

Analysis of the City's Operations - The following schedule highlights the City's revenues and expenses for the fiscal year ended December 31, 2007. These two main components are subtracted to yield the change in net assets. The table below utilizes the full accrual method of accounting. The table also demonstrates that governmental activities increased by \$1,959,838 in 2007, and business-type activities increased the City's net assets by \$4,346,644 that same year. Certain minor reclassifications have been made to the 2006 data from amounts previously reported. Key elements of this increase are as follows:

City of Muskego

**Management Discussion and Analysis
December 31, 2007**

City of Muskego's Change in Net Assets

	Governmental Activities		Business-type Activities		Total	
	2007	2006	2007	2006	2007	2006
Revenues:						
Program Revenues						
Charges for services	\$ 4,679,404	\$ 5,167,560	\$ 7,351,501	\$ 6,932,049	\$ 12,030,905	\$ 12,099,609
Operating grants and contributions	1,218,362	1,070,887	-	-	1,218,362	1,070,887
Capital grants and contributions	363,948	4,735,998	3,649,064	3,745,384	4,013,012	8,481,382
General Revenues						
Property taxes	10,965,484	10,891,333	-	-	10,965,484	10,891,333
Other Taxes	111,929	112,847	-	-	111,929	112,847
Franchise Taxes	152,494	140,852	-	-	152,494	140,852
Grants and contributions not restricted to specific programs	426,964	630,241	-	-	426,964	630,241
Unrestricted investment earnings	1,262,101	1,191,654	703,628	596,961	1,965,729	1,788,615
Miscellaneous	2,455	8,977	-	-	2,455	8,977
Total Revenues	19,183,141	23,950,349	11,704,193	11,274,394	30,887,334	35,224,743
Expenses:						
General government	2,958,461	3,243,408	-	-	2,958,461	3,243,408
Public safety	6,186,805	5,903,772	-	-	6,186,805	5,903,772
Highway and transportation	3,762,611	3,335,915	-	-	3,762,611	3,335,915
Health and sanitation	951,859	995,060	-	-	951,859	995,060
Economic development	169,471	1,976,333	-	-	169,471	1,976,333
Education and recreation	2,737,735	2,603,235	-	-	2,737,735	2,603,235
Interest on long-term debt	860,839	1,005,872	-	-	860,839	1,005,872
Sewer	-	-	5,476,632	5,968,214	5,476,632	5,968,214
Water	-	-	1,476,439	1,464,347	1,476,439	1,464,347
Total Expenses	17,627,781	19,063,595	6,953,071	7,432,561	24,580,852	26,496,156
Increase in Net Assets before transfers	1,555,360	4,886,754	4,751,122	3,841,833	6,306,482	8,728,587
Transfers	404,478	124,014	(404,478)	(124,014)	-	-
Change in Net Assets	1,959,838	5,010,768	4,346,644	3,717,819	6,306,482	8,728,587
Net Assets - beginning	39,426,348	34,415,580	73,491,692	69,773,873	112,918,040	104,189,453
Restatement-Infrastructure	-	-	-	-	-	-
Net Assets - ending	\$ 41,386,186	\$ 39,426,348	\$ 77,838,336	\$ 73,491,692	\$ 119,224,522	\$ 112,918,040

City of Muskego

**Management Discussion and Analysis
December 31, 2007**

Governmental Activities

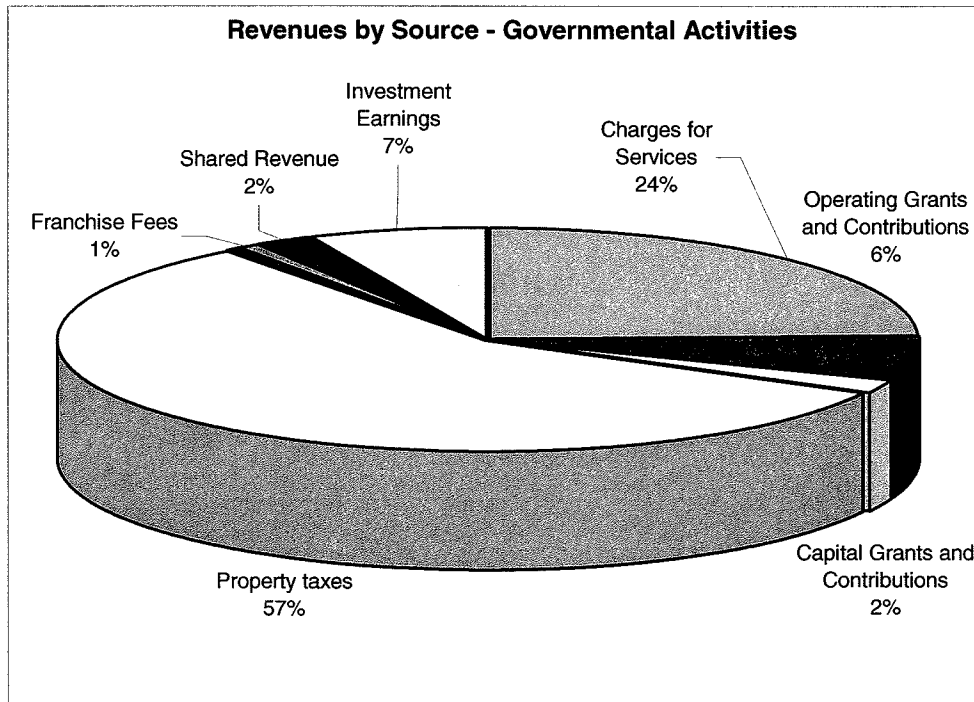
The table below discloses cost of services for Governmental Activities. The total cost of services column contains all costs related to the programs and the net cost column shows how much of the total amount is not covered by program revenues. Succinctly put, net costs that must be covered by local taxes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

Programs	Total Cost of Services		Net (Expenses) of Services	
	2007	2006	2007	2006
General government	\$ 2,958,461	\$ 3,243,408	\$ (2,491,227)	\$ (2,818,751)
Public safety	6,186,805	5,903,772	(5,016,473)	(4,585,527)
Public works	3,762,611	3,335,915	(2,448,177)	1,874,681
Health and sanitation	951,859	995,060	1,680,895	1,957,680
Economic development	169,471	1,976,333	(103,823)	(1,941,500)
Education and recreation	2,737,735	2,603,235	(2,126,423)	(1,569,861)
Interest and long-term debt	860,839	1,005,872	(860,839)	(1,005,872)
Total	\$ 17,627,781	\$ 19,063,595	\$ (11,366,067)	\$ (8,089,150)

The cost of services for the economic development function decreased approximately \$1.8 million. In 2006, this function included the distribution of positive tax increments to other taxing units. Due to a significant decrease in Governmental capital contributions, net expenses of services in the Public Works program increased by \$4.3 million.

Net cost of services is 64% of total cost of services in 2007. 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.



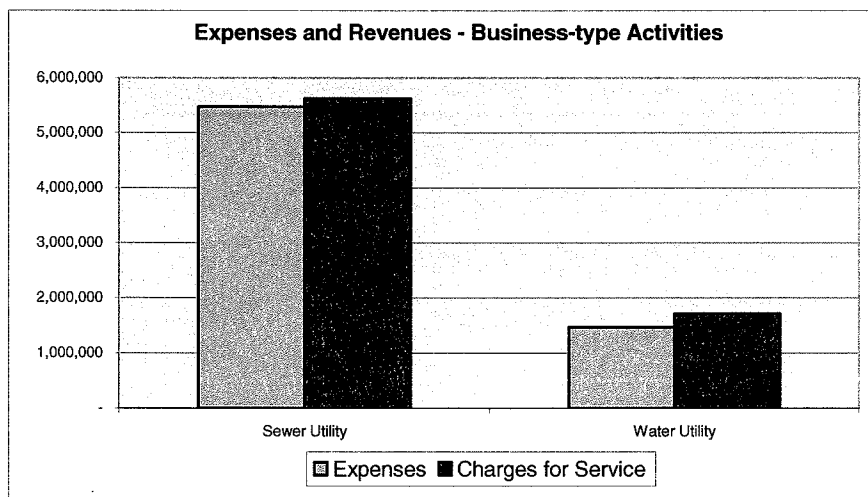
City of Muskego

Management Discussion and Analysis December 31, 2007

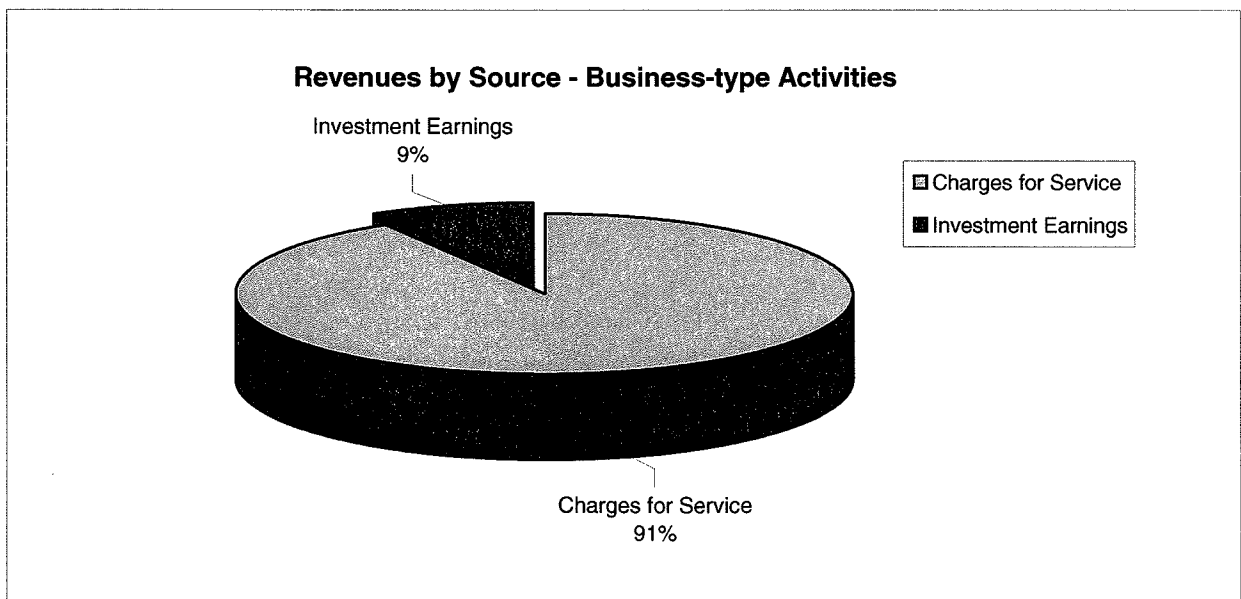
Business-Type Activities

Total Business-type activities' charges for service revenues for the year ending December 31, 2007 were \$7,351,501, an increase of \$419,452 over 2006. This was primarily due to an increase in sewer rates of 3%. The Business-type activities increased the City of Muskego's net assets by \$4,346,644, which is primarily due to capital contribution.

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



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



City of Muskego

Management Discussion and Analysis December 31, 2007

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, Landfill Fund, Debt Service Fund, Tax Increment District Funds, Capital Budget Fund and all Other Governmental Funds – reported a combined ending fund balances of \$18,034,399, an increase of \$1,201,333 in comparison with the prior year. Approximately 89% of this total amount (\$16,015,646) constitutes unreserved fund balance, which is available for spending at the government's discretion. However, approximately 95% of this unreserved amount (\$15,148,538) 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.

The General Fund is the chief operating fund of the City. During 2007, the General Fund balance increased by \$218,873. 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 \$4,477,592 while total fund balance reached \$4,492,373. 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 35% of total general fund expenditures.

Fund balance in the Debt Service Fund increased by \$307,167 during 2007. This increase is mostly the result of transfers in of \$305,000 from the Conservation and Storm Water Management Special Revenue Funds to reimburse the City for past borrowings. Fund balance in the Capital Budget Fund decreased by \$307,229 during 2007, reaching a total of \$1,265,905. This decrease relates to the current year expenditure of funds borrowed in prior years.

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. Total net assets of the Sewer Fund at the end of the year amounted to \$54,368,299 and the Water Fund totaled \$23,470,037. Total growth in net assets for both funds was \$3,076,037 and \$1,270,607, respectively.

General Fund Budgetary Highlights.

The final amended budget of \$13,369,804 did not change in total from the original expenditure budget, but did include amendments of \$34,600 that were funded out of contingency. Of this total, \$27,738 was for snow plowing expenditures in the Public Works Department and \$6,862 included additional personnel costs in the Conservation and Development Department.

During the year, however, revenues were more than budgetary revenues and expenditures were less than budgetary expenditures.

City of Muskego

**Management Discussion and Analysis
December 31, 2007**

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, 2007, amounts to \$117,733,279 (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 major road reconstruction, groundwork costs of the Moorland Park project and implementation of the Public Safety Phoenix system.

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

	Governmental Activities		Business-Type Activities		Total	
	2007	2006	2007	2006	2007	2006
Land	\$ 3,982,304	\$ 3,871,054	\$ 160,066	\$ 160,066	\$ 4,142,370	\$ 4,031,120
Construction in progress	756,439	297,912	413,087	259,020	1,169,526	556,932
Land Improvements	2,768,779	2,768,779	-	-	2,768,779	2,768,779
Buildings	11,405,194	11,405,194	14,443,168	14,127,794	25,848,362	25,532,988
Equipment	6,516,874	6,692,971	3,352,748	3,318,335	9,869,622	10,011,306
Library Collection	1,919,296	1,784,260	-	-	1,919,296	1,784,260
Infrastructure	47,102,595	45,911,846	69,994,910	67,057,282	117,097,505	112,969,128
Acc. Depreciation	(27,317,224)	(24,983,994)	(17,764,957)	(16,193,461)	(45,082,181)	(41,177,455)
Total	\$ 47,134,257	\$ 47,748,022	\$ 70,599,022	\$ 68,729,036	\$ 117,733,279	\$ 116,477,058

Additional information on the City's capital assets can be found in Note IV on pages 47 through 49 of this report.

Long-term debt - As of December 31, 2007, the City of Muskego, Wisconsin had general obligation bonds and notes and Community Development Lease Revenue Bonds outstanding totaling \$21,671,003. The City of Muskego has business-type activities revenue bonds and notes payable, an advance from the Municipality and refunding losses totaling \$8,932,424. In the current year, the City paid \$1,732,383 in principal and \$930,537 in interest on outstanding debt. Business-Type Activities paid \$690,818 in principal and \$423,723 in interest on outstanding debt in the current year. Of the total City debt, \$2,640,354 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 "A3" on its Water Revenue Bonds.

City of Muskego

**Management Discussion and Analysis
December 31, 2007**

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

	Governmental Activities		Business-Type Activities		Total	
	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>	<u>2007</u>	<u>2006</u>
G.O. Bonds and Notes	\$ 19,746,003	\$ 21,403,386	\$ 562,150	\$ 581,075	\$ 20,308,153	\$ 21,984,461
Community Development Lease Revenue					-	-
Bonds	1,925,000	2,000,000	-	-	1,925,000	2,000,000
Revenue Bonds	-	-	7,915,000	8,415,000	7,915,000	8,415,000
Advances from Municipality			780,158	997,384	780,158	997,384
Refundings-Gains/(Losses)	-	-	(324,884)	(370,217)	(324,884)	(370,217)
Total	<u>\$ 21,671,003</u>	<u>\$ 23,403,386</u>	<u>\$ 8,932,424</u>	<u>\$ 9,623,242</u>	<u>\$ 30,603,427</u>	<u>\$ 33,026,628</u>

Additional information about the City's long-term debt can be found in Note IV on pages 52 through 58 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 increased by only 4% in 2007, while preceding year values increased by 14%. In 2007, the average equalized value of a single-family home in Muskego was \$292,500.
- The City of Muskego 2007 tax rate increased only slightly to \$4.69 per thousand as compared to the 2006 rate of \$4.61 per thousand. The major factors contributing the tax rate increase were two prior years of tax rate decreases and rising expenditures that are exceeding the State imposed levy limits. The increase also addresses the Council's goals of imposing a gradual rather than significant tax rate increase and will help maintain a General fund balance savings for funding future unforeseen events.
- The City's \$2.7 billion tax base averaged an annual growth of 10.5% over the last five years. It is expected the City's tax base will continue to experience an above average rate of growth and additional land development due to the creation of Tax Incremental District No. 10. The district 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.

All these factors were considered in preparing the City of Muskego, Wisconsin's budget for the year ending December 31, 2008.

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 Supervisor, City of Muskego, W182 S8200 Racine Ave, Muskego, WI 53150, call 262-679-5622 or e-mail smueller@ci.muskego.wi.us.

BASIC FINANCIAL STATEMENTS

City of Muskego

Statement of Net Assets
December 31, 2007

	Governmental Activities	Business-type Activities	Totals
ASSETS			
Cash and cash equivalents	\$ 18,616,847	\$ 7,742,499	\$ 26,359,346
Temporary investments	-	705,024	705,024
Receivables (net of allowance for uncollectibles)	12,416,626	2,425,802	14,842,428
Prepays	14,781	-	14,781
Internal balances	780,158	(780,158)	-
Restricted Assets			
Cash and cash equivalents	-	5,611,382	5,611,382
RCA and WCA assessments receivable	-	625,938	625,938
Special assessments receivable	176,322	633,113	809,435
Deferred debits	85,192	276,414	361,606
Capital Assets			
Land	3,982,304	160,066	4,142,370
Construction in progress	756,439	413,087	1,169,526
Other capital assets, net of depreciation	42,395,514	70,025,869	112,421,383
Total Assets	<u>79,224,183</u>	<u>87,839,036</u>	<u>167,063,219</u>
LIABILITIES			
Accounts payable and other current liabilities	1,361,772	567,600	1,929,372
Accrued interest payable	114,559	-	114,559
Unearned revenue	11,723,667	215,972	11,939,639
Liabilities payable from restricted assets			
Accrued interest payable	-	58,373	58,373
Current portion of long-term debt	-	726,602	726,602
Noncurrent Liabilities:			
Due within one year	1,993,752	-	1,993,752
Due in more than one year	22,644,247	7,425,664	30,069,911
Other unearned revenue	-	1,006,489	1,006,489
Total Liabilities	<u>37,837,997</u>	<u>10,000,700</u>	<u>47,838,697</u>
NET ASSETS			
Invested in capital assets, net of related debt	30,810,013	62,707,990	93,518,003
Restricted for:			
Depreciation and equipment and replacement funds	-	813,592	813,592
Water and sewer capacity assessment funds	-	4,104,189	4,104,189
Tax increment district purposes	362,696	-	362,696
Other debt service	1,490,949	356,215	1,847,164
Unrestricted	8,722,528	9,856,350	18,578,878
TOTAL NET ASSETS	<u>\$ 41,386,186</u>	<u>\$ 77,838,336</u>	<u>\$ 119,224,522</u>

See accompanying notes to financial statements.

City of Muskego

Statement of Activities
For the Year Ended December 31, 2007

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
Governmental Activities							
General government	\$ 2,958,461	\$ 462,830	\$ 4,404	\$ -	(2,491,227)	\$ -	(2,491,227)
Public safety	6,186,805	1,074,893	95,439	-	(5,016,473)	-	(5,016,473)
Public works	3,762,611	53,644	896,842	363,948	(2,448,177)	-	(2,448,177)
Health and sanitation	951,859	2,538,394	94,360	-	1,680,895	-	1,680,895
Conservation and development	169,471	5,352	60,296	-	(103,823)	-	(103,823)
Education and recreation	2,737,735	544,291	67,021	-	(2,126,423)	-	(2,126,423)
Interest on long-term debt	860,839	-	-	-	(860,839)	-	(860,839)
Total Governmental Activities	17,627,781	4,679,404	1,218,362	363,948	(11,366,067)	-	(11,366,067)
Business-type activities							
Sewer Utility	5,476,632	5,631,130	-	2,348,053	-	2,502,551	2,502,551
Water Utility	1,476,439	1,720,371	-	1,301,011	-	1,544,943	1,544,943
Total Business-type Activities	6,953,071	7,351,501	-	3,649,064	-	4,047,494	4,047,494
Total	\$ 24,580,852	\$ 12,030,905	\$ 1,218,362	\$ 4,013,012	(11,366,067)	4,047,494	(7,318,573)
General Revenues							
Taxes							
Property taxes, levied for general purposes					8,797,960	-	8,797,960
Property taxes, levied for debt service					2,167,524	-	2,167,524
Other taxes					111,929	-	111,929
Intergovernmental revenues not restricted to specific programs					579,458	-	579,458
Investment income					1,262,101	703,628	1,965,729
Miscellaneous					2,455	-	2,455
Total General Revenues					12,921,427	703,628	13,625,055
Transfers					404,478	(404,478)	-
Change in Net Assets					1,959,838	4,346,644	6,306,482
NET ASSETS - Beginning of Year					39,426,348	73,491,692	112,918,040
NET ASSETS - END OF YEAR					\$ 41,386,186	\$ 77,838,336	\$ 119,224,522

City of Muskego

Balance Sheet
Governmental Funds
December 31, 2007

	General Fund	Landfill Fund	Debt Service Fund	Tax Increment District Funds	Capital Budget Fund	Nonmajor Governmental Funds	Total Governmental Funds
ASSETS							
Cash and cash equivalents	\$ 5,128,167	\$ 2,960,012	\$ 1,605,508	\$ -	\$ 1,360,310	\$ 7,562,850	\$ 18,616,847
Receivables - net							
Accounts	140,554	155,121	-	-	-	544,472	840,147
Due from other governments	-	-	-	-	15,850	3,237	19,087
Taxes	9,092,987	-	2,212,444	197,194	-	54,767	11,557,392
Special assessments							
Due in installments	-	-	-	-	-	85,890	85,890
Deferred	-	-	-	-	-	90,432	90,432
Prepaid items	14,781	-	-	-	-	-	14,781
Advance to Water Utility							
Current portion	-	-	177,677	-	-	-	177,677
Due after 2006	-	-	602,481	-	-	-	602,481
Total Assets	<u>\$ 14,376,489</u>	<u>\$ 3,115,133</u>	<u>\$ 4,598,110</u>	<u>\$ 197,194</u>	<u>\$ 1,376,160</u>	<u>\$ 8,341,648</u>	<u>\$ 32,004,734</u>
LIABILITIES AND FUND BALANCES							
Liabilities							
Accounts payable	\$ 542,262	\$ 4,800	\$ -	\$ -	\$ 110,255	\$ 256,224	\$ 913,541
Accrued liabilities	128,231	-	-	-	-	-	128,231
Due to other governments	-	-	-	-	-	320,000	320,000
Deferred revenue	9,213,623	-	2,992,602	197,194	-	205,144	12,608,563
Total Liabilities	<u>9,884,116</u>	<u>4,800</u>	<u>2,992,602</u>	<u>197,194</u>	<u>110,255</u>	<u>781,368</u>	<u>13,970,335</u>
Fund Balances							
Reserved for							
Prepays	14,781	-	-	-	-	-	14,781
Non-current receivables	-	-	-	-	-	96,105	96,105
Revolving loan purposes	-	-	-	-	-	258,644	258,644
Encumbrances	-	-	-	-	-	33,700	33,700
Tax increment financing purposes	-	-	-	-	-	10,015	10,015
Debt service	-	-	1,605,508	-	-	-	1,605,508
Unreserved, reported in							
General fund, designated	3,610,484	-	-	-	-	-	3,610,484
General fund, undesignated	867,108	-	-	-	-	-	867,108
Landfill fund, designated	-	1,477,022	-	-	-	-	1,477,022
Capital budget, designated	-	-	-	-	1,265,905	-	1,265,905
Special revenue funds	-	1,633,311	-	-	-	6,313,150	7,946,461
Capital projects funds	-	-	-	-	-	848,666	848,666
Total Fund Balances	<u>4,492,373</u>	<u>3,110,333</u>	<u>1,605,508</u>	<u>-</u>	<u>1,265,905</u>	<u>7,560,280</u>	<u>18,034,399</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 14,376,489</u>	<u>\$ 3,115,133</u>	<u>\$ 4,598,110</u>	<u>\$ 197,194</u>	<u>\$ 1,376,160</u>	<u>\$ 8,341,648</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.	47,134,257
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.	104,738
Advance to Water Utility	780,158
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.	<u>(24,667,366)</u>

NET ASSETS OF GOVERNMENTAL ACTIVITIES \$ 41,386,186

City of Muskego

Statement of Revenues, Expenditures, and Changes in Fund Balances
 Governmental Funds
 For the Year Ended December 31, 2007

	General	Landfill Fund	Debt Service	Tax Increment District Funds	Capital Budget	Nonmajor Governmental Funds	Total Governmental Funds
REVENUES							
Taxes	\$8,713,547	\$ -	\$2,167,524	\$ 158,282	\$ -	\$ -	\$ 11,039,353
Intergovernmental	1,552,963	-	-	7,331	15,850	207,230	1,783,374
Licenses and permits	642,135	-	-	-	-	-	642,135
Fines, forfeitures and penalties	160,864	-	-	-	-	-	160,864
Public charges for services	698,277	1,736,980	-	-	-	1,187,494	3,622,751
Public improvement revenues	-	-	-	-	-	35,019	35,019
Commercial revenue	668,962	123,616	71,102	-	76,388	420,947	1,361,015
Intergovernmental charges for services	122,117	-	-	-	-	-	122,117
Interdepartmental revenues	83,296	-	277,531	-	-	-	360,827
Total revenues	<u>12,642,161</u>	<u>1,860,596</u>	<u>2,516,157</u>	<u>165,613</u>	<u>92,238</u>	<u>1,850,690</u>	<u>19,127,455</u>
EXPENDITURES							
Current							
General government	2,451,166	-	-	16,683	-	121,109	2,588,958
Public safety	5,397,629	-	-	-	-	348,858	5,746,487
Public works	1,906,949	-	-	-	-	771	1,907,720
Health and sanitation	-	43,820	-	-	-	907,299	951,119
Conservation and development	-	-	-	-	-	84,849	84,849
Education and recreation	2,206,981	-	-	-	-	116,475	2,323,456
Debt service:							
Principal retirement	-	-	1,732,383	-	-	-	1,732,383
Interest	-	-	930,537	-	-	-	930,537
Capital outlay	808,823	-	-	-	399,467	899,502	2,107,792
Total Expenditures	<u>12,771,548</u>	<u>43,820</u>	<u>2,662,920</u>	<u>16,683</u>	<u>399,467</u>	<u>2,478,863</u>	<u>18,373,301</u>
Excess (deficiency) of revenues over expenditures	(129,387)	1,816,776	(146,763)	148,930	(307,229)	(628,173)	754,154
OTHER FINANCING SOURCES (USES)							
Transfers in	404,478	-	453,930	-	-	1,259,271	2,117,679
Transfers out	(98,919)	(1,014,104)	-	(148,930)	-	(451,248)	(1,713,201)
Sale of property	42,701	-	-	-	-	-	42,701
Total Other Financing Sources (Uses)	<u>348,260</u>	<u>(1,014,104)</u>	<u>453,930</u>	<u>(148,930)</u>	<u>-</u>	<u>808,023</u>	<u>447,179</u>
Net Change in Fund Balance	218,873	802,672	307,167	-	(307,229)	179,850	1,201,333
FUND BALANCES - Beginning of Year	<u>4,273,500</u>	<u>2,307,661</u>	<u>1,298,341</u>	<u>-</u>	<u>1,573,134</u>	<u>7,380,430</u>	<u>16,833,066</u>
FUND BALANCES - END OF YEAR	<u>\$4,492,373</u>	<u>\$3,110,333</u>	<u>\$1,605,508</u>	<u>\$ -</u>	<u>\$1,265,905</u>	<u>\$ 7,560,280</u>	<u>\$ 18,034,399</u>

